



The Full Download

2018 New Zealand eCommerce Review

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Executive Summary.

The Full Download provides a deep and forensic analysis into the state of eCommerce in New Zealand.

Packed with insights on the evolution of online retail, it also features a deep dive on the New Zealand online consumer, how and when they like to shop, and finally in-depth analysis across several of the leading shopping segments.

As you'd expect from a channel growing so fast and with such innovation, there's plenty here to keep you busy for an hour or two. But for anyone who doesn't have the time to make it all the way to the end, these are the five key insights we think all readers should take away.

1. eCommerce is a significant and growing part of global trade and has an estimated value of \$NZ3.8t (trillion) – twice the size of what it was five years ago.
2. New Zealanders spent a total of \$NZ3.6b (billion) online in 2017, or a whopping \$746 for every single one of us. Online shopping now delivers 8.1% of all retail spend in New Zealand.
3. An increase in online spend of 13% year on year was dwarfed by an increase in the number of transactions of 23%. Kiwis are buying smaller value items and shopping online more regularly.
4. For New Zealand retailers, an increase in online sales of 9% far outstripped growth of less than 1% in bricks and mortar.
5. Although we spend most of our money with onshore (NZ) e-tailers, spend with overseas e-tailers is growing at a much faster pace – offshore transactions were up by 37% and spend increased by 23%, compared to the same period previous year.

1.5m New Zealanders
shopped online in 2017

\$NZ3.6b spent on online
shopping of physical goods
in 2017

Growth in online spend on
physical goods from 2016 to
2017 has been 13%

01.

Introduction

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Did you know?

51.2% of global web traffic originated from mobile devices in the last quarter of 2017, up from 48.3% in the corresponding quarter of the previous year.²

01.1

Foreword.

eCommerce in New Zealand – how you can thrive through retail disruption.

The Full Download: 2018 New Zealand eCommerce Review finds New Zealand retail at a crossroads. It's an exciting time, with significant challenges offset by unprecedented opportunity. Online revenue now delivers 8% of our total retail spend, and if overseas retailers claim a third of that, it still means almost \$2.5b was spent locally last year. Yes there are challenges – the traditional advantages of local presence and reputation are eroding, and we face increased global competition. But with four in ten New Zealanders¹ regularly purchasing services and products on mobile, the wave of online shopping shows little sign of declining. The race is on for local retailers to find ways to compete with well funded global competitors.

¹www.freshfocus.net/our-stores Smartphones are Just the Beginning, August 2 2017

²www.statista.com Share of Website Traffic Coming From Mobile Devices

Globally, the evolution of eCommerce is littered with examples of local brands and organisations who struggled to change. When faced with pure play online giants, too many legacy players failed to make the most of the home market advantage, in some cases until it was too late.

What does that mean for us here in New Zealand? How can we ensure our local players (especially in a nation dominated by SME and with comparatively fewer enterprise online retailers) successfully exploit the opportunities of eCommerce?

Partnering with the leading data analytics provider Datamine, we've looked at the data behind anonymised card transactions over the 2016 and 2017 calendar years to build a comprehensive, 360° degree review of eCommerce in New Zealand. Covering a range of subjects, the report gives anyone considering local or global eCommerce from a New Zealand base a priceless range of insights – from the growth of rural eCommerce and the dominance of certain key segments, all the way to the drivers behind customer eCommerce behaviour.

We think local retailers can find strong insights and competitive advantage in this report. We truly believe the opportunity for New Zealand businesses to grow through eCommerce is significant, and we will be supporting this report by continuing to share insights on many of the issues discussed here. We're proud to help you build a better eCommerce business.

Bryan Dobson,
Chief Marketing Officer

01.2

A note on our methods...

**The 2018 New Zealand
eCommerce Review
brings together data
from a variety of sources.**

The core research piece is conducted by Datamine, on behalf of NZ Post. Their analysis uses transactional card data taken from the 2016 and 2017 calendar years, and is augmented by a variety of secondary sources (such as Census 2013 and other publicly available data).

To give context and substance to findings, in several places we have quoted from additional eCommerce research and reports, providing footnotes where appropriate.

Datamine identify online transactions using a range of methods. Two of the most common are identifying whether a card is present in a transaction, and isolating transactions from known eCommerce only retailers.

To ensure the data is representative of the wider New Zealand eCommerce landscape, weighting is applied to remove any known imbalances.

To help in geographical insights, data has been aggregated to an area unit level. Where it makes more sense, we have replaced area units with specific suburb or locality names.

All dollar amounts stated are in New Zealand dollars unless otherwise stated.



Did you know?

33% of all online product spend goes overseas. When adding digital services like Netflix, this increases to 45%.



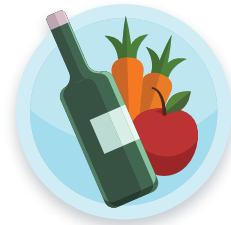
Fashion



Department/variety stores
and miscellaneous retail



Health & beauty



Supermarkets, food
& liquor



Recreation, entertainment,
books & stationery



Furniture, appliances,
electronics and building
supplies

Finally, in order to keep a tight focus on retail, only transactions within the following merchant category groups are **included:**

Specifically **excluded** from our core online transactional samples are the following merchant category groups:



02.

Key learnings

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02.1

Learnings from abroad.

