

GO NORTH AND PROSPER









UNLOCKING THE E-COMMERCE
GROWTH OPPORTUNITY IN CANADA



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Introduction

OPPORTUNITY AWAITS NORTH OF THE BORDER

It's no secret that Canadians love to buy from U.S. retailers, but you may not know that the time to seize this cross-border opportunity is right now. That's because the e-commerce opportunities of the north are growing – and fast.

Canadians are getting more confident with online cross-border shopping, so they're doing it more often. **From 2016 to 2019, the number of Canadian online shoppers buying from the U.S. shot up 41 per cent.** On top of that, Canadian e-commerce sales in general are expected to surge by 87 per cent between 2018 and 2022.¹

Translation? Today, U.S. merchants have the opportunity to grab an increasing share of an increasing market.

But it's more than just growth that makes this a great time to look north. Expanding into Canada has never been simpler.

Canada Post not only has solutions and services that make it easier for U.S. merchants to reach customers north of the border, we also have the resources to walk you through the process, like this one.



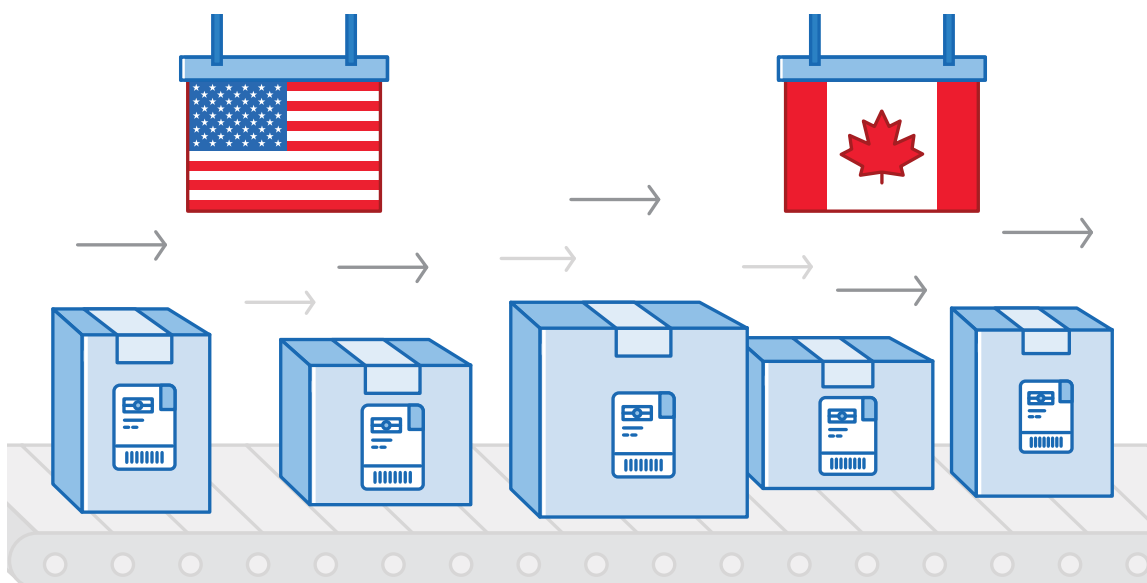
¹ e-marketer Canada Ecommerce 2019 report



A guide to growing your cross-border business

Where do you begin? Well, by understanding the **80 per cent of Canadians – almost 30 million people! – who are online shoppers**. And, we've done the research. As of 2019 68.8% of the total population shopped online, an increase of 3.8% over 2018.

After conducting initial research in 2016 and in 2018, we've again talked to 5,000 Canadian shoppers who'd bought online in the past year. We asked where they shop (and why), what's in their carts, how much they buy, what they expect, and more. As a result, we've highlighted the trends, the growth, and the most important things to think about when selling to Canadians online. Whether you're starting out or growing your existing e-commerce in Canada, we want to share the knowledge that leads to the best decisions for your cross-border business. Because smart decisions drive growth.

