2014 INDUSTRY RESEARCH REPORT

See findings inside ...

"CLICK AND ORDER":

Examining Online Research & Purchasing Trends of Canadian Electrical Customers

ELECTRICAL COUNCIL

ELECTRO·FEDERATION CANADA

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Note: The results in this report should be interpreted as trends and not as absolute statistics.

EXECUTIVE SUMMARY

The purpose of this research report is to provide Electro-Federation Canada's (EFC's) electrical manufacturer and distributor members with current insight on trends and opportunities with online research and purchasing interests among Canadian electrical customers.

Earlier this year, EFC's Electrical Council (EC) conducted an online survey in both English and French to a group of buyers and specifiers of electrical products across Canada. The sample group included a cross-selection of close to 7,000 contacts and was compiled from industry opt-in e-mailing lists. A total of 393 responses were collected from the survey.

Key Findings

1. **It is important that everyone in the electrical industry takes notice of online purchasing!** Results from this survey and the Electrical Council's sales report for 2013, estimate that approximately 11% of the $7,162 billion total industry sales in 2013 were from online purchases—and half of our survey respondents (across all age groups) expect to buy electrical products online in the next five months. Dominating the products most sourced and purchased online include lighting, tools, test and measurement equipment and wire and cable.

   The opportunity to move forward with online sales is in the hands of the seller—not the customer. An additional 34% of customers are unsure if they will buy online. Buying rates could increase significantly if these customers do decide to buy, which they may if their core online needs are addressed:

   - Mobile-friendly, easy-to-use Websites populated with product information
   - Online support
   - Customer-friendly returns/exchanges options

2. **Online purchasing is emerging as a new and complementary sales channel for electrical products.** After researching product details online, Canadian electrical customers are *equally likely* to then purchase the item online than in-store. When research is done in-store, *none* are likely to then purchase online.

3. **There are significant online sales opportunities for all electrical products.** Respondents who bought electrical products online last year purchased a broad

   mix of products. Three dominant categories of product were each purchased at least half the time: Lighting, Test and Measurement Tools, and Wire and Cable. Several customers commented that purchases for projects were not done online.

Conclusions

These key findings demonstrate the need for the Canadian electrical industry to explore pathways to grow online electrical equipment sales. Both distributors and manufacturers need to align, integrate and collaborate to develop an online sales strategy that removes barriers to customer participation. Further to this, they should promote their respective program to ensure customer awareness and support this through integrated human and online sales efforts.

As an industry, we should explore ways to increase industry knowledge of online sales opportunities, and ways to effectively support and promote this market to grow electrical business. In support of this, it would be beneficial to establish an e-Commerce/Online Sales Committee to assist members, and also establish a means to collectively track and report online sales separately from total sales.

With changing demographics, advancements in digital technology and more secure, robust e-Commerce infrastructures, consumers are opting for the comfort and convenience of online shopping. According to Statistics Canada, over half of all Internet users in Canada order goods or services online. In 2012, this trend resulted in $18.9 billion in online sales.[1] This pronounced shift in online consumer spending is simply too significant for businesses to overlook.

From "Brick-and-Mortar" to "Click-and-Order"

The online purchasing experience goes beyond comfort and convenience. Today's purchasers are also more informed and sophisticated than ever before. Where shoppers once relied on brick-and-mortar stores to receive product information, pricing, availability, specification and delivery information, they now have instant access to an array of product details. These details are all accessible with a 'point and click' from their computer—or a 'swipe and tap' on their tablet or smartphone. Moreover, computer and mobile devices further a consumer's 'product intelligence' through reviews and ratings from other savvy consumers.

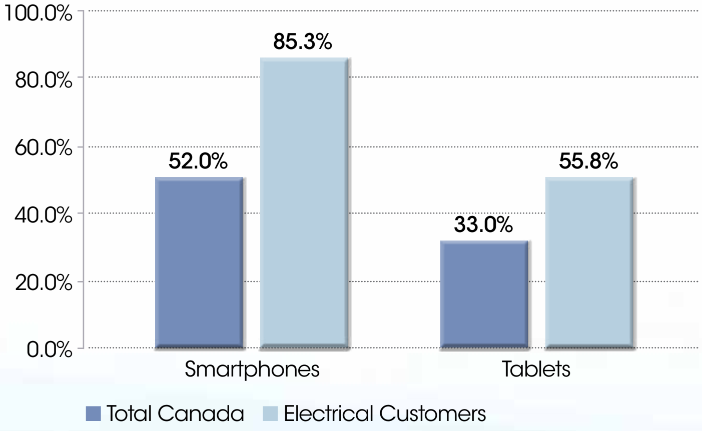
But just how prevalent are smartphones and tablets in the Canadian consumer market?

In a 2013 study conducted by Rogers and Harris/Decima[2], the following key findings were shown:

- 52% of Canadians personally own a smartphone, while 33% own a tablet device; two in ten own both.
- 50% of respondents believe that in the next five years, they will spend more money shopping online than in physical brick-and-mortar stores.

The graph below compares findings from this study with overall technology use by Canadians.

EXHIBIT 1: CURRENT TECHNOLOGIES USED BY TOTAL CANADA VS. ELECTRICAL CUSTOMERS



"90% of my work throughout the day is based online, whether it's pricing, quoting, POs, approval drawings or specs. e-Commerce is the way of the future and has made our business more efficient!" – survey respondent

With these increased points of access to product information and the movement to researching and purchasing online, *now* is the time for businesses to invest in mobile-friendly Websites to make their customer's online experience a positive one. Businesses that understand how consumer's engage in online shopping and design their online sales strategies accordingly, will be best positioned to capitalize on these shifting market dynamics.

While these key indicators demonstrate consumers' online personal spending habits, it's important to understand the trends in *business-related purchasing*—particularly, in the Canadian electrical market.

This research report explores the current state of online purchasing and research interests in the Canadian electrical industry, as defined by electrical customers. Furthermore, this report examines opportunities that the Canadian electrical market can develop by combining *tried and tested* traditional distribution channel models with new, expanding technologies—offering **a hybrid 'click-and-mortar' selling approach.**

BACKGROUND & METHODOLOGY

The purpose of this research report is to provide EFC's electrical manufacturer and distributor members with current insight on trends and opportunities in online research and purchasing interests among Canadian electrical customers.

With support from a research committee, which included industry professionals from member companies (see page two for committee members), EFC conducted an online survey in both English and French with a group of buyers and specifiers of electrical products across Canada. The online survey was launched in March 2014 and a prize incentive for two iPad Air® tablets was offered (and awarded) to draw interest.

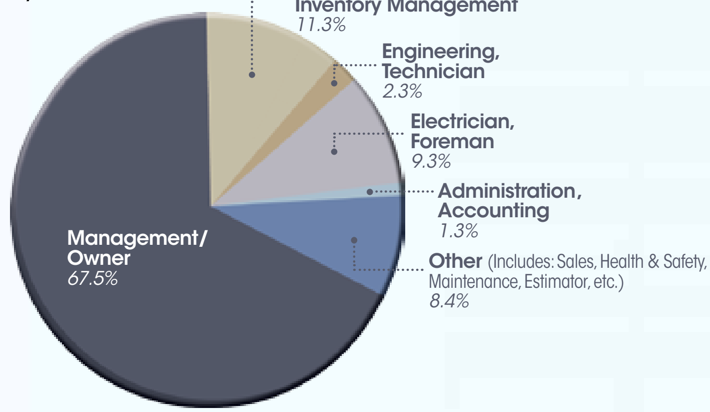
The sample group included a cross-selection of close to 7,000 contacts and was compiled from industry opt-in e-mailing lists. The survey was sent to contacts on behalf of EFC by Kerrwil Publications, Ontario Electrical League, Alberta Electrical League, Electrical Contractors Association of Ontario, and distributor and manufacturers' representative members. A total of 393 responses were collected from the survey. Respondents were qualified based on the following key criteria:

- ▶ That they be buyers and specifiers of electrical products, including those in electrical contracting, utilities, and in Original Equipment Manufacturers (OEMs) markets. This base represents buying decision makers, making them a key target for the e-Commerce market.
- ▶ The customer's business was largely based in Canada.

