



# THE 2021 CANADIAN E-COMMERCE FULFILLMENT GUIDE:

WHY CUSTOMER-CENTRIC THINKING IS ESSENTIAL IN  
THE POST-COVID-19 ONLINE MARKETPLACE

## INTRODUCTION

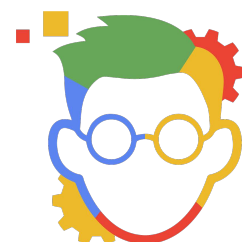
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# INTRODUCTION





## GOALS AND AIMS.

Regardless of the size of your business, succeeding, scaling and simply keeping up in the e-Commerce race can be difficult. From supply chain and technological considerations to logistics and fulfillment, it's a marketplace with a unique set of challenges far different than the ones presented in brick and mortar retail. To navigate this space effectively, two things are essential:

- 1 | An understanding of the e-Commerce challenges, opportunities and best practices during COVID-19 and beyond
- 2 | Committing to customer-centric e-Commerce decisions that make shopping, shipping and receiving easier for the consumer

We hope this guide will help you understand the importance of these two points so that you can take the necessary steps towards meaningful growth in the online marketplace.

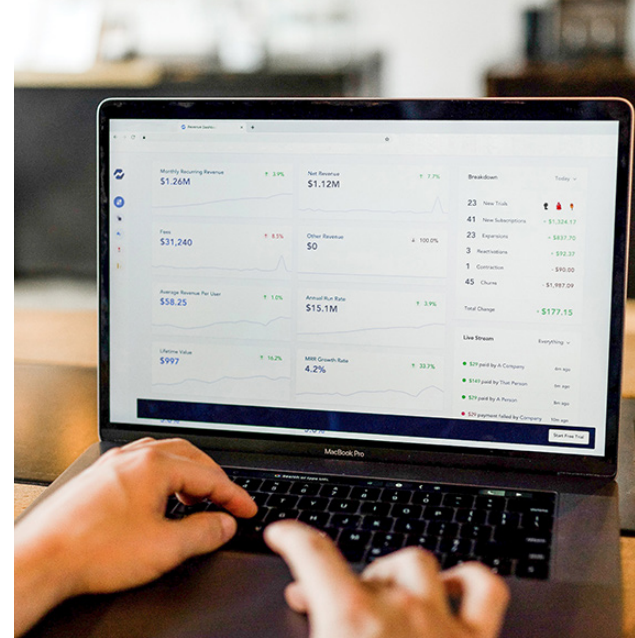
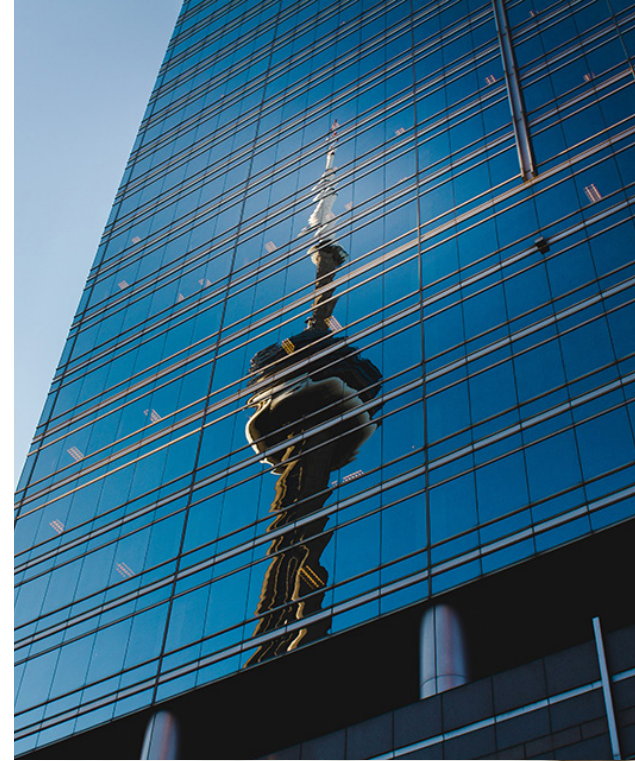


