



Study

July 2019

Expand Online

*Strategies to Boost Sales,
Profits and Exports*

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Introduction

The majority of customers start their buying journey on the Internet

The Internet has removed barriers to trade that were previously expensive to overcome. The use of Internet technologies such as search engines, e-commerce platforms and online marketing make it easier, faster and cheaper to generate leads or sell outside your local market.

Having a strong online presence brings benefits to all types of businesses and is not just for those selling directly to consumers. A recent BDC survey showed that consumers and business clients now make most of their purchasing decisions online. While not everyone buys online, the majority of customers start their buying journey on the Internet. They will research what you sell, compare prices and get recommendations on your products or services. As a result, both B2B and B2C companies have an interest in being online.

What's more, e-commerce has boomed worldwide and is expected to double between 2018 and 2021, reaching US\$4.9 trillion (C\$6.6 trillion). This translates into huge opportunities for Canadian companies doing business online.

However, too many Canadian businesses are invisible online. The most recent data from Statistics Canada showed that close to half of all Canadian small and mid-sized businesses still didn't have a website in 2017, or had limited e-commerce features.

This is worrisome because Canadian businesses without a strong online presence could risk being shut out of global growth, leaving money up for grabs by online competitors.

This study focuses on a BDC survey of **1,485 business owners with activities outside their local markets**. The goal was to better understand how small and mid-sized businesses can leverage the Internet to expand into new markets. This study provides tangible advice on how to grow their businesses online and expand into new markets.

Our study found that a strong online presence drives growth for all businesses. Businesses that **based their market expansion strategy on a strong online presence** were more likely to enjoy higher revenues and profit growth. They were also more likely to export and plan a market expansion over the next two years. A strong online presence should be at the heart of any business's market expansion strategy, especially those that wish to export.

Are you ready to seize this opportunity?

Highlights

Having a strong online presence drives growth

The findings in this study are based on a BDC survey of **1,485 businesses with national or international activities**. The survey asked the business owners a series of questions to assess how they use the Internet and related technologies to grow their businesses and expand into new markets.

- Worldwide retail e-commerce sales are expected to double between 2018 and 2021 to reach US\$4.9 trillion (C\$6.6 trillion). Despite this, almost half of all Canadian small and mid-sized businesses remain invisible on the Internet because they still don't have a website, leaving money on the table for their online competitors.
- To better understand how small businesses can grow online, this study focuses on those with a national or international presence and also have online activities. Almost all businesses surveyed promote their businesses online (84%), two thirds explore how to enter potential new markets (67%), and fewer than half (43%) sell, receive and take orders online.
- Having a strong online presence drives growth. The main benefits of growing your business online are higher revenues, direct communication with customers, and easier access to national or global markets.
- The biggest challenges are cybersecurity, complexity of technology and hiring qualified employees to manage a business's online presence.
- More than half of respondents (55%) have **built their market expansion strategy** based on their online strategy. They tend to have outperformed those that did not do so. They are:
 - 1.7 times more likely to have enjoyed higher sales growth
 - 1.5 times more likely to have enjoyed higher profit growth
 - 2.8 times more likely to serve international markets
- Businesses that expand online have spent \$37,458 on average on their website and \$29,210 on their online marketing in the last three years. The amount spent on their online activities increases with the size of the business.

Businesses of all sizes can boost their online presence

An online strategy that works

The first step in expanding into new markets through the Internet is to get your online strategy right. Then, you can build your market expansion strategy on top of it.

If you are having trouble getting started with your online strategy, or if you are already online but aren't attracting visitors and converting leads, you need to revise your strategy. This study provides online strategies that can help you grow your business and expand into new markets. Here is an overview.

Smaller businesses

Less than \$2 million in annual sales

- If you haven't done so, develop an online strategy and tie it to your overall business strategy.
- Invest in your online strategy. Smaller businesses invested \$19,700 on average on their website and \$14,300 on their online marketing strategy over the last three years.
- Take advantage of financing for small businesses to help you develop or improve your website or online marketing.

Mid-sized businesses

Between \$2 million and \$10 million in annual sales

- Hire at least one dedicated employee to manage your online presence and adapt your website to local markets you are targeting.
- Think about how you can integrate more technologies. For example, link your business's CRM or ERP to your website. Use data analytics to better target customers and predict behaviour.
- As you use more technology, make sure to comply with local laws and regulations, including privacy laws that govern the Internet, and what you can and cannot do with customer data.
- Invest more in your online strategy. Mid-sized businesses invested \$37,700 on average on their website and \$38,400 on their online marketing strategy over the last three years.

Larger businesses

More than \$10 million in annual sales

- Work to improve your digital maturity¹ and develop a culture of continuous improvement. The Internet is always evolving; the more you generate leads or sales online, the more you need to be aware of new trends and developments.
- Dedicate a percentage of your budget for recurring investments in your online activities. Larger businesses invested \$142,200 on average on their website and \$92,500 on their online marketing strategy over the last three years.

All businesses

- Focus on keywords (SEO) and paid ads (SEM) to drive traffic to your website, social media or online store.
- Measure your business's online performance and tweak your online strategy to improve conversion.
- Offer customers a highly personalized experience and custom products that fit with their local culture.

¹ You can measure your digital maturity using BDC's free, online [digital maturity assessment](#) tool. You can also consult our study on how to make the digital shift in your business—Pierre-Olivier Bédard-Maltais, *Digitize Now: How to Make the Digital Shift in Your Business*, (Montreal: BDC: October 2018).

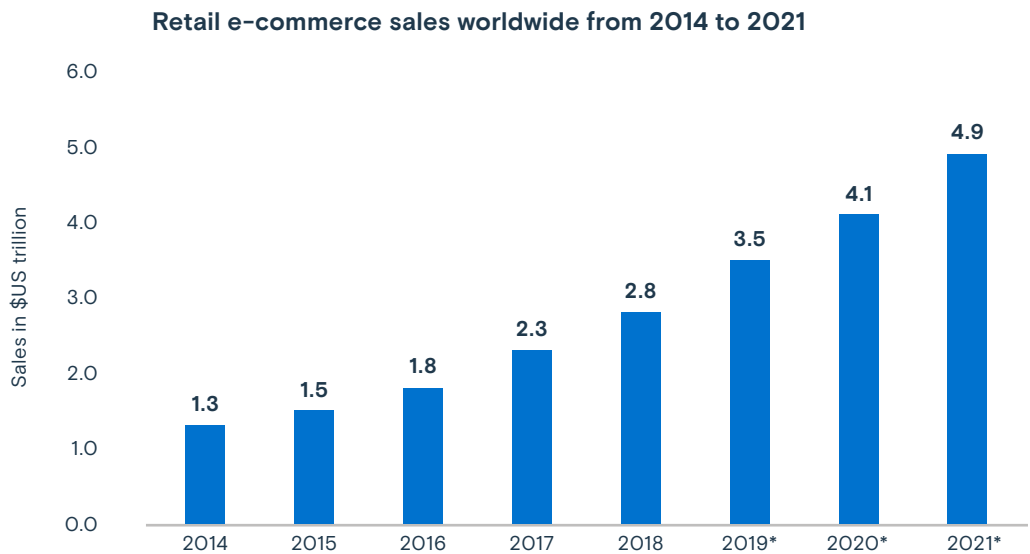
1

The rise of e-commerce

The rapid adoption of Internet and e-commerce technologies in Canada and around the world is completely changing the way consumers and businesses search for products, get recommendations, interact with companies and make payments.

Worldwide retail e-commerce sales totalled US\$2.8 trillion in 2018 and are expected to grow to US\$4.9 trillion (C\$6.6 trillion) by 2021 (figure 1). E-shopping is one of the most popular online activities around the world. It's most popular in China, the United Kingdom and South Korea, where the share of online sales as a percentage of total retail sales for 2017 was 23%, 19% and 16% respectively. Online retail market share totalled 9% in the United States and 7% in Canada.

