Understanding eCommerce in Canada

Amar Singh,
Senior Analyst, Retail and Digital

October 21 2019
Within Kantar Consulting, we are the retail, sales & shopper specialists

We turn insights into action and shoppers into buyers

Through rigorous analytical tools, next generation organizational capabilities, and a team of seasoned experts, we deliver powerful growth opportunities for your business.
Agenda

1. Canadian eCommerce Landscape
2. Key Omnichannel Retailer Strategies
3. Evolution of Retail
1. Canadian eCommerce Landscape
Online is the fastest-growing retail channel in Canada

Canada channel sales

Source: Kantar
Canadian shoppers are increasingly turning online

While the eCommerce share of retail remains small, it is expected to grow rapidly

- e-Purchaser percentage of population: 65.3%
- Share of retail online: 6.5%
- 21% CAGR 2018–2023

Source: Kantar, ShopperScape® Global eCommerce Survey, 2018
As Canadian retailers’ eCommerce footprint expands, online orders are expected to surge

US leads Canada in online category penetration across all categories

Proportion of category purchasers who have purchased the following categories online (among past year online purchasers)

<table>
<thead>
<tr>
<th>Category</th>
<th>Canada</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media*</td>
<td>69%</td>
<td>63%</td>
</tr>
<tr>
<td>Apparel &amp; Home Goods</td>
<td>72%</td>
<td>58%</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>49%</td>
<td>57%</td>
</tr>
<tr>
<td>Health &amp; Beauty Care</td>
<td>49%</td>
<td>38%</td>
</tr>
<tr>
<td>Toy &amp; Sporting Goods</td>
<td>46%</td>
<td>35%</td>
</tr>
<tr>
<td>Household Essentials</td>
<td>39%</td>
<td>23%</td>
</tr>
<tr>
<td>Home Improvement &amp; Auto Supplies</td>
<td>36%</td>
<td>21%</td>
</tr>
<tr>
<td>Shelf Stable Grocery</td>
<td>16%</td>
<td>27%</td>
</tr>
<tr>
<td>Baby</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Perishable Grocery</td>
<td>19%</td>
<td>10%</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>13%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Media includes books, music, movies, video games, etc. Music and video streaming services likely drive this category online

Note: Baby not weighted to households with kids

Source: Kantar; ShopperScape® Global eCommerce Survey, 2018
The Digital retail landscape is complex with many types of players

**Item focused**

1. “The Everything Store”
   Spearfishing, Winning on Search, Peculiar Items

**Grocery Retail**

- Full Basket
  Winning on category and cross merchandising

**Specialists**

- Targeted Products/Missions
  Leveraging Uniqueness and specialty products, curation

**Marketplaces**

- Long Tail Items
  Online distributors, independent sellers

**Direct to Consumer, Innovators**

- Consumer Intimacy
  New Models
  Express delivery, direct to consumer

Logos:
- Amazon
- Loblaws
- SEPHORA
- eBay
- WARBY PARKER
**Offering competitive pricing is the #1 reason online purchasers will choose a retailer…**

Instituting a method to track pricing online and make adjustments is critical to success. Consistency between in-store and online efforts across these top factors will also drive growth.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Influence Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive pricing</td>
<td>52%</td>
</tr>
<tr>
<td>Easy return policy</td>
<td>42%</td>
</tr>
<tr>
<td>Good customer service</td>
<td>41%</td>
</tr>
<tr>
<td>Trusted retailer/brand</td>
<td>41%</td>
</tr>
<tr>
<td>Return online purchases to store</td>
<td>40%</td>
</tr>
</tbody>
</table>

*Source: Kantar, ShopperScape® Global eCommerce Survey, 2018*
Amazon is currently the top destination for online purchasing and home delivery is the most used method of fulfilment

Proportion who have bought from the retailer’s website in the past year
(among past year online purchasers in Canada)

<table>
<thead>
<tr>
<th>Website</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.ca</td>
<td>74%</td>
</tr>
<tr>
<td>Walmart.ca</td>
<td>33%</td>
</tr>
<tr>
<td>Ebay.ca</td>
<td>25%</td>
</tr>
<tr>
<td>Amazon.com</td>
<td>25%</td>
</tr>
<tr>
<td>Bestbuy.ca</td>
<td>23%</td>
</tr>
<tr>
<td>Kijiji.ca</td>
<td>21%</td>
</tr>
<tr>
<td>Costco.ca</td>
<td>17%</td>
</tr>
</tbody>
</table>

