

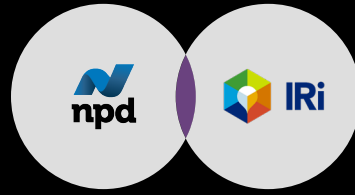


# Discretionary Spending:

Retail Challenges and Opportunities

June 2023





NPD and IRI have come together, we are now:

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COMPLEXITY INTO CLARITY

We capture the complete...

**\$130B** retail market across 8 segments



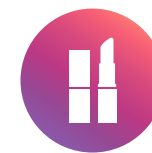
Foodservice



Apparel



Footwear



Beauty



Office Supplies



Toys



Technology



Home

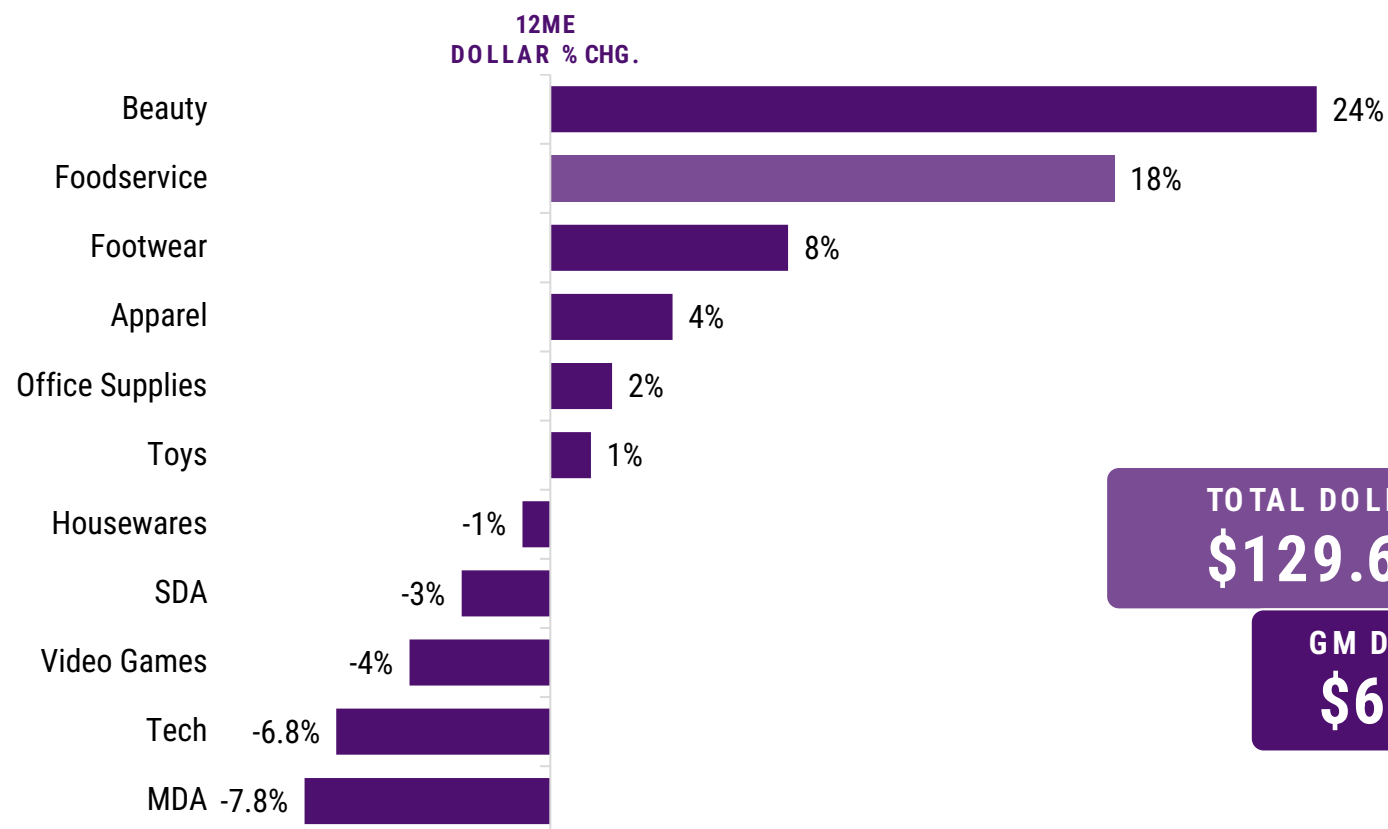


Source: Circana/Retail Tracking Service  
Apparel/ Foodservice Source: Circana Consumer Tracking Service  
12ME March 2023 vs. LY

