THE IMPACT OF ONLINE SHOPPING
ON LOCAL BUSINESS

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#BCBuyLocal
Highlights

- **Online shopping is a growing trend in Canada. Sales are expected to double by in the next four years, from $22 Billion in 2014 to $40 Billion by 2019.**

- B.C. retailers cite "competition from internet retailers" as one of two top challenges they face (tied for top issue at 64% along with "big competitors receive better pricing & terms").

- Very few businesses feel they are marketing themselves effectively. The majority of them are spending less than $200/year on advertising.

- **2 out of every 3 dollars spent online by Canadians goes to a U.S. retail website.**

- Cross border online shopping reduces the amount of money circulating in the local economy by up to 32%.

- The higher the volume of online purchasing a consumer does, the more likely it is that they purchase with chains versus local businesses. Those whose online purchases make up less than 50% of their overall consumer spending are spending approximately equal amounts with chains as local businesses. However, those spending between 75-99% online shop with chains twice as often as with local businesses.

- Consumers value local. Of Canadian consumers surveyed, 69% valued Canadian ownership as “Most Important” or “Important” when shopping. Over 50% of consumers are seeking locally made products and nearly 50% prefer to buy from companies right in their Province or City.

- Consumers would spend more money online with local businesses if they offered convenient shipping, e-stores and a better consumer experience navigating their online stores.
Online Shopping is Growing in Canada

Online consumer purchasing has been steadily growing in Canada. Online sales in 2014 were estimated at $22 billion, accounting for 4.4% of all retail sales. Sales are expected to double in the next four years, increasing to at least $40 billion by 2019 (10% of all retail sales).³

Although Canada had been trailing other countries that led the way in online sales, it is fast approaching that of countries like the U.S. and U.K., where online sales currently account for 5.8% and 11.6% of retail sales.² It’s not surprising that we’re catching up. Canadians are generally technically savvy, with high social media adoption rates and high mobile usage - by 2013, 56% of us had a smartphones.³ We are increasingly using those phones to research and purchase products online. Canadian adults surveyed in 2013 reported that 77% had researched a product or service on their device and 27% had made a purchase. As smartphone adoption continues to increase, Canadian shoppers will continue to get more information and make more purchases from their phones.⁴

Most Online Shopping Contributes to Economic Leakage

Research shows that two out of every three dollars spent online by Canadians goes to a U.S. retail website.⁵ A 2014 survey of Canadian online shoppers found that 68% reported shopping at a web store outside of Canada, either due to better product selection (72%) or cheaper prices (59%).⁶ Although price drivers may be mitigated by changes in the value of the Canadian dollar, significant amounts spent online still go to the U.S. This is largely due to the dominance of U.S. retailers in the North American online space as historically; many more large retailers in the U.S. have invested in e-commerce than in Canada.

One can imagine that small local businesses have a hard time competing online, but even large Canadian retailers do a poor job of capturing online sales. According to the Business Development Bank of Canada (BDC), large Canadian retailers like Future Shop and Canadian tire capture less than 3% of total online sales, and have recently been losing market share.

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4 Ibid.
5 Canadian Internet Factbook 2014.
Table 1: Online Sales in Canada by Large Retailer

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<th>Large U.S. Based Retailers</th>
<th>Large Canadian Based Retailers</th>
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<td>- Amazon.com (23.6%)</td>
<td>- Future Shop (2.5%)</td>
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<td>- Apple Canada (10.1%)</td>
<td>- Indigo Books and Music (1.5%)</td>
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<td>- Amazon.ca (8.5%)</td>
<td>- Grocery Gateway (1.0%)</td>
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<td>- Walmart Canada (7.3%)</td>
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<td>- Gap (0.2%)</td>
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<td>- Banana Republic (0.1%)</td>
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This magnitude of cross border online shopping contributes to massive economic leakage. Dollars that are spent by Canadians online have little or no opportunity to recirculate within the local economy, impacting local employment, inventory suppliers and local service providers, in addition to leaking tax dollars. Based on LOCO’s previous research, we estimate that online shopping currently has up to 32% less economic impact, based on the lack of employment online retailers provide locally. An online retailer with no local warehouse, distribution or sales staff might provide only 1% recirculation of dollars spent in the local economy, whereas a wholly local business provides closer to 33% recirculation. Online retailers with some local presence (distribution centres) provide somewhere in between.