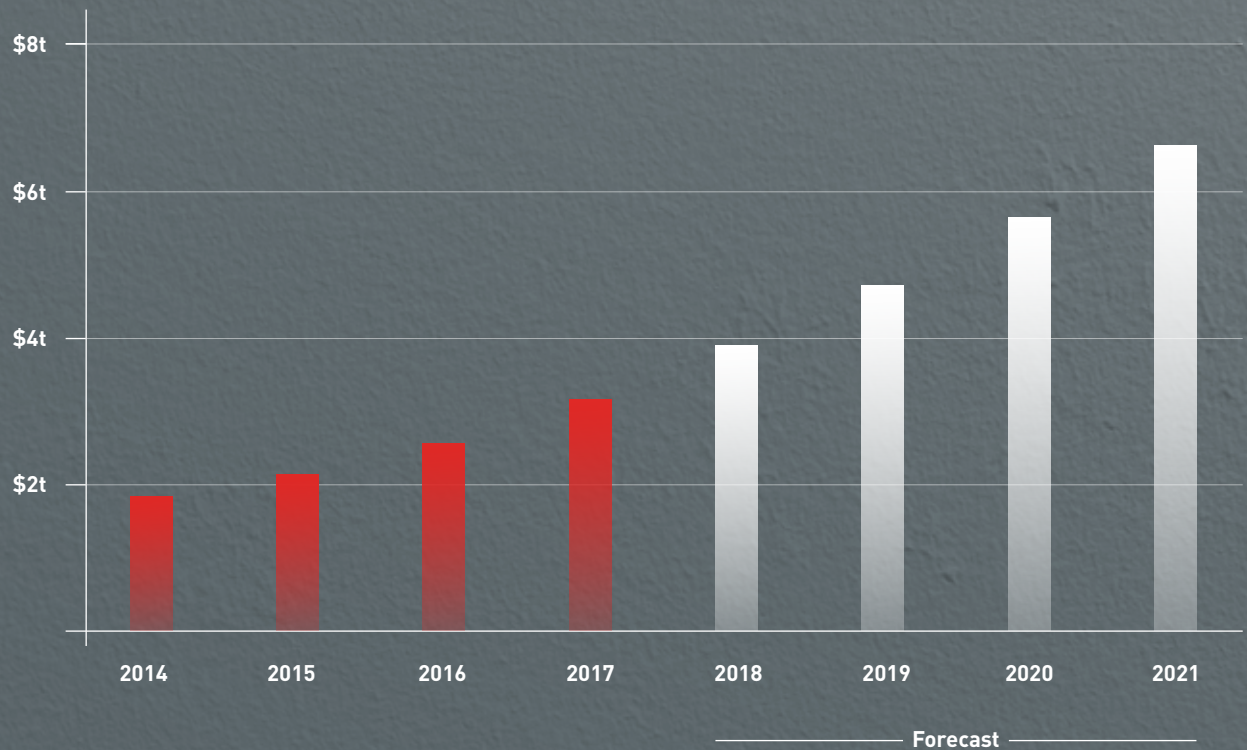
Global eCommerce and **our place in the world.**

eCommerce has played a lead role in the explosion of the internet. Successfully identifying and solving early pain points like delivery, shipping costs and returns made the likes of Amazon and Alibaba internet giants, driving adoption of the internet as an everyday part of life, and along the way helping eCommerce become a significant and fast growing part of global trade. In fact, so significant that it's doubled in value in the five years to 2018, and now represents a value of \$NZ3.8t globally.

But here's the truly astonishing bit... eCommerce still has a way to go. Global spend of \$NZ3.8t online in 2018 sounds impressive, but it's still only 12% of overall retail spend. Even with the sort of accelerated growth being predicted, online's total share of retail will still be well below 20% by 2021 (rising from 10.2% in 2017 to 17.5% by 2021). There's plenty of room to grow...

So, what about New Zealand? Well, we're actually in a good place. We spent \$3.6b on physical products online last year, up from \$3.2b the year before. And eighteen years after the launch of eCommerce pioneer Trade Me, 8.1% of all retail spend in New Zealand is online (up from 7.3% the year before).

By 2021 it is projected **17.5%**
of all retail spend will come
from **eCommerce³**



B2C eCommerce sales worldwide (in NZ dollars)

³ www.statista.com Worldwide Retail eCommerce Sales 2015-2021



Expert Tip

Your competition no longer comes from the store next door... you're now in an exciting race with the global market leaders. But eCommerce also opens the world to you... remember to include eCommerce export in your strategies.

While we may lag behind some other countries, year on year growth of 13% in 2017 (easily outstripping bricks and mortar's 0.9% increase) tells the online story.

And with key indicators for online growth all skewing towards those under the age of sixty, it's clear a generational change is underway.

