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Recommendations by CPG Sector
Food & Beverages – Top Planning Concerns & Opportunities

Online grocery penetration (2018) 5.0%

Online grocery is young but seeing investment
Canada has a relatively low online share of total retail sales (5%) and online grocery penetration is even lower (1.9% of FMCG products).
Participate in retailer trials and new program launches to grow your internal capabilities as online grocery expands.

Shopper density (pop/sq mi 2018) 10

Geography limits fulfilment profitability
Perishable grocery delivery is already difficult due to cold chain requirements, and requires high order density and optimised routing to reach operational profitability.
Prioritise programs in dense urban areas that have a higher chance of success.

Loblaw click-and-collect locations (2018) 700

Click-and-collect penetration is growing
Click-and-collect will be a key model to fulfil online grocery orders, more common and profitable than home delivery in many areas.
Develop pack sizes and assortments suited for pickup, and focus on initial list-building, as click-and-collect has a high chance of reorder.

Walmart Instacart partnership

Partnerships increase to offer on-demand delivery
Walmart’s first Instacart partnership will start in Toronto and Winnipeg with same-day grocery delivery from 17 Walmart locations.
Prepare for more retailers to partner with delivery providers, particularly as they seek to keep pace with market leaders in grocery delivery.

Source: PlanetRetail RNG, Retail Insider, PCInsiders.ca, CTV News, Supermarket News, MobileSyrup, Geopolitical Futures, PayPal, eMarketer
**Health & Beauty, Personal Care – Top Planning Concerns & Opportunities**

<table>
<thead>
<tr>
<th>Amazon.ca share of domestic ecommerce (2023)</th>
<th>Shoppers Drug Mart new site launches</th>
<th>Cross-border order prevalence (2018)</th>
<th>Proposed cross-border sales tax threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.6%</td>
<td>2</td>
<td>63%</td>
<td>CAD40</td>
</tr>
</tbody>
</table>

**Amazon is the must-win customer**
The Amazon platform encourages reorders and subscriptions for commonly purchased personal care items.
Suppliers should prioritise initial list-building to lock in longer-term spending on Amazon.

**Emerging online category specialist**
Shoppers Drug Mart’s launch of two online destinations should make it a relevant specialist in this category.
Use these differentiated sites for brand-building and new product launches, while larger, mass ecommerce operators will still drive the majority of volume.

**Heavy cross-border competition from US sites**
Canadian shoppers regularly source health, beauty and personal care items from the US.
Brands should increase US-Canada coordination to avoid internal competition that hurt margins.

**Proposed cross-border sales tax threshold**
Proposed trade regulations will enable Canadian shoppers to order low ticket personal care items from the US without being subject to additional fees.
Suppliers should be prepared for increased price investments to remain competitive with US sites.

Source: PlanetRetail RNG, PayPal, eMarketer
### Household & Pet Care – Top Planning Concerns & Opportunities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>700</td>
<td>127</td>
<td>70%</td>
<td>2H18</td>
</tr>
</tbody>
</table>

#### Click-and-collect penetration is growing
Click-and-collect will be a key model to fulfil online grocery orders, more common and profitable than home delivery in many areas.
Develop pack sizes and assortments suited for pickup, and focus on initial list-building, as click-and-collect has a high chance of reorder.

#### Flexible fulfilment is key for online orders
Walmart offers click-and-collect across an increasing number of its Canadian stores to give consumers another option for online orders and save on last-mile delivery costs.
Focus effort on this online grocery model when working with Walmart, as it will seek to use stores to profitably grow fulfilment options.

#### More consumers have access to home delivery
Local players are adding home delivery capabilities through partnerships and internal investments.
Be prepared with pack sizes and subscription programs to maximise profitability of the heavy products frequently purchased online in the household and pet categories as home delivery becomes more popular.

#### Partnerships increase to offer on-demand delivery
Walmart’s first Instacart partnership will start in Toronto and Winnipeg with same-day grocery delivery from 17 Walmart locations.
Prepare for more retailers to partner with delivery providers, particularly as they seek to keep pace with market leaders in grocery delivery.

