

Consumers spending  
with restraint  
2011 Holiday outlook survey





# Deloitte's 2011 Canadian holiday outlook survey overview

Entering the 2011 holiday shopping season, Canadians' sentiment towards the economy and their employment prospects have softened from where they stood this time last year. The uncertain global economy and the resulting volatility of the stock market, the Canadian dollar, and fuel prices have taken their toll on Canadians' confidence. Canadians' highest priority is to pay off their debt; however, debt to income ratios continue to rise nationwide.

Despite intentions, our survey results show that Canadians will still go out and shop this holiday season, albeit cautiously.

Moderate consumer spending, unseasonably warm weather and the arrival of new U.S. and international retailers such as J. Crew, Marshalls, Topshop and Victoria's Secret are creating an increasingly competitive retail environment in Canada.

---

**“Retailers should anticipate low single-digit growth over last holiday season. Market volatility will result in consumers delaying holiday shopping to the last minute.”**

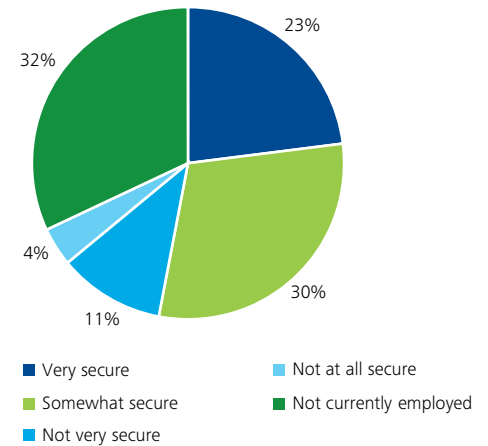
JP Vorsanger, Deloitte Greater Toronto Area Retail Leader



## Canadians are feeling somewhat conflicted in this time of economic uncertainty

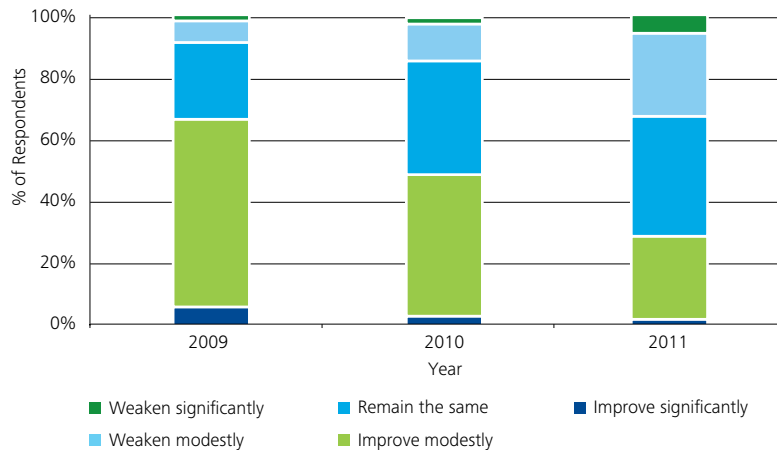
- 53% of Canadians indicate that they feel somewhat to very secure about their jobs through 2011 and 19% indicate that their household financial situation is better than it was last year.
- However, 33% of Canadians feel that the economy will weaken at least modestly in 2012, compared to 14% of respondents a year ago.
- Furthermore, Canada's Consumer Confidence Index, which reached a high of 89.0 following last year's holiday season, has been trending down since March hitting a low of 74.7 in July. Canadians however continue to remain significantly more positive than Americans. The U.S. consumer confidence is hovering around 45, back to where it was a year ago.

