



Country factsheet - July 2014

Canada

On the e-commerce starting line, Canada remains a firm favourite with— on paper, at least—powerful supporting evidence:

- **23.6 million Internet users**
- **an Internet penetration rate of 83%**
- **the highest online engagement rate: Canadian Internet users spend an average of 45 hours online each month (the global average is a little over 24 hours)**
- **a mobile penetration rate of 100%**
- **a Smartphone penetration rate of 47%**
- **a tablet penetration rate of 15%**

Despite these benefits, the development of e-commerce in Canada lags behind. However, over the last few months, this situation has begun to shift—and awareness and consequences are starting to be felt.

1. The consumer

67%
of Internet users
who participate in
e-commerce are
between 25 and
35 years old

The backwardness that is usually attributed to e-commerce in Canada, whilst it may apply to the attitude of national e-tailers, certainly doesn't apply to its e-shoppers. In 2009, a third of the population had already made purchases using the Internet. Today, **61% of Internet users shop online**, with an average spend of €94 per order. They are also already familiar with m-commerce as annual m-commerce sales have reached €1 billion.

Young people are the most adept when it comes to online shopping, with 67% of Internet users who participate in e-commerce being aged between 25 and 35.

Canadian e-shoppers' expectations

One thing is certain with regard to the expectations of Canadian e-shoppers: if local stores aren't meeting their needs, they won't hesitate to look beyond their own borders.

Nevertheless, they expect what is on offer online to meet certain conditions. First of all, they expect "full landed costs" to be shown for products. In other words, that all taxes and delivery charges are included and that they are revealed as early as possible in the purchasing process.

Then, to avoid any inconvenience when it comes to shipping addresses with their American cousins, Canadian postal codes must be accepted (some Canadians actually use American postal addresses to facilitate their online purchases).

And finally, prices should remain consistent and credit cards must be accepted.



28%
of Canadians prefer
online shopping to
shopping centres

Having a presence on the right media and at the right time

Canadian e-shoppers have a marked presence on certain key days for e-commerce. Sales peaks include **Black Friday** (the Friday following Thanksgiving), **Cyber Monday** (the Monday following Thanksgiving) and **Boxing Day** (the day following Christmas Day), when considerable sums are spent in Canada. During these exceptional sales days, 28% of Canadians claim to prefer shopping online rather than going to malls.

And whilst dates are important, equally so are the media via which purchases can be made. Canadian e-shoppers can't be targeted without taking into consideration their appetite for social media and mobile. It's worth considering that on Black Friday in 2012, **20% of sales were made using a mobile device**. Forecasts suggest that this figure will reach 50% in 2017. This is only to be expected from a country where the mobile penetration rate is 100%.

When it comes to the social aspect, Canadians are the second-most active consumers on social media (after South Koreans). 68% of Canadian Internet users visit social networks regularly.

2. The market

Here, in our analysis of the market, we'll discuss the time lag mentioned at the start of this factsheet.

There is in fact a certain reticence among Canadian retailers when it comes to selling online. This is quite noticeable in relation to other developed markets that also have quite large Internet, banking-systems and mobile-penetration rates. Some 43% of food retailers in Canada don't even consider e-commerce when it comes to their future strategy. Below, however, are the main e-tailers who make up the Canadian market.

Top 10
e-commerce sites
in Canada:

- **Hudson's Bay**
- **Beyond The Rack**
- **Shop.ca**
- **Coastal Contacts**
- **Lululemon**
- **The Shopping Channel**
- **Indigo/Chapters**
- **Ice.com**
- **Aldo**
- **Mountain Equipment Co-op**

