



Patriotism among Canadian online purchasers driving the E-commerce wave

Survey shows 70% of online buyers prefer to purchase from Canadian sites

TORONTO, December 13, 1999 – Canadian on-line retailing has advanced tremendously this year, according to the results of a joint Deloitte & Touche/Angus Reid Group on-line survey conducted among 824 web-users in November. The survey found that 70% of Canadian online purchasers prefer to purchase from Canadian sites and more than half (52%) made their last purchase at a Canadian site – a significant increase when compared to March of this year (38%).

“Retailers have recognized that the Internet is the driving force behind the transformation of business in Canada,” says Tom Dagenais, Partner, Deloitte & Touche. “Canadian retailers are flourishing in this new world of e-business through clearly formulated market strategies and implementation plans – including the selection of the right technologies, the recasting of business processes, and supply chain management.”

E-commerce growth continues to the point where the majority of on-line Canadians (51%) have ever made an on-line transaction. Total consumer spending on-line has increased 38% since last March, from \$1.2 billion annually to about \$1.65 billion. More than one-quarter of Canada’s on-line population (26%) say that they will make some of their holiday purchases on-line this year. Altogether, Canadians will spend \$282 million on-line for gifts this holiday season.

"Canadian e-commerce spending numbers are demonstrating some very significant upward trends that show Canadian e-retailers are re-capturing what had been lost to the Americans," says Steve Mossop, Senior Vice President, Angus Reid Group. “The Christmas e-shopping bonanza may represent a significant turning point for Canadian e-retailers”.

Although total consumer spending has increased significantly, Canada still lags significantly behind U.S. consumers in the amount of money spent making purchases over the Internet in the last year, with Americans spending on average \$1,326 U.S. in purchases compared to \$431 Cdn. in Canada.

Security and privacy concerns continue to be the biggest barrier to online purchasing. When asked about upcoming purchases for the holiday season, nearly three-quarters (73%) of respondents cited these as their primary reasons for not purchasing gifts online. Furthermore, 35% of existing online shoppers and 61% of those who have never purchased online agree that security concerns will limit the amount of their online purchases over the 1999 holiday season.

“To succeed in e-business, companies must earn the trust of their customers, suppliers, and other stakeholders,” says Adel Melek, Partner, Deloitte & Touche. “Providing appropriate security over information and transactions is an essential aspect of building that trust. Canadian retailers must

identify, assess, monitor, and manage their e-business risks and build in the security and reliability they need to succeed.”

In response to widespread concerns about consumer privacy and security, the federal government has introduced legislation (Bill C-6) that would implement mandatory data protection rules for personal information. Bill C-6, when enacted, will put Canadian companies in a favourable position as the United States will stand alone as the only industrialized country without comprehensive privacy legislation.

Clearly defined and secure business processes and technology become even more critical in a web-enabled world and the key to success in this emerging landscape is to start building for the future now. Businesses must take a broad view of the transformation into e-business. Enterprise strategy, business processes, application systems, and technology infrastructure are all deeply affected by this transformation. Its impact and the associated risks need to be clearly understood and managed.

- 30 -

For more information, please contact:

Steve Mossop
Senior Vice President
Angus Reid Group
(604) 257-3200
steve.mossop@angusreid.com
www.angusreid.com

Lynn Cook
Media Relations
Deloitte & Touche
(416) 601-6105
lcCook@deloitte.ca
www.deloitte.ca

This jointly issued Deloitte & Touche/Angus Reid Group study is based on 824 web-users from the Group Canadian Internet Panel. Panelists are chosen through random telephone surveys conducted on an on-going basis across Canada. In all, just over two thousand Internet panelists were invited to the Angus Reid Group web-site via email to participate in this study between November 19th and November 28th 1999, resulting in a response rate of 39%.

These data are statistically weighted to reflect the population proportions of English-speaking, regular on-line users by length of access to the Internet, regional distribution, as well as demographics such as sex and income. Our panelists represent approximately 7.3 million regular Canadian adult Internet users (there is a total of 12.9 million adults who have Internet access—not everyone can be classified as a regular user).

With a national sample of 824, one can say with 95% certainty that the overall results are within ± 3.4 percentage points of what they would have been had the entire population of Canada's regular on-line users been surveyed. The margin of error will be larger for sub-groupings of the survey population.

Survey Highlights

Christmas wish fulfilled for patriotic on-line Canadians

Canadian on-line retailing has significantly increased this year, as Canadian retailers are finally catching on to the e-commerce wave that has swept over the U.S. Canadians who purchase on-line typically look for Canadian sites and more frequently, are shopping at Canadian sites.

Awareness of the top on-line retailers in Canada is also very strong.

- More than half of Canadian on-line purchasers (52%) made their last purchase at a Canadian site—up significantly compared to March of this year (38%). Another 44% made their last purchase at a US site while 3% did so at a European site.
- Canadian on-line purchasers typically look for a Canadian website when purchasing on-line: 46% always do while 36% do some of the time. Only 14% say that they seldom or never look for a Canadian website when purchasing on-line—mainly because they don't feel Canadian sites offer enough variety, or they simply find location irrelevant.
- The most common site for their last purchase by on-line Canadians was Chapters (14%). This is followed by Sears (6%), various music/CD/video sites (4%), Indigo Books (4%), general travel/travel agent sites (3%), and Columbia House (3%). Following behind them are retailers such as Amazon.com and Ebay.
- There is strong awareness of many of the major name Canadian on-line retailers such as Chapters. Eighty-four per cent have heard of Chapters.ca—not far behind the 88% who are aware of Amazon.com. Other relative newcomers such as Indigo.ca and Futureshop.ca generate strong awareness levels of 50% of all regular Internet users.
- When asked whether to agree or disagree with the statement “I would prefer to purchase items from a Canadian Website if possible”, seventy per cent of those who have ever made a purchase agree with that statement using 5,6 or 7 on a seven point ‘strongly agree/strongly disagree scale’.
- Most (60%) on-line purchasers are not sure if the cost of purchasing items from Canadian websites is generally lower than websites in the U.S.