Figure 1 – Booming e-commerce sales worldwide (US \$)



*forecast

Source: [Statista.com](https://www.statista.com)

61%

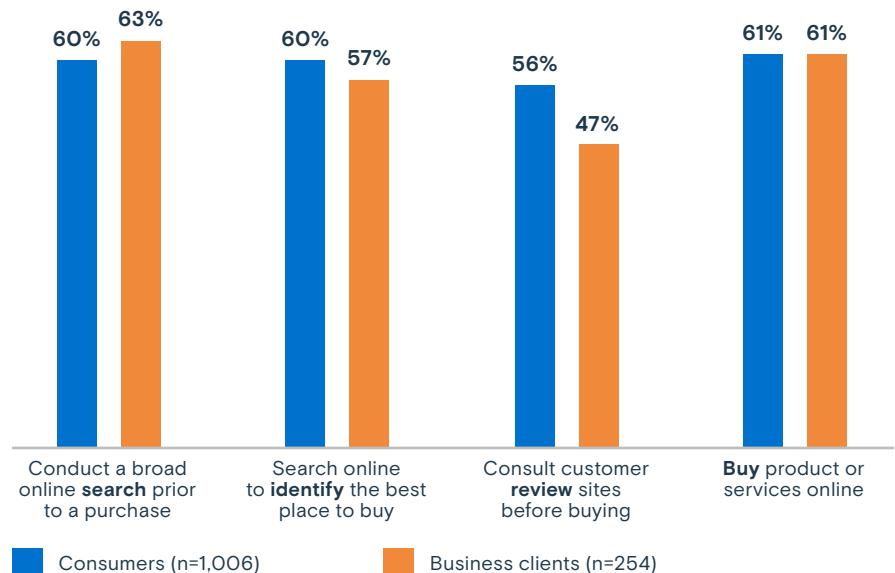
of Canadians bought online in 2019

Our own research shows that the share of Canadians buying online went from 43% in 2013 to 61% in 2019. Our research also shows that business clients, i.e., people responsible for procurement in the organization where they work, have similar behaviour to consumers. In other words, a majority of business clients search, identify, consult and buy online (figure 2). This suggests that companies that sell to other businesses also have a vested interest in getting online to promote their businesses to potential clients.

Figure 2 – A majority of consumers and business clients search for products and buy online

What are your product and service **purchasing habits** on the Internet for yourself?

What are your product and services **procurement habits** on the Internet for your business?



Source: BDC, Survey on the purchasing habits on the Internet, 2019.

Close to half of all Canadian businesses still did not have a website in 2017

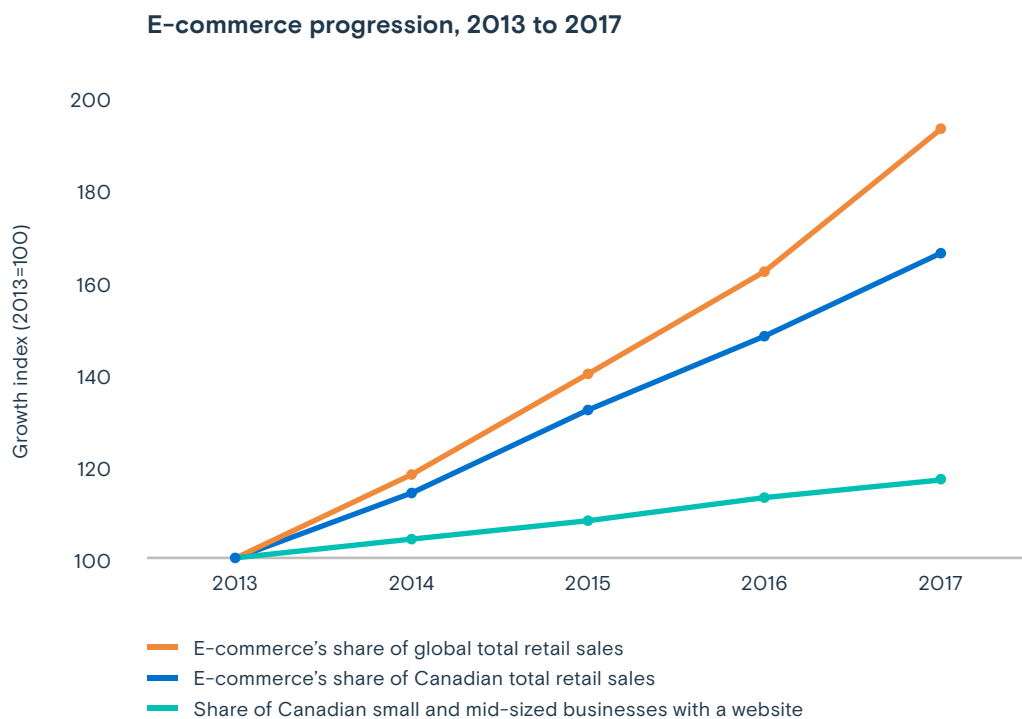
Canadian businesses are lagging

Too many Canadian businesses are invisible to national and global customers who shop online. The most recent data from Statistics Canada showed that close to half (46.4%) of all Canadian businesses still did not have a website in 2017, and only a few businesses that had a website had advanced e-commerce features such as the capability to receive payments online (8.5%) or collect customer information (31.6%).²

In addition, Canadian small and mid-sized businesses are losing ground. Between 2013 and 2017, the growth in the share of Canadian businesses with a website was much slower than the growth of the share of e-commerce in total retail sales in Canada and globally (figure 3).

This is worrisome because Canadian businesses that do not have an online presence risk being shut out of global e-commerce growth, leaving money on the table and exposing themselves to online competitors in Canada or abroad. Having an online presence is now a can't-miss opportunity for all businesses that want to continue growing and remain competitive.

Figure 3 – Canadian small and mid-sized businesses lag behind



² Source: Survey on Financing and Growth of Small and Mid-Sized Businesses, Table 28, (Ottawa: Statistics Canada, December 2018).

5 tips for creating an e-commerce website for market expansion

BDC's Philippe Desjardins, who specializes in helping entrepreneurs with their digital strategies, says companies that have e-commerce websites generally see their revenues increase within two years.

"Most of the time you end up selling in markets that you never thought you could get a foothold in," says Desjardins, Business Advisor with BDC Advisory Services.

Companies that don't have websites usually see their sales stagnate and many have seen their revenues dip in the last three years, he adds.

Desjardins offers these five tips for building an e-commerce website.

1 Understand your clientele

Who is your target market? Brainstorm about what your customers need from your e-commerce site.

"You really need a strategy for what you want to sell online. Make sure what you are selling will bring you a profit," he says. "Nobody is forced to sell online at a loss."

2 Get the expertise you need

Hire a professional web agency to build your site. Make sure you know what the calls to action will be on your website.

"Hire a professional copywriter for your content. Information about product descriptions, images and specifications needs to be precise," Desjardins says.

3 Choose your currency strategy

You can list the price in Canadian or U.S. dollars and the payment processor will make the exchange rate conversion.

Or, you can list your prices only in U.S. dollars, a currency that is understood internationally. Another solution is to open bank accounts in multiple local currencies and convert when currency rates are favourable.

4 How much is shipping?

Shipping is a big part of a consumer's choice, but it must make financial sense for you. "You can't sell items at a loss because you have a blanket policy of free shipping for over \$150 on purchases."

Don't let consumers take advantage of your return policy. For example, a consumer can order seven products over \$100 to get free shipping and then send six of them back.

5 Take the time to get it right

Building an e-commerce website can take six months to a year. If you rush the launch of your e-commerce site and provide a bad customer experience, it will take more time and money to fix it, Desjardins says.

"The key to success is not to jump in and do everything as quickly as you can."

Philippe Desjardins

Business Advisor,
BDC Advisory Services



What it means to be present online

43%

**Fewer than half of
Canadian businesses
sell, receive or take
orders online**

We surveyed 1,485 owners of Canadian small and mid-sized businesses with national or international activities to better understand their online presence and how they use the Internet to grow their businesses.

Online strategies can take three forms:

1

Promote the business

For small and mid-sized businesses, the Internet can provide access to huge potential markets worldwide and a cheap and efficient way to market their products and services directly to customers. They can use their websites, social media platforms and other online marketing technologies to **provide information about their businesses** and **advertise their products or services** to generate sales leads.

