Navigating the Retail Landscape in a Changing World:

SMB Multi-Channel Success Strategies

Leger

Dr. Lana Porter, Senior Vice-President

November 6, 2024

Presented to: RCC Retail West Conference

AGENDA

» Current Economic Climate

» Canada's Retail Landscape for SMBs

» Holiday Shopping Trends 2024

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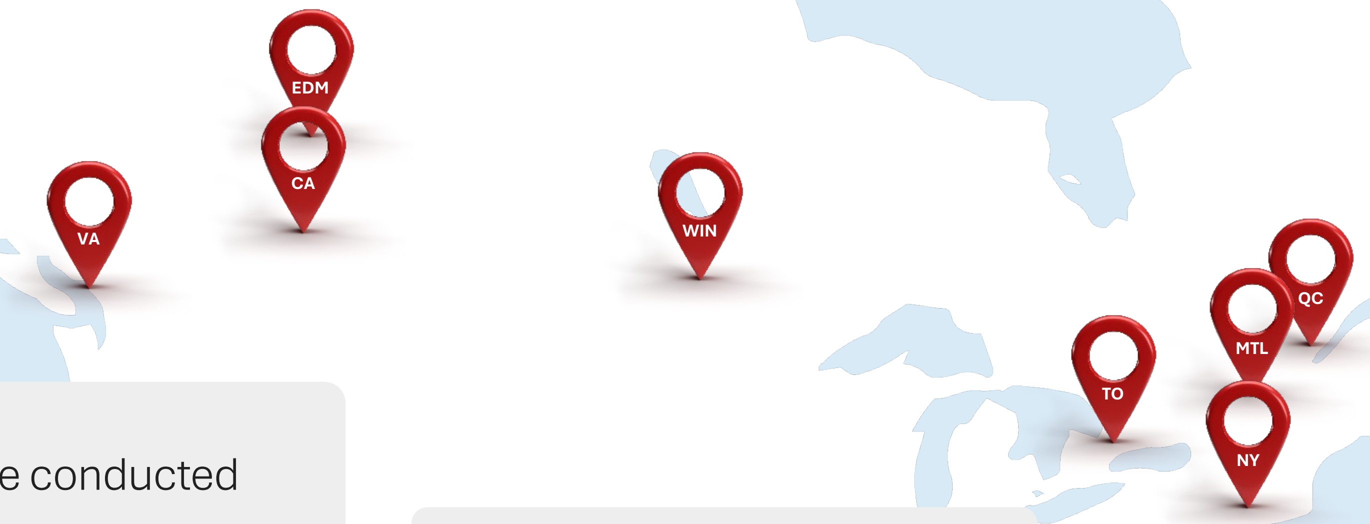
One of North America's Fastest Growing Market Research Companies



8

offices in **Canada** coast to coast and the **USA**, and over

300

employees, including

235

consultants.

Last year, we conducted

5,626,037

online surveys and

249,523

telephone surveys.

LEO is the **largest proprietary online panel**, with over

500,000

members in North America.

Retail Experts

We've Walked 1000s of Miles in Shoppers' Shoes

Over 4,000 focus groups, in-depth interviews and ethnographic interviews in 20 countries and 15 languages

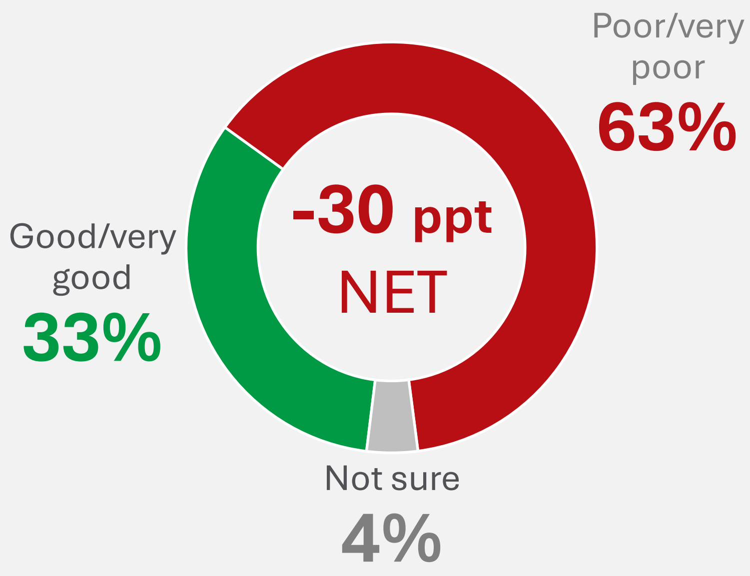
Current
Economic Climate

Current Economic Perceptions

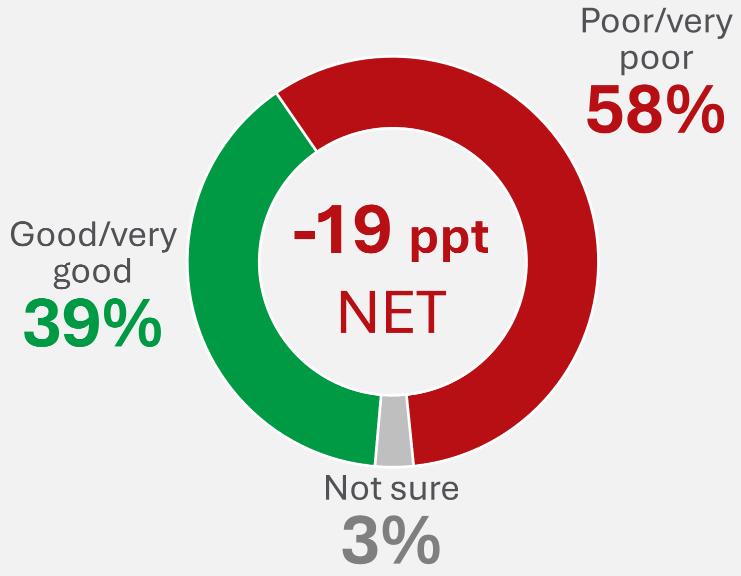
Shifts in opinion are slow for current economic perceptions, but there is a **directional sense of strengthening of views in BC**. This is true nationally, provincially and at the household level.