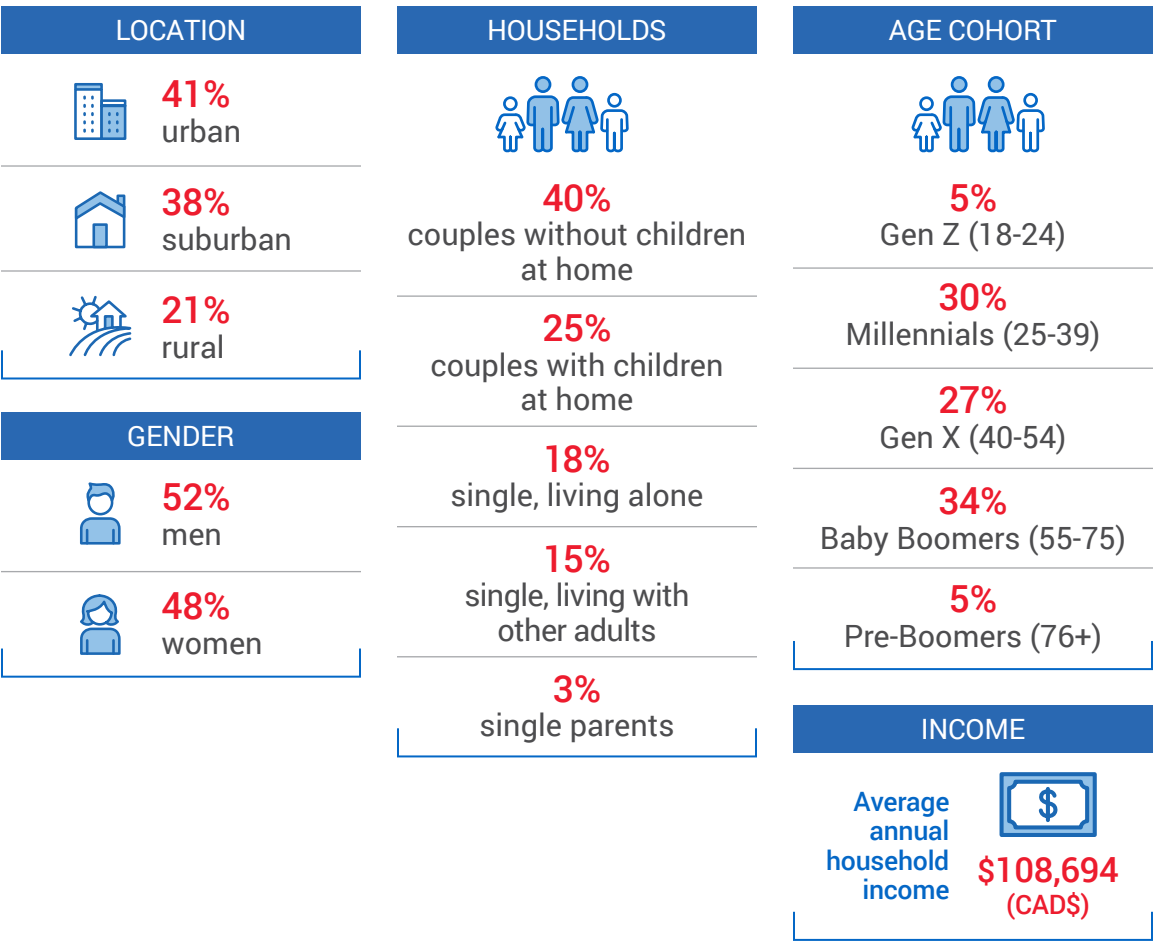




Shopper Profile

THE TYPICAL CANADIAN CROSS-BORDER SHOPPER

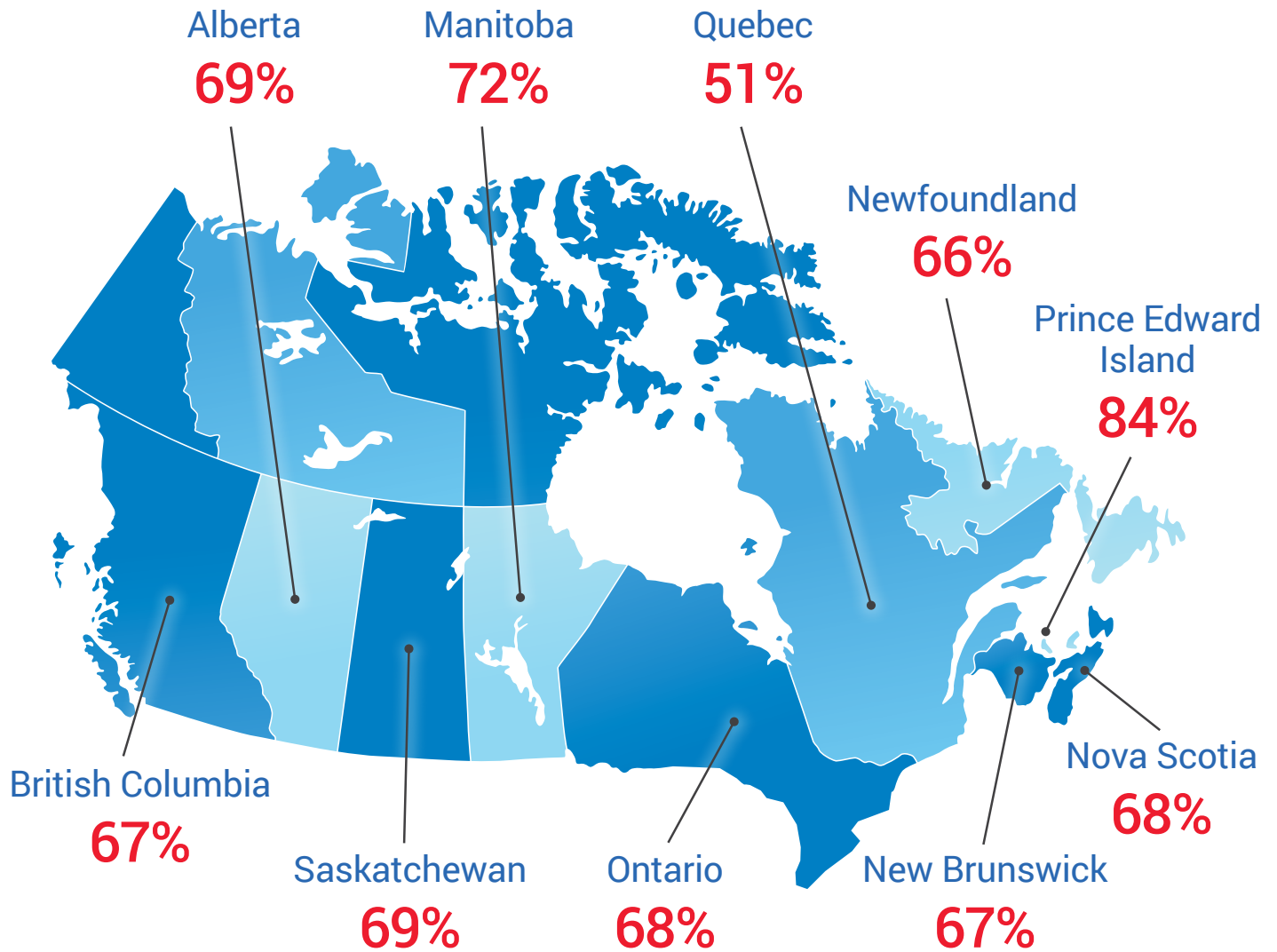
What kind of Canadian shops online from the U.S.? Like Canadian online shoppers overall, couples living in cities and suburbs stand out. Two thirds of **Canadian shoppers** buying from the U.S. are between 18 and 52. The newest generation of online shoppers, Gen Zs, are heavy cross-border shoppers, with 73% having bought from the U.S. (vs. 64% of total online shoppers).





Canadian online shoppers buying from U.S. retailers come from all our provinces.

■ % shopping from the U.S.

















Shopper Tendencies

WHAT DO CANADIANS BUY FROM U.S. RETAILERS?

While the most recent research showed a slight decline in average basket spends, there has been a significant overall increase in the space of three years. **At \$153, average basket spends have shot up 66% since 2016.** What are Canadians putting in their baskets? While they are more likely to shop locally for certain items (say home and garden, or office supplies), what they buy from the U.S. mainly mirrors their most popular purchases overall.

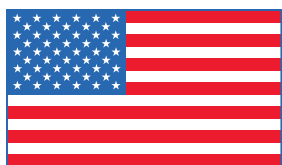
What Canadian online shoppers want from the U.S.*

	 Women's apparel	 Computers and electronics	 Men's apparel	 Books	 Beauty products	 Automotive
Categories purchased*	24%	20%	19%	16%	15%	12%
Average Basket Size	\$114	\$194	\$166	\$65	\$86	\$185
	 Footwear	 Health products	 Sporting Goods	 Home and garden	 Toys	 CDs/ records/ videos
Categories purchased*	12%	10%	10%	9%	9%	8%
Average Basket Size	\$130	\$144	\$184	\$157	\$108	\$49

* Percentage of online shoppers buying from the U.S. in each product category
Average spend by product category includes shopping baskets with one purchase category only

