



Canada Market Guide

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Ingram Micro in Canada

Our locations in Canada are designed to give complete Canadian coverage. By utilizing a two distribution center model in Richmond, CAN and Mississauga, CAN, companies can reach 73.6% of Canadians within 2 days via ground shipping.”

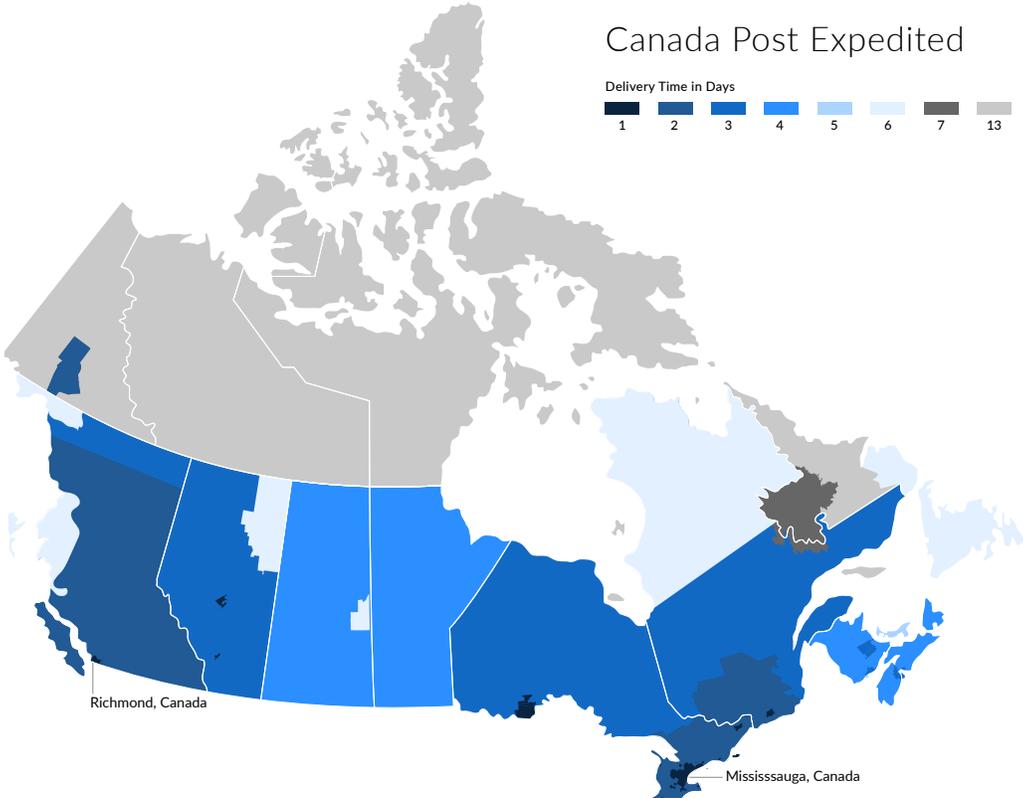
Mississauga, Canada

Our locations in Canada are designed to give complete Canadian coverage quickly. By utilizing a two distribution center model in Richmond, CAN and Mississauga, CAN, you can reach 87% of Canadians within 3 Days via Canada Post Expedited Parcel.

- 46,544 m² (501,000 ft²)
- 40 ft ceiling height
- 50 dock doors
- Small parcel sortation

Richmond, Canada

- 18,023 m² (194,000 ft²)
- 36 dock doors
- 10,500 full case/pallet rack storage locations
- 28,500 repack pick module locations
- 1,858m² (20,000 ft²) of 2-level repack module processing space
- Leveraging both facilities can give 73.6% of Canadian consumers 2-day ground shipping.



