



The 2020 Canadian e-commerce report

What influences standout shopping experiences?





What influences the way Canadians shop online?

Everything you need to know for the year ahead

As a Canadian online business in an increasingly competitive marketplace, you already know it's hard to attract shoppers. So what is it you need to do to stand out? How do you encourage loyal customers to buy more? How do you find the shoppers who help businesses thrive?

You need to know why they buy. Understanding shopper behaviour will help get the most from your online investment. When you know what influences them, you can focus on what will create the biggest impact for you.

In 2019, we surveyed 5,000 Canadians who made online purchases in the last year to find out what's important to them when shopping online. Each year in this e-commerce report, we bring you the data insights from our research, so you always have the information you need, and know where to focus to grow a strong business.



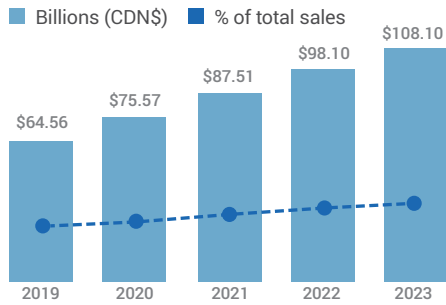
In this report:

- 1. What's happening in Canadian e-commerce?**
Growth continues as online markets mature
- 2. How to create standout shopping experiences**
The top eight influences driving choice of retailer
- 3. Extending the online experience**
Integrating channels to increase acquisition and retention

About this report

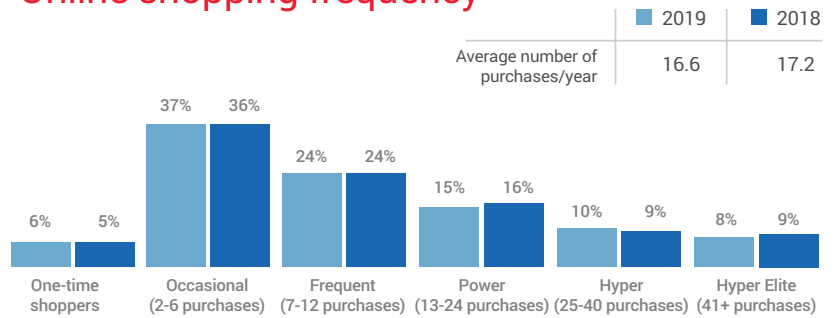
Appendix: Who are Canada's online shoppers?

Retail e-commerce sales



Source: eMarketer, May 2019

Online shopping frequency*



* Percentages refer to the proportions of Canadian online shoppers and the number of purchases they make.

1. What's happening in Canadian e-commerce?

Growth continues as online markets mature

Our research tells us that eight out of ten Canadians shopped online in the previous year, and eMarketer estimates spending at \$65 billion in 2019 – rising to almost \$108 billion by 2023.¹ Thirty-two per cent of Canadian online shoppers say they plan to buy more online in the coming year.

While forecasts show growth, our survey also suggests that the number of items people are buying online remains much the same as last year. This could be influenced by an omni-channel evolution: a shift in 2018 holiday shopping, more pickup in store and increasing opportunities to experience brands in person.



60%

of all online purchases in Canada are made by just

18%

of online shoppers, the lucrative HYPER+ segment (Hyper/ Hyper Elite segments).

What do Canadians buy online?

Categories purchased | Overall*

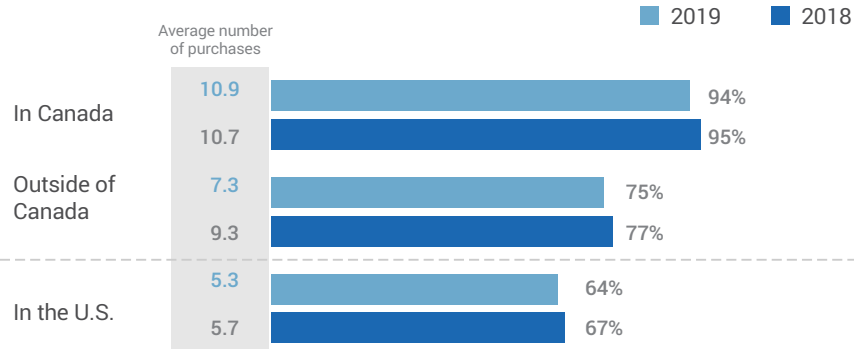


- 15%** Small appliances
- 13%** CDs/records/videos
- 11%** Collectibles
- 11%** Furniture
- 11%** Pet food or supplies
- 10%** Baby products or supplies
- 9%** Software/games
- 9%** Groceries (non-perishable)
- 7%** Cannabis/cannabis products
- 7%** Other
- 4%** Large appliances
- 3%** Vaping appliances

Domestic purchases for clothing grew by **8% YoY**, mostly due to a **17%** increase in men's apparel shopping.