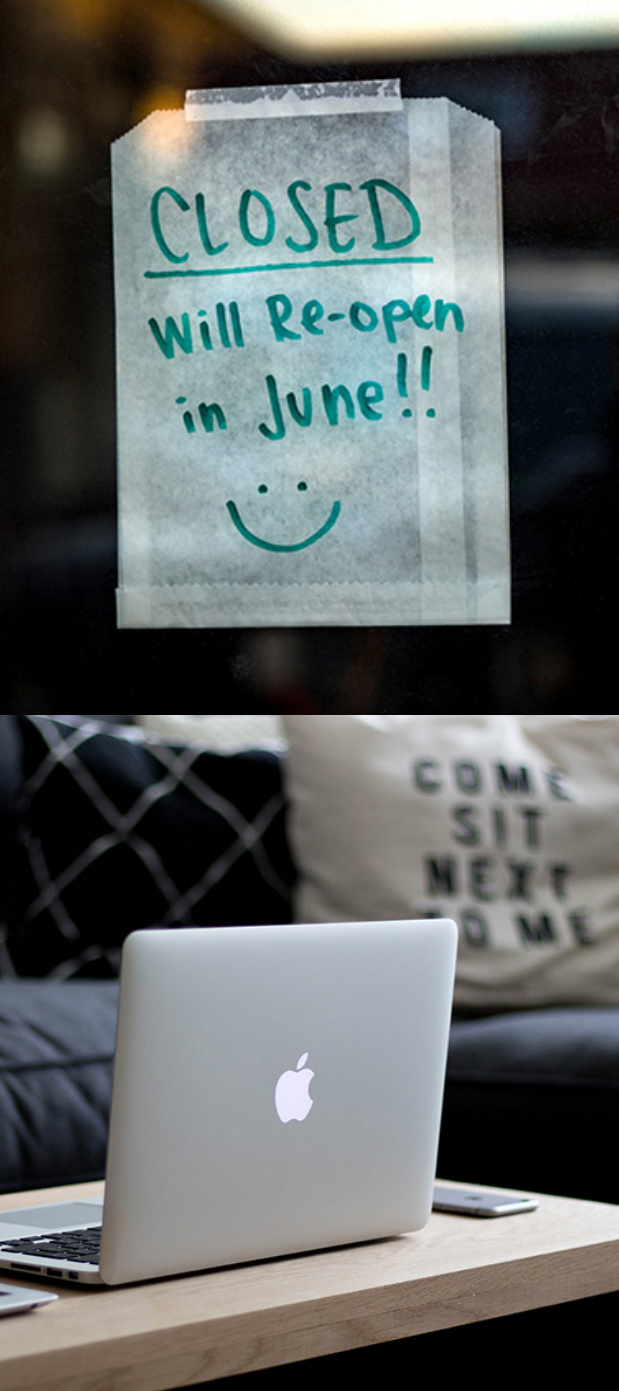
## E-COMMERCE GROWTH GLOBALLY AND IN CANADA.

As is the case globally, e-Commerce has gained amazing momentum in Canada over the last few years and shows no signs of slowing down. In a **2019 analysis of global trends**, Shopify reported on the growth of global e-Commerce revenue from 2014 to 2021. They projected that e-Commerce is expected to grow from \$1.3 trillion in 2014 to just under \$5 trillion in 2021 — a growth of approximately 400% in seven years.

In Canada, **e-Commerce revenue** in 2019 was just over USD \$25 billion. By 2024, that number is projected to grow to just over USD \$36 billion — a growth rate of over 44%. All in all, **25 million Canadians purchased goods online in 2019** and that number is expected to grow to just over 30.1 million in 2024. **Year over year**, 2019 saw an 8.1% increase in e-Commerce sales compared to 2018.