Overview

The geography and climate of Canada often present unique challenges when it comes to building and growing industries, particularly ecommerce. Though 82% of Canadians live in large or medium-sized cities¹, those in more rural areas still purchase goods online and want the same service capabilities as people in metropolitan areas. While the Canadian ecommerce market lags behind those of other developed nations, strong water ports, expansive railway systems, top-quality highways infrastructure and investments to attract new distribution centers are helping Canada catch up with more mature ecommerce markets.

Of G7 countries, Canada is the fastest-growing. The country's ecommerce market — which generated more than 1.8 billion CAD in sales in 2017 — is now the eighth largest in the world. The Canadian ecommerce market is expected to reach 29 billion Canadian in revenue by 2021, up from 18.3 billion in 2016, a CAGR of 7.9 percent. Finally, user penetration rates for ecommerce are expected to hit 65.8% in 2022, up from 53.6% in 2018, suggesting the industry is doing a better job of reaching not only urbanites, but others in more geographically isolated areas of the country.²



Canada Fulfillment Models

Cross-border into Canada

The implementation of the North American Free Trade Agreement (NAFTA) in 1994 has led to a 400% growth in cross-border trade. The agreement makes it easier to fulfill cross-border orders between the U.S. and Canada, an important asset for fulfilling shipments to the more than 83% of Canadians who purchased goods from an international retailer in 2017. Typically, a retailer will fulfill from a northern region of the U.S. then take the product into Canada from there.

Intra-Canada Fulfillment

Despite the efficiency NAFTA supports, Intra-Canada fulfillment is usually an easier task than cross-border fulfillment. When it comes to meeting consumer demand around the shopping experience, Intra-Canada fulfillment offers the best service-level options, cost-effective processes and ease of delivery. Using Intra-Canada fulfillment options helps satisfy customers' desire for a consistent experience across all channels, fast delivery with low shipping costs and easy returns.

However, not all Intra-Canada fulfillment options are the same. Retailers must consider a number of factors when organizing their strategies. For example, deciding where to store inventory will mostly be determined by where a customer base currently resides. To read more about the various advantages and disadvantages of cross-border and region fulfillment, access the Fulfillment Guide. To help determine where to organize fulfillment center locations, see the map below.

Primary locations to consider for Canadian fulfillment include:

- Toronto
- Montreal
- Vancouver
- Calgary
- Mississauga
- Edmonton



Quick Facts

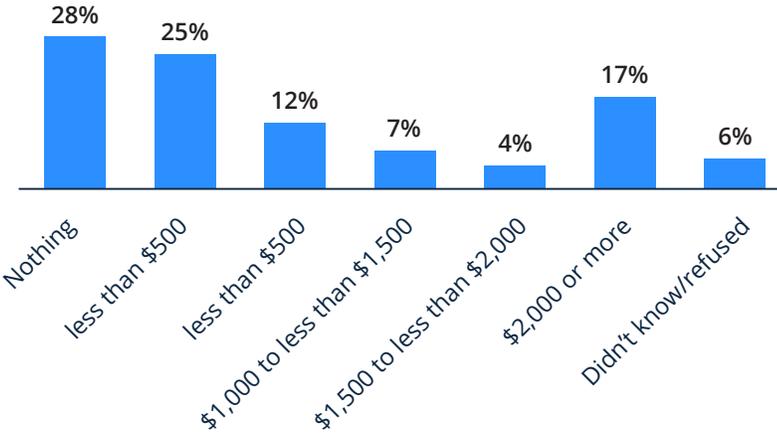
- 67% of ecommerce purchases Canadians made in 2016 were cross-border.³
- One-third of total online spending by Canadian consumers was done through U.S. websites.⁴
- Because the ecommerce infrastructure in Canada is so closely intertwined with that of the United States, supporting cross-border ecommerce operations has become more prevalent.⁵
- By 2020, ecommerce will account for 10% of total retail sales in Canada.⁶
- Some Canadian companies are implementing strategies like click-and-collect to mitigate “last mile” costs (which account for 85% of all distribution costs).⁷
- Top retailers most frequently used for online shopping among customers in Canada as of March 2018 include: Amazon (63%), Walmart (17%) and Target (4%).



