

DECEMBER 11, 2018

DIG360 – Leger Canadian Black Friday & Holiday Shopping 2018 Report

Fears of online delivery delays and errors are transforming this Canadian retail Holiday Season

Highlights from the DIG360 – Leger Canadian Black Friday & Holiday Shopping 2018 Report include:

- Canadian participation in Holiday deals will be up slightly over 2017, given the increase in Canadians buying Black Friday deals and a lift in expected participation in Boxing Day and Boxing Week shopping.
- More Canadians are shopping both online and offline for deals. However, they are experiencing delays and errors in deliveries in 2018 and the Canada Post strike caused many to reduce the extent of their online spending. This is benefiting retailers with convenient access to stores.
- We expect shoppers to turn to stores earlier in the last week before Christmas, for certainty in getting gifts by December 24th.
- Boxing Day will still engage slightly more Canadians than did Black Friday. Both are amongst the busiest days of the year for Canadian retail.
- A record percentage of Canadians bought Black Friday deals in the first half of November in 2018.

- About half of the Canadian population opts out of bargain hunter promotions.

Overall, shopper participation in November Black Friday deals has been fairly consistent since 2016, with 54% of 1,540 Canadian adults browsing or buying 2018 Black Friday month-long sales promotions, online and offline. On Friday November 23rd, 17% bought deals.

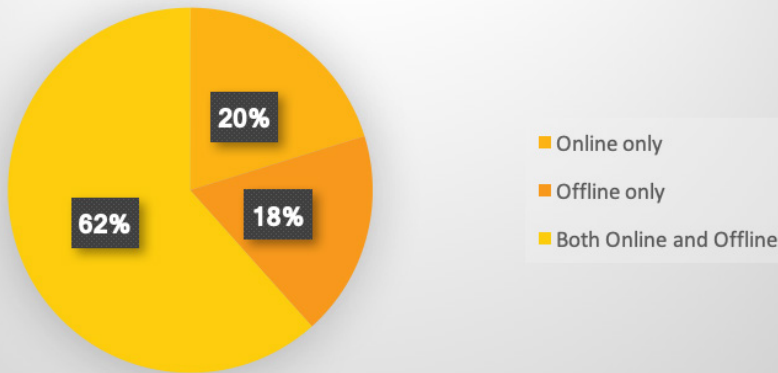
VARIOUS RETAILERS RECENTLY HELD BLACK FRIDAY SALES PROMOTIONS. HOW DID YOU PARTICIPATE, IF AT ALL, IN THESE PROMOTIONS?

	2014	2015	2016	2017	2018
TOTAL SAMPLE	1,005	1,003	1,578	1,635	1540
<i>I bought items from Black Friday sales promotions.</i>	25%	44%	30%	31%	34%
<i>I browsed Black Friday sales promotions but did not find anything I wanted to buy.</i>	27%	24%	18%	19%	20%
PARTICIPATED: BROWSED OR BOUGHT	52%	68%	48%	50%	54%
<i>I knew about it, but did not participate in any way.</i>	47%	31%	51%	49%	45%
<i>I was not aware of Black Friday promotions, what was that?</i>	2%	1%	1%	1%	2%
DID NOT PARTICIPATE	49%	32%	52%	50%	47%

A LOOK AHEAD:

Holiday Shopping visits in-store will increase in December

Most Canadian Black Friday Shoppers Bought Both Online and In-store



Most Canadian shoppers will continue to buy deals in-store.

Shopping online is more convenient when there is time pressure to not only browse online but buy as well. Holiday Season drives an increase in online shopping compared with other seasons, especially for gifts that will need to be shipped out of town. However, stores remain a critical channel, with 80% of those buying Black Friday deals doing at least some purchasing in bricks and mortar stores. Most (62%) are buying across both online and offline channels, up from only 19% in 2016.

Browsing and buying Black Friday deals at Canadian stores (43%) and Malls (48%) were both slightly up compared to 2017. We believe fears of delivery problems will compel Canadians to shift some of their shopping at this time back to stores.

