Online Shoppers and Buyers – White Paper

February 2013
1. Introduction

Retailers need to provide an outstanding online shopping experience. For most Canadians, online purchasing is no longer mysterious and, for many, it is the preferred way to shop. A detailed survey sponsored by Canada Post and conducted by J.C. Williams Group demonstrates that Canadian online shoppers’ confidence when buying online has increased, and their expectations for a seamless and enjoyable customer experience are higher than ever. The study distinguishes between online shoppers (people who research online only) and online buyers (those who also make purchases), and identifies barriers to online purchasing.

Although the percentage of e-commerce as a proportion of total retail sales in Canada (3.7 per cent) still trails that of the United States (four per cent)¹ – and some estimates go as high as nine per cent² – online sales are growing rapidly in both countries. A study by eMarketer estimates that 13.3 million consumers in Canada aged 14 and older made at least one online purchase in 2011.³ It is estimated that these online buyers will have spent $21.45 billion in 2012, including on travel, digital downloads and event tickets. This number will reach almost $35 billion by 2016. While the most popular categories for online purchases are still relatively low-impact purchases (packaged goods, apparel and clothing, computers, electronics and books account for about 70 per cent of online product spending in 2011),⁴ e-commerce is quickly spreading to all retail categories.

Although e-commerce offers some challenges to retailers (such as easy comparison shopping driving, down margins), it also offers fantastic opportunities to firms that can provide an exceptional customer experience. The most successful retailers will deliver excellence throughout the entire shopping journey. Delivering an excellent shopping experience entails providing proper messaging and support to make customers aware of a product, offering information that is organized in a compelling fashion to help with research and consideration, and creating a seamless purchase process. After the sale is made, the work is not done. The most successful retailers ensure that the delivery process is efficient and reliable, and that customers receive an outstanding post-purchase experience, including follow-up with relevant and compelling sales offers and coupons.

³ eMarketer, Canada Ecommerce: Vendors Compete and Innovate to Deliver Better Ecommerce Experiences, October 2012.
2. Profile of Canadian Online Shoppers and Buyers

Ten years ago, the majority of Canadian consumers said they were uncomfortable using credit cards online. Today, online shopping is commonplace. More than 88 per cent of Canadians use the internet and, of those, 78 per cent have made an online purchase. While this trend extends across all demographic groups, several cohorts, including Canadians who are young, college or university-educated, employed full-time and in the middle household income category, are over-represented.

Because Canadian consumers use the internet throughout the purchase cycle, retailers must ensure they provide enough product information along with a user-friendly interface and a customer-centric attitude. Even if the final purchase is made at a physical retail location, the internet still plays an important role in moving the customer through the purchasing cycle – more than 78 per cent of Canadian internet users (and 91 per cent of 18-34 year olds) researched online before making a purchase.

While smartphones and tablets are becoming more popular, desktops (87 per cent) and laptops (78 per cent) are still the most common internet access point for Canadians. Since many Canadians use multiple devices, retailers absolutely must ensure online retail applications function properly on all browsers and mobile computers, including smartphones. The purchase process may be distributed across different devices, even if the final purchase is made on a computer with a traditional screen and keyboard.

Access, research and purchases by device

Canadians of all income levels and employment statuses are shopping and buying online. Those who only shopped online trended toward mid-lower household incomes (under $50,000 per year), while recent online buyers trended toward middle-income households (between $30,000 and $70,000 per year).

5 Unless otherwise stated, all statistics come from the 2012 research study conducted by J.C. Williams Group.
6 Question: Have you made an online purchase in the past three months?
Online buyers and shoppers by income

While online shoppers were over-represented by young Canadians (18-24 years of age) and those with a high school or lower education. Recent online buyers were most likely to be 25-34 years of age and college or university graduates.

