Inflation Is Changing How, When, and Where Canadians Spend—Here's How You Can Respond

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July 29, 2022

Inflation in Canada

Inflation refers to a general increase in the price of goods in an economy over time. It's a force that's impacted our lives ever since, well...ever, but you've probably been reminded of its effects a bit more recently.

According to Statistics Canada, inflation rose 7.7 percent this May in comparison to May 2021—the fastest pace of increase since January 1983. Over the same period, the average hourly wage only rose by 3.9 percent. In translation, Canadians are paying more, but often, their paychecks don't reflect the increased cost of living.

This leads to a decrease in purchasing power, which has caused many to revisit their budgets and take greater consideration into how, when, and where they shop.

What It Looks Like

One of the culprits to blame for recent inflation is the increase in gas prices, which jumped by 12 percent in May 2022, and as of June 2022, were 48 percent higher when compared to the previous year. As a result, many businesses increased their prices to account for the rise in transportation and shipping costs.

And while prices across the board are rising for both businesses and consumers, there's been a particularly steep increase in cooking oils due to decreased supply, which has largely resulted from **several exporting challenges**. Because of this, Canadians may see shortages in their grocery stores, and businesses who rely on it—like restaurants and CPG brands—will see it reflected in their bottom line.

Overall, many businesses are raising their prices to reflect their own increased costs, and some consumers are trying to spend less on higher-priced goods because their purchasing power has gone down. When this continues, it can lead to a deceleration in economic growth—otherwise known as a recession.

Here's how we're supporting Canadian brands through times of uncertainty.

What Businesses Can Do About It

With the Bank of Canada also raising interest rates in response to recent inflation, it's becoming more difficult for businesses to take out loans, facilitate growth, and absorb the hits they've taken from rising costs. And while increasing their costs can help them deal with inflation, doing so can result in decreased demand for their goods.

So, what are their options?

Ed Lee, Director of Strategy at Venturepark, explains that "Consumers will be switching brands as they look for increased value from their dollars. There is an opportunity to steal share from competitors and get into consumers' consideration sets—but only if done the right way.

Keep your product's costs as low as you can for as long as you can—or negotiate maximum MRSPs with retailers—to encourage switching or provide some value add through promotions. For instance, our household won't have to buy orange juice for a few months thanks to General Mills' 'Free Oasis' promotion on its packs of Fibre 1 bars and cereal boxes.

Being able to ensure your staff are properly compensated is also key to building a long-lasting business. If inflation is hurting the business from a cost of goods perspective, owners and CEOs should be just as mindful that it is hurting their own staff's standard of living and adjust compensation accordingly."

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Published by

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In today's challenging economy, virtually nobody has been left unscathed. In one way or another we are all being affected by the rising cost of living due to inflation.

Canadians are paying more for goods, but trying to spend less, while salaries remain stagnant. In the second issue of our new series, Park Views, Venturepark's Director of Strategy Ed Lee shares his thoughts on what businesses can do to maintain growth and retain customers during a time of inflation.