

Canadian ecommerce in focus

Insights and
opportunities for
online merchants





Overview

With the economy at a crossroads, Canadian online merchants are grappling with high inflation and the looming spectre of a recession. At the same time, shoppers are holding them to higher standards than ever before – pressing for effortless online buying experiences delivered by businesses with a purpose beyond mere profit.

It is a pivotal moment for online merchants, where adaptability and customer-centricity hold the key to success.

To help you meet this moment head-on, Canada Post recently surveyed 755 online merchants and 5,000 online shoppers to explore the terms of this evolving relationship – from the challenges each face, to the priorities each have set for the coming year, to points where they intersect for a better experience for all.

What merchants and shoppers told us will equip you with the insights necessary to navigate the ever-evolving world of ecommerce, allowing your business to thrive amidst the winds of change.

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A man with a beard, wearing a dark vest over a light-colored shirt, is looking at a laptop screen in a warehouse setting. In the background, there are yellow pallet racks filled with boxes.

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A woman with long brown hair, wearing a denim jacket, is looking at a smartphone. She is holding a green garment in front of her.

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Now that you have heard from Canadian merchants and online shoppers, what do you do with this information? We've identified five key opportunities to help you adeptly cater to the changing demands of online shoppers and tap into emerging opportunities in 2023 and beyond.

A warehouse interior showing several tall stacks of yellow pallets filled with boxes, arranged in a row.

The merchants' perspective



The merchants' perspective

In 2022, online merchants reaped the rewards of the continued shift towards ecommerce, with a remarkable 90% reporting higher sales compared to the previous year. Notably, more than one-third of merchants witnessed sales growth of 20% or more during this period.

Significant changes are underway in consumer preferences and behaviours, as well as ecommerce as a whole. Merchants highlighted increasing demand for sustainability as the top trend impacting their performance. A staggering 79% recognize sustainability as a crucial driver of ecommerce success. The effects of heightened consumer spending and support for local businesses were also felt by merchants throughout the year.

Despite lingering economic uncertainty, merchants remain optimistic about their growth prospects for the upcoming year. Three in five expect their ecommerce performance to surpass 2022. They attribute this optimism to factors such as expanding their customer base, implementing strategic business changes and resolving supply chain issues. However, concerns remain regarding inflation and a potential recession.

Looking ahead, merchants plan to prioritize two key areas: growing sales from existing customers and reducing costs to maximize savings. These tactics reflect common responses during times of recession, suggesting merchants will proceed with caution in the current economic climate.