2

Explore opportunities

Many businesses use the Internet to conduct market research and facilitate shipping their products. They can go online to **seek information** on specific markets or competitors, **recruit potential business partners**, such as prospects, customers, suppliers or distributors, or fill in **administrative and customs forms**.

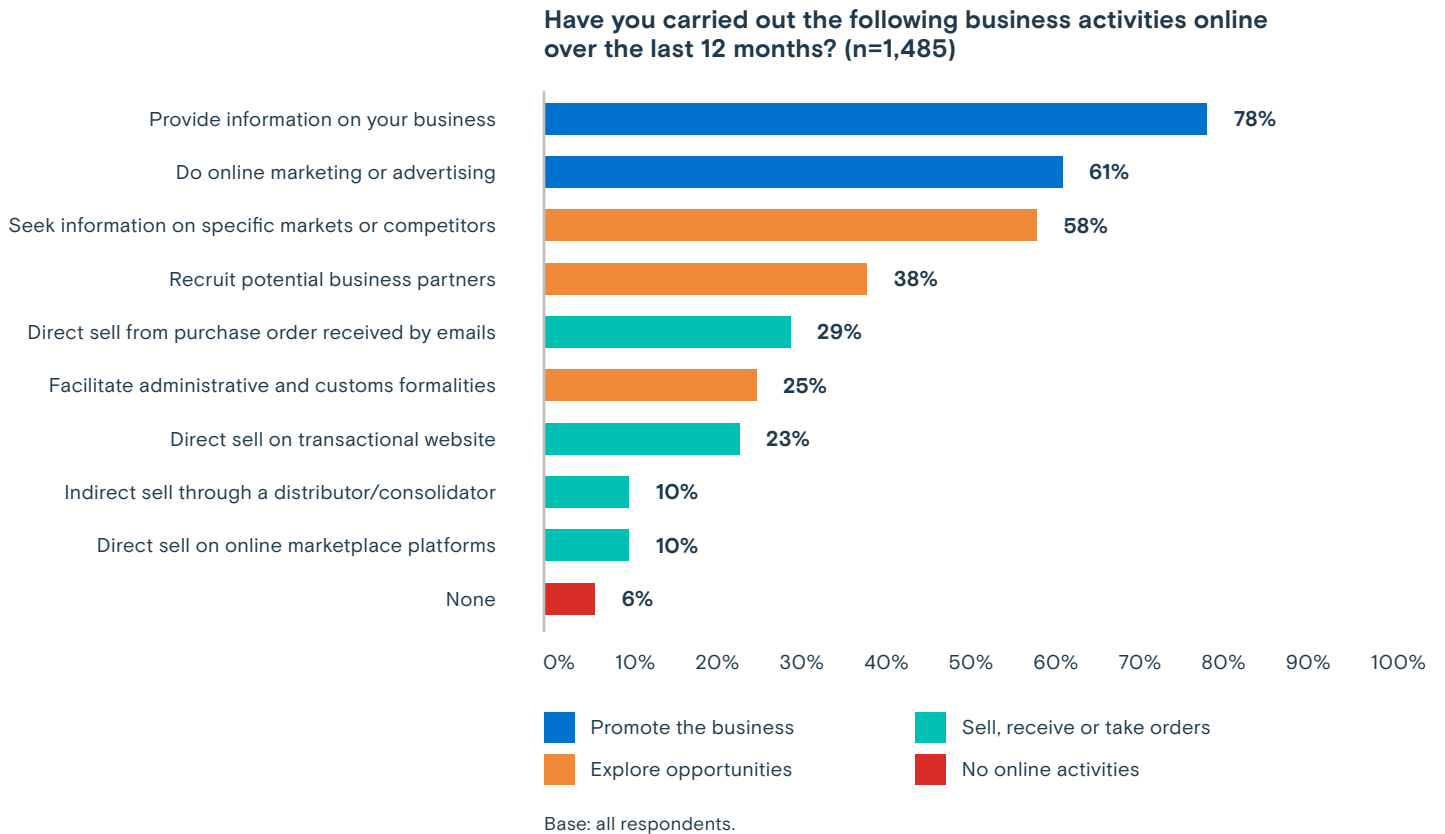
3

Sell, receive or take orders

Businesses can receive **purchase orders by email**, sell directly on their **transactional website** or through **online marketplace platforms** such as Amazon, or indirectly through an **online distributor or consolidator**.

Almost all Canadian businesses in our survey had at least a minimal online presence during the last 12 months, with only 6% that were completely offline (figure 4).³ The vast majority (84%) promoted their business online, and close to two thirds explored market opportunities online (67%). Fewer than half (43%) sold, received or took orders online. The main sales channel was purchase orders received by email (29%), followed by direct sales on the business's own transactional website (23%) and indirect sales through an online distributor or consolidator (10%). Only 10% sold on Amazon or similar online marketplace platforms.

Figure 4 – Business Internet usage



³ Our sampling strategy was designed to target businesses that serve national or international markets. As such, the results are not representative of all Canadian small and mid-sized businesses and cannot be compared with Statistics Canada data on SMEs' website adoption statistics.

Differences by subgroups

Table 1 shows some differences by type of business. Businesses that sell to consumers (B2C) are significantly more likely to sell and advertise online than businesses that sell to businesses only (B2B). For their part, companies that sell to businesses (B2B) are significantly more likely to seek information, recruit potential business partners and facilitate administrative information on the Internet. Businesses that sell to both consumers and other businesses are more likely to provide information on their business and be active online.

Table 1 – Businesses’ use of the Internet for sales based on type of customers

Column %	a. Consumers only (B2C)	b. Businesses only (B2B)	c. Both consumers and businesses
Provide information on your business	73%	76%	83%
Do online marketing or advertising	64%	50%	70%
Sell, receive or process orders online	50%	31%	53%
Seek information on specific markets or competitors	44%	60%	61%
Recruit potential business partners	21%	45%	40%
Facilitate administrative and customs formalities	17%	27%	27%
No online activities	9%	7%	4%

Base: all respondents that provided an answer on the type of customers they sell to (n=1,451). Unweighted, multiple comparison correction: False Discovery Rate (FDR) (p=0.05). A number in bold indicates a result that is statistically significantly different than numbers for other groups, with a confidence level of 95%.



Walter Moncade

Company's website is almost its sole sales channel.

Case study

AS Hanging Display Systems

Digital shift brings growth for AS Hanging Display Systems

AS Hanging Display Systems now has a new transactional site that makes the buying process even easier for its clients.

This digital thrust was necessary for continued growth, said Walter Moncade, president of the company that specializes in the sale of hanging and display solutions for art works and other objects. The website redesign was completed in 2018, by far its most ambitious to date.

“We now have a fully integrated platform that, among other things, allowed us to automate order processing,” explained Moncade.

“We also rethought the site architecture to provide a better user experience. We added a ‘shop by inspiration’ tab to showcase clients’ installations. Buyers simply click on the various products they are interested in to proceed with the purchase.”

Digital shift yielding results

Since it was founded in 1985, AS Hanging Display Systems has completed more than 40,000 residential, commercial and institutional installations.

In the early 2000s, the Québec company started seeing a change in market trends and embarked on a digital shift towards e-commerce. Its site has become its sole channel for sales, with a few exceptions.

Currently, 70% of its sales come from the United States. The rest are from Canada.

With an even stronger digital strategy, it aims to increase its annual sales five to 10 percent. The company is also trying to promote its brand to attract new customers and penetrate new markets.

As a result, AS Hanging Display Systems turned to BDC's Advisory Services, which helped it identify its needs, create the site architecture and build an RFP for a website development firm.

“E-business platforms are becoming increasingly sophisticated; doing it internally became a mission impossible,” said Moncade, whose company is located in Brossard, near Montreal.

Heading south

AS Hanging Display Systems wants to expand its market mainly to Mexico and South America. Its distribution centre in the United States will facilitate its expansion throughout the rest of the Americas.

The company also plans to hire Spanish speakers. By the end of the year, its site which is already bilingual (French and English), will be translated into Spanish.

In e-commerce, marketing is key.

