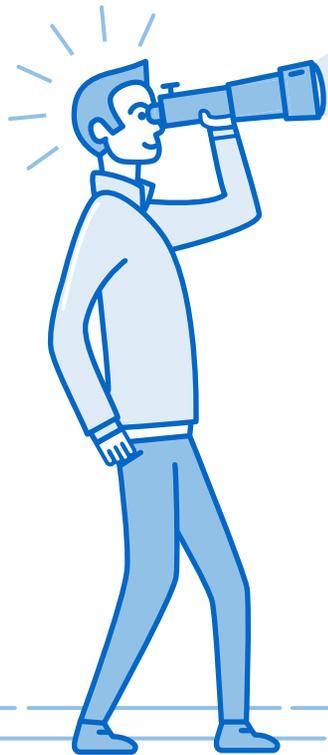




Canadian e-commerce benchmark report

The insights you need to better compete, succeed and grow





E-commerce insights to drive your business

What does it take to succeed in today's online markets? Everything you've got.

From marketing to customer service, from your product mix to your operations, from testing which perks to offer to knowing the right metrics to watch. You need to be succeeding on every front.

But how do you know what to do and where to evolve? You ask your most valuable source in retail today – Canadian online shoppers. We did just that.

In 2016, we published our first e-commerce report¹ and created a baseline for measuring the progression of online shopping in Canada. Two years later, we found out what's changed. **We approached 5,000 Canadians who had made online purchases in the past year** and asked them what's in their carts, how much they buy, what they expect, what technology they use and more.

Our researchers compiled the data and distilled it into this benchmark report that includes critical insights to help you make better decisions for your business. Because that's our primary goal with this report – to help you gain the edge you need to better compete, succeed and grow.

In this report you'll find:



The evolution of e-commerce in Canada



Growth opportunities



What consumers want



Technology to watch



Eye on the future



Also find: Key stats, tips, and links to more information





The evolution of e-commerce in Canada

COUPLES AND URBAN SHOPPERS STAND OUT

Today, 80% of Canadians are hitting the buy button. While e-shoppers can be any age and live anywhere, certain demographics and lifestyles still show greater tendency toward this channel.

Here's a snapshot of today's e-shoppers in Canada:

LOCATION



45% urban



36% suburban



19% rural

GENDER



48% men



52% women

HOUSEHOLDS



38% couples without children

22% couples with children

19% single, living alone

13% single, living with other adults

8% single parents

AGE COHORT



35% baby boomers (53-72)

32% millennials (18-37)

28% Gen-Xers (38-52)

5% pre-boomers (73+)

INCOME

Average annual household income



\$92,656

TIP

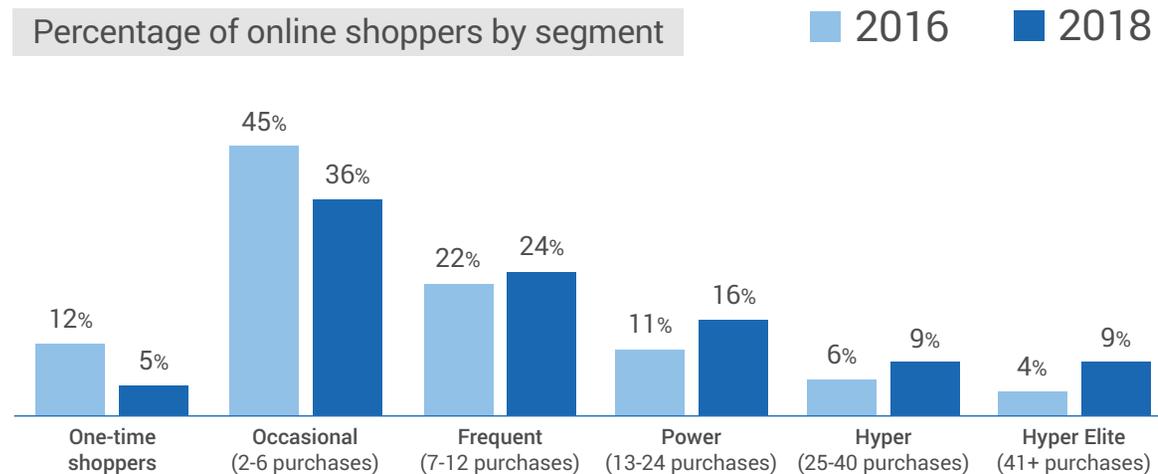
You know who's shopping online in Canada, but do you know who your shoppers are – and how to find more just like them? Use the power of data to target and engage new audiences who look and behave like your existing best customers. Learn more at canadapost.ca/targetnewaudience.