Shipping delays and threats of Canada Post strikes this Season will continue to adversely impact online orders and drive traffic to stores.

We expect the slight online shopping reluctance measured through November and Black Friday will

continue through the Holiday period, even as Canada Post resumes activities. In turn, this is driving up store traffic – and leaving some purchases incomplete.

Over a third (36%) of those browsing and buying Black Friday deals on the web reported they reduced online spending as a result of the revolving Canada Post strike. This rises to 45% of those under 35 years old as well as 45% of those with kids at home, both of whom are also more avid Holiday deal shoppers - online and offline.

Be it the Canada Post strike or capacity challenges facing all shippers, we heard that 41% of those buying online Black Friday deals experienced delays or errors in deliveries. David Ian Gray, Principal at DIG360, feels this will reinforce a continued reliance on store visits for Holiday shoppers. Says Gray, “while stores are undergoing rapid transformation, our data is more evidence that a ‘Retail Apocalypse’ is a myth; consumer friction with delivery challenges have been occurring in recent years through Holiday peak shipping and these concerns coupled with retailer systems of pick-up in-store make bricks and mortar a vital channel”.

We expect to see shoppers move forward the date that they typically turn to stores as the shipping window to guarantee in-time for Christmas period runs out.

AMONG BUYERS AND BROWERS: DID YOU REDUCE YOUR SPENDING ONLINE BECAUSE OF THE REVOLVING STRIKE AT CANADA POST?	TOTAL	18-34	KIDS IN HH
TOTAL SAMPLE	658	229	234
Yes – I reduced my spending online because of the strike.	36%	45%	45%
No – I have heard about the strike, but it did not impact me.	62%	52%	53%
No – I haven’t heard about the strike.	1%	3%	2%

A LOOK BACK:

We are now firmly into a long-run “Black Friday Month” of deals.



Black Friday is an entrenched, critical shopping day, as is the month long promotional period.

Canadian adults (54%) participated in 2018 Black Friday deals through the month of November.

Yet, not all browsers convert to buyers, with 20% browsing but not buying. Some shoppers continue to be underwhelmed by the quality of deals, with those who browsed without buying rating these promotions 6.2 out of 10 (buyers rated deals 7.2).

Often the same, younger bargain hound shoppers (18-24) seek deals across the whole Season, right through Boxing Week (48% of this age group bought Black Friday deals in 2018). Conversely, around 45% of Canadians sit out the deals, consistent with recent years.

Thirty-four percent (34%) of Canadians purchased at least one Black Friday deal, up 3% from 31% in 2017.

More precisely, 17% of adult Canadians bought at least one deal on Black Friday, November 23rd. This represented no change from Friday, November 24, 2017. Therefore we know that the additional 3% of buyers were purchasing across other days prior to Black Friday this year.

According to Moneris, overall spending was up 6% on Black Friday, November 24, 2018 over 2017. This suggests the same proportion of buyers were spending more – either through more transactions or higher ticket items.

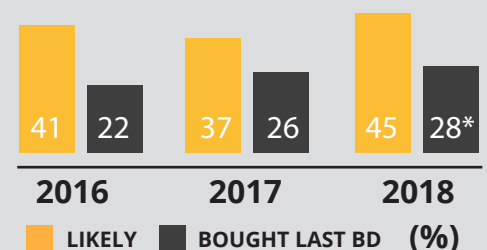
We predict an increase in Boxing Day and Boxing Week deal hunters in 2018.

As noted, the number of Canadians responding to Black Friday promotions was up slightly over 2017 and we expect this trend will continue throughout the 2018 Holiday Season.

Canadians are at a three-year high for their expectation of shopping on Boxing Day; 45% report they are likely to shop online or offline on Boxing Day, up from 37% last year. Not all will purchase (22% reported buying in 2017), so the important insight is the trend. We predict 28% will buy deals this coming Boxing Day. About half (49%) expect to shop Boxing Week 2018.

We will continue to be concerned about the competitive pressures on retailers to discount earlier and maintain through. Consumers will gladly accept these deals, but they often come at the expense of retail margins. This is particularly challenging for independent retailers.

