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Consumer Spending in Canada Is Shifting, Just Not How You'd Expect

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Financial pressure is rewriting the hierarchy of resilient retail categories in Canada.

Much of the country's recent consumer growth has been borrowed, sustained by savings, asset valuation gains, and debt as real incomes lag. Yet as budgets tighten, households are not making predictable cuts. They are protecting some discretionary spending while using other areas as release valves.

The result is a demand map that looks remarkably different beneath the topline. In an increasingly K-shaped economy, retailers' resilience now depends on identifying where their offerings sit within this new budget hierarchy. That positioning dictates who will keep buying, what they will sacrifice to do it, and which investments will pay off.

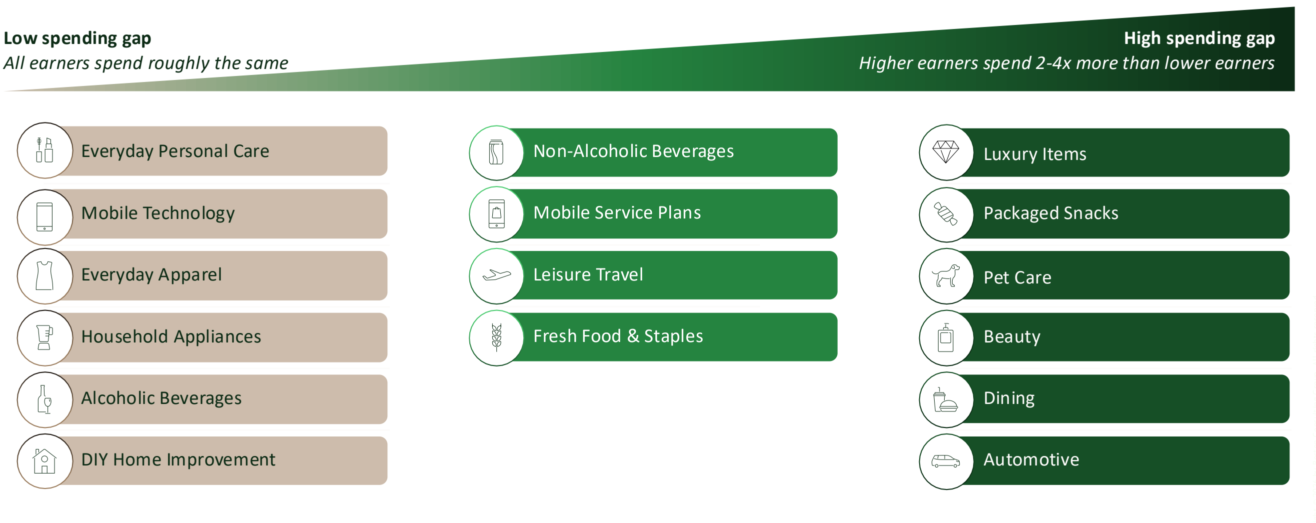
Category Resilience Defies Familiar Labels

Retailers have long used distinctions such as essential and discretionary, premium and value, to interpret category performance. BCG's analysis shows that these labels are becoming less reliable guides to resilience.

Higher-income households spend two to four times as much as lower-income households in some major retail categories. In others, spending is close to even. (See Exhibit 1.)

EXHIBIT 01

Spending Gap Between Higher and Lower Earners Varies by Category, From Near Parity to 2-4x



Source: BCG Global Consumer Radar May 2026; BCG Analysis

Household Appliances, a large discretionary purchase, show relatively little income divergence. Pet Care, often treated as a resilient everyday expense, is more nuanced with higher earners more willing to trade-up to premium options. Mobile Technology and Mobile Service Plans also follow different patterns, despite serving closely related use cases.

Understanding the divergence within a category is critical to how retailers define their strategy. Broad participation spreads demand across income groups. Divergence creates opportunity for growth on both sides of the gap by tailoring strategy to customer priorities. The same topline can dictate entirely different strategic responses.

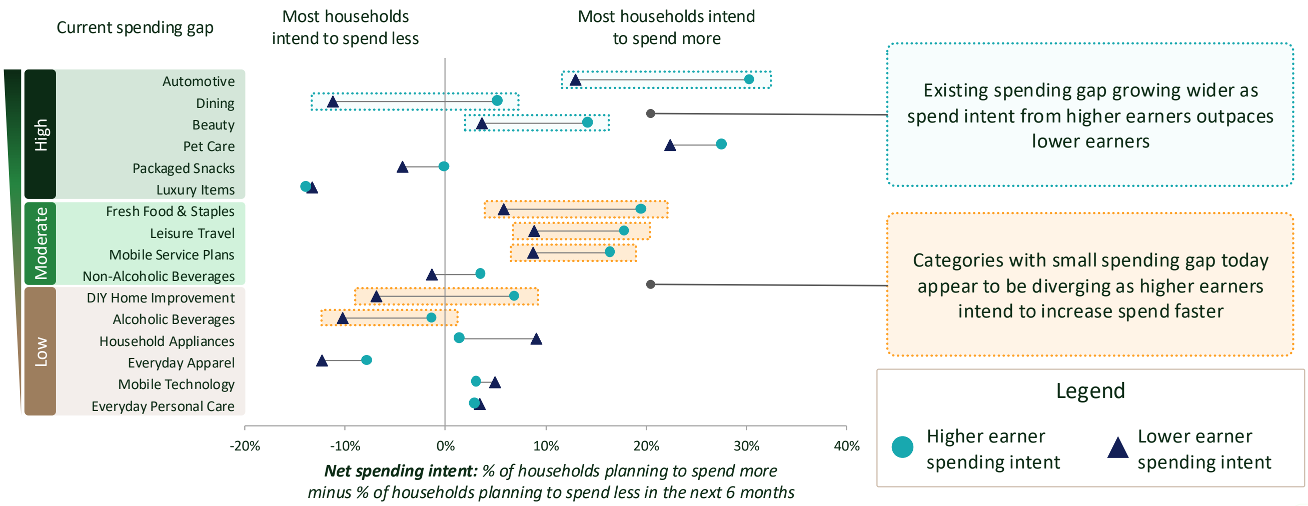
Spending Intentions Show Where Demand Is Starting to Diverge

Current demand and future direction tell different stories. Spending intentions over the next six months show where a category's customer base may be starting to shift. (See Exhibit 2.)