Online buyers and shoppers by age

Generally, Canadians are more likely to buy products online that can be accurately described on a website and that are easy to ship. More than one-third of recent online buyers bought apparel (37 per cent) and books, music and movies (35 per cent) in the past three months. Of those surveyed, the categories named least frequently were sporting goods, telecommunications, quick service restaurants, financial services products and automobile vendors.
While the United States is the most popular international destination for Canadian online shoppers (of those who purchased online during the past three months, 66 per cent made some of their purchases outside of Canada), the United States accounted for 43 per cent of total purchases, followed by Canada (40 per cent), Asia (11 per cent) and Europe (four per cent).  

Forces such as globalization, increased comfort with ordering online (even from foreign countries), the changing demographics of the Canadian population and improved search technology that makes retailers easier to find online suggest that international purchasing will continue to increase.

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7 Question: Indicate approximately what percentage of your online purchases during the past three months was from the regions listed. Asked only of respondents who bought internationally during that time period.
3. Online Consumers’ Experience

Customer expectations are higher than ever before – and technology is one of the major drivers behind the change. Not long ago, waiting until business hours to ask a question or receive customer service help seemed reasonable. Today, a detailed website, an effective social media presence and access to customer service any day and at any time through multiple channels represents the minimum customer service offering necessary for an engaged organization. In addition, the entire shopping process must be seamless and intuitive from marketing to fulfillment and beyond.

Multi-channel commerce refers to customers interacting with companies through more than one method. Consumers sometimes buy at a retail store and sometimes online. Just as an omnivore consumes plant and animal matter, omnichannel is the most-effective approach when appealing to today's consumer. Omnichannel shoppers typically spend 30 per cent more than average customers – in some cases, omnichannel shoppers make 3.5 times the purchases of typical customers.8

Not only do customers expect the same level of service, pricing and variety, regardless of which channel they peruse, they also expect the channels to work together seamlessly. For example, customers expect that they will be able to return a product they bought online to a retail store. A savvy retailer will view this as an opportunity, not a cost, since it provides an opportunity to interact with the customer, discover the source of dissatisfaction and perhaps replace the sale or even upsell to a new item.

3.1 Why buy or not buy online?

Online purchasing appeals to Canadian consumers in many ways. More than 55 per cent believe researching and browsing to compare prices is easier online than in physical stores.9 Thirty-nine per cent of consumers report that browsing online provides a greater selection than browsing in physical stores, while 22 per cent report that buying online is less expensive than in physical stores.

The most important factor cited by Canadians who do not make purchases online was uncertainty of various costs and product quality. When asked for the two most important reasons preventing them from buying online, 41 per cent of respondents cited concerns about shipping price and 23 per cent cited customs, brokerage or duty costs. For others, concerns about product fit (20 per cent) were important.

The implications for retailers are clear: make sure the total price of a purchase is transparently and comprehensively communicated, and ensure that product quality and fit is guaranteed. The best practice is to provide a generous return policy and include a return shipping label with the original purchase.

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9 Statistics refer to the percentage of respondents who chose six or seven on a Likert scale ranging from strongly disagree to strongly agree.
Reasons for never purchasing online

In the following graph, the beige bars refer to online shoppers (Canadians who research online but do not make purchases). The red bars refer to Canadians who made an online purchase more than three months ago.

Three items show large differences between online shoppers and online buyers: “return policy will be too restrictive,” “take too long to arrive” and “package will be damaged en route.” All of these highlight the important role shippers play in the online buying experience. To encourage shoppers to buy online, retailers need to clearly and unequivocally stress that their return policy is consumer friendly. Retailers also need to carefully consider the shippers they use given the importance placed on the protection of packages from damage or loss, and the speed and convenience of delivery.

The concern about purchases taking too long to arrive implies the need to present shoppers with shipping speed options as well as accurate expected delivery dates at the time of purchase. Otherwise, retailers risk having an abandoned shopping cart. Shoppers also need a convenient delivery experience should they not be home at the time of delivery; 31 per cent of them are concerned about having to go to another location to pick up a purchase and, similarly, 28 per cent are concerned about not being home to receive the purchase. Clearly, the other location should be as convenient as possible to shoppers and should be chosen by them at the point of purchase – at the Web store.

