

Consumer Corner

E-Commerce Trends Online Consumer



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E-Commerce Trends

Online Consumer

Introduction

It was only a few years ago that online food shopping seemed to be a relatively novel concept, but it is certainly gaining ground. In the global context, four billion people (about 53 per cent of the global population) are connected to the internet. Nearly all of them (92.6 per cent) do so using their mobile devices. Every day, 85 per cent of users (3.4 billion) connect to the internet and spend, on average, six and a half hours online¹.

Consumers are spending more time, with increasing frequency, on an expanded range of digital activities. It is undisputed that internet accessibility, mobile technology and digital innovations are redefining consumers' every interaction. This will continue to enable and disrupt many aspects of consumers' lifestyles and food purchasing behavior well into the future. Studies also found that online channels and digital media are shifting the way that consumers are moving through their entire shopping decision journey.

Canadian consumers are starting to purchase more food and beverage items online due to various initiatives (i.e. click-and-collect strategies) that make it easier to shop online. This is an opportunity for Alberta small businesses and specialty retailers to sell more products online. This article sheds light on the patterns and habits of online shoppers in Canada and in the global market.

Canadian Online Consumer

According to a recent study², in 2016, 89.8 per cent of Canadians had access to the internet. The value of all online purchases in 2016 was CAD \$24 billion with a growth rate of 27.4 per cent since 2012. In 2017, the total online purchase was about CAD \$600 per internet user. Within that, total online food and beverage grocery spending was CAD \$11.88 per internet user. In another estimation from 2016, total online packaged food purchases were recorded at CAD \$139.5 million with a growth rate of 6.8 per cent from 2012 to 2016. Among packaged food products, dairy made up 24.6 per cent of sales while baby food saw the highest growth rate of 26.8 per cent from 2012 to 2016 (Figure 1).

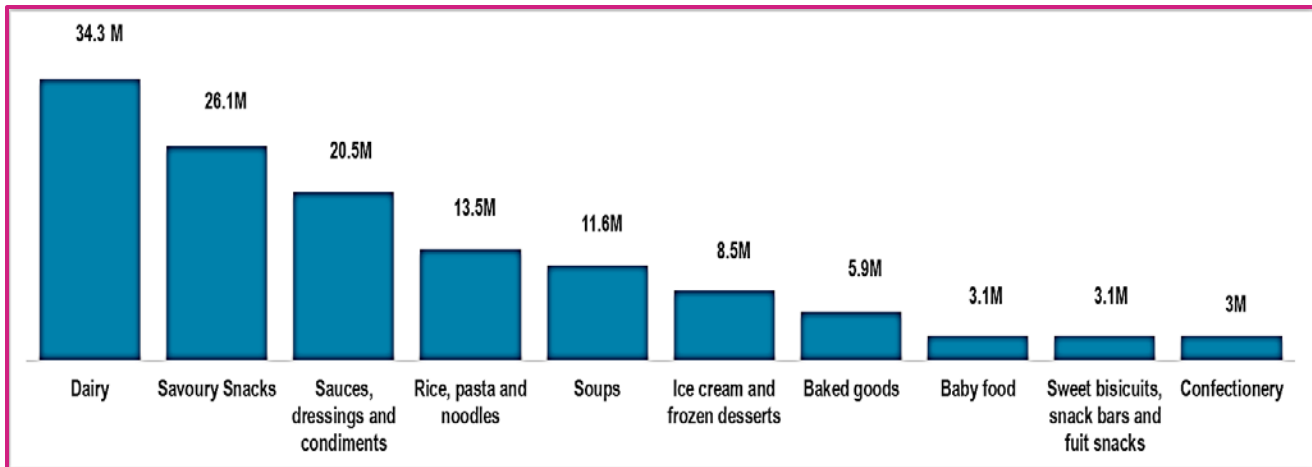
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¹ The Nielsen Company (U.S.) LLC. 2018. Connected Commerce.

² AAFC.2018. An overview of E-Commerce Trends in Canada.

