E-commerce Holiday Season

A comprehensive study of Canadian on-line users' behaviours and opinions towards e-commerce shopping for the holiday season

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Outline

1 **Background & Objectives**
2 **Methodology**
3 **Holiday Gift Giving**
  - 3 Activities
  - Gift Giving
4 **Annual E-Commerce Shopping**
  - Reasons for Shopping On-line
  - Purchases and Awareness
  - Spending On-line
  - Canadian Vs. American websites
5 **Holiday Shopping on the Internet**
  - Gifts On-line
  - Barriers to Gift Shopping On-line
6 **Hardware Inventory/Netgraphics**
7 **About Angus Reid/Deloitte & Touche**

Background & Objectives

- E-commerce is a dominant theme in both the mainstream media and trade publications in recent months.
- This research is a follow-up to a similar survey conducted in March of this year, with the addition of a focus on holiday season on-line shopping.
- Angus Reid Group and Deloitte & Touche have partnered to implement a study that provides an up-to-date assessment of Canadian on-line users experiences, behaviours and attitudes relating to e-commerce activities, especially as they relate to the holiday season.
- Replicating the methodology from previous research allows us to track significant changes in perceptions and behaviours of on-line Canadians over time.

Methodology

- A website-based, self-completed survey methodology was utilized to conduct this study.
- A total of 2,100 of 10,000 members of the Angus Reid Group Internet Panel were invited to participate in this study via emailed invitations sent November 19.
- Angus Reid Groups' Internet Panelists are recruited through random telephone surveys that are conducted on an on-going basis across Canada.
- Email addresses of participants are collected, and members join by completing a staging questionnaire.[1]
- Invitees then log onto our website to participate in a password-protected, on-line survey.
- A 1-800 number/email address help-line was used to assist customers who had various inquiries.

1 Where we collect key demographic and behavioural information

Methodology (cont'd)

- A total of 824 fully completed surveys were processed by the cutoff date, November 28, for a response rate of 39%.
- Results are accurate to within ± 3.4%, 19 times out of 20.
- Data was tabulated and processed by Angus Reid Group's internal QC Web and Quantime software package.
- Results were weighted to reflect the population proportions of on-line users by length of access to the Internet, regional distribution of Internet users, as well as demographics such as gender and income.

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Methodology (cont'd)

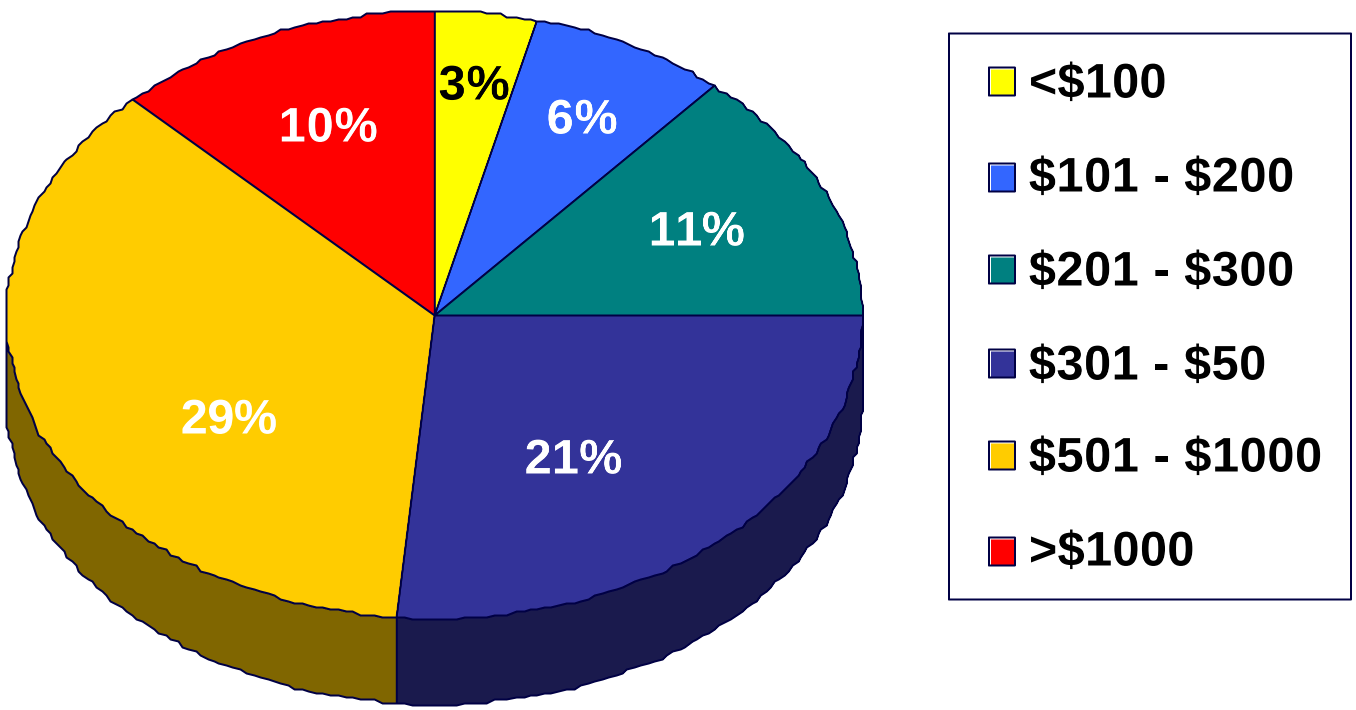
- Results of the panel are representative of Canada's established on-line users, not the entire on-line population.
- The reason for this is that respondents must have a certain comfort level with the Internet to be able to fill out a questionnaire on-line, and agree to be a panelist.
- Canada's on-line community can be divided into three main groups:
  - 13.8 million adults with Internet access (who have access at home, work, or school).
  - 8.4 million adults (who spend 1 hour or more per week on-line).
  - 7.8 million established users (who have a certain comfort level with the Internet).

***29.9M Canadians, 23.4 M 19yrs. x 59% with access (n=1,500 telephone interviews)**

Holiday Gift Giving

Holiday Spending

About how much money, in total, do you plan to spend on gifts for this upcoming 1999 holiday season?



Mean = $721

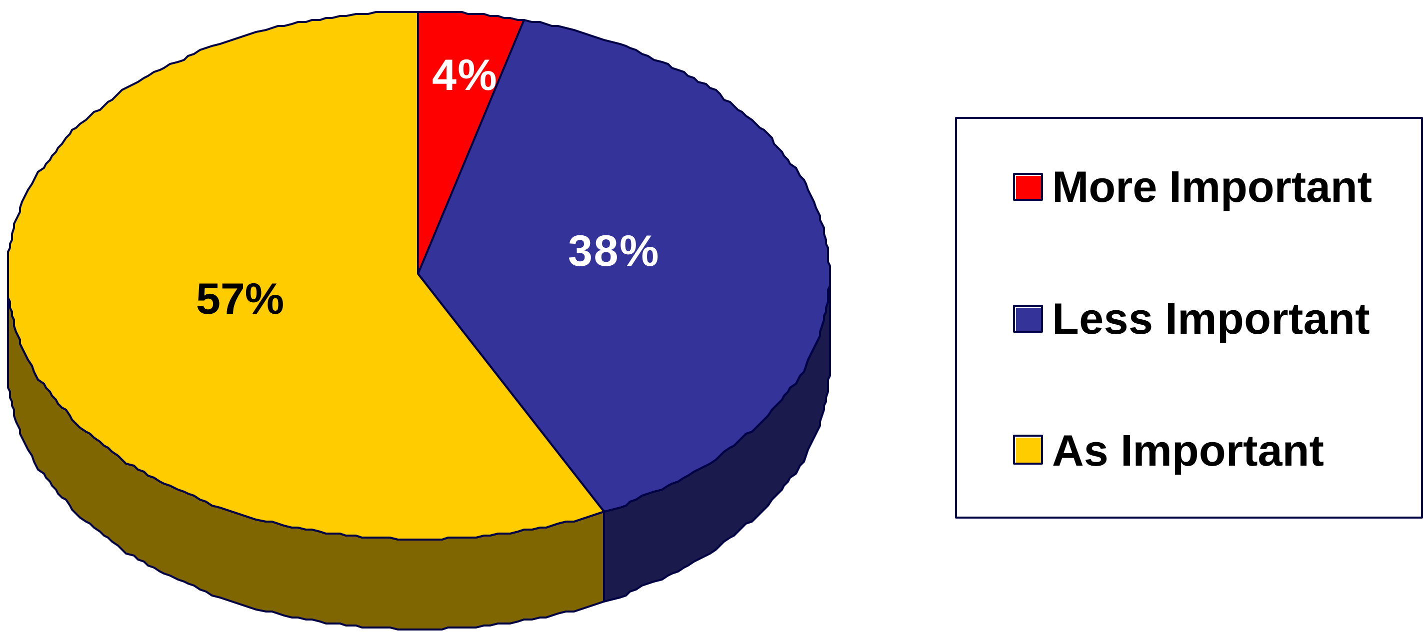
Base = all respondents (824)

Holiday Spending Summary

- The 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 that they will spend about the same as they did last year. More (29%) say that they will spend less than those who say they will spend more (20%); however, those spending more will spend an average of $407 more, and those spending less will spend an average of $304 less.

Importance of Holiday Gift Giving

How important is holiday gift giving in your family compared to several years ago?



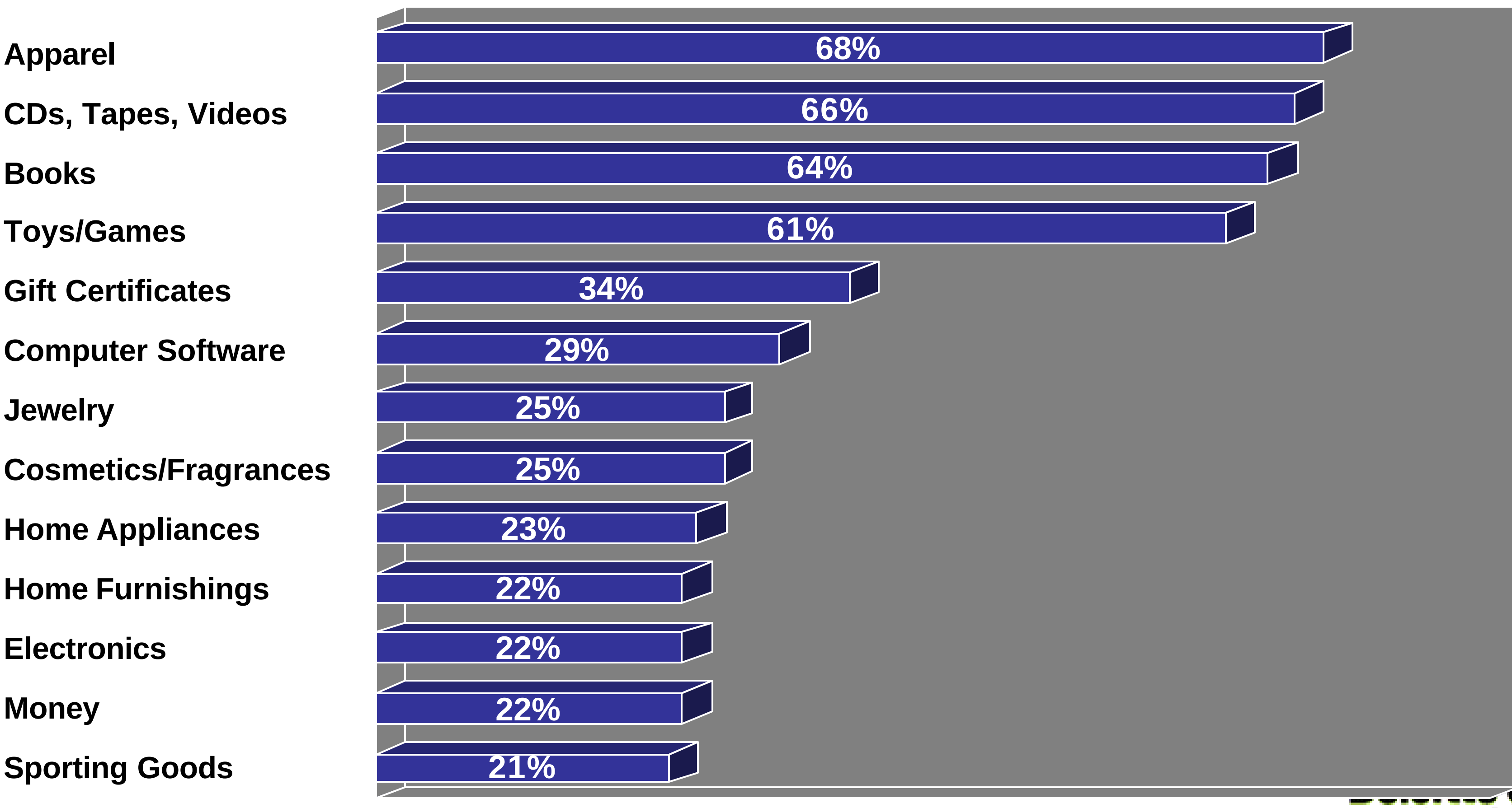
Base = all respondents (824)

Importance of Gift Giving

- 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 gift giving is less important, and only 4% say it is more important now.
- The main reasons that it is less important include:
  - Family composition has changed/moved away (47%).
  - Holidays are too commercial (45%).
  - Personal values have changed (45%).
  - Money is being spent on other things (39%).
  - The family doesn’t need as much now (39%).
  - Family has less money (33%).

