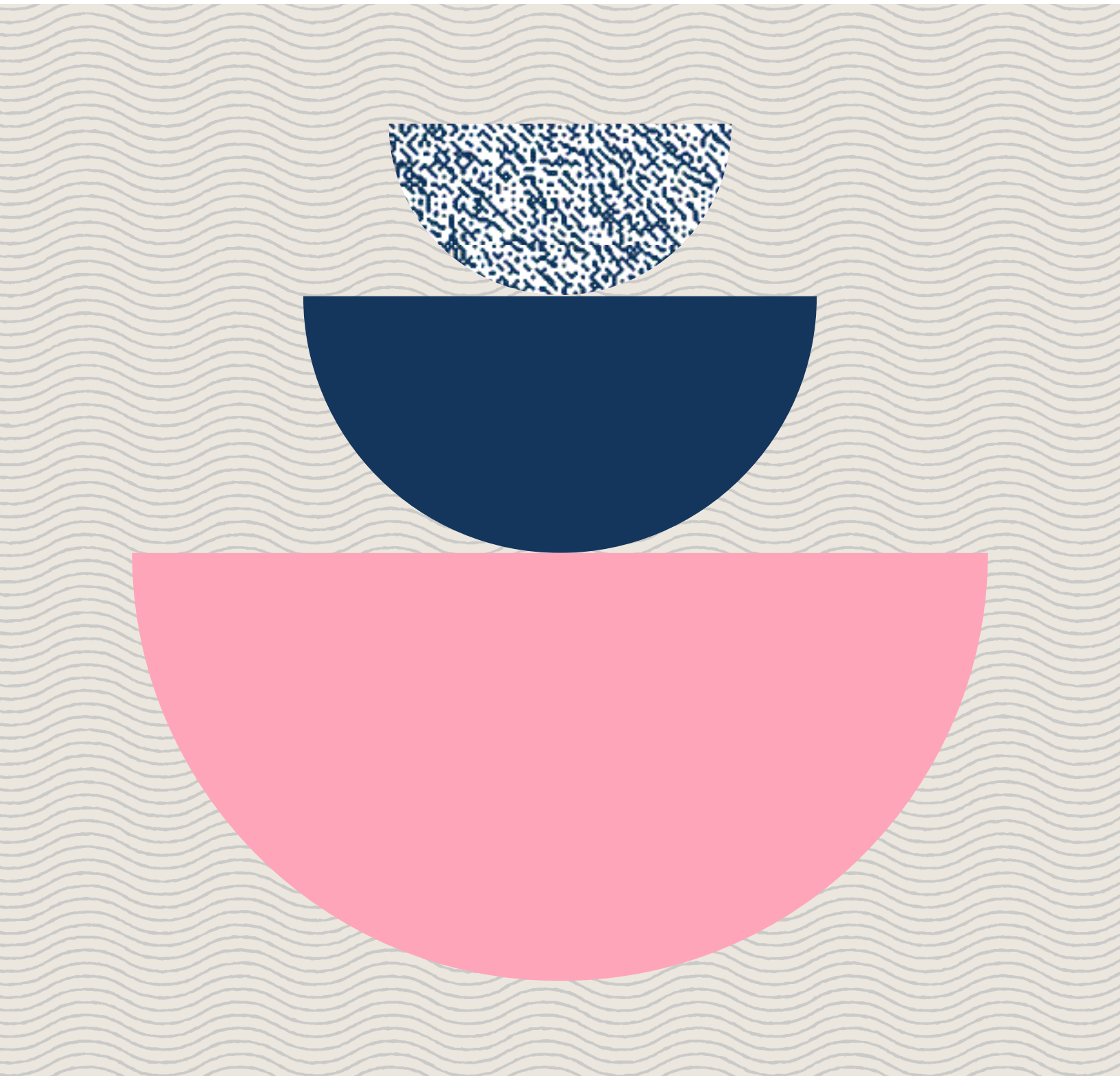


Online Sales in Canada

A BROOKFIELD INSTITUTE FOR INNOVATION +
ENTREPRENEURSHIP BRIEF

MARCH 2021



PARTNERS

This work was made possible by our partners:



CANADIAN CHAMBER OF COMMERCE

We help build the businesses that support our families, our communities and our country. We do this by influencing government policy, by providing the services your business needs and by connecting you to information you can use, to opportunities and to a network of local chambers, businesses and decision-makers and peers from across the country, in every sector of the economy and at all levels of government, as well as internationally. We are unapologetic in our support for business and the vital role it plays in building and sustaining our great nation.

info@chamber.ca | [@CdnChamberofCom](https://twitter.com/CdnChamberofCom)



PALETTE

Palette is a national non-profit organization mandated to support fast-growing companies find the talent they need by connecting them with workers experiencing job transitions due to automation. We run retraining and upskilling programs as well as provide opportunities to work in a paid placements at fast-growing companies.

hello@paletteskills.org | [@paletteskills](https://twitter.com/paletteskills)



BROOKFIELD INSTITUTE

The Brookfield Institute for Innovation + Entrepreneurship (BII+E) is an independent, nonpartisan policy institute, housed at Ryerson University. We transform bold ideas into real-world solutions designed to help Canada navigate the complex forces and astounding possibilities of the innovation economy.

