



RETAIL OUTLOOK

2021 Canadian Consumer Trends Guide

Reimagining Retail and E-tail During and Beyond the Pandemic



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Introduction

Now nearly a year into the pandemic, it's abundantly clear that COVID-19 has psychologically and materially shifted Canadian consumer behaviour as well as the larger economy. And, we have seen COVID accelerate certain retailer strategies that were inevitable or underway already, such as evolving a digital presence above and beyond bricks-and-mortar experiences.

But how can Canadian retailers navigate, and survive, these rapidly changing and developing consumer trends and behaviours? And how can they anticipate the priorities, psychological motivations, and category spending of Canadian consumers?

PayBright's first annual 2021 Canadian Consumer Trends Guide works to answer these questions. Built for merchants looking to anticipate the actions that consumers could make this year, this report **helps retailers better understand how to align with customer values and needs, prioritize delivery fulfillment, expand product categories, and better meet the needs of Canadian consumers deeply affected by a pandemic-focused world.**

Informing this report is our recent consumer survey, in which 2,500 Canadians across all regions participated. The results revealed much about how Canadian consumers are approaching, and not approaching, their shopping in 2021. By amplifying the voices, concerns, and needs of the Canadian consumer, we hope these may be listened to and met by retailers in 2021.

From their candid responses emerged actionable predictions for retailers to anticipate this year, specifically as they relate to what we call the 5 P's of Consumer Behaviour: Products, Payments, Planning, Place, and Psychology.

Some quick facts about Canadian consumers that you'll find in this report:



55%

Canadians read several product reviews before making a purchase.

If 2020 was a year of disruption and uncertainty for Canadians, this will certainly be the year of building safety, security, and long-term solutions. This report aims to support retailers in those pursuits.

Stay well this year, and beyond 2021.

-The PayBright Team



52%

are likely to avoid doing business with a brand that does not align with their ethics and values.



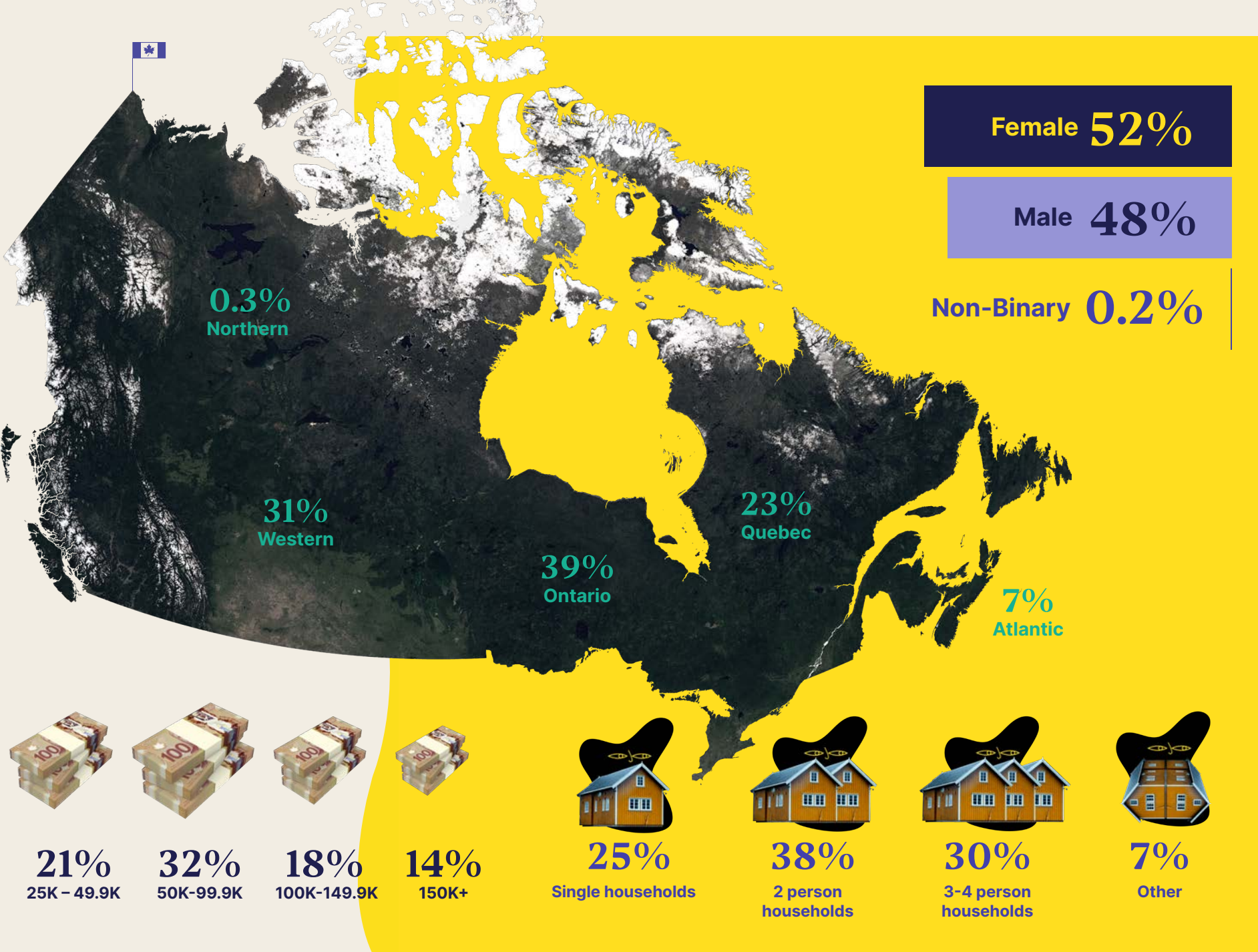
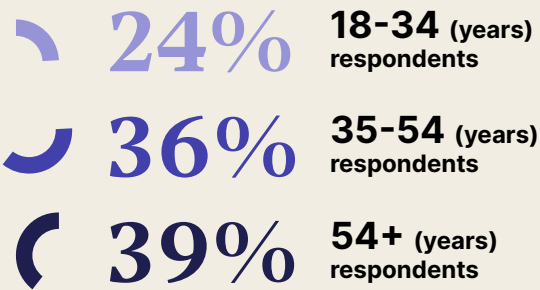
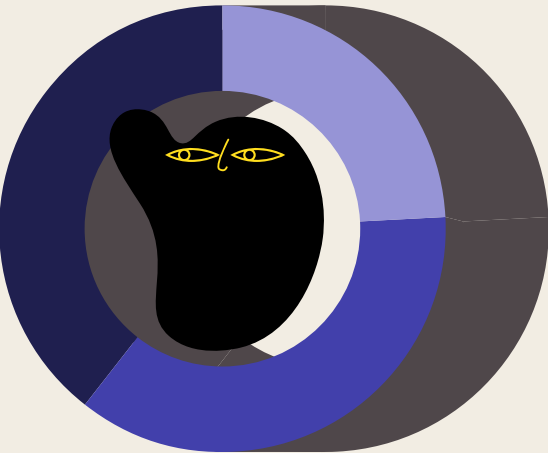
18-24

