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Christmas Shopping: A Provincial Perspective

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Christmas Shopping: A Provincial Perspective

Jane Lin, Distributive Trades Division

Summary

Nothing glitters like gold under the Christmas tree. So it's little wonder that Christmas can be a make-or-break time of year for jewellery stores, as well as other big merchandisers such as toy, hobby and game stores.

For these types of stores, sales last December represented almost triple their average monthly sales. Sales in this single month alone also accounted for more than one-fifth of their annual revenue.

Similarly, retailers who specialize in sound and video recordings such as DVDs and compact discs also took in a fifth of their annual revenue in December.

And that's not to forget appliance and electronics stores, and cosmetic and perfume stores, which relied on December for 17% of their annual take.

Overall, Canadian shoppers spent a total of \$34.5 billion in retail stores last December. This was a big 6.9% jump over the same month in the previous year, and more than twice the year-over-year gain of 3.3% in the previous December.

So who's spending all this money? Last year, it was western Canadian shoppers who led the way in December, particularly Albertans who spent more per capita in retail stores than consumers in any other province. They also had one of the highest disposable incomes in the country.

On a per capita basis nationally, Canadian consumers spent \$804 each in December 2004, well above the monthly average of \$555 for the year, excluding December. (Per capita sales exclude sales by the automotive retail sector.)

Consumers in Alberta spent \$967 per capita, followed closely by shoppers in the Yukon and Northwest Territories.

Per capita sales last December were above the national average in three other provinces as well—British Columbia, Nova Scotia and Ontario. Saskatchewan consumers had the lowest per capita spending for the month.

This article analyzes December retail sales by commodity as well as by province and territory using data from two Statistics Canada surveys: the Monthly Retail Trade Survey and the Quarterly Retail Commodity Survey. Statistics Canada estimates of population for January 2005 were used to derive per capita spending in retail stores.

Pace of growth in December sales doubled in 2004

The pace of growth in retail sales picked up substantially in December 2004 compared with the same month in the previous year. Canadian shoppers spent a total of \$34.5 billion, a 6.9% increase over the previous December.

This was double the year-over-year increase of only 3.3% in the previous December. Excluding automobile and automobile parts dealers, total retail sales still amounted to \$28.6 billion.

Thanks to historically low interest rates, consumers purchased on credit. The national savings rate, which is personal savings expressed as a percentage of disposable income, edged down to zero.

At the same time, retail trade added 60,200 new jobs in 2004, the biggest increase among all industries, according to the Survey of Employment Payrolls and Hours¹.

Retail store sales last December revealed interesting differences across Canada. Sales varied not only in who spent the most dollars per capita, but also where December's sales increased the most over an average month.

Albertans out-shop all others at Christmas

On a per capita basis across Canada, consumers spent \$804 each in December 2004 well above the monthly average of \$555 for the year in retail stores. (Per capita sales exclude sales by the automotive retail sector.)

Albertans spent more per capita in retail stores than consumers in any other province, followed by shoppers in the Yukon and Northwest Territories. Residents of these three regions also had the highest disposable incomes in 2004, probably a major factor in their spending.

On average, Alberta's shoppers spent \$967 in retail stores last December, \$163 more than the Canadian average.

Next in line, residents of Yukon spent \$928 per capita, while those in the Northwest Territories spent \$926. Consumers in British Columbia were the fourth biggest spenders with an average of \$846.

Contrary to the top three regions, residents of British Columbia had a lower personal disposable income relative to the Canadian average, but they had the highest accumulated wealth in 1999, the most recent year for which data is available. It is possible that B.C. residents drew down their wealth in order to finance their current spending².

At the other end of the spectrum, residents of Saskatchewan, Quebec and Prince Edward Island spent the least per capita in retail stores last December.

1. Statistics Canada, "Payroll, Employment, Earnings and Hours," *The Daily*, Friday February 25, 2005.

2. Statistics Canada, "Trends in Provincial and Territorial Economic Statistics: 1981-2002," Catalogue no. 604-MIE-043. p. 5.