It's easy to see that the e-Commerce marketplace is heading towards a more significant share of the retail landscape in Canada and globally. And while this trend has been ongoing for a few years, the ongoing global health crisis has had an undeniable impact on the growth of e-Commerce.





## THE IMPACT OF COVID-19 ON E-COMMERCE.

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COVID-19 has had a significant impact on e-Commerce activity. With consumers essentially stuck at home and brick and mortar retail all but entirely shut down through the first months of the pandemic, e-Commerce became necessary for both consumers and businesses alike. And because of the shifting nature of shutdowns and public health restrictions, the impacts of COVID-19's effect on e-Commerce will be felt for some time.

### A LOOK AT THE NUMBERS:

- **+12.3%** - The YOY growth of e-Commerce sales in Canada from 2019 to 2020
- **7%** - The rate at which April and May 2020 outpaced e-Commerce sales during the 2019 holiday season
- **4 to 6 Years** - the projected rate of acceleration of e-Commerce growth due to COVID-19
- **1/3** - The projected e-Commerce share of global retail sales by 2024





## BLACK FRIDAY AND CYBER MONDAY 2020 WAS AN UNPRECEDENTED TIME FOR E-COMMERCE.

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The four-day period following American Thanksgiving are the most crucial days of the year for retailers of all sizes. And because it arrived as many consumers were negotiating tighter restrictions on in-store shopping, e-Commerce was expected to play an essential role, and did. **According to Shopify alone**, global Black Friday/ Cyber Monday e-Commerce sales for merchants who use their platform topped USD \$5.1 Billion, which represents a 76% increase from 2019. These results are especially telling for small- to medium-sized businesses because Shopify primarily works with smaller, independent, direct-to-consumer brands. In fact, according to their results, 44 million consumers shopped from these direct-to-consumer brands during Black Friday/Cyber Monday 2020, which represents a 50% jump from 2019.





## SO, WHAT DOES ALL THIS MEAN? CUSTOMER-CENTRIC THINKING IS ESSENTIAL.

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Surging e-Commerce activity has left many businesses scrambling to keep up. It's understandable: new trends are gaining momentum, consumer expectations surrounding things like shipping times and costs are sky-high, and the need for solid fulfillment and logistics practices has never been higher.

For companies that are struggling online, it all comes down to understanding what business decisions — from what to sell and how to sell it to the most efficient way to receive, fulfill and return orders — will satisfy customer expectations. At a time of rapid growth and changing e-Commerce trends, this type of customer-centric thinking is essential to building brand loyalty and achieving meaningful success online.




















# PART 1: UNDERSTANDING E-COMMERCE TRENDS



*When looking at the trends dominating Canadian e-Commerce, it's helpful to look at both pre-COVID insights and insights gained as new restrictions on our shopping routines came into place. That way, it's easier to see where buying habits were trending in 2019 and also how much they accelerated in certain areas.*

## WHAT ARE CANADIANS BUYING ONLINE?

Broadly speaking? Just about everything. While certain retail categories have a distinct edge, the following numbers from a **2019 report by Canada Post** suggest that there is a market for all types of products online. Here is a look at the percentage of e-Commerce shoppers who purchased in major retail categories.

 Clothing apparel (any) - <b>62%</b>	 Home decor - <b>17%</b>
 Computers and electronics - <b>41%</b>	 Automotive - <b>17%</b>
 Books - <b>31%</b>	 Jewellery - <b>16%</b>
 Footwear - <b>30%</b>	 Sporting goods - <b>16%</b>
 Beauty products - <b>29%</b>	 Groceries (perishable) - <b>15%</b>
 Home and garden - <b>23%</b>	 Appliances - <b>15%</b>
 Health products - <b>22%</b>	 CDs/Records/Videos - <b>13%</b>
 Office supplies - <b>20%</b>	 Furniture - <b>11%</b>
 Toys - <b>17%</b>	







## THE COVID EFFECT (YOY).

To see just how drastically COVID-19 affected some of these categories, have a look at the **year-over-year growth in e-Commerce sales** from March 2019 to March 2020 (the first month of the COVID shutdown).