New Zealand's online sales are at a similar level to our nearest neighbour. In 2017 7.9% of Australian retail was conducted online, just shy of New Zealand's 8.1%. That compares favourably with markets like the USA (where 9% of retail went online in 2017, with Amazon alone claiming 44% of that spend),⁴ even if remaining a way off China, where a jaw dropping over 25% of all retail sales will be online this year.⁵

While there are external factors in eCommerce growth (the rise of mobile phone adoption, and the increasing penetration of the internet itself), there are still three key areas an online retailer needs to nail if they're to convert a sale:

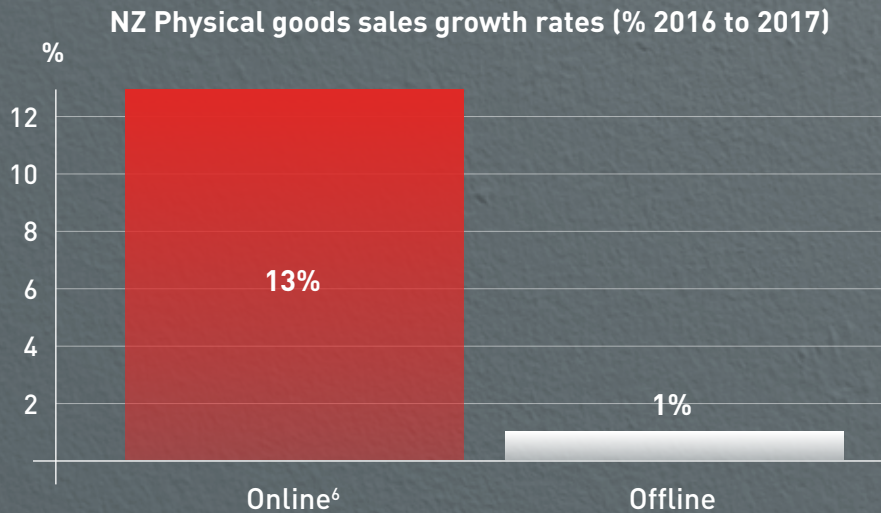
- Shipping – clarity of shipping costs up front is vital and can significantly reduce shopping cart abandonment.

⁴www.cnc.com Amazon Grabbed 4 percent of all retail sales in 2017 – New Study, 01 March 2018

⁵www.statista.com Share of Retail Sales in China

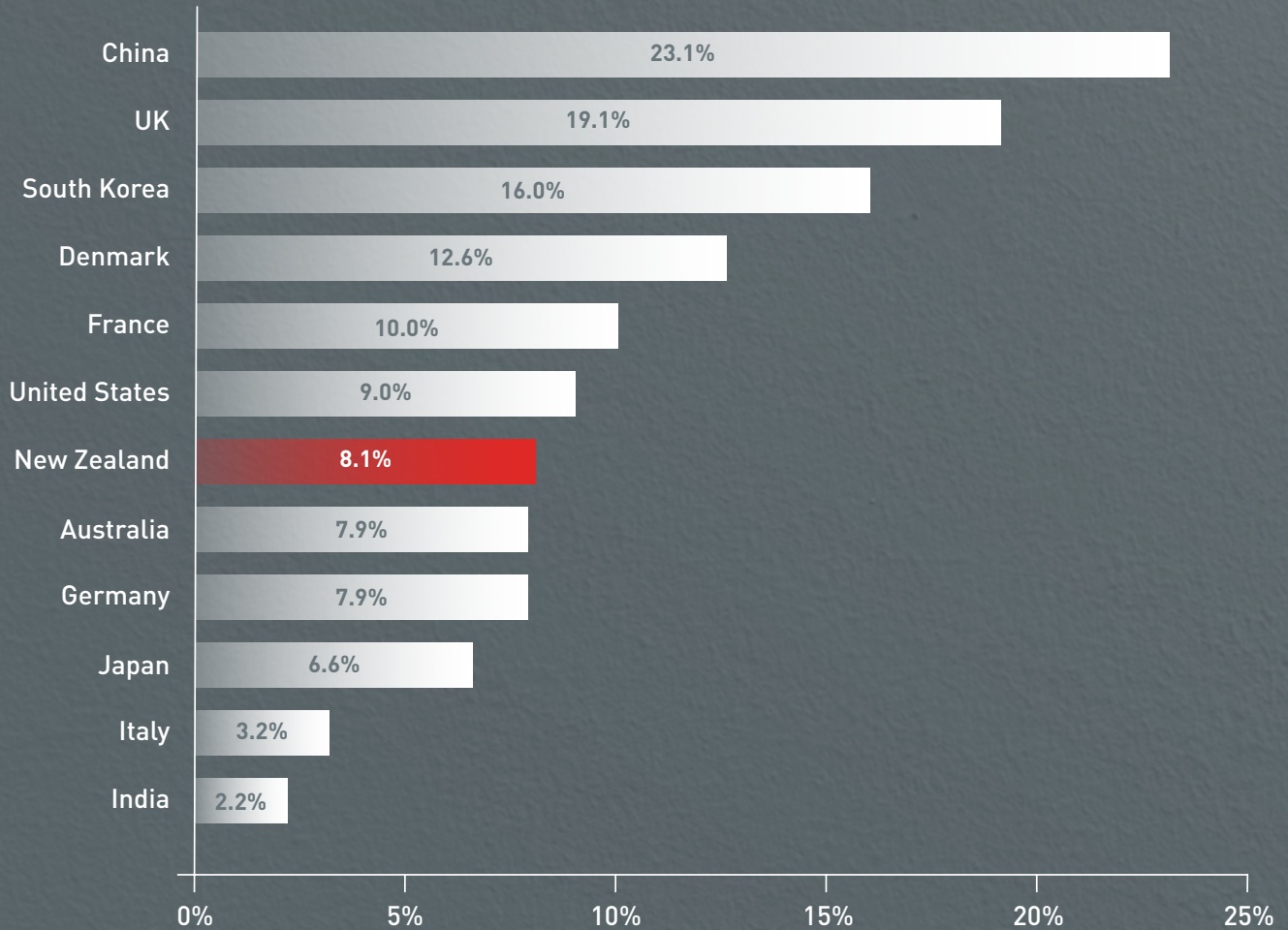
- Transparency – clarify expectations on shipping timeframes, with efficient fulfilment process and clear communication across the delivery journey.
- Returns – simple and easy to execute returns policies are essential for customer comfort.