To attract traffic to its site, the company will continue to increase its search engine optimization strategies. Organic and paid advertising, continuous social media presence, a blog, a new monthly newsletter, and a YouTube channel are some of the tactics used to generate a steady stream of sales.

Should small businesses sell on Amazon or similar online marketplace platforms?

Today, online marketplaces such as Amazon, Alibaba and eBay are making it possible for both consumers and business clients to access global markets in just a few clicks. The “Amazon effect” is such that Amazon surpassed Google in 2018 as the go-to platform for product research in the United States⁴.

Selling on these platforms seems like a great way to benefit from massive web traffic and a high level of customer trust to improve visibility, drive growth and even test the waters in some markets. However, selling on online marketplaces is more complicated than it looks. Competition is high and fulfilment costs and fees can eat up margins. Knowing which product to sell on these platforms to grow sales can also be challenging.

So, should you sell on Amazon or not? The answer really depends on your business model and the type of products or services you sell.

Your online strategy should be tailored to your customers’ buying habits, product features and target markets. An in-depth analysis of the best online sales strategies by type of product, markets, customers or country demands a full assessment of your business model.

Companies wishing to know more should read our blog post [Online marketplaces 101—How to sell effectively](#) or contact [BDC Advisory Services](#).

⁴ Kristina Barcia, *More Product Searches Start on Amazon*, (Online: [eMarketer. Retail](#), September 2018).

By optimizing their online presence, businesses can achieve higher revenue growth

What are the top benefits of growing a business online?

Having a strong online presence drives growth. The main benefits are higher revenue growth, direct communication with customers and easier access to national and international markets (figure 5).

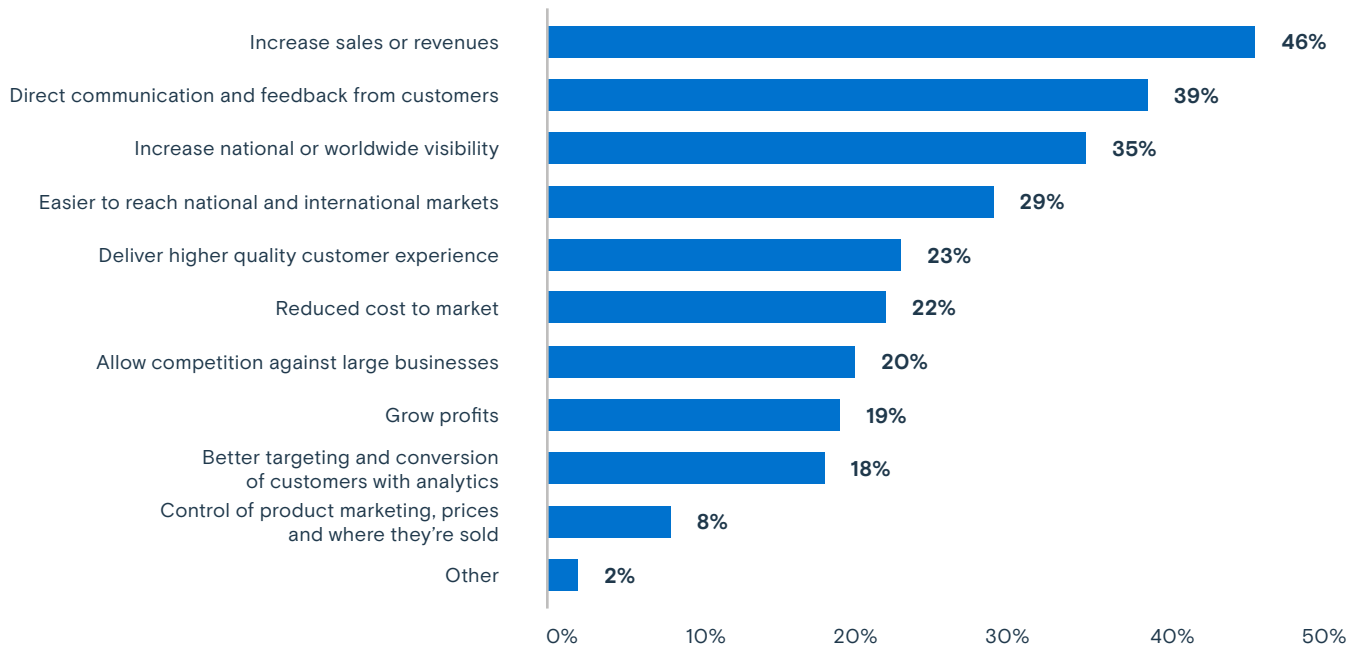
By optimizing and continuously improving their online presence—for example, by focusing on keywords (SEO) and paid ads (SEM) to drive traffic to their webpage, social media or online store—Canadian businesses can boost their visibility, attract and convert more visitors into paying customers.

What's more, digital technologies make it easier to interact directly with your customers. You can collect data and provide a tailored approach to increase their satisfaction.

Finally, e-commerce and online marketing have removed barriers to trade that were previously expensive to overcome. Businesses can expand their customer base nationally or globally without major start-up costs, such as first establishing a strong presence in Canada or opening a store overseas.

Figure 5 – Higher revenues are the main benefit of being online

In your opinion, what are the main benefits of using the Internet to grow your business? Select up to three answers. (n=1,358)



Base: respondents that are active online.

What are the top challenges of growing a business online?

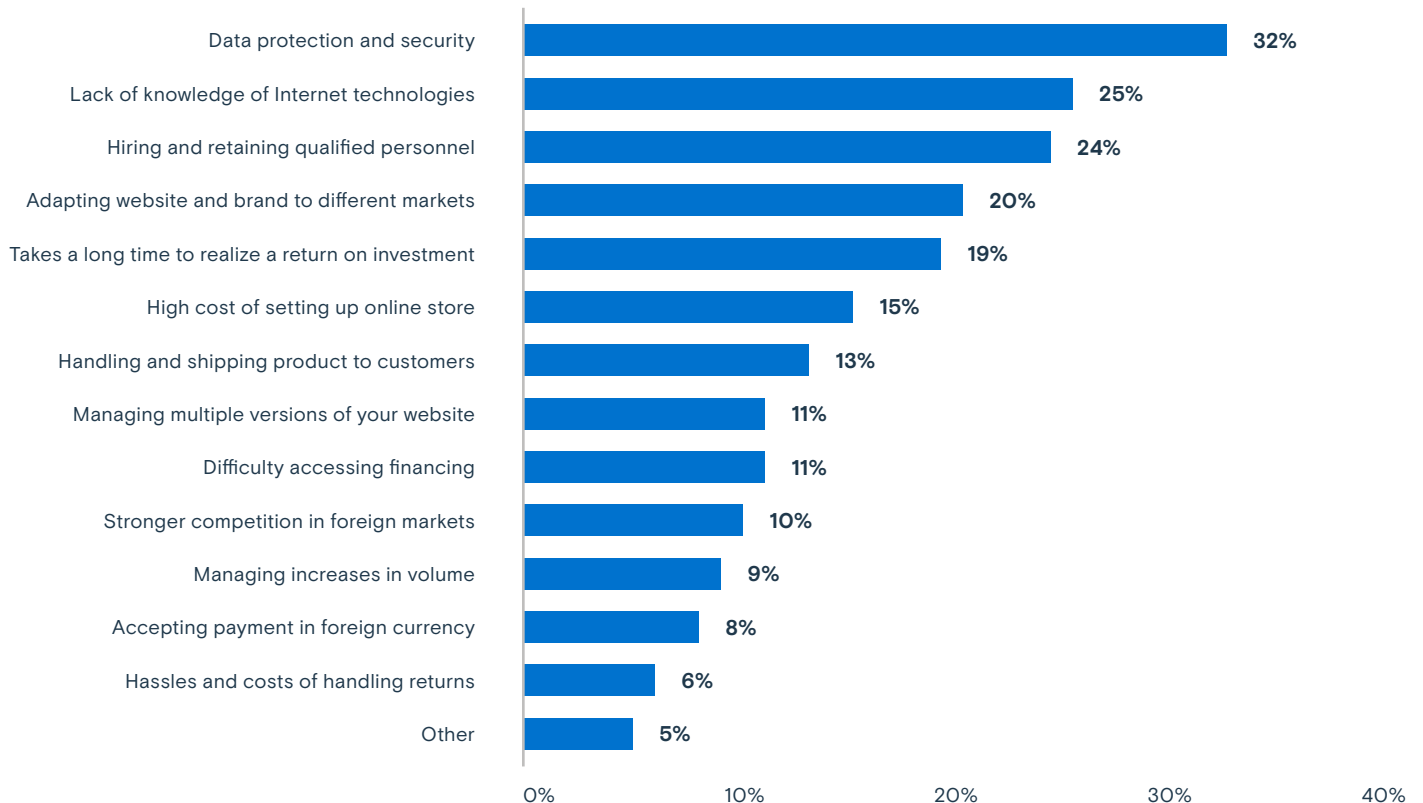
The main challenges cited by respondents who used the Internet to expand were cybersecurity, technology complexity and access to talent (figure 6).