**Trends in Online Shopping**

Although online shopping is expected to increase, it is also becoming more integrated with in-store (offline) purchasing. Consumers expect retailers to be found both offline and online. U.S. consumers recently indicated that:  

- 96% use both channels (store website and physical location) for shopping with a given retailer;  
- 75% of those who complete an online transaction said it was “Somewhat” to “Extremely Important” they be able to pick up their order in a store;  
- 39% reported using a smartphone or wireless device while shopping in a store at least half the time. They reported the following activities:  
  - 6% compare prices against other retailers;  
  - 51% compare prices against the store’s advertised online price;  
  - 51% browse reviews and recommendations.

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Given these consumer trends, brick and mortar retailers are moving online to support their offline sales, and online retailers are opening brick and mortar stores to support online sales. This is usually referred to as a multi-channel or omni-channel approach. Research indicates that those who adopt this approach early will be rewarded. BDC reports that asserts that “a web presence appears to have a direct positive impact on sales”, and Accenture found that “[f]or every dollar of digital sales generated by digital spend for retailers, they were seeing $10 of brick and mortar sales.”

Large retailers are recognizing that omni-channel strategies that support online and offline paths to purchase will be key to engaging consumers. Newer retailers and formerly online-only retailers are taking an integrated online and offline approach (e.g., Frank & Oak, Bonobos, Clearly Contacts, Warby Parker) by opening that smaller format brick and mortar retail stores that support their e-commerce.

In B.C., online success Clearly Contacts (now Clearly) operated exclusively online from 1999 until 2013 when they launched retail stores, partly to support their new line of Vancouver-made eyeglasses. They now have three stores - two in Vancouver and one in Toronto. Small and large retailers can take advantage of this approach. Kelowna’s Portia-Ella is a three year-old online retailer of ethical beauty, makeup and skincare products manufactured in Canada. The company has just finalized a brick and mortar franchise deal with an owner in Kelowna and has plans to expand to Vancouver, Calgary and Edmonton in the near future.

“In online used to represent 95-100% of sales, but now that we have the store it represents 70% versus 30% online. We expect that online will increase though, and that the stores will drive interest in our brand and that online presence will grow.”

Online food retailer Sustainable Produce Urban Delivery (SPUD) has also opened two brick and mortar locations. The stores support grocery sales in store, offer meal delivery, a cafe, and pick-up of online orders.

As consumer shopping habits change, smart retailers will no longer try to appeal to a singular online or offline shopper, since each mode supports and enhances the other. In fact, as the number of channels shoppers use increases, so does retail brand loyalty and spend per shopping instance. According to Verde, “The average spend of 3-channel shoppers is over twice that of mono-channel shoppers.”

To understand the impact of these shopping trends within their own business, retailers need to look at their digital and traditional marketing metrics as they relate to sales more holistically, and think from a multi-channel perspective. To address these new shopping habits strategically, retailers should focus on how digital and offline marketing and sales support each other.

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9 D3 Digest. December 12, 2013. Canadian Webrooming And Showrooming: Stats for Holiday Retailers
B.C. Businesses and the Online Market

In 2014, 62% of B.C. retailers reported that competition from internet retailers was their top business challenge, tied with the fact that bigger competitors receive better pricing and terms.\(^\text{12}\)

And yet we need B.C. businesses to become more competitive online, since sales to local businesses recirculate many times locally, producing a ripple effect in our communities. For every $1 of purchasing, local economies receive $2.60 in economic impact from local employment and purchasing to local suppliers and service providers.