JULY 2024

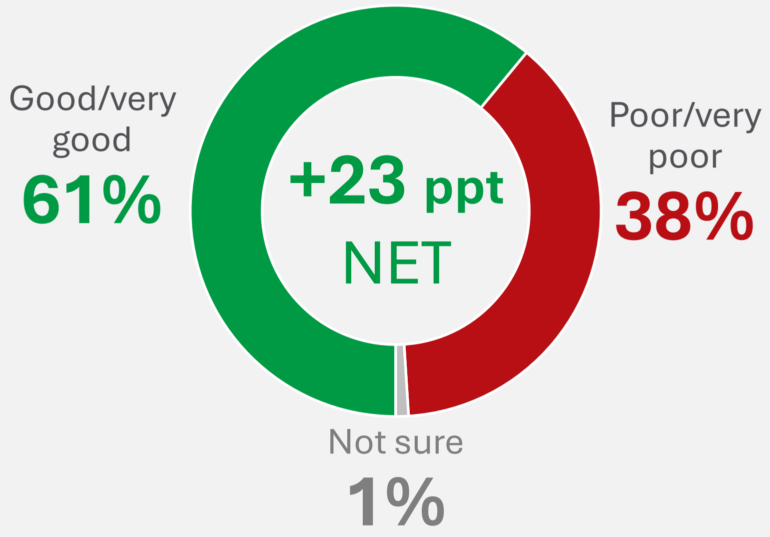
Canada Economy



BC Economy



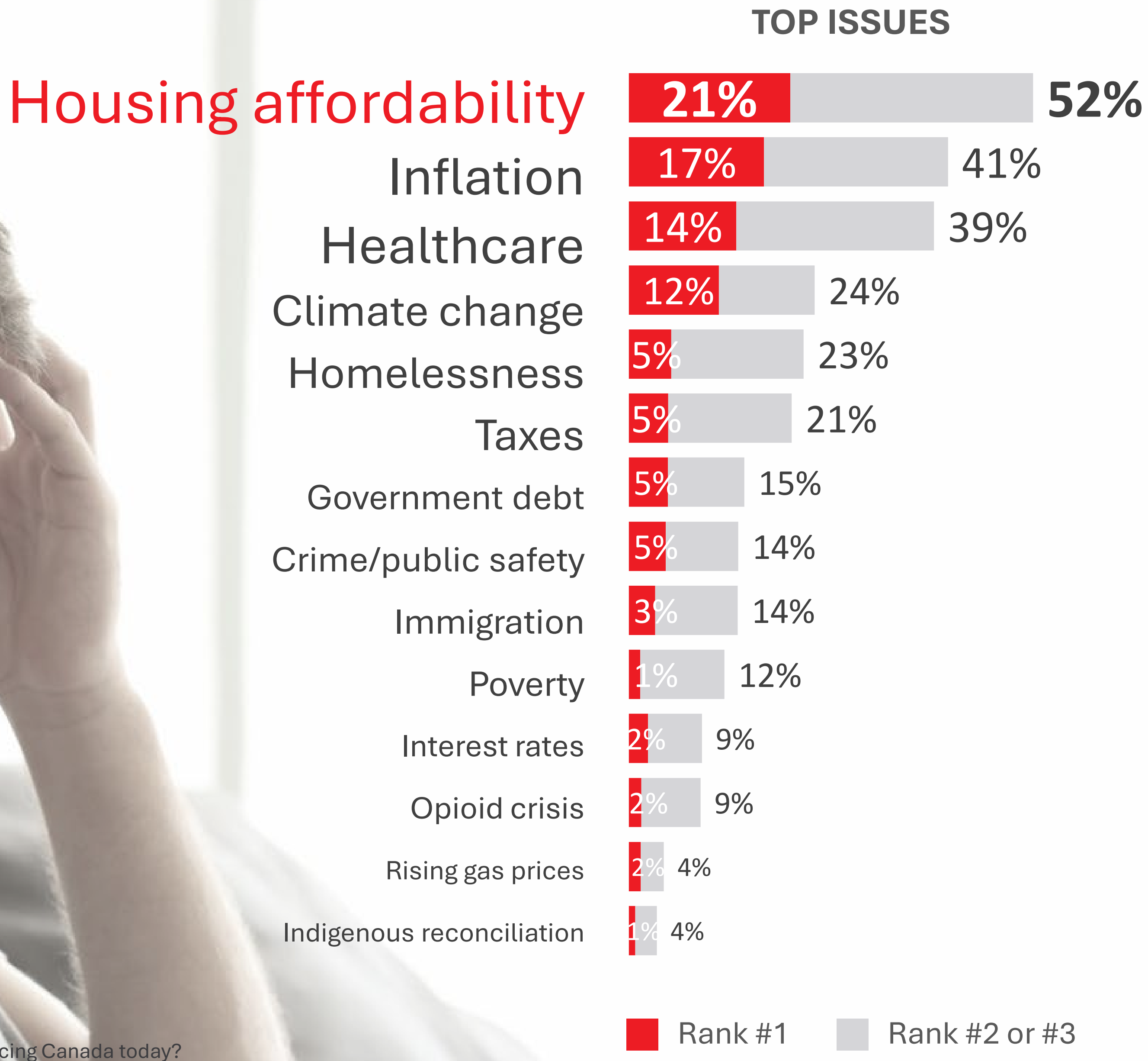
Household Finances (BC)



How would you describe the economic conditions in Canada today?
Thinking specifically about your home province/territory, how would you describe the economic conditions in ... today?
How would you describe your own household's finances today?

TOP ISSUES FACING CANADIANS FROM A BC PERSPECTIVE

Housing affordability continues to dominate in BC (to an even greater extent than Canada-wide), although concerns have not continued to rise over the past six months.



Note: Responses 4% and greater for JULY 2024 are shown.

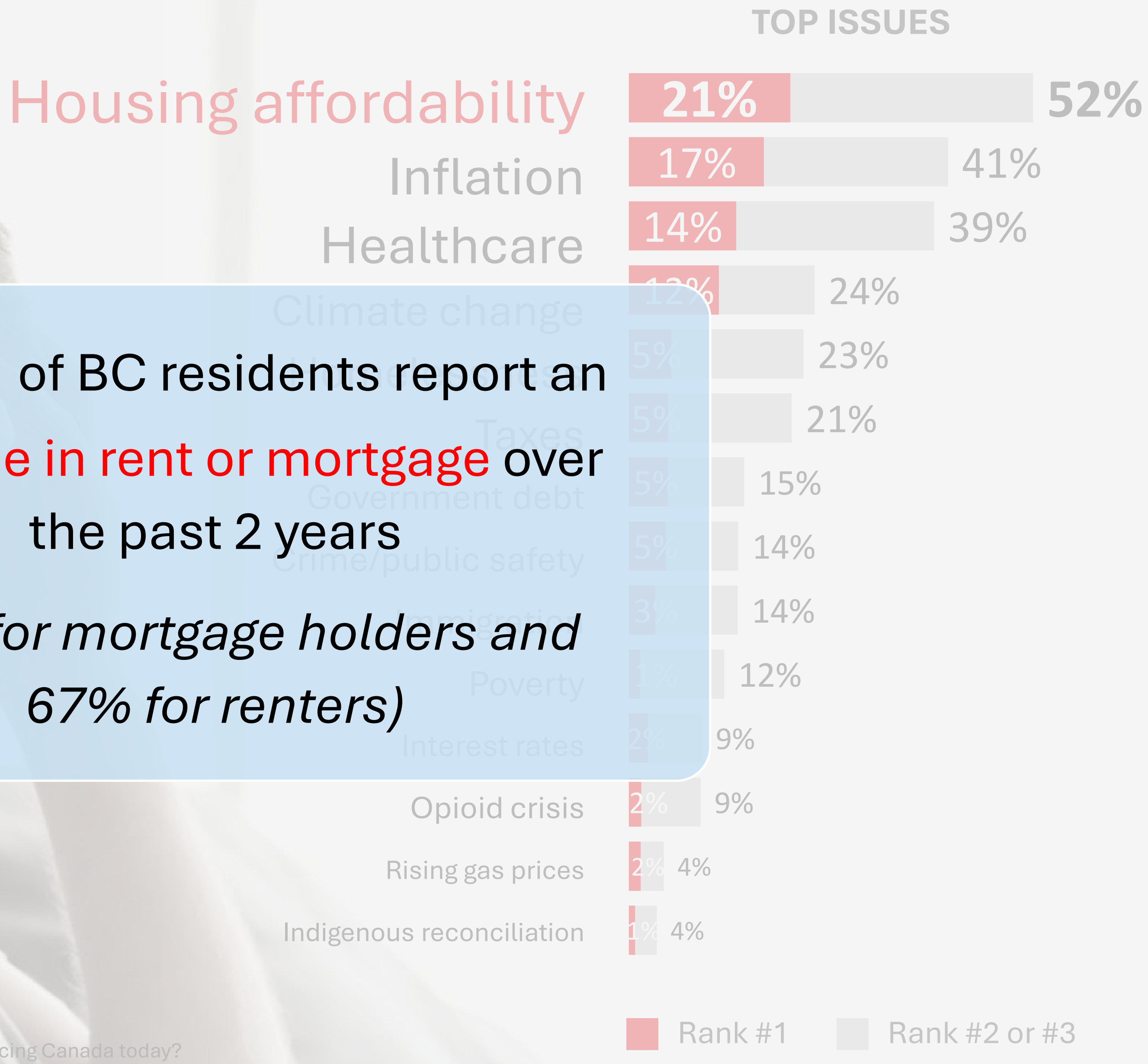
What is the number one important issue facing Canada today?
What is the second most important issue? The third most important?