A third of respondents (32%) said the top challenge was data protection and security. Small businesses are exposed to rising cyberattacks worldwide as well as strict privacy laws and regulations that make it more difficult to trade with foreign companies and customers in certain regions.⁵

The lack of knowledge of Internet technologies was in second place (25%), followed by the ability to hire and retain qualified personnel to manage the business's online presence (24%). Not all employees have the skill set to manage e-commerce websites or online marketing campaigns, so it's essential that businesses find the right employees to execute their online expansion strategy.

Figure 6 – Cybersecurity is the top challenge

In your opinion, what are the top challenges of using the Internet to grow your business? Select up to three answers. (n=1,358)



Base: respondents that are active online.

⁵ These laws govern what a private business can and cannot do when doing business with foreign companies or customers. For example, the European Union's General Data Protections Regulations (GDPR) sets out how the private information of European residents must be handled. For example, GDPR states that companies must notify affected customers within 72 hours of becoming aware of a security breach and ask people for consent to use their information. Customers can access the information the company has collected about them, withdraw consent at anytime and ask for information about them to be erased. Businesses that break these rules could face stiff fines up to 20 million euros (\$30.4 million) or 4% of the company's worldwide annual revenue for the previous year. Source: Elizabeth Thompson, *Privacy profits*, (Toronto: Corporate Knights, Winter 2019).



William Polushin

Senior Business Advisor,
BDC Advisory Services

How to avoid the main e-commerce pitfalls

William Polushin, Senior Business Advisor at BDC, offers the following tips to avoid the main e-commerce pitfalls.

Thinking your website is not a potential target

Companies need to take time to understand the security issues of doing business online.

“The digital environment we live in now is way more dangerous than just a few years ago,” he says. “Even leaders such as Facebook or Amazon have data security issues.”

The first step is to regularly update your website security. “Some businesses have not updated their security features since they launched their website 20 years ago.” They run on old technology that doesn’t protect them. “Most pirates go for the easiest target. So if you stay on top of your updates, other websites will be easier to compromise, making you safer. Better to put the odds in your favour.”

Another common mistake is to believe that your online presence is protected because you use the services of a large provider to host or develop your website.

“Don’t blindly walk into these channels and assume you are protected,” Polushin says. “Be aware of these platform data-security protocols and make sure they meet your standards.”

Thinking what works in your local market will work everywhere

Some businesses assume that because their website performs well in their local market, it will be the same elsewhere.

“Some companies try to expand into new markets without even translating their website in the local language,” he says. “The automatic reaction of any potential customers is to look you up online. If they can’t understand what’s written, they’ll just ignore you.”

Polushin says you have to take time to understand the linguistic and cultural aspects of any new market you want to enter. “We tell companies to adapt their business model to new markets. The same applies to their marketing and website.”

He adds, “Just like at home, this begins with thorough market research.”

Thinking it all can be done part-time

Studies show that businesses that dedicated at least one full-time employee to their market expansion activities outperformed their peers.

“Managing an e-commerce platform can be quite demanding,” Polushin says. “You really want to have at least one dedicated employee that is very knowledgeable to help you expand overseas. You also want to have someone that speaks the language.”

But Canadian companies are currently facing a shortage of skilled labour that can hinder their hiring efforts. BDC recently released a [study](#) on this topic that highlights some strategies companies can implement to help them recruit.⁶ “This is a good place to start,” he suggests.

Of course businesses can decide to go outside to an agency to help manage their business’s online presence. “This is a good solution. But make sure they have both the linguistics and industry-specific knowledge to manage your website,” he advises. “There is a difference between speaking Spanish and speaking technical Spanish for business.”

⁶ Michael Cocolakis-Wormstall, *Labour Shortage: Here to Stay* (Montreal: BDC, September 2018).

3

Expanding online boosts sales, profit and exports

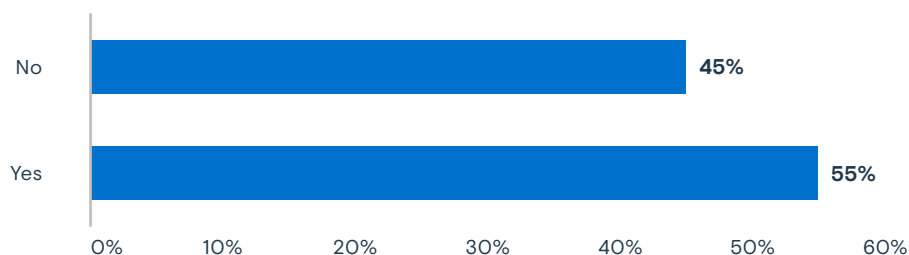
55%
of businesses actively used the Internet to expand into new markets in Canada or abroad

One of the objectives of this study was to evaluate whether businesses that used the Internet to expand into new markets found it easier to grow and export. A market expansion strategy based on a strong online presence gives businesses a strong boost.

While almost all businesses surveyed had some online presence, 55% actively used the Internet to expand into new markets in Canada or abroad (figure 7).

Figure 7 – More than half of respondents have based their market expansion strategy on a strong online presence

Have you used online business activities to help your business expand into new geographical markets? (n=1,485)



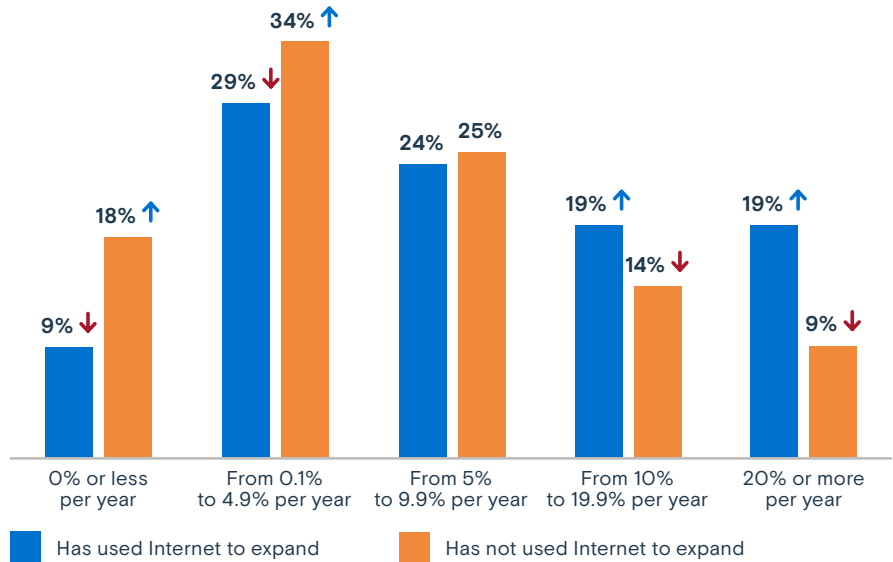
Base: all respondents.

We found that businesses that built their expansion strategy on top of their online strategy were significantly more likely to have had higher sales and profit growth in the last three years. They were also more likely to export and plan an expansion in the next two years.

More than a third of businesses that expanded online reported annual sales growth above 10% per year, compared to a fifth of other businesses (figure 8). Using the Internet to expand into new markets also is positively associated with profit growth. Just over 30% have seen their bottom line grow by 10% or more annually, compared to 21% for their peers (figure 9). Our survey results also show that these businesses are more likely to export and plan an expansion over the next two years (figure 10).

