

Our 2019 holiday retail spending forecast explores consumer shopping behaviours, attitudes, and preferences retailers need to know about during the upcoming holiday season. The findings are based on a national online survey of more than 1,000 Canadian consumers across age groups, financial situations, and geographic regions.

Overall consumer outlook is positive despite pending economic risks; 79% of Canadians plan to spend the same or more during the holidays this year compared with last year.

Top 5 key findings

1. Amazon is the top destination for holiday shopping and 60% of consumers plan to research holiday purchases on Amazon.
2. Social media influencers aren't especially influential; just 14% of consumers trust influencers and 6% trust celebrity endorsements. Compare that with the influence of friends (79%) and family (72%).
3. Consumers are planning to make six trips to stores and seven visits to online retailers this holiday season; 78% of consumers will be visiting the same stores as last year.
4. Boxing Day/Week might be losing its allure; only one in three shoppers plan to shop these sales.
5. Don't expect cannabis under the tree; consumers plan to spend only 2% of their holiday entertaining budgets on cannabis.

Consumer confidence means higher holiday spending

Canadians are feeling confident about the overall economy and their own household finances, with the majority expecting to see little change or a slight improvement in the year ahead. This confidence is translating to holiday spending plans. The vast majority of Canadian shoppers expect to spend the same or more this holiday season—an average of \$1,706 on gifts, travel, food, alcohol, and even a little cannabis.

More than half of Canadians (63%) say they'll start shopping before Black Friday, while a third will wait until Black Friday or December to begin. Online shopping continues to grow in popularity, with more than one third of shoppers overall—and nearly half of Canadians aged 18 to 34—preferring to shop from the comfort of their home. Their first stop? Amazon, the most popular online retailer for Canadians—and their go-to destination for gift research.

However, consumers still enjoy visiting bricks-and-mortar retailers for unexpected inspiration and the ability to see, touch, and try potential gifts in person. Sometimes, there's just no substitute for a physical store. And while Canadians typically like to shop at the retailers they already know and love, good prices and interesting products are often enough to get them to consider trying something out of the ordinary.

Finally, if there's one area where Canadian shoppers aren't inclined to innovate, it's the holiday meal. Roughly half of Canadians plan to entertain at home this holiday season, and most plan to make the meals themselves, at home, from ingredients purchased in-store. Catered holiday dinners, meal kits, and even online grocery delivery simply aren't making much of a dent in Canadians' holiday meal traditions.




Canadians are feeling positive about the economy and their household finances

The global economic outlook is uncertain. The US-China trade dispute may yet temper consumer confidence, while political posturing could lead to a drop in business confidence as well. The world's economy is vulnerable due to the sheer amount of leverage it has acquired. Yet Canada shows remarkable stability in these uncertain times: consumer spending is growing at a moderate pace, unemployment rates are at a 40-year low, and wage growth is outpacing inflation.¹ This could be why Canadians are feeling upbeat about the holiday season.

The majority of Canadians (68%) we surveyed think the economy will perform the same or better in 2020. That's markedly higher than the sentiment in the United States, where only (56%) of surveyed consumers feel the same way—a 10-year low. American consumers may have decided to continue with their holiday spending plans because they haven't yet been personally impacted by growing economic uncertainty.

An even larger majority of Canadians (78%) also expect their personal financial situation to stay the same or improve over the next year. Men and younger Canadians (aged 18 to 34) tend to be more optimistic about both the Canadian economy and their household finances. Optimism about the economy is highest in Atlantic Canada and Quebec; it's lowest in Ontario and Western Canada. When it comes to the outlook for household finances, Quebecers are feeling the most confident: 85% expect them to stay the same or improve. In contrast—and despite their upbeat assessment of the economy overall—only 66% of Atlantic Canadians see their personal financial situation remaining steady or improving.

Not surprisingly, there's a strong connection between Canadians' economic optimism, personal financial outlook, and holiday spending plans. More than three-quarters (78%) of those with better household financial situations and 75% of those planning higher holiday spending expect Canada's economy to remain steady or improve next year. Less than half of those planning to spend less this season or anticipating a decline in household finances feel the economy will remain steady or improve (49% and 43% respectively).



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¹ Deloitte, *Disrupting the bear* podcast.
<https://www2.deloitte.com/ca/en/pages/finance/articles/disrupt-the-bear.html>

Holiday spending levels to increase this season

Good news, retailers: 79% of Canadians plan to spend the same or more this holiday season compared with last year.