TOP ISSUES FACING CANADIANS FROM A BC PERSPECTIVE

Housing affordability continues to dominate in BC (to an even greater extent than Canada-wide), although concerns have not continued to rise over the past six months.

50% of BC residents report an **increase in rent or mortgage** over the past 2 years

(35% for mortgage holders and 67% for renters)



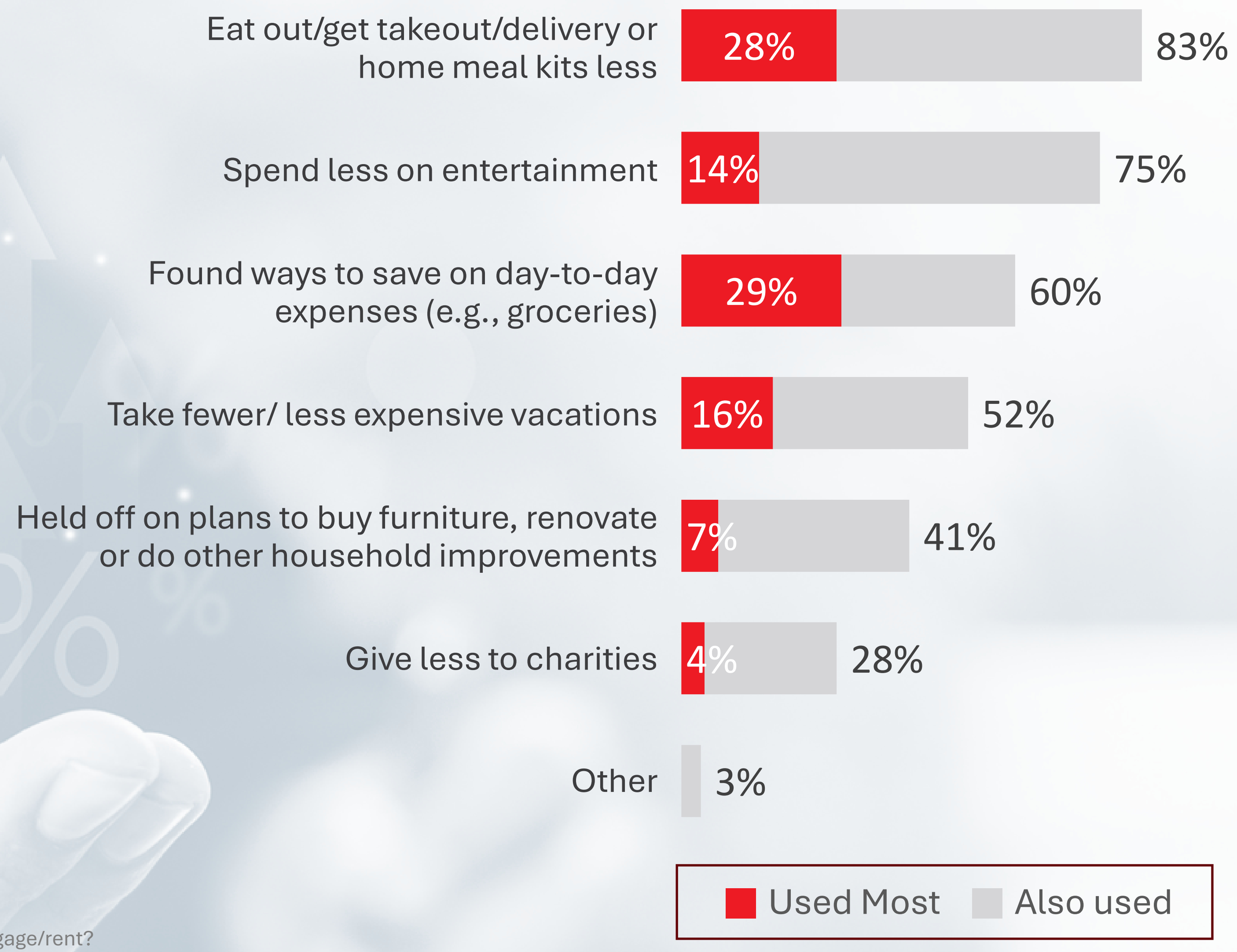
Note: Responses 4% and greater for JULY 2024 are shown.

What is the number one important issue facing Canada today?
What is the second most important issue? The third most important?

A Juggling Act:

Among British Columbians who have **experienced an increase in housing costs, 67% have reduced spending** in a variety of areas.

SPEND REDUCTION TACTICS



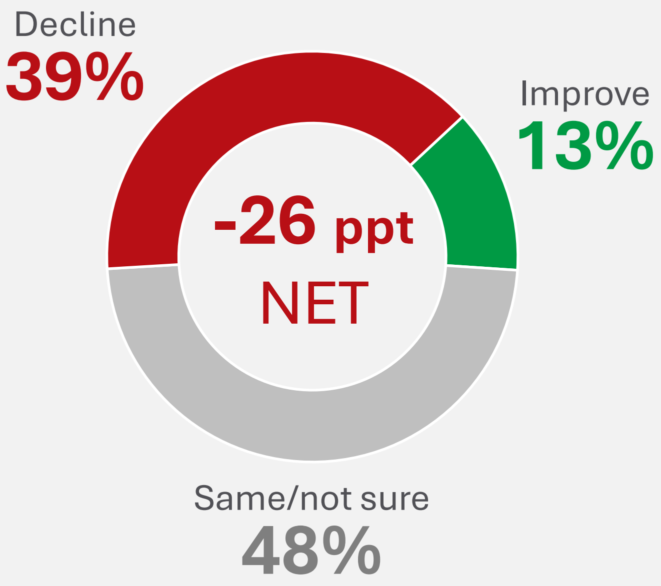
Where or how have you reduced your spending to pay for the increase in your mortgage/rent?
What one thing did you reduce your spending most on to pay for the increase in your mortgage/rent?

Looking Ahead: Future Economic Confidence

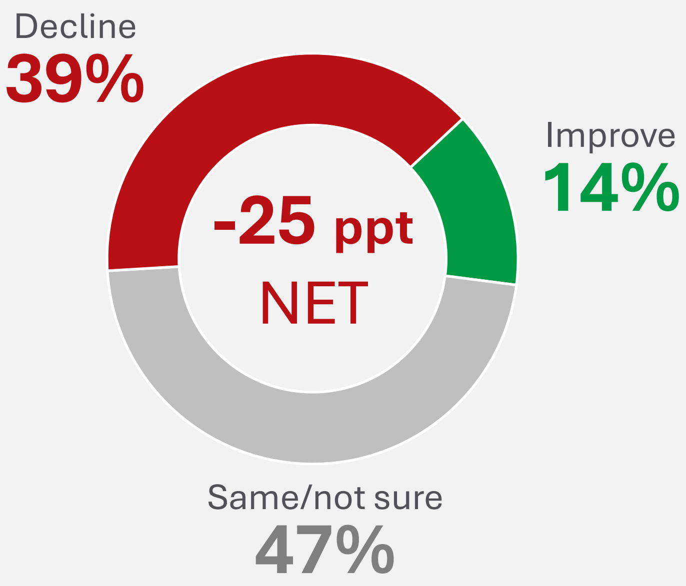
Confidence in the national and provincial economies, as well as household finances, are **relatively unchanged from six months ago** and **remain less positive than at points in the past**. Any emerging sense of recovery is likely to be slow in the short term.

