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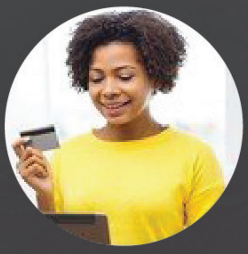

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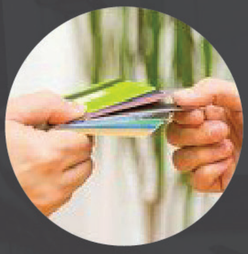

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A PUBLICATION OF RETAIL COUNCIL OF CANADA THE TECHNOLOGY & E-COMMERCE ISSUE 2017 $4.95

THE TECHNOLOGY & E-COMMERCE ISSUE

THE EVOLUTION OF E-COMMERCE

How Canadian retailers continue to raise their game amid intense global competition

\+ TOP TECH TRENDS TO WATCH FOR IN 2018

EXCLUSIVE

RCC President & CEO Diane J. Brisebois interviews the Retail Prophet Doug Stephens

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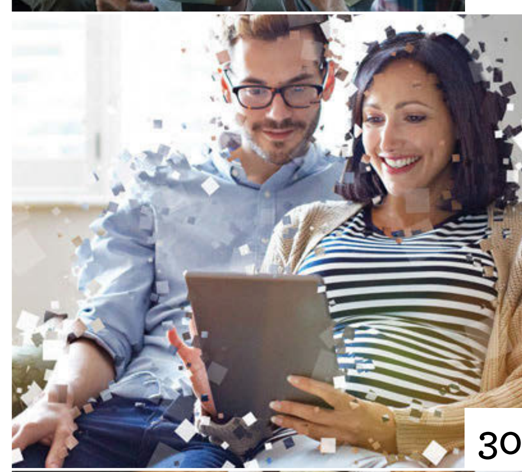
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Into the great wide open

Challenge and opportunity abound for Canadian retailers in 2018

THE relationship between technology and e-commerce, generally speaking, is an easy one to understand. So, too, is the potential impact that each has on retail operations as well as the customer shopping journey. But what aren't so clear are the subtleties and nuances required to build each into a coherent business strategy to make it all work together to strengthen and elevate the retail experience for the customer.

Within this issue of *Canadian Retailer*, we explore some of these subtleties and nuances to provide a holistic view of the latest technologies and the current state of e-commerce in Canada, capturing some of the challenges and opportunities that lay ahead for retailers operating in the country.

In "How can technology solve the biggest retail challenges?" (pg. 26), we identify areas within the retail operation where businesses face obstacles with respect to customer engagement, workforce management, the development of business strategy, and explore how the smart use of technology can help retailers overcome those obstacles.

When it comes to engaging with brands, customers today have a number of channels to choose from. Find out how retailers can best manage all of these channels to position themselves for e-commerce success in "Channel loyalty" (page 30).

Beyond the management of the online channel, retailers have got to be present. But more importantly, they need to offer their customers content that is meaningful and relevant. Read "Content is king" (pg. 40) to find out how retailers are leveraging dynamic online content to help build relationships with their customers and awareness of their brands.

In addition, as an exclusive to this issue of *Canadian Retailer*, Retail Council of Canada President & CEO, Diane J. Brisebois, interviews the Retail Prophet Doug Stephens (pg. 12), Brisebois and Stephens analyze retail in Canada and all of the trends, challenges, and opportunities heading into the new year.

As always, it's our pleasure to bring this content to you and encourage your feedback to ensure that we continue providing you with the very best stories and news from the world of Canadian retail. From everyone here at *Canadian Retailer*, we hope you and your teams have a wonderful Holiday Season and a prosperous and healthy start to 2018.

Sincerely,

Sean C. Tarry
Editor-In-Chief
Canadian Retailer

canadian retailer
TECHNOLOGY & E-COMMERCE | VOLUME 27 ISSUE 6

PUBLISHER
Diane J. Brisebois

SENIOR DIRECTOR OF MARKETING AND COMMUNICATIONS
Branka Stavric

EDITOR-IN-CHIEF
Sean C. Tarry
(416) 922-6678, ext. 286
starry@retailcouncil.org

ART DIRECTION
Scope Media
hello@scopemedia.ca

SENIOR WRITER
Robert Price

CONTRIBUTORS
Christopher Daniel, Jesse Donaldson, Jennifer Drake, Andrea Elliot, Stuart Foxman, Richard Giannini, Tony Hernandez, Alphijeet Rege, Cynthia Reynolds, Dave Rodgerson

DIRECTOR OF PUBLICATIONS
Angela Caroyannis
acaroyannis@naylor.com

PROJECT MANAGER
Kim Davies
kdavies@naylor.com

SALES MANAGER
Bill McDougall
bmcdougall@naylor.com

EDITORIAL OFFICE
800 – 1881 Yonge Street, Toronto, ON M4S 3C4
Phone: (416) 922-6678 | Fax: (416) 922-8011
www.retailcouncil.org

ADVERTISING/PRODUCTION OFFICE
Naylor (Canada) Inc.
200-1200 Portage Avenue
Winnipeg, MB R3G OT5
Phone: (800) 665-2456 | Fax: (800) 709-5551
www.naylor.com

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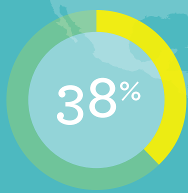
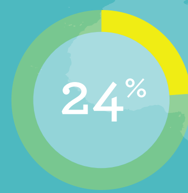
SHOPPERS AROUND THE WORLD

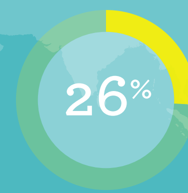
PwC's *Total Retail 2017* profiles shoppers around the world in an effort to help retailers understand the global picture and keep a beat on the shopping habits of consumers within their own domestic markets. Here's what the report says about Canadian consumers and some of their online behaviours:



Start online product searches on Amazon.



Buy products at least monthly via smartphone.



Think mobile sites aren't easy to use.

Access the *Total Retail 2017* report at **www.pwc.com/gx/en/industries/retail-consumer/total-retail.html.**

FAST-MOVING CONSUMER GOODS MOVING (SLOWLY) ONLINE

According to Nielsen, sales of fast-moving consumer goods (products that are sold quickly and at relatively low cost) are growing, but at sluggish rates.

$28 trillion

The total global retail market in 2017.

$4 trillion

The size of the fast-moving consumer goods sector, growing at a rate of just 4% year-over-year.

20%

The rate of growth of total retail e-commerce, predicted to reach $4 trillion by 2020; an additional $2.1 trillion over the next four years.

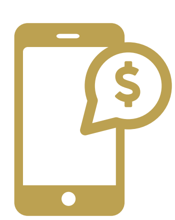
MOBILE PERSONAL ASSISTANT?

Automation driven by the continued development of artificial intelligence is on the rise. According to Catalyst, the sky's the limit with respect to the number of daily tasks that today's smartphone user is willing to allow their smartphone to automate.

GEN Z/MILLENNIALS LURED BY IN-STORE TECH AND SOCIAL MEDIA LIKES

HRC Retail Advisory recently conducted a study that reveals the components of today's shopping experience that are most important to Generation Z and Millennial consumers.

90% of Gen Z shoppers say that a strong wi-fi signal is important to them and their overall shopping experience.



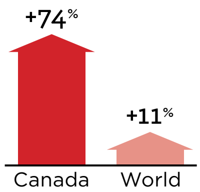
68% of Millennials and 64% of Generation Z say they'd likely use a retailer's app to make an in-store purchase.

66% of Millennials aged 18-34 said they'd be at least somewhat likely to use 'Magic Mirrors' in dressing rooms to send images through social media, which is 50% more than those aged 35 to 41.

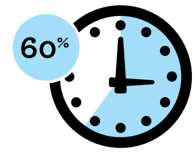
40% of both Millennials and Generation Z say they have made a purchase decision based on feedback from their social network. Additionally, 25% of Millennials say they have returned items based on feedback from social media sites, and Generation Z's return rate is as high as 62%.

CANADIANS' MOBILE APP USE ON THE RISE

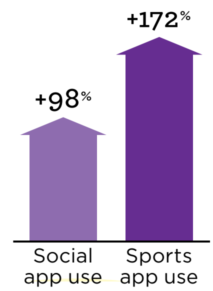
According to the latest numbers from Yahoo Inc. subsidiary Flurry, Canadian mobile app use continues to grow.



74% - The percentage increase of mobile app use among Canadians in 2016, far exceeding the global average of 11 per cent.



60% - The percentage of app time spent by Canadians on "messaging and social" apps such as Facebook and Snapchat to connect with colleagues, friends and family.



98% - The percentage growth in Canadians' social app use. However, this growth is dwarfed by the whopping 172% growth in sports app use. Health and fitness; shopping; and business and finance apps, all of which had 55 per cent growth or more, rounded out the top five.

LOCAL IS WHERE IT'S AT

Where is your next meal coming from? Do you care? According to Ipsos' *Global Trends* report, most of us *do* care where our food comes from, with the shift toward local continuing to pick up steam.

68% of global consumers who say they are more likely to purchase products that are locally grown. In 19 of the 23 countries surveyed, two-thirds or more want local.

47% of those surveyed make it a priority to eat foods that are organic.

53% of survey respondents are willing to pay more for packaging that will help food stay fresh longer.

A CASHLESS COUNTRY?

A recent survey conducted by Payments Canada has found that half of Canadians are ready to do away with banknotes and coins for greater convenience, even though it might mean less privacy.

50% of Canadians are ready to get rid of bills and coins.

1/3 say they are ready to get rid of personal cheques.

48% say that they'd be willing to sacrifice some of their privacy to pay digitally.

13% of Canadians already have a digital wallet.

50% of Canadians express anxiety when it comes to digital wallets, while 42% say that they're excited by the prospect.

ARTIFICIAL INTELLIGENCE COULD MAKE SMART BUSINESS SENSE

For those of us who continue to ponder the viability of implementing artificial intelligence into our businesses, a new white paper commissioned by Salesforce and developed by International Data Corporation might shed new light on your thinking.

$1.1 Trillion The global revenue increase that could be prompted by artificial intelligence activities for CRM-related fields.

$32 Billion The anticipated boost for Canadian business revenues by 2021 as a result of artificial intelligence enabled CRM.

21,000 The number of new jobs by 2021 associated with artifical intelligence.

$3 Billion The anticipated increase in productivity by Canadian businesses as a result of artificial intelligence. Expenses are expected to be lowered by $7 billion.

CALENDAR

NRF 2018: Retail's Big Show
Sunday, January 14, 2018 – Tuesday, January 16, 2018
Jacob K. Javits Convention Center, *New York, NY*

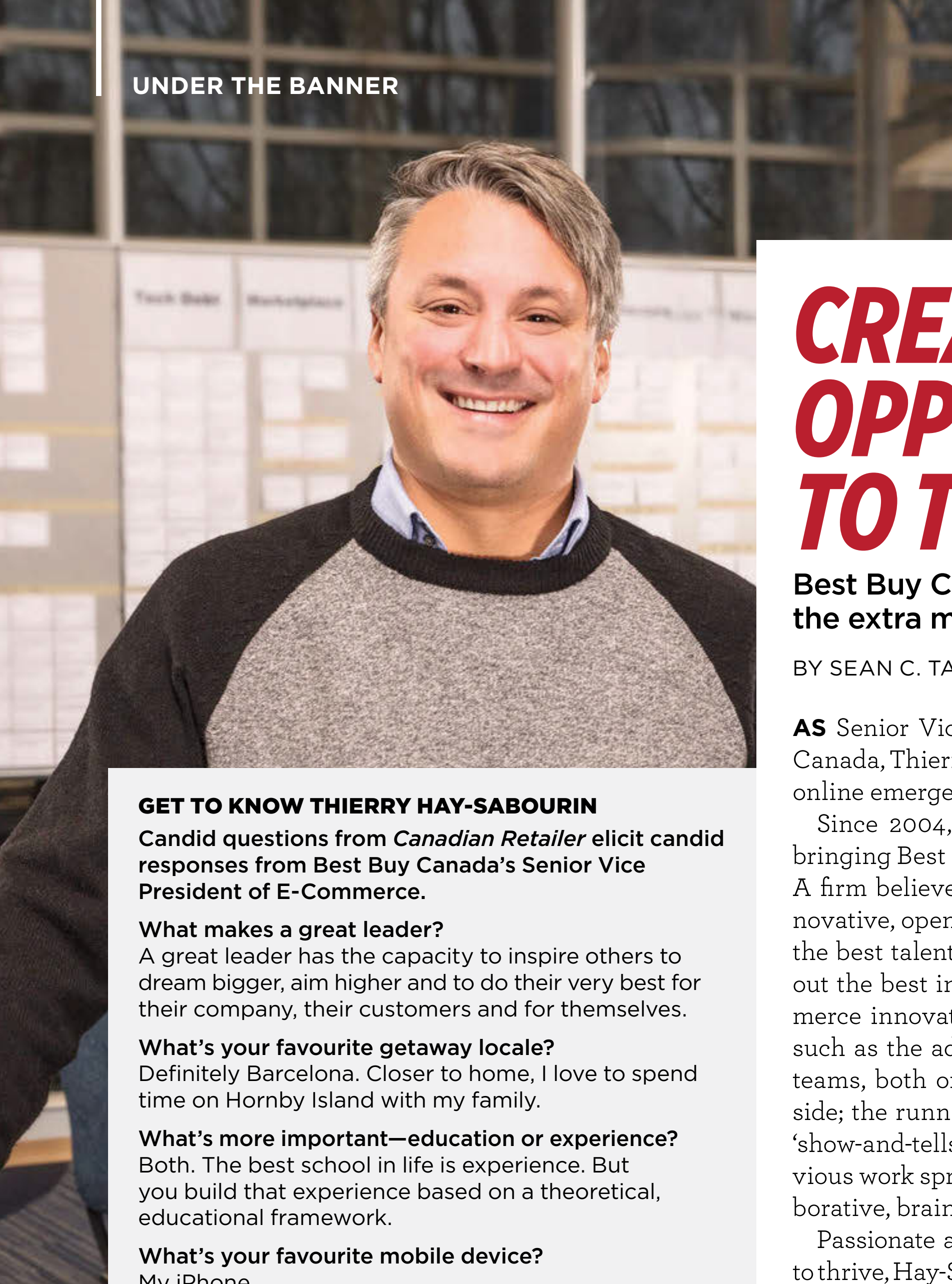
RCC's Retail Marketing Conference 2018
Thursday, April 12, 2018
The Delta Hotels Toronto, *Toronto, ON*

Retail Innovation Conference
Tuesday, May 1 – Wednesday, May 2, 2018
Convene, *New York, NY*

STORE 2018
Tuesday, May 29, 2018 – Wednesday, May 30, 2018
Toronto Congress Centre, *Toronto, ON*

Canadian Grand Prix New Product Awards
Wednesday, May 30, 2018
Toronto Congress Centre, *Toronto, ON*

For more information concerning RCC and other industry events, visit www.retailcouncil.org/events.



