



Future proofing your business:
Why digital is the way to win in Canada



Executive Summary

eCommerce just keeps growing Canada - it's expected to reach \$83 billion by 2023. As a result, Canadian retailers are facing a Great Divide between those who can adapt and thrive in this evolving digital landscape, and those who can't. Digitally savvy Canadian shoppers are ready and waiting for a great online shopping experience. This report will outline how retailers can best reach them.

Shift your mindset

Canadians know what great digital experiences look like, and they expect Canadian businesses to deliver. However, in order to shift the mindset of your organization, you need to start from within and build cross-functional teams. Deloitte presents the Purple Team framework to deliver on analytics and set up Canadian business for success

Focus on customer experience

A staggering 89% of Canadians base their retail selection on the quality of the digital experience. So where should retailers start? The first step: They need to be found. Digital drives discovery and inspiration, so retailers need to be there when consumers are looking. Next: They need to get personal. Canadians want to feel like retailers know them, and 78% say they'll share their information in exchange for a more personalized experience. Finally: They need to remove friction, and make shipping and returns easy – and ensure their mobile sites are fast.

Shift to an insight-driven organization

Insight-driven organizations inject data and analytic insights into every decision, and they are 18% more successful in meeting their goals. But only 23% of Canadian businesses identify as insight-driven, compared to 46% of American businesses. Retailers can move in this direction by breaking down silos within their organizations, investing in data, and empowering their people to use insights to make strategic choices.

A framework for growth

All Canadian retailers should become insight-driven, but there are different paths to get there depending on the type of retailer they are. Traditional retailers must invest in integrating their online and offline channels; they can start by activating personalization to compliment the in-store experience and drive foot traffic. Brand retailers must use digital to tell their story at every opportunity; they should invest in linked digital and physical experiences to capture the imagination of consumers. Pure-play retailers must focus on convenience and reducing friction; they should invest in emerging technology like AR and VR to improve the online experience with their product and minimize returns.

If Canadian retailers can take these strategic steps, they will land on the right side of the Great Divide.

The Canadian retail landscape has never been more primed for growth. Research by Google and Deloitte suggests that this is creating new opportunities for Canadian businesses of all kinds. To achieve lasting success in this shifting landscape, traditional retailers, brand retailers, and pure play retailers alike need to move now and make transformative investments in digital and data that will enable them to drive sales and strengthen consumer relationships.

Canada's eCommerce opportunity continues to grow

eCommerce is growing in Canada – and fast. And that's providing a great opportunity for Canadian businesses.

Canadian eCommerce is expected to grow rapidly and reach \$83 billion by 2023.¹ And that's not the only story: We know that Canadian consumers want to shop locally. Seventy percent say they want to support Canadian businesses.² Mobile searches for “near me” have increased 330 percent in two years.³ And fifty-eight percent of Canadians browse online with the intention of buying something on a weekly basis,⁴ with nearly half of all shoppers saying they go online to confirm what they want is in stock before going to the store.⁵

Mobile searches for “near me”



330%
in 2 years

Predictions that eCommerce would be the end of traditional stores have proven incorrect. The truth is, retail has fundamentally changed, and so has the role of the store. Canadian consumers may be perfectly content to browse products online through digital channels, but they're not ready to give up the in-store experience. Seventy-six percent of Canadian monthly online consumers still visit a store before buying, and 62 percent want an in-store experience somewhere along their path to purchase.⁶

Canadian consumers may be perfectly content to browse products online through digital channels, but they're not ready to give up the in-store experience

For retailers of all stripes – traditional, brand, or pure play – this means they have to deliver a smooth, frictionless experience across all touchpoints if they want to meet the needs and wants of Canadian consumers. If they want a piece of that eventual \$60 billion eCommerce market, they will need to focus their attention here – starting now.

The Great Divide

There's a shift underway that is creating a Great Divide among Canadian retailers. It's a separation between the businesses that can rapidly and repeatedly adapt during this time of massive change, and those that can't.

The price of being on the wrong side of this divide isn't just lost market share, or a few years of playing catch-up. What's at stake – especially in retail – is everything, because being on the wrong side of the Great Divide today will mean a difficult future for your business.

So, how do you end up on the right side of the divide?