Any negative impact on local business will also ripple through local communities, negatively affecting employment, business-to-business suppliers, local growers, local manufacturers, and government tax revenues.

**Shrinking Market Share of Local Business**

Although many factors may be responsible for the decline of independent business, the fate of independent retailers is currently a tough one. The Canadian Federation of Independent Business (CFIB) reports the ‘exit rate’ for small and medium enterprises (SMEs) as second highest in the retail sector, at 9.4%, second only to accommodation and food services at 10.4%. The five-year survival rate for retail trade SMEs is also second lowest, at 55.6%.  

A 2013 study by Civic Economics shows that market share for Canadian independent retailers is slowly eroding. Figure 1 shows the period from 2008-2010 where the loss was modest in most sectors, with the exception of the sporting goods, hobbies, books and music category, which experienced more significant decline.

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Online sales have eroded the market share of independent bookstores and chain bookstores alike. Chapters-Indigo closed 30 small format stores and several superstores (including flagship stores in Toronto and Vancouver) between 2009 and 2013, at least partly due to increasing competition from Amazon’s 2002 launch of Amazon.ca. Maureen Atkinson, a retail analyst at J.C. Williams Group, says “If you are in the book business you have to be online because that’s where the customers are.”  

Other retail sectors will be sure to follow. Grocery seems the next sector poised for change as big box retailers launch omni-channel strategies. In 2014 Loblaws began its “click and collect” service in Ontario, allowing shoppers to log onto a website, place an order, and pick up from a drive-through station. Save On Foods in B.C. has recently launched an online shopping option for customers, with free pick-up being piloted at 9 locations in the Lower Mainland and Victoria (as of October 2015), and low cost delivery available ($4.95/order).  

Amazon recently launched online grocery delivery in Canada, and a retail consultant is predicting it will have a big impact on brick and mortar stores. Doug Stephens of Retail Prophet says, “I think they are going to be extremely aggressive, I think they will probably do to groceries what they did to books and digital media.”

This seems to be confirmed by a survey LOCO BC conducted with consumers across Canada this fall. Consumers’ top online purchases were entertainment and gifts, but they are increasingly purchasing shoes, clothing, and food online (see Figure 2).

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In the U.K. between 2007 and 2011, about 25,000 high-street stores closed across Britain, leading to boarded-up facades and town centres dominated by betting and charity shops. A 2014 report by Verdict Research found that while online sales had increased by 75% in the previous four years, high-street sales were flat lining.

The implications of losing independent retail stores may well have economic impacts further down the supply chain. When specialty local manufacturers sell their products in stores and online, online pricing makes the product less attractive in stores, undercutting brick and mortar stores who have higher tax and labour costs. However, specialty products are more likely to be purchased in a brick and mortar store, where customers can touch, try or taste the product. Once they are interested, though, customers may look online and find lower pricing. However, if retailers stop purchasing from those manufacturers, they are less likely to be purchased online, without customers first having a chance to come close to interact with the product. It makes sense that online consumers stick to brands they already know. To compound the problem, online algorithms steer customers towards products viewed by others, where most paths lead to bigger, well-known brands. This spells potential disaster for makers and manufacturers all over the country whose sales depend on brick and mortar locations, and whose less known products might not compete as well in price or familiarity as Lego and Hasbro. This has been a main concern of the specialty toy industry in the U.S.\(^\text{18}\)

LOCO’s consumer survey also found that the higher the volume of online purchasing a consumer does, the more likely it is that they purchase with chains versus local businesses. Those whose online purchases make up less than 50% of their overall consumer spending are spending

approximately equal amounts with chains as local businesses. However, those spending between 75-99% online shop with chains twice as often as with local businesses (see Figure 3).