Canadians' view on job security



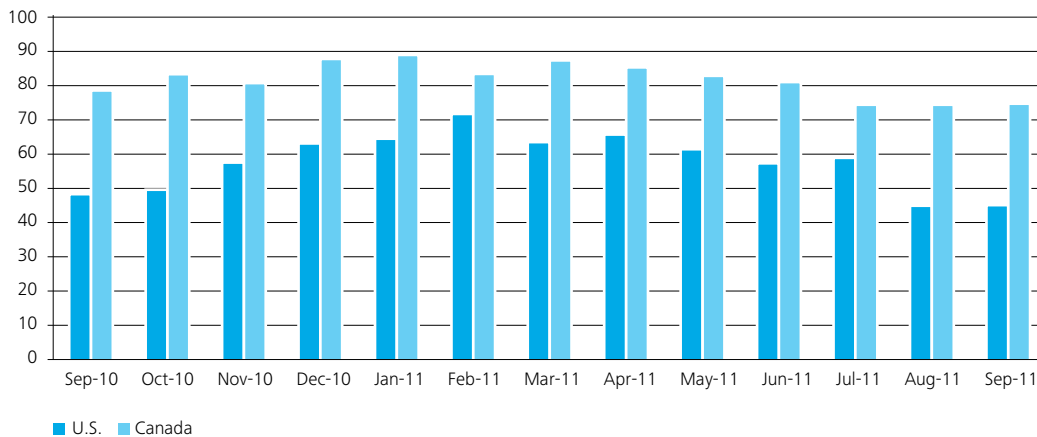
Source: D&T Holiday Mood 2011

Canadians' view on the economy



Source: D&T Holiday Mood 2011

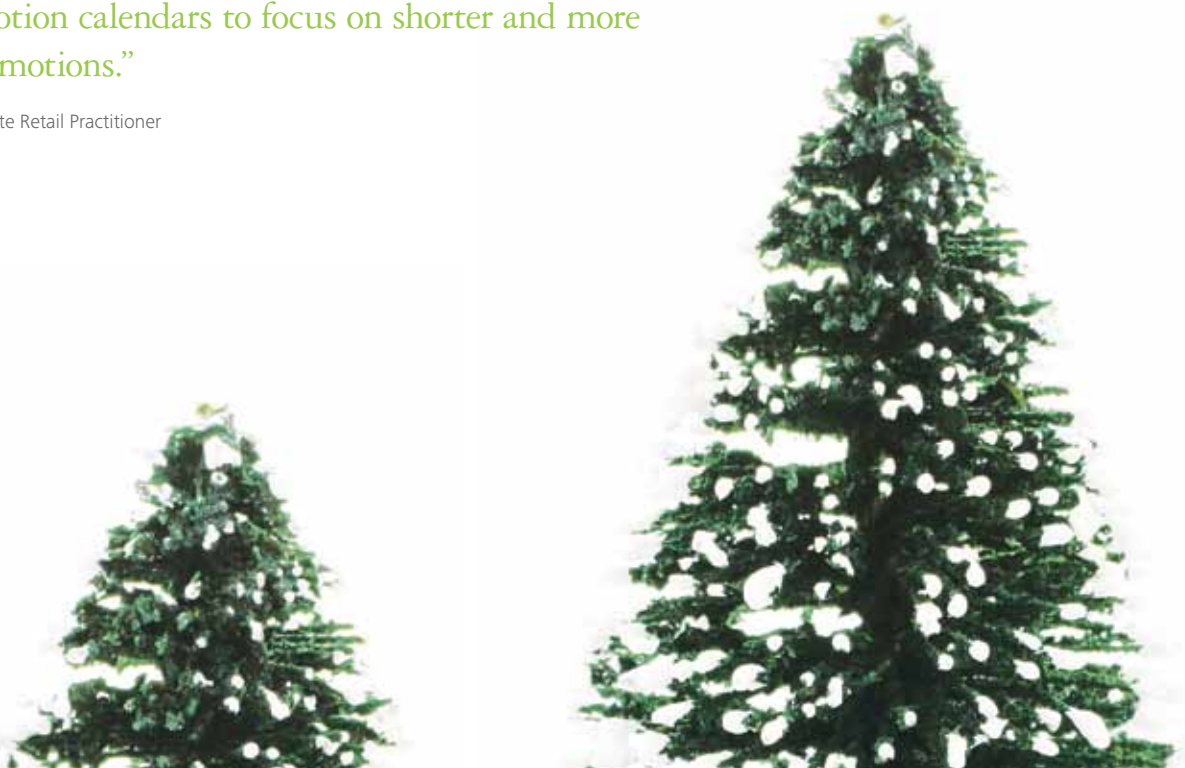
### Consumer confidence – U.S. vs. Canada



Source: Conference Board, Conference Board of Canada

“Don’t expect to see mass promotions or price wars. Inventory levels are being managed diligently to avoid massive store-wide markdowns. Expect to see more targeted offers, such as flash sales, that attract customers through unique and exclusive purchasing opportunities. Retailers have radically changed their promotion calendars to focus on shorter and more layered promotions.”

Shane White, Deloitte Retail Practitioner

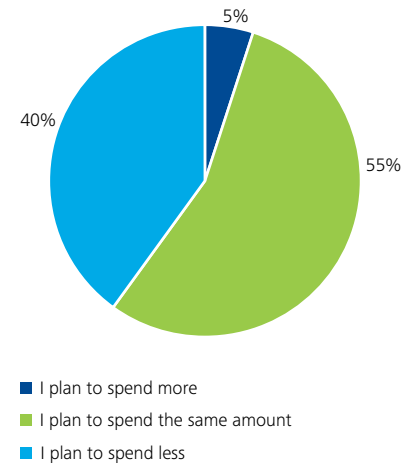


## Consumers are spending thanks to low interest rates, but they are making budgets

Given current consumer mindset, retailers should expect modest gains relative to the 2010 holiday season.

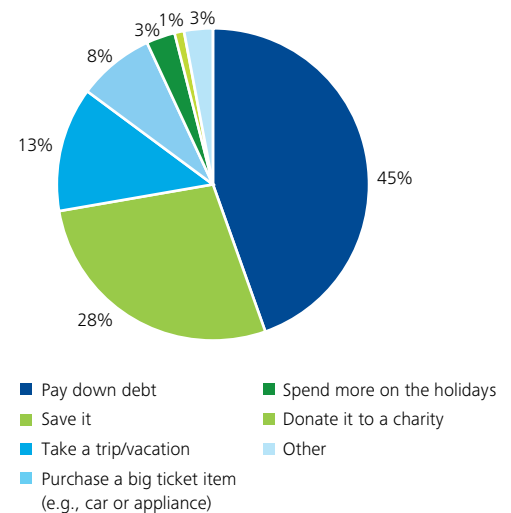
- Americans have been paying off debt and deleveraging, bringing U.S. consumer debt-to-income ratio to 114.6% in Q2 2011 (the lowest levels since 2004). Canadians on the other hand, continue to increase their debt load and seem quite willing to take advantage of historically low interest rates to fuel their aspirations. According to Statistics Canada, the ratio of household credit-market debt to personal disposable income rose to 149% in Q2 of 2011, up from 147% in Q1 and up from 146% a year ago. Additional debt has not added much burden on Canadians' households, and debt service ratios have remained stable compared to last year.
- Although Canadians continue to take on debt, they continue to state that paying down debt is a top priority. When asked what they would do with a bonus or extra income, a vast majority (73%), said they would save or pay down debt, while only 11% said they would spend the money. This shows that Canadians are conflicted about borrowing more and are somewhat concerned about the longer term implications of increasing debt levels.

