

|| CA INDUSTRY (NAICS) REPORT 45411aCA

E-Commerce & Online Auctions in Canada

Click it: Increasing internet traffic volume has aided exceptional industry growth

Carlos Mieles | August 2019

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About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition This industry is made up of establishments that sell merchandise online through an online store or auction site. This industry excludes media and software that is streamed or downloaded online.

Major Players Amazon.com.ca Inc.

Main Activities

The primary activities of this industry:

Retailing computers, TVs and other electronics online

Retailing clothing and footwear online

Retailing other merchandise online

Retailing products through internet auction sites

The major products and services in this industry:

Apparel and accessories

Consumer electronics

Entertainment products

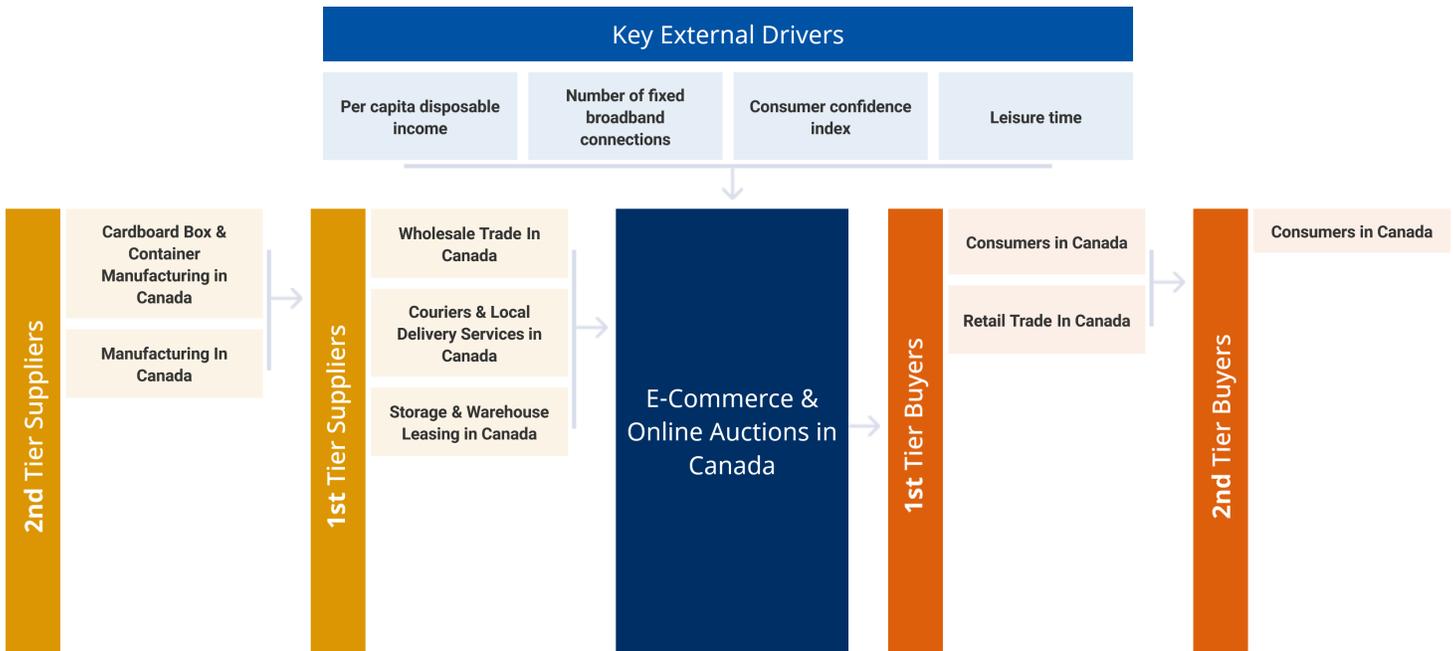
Health and beauty products

Grocery

Home goods and improvements

Other

Supply Chain



SIMILAR INDUSTRIES

<p>Consumer Electronics Stores in Canada</p> <p> Competitor</p>	<p>Pharmacies & Drug Stores in Canada</p> <p> Competitor</p>	<p>Beauty, Cosmetics & Fragrance Stores in Canada</p> <p> Competitor</p>	<p>Men's Clothing Stores in Canada</p> <p> Competitor</p>
<p>Women's Clothing Stores in Canada</p> <p> Competitor</p>	<p>Book Stores in Canada</p> <p> Competitor</p>	<p>Software Publishing in Canada</p> <p> Complementor</p>	

RELATED INTERNATIONAL INDUSTRIES

E-Commerce & Online Auctions in the US	Mail-Order & Online Shopping in China	E-Commerce & Online Auctions in the UK	E-Commerce in Ireland
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Industry at a Glance

Key Statistics

\$10.2bn
Revenue



\$726.2m
Profit



7.1%
Profit Margin



6,926
Businesses



13,610
Employment



509.5m
Wages



Key External Drivers

% = 2014-2019 Annual Growth



Industry Structure

POSITIVE IMPACT

Life Cycle Growth	Globalization Low
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MIXED IMPACT

Revenue Volatility Medium	Capital Intensity Medium
Concentration Medium	Regulation Medium
Technology Change Medium	

NEGATIVE IMPACT

Industry Assistance Low	Barriers to Entry Low
Competition High	

Key Trends

- Innovation in payment methods has drawn reluctant customers to make online purchases
- The transition to online shopping has greatly increased during the current period
- Low barriers to entry have brought many new entrants into the industry
- The industry is expected to benefit from changes in consumer preferences
- The number of fixed broadband connections is anticipated to grow over the next five years
- Regulated credit card transaction fees will likely help slow competition
- Industry profit has expanded as a result of steady revenue growth

Products & Services Segmentation



Major Players

% = share of industry revenue



- 49.2% Amazon.com.ca Inc.
- 50.8% Other

E-Commerce & Online Auctions
Source: IBISWorld

SWOT

- S STRENGTHS**
 - Low & Increasing Level of Assistance
 - Growth Life Cycle Stage
 - Low Imports
 - High Profit vs. Sector Average
 - Low Customer Class Concentration
 - Low Product/Service Concentration
 - High Revenue per Employee

- W WEAKNESSES**
 - Low & Steady Barriers to Entry
 - High Competition
 - High Capital Requirements

- O OPPORTUNITIES**
 - Very High Revenue Growth (2005-2019)
 - High Revenue Growth (2014-2019)
 - High Revenue Growth (2019-2024)
 - High Performance Drivers
 - Leisure time

- T THREATS**
 - Low Outlier Growth
 - Per capita disposable income

Executive Summary

The E-commerce and Online Auctions industry in Canada composes of retailers that primarily sell their products online.

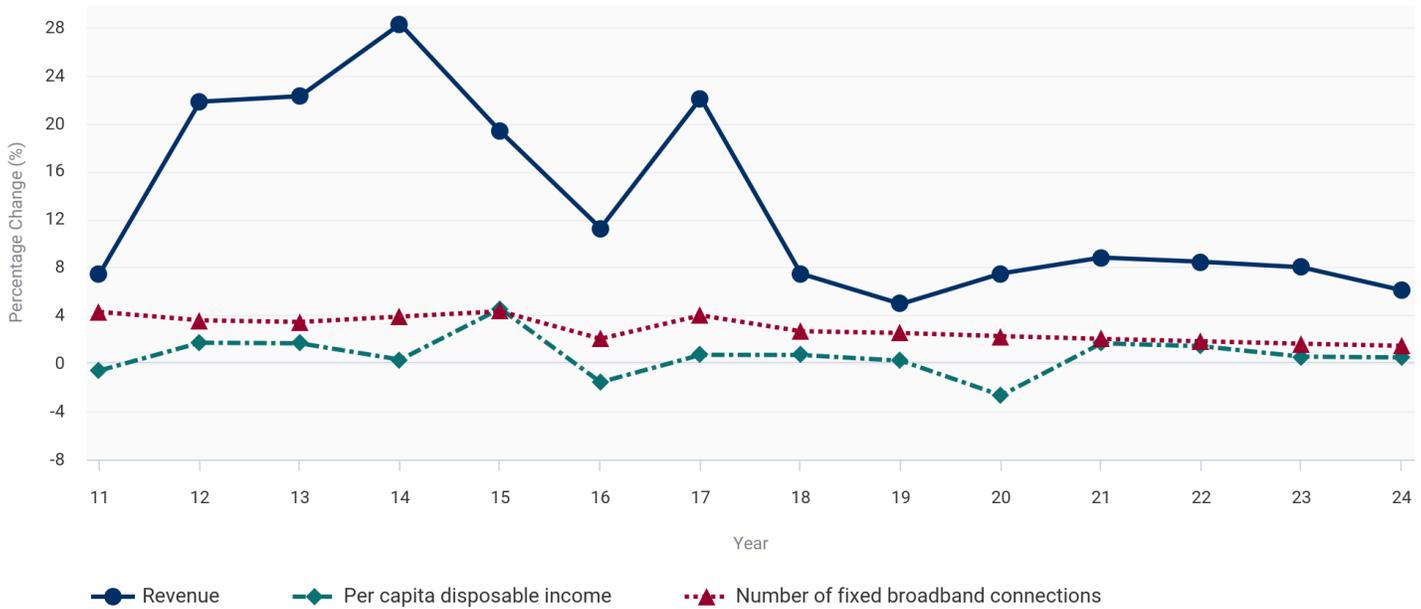
Accelerated by the rising number of internet connections, industry revenue is expected to post strong gains, increasing at an annualized rate of 12.8% to \$10.2 billion over the five years to 2019. Revenue is forecast to rise 5.0% in 2019 alone as more Canadians, persuaded by increasingly easy-to-use and secure websites, shift their shopping online. The exceptional rate of growth in this industry is aided in part by the increasing internet traffic volume (e.g. number of fixed broadband and mobile connections), disposable income and reduced unemployment. As a result of this steady growth, the average industry profit margin has also expanded simultaneously.

As internet traffic increases and online shopping becomes more popular, retailers are expanding the products they carry to include common household goods, such as grocery and cleaning products. Hard-to-find niche products or products that are no longer being produced have also found a place in online markets because retailers do not have to contend with limited shelf space. As product ranges have grown, so has the number of industry operators. While the industry attracted many new entrants, Amazon.com.ca Inc. (Amazon Canada) has gained a dominant market share. In 2013, the company launched its popular Amazon Prime service in Canada, boosting revenue, and has expanded in subsequent years to dominate the industry. The membership service provides free two-day shipping, encouraging consumers to use Amazon over other e-commerce sites. Amazon Canada's revenue is anticipated to outpace the broader industry, and this rapid growth is indicative of its dominance in the industry.

Over the five years to 2024, revenue growth will likely slow down, but is anticipated continue to remain strong due to accelerated growth in disposable income. Revenue is expected to rise at an annualized rate of 7.8% to \$14.9 billion over the five years to 2024. Ultimately, the industry will likely continue growing, and with numerous opportunities for new entrants due to low barriers to entry, the number of enterprises is also expected to rise moving forward.

Industry Performance

Key External Drivers 2011–2024



E-Commerce & Online Auctions
Source: IBISWorld

Key External Drivers

Per capita disposable income

Disposable income is a deciding factor in determining the quantity and quality of online purchases. Changes in income can occur because of movements in wages, government benefits, unemployment levels, tax rates and returns on assets. Per capita disposable income is expected to increase in 2019, representing a potential opportunity for industry growth.