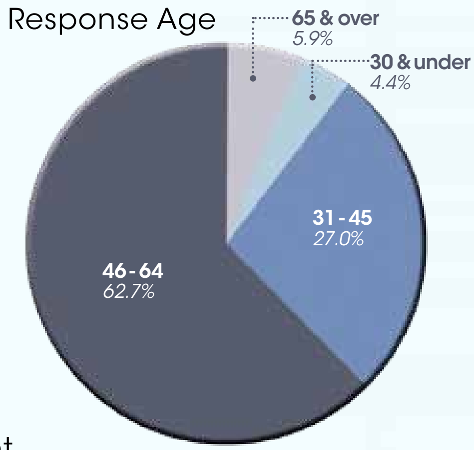
EXHIBIT 2: THE SAMPLE BASE

The sample base allowed for geo-demographic profiling in that it included a diverse mix of respondents representing different regions, age groups, business segments, company sizes and position types.

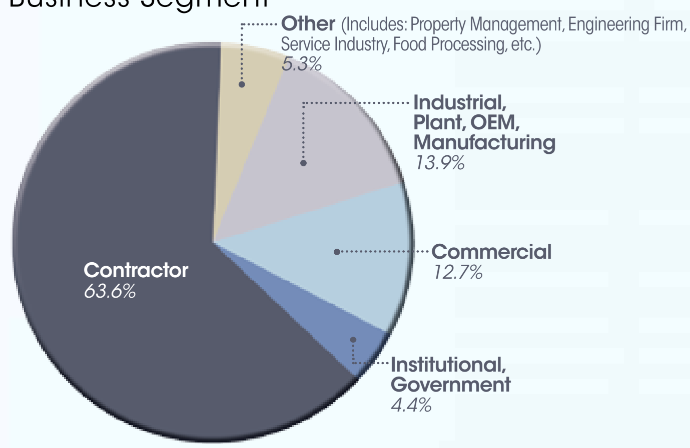
By Position Title



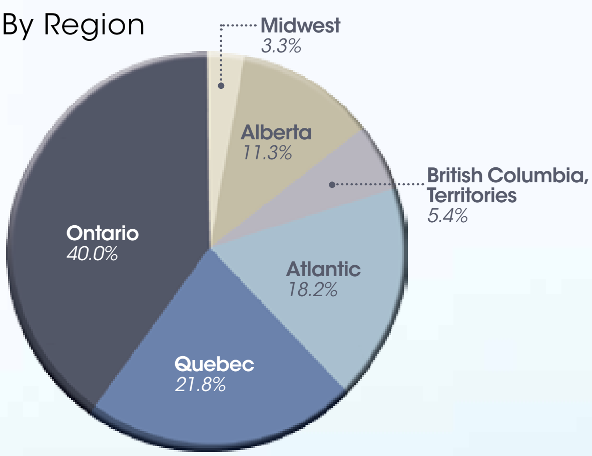
By Response Age



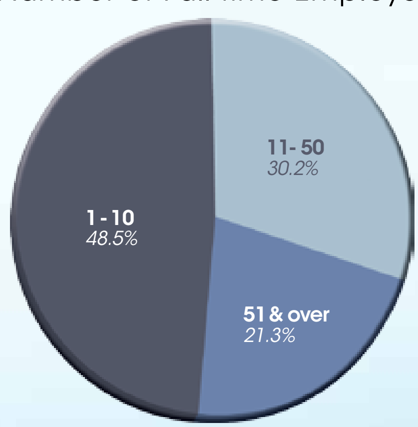
By Business Segment



By Region



By Number of Full-time Employees



Detailed Findings

Results show that electrical customers have a higher level of use of mobile devices than shown for Canadians in general.

Trends: Personal & Business Technology Usage

Studies show that there were an estimated 19 million smartphone subscriptions in Canada in 2013[3]. Our survey results show that electrical customers have a high level of use of mobile devices, with a much higher percentage of these devices than that shown for Canadians in general[4].

While the vast majority of respondents use a computer, there is also a very high use of tablets and smartphones.

On a regional level, tablet usage ranged from 48% in Atlantic Canada at the low end to 70% in B.C. Similarly, smartphone usage in Atlantic Canada was 76%, while 95% of B.C. respondents used a smartphone.

EXHIBIT 3: OUR RESEARCH FINDINGS - USAGE OF CURRENT TECHNOLOGIES (TOTAL CANADA)

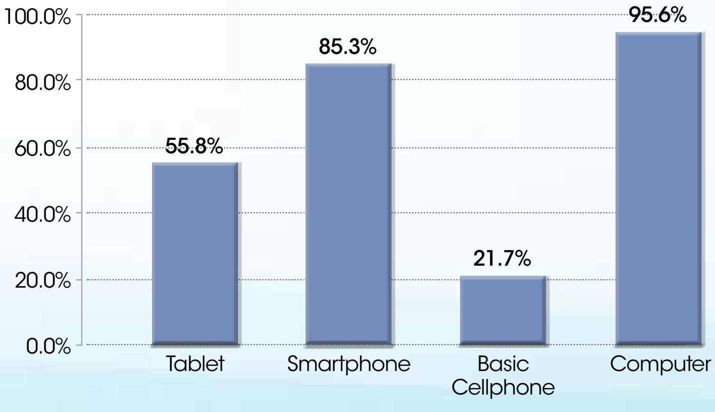
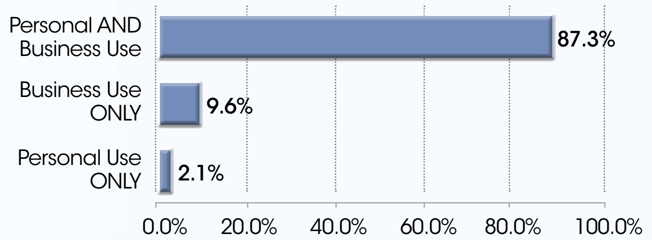


EXHIBIT 4: MAIN USES OF TECHNOLOGIES



Of the respondents that use these technologies, **97%** use their mobile device and/or computer for **business use**, confirming that mobile support is very important for business conductivity among electrical customers.

This majority ownership level of mobile devices indicates how important it is for electrical manufacturers and distributors to support these technologies in our market. Support includes establishing mobile-friendly Websites, Apps, and easy payment processing to make their customer's online experience a positive one. The main concern with inadequate support is that users will be demanding the same level of support and services from their business providers as they experience in their personal use.

Online Research and Purchasing Behaviours (Personal Use)

To fully understand online purchasing habits of the electrical customer, it's important to explore their *personal* purchasing and research habits – and how these habits may extend into their business interests. While there is an uptake in online purchasing for personal items, as evidenced in *Exhibits 5* and *6*, we must consider factors that may impede/promote online purchasing for business, including freight and tax – particularly within specific regions.

For instance, some sites may provide free shipping or a preferred rate for shipping. Secondly, although GST and provincial taxes should be applied by sellers of online purchases in the same way they are to in-store purchases, not all sites may include this—and not all recipients may self-report when required.

