VISA

E-Commerce and Social Media in 2007: A Canadian Perspective

A Study sponsored by Visa and Yahoo! Canada

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TABLE OF CONTENTS

OBJECTIVES

The objectives of the 2007 Canadian multi-channel study were:

- To track online shoppers purchasing behaviour relative to 2006; and
- To explore and evaluate the impact of social media in the context of the empowered consumer, their attitudes and behaviours.

METHODOLOGY

- The online survey of 2,000 Canadians was conducted from April 19–27, 2007. 1,500 were online[1] shoppers and 500 were offline[2] shoppers.
- The data has been analyzed across different variables — the most significant of which are Shopper Type and Technology Adoption Type.
- Comparisons to similar core elements in the 2006 study are made where applicable.

DEFINITION OF SHOPPER TYPES

The Shopper Types were defined using the following statements:

Info Driven	*"I had a specific product in mind but wanted to find out more information or compare features and prices."* *"I had a general idea of a product I wanted to buy but thought I needed to do more research before making a decision."*
Conqueror	*"I had a specific product in mind, knew where to buy it, and bought it right away."*
Browse 2Buy	*"I had no specific product in mind, but enjoy shopping and was generally browsing when the product idea struck me."* *"It happened impulsively. I had no intent of buying something but I saw something that triggered an impulsive need for a product."*

The Technology Adoption Types were defined as follows:

Early Adopters	*"I like to have the newest products/services."*
Early Majority	*"I wait until the product/service has been tested before purchasing it."*
Late Majority	*"I purchase the tested product/service at a price that I like."*
Laggards	*"I only purchase a new product/service when I need it."*

[1] *Individuals who have made an online purchase in the past 6 months*
[2] *Individuals who have not made an online purchase in the past 6 months*

E-COMMERCE TRENDS IN CANADA: GROWTH CONTINUES

- **Canadian consumers are broadening their embrace of e-commerce and multi-channel shopping.**
  - Slight increases were seen in total amount spent buying online.
  - Online shoppers spent more and made more purchases in higher value categories.
  - Most merchandise categories increased buyer penetration compared to 2006, including gifts, consumer electronics, toys / video games, tickets and apparel.

- **E-commerce and multi-channel retailers needed.**
  - Retailers need to continue to provide online tools and processes to address the needs of various shopper segments.
  - Multi-channel program development currently under way with many prominent Canadian retailers will help to address these shoppers' needs.

- **Online merchandising tools come of age.**
  - Considerable gaps exist for retailers to enhance online functionality and shopper tools to improve conversion rates and average order value. The online shopping tools should be easy to use and make the shopping experience more enjoyable.
  - Compared to US online buyers, shopper tools such as product comparison, alternative product views, zoom/rotate, order history and loyalty programs have considerable upside potential to enhance the shopping experience.

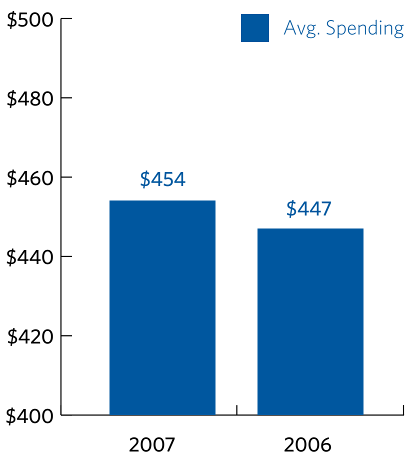
- **Credit cards continue to be the preferred payment method online.**
  - 73 percent of Canadian online shoppers surveyed preferred to pay with their credit card. This is unchanged from last year.
  - Among credit card users, *Visa* is the card used most often.

- **Fraud remains the leading barrier to online shopping.**
  - Similar to last year, the top three reasons provided by offline shoppers for not buying online in the past six months were concerns about the security of using credit cards online, disclosure of private information and no need to buy online.
  - Awareness and usage of online verification services such as *Verified by Visa®* increased from last year.