Proportion who used the following fulfilment methods
(among past year online purchasers)

<table>
<thead>
<tr>
<th>Method</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship-to-home</td>
<td>91%</td>
</tr>
<tr>
<td>Inside store pickup</td>
<td>54%</td>
</tr>
<tr>
<td>Automatic subscription</td>
<td>26%</td>
</tr>
<tr>
<td>Surprise subscription</td>
<td>24%</td>
</tr>
<tr>
<td>Collection locker pickup</td>
<td>24%</td>
</tr>
<tr>
<td>Curbside pickup</td>
<td>23%</td>
</tr>
<tr>
<td>Immediate delivery</td>
<td>23%</td>
</tr>
<tr>
<td>Fresh grocery delivery</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Kantar, ShopperScape® Global eCommerce Survey, 2018
Canadian retailers are developing a combination of click-and-collect and online delivery capabilities

Source: Kantar, retailer website
Retailers use the existing store to serve as a distribution center

Click-and-collect in Canada

- Curbside pickup
- In-store pickup
- Pickup locations

Source: Kantar, retailer website
3P partners provide immediate and time-sensitive online deliveries and expand the retailer’s eCommerce footprint

Third-party delivery service providers

Source: Kantar, retailer websites
3P delivery providers provide convenience and are expanding their coverage area.

Instacart has the largest coverage in Canada.

- A delivery fee of CAD3.99 to CAD7.99 and a 5% service charge extra.
- Works Loblaw banners, Walmart, Staples, M&M Foods, and more.
- Deliveries can be made in as little as one hour, or you can order up to six days in advance.
- Covers main cities in Alberta, BC, MB, NB, NF, NT, NS, ON, PEI, SK, and YT.

- CAD19.98 for the first store, and CAD9.99 for each additional store.
- Shop from The LCBO, Beer Store, Cheese Boutique, Summerhill Market, McEwan Grocery, Rexall Pharma Plus, FreshCo, and more.
- Delivers in as little as one hour, or you can schedule a delivery up to 3 days in advance.

- Minimum order of CAD60
- Delivers only Longo’s orders
- Same-day delivery is available if you order by noon. 90-minute window for deliveries.
Click-and-collect satisfies immediate needs, whereas online delivery provides a relaxed shopping and easier checkout experience.

<table>
<thead>
<tr>
<th>Shopping experience among those who think online shopping is better vs. in-store</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordered online, had items delivered to me</strong></td>
</tr>
<tr>
<td>Purchasing high-quality products</td>
</tr>
<tr>
<td>Completing my grocery shopping quickly</td>
</tr>
<tr>
<td>All the items I need/want are usually in stock</td>
</tr>
<tr>
<td>Minimizing my spending</td>
</tr>
<tr>
<td>Retailer offers all/most of the products I want to buy</td>
</tr>
<tr>
<td>Being able to do all/most of my shopping in one place</td>
</tr>
<tr>
<td>Feeling like I got a “good deal”</td>
</tr>
<tr>
<td>Good customer service</td>
</tr>
<tr>
<td>Getting everything I need (i.e., not forgetting anything)</td>
</tr>
<tr>
<td>Having an enjoyable shopping experience</td>
</tr>
<tr>
<td>Having a stress-free experience</td>
</tr>
<tr>
<td>Easy checkout</td>
</tr>
</tbody>
</table>

Q. Thinking about shopping for groceries online versus in a store, which offers the better experience for you on the following factors.

Source: Kantar, Canadian Shopper Insights, April 2019;
Data: Ordered online, pickup n=221; Ordered online, had items delivered to me n=457
Younger Canadians are more likely to use click-and-collect, whereas the older generation prefers the convenience of online deliveries.