Types of Gifts Purchased

Which of the following types of gifts do you plan to buy this holiday season?



Base = all respondents (824)

Types of Gifts Purchased

- Clothes are the most popular gift of the holiday season, followed very closely by CDs, tapes, videos, books and toys/games.
  - Apparel (68%).
  - CD's, Tapes, Videos (66%).
  - Books (64%).
  - Toys/Games (61%).
- Although these gifts won't necessarily be purchased on-line, they are all items that could readily be purchased through e-commerce.

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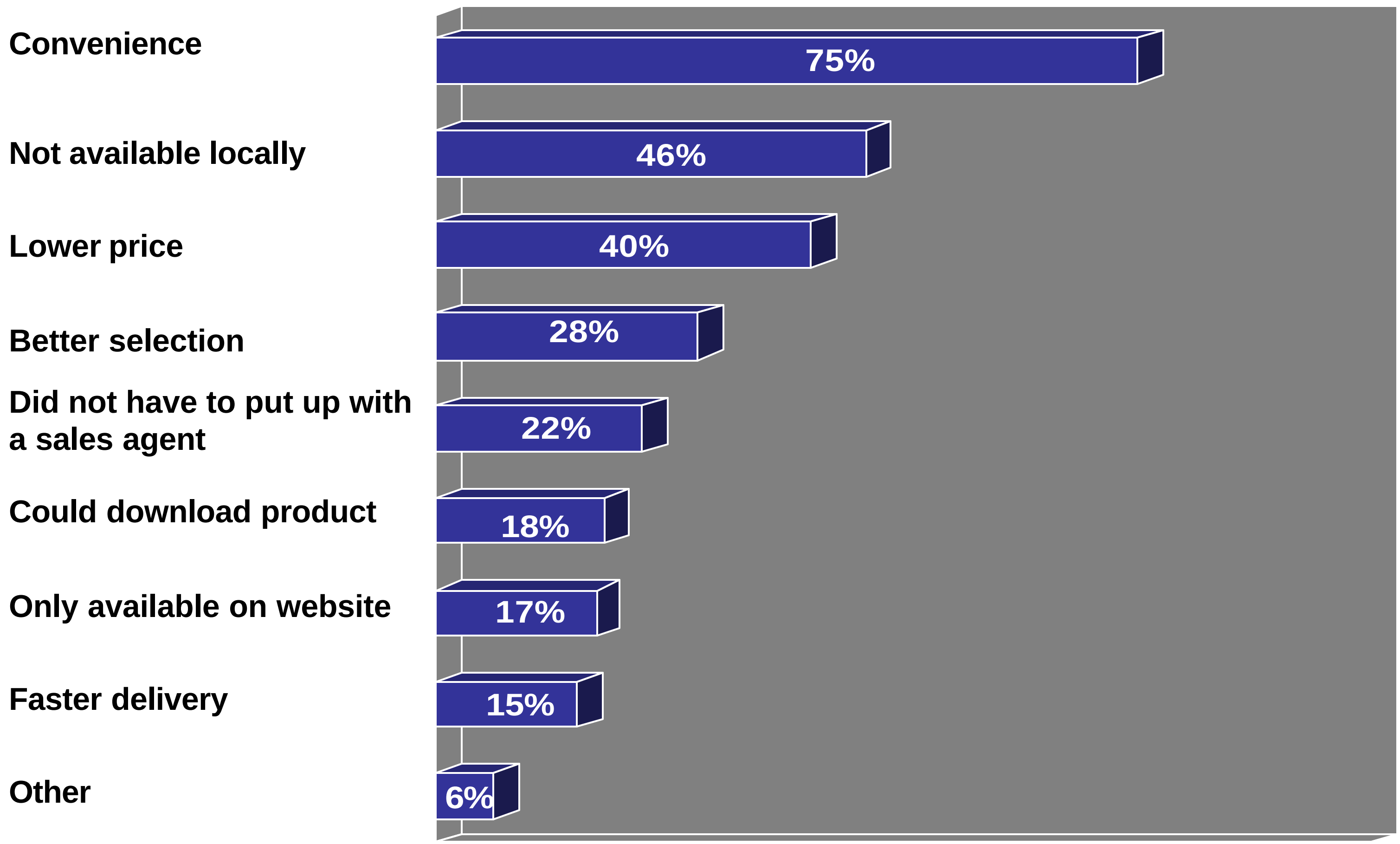
Annual E-Commerce Shopping

Spending On-line

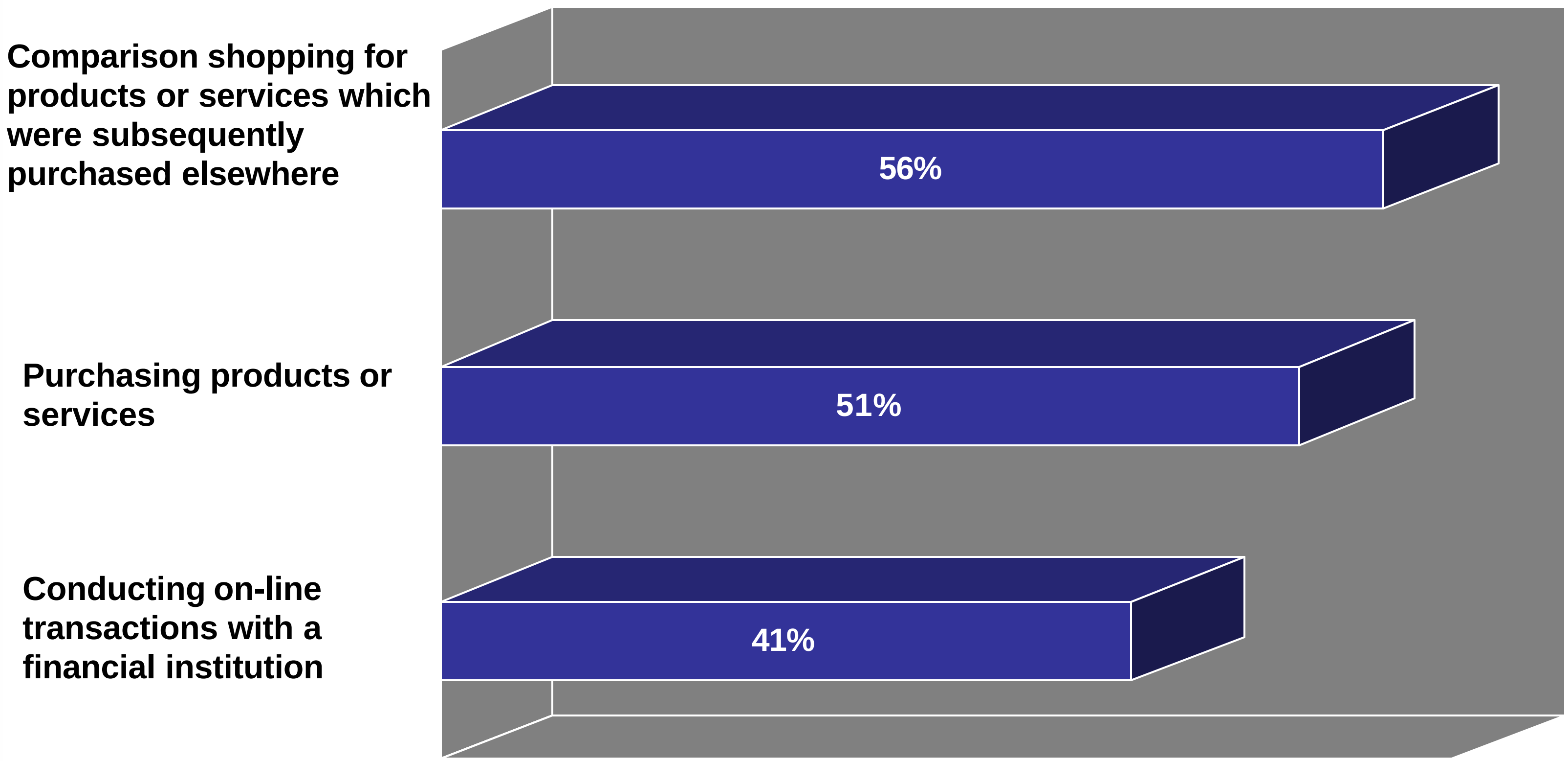
- The majority of on-line Canadians (51%) say that they have ever made a purchase on-line, increasing from 41% in March of this year. Nearly the same proportion (49%) has made at least one purchase on-line in the past year.
- A further 56% have ever comparison shopped for products or services on-line, which they subsequently purchased elsewhere.
- Only 25% have neither purchased nor comparison shopped on-line over the past year.

Reasons for Shopping On-line



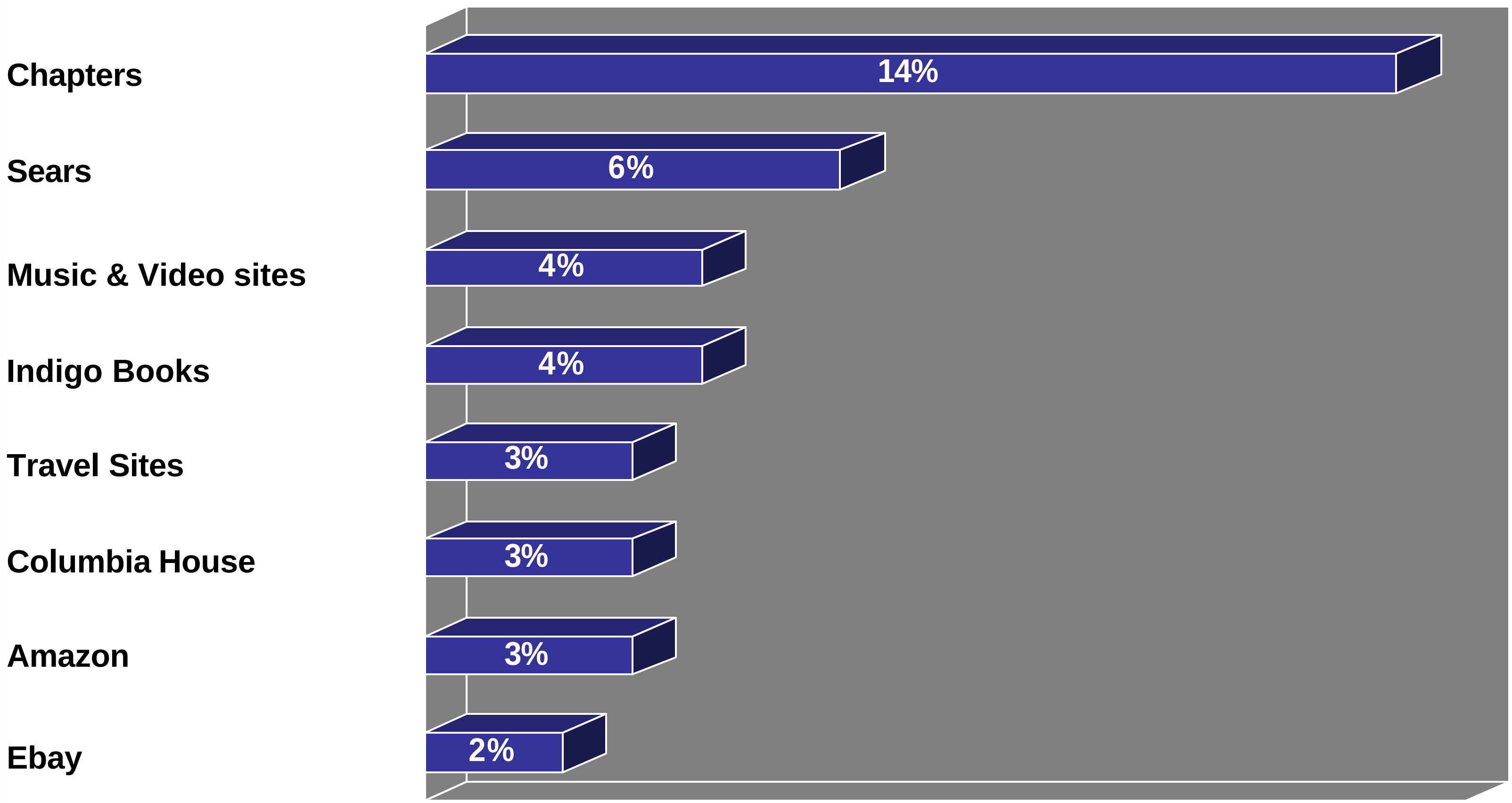
Base = respondents who made purchase in last year (n=489)