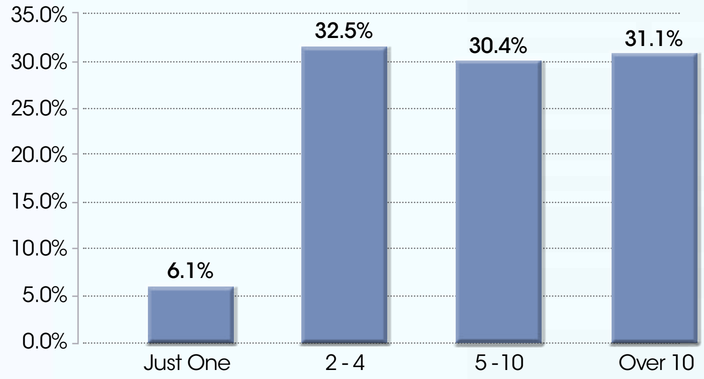
Moving forward, when asked if respondents have purchased a personal item online, the following responses were gathered:

EXHIBIT 5: PURCHASED ONLINE? PURCHASES IN 2013

This response shows that electrical customers are very active and experienced with e-Commerce, perhaps considerably more so than previously believed. In fact, 84% of the electrical customers surveyed have purchased *at least one* personal item online. This is a significantly higher level than the 63% of overall Canadians who engaged in online purchasing in 2013[5].

Further to this, almost two-thirds purchased *five or more* personal items online in 2013. Leading this trend were customers from Quebec: 40% made more than 10 purchases in 2013, versus 28% of respondents from other provinces. This regional variance may simply show Quebecers' heightened familiarity and comfort with e-Commerce sites, as well as the mature e-Commerce platforms that sellers in Quebec may offer.

EXHIBIT 6: NUMBER OF PERSONAL ONLINE PURCHASES IN 2013

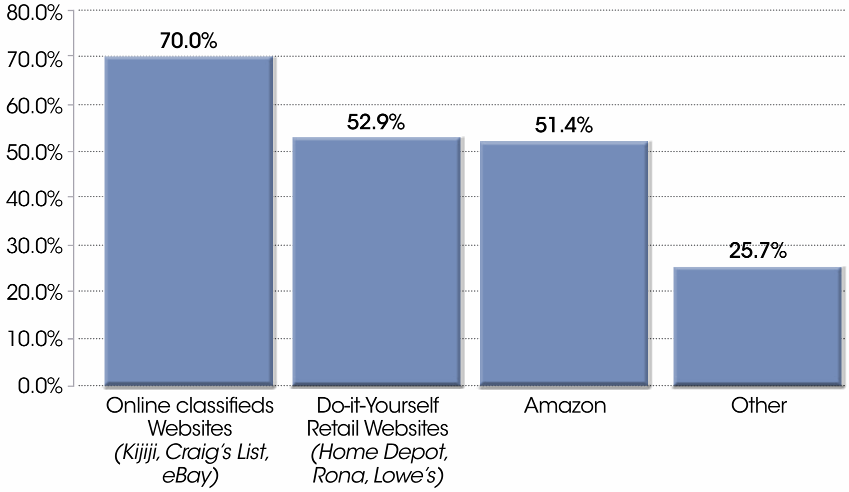


The high rate and frequency of online purchasing conducted by customers for personal items demonstrates customers' experienced online shopping skills, as well as their ability to manage varied online purchasing processes. This is an important finding as it provides substantial opportunity for the electrical market to engage customers in their business' online presence.

These findings also led us to ask customers *where* they generally purchase personal goods from. Our market responses indicate that most customers purchase from all three of the following:

- Online classifieds (Kijiji, Craig's List, eBay)
- Do-it-Yourself Retail Websites (Home Depot, Rona, Lowe's)
- Amazon

EXHIBIT 7: ONLINE SITES PURCHASED FROM:



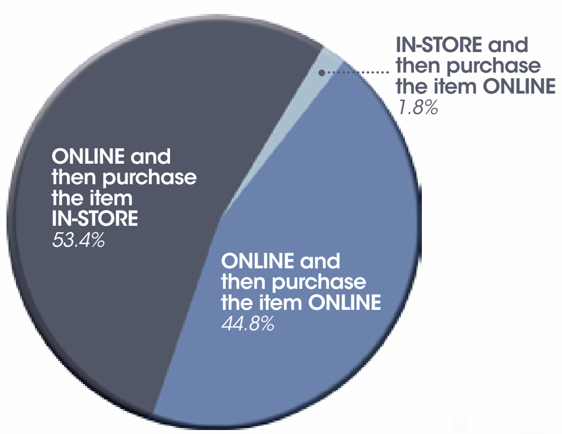
Surprisingly, online classifieds sites topped this list (70%), indicating consumers are apt to purchasing goods that may be re-sale or new items. Do-it-yourself retail Websites scored second place (53%), and Amazon trailed slightly behind (51%) as a third preference.

This level of buying from a diversity of sites confirms that respondents are active and experienced online buyers, and that they have shopping skills as well as the ability to manage different online purchase processes. These customers will come with established expectations should they choose to buy online from the electrical market.

The survey next delved deeper into customers' online research versus purchasing practices.

EXHIBIT 8: RESEARCH VS. BUYING PRACTICES

I research product details:



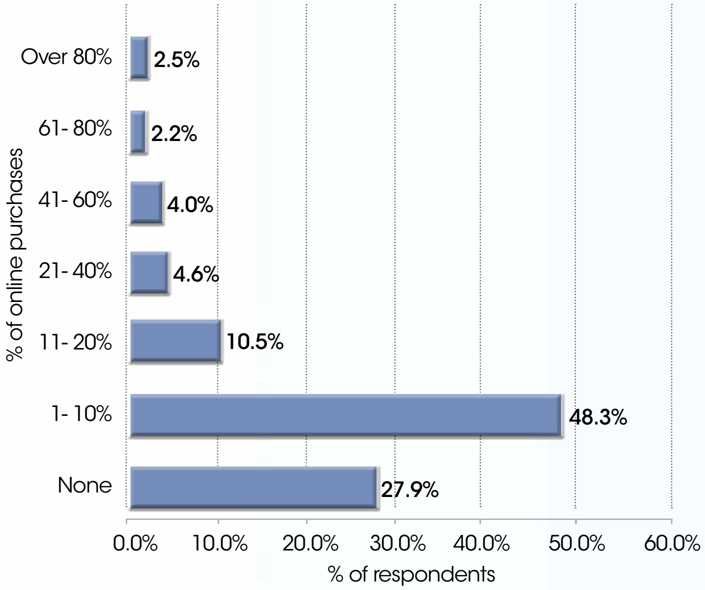
After doing research online, this study found that respondents were almost *equally likely* to purchase an item online as they were to purchase in-store. As an interesting counterpoint, the survey also found that when respondents did conduct their research in-store, almost none (2%) were likely to then purchase the product(s) online.

These customers will come with experience and established expectations when/if they choose to buy online from the electrical market—which leads this report to the next section.

Online Research and Purchasing Behaviours (Business Use)

Gaining an understanding of customers' online purchasing and research habits for personal goods, provides a good picture of their overall attitude towards, and experience with, e-Commerce. This understanding is especially important when examining a customer's potential to purchase products online for business use.

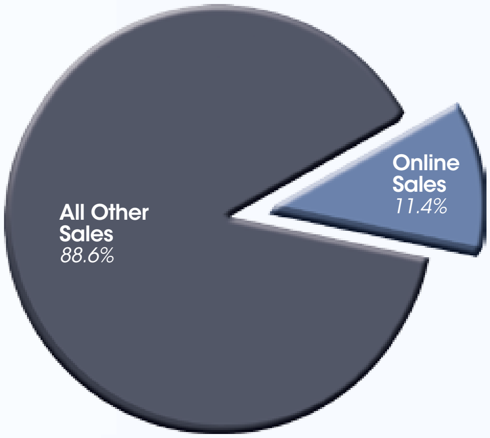
EXHIBIT 9: PERCENTAGE OF ONLINE ELECTRICAL PRODUCT PURCHASES IN 2013



Quebec and B.C. have the highest proportion of customers who buy electrical products online. Quebec customers purchase the largest percentage of their electrical purchases online.