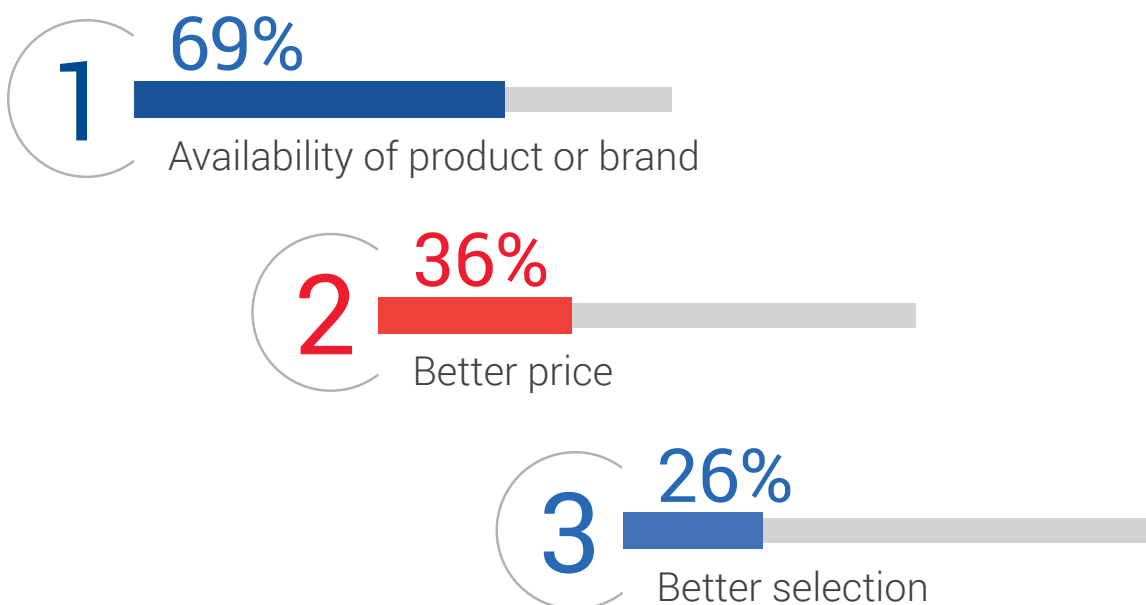


When exploring growth opportunities, focus on promoting products that offer the **top three things Canadians crave: variety, availability and better pricing**. Canadians also shop from U.S. retailers because of better quality and greater convenience.



Greater product and brand availability is the strongest draw for Canadians in shopping from U.S. retailers

Top three reasons for shopping in the U.S.²



² 2018 Canadian Online Shopper Study, CPC 18-200, April 2018



U.S. SHINES AS #1 CROSS-BORDER ONLINE SHOPPING DESTINATION

With 75% of Canadians shopping outside of Canada, there’s no surprise that 64 per cent of Canadian online shoppers have bought from the U.S. One-time cross-border shoppers have almost disappeared. Compared with 2016, there are also fewer occasional shoppers (2-6 purchases). However, anyone who makes 7+ purchases a year from the U.S. is buying more frequently. And the more Canadians buy at home, the more likely they are to buy from you – attracting and acquiring Canada’s super shoppers is a growth opportunity that makes sense for U.S. retailers.

	One-time shoppers	Occasional (2-6)	Frequent (7-12)	Power (13-24)	Hyper (25-40)	Hyper+ (40+)
Percentage of Canadian shoppers	6%	37%	24%	15%	10%	8%
Distribution of US Cross-border shoppers across purchase segments	1%	30%	25%	19%	13%	12%