JULY 2024

Canada Economy



BC Economy



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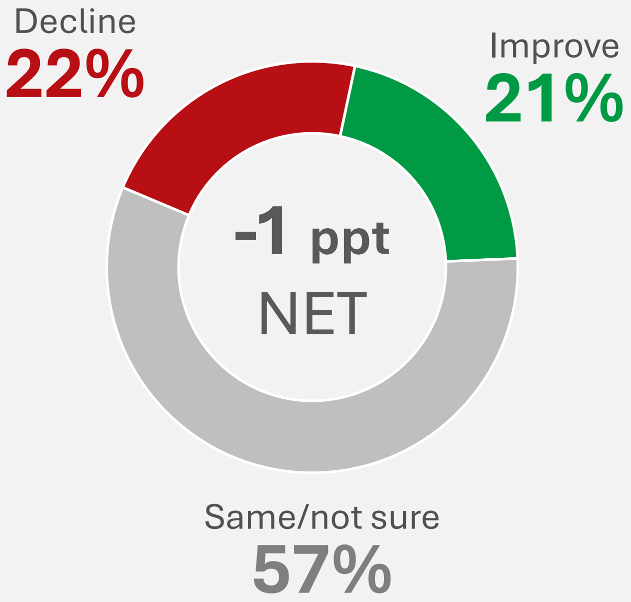


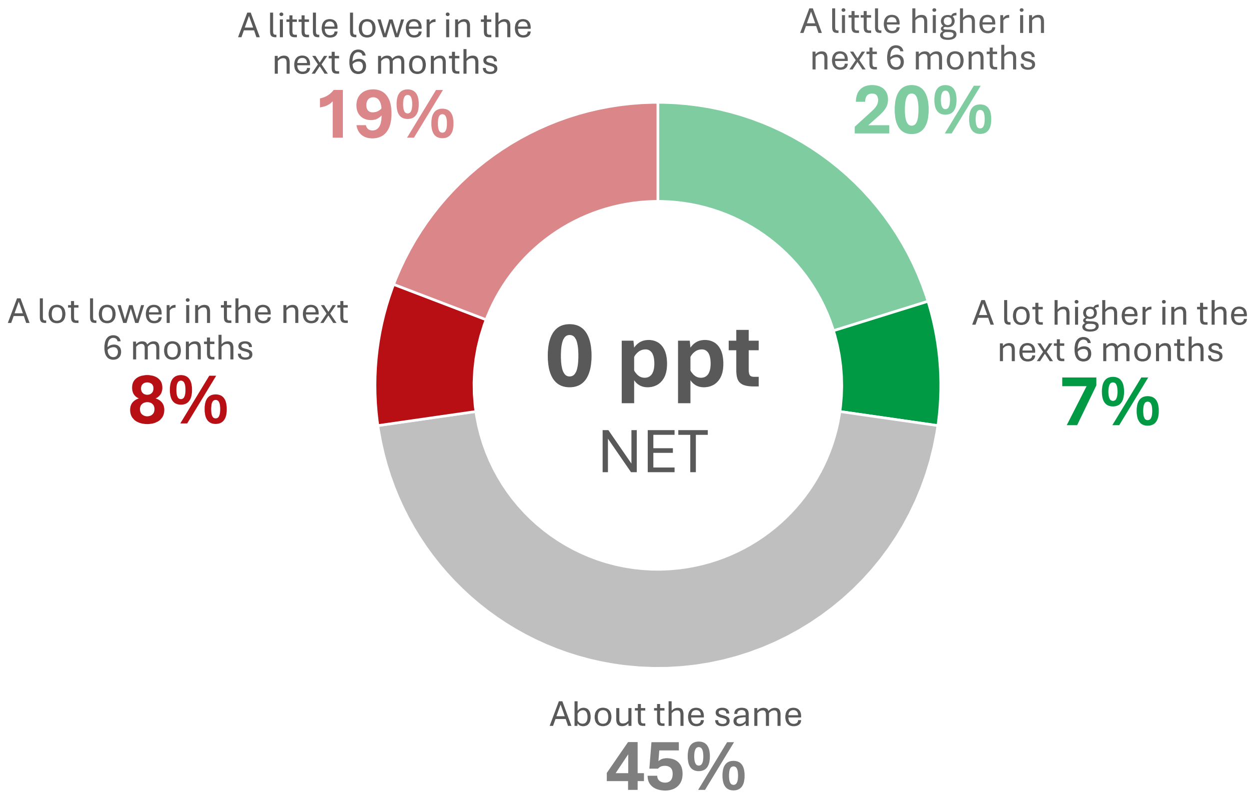
How would you describe the economic conditions in Canada today?
Thinking specifically about your home province/territory, how would you describe the economic conditions in ... today?
How would you describe your own household's finances today?

Looking Ahead: Discretionary Spending

The forward look at discretionary spending is more buoyant than other measures, with those expecting to spend more fully compensating for those who plan to pull back on their spending. This suggests positive things for the BC economy moving forward.

JULY 2024

British Columbia



The next questions are about your **discretionary spending** – by this, we mean your spending on **non**-essential items (items that you can choose to spend your money on or not). Do you expect your discretionary spending in the **next 6 months** to be higher, about the same or lower compared to the past 6 months?

Canada’s **Retail Landscape** for SMBs

Key Milestones in Canadian Retail: 1920s–2020s

1920s

Rise of Department Stores

- **Channel**: Physical Stores
- **Key Players**: Eaton's, Hudson's Bay
- Wide range of goods under one roof

1950s

Post-War Consumer Boom

- **Channel**: Physical Stores and Catalogues
- **Key Players**: Simpsons-Sears, Eaton's Catalogue
- New ways to shop

1970s

Discount Retail Revolution

- **Channel**: Discount Chains and Big-Box Retailers
- **Key Players**: Zellers, Kmart
- Price competitiveness

1980s

Rise of Specialty Retailers

- **Channel**: Specialty Stores
- **Key Players**: Roots, Shoppers Drug Mart
- Specialized products for targeted consumers

1990s

Emergence of E-Commerce

- **Channel**: Physical Stores, Early Online Shopping
- **Key Players**: Future Shop, Canadian Tire
- Another way to shop for early adopters

2000s

E-Commerce Expansion

- **Channel**: E-Commerce, Omnichannel
- **Key Players**: Amazon.ca, Best Buy Canada
- Speed and convenience are the norm

2010s

Mobile and Social Commerce

- **Channel**: Mobile Commerce, Social Media
- **Key Players**: Shopify, Facebook Marketplace
- New ways to interact with brands

2020s

Retail Disruption and Innovation

- **Channel**: Online-Only, Subscription Models, Marketplaces
- **Key Players**: Amazon, Walmart, Shopify
- COVID-19 accelerated the shift; click-and-collect, curbside pickup became standard

Looking Ahead
for Canadian Retail:
2030s

2030s

Hyper-Personalization,
Autonomous Retail &
Ethical Consumerism

Predicted Trends:

- AI-powered platforms offering **deeply personalized shopping experiences**, from product recommendations to virtual fitting rooms.
- Rise of the **Metaverse as a retail space**, where consumers can shop virtually in 3D environments, attend virtual events, and interact with products in real-time.
- **Autonomous retail spaces**, such as cashier-less stores (expanded from concepts like Amazon Go) and **automated delivery systems** (drones, robots).
- Increasing demand for **eco-friendly products and ethical supply chains** where consumers will expect sustainability to be at the core of every retail transaction.
- **The line between digital and physical stores will blur even further.**

The SMB Sales Strategies and Challenges Report

Objective:

To help SMBs in the retail trade formulate strategies to improve sales and market presence.