*Percentage of online shoppers buying from each category.

Domestic/cross-border shopping



Canadian retailers benefit as cross-border shopping declines

With politics, trade and the exchange rate influencing online shopping habits – and Canadian retailers offering a greater choice of products online – it's only natural that Canadian shoppers continue to buy from Canada's retailers. And four out of ten plan to shop with them more in the coming year. While the percentage of cross-border shoppers has declined only slightly, the average number of purchases made outside the country dropped by almost one third.



40% of those who shopped in Canada intend to shop more domestically in the coming year vs. 37% in 2018.

8% of those who cross-border shopped intend to do more in the coming year vs. 10% in 2018.



Where to focus your resources:

While international brands still pose a competitive challenge, particularly in fashion and electronics, there's an exciting opportunity to lean into shopper appetites for made-in-Canada brands and home-grown retailers.



How are online shopping habits changing?

From marketplaces and direct-from-manufacturer channels, to social selling and subscription boxes, e-commerce in Canada is evolving as it matures.

CHANNELS

Direct from manufacturer

Twenty-six per cent of shoppers reported that they purchased directly from the manufacturer in the past year. Among the most frequent buyers (41+ purchases a year), that number soars to 39%. Why?

Top reasons for buying directly from the manufacturer:



Where to focus your resources:

This emerging channel offers growth opportunities for manufacturers and wholesalers who get it right. Early adopters will earn the right to stand out from the crowd. Selling directly from the manufacturer isn't for everyone, so do your research and weigh the benefits:

- Direct from manufacturer helps build better relationships and customer insights.
- You can move products faster to benefit from emerging trends.
- You have greater control over your products and reputation.

Social selling

Social selling involves direct interaction with potential online shoppers through content and products you share with them on social platforms. Fifty-five per cent of e-merchants² are selling through social media and these are the channels they choose:

 **95%** on Facebook

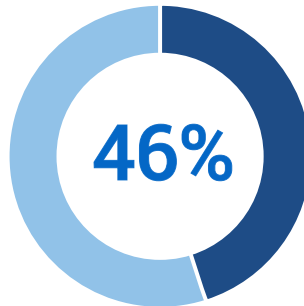
 **69%** on Instagram

 **14%** on Twitter

 **11%** on Pinterest

 **3%** on Snapchat

 **2%** on other



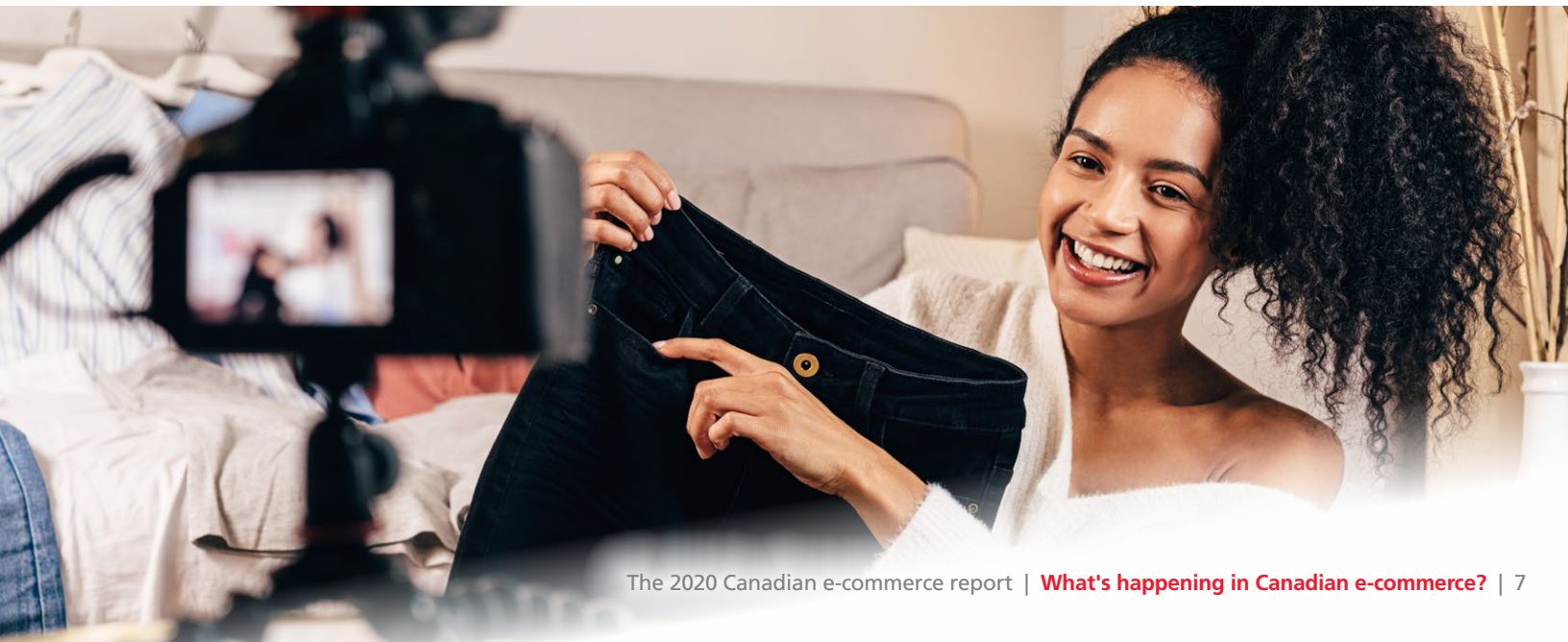
of online shoppers have visited a retailer website or app after receiving a social media ad.