For more information, visit brookfieldinstitute.ca

20 Dundas St. W, Suite 921
Toronto, ON M5G 2C2

[@BrookfieldIIE](https://twitter.com/BrookfieldIIE)

[The Brookfield Institute
for Innovation +
Entrepreneurship](https://www.brookfieldinstitute.ca)







Online Sales in Canada


THROUGHOUT THE COURSE of the pandemic, many businesses have shifted online to maintain sales while adhering to necessary physical distancing measures. This has been perhaps best exemplified by Canadian tech giant Shopify—whose software has become the de facto platform for online retailers—becoming Canada’s most valuable company in May 2020.¹ This rapid adoption of technology, while largely out of necessity, has led many to wonder whether the pandemic will permanently change business models across the country.


Using the latest wave of Statistics Canada’s Canadian Survey on Business Conditions (CSBC),² which surveyed over 15,400 businesses between mid-January 2021 and mid-February 2021, this brief will closely examine the extent to which businesses across Canada have embraced online sales throughout the course of the pandemic, and how much we can expect these trends to continue.



Key Findings

 In 2020, 9 percent of Canadian businesses made 60 percent or more of their total sales online, up from 6 percent in 2019.


 Businesses in the finance and insurance industry led the shift towards online sales: 20 percent of businesses in this industry reported securing 60 percent or more of their sales online, an increase of nine percentage points from 2019. Thirty-one percent of businesses in finance and insurance reported that they have adopted or plan to adopt an online sales platform due to COVID-19; the same proportion say that it is either likely or very likely that they will permanently increase their online sales capacity following the pandemic.

 Despite increases in online retail sales overall, the shift towards online sales among Canadian retailers has been less dramatic. Seven percent of businesses in retail trade reported securing 60 percent or more of their sales online, a comparatively low increase of two percentage points from 2019. However, 34 percent of Canadian retailers reported that it is either likely or very likely that they will increase their online sales capacity following the pandemic.

 A high proportion of businesses in arts, entertainment, and recreation, as well as information and cultural industries, secured large portions of their sales online in 2020, but saw a relatively small bump during the pandemic.



31 percent of businesses in wholesale trade have adopted or plan to adopt an online sales platform due to the COVID-19 pandemic, and 38 percent of businesses stated that it is likely or very likely they will increase their online sales capacity following the pandemic, the most of any industry.



Businesses with one to four employees were more likely to have secured the majority of their sales online in 2020, however, the proportion of businesses that have adopted or plan to adopt an online sales platform due to the COVID-19 pandemic increases with firm size.

The Online Sales Shift

Over the course of the pandemic, only a relatively small proportion of businesses made a dramatic shift to online sales. In 2020, 9 percent of Canadian businesses made 60 percent or more of their total sales online, up from 6 percent in 2019. Meanwhile, the proportion of businesses that made less than 1 percent of their sales online decreased four percentage points from 83 percent of total businesses in 2019 to 78 percent in 2020.

Ten percent of businesses with one to four employees reported that they made 60 percent or more of their sales online. This decreases to between 7 and 9 percent for businesses with more employees. 11 percent of businesses with one to four employees have adopted or plan to adopt an online sales platform due to the COVID-19 pandemic. This rises to 22 percent for businesses with five to nineteen employees and over 26 percent for businesses with 20 to 99 employees.

Ontario was home to the highest proportion of businesses that secured 60 percent or more of their sales online, followed by BC and Quebec. This likely reflects the strong presence of industries that are more likely to adopt online sales in these provinces, including finance and insurance.

Finance and insurance leading the online sales shift

Despite the focus on retail when it comes to online sales over the course of the pandemic, businesses in finance and insurance, as well as professional, scientific, and technical services, appear to lead the charge. In professional, scientific, and technical services, 19 percent of businesses reported securing 60 percent or more of their sales online, which is an increase of 7 percentage points from 2019. In the finance and insurance industry, 20 percent of businesses reported securing 60 percent or more of their sales online, which is an increase of 9 percentage points from 2019 (see figures 4 and 5). This likely relates to the fact that businesses in these two industries have made some of the most dramatic transitions to remote work.

For finance and insurance businesses, this trend may also reflect the fact that people and businesses are conducting much more of their banking and financial transactions online. Thirty-one percent of businesses in finance and insurance reported that they have adopted or plan to adopt an online sales platform due to COVID-19; the same proportion say that it is either likely or very likely that they will permanently increase their online sales capacity following the pandemic (see figures 6 and 7).

In 2020, 11 percent of businesses in accommodation and food services reported securing 60 percent or more of their sales online, an increase of five percentage points from 2019 as more and more restaurants and grocers rely on various food delivery services (see figures 4 and 5).

A more nuanced shift to online sales in retail

Only 7 percent of businesses in retail trade reported securing 60 percent or more of their sales online, with a comparatively low increase of two percentage points from 2019 (see figures 3 and 4), although 40 percent of Canadian retailers reporting that they have adopted or plan to adopt an online sales platform as a result of COVID-19 (figure 6). Despite the fact that the proportion of retailers making most of their sales online has been relatively low, the volume of online sales in retail is increasing. Retail e-commerce as a proportion of total retail sales has increased over the pandemic, rising from 3.5% of total retail sales in 2019 to 5.9% in 2020. In December alone, online sales were up by over two thirds (+69.3%) year-over-year to \$4.7 billion.³ This is also reflected in the fact that 34 percent of Canadian retailers reported that it is either likely or very likely that they will increase their online sales capacity following the pandemic.