Number of fixed broadband connections

When more households have access to broadband internet, they are more likely to make online purchases due to the speed gains derived from a rapidly evolving broadband connection. The number of broadband connections is expected to increase in 2019, which is expected to bolster industry expansion.

Consumer confidence index

Consumers typically purchase more discretionary products during strong economic times and the Consumer Confidence Index measures consumer optimism. Higher values mean that consumers are more likely to spend than save in the near-term, especially for more expensive purchases. The Consumer Confidence Index is expected to decrease in 2019, posing a potential threat to the industry.

Leisure time

Time-strapped consumers are more likely to use online shopping due to the convenience of ordering from a smartphone or computer. As a result, demand for online shopping benefits from limited leisure time, which is typically linked to employment levels. Leisure time is expected to increase slightly in 2019.

Industry Performance 2011-2024



E-Commerce & Online Auctions
Source: IBISWorld

Current Performance

Though Canadians have been slower than other industrialized nations to adopt online shopping habits, operators in the E-Commerce and Online Auctions industry in Canada have experienced sustained growth over the five years to 2019, as major companies from other countries, chiefly Amazon.com Inc.

(Amazon) from the United States, expand their services domestically. Industry revenue is expected to increase an annualized 12.8% to \$10.2 billion over the five years to 2019, including a 5.0% growth in 2019 alone. Along with the retail sector as a whole, industry operators have benefited from a positive economic climate, as higher disposable income and improved consumer confidence have encouraged individuals to spend more money, while a rising number of broadband connections has enabled more people to go online.

Ultimately, this report examines the domestic industry rather than the entire market for online retail in Canada. This marks a crucial distinction between domestic

demand that is satisfied by domestic operators or foreign companies with operations located domestically, and demand that is satisfied by foreign competitors without a warehouse in the country or an online presence in the country, delineated by a .ca website. For example, while the domestic industry is valued at just over \$10.2 billion according to IBISWorld estimates, total domestic spending for online sales is vastly larger. According to eMarketer's latest forecast for the Canadian e-commerce market, Canadians spend \$64.6 billion online.

Technology leads the way

As the internet increasingly becomes a crucial aspect of everyday life, consumers are leveraging the convenience of online shopping and purchasing a greater range of products from their electronic devices.

The costs of obtaining an internet connection and internet-capable devices, such as a computer or mobile device, have declined considerably and has facilitated widespread connectivity. This has made it easy for consumers to connect to the internet. Furthermore, the internet's speed, increasing bandwidth and connection stability have made online shopping more attractive to consumers. The number of fixed broadband connections is expected to increase at an annualized rate of 3.5% during the five-year period. More consumers with internet access means that more consumers have access to online retailers, increasing the likelihood that they will purchase goods from industry operators.

Additionally, innovation in payment methods has drawn reluctant customers to make online purchases. Services, such as PayPal, have built a reputation for being secure and convenient. Security concerns about online payment transactions, which consumers expressed in the early days of online shopping, have largely faded, although they still persist to a degree, which limits more robust industry expansion. The industry's payment processes are also designed for convenience. For instance, PayPal enabled the use of personal online accounts, making it easier for consumers to transfer funds to a retailer from their credit cards or bank accounts without disclosing any financial details. Amazon also pioneered the one-click ordering payment method, which enables consumers to buy goods with default payment methods stored on their accounts to increase the convenience of shopping online.

Demographics and shopping trends

Canada is one of the most plugged-in countries in the world.

One reason for the slow adoption of internet shopping habits is the country's demography. Most Canadians live in an urban environment where retail stores are located close to living spaces, providing convenience and reducing the benefit of having products delivered directly to consumers' doors. This is the opposite of the United States, where much of the population lives in a suburban environment, and it may be difficult or time-consuming to go out and purchase items at physical locations. Furthermore, because Canadian retailers have been relatively slower to invest in online shopping infrastructure, many of the deals online are comparable with those in stores, despite these retailers not having to maintain a storefront. Still, the transition to online shopping has greatly increased during the current period.

According to eMarketer, online sales accounted for 10.0% of retail sales in 2019, which represents a substantial increase from 5.2% in 2014, which provides evidence for changing consumer shopping habits. This is the primary catalyst that has driven industry sales upward during the current period and is expected to persist in the coming years. Nonetheless, the disparity between US and Canadian online shopping habits are still profound, with online sales expected to account for 11.1% of total retail sales, according to eMarketer estimates. Although the ratio between US and Canadian e-commerce penetration rates has decreased during the current period, it suggests an analogous growth in online retail across the continent.

Industry landscape

Revenue has risen alongside profit margins.

Online retailers do not incur the high labour and rent costs associated with brick-and-mortar stores. However, the industry's low barriers to entry have translated to many new players entering the industry. Several small players have hampered profit growth during the period, although Amazon.com.ca Inc. (Amazon Canada) expansionary strategies have led to a consolidation that skews profit margins upward despite this trend. Consequently, profit, measured as earnings before interest and taxes, is expected to comprise 7.1% of revenue in 2019, up substantially from 6.1% in 2014, alongside skyrocketing demand. Rising demand, coupled with the increased market share of profitable players, has boosted industry margins considerably. Larger players benefit from lower per-customer costs through economies of scale and strong buyer power, enabling these companies to competitively price their products while maintaining superior returns.

Meanwhile, the low barriers to entry and few skill requirements have brought many new entrants into the industry over the past five years. Start-up costs are minimal and online platforms, such as Shopify Inc. (Shopify), have enabled potential entrants to launch an e-commerce site with minimal technical skills. Amazon Canada holds a notable share of the market, though small companies make up the majority of industry enterprises. Attracted by growing demand, the number of operators is expected to rise an annualized 11.3% to 6,549 companies over the five years to 2019. Likewise, employment is projected to grow an annualized 12.1% to 13,610 workers during the same period. Plus, the rising number of industry operators has increased the need for skilled employees to help grow businesses and maintain websites for operators that do not use platforms, such as Shopify, which has led to wages rising at a similar pace.

Historical Performance Data

Year	Revenue (\$m)	IVA (\$m)	Estab. (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Total retail sales (\$b)
2010	2,720	314	2,662	2,363	3,767	N/A	N/A	141	N/A	420
2011	2,924	328	2,896	2,612	4,112	N/A	N/A	144	N/A	427
2012	3,562	436	3,199	2,934	5,209	N/A	N/A	214	N/A	432
2013	4,356	444	3,817	3,522	5,983	N/A	N/A	239	N/A	439
2014	5,589	699	4,113	3,826	7,679	N/A	N/A	296	N/A	453
2015	6,670	820	4,492	4,187	9,026	N/A	N/A	351	N/A	459
2016	7,423	1,032	4,702	4,390	10,390	N/A	N/A	385	N/A	480

Year	Revenue (\$m)	IVA (\$m)	Estab. (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Total retail sales (\$b)
2017	9,065	1,203	5,468	5,130	11,576	N/A	N/A	429	N/A	505
2018	9,744	1,233	6,344	5,980	11,730	N/A	N/A	473	N/A	514
2019	10,228	1,331	6,926	6,549	13,610	N/A	N/A	510	N/A	518

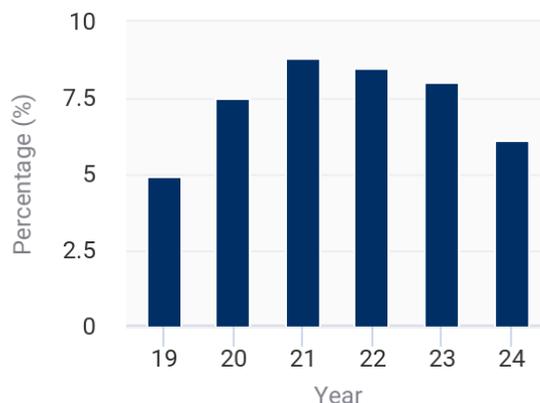
Industry Outlook

Outlook

The E-Commerce and Online Auctions industry in Canada is forecast to boom over the five years to 2024, undergirded by the same patterns that instigated robust industry expansion over the five years to 2019.

However, high levels of household debt are projected to hamper consumer confidence and limit the industry's growth as compared with the past five years. Nonetheless, more Canadian consumers are expected to buy items online over the next five years as e-commerce becomes a more accepted platform for retail sales. Accordingly, revenue is expected to increase an annualized 7.8% to \$14.9 billion over the five years to 2024 as Canadian consumers continue to embrace online shopping.

Industry Outlook
2019–2024



E-Commerce & Online Auctions
Source: IBISWorld

The industry's projected growth is the result of several economic factors. Chief among these factors, per capita disposable income is expected to rise at an annualized rate of 2.7% over the five years to 2024, according to IBISWorld estimates. When income increases, consumers are more willing to spend, benefitting the entire retail sector. Indeed, IBISWorld projects total retail sales in Canada to climb an annualized 1.4% during the outlook period, supporting the industry's expansion. The increasing adoption of online shopping into consumers' habits will likely further aid the industry. As payment methods become more convenient and secure, and e-tailers invest in infrastructure to make their websites more appealing and user friendly, industry revenue is forecast to rise in turn.

Consumer preferences

The industry is expected to additionally benefit from changes in consumer preferences.

Rather than spending more on goods in department stores or other retail outlets, consumers are anticipated to increasingly turn to less costly and more diverse options offered online. As a result of this shift in customer tendencies, the industry is expected to sustain its growth. Online retailers will likely also continue to benefit from low operating costs compared with brick-and-mortar competitors due to no rent, staff or operating physical stores. To this end, profit is projected to decrease over the next five years due to the continued entry of new companies. Thus, companies will likely continue to seek ways to improve their productivity and efficiency.

Internet traffic volume is expected to also continue to steadily increase over the next five years, further contributing to industry growth. The number of fixed broadband connections, a measure of internet use, is anticipated to grow an annualized 2.9% over the five years to 2024. As consumers gain easier and more convenient access to the internet with improved technology and the popularity of mobile devices, more consumers will likely have access to online retailers and shop at online industry establishments. Indeed, IBISWorld expects the number of mobile telephone subscriptions to grow similarly at an annualized rate of 3.4% during the outlook period, further undergirding industry expansion.

Regulation to improve

Regulated credit card transaction fees will likely help slow competition over the next five years.

For example, in 2020, Visa Inc. and Mastercard Incorporated will reduce the annualized effective rate fee that businesses are charged, reducing them from 1.5% to 1.4%. While it is not as low as retailers want, continued efforts to reduce these fees will likely continue over the five years to 2024. Regardless, once-hesitant legacy retailers are expected to build up their Canadian web-retail operations and the overall online user experience for shoppers will likely improve, levelling the playing field among online and brick-and-mortar retailers. Competition within the industry is anticipated to remain largely based on reputation and reliability, as has been the case historically in the retail sector. Canada's expansive landscape will likely lead to a rise in shipping and handling costs as a point of differentiation among players, as companies compete to provide timely product delivery and refunds. Delivery can quickly be a major point of differentiation for industry operators, evidenced by the success of Amazon Prime service.

Ultimately, to increase their customer base, online retailers will continue to improve the online sales process. These efforts will likely include offering more accurate product descriptions and pictures, more competitive prices, lower freight and delivery costs and faster shipping times. Furthermore, operators are expected to gradually place a greater emphasis on customer service, increasing efforts to meet the various needs of online shoppers.

