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The search for value

A season of cautious spending

2024 holiday retail outlook

Delivering value for cautious consumers and savvy shoppers

Canadian consumers head into the 2024 holiday season still feeling the impacts of inflation and higher interest rates, and continue to be concerned about their personal financial situation and the broader economic outlook. Encouragingly for retailers, holiday spending is expected to rebound by 10% from last year to an average of $1,478. However, this level of planned spend remains well below recent historic levels.

Consumers' focus on value and this year's late Black Friday will see retailers battling it out over a significantly shorter holiday shopping season. We expect competition for consumer spend to be particularly intense this year. With some shoppers planning to wait until Black Friday week to kick off their shopping, retailers should be prepared to pull out all the stops to encourage consumers to shop early, shop often—and shop with them.

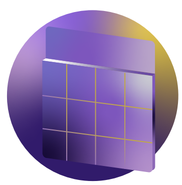
This year's holiday outlook also provides a glimpse into how consumers are responding to emerging changes and challenges in the retail landscape. In their search for value, consumers are exploring what emerging 'marketplace' retailers such as Temu have to offer, and some are intrigued by the idea of shopping through social platforms such as Instagram and TikTok. They're skeptical—or simply indifferent—to GenAI, and they're wary of sharing personal information with retailers in a world where data breaches seem commonplace. Effectively responding to these shifts in consumer behaviours and attitudes will be vital as retailers look forward to focusing on growth again after a challenging few years.

Deloitte's annual holiday retail outlook explores the shopping behaviours, attitudes, and preferences of consumers for the upcoming holiday season. This year marks the sixth publication since the holiday retail outlook was first published in 2019.

The findings are based on a survey of more than 1,000 Canadian consumers across age groups, financial situations, and geographic regions. All dollar figures quoted are in Canadian currency.

Key insights for 2024

Spend forecasted to increase 10% but remains below recent levels: Gift spend is up 4% (a modest amount above inflation); travel and charitable donations have jumped (+20%, +35%) but remain below historic levels. Concerns about rising prices and economic uncertainty appears to be impacting discretionary categories such as non-gift apparel (-9%).



Retailers have less than four weeks to capture 67% of consumers' holiday budget: Black Friday, the critical shopping milestone, falls a full five days later this year – giving retailers a more condensed three and a half weeks to capture their share of consumers' wallets.

Marketplaces and social commerce may be driving an upturn in eCommerce growth: 43% of the holiday budget will be spent online (up from 41% last year and 36% in 2019). More than half (51%) of Canadians are Prime members, 1 in 3 have shopped on emerging platforms such as Temu, Shein, Alibaba in the past three months, and 1 in 5 would be interested in shopping on Instagram.

Data breaches challenge consumer trust in retailers: One in four have been impacted by a retailer data breach – driving some to either stop shopping (21%) or shop less often (40%) at the impacted retailer.

Many are skeptical about GenAI, but younger consumers may be early adopters: 6 in 10 are concerned about the technology, and few are excited (19%) or trust it (15%). 1 in 3 have used a GenAI tool in the past three months–higher for those 18-34 (53%) than those 55+ (16%).

Economic outlook from Deloitte's chief economist, Dawn Desjardins

Canada's economy got off to a relatively firm start in 2024, with real GDP increasing at close to a 2% pace. However, the headline numbers contradict a softer performance, with consumer spending slowing dramatically in the second quarter and the labour market showing signs of cooling. On a per capita basis, the economy contracted for the fifth consecutive quarter. Fortunately, the progress on inflation allowed the Bank of Canada to lower the policy rate by 75 basis points over the summer months. Our expectation is that the inflation rate will continue to decline and reach the 2% target in early 2025; as a result, we expect an additional 50 basis points in policy rate cuts to end the year at 3.75% and reach 2.75% by mid-2025.

Inflation rate expected to decline and reach 2% target by early 2025

Economic uncertainty challenges discretionary spend

In the near-term, however, the economy is expected to grow at a more moderate pace, with softer labour market conditions weighing on consumer confidence. Even with interest rates expected to continue to decline, many homeowners who took on mortgages at extremely low rates during the pandemic will face higher debt servicing costs when they renew. For Retailers, this continued pressure on wallets will limit the consumer's ability to spend on discretionary items this holiday season.

