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Hordes of Canadians are shopping online, so why are our businesses failing to keep up?

MARY TERESA BITTI | May 1, 2015 | Last Updated: May 1 12:57 PM ET
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Ian and Jini Thompson, co-founders of Vancouver-based www.listen2yourgut.com, which sells natural remedies to cope with Crohn's disease. The Thompsons' site makes 80 per cent of its sales in the U.S. and is making inroads into Australia and Britain. Ben Nelms for National Post

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There appears to be a disconnect between consumers and businesses in Canada when it comes to e-commerce uptake, according to the results of a survey by Business Development Bank of Canada.

More than half (56 per cent) of respondents to the survey said they shop online while 77 per cent research potential purchases online before buying. Yet, only 12 per cent of Canadian small and medium-sized businesses sell online, down from 18 per cent in 2013. Meanwhile, the value of Canadian online purchases is projected to hit \$34 billion by 2016, up from \$18.9 billion in 2012, MasterCard's Digital Evolution Index shows.

The big players get the power of e-commerce and are benefitting from it. Walmart Canada reported a 4.1 per cent boost in its fourth quarter 2014 sales in part due to investment in its e-commerce site.

Perhaps the biggest opportunity afforded by e-commerce is the ability to reach foreign markets, leveling the playing field for smaller companies with limited resources. "That's the beauty of the Internet. The world is big and the Internet gives you access," says Ian Thompson, co-founder of Vancouver-based www.listen2yourgut.com, which sells natural remedies Jini Thompson, his wife, developed to cope with Crohn's disease. It makes 80 per cent of its sales in the U.S. and is making inroads into Australia and Britain.

"We're growing 25 per cent a year and we don't spend any money on advertising. We've developed an authentic brand that attracts people and we have created an integrated, automated site that allows us to provide good service, which keeps people coming back," Thompson said.

"It's not about having a cool website. You have to know how to look after your customers online."

Trevor Newell, founder and president of Toronto-based Shop.ca, an online shopping mall that is one of the Top 10 most visited Canadian-owned e-commerce sites, agrees. Since its launch in July 2012 with 27 merchants, Shop.ca has grown to 850 merchants, with more coming.

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"Setting up an e-commerce site and getting your products online is the easy part. You can go to Shopify and have a site up in hours. The hard part is building brand and driving repeat demand," Newell said. "It's marketing, brand recognition, confidence, loyalty and the customer experience you create. It's how we answer the phone and respond. You need all of that to grow big."

It's why so few Canadian entrepreneurs are engaging in e-commerce, he said. "Part of the problem is that Canada as compared to the U.S., for example, doesn't have the same access to top talent in creating e-commerce platforms, CRM, email strategy, the ability to convert visitors into an order," Newell added. "That's the value we bring. It's a different skillset."

Canadian small to mid-sized business also lag their U.S. counterparts when it comes to investing in technology — another key aspect of building an effective e-commerce business, *E-Commerce in Canada: Pursuing the Promise*, a Parliamentary Report by the Standing Committee on Industry, Science and Technology, notes.

Mississauga, Ont.-based Virtual Logistics, which was founded in 1994 and develops customized supply chain data integration solutions for SMBs on both sides of the border, was one of the first Canadian companies to offer integrated Electronic Data Interchange (EDI), the grand-daddy of electronic communication.

"How do you get that order off your e-commerce site into your accounting software and down to your warehouse to actually ship product? EDI is a huge part of people's ability to transact in the retail sector. We help companies integrate those data flows," said Robin Smith, co-founder of Virtual Logistics. "E-commerce is not just slapping up a website and hoping people will come. You need to establish trust and that comes down to mapping out the online customer experience. This goes beyond the process of filling orders. What happens when things go wrong? What do you say? How do you keep customers informed to create and maintain trust? I think this is where a lot of SMBs fall down."

Smith offers the following best practices for creating an effective e-commerce strategy:

— Define what your brand represents and how you want to interact online. You must establish trust. What is unique about your brand experience? This is all about customer interaction.

— Map out the supply chain with the focus being on how data moves and what data is required to satisfy the brand experience you want to create. This is becoming a bigger challenge for companies as their supply chains become more complex because they are selling via several channels — their own website, Amazon, Shop.ca — and each one has a different experience and way of interacting. If you haven't mapped out how to handle it, you can't tie it all together, which creates problems from an efficiency and quality perspective. This is the foundation for building trust with your online clients — something that is much harder to do when people can't touch the product.

— Plan for scalability. E-commerce requires continuous investment and freshness. This costs money and time. If you have unique products you will be approached by major retailers. They will present different challenges so ensure the systems and companies you engage with have the skill and knowledge to handle those differing demands.

— Invest in technology that can grow with you.

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