This may reflect a number of interrelated factors, such as the increasing dominance of a few large online retailers like Amazon; the fact that many retailers continue to rely on in-person shopping despite various restrictions, making parallel shifts to requiring masks and enabling distanced in-person shopping; the fact that online sales may



not be a viable option for smaller retailers or may only make sense for a portion of overall sales; and cost, capacity, or digital skill challenges that may inhibit adoption or successful rollout for others.

Some industries lead when it comes to online sales, despite relatively low increases during the pandemic

A relatively high proportion of businesses in arts, entertainment, and recreation, as well as information and cultural industries, secured 60 percent or more of their sales online in 2020 (figure 3). However, these industries were already leading the way when it comes to online sales prior to the pandemic, and saw a relatively small bump during the pandemic (figure 4). Some of this may be due to public health measures preventing in-person events. Some may also be explained by the fact that many businesses in these industries had already embraced online sales and had little room to grow.

Restaurant industry likely to embrace online sales following the pandemic

From 2019 to 2020, there was a five percentage point increase in the proportion of businesses in accommodation and food services that made 60 percent or more of their sales online (see figure 5). This likely reflects an increase in delivery and take-out offerings during the pandemic to make up for the lack of in-person dining. While many are likely eager to reopen to in-person dining, 36 percent of businesses in this industry stated that it is likely or very likely they will increase their online sales capacity following the pandemic (see figure 7), suggesting that online sales may remain an important source of revenue after the pandemic.

Technology solutions driving the wholesale trade industry

From 2019 to 2020, there was a four percentage point increase in the proportion of businesses in wholesale trade that had made 60 percent or more of their sales online (figure 5). Further, 31 percent of businesses in wholesale trade have adopted or plan to adopt an online sales platform due to the COVID-19 pandemic, and 38 percent of

businesses stated that it is likely or very likely they will increase their online sales capacity following the pandemic, the most of any industry (see figures 6 and 7). Similarly, in our skills brief we show that businesses in wholesale trade are also leaders when it comes to software adoption for purposes other than online sales and remote work during the pandemic.

This likely reflects a number of trends in the industry, including the growing importance of business-to-business e-commerce for wholesale distributors; supply chain disruptions caused by COVID-19, forcing wholesale distributors to adopt technology to closely monitor and respond to challenges; and the general importance of various software technologies to track and improve sales and distribution.⁴