That is right in line with the expectations of shoppers in the United States, where 78% plan to spend the same or more on the holidays this year.

Twelve percent of Canadians indicate they plan to spend more on the holidays this year, most often because they have more people to buy for. Men, younger shoppers aged 18 to 34, and those who start their shopping early are the most likely to increase their holiday spending. Conversely, 19% plan to cut back on holiday spending—a sentiment that's higher among shoppers from Western Canada, where the regional economy has been facing challenges lately.

Overall, Canadians expect to spend an average of \$1,706 this holiday season. American shoppers, in comparison, plan to spend US\$1,496, or approximately C\$1,987. Canadians' holiday shopping includes \$485 on gifts, gift cards, and gift certificates; \$348 on travel; \$273 on holiday groceries; \$145 on dining out; and \$116 on alcohol for entertaining.

Nearly half say they'll be buying gifts for between one and five people. Yet once they get shopping, Canadians might end up buying a few more gifts than that, considering that respondents said they plan to spend \$549 on gifts for family members, \$147 on gifts for friends, and \$92 on gifts for co-workers.



12%

of Canadians plan to spend more on the holidays this year. Who's most likely to splash the cash? Men, younger shoppers aged 18 to 34, and those getting off to an early start.

Canadians' holiday shopping includes:



\$485 on gifts, gift cards, and gift certificates



\$348 on travel



\$273 on holiday groceries



\$145 on dining out



\$116 on alcohol for entertaining

Canadians expect to start shopping even earlier

Canadian shoppers aren't inclined to wait to start their holiday shopping. More than half of respondents (63%) expect to start shopping before Black Friday, significantly more than the number getting an early start five years ago; 17% see Black Friday and Cyber Monday as the kickoff of their holiday shopping.

Reinforcing the stereotype, men are more likely to start their holiday shopping later: 22% of men expect to start their shopping in December, compared with just 15% of women.

63%

expect to start shopping before Black Friday.

"Karen," the gift-giver

50s | Greater Toronto Area | Married, employed

In December, the 50-something grandmother, spends most of her free time shopping. Ever since the mortgage was paid off, she's found herself with significantly more disposable income, which she uses to shower family and friends with special gifts they'd never buy for themselves.

Each year, Karen, her daughter, and her sister plan a big Black Friday excursion to Toronto's Yorkdale shopping mall. Even though she really doesn't care for crowds and long lines, it is the official start of their holiday shopping. She's a big fan of the department stores and wholesale membership clubs, because those stores enable her to cross many people off her list in a single trip. She'd love to have the holiday meal catered, but her 80-year-old mother insists on a meal made from scratch. So Karen buys the ingredients and her mother helps prepare the dinner.



How to win with Karen:

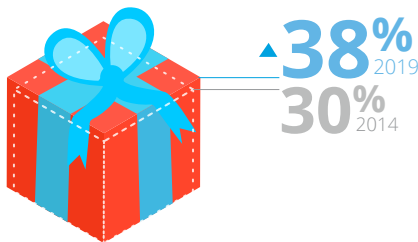
Reward Karen's loyalty by inviting her to a special after-hours shopping event, and make her visit more pleasant with little luxuries like a coat check and valet parking. Providing personal attention goes a long way to building loyalty: ask her who she's shopping for, or curate an assortment of products online. A generous return policy is just the thing for those rare occasions when Karen buys a gift that doesn't quite hit the mark.



Online shopping continues to gain momentum

A rising number of Canadians would rather do their holiday shopping online, whether from the comfort of home or on the go, via mobile: 38% of respondents say they prefer to shop online rather than in-store, up from 30% in our 2014 survey. Online shopping is especially attractive to younger Canadians: 48% of shoppers aged 18 to 34 would rather shop online, compared with just 24% of those aged 55+.

The main reasons Canadians prefer to shop online? Free shipping (65%), followed by 24/7 availability (62%), home delivery (61%), and convenience (57%). Canadians are busy people, and they want to shop when and where they want to. Online shopping meets their needs.



