Three Retail Industries Withstanding E-commerce Pressure in Canada

By Jon DeCarlo

As consumers opt to buy online rather than at brick-and-mortar locations, retail outlet sales suffer.

Brick-and-mortar specialty food stores will resist the rise of e-commerce because consumers like to inspect the food they buy.

Various retail outlets across Canada have recently experienced the crunch of industry consolidation, and thus, lower profit margins, as consumers continue to shift their shopping habits away from browsing at brick-and-mortar locations to opt for buying items online. Nonetheless, some industries have found ways to withstand the pressure of e-commerce, by providing customers with more value, a unique experience or a broader selection of goods. IBISWorld has identified three retail industries that have responded well to the rise of e-commerce.

44613CA Eye Glasses and Contact Lens Stores in Canada
Retail locations in the Canadian Eye Glasses and Contact Lens Stores industry (IBISWorld report 44613CA) sell products such as eye glasses, contact lenses, sunglasses, safety eyewear and optical accessories, while also providing fitting and lens processing services. Over the five years to 2017, the industry has been positively impacted by various favourable trends, such as the aging of the population. As vision tends to deteriorate with age, the burgeoning elderly population in Canada has in turn boosted the number of optometrist visits, to address age-related eyesight issues, such as cataracts and glaucoma. As a result, individuals have become increasingly conscious of changes to their eyesight prescriptions, thus driving consumer demand for prescription eyewear. Additionally, increasing levels of both per capita disposable income and consumer confidence have stimulated demand for premium-priced designer eyewear.

The Canadian Eye Glasses and Contact Lens Stores industry’s ability to remain insulated from the external competitive pressures of online retailers has also contributed to its growth over the past five years. The prescription dispensing process is highly regulated, as prescription glasses and contact lenses are considered to be medical devices in all provinces except for British Columbia. In most provinces, only optometrists are able to dispense prescription eyewear to consumers. Most brick-and-mortar eye glass and contact lens stores employ in-house optometrists, who conduct eye exams and recommend prescriptions, which ultimately streamlines the process for consumers to obtain industry products. Conversely, online retailers are unable to effectively navigate such regulatory hurdles, which has in turn, well positions industry operators to satisfy the country’s growing eyewear demand, thus bolstering revenue. Over the five years to 2017, industry revenue is anticipated to rise at an annualized rate of 4.3% to total $2.2 billion.
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**44529CA Specialty Food Stores in Canada**
The Canadian Specialty Food Stores industry (IBISWorld report 44529CA) retails specialized food products, including baked goods, confectionery, nuts, dairy products, coffee, tea and soft drinks. Most of these products are labelled as organic, gourmet or otherwise all-natural, which helps operators differentiate their products from standard foods sold at mainstream retail outlets. Over the five years to 2017, the industry has benefited from favourable economic conditions, including increases in per capita disposable income and consumer spending. Additionally, increasing health consciousness and evolving consumer palates have boosted demand for specialty foods, with sales of organic, local and gourmet product lines driving industry growth.

Though online retailers leverage low overhead costs to reduce selling prices and offer customers a one-stop shopping experience, they have failed to make significant inroads into the consumer market for specialty foods. This failure is primarily due to the fact that brick-and-mortar retailers are better able to provide a desirable shopping experience to consumers. By purchasing specialty foods at brick-and-mortar stores, consumers have the ability to adequately inspect products, gain product insight from knowledgeable staff and taste product samples. Given the value-added aspects of shopping for specialty foods at brick-and-mortar stores, the Specialty Food Stores industry in Canada has successfully evaded competitive pressures from online retailers. Over the five years to 2017, industry revenue is anticipated to rise at an annualized rate of 4.6% to total $2.8 billion.

In June 2017, Amazon.com Inc. announced its plan to acquire Whole Foods Market Inc., though the acquisition is still pending regulatory approval. If approved, the merger could potentially have severe implications for the Canadian Specialty Food Stores industry. By integrating a major grocery chain into its online food business, Amazon could potentially boost the segment’s consumer base. With more consumers opting to buy organic, local and gourmet food product substitutes online, demand for brick-and-mortar specialty foods stores could decline in the future.

**45299CA Dollar and Variety Stores in Canada**
The Dollar and Variety Stores industry in Canada (IBISWorld report 45299CA) retails general merchandise, often at discounted prices, including apparel, cleaning and party supplies, dry goods, hardware, groceries and home furnishings. Following impressive revenue gains during the recessionary period, the industry has sustained growth over the past five years by aggressively expanding its consumer base to include more affluent, higher-income segments.

To improve the overall shopping experience, industry operators have increasingly invested in aesthetics and customer service and have additionally...
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Contact:
Media Relations
media@ibisworld.com
IBISWorld
Sales & Subscriptions
Phone: 1-917-267-0351
www.ibisworld.com

developed a procurement strategy to place national brands alongside private labels on their shelves. These initiatives have enabled the industry to continually increase its consumer base, which has helped to expand revenue over the past five years.

One of the core advantages of shopping online, rather than at a brick-and-mortar location, is greater convenience. By virtue of its operating structure, the Dollar and Variety Stores industry in Canada has successfully avoided competitive pressures from online retailers by providing adequate convenience for consumers. Generally, dollar stores operate on a relatively small scale, within highly urbanized communities and small towns. A confined store format enables operators to squeeze multiple stores into crowded urban areas, making it easier for consumers to frequent these locations for their general merchandise needs. Over the five years to 2017, the industry revenue is expected to increase at an annualized rate of 4.3% to total $5.1 billion.

![Annualized revenue growth rate, 2012-2017](chart.png)
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