Furniture and home decor - **Grew +106%**



Food and restaurants - **Grew +160%**



Clothing - **Grew +21%**



Sporting goods - **Grew +105%**



Household appliances, electronics, building materials and renovations - **Grew +161%**

And while these extraordinary numbers will continue to stabilize, this period of growth can be recognized as a turning point in how many Canadians elect to shop.





## MAJOR E-COMMERCE TRENDS THAT HAVE GAINED MOMENTUM DURING COVID-19.

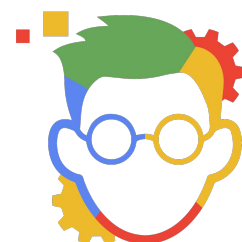
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The effects of COVID-19 aside, e-Commerce has been steadily growing in influence for years now. This has created an interesting dynamic where brands and businesses have had to adapt to emerging trends with agility. This willingness to try new things has been essential to finding ways to exceed customer expectations during an ongoing period of uncertainty.

With e-Commerce changing and taking on new shapes before our very eyes, it's important to understand some of the most popular trends accelerated by COVID-19. These are just some of the e-Commerce trends aimed at creating an incredible experience for the customer as they navigate the online marketplace.

### 1 | DNVBS (DIGITALLY-NATIVE VERTICAL BRANDS)

For many Canadian e-Commerce shoppers, massive digital marketplaces like Amazon still reign supreme. However, in contrast to the impersonal, frustrating experiences that these marketplaces often offer, DNVBs are a promising challenger to the third-party giants.





DNVBs create a highly branded, user-friendly, consumer e-Commerce experience from the warehouse to delivery; this allows for more direct, personalized, and valuable experiences before and after purchase. These web-only, direct-to-consumer brands have shown tremendous growth potential over the last few years, even before COVID-19 sent consumers flocking to web stores. In 2017, the top-75 DNVB retailers generated \$8 billion in revenue, which was good for 44% growth compared to the year before. They are also **growing nearly 3x as fast** as the average e-Commerce retailer. If done correctly, this direct-to-consumer model creates healthier margins for the brand, healthier consumer relationships, and more brand loyalty.

## 2 | BOPIS (BUY ONLINE PICK UP IN-STORE)

Known to many of us as the “curbside pickup”, BOPIS is a fairly straightforward concept: users can purchase items through an e-Commerce platform and opt to pick up in-store or curbside to avoid shipping times and fees. While BOPIS was fairly common before COVID-19, it exploded during the initial months of the pandemic. And though it has flattened off since then, it’s a trend that has cemented its staying power and has become a go-to method for many consumers.



### 3 | SUBSCRIPTION BOXES & PROGRAMS

In uncertain economic conditions, brand loyalty is essential for e-Commerce retailers. Aside from great products, customer service and seamless e-Commerce experiences, brands have increasingly turned to subscription programs to encourage regular and repeat purchases. Of course, this trend is best seen in the food industry, with companies like Goodfood, Chef's Plate, Hello Fresh and others providing meal subscription boxes. Generally speaking, there are **three types of subscription box services**:

- 1 | **Replenishment:** These types of subscription boxes offer a ready supply of products
- 2 | **Curation:** These boxes offer customized and personalized items based on what the consumer prefers
- 3 | **Access:** These offer exclusive selections or discounts on products a consumer normally buys

All told, this industry is booming. It's projected that by 2023, 75% of all companies that sell directly to consumers will offer some type of subscription-based service.







## THE MOST IMPORTANT TREND? THE EMERGENCE OF THE ALL- VITAL CUSTOMER EXPERIENCE.

In many ways, COVID-19 has exposed the challenges that prevent companies from succeeding in the e-Commerce space. From slow websites, patchy inventory and a lack of online presence to high shipping costs, long shipping times and unresponsive customer service, it's forced many retailers to adapt quickly and improve their e-Commerce practices. All of this, at the end of the day, is to ensure the best customer experience possible. Improved online shopping experiences have been a major contributor to e-Commerce's meteoric growth over the past few years and continuing to make these experiences better will be even more important going forward. More than just sending consumers to web stores, COVID-19 has served to highlight how important e-Commerce shopping, logistics and fulfillment practices are to achieving customer satisfaction.