The opportunity for online sales in the Canadian electrical industry is growing—and there is already very significant uptake. We estimate between $545 million and $1,100 million occurred in online sales in our industry in 2013. This estimate is based on data from *Exhibit 9* and the total sales of $7,162 billion, as reported in the Electrical Council's sales report for 2013. From this, we can gather that just over $800 million (or approx. 11%) in annual electrical sales are currently conducted over the Internet[6].

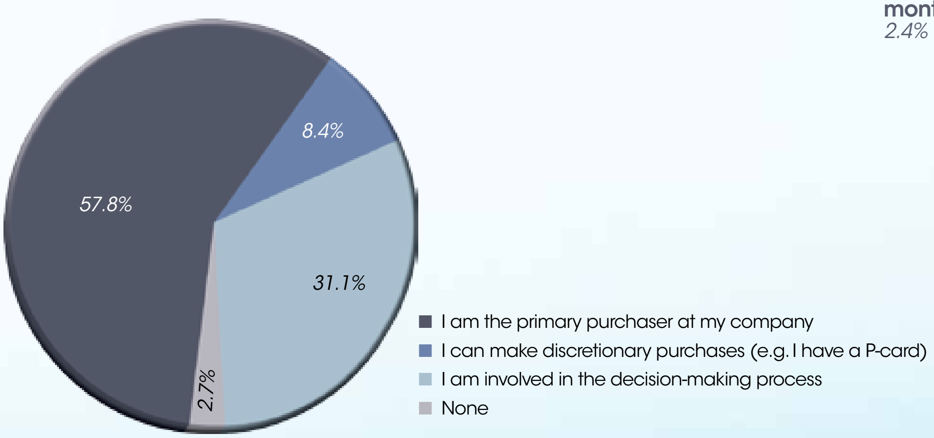
EXHIBIT 10: ESTIMATED SALES CONTRIBUTION OF ONLINE ELECTRICAL SALES



But who are the customers making these purchases, and what online behaviours have they formed? This study now examines customers' buying influence and research and purchasing activity for electrical products in Canada.

Among those customers surveyed, a very high proportion have buying authority and/or influence over buying, with 58% indicating that they are the primary purchaser at their company, another 8% able to make discretionary purchases, and 31% influencing purchases.

EXHIBIT 11: BUYING INFLUENCE



Almost three in four respondents buy electrical products online now—with half of these customers buying more than 10% of their total annual electrical product purchases online!

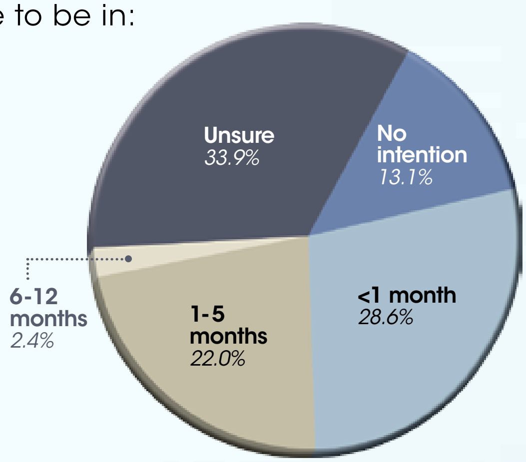
Also, a full half of the customers expect to buy electrical products online in the next five months. Suffice to say, these customers are the primary target for e-Commerce initiatives in the electrical market.

Further to this, in a 2012 survey conducted by the National Association of Electrical Distributors (NAED) and EFC, 71% of the 124 distributors surveyed reported that up to 5% of their company's total sales are entered online in a typical month. Furthermore, 59% said that up to 5% of their customers place orders through their Website each month.

While this trend looks promising, the survey responses in *Exhibit 12* show that 13% of customers still have no intention of purchasing electrical products online, and yet 34% are unsure when and if they will buy online. This position could be very short-lasting. This data demonstrates that there may be significant opportunity in the electrical market to persuade this 'unconverted' market. By comparison, 50% of *overall Canadians* indicate that they expect to spend more money shopping online in the next five years than in physical "brick and mortar" stores[7].

EXHIBIT 12: NEXT ONLINE PURCHASE

I would expect my next online purchase to be in:



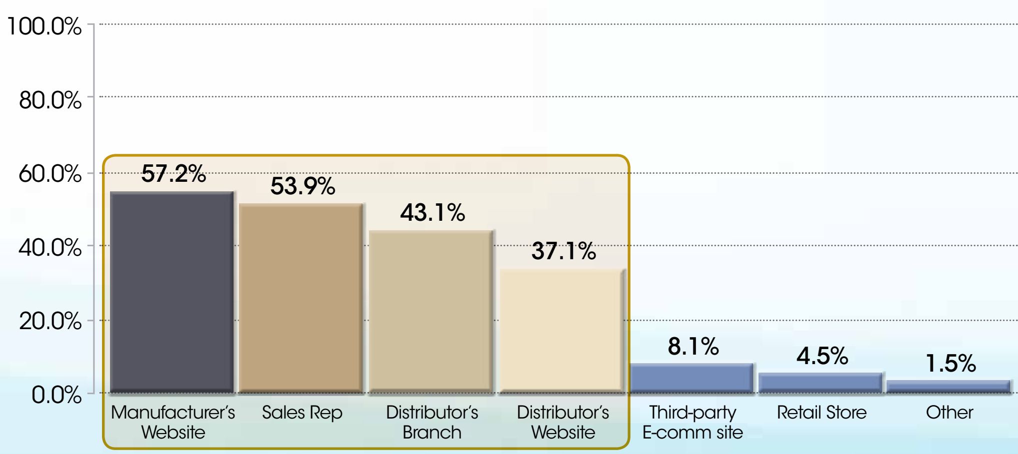
Opportunities and Challenges

in the Canadian Electrical Market

Now that customers' *personal versus business* online shopping habits have been explored, it's critical to take these findings one step further to understand how the Canadian electrical market can find opportunities from customers' expectations and purchasing habits.

For instance, our survey asked what customers' preferred methods are for obtaining product information. A number of options were given, and multiple choices allowed. The results show that *manufacturers' Websites* and *sales representatives* are almost equally valued as the number-one source for product information—with *electrical distributors' branches* being the next preference and *electrical distributors' Websites* rating fourth. Other options ranked considerably lower, indicating little preference for these.

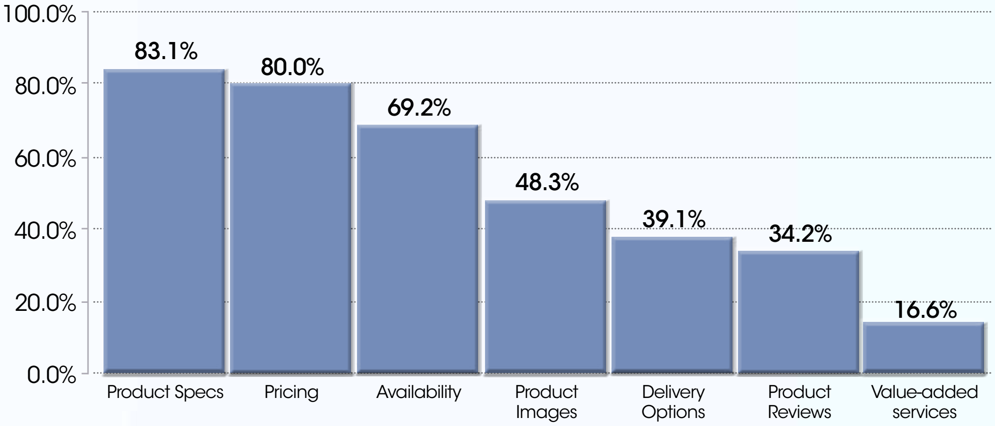
EXHIBIT 13: PREFERRED METHOD FOR OBTAINING INFORMATION



