

# Impact of Weather on Retail Sales in Canada: Clothing and Footwear Industry

KaranJoseph, Rohit Deshmukh, and Shubham Sharma

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# 1. Objective

To determine the impact of weather on consumer behavior and retail sales

## 2. Why?

- ▶ Physiological
- ▶ Psychological

### 3. Business Implication

- ▶ Potential to improve demand forecasting at Retailer level that can improve major supply chain functions such as
  - ▶ Inventory management
  - ▶ Material Planning
  - ▶ Price Optimization

## 4. Methodology

- ▶ **Dependent Variable:**

- ▶ Monthly Retail Sales for the Clothing and Footwear Industry by QC, ON, and BC

- ▶ **Independent Variables:**

- ▶ Total Snow
- ▶ Mean Temperature
- ▶ Total Rain
- ▶ Wind Speed

- ▶ **Control Variables:**

- ▶ CPI
- ▶ Unemployment Rate
- ▶ Disposable Income
- ▶ Consumer Confidence

## a) Distribution Analysis

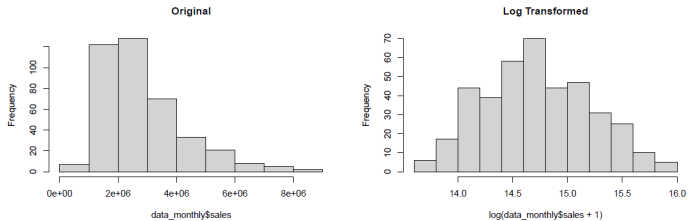


Figure 1: Histogram of Retail Sale

## b) Multivariate Analysis

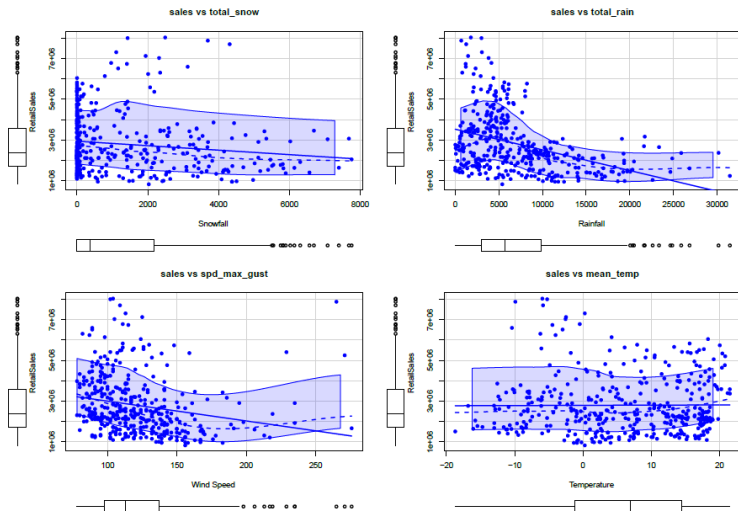


Figure 4: Scatterplots of Sales vs Weather

## c) Correlation Matrix

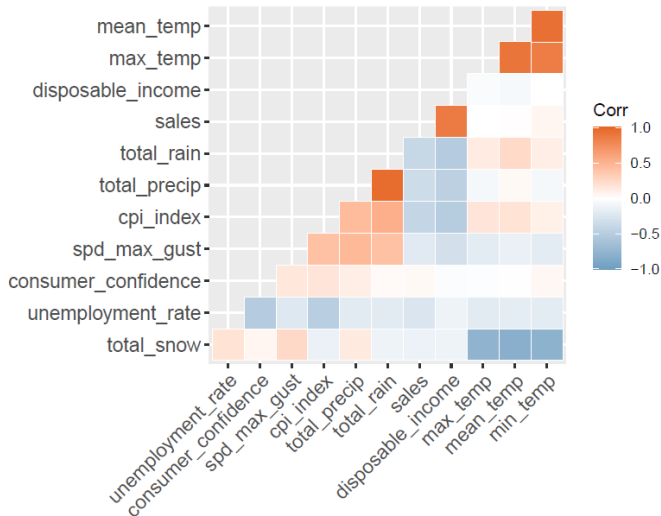


Figure 2: Correlation Heatmap



# a) Result

Table 3: Regression Table

	<i>Dependent variable:</i>			
	sales			
	(1)	(2)	(3)	(4)
consumer_confidence	0.095*** (0.019)			
cpi_index		-0.159*** (0.024)		
disposable_income			0.424*** (0.010)	
unemployment_rate				-0.146*** (0.019)
total_snow	-0.191*** (0.044)	-0.196*** (0.043)	-0.044** (0.020)	-0.155*** (0.043)
