

# Keeping up with the Canadian consumer

A comprehensive view into changing habits,  
trends and preferences



Let's do this.



The lasting effect of the global pandemic on Canadian consumers remains to be seen. Promisingly, feedback from KPMG International surveys, *'Me, my life, my wallet'* and *'Consumers and the new reality'*, offer critical insights into the current habits, expectations, and preferences of consumers – putting a spotlight on businesses to turn this time of challenge into an opportunity and demonstrate agility as they continue to evolve.

COVID-19 has surfaced a heightened state of caution and pragmatism that is influencing how (and with whom) Canadian consumers spend their money. Even though 40% of Canadians say the pandemic hasn't affected their household finances, a similar number are spending less on non-essential items. This consumption trend is something Canadian businesses must consider as their strategies are reset (and likely reset again in the months and years to come).

Noteworthy in this year's survey is that Canadians' relationship with technology is accelerating and deepening. Shoppers of all ages – and, particularly, Baby Boomers – have gone digital in greater numbers. Due to the timing of our research, the effects of COVID-19 are certainly at play, however, it would also appear that investments being made by Canadian businesses are starting to pay off. In fact, 76% of CEOs surveyed in our [2020 KPMG CEO outlook](#) said they made great strides to create more seamless digital customer experiences since the pandemic hit.

At the same time, Canadians' traditionally high expectations for data privacy and security have risen to new heights, challenging businesses to be more transparent in their requests for data, offer greater value for its exchange, and provide stronger assurances over its protection.

With regards to Canadians' brand preferences, more than ever, domestic consumers are likely to buy locally sourced or manufactured products out of a desire to support Canadian business owners. There's also a perception that buying local is simply safer than international alternatives (for the time being). Along the same lines, Canadians align with brands that reflect their personal values, and companies that genuinely demonstrate a commitment to upholding environmental, social, and corporate governance (ESG) ideals.

While Canadians can be loyal customers, their allegiance cannot be taken for granted. Ahead, we explore how Canadians gauge their trust, which industries have earned throughout the pandemic, and the actions that businesses, especially online and in-store retailers, can take across all [six pillars of the customer experience](#), to win their attention.

**Let's do this.**

## How has the pandemic impacted your household finances?



# Safety & finances first

The pandemic has upended consumer habits across the globe, and Canadians are no different. Personal safety has emerged as a prime decision-making factor among Canadian shoppers, along with customer experience, ease of buying and value for their money.

These expectations inform what retailers they choose to engage with, the products they prefer, and the digital services they are likely to adopt.

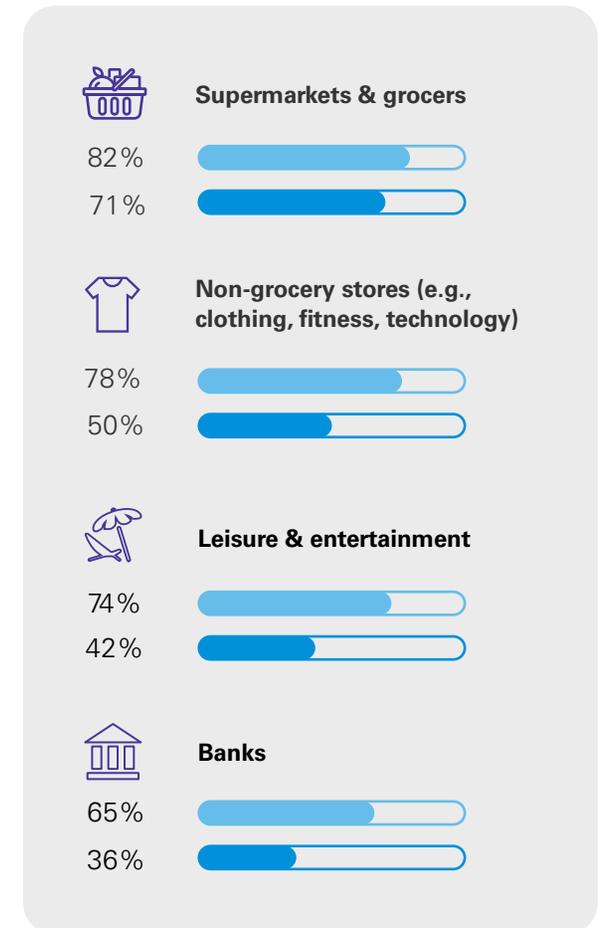
Health and safety concerns are undoubtedly a factor in the decline of in-store activity across all demographics. Canadians' overriding focus on mitigating their exposure to COVID-19 is driving high expectations for clean, safe, and quick shopping experiences. This focus on personal safety is likely to stick beyond the pandemic, as 39% of Canadians say they will avoid public spaces where possible, except for essential trips (compared to 38% global). More so 29% plan to return to their pre-COVID-19 habits, but will continue to practice social distancing, mask wearing, and other cautionary measures.