Shift your mindset

It may be surprising to learn that Canadians dominate in online discovery: 77 percent of Canadians go online to research potential purchases, compared to 72 percent of U.S. consumers.⁷ And Canadians are just as digitally savvy as American consumers: Eighty-two percent of Canadian consumers research and purchase goods and services online, compared to 85 percent of US consumers.⁸

Not surprisingly, we see similarities between Canada and the US when looking at the proportion of total retail sales that occur online. In 2018, online sales made up 9 percent of total retail sales in Canada,⁹ compared to 10 percent in the U.S.¹⁰ However, Canadians' weekly online shopping frequency is 12 percent less than Americans.¹¹ Retailers: This is where your future growth lies.¹²

Canadians know what great digital experiences look like, and they expect Canadian businesses to deliver. However, in order to shift the mindset of your organization, you need to start from within and build cross-functional teams. Deloitte presents the Purple Team framework to deliver on analytics and set up Canadian business for success:



Purple Teams - Striking the right balance of business and technical skills

Canadian businesses' struggle to deliver an integrated digital strategy can largely be attributed to the siloed nature of their teams and data structure. Reorganizations can't happen overnight, but there are ways to overcome this challenge quickly, on a smaller scale: create Purple Teams. To overcome this, Deloitte has introduced the concept of the Purple Team.

The Purple Team comprises of Red People (the more technical individuals, such as data scientists) and Blue People (the business and communications experts). Through the creation of small Purple Teams, businesses can break down silos and deliver actionable insights. Ultimately, Deloitte believes that Purple Teams are key enablers for the digital path to purchase.

Focus on customer experience

This stat should wake up all Canadian businesses – 89 percent of Canadians choose businesses with a great digital experience.¹³ But what does this mean exactly, and where should you start?

Discovery

The first thing you should do to deliver an amazing digital experience: Be easy to find.

Canadians know what great online experiences look like – and they're showing us with their wallets. Since 9 in 10 consumers are undecided on a brand when they begin shopping online, you have the opportunity to reach the right consumer early on in their

purchase journey.¹⁴ When consumers are looking for products it is integral for retailers to be found, especially considering that American shoppers have increased their searches for 'best place to buy' since 2016 by 70 percent.¹⁵ This trend is likely similar with Canadian shoppers and demonstrates the need for retailers to enhance the discoverability of their products and brand.

The role of video is an increasingly important element in the path to purchase. There has been a 100 percent increase in YouTube video watchtime for 'which product to buy' since 2017 amongst American shoppers with Canadians likely following suit.¹⁶ More than 50 percent of Canadian shoppers say online video has helped them decide which specific brand or product to buy.¹⁷ And over 90 percent of Canadians discover a product through YouTube.¹⁸ It is clear, video is key for any retailer to ensure that they are discoverable by consumers.

Digital drives discovery and inspiration, in fact Canadian shoppers go online in 72% of shopping occasions.¹⁹ And two-thirds of shoppers use Google to research a purchase they plan to make in-store or online.²⁰ You need to be there when consumers are looking.



Personalization

Canadians are ready and waiting for businesses to deliver a more personalized experience.

Even though retailers on average invest less than 1 percent of revenue on personalization, we know that the shift to digital allows for a more personal and measurable journey.²¹

Retailers on average invest less than 1 percent of revenue on personalization

Consumers want to feel like you know them, with 78 percent saying they are willing to share preferences in exchange for a more personalized shopping experience.²² For example, 69 percent of Canadians want their loyalty or reward programs to be automatically applied at checkout, and 46 percent want to be served promotions or deals based on their past purchases.²³

Frictionless

Reducing friction across the path to purchase is incredibly important in providing customers the experience they want.

A large source of friction for many Canadians is shipping. Canadian retailers that provide flexible, and forgiving shipping and return options will win with consumers. 87 percent of Canadian consumers want diverse shipping options, from ordinary delivery to click-and-collect, in-store pickup and more. 90 percent want retailers to offer diverse delivery times, so they can get their new purchases on their own terms. When it comes to returns, the message is clear: 91 percent of Canadian consumers want a frictionless return experience.²⁴

Although it's important to nail the basics, Canadians are becoming more digitally advanced and ready for technology that enhances their digital experience. 41 percent of North American consumers age 18–34 feel mobile payments are important, and 22 percent feel augmented and virtual reality tools enhance the shopping experience.²⁵

Ultimately, this means that Canadian businesses need to ensure that they are in front of customers at the right time, delivering a personalized experience and reducing friction at all touchpoints.