Figure 1

Proportion of Total Sales Made Online; Canada

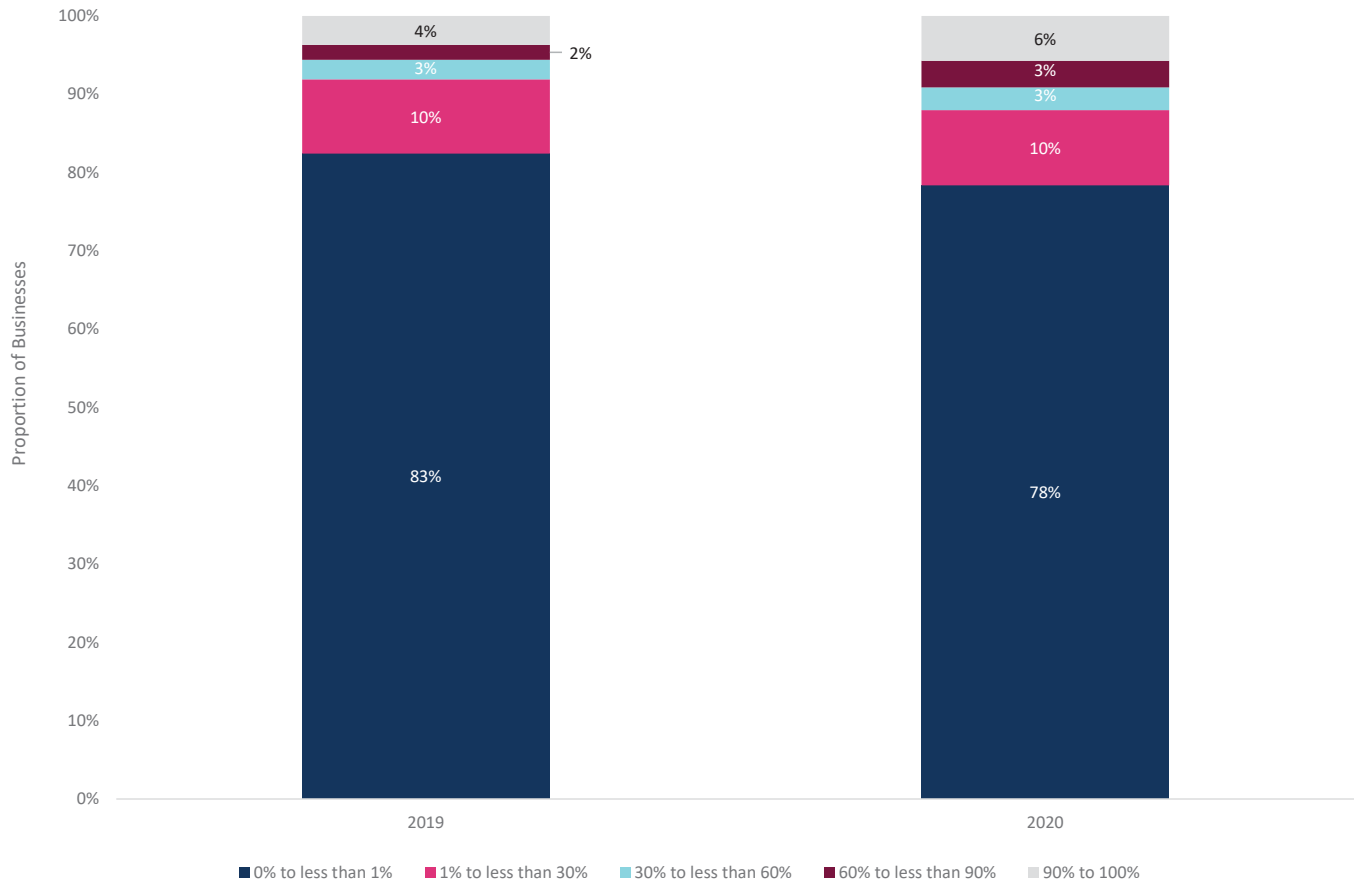


Figure 2
 Proportion of Total Sales Made Online;
 Canada, 2020

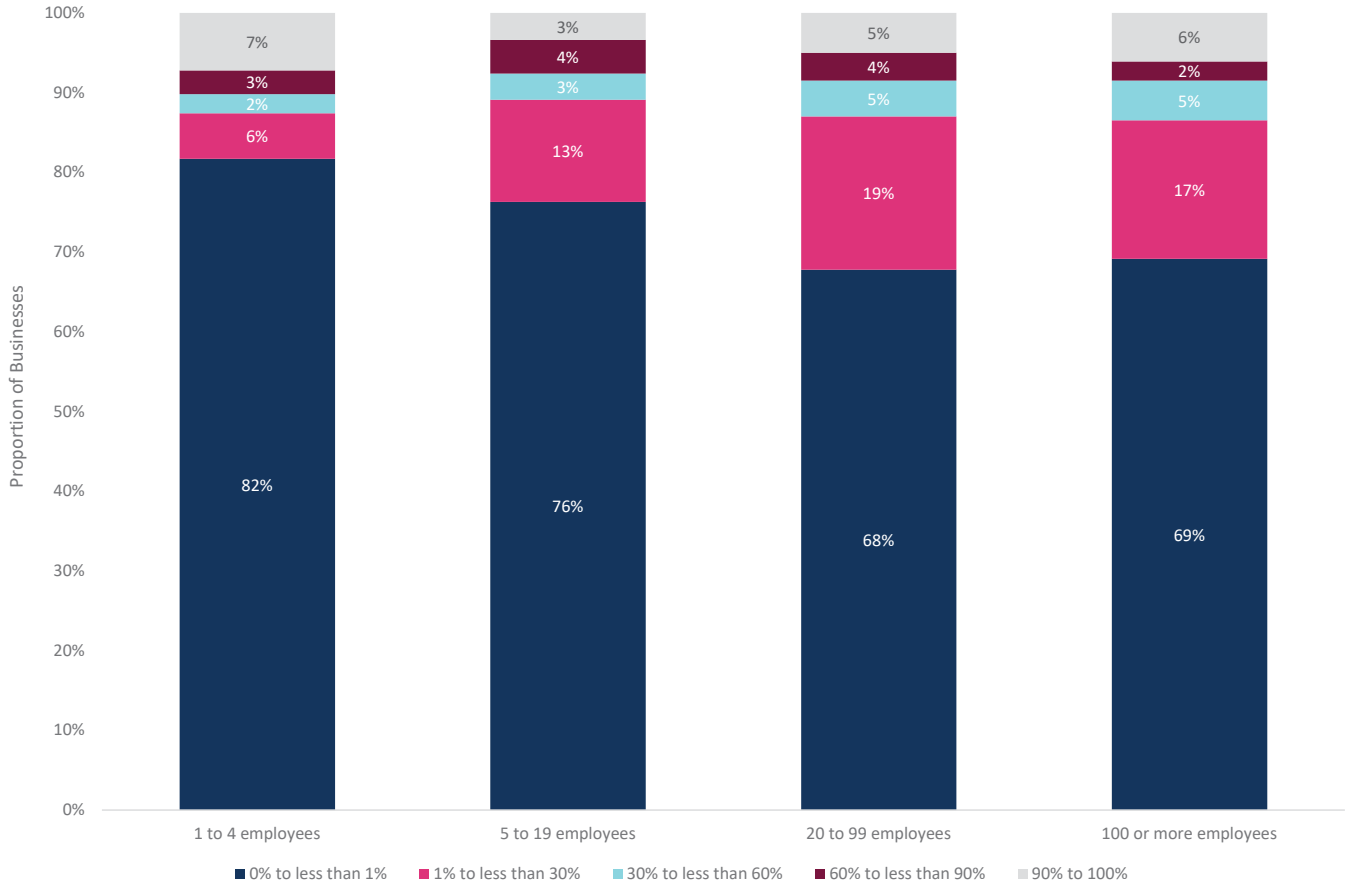