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential

# Industry trends

Total CAD market (all channels)—12 months ending March 2023



TOTAL DOLLARS:  
**\$129.6B**

**+9%** vs.  
LY

GM DOLLARS:  
**\$61.4B**

**+1%**  
vs. LY



# Retail performance by region

Quebec was the fastest growing region in Canada due to a later recovery



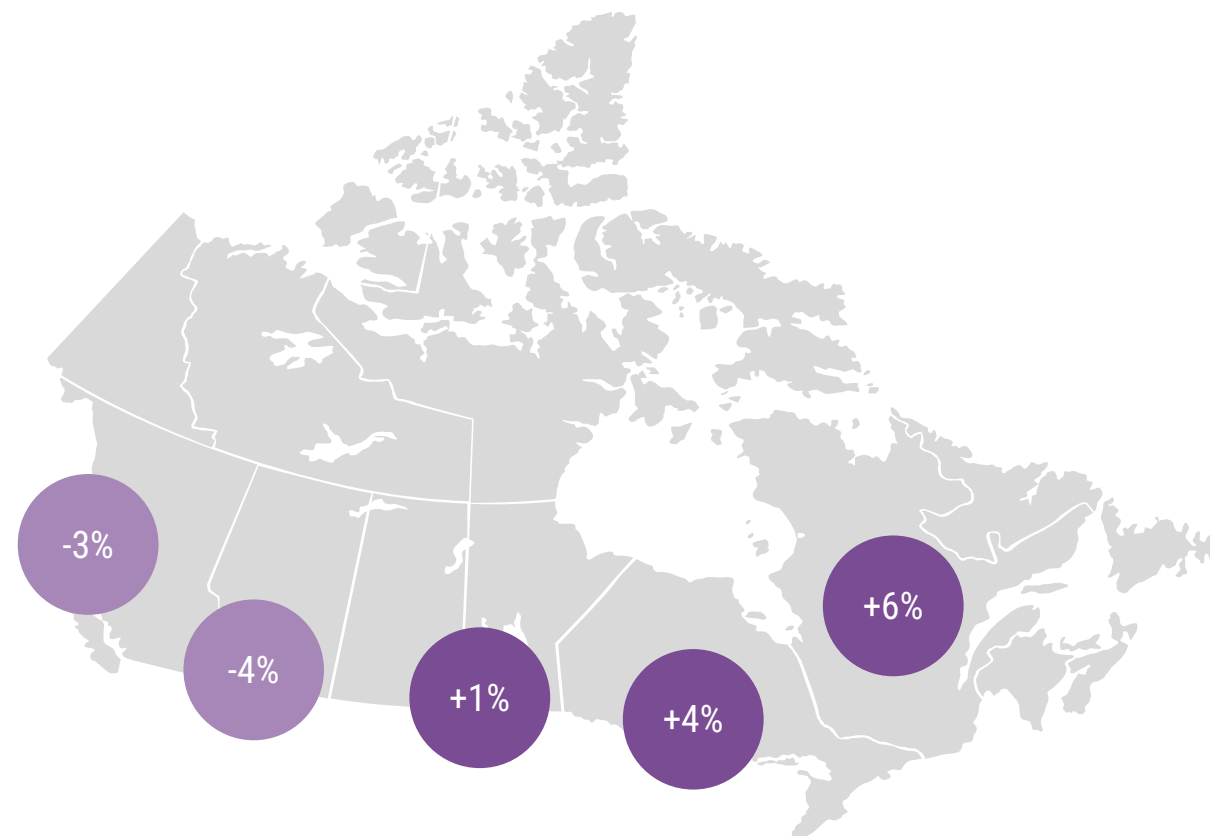
While all regions have recovered from the pandemic compression, Eastern Canada is more challenged to grow due to a faster recovery in 2021

41%

**Quebec** drove 2/5ths of the Canada Growth

5%

**BC** has the softest growth compared to Pre-Pandemic volume



Industries Included: (Apparel, Footwear, Beauty, SDA, Tech)