Shift to an insight-driven organization

How can Canadian retailers deliver what Canadian shoppers demand in order to win in a digital world? Two words: digital and data. Specifically, Canadian executives that embrace the insight-driven organization (IDO) concept are likely to be on the right side of the Great Divide. An IDO is an organization that injects analytic insights into every decision that it makes. By using data, statistical and quantitative analysis, and visualization tools and techniques, IDOs empower their people to use insights to change the way they do business.

Best-in-class organizations around the world harvest rich data sets to uncover vital insights that help them build and maintain lasting, engaging consumer relationships. Using digital technologies to capitalize on the wealth of data at their disposal enables Canadian retailers to create a frictionless experience for shoppers in Canada—and around the world—regardless of channel.

Research has shown that organizations that translate data-driven insights into action are 18 percent more successful in meeting their goals. Yet only 23 percent of Canadian businesses described themselves as an analytical or insight-driven organization

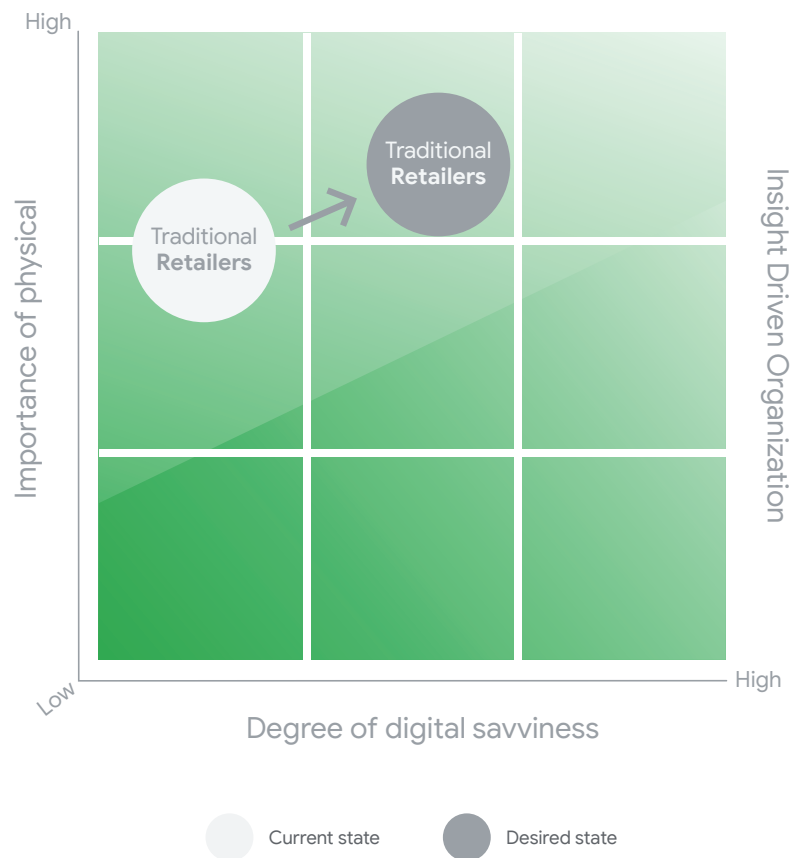
But to do that, and compete and succeed globally, Canadian retailers need to improve their analytics game. Research has shown that organizations that translate data-driven insights into action are 18 percent more successful in meeting their goals. Yet only 23 percent of Canadian businesses described themselves as an analytical or insight-driven organization, compared to 46 percent of U.S. businesses. Fewer than one in four Canadian businesses say they leverage analytics to differentiate themselves in the market and embed analytics into their organization's decision-making processes.²⁶

This means there's a lot of room for Canadian retailers to invest in digital and data, transform themselves into insight-driven organizations, and gain a winning competitive edge.

Putting it all together: A Framework for Growth

Canada's traditional retailers, brand retailers, and pure play retailers can all benefit by making investments that boost their capacity to deliver the integrated, omnichannel experience Canadian consumers want. But what those investments look like varies depending on where retailers are starting from, and their unique combination of strengths and opportunities.

The opportunity for traditional retailers



Canada's traditional retailers rely heavily on their sizeable network of physical stores to serve customers and drive sales, but their digital sophistication tends to leave much to be desired. While traditional retailers' customers may be perfectly content to buy products in-store, they could be using digital better to improve their customers' experience with their brand.