Consequently, the industry is expected to continue its rapid expansion to support strong revenue growth. The number of operators is anticipated to grow at an annualized rate of 9.9% to 10,514 companies over the five years to 2024. Employment growth is expected to be strong, as expanding warehouses need to be staffed and will likely need to be supplemented with logistics professionals and digital infrastructure technicians and developers. Accordingly, the number of employees is expected to rise at an annualized rate of 9.0% to 20,988 workers during the five-year period. Slower employment growth compared with the previous five-year period signifies that companies will likely continue to reduce the number of workers per establishment, possibly due to technological efficiencies.

Performance Outlook Data

Year	Revenue	IVA	Estab.	Enterprises	Employment	Exports	Imports	Wages	Domestic Demand	Total retail sales
	(\$m)	(\$m)	(Units)	(Units)	(Units)	(\$m)	(\$m)	(\$m)	(\$m)	(\$b)
2019	10,228	1,331	6,926	6,549	13,610	N/A	N/A	510	N/A	518
2020	10,995	1,436	7,623	7,223	14,903	N/A	N/A	556	N/A	524
2021	11,966	1,558	8,370	7,939	16,408	N/A	N/A	611	N/A	532
2022	12,982	1,686	9,194	8,730	17,946	N/A	N/A	667	N/A	540
2023	14,024	1,817	10,088	9,591	19,533	N/A	N/A	725	N/A	549
2024	14,881	1,923	11,034	10,514	20,988	N/A	N/A	777	N/A	558

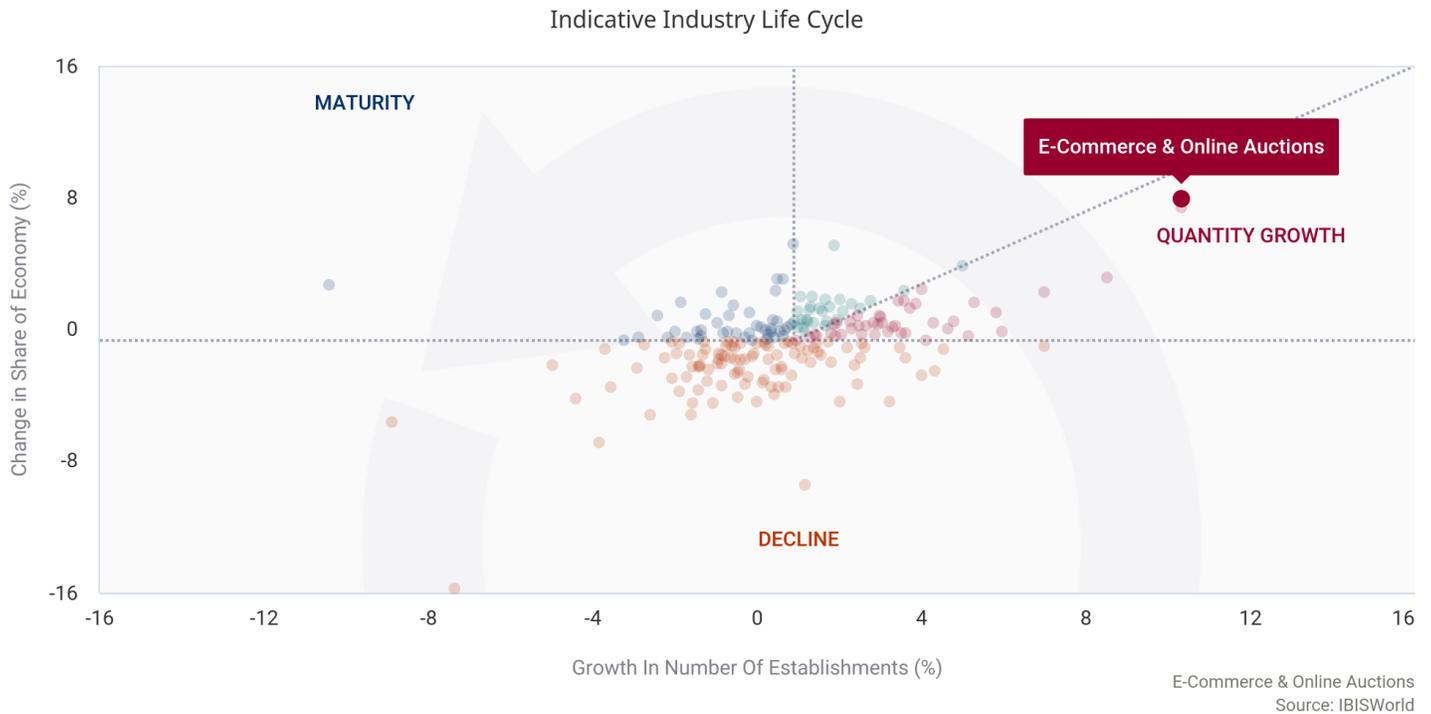
Industry Life Cycle The life cycle stage of this industry is ✔ Growth

LIFE CYCLE REASONS

IVA growth will outpace GDP growth during the 10-year period

Technology change has positively affected the industry

Low barriers to entry have led to a steady increase in new entrants



Industry value added (IVA), which measures an industry's contribution to the economy, is expected to increase at an annualized rate of 10.7% over the 10 year to 2024 for the E-Commerce and Online Auctions industry in Canada. Meanwhile, Canada's GDP is forecast to rise at an annualized rate of 1.7% during the same period. A growing industry is typically characterized by vast quantities of new entrants, increasing demand for industry products and services, very high rates of technological innovation and intense competition. The industry is an example of all

of these traits, and its growth is further evidenced by the aforementioned rise in IVA during the 10-year period, which far exceeds the expansion rate of the national economy.

Over the 10 years to 2024, rising high-speed internet services have increased the accessibility of e-commerce and are expected to contribute to the industry's growth. The internet's increasing speed has enabled more consumers to use the internet to buy products without experiencing any lag time. As a result of this convenience, more consumers have been able to make purchases online. Also, the decreasing price of most technological products is driving the boost in internet connectivity. The industry's low barriers to entry and skill requirements have contributed to the increase in industry operators as well since companies such as Shopify Inc. make it easy for people to start an online retail store through its proprietary e-commerce software. Low barriers to entry also enable established companies such as Amazon.com Inc. to enter Canada to the detriment of smaller operators, hence its vast market share compared with the numerous smaller operators that characterize the industry.

Ultimately, the industry is expected to grow significantly as, according to eMarketer, online sales accounted for 10.0% of retail sales in 2019, which represents a substantial increase from 5.2% in 2014, which provides evidence for changing consumer shopping habits. This doubling in significance is the primary catalyst that has driven industry sales upward during the current period and is expected to persist in the coming years.

Products and Markets

Supply Chain

KEY BUYING INDUSTRIES

1st Tier

Consumers in Canada

Retail Trade In Canada

2nd Tier

Consumers in Canada

KEY SELLING INDUSTRIES

1st Tier

Wholesale Trade In Canada

Couriers & Local Delivery Services in Canada

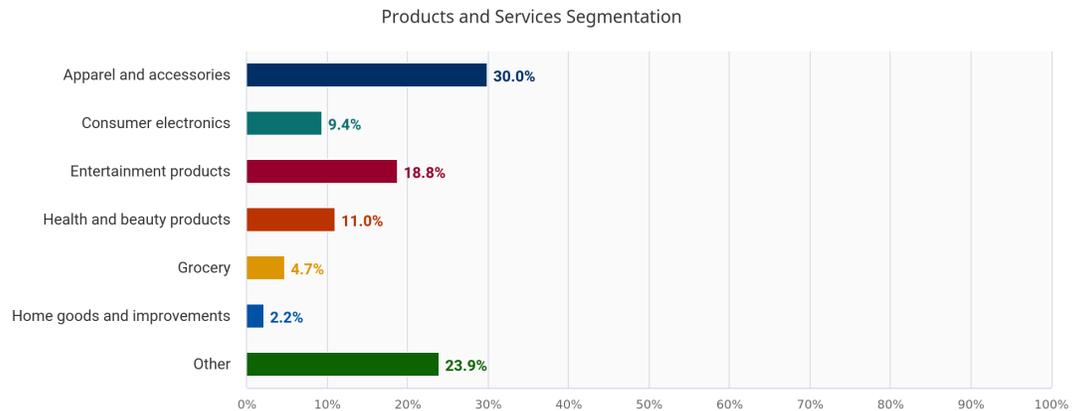
Storage & Warehouse Leasing in Canada

2nd Tier

Cardboard Box & Container Manufacturing in Canada

Manufacturing In Canada

Products and Services



2019 INDUSTRY REVENUE

\$10.2bn

E-Commerce & Online Auctions
Source: IBISWorld

The E-Commerce and Online Auctions industry in Canada is characterized by the process of sale rather than the goods it offers.

Therefore, each of these retailers carries a diverse array of products and generally fall in line with the product offerings of big-box retailers that dominate the industry.

Entertainment products and services

This segment includes books, music, videos, toys, hobbies, concert tickets, mobile apps, movies and TV and games.

Currently representing 18.8% of revenue in 2019, leisure products and services are a direct result of higher levels of disposable income, leisure time and a growing diversity of entertainment options online. This segment will likely increase over the five years to 2024 as consumers increasingly look to the internet for product review and eventually for purchase as well. Moreover, book, music and game reviews are centralized online, often on a retailer's website, making the decision to buy a much simpler process.

Apparel and accessories

Accounting for 30.0% of industry revenue in 2019, fashion items are one of the highest selling segments in e-commerce.

This segment includes clothing, undergarments, footwear and jewellery. Footwear accounts for one-fifth of all sales in this segment, while jewellery only comprises one-sixth of all sales. In a world inundated with the dominance of big-box retailers and brand name clothing, many niche products help people stand out in a crowd. Consumers often find new fashion trends or unbranded items online. Furthermore, many smaller fashion outlets may not have brick and mortar stores in Canada while others may not even have a physical location, forcing customers to purchase their wares online.

Consumer electronics

Similar to the entertainment segment, consumer electronics directly benefit from disposable income levels and leisure time.

However, consumer electronics also include mobile devices and hardware that are essential to our everyday lives, making this segment less dependent on these two factors. Computers, mobile devices and video game consoles make up a bulk of this segment's sales, currently representing 9.4% of industry revenue in 2019.

Home goods and improvement

Canadian home ownership is on the rise and has been over the five years to 2019 amid a positive economic outlook.

Consequently, so are the sales of home goods and home improvement machinery. Paint, screws, nails, hand tools, power tools and gardening supplies represent 2.2% of industry revenue in 2019. As more Canadians dedicate their leisure time and disposable income toward projects on homes, this segment will likely grow over the next few years.

Health and beauty products

An increasingly health conscious Canadian populace is a boon to industry operators that derive 11.0% of their sales from health and beauty products in 2019.

Improvements in over-the-counter medicines and the constantly evolving world of beauty products consistently deliver a solid revenue stream for the industry.

Furthermore, the preponderance of social media encourages people to look their best for the camera, driving industry revenue.

Grocery

While still a small segment of industry revenue, grocery products will likely become a key product offering in the future.

Evidenced by Amazon.com Inc.'s acquisition of Whole Foods Market Inc., a US high-end grocery store, the turn to online grocery shopping may become the norm, especially for busy parents and health-conscious consumers without local offerings of niche products such as organic or sustainably raised products. Currently, grocery items represent 4.7% of industry revenue in 2019.

Other

Other products are varied and are expected to account for 23.9% of industry revenue in 2019.

One example of products in this category are sporting goods have become a major product group within this category. Alongside the increasing health consciousness among Canadians is an embrace of physical fitness. Sporting goods are an essential part of maintaining a healthy lifestyle. Gym equipment, supplementary nutrition and specialized accessories are difficult to locate in brick and mortar stores, encouraging many to turn to the internet for specialized and niche products.