CREATING OPPORTUNITIES TO THRIVE

Best Buy Canada's e-commerce team going the extra mile each and every day

BY SEAN C. TARRY

AS Senior Vice President of E-Commerce for Best Buy Canada, Thierry Hay-Sabourin has steered the company's online emergence as a leader in Canadian e-commerce.

Since 2004, Hay-Sabourin has been instrumental in bringing Best Buy Canada's Total Retail initiatives to life. A firm believer in leading with company values, his innovative, open approach, eye for attracting and retaining the best talent in the business, and passion for bringing out the best in his team has allowed a culture of e-commerce innovation to flourish. This has led to initiatives such as the adoption of agile methodology and product teams, both on software development and the business side; the running of biweekly symposiums, e-commerce 'show-and-tells' where teams present the results of previous work sprints for instant feedback and regular collaborative, brainstorming sessions open to all.

Passionate about creating opportunities for employees to thrive, Hay-Sabourin recently introduced regular e-commerce hackathons, the latest had the two winning teams develop an augmented reality platform for appliances and a new, streamlined careers website in just 24 hours, both of which will be fully implemented in the months to come. Plus, this year his department sponsored and provided mentorship at BizHacks, a university hackathon, with the winning team being awarded MacBook Pros and internships at corporate headquarters in Burnaby, B.C.

This innovative approach to e-commerce has contributed to Best Buy Canada being recognized with multiple omnichannel awards from Retail Council of Canada and Canada Post over the last few years. But for Hay-Sabourin, the true success is in what he sees routinely: the team's unprecedented passion, perseverance, and willingness to go the extra mile each and every day.

Hay-Sabourin resides in Vancouver with his wife, Teresa, and four daughters. He holds a Bachelor's Degree in Marketing from HEC Montréal, where he was a part of the first cohort in Canada to achieve a Graduate Degree in e-commerce. CR

GET TO KNOW THIERRY HAY-SABOURIN

Candid questions from *Canadian Retailer* elicit candid responses from Best Buy Canada's Senior Vice President of E-Commerce.

What makes a great leader?
A great leader has the capacity to inspire others to dream bigger, aim higher and to do their very best for their company, their customers and for themselves.

What's your favourite getaway locale?
Definitely Barcelona. Closer to home, I love to spend time on Hornby Island with my family.

What's more important—education or experience?
Both. The best school in life is experience. But you build that experience based on a theoretical, educational framework.

What's your favourite mobile device?
My iPhone.

Do you shop in-store or online?
Both. I like to shop online for research and convenience, and in-store to touch, feel and experience the products firsthand.

Which do you prefer—fiction or non-fiction?
Fiction is my vacation go-to, but usually non-fiction. I like reading about ideas and strategies that inspire change in our industry.

How would you describe your management style—hands-on or hands-off?
Hands-off. I've learned the value of empowering my team. It starts with hiring the right people, and giving them the right direction and guidelines.

What's the next big game-changer in retail?
Machine learning and artificial intelligence will bring new disruptions and innovations in all industries, including retail. It will allow teams to access new insights, improving the accuracy and the speed at which decisions are made—even automate many decisions—that will improve the customer experience and bottom line for retailers.

BETTER FORMULA. BIGGER RETURNS.

Retail Council of Canada ensures implementation of more sensible safety auditing scorecard

BY SEAN C. TARRY

RETAIL Council of Canada boasts a strong and proud tradition of working with industry partners and members to ensure the safety of Canada's retail workforce and the continued prosperity of the country's retail businesses from coast-to-coast. For this reason, the association recently completed negotiations with Ontario's Workplace Safety and Insurance Board ensuring significantly higher returns for retailers involved in RCC's Ontario Safety Group Program.

Entering its eleventh year, the Program is an innovative, voluntary initiative implemented by the Workplace Safety and Insurance Board (WSIB) that rewards firms with operations in Ontario for implementing effective health and safety management systems.

Benefits of participating in the Program are numerous, including the opportunity to network with retailers on health and safety topics, hear first about Ontario's health and safety legislative changes and consultations, and decrease administrative costs associated with loss-time injuries and illnesses. In addition, the Program also results in participating retailers receiving up to a five per cent rebate in premiums paid to the WSIB on an annual basis. Aside from helping to ensure the safety of their employees, this is a benefit that has had obvious appeal among members of the Program.

The Program has been a massive success throughout much of its first decade, returning hundreds of thousands of dollars of premiums paid back to participating members. However, due to the nature of the outdated formula involved in scoring participants based on their audits, the amounts of returns in recent years have plateaued, prompting RCC to take action.

"The Safety Group formula that's been used up until this year has been in place for more than ten years," explains Sonny Brar, RCC's Vice President Member Programs & Services. "Because part of the rebates were based on continuous reductions in the severity and frequency of injuries and loss time incidents within the workplace, members of the Program who although passed their audits were losing rebate points, which means that they were actually being penalized for their continued success and not receiving the highest rebate potential possible."

Brar brought these concerns to WSIB earlier this year and enjoyed positive meetings, negotiating a new and improved formula by which participating Ontario Safety Group Program member rebates will be calculated, ensuring more significant returns.

"This is a huge win for members of the Program, and for the employees of those retailers," says Brar. "We've ensured a more robust Safety Program through the use of a revised formula that makes more sense for our members, incentivizing them to continue focusing on evolving their cultures of safety within their organizations, as well as helping their bottom lines."

For more information about RCC's Ontario Safety Group Program and how to get involved, visit **www.retailcouncil.org/memberservices/health-and-safety-program/rcc-ontario-safety-group-program**, or contact Sonny Brar, RCC's Vice President, Member Programs & Services at **1-888-373-8245 ext. 230** or by email at **sbrar@retailcouncil.org**.

PREPARING FOR TOMORROW TODAY

Shifting consumer expectations and evolving payments options require the industry to be agile and forward-thinking

BY RICHARD GIANNINI, Senior VP Product Development, Canada/Ingenico Canada Ltd.

TODAY'S consumer shopping experience is no longer contained to just the traditional brick-and-mortar store. It has become multi-dimensional, spanning mobile interactions, online marketplaces, social media and, of course, the retailer's own website. Consumer expectations on shopping and payments have shifted, and a barrier-free experience across all channels is expected.

While this reality may scare some retailers, those who invest in innovative experiences are coming out on top. Retailers who sell on two or more channels average twice the revenue as a single-channel retailer. In this article, we will examine consumer expectations, how security should be at the forefront of any payment innovation, and how companies like Ingenico are preparing for tomorrow today.

Customer expectations are shifting

Customers of all demographics and across all regions are looking for a trusted, seamless, retail experience, with innovations setting new expectations every day. Whether it's online, being engaged in-aisle, click-and-collect, or, in the case of Amazon Go, having no interaction with store personnel at all, customers expect convenience. Retailers are adapting, some rushing to live up to consumer expectations. But, for a lot of businesses, it's hard to correctly align execution to ever-evolving customer demands.

Take mobile apps as an example. Consumers now spend 70 per cent of their internet time on their mobile phones. Logic dictates that having a mobile app will create brand engagement amongst users. So, it makes sense that every business should be rushing to build their own apps. Yet, in a recent study conducted by L2, 44 per cent of luxury brands have removed their apps from the App Store since 2015, and 56 per cent of the remaining brands haven't updated their app in the past year.

So what happened?

Brands rushed to meet their consumers' expectations of having an app, but didn't meet their expectations concerning the incremental value the app would bring. If your app is a slightly improved version of your web store, you will lose your users. But, if you can introduce unique features such as Sephora's Virtual Artist, you will win users and sales.

Payment security cannot be forgotten in innovation

It's imperative to innovate and find better ways to improve the customer experience. From biometrics to beacons, the checkout experience, wherever that takes place, will dramatically change within the next few years. However, security cannot be an afterthought. Security should be at its core.

Ingenico takes its responsibility to businesses and consumers alike to create secure payment experiences very seriously. While online breaches make headlines on what seems to be a daily basis, the in-store world isn't immune to breaches either, with many preeminent companies among those targeted.

There is a constant struggle to balance security with the customer experience, as was seen with the introduction of EMV chip cards. EMV chip cards are more secure than their predecessors. However, the improved security measures add time and complexity to the checkout process that negatively impacts the consumers experience.

The quick adoption of NFC technology helps reset that balance. Digital wallets and tap-and-go payments have quickly gained in popularity, to a point where they will soon eclipse chip based transactions. This is due to the effective blending of security and the customer experience. When these two factors are in harmony, you have a greater chance of payment innovation that resonates.

Being ready for tomorrow today

Tomorrow's retail experience will be global and omnichannel. Consumers are using their device in-store to review products and compare competitor pricing. They are also shopping online and picking up in-store. Our digital and physical experiences are blending into one.

Retailers who embrace an online strategy to complement the in-store presence have seen steady growth year-over-year, after their multi-channel adoption. The need for omnichannel offerings has even found resonance with the digital-only retailers who are now investing in brick-and-mortar locations.

Historically, Ingenico has been focused on the in-store terminal business, and naturally evolved with the creation of mobile and self-serve options. However, recognizing the need for a multi-channel solution to support our customers, we have made multiple acquisitions to ensure that we stayed at the forefront of this change. With these acquisitions, we hope to be able to deliver a truly global, omnichannel payment experience for our customers.

Being prepared for tomorrow also requires us to ensure that our in-store offerings remain relevant with changing consumer and merchant needs. In 2010, all Ingenico terminals included NFC capabilities, due to the expected proliferation of contactless. Since the average payment terminal can last anywhere between six to eight years in the field, terminals being designed today must be able to handle the payment needs of businesses well past 2020. To prepare for the businesses of the future, Ingenico is building next generation communication options and open software architectures into our newest payment terminals. This will help facilitate the adoption of new capabilities to improve the consumer experience, without comprising payment security.

Preparing for tomorrow today for continued growth and success.

As consumers routinely shift between digital experiences, retailers need to proactively solve the pain-points unique to each of these channels. Security will always be a top concern for businesses and consumers alike, and protecting both is the responsibility of all in the payment ecosystem, including Ingenico. The challenge is doing so without losing sight of the customer experience or creating unnecessary barriers. The landscape has changed, the arena is not what it once was, and we will be presented with new ways to create remarkable experiences for retailers and brands alike. Ingenico is investing in your future today. Let us show you.

For more information about Ingenico and the product and services it provides, visit **www.ingenico.com**.

ingenico GROUP

Retail 2018: What the future has in store

Diane J. Brisebois, Retail Council of Canada President & CEO, talks trends, challenges and disruption with the Retail Prophet, Doug Stephens.

BY SEAN C. TARRY

PREDICTING the future is impossible. No combination of divination tools will change this fact. And don't believe anyone who tries to tell you otherwise. However, with enough experience, and the right mix of analytical thinking and insight, it *is* possible to cut through some of the murk to find a clearer view of the things that might lie ahead.

Canadian Retailer recently had the opportunity to sit down with Diane J. Brisebois, President and CEO of Retail Council of Canada (RCC), and Doug Stephens, Founder of Retail Prophet—two of the industry's brightest minds—as they cut through some of the retail murk and look ahead to 2018 to some of the most pressing topics, trends and challenges effecting the industry. What follows are their thoughts and opinions on retail in Canada in 2018.

Diane J. Brisebois: Retail is about a lot of things. But, more than anything, it's about constant change and disruption. Looking ahead, what are some of the things that you think will drive change and disruption within the industry in 2018?

> ***"THE CONSUMER'S SENSE OF VALUE HAS BEEN POLARIZED. NOT LONG AGO, MOST CONSUMERS WERE SORT OF TRAINED TO ACCEPT THE MID-MARKET AND TO GRAVITATE TOWARD IT. BUT, WHAT WE'RE SEEING TODAY IS THAT PEOPLE ARE MAKING VERY DIFFERENT CHOICES CONCERNING HOW THEY SPEND THEIR MONEY."***
>
> — DOUG STEPHENS

Doug Stephens: A lot of people within the industry tend to use Amazon as a scapegoat for all of the disruption. It's Amazon's growth. It's Amazon putting downward pressure on pricing. It's Amazon that's funded endlessly by their investors and can seemingly do no wrong. It's become the poster child for all of the ills of the retail sector. But that's not realistic. There's no question that Amazon's a juggernaut. It's disruptive. It's now responsible for six-tenths of every incremental dollar that's spent online. There's no question it has an impact. But if we net that impact out, considering what's sold online versus the rest of the retail economy, Amazon is only responsible for six to eight per cent of total retail in Canada. So, the question becomes—what are the other factors impacting retailers in the country?

