

Introduction

It is possible to simply look around to get a sense of the changes in the way people consume food and their reasons for doing so. However, having that general sense is not enough to understand the issues at play. Therefore, in this issue, we tried to gather data-led perspectives of changing consumer behaviour in Canada. According to the Business Development Bank of Canada (BDC), there are three major phenomena that strongly affected Canadians: advances in technology, changing demographics and the 2008-09 global recession. These phenomena have created many changes in consumer behaviour and at the same time, have created new market opportunities for small and medium size enterprises (SMEs).

Source:

The main source: Mapping your future growth: Five game changing consumer trends, October 2013, Business Development Bank of Canada (BDC).

Emerging Consumer Trends and New Opportunities for Small and Medium Business

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Five Major Trends that Have Emerged.....

1 The changed path of consumer purchasing

According to Ipsos, in 2012, 84% of the population was connected to the Internet and each user had, on average, 2.6 Internet-capable devices, including mobile phones, laptops, desktop computers or tablets. This “always-on” Internet presence is further enhanced by growing smartphone ownership. Over half of Canadians now own a smartphone. Canadians are avid social media users, with almost two-thirds of Canadian Internet users logging onto Facebook, Twitter or LinkedIn every day. These new information channels have redefined how consumers make their daily purchases.

- ◆ Most purchasing decisions are now made online – 41% buy

- ◆ products or service online (BDC-Ipsos survey, 2013)
- ◆ On-line reviews are among the most trusted sources of opinions for consumers – approximately seven in 10 online users in Canada claim that they trust online reviews (Nielsen, 2012).
- ◆ Consumers who look for product information online do not necessarily buy online.
- ◆ Price comparison tools (e.g. smartphones) are turning some categories of retail stores into showrooms.
- ◆ Smartphones have become the perfect shopping companion.
- ◆ Internet retail sales are expected to grow from \$5.4 billion in 2012 to \$10 billion in 2020.

So What?

Canadian SMEs can turn this new reality to their advantage by building and developing an on-line presence, using customer experience and product customization to be competitive and, understanding the market and focus on the right channel.



2 The Health Mania

Increased awareness of health has completely transformed food demand and shifted eating habits from processed convenience food to fresh produce and from soft drinks to bottled water. The demand for specialty, natural and organic products remains strong and continues to generate high profits for food manufacturers. In addition, many environmentally conscious consumers are looking for green and local products. Recognizing the benefit of eating breakfast, fewer people are skipping this meal. Also people are looking for protein-rich breakfast foods, including yogurt and nuts. BDC’s research has also found that

- ◆ “Meal Replacements” are

- ◆ overtaking weight loss supplements as a means of shortcutting weight loss.
- ◆ 33% of Canadians are willing to pay a premium for health-enhancing products.
- ◆ By 2031, 25% of Canadians will be over 65 years old, meaning, this health trend will only accelerate.
- ◆ Average annual per capita spending on health and wellness is \$935 in 2013, which is up from \$818 in 2007.
- ◆ Use of health monitoring tools and health and wellness services are growing.



So What?

Business that provide new solutions or adapt their products and services to meet the public’s desire for a healthier lifestyle are assured to reap significant benefits. The key to success lies in product messaging, especially if the product already has health benefits that have not been actively promoted. Consumers often find alternative uses for a product (eg. eating baby food to lose weight).

3 The 'Made in Canada' advantage

Social and environmental consciousness among consumers has reached a tipping point. Consumer concern for the environment has been increasing steadily over the past decade. 'Ethical consumption' is increasingly important to Canadian consumers. Environmental and social awareness is having a growing impact on sub-trends, such as buying locally sourced products. Seventy five per cent of consumers said that they have made an effort to buy local or Canadian-made products recently. According to the BDC study:

- ◆ Eco-friendly actions are now part of consumers' daily routine. They have changed their everyday habits, integrating environmentally responsible practices into their lifestyles.

They expect companies to do the same.