5.3

Average number of purchases made from U.S. retailers in one year



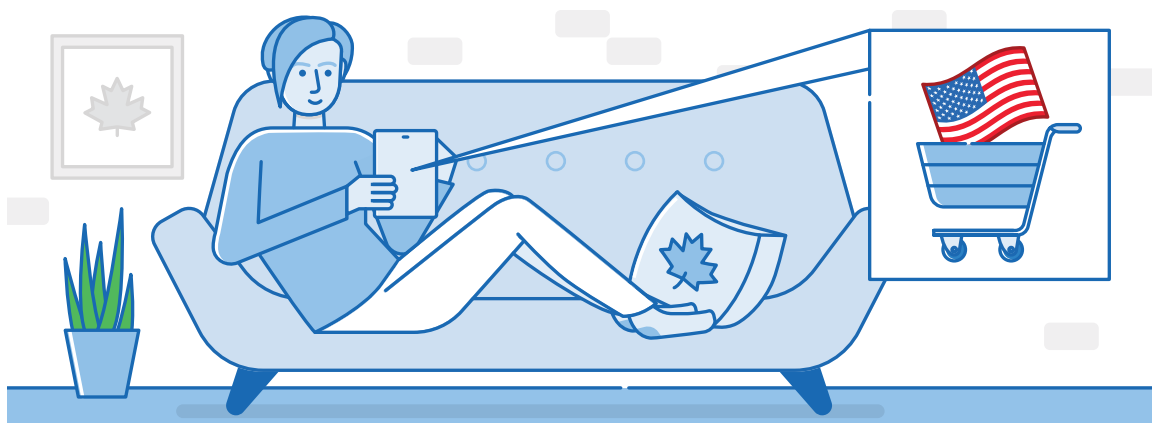


A new type of shopper has emerged in Canada – we call them HYPER+. These experienced, confident, frequent shoppers look beyond Canadian borders for what they can't find at home.

When shopping outside Canada, their #1 online destination is the U.S., where almost all (85%!) have made at least one purchase in the past year. They currently make 12.8 purchases a year on average from the U.S. – and 12% intend to buy more south of the border in the coming year.

Now is the time to offer incentives to shop south. Capitalize on the appetite of these super-savvy online shoppers and focus in on what Canadians look for in the U.S. – unique brands, pricing and selection.

TIP *Your takeaway? Keep this lucrative segment happy. Optimize your operations for speed, keep up with technology, and look for ways to offer any VIP perks that can woo these savvy consumers.*



Skip to **Attracting, Acquiring and Retaining Canadian Shoppers** for targeting strategies to reach this lucrative group of shoppers.



Shopper Expectations

WHAT CANADIAN SHOPPERS WANT FROM U.S. RETAILERS

As the Canadian e-commerce market matures, so do its shoppers. Experience raises expectations, and Canada's frequent shoppers – especially those familiar with market leaders like Amazon – understand all the hallmarks of excellent customer experience.

With maturity, Canadian online shoppers have come to care about the entire shopping experience – whether they're buying from home or across a virtual border.

Now's the time to dial up efforts to attract, acquire, and retain Canadian customers. When developing your final-mile strategy and choosing a partner carrier, focus on what matters most to Canadian online shoppers:

Choice, convenience and control

- 37% of shoppers will avoid a retailer that doesn't provide expected delivery dates.³

The lack of delivery information at checkout affects conversion and loyalty.

With Canada Post, you can easily integrate expected delivery dates into your upfront shopping carts via our free APIs, plugins and technical documentation, making our e-commerce solutions part of your existing platform, website, or custom app.



³ Canada Post, 2019 Consumer Study, 19-203, August 2019



⋮ 27% of shoppers will complete an online purchase if offered
⋮ flexible delivery and pickup options at checkout.⁴

Online shoppers are opting for delivery at a **more convenient collection point** so they can decide when and where to pick up their parcel – after work, during their lunch break, or over the weekend.

Nearly 91% of Canadians live within five kilometres of a post office. With over 6,100 convenient post office locations, and the country's largest delivery network, Canada Post is uniquely positioned to satisfy this expectation. In fact, with Canada Post's FlexDelivery™ service, the post office represents a secure pickup location choice for your online shoppers, at no additional cost.

⋮ 40% of Canadian online shoppers say it is difficult for them to
⋮ be at home during the day to receive deliveries.⁵

Shoppers need convenient delivery destinations. Canada Post is investing in an infrastructure to enable unique delivery access. By 2019, Canada Post has installed over 9,320 parcel lockers in apartment and condo buildings. These will serve over 1.5 million Canadians across the country.

For Canadians living in urban areas, our parcel lockers provide the convenience that completes the shopping experience.

⋮ 53% of consumers want to provide instructions for leaving
⋮ packages at home.⁶

Customers can't always be home to receive their online purchases. Shoppers also want the ability to specify delivery instructions.

With Canada Post, shoppers can set a delivery preference location (e.g. side door, garage, etc.) that tells our delivery agents where to safely leave a package outside the home when someone can't be there to receive it.