35-44

The most likely Canadians to experience a decrease in their 2021 budgets are those in the 18-24 and 35-44 age ranges.

Demographic Snapshot

Our consumer report results are based on a detailed PayBright survey fielded in early October of 2020. We asked **2,500** Canadians some tough questions and, from coast to coast, they answered.



Trend #1

PRODUCTS

Canadians will be looking for rich online product descriptions and deals to make buying decisions.



As Canadians become even more discerning with spend in 2021, they will be looking for rich online product descriptions and price incentives to help them make buying decisions, either in-store or online.

When we asked Canadians to choose the statements that best describe themselves, they revealed much in terms of their buying behaviour and, in particular, what encourages their spending on certain products.



38% indicated they prefer to spend more to purchase premium brands and products.

To avoid repeat spending on lower-quality items that do not last, Canadians look to trusted, high-quality brands when making significant purchases.



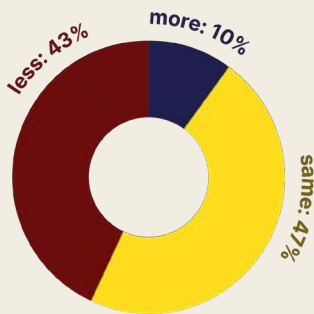
55% indicated they read several product reviews before making a purchase,

signaling that these reviews are an essential part of buyer research prior to making a purchase. For retailers, ramping these up is essential, as less reviews may mean less likelihood of making a sale.

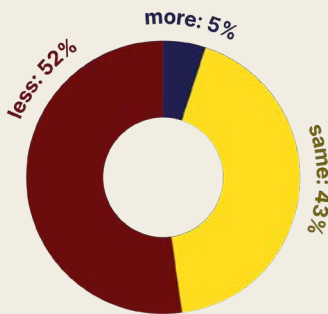
Trend #1: Products (cont'd)

Most respondents anticipated that they would spend the same or less across product categories in 2021. **For clothing for self and basics, more than 10% of survey respondents indicated that they would spend more in those categories.** But **upwards of 60% of respondents indicated they would be spending less on travel and experiences in the new year**, indicating their presumption that the lingering effects of the pandemic on travel restrictions and normalized social gatherings will last well into 2021.

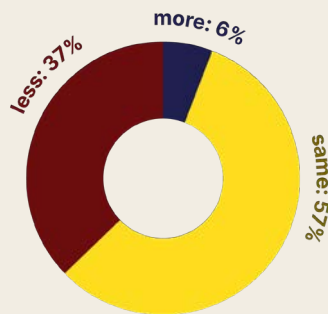
In 2021, how do you anticipate you will spend (more, less, the same) in the following categories?