**“Canadian consumers want safe, quick, and efficient shopping experiences, but they don’t necessarily want to pay any more for that experience than they did before.”**

– Kostya Polyakov, *Partner and National Industry Leader, Consumer & Retail*

## Changes to in-store visits

● Pre-COVID-19 ● Now



The pandemic has also surfaced new financial habits for Canadians. The overall rise in unemployment and economic hardship have led to an increased focus on saving money, a more selective approach to purchases (44%) or, for some, a complete pause on non-essential and luxury purchases altogether (20%). Depending on the path the pandemic takes, these spending trends may be a pre-cursor to a spending peak post-vaccine. The contrarian view is that Canadians learn to live with less and the trends hold. Either way, the only constant will be change.

## Managing expectations

80% of Canadian consumers say personal safety is “a bit” or a “much more” important consideration when shopping. Other emerging priorities include:

-  **65%** Customer experience
-  **63%** Ease of buying
-  **61%** Value for money
-  **59%** Staff / people policy
-  **57%** Quality of product or service

## Top planned expenditures

Canadians may be focused on saving, but their wallets aren’t completely closed. How are they planning to spend?

-  **44%** Savings
-  **32%** Eating out (restaurants, fast food, pubs, bars, and clubs) | Eating in (cooking at home, treats, alcohol)
-  **27%** Holidays in Canada
-  **25%** Clothing, accessories, beauty
-  **24%** House and garden improvements



**43 PER CENT**  
Impact on normal life: Almost half of Canadian respondents believe that normal life will be impacted for more than 1 year (**global 32%**)



**47 PER CENT**  
Nearly half of Canadians report being slightly or much worse off financially during the pandemic, while a quarter (**25%**) feel financially overwhelmed

# Canada's evolving digital segments

In-store visits may be on the decline for the time being, but data regarding online shopping tells a different story. Whether by preference or necessity, Canadians are growing more comfortable using their technology devices to transact and interact with Canadian business during a shopping experience. **E-commerce activity has increased** across all consumer categories. A majority of Canadians say they are likely to stick with their new digital shopping habits beyond current circumstances. This certainly is a call to action to keep up the momentum and investments.

The migration to online shopping is not surprising. Consumers have been all but forced by quarantines, shut-downs, and health risks to explore digital alternatives to their traditional activities.

What is surprising, is the emergence of a new segment of online purchasers: Canada's Baby Boomers. Throughout COVID-19, this entire generation of Canadians has been highly-incentivized to use apps and online shopping services to bypass the perceived health risks of shopping in-store, and many have grown to prefer them. Now, an entire generation with virtually no online presence before the pandemic has started entering the radar of online retailers, presenting new marketing and engagement opportunities.



**“Retailers have had hundreds of years to define and enhance the in-store customer experience, whereas we’re still getting our heads around the digital alternatives. So, to assume that an online business is going to compete directly with in-store business, and compare them as apples to apples, is not going to work”**

—Peter Hughes, *Partner and National Leader, Customer Practice, KPMG in Canada*

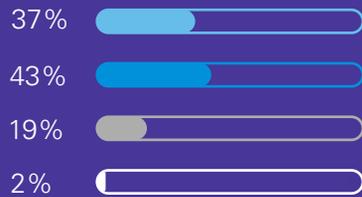
If Canadian businesses are to capitalize on emerging trends, the sustainability of their efforts will require the emergence of a 'connected enterprise'. This means, that it will no longer be just about building a website or mobile app and ticking off the box of success. True impact and return on investment will be achieved when the business's front, middle and back offices are in sync. This will require upgrading the business and technical architecture to ensure the shopping experience is seamless, from the moment one opens an app to the second the product or service is delivered. Meeting Canadian's expectations demands applying a digital lens to the entire customer journey.