Albertans spent the most in stores

Province	2004 per capita retail sales excluding automotive sector sales	
	December	Average month ¹
	dollars	
Alberta	967	653
Yukon	928	681
Northwest Territories	926	643
British Columbia	846	580
Nova Scotia	819	559
Ontario	809	543
Canada	804	555
Newfoundland and Labrador	781	527
New Brunswick	757	520
Manitoba	733	522
Prince Edward Island	731	555
Quebec	730	538
Saskatchewan	699	477

1. Calculated from January to November 2004.

Source: Statistics Canada, Monthly Retail Trade Survey.

Alberta, British Columbia: Consumers prefer furniture and electronics

Overall per capita sales in Alberta and British Columbia last December were boosted by big spending in the furniture, home furnishings and electronics sector.

On average, Alberta shoppers spent \$146 in the furniture, home furnishings, and electronics sector. That was 50% higher than the national average of \$97. These stores sell portable music devices, digital cameras, television and audio equipment, major and small appliances and other popular gift items for the season.

Spending by consumers in British Columbia in the furniture, home furnishings and electronics sector was also higher than the national average, but only by 15%.

That, combined with higher than average spending in miscellaneous retail stores, was enough to push per capita retail sales in British Columbia above the Canadian average last December.

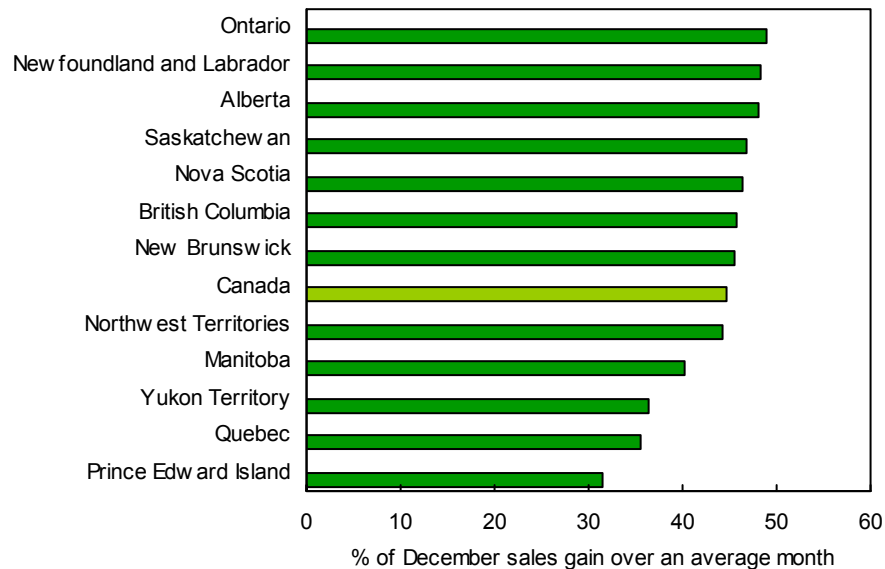
Ontario shoppers swing into action in December

Ontario consumers may not spend as much per capita as their Alberta counterparts, but they really swing into action for Christmas.

On a per capita basis, Ontario shoppers spent an average of \$809 last December. This was 49% higher than the business-as-usual average of \$543 a month during the rest of the year, the widest gap in the country. Nationally, December's per capita average was 45% higher than the run-of-the-mill month.

In this sense, December was the most fruitful month for Ontario retailers. In contrast, Prince Edward Island's per capita spending in retail stores in December 2004 was only 32% above their average month. Most other provinces were close to the Canadian average.

Ontario shoppers spent almost 50% more in December 2004



Source: Statistics Canada, Monthly Retail Trade Survey.

A big reason for the gap in Ontario between December retail sales and those in the rest of the year could be attributed to consumers' larger share of spending in general merchandise stores, clothing stores and miscellaneous retailers. Miscellaneous retailers include many of the holiday stores; retailers that do exceptionally well during the season, such as jewellery and toy stores.