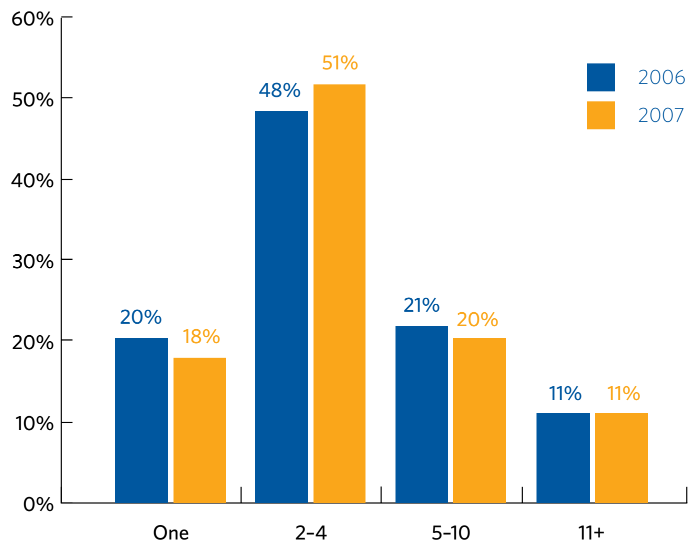
GENERAL BEHAVIOUR

- Respondents, on average, spent **$454** in 2007, which was **seven dollars** more than in 2006.
- The frequency of online purchases remains relatively unchanged from a year ago.

Online Spending of Buyers

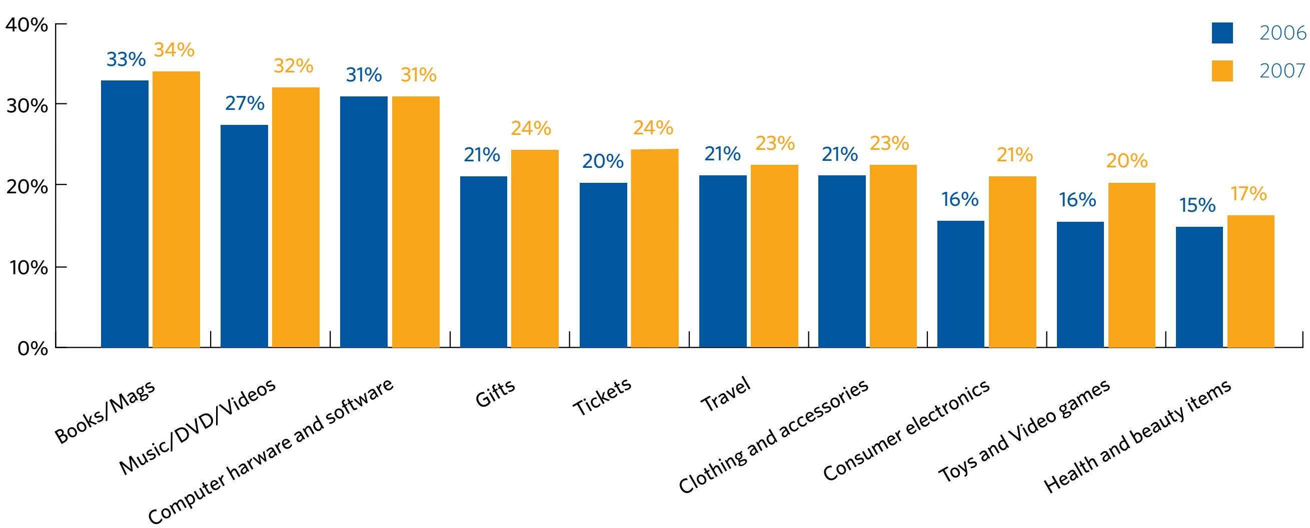


Online Purchasing (by Frequency)



CATEGORIES PURCHASED ONLINE IN PAST SIX MONTHS (AMONG ONLINE BUYERS)

- Among online buyers, more categories were purchased more often in 2007 as compared to 2006.
- Most categories experienced a one percent to five percent percentage point increase in purchase incidence as compared to 2006.
- Toys and video games, consumer electronics and music / dvds were the categories that showed the largest increases when compared to 2006.