Demand Determinants

Fluctuations in household disposable income and consumer confidence affect the timing and quantity of merchandise purchased both in person or online for operators in the E-Commerce and Online Auctions industry in Canada.

However, unique to this industry, the number of broadband connections also has a large influence on the extent to which consumers browse or shop online. Additionally, Canada has a large urban population, leading many consumers to reside near retail stores and shopping centres. Consequently, the convenience that online shopping affords many countries does not have the same effect that it does in Canada because of the population density in a few integral urban markets. Consumers often do their research online and make purchases in brick-and-mortar locations, whose sales are not included in the industry. However, this pattern that has defined domestic consumption patterns over the past decade, shows signs of reversing.

Bricks over clicks

The internet enables customers to conveniently browse and research different goods from their home or mobile device.

The ease with which the internet can be used for research enables consumers to browse competing online stores at the click of a mouse and catalogues for brick-

and-mortar stores. The trend of webrooming, as opposed to showrooming, is quite prevalent in Canada, which harms industry operators while using their meticulously crafted online platforms. Canadians go online to conveniently research and examine goods then go to their neighbourhood brick-and-mortar retailer to make their final purchase. Consumers often prefer to buy items, especially expensive items, in store to test out the items and make sure they are getting exactly what they want.

Consumers will likely also judge the safety, reliability and privacy of ordering goods through the internet before placing an order. Ultimately, consumers with higher education and knowledge of computers and the internet will be more likely to make online purchases.

Changing preferences

The trend of webrooming is likely to become less prevalent in the coming years, evidenced by the growing proportion of e-commerce sales as a share of total retail sales in Canada.

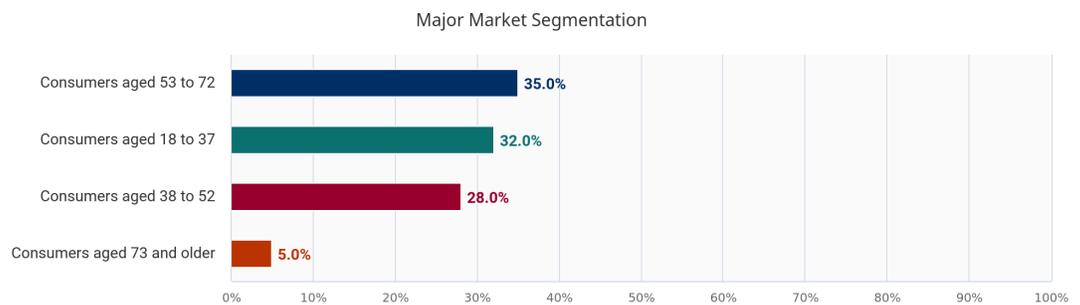
As the number of internet connections, consumer confidence and per capita disposable income rise, consumers are likely to increase their online shopping. Often, prices for online goods are lower than those of traditional retail stores because many of the costs associated with operating physical stores, such as rent, utilities and employees, are eliminated through electronic commerce. Therefore, these savings can be passed down in the form of lower prices to consumers. Consumers will likely be enticed by the less-costly options offered online and become more comfortable with making purchases online as a greater array of services shift online and the internet becomes even more widespread.

Product availability

Operators should ensure that their product range is as extensive, if not more extensive, as those found in traditional brick-and-mortar stores.

This will entice consumers to turn to online retailers for hard to find items, driving demand for products sold online. Online retailers have the advantage of stocking a large variety of merchandise, given that they are not constrained by limited shelf space.

Major Markets



2019 INDUSTRY REVENUE

\$10.2bn

E-Commerce & Online Auctions
Source: IBISWorld

The Canadian E-Commerce and Online Auctions industry's market segments have remained relatively stable over the five years to 2019 despite exceptional revenue growth. Recent trends indicate a strong correlation between consumer income and the probability of shopping online. Additionally, more educated and computer-literate consumers are likely to buy online. Conversely, older consumers that were reluctant to purchase goods online, due to their lower internet penetration rates early during the period, have grown notably as a share of industry revenue by virtue of the low base of internet use in comparison with other consumer segments. Confidence in the system, technology constraints and concerns about divulging personal and financial details may also hinder consumer's willingness to shop online.

Consumers aged 18 to 37

Consumers aged between 18 and 37 represent 32.0% of industry revenue in 2019. Although consumers in this segment tend to have a lower disposable income due to the number of young adults and college students in the category, these consumers are comfortable with the internet and mobile devices. Additionally, consumers in this segment prefer to compare products and prices, which enables them to shop for the best value or deal online with greater ease than going store to store. Over the five years to 2019, this segment is estimated to have increased in value, but decrease in terms of market share as older consumers, with more disposable income and lower internet penetration rates, have grown faster as a market of online products.

Consumers aged 38 to 52

Consumers aged between 38 and 52 are expected to generate 28.0% of total industry revenue in 2019. Consumers in this segment have significant exposure to the internet and can afford higher-priced goods, which boosts their percentage of revenue compared with other segments. Moreover, these time-strapped consumers, whom are often busy with work or family, are driven to e-commerce and online auctions by convenience and the ability to have products shipped directly to their doors. Sales from this consumer group have grown over the five years to 2019 as disposable income rises and new online retailers, such as Birchbox Inc., expand to Canada. However, similar to younger consumers, the growth rate is much lower than that of older consumer segments by virtue of the more widespread acceptance of e-commerce as a viable retail option during the beginning of the current period compared with older age groups.

Consumers aged 53 to 72

Consumers aged between 53 and 72 generate the largest amount of revenue, accounting for 35.0% of revenue in 2019. Many in this generation have slowly adapted to internet trends, favouring convenience over tradition. Moreover, with increased disposable income due to the emancipation of children for many in this segment, parents have the leftover cash to purchase leisure products. Time, money and a lack of children are a winning combination for e-commerce operators. Ultimately, older consumers had lower internet penetration rates that inflated their proportion of industry revenue during the five-year period by starting off from a low base.

Consumers aged 73 and older

Consumers aged 73 and older are the elderly population that tend to have a lot of leisure time, but little trust of or familiarity with the internet compared with younger consumers. Moreover, many of the highest selling products online, which include electronics, fashion and sports goods, are geared toward younger populations. Therefore, this segment only accounts for 5.0% of revenue in 2019. However, this represents the fastest growth of any consumer segment by virtue of the low base from which this age group began with in 2014.

International Trade

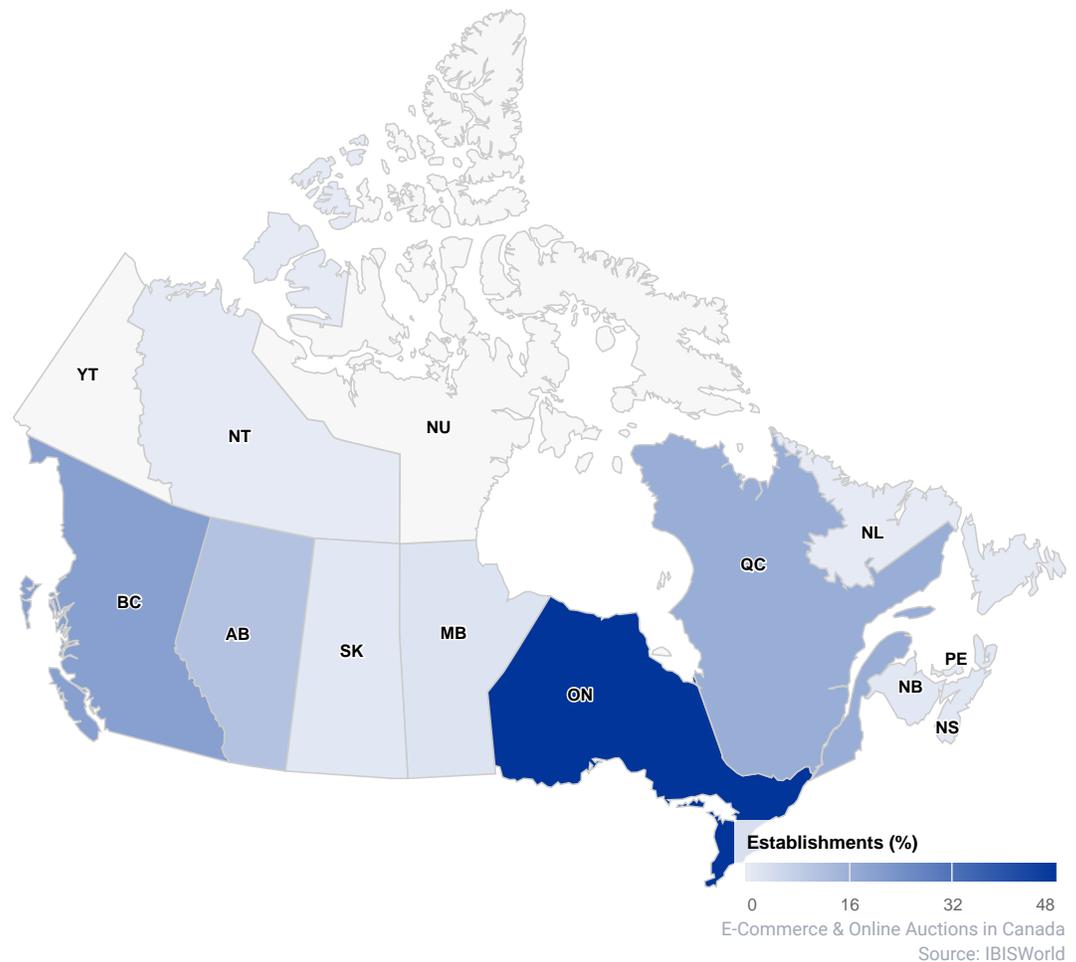
Exports in this industry are  **Low and Steady**

Imports in this industry are  **Low and Steady**

Operators in the Canadian E-Commerce and Online Auctions industry supply the domestic and international market through online websites. However, trade in goods supplied by retail industries is accounted for at the manufacturing level. As a result, import and export activity at the retail level is low and steady by convention. Nonetheless, international consumers are able to purchase a range of goods as efficiently as Canadian buyers. Furthermore, auction websites, such as eBay Inc., which is based in the United States, have many overseas sellers and buyers that actively participate in trade. Ultimately, while e-commerce is implicitly global, this report focuses on the domestic industry which only includes companies that operate in Canada, thereby omitting a substantial portion of total online retail sales, much of which is derived from foreign competitors, chiefly the United States.