Thriving in 2022

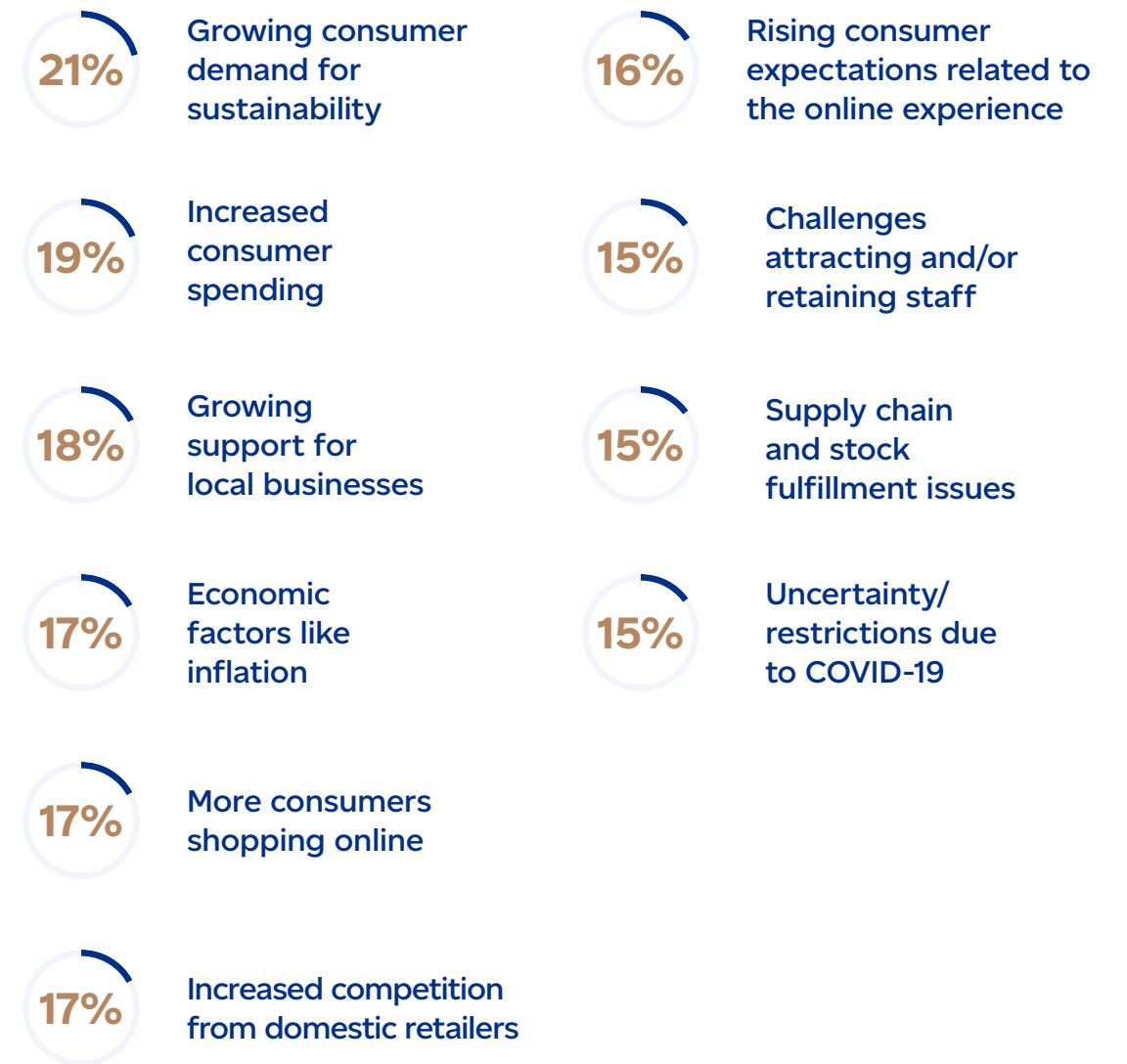
In 2022, 9 in 10 online merchants reported increased sales compared to 2021.





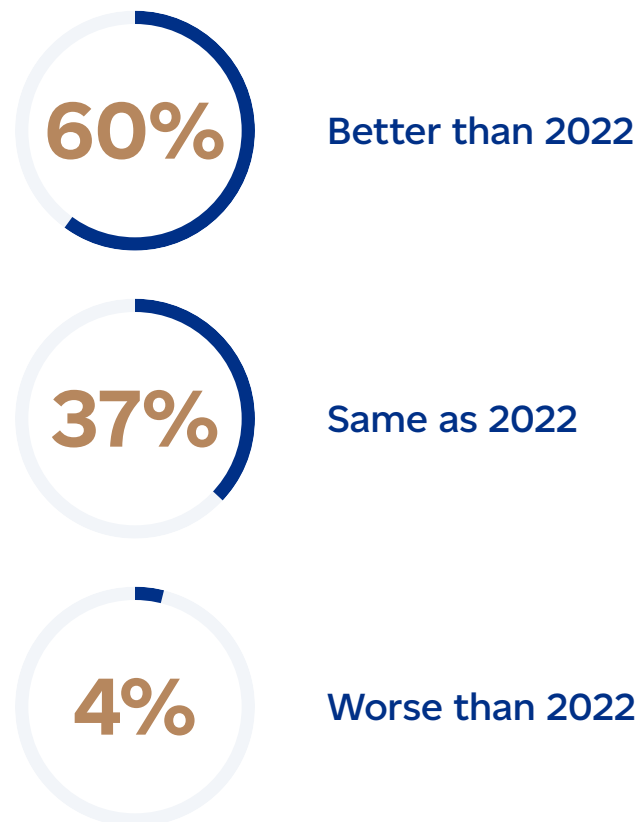
Tracking the trends

Numerous trends have had an impact – both positive and negative – on ecommerce businesses over the past year. Here are the top 10 trends merchants identified as having the biggest impact on their performance.