The Role of the Internet in Shopping



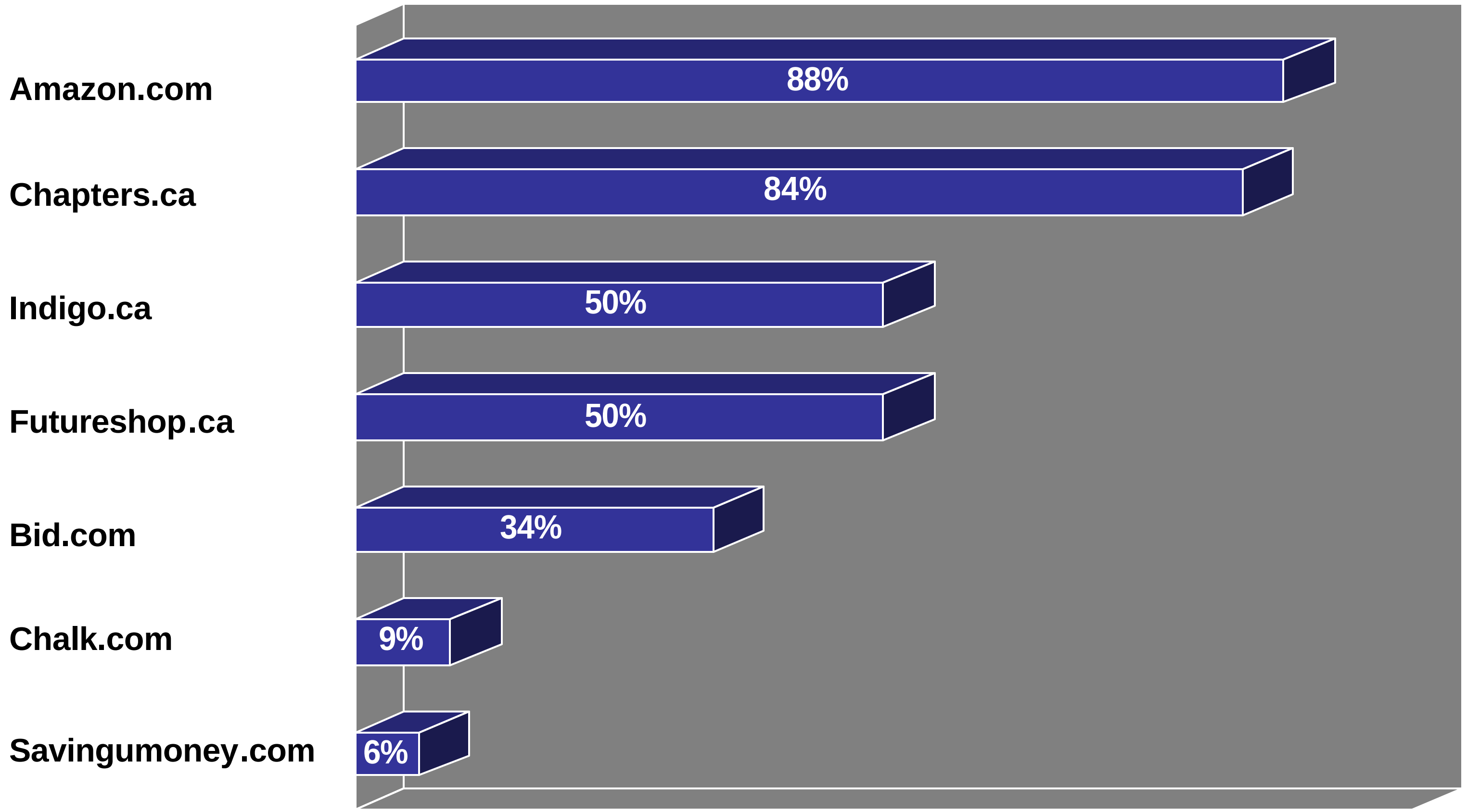
Base = all respondents (824)

Most Recent On-line Purchase



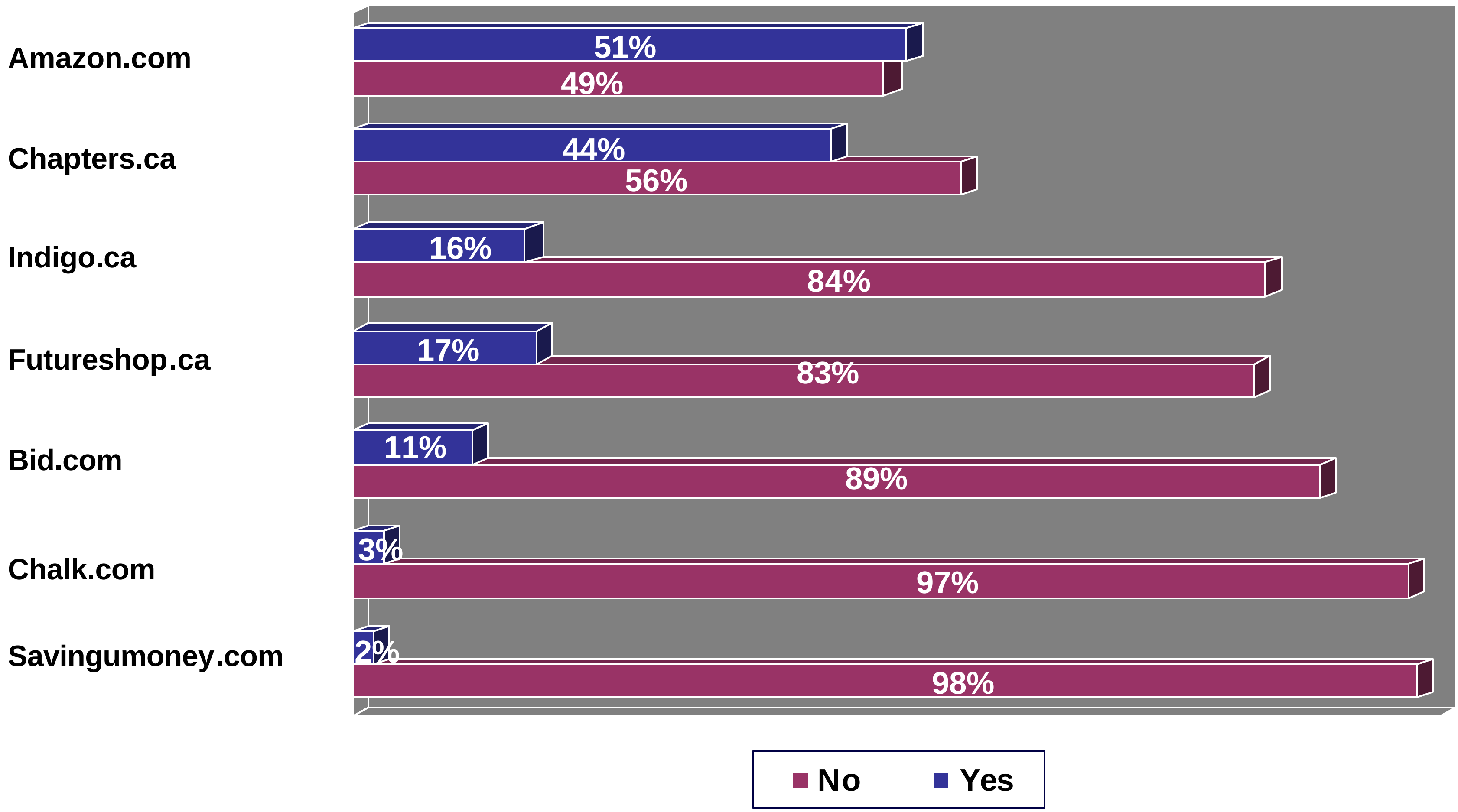
Base = made purchase in last year (489)

Awareness of On-line Stores - Prompted



Base = all respondents (824)

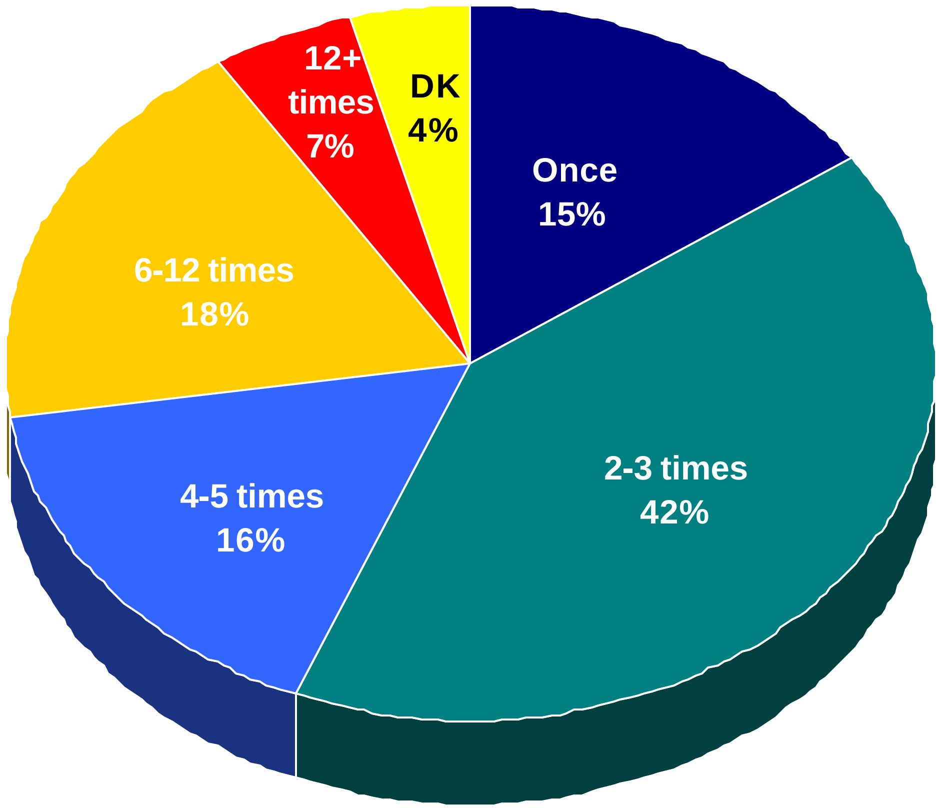
Visited On-line Stores



Spending On-line

- Clearly, the experience of shopping on-line is enough to incite on-line users to purchase again, and again.
- Among those who have ever made a purchase, a relatively small proportion have purchased only once on-line (15%) in the past year.
- On the other hand, 42% have purchased four or more times.

Number of On-line Purchases In Past Year



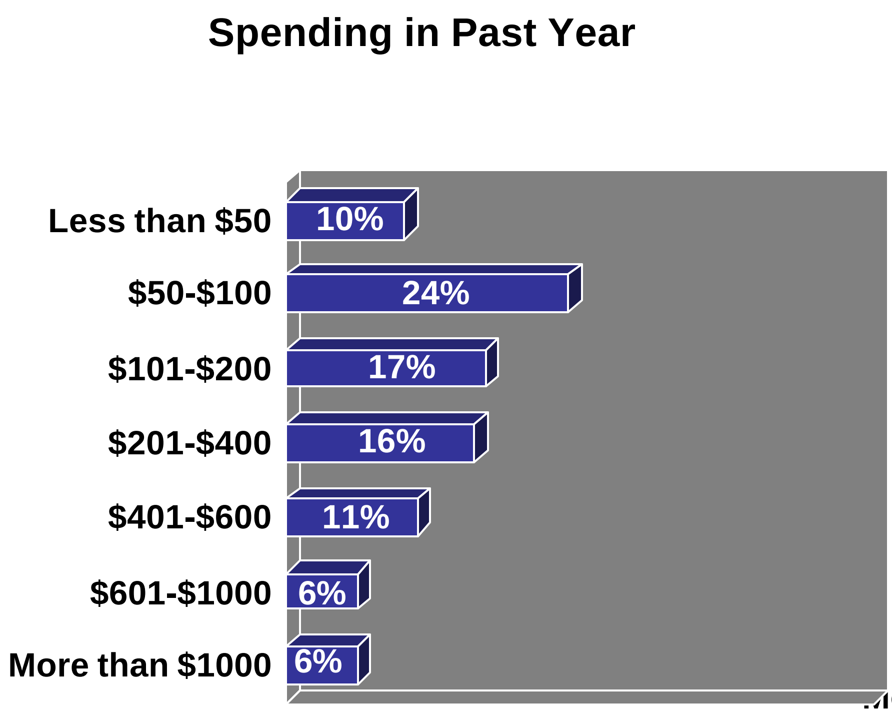
Mean Number of Purchases = 5.3

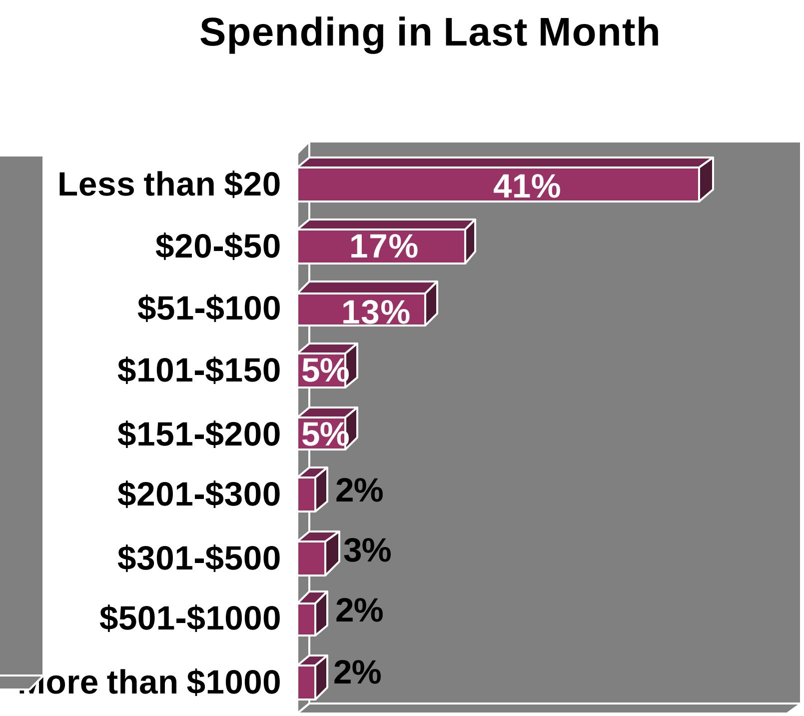
Base = respondents who purchased in last year (489)

Spending On-line

- Total consumer spending on-line has increased 38% since last March, from $1.2 billion to $1.65 billion annually.
- The mean on-line annual spending is $431.
- This average is driven upwards by a small proportion of individuals (6%) who spent over $1,000 in the past year.
- A significant proportion of on-line purchasers appear to be testing the waters. About one-third have spent $100 or less on-line, and the median expenditure is $178 annually.
- The recency of the last purchase, and past month expenditures also provide some indication as to the level of growth expected:
  - Nearly four-in-five indicate that their most recent transaction was in the last three months.
  - Average spending in the past month was $117, up from $55 in March.