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"Rajiv," the self-gifter 27 | Toronto | Single, employed



Rajiv doesn't celebrate the holidays in a traditional manner but he does enjoy the gift-giving aspects of the season. While he's out picking up a few gifts for his clients, he enjoys the opportunity this provides to buy items for himself. The wide variety of sales and promotions tempt Raj to spend upwards of \$300 on himself during the holidays. He reasons that while he'll eventually have a partner and kids to spend money on, until then he's going to enjoy the "me time." Of course, Raj admits he can get carried away sometimes, and that's when he really appreciates lenient return policies.

Raj usually brings a nice bottle of wine along when he's invited to holiday gatherings, and even a little cannabis now and then. He's looking forward to the legalization of edibles, as he's started to notice a shift in his social circle's attitude toward alcohol and cannabis.

How to win with Rajiv:

Raj lives in the moment, and he shops in the moment, too. Low prices are a big attraction—and expedited delivery can persuade him to make the purchase and get that hit of near-instant gratification. Raj will happily use self-checkout machines and mobile payments, because he's always in a hurry. And when buyer's remorse hits, a lenient, friction-free return policy will help make Raj a big fan of your store.



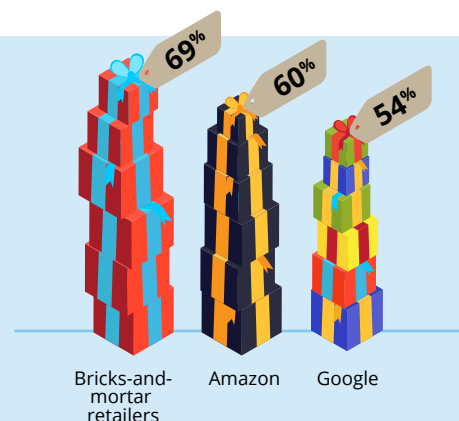
Amazon is the first stop this holiday season

Amazon, not surprisingly, tops the list of likely online shopping destinations this year. Fifty-eight percent of Canadians say they'll likely shop at the online retail giant—and 22% expect to spend most of their holiday budget there. Product research for 60% of consumers begins on Amazon's site.

It's not all about Amazon, though. Just over half (51%) of respondents say they'll purchase gifts from mass retailers' omnichannel platforms, which include physical stores and websites. In addition, 47% expect to buy a few things at their local liquor retailer.

One area where bricks-and-mortar stores have an edge is helping Canadians scope out potential gift purchases. Sixty-nine percent of respondents say they'll research gifts in-store, higher than either Amazon at 60% or Google at 54%. Furthermore, retailers are racing to invest in store capabilities to improve the customer experience. These enhancements will demand advanced capabilities and competencies of store associates. Associates will be responsible for selling items that might not be in-stock but that will be sent out for home delivery from another store or ordered from the warehouse to be picked up in-store. Associates will need to educate customers on the process.

Bricks-and-mortar retailers have an edge when it comes to helping Canadians come up with gift ideas: 69% of consumers say they'll research gifts in-store, higher than either Amazon or Google.



Grabbing their attention—and their dollar

Overall, Canadians say they'll make an average of six trips to physical stores and seven "visits" to online retailers over the course of the holiday season. Most shoppers (78%) will shop at the same stores and online retailers they shopped at last year. How can retailers

lure Canadian consumers away from their usual shopping destinations? Respondents offered some clues as to what might work, from price discounts to unique products or great experiences.

Social media: Influencers aren't especially influential

Everyone is on social media and everyone is talking about it. But what is it doing to Canadians' shopping habits? As it turns out, nothing too revolutionary.

It's not that Canadians don't plan to use social media as part of their holiday shopping this year—they do. Respondents say their top three sites for holiday inspiration and product or service recommendations are Facebook (37%), Instagram (22%), and Twitter (10%).

Who's providing those recommendations? Friends and family, mostly: 79% of Canadians feel friends are the most trustworthy source of product recommendations, followed closely by family members at 72%. Shoppers also seem to put more faith in what ordinary people have to say: 54% say they feel comments and reviews from the general public are highly trustworthy, compared with only 41% for retailers and 34% for brands. This suggests that consumers' actual reported experiences with retailers and their products plays an increasingly persuasive role in shaping where Canadians shop and what they buy.

And what about social media influencers and celebrities? Canadian shoppers, by and large, aren't buying what they're selling. Only 14% feel social media influencers are trustworthy sources of product recommendations, and a mere 6% trust celebrity endorsements. (Sorry, Kylie.) As social media is still an emerging marketing tactic, influencers' true impact on retail sales remains unclear.

14%

of Canadians feel social media influencers are trustworthy sources of product recommendations.