**Figure 3: Frequency of Purchases with Chains vs. Local Businesses**

![Bar chart showing frequency of purchases](image)

**Tax and Employment Losses**

Brick and mortar retailers contribute to Canada’s tax base in many ways. Independent businesses pay income taxes, contributing to essential services like health care and transportation networks. They also pay property taxes and municipal levies, providing much-needed revenue for Canada’s growing cities. Independent businesses also create big economic impacts to their local economies as a result of employment and by purchasing from local suppliers and using local service providers for banking, accounting, marketing, office supplies, etc.

**Tax Losses**

High commercial to residential tax ratios mean that businesses pay more of the taxes than residents do. Since municipalities have few means to raise revenue, commercial property taxes provide the most benefit to residents, paying for community centres, water and sewers, road repairs and other necessary services. The few services that businesses actually receive from municipalities, like water and sewer services, are typically charged as user fees on top of their taxes.¹⁹

Canadian income tax from retailers is also a source of much-needed provincial and federal government revenue, contributing taxes to pay for essential services. And yet online retailers often don’t pay income tax in Canada.

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Duties and sales tax are another source of government revenue that will decline if online shopping continues to be dominated by large, U.S. corporations. Duty and sales tax is only sometimes charged on goods shipped from outside of Canada. Gifts under $60 are entirely exempt from duties and taxes, as are items made in the U.S. and Mexico. In the U.S., Amazon has dominated book and toy sales, many of which are sent as gifts and therefore include no tax or duty.

Employment Losses

Civic Economics studied the employment implications of independent businesses in B.C. and they found that independent businesses create more than jobs and spend more on wages than chains (see Figure 4). When shopping moves from independents to chain stores, spending loses more than half its economic potential. When shopping moves online, it loses even more of its potential, as the direct economic impact of retail employment is lost, and sometimes the warehousing and distribution employment also.

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By 2011, retail jobs outstripped manufacturing as the country’s top employer, up 11.5% from 2006, and accounting for almost 2 million Canadian workers. However, online retailers like Amazon don’t provide nearly the jobs that brick and mortar stores do. For every $1 million in sales, in the U.S., Amazon provides 1 job, big box stores provide 5 jobs, and independent retailers provide 8 jobs. This is significant, given that Amazon dominates online retail shopping in Canada, representing 32.1% of online retail sales in Canada from Amazon.com and Amazon.ca.

Consumers Want Local

Despite the trend of online purchasing from big foreign chains, consumers want local. Study after study proves it.

A majority of Canadians now make an effort to buy local or Canadian-made products and some are willing to pay a premium, making “Made in Canada” a key trend in consumer behaviour. Canadian consumers are said to be increasingly aware of the power their spending exerts on the economy. They want to support local business since those companies support their communities by recirculating wealth, creating jobs and improving infrastructure. Increasing concerns about the safety of imported products are also helping stimulate consumer demand for local products.

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In perhaps the most well developed category of local, consumers show a preference for local grown food, and local made food products. Grocery consumers in Alberta were recently shown to purchase 9.6% more local food when clear and effective labeling on its local impact was present in store to guide them.\textsuperscript{25}

The buy local trend has been building throughout the decade. Across North America:

- 45% of consumers say that they support local business once a week or more;
- 62% of consumers say that made locally or sold by a locally based business is a characteristic they look at when determining if a product or service they buy is socially responsible;
- Consumer support for local surpasses the importance buying organic (double for most consumers),\textsuperscript{26}
- The importance of buying local and supporting locally based businesses increases with age (from 46% for 18-24 year old, increasing to 76% for those 65 and older), but is consistent at 60+% support across income levels.\textsuperscript{27}

B.C. food retailers have identified local products as a key goal for purchasing in order to satisfy a key customer target – women shoppers. Purchasing local foods, preferably from B.C. companies, is the leading purchasing priority of food retailers – including Overwaitea Food Group, Safeway/Sobeys, Costco, Wal-Mart, T&T Supermarket, Gordon Food Service, Country Grocer, HY Louie and Fruiticana. They state that purchasing B.C.-made products is the “clear leading priority for grocery retailers in B.C.”\textsuperscript{28}

Online consumers want convenience. Although price is a top consideration, consumers highly value product availability and free shipping. Consumers also show that purchasing from local businesses matters to them - 69% valued Canadian ownership as “Most Important” or “Important” when shopping. Over 50% of consumers are seeking locally made products and nearly 50% prefer to buy from companies right in their Province or City (see Figure 5).