Spending on On-line Purchases



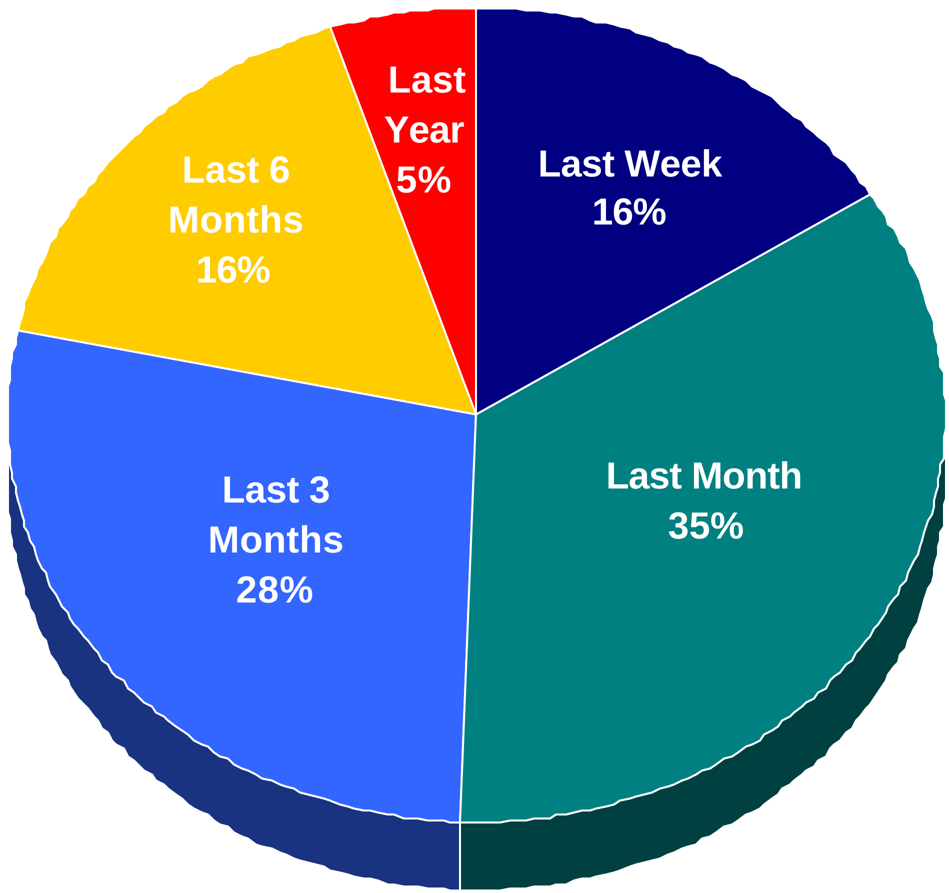


Mean Spending = $431
Median Spending = $178

Mean Spending = $117
Median Spending = $26

Base = respondents who made purchase in last year (489)

Recency of Last On-line Purchase



Base = respondents who made purchase in last year (n=489)

Spending On-line

- The e-commerce engine in Canada is being driven primarily by experienced Internet users who account for 26% of on-line transactions and 44% of total e-commerce expenditures.
- A total of 70% of those with 3 or more years of 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 for experienced users are much higher ($589) relative to users with one to three years experience ($353) or for new users ($236).

On-line Purchasing

- By length of access to the Internet -

	Length of Access		
	Less than 1 Year (n=17*)	1-3 Years (n=134)	More than 3 Years (n=317)
Mean # of times made purchase in the last year	5.4	5.3	5.7
Mean $ amount spent in the past year	$236	$353	$589
Mean $ amount spent in the past month	$76	$74	$152
Last time made purchase on-line			
Within last week	9%	16%	18%
Within last month	38%	34%	34%
Within last 3 months	34%	26%	27%
Within last 6 months	19%	19%	15%
Within last year	-	5%	7%

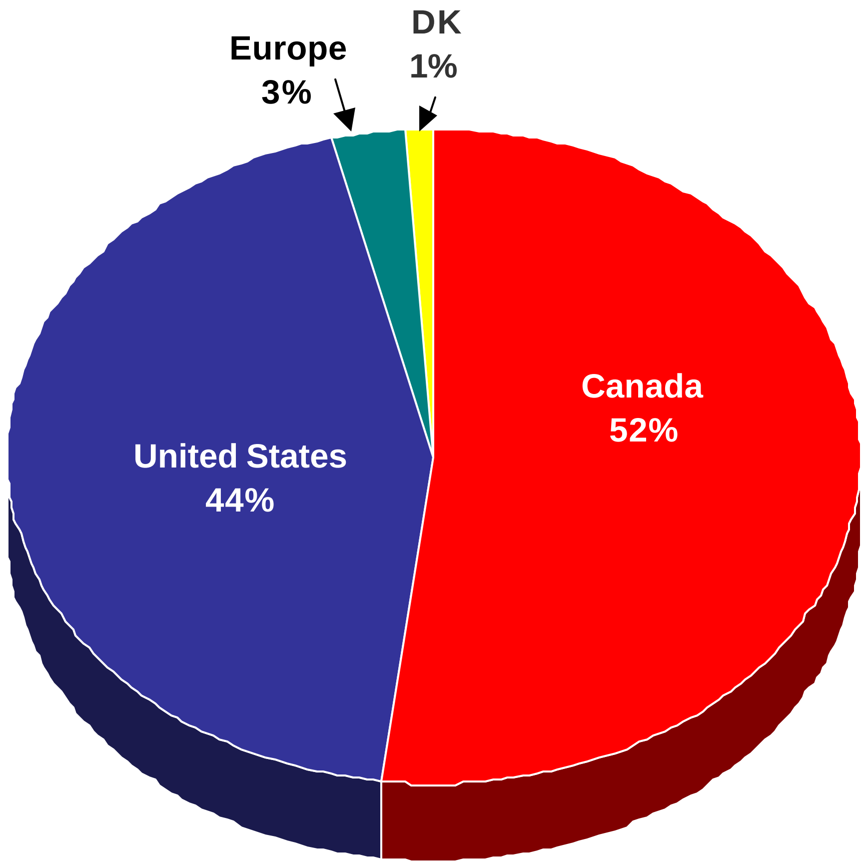
*Small base size, interpret with caution

Spending On-line

- In March, e-commerce activities were driven by the U.S., with the majority (59%) of most recent transactions being completed on a USA-based site, compared to only 38% on Canadian sites.
- This holiday season, Canadian retailers are finally catching on to the the e-commerce wave. Canadian sites have surpassed the popularity of American sites with 52% of most recent purchases made from a site based in Canada, compared to only 44% purchasing from a USA-based site.

Origin of Web Site Purchased From

- Most Recent Purchase -

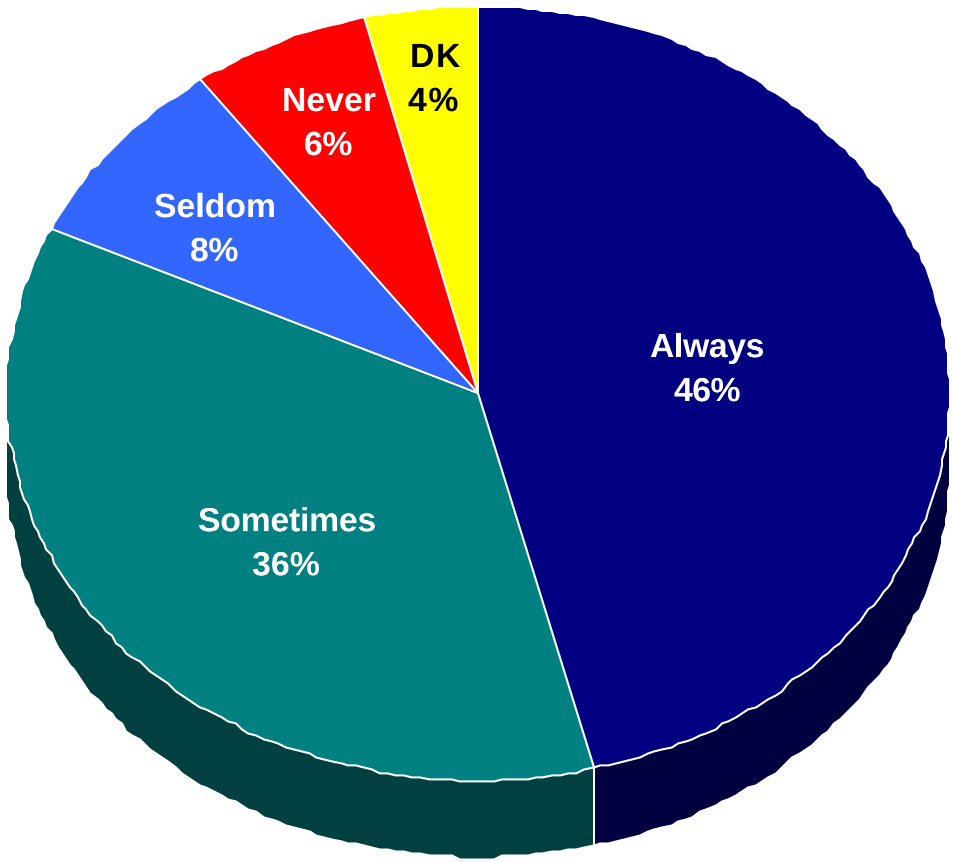


Base = respondents who ever made purchase on-line (619)

Spending On-line

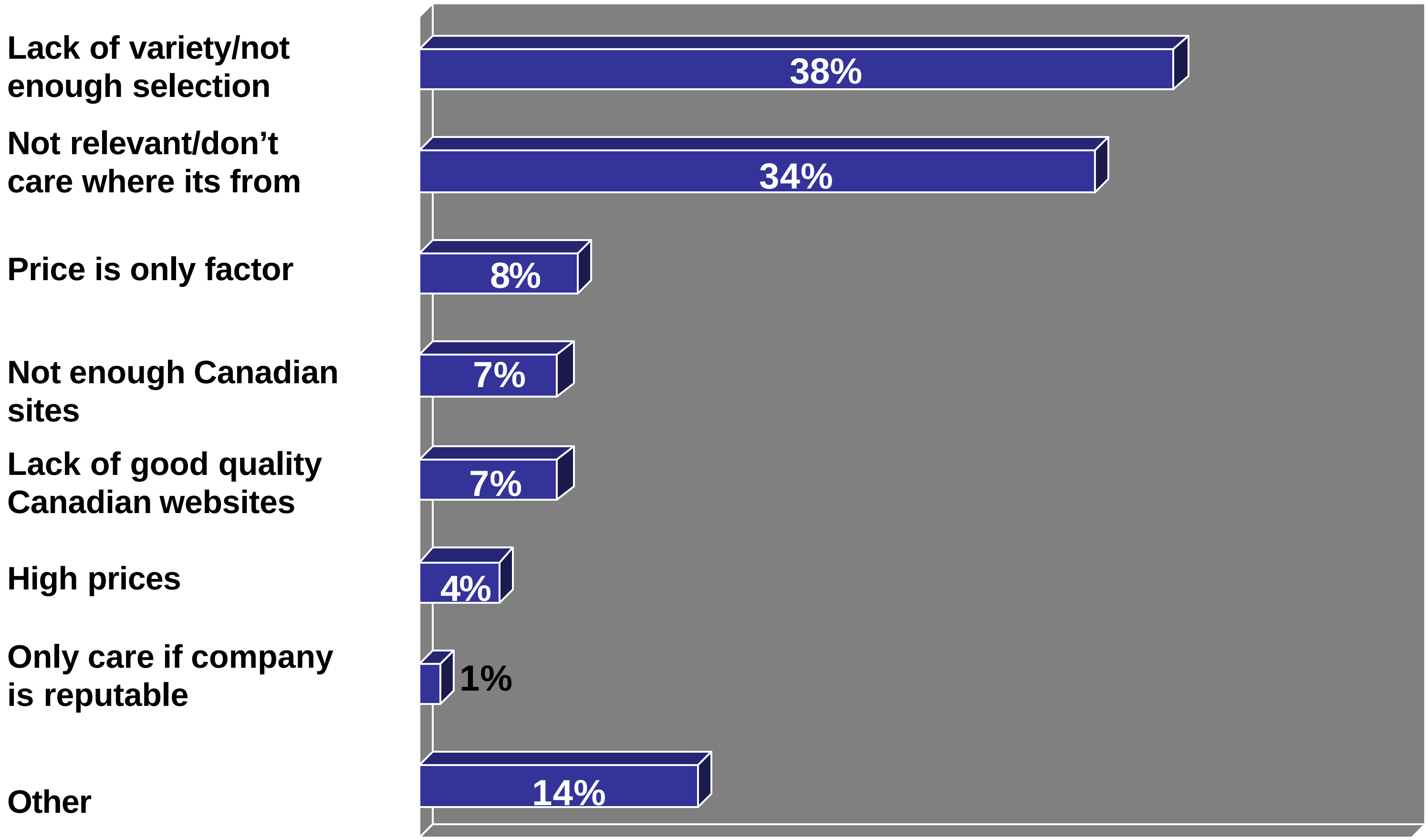
- Significantly more Canadian on-line shoppers consciously look for Canadian web sites when on-line shopping (82%), than actually conduct their transaction with a Canadian company (52%).
- This has significant implications for on-line providers in Canada, who are passing up dollars simply due to a lack of availability of Canadian sites. There is great opportunity to further increase the proportion of spending at Canadian vs. US sites.