"David," the traveller

40s | Halifax | Divorced with adult children, employed



Recently divorced after being married for more than 20 years, David prefers to spend his money on things that bring him joy—especially travel, whether that's visiting his university-age kids in BC or knocking international destinations off his bucket list. He doesn't buy a lot of gifts, and the ones he buys are for family. He likes to spend a lot of time online researching trips and gift purchases alike; when it's time to buy, David heads straight to Amazon, preferring the comfort, convenience, and 24/7 availability of online shopping.

On the occasions David does shop in-store, it's because he feels it's important to see and touch the product in person to make sure it's the right purchase decision. David's sister handles the holiday meal, but he likes to bring over a bottle of wine, a few beers, and a cheese plate or charcuterie platter—nothing fancy, just something he can pick up at the local grocery store for \$20.



How to win with David:

Help David get in and out of the store as fast as possible and make the experience quick and painless. Put ready-to-go gift ideas and foods right at the store entrance. If David has to spend more than a few minutes searching for gifts, he'll just leave with nothing or shop online.



Don't expect cannabis under the tree this year

Recreational cannabis was legalized across Canada in October 2018, and cannabis edibles, concentrates, and topicals are expected to be legalized in late 2019.

Will Canadians start giving each other the gift of cannabis during the holiday season?

Not this year, it seems. Consumers plan to spend only 2% of their holiday entertaining budgets on cannabis. Just 10% intend to purchase cannabis this holiday season, and they plan to spend \$106.



Canadian shoppers are wary of data breaches—and they'd like something in return for their data

Canadians entrust a lot of personal and financial data to retailers, and they expect retailers to do everything they can to protect that data from breaches. Unfortunately, that doesn't always happen: 41% of respondents say they've been affected by a data breach that's exposed their identity, health or personal data, or credit card information.

Those affected by a data breach aren't likely to forgive and forget, either: nearly one in four respondents (23%) say that if a retailer they typically shop at suffered a customer data breach, they'd never shop at that retailer again. The message for retailers is clear: data breaches can lead to significantly lower sales.

At the moment, Canadian consumers are still willing to provide personal and financial information to retailers, but some are asking for something in return. Sixty-three percent would of shoppers would provide personal information in exchange for special promotions, discounts, or other savings, while 49% of shoppers would provide personal information for faster resolution of an issue related to a product or service. And 33% of shoppers would provide personal data for curated product offerings.



Keeping it traditional for the holiday meal

The holiday season isn't all about gifts, of course. Canadians also love spending time with friends and family at parties, meals, and informal get-togethers.

Nearly half of Canadians (48%) plan to entertain at their home this holiday season. Consumers planning to spend more money are much more likely to entertain at home (66%).

Overall, consumers plan to spend about \$276 on in-home entertaining over the holidays. Ontarians expect to spend the most (\$291), while Atlantic Canadians plan to spend the least (\$241). Those aged 35 to 54 are expected to splurge more on entertainment (\$303) than those aged 55+ (\$260). Most of the holiday entertainment budget will be devoted to food (65%) and alcohol (22%), though once in a while Canadians might pick up some cannabis along the way (2%).

Those planning formal sit-down dinner meals with friends and family are most likely to keep things traditional: 83% of respondents plan to make the meals. Very few plan to use either caterers (6%) or meal-kit services (5%) for these special meals.

Younger Canadians, those aged 18 to 34, are rather more inclined to use grocery delivery services (12%) compared with their older (55+) counterparts. And nearly half (45%) of those planning to use online grocery delivery methods will be doing so for the very first time. While this number of consumers may seem insignificant, as demand increases, a retailer that's a first mover will capitalize on the opportunity to meet the specific needs of the holiday grocery shopper and focus on offering a more convenient experience.

"Andrea," the entertainer 30s | Calgary | Married, three children, stay-at-home parent

Andrea loves the holidays, but concerns about the family finances this year mean she has to make the most of the holiday budget. Luckily, Andrea's a master at stretching pennies into dollars by scouring deal websites and shopping at off-price retailers. With three kids, free time is often in short supply, so Andrea shops strategically, buying online and picking up her purchases in-store when the kids are in school. Holiday entertaining is one area where Andrea is willing to splurge, and she budgets about \$500 for dinners and get-togethers with friends and family—mostly on food, and just a little on alcohol. Decorations? Forget it. Andrea's a proud "Pinterest mom" who uses online inspiration to get crafty and decorate her home frugally and fashionably.