EXHIBIT 02

Spending Gaps Are Changing Unevenly Across Categories, Some Remaining Stable While Others Grow

Divergent spending intentions can deepen existing divides while creating new splits in previously even categories



Source: BCG Global Consumer Radar May 2026; BCG Analysis

Some of the most consequential movements occur in categories that look broadly balanced today. Fresh Food & Staples, Mobile Service Plans, DIY Home Improvement, Leisure Travel, and Alcoholic Beverages show relatively modest income divergence today, yet higher- and lower-income households are beginning to move apart.

The divergence is taking different forms. In Dining, lower-income households are pulling back while higher-income households intend to spend more. In Automotive and Beauty, both groups expect to spend more, but higher earners are moving faster. Pet Care and Packaged Snacks are already heavily skewed toward higher earners, and that skew appears comparatively stable.

The pattern reveals which categories lower-income households are continuing to protect and where they are making room. Spending intent remains positive in Pet Care, Automotive, Leisure Travel, and Beauty, while weakening in Dining, Alcohol, Apparel, and DIY Home Improvement.

A balanced customer base today may therefore offer false reassurance. Leaders also need to know whether participation is holding, narrowing, or becoming increasingly dependent on households with greater room to spend.

Buyers Demand Different Proof of Value

Once consumers decide to keep spending, they judge value differently depending on their income and the stakes of the purchase. (See Exhibit 3.)

For frequent, lower-stakes purchases, price and promotion matter across income groups. Lower earners focus more on how much they receive for their money; higher earners place more weight on durability and functionality.

For larger, less frequent purchases, durability and long-term value matter to everyone, but the cues that build confidence differ. In Household Appliances, lower-income buyers place more weight on brand reputation and trust, while higher-income buyers place more weight on service and the buying experience. Promotions lose force when the product itself falls short.

This complicates the usual response to financial pressure, which is often more promotion. Discounts can work for frequent, low-risk purchases, where immediate value is easy to see. For an expensive or infrequent purchase, a lower-income customer may be especially sensitive to reliability because a bad decision is harder to absorb. Price remains important, but reassurance becomes part of value.

EXHIBIT 03

No 'One-Size-Fits-All' Strategy as Consumer Purchase Preferences Diverge by Category and Income

		How to win with … Lower earners	How to win with … Higher earners
Short cycle categories *Dining, Beauty, Pet Care, Packaged Snacks, Fresh Food & Staples, Non-Alcoholic & Alcoholic Beverages, Everyday Apparel, Everyday Personal Care*	Price & promotion remain tablestakes in driving purchase decisions across all income levels Delivery speed, customer service less important overall	Overinvest in quantity or amount received to communicate value	Communicate durability & long-term value Highlight product functionality
Long cycle categories *Automotive, Luxury Items, Leisure Travel, Mobile Service Plans, DIY Home Improvement, Household Appliances, Mobile Technology*	Quantity received, durability, and long-term value critical for all cohorts Promotion importance tends to be overstated; with more detailed research, promotion less likely to move needle if underlying product not up to par	Build credible brand reputation and trust, which are critical quality cues for this cohort	Invest in customer service to facilitate quality interactions

Source: BCG Global Consumer Radar May 2026; BCG Analysis

As the customer base changes, the proposition needs to follow. A category becoming more dependent on higher-income households may reward greater investment in functionality, service, convenience, or premium innovation. A category retaining many financially constrained consumers may need stronger entry price points, visible quantity value, and credible signals of quality.

Where the direction of demand remains unsettled, preserving flexibility may be more valuable than committing early to one part of the market.

What This Means for Retail Leaders

The income divide doesn't call for a single strategic response - it calls for a different one in every category. For retailers, navigating widening income gaps and diverse value drivers will require four actions.

- **Fortify range architecture:** Merchandising capability must deliver a good-better-best range that keeps value shoppers anchored at an entry tier while giving higher earners a premium tier to trade into. Own-brand sourcing advantages make this viable, delivering quality at accessible price points without margin erosion.

- **Deploy cohort-intelligent pricing, promotions, and messaging:** Price remains the key factor across all cohorts. As price comparison becomes easier, pricing and promotional capability need to keep pace. Beyond price, the proof points that build confidence differ by cohort. For lower earners, reviews, warranties, and transparent sourcing address the trust gap. For higher earners, concierge, installation, and white-glove service convert consideration into purchase.

- **Redesign loyalty:** A one-size loyalty program underserves both groups. Lower earners often prioritize cashback and volume rewards for tangible value. Higher earners respond to service upgrades and perks. Tying loyalty design to cohort-specific pricing and promotional logic turns it from a retention tool into a cohort strategy.

- **Capitalize on channel tilts for each cohort:** Multi-banner retailers need to reassess where they're investing. Higher and lower earners are shopping differently by format, by banner, and by channel. Retailers need to shift SKUs and investment to reflect those channel preferences.

The common thread is a shift from planning around one average consumer to reading the divide category by category. The retailers who spot the shifts earliest won't just avoid the risk, they'll own the growth.

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