Best in class Kiwi e-tailers are negating traditional logistics painpoints through simple customer focused solutions. Clarity of costs, efficient pick and pack process as well as painless (and often free) returns are becoming common in New Zealand. This can often be paired with the option to use physical drop offs such as PostShops. By taking the risk out of online selling, these e-tailers are successfully reducing friction faced by their customers.



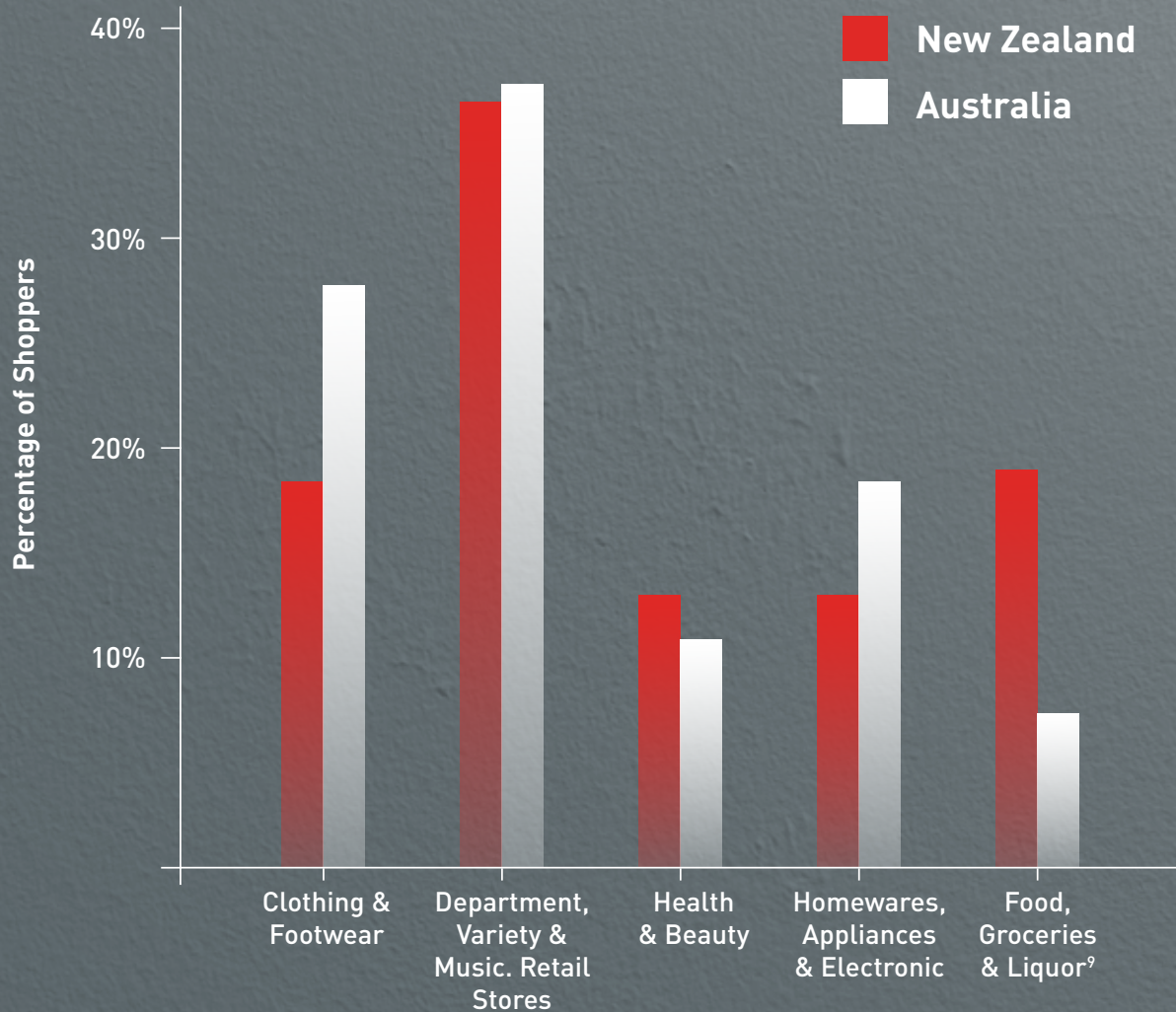
⁶Includes domestic and international online transactions.

eCommerce sales as a percentage of total retail sales in 2017⁷



⁷Datamine data for NZ, NAB Online Retail Sales Index (NORSI Jan'18) for Australia, Statista for all other countries, note: methodology may vary across sources.

eCommerce category comparison 2017 – NZ & Australia⁸



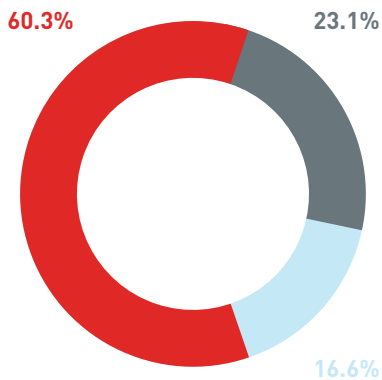
⁸Datamine for NZ, 'Inside Australian Online Shopping' by Aus Post for Australia
Category spend as proportion of online retail spend excluding recreation category.