**Spending plans for 2011 holiday season**



Source: D&T Holiday Mood 2011

**How will Canadians spend a bonus or extra income?**

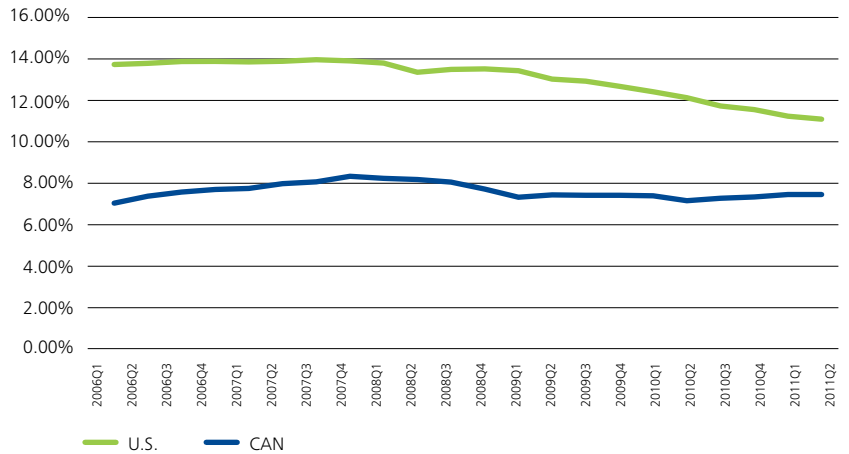


Source: D&T Holiday Mood 2011



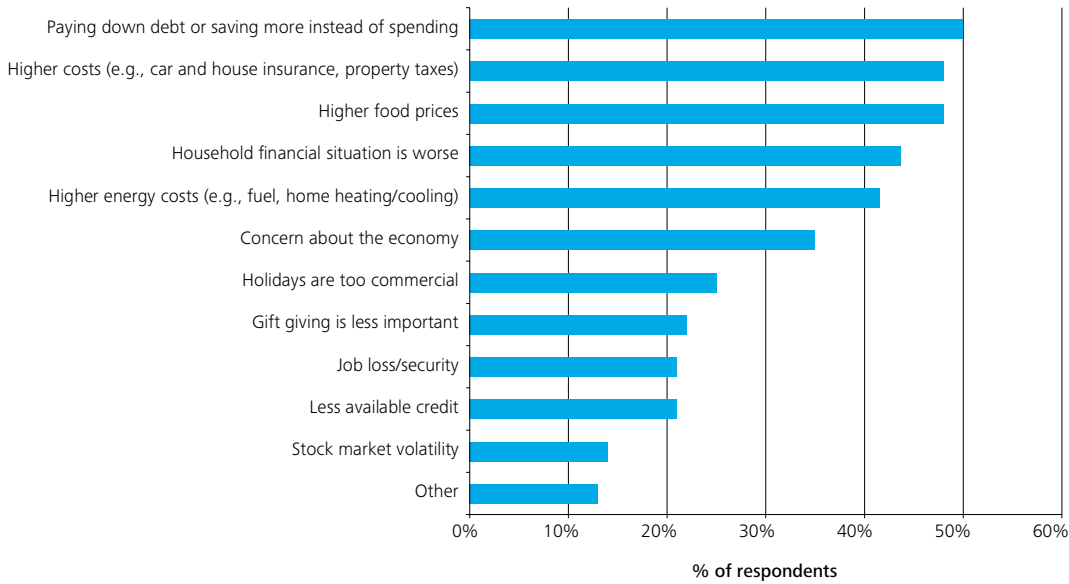
- As a result, most Canadians plan to spend conservatively. Our survey shows that 55% of Canadians plan to spend the same amount this holiday season as they did last year and only 5% plan on spending more, while 40% indicated that they plan on spending less.
- Half of Canadians plan on sticking to a budget this holiday season, with a median reported budget of \$477. Canadian households earning under \$30,000 reported a median budget of \$264 while households earning over \$150,000 reported a median budget of \$816.