⁴ Canada Post, 2019 Consumer Study, 19-203, August 2019

⁵ 2018 Canadian Online Shopper Study, CPC 18-200, April 2018

⁶ Phase 5 innovation – Consumer Delivery Preferences Research, June 2014



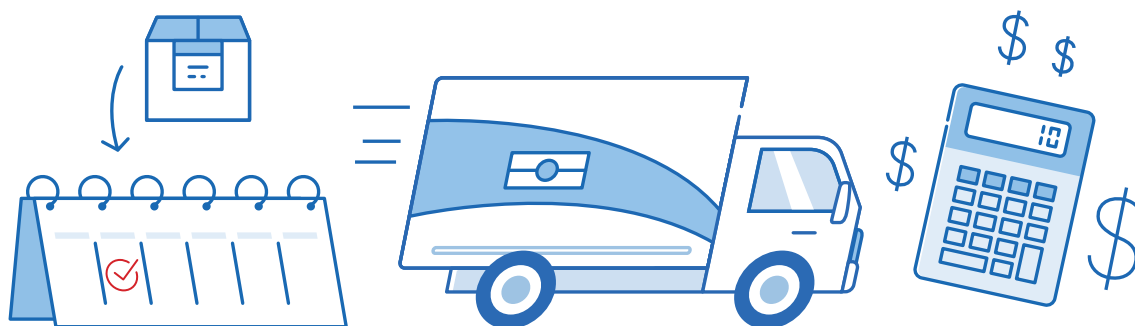
What do leading Canadian retailers do?

Take your lead from the online merchants who have already tested and refined their approach in market:

Canadian retailers provide shipping costs and estimated delivery dates upfront to set expectations and reduce abandoned carts. For an enhanced experience, they offer online shoppers the flexibility to tailor deliveries to needs – whether that's to the door or to a local post office. Shipping with Canada Post also allows them to tap into a large and growing presence of parcel lockers available in select apartment and condo buildings across the country.



- *Check that you're providing your shoppers with key information on delivery dates – upfront and prior to checkout.*
- *Providing your customers the opportunity to have more control when it comes to delivery will not only increase sales, but also help minimize ongoing customer service and operational costs.*





Reasonable shipping fees and faster delivery

In general, as their purchases have to cross the border, Canadians are prepared to wait a little longer for their U.S. parcels than your domestic customers are. However, we've noted a change in expectations. At least half of Canadians who shopped from the U.S. paid for shipping (between \$6 and \$10). The trade-off is that they expect packages to arrive faster. In 2016, the expectation was 8 days. Now 59 per cent of Canadians want to see their U.S. packages in 5 days. Canadians care more about free than fast shipping – but expectations are growing for speed.



87%

of **Canadian online shoppers** abandon a cart or avoid future purchases with a retailer if shipping costs are too high.



What do leading Canadian retailers do?

- They use strong shipping promotions strategically to increase sales, for example, 76 percent⁷ of Canada's largest retailers offered at least one shipping promotion during the 2017 holiday season.
- They satisfy shopper expectations by having clear cross-border shipping and returns policies, promotions, and timelines from the moment a customer lands on the website.

Our advice is simple. Honesty is the best policy. Whatever level of services, fees, and features you offer to your Canadian customers, communicate it accurately so you set clear expectations and generate better cart conversion.

Try offering a choice of delivery speeds. It's a way to meet everyone's expectations – those looking for speed and those willing to wait. There's no additional cost to you, as the shopper covers the faster service.

⁷ Canada Post Shopper Study 2018



All-in pricing in Canadian currency (prices, taxes, duties and fees)

Canadians don't want to pay more at the door. If they can't take care of cross-border charges in advance, one in four will abandon their cart. 66% of Canadians will abandon a retailer altogether when duties and taxes were not provided at checkout.⁸ And, if retailers track cart abandonment but not satisfaction with checkout, they may never know about those unhappy shoppers.



What do leading cross-border merchants do?

They avoid cart and retailer abandonment by **letting Canadian shoppers know about any applicable duties, import taxes and brokerage fees before they check out**. If there are any, they let them pay at time of checkout. They're also clear about whether prices are in U.S. or Canadian dollars.



Skip to **Cross-border Strategies** for more detailed options.

⁸ Canada Post, 2019 Consumer Study, 19-203, August 2019



The ability to track their packages

Canadians like to keep tabs on their packages. Shoppers find it a real inconvenience when they can't work out how to track, don't get frequent updates, or can't directly access information by clicking on a link. For around one third of them, failure to deliver on tracking expectations would result in avoiding the retailer in the future.

	Inconvenience	Avoid retailer
When a long period of time goes by without providing updated tracking information	56%	38%
When it's not clear how I can track my package	50%	39%
When I can't easily click on a tracking number	48%	29%



What do leading Canadian retailers do?

Canadian retailers have a home-turf advantage when it comes to delivery, tracking, and returns. **By making your cross-border duties, taxes, tracking and deliveries as seamless as possible, you'll compete on a more even field.** Carve out some time to follow Canada's top merchants for a clear understanding of what they do to appeal to Canadian shoppers.



Integrate real-time parcel tracking for increased visibility, alert customers with push notifications on delivery, and optimize your operations by working closely with your cross-border partners.