ONLINE AND OFFLINE SHOPPER TYPES (BY GENDER)

- New to the study is a technology adoption classification and the breakdown is as follows:
  - Early Adopters – 16 percent.
  - Early Majority – 24 percent.
  - Late Majority – 32 percent.
  - Laggards – 28 percent.
- A breakdown of shopper types in 2007 indicated that more online buyers classified themselves as Info Driven (54 percent vs. 48 percent in 2006).
- Among offline buyers, more respondents classified themselves as Conquerors (51 percent in 2007 vs. 46 percent in 2006).
- More women classified themselves as Browse2Buy shopper types.
- A higher percentage of men classified themselves as Early Adopters.

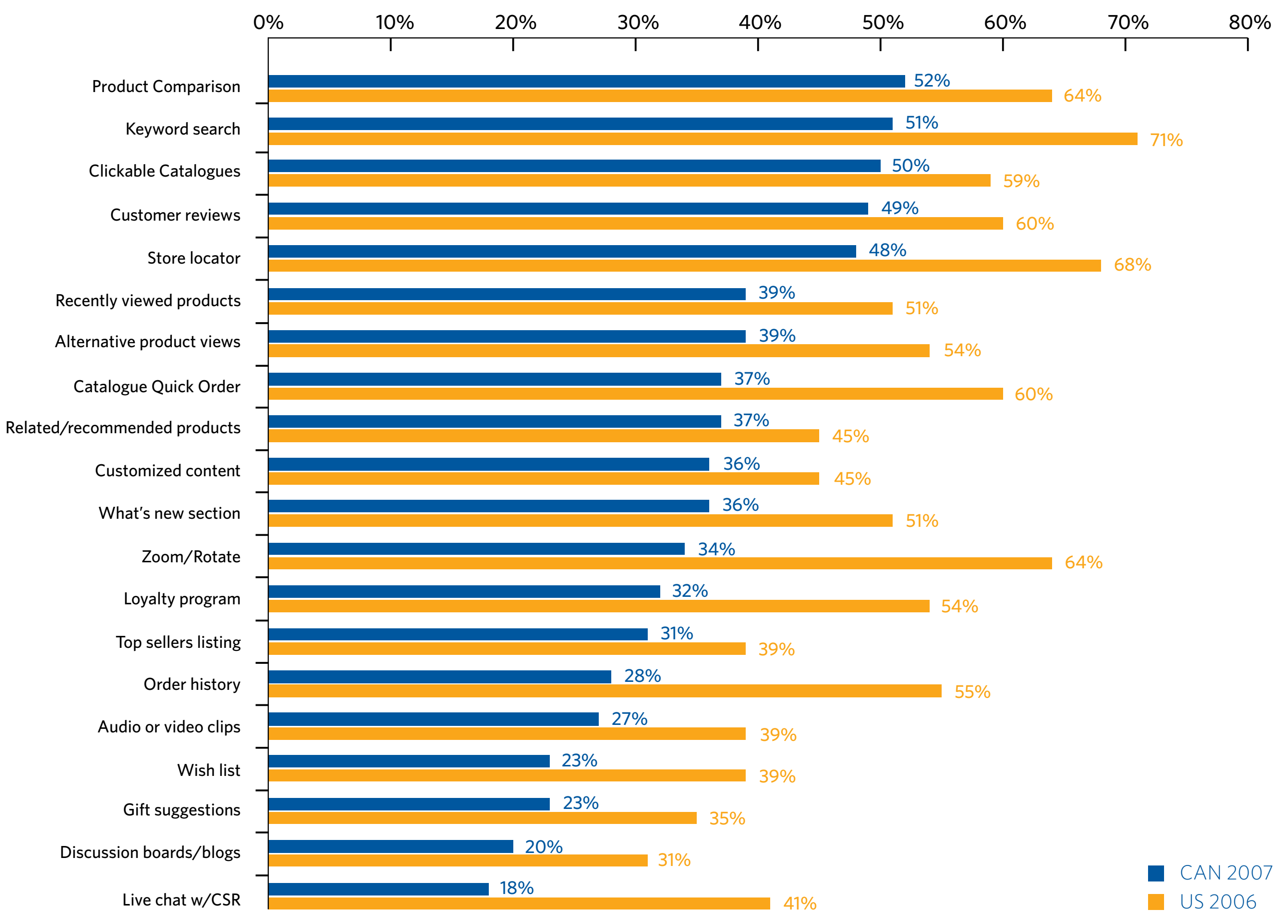
INFLUENCES ON ONLINE PURCHASE DECISION (ONLINE BUYERS)