As an example, in December 2004 Canadians on average spent \$171 in the general merchandise retail sector (department stores and warehouse clubs). Ontario consumers in comparison spent \$181 per person.

Manitoba, Saskatchewan: General merchandise stores make or break sales

Manitoba consumers on average spent \$733 per capita in retail stores last December. This was 40% more than the \$522 they spent during an average month, compared with the Canadian average of 45%.

Half of this five-percentage-point difference can be attributed to less spending by Manitobans in clothing, furniture and miscellaneous retail shops. Even a small gain in sales in general merchandise stores in Manitoba was not enough to offset a downward drag from these other stores.

Manitobans spent on average \$21 less per person in furniture, home furnishings and electronics stores, and \$25 less in clothing stores compared to the Canadian average.

It was the opposite case in Saskatchewan, where per capita spending in December amounted to just \$699, the lowest in the country. Consumers there had lower per capita spending in the same sectors as Manitoba. But in Saskatchewan, the gain in sales for general merchandise stores was enough to counteract the downward pull from the other sectors.

As a result, Saskatchewan's overall retail sales last December were 47% higher than the average of \$477 for the routine business-as-usual month. So, even though Saskatchewan consumers had the lowest per capita retail sales in dollars, their big jump over an average month was higher than the national average, and placed them ahead of most other provinces when it came to December's gain over an average month.

Quebec: Shoppers spent less than national average in every retail sector except one

On a per capita basis, Quebec consumers spent \$730 on average in retail stores last December, well below the national average of \$804.

This difference of only \$74 may not appear great. However, Quebec is the second most populous province in the country. On a per capita basis, this difference amounts to a potential \$560 million in retail dollars that stores could have earned, if Quebec residents had spent at the same rate as the Canadian average.

Quebec shoppers last December spent less than the Canadian average in every retail sector, except for pharmacies and personal care stores. But the biggest drag on the province's overall retail sales came from lower spending in general merchandise stores, where Quebecers spent \$30 less than the Canadian average.

Also taking a hit was the furniture, home furnishings and electronics sector, where shoppers spent \$15 less than the Canadian average per capita.

Quebeckers spent \$5 more per capita in pharmacies and personal care stores than the national average. However, this was not nearly enough to boost their overall retail sales per person last December to above the Canadian average. Moreover, the proportion Quebecers spent in pharmacies and personal care stores for December was actually less when compared to the proportion they spent in this sector in an average month.

Atlantic provinces: Per capita sales below national average except for Nova Scotia

On a per capita basis, retail sales last December were above the Canadian average in only one Atlantic province—Nova Scotia. Consumers there spent \$819 on average in retail stores, above the national average of \$804.

On the other hand, per capita sales in Newfoundland and Labrador were just below the national average at \$781, while in New Brunswick, the average was \$757, and in Prince Edward Island, \$731.

Last December's per capita retail sales in Newfoundland and Labrador, Nova Scotia and New Brunswick were bolstered by strong sales in the general merchandise sector, which includes department stores and warehouse clubs. Conversely, sales in the furniture, home furnishings and electronics sector were weaker than the Canadian average.

In Newfoundland and Labrador, consumers spent 28% of their December's sales in general merchandise stores, compared with the national average of 21%. That amounted to \$220 per person in Newfoundland and Labrador, as opposed to \$171 nationally.

Nova Scotia's shoppers also spent more than the national average in general merchandise stores. In addition, they spent more in food and beverage, and building and outdoor home supplies stores. It was enough to offset weaker sales in the furniture, furnishings and electronics sector, where they spent \$65 per person, well below the national average of \$97.

In New Brunswick, retail sales per capita last December were \$47 below the Canada average of \$804. In spite of this, shoppers in New Brunswick still spent 45% more in December compared to an average month and this was on par with the average increase for December at the Canada level. In NB, this was mainly on the strength of sales in general merchandise stores and to a lesser extent pharmacies and personal care stores.