# Each quarter in 2022 had a unique story



**Q1 2022**

RE-EMERGENCE



**Q2 2022**

RECOVERY



**Q3 2022**

CAUTIOUS CONSUMER



**Q4 2022**

PULL BACK





General Merchandise Spending

# Holiday 2022



# The new meaning of holiday

Time to come together vs. splurging on gifts



Last Minute Shoppers



Lack Luster Black Friday



Gift Cards #1 Category Purchased



Self Gifting



Innovation is Top of Mind



Source: Circana/Retail Tracking Service / Apparel/ Source: Circana Consumer Tracking Service

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential





General Merchandise Spending

2023

# Q1 retail performance

Retail sales continue to soften in Canada, with 5 out of 10 industries tracked posting declining sales in Q1.



Sales +13% vs 2019

Retail sales continue to decline vs year ago, however are still ahead compared to pre-pandemic.



Unit Sales -2%

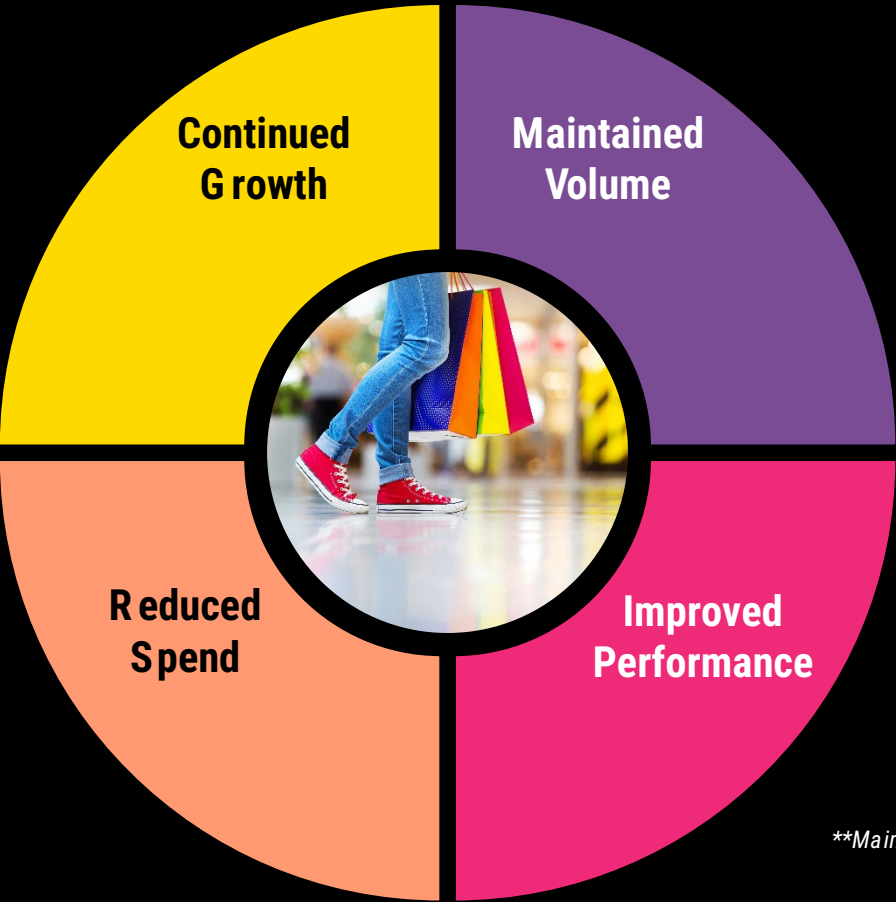
As industry ASP increases have plateaued, the gap between unit and dollar performance has narrowed.

# Q1 shifting momentum: dollars

Where are dollars shifting?