Source: PlanetRetail RNG, Retail Insider, PCInsiders.ca, CTV News, Supermarket News, MobileSyrup
Electronics, Office & Entertainment – Top Planning Concerns & Opportunities

**Discoverability is critical to winning on Amazon**

These highly-penetrated online categories are well suited to Amazon but also entail heavy competition. Suppliers should invest in strong product content, ratings and reviews, and AMS/AMG to stand out on the crowded platform.

**Heavy cross-border competition from US sites**

Canadian shoppers are very used to shopping cross-border, making them likely to price compare to US sites for more expensive ecommerce purchases. Brands should increase US-Canada coordination to avoid internal competition that hurt margins and offer Canada-specific assortments where possible.

**Easier access to higher ticket CE items**

Proposed trade regulations will enable Canadian shoppers to order more expensive products from the US without being subject to additional fees. Suppliers should be prepared for increased price investments to remain competitive with US sites.

**36%**

**Amazon.ca’s ecommerce sales rank**

**1st**

**63%**

**CAD150**

**Online growth requires new channel strategies**

Ecommerce is a key sales channel for electronics, office & entertainment categories that will drive significant future volume. Brands must utilise channel-specific strategies to avoid alienating store-based customers and minimise disruption to pricing and assortment strategies.

**Source:** PlanetRetail RNG, Retail Insider, Geopolitical Futures, PayPal, eMarketer, Canada Internet Registration Authority: Ecommerce Trends in Canada 2017
Market Overview
Canada is the 10th largest ecommerce market globally

Canada ranks 10th globally in terms of chain retail ecommerce gross merchandise value (GMV), a long way behind its US neighbour and global leader, China.

Canadian ecommerce sales will increase at a CAGR of 11.2% from 2018 to 2023 reaching USD20.4 billion, but will be overtaken by Australia to drop to the 11th largest ecommerce market globally.

Just 5% of Canada’s total chain retail sales are through online platforms, with many smaller Canadian operators yet to go online.

Canada’s small population and large geographic area make viable, scaled ecommerce operations challenging.

Source: PlanetRetail RNG. Data sourced on 3 Oct 2018: Variations may occur on data sourced from the database after this time. Sales refer to chain retail sales.
Canada is an ‘invest for growth' ecommerce market

Retailers and brands should segment and prioritise their top markets for digital investment and future growth initiatives.

Key considerations should include:

- Size of the digitally addressable population and future growth potential
- Scale of ecommerce and growth potential
- Mobile penetration
- Payment landscape (i.e. credit, cash-based)
- Political environment

Canada is an ‘invest for growth’ ecommerce market for retailers and suppliers:

- High digitally addressable population driven by high internet penetration (90%) and mobile penetration (72%).
- Ecommerce currently accounts for 5% of total retail sales and will grow at a CAGR of 11.2% from 2018 through 2023.
- Consumers are open to shopping online but a low population density and large geographic area makes ecommerce more challenging.

Ecommerce Landscape

**MARKET OVERVIEW**

### MARKET OVERVIEW

**Ecommerce Landscape**

**Invest for Growth**

- Strong digitally addressable population growth
- High mobile penetration
- Small ecommerce market today, but rapid ecommerce growth through 2023
- Strong overall chain retail growth
- Low current ecommerce penetration but strong potential for growth

![Indonesia](https://example.com/indonesia.png) ![Mexico](https://example.com/mexico.png) ![Canada](https://example.com/canada.png)

**Monitor**

- Small and under-developed online market and limited growth forecast
- Limited ecommerce development
- High risk markets (e.g. political turmoil)

![Russia](https://example.com/russia.png)

**Must-Win**

- Large digitally addressable population
- Well developed and scaled ecommerce market (ecommerce = >10% of total retail in 2023)
- High ecommerce growth forecast
- High credit/debit card penetration

![UK](https://example.com/uk.png) ![USA](https://example.com/united-states.png) ![China](https://example.com/china.png)

**Small & Mighty**

- Small population but well developed online penetration
- Consumers have strong propensity to purchase online

![UAE](https://example.com/uae.png) ![Singapore](https://example.com/singapore.png)

Source: PlanetRetail RNG, Internet World Stats, Newzoo Global Market Report 2018
1P sales dominate the Canadian ecommerce landscape

Amazon is the top ecommerce player in Canada by a large margin with USD2.4 billion ecommerce sales in 2018.