Finding reasons for optimism

Online merchants are optimistic about their growth prospects in 2023.



That optimism is being fueled by various factors. Here are the top 10 factors merchants identified as giving them hope for the coming year.

Growing customer base **26%**

Business changes made over the past few years **26%**

Increasing demand for our product offering **25%**

Supply chain issues clearing up **25%**

Growing support for local businesses **23%**

Online marketplaces making it easier to expand reach **22%**

Loyal customer base **22%**

New technologies making it easier to offer a great shopping experience **21%**

Improvements in the economy **20%**

Easing of COVID-19 restrictions **18%**

Priorities for the year ahead

Economic uncertainty will be a fact of life for Canadians and Canadian businesses in the year ahead. Here are the top priorities ecommerce merchants have established for their businesses over the next 12-18 months.

- Grow sales from existing customers **26%**
- Reduce costs to save money **25%**
- Improve the customer experience **24%**
- Expand sales to markets outside Canada **24%**
- Acquire new customers **24%**
- Provide more delivery options **24%**
- Improve fulfillment processes **22%**
- Improve the returns experience **22%**
- Improve the online/mobile experience **22%**
- Increase the speed of delivery **20%**
- Adopt more sustainable practices **20%**



The shoppers' perspective



The shoppers' perspective

In 2022, Canadian online shoppers grappled with high inflation in an increasingly uncertain economy. Strategies like stocking up on essentials during sales, seeking out deals and cutting back on non-essential purchases were prevalent.

These behavioural changes help shed light on the slight decrease in the volume of online purchases per shopper compared to the previous year, going from 26.4 to 23.4. However, it's important to note that Canadians continue to engage in online shopping at much higher levels than before the COVID-19 pandemic, indicating a sustained shift towards ecommerce.

The main reason Canadians are buying more online is convenience. They also appreciate the ease of price comparison, wider product selection and access to better deals that ecommerce offers. Meanwhile, the opportunity to experience products before buying them and receive them immediately are top motivators for in-person shopping.

Over the past year, Canadian online shoppers were most frustrated by high shipping costs, delivery delays, return shipping fees and wasteful packaging. They hope to see merchants reduce their prices and delivery fees, enhance their return policies, offer better loyalty rewards and reduce packaging waste in the year ahead.

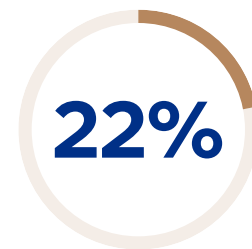
When deciding where to shop, free delivery and attractive prices take precedence for online shoppers. In addition to these cost-related factors, hassle-free returns, supporting Canadian businesses, and loyalty rewards hold appeal. Sustainability is also an increasingly influential factor in online purchasing decisions. Nearly half of online shoppers prefer to buy from sustainable brands, and two in five consider sustainability more important than the brand name itself.



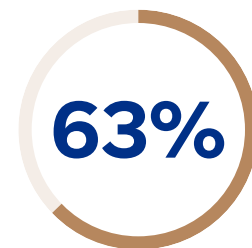
Outlook for the year ahead



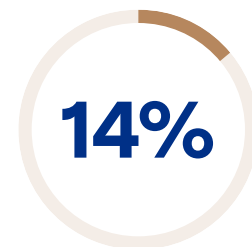
Canadian shoppers show no sign of slowing down their online purchases in 2023.



Plan to buy more online



Plan to buy the same amount online



Plan to buy less online

Impact of inflation on online shopping

Online shopping continues to evolve, and perhaps no external factor has accelerated that evolution quite like the rising prices of the last year. Here are the top ways shoppers said they are changing their behaviour.