Look for Canadian Website



Base = respondents who made purchase in last year (402)

Reasons for not looking for a Canadian Website



Base = never/seldom look for Canadian websites (56)

Holiday Shopping On-line

Likelihood of Purchasing Gift On-line for the Holiday

- Past on-line purchasers are convinced that this is a purchasing behaviour that they will repeat, with 37% saying they will definitely/probably buy a gift on-line.
- Future spending on-line will be driven to a large extent by those who have shopped on-line in the past, but never actually made a purchase (24%). However, this group remains somewhat skeptical. Only 4% of them say they will “probably’’ buy a gift on-line for the holiday, while 16% say they they “might or might not”.
- The 24% of Internet users who have never comparison shopped or purchased on-line remain unlikely to do so.

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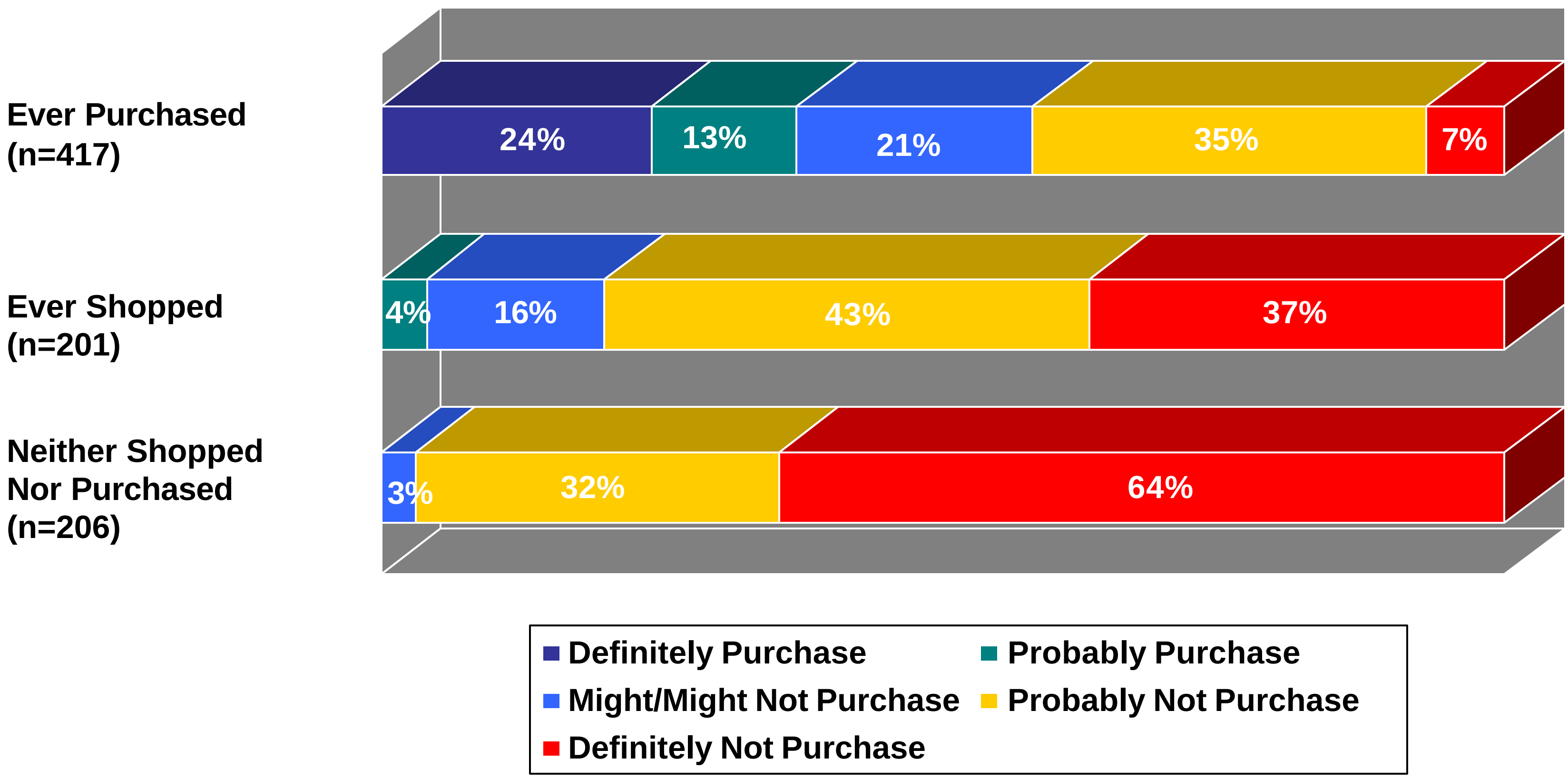
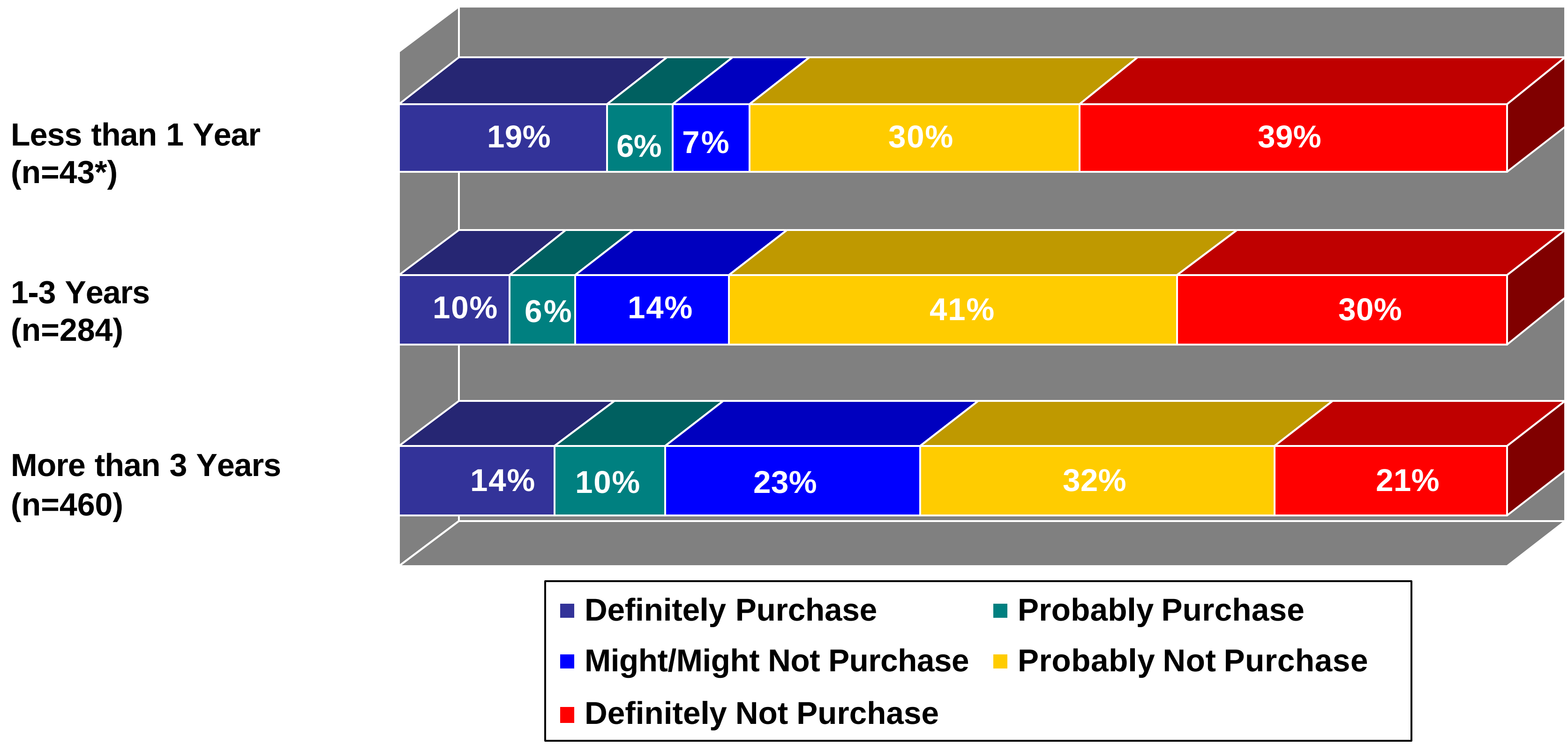
Likelihood of Purchasing a Gift On-line for the Holiday

- by e-commerce experience -



Likelihood of Purchasing Gift On-line for the Holiday

- By length of access to the Internet -



*Small base size, interpret with caution

Percentage of Gifts Purchased On-line

- Although average holiday on-line expenditures will be significant this year compared to 1998, they still represent a small fraction of total retail spending this holiday season, and a small proportion of all on-line shopping in 1999.
- Of consumers who are likely to purchase on-line over the holidays, 20% of all their gifts will be purchased on the Internet. This compares to only 3% in 1998.
- Half of the people who plan to make on-line gift purchases will buy books. This is followed by CDs/tapes/videos (41%), computer software (25%), and toys/games (23%).
- 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.

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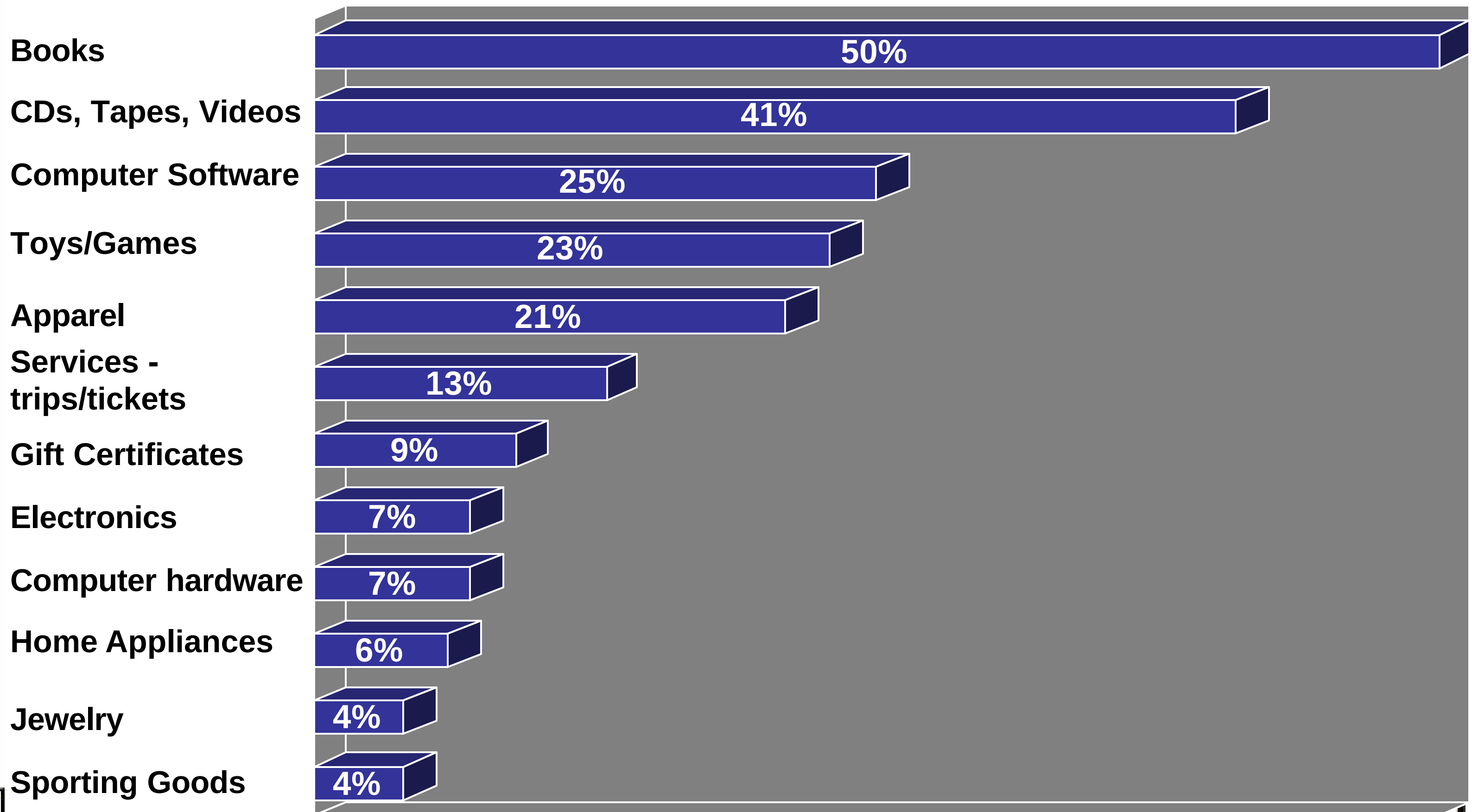
Types of Gifts to be Purchased On-line

Which of the following types of gifts do you plan to buy over the Internet this holiday season?



