

CASH-STRAPPED CANADA: ONE-THIRD OF CANADIANS WILL NEED THREE YEARS TO PAY DOWN DEBT, NATIONAL STUDY SHOWS

Consumerology: Consumers opt for bargains over brand names and cite digital TV, Home Internet and wireless as the new “utilities”

TORONTO, ON – April 28, 2009 – A ‘culture of thrift’ has emerged in Canada and the definition of discretionary spending has expanded according to Bensimon Byrne’s latest Consumerology Report, released today.

The quarterly study commissioned by the Toronto-based advertising agency and conducted by Gandalf Group revealed that Canadians are opting for bargains over brand names but cite digital TV, home Internet and wireless as services they can’t live without.

“This edition of Consumerology provides a revealing snapshot of Canada in 2009 and the impact the recession has had on consumers,” said Jack Bensimon, President of Bensimon Byrne. “Findings show that we are a cash-strapped country of consumers who remain optimistic about our economic future but have trimmed spending habits considerably over the past year.”

Now in its fifth quarter, the study provides one of the most comprehensive profiles of the recession, to date. The primary purpose of this edition of Consumerology was to probe the impact of the recession on attitudes and behaviour of consumers, both short and long term.

“It’s eye-opening to see the shifts in consumer attitudes and behaviour that have occurred in just 12 months since we released the first Consumerology report,” said Bensimon. “Of note, is the fact that most Canadians expect a three year horizon to pay down debt and have changed their spending habits to accommodate this new reality and expect further spending reductions in the near term.”

Canadian Consumers in 2009

The overall consensus in the country is that the economy is still in decline. Sixty percent of Canadians say they are worse off than they were a year ago and more than half of Canadians are worried that they or someone in their household will lose their job. Despite their current situation, Canadians remain optimistic about the economic future in the country. Seventy percent of Canadians expect the economy to be stronger one year from now.

Although optimism among Canadians for a quick turnaround is growing, many are burdened with debt and have been impacted in ways that will have long-term implications. The study found that one-third of Canadians are so loaded down by non-mortgage debt that it will take them three years or more to pay it down.

Spending Behaviour

Canadians are reining in spending on a daily basis and most Canadians anticipate even further reduced spending over the next 12 months. More than 40 percent strongly agree that they are spending much less, a 20 percent increase since last April’s Consumerology report findings.

Scoffing at the stigma of bargain shopping, Consumerology has tracked the rise in

consumer attraction to generic products and discount retailers. Most Canadians report leading a more minimalist lifestyle than before the recession, care less about brand names, and are more likely to buy no-name products.

Implications for Marketers - “The New Frugality”

Despite major shifts in overall spending habits, digital TV, home Internet and wireless have emerged as the “new utilities” – with almost 70 per cent of Canadians refusing to reduce spending on what they deem to be essential services.

Conversely, the need to downsize spending has altered interaction and behaviour with out-of-home entertainment, with more Canadians opting to watch movies at home than in the theatre. Likewise, the restaurant, hospitality, and travel industries will suffer most from reductions in discretionary spending, while grocery retailers will continue to see an increase.

“Although optimism is growing, consumers continue to spend less,” said Bensimon. “Because household debt will constrain consumer spending for years to come, brands must recalibrate their value propositions and differentiation is more critical than ever.”

The study showed that demographically brands targeting youth and seniors may not have to adjust as much as those targeting middle aged, middle income, with families with children.

Additional Survey Highlights

- Most Canadians have lost confidence in the stock market. There is a strong desire to save if you have the money, but a disinclination to invest even if they have the money
- Women are more likely than men to report doing worse financially. Women and those aged 25-44 have some of the largest debt loads
- The affluent, young, and senior demographics have been hit relatively lighter than most and see this recession as a ‘bump in the road’
- Two aspects of the economic crisis have had a net positive impact on consumers - low interest rates (43%) and retailer sales and promotions (38%)
- Charities can expect to have a very bad fundraising year.
- Governments should see a big drop in sin taxes from cigarettes and alcohol.
- It’s a time of inexpensive self-improvement – reading, exercise, etc.
 - Over 40% say they’ll be working out more and walking

About the Survey

The Consumerology Report is a quarterly survey commissioned by Toronto based advertising agency Bensimon Byrne. This quarter’s survey was conducted by the Gandalf Group amongst 1506 Canadians. The questionnaire was conducted in French and English between April 2-16, 2009. The Consumerology Report yields a margin of error of +/- 2.53% 19 times out of 20. To see the full results of the Consumerology Report please visit: www.consumerology.ca

About Bensimon Byrne

Bensimon Byrne is a privately owned, full-service, Canadian advertising agency. Established in 1993, the agency has worked with a host of blue-chip companies and brands, producing some of Canada’s most effective and memorable advertising.

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