### PRO TIP:

*Receiving, storing, managing, picking, packing, and shipping online orders are all essential steps to successful fulfillment but are complex and can be difficult to manage internally. Look for a **partner who specializes in fulfillment** and can manage this process for you so you can focus on growth, innovation, product improvements, and running a leaner, more efficient business.*



## PART 2: A LOOK AT E-COMMERCE PAIN POINTS





*From the issues that prevent merchants from making an impact online to ones that prevent consumers from following through with their purchases, here's a look at the most common e-Commerce pain points. In order to exceed customer expectations, it is important to first understand where many companies fail to meet them at all.*

## **MANY CANADIAN BUSINESSES ARE FINDING IT DIFFICULT TO KEEP UP WITH ONLINE DEMAND.**

Even since e-Commerce has become more popular, one thing has been abundantly clear: a strong online presence focused on meeting demand is essential for the growth of small- to medium-sized businesses in Canada. But are businesses in Canada rising to the demand?

According to a **2019 report** by the BDC (Business Development Bank of Canada), while the majority of Canadian consumers are buying items online, only 4 out of 10 small- to medium-sized businesses with an online presence sell, receive and take orders online. The report also found that, between 2013 and 2017, "the growth in the share of Canadian businesses with a website was much slower than the growth of the share of e-commerce in total retail sales in Canada and globally."

This suggests that many Canadian businesses lack the presence or the resources needed to scale effectively in the e-Commerce marketplace. And while this report came before COVID-19, it reinforces the fact that many businesses were not prepared for even the steady rise in demand, let alone the unprecedented spike that we've seen recently.



## PRO TIP:

*In the e-Commerce marketplace, technology drives convenience and expediency. From the moment an order is placed online, the e-Commerce fulfillment process must run smoothly on the back end as it does on the front end. Staying competitive requires a **fulfillment partner with the technological expertise** to remain agile, flexible and work within your existing infrastructure to ensure a smooth transition with no downtime or disruptions.*

## FOR AMERICAN BUSINESSES: HOW TO CAPTURE AND CATER TO CANADA'S GROWING E-COMMERCE CONSUMER BASE?

The Canadian e-Commerce market represents a tremendous opportunity for companies in the US looking to expand their total addressable market by roughly 10%: it's a market of over 30 million consumers which requires very little (if any) adjustment to their marketing efforts. That said, shipping and fulfilling from the United States presents many inconveniences to Canadian end customers. Stores located in the USA often charge Canadian customers a 25-40% shipping premium when it would otherwise be free for American customers.

**Plus, for orders of \$151 or more, Canadians must pay customs duties on top of the already high shipping costs. In comparison, the minimum threshold for this import tax for Canadian goods shipped to the United States is USD \$800. When you add these fees and add-ons, Canadian customers are far less likely to convert when it comes to cross-border shopping.**







The numbers from the 2019 Canada Post report reinforces this. In addition to the fact that cross-border e-Commerce shopping was down in 2019 when compared to 2018, only 8% of Canadians who purchased goods from US-based online stores in 2019 said they would continue to do so.

#### PRO TIP:

*Regardless of whether your end customer is in Vancouver or Virginia, you need to be able to rely on the same level of service and expediency in order to satisfy customer expectations. Look for a **strategically-located e-Commerce fulfillment partner** who can get you closer to your end customers, reduce freight costs and shipping times. For American businesses looking to scale in Canada, a Canadian partner who can fulfill locally can eliminate import taxes, lower overhead costs, reduce shipping times and cut shipping costs.*