3.2 Shopper/buyer concerns about online purchasing

Even among consumers who are active online buyers, concerns exist about shipping and delivery costs, selection, fit and returns. The nature of these concerns, however, deals mostly with uncertainty and inconvenience. Online shoppers’ top concerns were with returns (would be too expensive, 49 per cent, and policy would be too restrictive, 49 per cent), product suitability (ability to access the quality or fit of the item, 49 per cent), and costs (shipping too high, 39 per cent, and other costs, 39 per cent). The next most important concerns dealt with implications of the shipping process (purchase will take too long to arrive, 37 per cent, and the package will be damaged en route, 36 per cent).10

In the following graph, the beige bars refer to online shoppers (Canadians who research online but do not make purchases). The red bars refer to Canadians who made an online purchase more than three months ago.

10 Question: For each of the following statements, indicate your level of concern with respect to making an online purchase (asked of self-identified online shoppers and buyers).
Shopper/buyer concerns about online purchasing

Generally, Canadian online buyers were pleased with the most-recent online purchase they made that required shipping (this question specifically omitted downloads and purchases such as travel or memberships), with 74 per cent reporting high satisfaction (six or seven on a seven-point scale).\(^{11}\)

The following chart illustrates the importance of different aspects of the online buying experience and where retailers need to focus to ensure customer satisfaction. Again, shipping related aspects (costs and online tracking) are among the most important, along with ease of checkout and and a clear return policy.

**Importance of different aspects of the online experience (online buyers)**

\(^{11}\) Question: Indicate your overall level of satisfaction with your most recent online purchase, which required shipping.
Since overall ease of making product returns is very important to online buyers, it is crucial that retailers make their return policy transparent and the return process seamless. While only 22 per cent of recent online buyers of shipped items reported that they returned or wanted to return at least one item in the past three months, those customers wanted to do so 3.3 times on average. These customers are important because they spent more than $488 online over the previous three months, which is $100 more than customers who did not want to make any returns. Savvy businesses, however, keep careful records of customer returns to identify consistently unsatisfactory offerings. These records also identify customers who monopolize customer service time because they make multiple returns or are abusive to staff.

Canadian consumers believe convenience and customer experience are the most important attributes of a return policy. Respondents ranked the following attributes as important (six or seven on a seven-point scale):

**Importance of attributes for making returns easier (online buyers)**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return label included in the original delivery</td>
<td>55</td>
</tr>
<tr>
<td>Instructions about returns on the retailer website</td>
<td>53</td>
</tr>
<tr>
<td>Returns accepted at a retail location</td>
<td>51</td>
</tr>
<tr>
<td>Return label available electronically</td>
<td>47</td>
</tr>
<tr>
<td>Support via an 800 line</td>
<td>39</td>
</tr>
<tr>
<td>Support via online chat</td>
<td>38</td>
</tr>
</tbody>
</table>

Changing technology is also an important aspect for retailers to consider. Online buyers’ attention span is shrinking and their impatience dictates that e-commerce applications need to work seamlessly on their devices and browsers, or they will quickly abandon the activity. In most cases, if the “buy” button is absent or non-operational on a website when viewed on a particular device, the shopper will browse elsewhere. More than 40 per cent of respondents agreed with the statement, “If I have a negative experience with an online retail site, I will be less likely to visit their physical store.” This underlines the importance of delivering a compelling and smooth customer experience that includes the complete functionality of mobile apps and websites on all browsers and devices. This finding reinforces that the customer experience online and in the store must be consistent and congruent.

Forty seven per cent of customers use smartphones to do research and 23 per cent use them to make purchases online. There are many advantages for retailers to have customers who use smartphones. Businesses can offer real-time and location-based promotions such as a discount delivered to a shopper walking by a bistro during off-peak hours. Retailers can automatically make relevant suggestions based on current purchases (“you have all the ingredients except salsa to make an enchilada”) or suggestions based on past purchases (“you enjoy action adventure movies; here’s a highly rated new release”).