⁹'Food, Groceries & Liquor' Australia does not include perishable grocery

02.2

A New Zealand snapshot.

NZ 2017 Online Shopping



■ Did not shop online

■ Have shopped online

■ Regular shoppers¹⁰

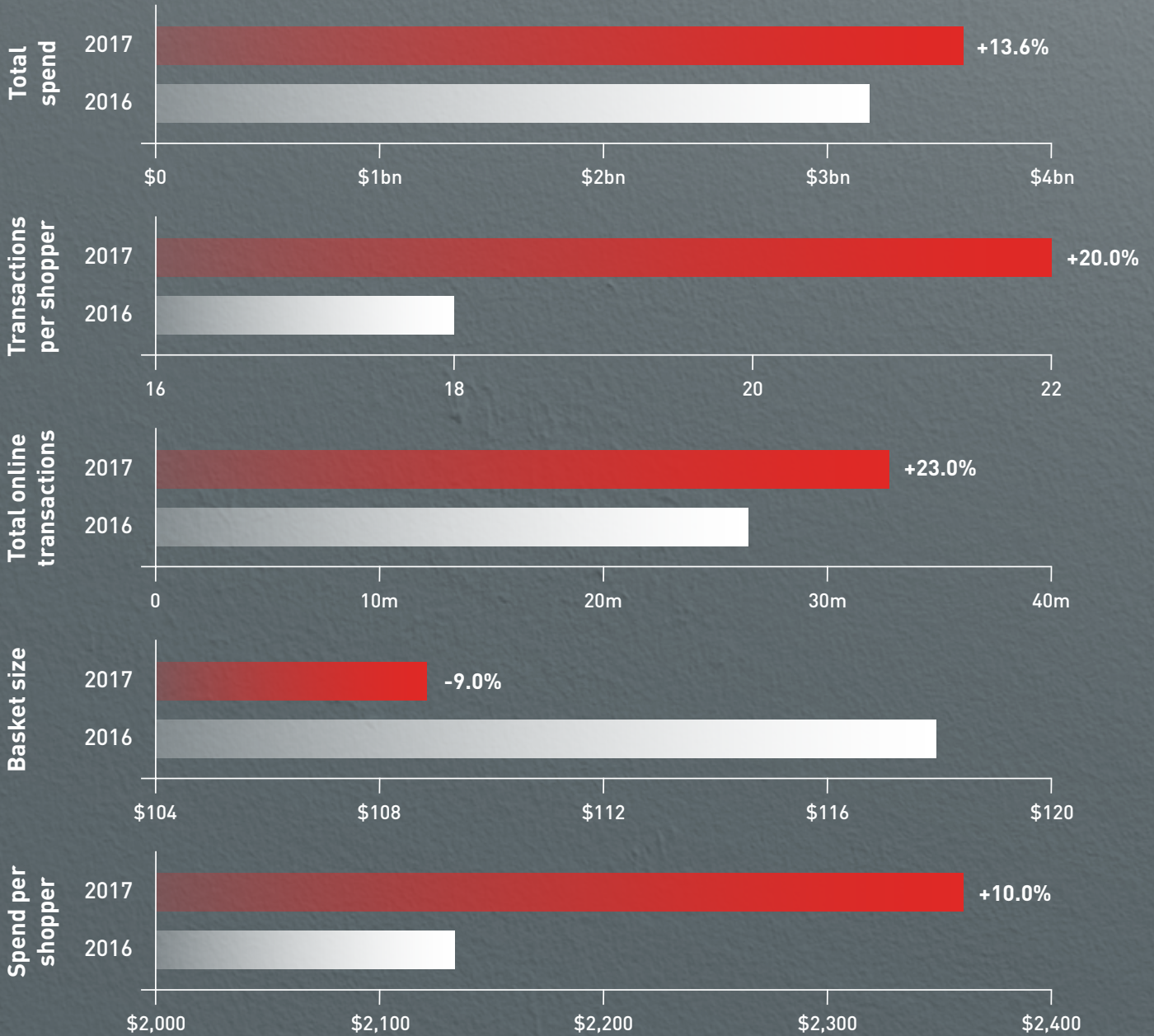
Online spending growth was driven by frequency of purchase.

It would be easy to look at the 13.6% growth of online shopping spend and assume more people are shopping online. Roughly four in ten New Zealanders (39.7%) shopped online in 2017, compared to 39.6% in 2016. Total online shoppers increased 2.7% from 1.49m to 1.53m, largely in line with population growth. The growing familiarity and trust with online shopping has seen a marked change in shopping behavior, which is fuelling the growth, however;

- Transactions per shopper increased 20% from 18 in 2016 to 22 in 2017.
- This contributed to a 23% increase in total online transactions (from 26.5m to 33.2m).
- The increasing frequency of orders saw a decline in the average basket size dropping from \$118 to \$109.
- The average online shopper spent \$2,362 in 2017, \$225 higher than in 2016.

¹⁰Regular shoppers' average more than one transaction per month.