**Debt service ratio – U.S. vs. Canada**



Source: U.S. Federal Reserve, Statistics Canada

**Why will Canadians spend less this holiday season?**

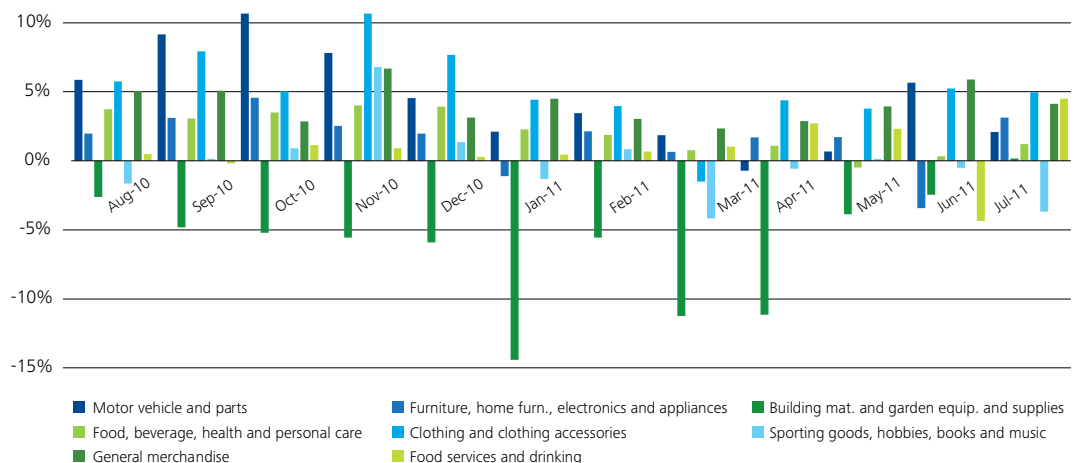


Source: D&T Holiday Mood 2011

## Electronics, clothing and home accessories to get a boost from holiday shopping

- Healthy sales increases were experienced up to June 2011, then retail sales stagnated over the summer, which can be attributed to declining consumer confidence, and food and commodity inflation.
- General merchandise, clothing and accessories, as well as motor vehicles and parts showed consistent mid-single digit growth from January through July 2011.
  - Clothing and accessories sales growth were the result of seasonal weather, new entrants into the market and a number of store renovations and re-launches.
  - General merchandise sales growth resulted from expanded offerings, better value and price, and increased store counts in both urban and rural markets.
  - Motor vehicle sales have benefited from a surge in new vehicle releases and facelifts, historically low financing rates, and greater choice of 'value' or entry-level vehicles in the luxury car segment.
- Other categories have toggled between positive and negative year-over-year comparisons and in the case of building materials, garden equipment and supplies experienced steady decline.
  - Slower housing starts, multiple instances of severe weather conditions across the country, and the end of home renovation tax credits have made it a challenging year for home equipment retailers.
- Our survey shows that the upcoming holiday season should benefit electronics retailers; 34% of Canadians are planning on purchasing a technology gift up from 28% in 2010. Flat screen TVs took the top spot as the most commonly cited technology gift, followed by digital cameras, smartphones, eReaders and tablets. As many tablet manufacturers significantly reduce prices in an attempt to gain market share against Apple's iPad, we expect the category to be an important sales engine for electronics retailers.

Change in Canadian retail and food service sales from previous year seasonally adjusted



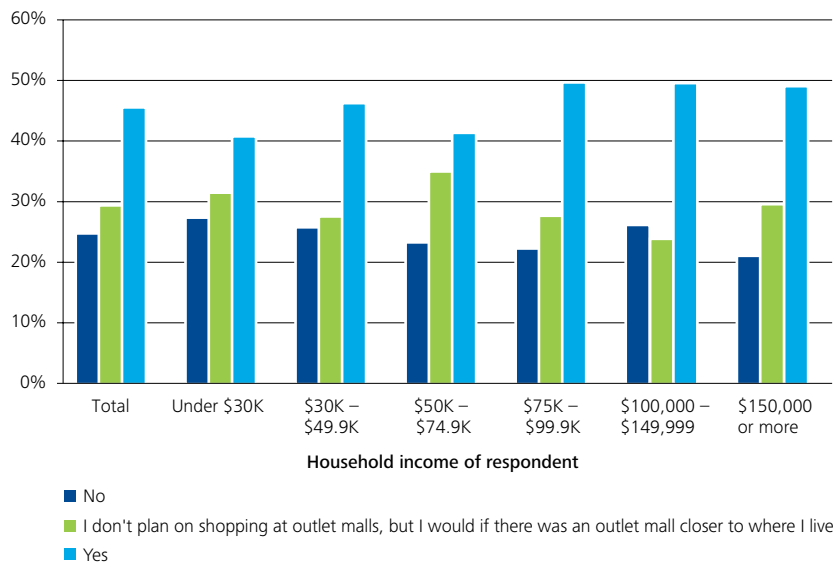
Source: Statistics Canada

- Traditional gift categories such as clothing and home furnishings and accessories should also do well as consumers take advantage of the season to catch up on purchases they have been delaying earlier this year.
- On the other hand, experience gifts such as spa packages, golf lessons, etc., which do traditionally better in good times, will not be high on Canadians' shopping lists this year.

“Unlike the last several holiday seasons, no particular apparel or technology ‘must-have’ item has emerged, so expect to see gift spending spread across multiple categories.”