We are optimistic about Canada's economic prospects for 2025. Lower inflation and interest rates will ease the burden of the highly indebted household sector sufficiently to support a pickup in spending—especially if labour market conditions turn around as we expect. After two years of subpar growth, we look for the economy to hit its stride in 2025.

Financial constraints may challenge discretionary spend

Canadians' holiday spending is forecast to rise 10% this season to $1,478, reversing last year's decline—though still below levels of recent years ($1,520 in 2022, $1,706 in 2019). Spend on holiday gifts and gift cards are expected to rise 4% - a modest amount above inflation. The categories with the largest increases, travel, and charitable donations, are up 20% and 35% respectively–but also remain below historic levels.

The anticipated rise in holiday spending is not necessarily driven by renewed consumer optimism. Canadians are as concerned about housing costs and rent increases (55%), paying for holiday gifts (35%), and credit card debt (31%) as they were last year, though fewer are likely to say they're in a worse financial position (36%, compared to 41%). Canadians' recession concerns persist (63%, slightly down from 67%), and views are fairly evenly split on whether the economy will improve (33%) or worsen (36%) in 2025.

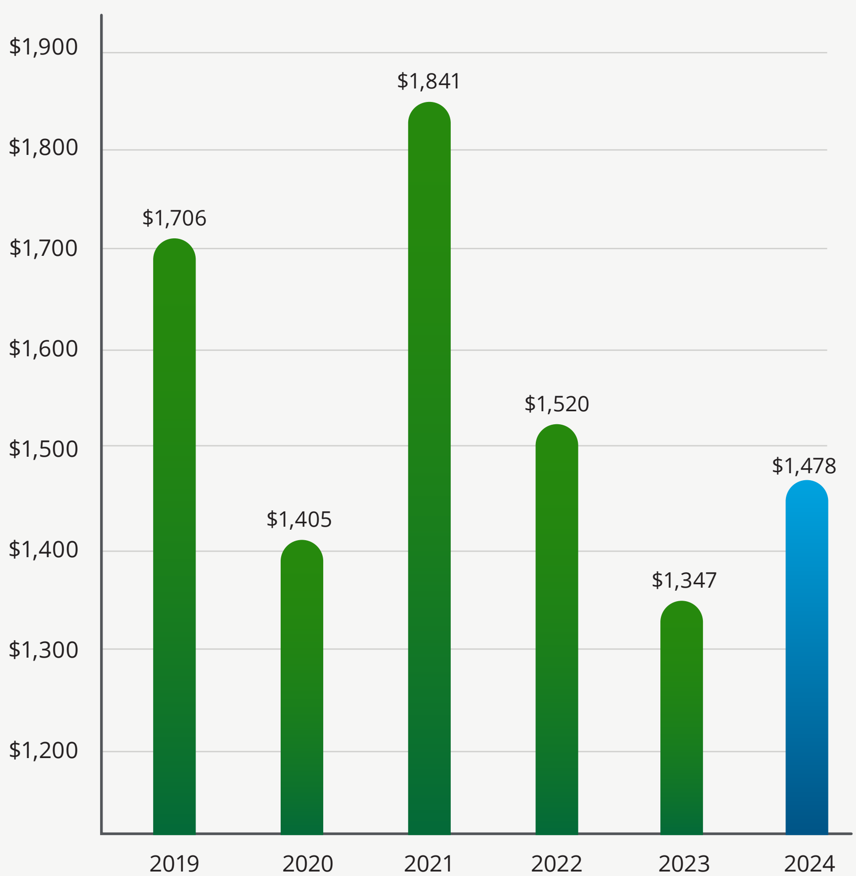
As they strive to make the most of their holiday dollars, consumers unsurprisingly plan to buy gifts from Amazon (71%) and mass merchants (61%)—and a growing number (14%) are starting to look at what emerging online retailers such as Temu, Shein, and Alibaba have to offer. They're less likely to visit department stores (29%, from 36% last year) or home improvement retailers (12%, from 21%) this season. One in five (21%, compared to 23% last year) consumers plan to shop at specialty apparel retailers this season—but 17% of those shoppers plan to spend less when they do. Given this, spend in non-gift apparel is expected to see the largest decrease across all categories (-9% compared to 2023).