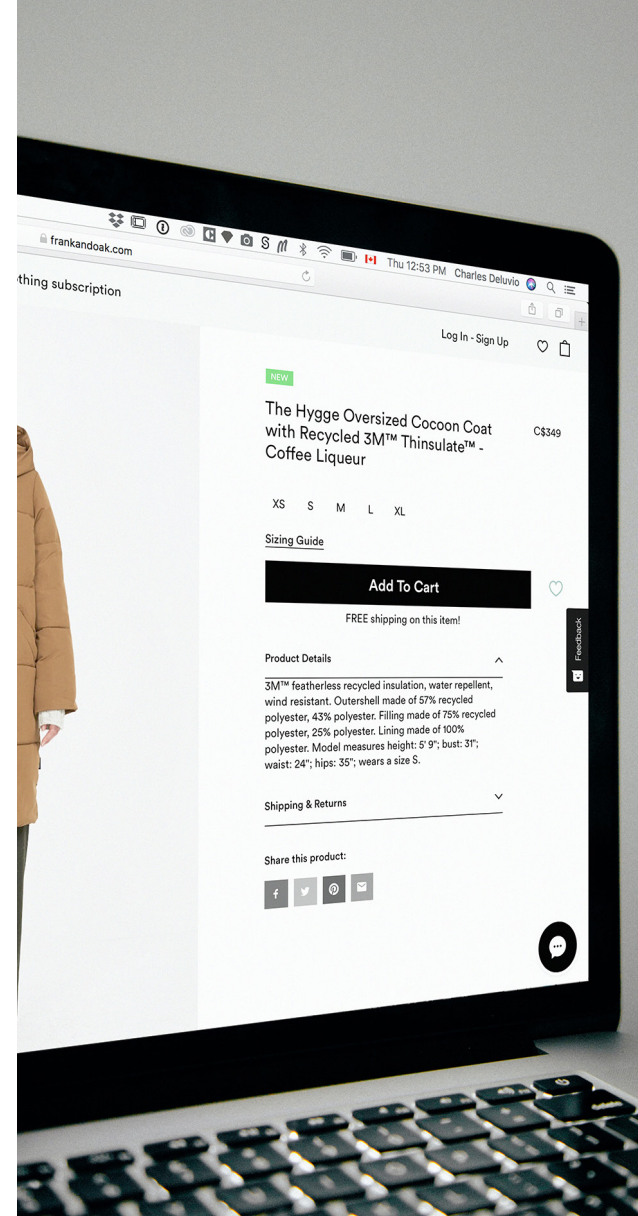


## MANY SMALL- AND MEDIUM-SIZED BUSINESSES HAVE TROUBLE WITH FAST, AFFORDABLE SHIPPING.

One thing is very clear: those businesses who have mastered shipping and fulfillment have a clear advantage over those who haven't. The 2019 Canada Post report on e-Commerce in Canada breaks down the biggest influences driving the choice of retailer. Here are the top four:

- 1 | The retailer offers free shipping - **80%**
- 2 | The retailer manages and lives up to delivery expectations - **52%**
- 3 | Offers a better returns policy - **50%**
- 4 | Offers faster shipping - **46%**

These numbers show that the retailers who can get the product in the consumer's hand faster, more conveniently and for less, have a leg up in the Canadian e-Commerce marketplace. It may sound obvious, but many businesses too often overlook these steps. In many cases, this is understandable. Considering how difficult it is to even achieve product visibility in an ocean of online choices, many small- and medium-sized retailers simply lack the time, energy and resources to think critically about fulfilling orders more effectively.





## 4 MAJOR E-COMMERCE PAIN POINTS FACED BY SMALL- TO MEDIUM-SIZED BUSINESSES.

### 1 | HIGH SHIPPING COSTS

When costs associated with things like shipping and warehousing start to grow, small- to medium-sized businesses lose the ability to stay competitive in a market where added fees mean unsatisfied customers. In a **2018 survey** looking at the primary reason why Canadian online shoppers abandon cart, a definitive 72% of respondents blamed shipping costs that end up being too high or more than expected.