Business Locations

Business Concentration in Canada



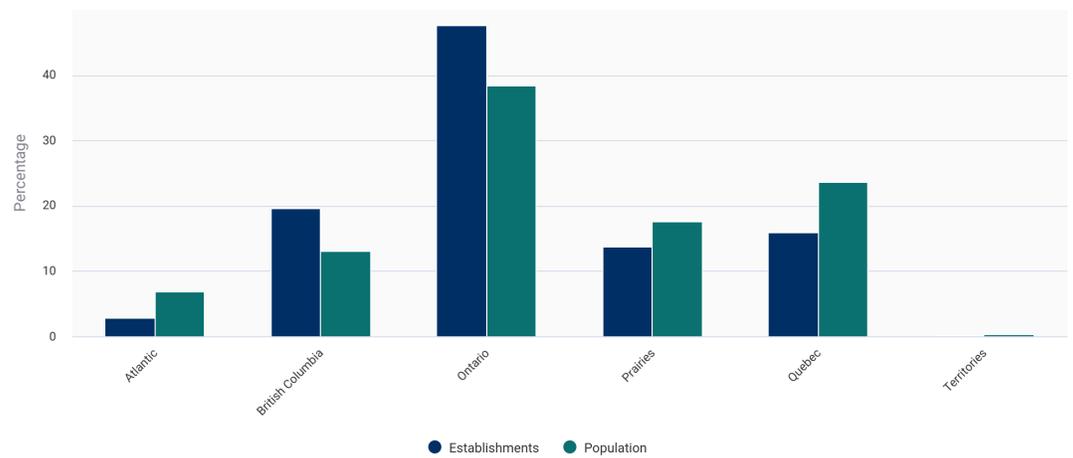
Due to the inherent characteristics of the E-Commerce and Online Auctions industry in Canada, operators can service customers across the country without having to be located in the same immediate area. This is dissimilar to the rest of the retail industry, where it is necessary for physical stores to be near customers. Online retailers, by contrast, only require a warehouse space to store goods, which are then delivered through a postal or courier service to the customer. However, largely populated regions are the most important to the industry because of their access to large labour supplies, trade and technology hubs.

Major provinces for online shopping include Ontario, which accounts for 47.6% of establishments in 2019; British Columbia, which accounts for 19.6%; and Quebec, which accounts for 16.0%. Ontario and Quebec are two of the most populous regions in Canada. However, the main reason for this distribution of establishments is that online sellers typically want to keep their warehouses near major import or export centres. In British Columbia, companies are near the coastal Pacific market, which provides access to the manufacturing powerhouse, China. Further, both Amazon.com Inc. and eBay Inc. are located in the west. Ontario and Quebec are main markets for trade across the Atlantic. Being on or connected to the Great Lakes gives these provinces an established transportation network with easy

access to imports from the United States, which is why Ontario has so many facilities.

Ontario is home to Toronto, Canada's largest city and one of its tech hubs. Waterloo is also located in Ontario and contains a cluster of tech companies. British Columbia contains Vancouver, a burgeoning tech hub. Being located in regions with technology centres can attract skilled coders and business personnel, which e-commerce companies can use to maintain their websites. Technology hubs can also provide a greater support network for smaller operators. Coincidentally, Amazon.com.ca Inc.'s operations and ongoing construction activity are most concentrated in Vancouver and the greater Toronto area, which reflects key trends in the industry moving forward.

Distribution of Establishments vs Population



E-Commerce & Online Auctions
Source: IBISWorld

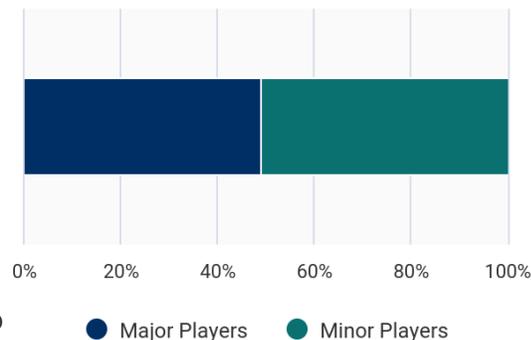
Competitive Landscape

Market Share Concentration

Concentration in this industry is ⊖ **Medium**

The E-Commerce and Online Auctions industry in Canada is characterized by a significant divergence between large players and small operators, with a medium level of market share concentration. Industry concentration has increased over the five years to 2019 due to merger and acquisition activity alongside foreign penetration of domestic markets, particularly Amazon Inc.'s expansionary initiatives nationwide. Large players are buying up smaller companies that offer innovative marketing methods to reach niche audiences. Further, acquisitions enable major players to expand their product mix and brand reach. Dominant player Amazon.com.ca Inc. (Amazon Canada) is estimated to account for 49.2% of industry revenue alone in 2019, and is by far the largest competitor domestically and worldwide.

Market Share Concentration



E-Commerce & Online Auctions
Source: IBISWorld

IBISWorld estimates that the majority of industry companies are small operators. Low barriers to entry for this industry ensure a lower market share concentration. While there are many companies that participate in the industry, there are very few that truly dominate due to their resources and marketing capabilities. This is evidenced by business counts according to Statistics Canada, which states that 97.9% of all industry establishments employ less than 100 people. Indeed, only two establishments employ more than 500 people and are both expected to be Amazon Canada's facilities, although Statistics Canada does not disclose this information. Further reinforcing this fragmented landscape, 62.9% of all industry establishments employ less than five people and 75.5% of industry establishments are considered nonemployers, which implicitly limits the scale of operations for a majority of industry establishments.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to control stock on hand: Successful operators will make supply orders that closely mirror customer shopping habits, keeping stock on hand low.

Ability to effectively change community behaviour: Successful operators are able to convince the community that purchasing online is superior to buying in a brick-and-mortar store.

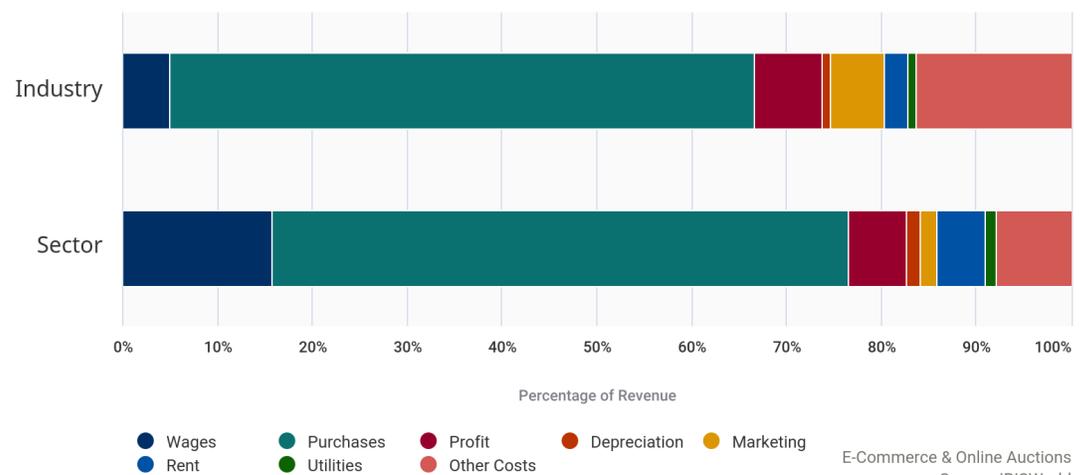
Provision of superior after-sales service: Shipment tracking, offering refunds and exchanges and establishing new shopping platforms as technology evolves are all ways that operators can provide superior after-sales service.

Having a loyal customer base: Having a loyal customer base attracts repeat buyers, ensuring continued sales. Building a base depends on strong before- and after-sales customer service.

Ability to quickly adopt new technology: Ever-changing technology and internet speeds require outfits to continually update their business to keep pace with improved technology. For instance, Amazon.com.ca Inc.'s use of robots has led to greater efficiency for picking and shipping.

Cost Structure Benchmarks

Cost Structure 2019



Profit

The industry's profit, measured as earnings before interest and taxes, is expected to account for 7.1% of industry revenue in 2019, compared with only 6.1% of revenue in 2014. Demand has continued to rise as consumers opt for the convenience of purchasing items online, leading to higher returns. Moreover, major companies that benefit from economies of scale, such as Amazon Canada, have expanded their market share over the five years to 2019, which has contributed to widening margins. Plus, the increasing utility of consumer data has been fundamental to gains in profitability and companies that can capitalize on using consumer information can realize more profitable returns on advertising. Further, while retail operations generally have relatively low profitability, industry operators, bereft of the need for major retail establishments and real estate holdings, have much lower overhead expenses, shoring up profit margins.

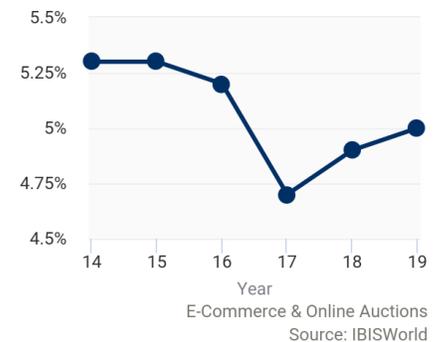
Profit as a Share of Revenue 2014-2019



Wages

Wages are a small component of the total cost structure because unlike other industries in the retail sector, online stores do not have a wide network of physical stores to staff with employees. As a result, industry wages account for an estimated 5.0% of revenue in 2019. Wage costs vary considerably based on the scale and product type of industry players. While most employees are warehouse technicians and manual labourers, the need for highly skilled tech-savvy employees drive up wages in the industry. Still, as the digital infrastructure for most major competitors has already been developed, the need for advanced employees has not kept up with the pace of revenue growth, resulting in a decrease in the share of revenue dedicated to wages during the current period.

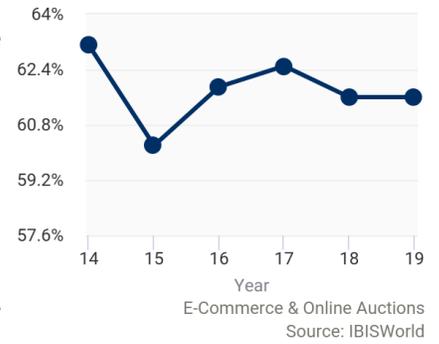
Wages as a Share of Revenue 2014-2019



Purchases

Purchases, the single biggest expenditure for industry operators, account for 61.6% of revenue in 2019, down marginally from 63.1% of revenue in 2014. Purchases consist of products bought from vendors, domestic or international, for resale to consumers. The volume of merchandise purchased follows overall sales trends for the year. As a large share of products sold by industry participants are manufactured abroad, many retailers purchase these goods for resale rather than manufacture them themselves, making purchases an integral part of any organization's cost structure. Furthermore, purchases also include payment for delivery and logistics systems, which the industry relies on to courier their products.

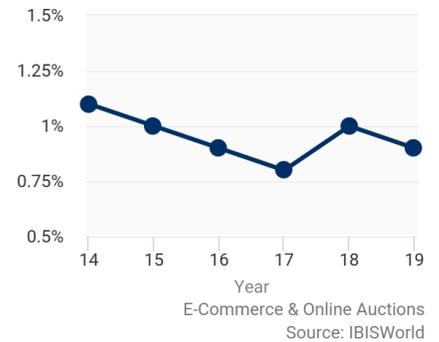
Purchases as a Share of Revenue 2014-2019



Depreciation

Depreciation costs vary among operators depending on their size and the number of assets involved. Operators have depreciation costs on furniture and fixtures, warehouse equipment, technology and internal-use software. Overall, depreciation expense has remained stable during the current period, accounting for 0.9% of revenue in 2019.

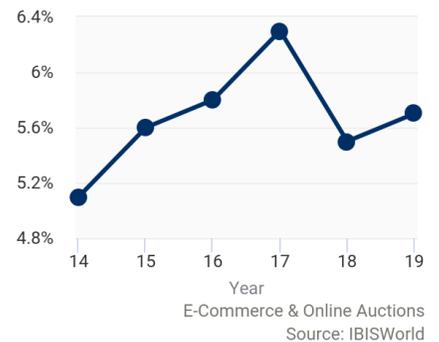
Depreciation as a Share of Revenue 2014-2019



Marketing

In 2019, marketing is expected to account for 5.7% of revenue. Advertisement has become increasingly vital as operators tend to compete on similar products. Methods include online advertisements through social media, printed publications, TV and audio streaming platforms.