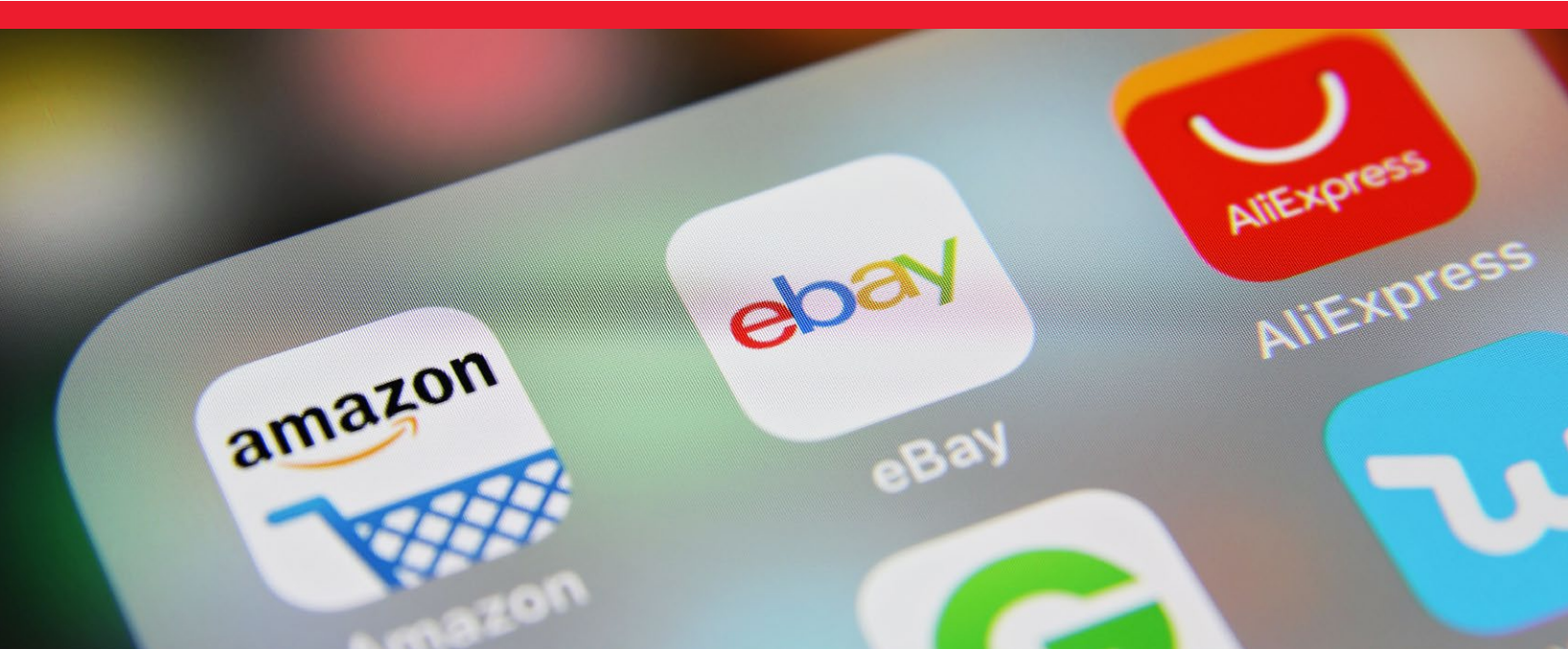


Where to focus your resources:

A popular touchpoint in many customer journeys – particularly young, frequent and high-volume online shoppers – carefully targeted social selling is a great way to enlarge your footprint, gain visibility and drive traffic to your website cost effectively:

- Use shopper feedback on social to adapt products and processes to new expectations and trends.
- Humanize your brand by connecting with your customers and sharing values or by providing a behind-the-scenes peek at your operations.
- Social media is designed for conversation, so be sure to stay active, respond to comments and questions and encourage shoppers to share your content.