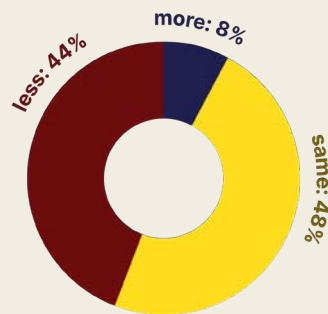
Clothing for Self



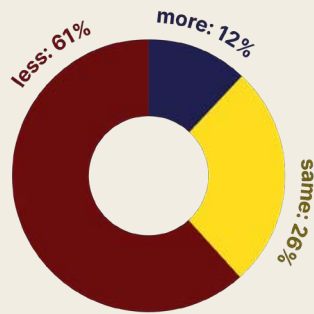
Fashion Accessories



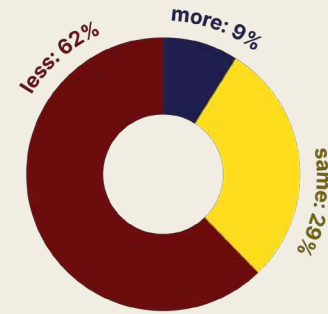
Beauty & Skincare



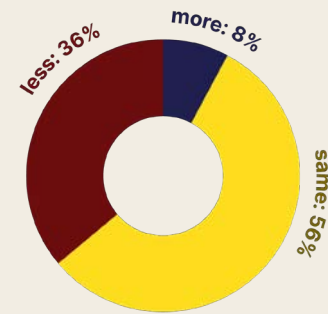
Clothing for Family



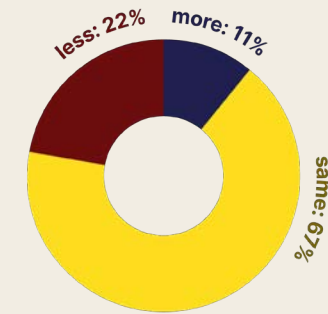
Travel



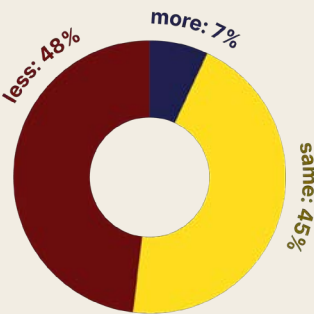
Experiences



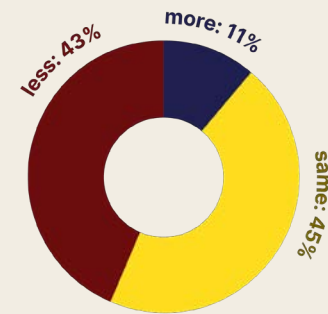
Home Goods



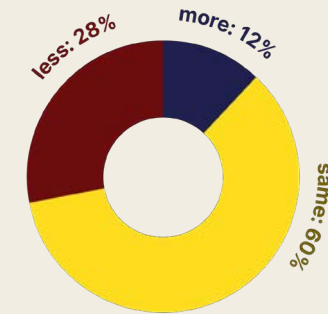
Basics



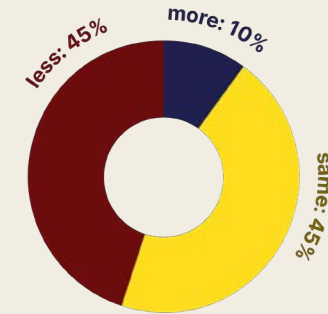
Electronics



Hobbies & Leisure



Health & Wellness



Home Fitness

Trend #1: Products (cont'd)

What does this mean for 2021?: Product Predictions

Buying Into Basics:

The first COVID-related lockdowns certainly manifested change in Canadians, who already began doubling down on basics last year. Loblaw's third-quarter in 2020, for instance, shot up from 6.9 to 15.7B in food sales, and their pharmacy chains saw 2.4% growth in front-of-store revenue, and 10% growth in pharmacy sales. We expect the 'basics' trend to continue upwards as more Canadians cook at home and invest in household and health essentials in fewer, but more strategic, shopping trips. Those retailers with 'basics' in their catalogue should emphasize their presence both in-store and online.

Revving Up ReCommerce and Rentals:

As consumers look to make environmentally-friendly purchases, buy fewer new products, and invest either short-term or long-term in luxury brands, we may see growth in the reCommerce (the selling of previously owned or used products) and rental markets. Some may increase their purchases of lightly-used luxury items for less at online consignment shops (such as eBay and the RealReal). Recent research suggests that this second-hand market will double over the next five years. We also predict a rise in furniture, electronics, and fashion retailers expanding into the online rental market, which may lower the rate of returning items.

The Supply Chain: Long-Term Solutions for Long-Term Problems:

Many retailers have found band-aid solutions to manage increased online sales, product delivery delays, and general supply-demand pain points. But only a few retailers have thought long-term about supply chain challenges, and implemented sustainable solutions, including investing more in returns and processing departments and distribution centres, or hiring more private parcel delivery companies. For those retailers who have only found short-term solutions, 2021 will be the year they realize their supply chain performance is perhaps not sustainable in the long run.

Trend #2

PAYMENTS

2021 will see the continued acceleration of buy now, pay later (BNPL) options in the retail industry in Canada.



With increased consumer demand for flexible payment options across age groups, 2021 will see the continued acceleration of buy now, pay later (BNPL) options in the retail industry in Canada, with an emphasis on the e-commerce channel.

Did you know?

To improve customer experience, sales, and return business, major domestic and international retailers like [Hudson's Bay](#), [Sephora](#), [Samsung](#), [Wayfair](#), and [eBay](#) offer PayBright payment plans at checkout, to the delight of their Canadian customers.

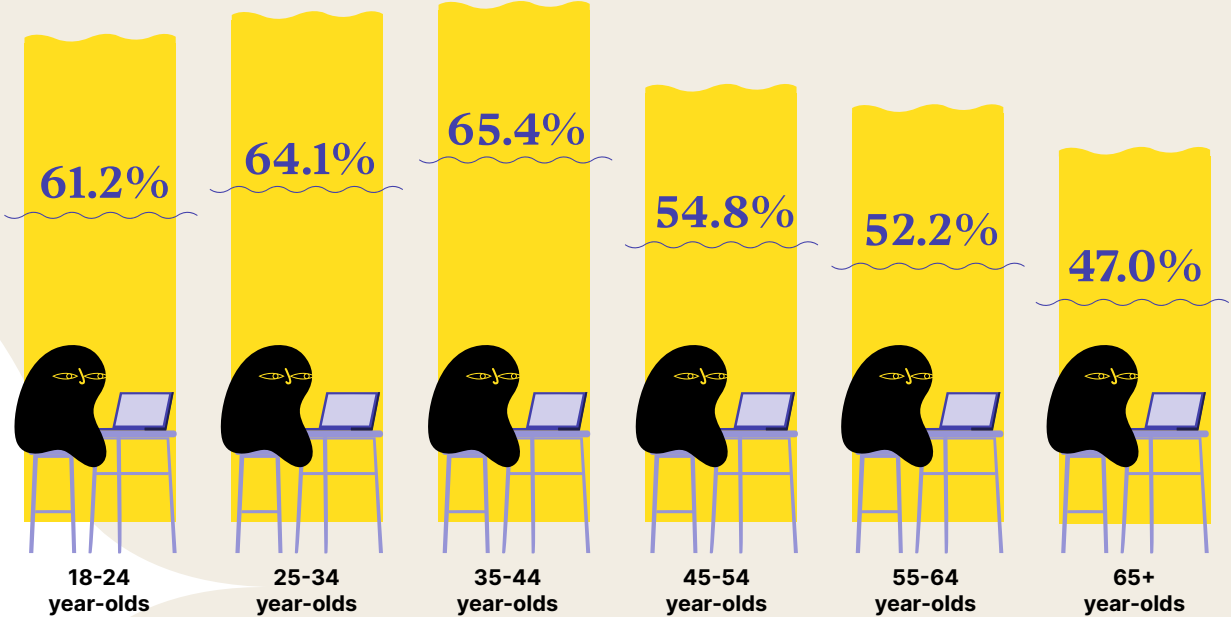
Trend #2: Payments (cont'd)

The growth of BNPL in an online context was accelerated last year by a rapid adoption of PayBright's Pay in 4 and Pay Monthly plans, especially for e-commerce during the early stages of the pandemic. For instance, between March (the beginning of the first lockdown) and June of 2020 alone, PayBright [reported](#) that its e-commerce Gross Merchandise Volume (GMV) more than doubled.