Stocking up on essentials while they are on sale **68%**

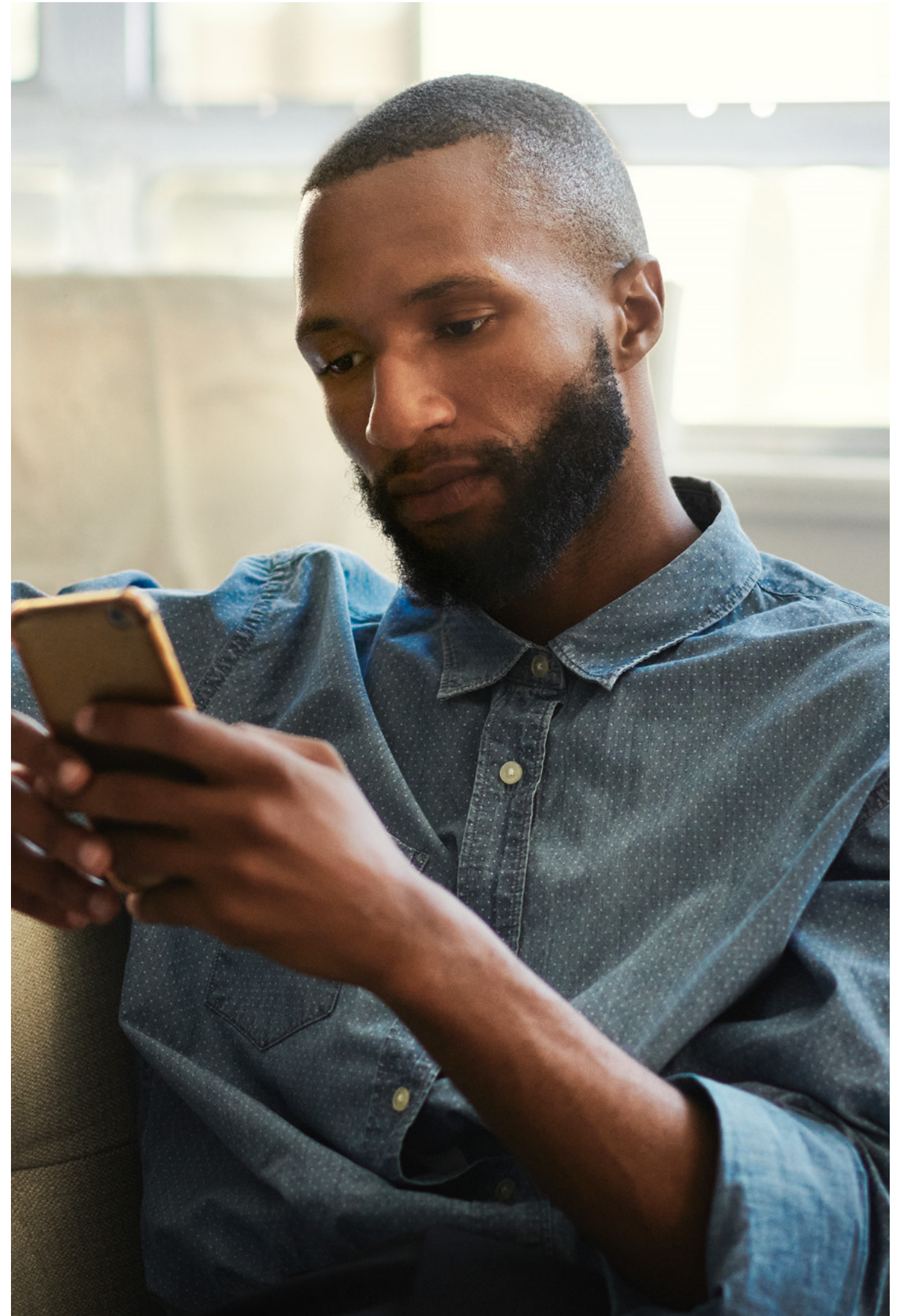
Spending more time looking for sales and deal hunting **66%**

Spending less on non-essential items **64%**

Switching to lower cost stores or retailers **58%**

Buying higher quality items that last longer **51%**

Buying more items in bulk **44%**



Keeping it online

It's no surprise that Canadian shoppers plan to stick with online shopping in 2023, but what factors are not only keeping them logged on, but seeing them increase their spend in 2023?

Convenience **66%**

Easier to compare prices **46%**

Wider product selection **45%**

Better deals **38%**

No crowds or lineups **28%**

Preferred places to shop only sell online **19%**

Change in personal circumstances **10%**

Personal finances have improved **10%**

Access to non-local brands **9%**

Limiting in-person contact due to health concerns **5%**

More environmentally friendly than shopping in store **5%**



Bringing them in store

Online commitment doesn't mean Canadians have abandoned the in-store experience, as they are still finding plenty of reasons to leave the house in 2023.