When

September 23 – October 1, 2024

How

Phase 1: Online quantitative survey with **757 SMBs across Canada**.

Phase 2: Qualitative interviews with decision-makers from 12 SMBs across Canada.

Who

→ **Canadian enterprises**:

- Independent business – not a franchise or branch
- 1 to 99 (Small) or 100 to 499 (Mid-sized) employees
- **Sell physical goods** directly to consumers in the Retail Trade or Direct-to-Consumer sectors

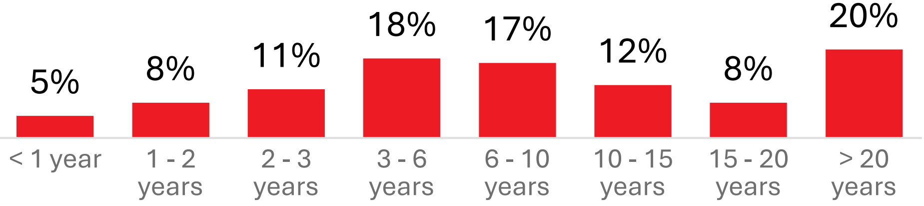
→ Owners/founders, mid-senior managers

→ Input into their company's sales strategies

Meet our SMB Sellers

TOTAL SMBs *(n=757)*

YEARS IN BUSINESS



GENDER

51%

49%

REGION

31% West

38% Ontario

24% Quebec

7% East

AGE

18 to 24	4%
25 to 34	22%
35 to 44	32%
45 to 54	19%
55+	22%

43 Average Age

COMPANY SIZE

93% Small (1-99)

7% Medium (100-499)

ROLE

71% Owner/ Founder

29% Managers

SECTOR

53% Retail

47% Direct-to-consumer

PRODUCTS SOLD

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WESTERN SMBs *(n=237)*

Meet our Western SMB Sellers

YEARS IN BUSINESS

< 1 year	1 - 2 years	2 - 3 years	3 - 6 years	6 - 10 years	10 - 15 years	15 - 20 years	> 20 years
5%	8%	11%	18%	17%	12%	8%	20%

GENDER

51%

49%

REGION

31% West

38% Ontario

24% Quebec

7% East

PRODUCTS SOLD

Higher on All Except Food & Beverage

Clothing, shoes, & accessories	32%
Food & beverage	23%
Hobby, books, & music	21%
Furniture & home furnishings	17%
Health & personal care	17%
Toys & games	16%
Cooking tools & small household items	15%
Pet & pet supply	15%
Electronics	14%
Sporting goods & fitness	13%
Building materials & garden equipment	11%
Appliances	9%
Travel/ Vacation package providers	6%
Art	3%
Other	10%

AGE

18 to 24	4%
25 to 34	22%
35 to 44	32%
45 to 54	19%
55+	22%

43 Average Age

COMPANY SIZE

93% Small (1-99)

7% Medium (100-499)

SECTOR

44% / 56%

53% Retail

47% Direct-to-consumer

ROLE

64%

71% Owner/ Founder

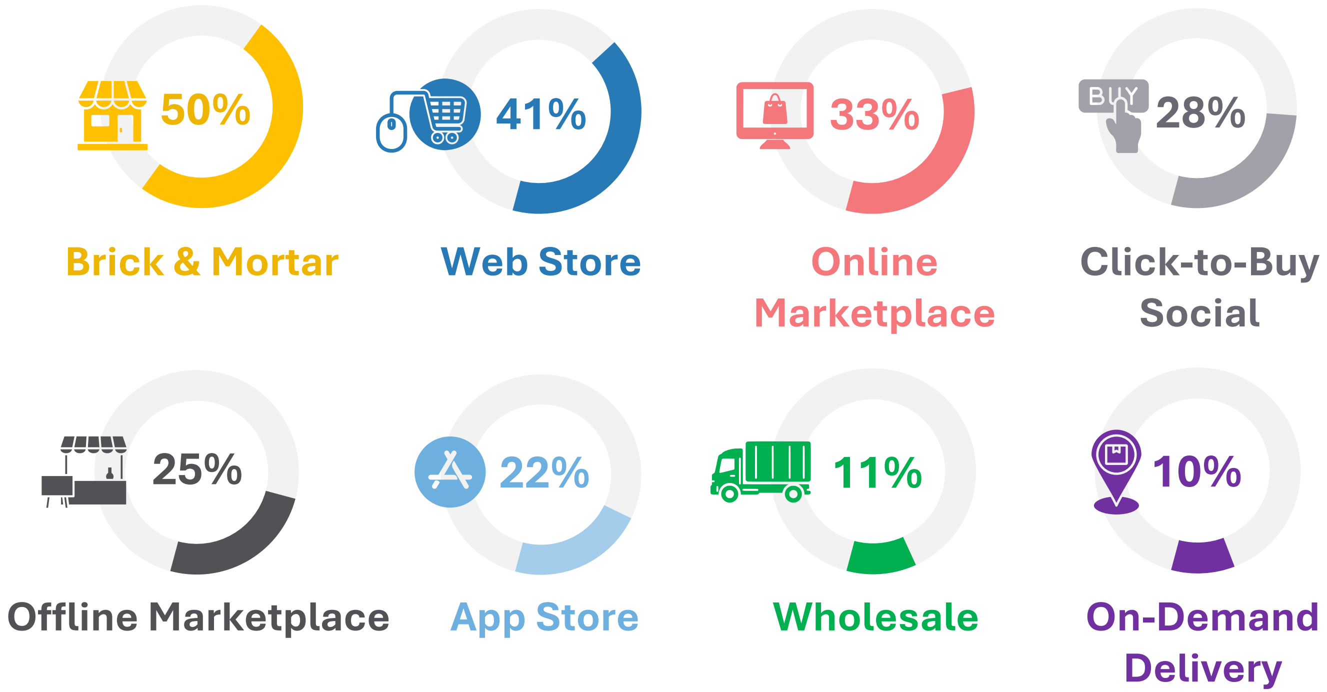
29% Managers

38%

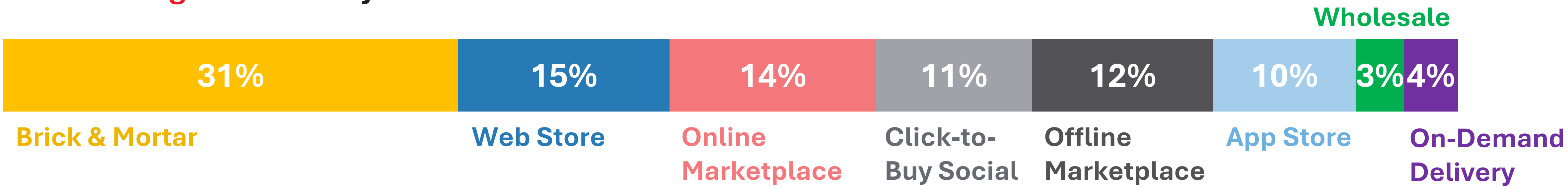
Diverse **Sales Methods**

SMB Sellers use an average of **2 different methods** for selling their products to customers

SMB Use of Sales Methods



SMB Average Revenue by Sales Method



Base: TOTAL SMBs (n=757)
*Digital = Web Store, Online Marketplace, Click-to-Buy Social, App Store, and/or On-Demand Delivery. Non-Digital = Brick & Mortar Stores, Offline Marketplace, and/or Wholesale.
Q5. Which sales method(s) does your company currently uses to sell and/or reach new customers?
Q6: Listed below are the various sales methods utilized by your company. Could you please estimate the percentage contribution of each of these methods to your company's total gross sales revenue in the year 2023?

Diverse **Sales Methods**

SMB Sellers use an average of **2 different methods** for selling their products to customers

Western SMB Sellers are...