Base = definitely/probably/maybe will purchase gifts over the internet (n=362)

Barriers To On-line Purchasing

- Despite the experts' assurances of security and privacy with on-line transactions, this by far remains the single largest barrier to e-commerce.
- Fully 73% who do not intend to buy gifts over the Internet mention security concerns as the reason for not purchasing on-line. 74% of past shoppers and 90% of those who have never shopped or purchased indicate that this is the main barrier. Even among experienced on-line purchasers, this is a key barrier.
- Other major concerns relate to the intangible nature of on-line purchasing, concerns about recourse, and the privacy of giving out personal information.

Biggest Barriers to On-line Purchasing

	E-commerce Experience		
	Ever Purchased	Ever Shopped	Neither
	(n=297)	(n=189)	(n=131)
	%		
Security of giving credit card information	60	74	90
Can't see or touch product	68	65	69
Recourse Concerns	61	69	64
Privacy of giving personal information	41	65	67
Prefer shopping other ways	26	45	56
Hard to find what you are looking for	15	9	9
Too new/people aren't ready	6	8	16
Difficult purchase process	11	9	5
Other	12	16	6

Base = all respondents

Retailers Take Note!

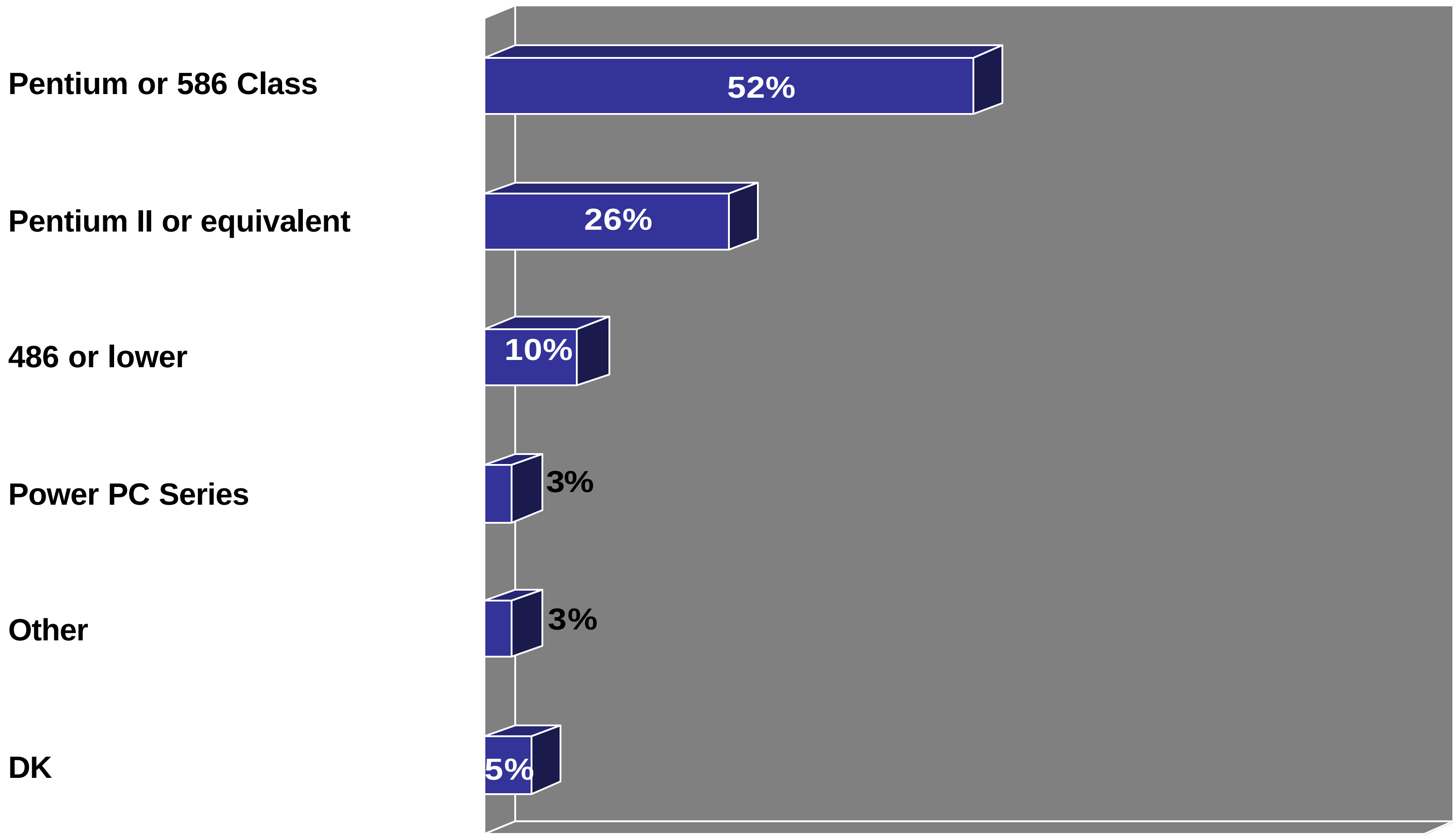
- Canadians who will not buy gifts on-line prefer to purchase items from Canadian web sites (59% agree) and security concerns will limit the amount of on-line shopping they will do this holiday season (50% agree).
- Three-in-ten (30%) respondents who will not purchase gifts on-line agree that they are last minute shoppers.
- Fewer respondents agree that internet shopping is more convenient than going to a store during the holiday season (19%) and that the cost of purchasing items from Canadian web sites is lower than web sites in the U.S. (13%).

Hardware Inventory/Netgraphics

Hardware Inventory/Netgraphics

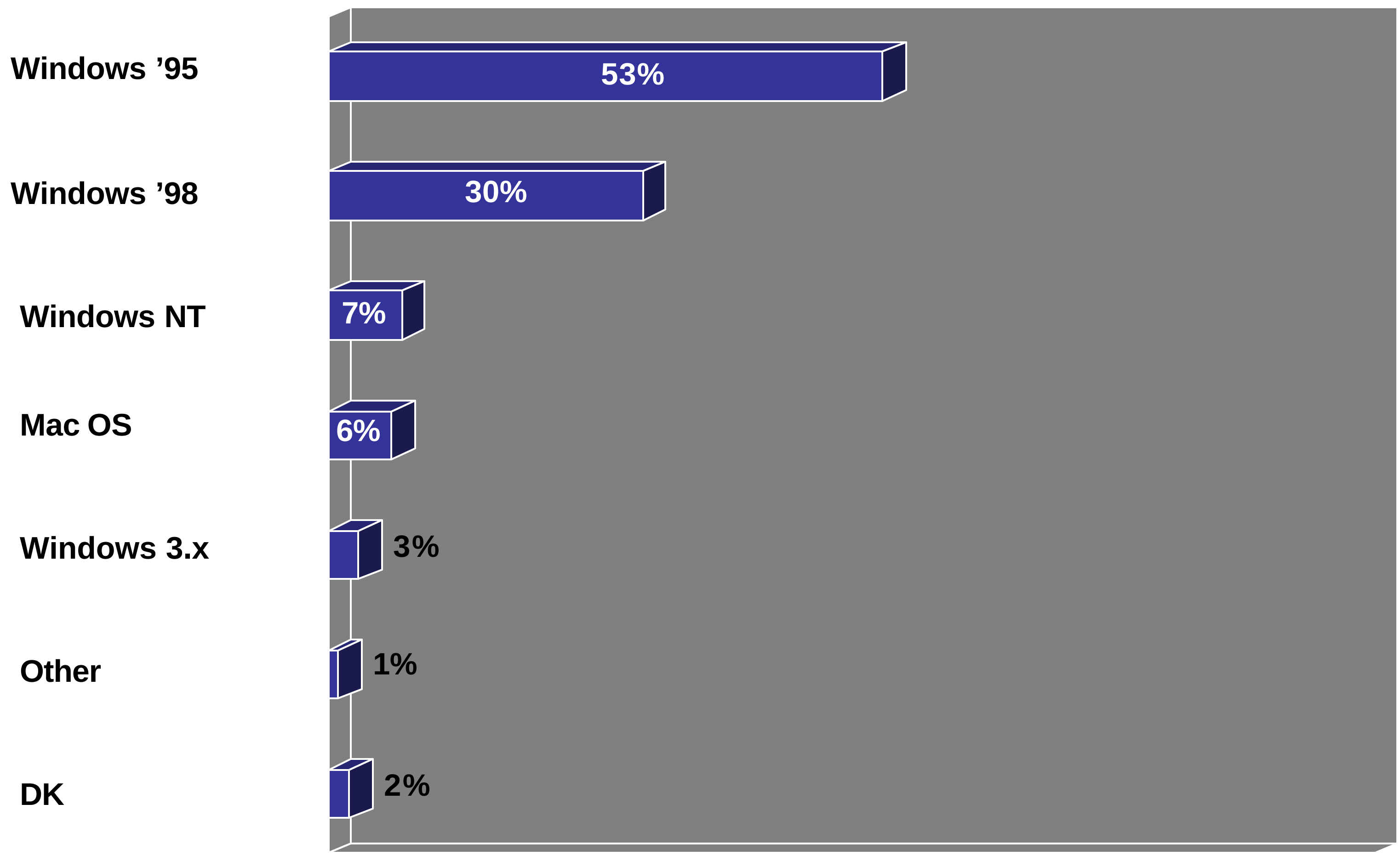
- Internet users who comprise our Panel are a connected group.
- Penetration of peripherals is high.
- Modem speed is a critical component of Internet access, and 56K has quickly become the standard.
- Home remains the primary access location, but work access also plays a significant part.
- Average personal access hours is 13.6 per week.