Yussef Hafez, Deloitte Retail Practitioner

**Do you plan on shopping at outlet malls?**



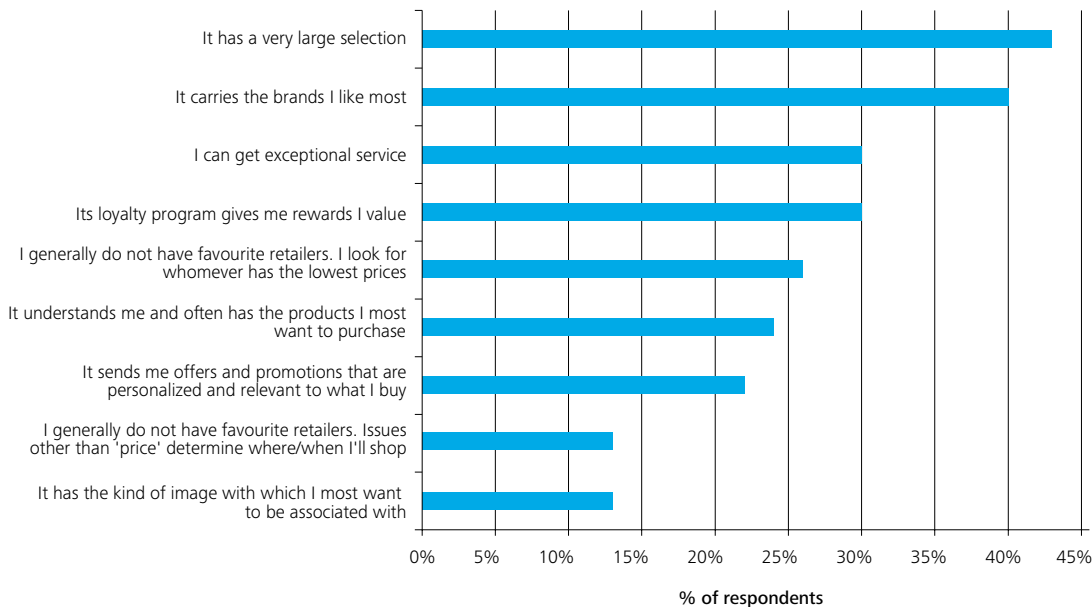
Source: D&T Holiday Mood 2011



“Over the last few years, Canadian shoppers have become very different than American shoppers. Canadians will generally compare U.S. to Canadian pricing on most purchases where similar items are offered on both sides of the border. Playing the price arbitrage game differentiates Canadian from U.S. consumers.”

Brent Houlden, Deloitte National Retail Practice leader

**What are the attributes of your favorite retailers?**



Source: D&T Holiday Mood 2011

## Keys to success: assortment, brands, value

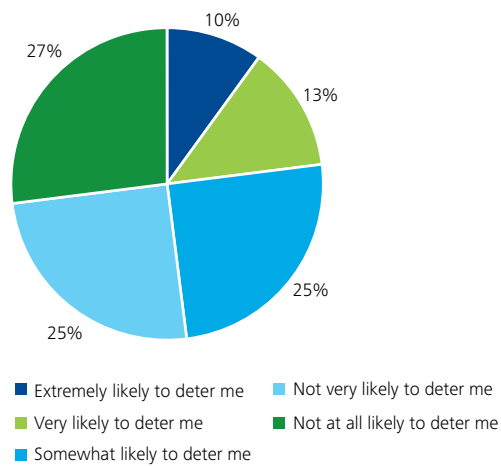
Canadians look for breadth and depth of assortment, brands and value. Survey results show that 43% of Canadians believe that having a large selection of merchandise is one of the most important attributes of their favourite retailer(s), and 40% cited availability of brands they like as an important factor when deciding where to shop.

Canadians also want good prices. In their search for value, they will be looking for promotions, exploring outlet malls and still making cross-border shopping trips to the U.S.

- When asked how their shopping patterns would change this year versus last year “buy more items on sale” was the leading response for 53% of Canadians.
- When asked if they planned on doing any of their holiday shopping at outlet malls this holiday season, 46% of Canadians responded “yes” while an additional 29% indicated they would choose to shop at an outlet mall if one existed closer to where they live.

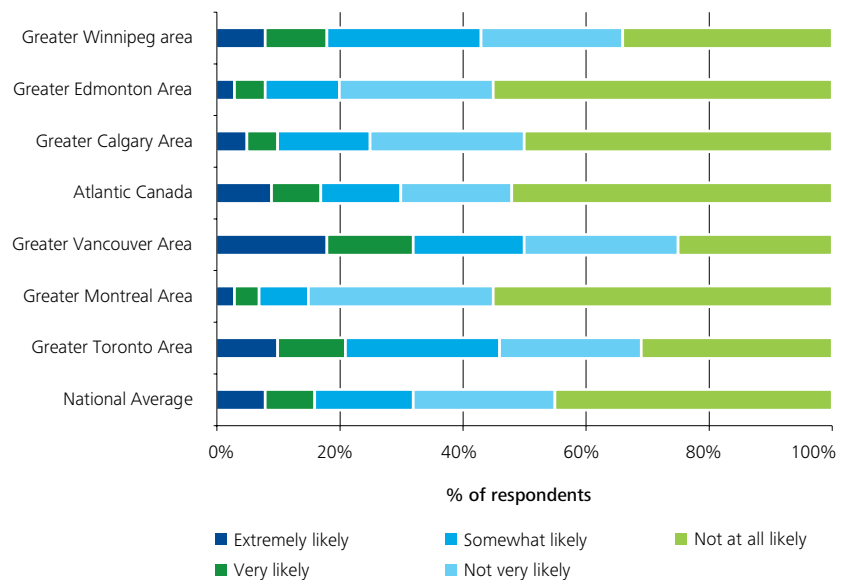
- Of those Canadians who indicate they will shop at outlet malls this holiday season, 54% cited “lower prices on brands they like” as a key reason to do so followed by 20% who stated outlet malls as having “greater shopping variety”, reinforcing that outlet malls are meeting two of the primary retail attributes valued by Canadians – price and selection.
- Despite relatively high gas prices, a strong Canadian dollar can explain why 32% of survey respondents are still planning to cross-border shop this holiday season, down from 40% last year. While the percentage is down from 2010 for those Canadians planning to cross the border to shop, price remains the key factor with many Canadians seeking lower prices on the same or comparable items.