- A higher percentage of online buyers indicated they comparison shopped at more than one online store vs. last year
- The increase was also seen in the use of search engines compared to last year

ACTIVITIES	2007	2006
Comparison shopped at >1 online store	38%	34%
Used a search engine to find online stores selling the product	37%	33%
Comparison shopped at >1 physical store	17%	14%
Browsed through a catalogue but decided to order online	15%	11%
Clicked on an online ad or link from another Website that directed you to the store's Website	14%	12%
Browsed a store/online stores where I would receive loyalty program rewards	15%	11%
None of the above. I knew what I wanted and went directly to the online store to buy it	27%	29%
Other	3%	4%

HELPFUL ONLINE FEATURES / TOOLS / OFFERS
(TOTAL — ONLINE AND OFFLINE)

- New to the study in 2007, respondents were asked to rate the helpfulness of a number of online tools, features, and services in their decision making process.
- Among Canadians, **product comparisons and keyword search** tools were "extremely /very"[3] helpful in their decision making process.
- Compared to a 2006 study conducted in the U.S., U.S. online shoppers rated "keyword search" and "store locators" as "extremely / very" helpful in their decision making process.
- **Keyword search, product comparison and clickable catalog** were regarded as the most helpful online tools by online buyers. Offline buyers considered **store locator, product comparison, and customer reviews** as the most helpful tools.



[3] *4/5 rating on 5 point scale*

SOCIAL MEDIA AND E-COMMERCE COLLIDE IN CANADA

- **E-commerce buyers embrace social media.**
  - The empowered consumer movement is well under way, with 94 percent of online buyers participating in at least one form of social media.
- **Online buyers are savvy social media users.**
  - The intersection of online buyers and social media users has a high degree of overlap.
  - Online buyers are more engaged in most types of social media.
  - Their tenure is longer and frequency of using online communities is higher.
  - The high ranking of customer reviews is an early indicator of social media's impact on online and offline shopping behaviour.

WHAT IS THE POTENTIAL OF SOCIAL MEDIA?