LIKELY TO SHOP THE UPCOMING BOXING DAY VS. RECALL BUYING LAST BOXING DAY



* Predicted 2018

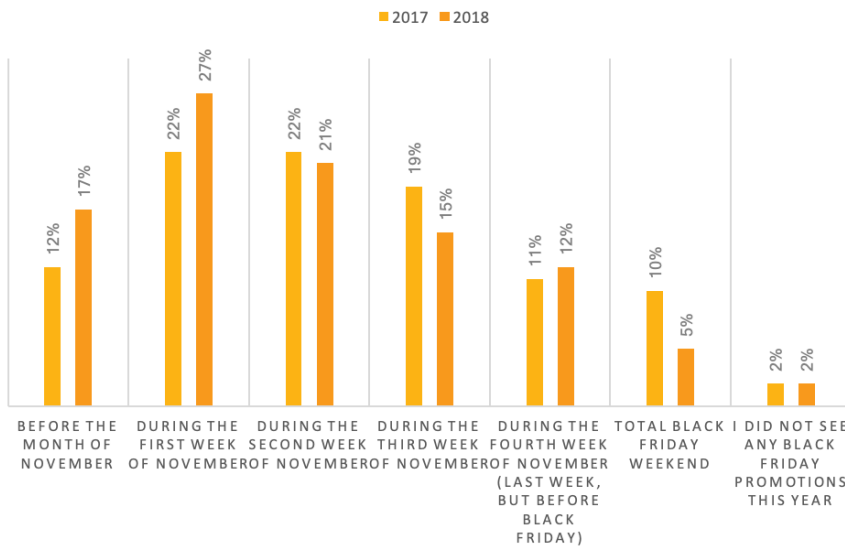
More Canadians are buying Black Friday deals early in November

A retailer we know is calling this “Black November”. The biggest shift this year was in the acceleration of a trend we spotted in 2017: the earlier timing of promotions and timing of buying. Almost half (44%) of Canadians were first seeing advertised deals in or

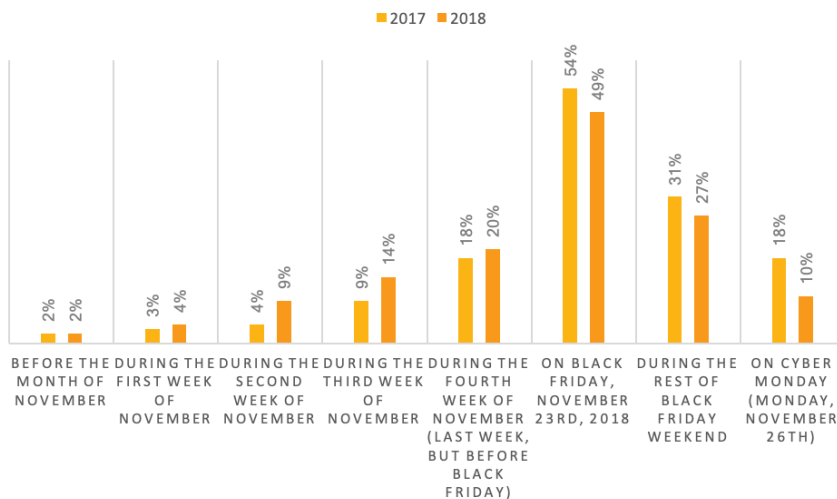
before the first week in November (compared with 34% last year).

More importantly, shoppers are buying earlier in the season than ever before, with almost half (43%) of buyers purchasing before Black Friday compared with 31% in 2017.

FIRST NOTICED BLACK FRIDAY DEALS



TIMING OF BUYING BLACK FRIDAY DEALS



Interest in Black Friday is lower amongst French Canadians.

As in past years, Francophone shoppers are less engaged in Black Friday (52% did not participate at all, compared with 44% in English Canada). Christian Bourque, EVP at Leger, observes “Quebec media were historically less focused on covering US Black Friday and this event first migrated north of the border into English Canada; there continues to be a heavy weighting in Quebec to English language retailer advertising and communications”. This suggests a retail opportunity for promotionally minded retailers in Quebec in the coming years.