+10%

increase in holiday spend

Overall, the driving factor behind the rise in holiday spending this year appears to be inflation. Two out of three Canadians (65%) expect higher prices this season—and 70% still feel retailers are raising prices unfairly. More than half (59%) of those who expect to spend more this year say it's because things cost more, while 58% of those who plan to spend less cite inflation concerns as the reason.

Six-year holiday spend trend



Reversing last year's decline, holiday spending expected to rise to $1,478 per household

Source: Deloitte holiday retail surveys

Black Friday looms large as retailers face a short, intense battle for consumer dollars

Black Friday falls on November 29 this year—a full five days later than last year. That means retailers have just three and a half highly competitive weeks to capture their fair share of consumers' spending in the run-up to the holidays.

Consumers will still be searching for the best deals this season. Eight out of 10 plan to shop around for the best deals, and seven out of 10 plan to shop at retailers offering the lowest prices, search for items on sale, and change brands if their preferred choice is too expensive. This search for value will drive some consumers to postpone their holiday shopping until Black Friday draws closer. Forty-two percent of consumers believe Black Friday offers the best deals of the season—which is likely why 17% plan to start their holiday shopping the week of Black Friday and 48% plan to shop on Black Friday itself. Overall, consumers plan to spend about 22% of their holiday budget on Black Friday – higher for younger consumers at 30%. Of the $350 average planned Black Friday spend, more than half ($200) will be spent online.

Implications for retailers

Retailers should shape their marketing strategies to meet ever-growing consumer need for value throughout the holiday season. By fine-tuning their marketing and promotional strategy, retailers can encourage shoppers to make purchases ahead of and during Black Friday. For example, retailers can leverage existing loyalty and customer data to understand consumer preferences and create compelling, personalized offers. Retailers can also work to identify ways to encourage consumers to make purchases earlier in the season beyond traditional discounting (i.e., free/faster shipping if purchased before a select date). Lastly, retailers will need to ensure they have the right products in-stock and can meet delivery expectations during the busy Black Friday season.

Digital shopping remains strong as consumers explore marketplaces and social commerce

While more than half (55%) of consumers prefer to do most of their holiday shopping in-store, digital shopping plays a key role in their shopping plans. Consumers expect to spend an increasing share of their holiday budget online (43%, up from 41% last year and 36% in 2019), with most shopping online due to value or convenience. Retailers will be interested to note that younger consumers and those earning over $150,000 plan to spend half of their holiday budget online.

Though many consumers will visit physical stores for holiday inspiration (48%, down from 53%), even more will turn to Google (73%) and Amazon (65%). Fifteen percent will search for ideas on newer platforms Temu, Shein, and Alibaba, while 8% (up from 5% last year) will ask ChatGPT for ideas and suggestions. These emerging sources of gift inspiration provide consumers with faster, more personalized, and more competitively priced product recommendations than ever before. Traditional retailers will be further challenged by non-traditional players that invest substantially in their marketing efforts to support customer acquisition.

43%

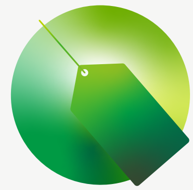
of consumers will shop online (up 7% from 2019)

Amazon Prime is more popular than ever: 51% of consumers say they're Amazon Prime members—the highest proportion we've ever recorded. Membership is more common among those earning $50,000–$150,000 (56%) or above (52%); younger consumers aged 18-34 are more likely to be Prime members (58%) than those aged 55 and up (45%). Prime membership isn't necessarily translating into more spending, however: 59% of consumers expect their planned Amazon spend will remain about the same this year.

Canadian consumers may love Amazon, but they're also checking out emerging digital shopping alternatives too. One in three consumers say they've shopped on platforms such as Temu, Shein, and Alibaba in the past three months, mostly for clothing (63%). Younger consumers aged 18-34 (39%) are more likely to have done so than those aged 55 and up (23%), and the platforms appeal equally to consumers across all income brackets. We expect this trend to grow quickly as consumers continue to search for value, and these platforms offer a wide variety of unique products at extremely competitive prices.