In 2017, for the first time, Amazon’s Canadian 3P sales overtook 1P. In 2018, 3P sales account for 52% of Amazon GMV.

The rest of the top 10 Canadian ecommerce retailers are led by Walmart and eBay, but most of the top players have similar online scale.

1P sales dominate in Canada, accounting for 78% of total ecommerce sales in 2018. 3P sales are slowly stealing share, driven predominantly by Amazon and eBay.
The Canadian ecommerce shopper

The age demographic of online Canadian shoppers is spread relatively evenly between the ages of 18-69.

Computers are the most common device used to purchase goods online. Using mobile phones to make online purchases has relatively low penetration, but has risen from 12% in 2014 to 36% in 2017.

Canadian shoppers most commonly purchase apparel, books, music, video and consumer electronics items online. Consumer electronics has the largest average basket size, owing to larger ticket items.

13% of shoppers purchased groceries online in 2016, with an average basket spend of USD56.

### MARKET OVERVIEW

**Canadian online shoppers by age group (%), 2016**
- Millennials (18-34 years): 30%
- Gen-Xers (35-49 years): 35%
- Boomers (50-69 years): 29%
- Pre-boomers (70+ years): 6%

**Top online categories in Canada, 2016**
- Apparel: USD70, 45%
- Books, music, video: USD45, 39%
- Consumer electronics: USD110, 36%
- Toys, hobbies, games: USD58, 30%
- Health & beauty: USD61, 27%

**Types of devices used to make online purchases (%), 2017**
- Computer: 88%
- Tablet: 26%
- Mobile phone: 36%
- TV: 1%

Source: PlanetRetail RNG, Canada Post: Growing Ecommerce in Canada, Canada Internet Registration Authority: Ecommerce Trends in Canada 2017
Unique Planning Factors in Canada
The unique factors shaping the Canadian ecommerce market

### Cross-Border

### North American Trade Regulations
- NAFTA ➔ USMCA

### Population Distribution

### Last Mile Fulfilment

Source: PlanetRetail RNG, census.gov, Deloitte Global Mobile Consumer Survey 2017, ONS, yougov.co.uk
The proximity of the US and ease of cross-border trade has slowed domestic ecommerce development

**Situation:** Canadian shoppers are ecommerce savvy and digitally connected. Due to the proximity of the US and the development of the ecommerce market there, Canadian consumers have been able to shop from US retailers, making it difficult for smaller, local competitors to compete with no early-mover advantage.

**Supplier Recommendations:**
- For multi-national brands, push to harmonise pricing across Canadian and US platforms that sell to Canada to avoid arbitrage and market conflict.
- Local brands should emphasise differentiation from US alternatives in product development and marketing – premiumisation or deep discounting, unique features, supplemental services, or unique, loyalty-building brand marketing can do this.

“Some estimates suggest that almost half of what online shoppers in Canada purchase is from foreign retail sites” – eMarketer, 2018

Source: PlanetRetail RNG, PayPal, eMarketer
Regulatory environment becoming more conducive to cross-border ecommerce

**Situation:** While not vastly different than NAFTA, the proposed trade agreement for the US, Canada and Mexico seeks to lower the barriers to cross-border commerce, raising the sales tax and import duty exemption amount for orders coming into Canada.

**Supplier Recommendations:**
- USMCA is a tailwind to already high cross-border activity from the US to Canadian shoppers, making greater assortment and pricing coordination across the two markets a priority.
- As local Canadian retailers see a defensive barrier decline in strength, consider new competitive requirements of local retailers, particularly on low price ranges.