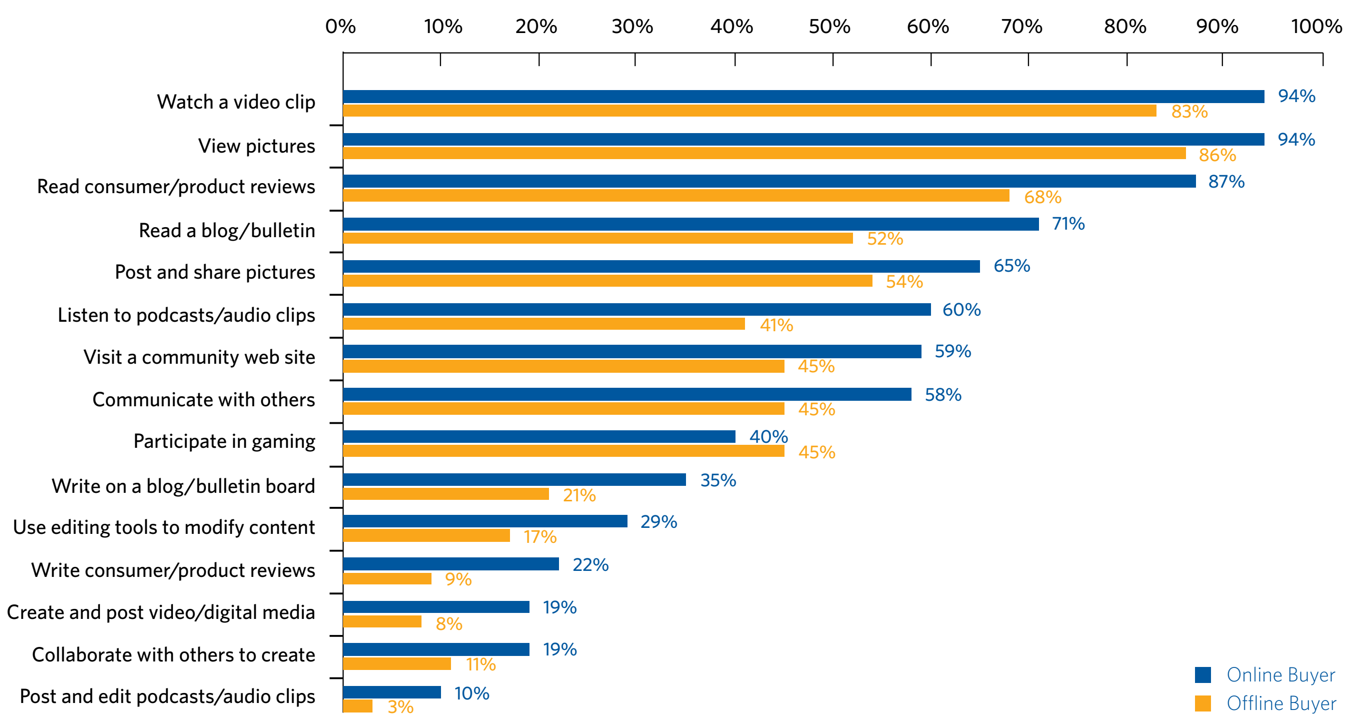
- **Social media is already affecting online shopping behaviour.**
  - The main questions are: How much upside will there be? And, how will retailers and marketers embrace social media?
- **Customers in control.**
  - Online shoppers are flexing their media muscles and it is manifesting itself in the broad-based penetration of social media activities.
  - Customer reviews are the first practical use of social media in enhancing the shopping experience. There is a high extent to which online buyers trust information and advice from online communities (42 percent of buyers said that online communities make them more confident in their purchase decisions).
  - Retailers need to give serious thought to establishing a forum, where consumers can provide their input (i.e. both positive and negative) about their experiences.
- **Online communities provide positive benefits.**
  - Entertainment, knowledge, connectedness, and confidence are leading benefits of belonging to an online community.
  - This broad range of benefits are indicative of the lasting power of the social media trend, and how ubiquitous social media may become as customers seek control over their lifestyle passions, their trusted peers, their domains of expertise and their professions. (e.g., 67 percent of buyers stated they are gaining more knowledge on topics that are of interest to them via online communities).

- **Social media fragmentation.**
  - The vast arrays of conversations taking place in social media are as diverse as lifestyles and personal passions. Music, movies and shopping are the top three topic areas, but other topics also have considerable penetration.

- **Barriers and challenges.**
  - Attitudes towards social media indicate concerns consumers have with privacy issues and unwanted marketing messages, although these have not deterred them from engaging in these social media activities. Retailers cannot be overly crass in how they enter these conversations, as authenticity being the price of entry.