Per capita sales last December in Prince Edward Island were only 32% above the average business-as-usual month, the smallest gap in the country. Shoppers in this province spent less in every sector except for food and beverages and the building and outdoor home supplies sector.

The island's biggest setback came from lower spending in furniture, home furnishings and electronic stores, where shoppers spent \$41 less per capita than the national average.

Yukon, Northwest Territories: Per capita spending well above national average

Per capita retail sales in the Yukon and Northwest Territories were well above the national average. On average, consumers in the Yukon spent \$928 last December, while NWT consumers spent \$926.

In the Yukon, last December's retail sales were just 36% higher compared to an average month. This was due mostly to lacklustre spending in the furniture, home furnishings and electronics sector and the clothing sector compared to the national average.

Even higher sales in general merchandise stores were not enough to boost the Yukon's December gain over the Canadian average.

In the Northwest Territories, per capita spending last December was 44% higher than spending in an average month.

Consumers in the Northwest Territories spent the most dollars in general merchandise stores last December (\$317). However, this accounted for only 34% of total spending in December, which was actually below the proportion of 35% for an average month. This phenomenon occurred only in the Northwest Territories.

Department stores still a huge favourite with consumers

Department stores in North America have not only been a strong economic presence during the holidays. They have also been entrenched as part of the culture of the holiday season.

Eaton's treated Canadians to its annual Santa Claus parade which ran from 1905 to 1982 in Toronto, Winnipeg and Montreal. Macy's in New York City was the setting of the holiday movie "Miracle on 34th Street."

Last December, department stores topped the list of top 20 retail store types ranked in order of dollar sales. Total sales in that month alone for these 20 store types hit nearly \$11.1 billion.

These top 20 holiday stores represented one-third of the total number of all store types. They are retailers, excluding the auto sector, whose December sales were at least 46% higher than sales in an average month, excluding December.

Department store sales among these 20 top retailers for December 2004 totalled nearly \$3.2 billion, almost twice the revenue they realized from an average month. These sales accounted for 15% of their annual revenue.

In second place on the top-20 list were beer, wine and liquor outlets, where consumers bought more than \$1.6 billion worth of products last December. This accounted for 12% of total annual revenue for these stores.

Department stores still a huge favourite in December 2004

Top 20 holiday store types	December 2004 sales	
	\$ millions	as a % of yearly sales
Department stores	3,172	15
Beer, wine and liquor stores	1,618	12
Appliance, television and other electronics stores	1,491	17
Family clothing stores	1,115	14
Sporting goods stores	543	14
Women's Clothing stores	523	12
Jewellery stores plus luggage and leather goods stores	471	22
Other home furnishings stores	360	14
Toy, hobby and game stores	296	22
Book stores and news dealers	238	15
Other clothing stores	223	16
Men's clothing stores	214	15
Gift, novelty and souvenir stores	213	15
Pre-recorded tape, compact disc and record stores	159	21
Other specialty food stores	140	14
Camera and photographic supplies stores	95	16
Musical instrument and supplies stores	79	14
Cosmetics, beauty supplies and perfume stores	73	17
Children's and infants' clothing stores	63	14
Total sales in these stores	11,086	17

Source: Statistics Canada, Monthly Retail Trade Survey.

In third place were appliance, television and electronics stores, which sold nearly \$1.5 billion worth of goods last December. This amount represented 17% of their total annual revenue.

