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Analysis in Brief

Retail E-commerce in Canada



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- . not available for any reference period
- .. not available for a specific reference period
- ... not applicable
- 0 true zero or a value rounded to zero
- 0^s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
- ^P preliminary
- ^r revised
- X suppressed to meet the confidentiality requirements of the *Statistics Act*
- ^E use with caution
- F too unreliable to be published
- * significantly different from reference category ($p < 0.05$)

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Retail E-commerce in Canada

Outline/Overview

A new data series which measures on-line retail sales by **Canadian-based retailers** will be included in the Monthly Retail Trade Survey (MRTS) release starting with reference month September 2016. The series begins with January 2016 reference month and is available at the national, retail sector level.

Until now, Statistics Canada has measured online sales by Canadian retailers on an annual frequency. However, as more and more retailers offer goods and services on-line, it has become increasingly important to track this variable on a more frequent basis.

The following questions and answers will address a number of conceptual and classification issues related to the measurement of on-line retail sales made by Canadian retailers.

What are on-line retail sales?

For the purposes of the MRTS, on-line retail sales are defined as sales of goods or services where the order is received and the commitment to purchase is made via the Internet, even if payment is made by other means. This includes orders made on web pages, through an extranet or by electronic data interchange over the Internet.

It is important to distinguish between on-line **purchases** of goods and services by Canadian consumers and the on-line **sales** of retail goods and services by Canadian retailers. The MRTS measure of on-line retail sales is an estimate of the sales made on-line by Canadian retailers, whether to domestic or foreign consumers. It does not include the on-line purchases made by Canadian consumers from retailers located outside of Canada. On-line purchases of goods by Canadian consumers from foreign located retailers are embedded in Statistics Canada's goods import data series. In 2015, the value of all Canadian postal imports which includes imports of on-line purchases, was estimated to be \$1.8 billion dollars.

In addition, on-line sales by businesses not classified as retailers according to the North American Industry Classification System (NAICS) are excluded for this measure of on-line retail sales. While most goods and services familiar to consumers, such as food, clothing, electronics, and household goods, are sold by retailers, there are a number of goods and services sold on-line which are not typically sold by retailers. Examples include, but are not limited to:

- Hotel accommodations
- Travel services, including purchasing of airline tickets
- Ticket sales
- Registrations to programs or events
- Bill payments
- License renewals
- Banking

According to the NAICS 2012, these goods and services are not sold by retailers but by establishments belonging to other sectors of the economy, such as the traveler accommodation industry and the arts, entertainment and recreation subsector. These goods and services are therefore not captured in the MRTS measure of on-line retail sales.

Which retailers are selling on-line?

Under the NAICS 2012, the retail industry is separated into two broad categories, **store** and **non-store** retailers.

Store retailers, often referred to as ‘brick and mortar’ retailers, operate fixed point-of-sale establishments that are located and designed to attract a high volume of walk-in customers. Their stores have extensive displays of merchandise, and they typically use mass-media advertising to attract customers. These retailers primarily register sales of their goods or services at their physical stores.

Non-store retailers also sell goods to the general public, but not from fixed, physical stores. These retailers attract customers and market their merchandise through methods such as on-line advertising, infomercials, vending machines, electronic or traditional catalogues, temporary displays of merchandise (for example stalls), and direct selling (for example door-to-door solicitation). Sales may be made on-line, with goods delivered to the consumer, or through outlets such as stalls, temporary displays, or vending machines.

Retailers with physical storefronts that have a separate division for on-line sales will report sales in both store and non-store retail subsectors. For example, if a clothing store has an on-line division and a brick and mortar division, and the division responsible for on-line sales has a separate establishment, payroll and employees, the online sales would be tabulated as part of the non-store retail subsector (NAICS 454) and the sales from the brick and mortar division would be tabulated in clothing and clothing accessories stores (NAICS 448).

It is entirely up to individual retailers whether or not they separate their on-line activities from their brick-and-mortar stores. Thus, some large retailers report sales in both the retail store and retail non-store subsectors, while others report in only one subsector.

If an on-line retailer has a Canadian location that operates as a retail business, it is included as a Canadian retail operation. If it does not, it is excluded, even if the retailer has significant sales to Canadian consumers, a website ending in .ca, or even logistics, fulfillment centres/warehousing, or shipping services that are based in Canada. These businesses are classified as foreign-based retailers, not Canadian retailers.

How was the monthly series of on-line retail sales developed?

As of January 2016, the MRTS has implemented two changes to start capturing monthly on-line sales by Canadian retailers.

First, the MRTS added a question to ask existing respondents whether or not a portion of their monthly sales was made via the internet. If they selected yes, they were then asked how much of their total sales was accounted for by internet sales, expressed in either percentage or dollar terms.

Second, the MRTS expanded its scope to collect data on the electronic shopping and mail order house industry (NAICS 454110) within the non-store retail subsector. Based on data from Statistics Canada’s Annual Retail Trade Survey, this industry is a large contributor to on-line retail sales, and therefore needed to be included in order to develop a comprehensive measure of on-line retail sales on a monthly basis. As a result, the MRTS now covers the retail industries corresponding to NAICS 441-45411.

Are there any plans for future development work?

Monthly estimates of on-line retail sales are currently only available at the national, retail sector level. This is due to the fact that most retailers are either unable to report their on-line sales by province or have very different methods of allocating on-line sales to their establishments across Canada. Statistics Canada will explore methods for allocating on-line sales by province using information from the Annual Retail Trade Survey. Statistics Canada is also investigating the possibility of publishing on-line sales by retail industry, as well as developing commodity estimates for the non-store subsector.

In addition, the remaining industries in the non-store subsector may also be added to MRTS to complete the coverage of both traditional and on-line retail sales. These industries are vending machine operators (NAICS 45421), fuel dealers (NAICS 45431), and other direct selling establishments (NAICS 45439).

Seasonally adjusted estimates of on-line retail sales will be developed once data have been collected for at least three years.