* respondents were given the option to choose one or more selection

EXHIBIT 14: ONLINE RESEARCH NEEDS

When making an electrical product purchase, I research:



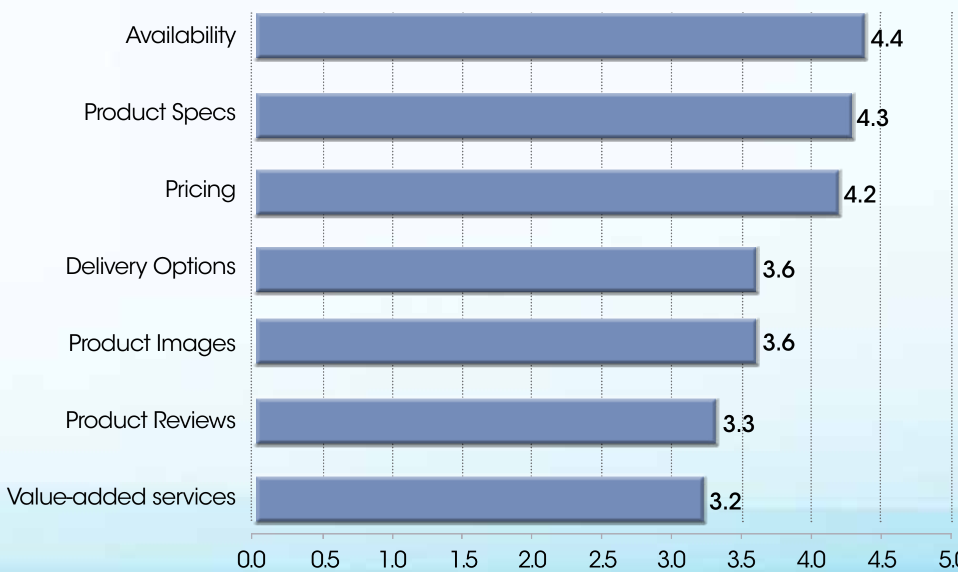
We can determine that customers research a number of aspects of the electrical products they purchase.

The need for product specifications and pricing information head the research activity at least 80% of the time, followed closely by checking product availability 69% of the time. Other factors such as delivery options and product images and reviews, are researched half as often, and there seems comparatively little research into associated value-added services.

Does the activity level for these factors actually reflect the importance of these when making a purchase? The survey results say 'yes', reinforcing that product specifications, availability and price are most important factors. It's useful to note that these same factors were also identified as the three most important in a 2002 report published by Electro-Federation Canada[8].

EXHIBIT 15: IMPORTANCE OF THE FOLLOWING INFORMATION WHEN MAKING A PURCHASE

(Rating out of 5: 1 = Not Important, 5 = Extremely Important)



A Look at Types of Electrical Products Purchased Online

Our survey explored what types of electrical products customers purchased online in the last 12 months. Consistent with the results found in *Exhibit 6*, one-third of respondents said that they had not purchased anything. Those who did buy, had purchased a broad mix of products online in the past year.

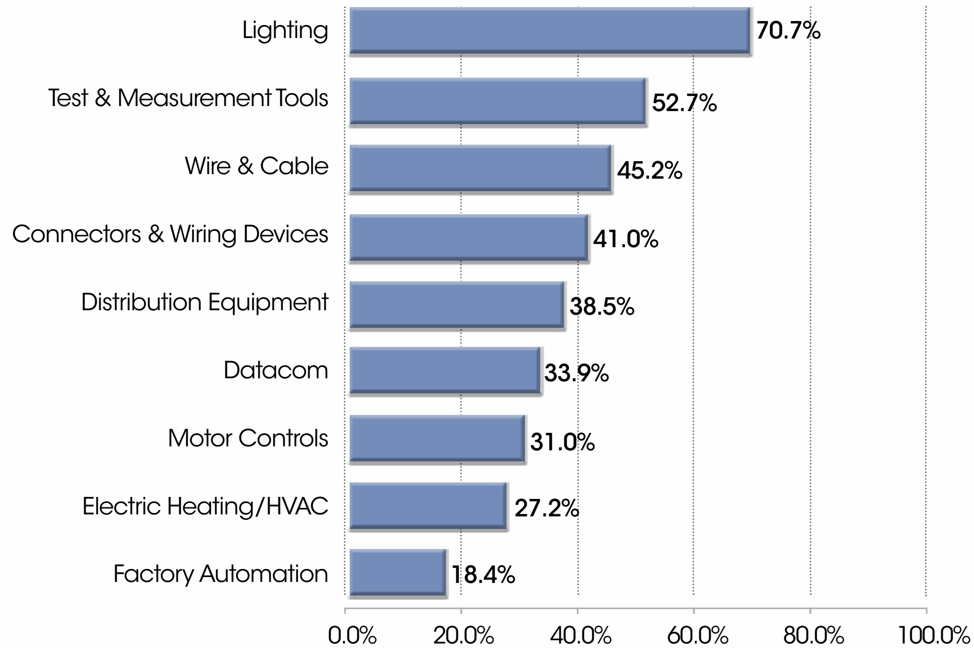
As shown in *Exhibit 16*, Lighting Products (71%) lead the activity, followed by Test & Measurement Tools (53%). Surprisingly, Wire and Cable (45%) is involved in **almost half** of the online purchases! Although we don't know the size of wire involved, this frequency is significant. Purchase of each of the balance of the products surveyed for, occurred at least a third of the time. Factory Automation showed a low activity level of 18%, but this may be due to the respondents being predominantly non-industrial contractors, or that they require more product information or online assistance.

It is interesting to note also, that a number of respondents' strongly commented that they did not make *project purchases* through online purchasing.

"e-Commerce is basically used when local distributors do not have what we need, and we research products online. However, we much prefer to work with our local people."

– Survey respondent

EXHIBIT 16: TYPES OF ELECTRICAL PRODUCTS PURCHASED IN LAST 12 MONTHS



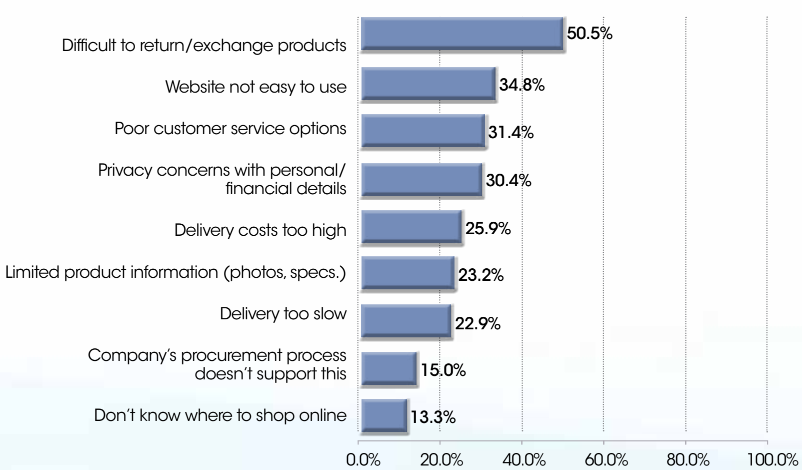
> *"It's great for items that you have a low concern for warranty issues and that have a low risk impact to your business, such as tools. Would we purchase a $1M lighting, distribution package online? Never."*
>
> - Survey respondent

Barriers Preventing Customers from Purchasing Online

In EFC's 2002 report[9], barriers to Internet use were explored: 40% of respondents had identified the biggest barrier to be that their preferred distributor did not have a Website. Fortunately, according to the NAED/EFC report from last year, this issue has been resolved: 97.8% of their respondents have a Website.