Marketplaces



42%

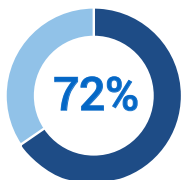
of e-merchants³ are selling on marketplaces.



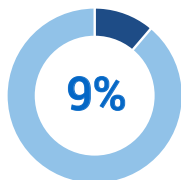
75%

of Canadian online shoppers have shopped from a domestic marketplace.

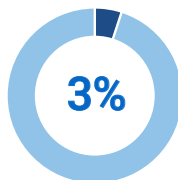
Percentage of online shoppers who have shopped from a marketplace:



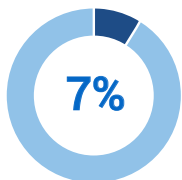
Amazon.ca



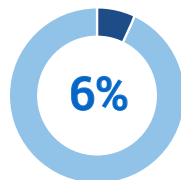
eBay.ca



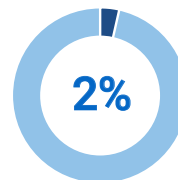
Etsy (Canadian seller)



Walmart Canada Marketplace



Best Buy Canada Marketplace



Newegg Canada

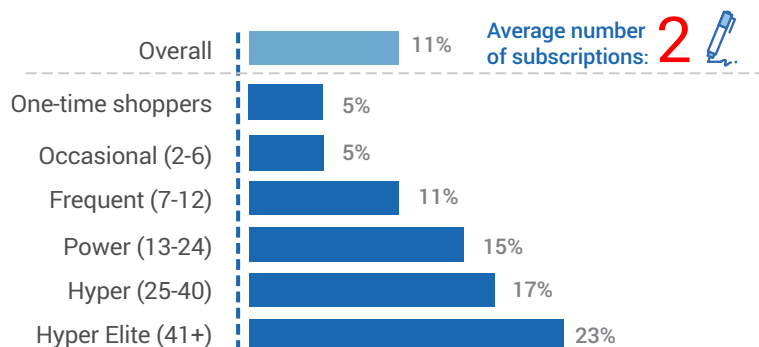


Where to focus your resources:

Marketplaces can be another quick way to expand your online footprint. These high-traffic locations offer speed to market and allow you to engage with a ripe shopper base without overburdening your logistics:

- Choose where to sell by matching shoppers you seek with marketplaces they visit.
- Consider testing new products in a marketplace before adding resources to your back-end operations.

Subscription boxes*



* Percentage of online shoppers who received a subscription box in the past year.

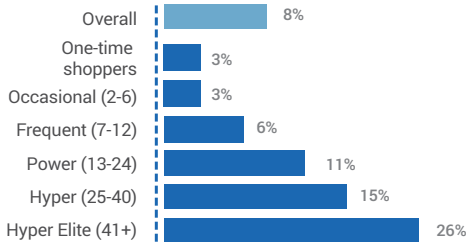
Selling models

New e-commerce models, players and shopper expectations are changing shopping habits. Two that stand out are subscription shopping, often associated with brand introductions, and recurring deliveries, which tend to be centred on convenience. Often, both offer attractive benefits such as free shipping, faster delivery or savings.

Types of subscription boxes

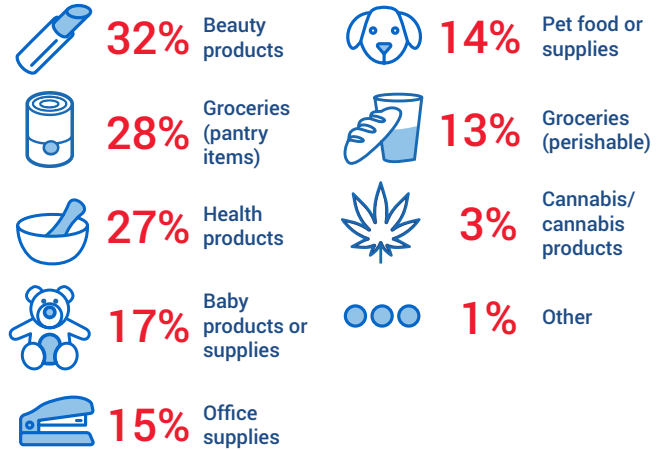


Recurring deliveries*



* Percentage of online shoppers who have received a recurring delivery in the past year.