\textsuperscript{27} Ibid.

\textsuperscript{28} Hayes, Dr. Fred. 2014. BC Food Processor’s Association Grocery Retailers Survey. \textit{Understanding the Latest Needs Facing Grocery Retailers}. 
Figure 5: Attributes Sought by Online Shoppers

We asked consumers what would encourage them spend more money with local businesses to help those businesses understand how to compete online. Convenient shipping topped the list, followed by websites that support online shopping, and supporting a better consumer experience navigating those online stores (see Figure 6).

Figure 6: Consumer Needs to Increase Local Purchasing
Digital Adoption by Local Business - Challenges & Opportunities

Challenges to Digital Adoption by Local Business

Even though Canadians are high internet and mobile users, Canada is generally considered to be a laggard in e-commerce, as larger Canadian retailers have been slower to create strong e-commerce channels that require robust inventory management and distribution investment.

Overall, only 45.5% of Canadian businesses have a website at all, with that number dropping to 41.1% for Canadian small business (2014). In addition, a recent study by Constant Contact\(^\text{29}\) shows that Canadian small businesses are often simply not using digital tools, such as social media and email, to connect with their customers even though customers themselves have a willingness to engage with businesses online (see Figure 7).

Figure 7: Constant Contact Survey of Canadian Small Business and Consumers

Reasons for this low online presence for small businesses in Canada are not entirely clear. A survey by Mastercard identified the two biggest barriers to technology adoption for small businesses are “cost (46%) and lack of know-how (31%)”\(^\text{30}\). This is likely to be the case for online shopping technology adoption as well.

LOCO’s survey of local businesses found that 97% of businesses had websites and 92% had a facebook page, so we were speaking to a comparatively digitally savvy audience (see Figure 8).

\(^{29}\) Constant Contact. 2015. Survey Says: Canadian Consumers Prefer to Stay Connected with Businesses via Email, But SMBs Not Fully Maximizing Channel. Constant Contact Survey of Canadian SMBs and Consumers.

\(^{30}\) Mastercard Global Insights Merchant Scope. 2014. Small to Mid-sized merchants seek competitive technology in omni-channel world.
Although it can be relatively easy to get up and running with a simple website, creating a professional representation of a business and brand online requires thought, planning, assets, and technical know how. When combined with digital marketing and e-commerce functions, the level of complexity can increase quickly, making it a daunting prospect for many small business owners and entrepreneurs and particularly for those who do not see the online channel as central to their business.

In our survey of local businesses, the number of businesses with e-stores drops to 64%. Most businesses reported using their own custom e-commerce sites, company websites with integrated e-commerce tools, Facebook cart, Amazon, Garmentory, Kijiji, e-Bay and Etsy to sell goods.

Hiring service providers to assist with digital adoption can also be complicated. Many have different and overlapping areas of expertise. There are no clear-cut rates and budgets for the development of online tools, especially in the small business sector. Service providers create their own rate structures based on their skills and experience, and business owners may not be aware that multiple providers with different areas of expertise are needed. Search engine optimization (SEO) experts have very different skills than social media marketers who are different from designers who are generally different from developers - but all may be required to develop an effective digital presence. The price for e-commerce tools for a small business can vary quite widely based on the service provider(s), technology selection and business needs and objectives.