1 in 3

consumers have recently shopped on an emerging platform

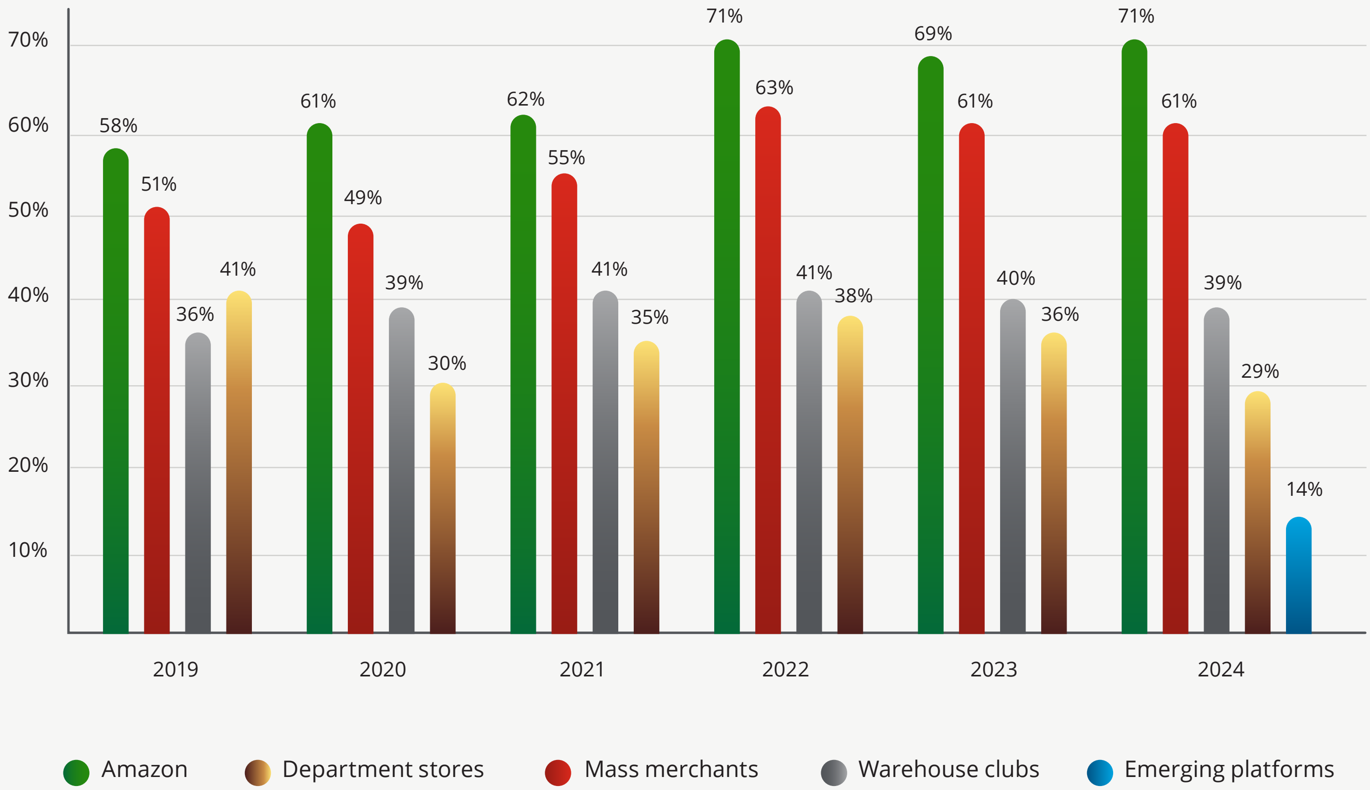


Other considerations for retailers

More than half of Canadians (61% - up from 55% last year) are willing to pay a premium for sustainable products and are interested in buying sustainable gifts (59%). However, 6 in 10 find it hard to shop sustainably when their personal finances are challenged, and 4 in 10 don't believe sustainable products offer good value for money. Consumers may believe there is a trade-off between choosing retailers and products that align with their values while meeting their price expectations. This suggests that there is opportunity for retailers to educate consumers of the efficacy of their products – especially as there are high-quality, sustainable products that can actually help save consumers' money in the long run. Marketing executives should emphasize sustainable products' value proposition across channels and customer communications (e.g., website and digital applications, loyalty programs etc.).