### Age
- 18-24: 14% (11% picked up at a store, 33% had items delivered to me)
- 25-34: 24% (27% picked up at a store, 31% had items delivered to me)
- 35-44: 14% (14% picked up at a store, 24% had items delivered to me)
- 45-54: 10% (11% picked up at a store, 27% had items delivered to me)
- 55+: 13% (14% picked up at a store, 25% had items delivered to me)

### Income
- <$60K: 42% (31% picked up at a store, 48% had items delivered to me)
- $60K-$99.9K: 31% (28% picked up at a store, 28% had items delivered to me)
- $100K+: 24% (21% picked up at a store, 21% had items delivered to me)

### Region
- West: 32% (27% picked up at a store, 49% had items delivered to me)
- Ontario: 44% (49% picked up at a store, 49% had items delivered to me)
- Quebec: 18% (18% picked up at a store, 18% had items delivered to me)
- Atlantic: 6% (6% picked up at a store, 6% had items delivered to me)

Stat-testing: Green/red arrows indicate significantly higher/lower at the 95% confidence level vs. Ordered online, had items delivered to me.

Source: Kantar, Canadian Shopper Insights, April 2019;
Data: Ordered online, pickup n=221; Ordered online, had items delivered to me n=457
2. Key Omnichannel Retailer Strategies
The top 5 Canadian retailers are building and expanding their Omnichannel footprint

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Retail Sales in CAD Billions</th>
<th>% of KR Chains in Canada Total</th>
<th>Sales Added (CAD Billions)</th>
<th>Sales CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loblaw</td>
<td>37</td>
<td>38</td>
<td>42</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>Costco</td>
<td>20</td>
<td>28</td>
<td>37</td>
<td>9%</td>
</tr>
<tr>
<td>2</td>
<td>Walmart</td>
<td>22</td>
<td>26</td>
<td>27</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>Sobeys</td>
<td>24</td>
<td>26</td>
<td>28</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>Metro (Canada)</td>
<td>13</td>
<td>20</td>
<td>22</td>
<td>6%</td>
</tr>
<tr>
<td>Top 5 Retailers</td>
<td></td>
<td>$115</td>
<td>$138</td>
<td>$157</td>
<td>53%</td>
</tr>
<tr>
<td>6</td>
<td>Canadian Tire</td>
<td>10</td>
<td>11</td>
<td>13</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>McKesson Canada</td>
<td>3</td>
<td>9</td>
<td>10</td>
<td>2%</td>
</tr>
<tr>
<td>8</td>
<td>Home Depot</td>
<td>6</td>
<td>8</td>
<td>9</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Lowes</td>
<td>1</td>
<td>7</td>
<td>7</td>
<td>1%</td>
</tr>
<tr>
<td>10</td>
<td>Home Hardware</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>2%</td>
</tr>
<tr>
<td>Top 10 Retailers</td>
<td></td>
<td>$142</td>
<td>$179</td>
<td>$203</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>All Other KR Chains in Canada</td>
<td>$75</td>
<td>$76</td>
<td>$96</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>Total KR Chains in Canada</td>
<td>$217</td>
<td>$255</td>
<td>$299</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Kantar
Loblaws offers both home delivery and click-and-collect services

Click & Collect

- Available in all major banners across Canada
- Within 10 mins reach of 75% Canadians
- Pay online or at the store, $30 minimum order
- Service fee of $3 - $5; 20k + SKUs and growing
- 670+ pick locations

Delivery

- Partnered with Instacart launched Dec. 2017
- Within the reach of 65% Canadians
- Available in Toronto, Vancouver, Winnipeg, Halifax, Montreal, and expanding
- Up to 30k items, delivery in as fast as 1 hour

“While 2018 was about scaling Loblaws’ digital services, 2019 will be about execution, making further investments in technology to drive customer adoption and satisfaction.”

– Sarah Davis, Feb 2019

Source: Kantar, retailer website
Loblaws offers click-and-collect through PC Express

Shifting the “trip” location with alternative pickup sites

**How it works**

1. Shop your favourite grocery store online
2. Our personal shoppers will fill your order, just the way you like it
3. Choose when and where you want to pick up your order

**PC Express pickup locations**

- **Grocery store pickup**
  - Perfect for a full grocery shop
  - Same-day order and pick up available

- **Transit pickup**
  - Great for commuters, available at select GO and TTC stations
  - Ideal for a bag or two to lug up your fridge or pantry
  - Same-day order and pick up available
  - Temperature controlled trucks, lockers, and other pickup points

- **Self-serve pickup**
  - Available at select Shoppers Drug Mart, Nest & No Frills locations
  - Same-day order and pick up available at select locations
  - Temperature controlled units

