

Can Amazon Penetrate Canada's Saturated Digital Grocery Market?

What local and international players need to know

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An interview with:
Michael LeBlanc

Founder, Principal
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Amazon is already one of the top digital retailers in Canada. But that may not be the case with digital grocery, a highly competitive space where established players are vying to fill up virtual shopping carts. eMarketer's Caroline Cakebread spoke with Michael LeBlanc, founder and principal of M.E. LeBlanc & Company, a consultant to the Retail Council of Canada, about Amazon's role in the country's overall ecommerce landscape and its digital grocery sector.

LeBlanc was interviewed as part of eMarketer's November report, "Amazon Around the World: 'Primed' for International Expansion, but Faces Challenges from Alibaba, MercadoLibre, Flipkart and Others."

eMarketer:

What does the digital grocery market look like in Canada?

Michael LeBlanc:

In Canada, the grocery sector is very competitive. We have big international brands, like Walmart and Costco, and local companies like Loblaw, Sobeys and Metro. All of them are participating in ecommerce in some form.

Loblaw, for example, has an extensive home-delivery system in partnership with Instacart, which sends groceries to your door in as little as 1 hour. That's in addition to its click-and-collect service. And, just a few months ago, Sobeys announced a deal with the UK's Ocado that allows them to be their ecommerce provider.



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eMarketer:

Where does Amazon fit in?

Michael LeBlanc:

Amazon's online grocery offering in Canada right now is limited to dried goods. They're not delivering fresh. There's some opportunity there for Whole Foods private label products, but there are only 14 Whole Foods stores in Canada, so it's certainly not a household name.

And when you look at what Amazon offers in terms of delivery, they're only same-day in two cities—Vancouver and Toronto. They're next-day in only four more—Montreal, Calgary, Edmonton and Ottawa. Amazon is still a minor player in the online grocery space in Canada.

eMarketer:

What about in the overall ecommerce landscape?

Michael LeBlanc:

Amazon is certainly an important element of our total online retail, but success hasn't happened overnight. Amazon has been in Canada for a long time and built its presence over the years.

From the outside in, Canada may look very much like the U.S. It's close geographically, and the consumers are similar, but there are differences beneath the surface that need to be appreciated. International retailers that are successful in Canada take a 'measure twice, cut once' approach. In other words, they get to know the market better before expanding.

77%

of adult digital buyers in Canada* have used Amazon

Ayima & Insights West, Jan 2018; *who made a digital purchase in the past 12 months

eMarketer:

What are some of these differences that Amazon and other foreign retailers should be aware of?

Michael LeBlanc:

In Canada, ecommerce is not as well-developed as it is in the US. There are still some major retailers here that don't sell online—that's not the case in the US, with one or two notable exceptions.

Another difference is language. Roughly 30% of the population of Canada speaks French. By law, all product packaging there has to be labeled in both French and English, regardless of which province you are in. That applies to all product information, down to pricing manuals.

eMarketer:

With all of this in mind, what do you see as Amazon's growth potential in Canada's ecommerce market?

Michael LeBlanc:

Amazon continues to be a very strong competitor in Canada that shouldn't be underestimated. It's investing in the country, opening up more warehouses and hiring for the media business. We'll see if it decides to invest in physical stores as well.

And in terms of grocery, no one underestimates Amazon's strength either. It's just different here than in the US. The grocery market in the US is pretty fragmented with many regional players. In Canada, there's fewer national players, and they're all already working in ecommerce.

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