Perhaps the biggest disruptor is the fact that the consumer's sense of value has been polarized. Not long ago, most consumers were trained to accept the mid-market and to gravitate toward it. But today, people are making very different choices concerning how they spend their money. For commodity product, the things they need, consumers are defaulting to the low-end of the value spectrum—going to dollar stores, researching online, going to off-price and outlet malls. However, when they want an experience attached to the product they purchase, they're shopping at market. What this is resulting in is a collapse of the mid-tier of the market. That's responsible for a lot of the disruption and impact the industry's currently experiencing and will continue to experience heading into 2018.

DJB: Talk to me a bit about shopping centres. What does the future shopping centre look like, and what experience do they need to provide consumers to remain relevant?

DS: Three or four decades ago, when a consumer decided that they needed something, their first stop, in most cases, was a shopping centre. It's where they found a wider selection of products than anywhere else, and the most brands under one roof. Today, however, a shopping centre is no longer the first step in the consumers shopping journey. Now, consumers either go to Amazon or to Google to start the search. As a result, the mall is no longer the apex of convenience that it once was. The conventional mix in most shopping centres has always been 70 per cent retail and 30 per cent food and entertainment. There are 100 retailer stores, a theatre and a food court. Traditionally, as long as malls had that mix, they were at least moderately successful. Looking ahead, that mix is what's going to change fundamentally. Consumers are still going to want places to go as humans and as consumers. But they're increasingly seeking out food and entertainment experiences, social experiences. As a result, shopping will become less a factor in a shopping centre and more about experiences. We're already seeing that transformation take place in shopping centres in the US. And some developers in Canada are now considering taking their shopping centres in the same direction.

DJB: Speaking about retail in general, what is the biggest difference between retailing in the US and retailing in Canada?

> ***"I THINK SHOPPING WILL BECOME LESS A FACTOR IN A SHOPPING CENTRE. WE'RE ALREADY SEEING THAT WITH DEVELOPMENTS IN THE U.S. AND SOME IN CANADA ARE NOW TAKING THAT INTO CONSIDERATION."***
>
> — DOUG STEPHENS

DS: Canada has always been a relatively insulated market. It's evidenced by the fact that you can travel coast-to-coast in the country and, if you don't want to, you never have to go to any other drugstore but Shoppers Drug Mart. You never have to get your car serviced at any place other than Canadian Tire or shop for groceries anywhere but a Loblaw store. Canada is a very chain-oriented marketplace coast-to-coast. That's one thing that's fundamentally different. There are national players operating in the US. But they also have incredibly strong regional players. That's fostered an inherently more competitive market. The Canadian marketplace has started to get a taste of that competition over the past decade since an influx of US retailers started entering the country post 2008. That's when they looked at their own situation at home and noticed Canada as an attractive proposition.

DJB: There have been a lot of technological developments over recent years that have gone a long way toward changing the face of the industry. What are going to be the next game-changing technological breakthroughs in retail?

DS: It's hard sometimes to separate the truth from the hype when it comes to technology. And there's a lot of hype right now around a lot of things. But artificial intelligence has the potential to impact every aspect of the retail, both from the perspective of the retail business as well as that of the consumer. Take as an example the fact that soon anyone will be able to take a photo of a piece of clothing that they like, and then the AI in their device will then go into the cloud, search millions upon millions of images in a heartbeat, and bring back results for that piece of clothing, linking to the retailers that sell that item. Considering that single function, the possibilities seem endless. It's going to completely change the face of search, elevating the shopping experience.

The impact of AI on the operational end of retail and all of the things that are done in a retail environment will be just as staggering. Operational decisions have historically been made based on either loose data, imperfect data, gut decisions, or intuition on the part of store operations people. You can just imagine the power of taking all the guesswork out of those decisions. With AI, retailers will have the ability to know down to the sku what they need to have in the store on any given day, based on terabytes of sales history.

In-store, Lowes is already working with robots in their southern California stores—robots that greet people at the store's entrance, in two languages, escort them directly to the bin in the store where the product that they're looking for is located, providing them with instructional data and videos on how to use those products. These innovations become smarter over time. They become more intuitive and better at understanding inferences that customers are making in their questions. AI has the potential to impact all sides of retail in a very big way.

DJB: What about robotics in retail? What kind of impact will that kind of technology have on store design and the in-store customer experience? Are retailers understanding the challenges and some of the opportunities they have in their current footprint?

DS: Right now, in many cases, retailers are laying technologies on top of the infrastructure they already have in place. They're taking the conventional retail footprint and experimenting with the ways a robot can interact in that environment, how AI can inform that environment, how augmented reality can potentially give consumers more information in that environment. But the question many within the industry haven't effectively asked yet is "what if we were building a retail store for the first time, building it for the advent of robotics and AI? How would we design it differently?" The industry's very much on the cusp of answering some of those questions. The store as a mechanism for distribution of products is becoming less effective relative to the way consumers shop online. The store is becoming less about a distribution vehicle for product and more about an immediate channel for branded experiences. Retailers are starting to understand this. It's going to completely change the way retailers plan, build, manage and measure their stores going forward.

DJB: A lot of experts are talking about the efficiency and productivity of robots. What effect do you think the implementation of this technology will have on the retail workforce?

DS: For decades retailers have been using technologies in the retail environment that have been taking responsibility away from people in the store. With the introduction of every inventory management system or point-of-sale system, the industry has been systematically dumbing down the job of the frontline sales person. We've come to a place where the relative value of the cashier in the grocery store or the clerk in the aisle of the store, compared to technology, is comparably the same. A lot of retailers are analyzing this and assessing where they'll get the highest return on their investment, comparing people with robotic technology. The answer some are arriving at is that it might be better to invest in a robotic warehouse that improves efficiency by 40 per cent.

That's one of the dilemmas that the industry faces today. Ultimately what will happen is that the jobs within the retail environment that require people to push buttons and count units, to look up skus, to remember a little bit of rote product knowledge, will fade away over time. People serving within those functions will soon be seen as the blacksmiths of their era. There just won't be that kind of work anymore. Technology will take over that aspect of retail service. But, companies are still going to need frontline brand ambassadors—people that genuinely love the products that they sell and are passionate about talking to people about the products. They'll require true enthusiasts who are dynamic and outgoing to raise the in-store customer experience to levels never before seen. And that's not a $10.25/hour employee. The people who will be ambassadors for their brands are going to command a higher wage because they are going to drive a higher level of value. There may soon be fewer people working in the industry. But the jobs will be more meaningful and rewarding.

DJB: When it comes to the customer experience, there are so many channels today for customers to interact with brands on. How do retailers create a great experience across channels?

DS: The problem a lot of retailers face today with respect to the customer experience that they offer on their available channels is in the way they look at their operations. They see the business growing online, or that their online business is going mobile, and therefore tend to put the emphasis on digital and take their focus off of their physical assets. Instead, retailers need to look at their operations holistically. There are elements of the store that are unique to that channel. They should be celebrated and leveraged. It's the same for mobile, online and social. They need to design the experience around the unique attributes of the given channel. As an example, a digital retail experience doesn't equate to the integration of a bunch of touchscreens into the physical store. Consumers are tethered to technology all day. The last thing they will want to do when they walk into a physical retail store is be presented with another screen that they're supposed to use to find information and an experience. The physical retail store is where consumers want to try things and do things. It's meant to be fun and exciting, sensorial and immersive.

DJB: Considering all of the disruptors that we've already discussed, what do you think the retail headlines are going to be in 2018?

DS: We're going to see a slowdown in the consumer economy. The Bank of Canada is attempting to regulate the amount of consumption that's

going on right now, much of which is being fueled by home equity. They're pumping the breaks on the real-estate market, ticking up interest rates. As a result, the consumer will take pause. In terms of the headlines, there will continue to be fallout in the mid-tier. There have already been a lot of casualties resulting in a number of retailers going out of business over the last five years. But, if we look at this purely from a brand standpoint, does anyone miss those brands? Do consumers wake up in the morning pining about the loss of any of them and the fact that they aren't around to shop at anymore? The answer in most cases is no. Consumers don't miss those brands or assortments. This is going to be the battle cry for every retailer in 2018. They need to make sure that the experience they're offering is worthy of the consumer's affection and loyalty.

DJB: Is there anything about today's North American retail model that perhaps needs to change or be reevaluated in order to continue capturing the affection and loyalty of today's consumer?

DS: In many ways, it's actually quite shocking that the economic model for retail persists. The retailer goes to wholesalers, buys in bulk, redistributes, and then charges a marked-up price that's sometimes 300 per cent more than what it originally cost to make the product. It's a model that stretches back hundreds of years. Nothing has changed, either, about the way those within the industry measure their success. It's all about sales per square-foot and comp store growth. Similar to the economic model, this has remained the measurement of success for retailers since the 1800s. At some juncture, retailers are going to stop and realize that buying in bulk from vendors while absorbing all of the cost, risk and responsibility involved in pushing a product to market is not the model that the industry should be using to maintain success and growth.

Vendors are the ones prospering from the current retail economic model. They are vertically integrated, selling behind the backs of retailers, competing against them for the same customer. Looking ahead ten to fifteen years from now, or sooner, there's going to be much more vertically-integrated retail. There are very few brands today that aren't already exploring the direct to consumer opportunity, trying to figure out how they can realize it without burning all of their distribution bridges. As a result, there's going to be an emergence of a different kind of retailer—an experiential retailer that treats their store as a media channel where brands pay for the development of curated experiences for their customers. And at the end of this evolution, no longer will retailers be interested in buying skids of product and keeping them in a warehouse somewhere. Instead, they'll be the creators of outstanding experiences that are built around product—jaw-dropping experiences to represent their own brand and the products of their vendor partners. And, it's going to cost vendor brands. It's going to be more like a media buy and will go a long way toward shaping the future of retail.

LIVING IN THE FUTURE

How smart technology is improving the in-store customer experience

BY DAVE RODGERSON, Retail Industry Lead, Microsoft Canada

YOU probably don't expect to be reading science fiction or stories about time travel when you pick up *Canadian Retailer*. I wouldn't have expected it, either. But that was before I started working for Microsoft and travelling through time. I should explain, it's not time travel in the sense of Marty McFly. There is no DeLorean equipped with a Space Flux Capacitor. But, it seems as though I take a trip into the future each time I visit the Retail Experience Centre (the REC) at Microsoft in Redmond. The REC is a very low-profile building. From the outside there's nothing to suggest that what's inside is a 22,000 square-foot mall complete with a bank, variety store, café and mass merchant.

Retail is exciting, fun and when it's at its best, interactive. That's what makes the REC so special. When you visit our game store, we have a collection of xBox games on a shelf with a display monitor hanging above that plays video clips from each title. What makes this technology different is that when you reach out to touch a box, the display changes to show a video relating to that game. It's not coincidence, a simple Kinect device is mounted overhead, and it recognizes the gesture associated with reaching for a specific game which prompts the display to change. It also serves to collect data pertaining to customer dwell time and analyzes the information to provide insights that will be valuable to a merchandiser or marketing professional.

Then, as you continue to peruse the product in the store, your smartphone receives a message with a promotional offer. The source of the content? It's a bank of LED lights in the ceiling that transmit a signal invisible to the human eye, but captured by the camera on your phone. These lights aren't just "smart" in the sense that they consume less energy. They have the capacity to send personal offers to a customer based on their membership in a loyalty program, their past shopping habits and their current location in the store. It's personalized, contextual content.

Even something as common as a point-of-sale terminal holds a surprise at the REC. Our guide demonstrates how the cash drawer is "self balancing", with the ability to recognize that the wrong denomination of bill was removed to make change (I guess there's still some cash left in the future).

As I leave the REC and return to the present, I'm particularly impressed with one thought: technology doesn't always default to an online e-commerce experience. It's also a powerful enabler of an engaging and interactive in-store experience. It helps blur the line between the physical and digital experience—something that can help any retailer create a compelling shopping experience for their customer. And, achieving that is an effective way to win the loyalty of customers today and into the future.

For more information about Microsoft Canada and what it can do to help your business, visit **https://aka.ms/RCCTransformingRetail**.

Microsoft

GETTING RESULTS

How Canadian retailers can improve global e-commerce success

BY ANDREA ELLIOTT, Founder, r2 retail resources

THE geographical borders within which we used to shop have been virtually eliminated, and our ability to access products and brands worldwide continues to grow. As a result, it's exciting to see so many Canadian companies going global with their online business. However, far too often it's said that, "We can now ship to over 100 countries, but we just aren't seeing the results we expected."

A way to improve online results is by offering a blend of payment options that maximizes share and conversion for each country. Customers that are shopping globally need to have confidence in the site they're on. Buying product from foreign suppliers requires trust, and friction caused by limited payment options needs to be reduced. Secure payments are essential for success.

One way that companies can reduce that friction in the customer's shopping experience is to adapt to their payment preferences within each local market. Many consumers perceive local forms of payment as more secure. By providing this option, you can unlock international segments and increase revenue. Offering the right blend of payments significantly impacts conversion in the checkout and it is not uncommon to see revenue increases of 15-20 per cent.

To do this, it's key to review countries that are important on your growth plan. Those countries where demand for your products is higher, and your brand has a strong following on social platforms, is the place to start. These countries will be the ones to get local with payment options.

Another critical point is to be aware of certain local cards (debit or credit) in some countries that are not allowed to process international transactions, like Maxima in Turkey. This means local

SELECTION OF ALTERNATIVE PAYMENT METHODS IN KEY MARKETS
This global map shows you a selection of alternative payment methods in some key e-commerce markets. These options continue to gain share, with eWallets replacing many debit/credit cards. Alipay, PayPal and Qiwi dominate globally. ApplePay is growing, too.

Source: eShopWorld

acquiring is a key feature of successfully trading in those markets.

Let's take a look at a couple of countries that may be important for a number of Canadian brands internationally, to understand payment preferences of those consumers.