### 2 | LONG SHIPPING TIMES

During COVID-19, both consumers and merchants of all sizes have had to deal with the pain of longer-than-expected shipping times. Due to higher demand, logistical issues with the broader fulfillment network, and new public health and safety requirements, shipping times have become a constant concern. Even in less uncertain times, however, fast and reliable shipping was and is incredibly important. Based on the data above, 46% of Canadian online shoppers will go with another retailer if they offer faster shipping and 26% of Canadians surveyed in 2018 claimed they will abandon cart if shipping wait times are too high.



### 3 | RETURNS AND REVERSE LOGISTICS

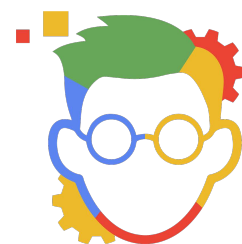
From the associated costs to the logistical headaches, returns can be a major issue for online retailers of all sizes. These issues are compounded by the fact that returns matter to online shoppers. In the 2018 survey of Canadian online shoppers, 40% indicated that they would abandon cart if the returns policy was not ideal. Here's a look at **some more numbers that prove it:**

- At least **30%** of products purchased online are returned vs. 8.9% in brick and mortar stores
- **92%** of customers will buy something again if the returns process was easy
- **67%** of shoppers check the returns page before making a purchase
- **47%** want an easy-to-print return label

Returns also drastically affect the bottom line. In the United States alone, **return deliveries** are projected to cost USD \$550 billion by 2024. Incredibly, this number does not include re-stocking expenses or inventory losses.

#### PRO TIP:

*Don't let the costs and headaches associated with e-Commerce returns slow you down or cut into earnings. Look for a fulfillment partner who can handle the entire return process with logistical precision. This process doesn't merely mean seamlessly receiving the product and adding back into inventory, it also means implementing a returns program that's painless for the consumer. The **right fulfillment partner** will move efficiently: receiving the request, creating the packing label and sending it at no extra cost to the customer.*



## PART 3: THE ADVANTAGES OF WORKING WITH AN E-COMMERCE FULFILLMENT PARTNER



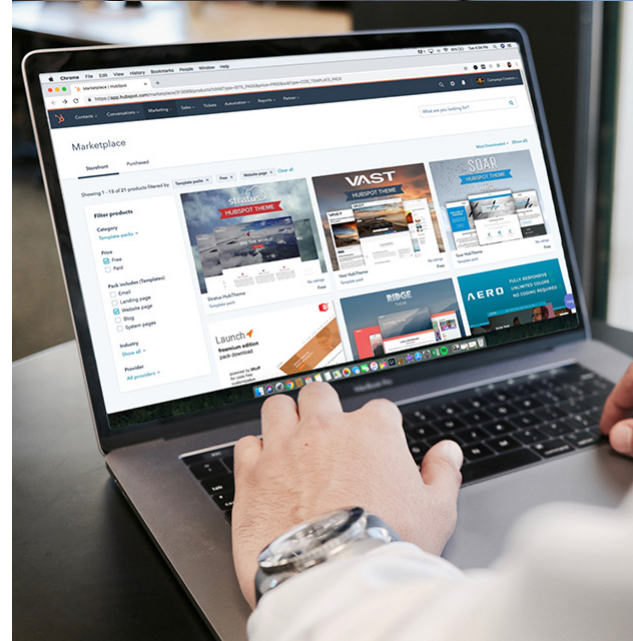


e-Commerce is evolving and consumer expectations are growing — two truths that no Canadian small- or medium-sized business can ignore. The question remains, though: what can these businesses do about it? While selling products through Amazon can certainly be beneficial, it's certainly not the only avenue towards online growth. When you partner with the right e-Commerce fulfillment and logistics provider, the advantages are clear:

## GET BACK TO FOCUSING ON GROWTH.

Because many leaders of small- and medium-sized retailers are justifiably focused on the day-to-day operations of their business, it's difficult to dedicate any time to developing long-term growth strategies. When the logistics of order fulfillment demand attention, focusing on staying on top of industry trends, finding new customers, improving product offering, brand development and future-proofing becomes much more difficult.