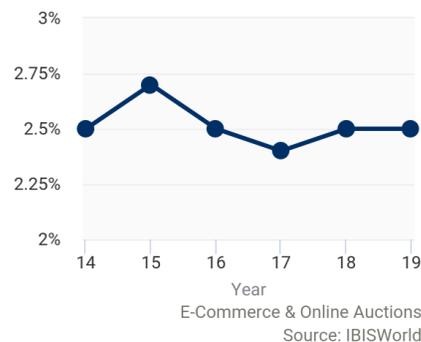
Marketing as a Share of Revenue 2014-2019



Rent

Rent is expected to account for 2.5% of industry revenue in 2019. Rent for industry operators is typically lower than other retail industries due to the lack of physical retail locations in high-traffic urban areas, thus costing more to rent. As a result, operators tend to locate their facilities near major distribution hubs to ease transportation and shipment costs.

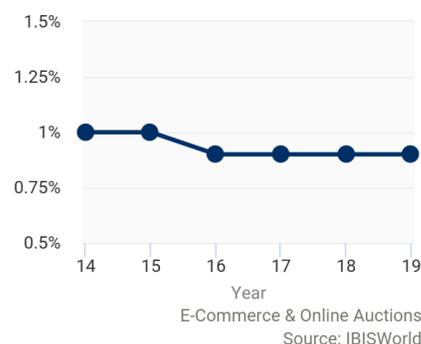
Rent as a Share of Revenue 2014-2019



Utilities

Utilities are expected to account for 0.9% of industry revenue in 2019 as most warehouses only require basic utilities such as electricity and water.

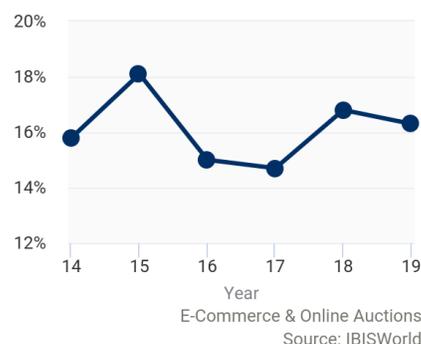
Utilities as a Share of Revenue 2014-2019



Other Costs

Other costs include insurance premiums, interest charges, administrative costs, selling expenditures, contract data services and accounting services, among others. Other costs are expected to account for 16.3% of industry revenue in 2019.

Other Costs as a Share of Revenue 2014-2019



Basis of Competition

Competition in this industry is **⚠ High and Steady**

Internal competition

In the E-Commerce and Online Auctions industry in Canada, consumers are not able to physically examine products before buying them.

Therefore, the more detailed product descriptions or pictures are, the more peace of mind the online shopper will have. Successful operators include descriptions

detailing colour, size, material, functionality and quantity while supplying accompanying photographs of the products for sale. Hence, the more product details operators provide, the more closely they mimic the traditional shopping experience, garnering trust from skeptical shoppers.

While product and service prices are somewhat stable from one industry player to another, shipping charges can vary significantly, enabling operators with logistics efficiencies to position themselves more strongly. Although online store and auction operators cannot control freight charges, an effective marketing technique has been to absorb a percentage or the sum total of delivery costs. This has been a major customer draw for sites, such as Amazon.com. Retailers that offer free or discounted shipping and handling are more competitive and attractive to prospective customers.

Mode of delivery is also an important aspect of competition because purchases, such as wine, groceries and large or fragile goods, can have very specific shipping needs. Furthermore, consumers must divulge personal details, such as an address and credit card number for home or business deliveries. Consumers trust retailers with this information with the belief that it will not be forwarded to a third-party without their consent or be stolen. This is often the foremost concern with online shopping, making many consumers wary of e-commerce in general, although this trepidation has gradually subsided over the years as a growing proportion of retail sales are generated online.

The reputation of an operator has a significant effect on repeat buyers and attracting new customers. Due to the absence of a physical shop front, consumer awareness of online retailers comes from media advertising and, more importantly, from word-of-mouth recommendations. Similarly, an operator's return and refund policy should be clearly outlined to consumers at the time of purchase. As with traditional brick-and-mortar retailers, consumers should know whom to contact in the event a return or refund is necessary. All of these practices help to solidify brand recognition and loyalty.

External competition

Online retailers compete with players in other industries, such as brick-and-mortar department stores and big-box retailers.

Canada's highly urbanized population has led to the trend of webrooming, which is the opposite of showrooming. Rather than shoppers visiting physical showrooms to touch, feel and try out products in person and then buying them online, as is common in the United States and other countries, Canadians have been more apt to browse and research products online and then visit a nearby store. Canada's concentrated population assures that most physical retailers are close to Canadians' homes, so the convenience that e-tailers capitalize on in more suburbanized nations is not recreated to the same degree in Canada. In short, Canadian e-commerce operators have found it difficult to gain market share in the retail sector while domestic consumers maintain their allegiances to the brick and mortar shopping experience. Nonetheless, this pattern continues to shift toward more e-commerce centric purchasing trends.

Barriers to Entry

Barriers to entry in this industry are **⚠️ Low and Steady**

While moderately fragmented, prospective operators can enter the Canadian E-Commerce and Online Auctions industry without much difficulty. Numerous small and independent players dominate the industry. Nonetheless, incumbent operators and large multinationals have a clear advantage with bigger budgets for marketing, logistical efficiency and more sophisticated or individualized software capabilities. Smaller

businesses may struggle to maintain a sizable market share, but their entrance is still relatively easy. Establishing an electronic shopping site has become easier, as companies such as Shopify Inc. and eBay Inc. reduce the technical skills needed for people to start selling products online. Therefore, anyone that wants to can start an e-commerce site with little difficulty or financial investment.

Product differentiation between a traditional retailer and an online retailer is nonexistent. Therefore, retailers operate in a highly competitive environment. A low level of product differentiation is likely to make it difficult for operators to establish a niche market in most product categories. In addition, the pre-established distribution networks between operators and suppliers may, in some cases, be viewed as a barrier to entry. Existing operators benefit from the relationships they have built with their suppliers. As a result, they may be offered better lines of credit and low-priced, high-quality stock compared with players entering the industry.

Furthermore, new entrants will likely need to implement a strategy to attract traffic to their website, which could be a barrier for operators with little cash. As new players, they have to demonstrate that they offer a broad range of competitively priced products that can be delivered quickly. Those that choose to match the low prices offered by established online retailers will suffer a decline in profitability. Some players may choose to respond to the price pressure by expanding the range and quality of merchandise they offer to appeal to a broader market. Others begin an online store to sell niche products, such as handmade crafts, eliminating most competition except for the ability to market effectively.

Barriers to entry checklist

Competition	High	⚠️
Concentration	Medium	⊖
Life Cycle Stage	Growth	✔️
Technology Change	Medium	⊖
Regulation & Policy	Medium	⊖
Industry Assistance	Low	⚠️

Industry Globalization

Globalization in this industry **✔️ Low and Increasing**

The major players included in the Canadian E-Commerce and Online Auctions industry are all US-based companies. Some of the largest retailers in the world are based in the United States that then expand their operations abroad. Due to Canada's proximity to the United States, many of these retailers look to Canada and nearby Mexico as some of the first international markets that fit neatly into pre-established distribution networks. Accordingly, as these retailers gain market share through their brick-and-mortar facilities, there is a natural progression into online dominance as the world becomes increasingly connected to the internet and relies on e-commerce platforms for a bulk of their purchases. While Canada has been

slower to adopt these practices, it is a ripe market for internet expansion and multinational corporations have taken notice.

The major retailers in this industry are primarily US-based, but one notable example of Canada's willingness to adapt to an e-commerce model is the online e-commerce company Shopify Inc. (Shopify), which is based in Ottawa, ON. Still, they do not operate in this industry because they only create the software for industry operators rather than participate in online sales themselves. Regardless, Shopify, a crucial player in the broader e-commerce realm, signals Canada's technological proficiency and its ability to dominate markets worldwide. Still, with industry leader Amazon.com.ca Inc.'s current expansion patterns, IBISWorld does not expect a major player based in Canada to effectively compete with these US-based companies.

Nonetheless, the bulk of industry operators are sole proprietors and family businesses, many of which are trying to enter the retail space in a less expensive manner compared with traditional brick and mortar establishments. New companies can begin strictly online without the financial burden of finding and maintaining a retail space. Furthermore, since online auctions are included in this industry, individuals that sell used or new goods in an online marketplace, such as eBay Canada Limited, make up the bulk of industry operators, thereby limiting the extent of globalization.

Major Companies

Major Players

AMAZON.COM.CA INC.

Market Share: 49.2%

Listed as one of the top 100 companies in *Fortune* magazine, Amazon.com Inc. (Amazon) has harnessed its online selling platform to grow into a company that operates worldwide. The Seattle-based operator began in 1994 as a bookseller and has since expanded its product range to include a variety of items such as food, music, DVDs, videos, consumer electronics, hardware, lawn and patio items, clothing and kitchen products online. In 2017, it expanded to a sizable brick-and-mortar-presence in the grocery industry with its acquisition of Whole Foods Markets Inc. In 2018, company net sales across its business segments reached \$302.0 billion (latest data available).

Amazon participates in the industry through its subsidiary, Amazon.com.ca Inc. (Amazon Canada). For example, in 2018, Amazon Canada announced the construction of a technology hub in Vancouver and two warehousing centres in the Greater Toronto area in Ottawa, ON, and Caledon, ON. Amazon Canada also has started construction on a fulfillment centre in Alberta that is expected to be completed by Spring 2020.

Over the five years to 2019, the company has mainly expanded through acquisition and organic growth due to the popularity of its Amazon Prime membership and the development of its Amazon online services segment, although the latter is not considered relevant to the industry. The chief acquisition of note was its purchase of Whole Foods Market Inc. in 2017, placing Amazon effectively in the grocery sector alongside its retail arm. In 2013, the company launched Amazon Prime in Canada. The membership program provides free two-day shipping and discounted one-day and same-day rates and increased access to deals. Amazon Prime encourages repeat purchases and increases the convenience of online shopping through its fast delivery of products compared with its competitors. Amazon Prime has been so successful that it prompted the company to create a cyber clearance day called Amazon Prime Day. The fifth annual Amazon Prime Day was held on July 15, 2019, and is a global sales event for Amazon Prime members to gain access to thousands of deals. While it began as a single day, its most recent occurrence was a two-day ordeal that has contributed to its dominance in the e-commerce industry both domestically and abroad. Amazon Prime Day is the company's biggest sales day each year.

Financial performance

Amazon's Canadian-specific revenue is expected to rise at an annualized rate of 20.3% to \$5.0 billion over the five years to 2019. Amazon has undergone strong growth as Canadians increasingly go online to fulfil their shopping needs. Amazon's expansive product mix attracted buyers, while its fast shipping and free two-day shipping for Prime members increased convenience and provided the company with a large competitive advantage. The company has also experienced a rise in its

operating income, which grew at an annualized rate of 116.9% during the five-year period, although this is because of low operating profit levels in 2014. Ultimately, Amazon is one of the fastest growing companies in the world, and this growth is indicative of the potential of the e-commerce industry as a whole.