Consumers also show interest in shopping directly through social media channels such as Instagram (22%) and TikTok (12%). The 18-34 cohort is far more interested in shopping on Instagram (40%) than their 55-plus counterparts (9%). Retailers will want to pay close attention to these new shopping alternatives and explore opportunities to test these new channels as sources of untapped growth with younger shoppers in relevant categories.

Where have Canadians been buying gifts over the past six years?



Amazon continues to dominate the holiday retail landscape, continuing its reign since 2019

71%

of consumers will shop Amazon this season

Emerging platforms like Temu, Shein, and Alibaba are gaining traction in the market

14%

of consumers will shop these platforms for gifts

Source: Deloitte holiday retail surveys

Retailer data breaches are challenging Canadians' trust in retailers

Four out of 10 consumers (39%) say they've been affected by a data breach of some sort—and one in four (24%) say they've been impacted by a retailer data breach in particular. These incidents are having a real impact on many consumers' behaviours: 21% of consumers affected by a breach say they stopped shopping at that retailer, and another 40% say they shop there less often. One in five (18%) changed their payment method, while just 21% didn't change their shopping behaviour at all.

40%

of consumers say they shopped less at a retailer where they experienced a data breach

Retailer data breaches—we've seen a number of them in the past year alone—may also be making consumers wary of sharing their information: in fact, 39% would prefer not to share any data at all with retailers. Two out of three consumers are worried about their data being compromised in a breach (67%) or misused (66%). Consumers are also concerned about a lack of transparency about how retailers are using their data (50%), skeptical about how their data will be used to influence their shopping decisions (36%), and leery of their data being deployed to deliver uncomfortably targeted ads (32%).

Despite these concerns, almost half (49%) of consumers say they would share information in exchange for promotions, deals or discounts. While consumers are particular about what type of information they share – they're fairly comfortable sharing gender or racial information, but much less comfortable sharing financial or social media information – some admit the potential for a deal would make them more willing to share.

Privacy is a real concern for consumers

32%

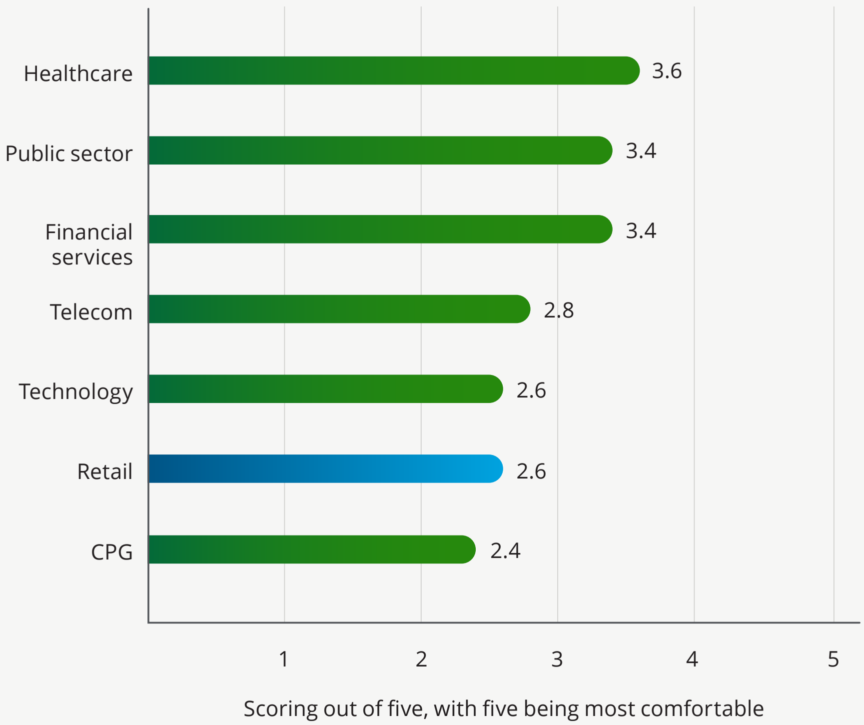
of shoppers worry their data will be used to target them with personalized ads

Implications for retailers

Retailers must continuously evaluate their cybersecurity strategies and defenses as the risk of security breaches continues to rise. As retailers seek new avenues for growth in a recovering economy, it's essential that they also prioritize investments in cybersecurity to protect both their digital assets and ensure they maintain the trust of their customers.