Figure 1: Top Packaged Food Sold Online in Canada in 2016, Sales Values in Million CAD

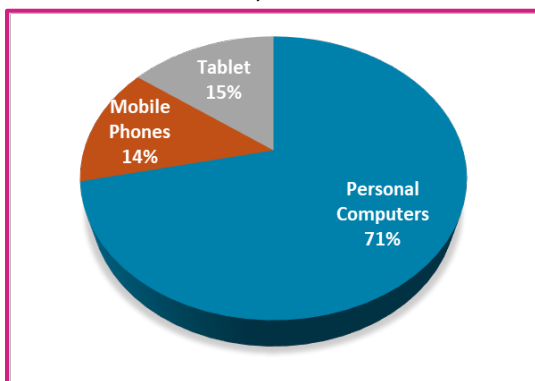


Source: AAFC², 2018

Canadian consumers have high internet accessibility with numerous devices and are willing to shop online. Eighty seven per cent of Canadian households had a personal computer in 2016, while 59 per cent possessed a laptop. Smartphone ownership was 73 per cent, while tablet ownership was 44 per cent in the same year.

The study also identified the devices most often used for making online purchases by Canadian consumers in 2016 as illustrated in Figure 2. Online purchases using personal computers were worth CAD \$47.9 billion while mobile purchases and tablet purchases were valued at CAD \$9.9 Billion and CAD \$9.2 billion respectively.

Figure 2: Share of Total Online Sales Value – Use of Different Devices, 2016



Source: AAFC, 2018

According to this study, the main drivers behind online purchases are:

- greater variety and selection of goods and services across different retailers;
- convenience;
- time saving and the ability to shop anywhere and anytime;
- ability to see and compare prices on a wide selection of goods and services across different retailers; and
- stable and flexible delivery and shipping options.

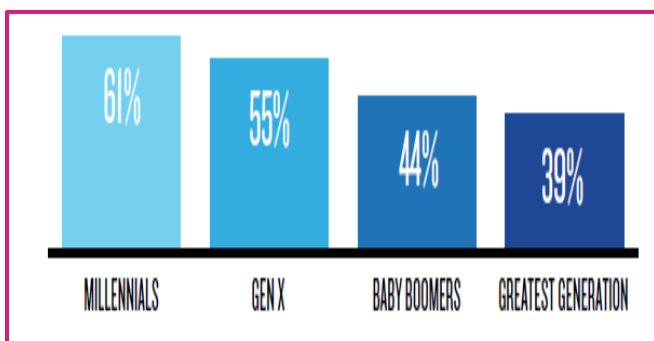
The top retailers that sell groceries online include Amazon, Walmart, Costco Wholesale, Well.ca and Longo Bothers Fruit Market. Amazon experienced the largest volume of sales in internet retailing with a growth rate of 9.2 per cent from 2012 to 2016. Wal-Mart saw the most dynamic growth in internet retail sales with a growth rate of 56.9 per cent from 2012 to 2016 due to initiatives such as its “click and collect” program (Grab & Go).

U.S Online Consumers:

Online Purchasing Trends with Special Emphasis on Millennials

Recent research³ in the U.S. found that Millennials are driving much of the online shopping. (see Figure 3). As they enter adulthood and become parents, Millennials buy more household items, baby care products and meal kits than the any other group.

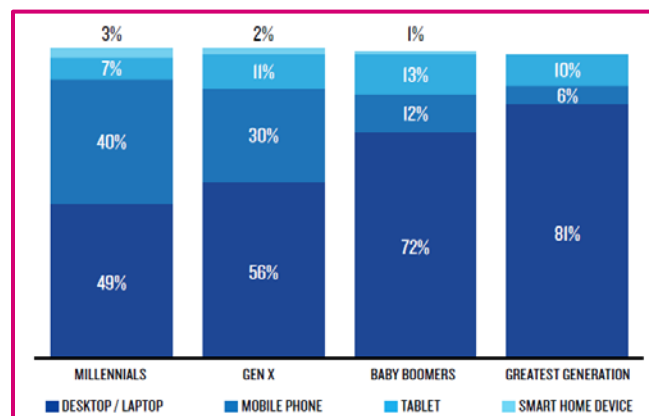
Figure 3: Percent Who⁴ Purchased Fast Moving Consumer Goods (FMCG) Online in the Past Three Months