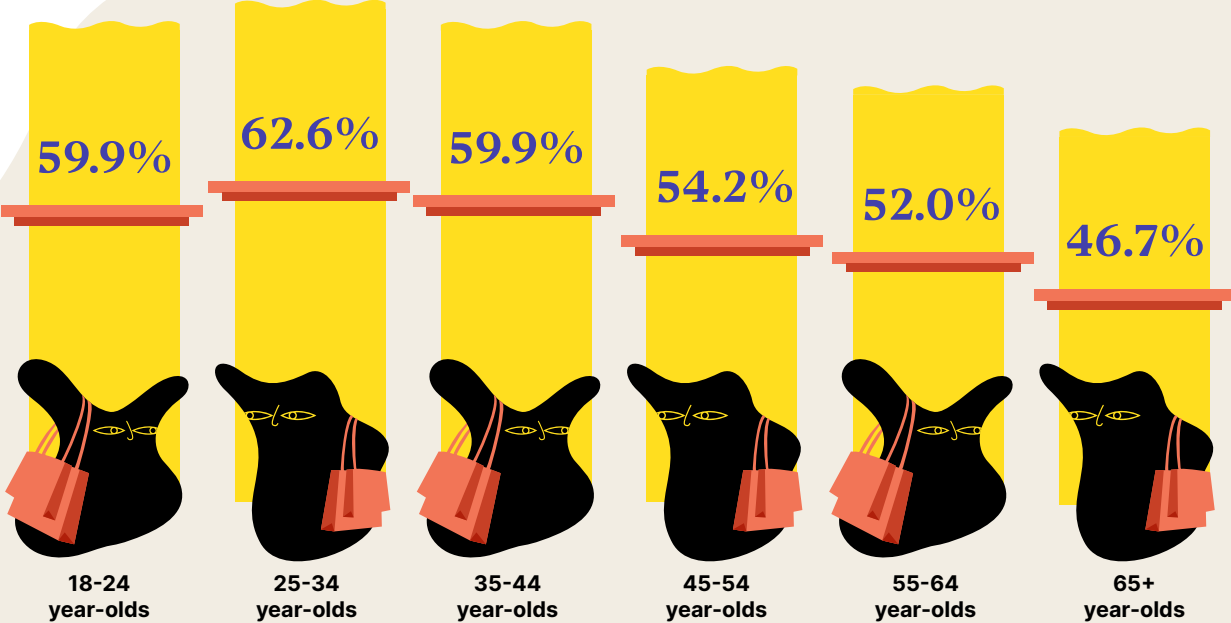
The rapid adoption rate of [BNPL](#) by Canadian retailers during all stages of COVID-19 fast-tracked a trend that was already well underway: consumers value payment flexibility - without hidden fees and charges - as well as a highly convenient checkout process. And now, **Canadians are expecting the option to 'Pay in 4' or 'Pay Monthly' when they reach checkout in 2021, regardless of the channels on which they shop.**

Buy Now, Pay Later at checkout: What age groups want it most, and where, in 2021?

Online



In-store



Trend #2: Payments (cont'd)

What does this mean for 2021?: Payment Predictions

BNPL will Accelerate in 5 Major Product Categories:

As in 2020, retailers selling electronics, furniture, mattresses, beauty products, and sporting goods will see BNPL drive revenue as more Canadians continue to stagger payments for these product types in 2021.

A Shorter, Sweeter Checkout Process:

This may be the year that more retailers work to further automate the checkout process, especially because of the consumer demand by age group. According to PwC, younger consumers (42%) of Gen-Z-ers are more receptive than Baby Boomers to automated checkout options (27%), as well as other, digital self-guided experiences in stores. More retailers will ensure their checkout process includes diverse payment options including PayBright, debit, credit, PayPal, mobile tap, Amex, and Apple Pay to accommodate any audience.

2021: A Record Year for Accelerating BNPL?:

Buoyed upon the momentum seen in 2021, major domestic and international retailers will continue to add buy now, pay later options at checkout in order to meet consumer demand, increase conversions, reach more audiences, push more product, and see revenue growth even in challenging economic conditions.

Trend #3

P L A N N I N G

Above all else, fiscal responsibility, deals, and sales will be the main motivators driving consumer purchases in 2021.



As the pandemic and its related social-distancing measures extend into 2021, so too will consumer perspectives on how they plan to budget, nurtured in the early stages of the pandemic. As a result, fiscal responsibility, and deals and sales, will be significant drivers behind consumer purchases in 2021.

We asked Canadians about their 2021 budgets and how they were approaching making financial decisions in the new year. **While 49% anticipated no significant change to their planned 2021 budget, 36% predicted a decrease, and only 13% of an increase** in their spending over the course of the year. From an age perspective, **the most likely to experience a decrease in their 2021 budget are those in the 18-24 and 35-44 age ranges.**



49% anticipated no significant change to their planned 2021 budget



36% predicted a decrease



13% predicted an increase

Trend #3: Planning (cont'd)

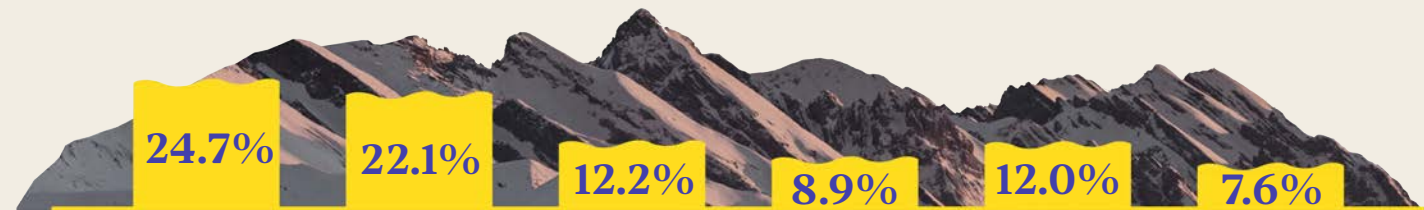
Regardless of the consistent changes COVID may bring, Canadians overwhelmingly indicated that their spending will be powered by incentives like deals and sales. For most, the number one point of persuasion when making a buying decision is a good price (in the form of offers and sales), with **73% of Canadians describing themselves as budget-conscious shoppers looking only for the best deals.**