Olla Urban Flower Project owner Megan Branson recently closed a brick and mortar store in Vancouver shortly after launching an online store. She says:

“If you’re transitioning to online or adding it to brick and mortar, there is a learning curve. It’s hard to know how to do quality control and trust the services that are available online. You can’t do it yourself, and yet you’re used to doing everything yourself. Acquiring the skills and finding someone you can afford and who you trust is hard.”
In addition to the costs of service providers, many digital tools and applications come with their own fees. Social media applications may charge monthly and/or user based subscription fees for anything beyond basic functionality. In the ecommerce space, small businesses need to purchase applications purchase or pay subscription fees that are coupled with usage and/or transaction fees. When these fees are added to merchant service fees and credit card transaction fees, the costs to retailers add up, impacting profit margins. Without being able to rely on a commensurate increase in sales volume, the business case for smaller retailers to adopt many of these tools is simply not there.

The businesses that have made an investment in their online presence and e-commerce functionality may be facing high ‘switching costs’. Even e-commerce sites built within the last few years may have required customization or integration with back office systems like inventory management and Point of Sale. These sunk costs, including the time investment involved, also make the business case to switch to newer and more nimble tools very difficult for business owners.

The time and cost required to maintain contact and engagement with customers via online channels could also be a real and perceived barrier. Many business owners may simply feel they don’t have the capacity to create fresh content and messaging on an ongoing basis and/or may not be aware of tools and service providers that could support them. Though many local businesses have adopted free social media tools, they are often slower to take up paid features that provide more direct targeting.

In addition to the resources required to set up and maintain a digital presence, the high cost of online advertising has been identified as a barrier. The businesses we surveyed reported using various techniques for marketing including traditional and online advertising. More businesses (58%) were using online advertising, but some (28%) reported advertising in traditional media. The majority had tiny budgets for advertising, however, with most spending less than $99 each on online and traditional media in the last year (see Figure 9).
Several businesses had put big budgets towards online marketing and felt they received very little payback. One small business we interviewed had spent $5000 in one year on Facebook ads and SEO services with little or no results. Another business owner - Wendy Weir, owner of Libre Tea - had a similar experience:

“A couple years ago we hired a consultant and ran a Google ad campaign and we lost our shirts in six weeks. Then we did Facebook ads and lost our shirts in three days. Now I know better. I wish I had gotten really clear on understanding the marketing and my analytics and conversion rates four years ago.”

Having a digital presence is just the beginning. It’s clear that local businesses need support to navigate the many facets of online marketing once they have e-commerce up and running and can put more significant budgets towards advertising.

Many local businesses have always relied on word of mouth marketing; now they are challenged to take word of mouth online. Canadian consumers still report that recommendations from people they know is the number one trusted source of opinion (92%), followed by consumer opinions posted online (70%), editorial content (58%), branded websites (58%) and direct emails from the company for which the consumer signed up (50%). Reviews are an effective way to instill consumer confidence and increase sales, and they require technology to support them, in addition to the time to solicit them, to moderate them and respond to reviews and comments. Retailers increasing online sales will need to be developing editorial content, building email lists, and provide fresh and relevant content marketing on an ongoing basis. The effectiveness of this is based on a thorough understanding of the business’ consumers along with where and how they are engaged online. Businesses we surveyed reported engaging in a variety of offline and online

marketing techniques. Offline techniques include word of mouth, public speaking, monthly flyers (community newspapers), in-store events and pop-up shops. Online techniques include monthly flyers (on their websites) building newsletter lists, soliciting blogger reviews, content marketing, social media (with Facebook and Instagram cited most frequently), consistent social media campaigns, search engine optimization, pay per click and Google adwords.

The infrastructure required to support the development of online sales is a challenge for some retailers. Donald’s Market in New Westminster, who already offers some local delivery, managing inventory of perishable products is the biggest barrier to moving online. Moving to an omni-channel approach feels like starting up a whole new business because of the infrastructure and warehousing required:

“It’s another business if it’s online. We have nowhere to stage the delivery in the stores right now. We will probably need a warehouse at some point.”