Less likely to use **Brick & Mortar** and **Web Store** channels.

More likely to use **Click-to-Buy Social** and **App Store** channels.

SMB Use of Sales Methods

- Brick & Mortar: 50%
- Web Store: 41%
- Online Marketplace: 33%
- Click-to-Buy Social: 28%
- Offline Marketplace: 25%
- App Store: 22%
- Wholesale: 11%
- On-Demand Delivery: 10%

SMB Average Revenue by Sales Method

Brick & Mortar	Web Store	Online Marketplace	Click-to-Buy Social	Offline Marketplace	App Store	Wholesale	On-Demand Delivery
31%	15%	14%	11%	12%	10%	3%	4%

Base: TOTAL SMBs (n=757)
*Digital = Web Store, Online Marketplace, Click-to-Buy Social, App Store, and/or On-Demand Delivery. Non-Digital = Brick & Mortar Stores, Offline Marketplace, and/or Wholesale.
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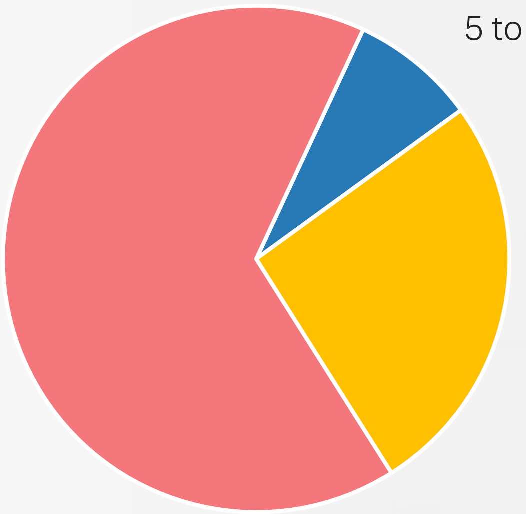
Not All SMB Sellers are the Same

Three Types of SMB Sellers



8%
Advanced Sellers
5 to 8 sales methods

66%
Novice Sellers
< 3 sales methods

26%
Proficient Sellers
3 to 4 sales methods

Western SMB Sellers

71% | 24% | 5%

Compared to Novice Sellers,
Advanced Seller Leaders are:

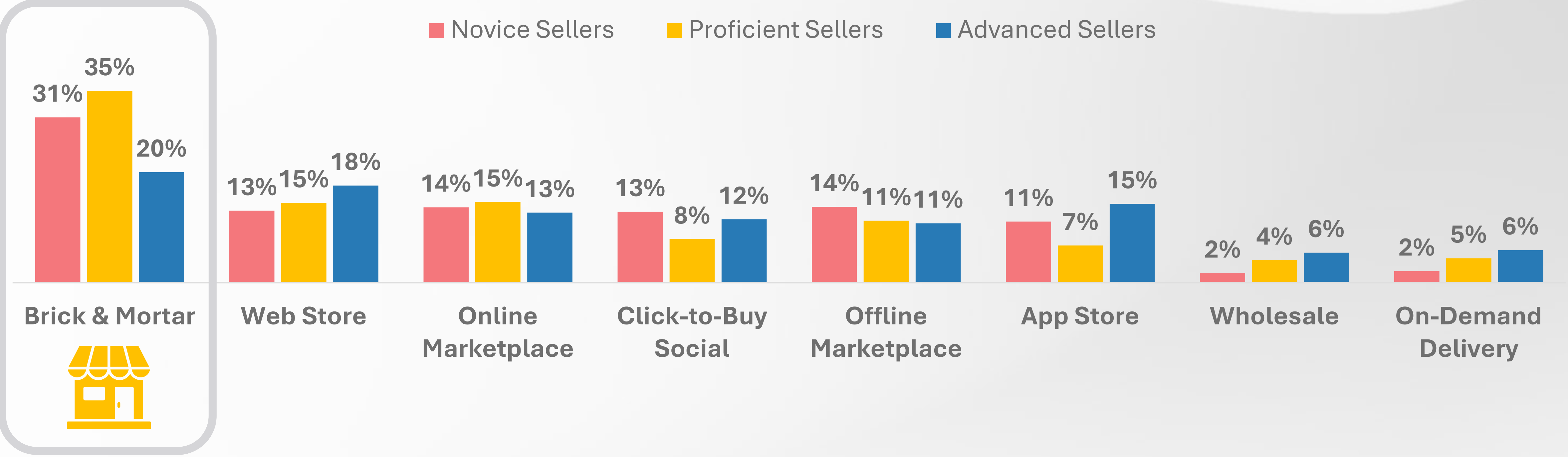
- → **2X** as likely to be very **optimistic** about their **business' future.**
- → **5X** as likely to **project higher revenue** this year (vs. 2023).
- → **1.5X** as likely to be very **optimistic** about the **shape of their industry.**
- → **3X** as likely to **believe** the **Canadian economy is in excellent shape.**

Revenue Distribution by Sales Methods

Advanced Sellers exhibit the least concentrated revenue.

As SMB Sellers **utilize a broader array of sales channels**, their revenue sources diversify and there is **decreased dependence** on any single sales method.

% of Revenue by Sales Methods



Base: TOTAL SMBs (n=757), Advanced Sellers (n=61), Proficient Sellers (n=197), Novice Sellers (n=499)
Q5. Which sales method(s) does your company currently uses to sell and/or reach new customers?
Q6: Listed below are the various sales methods utilized by your company. Could you please estimate the percentage contribution of each of these methods to your company's total gross sales revenue in the year 2023?

The Evolutionary Journey from Novice to Advanced

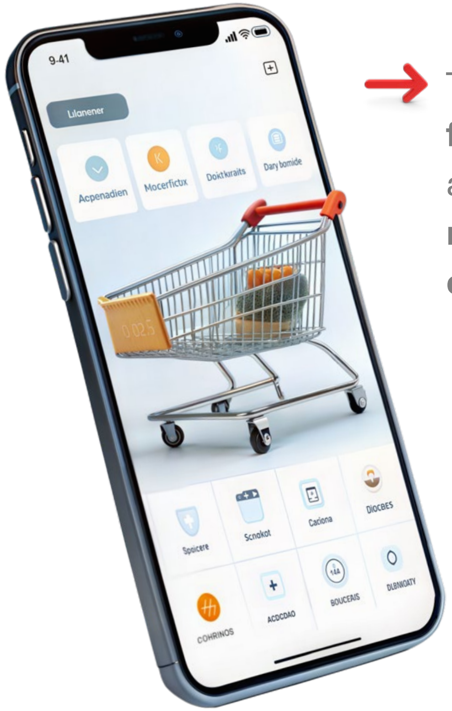
NOVICE

BRICK & MORTAR	Strong presence **initially but declines** as digital channels gain traction.
WEB STORE	Gains prominence as companies progress, reflecting the **shift to digital**.
ONLINE MARKETPLACE	Grows over time, with businesses expanding to **reach wider audiences**.
CLICK-TO-BUY ON SOCIAL	Introduced gradually for **increased customer engagement**.
OFFLINE MARKETPLACE	Traditional avenues like markets, trade shows; **steady but less dominant**.
APP STORE	Often adopted later, with a **shift towards mobile and app-driven strategies**.
ON-DEMAND DELIVERY	Rising in adoption post-COVID, catering to **immediate consumer needs**.
WHOLESALE	Increases during the maturity stage to **stabilize revenue through bulk sales**.