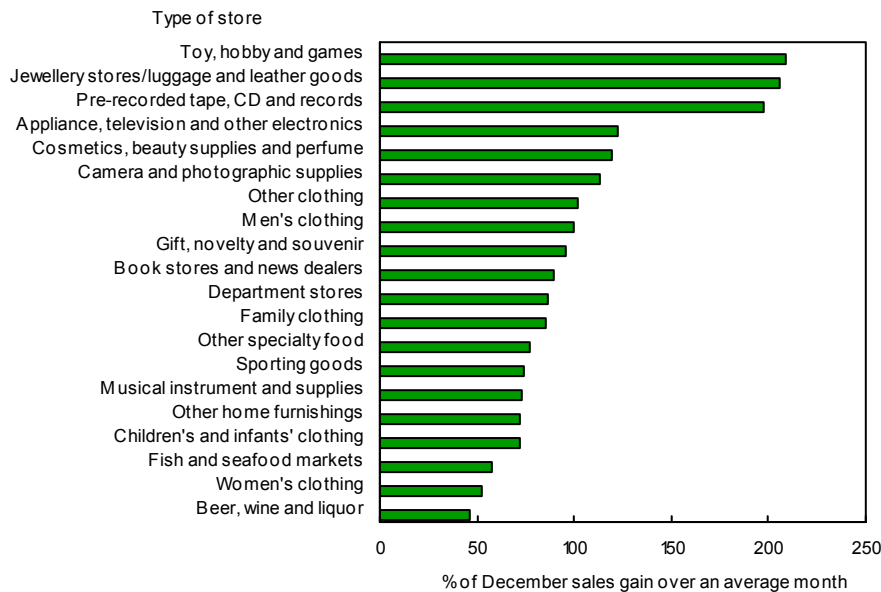
Further down the list were jewellery stores (luggage and leather goods stores were included in this category), which had revenue of \$471 million last December. However, this total represented more than one-fifth (22%) of their total annual revenue.

December sales also represented more than one-fifth (22%) of the year's revenues for toy, hobby and game stores, which had December sales of \$296 million.

Similarly, retailers who specialize in the sales of sound and video recordings such as DVDs and compact discs also took in a fifth (21%) of their annual revenue in this single month, although the value of their December sales was well down the list, at \$159 million.

Cosmetic and perfume stores relied on December for 17% of their annual sales in 2004. Their December sales amounted to about \$73 million.

Toy, hobby and game stores triple their sales growth in December 2004



Source: Statistics Canada, Monthly Retail Trade Survey.

Commodities: What we spent on candies, cameras, coffee makers and so on

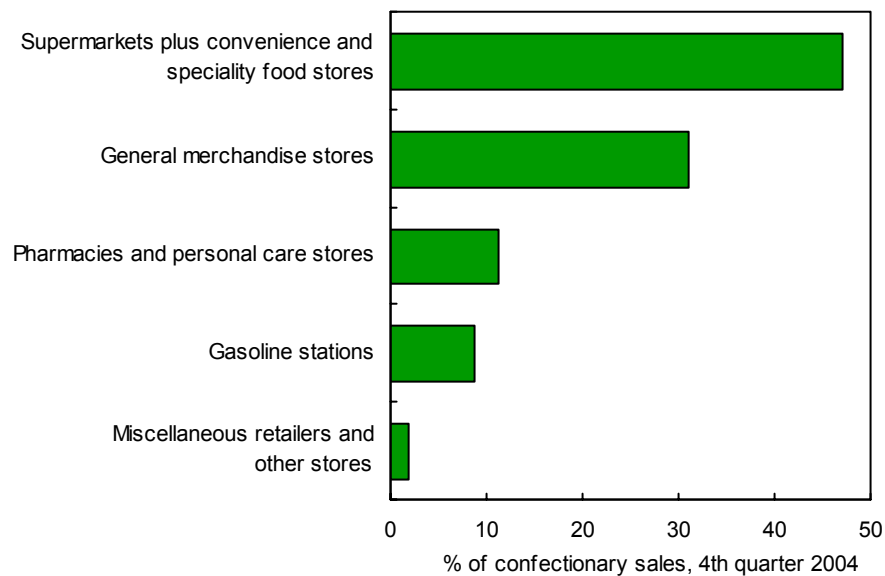
Confectioneries: Canadians develop a real sweet tooth in the last three months of the year. Between October and December in 2004, retailers sold an estimated \$1.7 billion worth of candy,

confectioneries and snacks³. This represented nearly one-third (31%) of the \$5.4 billion in annual sales. This three-month period includes Halloween, Thanksgiving and Christmas.