### North American Trade Regulations

<table>
<thead>
<tr>
<th>Online orders from US</th>
<th>NAFTA</th>
<th>USMCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value requiring Canadian sales tax</td>
<td>&gt;CAD20</td>
<td>&gt;CAD40</td>
</tr>
<tr>
<td>Value requiring Canadian customs duties</td>
<td>&gt;CAD20</td>
<td>&gt;CAD150</td>
</tr>
</tbody>
</table>

**Implications**

**Canadian Shoppers**
- More low cost items available
- Greater selection of retailers and items
- Increased price competition potentially driving lower local prices

**US Retailers**
- Greater Canadian demand
- Lower logistics expenses delivering to Canada due to easier documentation requirements

**Canadian Retailers**
- Higher competition from US ecommerce retailers for low cost item sales
- Greater price competition, potentially resulting in lower prices
- Greater shopper base exposure to US retailer brands and erosion of own brand-perception

Source: PlanetRetail RNG
Ecommerce investment is focused on urban areas, but still serving highly distributed shoppers

**Situation:** Canada’s population is concentrated along its southern border and in urban centers. Ecommerce platforms face the dilemma of deciding which customers to serve, faced with the expense of fulfilling orders in rural areas. Given the relative sophistication of the Canadian consumer, even far flung shoppers expect some level of ecommerce service.

**Supplier Recommendations:**
- Ecommerce players will apply pressure on manufacturers to drive unit profitability despite high expense of serving some geographies. Suppliers should continue emphasising larger pack sizes, ecommerce-optimised packaging, and solution bundles to drive basket size and help profitability of individual orders.

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Canada has the lowest population density of the top ten ecommerce markets by sales volume

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**Canada's far North is terrified of losing Amazon Prime — and residents say it would be like 'pandemonium'**


Source: PlanetRetail RNG, Geopolitical Futures
Canadian retailers are expanding fulfilment capabilities, especially in grocery

**Situation:** All traditional retailers and pureplay operators are investing heavily in fulfilment infrastructure, particularly emphasising click-and-collect when a store network is available for use.

**Supplier Recommendations:**

- Manufacturers must consider how to drive impulse and basket-building through click-and-collect as in-store traffic declines.
- Retailer margins will be under as they increase ecommerce investments and serve shoppers with home delivery. This pressure will be passed onto manufacturers, who should consider assortment, pricing, and packaging strategies to improve online profitability.

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<table>
<thead>
<tr>
<th>Retailer</th>
<th>Delivery</th>
<th>C&amp;C</th>
<th>Online Grocery</th>
</tr>
</thead>
<tbody>
<tr>
<td>amazon.ca</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walmart</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Canadian Tire</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Sobeys</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Metro</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Shoppers Drug Mart</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Loblaws</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

Source: PlanetRetail RNG
Retailer Profiles
Amazon.ca sets the standards for the Canadian ecommerce market

Situation:

Amazon.ca utilises its extensive ecosystem strategy in Canada, rolling out shopper-centric programs to drive loyalty to the platform. However, Amazon.ca is relatively immature compared to Amazon’s other markets due to proximity of the US and ease of use for Canadians of the Amazon US platform.

Supplier Recommendations:

- Consider US to Canadian pricing harmonisation strategies to minimise the negative effects of Amazon cross-border sourcing in its 1P business.
- Enact distribution restrictions and controls related to marketplaces early within Canadian sales channels to minimise unauthorised or undesirable 3P listings on Amazon.ca.
- Strategically partner and lean-in with Amazon programs when they launch.