Figure 3

Proportion of Businesses that Secured 60% or More of Their Sales Online; 2020

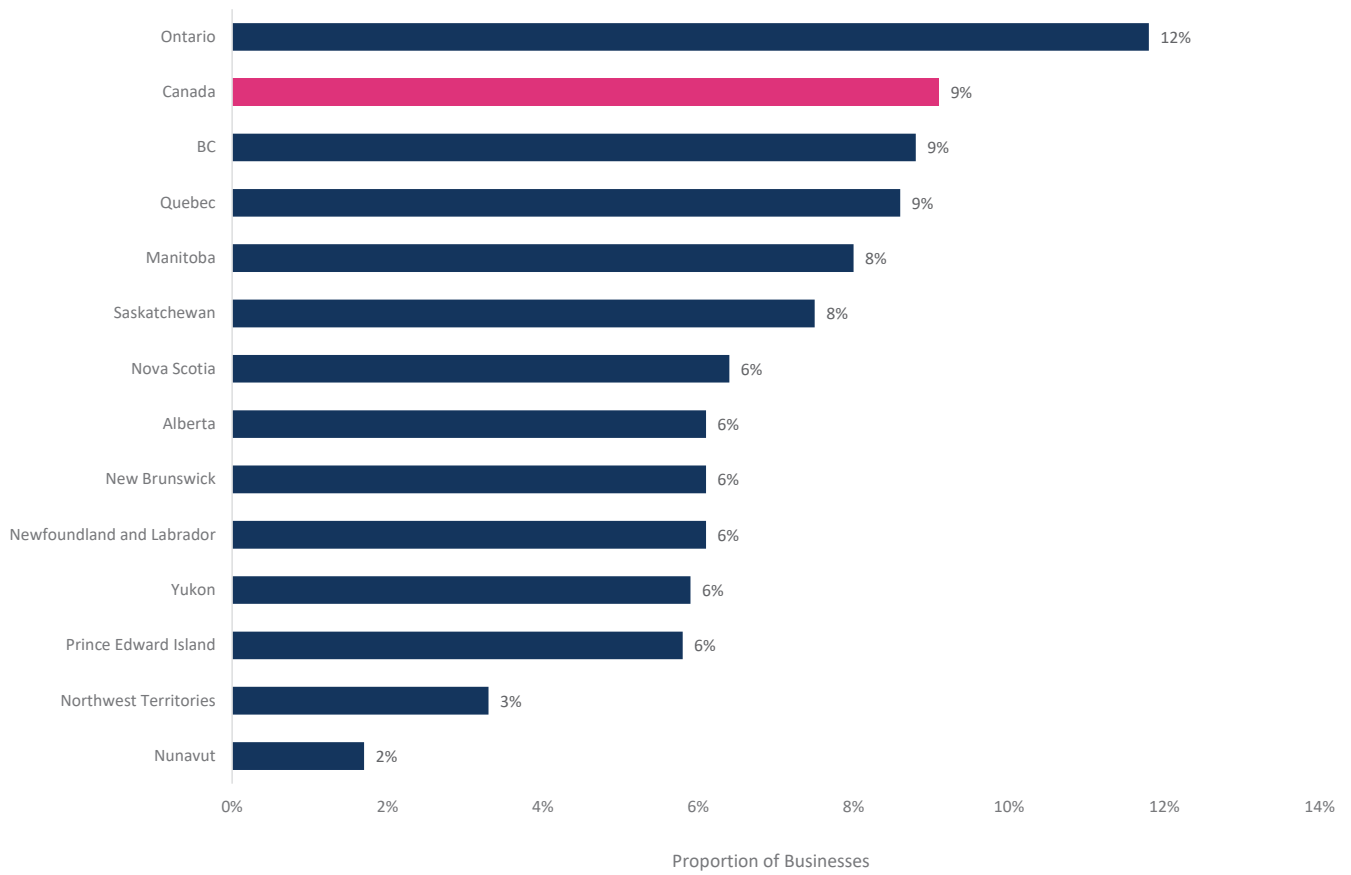


Figure 4

Proportion of Firms that Secured 60% or