Will your 2021 budget be changing this year? Insights by the ages



Expected budget change in 2021

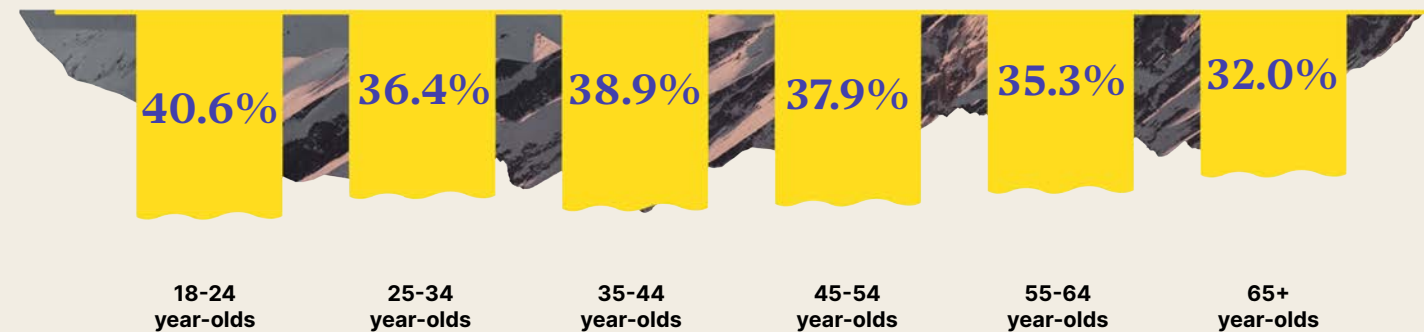
Increase



No Change



Decrease



Trend #3: Planning (cont'd)

Why else are budgets changing in 2021 in light of the current pandemic? Overwhelmingly: fiscal responsibility. **62% of respondents indicated they carefully manage their expenses and financial plans**, the driving force behind their behaviour next year. The majority of respondents agreed with the sentiment that their presumed lower budget for 2021 is related to their goal of spending less, while nearly a quarter of respondents related it to a COVID-related financial loss. To a lesser degree, general unease around the pandemic, and a commitment to lowering outstanding debts, also played a part in Canadian consumers anticipating a smaller spend in 2021.

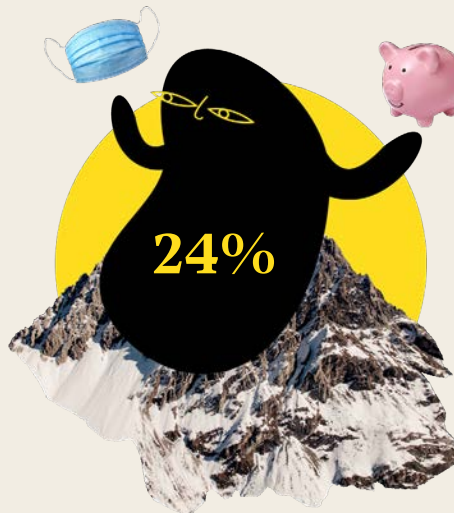
Nearly 40% of Canadians are lowering their intended budget for 2021. They told us their top 4 reasons why.



"I want to spend less in general."



"I am dedicated to paying off current debts."



"My financial status has been impacted by COVID-19"



"I feel weary about shopping during a pandemic."

What does this mean for 2021?: [Financial] Planning Predictions

It's the Year of 'Spend the Same or Less':

Consumers will continue to have the pandemic [top of mind](#) well into the new year, when they will commit to spending with scrutiny across most categories (with less of an emphasis on travel and experiences until later in the year at least, or whenever travel restrictions are lifted in a post-vaccine world).

Trend #4

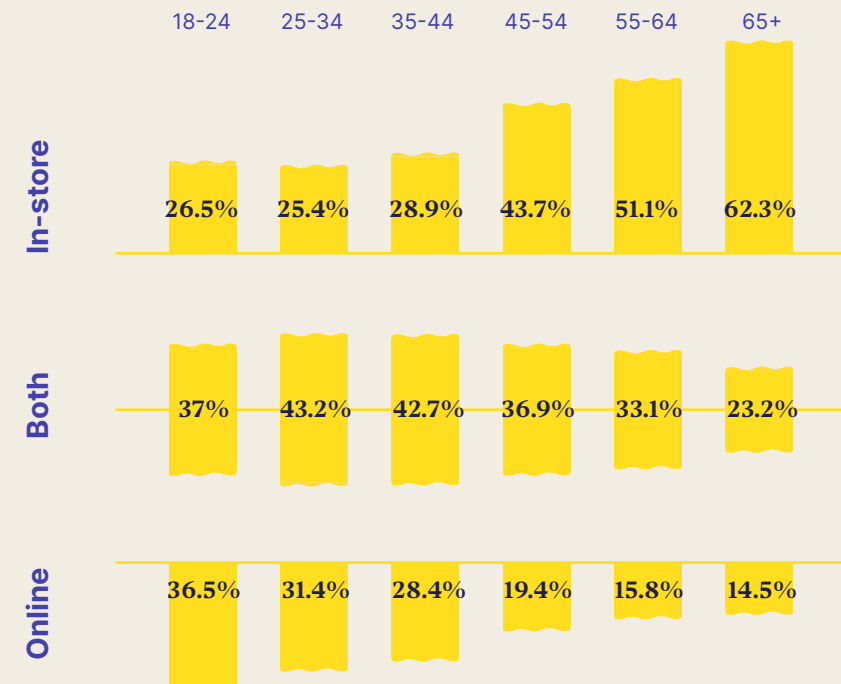
PLACE

What will Canadians value in their preferred shopping channel (online/in-store)?