Customer Trends

- 72% of Americans open to cross-border shopping would consider buying from Canada.⁸
- eMarketer estimates there will be 19.2 million digital buyers in Canada in 2018, a number that captures more than half of the country's population. Increasingly, digital buyers engage with retailers through multiple channels and on a variety of devices.⁹
- Canadian shoppers are now purchasing domestically more than ever, thanks in part to improved product offerings from Canadian retailers.¹⁰
- 11% of Canadians make online purchases at least once per week.¹¹
- 80% of Canadians shopped online in the past year¹²
- 54% of Canadians said they read negative reviews online in detail
- The leading sources trusted by Canadians in 2018 are search engines, traditional and online-only media and social media (in that order).

Average annual amount spent on online purchases according to digital shoppers in Canada as of February 2018



Source: CPA Canada; NielsenID 468627

Transportation in Canada

Small Parcel Carriers

Canada Post

- Largest parcel carrier in Canada (delivers two out of every three ecommerce shipments in Canada)
- 6500+ retail locations
- 7000+ delivery truck fleet
- 650+ hubs

Purolator

- Second largest parcel carrier in Canada
- 1500+ retail locations
- 4500+ delivery truck fleet
- 123+ hubs

UPS

- 900+ retail locations
- 2795+ delivery truck fleet
- 54+ hubs

Fedex

- 1300+ retail locations
- 1600+ delivery truck fleet
- 56+ hubs

Main Less-than-Truckload (LTL)/ Truckload (TL) carriers in Canada

There are several LTL and TL carriers operating in Canada. Today's Trucking provides an annual report of the top companies.

- Transforce Inc
- Mullen Group
- Canadian National Transportation
- TransX
- Day & Ross
- Trimac Transportation
- Bison Transport

Legal & Compliance

When determining your fulfillment strategy, it is important to assess the different types of businesses needed in order to operate in Canada. Considerations include: taxation, employment, visa and contractual and operational perspectives. Below is information from [Resources for Canadian Business Owners](#) and the [Canadian Border Services Agency](#).

Branch (Extra Provincial or Foreign Corporation)

Registered provincially in each province where the foreign business proposes to operate

Registered Canadian address and Canadian resident required

Annual branch taxes are generally about 25% of profit earned by branch

Subsidiary Incorporation

Preferred choice of most non-resident investors because it allows division of liability between the Canadian operation and the foreign operation. A subsidiary is simply a Canadian corporation whose controlling shareholder is another corporation.

Register your business in Canada

In order to import and ship merchandise into Canada, customs requires the owner of record to have a Canadian Business Number. If you do not yet have a Business Number (BN), you can register for one by completing [Form RC1](#). Requests for a BN can be mailed or faxed to the [Canada Revenue Agency](#). For questions, call 1-800-959-5525.

Ways to obtain a BN from the Canada Revenue Agency (CRA) for an import-export account:

- Call 1-800-959-5525
- In certain limited instances, you can complete your [business registration online](#). This is typically not possible if you are a foreign business trying to enter into Canada. However, if you meet the criteria, the process is fast.
- Read more about registration methods [here](#).

Duties and Taxes

After learning about goods available for Canada import, research tariff classification, applicable tariff treatment, rates of duty and tax payable when importing goods. You must determine the 10-digit tariff classification number for each item you are importing. These numbers are used to determine the rate of duty payable when importing and to provide statistical data to the Canadian government. Tariff classification numbers can be determined in one of the following ways:

- Consult the most recent [Customs Tariff](#) (this follows the outline of the WTO, which 160 countries follow). For more information on the methodology for classifying goods in the Customs Tariff, see Memorandum D10-13-1, [Classification of Goods](#) or refer to the Harmonized System (HS) Compliance fact sheet. Once you have a tariff classification number, you must determine the rate of duty, which is also found in the Customs Tariff.
- Contact the [Border Information Service](#) at 1-800-461-9999.
- Visit a [CBSA Office](#).
- Request an advance ruling for tariff classification from your regional CBSA office.