Comparison of key online shopping metrics 2016 vs 2017



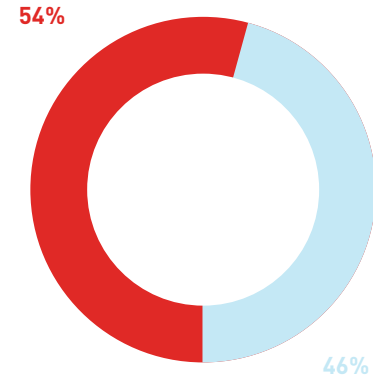
We've seen how New Zealand eCommerce compares to overseas markets, let's now explore which markets New Zealanders are buying from.

eCommerce creates a truly global marketplace so local retailers are no longer just competing locally, and New Zealand online shoppers are comparing the experience they receive domestically with the experience they receive when buying from global players.

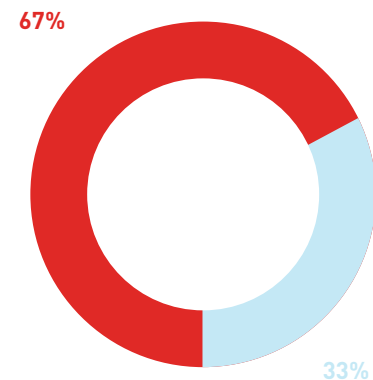
New Zealanders are amongst the world's greatest travellers – it seems we are also quite partial to shopping overseas as well, with a lot of the domestic online shopping trends amplified with international online shopping.

- The 13% growth in online shopping in 2017 was fuelled by a 9% increase in spend with domestic e-tailers and a 23% increase in spend offshore.
- 33% of online spend went offshore (this increases to 45% if you include digital services like Netflix and Spotify).
- International transactions increased by 37% compared to a 13% increase in domestic transactions.
- Shoppers are buying cheaper items offshore – international basket size was \$79 (down 10% from 2016) versus domestic basket size of \$135 (down 4% from 2016).
- Nearly half of all online transactions (46%) were with international e-tailers.
- Shoppers buying Clothing and Footwear online are more likely to buy from international e-tailers, with 54% of spend going offshore in this category.
- Young shoppers are more likely to shop offshore than older shoppers.

Online Transactions 2017

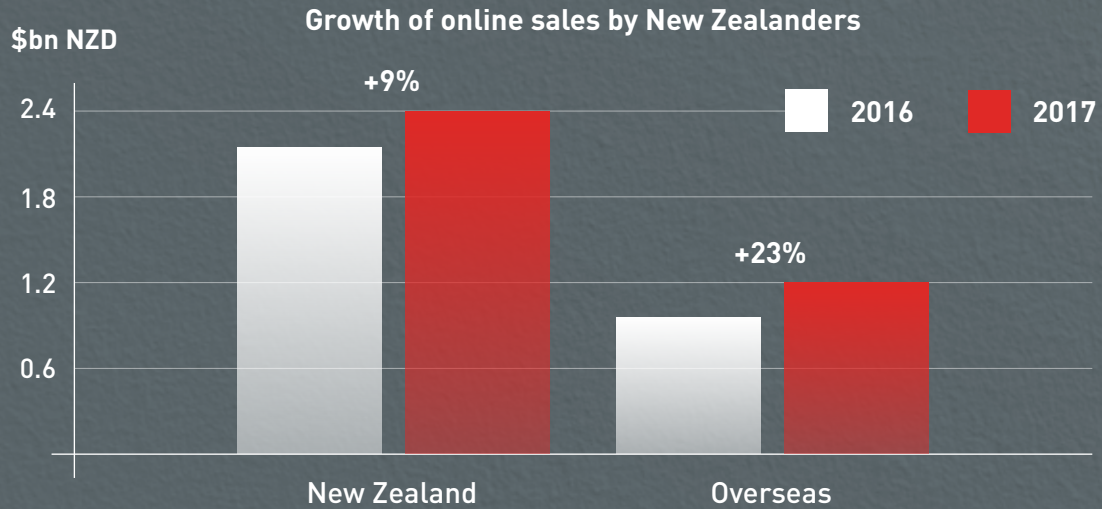
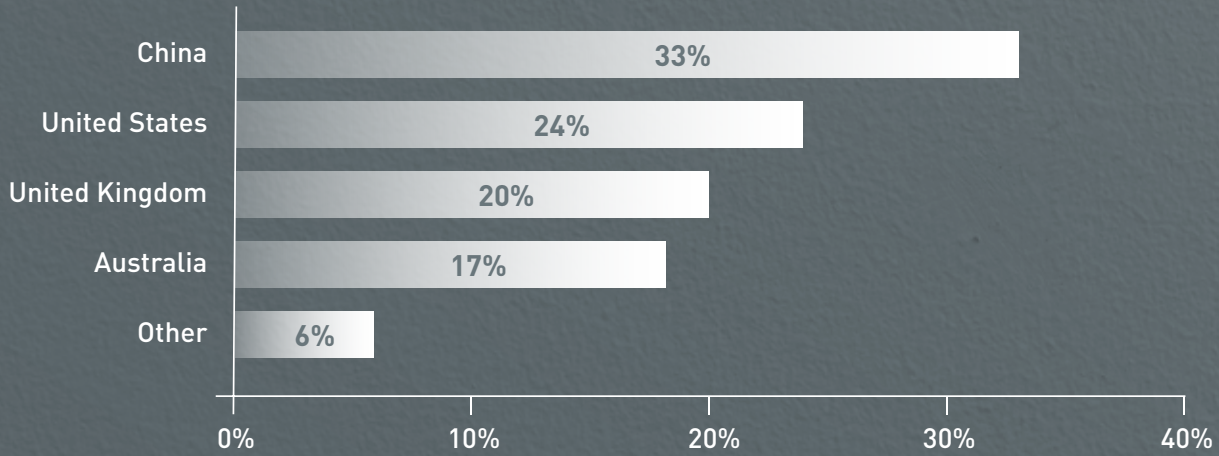