# Expectations around digital experience

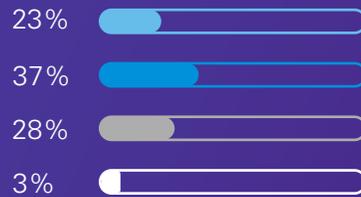
● Very important   
 ● Important   
 ● Somewhat important   
 ● Not important



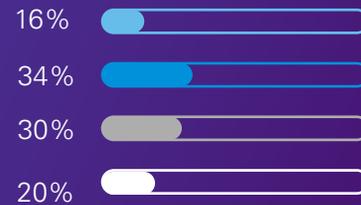
## Website



## Web chat – human

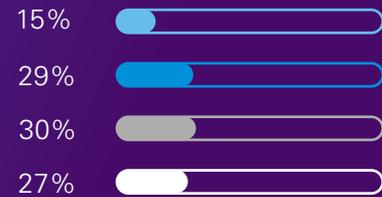


## App availability

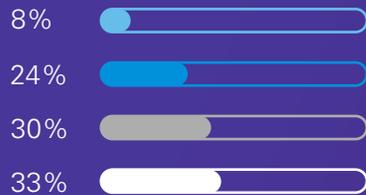


## Digital physical

(e.g. mobile phone can be used interactively in-store shopping experience)

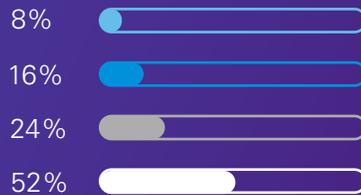


## Voice interaction



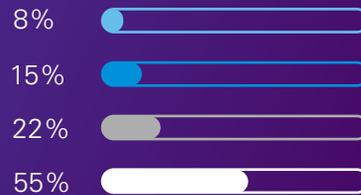
## Cognitive, AI

(e.g. interactive robots in-store)

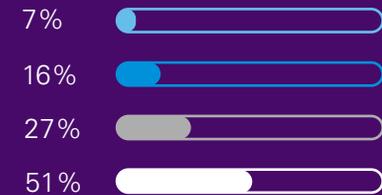


## Augmented or virtual reality

(e.g. headsets in-store)



## Web chat – robot



# Trust above all

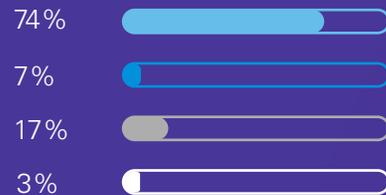
Trust continues to play an influential role in Canadians' decision-making. By and large, trust levels for top industries remain **consistent**, rising the most for supermarkets and grocery retailers.

## Trust in sectors

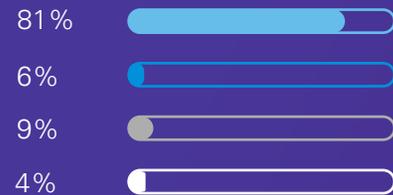
● Same as before    
 ● More than before    
 ● Less than before    
 ● Unsure



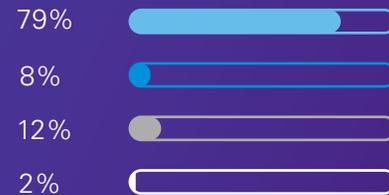
**Non-grocery stores (e.g., clothing, fitness, technology)**



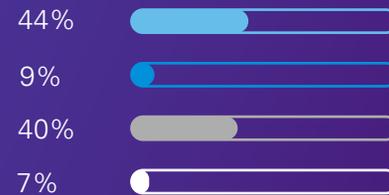
**Leisure & entertainment**



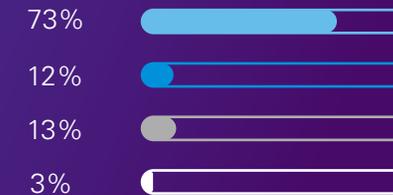
**Banks**



**Travel & tourism**



**Supermarkets & grocers**



Trust, of course, is relative to time. In the early days of COVID-19, Canadians were apt to trust retailers and services (e.g., grocers, banks, utilities, etc.) that were simply open, but the bar has since been raised. Now, in addition to simply being available, Canadians are gauging trust by a company's commitment to providing essential services during the pandemic and safeguarding the health and wellbeing of both consumers and their staff. It is not surprising, then, that in KPMG International's *Me, my life, my wallet*, Canadians are trusting sectors like healthcare, banking, power & utilities, and technologies the most during this time, while trust levels for automotive retailers, wealth management firms, and advertisers leave room for improvement.

