

A blue banner with a pattern of small white dots. On the left, there is a laptop, a box of Clif Bars, and a box of Clif Bars. In the center, the text reads "Check out all of our great deals online!" in white. Below this text is a yellow button with the text "Click for details" and a right-pointing arrow. On the right side of the banner is the Best Buy logo, which consists of a yellow tag with the words "BEST BUY" in black and the Best Buy logo symbol below it.

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Canadians won't surrender guilty pleasures

'What do people cut out? Anything but the essentials of life'

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In tough economic times, some of the last things we let drop are the extra cable TV channels, the daily pack of cigarettes and the weekly trip to the beer store.

Pretty much everything else is optional, said Jeremy Kroll, a bankruptcy trustee with A. Farber & Partners Inc., in Toronto.

Even though we still have to eat, wear clothes and sleep somewhere, we can make choices that cut those costs, Kroll noted in a recent interview.

We drive less or take public transit more.

We eat at home more often, use more grocery store coupons or trade down to less expensive restaurants.

We postpone a vacation, buy fewer clothes or shop at more value-oriented stores.

But the last thing we'll give up is our pleasures and addictions.

"What do people cut out? Anything but the essentials of life. People have to have accommodation, food, transportation, clothing and some utilities," said Kroll, who helps financially troubled clients restructure their debt load.

But you can cut the costs of those items by trading down to cheaper versions, he notes.

"You used to go to a fancy dress shop, maybe now you go to a Winners or Value Village.

You start eating at home and not dining out, either at all or not as much – or you move from the \$100-a-head restaurant to the \$40-a-head place. Or if you're already going to McDonalds, maybe you go there less often.

"Things you don't see people cutting out are smoking at \$300 a month, beer store \$200 a month," he said. And they like to hang onto their cable TV service because TV becomes a main source of entertainment when you cannot afford movies or restaurants.

That's why companies that sell food, drugs, cigarettes and booze generally do well in recessions.



CHARLES PLATIAU/REUTERS

Three out of four Ontarians say they're dining in more often to save money, a survey by Ipsos-Reid for the Metro Inc. chain of grocery stores found.

"Everyone is feeling the pinch in this economy," said Serge Boulanger, Metro's vice-president of marketing.

As well, two in every three grocery shoppers are choosing less expensive meals, such as spaghetti instead of steak, the survey found.

Indeed, shares in supermarket chains have fallen far less than the overall market, despite intense competition from a relatively new player in the fresh food market, Wal-Mart Canada Corp.

On the other hand, consumers still want to treat themselves to little luxuries, whether it's cosmetics or takeout dinners, said Nancy Upton, an assistant professor of marketing at Northeastern University, in the Boston area.

It's called "the lipstick effect," a reference to the fact that sales of certain affordable luxuries remained strong even during the 1930s Depression, as consumers attempted to lift their mood with small indulgences.

"What we saw was a consumer trying to make themselves feel better through small, indulgent, hedonistic consumption," said Nancy Upton, an assistant professor of marketing at Northeastern University, in Boston.

In the current economic slump, that has translated into stronger sales of L'Oréal cosmetics and McDonalds' meals, she notes.

"They know it's cheaper to eat at home, but they're driving home at 7 o'clock at night because they had to work late, and they're looking for a way to pick up their mood," Upton explains.

As consumers spend more time at home, either because they've lost their jobs or are cutting entertainment expenses, they may spend more on "justifiable" items, such as snow blowers or kitchen ware or craft items, Upton added.

Several home improvement chains have noted people are downsizing their projects.

There's still a wealthy segment of the population unaffected by the downturn, she said, noting that Ferrari is having a good year. But most consumers are striking compromises, she said.