Types of recurring deliveries



Selling models

Those who shop the most shop for subscription boxes and recurring deliveries. Hyper Elite shoppers (41+ purchases/year) are the power users of these services, with around a quarter of them signed up. The more someone buys online, the more likely they are to subscribe, which in turn creates a further increase in online purchasing.



Where to focus your resources:

Your products may be just right for a subscription box or recurring delivery, giving you access to a larger pool of shoppers, with the added bonus of more predictable cash flow:

- Subscription boxes can be an easy way to test new products.
- Use subscriptions and recurring deliveries to increase customer interactions and upsell opportunities.
- Use data wisely to target other frequent online shoppers based on demographics, geography, lifestyle and life stage.

The top eight influences driving choice of retailer



2. How to create standout shopping experiences

The top eight influences driving choice of retailer

As Canadian e-commerce expands, the factors that influence buyer behaviour are changing. What used to differentiate retailers from their competitors, like free shipping or fast checkout, are now necessities. To recognize and keep up with these changes means to stand out and succeed.

Our researchers identified eight of the biggest influences that determine a shopper's choice of retailer. Find out what matters most to Canada's shoppers and see if you are keeping pace with these make-or-break changes. When we asked online shoppers what influences their decision to choose one retailer over another, here's what we learned:

Free shipping

In the previous year, 77% of online purchases made by Canadians qualified for free shipping (this dropped to 62% when excluding Amazon purchases).



86%

of online shoppers said they will shop more often with retailers offering free shipping.



67%

said they'll abandon their cart when there's no free shipping.

Delivery expectations

It's only natural that shoppers want to know when to expect their order. Delivery details, or their absence, often influence the decision to buy from or search for another retailer. It's a mistake to be evasive about timing, so delivery information needs to be realistic, clear and declared before purchase.



52%

cite upfront delivery expectations as a key influencer.



37%

abandoned their cart when they didn't know delivery date and other info up front.



Where to focus your resources:

However big or small your online business, your shoppers expect free shipping. It's always possible to strike a balance. Here's how:

- Balance the expense of free shipping by factoring it into the cost of each item.
- Consider a minimum threshold. Shoppers love free shipping and are often willing to spend more for it.
- Use free shipping strategically during key periods – when sales are slow or competition is fierce.
- Offer a mix of delivery speeds matched with cost options. You'll spend less, and many shoppers will pay for speed.



Where to focus your resources:

- Avoid abandoned carts by providing key information such as delivery date and cost prior to checkout.

Returns policy

While retailers can try to do everything possible to keep returns to a minimum, returns are a fact of e-commerce life. And, with half of all online shoppers choosing the retailers offering the best returns policy, how you deal with returns is an important pre-purchase consideration. Focusing on meeting returns expectations is a great way to create a standout shopping experience and, in a recent survey of Canadian online retailers, over half said that improving the returns experience is a priority for them.⁴



62%

of online shoppers have abandoned their cart over concerns with their returns policy.



79%

will stop shopping from a retailer after a bad returns experience.