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12 Respondents who indicated rating of six or seven on a seven-point Likert scale.
Potential disadvantages to businesses from customers using smartphones are activities such as showrooming (see below). In addition, since smartphones have much smaller screens than desktops or laptops, it is more difficult for shoppers to assess product quality or review detailed delivery or return policies on their phones. Another consideration is that smartphone customers generally pay for data usage, so they are less receptive to receiving additional material – even if it seems helpful.

### Showrooming

Showrooming is when potential customers browse for products in retail stores and perhaps try them out before searching for the product online to find the lowest price. There are smartphone apps that make this process easier by enabling the customer to scan the barcode of the desired item and then automatically directing the consumer to a website offering with a convenient “buy it now” button that offers the product at a lower cost. In this case, the retail store has provided the space, sales service and inventory, but receives no financial benefit. An observant retailer can identify this activity and try to salvage the sale and customer relationship.

Thirty five per cent of online purchasers have bought from retailers that do not have a physical store in Canada, and 40 per cent have made purchases from online-only retailers such as Amazon.com. This may suggest that Canadians are looking for products and brands that are unavailable locally. On the other hand, 45 per cent of online purchasers have bought from retailers with physical stores close to the purchaser’s home, indicating that the convenience of online buying is also an important factor.
4. Marketing to Online Buyers

Canadian consumers receive, evaluate and collect information from different sources and through different digital and physical channels while making purchasing decisions. It is therefore important for marketers to use an integrated approach that combines digital and physical marketing channels to reach target markets and capture the attention of consumers.

4.1 Overall channel preferences for promotional materials

Physical mail continues to hold an important place in marketing. When asked which promotional method Canadian online shoppers and buyers preferred across 11 industry categories, 27 per cent mentioned email; 21 per cent, a flyer or brochure in the mailbox; 12 per cent, a personally addressed letter; and 11 per cent, a flyer in the newspaper. Least welcome were messages sent to a social media account (2 per cent) and text messages (1 per cent). The last two methods may be viewed as more personal channels in which promotional messages are regarded as intrusive.

4.2 Receipt of promotional items

Canadians receive lots of advertising through many different channels. Some channels are more crowded than others and research suggests that Canadians may not give all advertising the same attention. When asked how often they receive promotional material, unaddressed mail or flyers (59 per cent) and promotional emails (60 per cent) were received by a greater percentage of recent online buyers every day or several times a week, compared to personally addressed advertising mail (39 per cent) and messages from social media sites (39 per cent). Text messages lagged behind all other channels at 18 per cent.

Interestingly, more attention is given to personally addressed advertising mail than unaddressed flyers and digital advertising. As many as six out of ten recent online buyers are inclined to open personally addressed mail, while only four out of ten open unaddressed mail or flyers. In an increasingly digital world, physical mail still garners the greatest attention.

**Frequently received promotional items and inclination to open them**

<table>
<thead>
<tr>
<th>Percentage receiving promotions frequently*</th>
<th>Personally addressed advertising mail</th>
<th>Unaddressed mail/flyers</th>
<th>Promotional emails</th>
<th>Promotional messages from social media sites</th>
<th>Promotional text messages</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td>59%</td>
<td>60%</td>
<td>39%</td>
<td>18%</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage inclined to always or often open promotions</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%                      44%                      42%                      36%                      41%</td>
</tr>
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</table>

*Everyday or several times a week
4.3 Preferred channels in top categories of online purchases

The top three categories of goods purchased online during the three months prior to the survey were apparel (37 per cent), books, music, and movies (35 per cent), and health and beauty products (26 per cent). All three categories are typically low-investment, frequently purchased products that are easy to ship. For these three purchase categories, a significant number of buyers expressed interest in receiving communication through physical mail or physical advertising. More than one in four in all three categories expressed a high interest (four or five on a five-point scale) in receiving a flyer or brochure in the mailbox or a personally addressed letter.