CANADIANS ARE SHOPPING ONLINE MORE FREQUENTLY

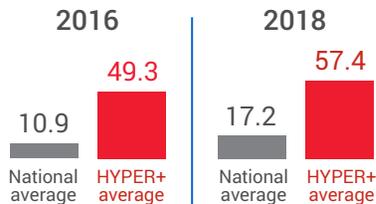
Canadian consumers are getting more comfortable and confident making online purchases. We know this because they're doing it more often. **Between 2016 and 2018, the average number of online purchases Canadians made annually shot up 58 per cent.**

Percentage of online shoppers by segment



Increased purchases driven by the new **HYPER+** shoppers (25+ purchases year)

Overall average of purchases/year



Who's driving the trend?

Frequent, Power and HYPERS (Hyper and Hyper Elite) shoppers, who make more than seven purchases a year, now account for 58 per cent of all online buyers, up from 43 per cent in 2016. Meanwhile, **the percentage of just Hyper Elite shoppers**

– those who make over 41 purchases every year – has more than doubled. This powerful cohort fully embraces the online commerce channel. It spends more dollars online than in-store, compared to other groups who will still spend, and intend to spend, slightly more

in-store than online in the coming year. As for the one-time online shoppers, who just two years ago accounted for 12 per cent of all online shoppers, that category has all but disappeared.



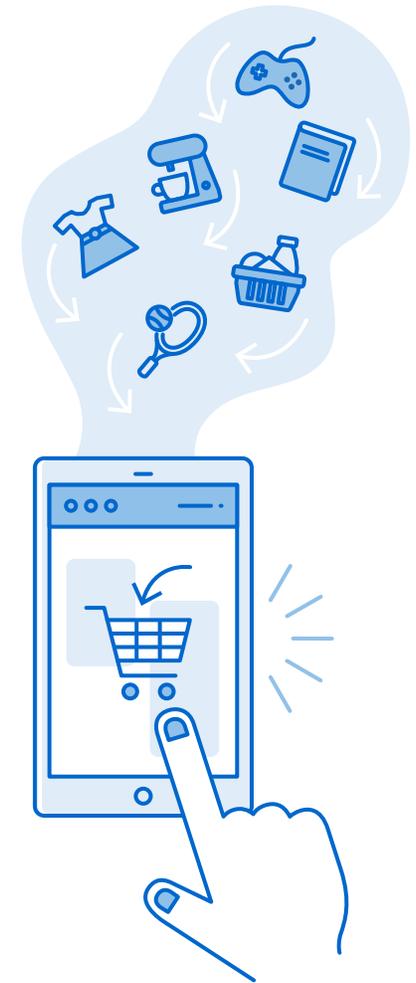
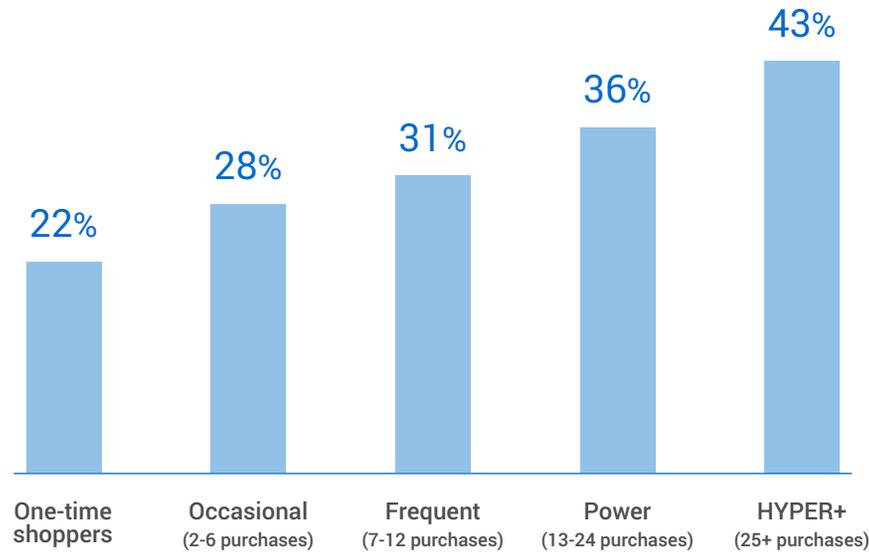
Use your customer database and order management system view to see how frequently your online customers shop with you. Make what you offer relevant to their life stage, habits and preferences to drive more sales. Learn more about effectively engaging with consumers to boost revenue at canadapost.ca/ecommloyalty.