Asia—China

Currently, e-commerce accounts for more than 20 per cent of all retail in the country.

eWallet products dominate online payments, with Alipay at 48 per cent market share. Unionpay follows in terms of share at 18 per cent. It's critical to note that Mastercard/Amex/JCB/Visa have only 1 per cent share in the country. If those are the options you are offering your Chinese customers, you have a significant disadvantage in growing your direct to consumer business there.

Europe—Germany

Germany was an early adopter of alternative payment methods. eWallet and Real Time Bank Transfer methods dominate at 22 per cent and 38 per cent respectively. Again, Mastercard/Amex/Visa combined are less than 18 per cent.

Action Plan

- Know your key markets and develop localized payment options
- Ensure you have global eWallet capability
- Get direct payment relationships or;
- Work with a third-party vendor that has established global payment options

The world needs more Canadian retail. One way for us to ensure our presence is to open up the right payment options for our global customers!

SELLING ACROSS BORDERS

Empowering retailers to grow globally

BY SEAN C. TARRY

WHEN it comes to competing internationally for e-commerce sales, retailers operating in Canada are still finding their legs. However, through the development of partnerships, they can realize their potential, increasing the awareness of their brands and growing their global e-commerce footprint.

Canadian Retailer sat down with Ahmed Naiem, CCO of eShopWorld, a global e-commerce solutions provider with its North American office based in New Jersey, to discuss the ways the company can help empower Canadian online retailers to succeed globally, delivering a seamless and localized shopping experience that enhances their brand, from the first website visit through delivery, including customer service and returns.

Canadian Retailer: In a nutshell, what services do eShopWorld offer retailers to help them become more competitive in the global e-commerce market?

Ahmed Naiem: Selling across borders is complex and introduces many friction points along the journey. These include whether to operate multiple sites or leverage one global site, the management of multiple currencies and pricing strategies, facilitation of local duties and taxes, accepting non-credit card payment methods, exposure to fraud risk, challenges around delivery cost, efficiency, and lead time, and offering a suitable returns global process that won't cost them or a shopper a fortune. These challenges have led retailers to either turn off many international markets altogether or offer them with a far less than optimal online experience, which yields both higher costs for the consumer and lower margins for the retailers. That combination is an absolute growth killer.

That's where eShopWorld comes in. Our e-commerce platform helps remove these friction points and enables retailers to achieve speed to market with a fully localized customer experience. Our platform allows the brand to be front and centre while we work in the background on relentlessly optimizing the shopping experience and cost elements, allowing retailers to be more competitive in the global e-commerce market while achieving higher revenues with better margins.

CR: How much of a collaboration exists between eShopWorld and its clients?

AN: Deciding to sell globally is a strategic initiative that touches multiple parts of the retail organization, from merchandising marketing to finance to technology, supply chain and more. We align these functions with our own teams, in terms of both the onboarding and the run phase, to ensure the most efficient and economic implementation of the project. From the outset, we work to understand where the real demand is for retailers, and seek to roll out and optimize those markets to ensure the maximum return.

CR: What advice would you offer potential clients who are hesitant about entering into a partnership with a company like eShopWorld?

AN: It is not uncommon for retailers to contemplate a build v buy decision. It's our experience that it can take retailers a significant amount of time standing up and managing new markets which requires a substantial investment of their time and money. By plugging into eShopWorld's platform, they get optimized access to multiple markets through a single integration. They can switch on markets in weeks not years, and with limited investment—allowing them to focus on their core competencies while leveraging our expertise and dedicated focus to growing their international markets.

For more information about eShopWorld and how it can help you achieve global e-commerce success, visit **www.eshopworld.com**.

eshopworld


Retail Council of Canada's Member Exclusive Guidebooks
Introducing RCC Member Exclusive Guidebooks to help retailers more easily understand and apply new regulations and policies to their businesses.
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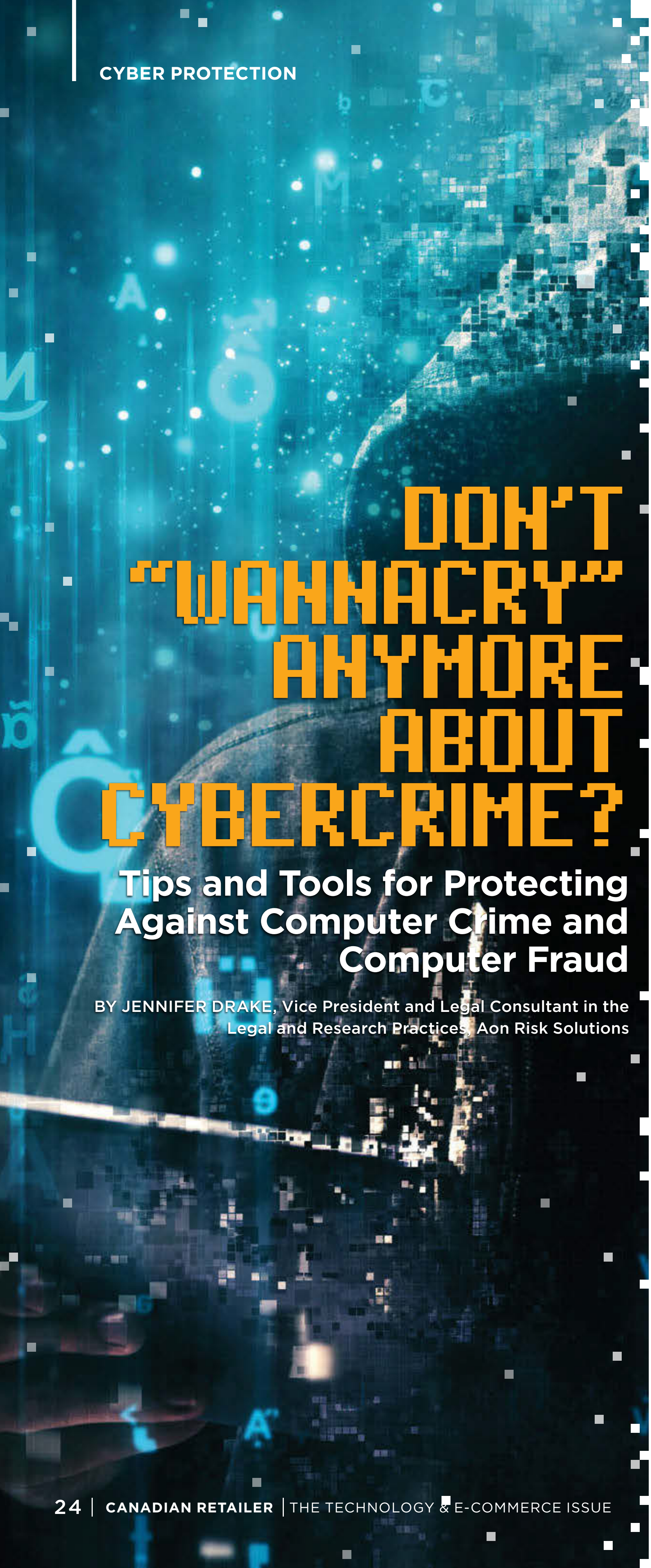
MORNEAU SHEPELL
KEY COSTS. PRODUCTIVITY. ENGAGEMENT FACTORS.
A retail study outlining factors that will drive success in 2018.
2018
Human Resource Trends Report
AVAILABLE SOON
RCC the voice of retail
Retail Council of Canada
CCCD la voix des détaillants
Conseil canadien du commerce de détail



DON'T "WANNACRY" ANYMORE ABOUT CYBERCRIME?

Tips and Tools for Protecting Against Computer Crime and Computer Fraud

BY JENNIFER DRAKE, Vice President and Legal Consultant in the Legal and Research Practices, Aon Risk Solutions

IN 2012, FBI Director Robert Mueller warned about the rising threat of cybercrime, stating: "There are only two types of companies: those that have been hacked, and those that will be. Even that is merging into one category: those that have been hacked and will be again". Since this statement, there has been a continuous rise in the frequency and scale of cyber-attacks. Symantec reported that 2016 was notable due to cyber attackers demonstrating new levels of ambition, including multi-million-dollar virtual bank heists and the biggest distributed denial of service (DDoS) attacks on record. In 2017, the world experienced the Wannacry virus, a cybercrime scheme unprecedented in terms of its global spread and the number of individual businesses it affected. According to Juniper Research, it is estimated that the global cost of cybercrime will reach $2.1 trillion by 2019. These scary statistics, along with media attention given to major cyber breaches, have many organizations concerned about their potential exposure to cybercrime and how to best ensure that they are not the next big cybercrime news story.

Most retail organizations would acknowledge that they have some element of cyber risk exposure in their operations. The nature of the business often requires operating on systems designed to share information, including financial information and other sensitive data used in customer transactions, making them an attractive target for cybercriminals. While many retailers are devoting more time and resources to detecting and preventing cyber risk, it's difficult for any company to completely eliminate the problem. Thus, experts are recommending a holistic approach to cybersecurity that includes a plan with respect to how a company will mitigate potential damages and how the business will recover if a meaningful cyber incident takes place.

The following are some recommendations for organizations looking to take a comprehensive approach to reducing cyber risk:

- Establish a culture of data security throughout the entire organization from the top down.
- Understand the information that is crucial to protect and practice regular back-ups on a separate server that is not connected to your network.
- Equip your staff by investing in employee training and awareness programs.
- Evaluate what devices and/or users have access to your network, including third-party service providers that have limited access for system monitoring, maintenance, data storage or other purposes. Every connection to your network

creates a potential entry point for hackers.

- Traditional data security tools such as firewalls, anti-virus software, encryption, intrusion prevention systems and two-factor authentication can be effective but they need to be regularly tested, assessed and updated.
- Establish an incident response plan that sets out what should be done in the event of a cyber breach. Consider your communication plan as part of an incident response plan. Test this plan.
- Establish a business continuity plan to help mitigate damages that might arise from computer system interruption. Test this plan.
- Regularly review and recalibrate prevention, detection and response plans and protocols.

The focus on cyber risk should not stop once robust security measures have been implemented and an incident response plan has been developed. Measures need to be regularly tested, assessed for effectiveness and adjusted to address changes in the risk. In addition, there will almost inevitably remain a portion of cyber risk that cannot be fully eliminated. To mitigate this residual exposure, many organizations are looking to insurance. Depending on the structure of an organization's insurance program, there may be more than one policy that could respond to cover damages that arise from cybercrime, subject to the type of loss and the means by which it took place.

"DEPENDING ON THE STRUCTURE OF AN ORGANIZATION'S INSURANCE PROGRAM, THERE MAY BE MORE THAN ONE POLICY THAT COULD RESPOND TO COVER DAMAGES THAT ARISE FROM CYBERCRIME, SUBJECT TO THE TYPE OF LOSS AND THE MEANS BY WHICH IT TOOK PLACE."

Insurance coverage for cybercrime

Instinctually, many companies first look to their commercial crime insurance policy for coverage for losses arising from cybercrime. This is not a bad place to start, as a crime policy is designed to respond to the loss of money, securities or property directly by an insured organization. In addition, the coverage has changed over the years to adapt to new means by which theft is carried out, and now encompasses various types of cybercrime such as computer fraud, wire transfer fraud and social engineering (available through a policy endorsement).

Yet, while the expansions in crime coverage might give the impression that the policy would also cover losses arising out of other computer related crime such as hacking, cyber extortion or malware, the reality is that the policy is not structured to respond to all cyber risks. The typical commercial crime policy will not cover any losses to a company or its customers or business partners that arise out of the theft, loss or compromise of confidential information. Further, it will not provide any coverage for the costs that a company incurs to deal with a cyber breach, a virus, malware or other similar network security breach that does not involve the theft of money or financial instruments. For this reason, a cyber liability insurance policy is also recommended to mitigate cyber risk exposure.

A cyber liability policy is designed to protect insured organizations from losses arising out of the unauthorized access to, or loss of, individuals' personal identifiable information that the organization has in its care, custody or control.

There are two fundamental categories of coverage provided by the typical cyber policy. The first covers the organization's own costs to investigate and mitigate the effects of a breach, or suspected breach, as well as to comply with applicable privacy laws, regulations and guidelines. It also encompasses the costs incurred to deal with a cyber extortion situation and can even reimburse a company for lost revenue where business operations are interrupted because its computer system is compromised. The second category of coverage provides third-party liability protection for litigation or regulatory proceedings that arise out of a cyber breach, paying defence costs, amounts to settle or satisfy a judgment awarded to a third party, or insurable fines levied by a regulator as a result of an investigatory or regulatory proceeding.

While there may be no failsafe way to guarantee that an organization will not be impacted by a cyber breach, it is generally agreed that a proactive approach is better than a reactive one. Thus, when it comes to cybersecurity, it is something that every organization should be prioritizing, developing a calibrated cybersecurity strategy that's continually updated. An organization's insurance portfolio is no different, it is a control set that needs to be regularly reviewed and adapted to ensure that the greatest benefit and protection is being achieved. CR

For information about ways to protect you and your business from the possible threat of cyber-crimes, visit **www.aon.com/default.jsp**.

How can technology solve the biggest retail challenges?

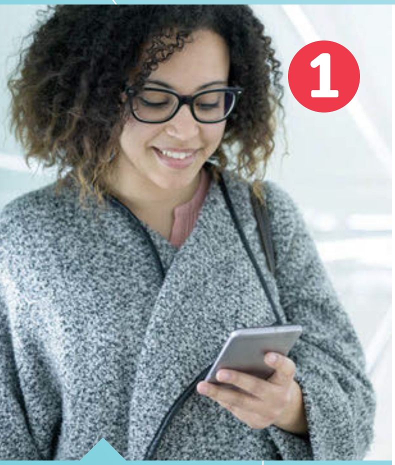
6 TRENDS TO WATCH FOR IN 2018

BY STUART FOXMAN

EVER hear of Walter Deubener? One hundred years ago, he found a way to address an age-old question for retailers: how do you satisfy customers, help them shop more and add efficiency to purchases? His low-tech answer was punching holes in a paper bag and running cord through it to create handles.