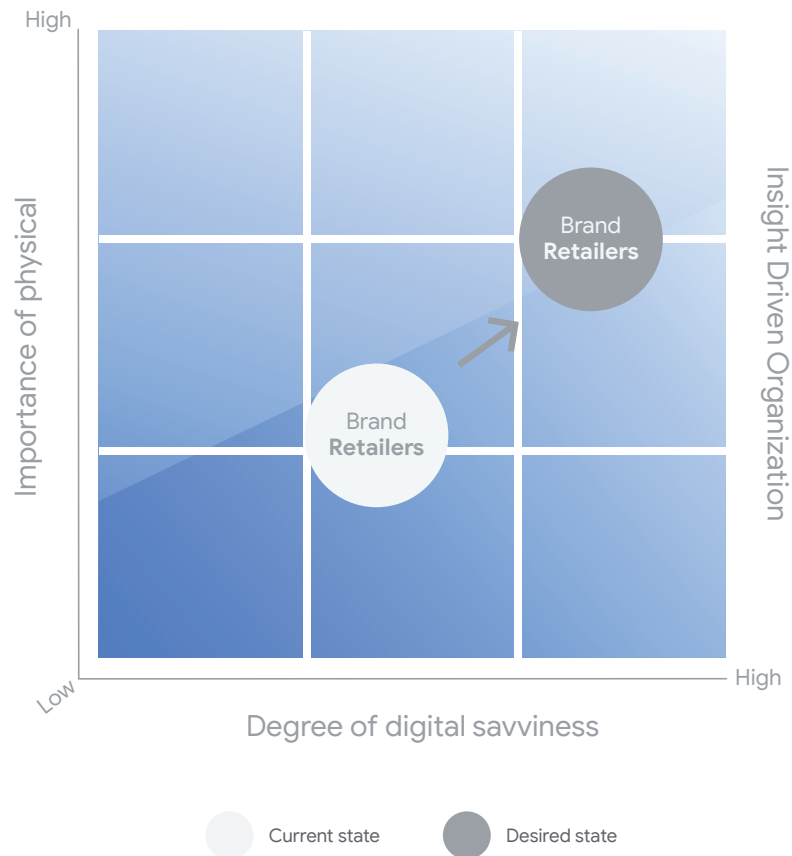
Loblaw Companies Limited

Loblaws uses digital to transform grocery shopping

Canadian grocery giant Loblaw's uses its PC Optimum program to provide tailored product offers and ads to more than 18 million program members through Loblaw web channels and emails. Offers and ads are selected based on customers' previous in-store purchases. PC Express enables Loblaw's to shop for groceries online and choose when and where they'd like to pick it up. Store staff fill the order, which is delivered to one of 700 pick-up locations. And the PC Insiders subscription program allows Loblaw's most loyal PC Optimum members with exclusive rewards and eCommerce benefits, including free grocery pickup, free shipping on online purchases from Shoppers Drug Mart, additional PC Optimum reward points, and even home delivery of specially curated store-brand items.

Traditional retailers need to support their store network with a strong digital capability that provides consumers with the personalization that they expect. This means leveraging customer data to drive store traffic, delivering personalized recommendations and offers, and building customer loyalty. It means adopting an analytics mindset across every customer touchpoint, across every channel, in order to develop an ever-deeper understanding of consumer preferences and behaviours. And it means investing with an "integrative" mindset, that brings physical and digital together and focuses both on the consumer.

The opportunity for brand retailers



Canadian brand retailers succeed by engaging consumers with powerful, compelling storytelling that brings the brand to life. These days, those stories are told and shared online, which is why brand retailers tend to be a bit more digitally sophisticated. Brand retailers' customers are very comfortable interacting online with their favorite brands. However, 76 percent of Canadian brand shoppers still like to be able to see and touch products before they click the "buy" button.²⁷ And that can be a challenge for brand retailers, whose physical footprint might be quite small.