CANADIANS PLAN TO CONTINUE TO CLICK ON THAT BUY BUTTON

Our survey shows that Canadians have increased their basket spend and also plan on making more purchases in the coming year. In 2016, the average Canadian basket spend was \$106; two years later that jumped to \$175, an increase of 65 per cent. And, about one third of all respondents – and 43 per cent of HYPER+ shoppers alone – indicated **they plan to buy even more online in the coming year.**

Intent to purchase more

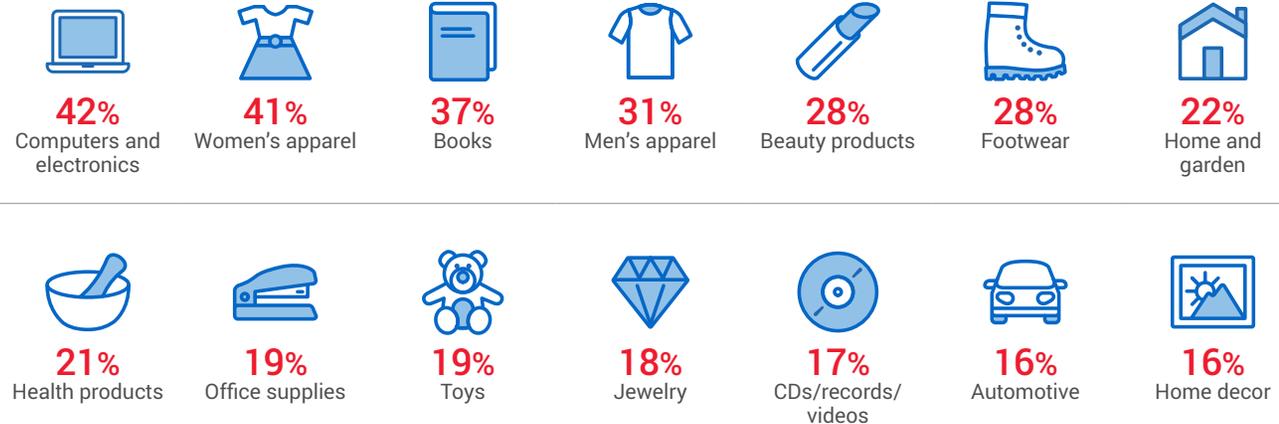




What are they buying?

Canadians continue to buy from more categories. While computers and electronics, women's apparel and books still dominate the top three, more segments are growing. Footwear, collectibles, both perishable and non-perishable groceries, automotive, pet supplies, even furniture are among the segments making traction online.

Categories purchased | Overall*



Average number of product categories from which Canadians buy online

4.8

16% Children's apparel
15% Sporting goods
15% Small appliances
13% Collectibles

13% Groceries (non-perishable)
11% Software/games
10% Baby products or supplies
10% Furniture

10% Pet food or supplies
8% Groceries (perishable)
4% Large appliances
5% Other

TIP

Are you getting your share of Canadians' increasing online spend? Make sure you are driving consideration and action at every possible touchpoint, optimizing all of your selling channels, both physical and digital.

* Percentage of online shoppers buying from each product category



Growth opportunities

CANADIANS WANT MORE FROM HOME-TURF RETAILERS

Canadians report that they plan to increase their online purchases from Canadian retailers. Of those surveyed, 37 per cent said they will buy more from Canada in the coming year, while just 14 per cent anticipated buying more from the U.S. and China.

But that doesn't mean Canadian retailers will have it easy. We found that 77 per cent of respondents buy from outside of Canada, up from 53 per cent in 2016. As for HYPER+ shoppers, more than 90 per cent of them make purchases outside of Canada.

What motivates this border behaviour? While factors vary, we did find clear drivers:

What motivates Canadians to buy **from the U.S.**?

Availability of products drives U.S. purchases. If Canadians can't find what they need here, they'll look south of the border.

What motivates Canadians to buy **from China**?

Shoppers like China's **low prices** and are willing to wait an average of 19 days to receive their orders.