- **Neighbourhood pickup**
  - Great for a few bags
  - A range of pickup locations from truck to lockers in your local area
  - Same-day order and pick up available

Source: Kantar, retailer website
Loblaw is leveraging PC Optimum to personalize offers and strengthen its ecosystem with PC Insiders subscription service

The retail giant is protecting its territory from Amazon by introducing a paid subscription service akin to Prime

PC Optimum subscription penetration

73%

Current PC Optimum members who*:

Have used pickup service 9%

Have online order delivered 22%

Monthly subscription $9.99

Annual subscription $99

More points

Free shipping

Travel credit

Source: Kantar Canadian Shopper Insights, April and July 2019, Retailer website; *at any retailer
Sobeys partners with Ocado to bring grocery delivery efficiency to Canada

Stepping-up delivery and the interface:

- Sobeys’ online grocery shopping business will be built on the **Ocado Smart Platform**.
- Front-end website functionality supported with Ocado’s “web shop” and mobile grocery ordering applications.
- Sobeys’ first Customer Fulfillment Centre (CFC) in Vaughan, Ontario, is scheduled to launch in spring 2020. The retailer plans to launch Voila par IGA, its second CFC, in Pointe-Claire, Montreal, in 2021.
- Voila by Sobeys and Voila par IGA promise convenient and reliable grocery shopping, underlined by a new tagline: "Your groceries delivered. Just like that."
Understanding Ocado’s fully automated Smart Platform

39,000 products, direct-to-consumer delivery straight from the CFC, with a focus to enter new markets in Canada.
Walmart Canada offers both pickup and online delivery and rapidly expanding eCommerce

Leveraging foundational store assets to enable speed and choice

Walmart expands online grocery in Canada:

- Price match on competitive offers
- Minimum order of CAD50 before tax
- Offers in-store pickup, curbside pickup, and limited home delivery services
- Launched online marketplace and signed new partnerships with Instacart to expand delivery options in grocery and general merchandising
- One-hour delivery is now available at nearly 200 stores across Canada
- Walmart offers in-store pickup at 175 locations, expanding to 190 by early 2020, and pickup at nine Penguin Pickup locations in the Greater Toronto Area

Source: Kantar, retailer website
Metro offers pickup and home delivery in Ontario

In May 2019, Metro launched online grocery shopping service in the Greater Toronto Area

- Delivers fresh grocery in exclusive temperature-controlled Tri-Zone™ delivery trucks to optimize preservation and guarantee freshness for customers
- Products are hand-selected by Metro employees in-store
- Minimum order of CAD50 before fees and taxes

Source: Kantar, retailer website
Costco launches 2-day grocery delivery in Ontario

- 2-day guaranteed delivery
- Open to Costco members only
- Nonperishable food and household supplies
- Free delivery on orders of CAD75 or above
  - No minimum order
- Delivery availability: Windsor to Ottawa

Source: Kantar, Loblaws website
1. Evolution of Retail
The physical store is becoming a centre of experiences with the integration of technology...

Peak-time solutions, operational efficiencies, and targeted missions drive success

Source: Kantar
Retailers are pushing harder into new technologies

Steering away from ‘concepts’ to real-world testing of new solutions, which are here to stay

Source: Kantar, Walmart Canada
Which is evolving the store to meet new shopper expectations

This impacts how shoppers navigate the store and purchase books in the centre-store

**Classic Modern Trade:**

RODEO by aisles

**New Navigation:**

Targeted UP-DOWN by mission
While checkout-free is not mass, it has further pushed an existing movement to accelerate the checkout experience.

The front end space allocation continues to shrink. With limited space, a focus on item profitability is critical.