**Likelihood that presence of U.S. retailers will deter cross-border shopping**



Source: D&T Holiday Mood 2011

**Likelihood to cross-border shop**



Source: D&T Holiday Mood 2011

## The future of electronic commerce

Canadian consumers have been relatively slow to adopt online shopping.

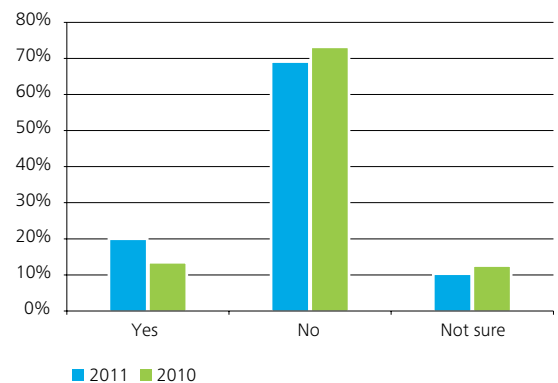
- Roughly the same proportion of Canadians, 45%, say they plan on doing some of their holiday shopping online this year as did last year (47%).
- 33% of Canadians indicate they'll use online web sites to check products and prices.

While the number of Canadians who plan to buy online has been stable in the last couple of years, this will likely change in the near future.

- Pressure on store-based retailers from internet pure plays, retailers who have successfully leveraged the internet to capture sales through multichannel convenience, and U.S. retailers who increasingly ship to Canada will force other Canadian retailers to step-up their ecommerce offering.
- As a result of these pressures, several Canadian retailers have revisited their ecommerce strategies and are investing in new ecommerce platforms. In some instances, certain Canadian retailers are embracing ecommerce for the first time, while others are re-embracing ecommerce strategies that had been exited and/or dated.

- Survey respondents are quite receptive to flash sales web sites, with 22% indicating they are likely to make a purchase on a flash sales web site (such as Groupon), demonstrating that Canadian consumers will purchase online if the offer is compelling enough.

Planned use of mobile apps for shopping



Source: D&T Holiday Mood 2011

---

“The Canadian retail scene is radically evolving. Not only are new retail entrants having an impact on the market, many of the leading Canadian retailers have appointed new CEOs. It is expected that these new CEOs will make big changes and provide fresh perspectives to Canadian retail.”

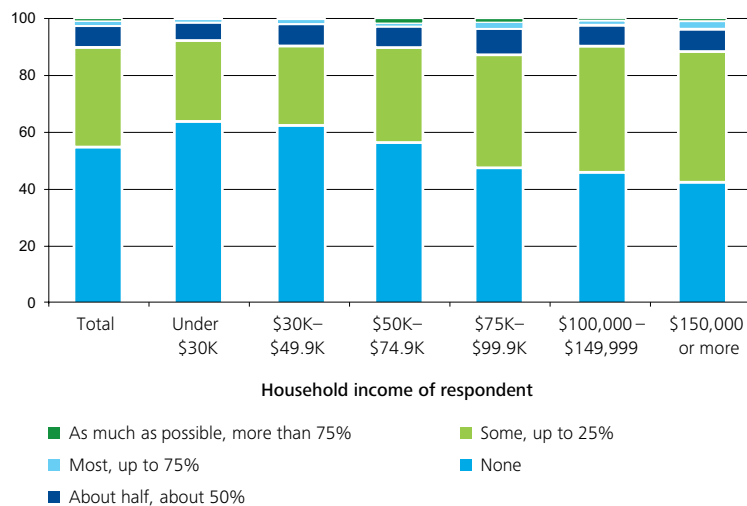
Kim MacDonald, Deloitte Consumer Business

“Online research is directly influencing retail sales. Up to 70% of shoppers will ‘pre-shop’ on the web before going to the mall. Even though the internet has changed shopping patterns, smartphones will have an even greater impact on the path-to-purchase.”

Peter Barr, Deloitte National Consumer Business leader

- Mobile shopping continues to grow in popularity with Canadians.
  - Survey results show that 20% of Canadians plan to embrace mobile applications to assist with shopping (up from 14% a year ago) while 17% of Canadians cited already having used mobile shopping applications in some capacity. The most common mobile shopping applications used are location-based (i.e., GPS, store locator), followed by productivity (i.e., currency converters, budget), banking or payment and entertainment (i.e., music).
  - Younger Canadians are leading the charge towards adopting mobile shopping applications, with 28% of 18-29 year olds having used some form of mobile shopping application and 33% planning on using mobile applications for shopping this holiday season.

Amount of online shopping for 2011 holiday season



Source: D&T Holiday Mood 2011



## Regional highlights

### Greater Vancouver

In Greater Vancouver, consumers are feeling less optimistic about the economy. While in 2010, 80% of Vancouver residents believed the economy would stay the same or improve, about two-thirds now hold this view. Fewer people also expressed confidence about job security in 2011 with just 49% indicating they felt their job was secure or very secure compared to approximately 60% in last year.