What motivates Canadians to buy **at home**?

One of the main reasons Canadians buy from Canadians is that the experience is **convenient and hassle-free**.

TIP

Seize the moment

The message here is simple: Seize the moment. **Now's the time to double down on your efforts to acquire and retain your Canadian customers.** Here's what you can do:

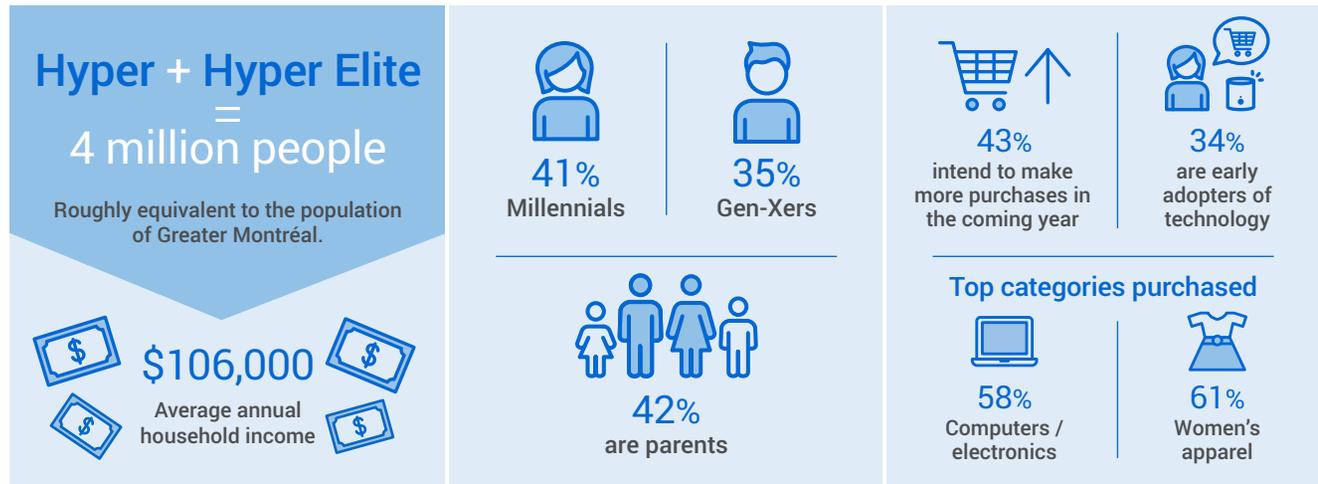


- ▶ **Reassess your product mix** to see if you can stock items that Canadians want to purchase but can't find north of the border.
- ▶ You might not be able to compete on price, but you can work hard to **fulfill Canadians' desire for convenience**. Focus on offering services that global retailers find difficult to provide, such as faster delivery, delivery dates at checkout, tracking and easy returns.
- ▶ If you have a **uniquely Canadian** product, flaunt it!



WITH NURTURING, OCCASIONAL SHOPPERS BECOME THE HYPER+ CONSUMERS WHO PROPEL ONLINE RETAIL

The shoppers who buy the most regularly online are driving e-commerce. HYPHER+ shoppers – those who make over 25 purchases each year – account for the lion’s share of total online purchases in Canada. These are coveted consumers who buy more frequently, put more in their baskets and plan to buy more in the coming year. Who makes up this segment? To a large extent, they are the **young, affluent and tech savvy**.



60% of total Canadian online purchases are made by HYPHER+ shoppers – up 12% from 2016

Don't overlook the potential of less frequent shoppers

While merchants should compete to widen their share of HYPHER+ shoppers, our data revealed there is growth potential from less

frequent shoppers – they can be cultivated and converted into future HYPHER+ shoppers – a lucrative proposition for merchants.



Your takeaway? Keep this lucrative segment happy. Optimize your operations for speed, keep up with technology and look for ways to offer any VIP perks that can woo these savvy consumers.