ADVANCED

A Closer Look:
Digital Providers

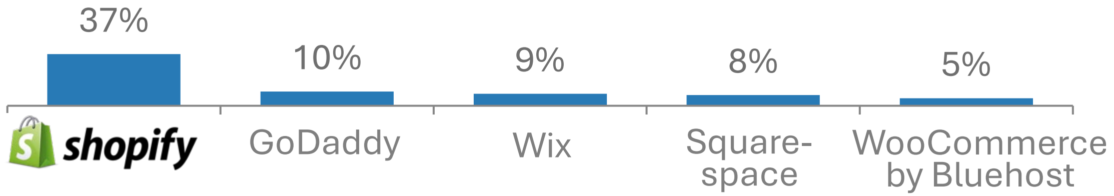
Each sales method is supported by its own set of specialized digital providers.



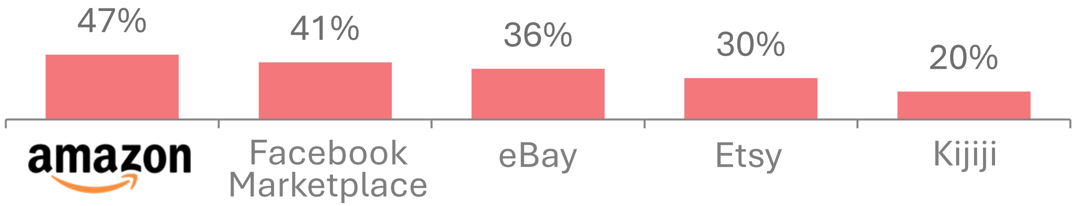
There are **distinct preferences for certain platforms** but also a range of smaller or more **niche providers tailored to each method**.

Top 5 Digital Providers

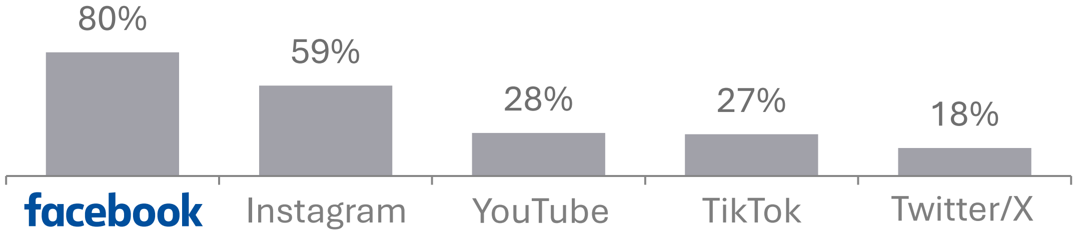
Web Store
(n=312)



Online Marketplace
(n=253)



Click-to-Buy Social
(n=214)



Base: Among SMBs that use the method
Q5e: You've indicated that your company operates a website for sales and attracting new customers. Could you tell us which e-commerce platform provider is currently used to support your company's website operations?
Q5d. You stated that your company uses Online Marketplaces to sell and/or reach new customers. Which of the following companies does your company use?
Q5b. You indicated that your company utilizes "click-to-buy" features on social media to engage and sell to customers. Which of the following social media platforms your company actively uses for this purpose?

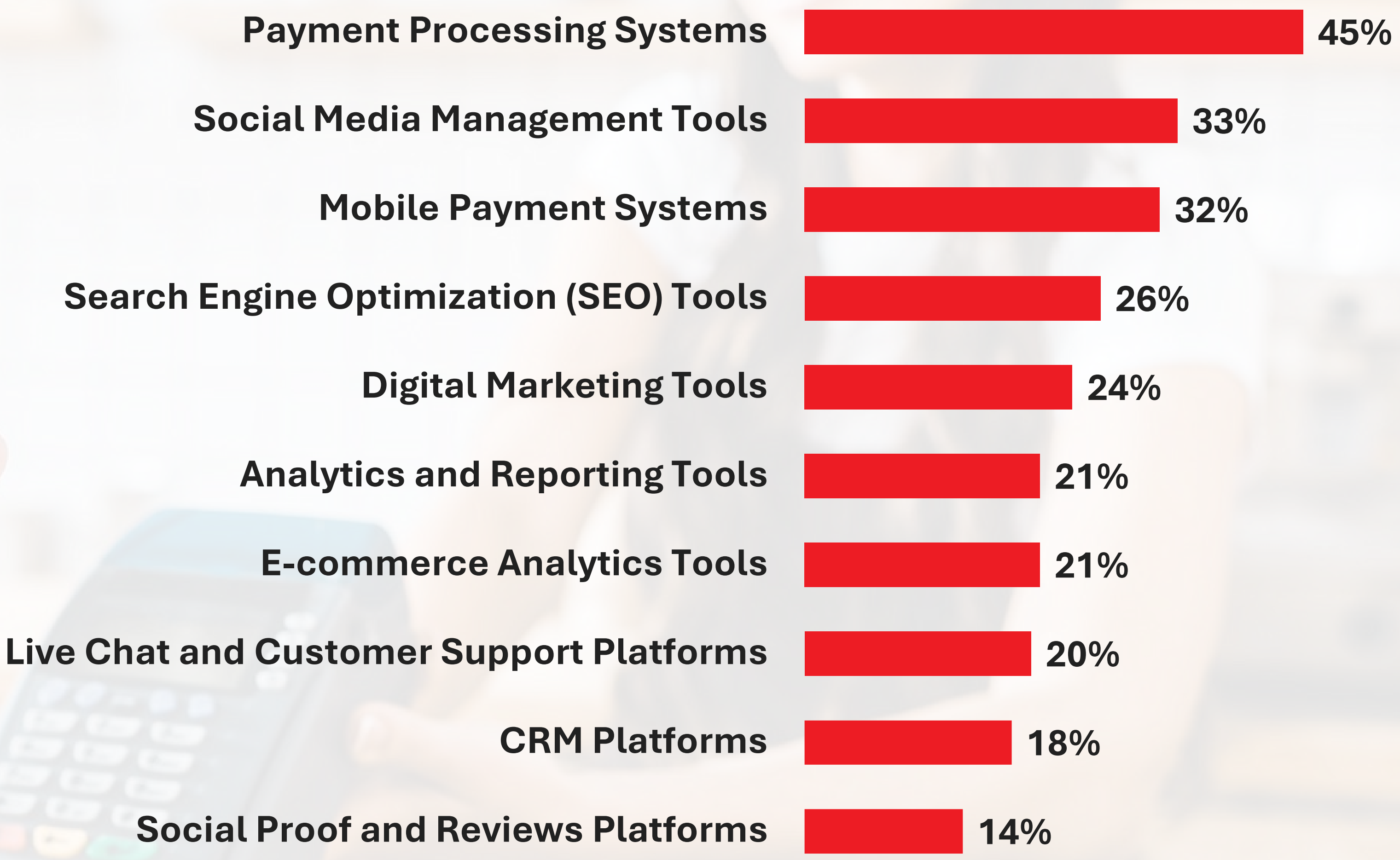
A Closer Look:
Digital Tools

The majority of SMB Sellers (88%) use at least one digital tool.

Post-COVID-19, most SMBs have **maintained or increased their use of digital tools**, notably Payment Processing Systems and SEO Tools.

Through 2024, the use of digital tools is **expected to increase**, particularly Mobile Payment Systems and SEO Tools.

Top 10 Digital Tools



Base: TOTAL SMBs (n=757)
Q11. Listed below are various digital tools that some companies employ to support their sales efforts. Kindly indicate all the tools currently utilized by your company, if any.
Q11b. How does the utilization of these digital tools compare to the period before the onset of the COVID-19 pandemic?
Q11c. And how do you expect the use of these digital tools to change in 2024 compared to 2023?