Amazon Canada Key Forecast

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce Sales (USD mn)</td>
<td>2,490</td>
<td>3,913</td>
</tr>
<tr>
<td>Retailer Share of Total Canada Ecommerce Sales</td>
<td>19.0%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Ecommerce Rank in Canada</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>CAGR, 2018-2023e</td>
<td></td>
<td>9.5%</td>
</tr>
<tr>
<td>Ecommerce Share of Total Retailer Sales</td>
<td>83.3%</td>
<td>85.0%</td>
</tr>
</tbody>
</table>

Amazon continues to expand its digital ecosystem in Canada

FC Investment:

- Adding a new British Columbia FC to reach 10 total in market
- All FCs currently clustered around commerce and population hubs of Toronto, Vancouver, Calgary, and Ottawa

Source: PlanetRetail RNG, Canadian Grocers
Walmart Canada engaging with multiple partners to fulfil from supercenter network

**Situation:**

By the end of FY18, Walmart.ca will become the 2nd biggest ecommerce player in Canada, overtaking Staples and eBay, thanks to the retailer’s investments in new distribution centres, flexible fulfilment options and third-party partnerships. A more expansive assortment via 3P seller hosting will also draw greater traffic.

**Supplier Recommendations:**

- Walmart should be a priority retail partner as an alternative to Amazon, but requires coordination of ecommerce teams in areas like price matching and seller acquisition competition due to the interplay of the marketplaces.
- Using the US as a leading indicator, Walmart.ca will heavily leverage stores for click-and-collect and look to define online grocery this way. Brands should prioritise this part of the Walmart online platform.

**Walmart Canada Key Forecast**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce Sales (USD mn)</td>
<td>875</td>
<td>1,411</td>
</tr>
<tr>
<td>Retailer Share of Total Canada Ecommerce Sales</td>
<td>6.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Ecommerce Rank in Canada</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>CAGR, 2018-2023e</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Ecommerce Share of Total Retailer Sales</td>
<td>5.2%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

**Walmart grocery fulfilment investments**

**Fresh grocery**

Building a new 300,000 sqft fresh grocery distribution centre in British Columbia.

This will expand its fulfillment capacity, reaching more areas and enabling faster delivery speeds.

**Home delivery**

Home delivery - started same-day grocery delivery in Toronto and Winnipeg via Instacart in 2H18.

Sustainable grocery delivery via Food-X in Vancouver. Orders are delivered by Food-X in reusable bags.

3rd party partners aid faster and more innovative last-mile delivery services, key to winning in e-grocery.

**Click-and-collect**

21 new instore pickup locations in 1H18, bringing total to 105 locations, plus 7 pickup locations via external partner, Penguin Pickup, in Toronto.

22 new grocery pickup locations in Regina, Halifax, Moncton, Victoria & Quebec City in 2H18. Will include mobile check-in feature for users to check in 30 mins before their scheduled pickup time.

Pickup Towers dispensing a shopper’s online orders in <1 minute to be added in early 2019 at 2 test locations in Ontario.

Source: PlanetRetail RNG, CTV News, Supermarket News, MobileSyrup
Canadian Tire leveraging brand equity while investing in fulfilment

Situation:

Canadian Tire, one of Canada's largest retailers, is challenged to compete with foreign rivals that are driving ecommerce investment in Canada. However, its deeply entrenched brand affinity with the Canadian shopper and its market-leading loyalty program can be a differentiator as it adds ecommerce capabilities.

Supplier Recommendations:

• Optimise placement for the most critical and highest viewership online banners, and consider how Triangle Rewards impacts online traffic.

• Partner early and collaboratively on its click-and-collect strategy, and encourage a high data sharing to understand growth by fulfilment model, including home delivery and click-and-collect.

Canadian Tire Key Forecast

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce Sales (USD mn)</td>
<td>115</td>
<td>153</td>
</tr>
<tr>
<td>Retailer Share of Total Canada Ecommerce Sales</td>
<td>0.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Ecommerce Rank in Canada</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>CAGR, 2018-2023e</td>
<td>5.9%</td>
<td></td>
</tr>
<tr>
<td>Ecommerce Share of Total Retailer Sales</td>
<td>1.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Leveraging its extensive store network

**Fulfilment**

**Home delivery** – started from select stores in 2H17 and has since expanded to ~20% of Canadian Tire stores. Home delivery is also offered at other Canadian Tire banners, including Mark’s and Spot Chek.