The study revealed Canadians are influenced by retailers using digital and physical means. Email was the most reported media (29 per cent) when asked which influenced their most recent purchase, followed by an ad on the company website (16 per cent), a commercial on TV or radio (11 per cent), a flyer or brochure in the mailbox (eight per cent) and a personally addressed letter (six per cent).\(^\text{13}\) However, selective attention\(^\text{14}\) may also be a factor, as 45 per cent of respondents reported that their purchases were not influenced by any media.

4.4 Catalogues

More than 50 per cent of Canadian shoppers remember receiving catalogues at home during the past year. The most commonly reported categories were department stores (54 per cent), home hardware, furnishings and decorations (53 per cent), and apparel (48 per cent).

Results suggest catalogues remain an effective marketing method. Across all industries “keeping the catalogue for later reading” was one of the most popular responses (47 per cent) to the question “what do you do after receiving a full or mini catalogue?” Within the apparel market, 42 per cent reported that they “go to the store to purchase items from the catalogue.”

\(^{13}\) Question: Were you influenced by any promotional message before making your most recent online purchase?

\(^{14}\) A marketing term illustrating the conscious or subconscious act of filtering information, especially when the volume of information overwhelms the subject.
4.5 Ongoing communications with customers

Online buyers want to hear back from retailers they recently purchased online from. At least half are very interested in receiving sales offers and coupons. They are also almost equally likely to want to be communicated to in paper or digital format.

**Interest in receiving promotions from retailers who sold recent purchases online (online buyers)**

![Chart 11]

Overall, the study indicates that while some online buyers respond well to all types of promotional channels (both physical and digital), others have a stronger preference for one over the other. Therefore, it is important for retailers to deploy an integrated marketing approach that combines both physical and digital media to reach and capture the attention of most online Canadians.

**Well.ca’s virtual shelf**

The market is now ready for the virtual-shelf model. Consumers are comfortable with online commerce and are usually smartphone users. Canada’s largest online health, beauty and baby store, Well.ca, successfully implemented a program at Toronto’s Union Station. Consumers could select items from a virtual shelf (displayed on poster walls of subway platforms) with their smartphones. The purchases were then delivered to their homes. This model captures the attention of busy commuters and fulfills their orders from inexpensive real estate, while collecting valuable customer purchasing information.
5. Important Steps for Retailers

Customer expectations while shopping online are higher than ever. Savvy retailers should see this situation as both a challenge and an opportunity to drive competitive advantage. To be a market leader, firms should take the following steps.

5.1 Ensure a superior online customer experience

Zealously test the online customer experience using internal staff and mystery shoppers. Browsing should be compelling and functional on all browsers and devices. Do not assume your consumers have the most up-to-date browser versions. Are there features that will not work on an iPad? Does the shopping interface work on smartphone screens?

Customers should always be able to advance to the next screen, regardless of the browser or device. Are there any dead ends?

Immediate help should be available in multiple formats. Make the customer service phone numbers prominent and include assistance by email and instant messaging.

5.2 Create a streamlined omnichannel experience

Online shoppers have very little patience for inconsistencies between multiple channels. An exclusive offer to members of a social media community is tolerated (especially if it is earned through active participation or is offered for a limited time). But in general, shoppers expect prices, terms and selection to be the same, whether they are in the store or online. Similarly, buyers should be able to return goods purchased online to a physical store. It is vital that retail employees understand the importance of providing an exceptional omnichannel experience and receive training in how to deliver it – including helping customers navigate a website while in the store.

5.3 Develop compelling and integrated multi-channel marketing messages

Canadian consumers respond to physical and digital messages in different ways – and the effects of the media vary by industry. To effectively reach Canadians, firms need to develop compelling marketing messages that resonate in physical and digital forms.

