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Re: Retail Industry Experts Present Up-Coming BC Trends

A panel of retail experts presented their predictions regarding up-coming retail trends at a luncheon in Vancouver on January 17th.

James Smerdon, Senior Associate with Hudema Colliers Consulting predicted:

- Total GVRD Retail Sales totalled \$20.8 Billion from January to October 2007, a 5.5% increase over the same period in 2006.
- In British Columbia, retail sales per capita amounted to \$12,014, the fourth highest level in Canada behind Alberta at \$16,133, Yukon and the Northwest Territories
- The provincial population grew to 4.38 Million in 2007, representing an average growth rate of 1.6% between 1991 and 2007 and a 1.9% increase between 2006 and 2007.
- Personal disposable income in British Columbia rose by 6.4% between 2005 and 2006, compared to an average annual increase of 2.6% between 1991 and 2006
- Retail sales in the province are predicted to reach their highest level ever at \$56.4 billion in 2007 when all data are tabulated. This represents an average annual rate of growth of 5.15% between 1991 and 2007 and a 7.1% increase between 2006 and 2007, the largest annual rate of growth in over a decade.
- Looking ahead to 2008, retail sales are forecasted to increase by between 4% and 5% amounting to between \$58.6 billion and \$59.1 billion at year-end.
- Retail sales in 2008 will be helped by the reduction in the GST to 5%, population and income growth, and the likelihood of lower interest rates.
- Potential negative impacts include a downturn in the US economy, the strong Canadian currency.

Evi Mustel, President of Mustel Group Market Research discussed the impact of the green movement on shopping habits. "Green is the new black" noted Mustel. "Concern about the environment is impacting every aspect of life- how we shop, where we shop, what we buy and what we eat." Consumers are seeking retailers that are environmentally conscious and are shopping more locally and using their cars less. Consumers also have become more sceptical of green claims ("greenwashing") and view terms such as sustainability and EcoDensity as marketing or political tools.

Other trends she noted included:

- Consumer confidence which peaked in November dropped in December in response to mixed messages about the economy and concern about BC's forestry industry and the US economy;
- 45% of Metro Vancouver consumers report that congestion and gas prices have affected how they shop;
- Increase in cross-Pacific as well as cross-border shopping;
- Street shopping continues to be strong in Metro Vancouver with over 50% of all shopping visits to street retailers;
- Men are shopping as frequently as women dispelling the myth that men don't like to shop;
- Older consumers are undervalued by marketers and underserved by retailers.

Andrew Ramlo, Director of Urban Futures noted that the much anticipated release of the data from the 2006 Census is providing an extremely useful base – but only a base – for retail marketing. The data confirm that the population is aging faster than it is growing. In 2006, the typical Canadian, a member of the post World War Two baby boom cohort, was in their mid-40s (the oldest median age in our history), with the front edge of this generation is turning 60.

The long life expectancies we enjoy mean that this aging will continue for a few decades to come, and hence retailing must anticipate the continued graceful greying of our population. Retailers will have to pay attention to the size of print in their ads, the light and sound levels of their stores, and the speed of traffic flows past their doors. Contrary to the opinions of some, aging will bring change, not death, to retailing. While total household spending peaks in the 45-54 age group, declining with increasing age thereafter, it does so because these older households also see a decline in the number of people in the household declines as the kids (finally) move out. Spending per person in the household reaches its peak in the 55 to 64 age group (which the typical boomer will not reach for another fifteen years) and remains above the average into the 65 to 74 age group.

In spite of growth in retail spending due to demography, retailers cannot rest, as changes in the range of products and services demanded will occur at a much quicker pace than spending will grow. One source of this change will be the lifecycle pattern of spending, with the purchases of households in the 55 to 64 and 65 to 74 age group being much different from those in the 45 to 54 age group.

Another source of change for retail markets will be that immigration is increasingly a source of demographic change, another trend documented by the 2006 Census. Given the birth rate has been well below the replacement level for the past four decades, this was not a surprising fact; but the changes it is bring to retailing markets will be. In many market areas, half or more of the population was born outside Canada, with the origins of this foreign born population changing significantly. This means that the foreign born population is becoming more diverse in terms of ancestry and, with the increasing role that immigration is playing in population change, so is the total population

As a base, retailers must adapt to the reality of an aging and increasingly diverse population. But this only is only the starting point, as age and ancestry are only the first layers of understanding consumer behaviour; different lifestyles build on the base of ancestry and lifecycle.

The diversity of lifestyles is significant, with the never nested spending in different ways from the empty nesters, even within the same age and ancestry group. The fact that someone was born outside Canada, the fact that that someone was born in 1960, does give us some guidance as to how a person might spend, but they do not tell us all. We also need to know whether they are vegans or hoovers, brand identifiers or no-logo champions, hagglers or accepters, high income or just hanging on. The old retailing adage of “know thy customers” could never have been more important as retailers must look beyond age and ancestry to target the niches of the geeks and the groovers, the hip hoppers and the hippies, the mods and the metal heads, the rich and the rest.

The challenge for retailers will continue to be not getting captured in chasing the “boomer” or “ethnic” markets, but rather to peel back these layers to reveal who the consumers are, to identify the behavioural, lifestyle and income segments (as well as the root demographics).

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