Product sourcing is also a factor for trust. Surveys conducted well into the pandemic reveal a stronger desire to shop locally. This preference is being led by a desire to help local Canadian businesses survive current economic hardships and a preference to use products that are made or sourced locally and, therefore, perceived as safer than imported goods.

**“Compared to the rest of the world, Canadians feel relatively confident that it will be safe to return to stores in the near future. They tend to trust that the government and private businesses are taking the pandemic seriously and that they’ll be safe when – and if – they feel confident in returning to store.”**

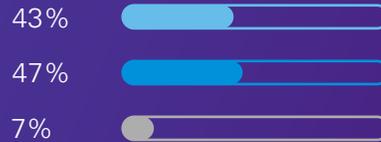
– Kostya Polyakov, *Partner and National Industry Leader, Consumer & Retail*

## Experience of dealing with different sectors

- Harder than before
- Same as before
- Easier



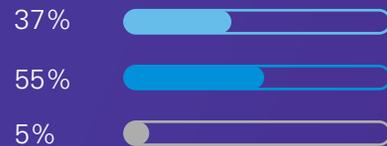
**Non-grocery stores (e.g., clothing, fitness, technology)**



**Banks**



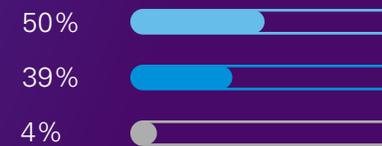
**Supermarkets & grocers**



**Leisure & entertainment**



**Travel & tourism**



# The data proposition

Canadians have a push and pull relationship with their data. On the one hand, a majority expect the benefits of data-driven buying experiences (e.g., personalization, frictionless services, tailored recommendations). On the other, upwards of 27% are not willing to trade their data under any condition, and only a small cohort will do so for better security, financial incentives, or better deals.

Even those who share their data do so with high expectations. Over half of Canadians (58%) expect their data won't be sold, and equal amounts (54%) believe companies have an obligation to protect their data whether or not they're asked to do so.

This reluctance to share data is understandable. Canadians have had less time and experience with mobile apps, cashless payments, and virtual services compared to other global consumers (e.g., Asia). As such, it takes more to persuade Canadians to migrate to a retailer's app or website and click "OK" on their terms and conditions.

However, the fact that Canadians are open to trading data for innovative services and products proves



## Convenience:

Ease of buying is the most important factor for consumers when it comes to non-grocery retailers (58%) and grocery/supermarket consumers (56%)

that stronger trust over data usage can be built. Doing so requires companies to be 100% clear in communicating how consumer data is collected and used. Moreover, it means offering greater value for its exchange, such as more efficient and convenient services, lower prices, or other tangible incentives. Canadians may be more cautious about sharing personal information with their retail partners, but greater transparency and benefits can help win their consent.

**"We now have six months of curated information about the shopping habits of Canadian consumers, many of whom are new to the online space. If we don't take advantage of those insights, and don't use them to further improve the customer experience or drive our digital investments, then a lot of the gains we're seeing today aren't going to stick."**

— Peter Hughes, Partner and National Leader, Customer Practice, KPMG in Canada

## Benefits of sharing personal data



27%

Nothing, I would not trade my data



22%

Better security



16%

Money (companies should pay me to use my data)



12%

Better value/prices



11%

Better customer experience and personalization



11%

Better products and services



2%

I don't care about my data

# Conclusion

2020 has left Canadian consumers in a different place than where they began. Now that we've weathered the initial storm, it's time for retailers to take what we know about Canadians at this moment in time to drive engagement, trust, and loyalty in the critical shopping periods to come.

**Let's do this.**

Certainly, with insights come action. And as Canadian consumers' preferences continue to change, the challenge for businesses is to keep pace with their evolving behaviours and expectations in this volatile environment. Here are some key considerations:



– **A laser-focused approach:** Customers are shopping less often, but spending more when they make the trip. For retailers, that means forming detailed online and in-store customer strategies to capture their attention in these critical windows of time.