In addition to digital security risks, retailers are also experiencing significantly higher levels of shrink compared to previous years. The reasons for shrink are many and often complicated, but for many retailers today the majority of loss is related to internal and external theft. To combat the rise in shrink, many retailers are implementing technology (e.g., Visual AI/ high-resolution camera systems, RFID tags), leveraging next gen analytics to better understand and predict where shrink may occur, and "returning to the basics" through disciplined inventory management practices. However, retailers must carefully consider and balance the impact these practices have on the overall customer experience.

How comfortable are Canadians sharing personal information with institutions?

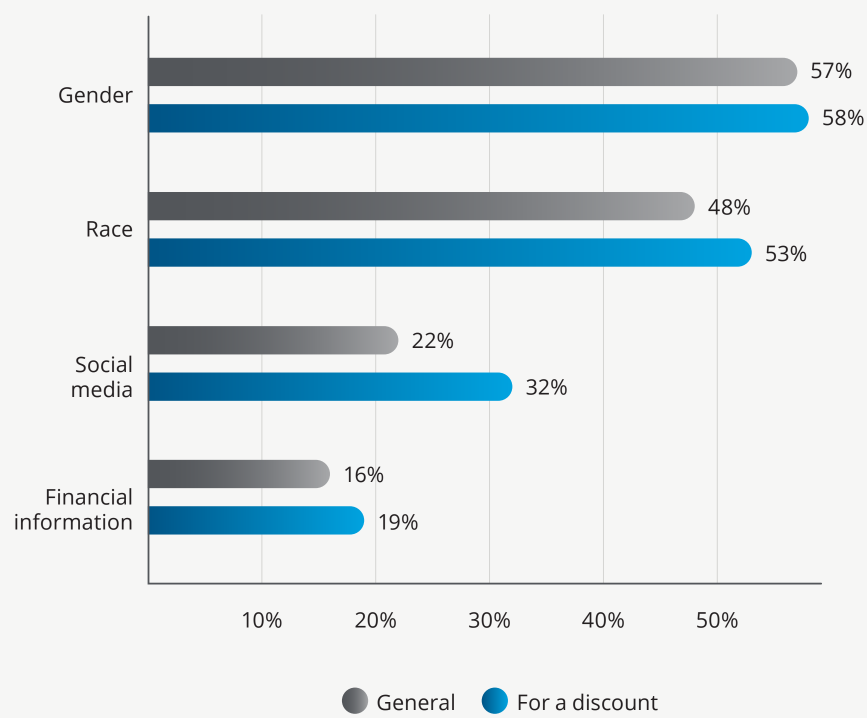


Consumers are thinking twice about sharing personal information

66%

of consumers worry about their data being compromised in a breach

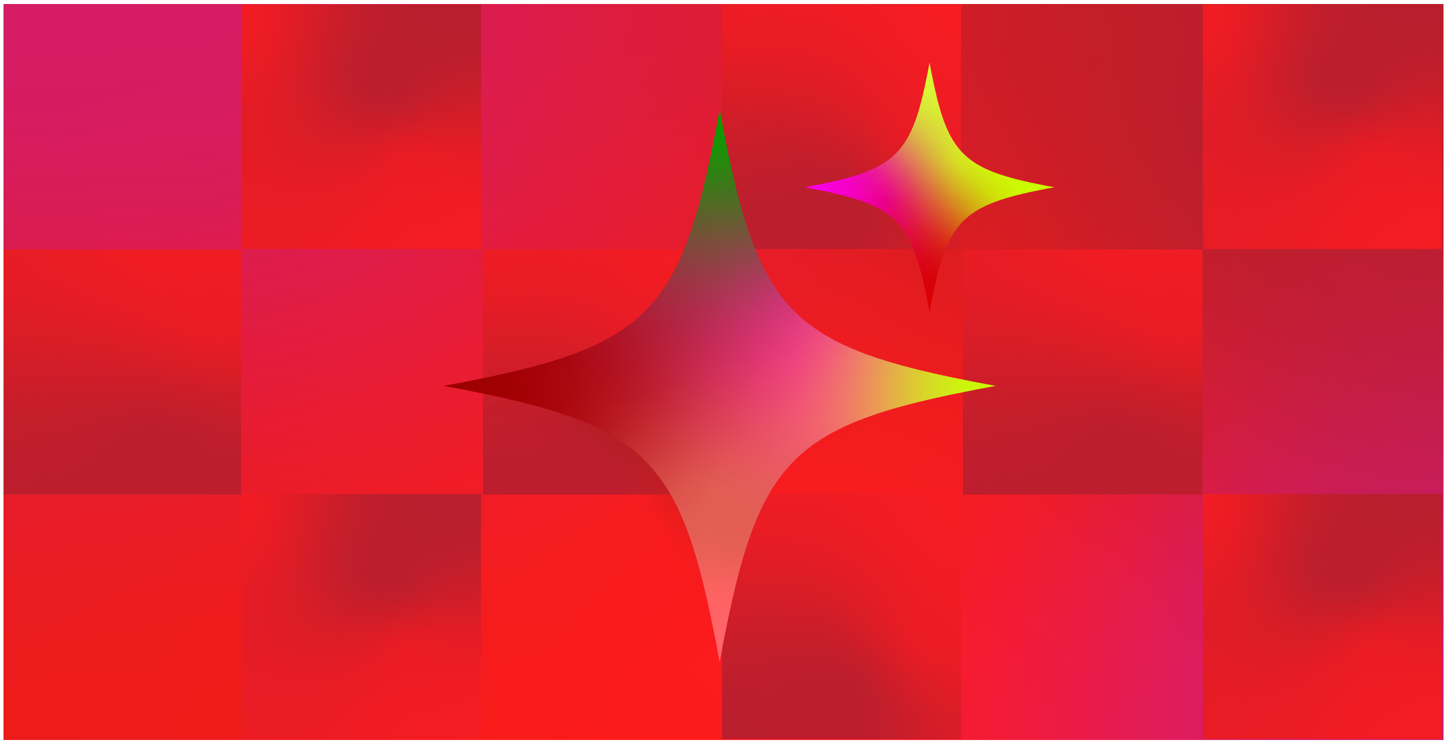
How comfortable are Canadians sharing personal information with retailers?



Despite privacy concerns, deals may entice consumers to share personal information

49%

of consumers are willing to share personal information in exchange for a discount



Many are skeptical about GenAI, but young consumers appear to be early adopters

Will Generative AI revolutionize retail and the consumer experience this holiday season? The answer seems to be a definitive "maybe." While 51% of Canadian consumers believe they understand what GenAI is, very few are excited by the technology (19%)—and even fewer trust it (15%). Most (59%) are concerned about GenAI technology.

One in three (33%) consumers say they've used a GenAI tool in the past three months, mainly for information/knowledge purposes (46%) or help with writing (43%)—perhaps experimenting with ChatGPT or Microsoft Co-Pilot. For those who say they haven't used GenAI, the main reasons are security and privacy concerns (43%), or simply not knowing what they'd use the technology for (35%).