Experience the product in person **64%**

Get the product right away **60%**

Support local businesses **40%**

More convenient **29%**

Better deals available **24%**

Enjoy the social and/or entertainment aspects of shopping **23%**

Expert advice from in-store staff **19%**

More environmentally friendly than shopping online **13%**





The shoppers' perspective

Online shopping not without its frustrations

The Canadian love affair with online shopping isn't without its challenges, as there are some aspects of the experience that frustrate shoppers.

Shipping costs too high **47%**

Delivery took longer than expected **27%**

Must pay for return shipping **24%**

Excessive wasteful packaging **23%**

Low product availability **22%**

Too few options for contacting the company **21%**

Item received not as described **20%**

Inadequate product information **20%**

Barrage of marketing emails **19%**

Returns process too complicated **15%**

Enhancements online shoppers want

Online shoppers have plenty of advice for merchants looking to enhance the online shopping experience. Here are the top changes those pressing 'buy now' would like to see over the next year.

Better prices **46%**

Cheaper delivery **27%**

Better return policy **26%**

Better loyalty programs/rewards **26%**

Reduced packaging waste **19%**

Faster delivery **16%**

Environmentally sustainable packaging **12%**

Better tracking of deliveries **11%**

Improved online store experience **11%**

Flexible delivery options **11%**



What's most important to online shoppers

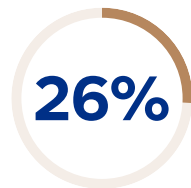
When making buying decisions, online shoppers consider a number of factors, but a few key ones get mentioned repeatedly when shoppers are asked what they look for when choosing one retailer/brand over another.



Free delivery



Better prices



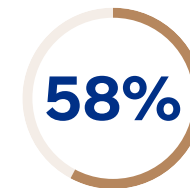
Hassle-free returns



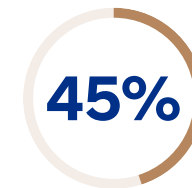
Based in Canada



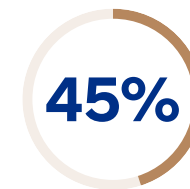
Rewards/discounts for loyalty



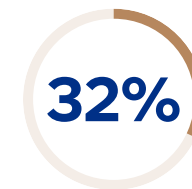
Order multiple items at once to limit the number of shipments



Would select the most environmentally sustainable shipping method offered



Prefer to buy from retailers who offer environmentally friendly return options



Purchase secondhand items to reduce impact on the environment

Canadians are willing to consolidate their orders and select environmentally friendly shipping methods to promote sustainability in their online shopping habits.