ONLINE ACTIVITIES EVER DONE
(ONLINE VS. OFFLINE BUYERS)

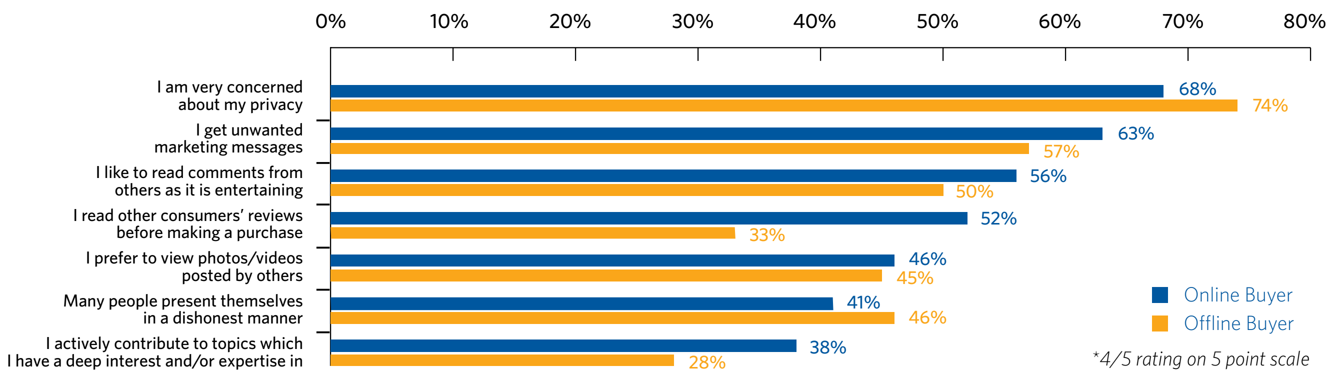
- Among Canadian online users, approximately six in 10 have participated in a social media activity and have made a purchase in the past six months.
- The top four publishing* activities online shoppers have ever participated in include: **post and share pictures online, write on a blog/bulletin board, write customer/product reviews** and **collaborate with others to create content online**.
- The majority participate in these social media activities **at least once a week**.
- "**Participating in gaming**" is the only activity with more participation from non-buyers than buyers.



* *The term "publishing" is used within the context of this study as an active (e.g., writing, collaborating) rather than a passive (e.g., reading, watching) activity.*

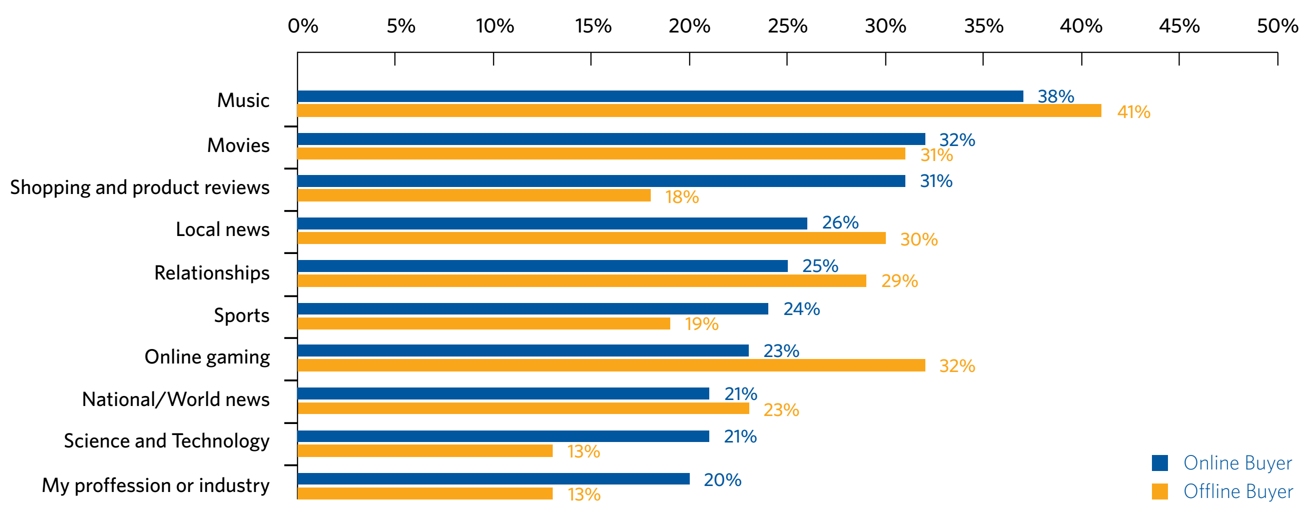
BARRIERS EXIST IN SOCIAL MEDIA ENVIRONMENT