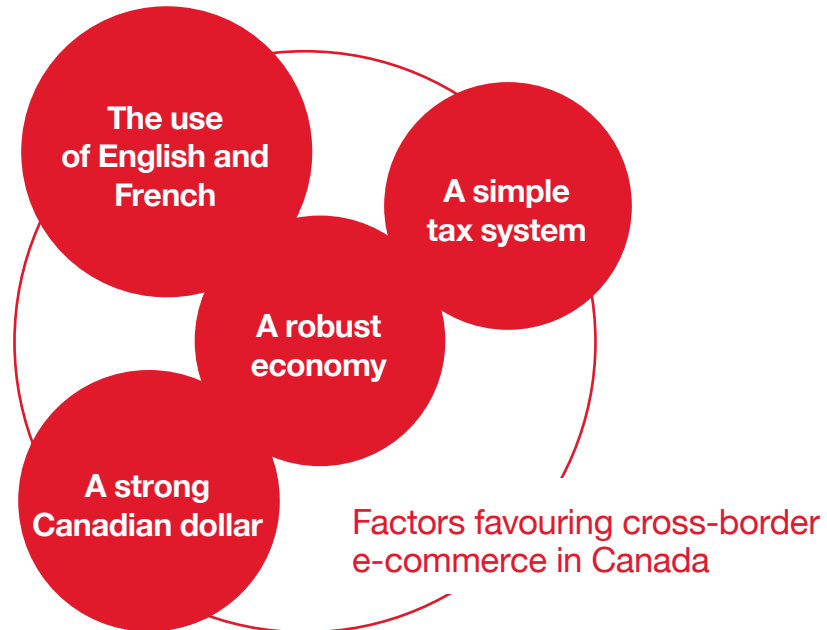
Only
18%
of SMEs use the
Internet to sell
their products

Local companies are uncomfortable with e-commerce

Generally, Canadian companies have always tended to under-invest in the ICT sectors, unlike their American counterparts. However, 93% of Canadian SMEs are connected to the Internet, which they use mainly for banking transactions and sales forecasts—but scarcely 18% of them use this channel to sell their products. Many of them mistakenly assume that the geographical nature of Canada would pose logistical challenges, while their competitors prove that they can sell their products very effectively in the country. In fact, when e-shoppers who shop cross-border speak about Canadian webshops, they criticise them for their comparatively high shipping charges.

Significant cross-border transactions

Some 45% of e-commerce purchases in Canada are made using international sites. Faced with the slow progress of the local offering, Canadians have been quick to look elsewhere. Among the reasons for buying on international sites, 72% state that it is because they have not been able to find what they were looking for with a Canadian e-tailer. And this cross-border experience is facilitated by certain factors, such as the use of both English and French languages, which are found on many non-Canadian sites.



They are also helped by a tax situation that is simpler than in the United States: five out of 13 provinces and territories apply the same taxes; among those that don't, there are only two different rates (valid for the majority of goods). Finally, a healthy Canadian economy and the strong Canadian dollar also play their role.

3. Trends

All the current trends are heading in the same direction, that of conquest! Local e-tailers seem to have made the firm decision to catch up. Purchasing processes are simplified, delivery options are increasing, their prices are falling and the information concerning products sold is more and more detailed (sometimes even provided as a video).

Let's look at how each of the key stakeholders is organised.

Authorities who know how to entice

In order to stop the leakage of revenue and boost economic immigration to give the country back its potential, the authorities have implemented a "Start-up Visa Program". This approach is innovative and promising for the digital economy.

Supportive local e-tailers

The giant Shop.ca, which launched in 2012 and is already in third place in the classification shown above, has decided to put a stop to this cross-border frenzy and return precious sales to the local economy. The pure player operates differentiation by choice, offering a selection of up to 500,000 products a month. The site has also opted for the winning formula of free shipping and returns.

Another local e-tailer that has launched a 'recapturing' offensive is Clearly Contacts. The glasses manufacturer knows how to attract customers with its user-friendly offering: customers can try up to three pairs of glasses at home before making a decision and returns are allowed for up to one year. Based in Vancouver, it is capable of making a pair of glasses in 90 minutes and dispatching them during the night for delivery first thing in the morning.

Logistics are becoming credible

The local postal operator, conscious of the role it has to play and the threats arising from the fall in mail volumes, also wants to be a credible player. Same-day shipping is already a part of its offering, as is delivery to more than 2,500 pick-up points across the country.

A selection
of up to
500,000
products a month

Sources:

- Comscore, Canada Digital Future in Focus, 2012
- Cross-border e-commerce report, The Paypers, 2014
- <http://digest.dx3canada.com/>
- <http://www.forbes.com/>
- <http://www.emarketer.com>
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