total_rain	-0.225*** (0.030)	-0.200*** (0.030)	-0.015 (0.015)	-0.228*** (0.029)
mean_temp	-0.051 (0.037)	-0.038 (0.036)	0.045*** (0.017)	-0.055 (0.036)
spd_max_gust	-0.105*** (0.030)	-0.014 (0.031)	-0.015 (0.014)	-0.133*** (0.029)
winter	0.693*** (0.125)	0.613*** (0.123)	0.500*** (0.056)	0.572*** (0.121)
I(mean_temp^2)	-0.044* (0.024)	-0.084*** (0.025)	-0.049*** (0.011)	-0.025 (0.024)
total_rain:winter	0.062 (0.067)	0.073 (0.066)	-0.034 (0.030)	0.048 (0.065)
total_snow:winter	0.030 (0.105)	0.043 (0.103)	0.087* (0.047)	0.051 (0.101)
spd_max_gust:winter	-0.098 (0.095)	-0.068 (0.093)	0.002 (0.043)	-0.053 (0.091)
Constant	14.692*** (0.031)	14.744*** (0.032)	14.722*** (0.014)	14.679*** (0.030)
Observations	396	396	396	396
R <sup>2</sup>	0.441	0.465	0.887	0.482
Adjusted R <sup>2</sup>	0.426	0.451	0.884	0.468
Residual Std. Error (df = 385)	0.369	0.361	0.166	0.355
F Statistic (df = 10; 385)	30.340***	33.416***	302.359***	35.791***

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

## b) Validation

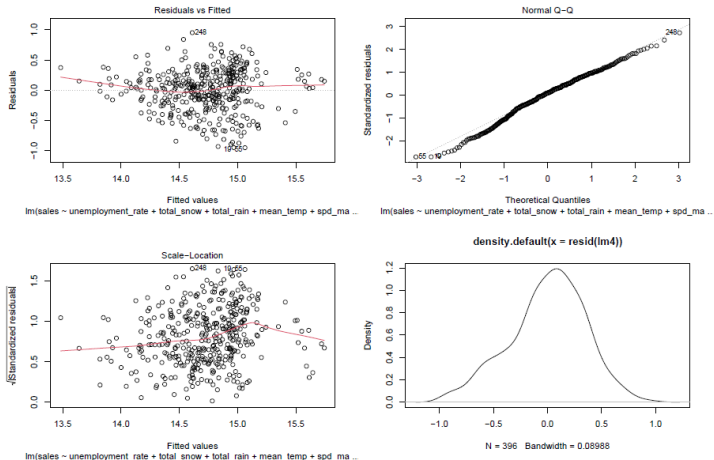


Figure 5: Model Validation

## 7. Conclusion

- ▶ H1: Retail Sales decreases with rainfall ✓
- ▶ H2: Retail Sales decreases with snowfall ✓
- ▶ H3: Retail Sales decreases with wind speed ✓
- ▶ H4: Retail Sales is negatively related to mean temperature X

## 8. Limitations

- ▶ Research focus on offline retail sales
- ▶ No distinction between street side stores and mall stores
- ▶ Few weather parameters were not considered
- ▶ Monthly aggregation data was considered