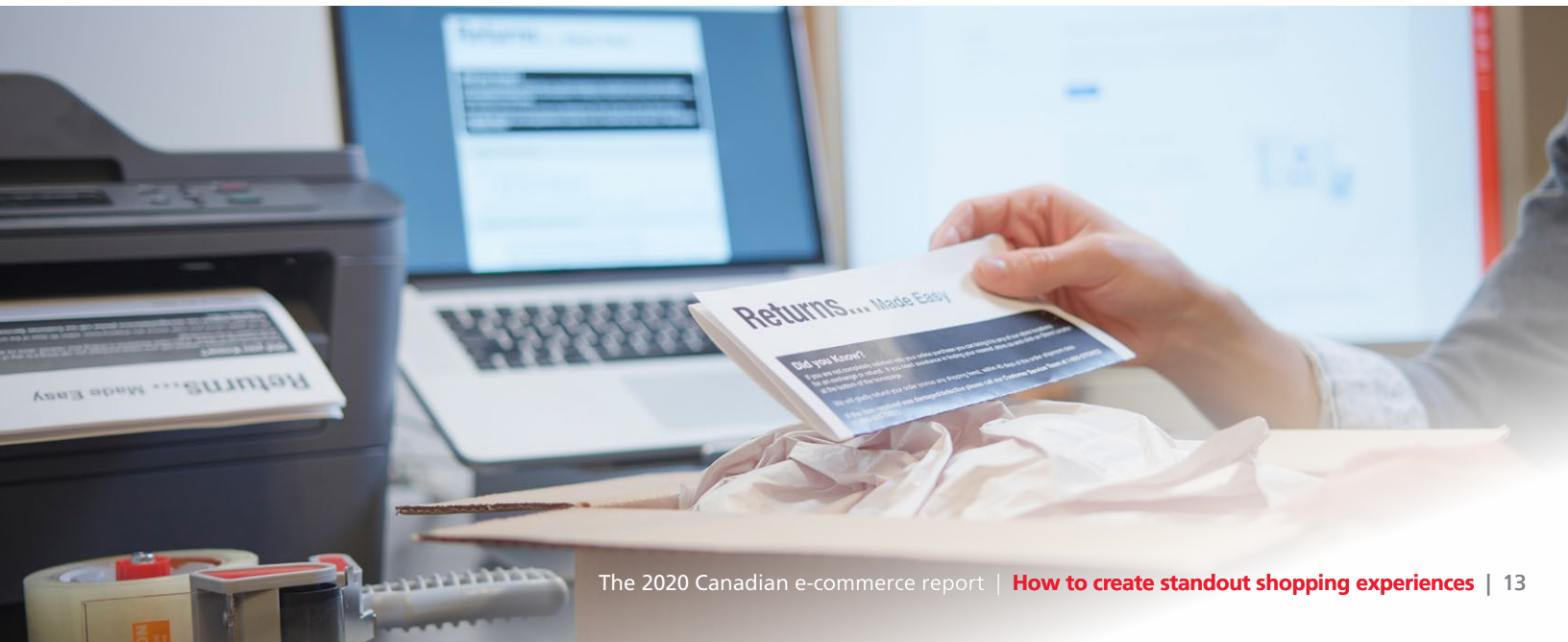
Where to focus your resources:

Your first step is to spend time evaluating and developing your returns strategy. There are three key considerations to keep in mind:

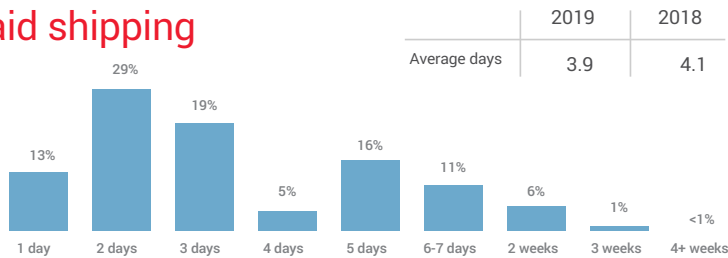
1. Shopper experience
2. Returns management
3. The true cost of returns

With your strategy in place, make it a priority to display your policy on your landing page. Offering free returns? Spelling it out will help drive conversions.

Learn more about crafting a great returns strategy by downloading our guide at canadapost.ca/returnsguide.

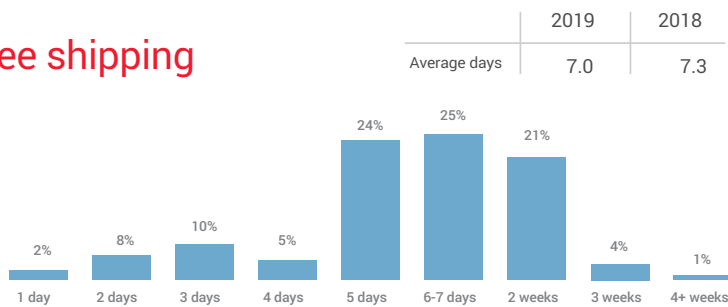


Paid shipping



Shoppers expect shipping to be a little faster, whether paid or free.

Free shipping



Shipping speed

Although free shipping has more impact on shopping behaviour than fast delivery, almost half of online shoppers still factor it into their decision to buy – a slight increase since 2018. Our research reveals that three-day paid shipping meets expectations for 58% of those surveyed, while 75% of shoppers say five-day delivery will meet or exceed expectations when shipping is free. Note that shoppers expect your delivery estimates to include the time it takes to process their order.



Where to focus your resources:

- Reducing fulfillment times can shorten delivery time, avoiding the cost of faster delivery. Review your current back-end operations for opportunities to streamline processes.
- Try offering a choice of delivery speeds. It's a way to meet everyone's expectations – those looking for speed and the ones willing to wait. There's no additional cost to you, as the shopper covers the faster service.



75%

will shop more often from retailers who offer faster shipping.



54%

of online shoppers will abandon their cart or avoid future purchases with a retailer if delivery takes too long.



39%

of online shoppers will avoid future purchases with a retailer if the time to process the order is too long.



Delivery experience

Not every shopper has the same expectations, so providing a selection of convenient delivery options is your best approach. Include pickup locations such as a local store or post office.



