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ONLINE HOLIDAY SHOPPING GROWING BUT CONSUMERS HOLDING BACK:

Holiday Period Not Likely to Provide Boost to Web-based Sales

TORONTO, December 7, 2004 - Online shopping continues to rise in Canada, with nearly seven in ten (67%) online Canadians having purchased goods or services from a retail website in the past six months, compared to 61 per cent in 2003 and 55 per cent in 2002, finds a new survey conducted by TNS Canadian Facts.

The survey indicates that while more and more people are buying online, there has not been an increase in the amount that each individual shopper is spending. Online shoppers will ring up \$269 on average this holiday season, which is significantly lower than \$315 per shopper in 2003. Since more people are buying online, the estimate for total holiday spending online (\$1.5 billion) is only slightly lower than in 2003 (\$1.6 billion).

“Canadians are not fully embracing the online consumer experience and Internet sales are unlikely to grow unless consumers are given a reason to shift more of their buying to this mode,” said Richard Jenkins, TNS Canadian Facts’ corporate director of public opinion research.

A majority of Canadian Internet users (64%) do not plan to do any holiday-related shopping online. The main reason for not shopping online is preference for in-store shopping (37%) or the perceived need to examine the product (19%). Two other types of reasons also point to challenges facing e-tailers. First, many online Canadians will not buy over the Internet because they fear credit card fraud (10%) or mistrust the security of online transactions (15%) in general. Second, one in ten say that the high cost of shipping deters them.

“Many Canadians are holding back from using the Internet for a number of reasons that go beyond the tactile experience of shopping, including privacy and security concerns, the high-cost of shipping, and customer service shortcomings,” Jenkins said.

Those who intend to buy online are motivated by convenience. Books are the most popular holiday gifts purchased over the Internet, with half (51%) of online shoppers planning to buy them. Next are videos and DVDs (42%), toys (39%), music (38%), and apparel and accessories (33%).

Online holiday shoppers are most likely to buy goods from Sears.ca (43%) followed by Futureshop.ca (42%), Indigo.ca (40%), Amazon.ca (36%), and Canadiantire.ca (27%). “The online retail market in Canada is dominated by traditional retailers, who treat online transactions as an extension of their overall sales strategy,” Jenkins added.

The *Christmas Shopping Online* Study is conducted annually by TNS Canadian Facts using the firm’s national weekly Internet omnibus Service, TNS Express Online. E-mail invitations were sent to 3,000 members of the TNS Canadian Facts Internet panel comprising more than 70,000 Canadian Internet users who have agreed to participate in survey research from time to time. In total, 1,119 online interviews were completed between November 10 and November 15, 2004, a 37 per cent response rate. The survey results are nationally representative of the online Canadian adult population and are considered accurate to within 3.0 percentage points, 19 times out of 20.

TNS Canadian Facts (www.tns-cf.com) is one of Canada's most prestigious full-service marketing, opinion and social research organizations.

About TNS

TNS is a leading global provider of market information. The company collects, analyzes and interprets information to help its clients better understand the needs and wants of their customers. TNS provides research, advice and insight on market segmentation, advertising and communications, new product development, brand performance and stakeholder management. The company is also one of the leading providers of social and political polling.

From its global network, which spans 70 countries, TNS provides local expertise and knowledge, together with internationally consistent information and analysis to multi-national organizations.

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