Dollar Percent Change vs. Prior Year

	Q1'23
Beauty	+22%
Footwear	+2%
Apparel	+4%
Technology	-10%
Small Appliances	-8%
Major Appliances	-20%
Housewares	-4%
Toys	-5%



Dollar Percent Change vs. Prior Year

	Q1'23
Office Supplies	0%
Video Games*	+2%

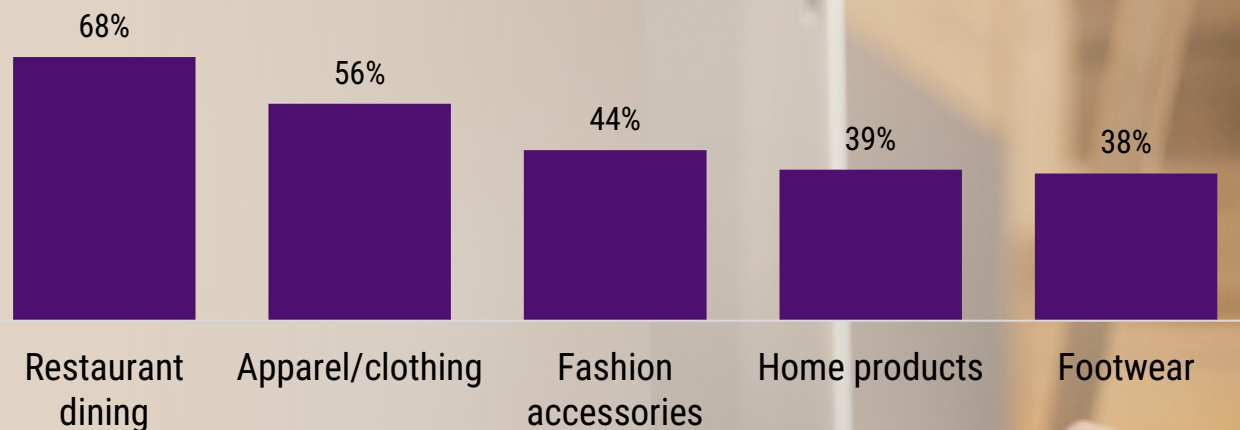
*\*Physical Video Game sales only*  
*\*\*Maintained indicates growth in 2021 and this year's performance is flat (anything that is 97% - 103% of last year's volume)*  
*Source: Circana/Retail Tracking Service / Apparel Source: Circana Consumer Tracking Service*



# Majority of consumers plan to cut back spending

73% Canadians plan to cut back their overall spending on product purchases due to inflation in April

**Q. On which of the following types of products/services have or do you plan to cut back spending? (Top 5)**



Source: Circana/ Omnibus Study April 2023

# Consumers pulled back spend



## TOP REASONS

**81%** Higher food prices

**65%** Higher gas prices

**22%** I am saving for a large purchase

**21%** I need less

**19%** I am no longer working

**14%** I am spending money on more services (e.g., dining out, spa, travel, activities, events)





# Spending behavior in the next 60-90 Days:

$\frac{1}{3}$

of consumers will  
be looking for  
more promotions  
when shopping

$\frac{1}{5}$

will be cutting back on  
product spending



# Early Q2 2023 read

The sticker shock settles and spending remains elevated from pre-Pandemic



*Industries Included: Electronics, Video Games, Small Appliances, Major Appliances, Housewares, Toys, Prestige Beauty, Video Entertainment, Footwear*



More than  $\frac{1}{2}$  of Canadians decided to purchase a lower priced alternative because of budget constraints

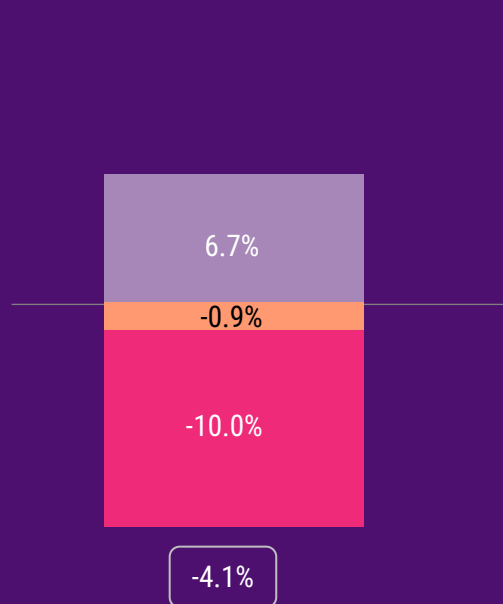


# Not one story for pricing

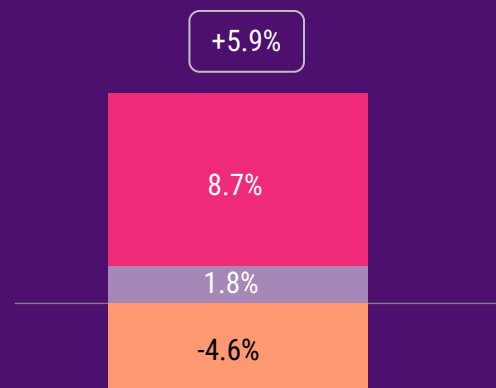
Inflation, Mix, Promotion all have an impact on shoppers' choices