Source: Nielsen, 2017

In addition to leading the way in online FMCG purchasing, Millennials are active mobile buyers, as this generation makes 40 per cent of its purchases via mobile phone. They do half of their online shopping using a desktop/laptop. When it comes to smart home devices, Millennials are only slightly more likely (3 per cent) to use them than other generations, although they are seldom used by any other generation. (see Figure 4)

Figure 4: Devices Used for Online Purchases of FMCG



Source: Nielsen, 2017

Global Online Consumers:

Global online sales in 2017 totaled U.S. \$2.3 trillion or 10.2 per cent of the total retail sales and are expected to reach 17.5 per cent by 2021⁵. The combination of existing connected consumers spending more often, and newly connected consumers purchasing for the first time, will propel e-commerce growth. In markets around the world, categories such as travel, entertainment (books, music, events) and durable goods (fashion, IT/mobile, electronics) are the front-runners for consumers to enter the online retail sphere.

A noteworthy regional difference in online purchases includes growing e-commerce in dry and fresh groceries in the Asia Pacific region, especially in China and South Korea. However, in North America, Pacific and North Asia regions, the growth categories include personal, health and household care products and packaged grocery products (Figure 5). A growing acceptance of dry and fresh grocery products shows changing online purchasing dynamics and opportunities for markets around the world in years ahead.

³ The Nielsen Company (U.S.) LLC. 2018. Millennials on Millennials, U.S. Shopping Insights in a New Era.

⁴ This study defines Greatest generation – born before 1946, Boomers – born between 1946 – 1964, Generation x – born