Deubener was a grocer in St. Paul, Minnesota. He noticed that his clientele's purchases were limited by what they could easily carry. So, in 1918, he invented a strong and convenient shopping bag. Problem solved, and new opportunities created.

A century later, retailers continue to turn to technology to benefit the business. These days it's more complex than a better bag. Heading into 2018, which technology trends are poised to grow? We asked some thought leaders and practitioners to list their top retail challenges and how technology can support the solutions.



Leverage technologies that can help remove friction from the customer experience.

1 Retail challenge: Capitalize on moments of inspiration.

Solution: Create frictionless customer experiences.

WHENEVER consumers are moved, you better be able to respond. "If you're not able to convert that moment into some kind of interaction with the brand you have lost," says Shyam Thyagaraj, who leads the technology practice for retail and consumer clients at Accenture in Canada.

He says artificial intelligence can support all sorts of efforts to guide customers to a purchase. For instance, chatbots and virtual assistants already perform that role online. Thyagaraj foresees a growing use of AI to enable consumers to buy wherever and whenever the mood strikes, beyond the physical store and a retailer's own website.

He gives this example: on a social media platform, a friend of yours posts an image of him wearing a new piece of clothing from a particular brand. You love it and want the same item…immediately. Video analytics can correlate that image to a retailer's inventory and price, and you can complete a purchase. "Inspiration comes from different sources," says Thyagaraj, "and AI can become your new interface for transactions."

Retail challenge: Have the right employees at the right time for the right needs.

Solution: Create a more liquid workforce.

RETAILERS need a workforce that can scale up or down as needed, and innovate quickly. Meanwhile, more people want the flexibility to work when, where and how they want. These realities are combining with technology to support a more on-demand workforce.

To better understand their sales patterns and in-store traffic and, as a result, their labour requirements, retailers are adopting machine learning. By pairing that knowledge with workforce martketplaces, retailers can acquire the talent they need when they need it.

Consider a platform like AllWork, a B2B solution that enables beauty retailers to source, schedule, place and pay freelance talent. Businesses of all sorts can take advantage of such portals. But for retail, there is a particular requirement to address challenges like seasonal peaks and valleys, and augment the core of full-time staff.

The same concept can apply to other business needs. For example, efforts to build a mobile app or website typically call on retailers to get the right people in-house or use one vendor. That's the traditional approach. Now, talent marketplaces can access the precise mix of expertise you need. It's a matter of using technology to tap into a much broader talent pool. Beyond the HR efficiencies, you increase the speed of innovation.

Online portals can help maximize workforce.

Retail challenge: Understand not just what customers buy, but why.

Solution: Develop truly personalized profiles.

IF you know that your customers have a preference for, say, a particular style, make or colour of clothing, you can tailor offerings to them. That's effective, but it still doesn't get at the reason they buy.

There's nothing new about psychographics, but Shyam Thyagaraj of Accenture talks about the need to go well beyond with data mining and advanced analytics.

He points to technology like the Accenture Genome, which launched earlier this year. The result is a "living profile", quite different from a traditional segment-centric approach.

With the abundance of information available today, the Accenture Genome starts by deconstructing an individual's interactions with brands—their purchases, social posts, e-mails opened, events attended, etc. All of that begins to reveal what drives a customer. You end up with a unique set of attributes for each interaction, which are mapped to a customer's profile.

"You can go deeper and understand exactly how the consumer is influenced throughout the shopping journey," says Thyagaraj.

This profile can evolve in real-time. Retailers can use it to achieve hyper-personalization in offering and designing products, services and experiences.

Perhaps the bigger challenge is applying such technology. An Accenture survey found that while most consumers know that retailers are following their movements, just about half express some discomfort with being tracked.

As Accenture reported, getting personalization wrong can make customers feel "creeped out". Personalized shopping, in store or online, should be a cool experience, "with customers receiving intuitive tailored suggestions without intrusion or pressure; those who manage to straddle this fine line will reap the rewards."

Deep analysis of data can help personalize interactions between brands and customers.

Mobile devices provide retailers with enormous opportunity to be with their customers at all times.

4

Retail challenge: Engage customers in the store.

Solution: Tap into the technology they carry with them.

RETAILERS continue to compete not only with their traditional rivals or online competition, but sometimes with themselves, says Dave Rodgerson, Retail Industry Lead for Microsoft Canada. For retailers with both an online channel and a physical store, "You're trying to drive sales from one to another. Inside the store you need to create an environment where the digital and physical experiences blur."

To do that, he says retailers should focus on the technology that most customers have in their own pockets: the smartphones they bring into the store and use while shopping. Yes, that already happens, but new and widely varied applications are exploding.

Rodgerson mentions a demo at Microsoft's retail experience centre in Mississauga, using a tag (from partner Tuko) on an Xbox carton. Tap your phone on the tag, and you can get content like a video about Xbox and customer reviews, and an option to call over a salesperson.

Microsoft and other partners are also working with Philips Lighting on indoor-positioning technology. Philips has touted visible light communication (VLC), which embeds signals in the modulation of lightwaves that LEDs emit. Essentially, ceiling lights can transmit signals to smartphones. Other technology can send signals from chips inside light fixtures. The possibilities include helping shoppers navigate a building, and also pinging them with offers based on their buying history and loyalty programs.

When it comes to in-store exploitation of customers' smartphones, "we're only starting to scratch the surface," Rodgerson says.

Partner IT with departments across the organization for greater success.

5

Retail challenge: Turn deep learning about customers into action.

Solution: Drive partnerships between IT and business roles.

THE customer's path to purchase is individual, says Jennifer Lee, Partner and Retail Consumer Analytics Leader at Deloitte Canada. Retailers have a lot of structured data, around loyalty, POS, traffic, etc. That fits inside the system, Lee says. How do you match that with valuable unstructured data that's external to retailers, gain insight into customers and make that actionable?

That's just one example of a common problem, says Lee. Tech platforms pitch retailers on the holy grail of solutions all the time. The problem isn't a lack of technology; it's what you do with all of it to make it meaningful.

To Lee, the way that retailers structure and deliver analytics projects has to change. Whether we're talking about internal or outside teams, or a combination, Lee says you need to integrate the IT and business experts, like programmers working alongside marketers.

She says if the tech-savvy side is red skills and the business side is blue skills, retailers need a mix to achieve real change. "We call them purple teams. What's the business problem you're trying to solve? Purple teams are the secret sauce."

DISRUPTION AHEAD

In retail or any other sector, organizations need to stay atop of what Gartner calls strategic technology trends. That's technology with substantial disruptive potential, which has a high degree of volatility but is having a wider impact with tipping points over the next five years. Among Gartner's picks for the biggest bangs in 2018:

AI. Systems that learn, adapt and potentially act autonomously to enhance decision-making, reinvent business and remake the customer experience.

Digital twin. A digital representation of a real-world entity or system, used to collect and visualize the data, apply analytics and rules, and respond to business objectives.

Conversational platforms. These take a question or command from the user and execute a function, present content or ask for more input. Gartner calls it "the next paradigm shift in how humans interact with the digital world."

Immersive experiences. Virtual, augmented and mixed reality—from head-mounted displays to smartphone-based AR—are changing how we perceive and interact with the digital world. Some current applications fall under the novelty category, but these technologies promise to engage customers, boost employee productivity and enhance design.

Retail challenge: Avoid falling behind your competitors.
Solution: Think big, start small, scale fast.

TO Sonia Boisvert, Retail and Consumer Leader at PwC, just about every technology solution in retail relates in some way to one or more of convenience, price, speed or variety. Get that combination right, and you'll succeed in the market.

That applies to customer-facing and back office functions alike. Think of areas like dynamic pricing with real-time adjustments. Faster fulfillment. AI for logistics to forecast consumer demand and optimize inventory. Effortless digital interactions. Next-gen signage. Warehouses that more fully automate picking, packing sorting and shipping.

The list is endless. Retailers should be disruptive with technology, says Boisvert, but there are a couple of big challenges.

One is figuring out how technology fits with your strategy, not the other way around. It's tempting to want to play with the new toy. If you just copy what others are doing on the technology front, you'll be behind.

Two, once you know your strategy, "you need to be fast and flexible," says Boisvert.

That's where many retailers fall short, says Jim Carroll, a futurist and trends and innovation expert. Agile development is a philosophy in the IT world, and it has to enter the boardroom too, he says. That's a leadership quality.

He mentions the Gartner Hype Cycle (from the research/advisory firm). When it comes to embracing technology, there are phases: 1) potential breakthrough (innovation trigger); 2) early success stories and sometimes failures (peak of inflated expectations); 3) interest wanes as implementations don't deliver (trough of disillusionment); 4) crystalize how the technology can benefit the enterprise (slope of enlightenment); and 5) mainstream adoption starts to take off (plateau of productivity).

Should you make an early move? Wait? There's a point where you can wait too long, says Carroll. Think of how many retailers were taken by surprise by Amazon's impact, he says, even though it hardly happened overnight. With any technology project, Carroll sees a trend to "think big, start small, scale fast."

You need to be structured for speed, he advises, meaning deploy technology, learn from your experiences, and be prepared to run if you think it will go supernova.

"Don't be caught flatfooted," he says. It happens when organizations are afraid of risk or change. There's no luxury for that thinking. Not when retail faces a flood of technology, from in-store GPS to click-and-collect models to drones. A trend that transcends all innovations in 2018 and beyond: position yourself, says Carroll, to "ingest new tech faster." CR

Fit technology solutions into your business strategy, not the other way around.

CHANNEL LOYALTY

E-commerce presents retailers with a host of challenges, a host of opportunities

BY ROBERT PRICE

THE transformation of e-commerce tells a story about how we live and how we shop.

Back in 1998, three years after the commercialization of the world wide web, North American retailers generated $4.4 billion (U.S.) in the first six months of the year. In 2001, e-commerce grossed $53 billion. By 2003, internet traffic was doubling every 100 days, and the value of e-commerce was doubling annually.

Fast forward to 2016. Worldwide e-commerce sales reached $1.8 trillion, a figure eMarketer predicts will grow by 23 per cent (to $2.290 trillion in sales) *in a single year*. By 2021, e-commerce sales are predicted to reach $4.479 trillion. Even if eMarketer's figure is too large by half, the value of e-commerce will continue to increase as more customers become habituated to buying online, the network of connected devices grows, and new technology players enter the market with new ways for retailers to profit from e-commerce.

The question now is whether or not Canadian retailers are able to tap this vein of riches.

Hungry Consumers

While the Canadian e-commerce ecosystem is large and diverse, with some retailers offering sophisticated e-offerings, Canadian retailers have generally lagged within the sector, compared to other countries. Indeed, since the dawn of the e-commerce age, cautious Canadian retailers have been admonished in the business press for taking a "wait and see" approach to non-traditional retailing.

"WE EXPECT THE CANADIAN E-COMMERCE MARKET TO TAKE OFF FROM AN E-COMMERCE STANDPOINT IN THE NEXT FIVE YEARS AS MORE RETAILERS AND COMPANIES START TO TAKE A CLOSE LOOK AT THE SPACE."

— DAN BODELY
Boston Consulting Group

The reasons for the lag are numerous. Canadian consumers have to pay higher shipping costs than U.S. consumers, and Canadians have fewer homegrown e-commerce options with smaller online assortments than U.S. counterparts. Cross-border shopping is another bedevilling detail. Canadians regularly cross the border to shop, both in physical reality and online.

Wojciech Gryc, CEO of Canopy Labs, says there's another reason for the lag: Canadian retailers manage the transition to e-commerce poorly. Rather than getting an e-commerce platform online fast, Canadians create time-consuming, large-scale projects.

"Generally speaking, the slow retailers have complex plans. They turn e-commerce into a project that's larger than it needs to be," says Gryc.

This go-big-or-go-home attitude isn't helping a wide swath of retail players, particularly with a growing hunger among Canadians for more e-commerce options. Canadian consumers spend as much time online as other citizens of the web, and they research products online as often as consumers in other markets. And while Canadian shoppers spend less online than their U.S. counterparts—$1,500 per year compared to $3,000—Canadians purchase at a higher frequency.

"THAT [E-COMMERCE GROWTH] IS GOING TO PUT PRESSURE ON THE BRICK-AND-MORTAR NETWORKS OF THE EXISTING STORES BECAUSE THERE TENDS TO BE A LOT OF FIXED COST IN THE SYSTEM. AND SO, YOU NEED TO REALLY THINK CAREFULLY ABOUT HOW YOU CAN RESTRUCTURE, RATIONALIZE OR MAKE USE OF YOUR PHYSICAL NETWORK TO BE VIABLE."

— MATT MACKENZIE
Boston Consulting Group

GLOBAL MARKET

E-commerce enables an increasingly global retail marketplace. Research published by Forrester predicts that by 2022, cross-border shopping will make up 20 per cent of e-commerce ($630 billion USD), with 45 per cent of all online shoppers opting to purchase from international retailers. China will account for half of all cross-border purchases, and half of all cross-border transactions will take place between Asia Pacific and North America. Europe and the Middle East will also emerge as promiscuous shoppers forsake local retailers in hopes of getting better service and products from stores located far and wide.

As Dan Bodley, Principal at Boston Consulting Group (BCG), explains, the limitations on Canadian e-commerce isn't with consumers, who are ready and willing to e-shop, it's with retailers.

"The consumer demand is there," he says. The supply isn't—or, at least, it isn't yet. Bodley expects that to change as more Canadian retailers find their game and start playing in the e-commerce space.

"We expect the Canadian e-commerce market to take off in the next five years as more retailers and companies start to take a close look at the space," he says.