5.4 Develop and uphold a privacy policy

Some online shoppers appreciate and warmly welcome product suggestions based on their personal preferences, purchases or browsing history. Others prefer to remain anonymous and do not even want their information to be stored. In either case, whatever information is collected needs to be handled with discretion and be sufficiently encrypted to stay confidential. This mandate is even more important for financial institutions and public-sector organizations.
5.5 Remove uncertainty

An unfriendly surprise ruins the purchasing experience and is one of the most crucial obstacles to online shopping for many potential customers. Ensure that the total cost (including taxes, duty and shipping) is made available to the customer at the checkout stage. If there is some doubt (for example, if the duty amount is estimated), provide a clear range. Allow the customer to easily make changes at all points along the shopping journey, and offer suggestions about how to earn discounts (for example, provide a reminder if a customer needs to add one more item to qualify for free shipping).

5.6 Ensure an integrated and customer focused delivery experience

Designing the online customer shopping experience continues well past the point of online purchase and payment. It includes the shipment and delivery process as well as product returns. Accurate expected delivery dates, convenient delivery options (at home or a nearby location) and an easy return process should be offered. It goes without saying that both online shoppers and retailers have the same objective in mind: a shopping experience that results in fully satisfied customers, who have their purchased goods in hand.

5.7 Clearly explain the return policy

Consumers need assurance that they can make hassle-free returns, especially for categories such as apparel where it is difficult to determine product quality and fit without physically viewing and trying on the article. Including a return shipping label with the original purchase enhances customer experience and reinforces the retailer’s confidence in its product.

5.8 Refresh online content

Make the shopping interface relevant and fresh. Frequent users will likely represent 80 per cent or more of sales, so give these individuals a reason to return for multiple visits. Include blogs and social media that supports the sales cycle from marketing to post-purchase support as part of your outreach. Make sure all communication channels are lively, responsive and active.

5.9 Develop and monitor performance metrics

Two of the largest benefits of online commerce are the amount of data that is automatically collected and the fact that retailers can make changes quickly. These benefits enable efficient and effective scenario planning and experimentation. Firms should measure customer satisfaction, loyalty and engagement as well as gather detailed information about which products sell quickly and which marketing methods are effective (for example, how effectiveness varies by time of day, delivery method and market segment).
6. Conclusion

Canadian shoppers’ attitudes and satisfaction have clearly changed when it comes to the internet – online buying and shopping has become mainstream. Most Canadian consumers are comfortable with the process and, motivated by choice, convenience and overall cost, almost all are using the internet at least during the shopping and comparison phase. To attract attention and generate consumer demand for products and services, retailers need to deploy digital and physical promotional methods.

The challenge for Canadian retailers now centres on providing the best customer experience and ensuring it melds seamlessly within an overall omnichannel strategy. Canadians want to easily research and compare products, engage in a discussion where required and have complete clarity when it comes to the total purchase cost as well as delivery and return policies. The major source of remaining anxiety is centred on questions of package security in transit and uncertainty about taxes and fees.

Finally, retailers must adapt to all types of browsers and devices, as Canadians use all of them to make online purchases. Mobile devices are becoming increasingly important. The challenge is not only to make sure that shopping applications work on each device, but also that they make the best use of the features of each platform. Customers are interested in hearing from retailers through digital and physical channels. In addition, customer expectations are always growing. Savvy retailers will embrace the challenges and constantly improve the online shopping experience.

For more information, please contact Jennifer Campbell, General Manager, Direct Marketing Strategy at 416-204-4828.
7. Research methodology

In July and August 2012, 4,000 respondents representative of the Canadian population who shop and/or buy online completed an online survey. The survey focused on online shoppers’ and buyers’ experiences and preferences.

In collaboration with Canada Post management, J.C. Williams Group performed the design, data collection and analysis.

Co-authors: Michael Dover and Maureen Atkinson, J.C. Williams Group.