How to win with Andrea:

Provide budget-conscious shoppers with digital messaging and extra percentage savings during specific timeframes to influence their shopping behaviour. Extended hours can help Andrea avoid long lines and allow her to shop once the kids are asleep—and get a bit of a break from her daily routine. Inspire Andrea's DIY ethos by showing her how to get a holiday look for less. And provide her with ideas and ingredients to cook an unforgettable holiday meal.



Is Boxing Week losing its allure?

Once upon a time, Boxing Day was a really big deal. Customers would flock to stores to take advantage of retailers' steep discounts and year-end sales. Yet as Black Friday and Cyber Monday have become entrenched in Canada's holiday shopping landscape, the Boxing Week sales period may not be quite the draw it once was.

While just over half (51%) of Canadian shoppers don't believe Black Friday and Cyber Monday have changed their Boxing Day/Week habits, another 31% say they've had a definite impact. Ontarians are most likely to have changed their habits (36%), while their Quebec counterparts are the least likely to have been affected (21%).

While the attraction of Boxing Day or Boxing Week may be slowly waning, the end of the year is still a great opportunity for retailers to continue to drive sales and clear leftover inventory. One in three shoppers (31%) still plan to capitalize on retailers' Boxing Day or Boxing Week sales this holiday season, whether in-store or online. They're planning to spend a decent amount, too: shoppers anticipate they'll spend \$132 online and \$122 in stores at the end of this year.

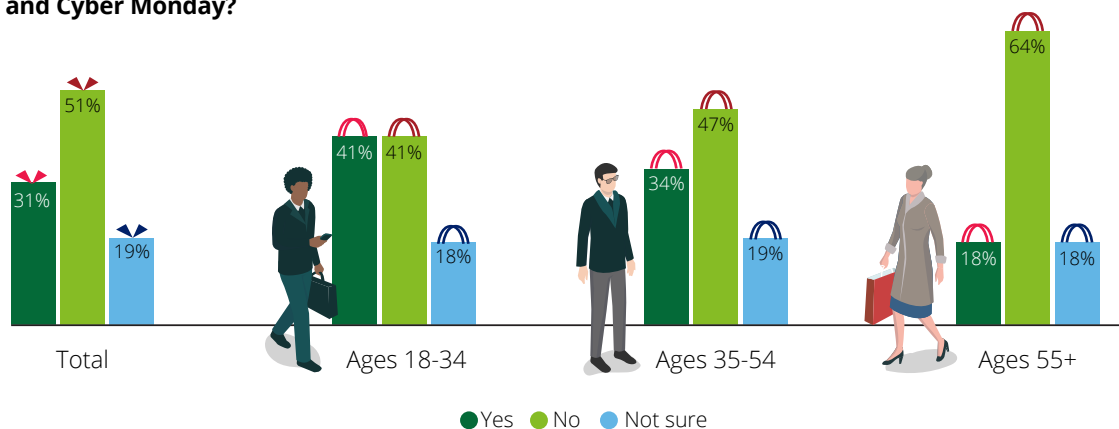
Retailers should consider deep discounts to move holiday-themed merchandise quickly, additional purchase incentives to move multiple sales, and even special one-time discounts to get shoppers spending during Boxing Week. Offering new or special-order products could also help persuade shoppers to brave traffic and crowds in search of a deal, at the same time delivering a fun, energizing experience to help prolong the holiday feeling.



31%

of Canadians shoppers say Black Friday and Cyber Monday have changed their Boxing Day/Week shopping habits.

Has any of the spending that you may have done in the past during Boxing Day/Boxing Week been impacted by sales during Black Friday and Cyber Monday?



How bricks-and-mortar retailers can battle back into shoppers' hearts

This year's survey offers tantalizing clues for how physical stores can hold their own against online retailers to attract shoppers and get them buying. **An omnichannel experience that adds value is the key differentiator.**

Knowing what shoppers prefer about in-store shopping is a good place to begin. Canadians appreciate being able to interact with products in person (60%), and they also like being able to avoid shipping costs (56%). Browsing stores is also seen as a great way to get gift ideas and inspiration (50%), and physical stores are just the thing when you need to have a gift right away (38%). Canadian shoppers also seem perfectly willing to buy products online and pick them up in-store (47%), opening up opportunities for retailers to draw those customers in to have a look around and maybe buy a few extra items. Another thing shoppers appreciate about in-store shopping that many online retailers still struggle to match? Easier returns (46%).