Despite this outlook, Vancouverites are feeling that their household finances are in order, and a majority of respondents (58%) said they plan to spend the same as last year this holiday season. Interestingly, cross-border shopping is in decline in Vancouver with 50% of residents saying it is likely they'd cross the border to shop, compared to 65% last year, with clothing, gasoline and groceries being the top three cross-border purchases in 2011.

As well, Vancouverites are becoming increasingly tech-savvy, with the use of mobile apps for shopping doubling in Greater Vancouver, reaching a 30% level, higher than the national average of 20%. Vancouverites are also slightly ahead of the national average in terms of shopping online (50% will do at least some online shopping), and, are more likely to make use of daily deal web sites (30% versus 22% for the rest of Canada). Tablets and eReaders will also be a popular gift in Vancouver this year.

### The Prairies

Unemployment rates in the Prairie provinces (Alberta, Manitoba and Saskatchewan) are significantly lower than the Canadian average. As of September 2011, the unemployment rates across the Prairies averaged 5.2% while the Canadian average was 7.1% (unemployment rates in September 2010 were 5.7% and 8.0% respectively). This has contributed to noticeable differences in our survey results:

- 88.2% of Edmonton, Calgary and Winnipeg respondents with jobs rated their jobs as somewhat or very secure (nationally the response was 78.7%);
- An average of 72.6% thought the economy would improve or remain the same (nationally 67.6%); and an average of 63.2% thought they would spend the same or more this holiday season (nationally the response was 59.9%).

Overall, the Prairies, like the rest of the country, continues to experience significant economic uncertainty. Consumer spending will continue to be affected by employment, confidence in job security, and economic outlook of consumers.

---

“Expect to see more creative traffic driving events. Pop-up shops for some retailers have been leveraged to drive excitement and traffic.”

Haley Greenspoon, Deloitte Retail Practitioner

### **Greater Montreal Area and Quebec**

In Montreal, the economic outlook is worse than last year. In 2010, 89% of customers had responded the economy would stay the same or improve, compared to only 60% in 2011. Also, in 2011, confidence in job security remained similar to last year at 50%.

Furthermore, 67.2% mentioned that their household's current situation was similar or better than last year compared to 75% in 2010, bringing the perception of Montrealers lower than the national results.

Despite this, 54% of respondents indicated they will spend the same amount as last year or more this holiday season, compared to 50% last year. Moreover, when asked how they would spend a bonus or extra income, 66% of people living in the Montreal region would either pay back their debt or save it compared to a national average of 73%, and 19.1% would take a vacation compared to 12.5% at the Canadian level.

Cross-border shopping is sharply declining, with only 15% responding that they are somewhat to extremely likely to cross the border to shop in 2011, while 2010 figures showed a 36% likelihood.

Montreal consumers are less likely to shop in outlet malls, as only 25% stated they would likely do so in 2011 compared to 46% for the rest of the country.

Finally, Montrealers were considered early adopters of mobile applications for holiday shopping last year at 19% compared to a national average of 14%. Now this trend is slowing down with both the Montreal and national results at 20%.



### **Atlantic Canada**

While Atlantic Canadians say they will spend more than the average Canadian this year during the holiday season, second only to respondents in the Greater Calgary Area, many have mixed feelings about the Canadian economy. The survey shows that 42% of Atlantic Canadians feel that the economy will remain the same over the next year while 24% feel it will increase modestly and 27% feel it will decrease modestly.

In terms of job security, Atlantic Canadians are feeling optimistic, with 62% of them feeling secure in their employment. The future looks promising for urban markets like Moncton, Halifax and St. John's where retail and construction has been sustaining and major contracts for mega projects could lead to further optimism.

With strong job security sentiment in Atlantic Canada, our survey noted that 71% of respondents feel they will remain at least the same, if not improve in their household income this year. However, some cautiousness still exists, as planned holiday spending is, for the majority, likely to stay the same, and will be less this year than last for 38% of respondents.

This cautious optimism is based mostly on concerns related to debt management, food and fuel prices, and higher household maintenance costs.

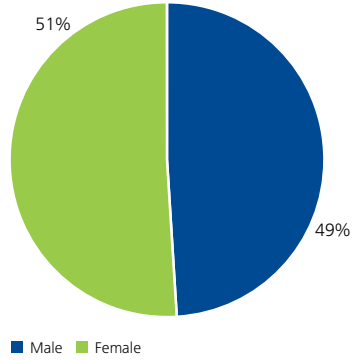
For Atlantic Canadians who plan to shop, they are most compelled to seek retailers with a large selection, good prices and exceptional service. Consumer confidence remains the highest in Newfoundland and Labrador, largely driven by the strong resource sector.

An interesting change from last year is that Atlantic Canadians are significantly less attracted to shopping south of the border with 52% of the respondents saying they are most likely not going to purchase goods from the U.S. in 2011.