Source: Kantar

A checkout associate scans garden soil in the Lawn & Garden Center.
About 20% of Canadian Shoppers regularly use a self-checkout lane

Majority of shoppers still use the traditional staffed checkout lane

Checkout Lane Preference (Canada)

- Always use a staffed checkout lane: 33%
- Usually use a staffed checkout lane: 26%
- Use staffed and self-checkout lanes about equally: 12%
- Usually use a self-checkout lane if available: 8%
- Always use a self-checkout lane if available: 3%

Source: Kantar Canadian Shopper Insights, July 2019
Magazines have a high incidence at the front of the store

Candy/gum, beverages, and snacks are the most purchased items in the checkout area

<table>
<thead>
<tr>
<th>Product</th>
<th>Purchased product in checkout area (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candy/gum</td>
<td>20%</td>
</tr>
<tr>
<td>Beverages</td>
<td>12%</td>
</tr>
<tr>
<td>Shelf-stable snack foods (nuts, chips)</td>
<td>11%</td>
</tr>
<tr>
<td>Batteries</td>
<td>8%</td>
</tr>
<tr>
<td>Gift cards</td>
<td>8%</td>
</tr>
<tr>
<td>Magazines</td>
<td>7%</td>
</tr>
<tr>
<td>Bakery products</td>
<td>6%</td>
</tr>
<tr>
<td>Fresh foods (sandwiches, fruit)</td>
<td>6%</td>
</tr>
<tr>
<td>Phone chargers and cables</td>
<td>5%</td>
</tr>
<tr>
<td>Cigarettes/tobacco</td>
<td>5%</td>
</tr>
<tr>
<td>Toys</td>
<td>4%</td>
</tr>
<tr>
<td>Greeting cards</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Kantar Canadian Shopper Insights, July 2019
Where do Magazine purchasers shop?

Walmart and Amazon have the highest penetration among Canadian magazine purchasers.

### Retailer Penetration among Magazine Purchasers and Checkout Lane Preference (%)

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Self-checkout lane Users</th>
<th>Use staffed and self-checkout lanes about equally</th>
<th>Staffed Checkout lane Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart/Walmart Supercentre</td>
<td>13%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Amazon.ca</td>
<td>6%</td>
<td>6%</td>
<td>14%</td>
</tr>
<tr>
<td>Best Buy</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Real Canadian Superstore</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Super C</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Metro</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Sephora</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Shoppers Drug Mart</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Costco</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Canadian Tire</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Kantar Canadian Shopper Insights, July 2019
Understanding algorithm-driven search

How Amazon works?

Amazon’s algorithm driven search platform

Product recommendations to complete the basket

Source: Kantar, Retailer Website
Understanding search and routine purchases in today’s omnichannel retail

**Linear Search**

- **Inventory – in-store and online**
  - **Tools**
    - **Inventory – in-store and online**
      - Magazines HE207065 4-15 Wngswrld
        - $43.61
        - Price: $43.61
        - Sold & shipped by Amazon.ca
        - By Magazines
      - **Routine Purchases – subscribe and save**

Source: Amazon.ca
Types of impulse shopping: Three different forms based on shopper needs

Brands and retailers employ different online tactics to capture the attention of impulse shoppers online.

- **“I forgot.”**
  Pantry loading & replenishment

- **“I’ve never seen this before.”**
  New product discovery & trial

- **“I want/need this now.”**
  Immediate-need fulfillment

Source: Kantar
Innovative strategies to capture impulse sales - online

Creative promotions that encourage basket building and +++ delivery fee
In a disrupted landscape, and now more than ever:

REDEFINE YOUR OWN EDGE
### Actionable insights

Brands need to proactively invest in a strong omnichannel retail approach

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ensure your brand is present on both click-and-collect and online delivery platforms</strong>&lt;br&gt;▪ Collaborate with retailers to tailor your click-and-collect promotions to encourage routine purchases.&lt;br&gt;▪ Enhance your brand’s online store presence by providing additional information and multimedia support.</td>
<td><strong>Streamline logistics to support retailers’ online growth</strong>&lt;br&gt;▪ Anticipate stronger supply-chain optimization pressure from Sobeys’ Ocado-based platform.&lt;br&gt;▪ Find more avenues within retailers’ omnichannel touchpoints to enhance your brand’s visibility.</td>
<td><strong>Understand the algorithm-based search model to drive higher sales conversion</strong>&lt;br&gt;▪ Collaborate with retailers to promote your brand on their digital platform.&lt;br&gt;▪ Leverage subscription services and e-checkout basket building recommendations.</td>
</tr>
</tbody>
</table>
THANK YOU

Contacts:
Amar Singh
Senior Analyst, Retail and Digital
amar.singh1@kantar.com
+1. 647.625.2596

Michael Davis
VP Client Development
Michael.Davis@kantar.com
+1. 617.912.2864