TRENDS TO WATCH

BLACK FRIDAY IS ABOUT “GIFTS FOR ME”.

In the spirit of self-gifting, almost half (48%) of those browsing and buying were shopping mostly or all for themselves. This tends to share interest and spending in Boxing Week more than the focus on buying for others earlier in December.

CYBER MONDAY CONTINUES TO LOSE RELEVANCE FOR SHOPPERS.

Cyber Monday was originally a US promotion for online-only retailers to compete with Black Friday, a physical store event, and when few bricks and mortar retailers had effective ecommerce offerings. It continues to be used by all retailers because it gives them a chance to put a fresh face on the ongoing cycle of discounts.

In 2018, 10% reported buying on Cyber Monday, compared with 18% in 2017. In recent years, Black Friday promotions have become entrenched throughout the month online as well as in-store. This eliminates the true need for “Cyber Monday” and it is no longer a standalone focus for Canadian consumers.

CANADIANS ARE POSTPONING PURCHASES IN ANTICIPATION OF BLACK FRIDAY.

We are concerned about the potential cannibalization and weaker profits arising from shoppers who would be buying anyway. For example, 40% of those buying deals report they postponed shopping until they could see Black Friday offers.

These major sector-wide promotional days are challenging for local, independent stores.

Only 1/3 (32%) of Canadians browsed or bought at local independent stores in 2018 (this is our first year of tracking). Of those buying deals, 20% bought at least one deal at these retailers.

Independent retailers must be creative at cutting through the noise of these promotions, and many need to do better at preplanning and promoting through November.

CROSS-BORDER SHOPPING REMAINS LOW AND CONSISTENT.

I SHOPPED (BOUGHT OR BROWSED) FOR BLACK FRIDAY SALES ITEMS

2017	2018	
39%	43%	IN CANADA, AT A STORE
36%	37%	AT A CANADIAN STORE WEBSITE
12%	12%	AT A US STORE WEBSITE AT A 3RD PARTY
5%	5%	ONLINE DEAL WEBSITE CROSS BORDER OVERNIGHT,
4%	4%	AT A US STORE CROSS BORDER SAME DAY,
4%	4%	AT A US STORE

Cross border shopping has remained remarkably stable in recent years, both online and travel. There is consistency generally in Black Friday channels shopped for deals.

ALIBABA SINGLES’ DAY (NOV 11) IS LOW IMPACT HERE FOR NOW, BUT FIRMLY ON THE MAP IN CANADA.

Singles’ Day originated in China, beginning in the 1990’s to celebrate being single for young people in that country. Co-opted by Alibaba in 2009, the Singles’ Day Global Shopping Festival on its site is now the biggest shopping day in the world, with a record \$30.8B USD sales on November 11, 2018.

In 2018, 4% of Canadian adults bought at least one Singles’ Day deal, up from 3% in 2017. Notably, 11% of Canadians age 18-24 bought Singles’ Day deals this year. Watch for accelerated growth in Canada over the next few years.

ABOUT THE STUDY

DIG360 has been tracking the Canadian Black Friday experience and its impact on Holiday retailing since 2010. For the 3rd consecutive year, Leger has been a strong partner in this work.

The findings rely primarily on a web survey conducted from November 30 to December 3, 2018 with a representative sample of 1,540 Canadians who were English- or French-speaking, and 18 years of age or older. As a comparison, a probabilistic sample of 1,540 respondents yields a maximum margin of error of +/- 2.5%, 19 times out of 20.

Using data from Statistics Canada, the results were weighted according to gender, age, region, language spoken at home, education and whether or not children are present in the household to ensure a sample representative of the entire population under review.

Please feel free to share insights and data from this report; however, please refer to "DIG360 – Leger" if citing this information.

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ABOUT US

DIG360 CONSULTING LTD. helps retail executives focus or recharge sustainable growth. They help develop customer strategies that resonate with the right target audiences, competing on better experiences and relationships. David Ian Gray leads DIG360 and is a recognized expert on shopper trends impacting the sector and resulting retail strategies.

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