– **Evaluate your digital maturity:** Are you meeting your customers' digital expectations? Is your online experience up to par with your competitors, and protected against modern cyber threats? More importantly, are you embracing digital throughout your entire supply chain and customer journey to ensure nothing falls between the gaps? These are considerations all companies must make as they adapt to Canadians' increased digital habits and preferences. Test your business with [this free diagnostic tool](#).



– **Don't underestimate the Boomers:** Canada's Baby Boomers have been largely ignored by online marketers, but that can no longer be the case. Older shoppers are embracing digital at faster speeds, and they have more money in their pocket to share with businesses who can win their attention. To dismiss this growing segment is to miss out on a rising opportunity.



– **Make your word your bond:** Winning the trust of Canadians doesn't come easy. Whether the goal is to win their business or benefit from their data, companies must be honest and upfront with their intent, stay true to their word, and offer real value for any exchange.



– **Prepare for the unexpected:** Companies that can stabilize their supply chains and position themselves to assess disruption, by providing structured responses to their risk and exposure points, will be able to withstand future vulnerabilities. This means working to improve efficiency and security of supply while also finding new suppliers and routes that allow an organization to diversify when needed.

Ready to connect with Canadian consumers on their terms? KPMG in Canada is ready to help. We've supported hundreds of Canadian businesses through difficult times. We do so by working closely with leaders to re-imagine, re-invent, and re-tool organizations to thrive in this new reality and beyond.

Our [KPMG in Canada Customer practice](#) can help you uncover the value your customers are looking for to earn their trust and preferences. Using our [Six Pillars of Customer Experience](#), we work with clients to measure their operations against the metrics that matter most to Canadians, including Integrity, Resolution, Expectations, Time and Effort, Personalization, and Empathy. Our surveys have given us a direct line of sight into Canadian consumers' mindsets, and we're eager to use these perspectives to our clients' advantage.

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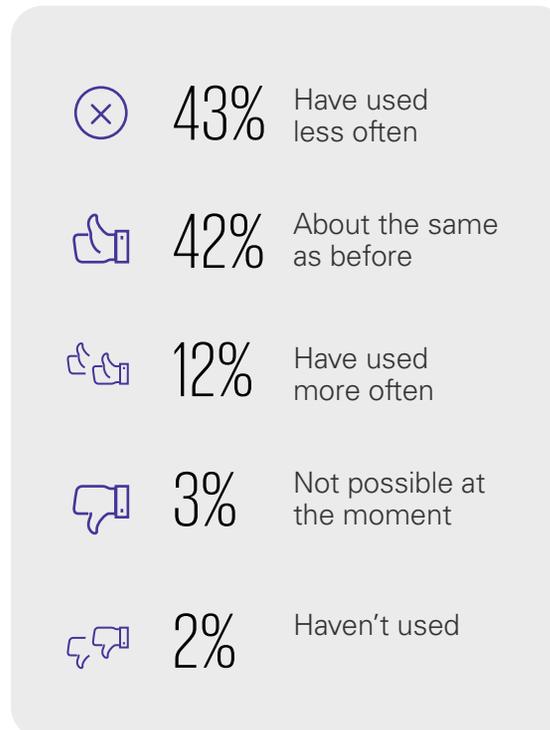
| Read on for specific insights about  
grocery and non-grocery retail.

# Sector deep dives

## Grocery

The pandemic may have cooled Canadians' in-store activities across retail, but the grocery sector is having a record year. While a large number of consumers (43%) are shopping in-store less frequently, 23% are spending more on groceries when they do (68% are spending the same) compared to their pre-COVID-19 habits. For grocers, this presents an opportunity to apply a targeted approach to in-store marketing by gaining a deep understanding of each customer that walks through their door and catering directly to their preferences in the short time they're there.

### In-store grocery shopping habits compared to pre-COVID-19



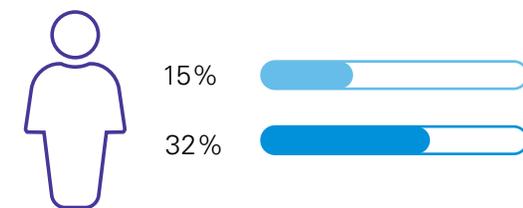
Safety concerns are causing Canadians to shop less often than before.