Processor Used



Base = all respondents (824)

Operating System



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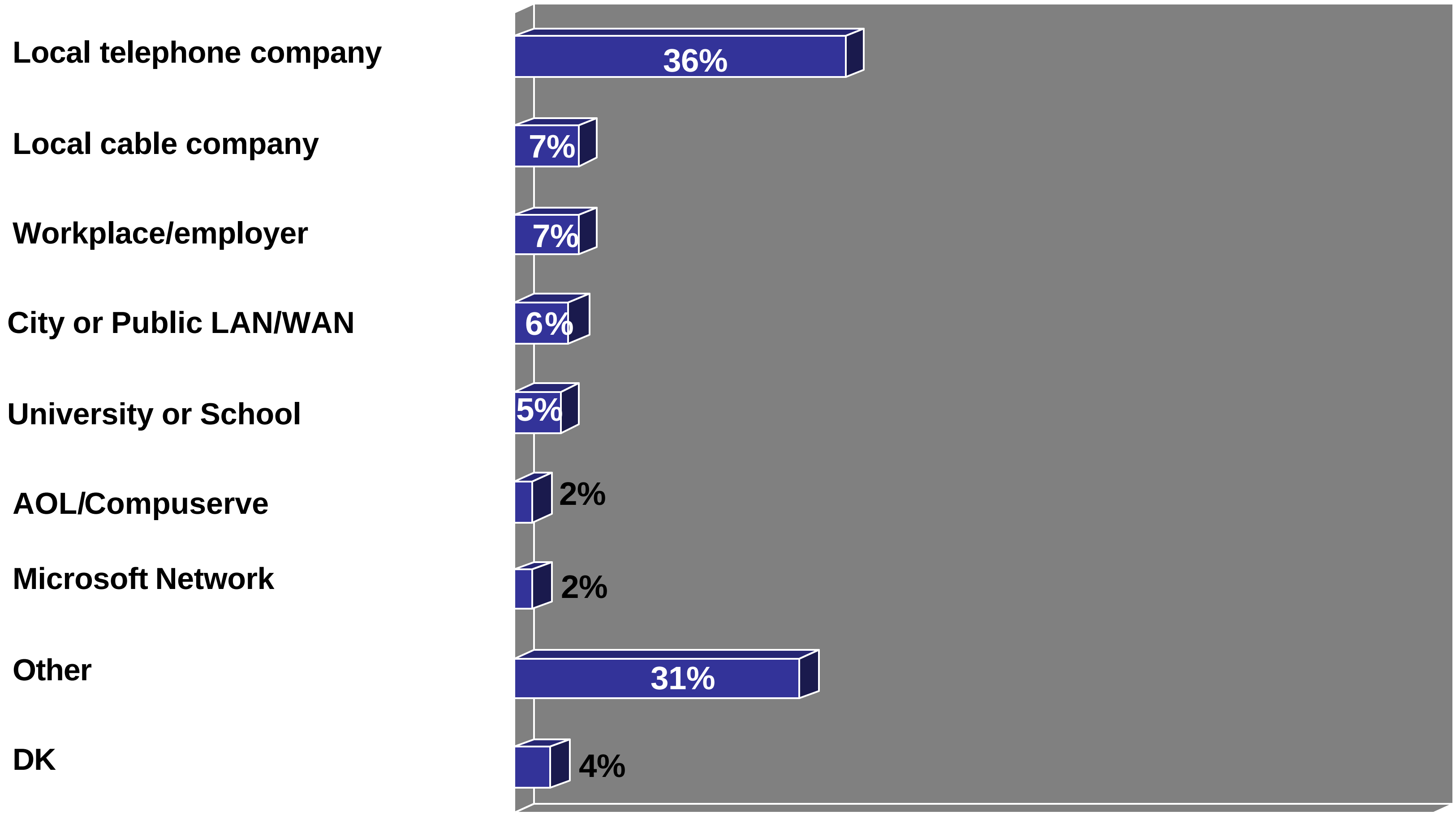
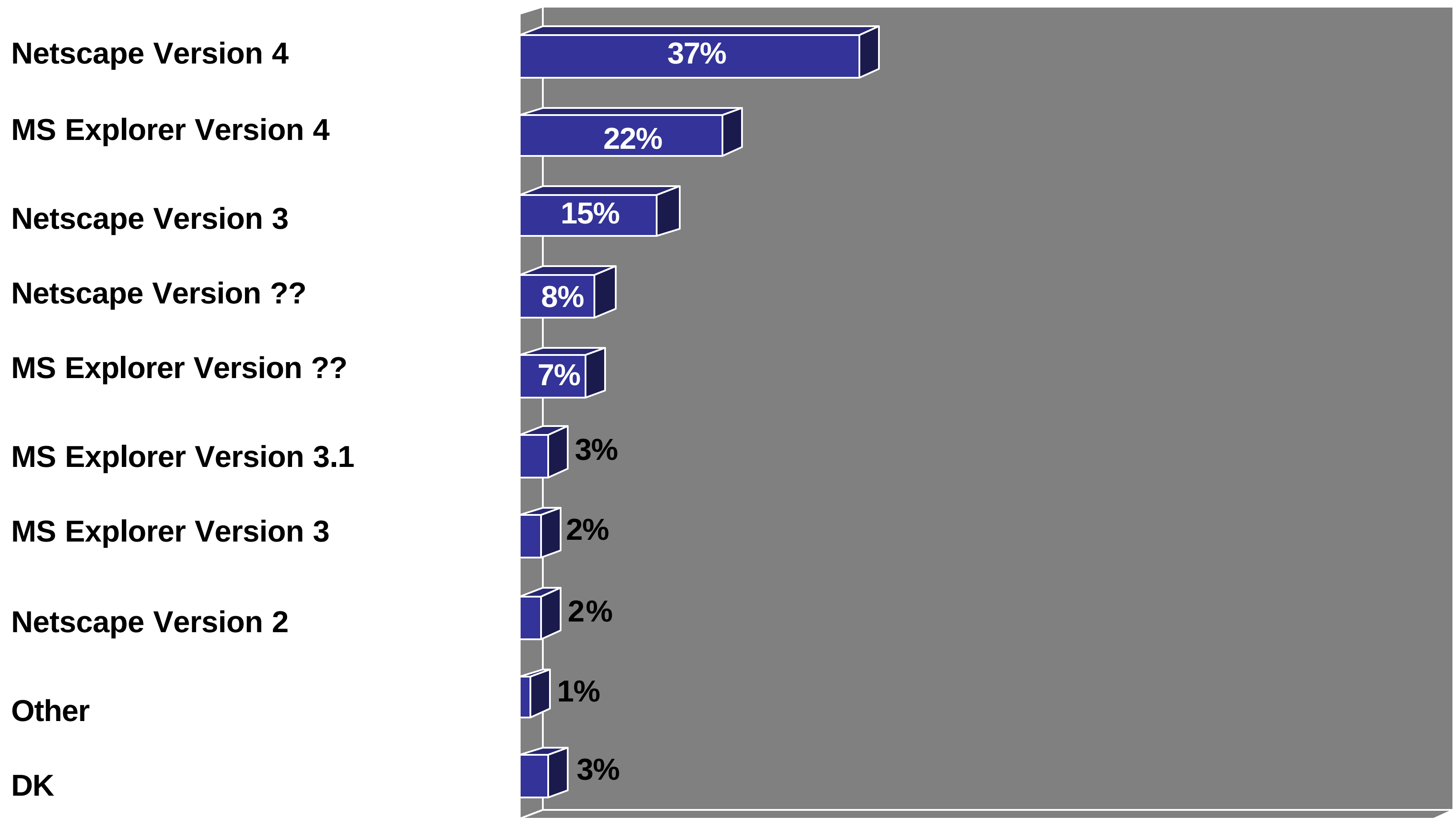
Internet Access Provider



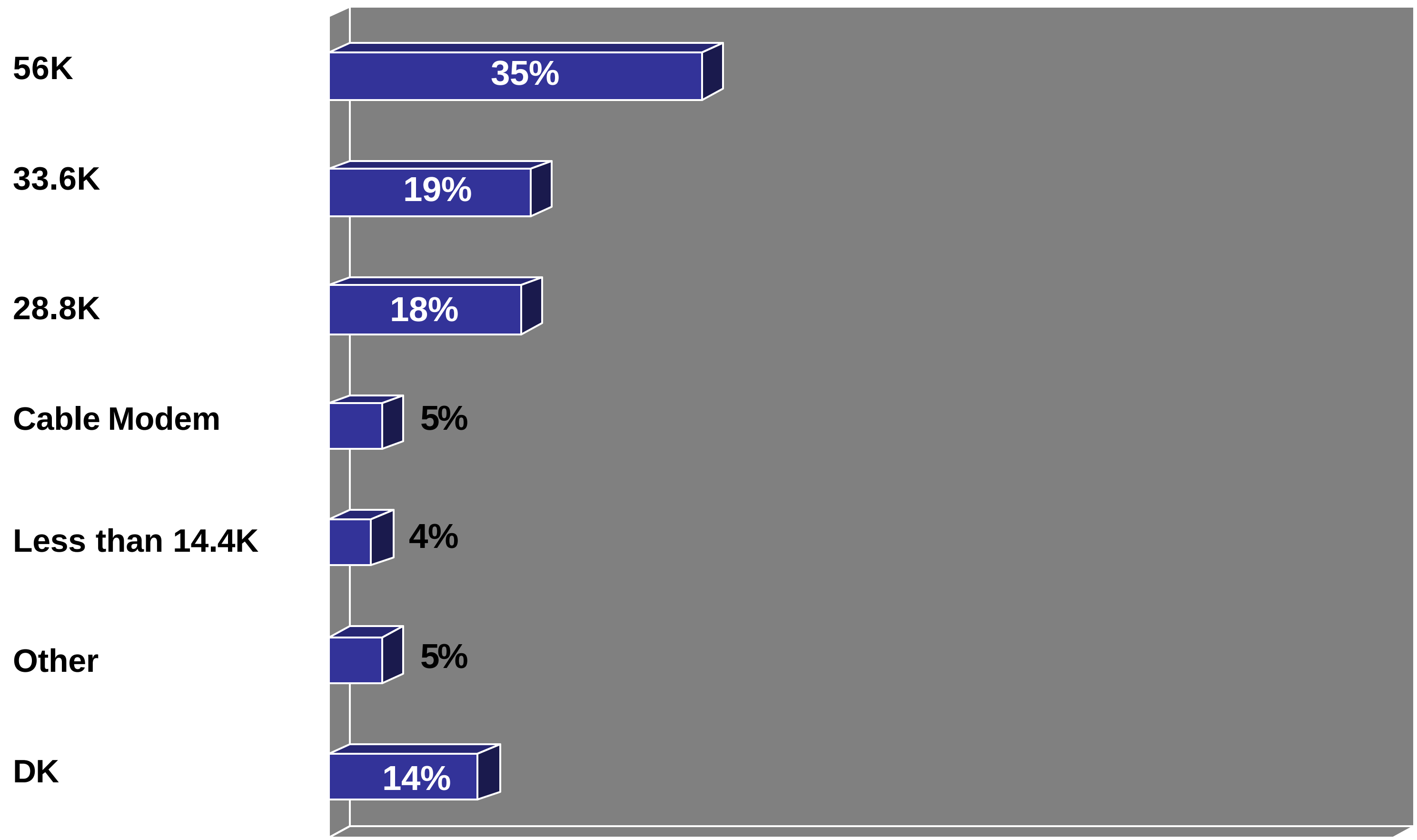
Base = all respondents (824)

Web Browser Used



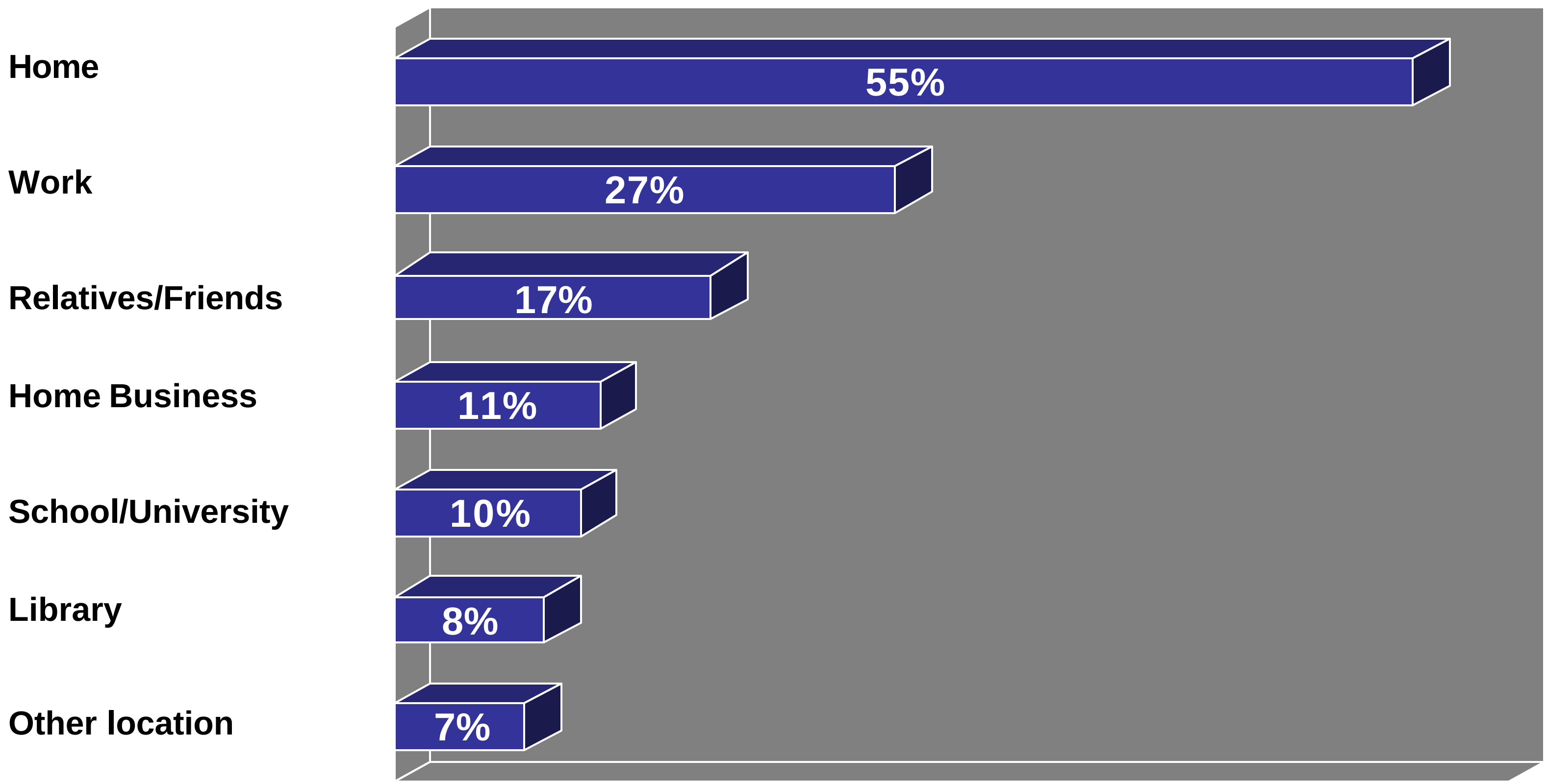
Base = all respondents (824)