It's also important for bricks-and-mortar retailers to understand what today's shoppers don't like about in-store shopping during the holiday season. Canadians don't much care for crowded stores (64%), long lines and slow checkouts (59%), and getting to a store only to find out the products they want aren't in stock (41%). Long drives and too much traffic also aggravate (49%), as does a lack of parking (43%).

46%

of respondents say easier returns is one of the things they prefer about in-store shopping.

Understanding what consumers like and dislike about in-store shopping can help bricks-and-mortar retailers succeed. Longer hours or special after-hours shopping events could attract those turned off by crowds. Equipping store staff with mobile point-of-sale devices can help shoppers complete their purchase quickly without having to endure long lines. Those same mobile devices could also help support customers who can't find what they want in-store, by enabling staff to help shoppers buy products directly from the retailer's website for delivery or later in-store pickup.

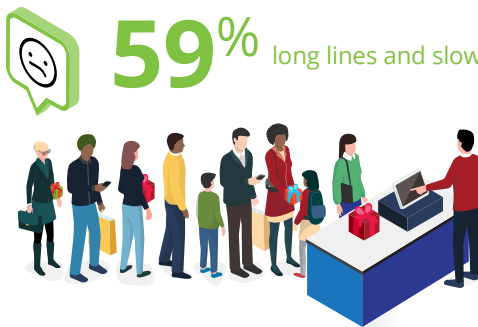
Traffic and parking frustrations can be more difficult to solve. Bricks-and-mortar retailers and landlords should consider teaming up to offer solutions such as extended hours or valet parking. Consumers are starting to use third-party analytics (e.g., Google) that suggest ideal time periods for customers to shop; retailers can then ramp up staffing to meet customer demand.

What shoppers don't like about in-store shopping during the holiday season:

64% don't care for crowded stores

41% getting to a store only to find out the products they want aren't in stock

59% long lines and slow checkouts



Holiday traffic and parking frustrate Canadian shoppers.

Retailers and landlords should consider teaming up to offer solutions such as extended hours or valet parking. Consumers are starting to use third-party analytics (e.g., Google) that suggest ideal time periods for them to shop. Retailers can ramp up staffing to meet customer demand.



"Chantal," the traditionalist 50s | Quebec City | Married, two teenage daughters, employed

For Chantal, the holiday season is about spending time with family and celebrating traditions together. She's not an extravagant spender by any means. She buys gifts for family only, and she much prefers to shop in stores because she delights in getting gift ideas and inspiration as she browses the displays and shelves. She especially likes shopping at department stores, because she knows she can always find something for everyone on her list—and the gifts look so lovely wrapped in colourful boxes tied with ribbon. Every year, Chantal watches people rush around on Black Friday and Boxing Week, and her daughters have mentioned Cyber Monday—but she has no interest. Traditional holidays are just fine for her, thanks.

Chantal's love of tradition is best expressed through the family holiday dinner, when she prepares her grandmother's signature dishes for her husband, two daughters, and many members of her extended family.



How to win with Chantal:

Traditionalists like Chantal shop in the same stores year after year, looking for timeless, classic gifts. That includes food—because she's not about to scrimp on quality for such an important meal. Shoppers like Chantal will have nothing to do with crowds, long lines, or busy sale days like Black Friday or Boxing Day.



Looking forward to a successful holiday season—and beyond

Retailers can look forward to solid holiday sales in 2019, judging from Canadians' holiday spending plans and expectations. Yet the insights in this year's report aren't just for the holiday season; retailers can use them to improve their business throughout the year to come.

While online shopping continues to grow in popularity, it's clear that Canadians aren't ready to abandon bricks-and-mortar stores any time soon. To thrive in an intensely competitive arena, retailers need to capitalize on their omnichannel investments to deliver a frictionless customer experience that consistently exceeds shoppers' expectations. In their stores, retailers are investing in creating optimal customer experiences, but they also need to invest in those who deliver it: the store associates. Retail companies need to focus on customers as individuals by understanding their needs and preferences, and enhancing associates' skills to be able to guide and support customers along the path to purchase—whether the actual purchase is completed in-store or online. From the holidays to regular days, these actions can help retailers thrive year-round.



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