Figure 8 – Expanding online drives sales growth

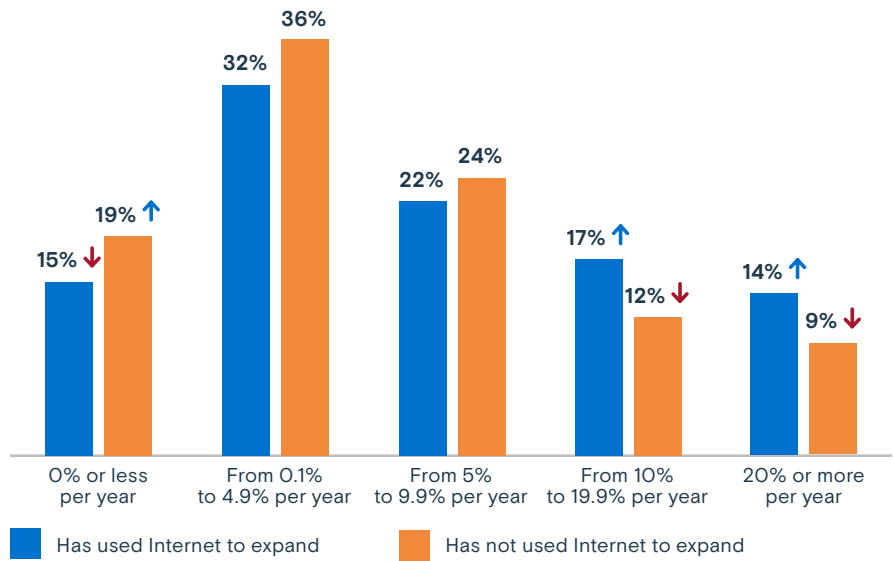
On average, what was your business's annual sales or revenue growth in the past three years? (n=1,485)



Base: all respondents. An arrow up (down) indicates a result that is statistically significantly higher (lower) than numbers for other groups, with a confidence level of 95%.

Figure 9 – Expanding online drives profit growth

On average, what was your business's annual profit growth in the past three years? (n=1,485)

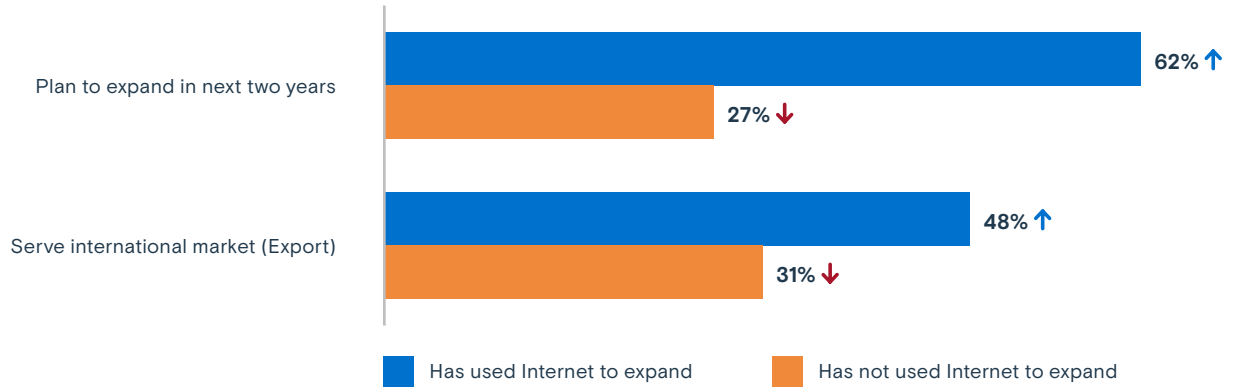


Base: all respondents. An arrow up (down) indicates a result that is statistically significantly higher (lower) than numbers for other groups, with a confidence level of 95%.

Figure 10 – Expanding online increases the chance of future expansion and exports

Do you intend to expand into new geographic markets in the next two years? (n=1,485)

What market(s) does your company serve? (n=1,485)



Base: all respondents. An arrow up (down) indicates a result that is statistically significantly higher (lower) than numbers for other groups, with a confidence level of 95%.



Toni Desrosiers

“

Our online sales have more than doubled every year for the last three years.”

Case study

Abeego

How an e-commerce website helped this business grow internationally

Abeego's highly efficient e-commerce website has allowed it to expand internationally, boosting its revenues.

“Our online sales have more than doubled every year for the last three years,” says Toni Desrosiers, founder and CEO of Abeego, which makes environmentally friendly food wrap from beeswax.

Desrosiers says e-commerce gives Abeego an international market. “We're not stuck speaking to a local market,” she says.

“If we were just doing it old school without e-commerce, it would have been a lot slower to get into the U.S. market.”

The company was founded in 2008 in Victoria, B.C., and has been selling online in the United States since 2010 with a dedicated e-commerce store. Hong Kong also stands out as one of its biggest markets.

Meet consumers' shipping expectations

Desrosiers says shipping costs can hold back businesses from going online.

“If your product is really heavy or oversized, then shipping costs can be significant and the consumer has been trained to think that shipping should be free.”

Abeego has decided on free shipping in Canada and the United States and a \$15 flat fee everywhere else.

Canadians pay for Abeego products in Canadian dollars and customers outside Canada pay in U.S. dollars.

Should your product be on Amazon?

Consumers can buy beeswax food wrap on the company's website, in retail stores and also on Amazon, which dominates online shopping. Abeego's presence on Amazon is a decision Desrosiers doesn't regret.

“You would be hurting yourself if you weren't there,” she says.

“Our goal is to be everywhere that our customer wants to buy. Amazon comes with higher costs, but it also comes with higher visibility.”

Measuring digital success

Desrosiers keeps a close eye on the performance of her website. She also monitors her Google search rankings and the performance of Abeego's digital ads on Facebook and Google.

“One of the biggest ways to grow in e-commerce is to do digital marketing. These platforms are boosting sales and growth.”

She says a lot of Abeego's retailers find the company through social media.

“Smaller retailers find the brands they want to stock on Instagram and Facebook and through customer reviews.”

Abeego also has a social media manager to help manage marketing campaigns and day-to-day activities.

Staying in touch with your online shoppers

A newsletter also helps Abeego to increase its online sales and track its online customers.

“It's a way for us to stay in touch with them because, typically, Abeego needs to be replaced after a year. It helps us stay engaged with them and lets them know that it might be time for some fresh Abeego,” she says.

Desrosiers's food wrap is one of the many zero waste solutions now being offered to customers looking for environmentally friendly products.

“At the end of its lifespan, which is typically one year, it's best to backyard compost it, or it's an incredible fire starter.”

Abeego is made of Canadian beeswax and is 100% sourced from apiaries on the Prairies, Desrosiers adds.

Desrosiers notes that Abeego was a new and different product that had the challenge of finding its niche audience and selling directly to it.

“If we couldn't use e-commerce, it would have taken us a long time to get the revenues that we have now.”

Being online drives performance

Evaluating the impact on business performance

Of course, many other factors can drive business performance, including the company's size, and the industry or region in which it operates. We conducted advanced statistical analysis⁷ to evaluate the impact of using the Internet to expand business performance. We also tested whether some online business activities had more impact on performance.

Our results reveal that, compared to other businesses, companies that expanded online are:

1.7

times more likely to have enjoyed
higher sales growth

1.5

times more likely to have enjoyed
higher profit growth

2.8

times more likely to serve
international markets

⁷ Details of statistical models we used to analyze the survey results appear in the methodology at the end of this report.

Do some online activities have a higher impact?

Taken separately, no single online business activity was found to have a significant impact on the probability of experiencing both high revenue and profit growth. It is the fact that businesses are online, and not what they do online, that drives performance.