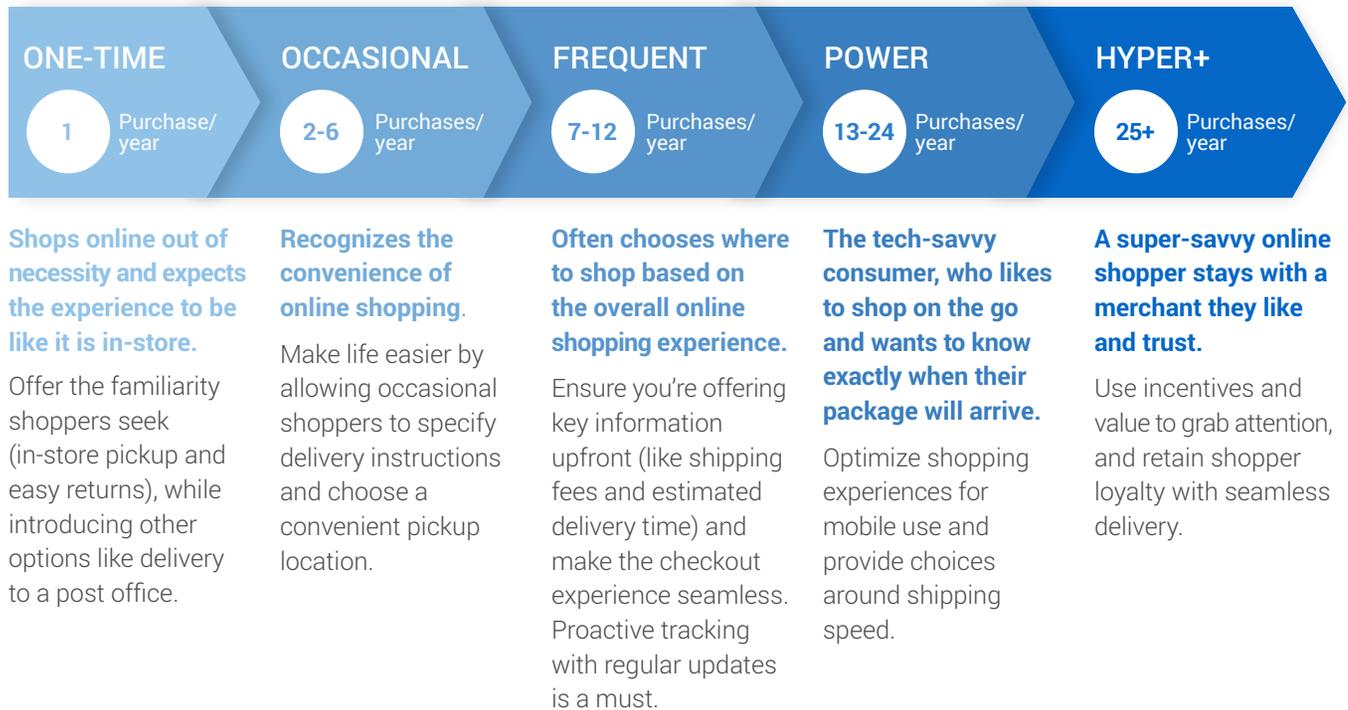


IDENTIFY THE OPPORTUNITIES TO TURN ONE-TIME BUYERS INTO HYPER+ SHOPPERS

As we dug deeper, our research² showed that, along with certain characteristics that tend to personify each category of online consumers, they also exhibit a set of **triggers, concerns and expectations**. By addressing the needs of all consumer segments, merchants can coax their less frequent customers to buy from them more often, eventually turning them into loyal and valuable HYPER+ shoppers.

Conversion doesn't stop with the HYPER+ shoppers. There's always an opportunity to increase purchase quantity and basket size because the growth ceiling hasn't yet been reached.

We've identified **what matters to different online shoppers** and added some advice about how to address their concerns, so you can give your customers the confidence to shop more.



Learn more about what online shoppers want in our report *The journey to build loyalty among online shoppers* at canadapost.ca/ecommloyalty.



INTEREST IN MEMBERSHIPS AND SUBSCRIPTIONS IS UP

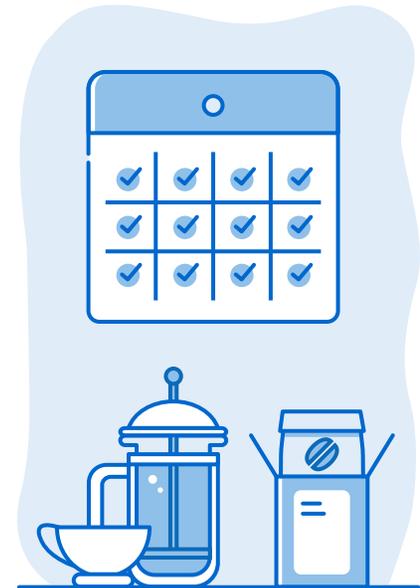
We also asked about appetite for memberships and reasons for signing up. Along with recurring deliveries (such as Walmart's AutoSave), meal kits and subscription boxes, memberships are increasingly attractive to customers. Why the surge in interest? Because these services offer perks, such as **free shipping, faster delivery, cost savings** or some form of **greater convenience**, which are all factors that motivate avid online shoppers to buy.