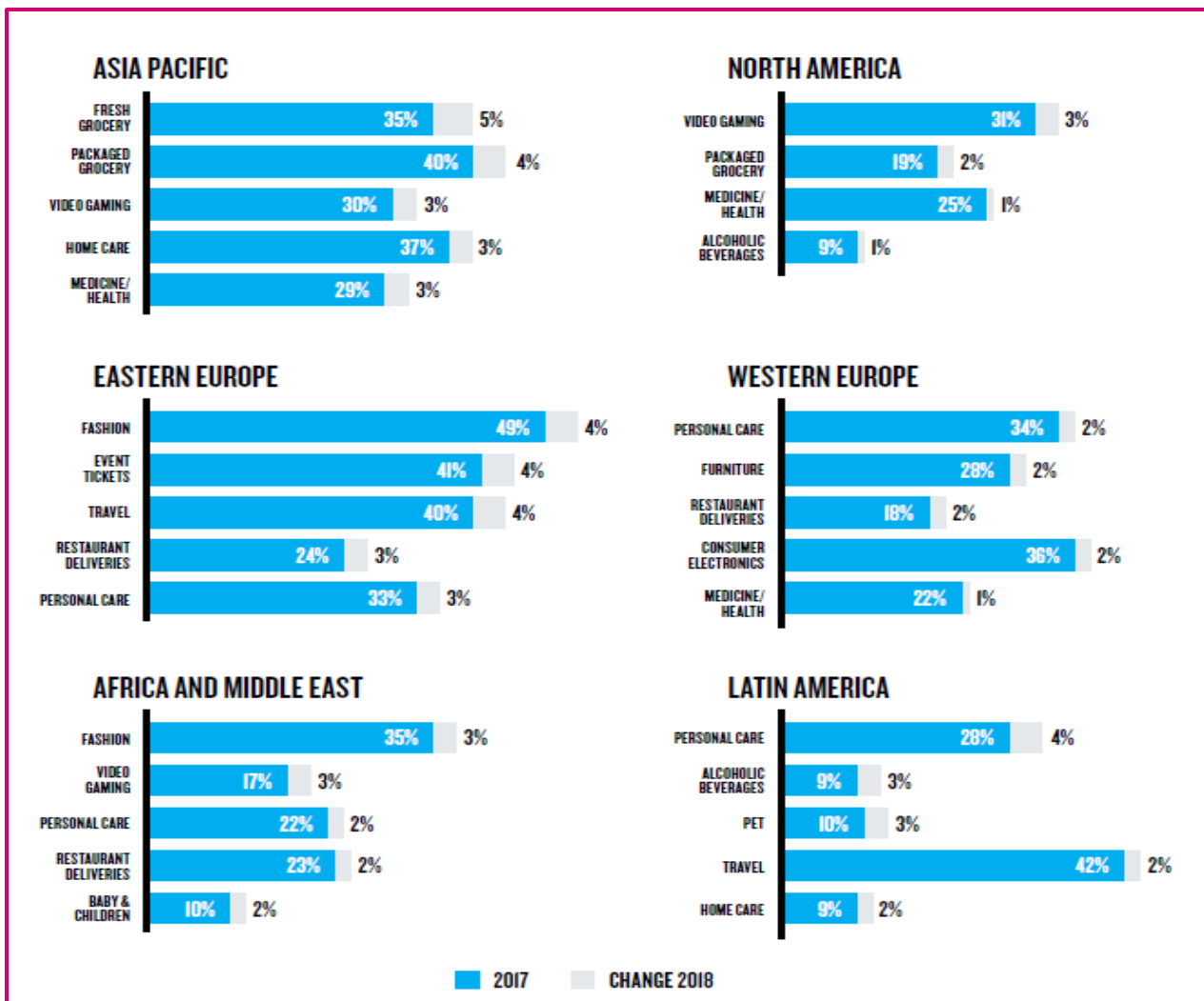
between 1965 – 1976 and Millennials – born between 1977 – 1995 or Under 35 as of 2017

⁵ The Nielsen Company (U.S.) LLC. 2018. Connected Commerce.

This global study highlights the demand for convenience as the main determinant in driving growth in online purchases. When comparing 2017 and 2018 global online FMCG purchases, the largest increases are coming from consumable categories.

Packaged grocery sales increased by three per cent and fresh groceries, restaurant/meal kit deliveries, medicine/health care, products for babies/ children, pet food and wine/alcoholic beverages all increased by two per cent.

Figure 5: Online Purchasing – Evolving Product Categories by Region – Percentage of Global Consumers that Claimed Purchasing 2017- 2018. Source Nielsen Connected Commerce Global Survey 2018

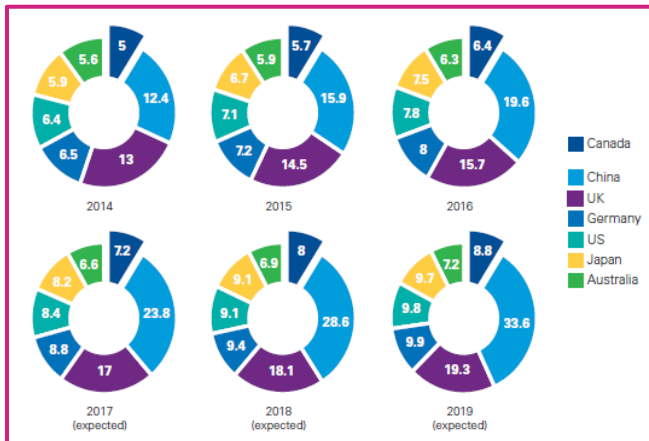


Source: Nielsen, 2017

Canadian Online Consumers vs Global Counterparts

The “2017 Global Online Consumer” is a recent global research study⁶ designed to learn more about consumers’ online shopping behavior and expectations. This study has an addendum on Canadian consumers, which compares and contrasts Canadian consumer behaviors to their global counterparts as shown in Figure 6. This study found that despite the highest internet penetration amongst G20 nations, online purchasing in Canada has lagged behind other countries that were included in the study.