- Although buyers derive benefits from participating in online communities, **privacy issues** and **unwanted marketing messages** were the main concerns about participating in online communities.
- The ability to read comments by others as they felt they are entertaining was the thing they like about participating in online communities.



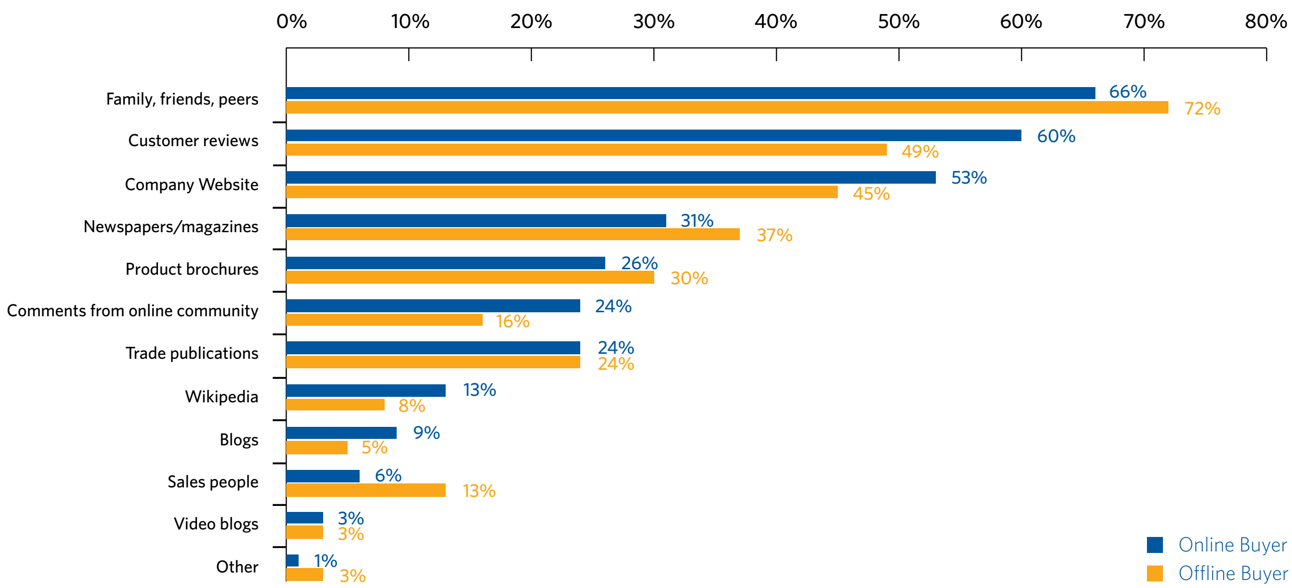
TOPIC AREA PARTICIPATE IN MOST OFTEN
(ONLINE VERSUS OFFLINE BUYERS)

- Among online buyers, the social media topics they participate in most often were **music, movies and product reviews** compared to **music, online gaming and movies** for offline buyers.