Free shipping is the main reason shoppers sign up for Amazon Prime.³

We found that 20 per cent of shoppers are Amazon Prime members, with Hyper Elite shoppers leading the way. We also noticed that subscription boxes have become one of the reasons that the HYPER+ segment is growing so fast.

On average, HYPER+ shoppers are signed up for 3 subscription box or recurring delivery services.

But it's not just the HYPER+ segments who like these services. They're also starting to gain popularity among other shopper segments. Of all our respondents, 14 per cent received at least one subscription box or recurring delivery in the past year. This trend offers another growth opportunity for merchants to both acquire new customers and boost retention among existing ones.



TIP

Offering **recurring deliveries, subscription boxes** and **memberships** can help drive more predictable revenue, encourage loyalty and differentiate you from your competition. Review your product offering and analyze purchase frequency to see if there is an opportunity to add one or more of these services.



What consumers want

SHOPPERS MAY ABANDON MERCHANTS AS WELL AS CARTS

While Canadians plan to increase their online spend, merchants should know that where they choose to spend their money is a different story. In particular, we found that when shoppers aren't given enough information or control at checkout, some will abandon their cart. Of equal concern are those shoppers who complete their purchase but aren't happy with their experience. They abandon the retailer, who may never know why the shopper

doesn't return, because merchants tend to track cart abandonment and maybe not checkout satisfaction.

For example, 16 per cent of respondents said they would abandon their cart if a retailer didn't provide information about when their package would arrive. However, 43 per cent said they would avoid buying from that retailer altogether in the future.

Shoppers also want the ability to specify delivery instructions, to have packages delivered to a post office and to know information about the shipping company.

Lack of delivery information at checkout affects conversion and loyalty



TIP

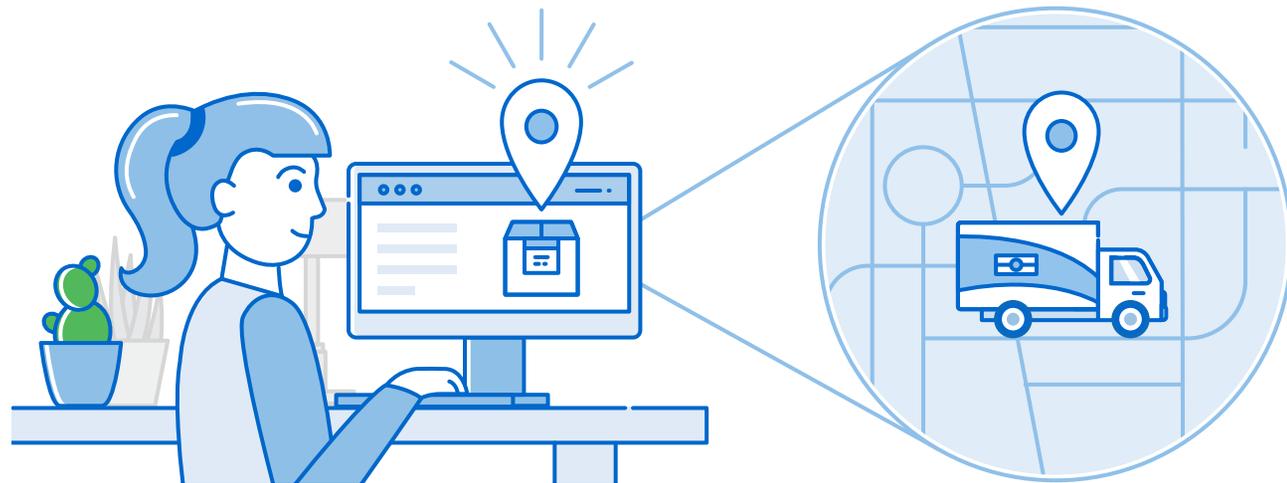
Check that you're providing your shoppers with key information – such as **estimated shipping costs** and **delivery dates** – upfront and prior to checkout. Providing a clear path to purchase is the best way to avoid abandoned carts or dissatisfied e-shoppers who may not return to your online store. Learn more at canadapost.ca/checkout.