Channel Loyalty

BCG's newest research into Canadian e-commerce suggests that retailers have to contend with a new facet of consumer behaviour. The customer's loyalties are changing. And it isn't loyalty to brands that retailers have to worry about. They need to worry about channel loyalty.

Certain customers in certain buying situations—like repeat purchases—are becoming increasingly loyal to a channel. Once the customer's become comfortable shopping online, they don't go back to brick-and-mortar. By not offering products online, retailers lose out on the customer and the channel.

"Retailers are in effect ceding large swaths of business they otherwise used to have," says Matt MacKenzie, Partner and Managing Director of BCG's Toronto office.

Once customers are out of the store and on the web, they become targets for Amazon, the default choice for many online shoppers. With the level of investment players like Walmart, Amazon, and other major e-tailers around the world are making, retailers need to figure out how to attack the channel and provide offerings that

LOOKING BACK ON E-COMMERCE

- **1992** — Books.com, based out of Cleveland, opens the first webstore with credit card processing
- **1994** — Netscape unveils Netscape Navigator, a browser with SSL encryption
- **1995** — Amazon.com and ebay.com launch
- **1995** — Wells Fargo is the first bank to offer interactive online bank account services
- **1998** — PayPay launches, offering a new way to transact over the web
- **1998** — Google arrives
- **2000** — The Internet loses its shine (briefly) when the dot com bubble bursts

TRAVERSING THE SPECTRUM

Wojciech Gryc, CEO of Canopy Labs, a predictive analytics company, says he's seen Canadian retailers struggle to profit from e-commerce. Finding success online isn't impossible for retailers because, at the end of the day, it's retailing. But to find success, retailers need to organize themselves for online selling.

- **Take it one step at a time.** E-commerce operates on a spectrum, from online only to hybrid models to barely there. The most regular problem retailers moving online make is trying to leap from zero e-commerce to one hundred. It's impossible to traverse the spectrum in one go, and in the end, it's not worth it, says Grycs.
- **Focus investments.** Rather than launch a total-scope e-commerce platform, focus on doing one or two things really well in the space where customers congregate. "Rather than being all things, pick one or two where customers come at you and focus on an experience. That's a good start. Especially if you don't have the resources," he says.
- **Get control of the data.** Gryc advises retailers looking to enter the e-commerce space to work on making sense of the data they collect through their business. This data has a story to tell about the customer, and when the retailer knows that story, they can write a better ending. Retailers who don't have control over it will find it hard to move to new platforms that enable retailers to deliver the right experience.
- **Be retail.** However technologically sophisticated e-commerce retailing might be, in the end it is retailing—getting the right product into the right customer's hand at the right time. "It's about the customer journey," says Gryc. "Every decision you make as a retailer should support the customer's journey."

will win in the market.

So, when can it be considered a good time to invest in and embrace the customer's channel loyalty?

"The time is now," says Bodley.

But whatever investments retailers make should be precise. The risk to retailers is that they will view this disruption in brick-and-mortar retailing as a call to offer everything online. E-commerce is one piece of a bigger puzzle, and retailers need to be specific about how they want to participate in the channel, how e-commerce fits into the store's brand, and how the brick-and-mortar store can help leverage success in the e-commerce realm.

This leads to a dozen questions. What type of supply chain does the store need? What products are available in store versus only online? How does the store think about every part of the retail machinery: merchandizing, marketing, and the like, in a world where it's no longer just one way of getting products to customers?

"That set of questions is not simple but it's important for retailers to have a point-of-view," says MacKenzie. Not considering these questions could plunge a retailer into tail-chasing circles—investing in everything and getting a return on nothing.

"They risk investing everything versus being very precise about the type of game they're playing and how every investment they make supports that competitive position," says MacKenzie.

Battling the Amazonians

Amazon, the company that defined e-commerce in the early days of online selling, continues to dominate digital retail, and in a big way. In 2016, Amazon hoovered up $149 billion in sales, a number expected to balloon to $197 billion by the end of 2017—equal to nearly 5 per cent of total retail sales in the U.S.

In recent years, Amazon has turned its sights on Canadian consumers. The company has doubled its product assortment available to Canadians, expanded its free one-day shipping to more Canadian cities, and is selling more $79-per-year Prime memberships (a particular threat, since Prime members spend more than 50 per cent of their online spend on Amazon). The company has invested in its fulfilment strategy, too. Since 2011, the company has opened six fulfilment centres, as well as a data centre in Quebec, for a combined distribution network of 3 million square-feet.

These facts present a problem for retailers. How does a medium-sized retail business in Canada fight an international Goliath with billions of dollars at its disposal?

One answer is to learn from Amazon's successes, says MacKenzie. One of Amazon's key successes has been to establish itself as the default destination for where shoppers start their product research. By seeding itself early into the customer's journey, from curiosity to purchase, Amazon improves the chances that customers will complete the sale with them.

2002 — Yahoo.com tops the list of websites most frequented by Canadians

2004 — Shopify is founded

2007 — Apple releases the iPhone

2012 — Sears Canada launches Canada's first smartphone shopping app

E-COMMERCE AT A GLANCE

7%
percentage of overall retail sales generated through online

$20 billion
annual Canadian e-commerce consumer revenues (as of 2017)

$352 billion
total retail spending in Canada in 2016

35%
percentage of all Canadian retail sales growth expected in next decade

$3000
average amount U.S. consumer spends online in a year

$1500
average amount Canadian consumer spends online in a year

50%
percentage of Canadians under 35 who make at least one online purchase per month

200%
percentage by which product assortment of Amazon.ca increased between 2013 and 2016

$100 million
investment in Canadian e-commerce that Walmart made in 2015

38%
percentage of U.S. Internet users who made an online purchase in 1998

12%
percentage of Canadian Internet users who made an online purchase in 1998

Source: Boston Consulting Group

"What [Amazon] is doing is upping the ante on how early in the process you need to actually capture those consumers," he says. Retailers who don't adapt to research-hungry customers, or invest in making their sites easy-to-navigate, well-organized, curated, and fast on desktop and mobile platforms risk letting Amazon swallow those customers, and those sales. That's what's happening now.

Retailers are battling back against this in a variety of ways. Sport Chek, eager to replicate Amazon's shipping success, now offers same-day delivery in the Greater Toronto Area. And HBC and others have automated fulfilment for online orders as a way to compete. Walmart invested $100 million into Canadian e-commerce in 2015 and started offering online grocery delivery to customers living in and around the Greater Toronto Area.

With significant room for growth in the e-commerce space—online is still only 7 per cent of the retail spend in Canada—retailers should expect a significant amount of incremental demand for online services from their customers. Retailers that are ready and willing to satisfy this demand—and work their way into the customer's mind early in the customer journey—will capture those increasingly channel-loyal customers.

"That is going to put pressure on the brick-and-mortar networks of the existing stores because there tends to be a lot of fixed cost in the system," says MacKenzie. "Retailers need to think carefully about how they can use the best parts of their physical network for competitive advantage and how they restructure or rationalize the rest."

Sharpening the proposition

To respond to the threat and opportunity of e-commerce, retailers will need to learn how to sharpen their online proposition. Bodley advises retailers to figure out how e-commerce fits into the broader offering. "If you think about your store network, and e-commerce is just another channel by which you're reaching the customer, what are the right categories and what are the products that you're going to want to offer offline?"

Retailers don't need to mimic the enormous online offerings available at places like Amazon or Walmart. Instead, retailers should examine what categories they want to develop and determine what the store's network will look like when e-commerce becomes a bigger part of the market.

What retailers may find, Bodley says, is that their e-commerce offering will be "very particular and specific" to a category. If customers want one or two categories, retailers should deliver an experience in those categories better than anybody else.

"WHAT IS THE VALUE PROPOSITION YOU'D LIKE TO OFFER ONLINE FROM A CATEGORY, PRODUCT, PRICING AND ASSORTMENT LENS? WHAT IS THE OPERATING MODEL THAT ECONOMICALLY MAKES SENSE FOR YOUR BUSINESS? TACKLING THOSE TWO QUESTIONS AT THE SAME TIME IS CRUCIAL FOR RETAILERS INVESTING ONLINE."

— DAN BODLEY
Boston Consulting Group

There's also a question about how assortment, fulfillment models, and product offerings will shift as a retailer moves into the online space. The fulfillment needs of a brick-and-mortar store differ from those of online fulfilment. How will retailers balance the needs of both? Which model works best? Many retailers have experimented with shipping from the store and other fulfillment models. No easy formula exists. Every retailer's approach will differ, depending on size, scale, and commitment and investment into e-commerce.

Bodley boils the challenge facing retailers down to two main questions every e-tailer needs to answer. "What is the value proposition that you'd like to offer online from a category, product, pricing and assortment lens?" And, "What is the operating model that economically makes sense for your business?"

"Tackling those two questions at the same time is crucial for retailers investing online," says Bodley.


Statistics
0.49%
01
02
03
05
06
You Tube

CONTENT IS KING

How retail innovators are using online content—and content marketing—to grow their businesses and improve the customer experience

BY JESSE DONALDSON

FIRST, the bad news: for retailers looking to expand their online presence, a few nice photos and some product copy won't cut it anymore. It's no secret that today's retail world is faster and more connected than ever before; in 2016, Canadians spent a combined total of $26.6 billion online, a number that is projected to grow to more than $40 billion by 2018. Merchants, be they small, medium, or large, have been forced to up their e-commerce game in a big way, conducting ongoing two-way communication with consumers who are savvier than ever before. Far from being simple e-commerce platforms, today's websites are expected to be equal parts online store, point-of-sale, advertisement, newsfeed, and customer service centre.

The good news is, opportunities abound.

In fact, through the innovative use of online content, today's forward-thinking retailers have the tools to increase customer engagement and conversion, while simultaneously building brand identity. Known amongst the pros as content marketing, it has the potential to transform what were once simple e-commerce platforms into integrated digital communities of engaged consumers.

"YOU WANT TO BUILD CONTENT THAT'S CREATING A SENSE OF COMMUNITY. CONTENT THAT ENGAGES THAT COMMUNITY—LOCALLY AND GLOBALLY."

— JEREMY BENOIT
Volusion

"Content is king," notes Samantha Rupert, Social Media Team Lead with Volusion. a Texas-based company that helps businesses create and grow their e-commerce sites. "And a lot of times, when people start creating e-commerce websites, they'll just put their products up, and that's it. But having an online store isn't an 'If-you-build-it-they-will-come'-type situation. You need to have SEO-savvy content—title tags, H1 tags, metadescription—and also, proper categories and product descriptions. You need to have that all in place so that search engines can crawl your site, understand it, and push you toward relevant searches."

"You want to build content that's creating a sense of community," adds Jeremy Benoit, Volusion's Senior Product Manager. "Content that engages that community—locally and globally."

Content can be virtually anything, Rupert notes—from product info and ads, to more shareable things like videos, blog posts, digital promotions, or user-submitted photos. And while she stresses that proper content-building takes time and strategy, the payoff is more than worth it.

"SEO is a long-term process," she explains. "It can take three to six months to see anything. Sometimes longer. But having that content there, filling out each page of your site, it's the backbone to help boost your presence online. It will boost your presence on Google or Bing searches. Every bit of content is super important."

Content as community

Matt Frisbie, CEO of Utah-based marketing firm Art & War, also stresses the value of content that builds community.

"The technology we're talking about is very expensive, and it has to have someone to support it," he explains. "But building a community is not expensive. And your community doesn't have to be thousands of people. It can be tens of people. You have to start somewhere."

"IF YOU BRAG ABOUT YOURSELF, PEOPLE REALLY DISENGAGE. BUT IF YOU HAVE AN ABUNDANCE MENTALITY, AND YOU BRING OTHERS TO THE CAUSE, NOW THERE'S A CONVERSATION TO BE HAD. THERE'S ALSO AN ELEMENT OF SOCIAL PROOF THAT COMES IN. IT'S ONE THING TO THINK YOU'RE GREAT, BUT NOW SOMEBODY ELSE THINKS YOU'RE GREAT, TOO."

— MATT FRISBIE
Art & War

Frisbie, Rupert, and Benoit all acknowledge that, for businesses in the early stages, building community through content can be tricky. Luckily, the power of today's analytics allows for customer behaviour to be examined at a granular level, allowing content to become increasingly personalized, and helping retailers determine what will resonate best. When done properly, content has been shown to produce brand recall in a way that things like banner ads don't. In fact, according to a study conducted by marketing consultant Neil Patel, leaders in the world of content marketing enjoy 7.8-times more site traffic than others—even more important in a world where more than 200 million people use ad blockers.

But it's not all about ad spend, or even just about the products themselves. Home Depot's website features how-to guides for home improvement. Patagonia publishes content about the outdoors and conservation. Warby Parker has themed reading guides, as well as interactive tools and surveys. Bonobos has a Chino Fit Quiz. Modcloth has a digital forum where customers can submit photos of themselves wearing the company's products. The possibilities are virtually endless.

"Variety is the spice of life," says Rupert. "And you need that in your online store as well. Pushing your brand with your products is great. But you also need to take into account that people get tired of seeing the same thing over and over again. So, you also need to think about the bigger picture. What else is your audience interested in?"

Video killed the radio star

And while variety is certainly crucial, few types of content are more important than video. According to a Cisco report, by 2019, video content is expected to comprise 80 per cent of all web traffic. Forrester Research has found that the chance of landing a Page One Google search result increases 53-times when video is added, and that embedding videos on a landing page can increase conversion by up to 80 per cent.

"You need video content," Rupert says. "People need context. Any kind of video content, as a supplement to all your text content, is going to be really, really helpful for customers. You need to be making sure that people understand what you're selling in the first place."