Online Spend 2017



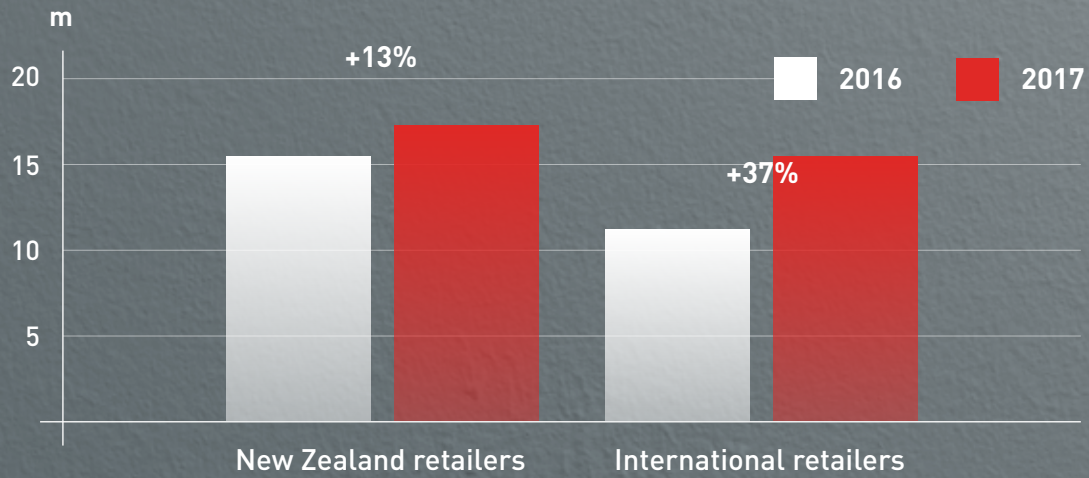
■ Domestic ■ International

The countries New Zealanders most recently purchased from¹¹

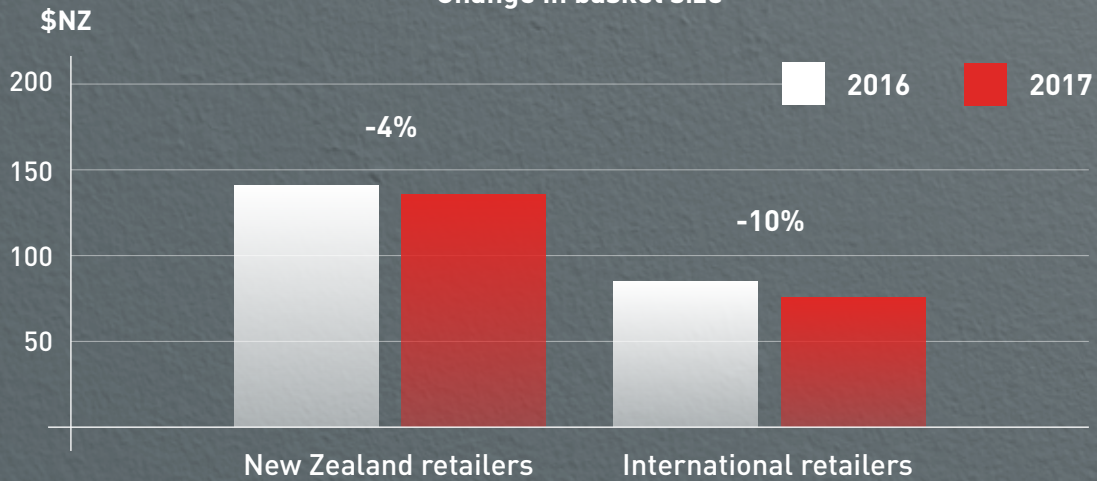


¹¹IPC Consumer Survey 2017

Growth of online transactions by New Zealanders



Change in basket size



A woman with long dark hair is sitting on a light-colored sofa, looking down at a white laptop. Next to her, a young girl with blonde pigtails is holding a tablet and looking at the screen. To her right, a young boy is sitting on the sofa, looking at a smartphone. The background is a plain, light-colored wall. The image has a soft, slightly faded appearance, and there is a white diagonal graphic element on the right side.

02.3

A Look at NZ's Online Shoppers.

When it comes to customer data eCommerce enjoys a real advantage over bricks and mortar.

More than any other form of retail, eCommerce generates and thrives on data.