Insights and opportunities

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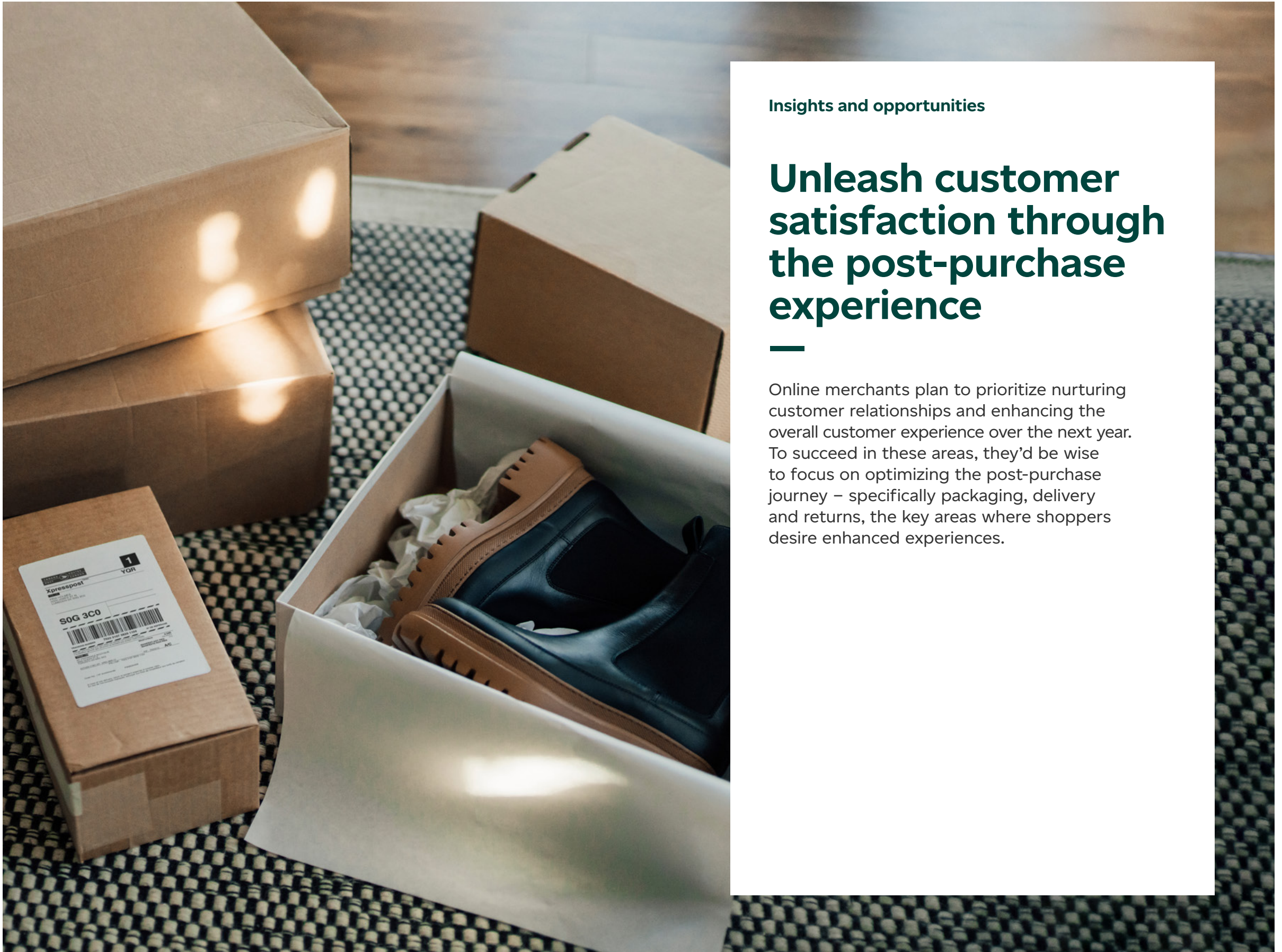


Insights and opportunities

Celebrate your most loyal customers

Amidst a challenging economic landscape, shoppers have become more budget conscious, and merchants are striving to reduce costs. While it is wise to contain costs in times like these, one area that warrants continued investment is customer loyalty. Loyal customers serve as the lifeblood of businesses, driving cash flow and fostering growth. Retaining existing customers is also much more cost-effective than acquiring new ones. Consider treating your most loyal customers to personalized offers, exclusive rewards and tailored experiences.





