

MORE AND MORE CANADIAN RETAILERS ADOPTING E-COMMERCE

ONLINE RETAILING BOOM EXPECTED IN THE NEXT FEW YEARS AS RETAILERS
LAUNCH WEB SITES

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In the most comprehensive survey of Canadian retailers and the Internet yet, the Angus Reid Group findings show that 25% of retail service companies and merchants already have a website and many of these established retailers are beginning to adopt “bricks and clicks” types of strategies. Among retailers without a website, two-in-five (40%) plan to have an on-line presence in the next year or so.

However, the full impact of e-commerce among retailers that are starting from a physical distribution channel is likely to be gradual. Among Canadian retailers *now* selling online, reported Internet purchases represent only 11% of total sales, on average. The proportion of on-line sales can be expected to grow as consumer adoption rates increase and familiarity with such purchases spurs more on-line activity.

“Our recent consumer research found that Canada has closed the so-called Internet Trade Deficit with the U.S.. This recent research among retailers shows that an increasing proportion of Canadian store owners see the Internet as a strategic channel for growth,” says David Saffran, leader of Angus Reid’s Canadian financial services practice.

“While it’s true that most established Canadian retailers, especially the smaller boutique operations, are only now just beginning to adopt the Internet as a sales channel, this measured pace of adoption may prove effective in the long-run. As recent high profile problems among some web retailers shows, too-rapid expansion into on-line commerce may be a recipe for failure.”

A One-of-a-kind Study of Canadian Retailers

While most e-commerce surveys have focussed on the consumer, the business surveys that have been conducted have not necessarily tapped into a broad cross-section of retailers, including smaller businesses, Saffran adds. There are approximately 335,000 retail services firms and merchants in Canada. The Angus Reid Group survey provides the most broadly-based snapshot of small, medium-sized and large Canadian retailers. In all, 1,050 retail service companies and merchants were interviewed during May and June, 2000.

Previous consumer surveys by the Angus Reid Group have measured the rapid increase in Canadians’ use of the Internet for shopping. Indeed, just a few years ago, many on-line shoppers made these purchases from sites in other countries, particularly the United States. More recently, the Angus Reid surveys have shown that on-line purchasers in this country are increasingly likely to shop from Canadian sites. In Q1 of 1999, 62% of online purchases were made in the U.S.; by the end of last year, 52% of all purchases were at Canadian sites (See http://www.angusreid.com/media/content/displaypr.cfm?id_to_view=1043)

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“In light of changing consumer shopping habits, we wanted to know what has been the response of Canadian store owners to this phenomenon” Saffran says.

KEY FINDINGS: Bigger retailers have been much faster to use the Internet

This survey shows that larger retailers and service providers are most likely to have set up an on-line presence. A large majority of these bigger retailers have a web site or intend to have one in the near future. Smaller retailers and boutique operations, are much less likely to have an Internet presence now, but the year-over-year increase in web site adoption is significant. Among the smaller retail establishments without a space on the World Wide Web, almost 40% report that they expect to set up a site within the short term.

These findings suggest that on-line shopping could emerge as a far more powerful force in Canada in the future. This will stem from more merchants setting up shop on the Internet and increasing consumer adoption of purchases from Canadian-based sites.

100,000 E-commerce sites possible

When the Canadian merchants *already* selling over the Internet are added with those that *intend* to do so in the near future, this translates into over 100,000 retail businesses that have or could soon adopt e-commerce.

Many Canadian merchants share an optimistic view of the future of e-commerce. When asked about the impact of e-commerce on their businesses over the next three years, 50% of all retailers say that they expect a positive impact.

Retailers Using the Internet to Manage Their Own Purchasing.

Not only are some retailers selling on-line, but e-commerce is also a strategic sourcing tool for some of these businesses. Almost one-fifth (18%) of the merchants surveyed report that they have purchased goods or services online.

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About this study

Angus Reid Group conducted a national telephone survey in Canada among 1,050 merchants and retail services companies during April and May 2000. This survey is part of a study conducted annually by Angus Reid Group called, ***The Card Merchants Study***.

For samples of this type in total, responses are accurate to within three percentage points, nineteen times out of twenty. The sample was structured to be representative of small, medium-sized and large merchants operating in Canada, excluding franchisees. These are all established merchants and not specifically businesses that sell exclusively through the Internet.

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