59%

of consumers are concerned about GenAI technology

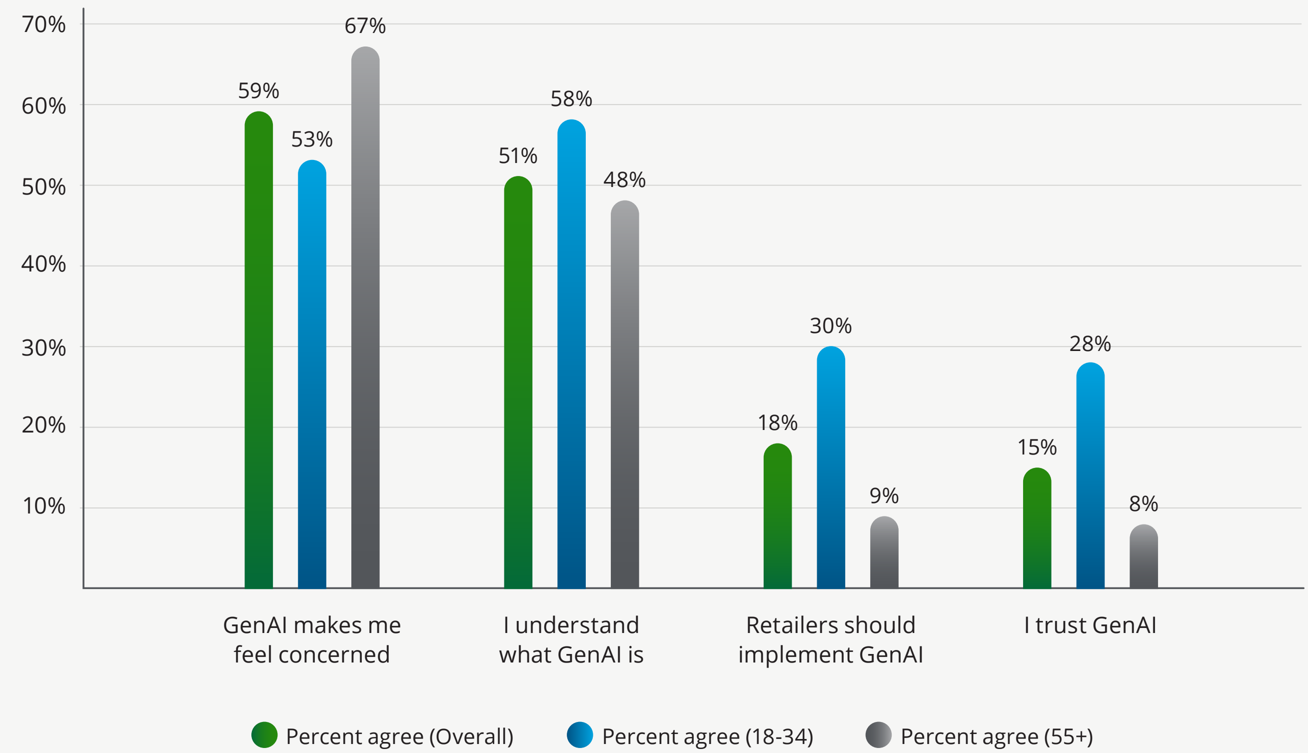
Younger consumers aged 18-34 are far more likely to have used GenAI in the past three months (53%) than those aged 55 and up (16%), though they too are concerned about the technology (53%). Younger consumers are more likely to be excited by GenAI's possibilities (30%), and they're also more likely to believe retailers should adopt the technology to improve the consumer experience (30%, compared to 18% overall).

For all its buzz, GenAI is still an unknown for most consumers

Implications for retailers

Canadian consumers are skeptical about GenAI. This suggests retailers should consider prioritizing GenAI towards internal operations as a means to learn prior to exploring higher-risk, customer-facing applications. When they do deploy GenAI externally, retailers should consider use cases that may appeal to younger customer segments as these groups are more likely to be early adopters. Lastly, and most importantly, they must be transparent about how they're using the technology and how data will be used or shared. The usual terms and conditions page won't suffice.

How Canadians feel about GenAI



Value will continue to be top-of-mind this holiday season and beyond

As the holiday season draws closer, Canadian consumers are concerned about inflation, their personal financial situation, and wider economic matters. They'll be looking for the best value they can find this year both in-store or online, and many will wait for Black Friday deals before starting their shopping in earnest. Retailers will face a shorter, more competitive battle for consumer wallet share this season. It will be critical to focus marketing and promotional efforts across channels to encourage consumers to get an early start on their shopping. At the same time, retailers need to be mindful about recent data breaches that may contribute to consumer skepticism about sharing information online and using new technology such as GenerativeAI.

It will also be important for retailers to pay attention to longer-term consumer trends. New digital shopping destinations such as Temu, Shein, and Alibaba are gaining traction, and social commerce (e.g., Instagram, TikTok) is emerging as a new retail channel. Consumers will have an abundance of choice as they navigate an increasingly crowded retail landscape. In an environment where constrained discretionary spend is likely to persist, we expect consumers to continue to gravitate to the retailers and platforms that meet their expectations for value. Retailers that do so and are mindful of the longer-term trends shaping consumer behaviour will be best positioned to succeed during this holiday season and those to come.

Retailers face a shorter, more intense battle for consumer wallet share this season

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