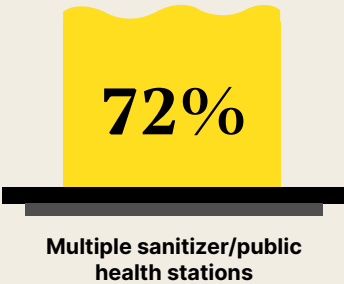
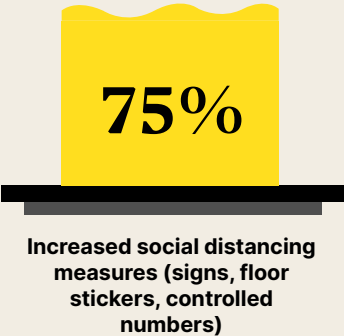
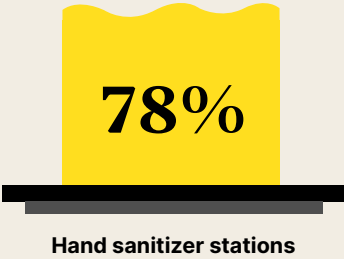
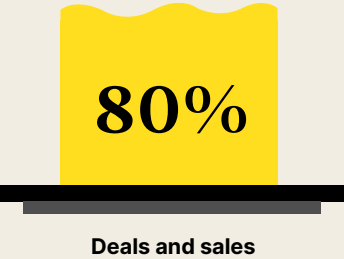


The pandemic has accelerated behaviours in both physical and digital channels. What will Canadians value in each of them? In-store, they'll be focusing on deals, and robust health and safety measures. Online they'll be looking squarely at sales, full stock, and product variety.

We asked: In 2021, where are you most likely to purchase small-ticket items (i.e. fashion and accessories, beauty products, shoes)?

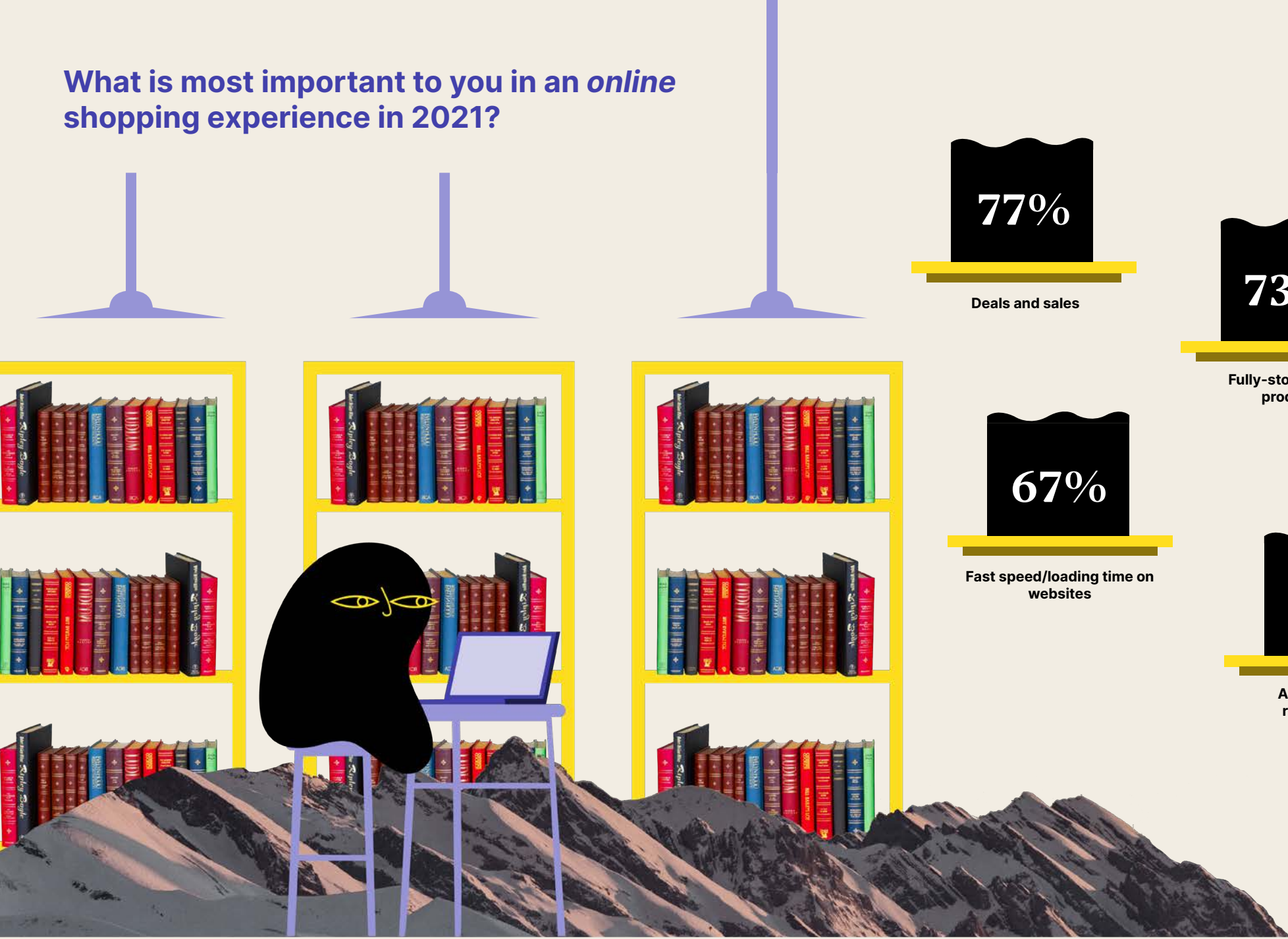


What is most important to you in an *in-store* shopping experience in 2021?