A well-placed piece of video content can do more than provide context. Take Blendtec, for example. More than ten years ago, the manufacturer and online retailer expanded their digital offerings to include not just recipes, but a series of Cleo-Award-winning Youtube videos entitled 'Will It Blend?' featuring their signature product blending all manner of things—including food, coffee, and even an iPhone. The videos have now been viewed tens of millions of times, garnered the company more than a million followers, and even led to appearances on Ellen and Oprah.

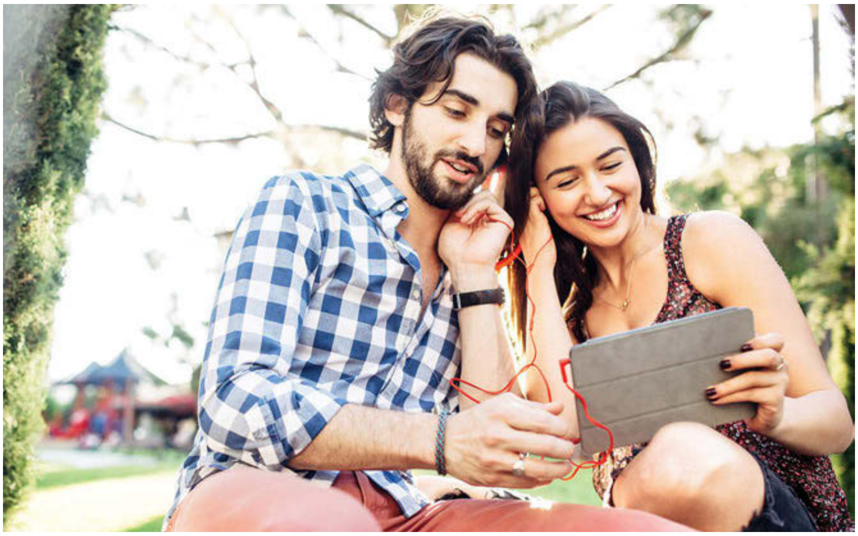
The (social) proof is in the pudding

Today, Blendtec employs an in-house team of 15 marketers, and there are plans to relaunch the company's Youtube show as "Blendtec TV". However, sometimes the most effective content doesn't come from an in-house team at all.

"User-generated content is invaluable," Rupert says, "People usually prefer a review from their peers or from someone who isn't pushing an agenda. So, having that social proof from someone just like them is ultimately what helps increase conversion."

"Social Proof is key," Benoit agrees. "Something that proves your product is viable. Customer Reviews are the most common manifestation of that. Brands can capitalize on submitted photos from customers using their products, and sharing those as options on their product page."

And studies have found that customer content is as inexpensive as it is helpful; a 2015 Econsultancy survey showed that visitors were 105 per cent more likely to buy from a site if there were customer reviews present. A 2016 study by Brightlocal indicated that 84 per cent of consumers give as much weight to an online review as a personal recommendation. And Marketing Land found that reviews on retail webpages specifically



Creating engaging experiences through vibrant content.

lead to a 10 per cent increase in conversion rate—with those numbers increasing as the volume of reviews goes up. However, all of that comes with a caveat: the same Brightlocal study pointed out that a whopping 73 per cent of consumers will disregard reviews more than 3 months old.

"If you brag about yourself, people really disengage," adds Frisbie. "But if you have an abundance mentality, and you bring others to the cause, now there's a conversation to be had. There's also an element of social proof that comes in. It's one thing to think you're great, but now somebody else thinks you're great, too."

Communication breakdown

Retailers looking to make their mark online face a myriad of challenges—everything from budget constraints to inexperienced personnel, to a lack of coherent strategy. Even geography can play a part; the country's roughly 36 million people are spread across millions of square kilometres, which can make tailoring content particularly difficult.

"When merchants want to start branching out—creating a blog strategy, or a social media strategy, those are things that can be very challenging for people," Rupert notes. "Blogging is great, but it takes a lot of time to do all that link-building. Time is a factor, and so is money to invest. When you create good content, you want to get it out there."

And, she points out, content, and social media strategy go hand-in-hand; without a budget for boosting or promoting links, all of that hard work can quickly get lost in the shuffle.

"With so many people publishing content every day, what you do and who you do it with really matters," says Frisbie. "Publishing content just for the sake of it is really dangerous. It needs to be built properly."

However, as all three experts explain, where there is challenge, there are also opportunities, and that the time to invest in the future is now. As the retail world becomes increasingly omnichannel, as mobile evolves, as content marketing expands, and as the tools to explore customer behaviour grow ever more powerful, today's savvy retailers need to take the plunge, so that they can survive—and thrive—in a digital world where content is likely to be king for years to come.

"It's going to become even bigger and even more personalized," Rupert says, of the future. "It's going to be about creating new types of content, using augmented reality—like Snapchat, and Instagram with their filters and story features—and messenger content—getting to the consumer through messenger ads and content. Content where you're fully immersed."

"The online world is moving toward that personalization aspect," Benoit agrees. "Knowing your customers, and having real insight into who they are, and being able to provide them with products that align with their lifestyle, or events they may be attending, will be critically important. Being able to integrate that understanding of the shoppers on your platform, and turning your store into more of a service for them than just a place that sells a product, will really start to differentiate the leaders." CR

GIVE CONSUMERS CONTENT THEY CRAVE

$26.6 Billion
The amount spent online by Canadians in 2016. This number is projected to grow to more than $40 billion by 2018.

7.8x
The amount of site traffic enjoyed by leaders in the world of content marketing as compared to their competitors.
Source: Neil Patel

80%
The estimated percentage of all web traffic that will be generated by video in 2019.
Source: Cisco

53x
The increased chance of landing a Page One Google search result when video is added. Embedding videos on a landing page can increase conversion by up to 80 per cent.
Source: Forrester

105%
The percentage of likelihood that visitors will buy from a site if there are customer reviews present.
Source: Econsultancy

84%
Percentage of consumers who give as much weight to an online review as a personal recommendation. However, 73% will disregard reviews more than 3 months old.
Source: Brightlocal

DELIVERING YOUR BRAND TO THE WORLD

Canada Post helping retailers of all sizes capitalize on the e-commerce opportunity

BY CYNTHIA REYNOLDS

AS President and CEO of Canada Post, Deepak Chopra has spearheaded the company's transformation into the nation's largest parcel company and a vital e-commerce enabler for retailers of all sizes. Here, he reveals the challenges of that journey, shares insights into the company's relationships with retailers and offers a word of advice for the future.

Canadian Retailer: When you first started to pivot Canada Post toward an e-commerce and parcels future, what did you imagine the challenges would be?

Deepak Chopra: We certainly knew there would be challenges. First off, we didn't know if retailers here in Canada would embrace e-commerce in the same way as the rest of the world. So, we asked ourselves what role we could play to innovate the marketplace and to help retailers seize the e-commerce opportunity.

As e-commerce started to take off, we then knew there would be competition for what we do. We knew we would need to be sharper in our execution, particularly with our own customer experience. We have spent a lot of time and effort on that, which we are now benefitting from. It has been instrumental in us becoming Canada's number one parcel company.

CR: You've placed a lot of focus on strengthening relationships with your retail customers. Why has that been important to you?

DC: Canada Post cannot pursue innovation with the assumption that we have all the answers. To me, it was critical to partner with a variety of stakeholders, including small businesses, e-commerce platforms and the very largest retailers so we could understand their challenges.

The small businesses were saying, "Look, we want access to national and global markets. Can you give us products that are affordable and provide tracking so that we can sell across the country and the globe?" Whereas larger retailers were saying, "Our store traffic is down, people are shopping online from global websites—how can you help us so that we can also play and compete in this marketplace?"

For us, it was a matter of our future. And the only way we could reinvent ourselves was by talking to businesses of all sizes to understand their pain-points and the disruption they were facing, and help them win.

CR: Can you elaborate on one of the ways retailers benefit from working with Canada Post?

DC: The process of a store clerk handing the customer a beautiful bag after completing a sale has now moved to the final mile. On winning the online space, retailers typically focus on price, positioning, website experience, mobile, etc. But invariably, 90 per cent of them never think about the moment of truth—when the parcel is delivered. Yet, I think the final mile has the highest opportunity to delight or annoy the customer.

Forty per cent of Canadians are not home during the day to receive their parcel, which can mean they'll find a door knocker that says we missed your delivery. If you have to go out of your way and drive to the other side of town to retrieve that parcel, then the entire mail-moment is destroyed. That magic moment of your parcel arriving ... it's just gone.

This is where Canada Post has amazing strengths. We have the largest retail network, so people don't have to go far to pick up their parcels. We also have access to alternate delivery methods, such as parcel lockers, enabling customer choice. Through our FlexDelivery, people can designate at checkout any of our post offices as their delivery address.

We knew we could offer retailers a competitive advantage because we can preserve the excitement of the mail moment in a way that none of our competitors can. And so, that's where we felt we needed to educate retailers the most, that by working with us they can complete that magical experience.

CR: Let's talk about your other line of business. In the midst of the digital revolution, you doubled down on direct mail. Why?

DC: Because it works. And it works not in spite of the digital age, but because of it. Our data tools help us target it better, and with the rise of digital clutter, an item received in the mail actually stands out. It can drive traffic to both your physical and digital store like no other channel—if you do it right.

We educate a lot of companies on how to do DM in the digital age. How to time it, how to integrate it with other channels, how to target and optimize design. The companies that do these well, can achieve immense returns.

CR: Speaking of competition... let's talk about Amazon. Can Canada's small and medium-sized businesses possibly compete?

DC: Absolutely. We are entering the age of micro-multinationals and micro-brands, where consumers are drawn to products that are personalized. These brands are creating experiences, which extend well before and after the purchase. Smaller brands have so much more flexibility to do this.

But, there is also a wonderful opportunity to leverage Amazon as a platform, or any of the big platforms like Shopify, eBay or Magento. The trick is to use the best of both worlds, to create a great product and a great experience and then use a platform that does great fulfillment. You need to marry the two sides. The companies that can do that will be best positioned to succeed.

"WE KNEW WE COULD OFFER RETAILERS A COMPETITIVE ADVANTAGE BECAUSE WE CAN PRESERVE THE EXCITEMENT OF THE MAIL MOMENT IN A WAY THAT NONE OF OUR COMPETITORS CAN."

CR: Now that we know Canadian retailers are embracing e-commerce, what do you think are the challenges that lie ahead? Do you have any advice?

DC: I think the focus will become how do we as an industry keep pace with the growth of online shopping, while still meeting high customer expectations. That's one. The other is we need to remember that we are just one disruptor away from becoming obsolete. No matter what area of online retail you're in, from delivery to logistics to sales, you have to be aware that the next big disruptor is just around the corner.

For more information concerning the ways Canada Post can help your business, visit **www.canadapost.ca**.

CANADA POST POSTES CANADA

SMALL BUSINESS. BIG IMPACT.

How custom marketing tools have helped Canadian business owners drive more business.

BY ABHIJEET REGE, Vice-President, Merchant Marketing and Business Insights, American Express Canada

YOU'VE heard it before: Canada is a nation of small businesses. Of the 1.17 million businesses in Canada, 97.9 per cent are small businesses. They are the foundation of our economy and critical to driving our country's growth. Perhaps equally important, small businesses are an integral part of local communities across the country. They help shape neighbourhoods and bring communities together.

A champion of small businesses, American Express understands the critical role they play in Canada, which is why we are dedicated to offering support through tailored marketing initiatives designed to enhance their businesses.

To take business growth to the next level and keep pace in an increasingly competitive market, here are a few ways businesses are finding success, and how you can, too:

Target your ideal customer

Most small business owners understand the importance of marketing. However, many are limited when it comes to having the resources to do it. To help maximize marketing efforts, there is one key ingredient that cannot be underestimated—smart targeting.

Over the last two years, we've partnered with small businesses in a number of industries across the country on custom marketing campaigns targeting their ideal customers within our Cardmember base. By targeting consumers based on past spend behavior, digital profiling and more, our partners increased brand awareness, consumer engagement and ultimately drove more in-store traffic and online sales.

Meet Consumers Where They Are

There's no denying it, the demands of Canadian consumers are changing rapidly. Empowered by technology, their service expectations have reached an all-time high, craving convenience and seamless experiences from the brands they frequent. This can mean anything from offering omni-channel shopping experiences, personalized recommendations, tailored rewards, digital payment options and real-time alerts, to name a few.

By taking an omni-channel approach, businesses can reach a wider audience and offer customers more choice when it comes to how they interact with their brands.

Realize the Power of Influencer Marketing

Influencer marketing is a powerful tool, especially when it comes to creating local and authentic content. This can be especially important for small business owners who often rely on word-of-mouth marketing.

Earlier this year, we launched a shop small campaign to encourage Canadians to support local, small businesses. We partnered with local social media influencers and bloggers who specialize in various topics relevant to our business partners, to create content promoting the breadth of small businesses within Toronto neighbourhoods and attract likeminded and local shoppers. The result was engaging and authentic content that could not only be leveraged on our social channels, but that could be used by businesses as promotional content as well.