22%

will abandon a cart or avoid future purchases with a particular retailer if a delivery company is not identified.



54%

of online shoppers prefer Canada Post as their delivery company, while 12% had no preference.⁵

A best-in-class delivery experience offers flexibility, convenience and choice. Shoppers need the flexibility of different delivery destinations. They value the convenience of getting a package at their house, apartment or office – or maybe somewhere nearby. And they want to pick and choose – because preferences can change.



67%

will shop more often from retailers who offer flexible delivery options.



27%

of online shoppers surveyed will abandon their cart or avoid a retailer if there is a lack of delivery options or pickup options offered.



Where to focus your resources:

As an extension of your brand, the delivery experience is as important as the shopping experience you've taken care to create. It feeds customer satisfaction and leads to repeat business. So, take time to choose your delivery partner.

- Think about the different challenges your customers face – from urban to rural and across life stages. Let them choose the most convenient delivery location.
- Nearly 91% of Canadians live within five kilometres of a post office. Let shoppers select delivery to a convenient post office by adding that capability to your website.

Canadian retailers

With interest in cross-border shopping waning, online shoppers have told us that buying Canadian-made products from Canadian-owned retailers is important when choosing where to shop online. They also prefer Canadian-based delivery companies. The location of your business and the origin of your products give you the chance to differentiate yourself from international competitors. Let everyone know about it.



Where to focus your resources:

- A Canadian domain name clearly signals your affinity and promotes trust. Consider .ca over .com.
- Share your story with pride. Write about the birth of your brand. Made in Canada? Creating jobs for Canadians? Actively connect with shoppers who care.
- Recognize the logistical concerns of shopping abroad and play up the advantages of shopping in Canada: lower cost of delivery, zero customs, Canadian \$ transactions, benefit to the Canadian economy.

What Canadian shoppers say about Canadian retailers

In a survey of 3,000 Canadians in August 2019, shoppers said:⁶





Loyalty and rewards

Loyal customers are the lifeblood of your business, and it's easier to sell to them than acquire new ones. Loyalty programs are one of the most effective ways to engage with customers and increase revenue. Thirty-seven per cent of the online shoppers we surveyed said participation in a loyalty or rewards program influenced their choice of retailer.

Loyalty programs entice existing customers to spend more and more often – a great way to gather first-party data and better understand shopper activity both online and offline.



71%

will shop more often from retailers who tailor rewards and discounts to them. This jumps to 80% among Gen-Zers.

What entices shoppers to join, or actively participate in, a loyalty program?



85%

free enrollment



77%

easy to redeem



69%

rewards can be redeemed at any time



Where to focus your resources:

- Start by asking yourself if a loyalty program is right for your business. Who are your most loyal customers and how can you enhance their shopping experience?
- Planning or revitalizing a loyalty program? Think beyond discounts: shoppers like exclusivity. Instead of sparking competitive pricing wars, offer valuable experiences, such as free returns or first-in-line access to new products and events. Engage your customers regularly to promote awareness.
- For a standout loyalty program, make it easy to navigate and participate. Don't expect customers to carry a card.



Where to focus your resources:

Eco-shoppers want to connect with retailers who care about protecting the environment. Your environmental stewardship could be a big differentiator for your online business, and one you need to talk about wherever you connect with consumers. Focus, too, on making continuous changes to reduce the environmental impact of your products and packaging:

- Audit your processes to reduce your environmental footprint.
- Increase the percentage of recycled and recyclable content in your packaging, avoid mixed materials, reduce plastics and Styrofoam.
- Research reusable packaging options.
- Optimize your packaging process and set targets for materials reduction.

Learn more about packaging. Download our guide at canadapost.ca/packagingguide.

Environmental factors

With climate change awareness top of newsfeeds and a groundswell of youth action, it's no surprise that some online shoppers make increasingly informed choices based on their environmental values. According to our survey, your commitment to environmental protection is influencing purchase decisions among 14% of online shoppers. And we anticipate this trend to gather momentum in the coming years.

Many shoppers want to do something for the environment. They're willing to wait longer for delivery if their purchase is consolidated into a single shipment and/or if it helps lower emissions. Communicating your environmental approach and working with like-minded partners can create positive connections and earn shopper loyalty.



69%

of online shoppers said it upsets them when retailers use excessive or unnecessary packaging when shipping purchases to them.



53%

will shop more with retailers who make an effort to reduce packaging used for shipping.



41%

will shop more often with retailers who support an environmental cause.

To reduce packaging,



66%

of online shoppers prefer retailers to ship all their items at the same time, even if it means they have to wait longer.