An uptick in online shopping has also helped grocers and supermarkets thrive. The use of grocery retailer apps and other online shopping services has risen across all demographics, with a majority indicating they will likely continue purchasing their groceries online following current conditions. Interestingly, of the many Canadians aged 55+ who turned to online grocery shopping apps, more than 75% intend to continue their habits beyond the pandemic. This presents an opportunity for grocers to re-calibrate their digital marketing strategies and capture a new and growing segment.

### Use of online grocery shopping services by Canadians 55+

Age ● 55-64 ● 65+

**Used online services of large grocery retailers (e.g. supermarkets, hypermarkets) more often during COVID-19**





Age ● 55-64 ● 65+



Canadians of all demographics are more likely to continue shopping for groceries via retailer-specific apps, including a significant cohort of shoppers aged **55-64 (78%)** and **65+ (67%)**.

**100% of Baby Boomers (65+) are likely to continue using online shopping services**

Nevertheless, the large contingent of Canadians who say they have never used mobile grocery apps (40%) points to untapped potential. Greater transparency regarding the use of their data, and a clearer understanding of what value they are receiving in return, would go a long way towards closing the gaps.

That’s not to say Canadians aren’t, or won’t, return to previous in-store activities. Safety and convenience top the list of reasons Canadians would return to in-store grocery shopping. This aligns with findings from KPMG International’s Me, my life, my wallet, which indicates that personal and family health rank high on Canadian’s concerns. For retailers, this points to a need to remain diligent on in-store pandemic measures.

The fact that 79% of Canadians are willing to pay local suppliers more for some or all of their products is also an opportunity for Canadian grocers. These buying attitudes are driven in part by a commitment to supporting local business owners throughout the pandemic and a stronger trust in products that are sourced or made locally. By extension, grocery retailers have an opportunity to appeal to Canadians with these values but marketing their locally sourced products and community-building activities.

**Why will Canadians continue shopping online?**

- 38% They don't feel rushed
- 35% They don't need to interact with people
- 32% It is safer for themselves and their families
- 30% It's easier to pay
- 24% It's easier to find what I want | It's a quicker process | Better variety of products

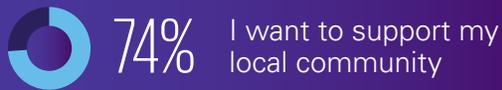
**The top reasons to return to in-store grocery shopping**

- 56% Lower prices
- 54% Enforced social distancing
- 44% Provide hand sanitizer | Sanitized trolleys and baskets
- 41% Staff wearing protective equipment
- 39% Short queue waiting times



**79 PER CENT** of Canadians say they will buy local for some or all of their products.

**Their reasons include:**



**74%** I want to support my local community



**59%** The products are made/sourced locally



**38%** It's better for the environment



**36%** It's safer for me to buy locally



**26%** The products are better quality

Ultimately, groceries are an essential purchase. This makes the segment less vulnerable to the economic impacts of COVID-19. Even still, driving in-store traffic and maximizing basket totals (both in-store and online) requires grocers to meet Canadians' expectations for safe, convenient, and valuable shopping experiences.

## Canadians' online grocery shopping

### Using online services of large grocery retailers

- 27%** More often
- 23%** About the same
- 7%** Less often
- 40%** Haven't used
- 3%** Not possible at the moment

### Using other online shopping services

- 27%** More often
- 26%** About the same
- 5%** Less often
- 40%** Haven't used
- 2%** Not possible at the moment



**47% of Canadians who have gone digital do not miss their old way of grocery shopping**

The pandemic has demystified online shopping for Canadians and, in many cases, instilled it as a new, more preferred method of getting their groceries. Only 15% of Canadians say they miss their old shopping habits and are eager to return to them as soon as possible.



**62 PER CENT** of Canadians are already eating out or planning to in the coming months

### They are most encouraged by restaurants that:

- 71%** Limited number of customers at a time
- 65%** Enforced social distancing
- 65%** Staff wearing personal protective equipment
- 53%** Sanitized furniture and eating utensils
- 41%** Provide hand sanitizer

# Sector deep dives

## Non-grocery retail

Non-grocery retailers have been among the hardest hit by the events of 2020. As per the findings in *KPMG International's 'Consumers and the new reality'*, Canadians plan to spend 34% less on non-grocery items over the next six-to-twelve months, signaling a potential decline in revenue opportunities.



**Most Canadians (60%) are visiting non-grocery retailers in-store less often than before the pandemic.**



**Most Canadians will continue using online shopping services after the pandemic** (88% retailer-specific & 95% online shopping services).