More of Their Sales Online; Canada, 2020

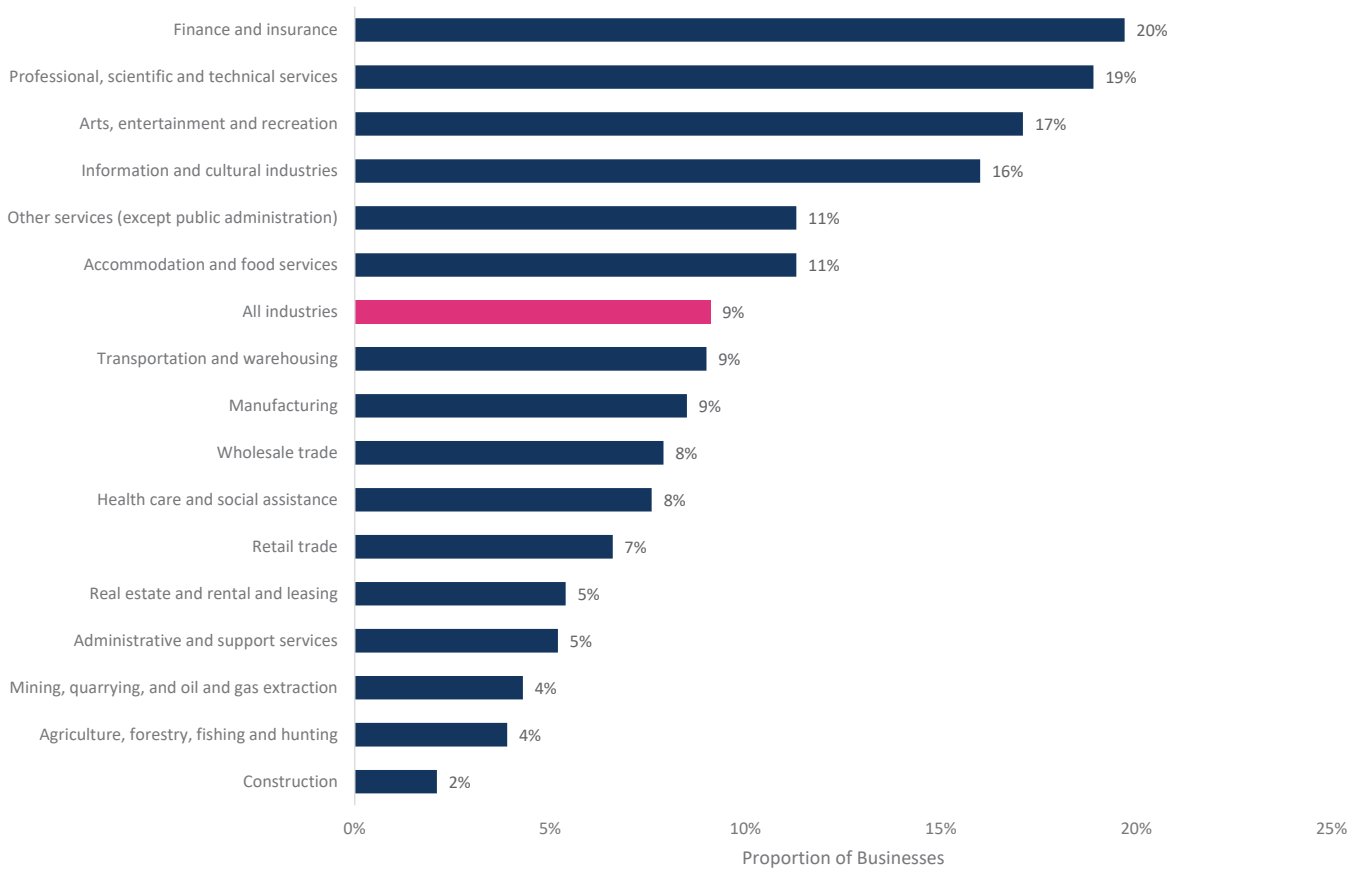


Figure 5

Difference in the Proportion of Firms that Secured 60%+ of Sales Online, 2019 to 2020; Canada