## Technology

■ Total ASP Change ■ Mix Change Price Change ■ Range Change

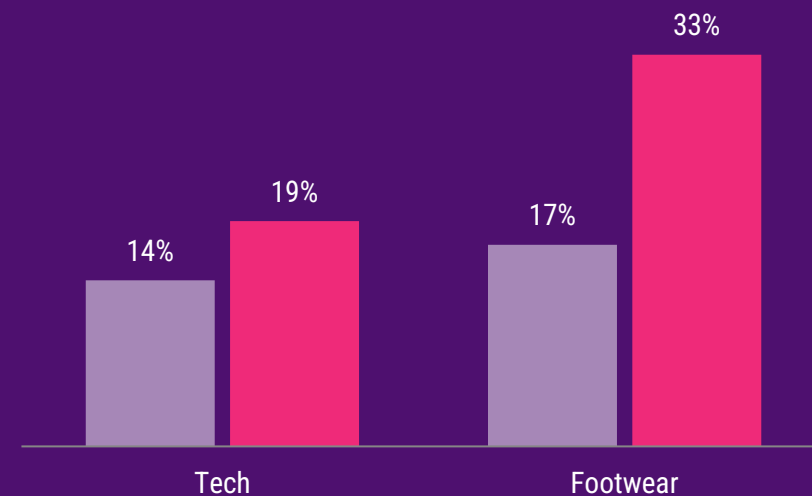


## Footwear



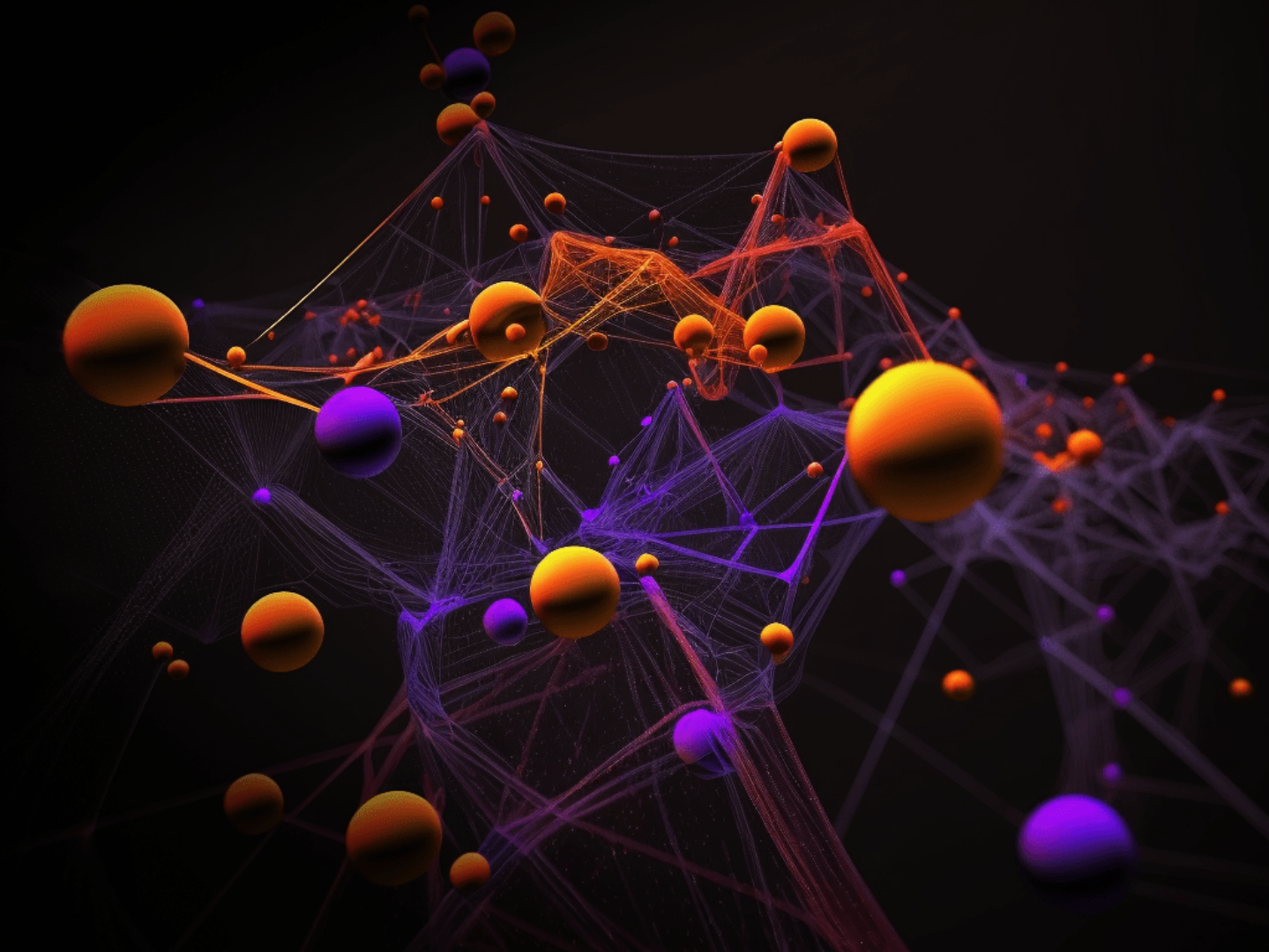
