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## Finding Online Success in Canadian Retail

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Industry Spotlight

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**Online shopping** is becoming **increasingly popular** in Canada. According to an annual holiday survey conducted by **Pollara** on behalf of the Retail Council of Canada, **43% of Canadians** had planned to shop online for the 2007 holiday season, **an increase of 5%** from 2006. And with the loonie at parity with the US dollar, Canadian shoppers have looked south of the border to find better deals and have challenged Canadian retailers to find a way to stay competitive with their American counterparts. Despite this obvious challenge faced by traditional brick and mortar retailers, the Canadian online retail industry has continued to grow and evolve through **multi-channel integration, trend tracking, customer feedback** and **technological innovation**.

### Multi-Channel Integration

A pioneer in Canadian broadcast retailing, **The Shopping Channel** quickly recognized the need to integrate a web strategy into their business. According to **Ted Starkman, Executive VP and General Manager at The Shopping Channel**, television can help build **demand for products** but limits you from showing more than one product at a time.

In 1999, **The Shopping Channel** launched their web site to expose their customers to their **full selection of products**. With **over 25% of sales** coming from their **online business**, The Shopping Channel's web business is fast approaching **\$100 million annually**. The growth has been **exponential** according to Ted Starkman because their television and web channels **truly complement** each other.

“Our web site **really changed** the business,” says Ted Starkman. “The most interesting part is the interaction between **the television viewer** and the **online browser/shopper** which is at the core of our multi-channel success.”

While television has been a great tool to explain or demonstrate items to drive people to The Shopping Channel's site to browse or purchase items, **the site itself** has also helped The Shopping Channel attract more television viewers to their “**Today's Showstopper**” program to drive sales.

Today, The Shopping Channel has **over two million Canadian television viewers** while their web site receives **just over 500,000 unique visitors** per month. But according to Starkman, the real element of their online success has been the fact that they built the e-commerce side of their business **step-by-step** as the online business itself expanded.

“From day one, the web side of the business was profitable. We really **leveraged** the **infrastructure of the core [broadcast] business** that we already had, and **added people** and grew the team, and put the investments in the **[online] business** as the sales were there. It's been great for the overall business particularly as a mechanism for us to capture orders and is really the **only way** for our customers today to be able to shop all 15,000 items that we have in stock.”

As part of their multi-channel strategy, The Shopping Channel has also incorporated a catalogue strategy to create a **strong brand statement** and to help drive traffic to their web site:

“Since we are such a **virtual** retailer, the **catalogue** is a great physical tangible element for people **to connect** with the brand. Over the years we have evolved the catalogue and it has been a real driver to **both our other sales channels** especially to the **web side** of the business”, says Starkman.

### Challenges in Canadian Retail

With the strong Canadian dollar, many Canadian retailers have discounted their merchandise to **remain competitive** with US retailers but continue to struggle with **the extra cost** of doing business in Canada. Even with the federal government’s recent lowering of the **Goods and Services Tax to 5%** in January, there is still plenty of work that needs to be done according to **Ted Starkman at The Shopping Channel**:

“Everything that **decreases the differential** between the two countries is helpful. There is a lot of work to be done in terms of **differences in duties** and those are **major challenges** that retailers face in terms of providing [Canadian] customers with **competitive pricing** and for us to compete against other US retailers.”

Starkman also emphasizes that Canadian retailers have **definitely** done what they can within their control to **reduce costs** for consumers. He believes that suppliers to Canadian retailers need to **appreciate the differences** between the Canadian and American markets and that the federal government needs to really look at the **competitive differences** that make it **more expensive** for Canadian retailers to do business. In addition, he perceives that **structural changes** are necessary from a regulatory and duty perspective to help **reduce the price gap in goods** between the two countries and to keep Canadian retailers competitive.

Despite increasing pressure and competition from American retailers, **The Shopping Channel** has remained competitive in the Canadian marketplace. According to Ted Starkman, they are **unique** in that they are a **“just-in-time” retailer** where they plan upcoming television broadcasts and turn their inventory **much quicker** than any other retailer because their inventory is stored in a single location:

“We don’t have a network of stores that we have to supply across the country. We have our inventory stored in one single place so we are **more nimble** which gives us a **competitive advantage** against other retailers.”

However, online retailers are not without their challenges. One of the **biggest challenges** faced by **online retailers** is getting people to give them a chance. According to Ted Starkman, the success of online retail and home shopping over the years has been based on **an element of trust**:

“Our greatest challenge is attracting customers in to **take that leap of faith** in terms of **purchasing online** or **by phone** but once they’ve done it, we really have **great success** in keeping them as customers for life.”

### Trend Tracking

In a dynamic retail industry, retailers must always be **ahead of the trends** in order to be successful. Whether it’s fashion or a specific consumer buying trend in a different category, **The Shopping Channel** has made it their business to be the **leader in knowing** what their retail customers want. For example, from a **jewelry perspective**, “we are showing what **most retailers** end up with six months to a year down the road just because we **jump on trends** and can **jump on those changes** so quickly,” says Starkman.

### Meeting Customers' Needs

In fact, The Shopping Channel solicits customer feedback as much as they can from **ongoing feedback** through their web site, to an **organized customer feedback panel** of almost **10,000** of their customers:

“We go out **at least once a month** to solicit **feedback** on how we are doing from a customer experience perspective and is really **a rich opportunity** to learn what our customers like about what we are doing and what we can improve on,” explains Starkman.

**The Shopping Channel** also provides their customers with a **weekly electronic newsletter** to keep them **up-to-date** about what's going on and offers **free e-newsletters** by **individual category** that customers can sign up for based on their **individual interests** to keep them informed about specific categories they are interested in.

### Technological Innovation

Although they have been streaming their live broadcast of the “Today's Showstopper” program on their web site since 1999, **The Shopping Channel** plans to focus on **using more video** on their web site over the next six months to a year. More specifically, they plan to produce specific videos for the site to give their customers a **richer online experience**.

However, what they are most excited about is the **ultimate convergence** of **television** and **the internet**. According to Starkman, their “business is perfectly suited to take advantage of the fact that one day you will be able to **transact through your set-top box** or **through your television**. The great thing about being part of an innovative and exciting company like **Rogers [Communications Inc.]** is that we are **always in tune** with what's happening and what customers want in terms of **new technology** and then providing our kind of unique way of retailing to our customers through those different channels.”

### Retail Success

Through their **multi-channel strategy** of integrating the web and catalogue into their core broadcast retail business, **The Shopping Channel** has become one of the most **successful direct retailers** in Canada. Despite the retail challenges faced by many traditional brick and mortar retailers, The Shopping Channel has **remained competitive** in the Canadian marketplace by **keeping ahead of** consumer buying trends, **understanding and meeting the needs** of their customers and **staying innovative** when it comes to technology and how it relates to retail to provide their customers with the best possible shopping experience.

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#### About the Author:

Eleanor Kwan, CSP, is the CEO and Founder of **ShapeYourVision®**. Her company helps companies and individuals optimize their sales performance through sales consulting, custom sales training and coaching. For more information, visit [www.ShapeYourVision.com](http://www.ShapeYourVision.com).