Given that one in three customers do not buy online yet, it was important to explore why this might be the case. This survey has tackled the question of what are today's barriers prohibiting a customer from purchasing online—and the findings are both interesting and actionable.

EXHIBIT 17: BARRIERS FOR PURCHASING ONLINE



Many factors were identified as significant concerns and barriers to online purchasing, and there are two elements missing today that distributors can take the opportunity to address:

- ▶ Implement online customer service
- ▶ Develop and implement a new online returns/exchange process.

Interestingly, half of the respondents identified product delivery to be a barrier, either because delivery costs were too high or because deliveries were too slow. The challenge may be that not all *existing* order/inventory systems accommodate the extra sales channel that e-Commerce represents within an organization.

Procedure and costing reviews should identify the root of problems here so that despite system issues, actions can be taken to optimize the e-Commerce sales channel and remove delivery cost and timing as barriers. If these concerns are based on perception and not fact, then the results of such reviews should dispel these.

Also, 30% of customers are concerned about the privacy of their personal and financial details. Existing systems and procedures may already adequately address these concerns for existing B2B (Business-to-Business) customers that add online purchasing to their account activities. However, sellers may need to add *completely new* capabilities to support e-Commerce, such as allowing credit card purchases for any B2C (Business-to-Consumer) customers that come to the Website to buy. Besides the development of new systems and procedures for this, separate business units may need to be established to service a much different customer mix.

> “*Manufacturers’ Websites are as a whole, not user-friendly for contractors to find useful product information. I just want to go to the Website, plug in a product name, model number, product type or description and find information.*”
>
> – Survey respondent

The following two items are said to be barriers for one-in-eight customers:

- Firstly, the customer doesn’t know where to shop online; distributors need to make sure that their options are well-communicated, publicized, and visible online.
- Secondly, sellers need to work with their customers to modify or build customer procurement processes to support e-Commerce.

What are the results of these barriers? Of those customers who do engage in online shopping and experience sub-par e-Commerce sites, many will generally discontinue their online shopping. In fact, 65.2% of online Canadian shoppers are said to abandon their shopping cart[10]. Shoppers are known to discontinue shopping because of the following reasons:

Source:
http://www.distributech.ca/shopping-cart-abandonment-rate-statistics-infographic/

Sources, Importance and Satisfaction of Service Offerings

Beyond the barriers, it’s key to understand the needs of customers with regard to service offerings in the electrical industry. In our survey, customers were asked about a variety of services associated with online purchasing, including:

- Faster/expedited delivery
- 24/7 ordering
- Extended warranty
- Online support
- Employee training
- Project management services
- Product information
- Installation/integration support

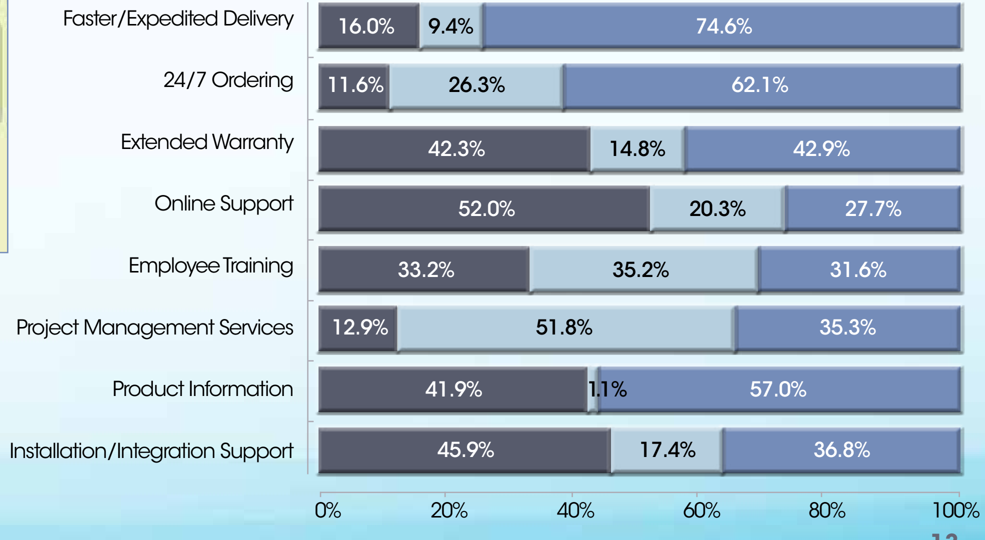
We tackled this question in three ways:

First, we explored *who* customers looked to for these services. Next, we asked respondents to rank the importance of each service to their business. Lastly, we asked them to rate their satisfaction with their current distributor’s e-Commerce capabilities for each service.

Together, the findings provide a useful guide from which manufacturers and distributors can understand customer priorities and develop more effective online action plans.

When customers were asked who (Manufacturer/Distributor/Neither) they rely on to obtain the following services, they indicated their preference as follows:

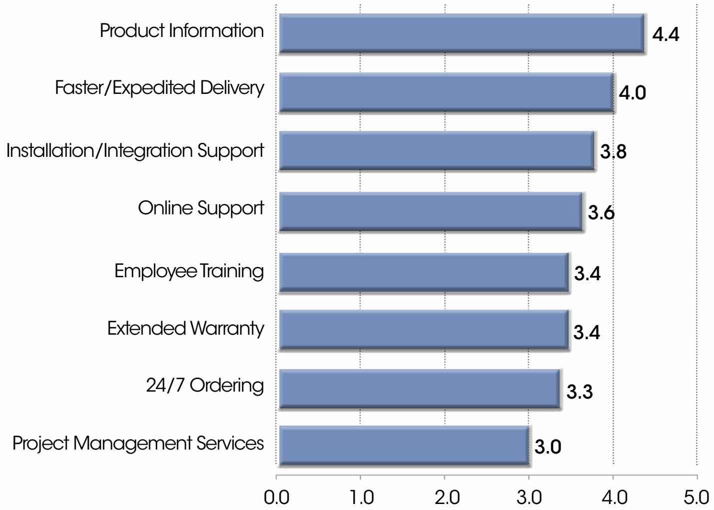
EXHIBIT 18: WHO CUSTOMERS RELY ON FOR THESE SERVICES



It is helpful to understand the customers' preferences for these services, but to be truly useful we must also understand the relative importance of each service to their business. Which services are truly important?

EXHIBIT 19: IMPORTANCE OF SERVICES TO CUSTOMERS

(Rating out of 5: 1 = Not Important, 5 = Extremely Important)



The need for product information is significantly higher than the other services, followed by faster/expedited delivery. These two services should be considered high-ranking opportunities for manufacturers and distributors to explore within their e-Commerce Website platform.

In the *Exhibit 20*, respondents appear moderately satisfied with their distributor's current e-Commerce capabilities for all of the services listed, but only Product Variety scored a 'satisfied' ranking; Value-added Services and Online Support ranked lowest in satisfaction.

EXHIBIT 20: SERVICE SATISFACTION WITH YOUR PREFERRED DISTRIBUTOR'S E-COMMERCE CAPABILITIES

(Rating out of 5: 1 = Not Satisfied, 5 = Extremely Satisfied)

How satisfied are you with your PREFERRED Distributor's e-Commerce capabilities on:	Total Canada	Quebec
Product Variety	3.5	3.9
Product Availability	3.5	3.8
Pricing Details	3.5	3.8
Product Specs	3.4	3.6
Delivery Options	3.4	3.7
Site Design, Navigation, Ease-of-use	3.3	3.7
Online Sales Capabilities	3.3	3.7
Online Customer Support	3.1	3.5
Value-added Services	3.1	3.2

Customers in Quebec are quite a bit more satisfied with their current distributors, giving ratings that are an entire half-point higher (+.5/5). The reasons for this should be explored so that they become lessons learned. Also, considerations—such as the possible beneficial role of CMEQ in Quebec in offering long-standing online support tools—should be examined, as these may be factors in the higher e-Commerce uptake and satisfaction with distributor services in Quebec.