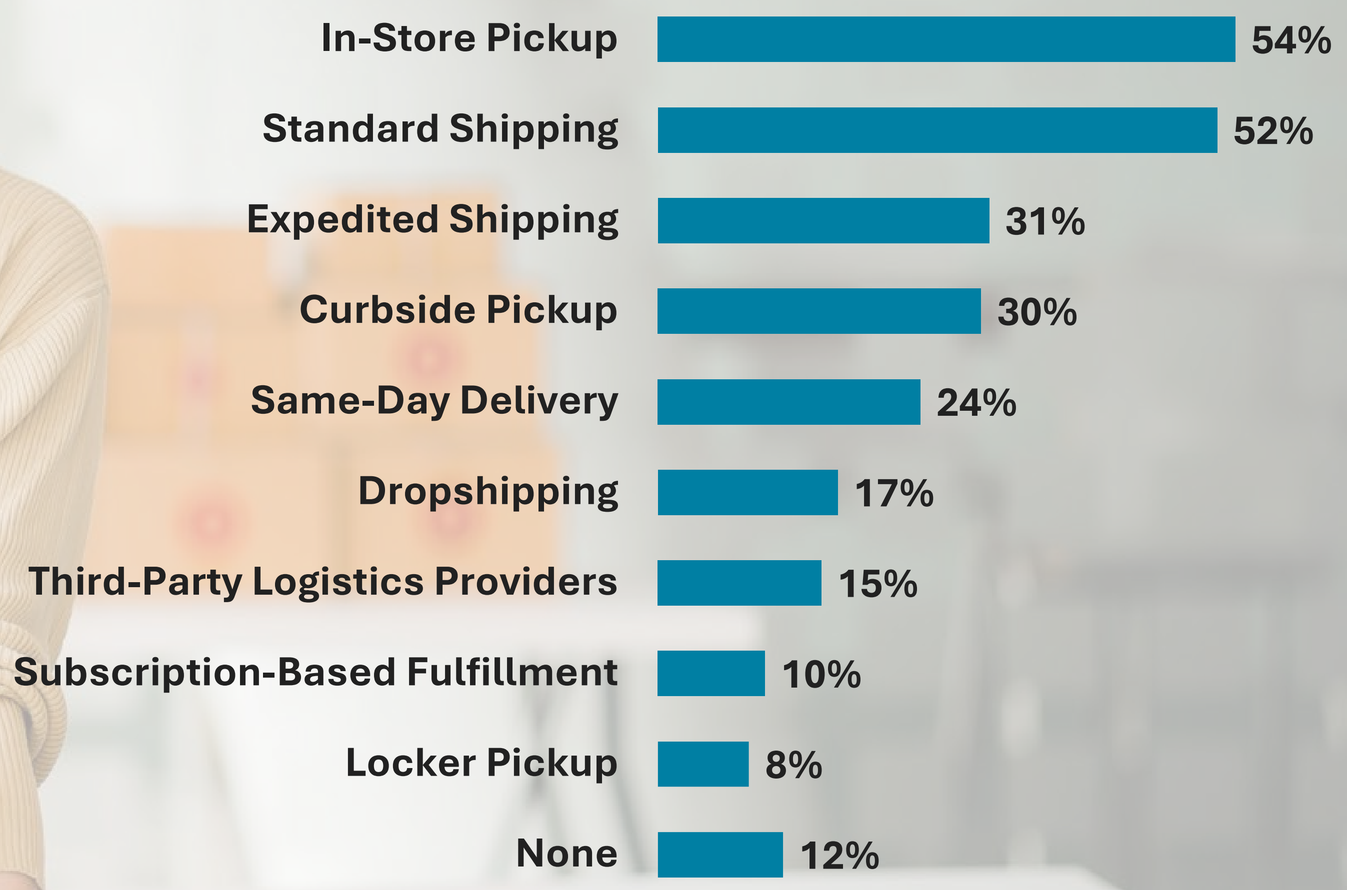
A Closer Look: **Fulfillment Approaches**

Fulfillment approaches are broadly adopted and anticipated to expand further.

88% of those with a Brick & Mortar and/or Web Store currently **use at least one fulfillment method.**

46% **anticipate an increase in their usage** in 2024 compared to 2023.

Fulfillment Approaches Used by SMB Sellers with Brick & Mortar and/or Web Stores



Base: SMBs that use Brick-and-Mortar AND/OR Website (n=533).
Q12. Listed below are various methods used to deliver products to customers after they make a purchase. Please indicate all the methods currently utilized by your company, if any.
Q12a. How do you expect the use of these methods to change in 2024 compared to 2023?

Key Take-Aways

Leverage the Enduring Power of Brick & Mortar

Remains an essential revenue driver. Enhance the in-store experience and link physical spaces with online offerings.

Adopt a Multi-Channel Strategy for Resilience

Add digital channels for greater reach and stability and to reduce dependency on a single revenue source.

Gradual Integration to Overcome Adoption Barriers

Start with low-cost digital channels and seek local training.

Use Multiple Marketplaces to Increase Reach and Brand Exposure

Increase brand exposure and tap into new customer segments.

Use Social Media Click-to-Buy for Direct Sales

Engage customers directly and facilitate sales, enhance brand visibility and simplify purchasing.

Explore App Store Opportunities to Engage Mobile Shoppers

Strengthen customer engagement and facilitate repeat purchases.

Capitalize on Wholesale Partnerships for Broader Reach

Expand brand presence, increase product visibility, and drive revenue.

Maximize Digital Tools for Efficiency and Growth

Prioritize tools that streamline ops, enhance online visibility and boost engagement.

Add Fulfillment Options to Meet Rising Expectations

Demand for flexibility is on the rise. Invest to stay competitive and improve satisfaction.

Diversify Channels for a Positive Economic Outlook

Advanced retailers are more optimistic and anticipate higher growth.

Holiday Shopping Trends 2024

Table Of Contents

Nationally representative sample of **2,510 Canadians** aged 18+

Fielded Sep 23 – Oct 1, 2024

Holiday 2024: Budgeting & Spending

44% Will Change Their Budget This Year

23% Spend More
27% Cost of living/inflation
23% More money to spend
18% More people to buy for

21% Spend Less
33% Less money to spend
28% Cost of living
7% Will reduce spending

56% Will Maintain Their Budget

*Canadian shoppers **aged 65+** (61%) and **Quebecers** (59%) are significantly more likely to maintain their budget.*

Younger shoppers 18-34 plan to spend more.

$972

Anticipated Spend

(+$73, an 8% increase since 2023)

How much do you plan to spend during this holiday season?

Gifts for Others is 79% of Budget

*Over the years, Canadian shoppers have continuously exhibited a **strong spirit of generosity.***

19% of Canadian Shoppers Plan to Spend MORE on Vacations/Travel Compared to Last Year

Clothing and Holiday Home Entertaining are Highest Spend Categories

16% Clothing
16% Food, sweets & alcohol
12% Toys & games

Consistently the highest spending categories.

% of holiday shopping budget allocated to each category

Gift Cards are 15% of Budget

44% Restaurants
37% Big box retailers
25% Clothing retailers

*Purchase of **restaurant gift cards** continues to increase year over year along with **interest in receiving** a gift card over a traditional gift.*

Holiday 2024: Budgeting & Spending

BC consumers **anticipate spending**
$893
this holiday shopping season
($33 or 4% more than last year).

They are **more likely to shop in-store** for the holidays than other times of the year
(17% vs. 8% national average),
as well as **look at flyers**
(39% vs. 32% national average).

Gift cards for **restaurants**, **health and wellness retailers** and **sporting goods and fitness retailers** are especially popular.

Holiday 2024:
Key Take-Away

More than ever, Canadian shoppers **prioritize shopping locally** – they favour stores close to home or work and show strong support for Canadian-owned retailers and locally-made products.

While shopping locally is a nationwide trend, **Western Canadians** show particularly **strong support for Canadian-owned and local retailers**, aligning with their values of community support.

Thank you!

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Dr. Lana Porter, Senior Vice-President

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