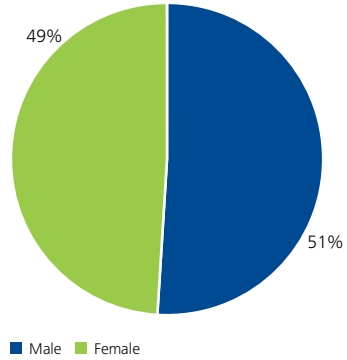
## Respondent profile

**2011 Gender distribution**



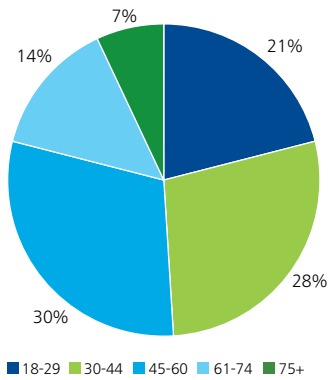
Source: D&T Holiday Mood 2011

**2010 Gender distribution**



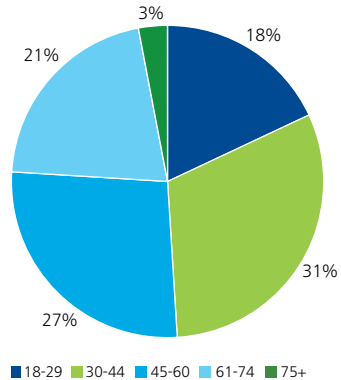
Source: D&T Holiday Mood 2010

**2011 Respondent age**



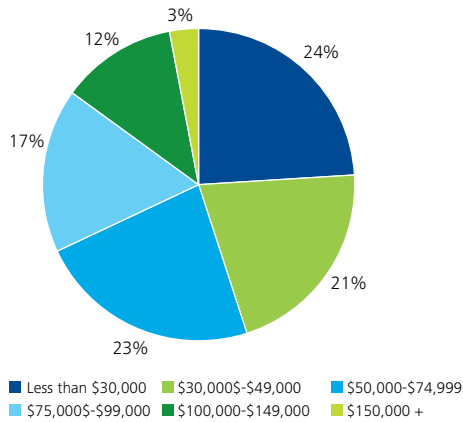
Source: D&T Holiday Mood 2011

**2010 Respondent age**



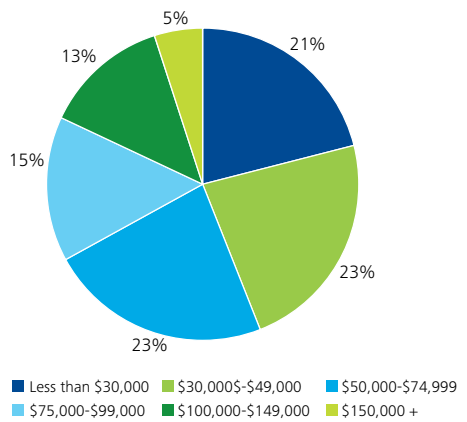
Source: D&T Holiday Mood 2010

**2011 Annual household income**



Source: D&T Holiday Mood 2011

**2010 Annual household income**



Source: D&T Holiday Mood 2010

### About the survey

This survey was commissioned by Deloitte and was conducted online by an independent research company between September 21 to 27, 2011. The survey polled a national sample of 2,258 consumers.

## Authors

### **Brent Houlden**

National Retail Leader  
416-643-8788  
bhoulden@deloitte.ca

### **Jean-Philippe Vorsanger**

Greater Toronto Area Retail Leader  
416-601-6384  
jvorsanger@deloitte.ca

## Contributors

Shane White

Yussef Hafez

Haley Greenspoon

Maureen Convery

Matt Shadbolt

To learn more about Deloitte's holiday survey and current trends in retail, please contact:

### **Peter Barr**

National Consumer Business Leader  
519-650-7745  
pbarr@deloitte.ca

### **Lorn Kutner**

Private Company Service Leader  
416-775-8849  
lkutner@deloitte.ca

## Regional leaders

Vancouver

### **Rick Kohn**

Regional Leader  
604-640-3228  
rkohn@deloitte.ca

Montreal

### **Martine Laberge**

Regional Leader  
514-393-5234  
mlaberge@deloitte.ca

Prairies

### **Dave Wilson**

Regional Leader  
780-421-3792  
davemwilson@deloitte.ca

### **Christian Jacques**

Regional co-leader  
514-393-5119  
cjacques@deloitte.ca

Southwestern Ontario

### **Sherri Penner**

Regional Leader  
905-323-6014  
spenner@deloitte.ca

Quebec Centre

### **Marc Beaulieu**

Regional Leader  
514-393-6509  
mabeaulieu@deloitte.ca

Toronto

### **Scott Foster**

Regional Leader  
416-643-8920  
ScFoster@deloitte.ca

Atlantic

### **Brian Groves**

Regional Leader  
709-758-5225  
Bgroves@deloitte.ca

## Service leaders

### **Mark Bernardi**

Audit Leader  
416-643-8012  
mabernardi@deloitte.ca

### **Raj Krishnamoorthy**

Enterprise Risk Leader  
416-601-6245  
rkrishnamoorthy@deloitte.ca

### **Adam Brown**

Financial Advisory Leader  
416-643-8964  
adbrown@deloitte.ca

### **Tony Maddalena**

Tax Leader  
416-643-8443  
tmaddalena@deloitte.ca

### **Jim Kilpatrick**

Consulting Leader  
416-874-3231  
jimkilpatrick@deloitte.ca



## **[www.deloitte.ca](http://www.deloitte.ca)**

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 8,000 people in 56 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. Deloitte & Touche LLP, an Ontario Limited Liability Partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.