However, we found that exporters using the Internet to explore businesses opportunities when expanding into new markets double their odds of experiencing strong revenue and profit growth. By carefully planning their expansion online, these businesses avoided costly mistakes that could have hurt their export efforts. A previous [BDC study](#) on the most effective export strategies concluded that exporters that took the time and effort to evaluate their competitors in international markets before diving in reported significantly higher export sales growth than those that did not.⁸

To sum up, having a strong online presence is more than just selling online. It is a digital toolbox that helps businesses do market research, build their brand, increase their visibility, advertise their goods and services, and take payments.

How much do businesses invest in their website and online marketing?

On average, businesses that used the Internet to expand spent \$37,458 on their website and \$29,210 on online marketing in the last three years (Table 2).

Table 2 – Average investment in websites and online marketing by businesses that used the Internet to expand

Average spending over the last three years	Small businesses	Medium businesses	Large Businesses
	Less than \$2 million in annual sales	Between \$2 million and \$10 million in sales	\$10 million or more in annual sales
Website	\$19,652	\$37,721	\$142,197
Online marketing	\$14,301	\$38,396	\$92,488
Total	\$33,953	\$76,117	\$234,685

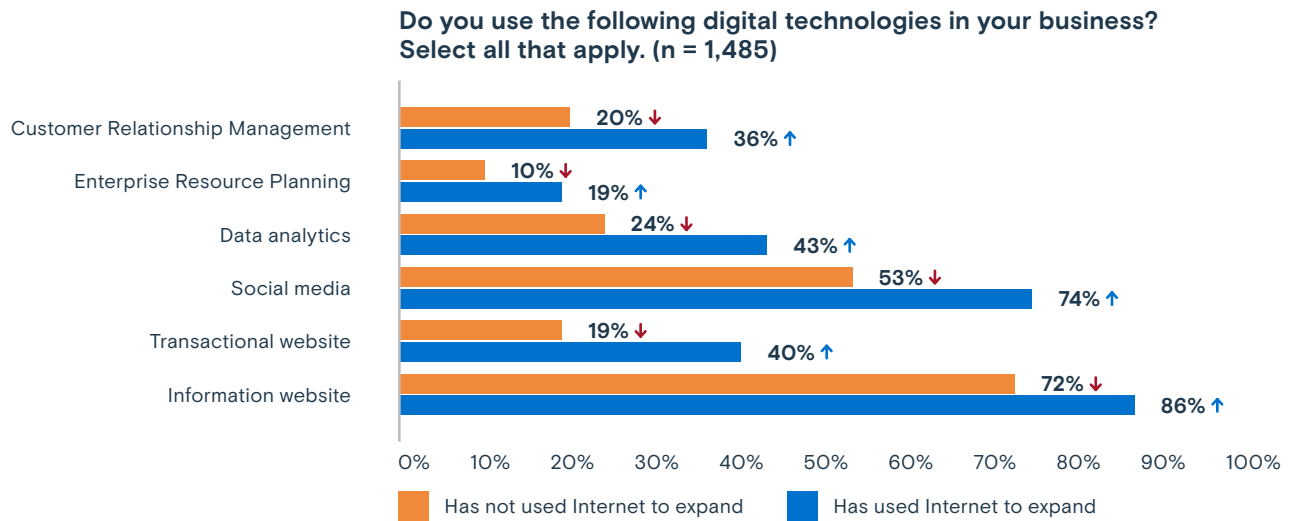
Base: respondents that use online business activities to expand into new markets.

8 Tom Corner, *Exporting: A Key Driver of SME Growth and Profits* (Montreal: BDC, April 2017).

Technology use

Finally, our survey shows that a significantly higher proportion of companies that base their expansion strategy on a strong online presence use advanced technologies. They are twice as likely to use transactional websites, data analytics, and ERP and CRM systems (Figure 11).

Figure 11 – Business expanding online use more digital technologies



Base: all respondents. An arrow pointing up (down) indicates a result that is statistically significantly higher (lower), with a confidence level of 95%.

A closer look at exporters

The benefits of using the Internet to expand into new markets are even stronger for exporters. Our analysis shows that Canadian companies that are e-exporting, i.e., using online activities to sell and generate leads internationally, are 3.2 times more likely to enjoy higher sales growth and two times more likely to enjoy high profit growth. What's more, we found that e-exporters served more overseas regions⁹ than offline exporters (5.9 regions on average compared to 4.5 regions for offline exporters). E-exporters were also six times more likely to plan an expansion over the next two years than their peers.

The main benefit of using the Internet to export is that it helps small businesses increase their international visibility and reach overseas markets without the entry costs that are usually associated with exporting. Among other things, exporters that actively use search engines and social networks, such as LinkedIn, to find potential foreign prospects, customers, suppliers and even distributors are two times more likely to be among top performers in their industry.

In addition to the threat of cyber attacks, exporters find it particularly challenging to adapt their websites and brands to different markets and cultures. Businesses that are not aware of local customs and business etiquette in their online communications can be misunderstood by foreign prospects, which could hurt their international marketing plans.

Succeed in foreign markets with a tailored expansion plan

Planning is the best way to achieve long-term, sustainable success in an international market and avoid common pitfalls. Our experts can help your business expand in Canada and abroad with a tailored [expansion plan](#) and a [strong online presence](#). Our [Xpansion Loan](#) can also help finance your growth without using your everyday cash.

⁹ Regions included in the survey: Canada, the United States, Mexico, Central America, South America, Caribbean, United Kingdom, Western Europe, Eastern Europe, Scandinavia, Africa, Middle East, China, Asia (other than China), Oceania.

4

Key online practices to expand your business

To identify which online practices have the most impact when expanding into new markets, we asked top performers what they found especially important and easy to implement.

This allowed us to identify what practices small and mid-sized businesses should pursue immediately, i.e., practices that are important and easy to do.

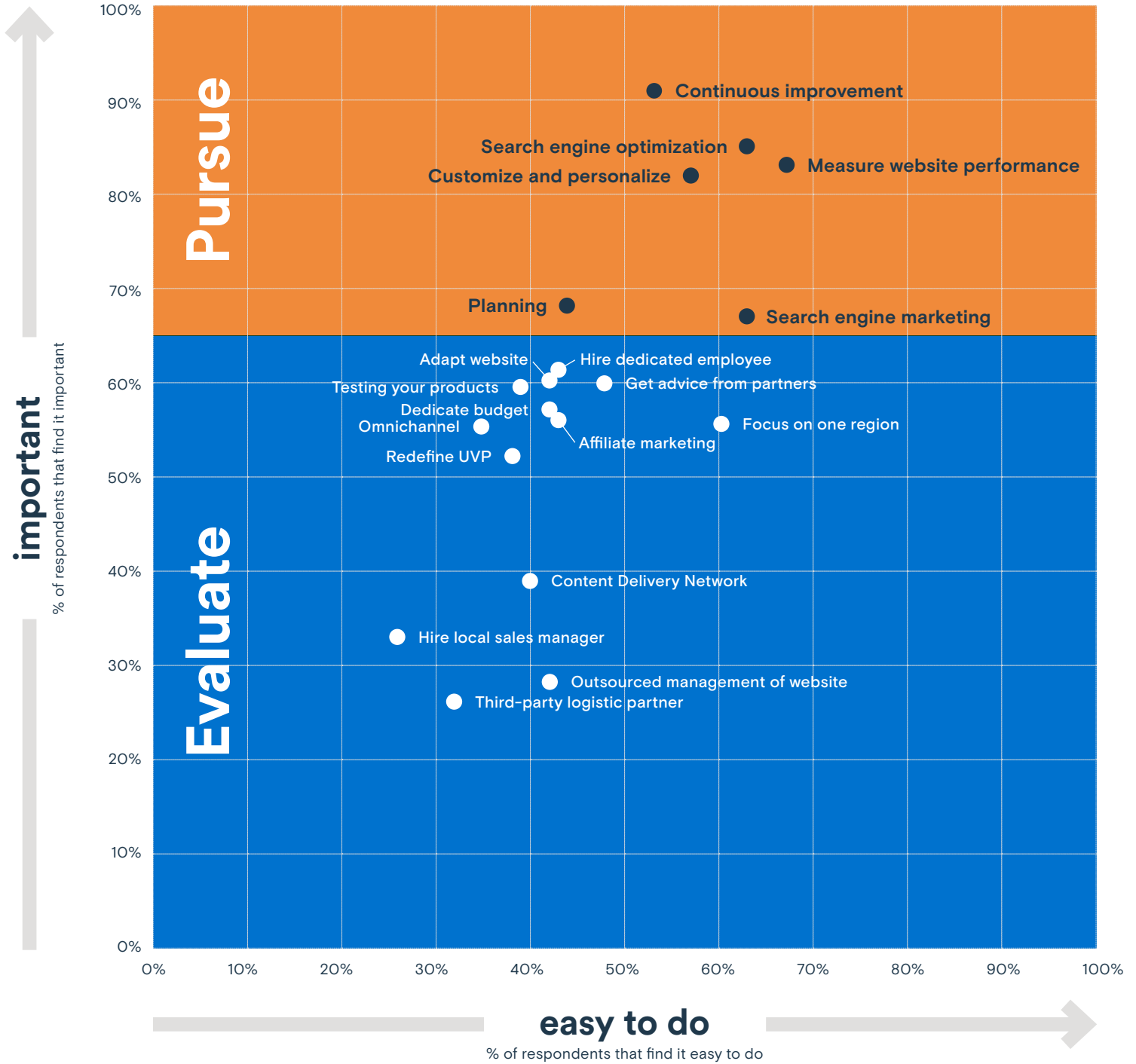
We've mapped these practices in figure 12. Based on these results, we identified six practices that companies should pursue immediately to grow their business online and expand into new markets.