Trend #4:
Place
(cont'd)

What is most important to you in an *online* shopping experience in 2021?



77%

Deals and sales

73%

Fully-stocked with products

67%

Fast speed/loading time on websites

63%

Accessibility and responsiveness

68%

A wider variety of products

56%

Diverse payment options at checkout

Trend #4:
Place
(cont'd)

Trend #4: Places (cont'd)

What does this mean for 2021?: Channel Predictions

Online (but IRL):

Even as online experiences rise in popularity out of necessity, physical stores will continue to adapt elements of the online experience to meet the needs of consumers seeking hybrid online/in-store experiences post-lockdown. But the online channel will remain a problem in need of solving: Many in a [PWC survey](#) reported a poor experience with e-commerce during the pandemic, with only 7% agreeing that shopping for groceries, for instance, was easier online.

Fulfillment Gets More Fulfilling:

Retailers have already accelerated their omnichannel offerings and rolled out alternative order fulfillment services like curbside pickup - and this includes small businesses. This will continue into 2021, and become more of a 'sticky' behaviour post-pandemic.

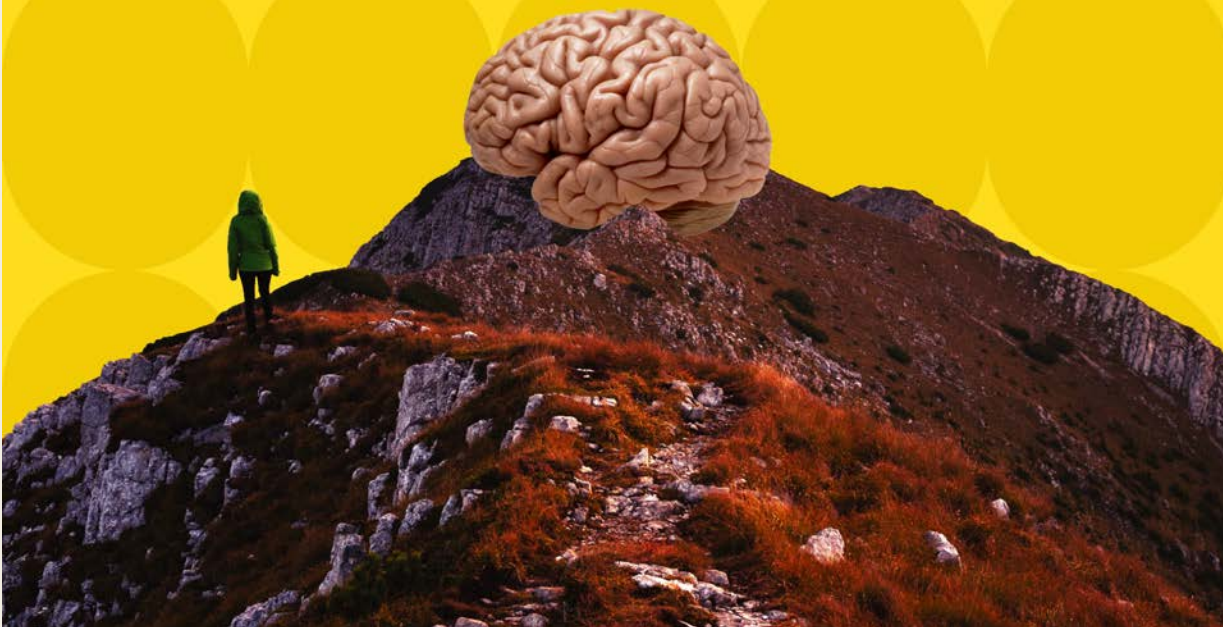
Commerce Gets More Social:

Native shopping on social platforms will continue to grow as a trusted sales source for retailers. It allows users to make purchases right from social media apps without clumsily navigating to third-party sites. And the ads aren't just static posts: some retailers are seeing huge returns by posting live broadcasts featuring product demos and incentives. By leveraging social, retailers can reach audiences on the apps where they are spending the most time, and limit the time a consumer has to second-guess making a purchase.

Trend #5

PSYCHOLOGY

Our survey told us where Canadians' heads are at going into 2021.



Even though things likely shifted since the announcement of the second lockdown, which affected most of the country, our survey told us how Canadians plan to spend their time, money, and mental power in a post-vaccine world.

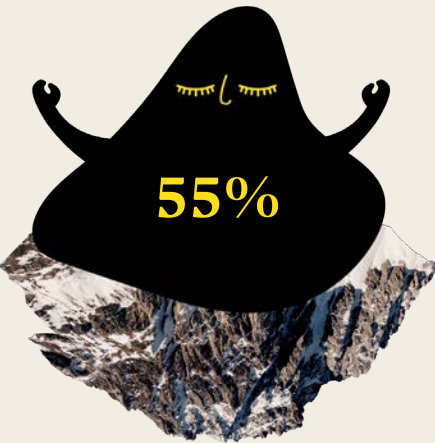
Consumers will likely not return to 'normal' behaviour with any kind of speed, as "[Canadians](#) tend to have a higher risk perception of the pandemic than Americans which could hold them back from resuming their shopping habits for a longer period."

What do Canadians want most in 2021? More than half of respondents are looking forward to spending more time with family and general peace of mind, with travel a very close third.

Trend #5: Psychology (cont'd)

We asked: “What are you most looking forward to post-pandemic?”

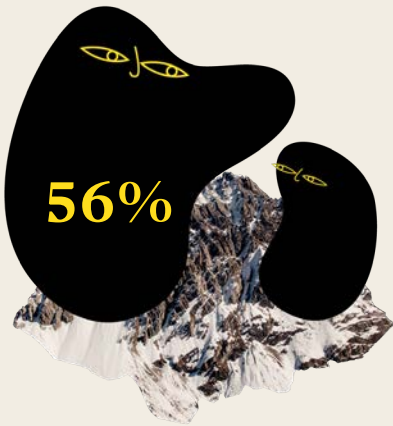
In their responses, Canadians suggested their future spending categories post-pandemic, and post-vaccine.