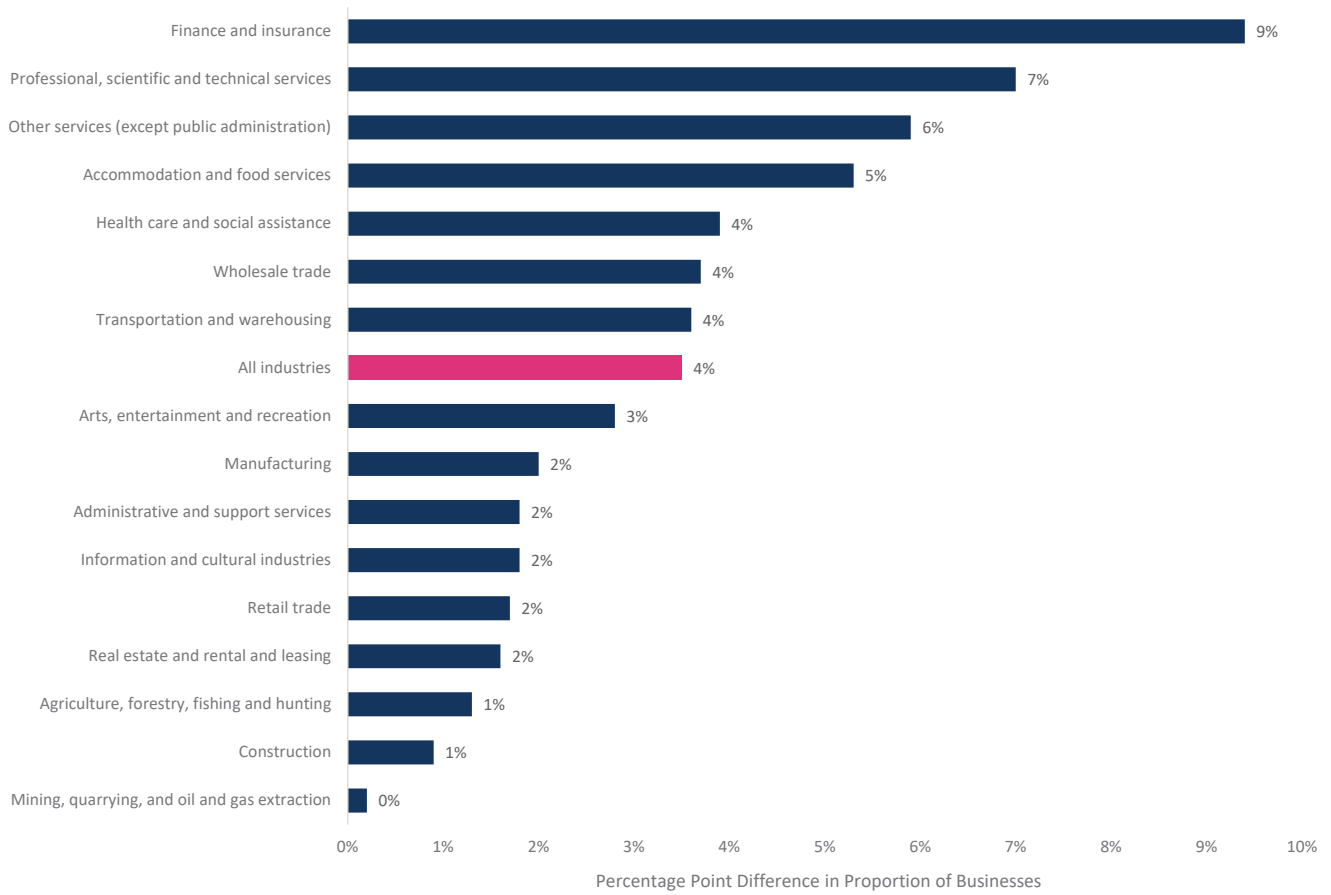


Figure 6

Businesses that Have Adopted or Plan to Adopt an Online Sales Platform Due to the COVID-19 Pandemic; First Quarter 2021