Figure 6: Retail Ecommerce Sales as a Percent of Total Retail Sales in Selected Countries, 2014-2019

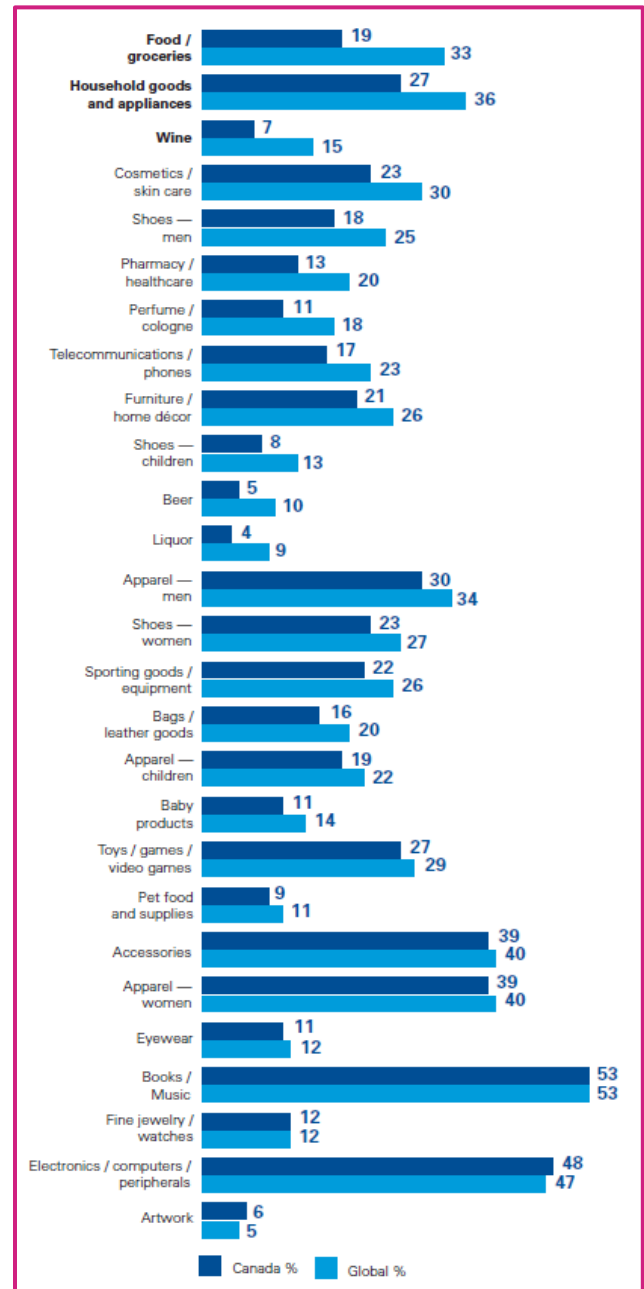


Source: KMPG, 2017

While this survey covered total retail ecommerce, it is interesting to see that online purchases of food/groceries, wine and household goods/appliances categories have the biggest difference between Canadian and global counterparts (Figure 7). The findings show that in well-established categories such as books/music and consumer electronics, Canadians are as likely to buy online as global consumers are. In line with that, this study highlights that **low penetration in**

some categories is driven by a lack of supply rather than the hesitancy of Canadians to buy online.