Cross-border Strategies

CROSS-BORDER SHIPPING: ENTRY STRATEGIES

Once you've decided that you want to expand into the Canadian market, you'll need to decide on an entry strategy for how your items will ship over the border.

The main decision you'll need to make is how duties will be paid: Will they be paid by your customers at the time of delivery or will they be paid in advance at your checkout? Your decision will likely be dictated by where you are in your growth stage.

Keep in mind: No matter which option you choose, your customers will benefit from having Canada Post as the final mile delivery carrier, which includes customer-centric delivery options and tracking on every delivery.





Here's a breakdown of your entry strategy options:

Option 1: Customers pay duties upon delivery

If you're just starting out, this option is ideal because it's easy.

You simply induct your items in your shipping carrier's delivery network. When your customers receive the order, they pay any applicable duties, import taxes, or brokerage fees.



What to consider:

To avoid frustrating your customers, it's critical to **communicate to them upfront** that they are responsible to pay any fees that apply when their package arrives. In this option, honesty and transparency are key.

- Be aware that **customers prefer not to have to pay fees at the time of delivery**. So you'll need to give them a reason to buy from you, such as a unique product or lower overall prices.

Option 2: Duties are paid in advance at checkout

If your volumes to Canada are growing, this may be a better option for you.

With this option, your customers don't pay any additional fees when their package arrives. Instead, any duty fees are calculated in advance, and the full cost of the transaction is paid at checkout. You can choose whether you or your customers will pay these costs, or you can wrap the cost into the overall price of the product.

Of the two options, this one provides the **more customer-friendly experience**: 42% of online shoppers purchasing from the U.S. will complete their online purchase if provided visibility into shipping costs upfront at checkout. However, it requires more investment on your part.



Here are three ways to pursue this option:

A. Use one of our channel partners

You can use one of our partnered consolidators to assist with transportation to the border and customs clearance prior to induction into our network.

This is the simplest of the three ways to pay duties in advance. It requires the least investment and setup, and is ideal for merchants who are shipping enough orders to Canada, but not enough to fill a whole truck on their own.

What to consider:

You'll want to work closely with your channel partner to help you estimate your costs, assess how your business is performing, maximize your pricing and ensure that you know exactly what you are paying for.

Your channel partner will help you create a landed cost strategy that bundles and presents all potential costs at checkout.





B. Induct in Canada

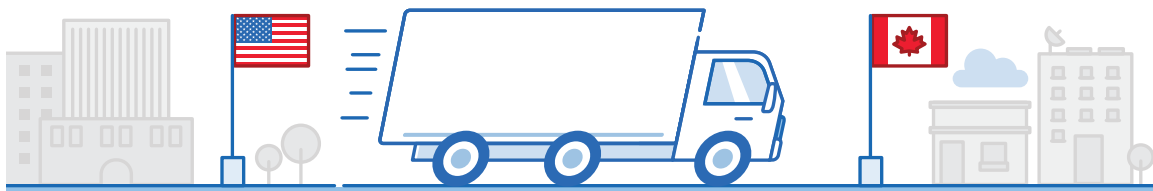
This method has you transport your orders across the border yourself.

It enables you to gain control of the delivery process into Canada by managing your own transportation and customs clearance. This is good for merchants with both the volume to fill a truck and the infrastructure to bring items into Canada.



What to consider:

- You'll need a customs broker and a logistics department primed to manage northbound transportation.
- You'll need expertise in customs clearance processes and the ability to keep a close eye on any changes to border regulations.
- You can also benefit from the ability to integrate our powerful suite of Web Services that convert browsing to buying and offer innovative customer-centric delivery options your shoppers will love.





C. Fulfill in Canada

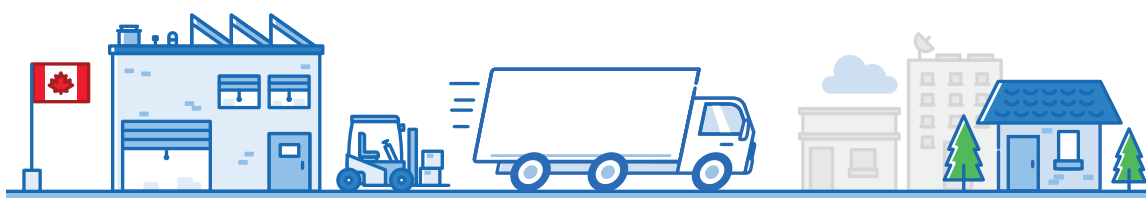
If you're a larger retailer with high parcel volumes to Canada, you may want to set up a distribution centre or work with a third-party logistics (3PL) company to fulfill your Canadian orders from one or more Canadian locations.