Insights and opportunities

Unleash customer satisfaction through the post-purchase experience

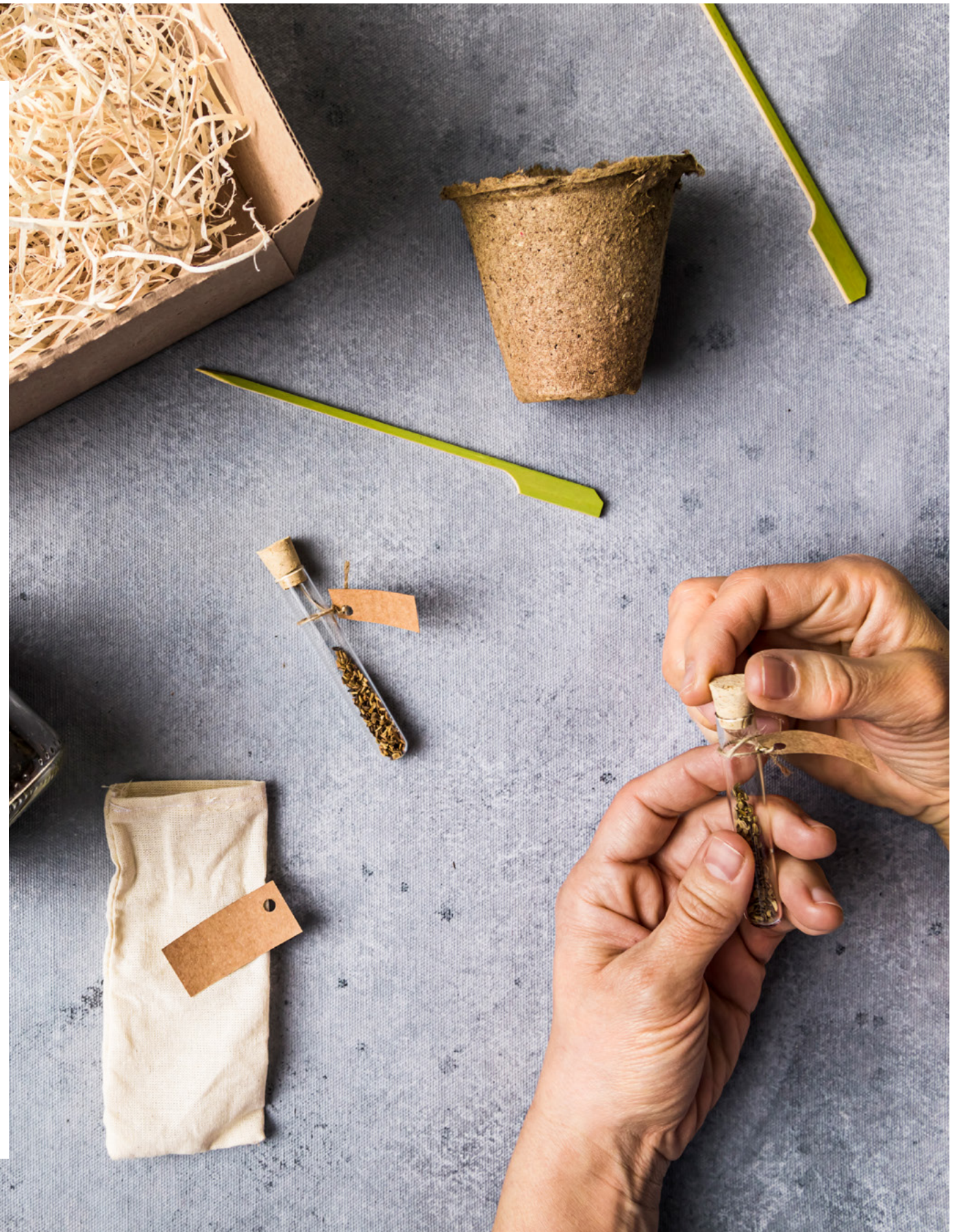
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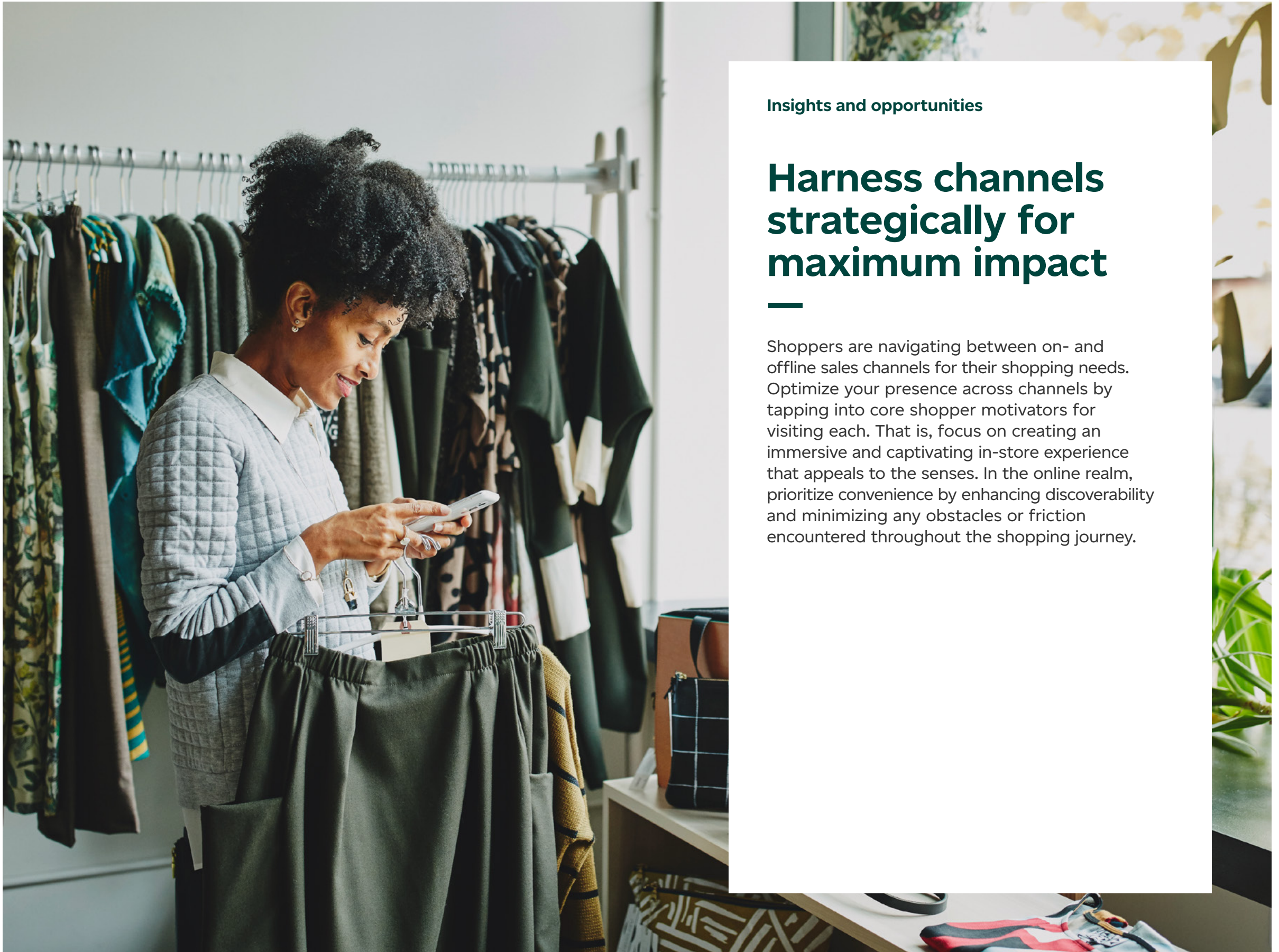
Online merchants plan to prioritize nurturing customer relationships and enhancing the overall customer experience over the next year. To succeed in these areas, they'd be wise to focus on optimizing the post-purchase journey – specifically packaging, delivery and returns, the key areas where shoppers desire enhanced experiences.