“Peace of mind”



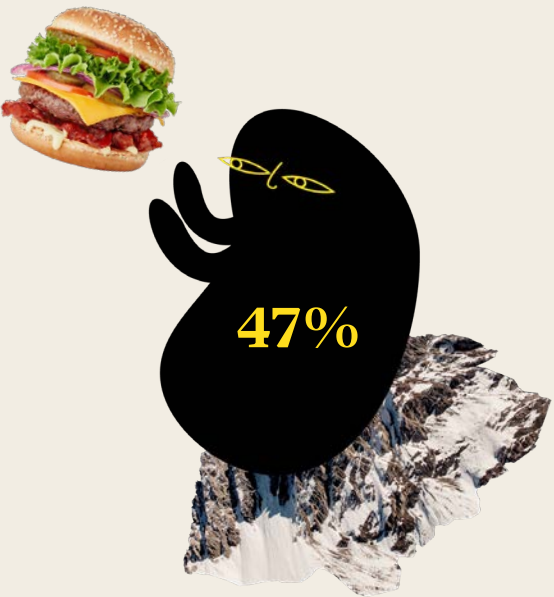
“Spending time with friends”



“Spending time with family”



“Travelling”



“Dining out”

Top 5: What do you anticipate you will spend more time and money on in 2021?

40% “Spending quality time with family (i.e. dining, group activities, travel)”

38% “My mental health and well-being”

37% “My physical health”

34% “Financial preparedness and savings”

23% “Home improvement”

Less respondents were enthusiastic about attending live music, theatrical events (**28%**), or sporting events (**18%**), and even less were interested in spending on non-essential personal items like new clothing and accessories (**12%**). The fewest number of respondents were for those looking forward to returning to work (**10%**).

Trend #5: Psychology (cont'd)

What do you anticipate
you will spend more time
and money on in 2021?

Two lenses:
Age & Gender



Trend #5: Psychology (cont'd)

Brands: Canadians are putting you under the microscope in 2021.

Canadians also gave us deeper insight into how their thinking has shifted around the brands they expect to engage with in 2021. Our Canada-wide survey fleshed out where consumers' values ultimately lay, and their likelihood of doing business with brands that do not align with their personal goals and ethics (which likely have shifted, like so many other things, during an uncertain pandemic).



58%

Labour Practices



64%

Sustainability



50%

Social Justice



66%

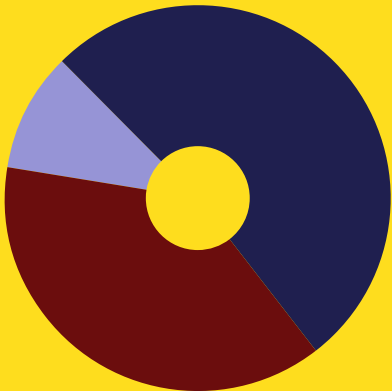
Support Local



69%

Canadian-Owned
Businesses

How likely are you to choose not to do business with a brand if it did not align with your ethics and values?



52% likely to avoid doing business

38% neutral

10% not likely to have an impact

Trend #5: Psychology (cont'd)

What does this mean for 2021?: Brand Psychology Predictions

Ethics and Values are Valued:

According to [Jim Nail](#) of Forrester, “embedding your values in your business operations is hard but necessary to convince jaded consumers that you are truly committed.” This will be especially important in 2021 as ethical and values-based brands continue to rise in popularity and attract consumers mindful of a brand's stances, sustainable practices, and labour practices.

Direct-to-Consumer Commerce:

Purchasing directly from manufacturers has grown in popularity with consumers looking to go right to the source. This will continue into 2021 as more premium logos (like [Dyson](#) or [Samsung](#)) take on a more prominent online D2C presence, and consumers opt away from buying through third party giants. This move away from the ‘giants’ will also be notable as consumers move to support more local non-chain businesses in the new year.

More Inventive Marketing:

With more brands playing deeply in the digital space, retailers will likely invest more in marketing technologies that meet customers where they are spending more time in an isolated work-from-home context: televisions (“[Shoppable TV](#)”), and smart home assistants. Last year, around 20% of smart home assistant owners were using the latter for shopping activities including buying, reminders, or delivery tracking, with this figure expected to grow by 52% by 2025.



CONCLUSION

What's Next? 2021 and Beyond

Right now, consumers and retailers alike are living in a 'What if?' world in which they strain to imagine the pandemic in their rearview mirrors. In reality, each individual is playing a guessing game with how COVID will unfold and, in the meantime, adjusting to the changes being dealt to him or her. The data, insights, and predictions in this report may just help businesses to navigate these chronic changes, and ultimately meet the needs of a rattled Canadian consumer audience throughout 2021.

As consumer behaviours ebb and flow this year, we know one thing should be prioritized above all else: customer experience. **A thoughtful 'COVID customer experience' approach will be a key competitive differentiator right now, especially as it relates to delivery speed, ease of fulfillment, variety of products, and easy UX.** The more tailored, personalized, and 'human' the experience, the better, especially for a public looking for ease in every interaction outside the home.

Interested to see what else Canadian consumers had to say about their shopping behaviour during the pandemic? Read our recent [Holiday Report](#) which reveals more detailed survey results, trends, and outcomes that help retailers accelerate necessary changes in their e-commerce and bricks-and-mortar stores (post-lockdown).

And don't forget to check out our evergreen retail intel blog: [Talking Shop](#). The new publication features weekly updates on trends, insights, and data that will give your business the right edge this year.

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Grow your business with **paybright**

Join 7,500+ Canadian merchants who trust PayBright to grow their business in-store and online.

Contact sales

2 ways for your customers to pay

Offer more flexible payment options at checkout, in-store and online.

Pay in 4

4 interest-free biweekly payments for smaller purchases.

- ✓ No interest or fees
- ✓ No impact on credit score

Pay Monthly

Monthly payments over 6 to 60 months for larger purchases.

- ✓ Payment plans from 0% interest
- ✓ Highest approval rate in Canada

visit paybright.com to learn more