For business leaders, working with a dedicated fulfillment partner frees up the time and space required to grow their business while improving the customer experience by reliably getting their products into the hands of the consumer faster.





## DEDICATED FULFILLMENT SERVICES MEANS BETTER CUSTOMER EXPERIENCES.

As small- and medium-sized businesses continue to navigate new e-Commerce realities, managing the logistics of order fulfillment becomes an increasingly difficult, time-intensive task. As we've discussed throughout this document, it's a process that will make or break the customer experience now more so than ever. Quite simply, customers expect to receive their orders as fast and as seamlessly as possible.



When small- and medium-sized businesses entrust their e-Commerce operations to a dedicated fulfillment partner, they not only free up time and space needed to actively grow, they're also taking the necessary step to ensure that the fulfillment process is properly managed and that positive customer experiences are sustained.





## THE RIGHT FULFILLMENT PARTNER CAN ACT AS AN EXTENSION OF YOUR TEAM TO HELP YOU SCALE EFFECTIVELY.

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For many businesses, the logistics of scaling their fulfillment operations at a national scale can be daunting. After all, it's one thing to deliver a high level of service locally, it's quite another to be able to guarantee that same level of service as a customer base becomes less centralized. The right fulfillment partner will use tech-enabled infrastructure, vertically-integrated fulfillment solutions, a customer-centric approach and strategically-located fulfillment centres to make scaling nationally a reality.

Rather than falling back on a transactional third-party logistics relationship, the right fulfillment partner will instead act as an extension of your team, providing your business with a readymade team of fulfillment and logistics experts so you can hit the ground running.





## YOU CAN LEVERAGE THEIR FULFILLMENT EXPERTISE TO MAKE LOGISTICS CHEAPER, SEAMLESS AND MORE EFFICIENT.

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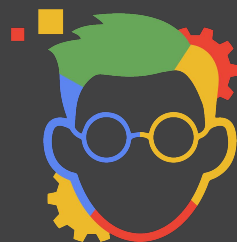
It's never been more important to be able to fulfill orders quickly, reliably and smoothly while avoiding exorbitant costs typically associated with shipping and warehousing. Not only do these factors affect the customer experience, they also affect a business's ability to stay competitive, keep costs down and scale effectively.

The right e-Commerce fulfillment partner will not only help to oversee and execute daily fulfillment operations, but they will receive, manage and deliver products efficiently and affordably for both the business and the customer. From a tech-enabled, vertically-integrated approach to picking, packing and shipping to competitive warehousing fees and discounted shipping rates, a dedicated fulfillment partner has the tools to help small- and medium-sized businesses fulfill their orders with excellence.





CONCLUSION:  
THE TIME IS NOW  
TO IMPROVE YOUR  
E-COMMERCE  
FULFILLMENT  
PRACTICES



Recent trends have shown how fast things can change and destabilize regardless of the size of your business. Businesses that were secure in their brick-and-mortar models have had to switch gears rapidly and those who felt little need to fully commit to e-Commerce have had to quickly embrace this marketplace. All of this can also be seen as an acceleration of what many see as inevitable — the growing importance and influence of e-Commerce in the global retail landscape.

Rather than seeing this shift towards digital marketplaces as something to dread, however, it's important to think positively and proactively about the high-level benefits of committing to this change:

- 1 | Committing to scaling your e-Commerce activity can help your business grow, diversify and achieve something great
- 2 | Committing to scaling your e-Commerce activity can lead to enhanced customer loyalty, engagement and satisfaction

As important as the former is, let's focus on the latter. Throughout this guide, we've highlighted the growing importance of the customer experience and how it should be the primary focal point of your e-Commerce efforts. In the era of endless choice, customer-centric thinking is simply the right way to operate. At the end of the day, focusing on better customer experiences through a commitment to cheaper and faster shipping, seamless online shopping, increased accountability, a simple reverse logistics infrastructure, and more will have a **positive and lasting impact on your business**. So, what are you waiting for?