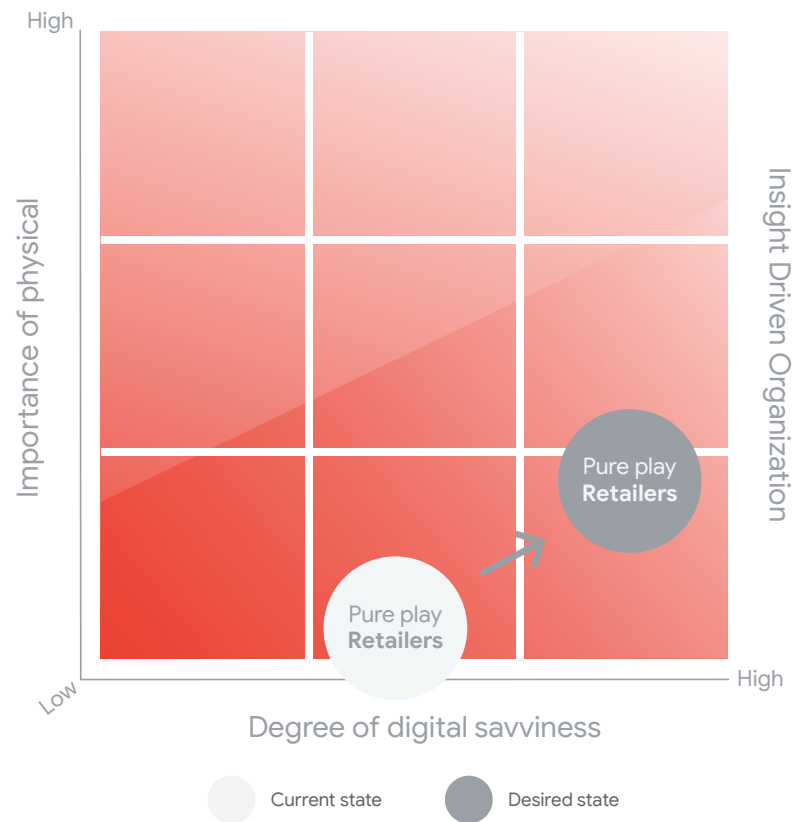


Canada Goose has its brand story down cold

Renowned Canadian clothing manufacturer Canada Goose, maker of the eponymous parkas, has been doubling down on their eCommerce investments to deliver a compelling and relevant brand experience to customers worldwide. In markets such as China, this digital engagement is designed to create excitement around the opening of physical locations. Canada Goose's "Cold Room" is perhaps the best example of how brand retailers can use physical experiences to tell their story and provide customers with an engaging way to try the product. The Cold Room is essentially a big freezer that enables consumers to test parkas prior to purchasing online—delivering on a key consumer demand, while providing a fun and shareable experience at the same time.

Digital storytelling remains Canadian brand retailers' primary way to bring the brand to life. Every digital touchpoint needs to reinforce the brand story, with consistent and regularly refreshed content that keeps consumers interested and engaged. As well as investing in digital experiences, brand retailers should also invest in physical experiences. Brands invest in stores to bring strength and legitimacy to their storytelling, and to captivate and delight consumers by allowing them to experience products in real life. The goal? Turn customers into fans and followers.

The opportunity for pure play retailers



Even pure play retailers can use digital investments to deliver a better consumer experience. Their customers don't rely on store like many Canadian consumers, but that puts more pressure on pure play retailers to deliver curated, friction-free online shopping.

Pure play retailers must view digital and data as core capabilities of their business, to both drive traffic and understand consumers' preferences, behaviours and paths to purchase in fine detail. Convenience and data must be embedded into the entire brand experience—from browsing and purchasing to shipping and returns, the path to purchase needs to be seamless. Investments in digital infrastructure are needed to support insight generation, as well as innovative features that help consumers make their purchasing decision.

In many cases, pure plays need to be the most digital and data-savvy, as they don't have a store network to support their path to purchase.



Jewlr is delivering engaging and innovative jewelry shopping

Jewlr delivers frictionless online shopping, allowing customers to easily find the right product for them. The retailer has invested in digital technology, such as 3-D and virtual reality, that has made their website the company's 'secret sauce,' and offer customer tools that have never existed before. The end product lets customers visualize in real-time their personalized rings, pendants, charms and earrings. As a result of their efforts, Jewlr has been recognized as a top Canadian pure play by delivering an engaging experience, drawing customers back and providing easy navigation, convenience, top-notch customer service and hassle-free fulfilment.

Retailers, the time to act is now

There's no question that times are changing for marketers. Digital savvy Canadian consumers are pushing for frictionless online shopping experiences. And the demand is growing for a more personalized experience driven by data. It is how you adapt to those changes and meet your customers needs that will determine which side of The Great Divide you will land on. The good news is, your business has more opportunity than it has ever had before. The Canadian retail landscape has never been more primed for growth.

And the time to act is now.

Research Methodology

The primary research that served as the basis for this report comprised 2,009 consumer surveys (1,009 in Canada and 1,000 in the US) as well as 30 expert interviews with both American and Canadian c-level retail executives and Deloitte subject matter experts. The survey was conducted from March 21 to 27, 2019, and the interviews took place from March 4 to May 3, 2019.

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Deloitte.

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