More Canadians are buying multiple items on-line

E-commerce growth continues to the point where the majority of on-line Canadians (51%) have ever made an on-line transaction. Total consumer spending on-line has increased 38% since last March, from \$1.2 billion annually to about \$1.65 billion¹.

- The majority of on-line Canadians (51%) say they have made a purchase on-line, increasing from 41% in March of this year. Nearly the same proportion (49%) has made at least one purchase on-line in the past 12 months.
- A further 56% have comparison-shopped for products or services on-line, which they subsequently purchased off-line.
- Only 25% have neither purchased nor comparison-shopped on-line over the past year.
- Of the 49% who have made at least one purchase in 1999, 18% have made between six and twelve on-line purchases, 16% have made four or five purchases, 40% have made two or three purchases and 15% have made one purchase. The average is 5.3.
- The average total annual spending per on-line shopper is \$431.

¹ 7,800,000 Canadian adult Internet users*49%*\$431=\$1.65 billion

Retailers take note: Canadians not convinced security is being addressed

Many on-line Canadians still will not be purchasing gifts over the Internet this holiday season for security and privacy reasons. This remains the single largest barrier to e-commerce.

- Security and privacy was cited by three-quarters (73%) as their reason not to purchase gifts on-line. This was closely followed by the inability to see or touch the product (68%). As in previous surveys, security is also close to the top of the list of barriers cited by those who have previously bought something on-line (60%).
- Furthermore, 35% of existing on-line shoppers, and 61% of those who have never made a purchase on-line agree that “Security concerns will limit the amount of their on-line shopping that I do this holiday season”.
- Other major concerns relate to concerns about recourse (64%), providing personal information over the Internet (56%) and preferences to shop in other ways (41%).

The e-commerce engine in Canada is being driven primarily by experienced Internet users—who account for 26% of purchases and 44% of expenditures

- A total of 70% of those with 3 years or more experience on the Internet have ever made a purchase compared to only 40% who have been on-line for one year or less.
- Average expenditures of experienced users are much higher (\$589) relative to users with one to three years of experience. Annual expenditures for new users is only \$236.
- A significant proportion of on-line purchasers appear to be testing the waters. About one-third (34%) have spent \$100 or less on line, and the median expenditure is \$178. A relatively small proportion of heavy spenders are driving the high average (\$431); 6% of on-line purchasers have spent more than \$1,000 on line in the past year—and all of them have been on-line for at least a year.

Holiday on-line shopping only 5% of purchases

Although average holiday on-line expenditures will be significant this year relative to 1998, they still represent only a small fraction of total retail spending this holiday season, and a relatively small proportion of all on-line shopping in 1999. On-line spending is estimated to be \$282 million this holiday season, only 5% of all holiday spending, or 17% of all on-line shopping in 1999².

- Many on-line users say they will definitely (12%) or probably (8%) buy any gifts over the Internet this holiday season. This increases to 24% and 13% respectively, for those who have ever made a purchase on-line already.
- Of consumers who are likely to purchase on-line over the holidays, on average, 20% of all their gifts will be purchased on-line this holiday season. This compares to only 3% in 1998.
- Half of the people who make on-line purchases have purchased books on-line. This is followed by CDs/tapes/videos (41%), and computer software (25%).
- Although clothing will be the most common gift purchased, it is much lower on the list of gifts that will be purchased on-line. Only 21% of those who are likely to purchase any gifts on-line say they will purchase clothing on-line.

² 25.5%*19.7%*\$5.62 billion=\$282 million or \$282 million/\$1.65 billion=17%

Convenience is the number one reason for purchasing on-line

- Three quarters (75%) purchased on-line because it was convenient
- Other common reasons for purchasing on-line are: accessibility to the global market of products and services - to items that are not available locally (46%) or only available on the website (17%). However, these advantages are of much lower importance relative to March falling from 56% and 26% of mentions respectively.
- Price (40%), selection (28%), not having to deal with a sales agent (22%), and the ability to download a product (18%) are other common reasons for shopping on-line.

On-line Canadians spend more on gifts

Total holiday spending among Canadian on-line users will total \$5.62 billion in 1999¹. The average on-line Canadian will buy 17 gifts, and spend \$721, including both gifts purchased on-line and those purchased at retail outlets. This represents the same spending level as 1998.

- This average of \$721 is driven upwards by a small proportion of individuals (10%) who will spend over \$1,000 on holiday gift giving.
- Those who have ever purchased on-line will spend more (\$762) than those who have never purchased on-line (\$678).
- About one-half of on-line Canadians (48%) say they will spend about the same as last year, 29% say they will spend less (about \$304 less) and 20% will spend more (about \$407 more).

While holiday gift giving is still important for most on-line Canadians, the relative emphasis of Christmas gift spending has diminished.

- Most on-line Canadians (57%) say that gift giving is as important in their family as it was several years ago. However, more than one-third (38%) say that it is less important, and only 4% say it is more important now.
- Canadians say gift giving is less important because their family composition has changed or children have moved away. Other reasons include complaints that the holidays are too commercial, personal values have changed, the family has less money than a few years ago, money is being spent on other things, and that the family doesn't need as much now.

³ 7,800,000 Canadian adult Internet users *\$721=\$5.62 billion