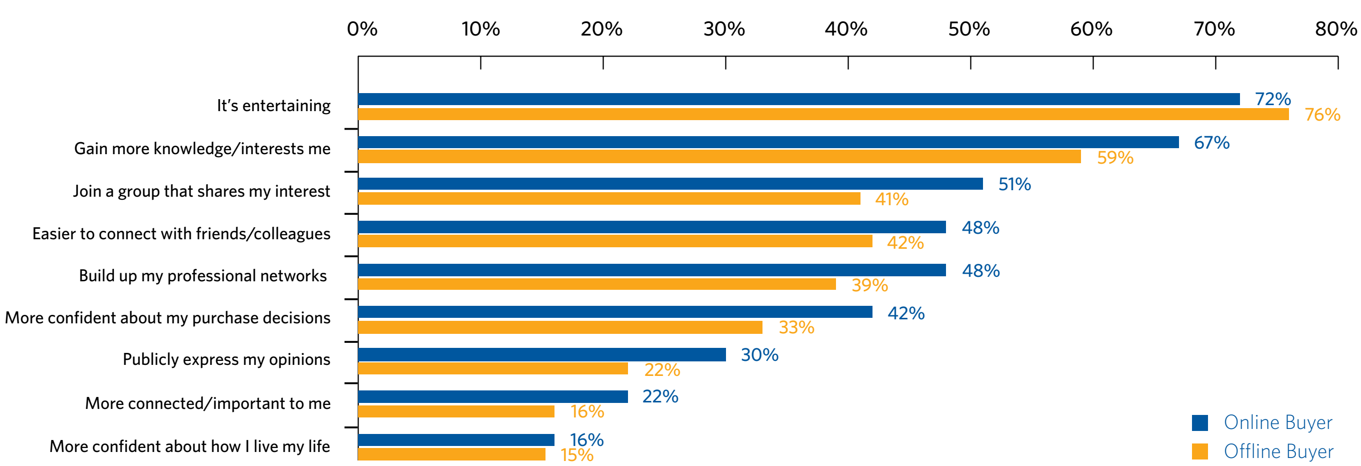
MOST TRUSTED INFORMATION SOURCE
(ONLINE VERSUS OFFLINE)

- The top three most trusted information sources among buyers were: **family/friends/peers, customer reviews** and **information from a company's website**.



BENEFITS DERIVED FROM ONLINE COMMUNITIES
(ONLINE VS. OFFLINE BUYERS)

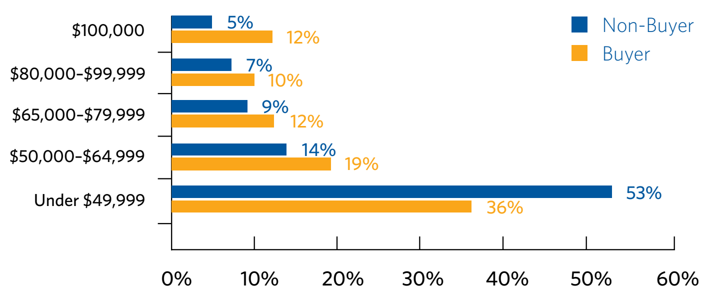
- The benefits derived from their participation in these online communities include, **entertainment, gaining knowledge that is of interest to them, joining a group with similar interest, being able to connect with friends** and **the ability to build professional networks**.



DEMOGRAPHICS PROFILE

- Half of all non-buyers reported the household income was under $49,999 and 36 percent of buyers belonged to this bracket as well.
- Two-thirds of the buyers (66 percent) were between the ages of 25 and 54 while one-quarter of the total sample was within the 25-34 age bracket. There were more non-buyers than buyers in the age group 45+.
- Nearly four-in-10 non-buyers had an high school education.
- A significantly high proportion of buyers were undergraduate and Master degree holders as compared to the non-buyers.

Household Income



Age