Conclusion

The findings in this report shine light on the current needs and challenges of electrical customers in the Canadian market. A number of overall considerations and recommendations can also be drawn, which follow the key findings below:

Key Findings

- Electrical customers have a high level of use of mobile devices—much higher than Canadians in general. All use their mobile devices and/or computer for business.

- Age does not matter. There is no significant difference in technology use by age group among Canadian electrical customers (i.e. contractors).

- The majority of Canadian electrical customers have purchased online, and almost two-thirds have purchased five or more items. A number of e-Commerce sites have been popular with Canadian electrical customers for personal purchases, creating an experienced consumer with the ability to use different supplier procedures. Quebec customers purchased more than elsewhere.

- After researching product details online, Canadian electrical customers are *equally likely* to then purchase the item online than in-store. When research is done in-store, *none* are likely to then purchase online.

- The opportunity for online purchasing in the electrical industry is growing, and there is already very significant uptake: approximately 11% of the $7,162 billion total industry sales in 2013 are estimated from this survey to have been conducted via online purchases ($545 million to $1.1 billion).
  - Almost three in four survey respondents buy electrical products online now, and half of these buy more than 10% of their annual electrical product purchases online.
  - Half of respondents expect to buy electrical products online in the next five months. An additional 34% are unsure, so buying rates could increase significantly if these customers do decide to buy online.

- More than three quarters of the time, Canadian electrical customers consider product specifications, pricing, and availability to be leading factors in their decision to buy online. They research these factors proportionally to their importance.

- Respondents who bought electrical products online last year purchased a broad mix of products. Three dominant categories of product were each purchased at least half the time: Lighting, Test and Measurement Tools, and Wire and Cable. Several customers commented that purchases for projects were not done online.

- A number of barriers stand in the way of customers buying electrical products online, including:
  - Five in 10 cited 'difficulty returning/exchanging products'
  - Three in 10 cited 'Websites not easy to use', 'poor customer service options', and 'privacy concerns for their financial data'
  - One in four cited 'high delivery costs', 'slow deliveries', and 'limited product information'
  - One in eight cited 'their own company's unsupportive procurement procedures'
  - One in eight cited that 'they didn't know where to go to shop online'

- Customers rely on manufacturers and distributors to different degrees as sources for services associated with online purchasing (and sometimes rely on neither). Respondents were only moderately satisfied with their preferred distributor's current Internet purchasing capabilities for these services, and Quebec respondents were significantly more satisfied than elsewhere.
  - The most important service is 'product information', where the manufacturer and distributor are looked to almost equally.
  - 'Expediting delivery' is the second most important service, and distribution is significantly favoured.
  - 'Installation/integration support' and 'online support services' ranked next in importance, and manufacturers were favoured over distribution.

CONCLUSION

Considerations/Questions

- Explore how to capture and complete the sale when customers are researching products online. Avoid losing the sale to someone else.
- Explore why Quebec appears to be more active and more satisfied with their online purchasing experience and their associated distributor support.
    - How long has online purchasing been available in Quebec versus elsewhere, and how has it matured? What key learnings can we take from this to develop online activity elsewhere?
    - What role does CMEQ or other industry allies play in the uptake of e-Commerce in Quebec?
- Are there implications for more direct online selling by manufacturers? For example, in instances where technologies are developing and new manufacturers try to come into the market without a brick-and-mortar distribution sales channel – e.g. Lighting.
- What are the opportunities for project-related online sales? How are those needs different than for day-to-day business?
- Explore Wire and Cable online purchasing to better understand this activity and the opportunities for the product line. Are online sales limited to circuit wire over larger building wire or specialty cables, or is it mixed? Are there benefits to buying this product online that can be exploited to further grow these sales?

Recommendations

- Both manufacturers and distributors should actively develop an online sales strategy for their business. Communicate and promote your company's capabilities. Just because you build it, doesn't mean they'll come.
- Manufacturers and distributors should better align—or integrate—the human sales efforts and information with online sales efforts and information, including customer service, technical support, pricing, stock availability, delivery and after-sales support (returns/exchanges). Explore current customer preferences as the best place to begin to improve these.
- Both manufacturers and distributors should improve/increase product information online for customers.
- Explore present freight and tax practices from distribution and other industry channels.
    - Do they comply with current legislation?
    - Are freight models used with online purchases offering benefits over in-store purchasing to consumers? If not are there opportunities for this?
- Track and report online sales, i.e. separately from total sales, across the electrical industry:
    - Distributor level
    - Manufacturer level
    - Industry level (EFC Sales Reports)
- Explore and increase education within the electrical industry relating to the similarities and differences with e-Commerce, and promotion needs and opportunities. Consider establishing an EFC e-Commerce Committee to create a platform for this, and to assist members.

ENDNOTES:

[1] Statistics Canada (2012), "Individual Internet Use and e-Commerce" [Online]. http://www.statcan.gc.ca/daily-quotidien/131028/dq131028a-eng.htm

[2] Rogers Communications (2013). "Rogers' Innovation Report: Tech Trends 2013" [Online]. http://www.slideshare.net/Rogers/rogers-innovation-report-tech-trends

[3] Kleiner, Perkins, Caufield, Byers (KPCB) (2013), "Internet Trends D11 Conference" [Online] www.kpcb.com/insights/2013-internet-trends

[4] 85% have a smartphone and 56% have a tablet, whereas 52% of Canadians personally own a smartphone and 33% own a tablet (2 in 10 own both). Source: Rogers Communications (2013). "Rogers' Innovation Report: Tech Trends 2013" [Online]. http://www.slideshare.net/Rogers/rogers-innovation-report-tech-trends

[5] *ibid*

[6] Estimated sales contribution of online electrical sales, based on the findings in Exhibit 9, and using EFC estimate of 2013 Electrical Distributor Sales to be approximately $7.2 billion

$7,162 (Millions)					Online Sales Estimate			
Range	Low-end%	High-end%	Exhibit 9	(Millions)	Low End	High End		
none	0%	0%	27.9%	$1,998	$0	$0		
1-10%	1%	10%	48.3%	$3,459	$35	$346		
11-20%	11%	20%	10.5%	$752	$83	$150		
21-40%	21%	40%	4.6%	$329	$69	$132		
31-60%	41%	60%	4.0%	$286	$117	$172		
61-80%	61%	80%	2.2%	$158	$96	$126		
Over 80%	81%	90%	2.5%	$179	$145	$161	Estimated online sales as follows:	
			100.0%	$7,162	$545	$1,087	$816	Millions of Dollars
					7.6%	15.2%	11.4%	Percentage of total sales

[7] Rogers Communications (2013). "Rogers' Innovation Report: Tech Trends 2013" [Online]. http://www.slideshare.net/Rogers/rogers-innovation-report-tech-trends

[8] "The Electrical Customer Speaks" (Toronto: Electro-Federation Canada, 2002), page 5.

[9] "The Electrical Customer Speaks" (Toronto: Electro-Federation Canada, 2002), page 22.

[10] Distributech (2012). "Shopping Cart Abandonment – Rate Statistics" [Online]. http://www.distributech.ca/shopping-cart-abandonment-rate-statistics-infographic

2014 INDUSTRY RESEARCH REPORT: Survey Questions to End-Customers

Respondents were asked the following questions, which serve as the premise of this study. This survey was made available in both English and French.

