



E-Commerce in Canada

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Market Overview

Canadian consumers rely increasingly on the Internet to place orders online. According to Statistics Canada, the value of orders placed online reached \$18.9 billion in 2012, up 24% from 2010 and double the 2005 level. US-based Forrester Research predicts that by the end of 2014, Canadian consumers will have spent \$22.3 billion online - this figure is expected to grow to \$39.9 billion and represent 9.5% of total retail transactions in Canada by 2019. Approximately 83% of Canadians aged 16 or over have access to broadband internet, and in 2012, more than half of them (56%) used the internet to buy goods or services.

An average online shopper spent about \$1,450 on 13 separate orders in 2012, making purchases on a variety of goods and services such as travel arrangements, events tickets, clothing, jewelry or accessories, and food and beverages (see table below¹). Most of the purchases (82%) were made from a company in Canada, while those ordered from the United States and other countries accounted for 63% and 21% respectively.

Electronic commerce, types of goods or services ordered, 2012

	Online shoppers
	%
Travel arrangements (e.g., hotel reservations, travel tickets, rental cars)	58
Tickets for entertainment events (e.g., concerts, movies, sports)	52
Clothing, jewellery or accessories	42
Books, magazines, online newspapers	42
Music (e.g., CDs, MP3)	35
Memberships or registration fees (e.g., health clubs, tuition, online television subscriptions)	35
Software	24
Other	24
Consumer electronics (e.g., cameras, stereos, TVs, DVD players)	22
Videos or DVDs	22
Toys and games	21
Food or beverages (e.g., specialty foods or wine, pizza delivery)	18
Gift certificates or gift cards	17
Photographic services	15
Computer hardware	15
Other health or beauty products (e.g., vitamins, cosmetics)	15
House wares (e.g., large appliances, furniture)	12
Sports equipment	11
Home improvement or gardening supplies (including tools)	7
Prescription drugs or products (e.g., glasses)	6

¹ Statistics Canada. *Individual Internet use and e-commerce, 2012*. Ottawa, 28 October 2013. Web. <http://www.cdmn.ca/wp-content/uploads/2013/10/dq131028a-eng.pdf>.

Cross-border e-commerce

Canadian consumers are becoming increasingly comfortable with cross-border online shopping. Based on a recent survey conducted by Forrester Research, 68 per cent of the 1,103 Canadian online shoppers surveyed said that they have shopped at a web store based outside Canada. Of those, 72 per cent cited product availability as a reason for cross-border shopping, while 59 per cent said cheaper prices contributed to their decision to buy abroad. 17 per cent said they would deal with issues like customs and occasional high delivery fees to take advantage of better deals available outside Canada.

Small online presence among Canadian retailers is another reason for the shift toward US merchants. Canada has a disproportionately large number of small and medium-sized enterprises (SMEs), but few have yet to enter the e-commerce industry. Canada's vast geography and low population density pose high shipping and storage costs, while the shortage of technical personnel and high cost of technology and implementation have discouraged many SMEs from starting their own e-commerce platforms. As a result, Canadian consumers face only a small range of options from their local retailers, making them turn to US retailers for greater selection opportunities.

Opportunities for US retailers

US retailers can take advantage of this 'competition vacuum'; however, there are several areas of concern that should be addressed prior to entering the Canadian e-commerce landscape:

First, prices listed on the website should be set at the level where they can maintain their competitiveness even after taking into account the import taxes and fees faced by Canadian buyers.

Second, providing low-cost shipping services can also play an important role in attracting Canadian consumers.

Third, establishing a physical presence in Canada in conjunction with e-commerce entry could assist in boosting online sales. The Forrester survey reported that about 65 per cent wanted the option of returning products in-store rather than shipping them back, and 45 per cent said that they preferred picking up their purchases in-store.

Finally, offering prompt customer service can help increase online sales by raising the level of trust among Canadian consumers in US online retailers. It should be noted that the 1-800 numbers to connect to America retailers do not always work in Canada.

It is also important for US retailers to note that the market for e-commerce in Canada is not limited to individual consumers; Canadian retailers themselves are frequent users of online shopping platforms. 93% of SMEs in Canada have an internet connection, according to the Business Development Bank of Canada, among whom 71% said they used the Internet to purchase goods or services. Manufacturing firms and government organizations are also increasingly likely to use the Internet for purchases, especially for small routine orders.

Regulations and Taxation

U.S. companies will need to comply with Canada's federal data privacy laws, including the Privacy Act and the Personal Information Protection and Electronic Documents Act (PIPEDA), as well as provincial privacy laws. Canada's Personal Information Protection and Electronic Documents Act (PIPEDA) requires persons or firms that collect personal information during the course of commercial activities to inform the subject of all possible uses of the data and to obtain consent for its use.

Since 1998, the Government of Canada has adopted a “technology-neutral” approach to electronic commerce taxation, which avoids Internet-specific tax.

For More Information

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