SHOPPERS CONSIDER INSUFFICIENT TRACKING A DEAL BREAKER

Tracking is another major focus for shoppers. Most are unhappy when it's hard to track a parcel, or when tracking information is missing. Our research discovered that close to 40 per cent of shoppers will avoid future purchases that involve retailers and associated carriers that do not offer sufficient tracking.

Tracking	Avoid retailer	Avoid carrier
When it's not clear how I can track my package	39%	38%
When no updated tracking information is provided for a long period of time	37%	43%



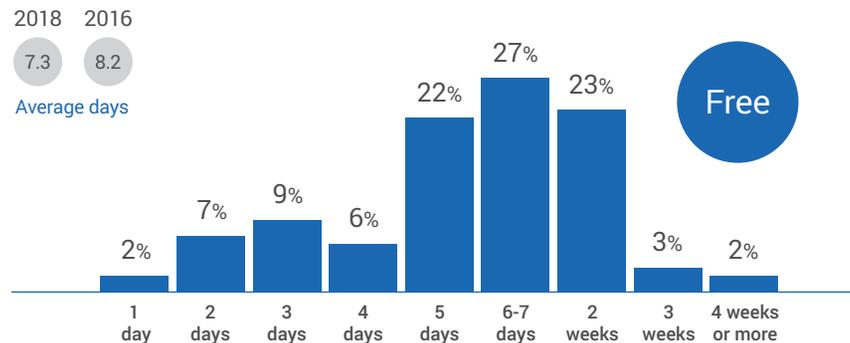
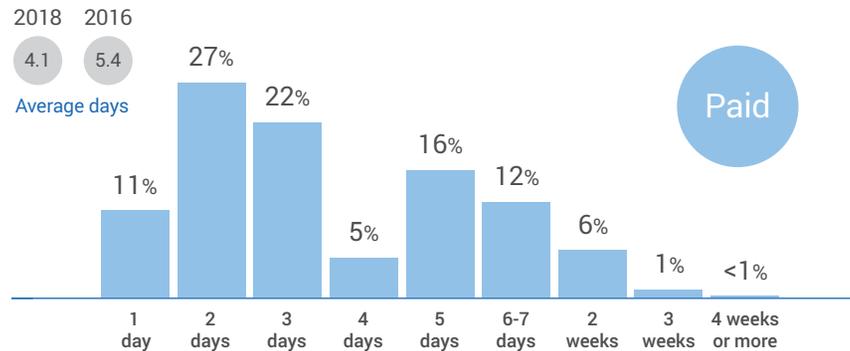
The online shopping experience doesn't end at checkout. Keep the final-mile experience top of mind as it can have a significant effect on brand likeability and loyalty. Considerations like tracking updates, pickup options, choice of carrier and on-time delivery are more important than ever. Learn more at canadapost.ca/finalmile.



EXPECTATIONS ARE RISING FOR DELIVERY SPEED WITHIN CANADA

Compared to what they said in 2016, **shoppers expect shipping to be faster, whether paid or free.** For example, offering three-day paid shipping will meet or exceed expectations for only 60 per cent of shoppers. The other 40 per cent expect one- or two-day shipping when paying. In 2016, shoppers given free shipping were willing to wait an average of eight days, but now their cut-off expectation is one week. And it's important to know that when shoppers talk about shipping, they're including the time it takes to fulfill an order.

Influencer: delivery speed



Consider optimizing your operations to get purchases to shoppers faster. Manage shopper expectations by clearly communicating your delivery promise, fulfillment and shipping times. Learn how to master your operations by downloading the e-book at canadapost.ca/ecomknowhow.