For others, managing inventory and shipping arrangements are also barriers. Since availability was cited in our consumer survey as the top priority for online shoppers, it’s not surprising that retailers are keen to manage inventory well, but that means potentially higher production, retailing and/or warehousing costs for them. Since retailing online can mean selling to foreign customers, many businesses have to manage shopping carts in multiple currencies. One B.C. based retailer we spoke to has an approximately 50/50 split of Canada/U.S. sales and is already managing shopping carts in four currencies.

Opportunities for Digital Adoption by Local Business

Mobile Readiness

Having an online presence with mobile responsiveness and effective mobile access to key features is a clear opportunity. According to BDC, “nine out of 10 consumers claim to use their smartphone for pre-shopping activities, and three out of five say they use it to find the location and opening hours of a business that offers a particular product. More than two in five Canadian consumers use their smartphone to find promotional offers, one-third check product reviews and a similar proportion verify product availability in local stores”. Smart retailers will cater to consumer needs through their online presence, providing location information that is easily transferred to mobile map applications for driving directions; clickable phone numbers for easy dialing from a smartphone; and easily accessible business hours.

Taking advantage of localization features available with smart phones should also be a priority for local retailers. Many consumers are selecting purchase locations based on proximity. For example, many are using apps like OpenTable, Yelp or even Google maps to find recommended restaurants near their current physical location. Some aspects of localization are relatively straightforward, like ensuring your business appears with enhanced Google listings. These can be important as many apps rely on Google API integration to power their localization features. More sophisticated localization strategies will be rooted in digital marketing considerations, including participation in apps used by the business’ target customers (i.e., being where your customers are), search engine optimization and digital advertising, as well as active social media participation to generate and maintain online reviews and address customer service commentary in a timely and effective way.

Multi-Channel Coordination
The multitude of applications for small businesses to get online could actually make a multi-channel approach accessible to local businesses. Many new e-commerce tools (like Shopify, Squarespace) make it easy for retailers to create a fairly robust, mobile responsive e-commerce site. Shopify also provides mobile and point of sale integration as well as inventory management and digital marketing tools (such as Google adwords). Retailers who are starting fresh with their ecommerce presence (versus those who are dealing with legacy applications and customized back-office integration) will likely be at an advantage in their ability to nimbly add more multi-channel features.

Basic marketing and promotions strategies must translate online to capture multi-channel shoppers. Retailers should ensure their sales and marketing efforts make the online/offline connection. This requires that information be consistent across channels; that product info and availability exist across multiple channels; that flexibility is offered (in-store pickup, delivery, seamless returns in-store or online); and that online promotions encourage foot traffic (and vice versa). This helps retailers focus sales and marketing strategies on customer value generation rather than channel revenue. In this environment the customer service experience can become a key differentiator.

For some retailers, the ability to advertise and sell product on marketplace sites like Amazon may represent an opportunity. Marketplace sites can open up channels for online sales and can increase visibility of products in broader markets. However retailers should proceed with caution. On marketplace websites, retailers compete almost solely on price and should be aware of how shipping costs affect their price competitiveness. In addition, long-term customer retention through marketplace channels tends to be more difficult, and there are additional fees associated with sales made via the marketplace.

*Online Support Services for Small Business*

Given the opportunities for retailers described above, there is also an opportunity for service providers who a can help small businesses navigate the myriad options for getting online at a reasonable cost. In the same way that many of the digital tools and technologies available to retailers enable them to have more refined and targeted reach, the tools and apps themselves may target niche business owners and product categories. Preparing for online selling requires everything from content creation to business process implementation on top of the technological aspects and capabilities of the tools themselves.

There are a lot of options out there for local businesses to get online but finding and implementing the right tools at a reasonable cost requires know-how in and of itself. Local B.C. businesses need to assess their challenges and opportunities and move quickly to capture a greater share of online shopping.