We found that the first step in expanding into new markets through the Internet is to get your online strategy right. Then, you can build your market expansion strategy on top of it.

- ① Measure your business's website performance
- ② Improve your visibility with search engine optimization
- ③ Invest in search engine marketing
- ④ Continuously improve your digital strategy to meet customer expectations
- ⑤ Make your online expansion plan a core part of your strategic plan
- ⑥ Make it personal with customization

Figure 12 – Most efficient online practices when expanding to new geographic markets

Please rate the importance of each of these online business practices and rate how easy it is to do. (n=171)



Base: Respondents that use online business activities to expand into new markets and are top performers (n=171).

We recommend the following online practices.

1

Measure your business's website performance

A key advantage of doing business online is the data it provides. You can constantly assess how your website is doing, tweak your digital properties and online marketing campaigns to convert more visitors into paying customers. It's easy to do and has a lot of impact for all types of businesses, especially those selling on their own e-commerce websites.

Go deeper:

- [5 steps for tracking the effectiveness of your website](#)
- [Website assessment tool](#)

2

Improve your visibility with search engine optimization

It's easy to improve your business's visibility on the web. Search engine optimization is the use of keywords and other techniques to attract organic, or non-paid, traffic to your website. It allows your company to rank higher in search engine results and benefit from free traffic. This is especially important for markets where you do not have a physical presence.

Go deeper:

- [SEO basics for entrepreneurs](#)
- [Building your local SEO presence](#)

3

Invest in search engine marketing

Search ads are the fastest way to drive traffic to your website. For example, you can buy Google ads by bidding on keywords that potential customers are likely to search for online. By monitoring the performance of your ads, you can fine-tune your keywords, ads and your website to increase the effectiveness of your campaigns.

Go deeper:

- [Pay-per-click advertising](#)
- [Why your customer acquisition strategy needs to include paid digital advertising](#)
- [How to use pay-per-click advertising to increase sales](#)

4

Continuously improve your digital strategy to meet customer expectations

Continuous improvement of digital strategies is the most important tactic, according to survey respondents, but it's not the easiest to do. You will need to take action, measure the results, make improvements and then repeat. This strategy will ensure that any changes, including the addition of more advanced technology, are based on true customer needs.

Go deeper:

- [5 steps to spring clean your brand and refresh your marketing](#)
- [Effective sales techniques](#)

5

Make your online expansion plan a core part of your strategic plan

One of the keys to success in e-commerce and market entry is planning. However, a typical market entry plan is difficult to do and may take 12 to 18 months to implement. Start with an online strategy—a roadmap that guides your Internet activities while supporting your overall market entry strategy. Then build your online presence or adapt it to the new market, and be ready to fill new orders.

Go deeper:

- [6 steps to create a winning market entry strategy](#)
- [E-commerce basics](#)

6

Make it personal with customization

You can build more trust and improve conversion rates by offering clients a highly personalized experience. Data collected from your website can help you personalize your product and service offerings online, according to your customers' needs and tastes. You will need to integrate the data you have on your customers, including their purchases, locations, browsing histories, devices used to access your site, emails to your company, social media posts on your pages, product reviews and call centre records. With all of this data available at a glance, sales reps can personalize their interaction with your customers. You can also use this data to personalize marketing messages on a customer's account page and in email marketing.

Go deeper:

- [The power of personalization](#)

Seize the opportunity

Global e-commerce is expected to reach close to US\$4.9 trillion by 2021

The popularity of e-commerce is rising around the globe, with an ever-increasing base of consumers and businesses leaving behind bricks-and-mortar stores and traditional business transactions to do business online. Global e-commerce is expected to double between 2018 and 2021 to reach close to US\$4.9 trillion (C\$6.6 trillion).

This translates into enormous potential for small and mid-sized businesses that seize the opportunity. This study shows that small and mid-sized businesses that base their market expansion strategy on a strong online presence reap huge benefits. Compared to other businesses, they have higher revenues, are more profitable, and are more likely to export.

This study also provides a series of online strategies that can help you leverage the Internet to grow your business and expand into new markets. Since most customers and business clients start their buying journey online with a search, most of your efforts should focus on organic and paid search engine marketing and measuring your website's performance to help convert more visitors into paying customers.

Building your online presence is more complicated than it looks. It requires planning and investments that entrepreneurs can overlook. Companies that want to establish themselves on a national or international scale should write a market expansion plan that is tied to their overall online strategy with clear goals and steps to get there.

Once you're doing business online, some challenges will remain. The threat of cyberattacks and the rising complexity of privacy laws around the globe may be barriers to your international ambitions. These issues require additional research on how small and medium-sized businesses can use the Internet to grow and expand in new markets in a sustainable and profitable way.

Harness the power of the Internet to grow your business

- Our experts can help you develop or improve your online presence so you're attracting more leads and converting them into sales.
- Benefit from our expertise to improve your e-commerce efforts, SEO, search engine advertising, website design or data analytics capability.
- We can also provide financing for your expansion projects as well as for implementing or improving your digital footprint.

Methodology

The findings in this study are based on the results of an online survey and regression analysis.

Survey on how small and mid-sized businesses use the Internet to grow their businesses

BDC conducted an online survey from February 12 to February 22, 2019, with 1,485 business leaders across Canada. An email invitation to complete the survey was sent to members of the BDC ViewPoints Panel as well as to a group of panellists recruited by Delvinia. For comparison purposes only, a probability sample of this size would carry a margin of error of ± 2.6 percentage points, 19 times out of 20. As this survey is based on a non-probability sample, these numbers should be interpreted with caution.

Econometric model

This study used a series of multinomial logistic regressions to analyze the impact of using Internet technologies on different performance variables for Canadian small and mid-sized businesses. These outcomes include the probability of experiencing high sales growth, the probability of experiencing high profit growth, the probability of being a top performer and the probability of serving international markets. We define high sales or profit growth as a 10% or more average annual growth over the last three years, and top performers as achieving both at the same time.

The regression results isolate the impact on each performance variable, controlling for other factors that may have an incidence of the variable of interest. These factors include the company's size, the industry or region in which it operates, the type of customer it serves (businesses, consumers or both), the number of years in business, and the owner's age and gender. The regression equations show that the variable of interest—whether or not the business used the Internet to expand—is a statistically significant predictor of performance with p-values equal to or below 5%.

Detailed regression results are available from the author upon request.

Do you want to know more about issues impacting small and mid-sized businesses in Canada?

Visit BDC's Analysis and Research webpage.

[bdc.ca/expandonlinestudy](https://www.bdc.ca/expandonlinestudy)

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- Our Chief Economist's column
- The Oil market update, which is now part of the monthly *Economic Letter*
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