Modem Speed



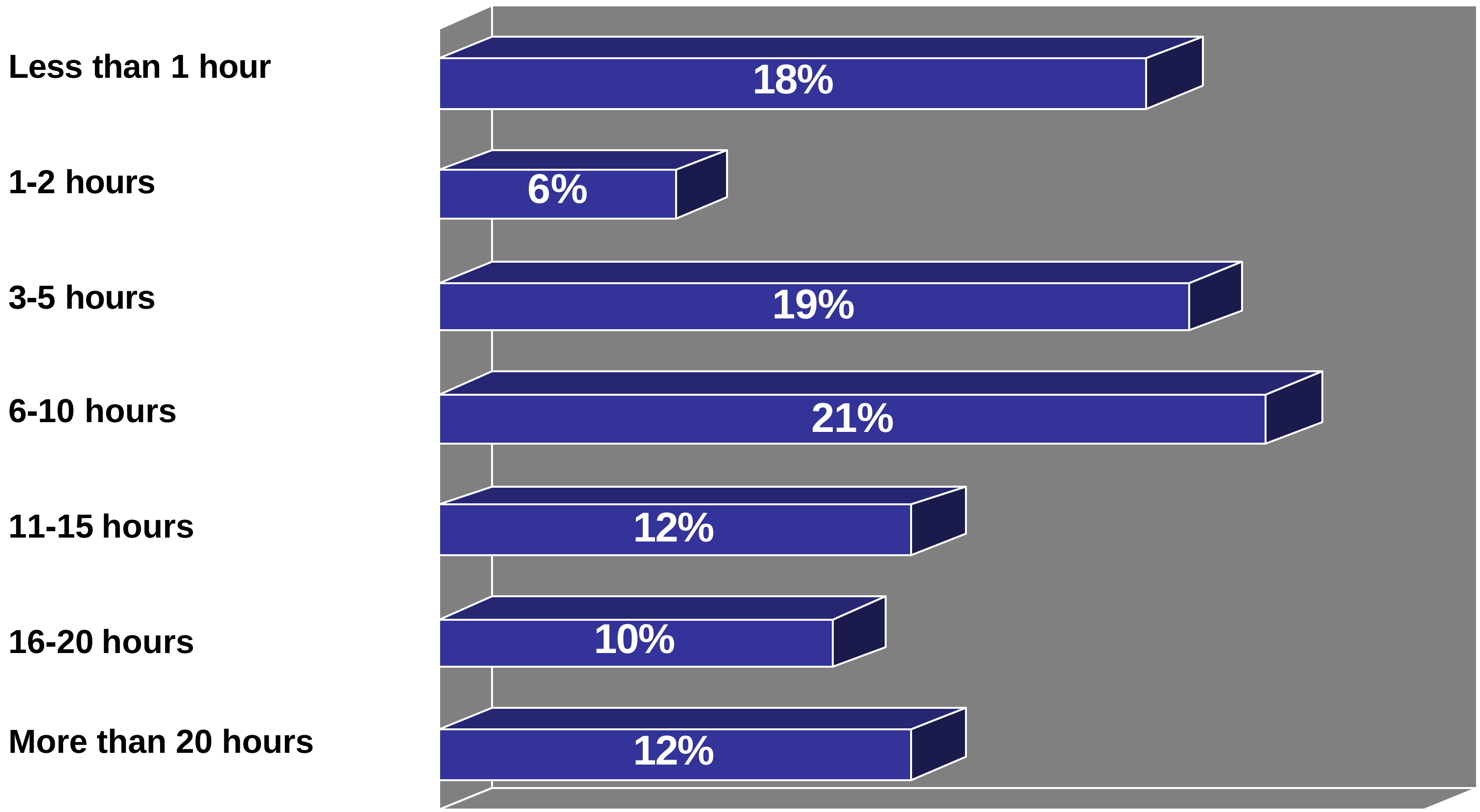
Base = all respondents (824)

Internet Access Location



Base = all respondents (824)

Duration of Access per Week



Base = all respondents (824)

Profile of New vs. Experienced Users

- Internet user profiles are very different based on length of access to the internet.
- Experienced users (over 3 years) tend to spend a significant number of hours on the internet.
- Experienced users are predominantly male (72%), have much higher levels of education (33% have a university degree or higher), and come from households with disproportionately high incomes (43% over $60K).
- The gender imbalance appears to be lessening, as the proportion of new Internet users in ’98 who are women exceeds the number of males (55% female, 45% male).

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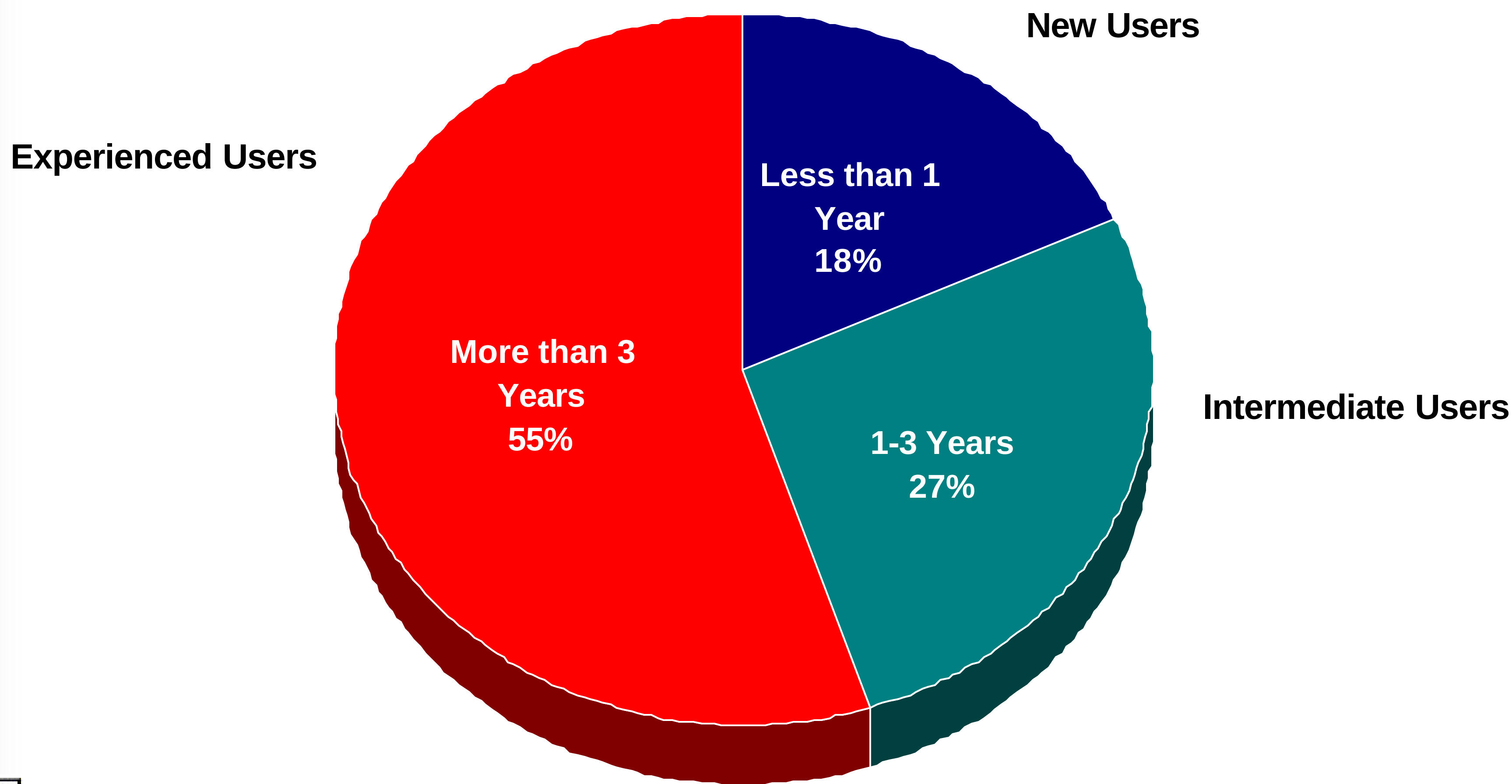
Length of Access



Base = all respondents

Use of Internet

- By length of access to the Internet -

	Length of Access		
	Less than 1 Year	1-3 Years	More than 3 Years
	(n=43*)	(n=284)	(n=460)
	%		
Access the Internet from … (most often)			
Home	50	51	71
Work	16	26	42
School	2	6	21
Other	37	23	49
Number of hours spent on the internet/week			
Mean	16.2	10.5	15.5
Speed of Modem			
56K	60	34	25
28.8K	14	21	19
33.6	3	22	25
Cable	7	5	6
Other/DK	16	15	25

Base is all respondents
*Small base size, interpret with caution

Demographics

- By length of access to the Internet -

	Total	Length of Access		
		Less than 1 Year	1-3 Years	More than 3 Years
	(n=824)	(n=43*)	(n=284)	(n=460)
Gender				
Male	53	45	45	72
Female	47	55	55	28
Age				
18-34	31	24	30	45
35-44	23	22	23	22
45-54	26	33	13	18
55 +	20	21	23	15
Income				
Less than $19,999	7	19	6	7
$20,000 - $39,999	17	17	19	18
$40,000 - $59,999	25	30	26	22
$60,000 - $79,999	21	11	22	23
$80,000 - $99,999	11	14	10	10
$100,000 +	14	8	13	16
Education				
High School or less	16	20	19	15
Some college/university	23	22	23	24
University/college degree	40	45	40	38
Graduate degree	13	4	11	18

Base is all respondents
*Small base size, interpret with caution

About The Angus Reid Group

- **The largest full service marketing research firm in Canada ($40+ million in revenues in 1998).**
- **Eight client service offices across the continent:**
  - Employee ownership/control.
  - 180 full-time staff, 600 part-time interviewers.
  - 300 CATI stations.
  - 1200 clients, 2500 projects per year.
- **Sector specialization into several categories:**
  - Telecommunications & Information Technology, Healthcare, Financial Services, Agri-food, Travel, Entertainment, Gaming, Public Affairs, Media.

Internet Experience

- The Angus Reid Group has conducted more Internet research than any other research company in Canada.
  - Our Inter@active Reid Syndicated research study has been conducted since 1995.
  - Face of the Web uncovers trends and provides insight into who is using the Web and why.
  - WebRate provides a web site diagnostic tool to help evaluate the value of a web site and evaluate online presence.
  - Our Internet Panel is one of North America's only randomly recruited on-line panels.
- Since 1995, we have conducted more than 100 Internet research studies.

About Deloitte & Touche

- A leader in serving *The Financial Post's Top 500* industrial companies.
- Third largest public accounting and management consulting firm in Canada.
- Serving clients for more than 140 years.
- 4,800 people including 550 partners and 3,600 professional staff in Canada.
- Worldwide the firm has 82,000 employees including 5,600 partners practicing in 132 countries with revenues of $9 billion US.

Our Services

Deloitte & Touche is a professional services firm dedicated to providing solutions to important concerns of senior management. Our services include:

- **Audit:** Our audit and accounting professionals work across the country delivering services to more than 60,000 clients.
- **Tax:** We provide a full range of corporate and individual tax services to our clients.
- **Financial & Special Services**: We offer a range of financial services which include corporate finance, mergers and acquisition services, business valuations, restructuring and advisory services, acting as receivers and trustees, litigation support, forensic investigations and regulatory consulting.
- **Management Solutions:** We provide an unparalleled mix of strategic and technical expertise in management consulting; planning; the development of corporate measurement systems; information technology strategy, selection and implementation; as well as specific individual, team, industry or functional applications.

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Our Telecom & Media Practice

- Continue to dominate the Telecommunications & Media sector according to the *Financial Post 500.*
- Over 100 years of experience servicing our clients in this industry.
- 250 dedicated and knowledgeable professionals in North America.
- Completed more than 800 telecommunications and media projects in the past five years.
- We are issues-driven, have a proven, integrated framework and methodologies, and deliver global, world-class, and multi-disciplinary solutions.

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Electronic Business Services

- **Deloitte & Touche provides a range of services that meet the following market needs:**
  - **New business models** which are justified by the economics and ubiquity of the Internet and enabled by security.
  - **E-Business strategies and applications** where security and availability are essential.
  - **Secure networking** that identifies vulnerabilities, detects intrusions, responses to incidents and monitors threats.
  - **Reliable infrastructure** upon which to deploy trusted applications
  - **Legal and privacy** needs related to individual rights, intellectual capital protection, import/export, contract law, payment methods, certification authorities and use of digital signatures.
  - **Assuring trustworthiness** of websites, trusted third-parties (e.g., certificate authorities), computers and networks.

For additional information, please contact Lynn Cook at **lcook@deloitte.ca**