While concerns for COVID-19 may be among the main reasons for the decline of in-store visits, the pandemic is not the only factor. Research indicates that a significant amount of Canadians (44%) are spending less than before on non-essential items on account of economic concerns, unemployment, and an overwhelming focus on saving money.

### How often are you shopping at non-grocery retailers now compared to before COVID-19?



47% Less often



44% The same frequency



9% More often

Spends may be down for the foreseeable future, but relief may come from a previously overlooked segment. Specifically, research shows that older Canadian demographics are becoming more adept and willing to shop online. 54% of Canadians aged 55+ say they currently use online shopping services specific to large retailers more often than in the past, while 49% say the same of online shopping hubs. Moreover, a majority plan to continue using online services even when conditions return to "normal".

The migration of Baby Boomers to online shopping represents untapped potential for online retailers, especially when combined with data that indicates Canadians aged 55+ feel the most financially secure. While online marketing has typically catered to younger generations who were already online (e.g., Millennials, Gen Z's), retailers now have a unique opportunity to capture a new and growing market segment.

Warming digital appetites aren't necessarily bad news for brick-and-mortar retailers. Physical locations can still compete for Canadians' attentions by appealing to their preferences towards a quick, convenient, and frictionless shopping experience. This means using technology to create unique or hybrid in-store experiences, ensuring safe and streamlined processes, and carrying the right supply of the most popular SKUs for customers that are in a rush and do not have time to wait for shipping.

## The “phygital” footprint

COVID-19 has provided a glimpse of where physical retail may be heading. And in many respects, rising digital habits and preferences among all demographics show a movement to a hybrid digital/physical shopping experience (aka “**phygital**”). Think of a completely seamless, tech-enabled service from the moment a consumer browses for items on their smartphone to the second they pick it up, and the potential customer service steps beyond. Phygital is about enabling consumers to

book private shopping times with a dedicated staff, re-envisioning physical locations as “showrooms,” and using apps and websites to manage the return and exchange process.

Many of these tech-enabled shopping experiences already exist. It’s the seamless integration of these ideas, along with a tech-enabled supply chain and a back-office service to match, that will represent a true “phygital” step forward

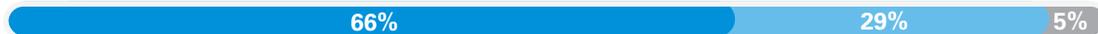
## Consumption habits during COVID-19

● More    ● Output the same    ● Low

Focusing on health and wellbeing



Shopping online



Saving rather than spending



Using different technology e.g. mobile apps or voice activated devices



Prioritizing sustainable products or service



Trying new brands



Choosing local stores



## Financial priorities for Canadians

Canadians are saving their money at an all-time high in response to job loss, economic uncertainties, and anxieties over ongoing COVID-19 conditions.



## Canadians who said they will continue shopping online list speed, convenience, and personal safety as their main motivators.



61% Free / flexible delivery options



51% Don't feel rushed



50% It's safer for me & my family



48% It's easier to find what I want



45% It's easier to compare different products



### Few going back:

Only **31%** of Canadians believe they will go back to old retail purchasing habits.

**25%** of Canadians who miss going to large retail stores are willing to return to their old ways of shopping as soon as they are able, while **34%** miss their old ways but aren't keen on returning. How can brick-and-mortar locations bring them back?



41% Short lines & waiting times



43% Sanitized baskets



45% Lower prices



48% Staff wearing PPE



52% Hand sanitizer access, Limited number of customers in-store, Enforced social distancing

### ESG remains a factor:

**84%** of Canadians prefer buying from and into brands whose actions align with their beliefs and values.



**29%** of Canadian respondents say there are more likely to use local suppliers; of those respondents, most would be willing to pay more for some products from local suppliers primarily because they want to support their local community

### Practical shoppers:

Canadians remain practical, if not more cautious than their global peers, when it comes to pulling the trigger on technology purchases. Only 1-in-5 Canadians are likely to be the first adopters of new technology. 37% of Canadians will only buy a new technology device after seeing initial reviews, and 22% will make the leap when it's been through at least one version upgrade and positive reviews.

### Attached at the hip:

**85%** of Canadians own a smartphone, with **46%** of families owning at least two in their household.

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