To learn more about how American Express can help your small business, visit **https://smallbusiness.americanexpress.com/ca/en**

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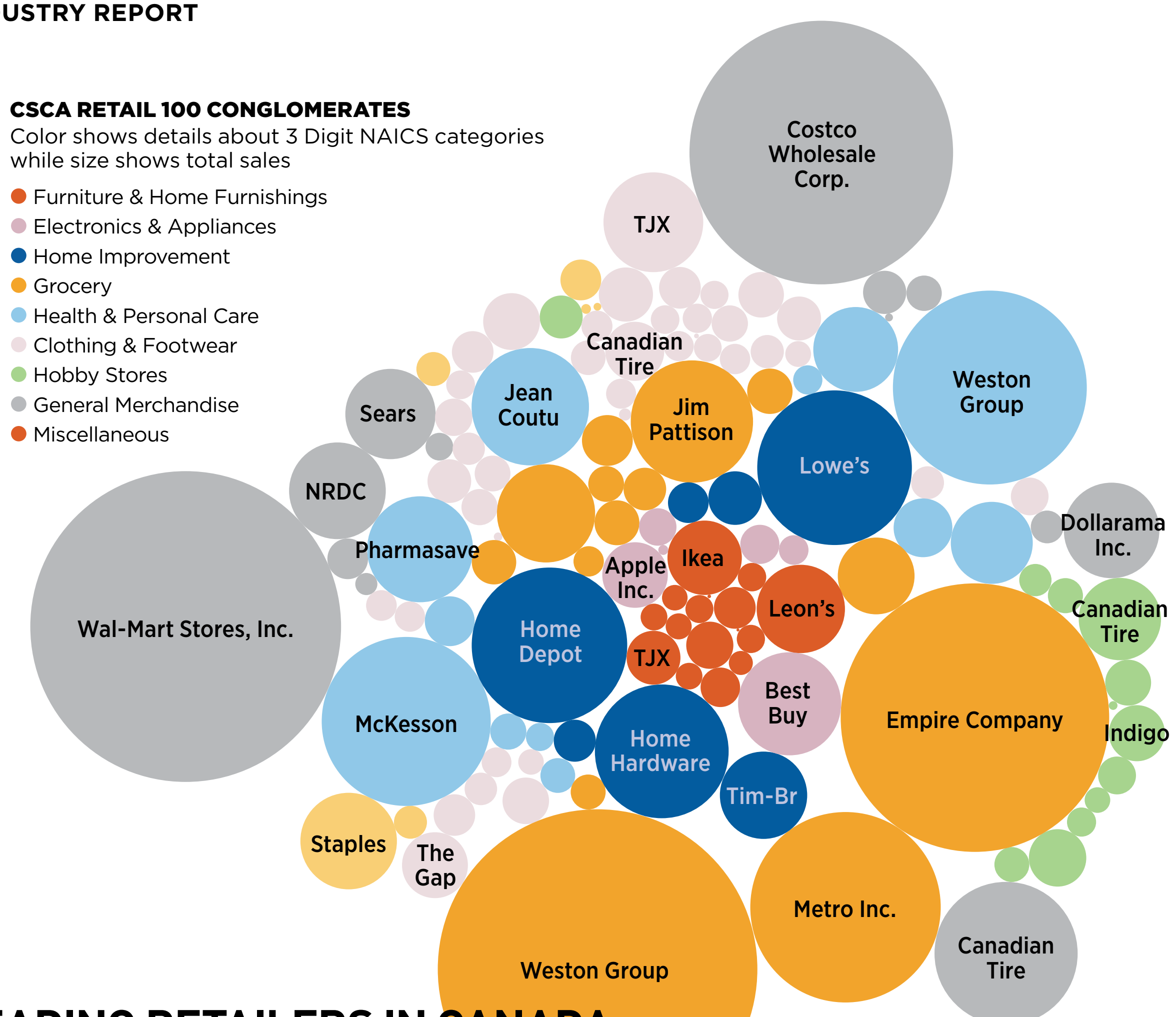

LEADING RETAILERS IN CANADA

A SNAPSHOT FROM THE CSCA RETAIL 100

BY CHRISTOPHER DANIEL and TONY HERNANDEZ

THE *CSCA Retail 100*, created by the Centre for the Study of Commercial Activity (CSCA) at Ryerson University, brings you the top 100 retail conglomerates operating in Canada as ranked by total estimated annual retail sales in fiscal 2016. This top echelon of retailers in Canada are important to understand on their own since many are organizations whose economies of scale enable them to exert a significant influence on Canada's retail economy. The top 100 retail conglomerates account for more than 75 per cent of non-automotive retail sales in Canada. Considering the control they exert, understanding the marketing strategies and positioning that these top 100 retail players adopt provides insight into the ongoing processes that are continuously shaping Canada's retail economy.

CSCA Retail 100 Profiles: Fiscal 2016

The top 100 retail conglomerates in Canada collectively operated 405 retail chains, controlled $265 billion in total retail sales, and accounted for just over 75 per cent of non-automotive retail sales in Canada in Fiscal 2016. The *CSCA Retail 100* clearly illustrates that the top conglomerates account for the large majority of Canada's retail economy. For example, the top three conglomerates (Weston Group, Wal-Mart Stores, Inc., and Empire Company Limited) account for 29 per cent of total non-automotive retail sales in Canada. This illustrates that a significant share of Canada's retail buying power is concentrated in the hands of a small number of very large retail organizations.

In addition to these top three conglomerates, there were 32 organizations with at least $1 billion in

CANADIAN RETAIL TOP 10

Rank	Corporate Ownership (Key Banners)	Capital Control	Est. Retail Sales ($Millions)	Number of Chains	Number of Stores	Est. Sales Growth (%)
1	Weston Group (Shoppers Drug Mart, The Real Canadian Superstore, No Frills)	CAN	45,945	35	2,769	+1.2
2	Wal-Mart Stores, Inc. (Wal-Mart Supercenters, Wal-Mart)	USA	31,369	2	408	+2.7
3	Empire Company Limited (Sobeys, Safeway, IGA)	CAN	23,806	26	1,907	-3.3
4	Costco Wholesale Corp (Costco)	USA	22,571	1	91	+9.4
5	Metro Inc. (Metro, Food Basics, Metro PLUS)	CAN	12,788	13	979	+4.6
6	Canadian Tire Corp. Ltd. (Canadian Tire, Sport Chek, Mark's Work Wearhouse)	CAN	10,007	13	1,294	+5.6
7	McKesson Corporation (IDA Pharmacy, Rexall Pharma Plus, Rexall Drug Store)	USA	9,275	8	1,955	+76.9
8	Lowe's Companies Inc. (Rona, Lowe's, Rona Home & Garden)	USA	7,931	13	893	+308.8
9	The Home Depot, Inc. (The Home Depot)	USA	7,854	1	182	+3.1
10	Home Hardware Stores Ltd. (Home Hardware, Home Building Centre)	CAN	6,000	4	1,065	+3.5

total sales, and this 'Billion Dollar Club' accounted for 66 per cent, or $235 billion, of non-automotive retail sales in Canada for 2016. These top retailers also controlled a network of approximately 20,000 stores and accounted for almost 432 million square feet of retail store space. Overall, the group accounted for 89 per cent of total CSCA Retail 100 sales, 67 per cent of total Canadian non-automotive sales, and 43 per cent of total Canadian retail sales in 2016.

2016 Conglomerate Rank Changes

There were several important changes in the 2016 rankings of the *CSCA Retail 100*. Some of the largest gains and losses in rank were primarily due to structural changes such as mergers and acquisitions, though many were due to actual gains or losses in reported or estimated performance.

Rank Increases

The top rank increases in 2016 were Nordstrom, Inc. (+33), Lowe's Companies Inc. (+18), Mountain Equipment Co-operative (+14), Farm Boy Inc. (+12), Carter's, Inc. (+11). After opening its first three stores in 2015, Nordstrom continued its organic Canadian expansion by increasing its footprint to five stores. Openings at the Toronto Eaton Centre and Yorkdale mall gave Nordstrom a significant presence in two of the largest super regional shopping centres in Canada's largest market, increased its Canadian square-footage to 972 thousand and pushed its estimated Canadian retail sales to $590 million. Lowe's Companies Inc. made major headlines in 2016 as a result of their long-pursued acquisition of Rona Inc. The addition of the 12 Rona home improvement banners catapulted Lowe's into the top 10 retailers in Canada and added close to $5.5 billion in network retail sales, putting Lowe's just barely one spot ahead of Home Depot Inc. by less than $100 million over their long-time competitor in the Canadian market.

Rank Decreases

Notable *CSCA Retail 100* rank decreases in 2016 were International Clothiers Inc. (-11), Gordon Brothers Group (-10), and Genuity Capital Markets (-6). Isaac Benitah's International Clothiers fashion conglomerate had significant store closures in 2016 as a result of numerous bankruptcy filings related to the Les Ailes de la Mode, Designer Depot, Style Exchange, and International Clothiers fashion chains. This follows the 2015 bankruptcy proceedings affecting the B&C Group chains controlled by Fred Benitah that were reported on last year. However, the bankruptcy filings of International Clothiers are not surprising considering the significant competition in Canada's fashion subsector. The top four fashion retailers in Canada control just 21 per cent of sales in that subsector, indicating a very competitive industry with many different players involved and where business failures will be common.

Market Control

Canadian-controlled conglomerates accounted for 56.41 per cent of the *2016 CSCA Retail 100* sales, a significant decrease from 59.58 per cent in 2011, largely accounted for by the Lowe's Companies Inc. acquisition of the formerly Canadian Rona Inc. operations. While other countries, mainly from Europe, did have a presence in Canada's retail market, their market share in 2016 of 2.13 per cent pales in comparison to that of Canadian and American firms. Debate concerning foreign control of Canadian retail sales continues to revolve around the presence of major U.S. retailers in Canada.

For more information concerning the *CSCA Retail Top 100*, or to download a full version of the report, visit **https://csca.ryerson.ca/collections/research-insights**

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RETAILERS: IT'S TIME TO GRAB PAYMENTS BY THE SMARTPHONE—NOT WALLET—TO DELIVER A BETTER CUSTOMER EXPERIENCE

BY DEBBIE GAMBLE, VP Digital Products and Platforms for Interac

WHAT does your customer's wallet look like? I personally can't remember the last time I grabbed mine to pay. And I wouldn't be surprised if the same is true for others who've wholeheartedly adopted going cashless.

This shift towards a cashless society is an agenda that *Interac* has supported. Over the last decade, we've seen sharp declines in the use of cash and cheques, and we're not the only ones who've noticed. A recent Bank of Canada study has predicted that cash, while still used, is dying. In fact, they cite mobile wallets and other digital payments like our *Interac* e-Transfer product, as the factors of this decline, projecting that it will continue, making it easy for consumers and businesses to move their money.

ACCORDING TO A NIELSON SURVEY, BY THE SECOND HALF OF 2016, NEARLY ONE-THIRD (29 PER CENT) OF SMARTPHONE USERS IN CANADA WERE ALREADY USING THEIR PHONE TO MAKE MOBILE PAYMENTS.

A mobile shift

The shift towards mobile mirrors the dramatic decline of cash use. According to a Nielson survey, by the second half of 2016, nearly one-third (29 per cent) of smartphone users in Canada were already using their phone to make mobile payments. For 13 per cent of them, a mobile wallet was their primary method of payment where available, while another 44 per cent used it as their secondary payment method. Significantly, threequarters of mobile payers who did not use a mobile wallet said they would if more merchants accepted mobile transactions.

Canadians continue to adopt new technologies like mobile, so they can pay for whatever they want, however they want and whenever they want. At Interac, we've built on the 'cashless' momentum by introducing mobile payment options that consumers have come to rely on for their everyday transactions—*Interac* Debit on Apple Pay, Android Pay and most recently Samsung Pay—which are accepted wherever *Interac* Flash payments are accepted.

For retailers, rapid innovations in payments doesn't come without challenges, but we're here to help. With point-of-sale terminals across Canada, many of them already capable of accepting contactless payments such as *Interac* Flash, we have created a ubiquitous, secure and cost-effective network. This means that many retailers can already offer the mobile payment experience consumers are coming to expect.

ACCORDING TO THE 2015 DELOITTE REPORT, TECHNOLOGY, MEDIA AND TELECOMMUNICATIONS PREDICTIONS, MOBILE PAYMENTS VIA SMART-PHONES ARE EVEN MORE SECURE WHEN AUTHENTICATION VIA A FINGERPRINT OR EYE SCAN ARE USED

What can mobile do for you?

A mobile-first strategy is at the heart of our innovation pipeline because of consumer demand. But we also believe it offers our retailers the edge they need to stay competitive. We know that mobile wallets will gain traction with the growth of e-commerce. As online and offline commerce continues to blur into a new customer experience, customer expectations are growing when it comes to what their mobile wallets can do for them. We are working with partners to bring new e-commerce solutions to market for both retailers and consumers, including secure and convenient ways to pay for in-app and in-browser transactions directly from their bank account.

As adoption grows, security is crucial to maintaining consumer confidence. According to the 2015 Deloitte report, *Technology, Media and Telecommunications Predictions*, mobile payments via smartphones are even more secure when authentication via a fingerprint or eye scan are used. Since that report was written, new smartphone features, such as the iPhone X's facial recognition technology, are making the use of different types of biometric authentication more accessible to consumers.

Interac's mobile initiative

With the move to mobile, we invested in the Interac Token Service Provider which is our platform for tokenized transactions required for secure e-commerce transactions. Mobile transactions are completed without the need to transfer any personal financial information, reducing the risk of theft and fraud.

With our own TSP, we can innovate and build quickly upon the ubiquity of our network to create more payment options. Our innovation potential is huge. We started with mobile at the POS first, but our journey will continue quickly into 2018 for in-app and in-browser payments and social commerce. The Interac TSP will underpin a whole host of new transaction types as we evolve the technology and open up our API asset to developers. Through this collaboration, we'll be in a position to enable e-commerce payments in a meaningful way.

The digitization of retail is still in the early stages. We're seeing online and offline commerce coming together and creating new customer experiences. We don't know what wallet will win the hearts and minds of Canadians, but we know we need to be ready to help retailers build stronger relationships with their customers by offering the many desired options. Our ubiquity, scalability and security give us a unique position in the market to deliver on customer needs and wants.

But one thing is clear: together, we need to make digital payment options for Canadians so good that they simply couldn't fathom using another nickel again.

For more information concerning the ways Interac can help your business enter the cashless age, visit **www.interac.ca/digitalpayments**.

Ontario has accessibilty laws:
ARE YOU READY TO REPORT?

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