Amazon.com.ca Inc. (industry-relevant operations) - financial performance*				
Year	Revenue (\$m)	Growth (% change)	Operating profit (\$m)	Growth (% change)
2014	2000.0	N/C	4.0	N/C
2015	2032.7	-2.2	42.4	960.0
2016	3474.0	77.5	106.9	152.1
2017	3588.5	3.3	82.8	-22.5
2018	4563.2	27.2	243.4	194.0
2019	5030.1	10.2	192.2	-21.0

Source: Annual Report and IBISWorld

Note: *Estimates (Figures are converted from USD to CAD)

Other Players

The E-Commerce and Online Auctions industry in Canada is inundated with numerous small businesses that sell their products online. In recent years, e-commerce has been a significant threat to brick-and-mortar retail establishments, prompting many entrepreneurs to forgo traditional retail outlets and instead look to online stores for revenue generation. With 6,926 industry establishments in 2019, the small scale of each of these businesses is evident, capturing a negligible market share compared with a multinational giant such as Amazon.com Inc. (Amazon), which has captured the bulk of online sales in North America through its vast resources and digital reach. Indeed, an industry establishment is defined as a facility that is primarily engaged in e-commerce operations. As a result, even individual sellers on a multinational auction platform such as eBay Inc.'s website are considered operators in the industry. Accordingly, these operators have very little market share, but the platforms that they use are some of the largest in the industry. Still, many online retailers based in the United States and China, some of the largest in the world, do not have distribution facilities or actual property in Canada, limiting their market share in turn. Furthermore, there is an enormous disconnect between what Canadians spend online compared with industry revenue. Since industry revenue is derived from revenue generated by domestic operators, this disparity is also evident in domestic market share. For example, according to estimates from eMarketer, Canadians are expected to spend \$64.6 billion in online sales while industry revenue is only expected to reach \$10.2 billion in 2019. Therefore, for companies such as Amazon that have both global dominance and an ever-expanding presence in Canada, their market share is enormous in comparison.

EBAY CANADA LIMITED

Started in 1995 as an auction website, eBay Inc. (eBay) is headquartered in San Jose, CA, and participates in the industry through its subsidiary, eBay Canada Limited (eBay Canada). eBay enables consumers and businesses to sell new and used products via its website. Since its founding, the company has expanded to offer a fixed-price selling option, which has become extremely popular in recent years as consumers find themselves with less leisure time to bid in extremely competitive online auctions. It also generates revenue through marketing services

for its marketplace platform. The company also owns online ticket retailer StubHub Inc. (StubHub) and offers product price comparisons through Shopping.com. In July 2016, eBay announced that it had acquired the inventory distribution company Ticket Utils Inc. to automate the inventory management process for large sellers and maximize the sell-through rate on StubHub. In 2019, eBay is expected to generate \$87.9 million in industry-specific revenue, representing a 0.9% market share.

OVERSTOCK.COM INC.

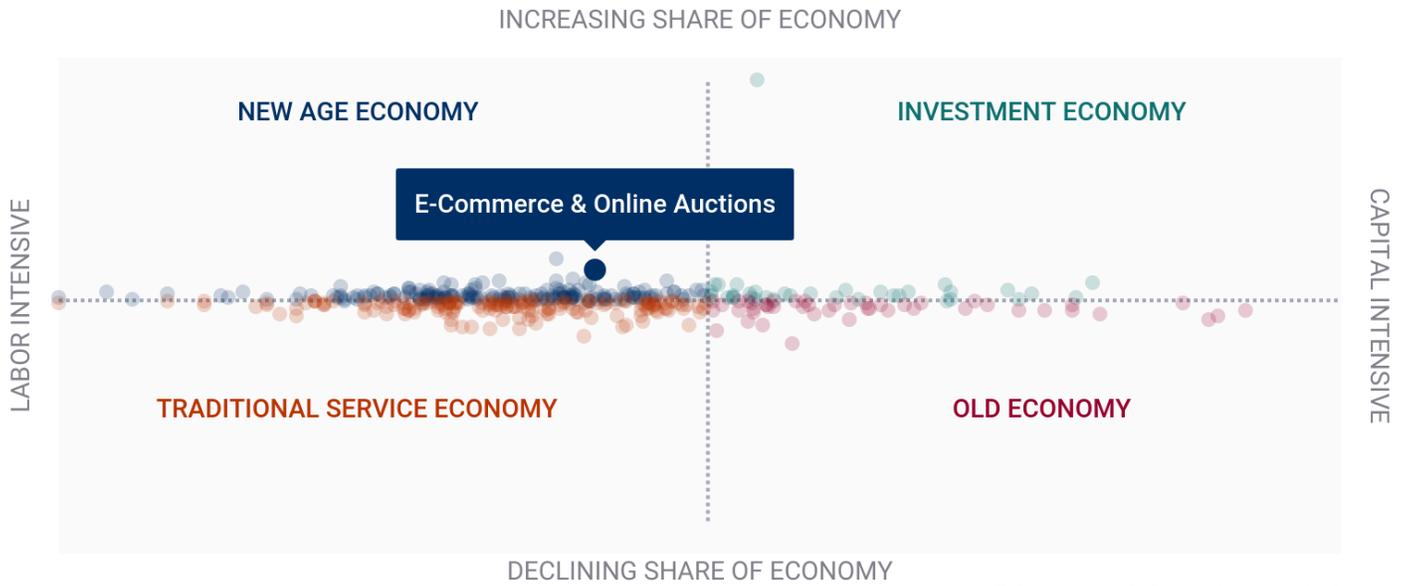
Headquartered in Midvale, UT, Overstock.com Inc. (Overstock) was founded in 1997 as an online retailer of surplus inventories. The company continues to sell surplus inventories, hence the name Overstock, along with new merchandise, and has expanded from strictly technology companies to home decor, furniture and jewellery, among others. While the bulk of the company's sales are in the United States, it also has operations in Canada and Europe. Notably, Overstock was one of the first major retailers to accept cryptocurrencies as payment for its goods in 2014 and has continued to accept Bitcoin and other major coins alongside normative currencies. Worldwide, the company generated \$2.4 billion in revenue in 2018 and is expected to generate \$31.9 million in Canada in 2019.

WAYFAIR INC.

Wayfair Inc. (Wayfair), founded in 2002, is headquartered in Boston, MA, and is an online retailer of home goods. Formerly known as CSN Stores, the company has warehouses and offices across North America and Europe and sources its products from over 11,000 suppliers. Wayfair expanded into Canada in 2008 and has increased its domestic presence through specialization in home goods products. Wayfair has grown through a combination of acquisitions and an initial public offering during the current period that helped boost company revenue to \$8.8 billion in 2018 (latest data available). More than three-quarters of this revenue is derived from the United States alone, with Canadian revenue expected to reach \$74.5 million in 2019, reflecting a 0.7% market share. Wayfair introduced its second Way Day sale, similar to Amazon.com Inc.'s Prime Day, to instigate sales. According to analytics company Edison Trends, Way Day increased sales 325.0% compared with an average of the previous month's sales. Strategies such as Way Day may serve to increase the company's market share in the coming years.

Operating Conditions

Costs of Growth: Targeting Capital vs. Labor



E-Commerce & Online Auctions in Canada
Source: IBISWorld

Capital Intensity

The level of capital intensity is ⊖ **Medium**

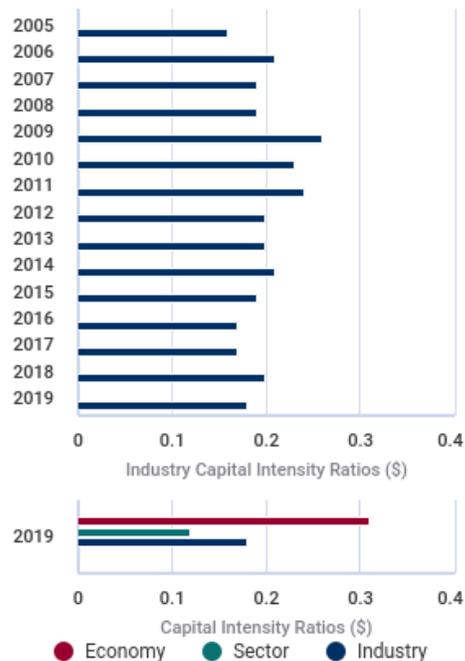
The E-Commerce and Online Auctions industry in Canada has a moderate level of capital intensity. IBISWorld estimates that for every \$1.00 spent on wages, industry operators will spend \$0.19 in capital investment, down marginally from \$0.20 in 2014. The main capital investments are computers, including hardware and software, and warehousing expenditures that include real estate, equipment, logistics infrastructure and machinery.

Operators must keep up with constantly evolving technology improvements, which is a must to enhance the shopping experience for consumers and improve delivery time. Therefore, companies require highly skilled personnel with the technical abilities to make seamless order and delivery platforms for their products. Investments in servers and computer systems are integral components of a successful operation, making hardware and software one of the main areas of capital intensity.

Furthermore, since most businesses in the industry sell large amounts of products, storage is essential. Most capital costs pertain to real estate, warehouse development and machinery. Adequate shelving, inventory systems and logistics management fuel demand by consistently delivering products in a timely manner. Many companies that fail to deliver on their estimated order times may find their consumers seeking alternatives.

Some companies, such as major player Amazon.com Inc. (Amazon), use highly sophisticated software systems and integrated logistic models to maintain their delivery times. Amazon's premium Amazon Prime service promises two-day delivery on thousands of items worldwide. The company's ability to adopt innovative technology such as robotics and drones has enabled it to reach a dominant market share worldwide in e-commerce.

Capital Intensity Ratios



E-Commerce & Online Auctions
Source: IBISWorld

Technology And Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruption	Description
⚠ Very High	Innovation Concentration	Very Likely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
⚠ Very High	Ease of Entry	Very Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt

Level	Factor	Disruption	Description	
			incumbents by putting new technologies to use.	
⚠	Very High	Rate of Entry	Very Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
✔	Low	Rate of Innovation	Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
✔	Low	Market Concentration	Unlikely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The rate of new patent technologies entering the industry is low, which limits the potential for innovations. A low rate does not mean that innovations cannot occur, just that the likelihood of some innovation materializing as a threat is lower. However, the concentration of technologies is high in this industry. This suggests that industry operators have exposure to potentially unforeseen areas of innovation.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served by incumbent operators.

The E-Commerce and Online Auctions industry in Canada has not experienced significant technological disruption.

As consumers have increasingly shifted toward shopping online, the industry has continued to grow at the expense of brick-and-mortar stores. As a result, this industry is the disruptor to many retail and wholesale industries. Furthermore, any technological innovation will likely enable the industry to adapt and grow. This trend is expected to continue over the five years to 2024.

The level of technology change is  **Medium**

The E-Commerce and Online Auctions industry in Canada has exhibited a moderate degree of technological change over the five years to 2019, as the development, penetration and use of the internet are central to the industry.

Some of the basic requirements for an electronic retailer are a selling platform, hardware and the related software alongside their product line. However, the bulk of these technological changes are external to this industry, relegated to software developers and hardware manufacturers instead. Furthermore, the declining cost of computers and software has and continues to encourage retail businesses to sell their products online to augment or completely replace their brick and mortar institutions. Online stores, besides offering a platform to make sales, also help establish brand recognition and direct internet traffic to a centralized location.

In addition, companies have mobile applications and websites enabling consumers to make purchases through their mobile devices. The format for these sites and apps is constantly evolving to suit individual devices and operating systems. An intuitive consumer interface encourages brand recognition and loyalty, which is crucial because Canadians have been slower to adapt to e-commerce as compared with US consumers.