**Click-and-collect** – With 1,706 stores across Canada, the 3rd largest network behind Sobeys and Loblaw, Canadian Tire has an opportunity to win in click-and-collect but has been less aggressive in expanding it compared to rivals like Loblaw.

**Loyalty**

**Loyalty program** – revamping its iconic loyalty program, Triangle Rewards, which is a free loyalty and credit card program with 11 million members, to cover more of its instore and online banners (shown above), and offer enhanced customisation.

The move follows similar changes to rival (Loblaw) loyalty programs, allowing customers to earn and use points flexibly across banners in the store portfolio.

Source: PlanetRetail RNG, Canadian Tires, Red Lion
Sobeys looking to Ocado technology partnership to advance grocery offering

Situation:
Sobeys, Canada’s 2nd largest grocer, recently announced a partnership with UK online grocer Ocado, known for its leading online grocery ordering, automated warehousing, fulfilment and home delivery system.

Supplier Recommendations

- Optimise packaging for compatibility with automated grocery fulfillment centres and robotic capabilities.
- Ocado’s high volume automated FCs are best suited to urban areas with high order volumes and shopper densities, namely Toronto, Vancouver, and Ottawa. Brands should plan for these shopper types when developing ecommerce strategies with Sobeys.

Sobeys Key Forecast

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce Sales (USD mn)</td>
<td>85</td>
<td>100</td>
</tr>
<tr>
<td>Retailer Share of Total Canada Ecommerce Sales</td>
<td>0.7%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Ecommerce Rank in Canada</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>CAGR, 2018-2023e</td>
<td></td>
<td>3.2%</td>
</tr>
<tr>
<td>Ecommerce Share of Total Retailer Sales</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Sobeys and Ocado are partnering to build an automated warehouse that serves Ontario by 2020

Capabilities:

- Ocado Smart Platform software to power system
- Robotic order assembly
- Average 50 item order assembly time in under 5 minutes
- Most recent Ocado FCs in UK deploy 1,100 robots

Source: PlanetRetail RNG, Ocado.com
Metro building in-house capabilities and leveraging 3\textsuperscript{rd} party partnerships

**Situation:**

Metro, one of the largest Canadian grocery retailers, is a relatively new entrant to online grocery, but is growing the fastest due to partnerships with several last-mile delivery providers, developments of in-house logistics and fulfilment capabilities and the acquisition of meal-kit service company, MissFresh.

**Supplier Recommendations:**

- Review inventory planning and distribution capabilities in anticipation of tighter timeframes as Metro continues to expand its 3\textsuperscript{rd} party delivery partnerships.
- Seek early partnerships with emphasis on data sharing to understand competitive positioning and to inspire future product development.
- Focus on product content, including product titles and descriptions that are optimised for search performance, to be well-positioned as the platform grows.

**Metro Key Forecast**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce Sales (USD mn)</td>
<td>5.9</td>
<td>19</td>
</tr>
<tr>
<td>Retailer Share of Total Canada Ecommerce Sales</td>
<td>0.05%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Ecommerce Rank in Canada</td>
<td>79</td>
<td>61</td>
</tr>
<tr>
<td>CAGR, 2018-2023e</td>
<td>26.7%</td>
<td></td>
</tr>
<tr>
<td>Ecommerce Share of Total Retailer Sales</td>
<td>0.04%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Tackling fulfilment through a combination of in-house investments and 3\textsuperscript{rd} party partnerships

**In-house logistics and delivery capabilities**

- A new USD400 million automated **fresh distribution facility** in Toronto is slated to open by 2023.
- Launched **Metro To Home**, a last-mile delivery solution for manufacturers and retailers of appliances and other large and/or heavy items.