PROFILE (Optional)

Full Name: ____________________

Company Name: ____________________

Email: ____________________

Phone: ____________________

Please indicate your age group: ❑ 21 or under ❑ 22-30 ❑ 31-45 ❑ 46-64 ❑ 65 or over

TECHNOLOGY USE

Which of the following technologies do you currently use? (check all that apply)

❑ Tablet
❑ Smartphone
❑ Basic cellphone
❑ Computer
❑ None of the Above

What do you mainly use these technologies for? (check one)

❑ Personal use: to research and/or buy personal products
❑ Business use: to research and/or buy business products
❑ Both
❑ Neither

PERSONAL BUYING HABITS

Have you ever purchased a personal item *online*?

❑ Yes ❑ No

If "No", skip to Company Profile

If yes, approximately how many personal online purchases did you make in 2013?

❑ Just one
❑ 2-4
❑ 5-10
❑ Over 10

Which of the following Website(s) have you purchased personal products from? (check all that apply)

❑ Amazon
❑ Online classified Websites (Kijiji, Craig's List, eBay)
❑ Do-it-Yourself Retail Websites
(if chosen) Please name the DIY retailer(s) you have purchased from: ____________________
❑ Other Retail Websites

When shopping for a product, which of the following practices most applies to you? (check one)

❑ I research product details *online* and then purchase the item *online*
❑ I research product details *online* and then purchase the item *in store*
❑ I research product details *in store* and then purchase the item *online*

COMPANY PROFILE

What best describes the business segment that you work in?

❑ Industrial / Plant / OEM / Manufacturing
❑ Commercial
❑ Institutional/Government
❑ Contractor
❑ Property Management
❑ Engineering Firm
❑ Other *(Please specify):* ____________________

Number of full-time employees (nationally):

❑ 1-10 employees
❑ 11-20 employees
❑ 21-50 employees
❑ 51-100 employees
❑ Over 100 employees

Which region do <u>YOU</u> primarily conduct business in?

❑ Atlantic provinces
❑ Quebec
❑ Ontario
❑ Manitoba
❑ Saskatchewan
❑ Alberta
❑ British Columbia
❑ Northern territories

COMPANY PRODUCT PURCHASING HABITS

What position do you currently hold at your company?

❑ Management/Owner
❑ Purchasing/Procurement/Inventory Management
❑ Engineering/Technician
❑ Electrician/Foreman
❑ Maintenance
❑ Administration/Accounting
❑ Other

What influence do you have over company purchases?

❑ I am the primary purchaser at my company
❑ I can make discretionary purchases (e.g. I have a P-card)
❑ I am involved in the decision-making process
❑ None

What percentage of your electrical purchases does your company transact over the Internet?

❑ None
❑ 1-10%
❑ 11-20%
❑ 21-40%
❑ 41-60%
❑ 61-80%
❑ Over 80%
❑ Not sure

When do you next expect to purchase an electrical product online?

❑ In less than one month
❑ In 1-5 months
❑ In 6-12 months
❑ In 1-2 years
❑ Not sure
❑ No intention of purchasing online

What is your preferred method for obtaining product information? *(check all that apply)*

❑ Sales Representative
❑ Electrical distributor's Branch
❑ Electrical distributor's Website
❑ Electrical manufacturer's Website
❑ Third-party e-Commerce sites (i.e. Amazon, etc.)
❑ Retail store
❑ Other *(Please specify)*: ______________________

When online, what information do you research when considering the purchase of an electrical product? *(check all that apply)*

❑ Pricing
❑ Availability
❑ Product specifications
❑ Value-added services
❑ Delivery options
❑ Product reviews
❑ Product photos/images
❑ Other *(please specify)*: ______________________

How important is the following information in helping you decide whether to buy an electrical product?
(1 = not important; 5 = very important: you can select a rating more than once)

	1	2	3	4	5
Pricing	❑	❑	❑	❑	❑
Availability	❑	❑	❑	❑	❑
Product specifications	❑	❑	❑	❑	❑
Value-added services	❑	❑	❑	❑	❑
Delivery options	❑	❑	❑	❑	❑
Product reviews	❑	❑	❑	❑	❑
Product photos/images	❑	❑	❑	❑	❑

Which of the following types of electrical products have you purchased online in the last 12 months? *(check all that apply)*

❑ Lighting (Fixtures/Emergency/Lamps/Ballasts)
❑ Wire & cable
❑ Distribution equipment (Panelboards, etc.)
❑ Factory automation
❑ Motor controls
❑ Connectors and Wiring Devices
❑ Electric heating/HVAC
❑ Datacom (Voice/Video/Data)
❑ Test & Measurement Tools
❑ Other *(please specify)*: ______________________
❑ None

SERVICES

What are the barriers keeping you from purchasing electrical products online?

- ❑ Don't know where to shop online
- ❑ Delivery costs too high
- ❑ Delivery too slow
- ❑ Website not easy to use
- ❑ Privacy concerns with personal/financial details
- ❑ Difficult to return/exchange products
- ❑ Limited product information (photos, specs.)
- ❑ Poor customer service options
- ❑ My company's internal procurement process doesn't support this
- ❑ Other (*please specify*): ______________________________

Who do you rely on to obtain the following services?
(Check all that apply)

	MFG	DISTR	Neither
Installation/Integration Support	❑	❑	❑
Product Information	❑	❑	❑
Project Management Services	❑	❑	❑
Employee Training	❑	❑	❑
Online Support	❑	❑	❑
Extended Warranty	❑	❑	❑
24/7 Ordering	❑	❑	❑
Faster/Expedited Delivery	❑	❑	❑
Other	❑	❑	❑

(please specify): ______________________________

How important are these services to your business?
(1 = not important; 5 = very important)

	1	2	3	4	5
Installation/Integration Support	❑	❑	❑	❑	❑
Product Information	❑	❑	❑	❑	❑
Project Management Services	❑	❑	❑	❑	❑
Employee Training	❑	❑	❑	❑	❑
Online Support	❑	❑	❑	❑	❑
Extended Warranty	❑	❑	❑	❑	❑
24/7 Ordering	❑	❑	❑	❑	❑
Faster/Expedited Delivery	❑	❑	❑	❑	❑
Other	❑	❑	❑	❑	❑

(please specify): ______________________________

How satisfied are you with your *preferred distributor's* current e-Commerce capabilities for the following options?
(1 = not satisfied; 5 = very satisfied)

	1	2	3	4	5
Online sales capabilities	❑	❑	❑	❑	❑
Pricing details	❑	❑	❑	❑	❑
Product availability	❑	❑	❑	❑	❑
Product variety	❑	❑	❑	❑	❑
Product specifications	❑	❑	❑	❑	❑
Value-added services	❑	❑	❑	❑	❑
Delivery options	❑	❑	❑	❑	❑
Site design, navigation, ease-of-use	❑	❑	❑	❑	❑
Online customer support	❑	❑	❑	❑	❑

Do you have any closing comments about e-Commerce in the electrical industry?

ELECTRICAL COUNCIL

ELECTRO·FEDERATION CANADA

Electro-Federation Canada's Electrical Council (EC) is an industry organization that represents the interests and needs of more than 200 manufacturers, distributors and manufacturers' representatives in Canada. Electrical Council members manufacture, distribute, market and sell a wide range of electrical products, including distribution equipment, industrial controls, lighting, motors and generators, transformers, wire and cable, wiring supplies and electric heating. These categories form the basis of Electrical Council's Product Sections, which offer a strong nucleus for members to discuss issues and opportunities pertaining to their company's product focus.

In addition, the Electrical Council maintains a strong focus on electrical safety, sustainability, advocacy, codes and standards, and also serves as a hub of networking, education, and industry research.

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