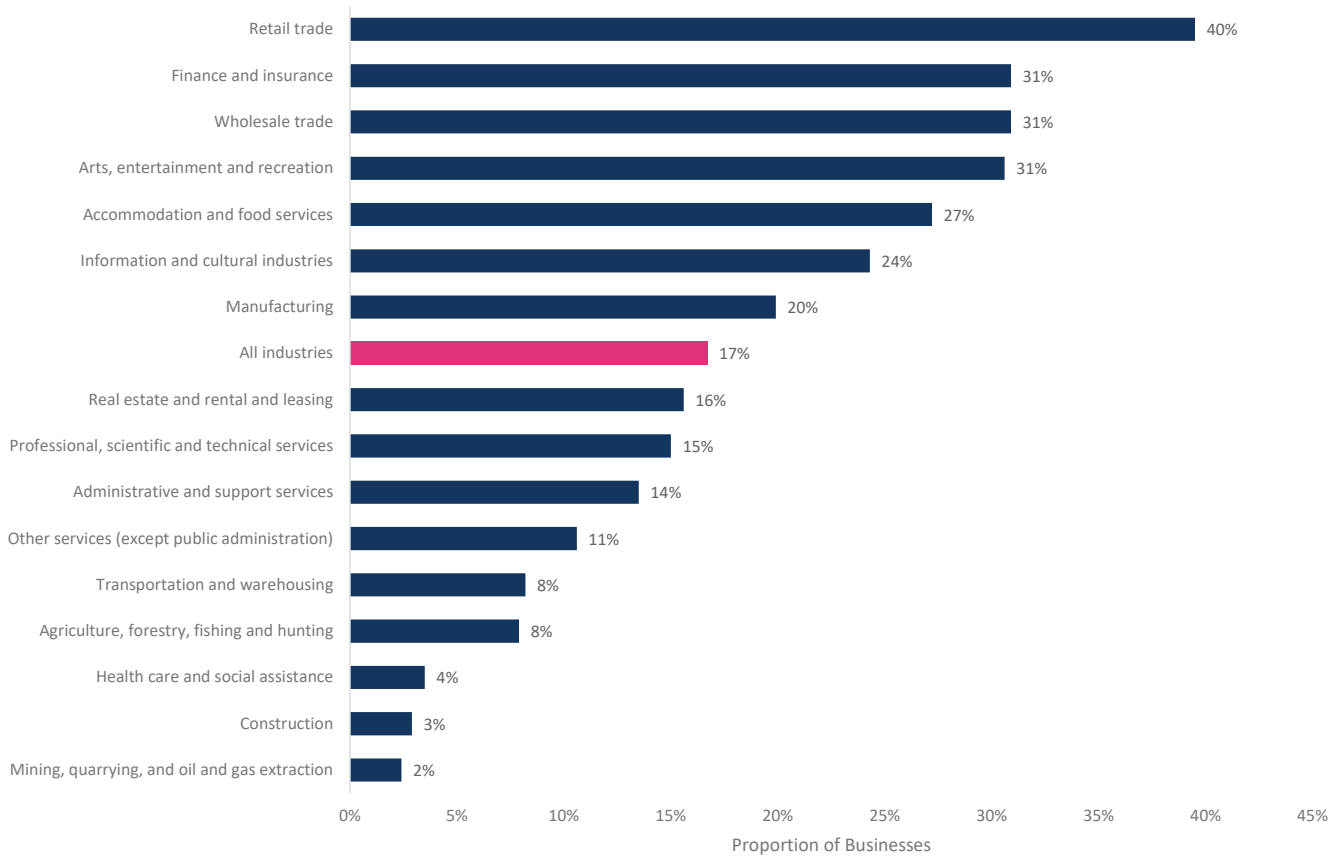
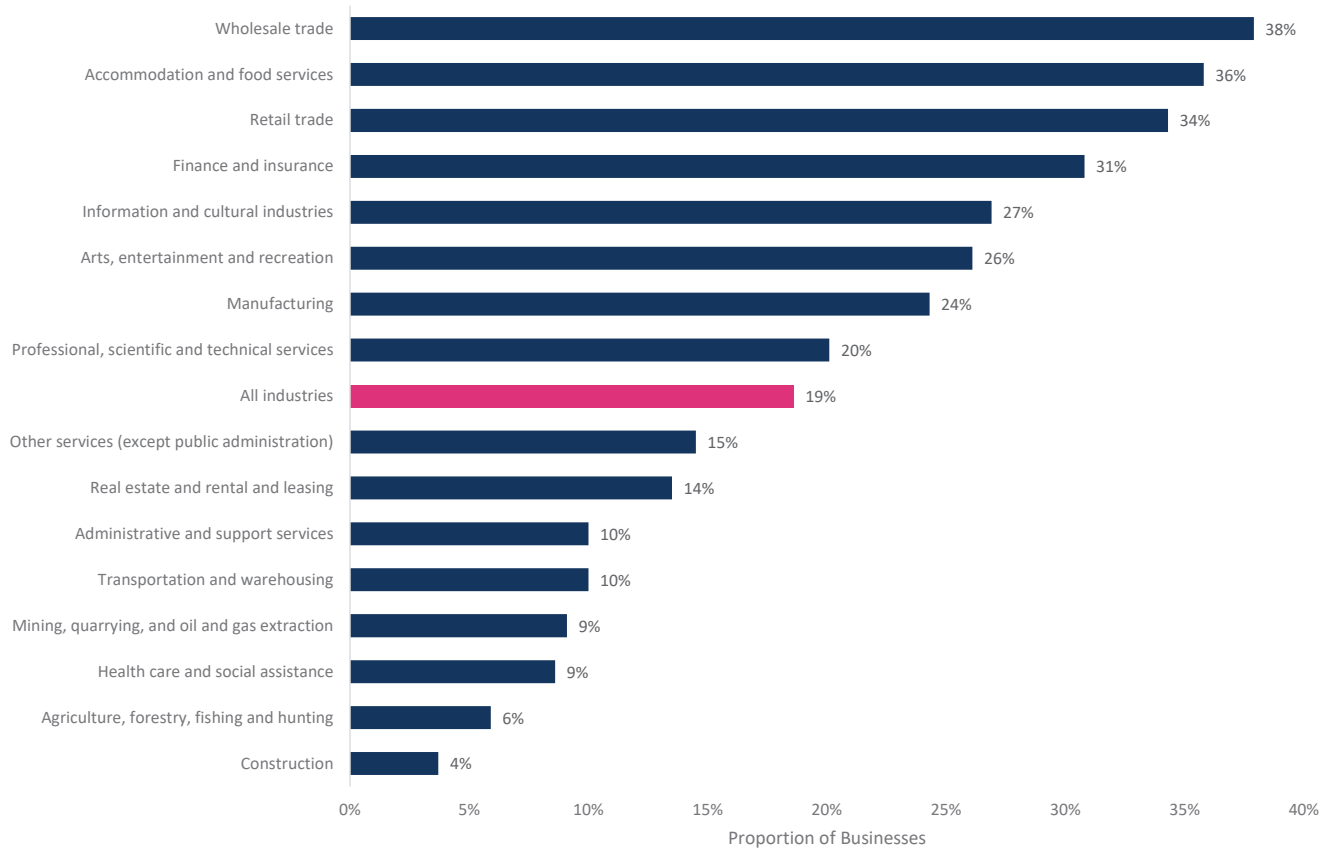


Figure 7

Likely/Very Likely Business Will Permanently Increase Online Sales Capacity Following COVID-19 Pandemic; Canada, First Quarter 2021



Conclusion

WHILE A LARGE PROPORTION of Canadian businesses are still conducting sales in-person, the pandemic has accelerated a shift to online sales for certain businesses in specific industries that is likely to last beyond the pandemic. Interestingly, the shift towards online sales extends beyond the retail sector, as industries from finance to wholesale trade have increasingly embraced online sales as a means to generate revenue, a trend which is likely to continue following the pandemic.

End Notes

1. Pete Evans, “Shopify Surges Past Royal Bank for Title of Most Valuable Company in Canada,” CBC News, May 6, 2020, <https://www.cbc.ca/news/business/shopify-earnings-1.5557473>
2. The CSBC is an occasional, voluntary business survey designed to better understand the changing impacts of COVID-19 on Canadian businesses. While there are some standard questions, each wave of the CSBC has a slightly different focus and often asks new questions, or changes the way they ask existing questions. In these briefs, we made comparisons to previous waves where it made sense to do so and the data allowed for direct comparisons to be made. Otherwise, we largely focused on the latest wave of the CSBC.
3. <https://www150.statcan.gc.ca/n1/daily-quotidien/210219/dq210219a-eng.htm>
4. Magnus Meier, “2021 Wholesale Distribution Trends: More Competition, Supply Chain Disruption,” accessed March 21, 2021, <https://www.the-future-of-commerce.com/2021/02/10/2021-wholesale-distribution-trends/>