To reduce emissions,



62%

of online shoppers prefer retailers to ship all their items at the same time, even if it means they have to wait longer.



3. Extending the online experience

Integrating channels to improve acquisition and retention

Once you know what influences Canadian online shopping habits, you need to be clear about where your promises and capabilities match those expectations.

Customer journeys now include multiple touchpoints and channels. How do you reach the right shoppers so they know what sets you apart from other online retailers? How do they know you'll meet all their delivery expectations? How do they hear about your environmental advocacy, your rewards program and your products that are proudly made in Canada? How do you become a shopper's retailer of choice in a sea of options?

How do shoppers discover new online retailers?



Be discoverable across all channels

With so many potential points of contact, it's important to make every channel work for you. An integrated, carefully sequenced and balanced marketing mix is the most effective way to reach audiences once data has revealed who will be most receptive to your message.



Where to focus your resources:



- Optimize your "searchability" so you show up when shoppers look for products like yours. Thirty-five per cent of online shoppers go to Google first.
- Prioritize social listening to monitor feedback, choose the right channels, get shopper insights and create customer lifetime value.
- Check your marketing channel mix. Integrate and sequence your communications for better results. Read the *Essential Guide to Direct Mail* to learn more at canadapost.ca/guidetodirectmail.
- Encourage loyalty at every touchpoint. Frequent, relevant interactions create brand bonds – especially over shared values and common causes. Consider developing loyalty-related blog content or try triggering direct mail when a shopper abandons their cart.



About Canada Post

With its unrivalled delivery network, Canada Post gives every Canadian access to the power of online commerce. By offering convenience, choice and a superb customer experience, it has become the preferred choice of Canada's online shoppers, while its direct mail marketing solutions drive action for brands and businesses of every size.

About this report

We will be continuing this benchmark research annually, providing more in-depth analysis of online shopper journeys to identify critical drivers of shopper satisfaction, triggers that lead to conversion and brand loyalty, as well as best operational practices to meet changing shopper expectations.



Speak with an e-commerce expert about this research and learn how to apply it to your business. Get in touch at canadapost.ca/eshopperconnect or call toll-free **1-866-511-3131**.

For more about the Canadian e-commerce landscape and the online shopper, visit canadapost.ca/canadianecommerce.

Canadian online shopper study methodology

This research resulted from a survey of 5,000 online shoppers in April 2019. Respondents were representative of the Canadian population on key demographic variables, including age, gender and region.

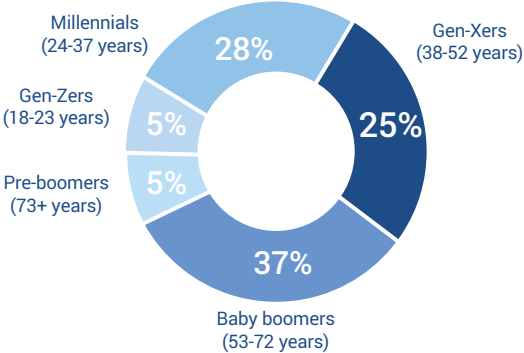
1. Briggs, Paul et al. *Canada Ecommerce 2019*, eMarketer, 2019
2. 3. 4. Canada Post, *2019 e-merchant Study*, 19-201, August 2019
5. Canada Post, *2019 Corporate Brand Pulse*, 19-206, May 2019
6. Canada Post, *2019 Consumer Study*, 19-203, August 2019

E-merchant research methodology

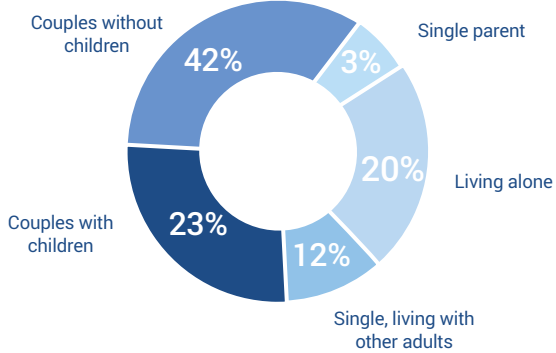
This research resulted from a survey of 1,556 Canadian B2C e-merchants between June and August 2019. Respondents represented an array of business sizes, e-commerce volumes and online business types (ex., multi-channel, pure play, marketplace, wholesalers, manufacturers, etc.).

Appendix: Who are Canada's online shoppers?

Age cohort



Household composition



<p>\$102,306 Average annual household income</p>	<p>30% Live in households with dependent children under the age of 25</p>
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Online shoppers in Canada

<p>49% Male</p>	<p>41% Urban</p>	<p>21% Rural</p>
<p>51% Female</p>	<p>38% Suburban</p>	