Most Favored Nation (MFN) Tariffs

- Goods originating from all countries (except North Korea and Libya) are entitled to use the rate of duty specified under this column.
- The column on Applicable Preferential Tariffs lists reduced rates based on trade agreements, such as the North American Free Trade Agreement (NAFTA), United States Tariff (UST), Mexico Tariff (MT), Mexico-United States Tariff (MUST), Chile Tariff (CT), Canada-Israel Agreement Tariff (CIAT), Canada-Costa Rica Tariff (CRT) and those based on special tariff provisions.
- The requirements of a particular trade agreement or tariff treatment must be satisfied in order to receive the benefit of a preferential duty rate. This means you need to have the appropriate origin form to match the special preferential tariff for which you are applying. A complete list of countries eligible for the above tariff treatments can be found in the [Customs Tariff guide](#). Regulations on origin are in Memorandum series [D11](#)(D11-4 and D11-5).
- Check to see if your goods are subject to excise tax (air conditioners, vehicles, etc.) or excise duties (tobacco, alcohol, etc.). For more information, contact the [CRA](#). Complete references on excise tax and excise duty rates are available from Justice Canada in the [Excise Tax Act](#) and the [Excise Act, 2001](#).

Goods and Services Tax (GST)

- GST (5%) is payable on most goods at the time of importation under Part IX, Division III of the [Excise Tax Act](#). Some imports, such as prescription drugs, medical and assistive devices, basic groceries, and agriculture and fishing goods are non-taxable. They are listed under [Schedule VI](#) and [Schedule VII](#) of the Excise Tax Act. The tax exemption codes to use on [Form B3, Canada Customs Coding Form](#) (PDF, 151 KB) are listed in Memorandum [D17-1-10, Coding of Customs Accounting Documents](#), Appendix H, List 4 (GST Status Codes), and List 7 (Excise Tax Exemption Codes).
- For information on GST/HST, visit the [Canada Revenue Agency](#) or contact the [CRA GST/HST Rulings Centre](#) nearest you. Calculate duties and taxes: Take the value in the currency indicated on the invoice.
- Convert the value into Canadian dollars using the exchange rate from the date of direct shipment. To obtain the proper exchange rate, call [BIS](#) at 1-800-461-9999.

Paying Taxes in Canada

Every business must be individually reviewed to determine tax liability based on what it is selling in Canada and the business nexus with Canada. Canada has tax conventions and agreements (tax treaties) with many countries. Tax treaties are designed to avoid double taxation for people who would otherwise pay tax on the same income in two countries. Check with Canada's [Department of Finance](#) to see if your home country has a [tax treaty with Canada](#). If so, you can often file a simple form with the CRA so as not to be subject to double taxation. For help, refer to the [Canada International Tax Services Office](#).

Confirm your goods can be imported

Prior to importing your products, identify any regulations on the goods you plan to import. You must have an accurate description of the goods you plan to import before proceeding. Determine which country the goods are coming from and where they are manufactured, and make sure the goods are not prohibited from coming into Canada by checking [Memoranda series D9](#). The Canada Border Agency has provided this list of [restricted items](#). You should also confirm that your products are not excluded by our [Acceptable Use Policy](#).

Sources

- 1 <http://www.cbc.ca/news/politics/cities-population-census-2016-1.3972062>
- 2 <https://www.statista.com/outlook/243/108/ecommerce/canada#>
- 3 <https://www.export.gov/article?id=Canada-eCommerce>
- 4 <https://www.export.gov/article?id=Canada-eCommerce>
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 For more information visit: www.ingrammicrocommerce.com/canada-ecommerce-fulfillment