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## **Moving eCommerce to the great white north**

Being proactive towards the Canadian international opportunity

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### ***Executive Summary***

eCommerce revenue growth in Canada is surprisingly flat but has a compelling future as consumer patterns change and Canadian retailers invest.

Shifting demographics and a lack of brand e-commerce dominance provide a great opportunity for retailers to establish competitive advantages in a relatively untapped marketplace.

Similar to Americans, Canadians are showing an affinity towards broadband connectivity and multi-channel behavior. This will drive the growth of rich-media promotion and in-store applications that work in conjunction with the web channel.

This brief takes an updated view of the Canadian e-commerce landscape and provides insight for online retailers to help craft future Canadian customer strategies.

### **Canadian eCommerce growth was recently flat but still has an attractive upside...**

Recent studies found that Canadian retail e-commerce growth was flat year over year (2003-2004). After further examination however, approximately **60% of the 100 largest non-travel sites succeeded in growing their sales over 20%**.

Also interesting is the trending of Canadians from buying at non-Canadian sites to domestic sites (63% domestic, 37% foreign). This "**domestic shift**" clearly benefits the launching of a new eCommerce business in Canada.

The sales opportunity lies with the "early adopters", individuals primarily the 18-34 year old age range. This segment is more technologically savvy and more likely to purchase online. In a 2003 to 2004 sampling comparison, this segment's overall e-commerce spending **increased 44%**. The 35 to 54 age group increased only **5%** and 55+ increased **18%** (includes online travel).

Overall Internet Adoption rates still trail the U.S. and come in at approximately **52%**. However, with the development of new Internet infrastructures and the maturation of Canadian ISP's, this number will likely rise in the next 3-5 years. The following quote from the Canadian government re-enforces this theme.

"To reach our new national goal (relating to e-commerce) Canadians will need to develop strategies that build an intelligent infrastructure to serve as the backbone of the e-economy- by encouraging investment, strengthening research, enhancing commercialization and ensuring that all Canadians have access to this infrastructure and know how to use it." (September, 2004)

### **Shifting demographics & lack of online competition equal a substantial opportunity...**

Forrester Research reports that 48% of Canadian web shoppers are now female compared to 39% in 2003. 74% of web buyers are married and likely are home shoppers, compared to 68% in 2003.

With the gender gap closing, online home retailers have a great opportunity to target their core customer segment: the 30-40yr old female who owns or maintains a residence.

Within this sector, it is rare for U.S. based retailers to have online Canadian stores. Many brands will ship to Canada, for very high costs (customs duty & shipping) but this likely leads to an unpleasant experience for the Canadian consumer. These high costs, compiled with a lack of domestic Canadian retailers providing an e-commerce offering, are driving the stagnant growth of the online sales channel.

By being a “first-mover” in establishing a presence in the online marketplace within Canada, online retailers will facilitate sales from consumers that want to get products shipped from their native homeland after being paid for in Canadian currency.

**Similar to the U.S., consumers are exhibiting multi-channel tendencies and embracing the emergence of broadband connectivity...**

Canada is the **only country in the world in which broadband overtook dial-up access in 2003**. Currently **48%** of all Canadian consumers have broadband access and they are **67% more likely to have high speed web-access than American consumers**.

This impressive penetration may prove to be a strong driver for online circulars and new online merchandising tactics, as product differentiation are established outside of price.

Canadian shoppers are also parallel to U.S. consumers in their multi-channel behavior. **58% of Canadian shoppers have researched a product online and purchased offline, spending an average of \$440**. An online Canadian strategy must focus on integrating the online and physical store with store locator functionality and other tools to promote cross-channel behavior.

In conclusion, multi-national retailers should closely examine the Canadian eCommerce opportunity. Attractive consumer demographics, an established broadband infrastructure, and a shift in overall shopping tendencies make the Canada a high-growth and un-saturated area for multi-channel retail.

**Statistical Sources:**

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