That \$1.7 billion was double the value of gifts of jewellery and watches or sales of pre-recorded music and videos, or cosmetics and fragrances. It even surpassed the amount shoppers spent on toys, hobbies and games (including electronic gaming systems) for the same three-month period.

Supermarkets, along with convenience and specialty food stores, dominated this category with a 47% share of fourth quarter sales in 2004. Next were department stores and other general merchandise stores with 31% of sales, followed by pharmacies and personal care stores with 11%.

Supermarkets dominate the \$1.7 billion confectioneries market during the fourth quarter of 2004



Source: Statistics Canada, Quarterly Retail Commodity Survey.

Jewellery: In addition to engagement rings, anniversary bands, pendants, necklaces, earrings, bracelets and watches are also popular gift items during the holiday period.

Retailers sold \$902 million in jewellery and watches⁴ during the last three months of 2004, 37% of their annual retail sales. Jewellery stores are part of the clothing and accessories sector, which captured more than three-quarters (77%) of jewellery and watch sales.

Department stores and general merchandise stores had 19% of the market share, and the remainder of sales was generated in pharmacies and personal care stores and by miscellaneous retailers.

3. Candy, confectionery and snack foods include also mixed nuts, popcorn, trail mixes, potato chips, marshmallows, sesame bars, gingerbread houses, candy floss, etc.

4. This category includes not only fine jewellery, but also fashion jewellery as well as pocket or pendant watches are also included in this group.

Cameras: Sales of digital cameras and still cameras along with related photographic equipment and supplies gained momentum in the last three months of 2004. Retailers sold \$406 million worth of these commodities, more than one-third (34 %) of their annual sales.

Most shoppers went to furniture, home furnishings and electronics stores to make their purchases, which includes camera and photographic supplies stores. These stores dominated the market with a 60% share of the sales.

Department stores and other general merchandisers, like warehouse clubs, were next in line with 19% of the market. Pharmacies and personal care stores had a 14% stake in these sales.

Small electrical appliances: Any number of small appliances might be on your gift list—coffee makers, portable humidifiers, food processors, curling irons, shavers or electric mixers.

Retailers sold \$527 million worth of these small appliances between October and December last year, nearly 35% of their annual sales totalling \$1.5 billion.

For the most part, 61% of these sales were made through department stores and other general merchandisers. An additional 29% were produced from the furniture, home furnishings and electronics stores sector.

Data Sources

The **Monthly Retail Trade Survey (MRTS)** collects sales data and the number of retail locations by province and territory from a sample of about 7,500 retail businesses. The MRTS universe uses the 2002 North American Industry Classification System. Retail sales estimates exclude any form of direct selling that bypasses the retail store, e.g., direct door-to-door selling.

The data used in this study are not adjusted for seasonality. In almost all cases, the analysis excludes sales from the auto sector (new car dealers, used and recreational motor vehicle and parts dealers, and gasoline stations).

The **Quarterly Retail Commodity Survey (QRCS)** collects detailed information about retail commodity sales in Canada from a sub-sample of the MRTS sample. They are available at the Canada level only and not by province.

While the MRTS gathers total monthly sales for each type of retail store, QRCS provides a break down of these retail store sales by the type of commodity they sell.

The population estimates used to calculate **retail sales per capita** are from the "Preliminary post-censal population estimates for January 1, 2005," in *Quarterly Demographic Statistics, January–March 2005*. Statistics Canada Catalogue no. 91-002, volume 19, no. 1.

Explaining provincial differences in December 2004's per capita retail sales

Using a decomposition analysis, we investigated which sectors were behind the differences between each province's gain in December compared to the average Canadian gain in December (example: Ontario 49% versus Canada at 45%).

The results of the decomposition analysis identify how much of the difference between a province and the national average in December 2004 can be explained by an over/under representation of a particular retail sector in that province (compositional effect) and by the difference in the ratio of December to average month sales between that province and Canada for that sector.