## Promotions

■ Avg. Promoted Depth of Discount ■ % Share of Promoted Units



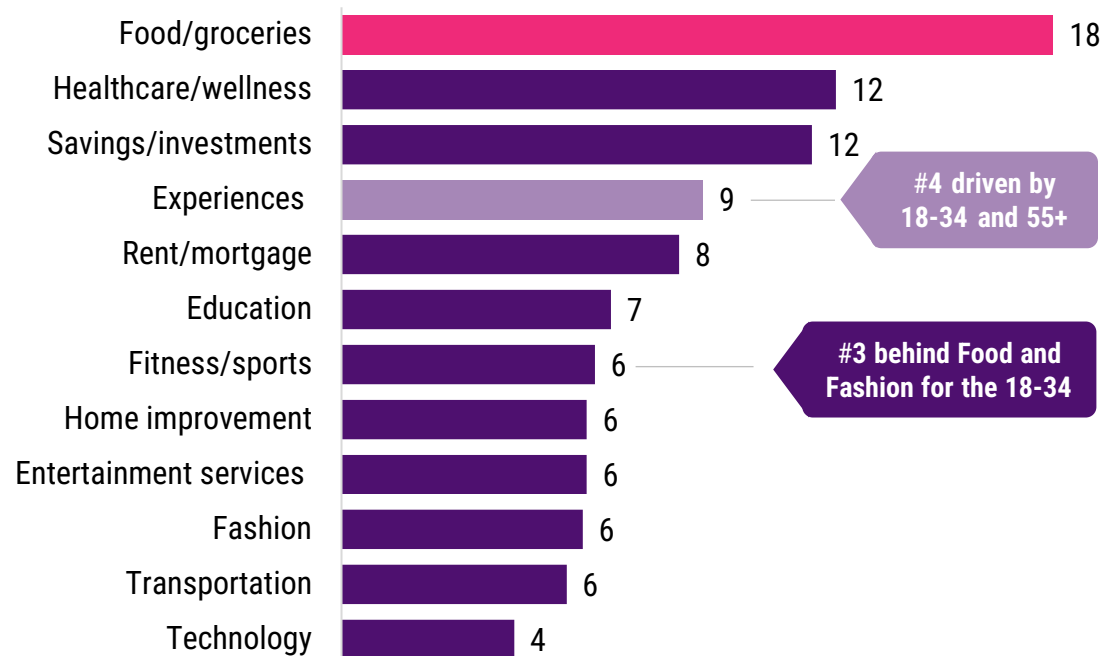


# Priorities



# Consumer evaluate their priorities

Which one of the following is most important to you?