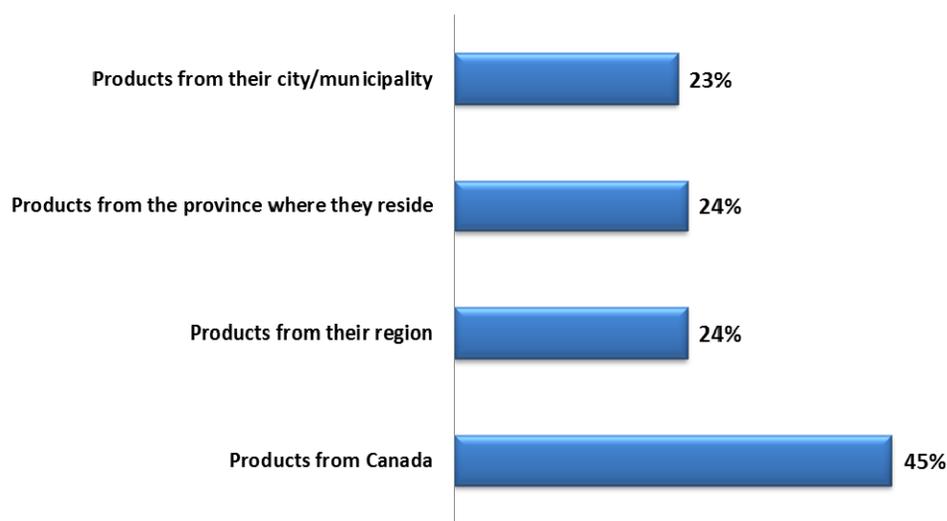
- ◆ 60% of Canadians consider themselves ethical consumers and one out of three consumers are willing to pay a 15% premium on ethically made products.
- ◆ Consumers are now taking control of corporate visibility, using the Internet to research corporate practices.



So What?

More than ever, consumers' social and environmental consciousness is pushing companies to adopt and promote Corporate Social Responsibility (CSR) strategies. CSR is no longer a differentiator. It has become an essential for all companies, whatever their size or scope. Therefore, companies need to highlight the local characteristics of their products, incorporate a CSR strategy in the value chain and marketing efforts, clearly demonstrate the ethical aspects of their supply chain and reassess the relevance of labels and certifications.

Proportion of Canadian consumers who have made an effort to buy local products in the past year



Source: BDC-Ipsos survey, 2013

4 Customization is “King”

Consumers are increasingly looking for custom-made solutions that fit their specific needs, becoming more engaged in product creation. Many companies are expanding their product lines to better address consumer preferences. Others have developed “mass customization” techniques, which deliver tailor-made solutions at prices and lead times that match traditional mass-produced products. For example, a German SME mixes and sells customized cereals online to reflect factors such as customer’s allergies, special diets, athletic needs and varied tastes.

- ◆ In 2013, nearly 75% of consumers claimed to want per-

5 Thrifty consumer – the lingering effect of the recession

Certain consumer habits that arose during the 2008-09 recession are becoming the new standard. Since the recession, consumers have become more aggressive bargain seekers. According to the recent BDC-Ipsos survey, seven out of 10 Canadian consumers have reduced their spending in some fashion since the recession. Over two in five Canadian consumers now shop around more than they did before the recession. Nearly one-third of Canadian consumers claim they now buy fewer products or services and, when they do, they tend to select more affordable products and services.

- ◆ Consumer confidence remains weak regarding the economic prospects.
- ◆ Low interest rates have spurred high debt levels. In 2012, the Canadian house-

sonalized products and services in Canada.

- ◆ Consumers are moving away from the traditional consumption of standardized, mass-produced products.
- ◆ Companies are diversifying their product lines to respond to almost every consumer taste.
- ◆ By delivering made-to-order products, companies are able to increase their margins and minimize risk.

hold debt-to-income ratio reached an all-time high of around 153%.

- ◆ Bargain hunting will remain a popular hobby, both in outlets and online. When making a purchase, nearly two-thirds of consumers consider the lowest possible cost the most influential factor.
- ◆ Group couponing has emerged as the thrifty way to make impulse purchases.
- ◆ There are some signs of attractions to a sharing economy which enables consumers to share or trade goods with other consumers or to rent what they own to others to lessen a monetary burden.

So What?

SMEs can leverage both approaches—designing niche products and empowering their customer base—to compete with large producers, increase their margins and minimize product development risks. However, in order to do this, SMEs need to focus on top products in their business area, involve consumers in product creation and broaden their product lines with simple personalization options. For example, a restaurant could offer a traditional menu but charge a premium to allow customers to modify their meal according to their preferences (e.g., charge 5% more for a gluten-free or allergen-free version of a meal).

So What?

The strategic use of group couponing can be a good way to introduce consumers to SMEs businesses and products. SMEs can capitalize on other driving forces behind the “sharing economy” phenomenon, including the desire to have access to items only when needed.

