

In Canada, Cross-Border Shopping Has Always Been Popular ... Even Before the Internet

Article



Generations of Canadians have a ritualistic dedication to searching for deals across the border, hopping in cars for day trips for lower prices on most goods, especially

alcohol and gasoline. It is relatively simple for a country where 90% of its population lives within 100 miles of the US border. With the advent of online shopping, the trend continues.

Estimates vary on the volume of online sales in Canada sourced from outside the country—as much as half of total sales and as little as a quarter. Regardless of the exact proportion, the trend is clear: A significant portion of consumers in Canada shop from international sources, mainly US sites.

“That’s always been the case, as domestic ecommerce options paled in comparison to what was being offered by the US and elsewhere,” said Paul Briggs, senior analyst at eMarketer and author of our recent report, “**Canada Ecommerce 2019: One in 10 Retail Dollars Now Transact Digitally.**”

According to International Post Corporation’s “Cross-Border E-Commerce Shopper Survey” from October 2018, 53% of cross-border digital buyers in Canada sourced goods from the US, compared with 30% who bought from China and 4% from the UK.

From Which Countries Have Cross-Border Digital Buyers in the Americas Made Their Most Recent Cross-Border Digital Purchase?
% of respondents, Oct 2018

Canada	US	Mexico	Brazil
US 53%	China 57%	US 43%	China 62%
China 30%	UK 10%	China 35%	US 23%
UK 4%	Canada 6%	Japan 4%	Japan 3%

Note: who have digitally purchased goods in the past 3 months and made a cross-border digital purchase in the past year
Source: International Post Corporation (IPC), "Cross-Border E-Commerce Shopper Survey 2018," Feb 7, 2019

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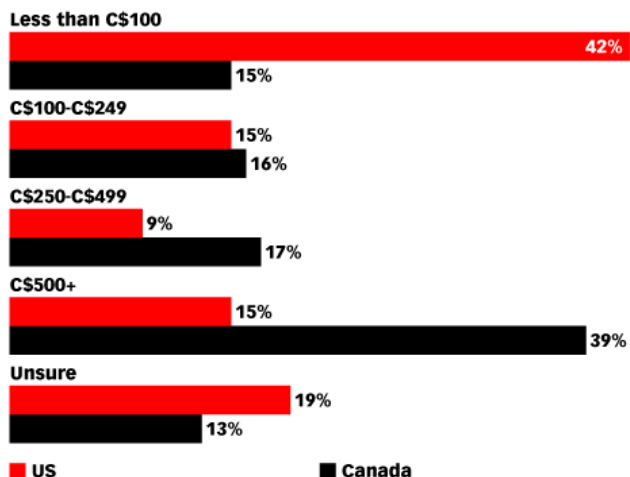
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The “PayPal Cross Border Consumer Research 2018” study found that 37% of digital buyers in Canada shopped domestically only, well short of the US (66%) and UK (62%).

Generally, lower-value orders are bought from US sites, and more valuable items are procured from domestic sites. According to the Canadian Internet Registration Authority, on orders of less than CA\$100, 42% of digital buyers in Canada transacted with US sites, compared with just 15% on Canadian sites. When the order value exceeded CA\$500, the opposite was true: Thirty-nine percent transacted with a site in Canada, compared with 15% in the US.

Amount that Digital Buyers in Canada Spend on US- vs. Canada-Based Retail Sites, March 2018

% of respondents



Note: ages 18+

Source: Canadian Internet Registration Authority (CIRA), "Canada's Internet Factbook 2018" conducted by The Strategic Counsel, June 20, 2018

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"In recent years, the trend of heavy cross-border shopping is reversing," Briggs said. "The widening of the currency gap since 2013—about a CA\$0.25 drop in the relative value of the Canadian dollar—has made shopping south of the border costly. In addition, there's a greater number of quality domestic options."

The trade environment—especially the renegotiated United States-Mexico-Canada Agreement (USMCA), which is still to be ratified—is likely to impact cross-border ecommerce levels. A new provision in the USMCA is an increased "de minimis threshold" (DMT)—the value at which goods are free from duties and taxes when crossing borders. Before the renegotiation, it was just CA\$20 for goods entering Canada, but a strong lobby from US online retailers and shipping companies raised the de minimis to CA\$150 for exemption to duties and CA\$40 for exemption of sales taxes. (The agreement decoupled the duty- and tax-free thresholds.)

This put online retail in Canada at a disadvantage, according to the Retail Council of Canada (RCC). An RCC-commissioned study from January 2018 with PwC estimated the de minimis hike could cost up to 300,000 jobs in Canada's retail sector.

Post-deal, the RCC was satisfied with the result. In a statement, it said, "Retailers in Canada dodged a bullet. The Canadian negotiating team did not cave to US demands for an \$800 USD DMT and gave a fraction of what the US asked."

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Report by Paul Briggs Jun 27, 2019

Canada Ecommerce 2019



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