This gives you the most control over shipping costs. It also offers the best customer experience: It eliminates any border delays, offers the fastest delivery speeds and lowest delivery costs, and makes returns easier. All of this maximizes your ability to compete in the Canadian landscape.



What to consider:

- You'll need to identify what products to bring to Canada and ensure you have sufficient inventory on hand to fulfill orders.
- If you're working with a 3PL, factor in handling fees. If you're opening a distribution centre, this will entail a significant financial investment.
- You'll need to identify strategic distribution locations based on U.S. DC locations and the origin of the bulk of Canadian orders.



Need help deciding what entry strategy makes sense for you? Or how to get to Canada? We are here to help!

Get in touch at canadapost.ca/GoCanada or call us toll-free at **1-866-282-7171**.





Marketing to Canadians

ATTRACTING, ACQUIRING AND RETAINING CANADIAN SHOPPERS

Now that you know more about the latest habits of Canada's online shoppers, let's talk about how to reach them. How do you find the best Canadian online shoppers and create experiences that attract, engage and keep them close to your brand?

In a new marketing environment, where customer journeys have changed, the best way to reach Canadian prospects is with integrated campaigns. Today's shoppers connect with brands in many different ways. Combining both digital and direct marketing positions you for success north of the border.

Like in the U.S., Canadian direct mail gets attention, is trusted and builds brands. And because Canadians receive less mail than you do in the U.S., there's more opportunity to stand out in the mailbox.





At our site, you can download our **Essential direct mail how-to guide**, which walks you through the end-to-end process of creating direct mail that works. You can also check out these quick tips on growing your Canadian customer base with direct mail:

1. Adapt your campaign strategy to the Canadian market

- What are your main objectives? (Awareness, Acquisition, Retention)
- Do Canadians know your brand?
- Do you have Canadian retail locations?
- What are your key messages?

2. Use sophisticated targeting tools

- Find your best prospects and consider testing smaller mailings in select cities or provinces.
- Incorporate key learnings before executing a nationwide launch.

3. Connect with mail service providers through the Canada Post Partner Program

- Cover all the bases, from strategy and data management to print, response management, and mail preparation.

4. Map out the sequencing of your tactics

- We can help you integrate direct mail into your marketing mix to attract, engage, acquire and retain Canadian online shoppers.

Take advantage of our exclusive data and targeted direct mail solutions to find your best Canadian prospects.

Get in touch at canadapost.ca/GoNorth or call us toll-free at **1-866-282-7171**.





E-shopper research methodology

Most insights included in this report result from an extensive survey of 5,000 respondents, drawn from a panel of Canadians who shopped online last year. The survey was available in both English and French, with fieldwork taking place from April 11 to April 22, 2019. Eighty per cent of the respondents came from five of Canada's provinces and spoke English; 20 per cent spoke French. The sample matched the Canadian population (+/- 1 per cent) on key demographic variables, including age, gender, and region.

Canada Post, *2019 Consumer Study*, 19-203, August 2019.

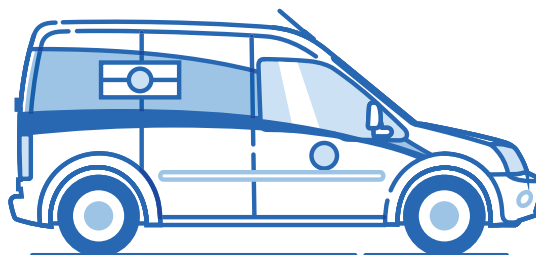
Phase5

The research was conducted by Phase5, an innovation, customer experience and user experience firm that uncovers trends that drive business growth, using a full range of qualitative and quantitative research capabilities.



ABOUT CANADA POST

With its unrivalled delivery network, Canada Post gives every Canadian access to the power of online commerce. By offering convenience, choice and a superb customer experience, it has become the preferred choice of Canada's online shoppers, while its direct mail marketing solutions drive action for brands and businesses of every size.



CANADA POST IS COMMITTED TO HELPING U.S. MERCHANTS SUCCEED AND GROW

Speak with a Canadian e-commerce expert to get a free consultation on your cross-border expansion strategy. We'll be happy to provide further insight into the best ways to acquire and retain online shoppers in Canada.



Get in touch at canadapost.ca/GoCanada or call us toll-free at **1-866-282-7171**.