**3\textsuperscript{rd} party delivery partnerships**

- **Meal Kits** – Acquires MissFresh to enter ready meals market.
- **Last mile delivery** – partners with 3P delivery provider Pigeonship, and PUDO, and Penguin Pickup in 2H18 to offer same-day grocery delivery and click-and-collect.

Source: PlanetRetail RNG, Metro, CTV News, Supermarket News, MobileSyrup
Loblaw can leverage a large store network and an advanced home delivery reach

**Situation:**

Loblaw, the largest Canadian grocer and general merchandise retailer, has focused on expanding its click-and-collect sites and Instacart delivery partnership, as Amazon and Walmart step up investment. Loblaw is also investing in new loyalty programmes to deepen customer engagement.

**Supplier Recommendations**

- Top suppliers will support couponing initiatives with Instacart, due to Loblaw's relatively advanced relationship with the intermediary in Canada.
- Early click-and-collect partners will be able to shape their brands' placement and the data access from this offering.

**Ramping up its ecommerce business through click-and-collect and an Instacart delivery partnership**

<table>
<thead>
<tr>
<th>Loblaw Key Forecast</th>
<th>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce Sales (USD mn)</td>
<td>56</td>
<td>96</td>
</tr>
<tr>
<td>Retailer Share of Total Canada Ecommerce Sales</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Ecommerce Rank in Canada</td>
<td>39</td>
<td>38</td>
</tr>
<tr>
<td>CAGR, 2018-2023e</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td>Ecommerce Share of Total Retailer Sales</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**Fulfilment**

Click-and-collect – plans 500 sites in FY18, bringing the total to 700, with opportunity for more locations across its 2,416 store network.

Home delivery – expand partnership with Instacart from 11 to 16 cities by end of 2018.

Loblaw expects to offer **home delivery to 70% of Canadians** by end of 2018, up from 50% in 2017.

**Loyalty**

PC Insiders – new subscription-based loyalty programme, which builds on Loblaw's existing free loyalty program, PC Optimum.

Shoppers get discounts and reward points across several of Loblaw's banners both online and instore, including free shipping, 20% back in points, and 20x the regular PC Optimum points on all beautyboutique.ca orders.

By consolidating the program, Loblaw aims to gain a single view of the customer.

Source: PlanetRetail RNG, Retail Insider, PCInsiders.ca
Shoppers Drug Mart establishes premium online experiences

Situation:

Shoppers Drug Mart is a subsidiary of Loblaw and a leading beauty and pharmacy retailer in Canada. In an effort to diversify its online banners and capture a bigger share of the fast-growing health and beauty online segment, the retailer has launched 2 new health and beauty websites, wellwise.ca and shoppersdrugmart.ca.

Supplier Recommendations

- Health and Beauty suppliers should vie for premium positioning as these platforms define the development of the category online.
- Match assortment to banners and target shopper segments.

Shoppers Drug Mart diversifies its online destination with two new online sites

**Shoppersdrugmart.ca** - features hundreds of mass and luxury private label and international health and beauty brands.

**Wellwise.ca** - features healthcare products and personal care items targeted at the aging population, as well as an auto-subscription service that ships frequently-purchased items to shoppers’ homes.
Appendix
Canada Ecommerce Sales (USD bn) and Share (%) of Total Chain Retail Sales

Source: PlanetRetail RNG. Data sourced on 3 Oct 2018. Variations may occur on data sourced from the database after this time. Sales refer to chain retail sales.
Top 10 Retailers by Ecommerce Sales (USD bn) in Canada

Source: PlanetRetail RNG. Data sourced on 3 Oct 2018. Variations may occur on data sourced from the database after this time. Sales refer to chain retail sales.
Canada Chain Retail Sales by Channel (USD bn), 2018-2023e

Source: PlanetRetail RNG. Data sourced on 3 Oct 2018: Variations may occur on data sourced from the database after this time. Sales refer to chain retail sales.

*Other Channels*: Other category Specialists, Apparel Specialists, Department Stores, Convenience, Leisure, Consumer Electronics
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