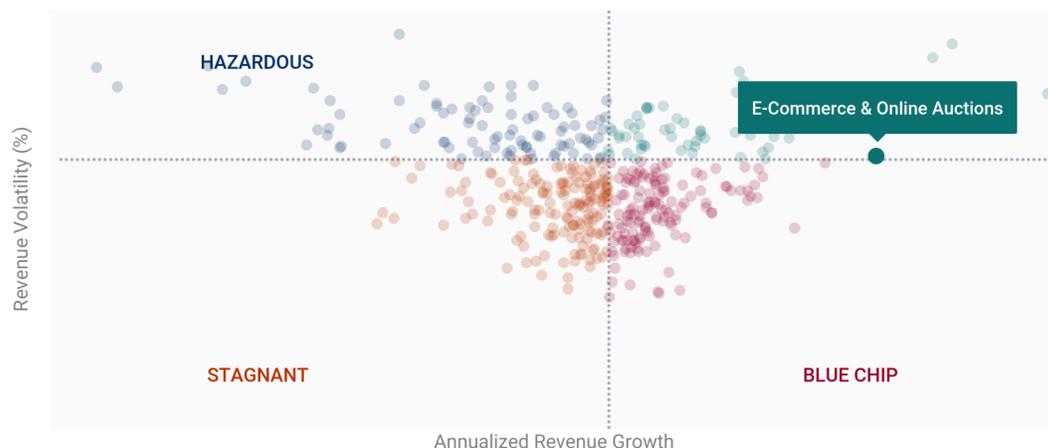
Another crucial element is establishing an application process that facilitates payment transactions. Most of these platforms use either credit card or electronic funds transfer on a remote site, encrypted for consumer privacy. One prominent example is PayPal, which gives users an online account that makes it easy to securely transfer funds from their credit cards or bank accounts for online purchases.

Moreover, for some operators, the ability to compile and use consumer data is an important aspect of industry operations. For many e-commerce companies, consumer data is a viable source of revenue generation. Multinational and domestic advertising agencies and public relations firms (see IBISWorld reports 54181CA and 54182CA), among other companies, use consumer data points, such as home addresses, email addresses, other contact information and purchasing patterns to inform their marketing schemes. Accordingly, e-commerce giants, such as industry leader Amazon.com Inc., can use their data either to sell to other companies or to use their own consumer information to produce targeted advertisements on their own pages which are typically priced higher than normal digital ads due to their specificity in desired demographics.

Revenue Volatility

The level of volatility is \ominus **Medium**

Volatility vs. Growth



E-Commerce & Online Auctions
Source: IBISWorld

Note: Revenue growth and decline reflective of 5-year annualized trend. Y-axis is in logarithmic scale. Y-axis crosses at long-run GDP. X-axis crosses at high volatility threshold.

IBISWorld estimates that revenue for the Canadian E-Commerce and Online Auctions industry has been volatile over the five years to 2019, with consistent gains each year due to rising consumer demand.

Consumers have grown increasingly comfortable ordering items online as more product diversity is introduced in e-commerce spaces, boosting revenue. Additionally, as disposable income rises, consumers are more willing to exercise their purchasing power. The number of fixed broadband connections and mobile telephone subscriptions also increased during the period, giving more people access to the internet and the ability to shop online. Ultimately, this industry is a harbinger of what is to come in the retail sector as more companies are using the internet to their advantage, with revenue fluctuating an annualized 9.0% over the five years to 2019.

Regulation & Policy

The level of regulation is \ominus **Medium** and is Increasing

Despite being a relatively new industry, there is a moderate level of regulation affecting the E-Commerce and Online Auctions industry in Canada.

Increased lobbying from small and medium size businesses to have the government limit the fee from credit card transaction fees will likely continue in an effort to make these businesses more competitive. Industry advocates are pushing the government to create laws that modernize Canada's payment systems to make

the rules transparent and fair for all stakeholders, including small- and medium-sized businesses. The Uniform Electronic Commerce Act adopted by the Uniform Law Conference of Canada is the main law governing e-commerce, providing consumer protection equal to that afforded to them in brick-and-mortar establishments.

However, there are strict intellectual property rights laws that directly influence industry operators, especially those with an international scope. Domestic businesses that sell American or Chinese goods, for example, have to abide by international copyright laws. While these regulations have been in place for some time, the accessibility of the internet and the logistic capabilities that it has encouraged forces even small businesses to keep abreast of any intellectual property legislation updates. Canadian operators in particular will have to navigate the North American Free Trade Agreement, which is currently being renegotiated with an emphasis on internet regulation and intellectual property rights. Domestic companies will also have to manoeuvre through the intricacies of Canada's many trade agreements including the Comprehensive Economic and Trade Agreement with the European Union, implemented in September 2017.

Industry Assistance

The level of industry assistance is  **Low** and is Increasing

The E-Commerce and Online Auctions industry in Canada does not receive any specific government support in the form of subsidies or otherwise.

However, as the industry continues the road to globalization, particular governments may privilege domestic operators over foreign competitors. Canada has created crown corporations to protect the domestic interest in the past and may implement similar policies in the future. Conversely, federal and provincial subsidies and tax exemptions have increased investment in distribution facilities domestically. For example, Amazon.com.ca Inc. announced a further expansion of its Canadian operations in late 2018 which, similar to its previous installations in Vancouver and Ontario, are expected to be subsidized to encourage investment.

Outside of government assistance, there are several trade associations that promote the industry and disseminate relevant information. For example, the Internet Merchants Association assists in the development, promotion and protection of internet retailers through education and networking. Additionally, Women in Ecommerce works to provide women with the necessary resources and capabilities to thrive in the world of internet retailing. Furthermore, the Affiliate Marketing Association of Canada has many industry-relevant events because marketing in the digital age is unavoidably dictated by e-commerce trends.

Key Statistics

Industry Data

Year	Revenue	IVA	Estab.	Enterprises	Employment	Exports	Imports	Wages	Domestic Demand	Total retail sales
	(\$m)	(\$m)	(Units)	(Units)	(Units)	(\$m)	(\$m)	(\$m)	(\$m)	(\$b)
2010	2,720	314	2,662	2,363	3,767	N/A	N/A	141	N/A	420
2011	2,924	328	2,896	2,612	4,112	N/A	N/A	144	N/A	427
2012	3,562	436	3,199	2,934	5,209	N/A	N/A	214	N/A	432
2013	4,356	444	3,817	3,522	5,983	N/A	N/A	239	N/A	439
2014	5,589	699	4,113	3,826	7,679	N/A	N/A	296	N/A	453
2015	6,670	820	4,492	4,187	9,026	N/A	N/A	351	N/A	459
2016	7,423	1,032	4,702	4,390	10,390	N/A	N/A	385	N/A	480
2017	9,065	1,203	5,468	5,130	11,576	N/A	N/A	429	N/A	505
2018	9,744	1,233	6,344	5,980	11,730	N/A	N/A	473	N/A	514
2019	10,228	1,331	6,926	6,549	13,610	N/A	N/A	510	N/A	518
2020	10,995	1,436	7,623	7,223	14,903	N/A	N/A	556	N/A	524
2021	11,966	1,558	8,370	7,939	16,408	N/A	N/A	611	N/A	532
2022	12,982	1,686	9,194	8,730	17,946	N/A	N/A	667	N/A	540
2023	14,024	1,817	10,088	9,591	19,533	N/A	N/A	725	N/A	549
2024	14,881	1,923	11,034	10,514	20,988	N/A	N/A	777	N/A	558

Annual Change

Year	Revenue	IVA	Estab.	Enterprises	Employment	Exports	Imports	Wages	Domestic Demand	Total retail sales
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2010	-6.42	3.11	8	9	7	N/A	N/A	4.38	N/A	4.14
2011	7.50	4.51	9	11	9	N/A	N/A	2.56	N/A	1.51
2012	21.8	32.7	11	12	27	N/A	N/A	48.7	N/A	1.17
2013	22.3	1.83	19	20	15	N/A	N/A	11.7	N/A	1.69
2014	28.3	57.4	8	9	28	N/A	N/A	23.7	N/A	3.11
2015	19.3	17.3	9	9	18	N/A	N/A	18.4	N/A	1.41
2016	11.3	25.8	5	5	15	N/A	N/A	9.66	N/A	4.57
2017	22.1	16.6	16	17	11	N/A	N/A	11.6	N/A	5.28
2018	7.49	2.48	16	17	1	N/A	N/A	10.2	N/A	1.69
2019	4.96	7.93	9	10	16	N/A	N/A	7.67	N/A	0.72
2020	7.50	7.87	10	10	10	N/A	N/A	9.10	N/A	1.22
2021	8.83	8.51	10	10	10	N/A	N/A	9.83	N/A	1.50
2022	8.48	8.22	10	10	9	N/A	N/A	9.20	N/A	1.58
2023	8.02	7.73	10	10	9	N/A	N/A	8.68	N/A	1.62
2024	6.11	5.87	9	10	7	N/A	N/A	7.17	N/A	1.67

Key Ratios

Year	IVA/Revenue	Imports/Demand	Exports/Revenue	Revenue per Employee	Wages/Revenue	Employees per estab.	Average Wage
	(%)	(%)	(%)	(\$'000)	(%)		
2010	11.6	N/A	N/A	722	5.17	1.42	37,324
2011	11.2	N/A	N/A	711	4.93	1.42	35,068
2012	12.2	N/A	N/A	684	6.02	1.63	41,160
2013	10.2	N/A	N/A	728	5.50	1.57	40,013
2014	12.5	N/A	N/A	728	5.30	1.87	38,573
2015	12.3	N/A	N/A	739	5.26	2.01	38,865
2016	13.9	N/A	N/A	714	5.18	2.21	37,026
2017	13.3	N/A	N/A	783	4.73	2.12	37,077
2018	12.7	N/A	N/A	831	4.86	1.85	40,341
2019	13.0	N/A	N/A	752	4.98	1.97	37,436
2020	13.1	N/A	N/A	738	5.06	1.96	37,301
2021	13.0	N/A	N/A	729	5.10	1.96	37,214
2022	13.0	N/A	N/A	723	5.14	1.95	37,156
2023	13.0	N/A	N/A	718	5.17	1.94	37,101
2024	12.9	N/A	N/A	709	5.22	1.90	37,007

Additional Resources

Additional Resources

Internet Merchants Association

<http://www.imamerchants.org>

Internet Society

<http://www.internetsociety.org>

Statistics Canada

<http://www.statcan.gc.ca>

Women in Ecommerce

<http://wecai.org>

Industry Jargon

BRICK AND MORTAR

Stores that have a physical presence and location, as opposed to online retailers.

BROADBAND

An alternative to a dial-up internet connection that grants users access to higher rates of data and greater bandwidth.

DIAL-UP

An internet connection achieved through existing telephone lines.

E-TAILER

A retailer that primarily sells goods and services through the internet. Many of these companies do not have brick-and-mortar locations.

Glossary Terms

BARRIERS TO ENTRY

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labour; medium is \$0.125 to \$0.333 of capital to \$1 of labour; low is less than \$0.125 of capital for every \$1 of labour.

CONSTANT PRICES

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using Statistics Canada's implicit GDP price deflator.

DOMESTIC DEMAND

Spending on industry goods and services within Canada, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT

The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS

Total value of industry goods and services sold by Canadian companies to customers abroad.

IMPORTS

Total value of industry goods and services brought in from foreign countries to be sold in Canada.

INDUSTRY CONCENTRATION

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

REGIONS

Prairies | AB, SK, MB

Atlantic | NB, NS, PE, NL

Territories | YT, NT, NU

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES

The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

IBISWorld helps you find the industry information you need – fast

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