Figure 7: Online Purchases in the Past 12 Months: Canada vs. Global

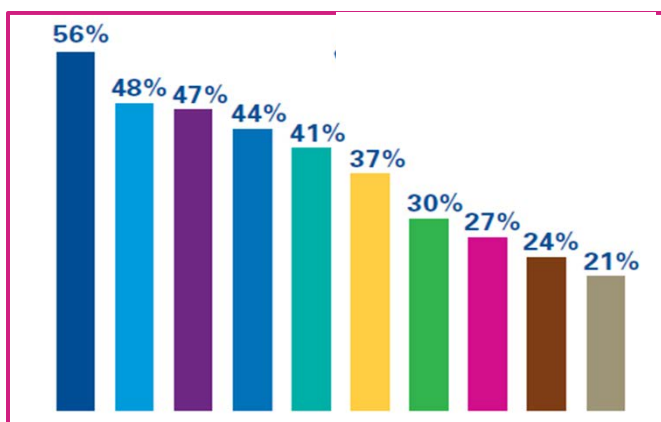


Source: KMPG, 2017

⁶ KPMG. 2017. Global Online Consumer Report: Truth about online Consumers.

Three of the 27 categories surveyed are expected to have a high online growth rate in the next twelve months. These include **liquor, wine and food/groceries with an increase of 56 per cent, 44 per cent and 37 per cent respectively.** As depicted in Figure 8, reasons for this growth reflect Canadians' appetite for convenience and better prices. Four out of the ten top reasons are related to convenience, while three out of ten are related to price.

Figure 8: Top Reasons for Purchasing Online Rather than In-store



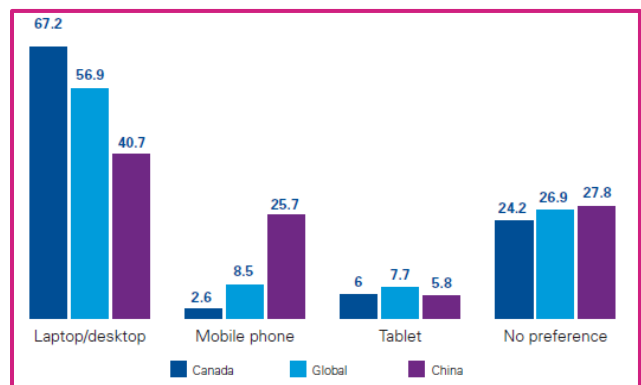
- Ability to shop 24/7
- Online sale/better prices
- Ability to compare prices
- Free shipping offers
- To save time
- Convenience of not having to go out to shops
- Convenience of everything in once place
- Greater variety/selection
- To locate hard to find items
- The products are not sold in my city/country

Source: KMPG, 2017

Similar to the AAFC study on Canadian consumers, the Global Online Consumer study also looked at what channels Canadians are using to make their online purchases. As illustrated in Figure 9, Canadian consumers prefer using their **laptops/desktops to mobile phones and tablets when shopping online.** The sharp contrast in behaviours, particularly with China is attributed to cultural differences and that Canadians are at an early stage of mobile shopping.

“Mobile commerce has yet to take off in Canada not because Canadians don’t want to make purchases from their phones, but rather because their retailers have yet to make it a simple, convenient, enjoyable experience for them to do so. Those who move first to improve the mobile commerce experience can expect a wave of Canadian consumers to follow them”
Industry Expert (KMPG, 2017)

Figure 9: Device Preference for Online Shopping: Canada vs. Global vs. China



Sources: KMPG, 2017

Key Takeaways

- Despite having greater access to the internet, Canadians are relatively slow to adopt online purchasing, especially in food and beverage categories. The main reason for this situation is attributed to lack of a well develop e-commerce landscape in Canada.
- However, e-commerce initiatives are increasing in Canada and therefore, a higher growth rate in online purchases is expected in the years ahead.
- Canadians prefer to use computers for online purchases, just like any other global consumers and are less likely to shop with their mobile devices.
- Canadian online consumers spend very little time online in the food/grocery category when compared to consumers in other countries. However, there are opportunities for growth for

this category as research findings suggest that Canadians intend to purchase more food/groceries online in the future.

- The top reasons to purchase online reflect that consumers value convenience, competitive prices and greater variety of products.
- Alberta, with a higher percentage of Millennials, can expect a higher level of online transactions compared to other provinces once the e-commerce landscape is fully established in Canada.