# 35-44 consumer is feeling pinched due to housing

$\frac{2}{5}$

say that **shelter and food** are their main priorities, everything else is a luxury

$\frac{1}{4}$

say that the **increase in mortgage/rent** has impacted their disposable income





**Priorities** having a larger  
impact on disposable Income

16%

**prioritize experiences and travel**  
when it comes to financial priorities

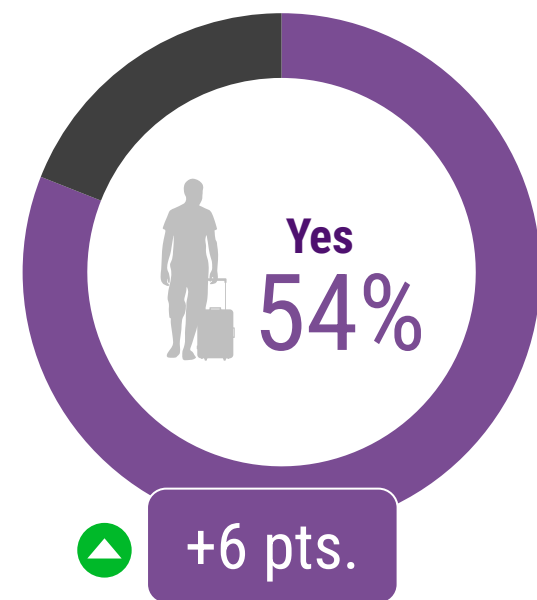


*Source: Circana/ Omnibus, Canada April 2023*



# Consumers are resuming pre - c o v i d h a b i t s

Are you planning for any type of experience in the next 3 months?



54%  
Travel



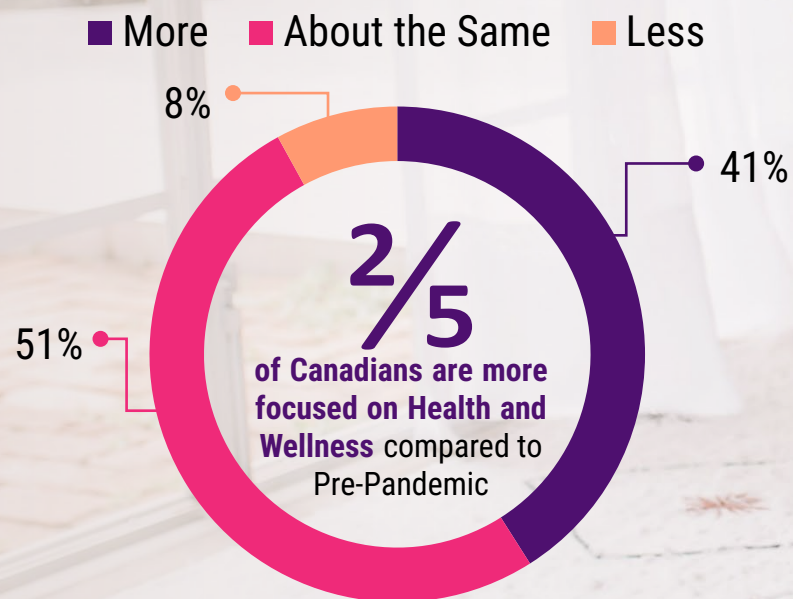
36%  
Outdoor/ Physical  
Activities



28%  
Large Gathering with  
Friends and Family

# Consumers are continuing to focus on health and wellness

Healthy Eating  
Exercising  
Comfort  
Vitamins/ Supplements  
Doctor's Visits



Source: Circana Omnibus April 2023

Q.18 Would you say that you are placing more, about the same, or less focus on your overall health and wellness (physical and/or mental) now compared to before the pandemic? Q.19 Which of the following, if any, have you, yourself, been doing to take care of yourself during the past 12 months



# Looking ahead - 2023 and beyond

Each Industry's momentum is the outcome of the Pandemic disruption. We look to 2025 for stability.

2023

Continued  
Growth

Reduced  
Spend



Maintained  
Volume

Improved  
Performance

2024 & 2025

Continued  
Growth

Reduced  
Spend



Maintained  
Volume

Improved  
Performance

# Key takeaways to remember

1

## Slowed Growth

Retail spend has softened and consumers are focusing spend on necessities, joy, and value.

2

## Price

Consumers purchase behavior is driven by price so understanding the correlation between inflation, mix and promotion is key

3

## Experiences

Experiences will continue to occupy a larger share of discretionary spend, connecting products to experiences and travel will win

# Thank you

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