Technology to watch

SHOPPERS ARE ADOPTING NEW TECHNOLOGY QUICKLY

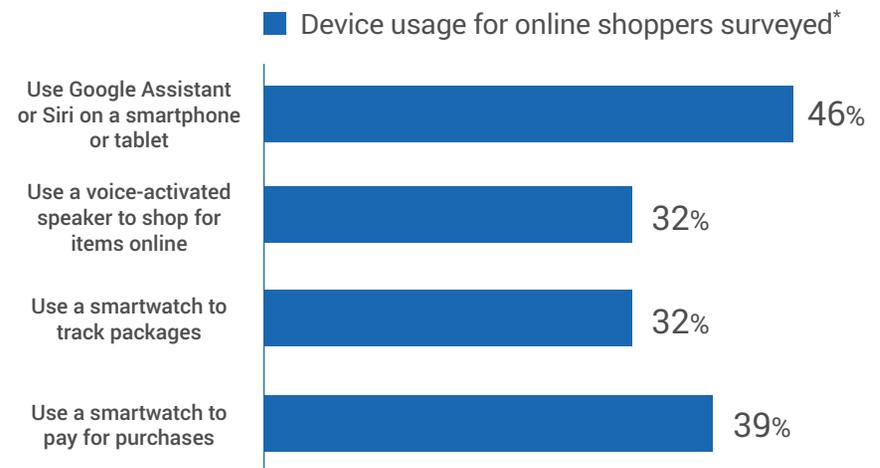
Canadians who shop the most online are adopting new technologies faster than before. This means retailers need to ensure they're keeping up with customer expectations, because what HYPHER+ shoppers want today is what everyone will want tomorrow.

What's on the horizon? Having entered the market in 2017, **voice-activated devices are expected to be the next big disruptor in consumer technology.**

Already, 32 per cent of surveyed shoppers with a voice-activated device have used voice activation to shop for items online. HYPHER+ shoppers are not only using these devices to browse for products, but 14 per cent of those surveyed who use this technology are already using it to buy products.

Smartwatches are also gaining in popularity, with 39 per cent of surveyed shoppers with a smartwatch having used it to pay for purchases, and 32 per cent to track packages.

Day-to-day usage of technology



* based on survey respondents who have the technology.



MOBILE IN A MULTI-CHANNEL WORLD

Mobile e-commerce is a natural evolution of the online shopper journey. By 2021, mobile e-commerce sales are expected to account for 34 per cent of total retail e-commerce sales in Canada.⁴ At the end of 2017, more than a third of online shoppers in Canada made a purchase through a mobile phone, a threefold increase since 2014. With a mobile device, consumers can shop whenever and wherever they want. And, while mobile conversions still lag slightly behind desktop conversions, this doesn't necessarily reflect a reluctance to shop on mobile. It's more about improving mobile CX – from load times and form fields

to overall interactions. Online retailers need to prioritize mobile to reap its benefits.

This rapidly changing online shopping landscape means that customers can show up anywhere through a variety of channels at any time. They could be browsing, recommending or ready to buy. Guiding online shoppers to the right device (laptop or mobile) or bricks-and-mortar location to research or place an order makes it increasingly important to integrate digital and physical channels. More than ever before, it's about experiencing the right message, at the right place, at the right time, on the right device. Online retailers who understand and act on how e-shoppers' habits are changing will see their sales increase.



TIP

With the increasing popularity of voice-activated devices, and consumers using them more to shop and buy products, you need to **ensure you appear prominently in voice results** to continue to grow your sales. Optimize your e-commerce business for voice search so shoppers can find you.



Eye on the future



Canada Post is committed to helping merchants succeed and grow

We will be continuing this benchmark research, 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 shoppers' changing 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**.

E-shopper research methodology

This research resulted from an extensive survey of 5,000 respondents, drawn from a panel of Canadians who shopped online last year. The survey was available in both English and French, with fieldwork taking place from March 23 to April 9, 2018. Eighty per cent of the respondents came from five of Canada's provinces and spoke English; 20 per cent spoke French. The sample matched the Canadian population (+/- 1 per cent) on key demographic variables, including age, gender and region.

Phase5

The research was conducted by Phase5, an innovation, customer experience and user experience firm that uncovers trends that drive business growth, using a full range of qualitative and quantitative research capabilities.



About Canada Post

Canada Post works hand-in-glove with merchants, large and small, offering solutions that provide a superb end-to-end customer experience and greater convenience for online shoppers.

¹ 2016 *Canadian Online Shopper Study*, CPC 16-202; April 2016

² 2018 *Canadian Online Shopper Study*, CPC 18-200; April 2018

³ Amazon Canada did not partner with Canada Post in this survey and has not validated its findings. The survey respondents mentioned free shipping as their main reason for joining Prime, however, Amazon has added many other benefits including video and music streaming services.

⁴ Briggs, P., eMarketer, January 2018, *Ecommerce in Canada 2018 – eMarketer's Latest Forecast with a focus on grocery*.

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