Insights and opportunities

Stand out with a purpose-driven approach

Price plays a significant role in the decision-making process of online shoppers, particularly amidst the challenges posed by high inflation. Yet shoppers are increasingly looking for value beyond price. For instance, they actively seek out sustainable products and processes and enjoy supporting home-grown Canadian businesses. Embracing a purpose that extends beyond profit will enable you to differentiate your business and forge stronger connections with an expanding segment of online shoppers. This opportunity becomes even more critical if your business is not positioned to compete on price.





Insights and opportunities

Harness channels strategically for maximum impact

Shoppers are navigating between on- and offline sales channels for their shopping needs. Optimize your presence across channels by tapping into core shopper motivators for visiting each. That is, focus on creating an immersive and captivating in-store experience that appeals to the senses. In the online realm, prioritize convenience by enhancing discoverability and minimizing any obstacles or friction encountered throughout the shopping journey.



Insights and opportunities

Optimize your shipping rates through test and learn

There's no doubt that shipping costs continue to play a pivotal role in shoppers' purchase decisions. However, offering free shipping on every order is not financially feasible for most businesses. The encouraging news is that shoppers are open to a compromise by meeting a minimum spend threshold to qualify for free shipping. To ensure your profitability is not weighed down by shipping costs, consider setting your free shipping threshold slightly higher than what a customer would typically spend based on your average order value, and test and learn from there.



For more forward-thinking insights and advice to empower your decision-making, visit our ecommerce hub at canadapost.ca/ecommercehub or reach out to a [Canada Post representative](#).

Sources:

*Canada Post's Business Omni Report
conducted by The Strategic Counsel, March 2023*

*Canada Post's 2023 eShopper Survey
conducted by Phase 5 Consulting Group, May 2023*

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