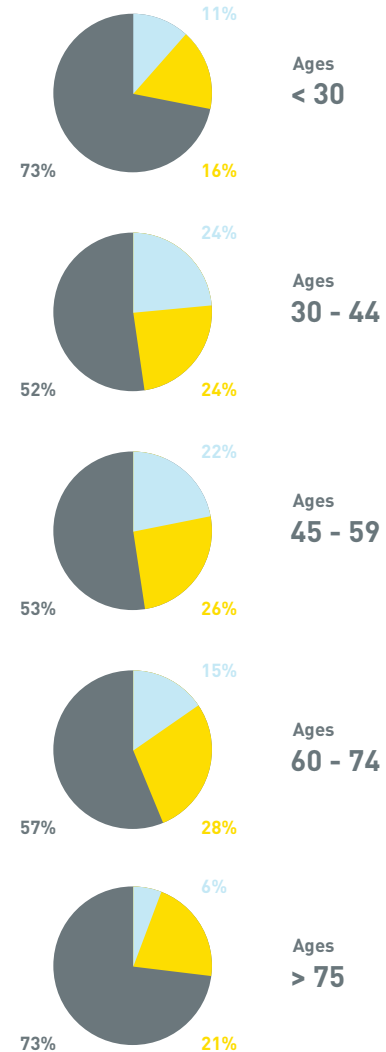
Every time a customer visits a site, they leave behind a sprinkling of digital breadcrumbs. Combining this with transactional data can let e-tailers understand more about their customers and their habits than their bricks and mortar competitors.

Looking at data on their customers can help e-tailers frame their business and marketing strategies, as well as uncover a few unexpected highlights. Here we look at some key insights across age, gender and geography.

- Online shoppers aged between 30 and 44 are the most frequent shoppers averaging 27 transactions per year – buying more than once a fortnight
- Online shoppers between 45 and 59 are the largest spenders, each spending just under \$3,000 online in 2017, and a total of \$1.3b.
- 50% of all online spend comes from those aged between 35 and 55.
- People under the age of 30 are 50% more likely to purchase offshore than older customers.

Regular shoppers¹² ■
 Have shopped ■
 Never shopped ■

Age by shopping profile



¹²Regular shoppers' average more than one transaction per month.



Did you know?

Younger metro audiences are more likely to use mobiles for online shopping. If young metro is a core customer base for you, make sure your online presence and marketing output is designed mobile first.

Looking deeper into demographic insights can inform your marketing strategy.

It's almost impossible for any eCommerce marketing strategy to ignore metropolitan areas with Auckland, Wellington and Christchurch contributing 50% of all online spend in 2017. The greater Auckland region accounted for 37% of online spend. Overall, Auckland, Wellington and Christchurch still contribute 60% of all online sales in New Zealand. Auckland alone accounts for 37% of eCommerce in the country. Those living in metro areas are also more likely to shop with offshore e-tailers.

But this doesn't mean that those living outside these centers aren't shopping online. To the contrary, 42% of people in rural areas shopped online in 2017 compared to 41% in urban areas and 38% in metropolitan areas.

Rural customers also have the largest basket size of \$117 which is 10% higher than the national average, and in 2017 they overtook metro customers as the largest spenders, with an average online spend in excess of \$2,500.

Rural areas also experienced the largest growth with online spend up 15% in 2017, compared to 14% growth in urban areas in 12% in metro.

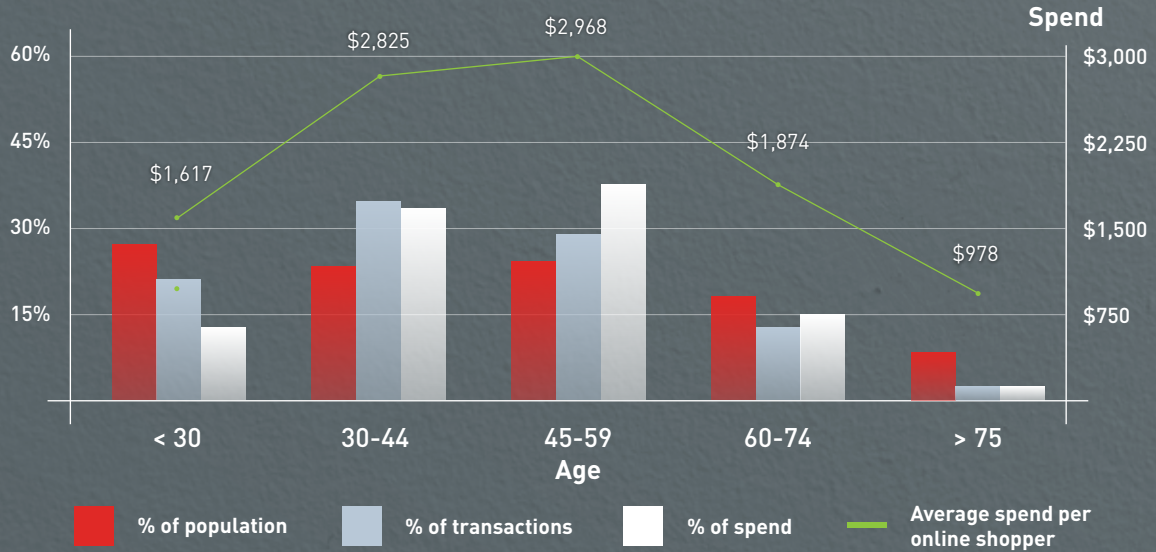
Between the genders there are some interesting variations. Although the percentage of men and women shopping online are about the same (40% versus 38%), the similarities end there. Men shop less often but spend more (averaging \$2,600 in a year across 20 transactions), whereas women shop more often but spend less (an average of 23 transactions delivering \$2,000 in spend). And that translates to an average shopping basket of \$127 for men against a basket of \$90 for women. As a result, men spent \$400m more online than women in 2017.



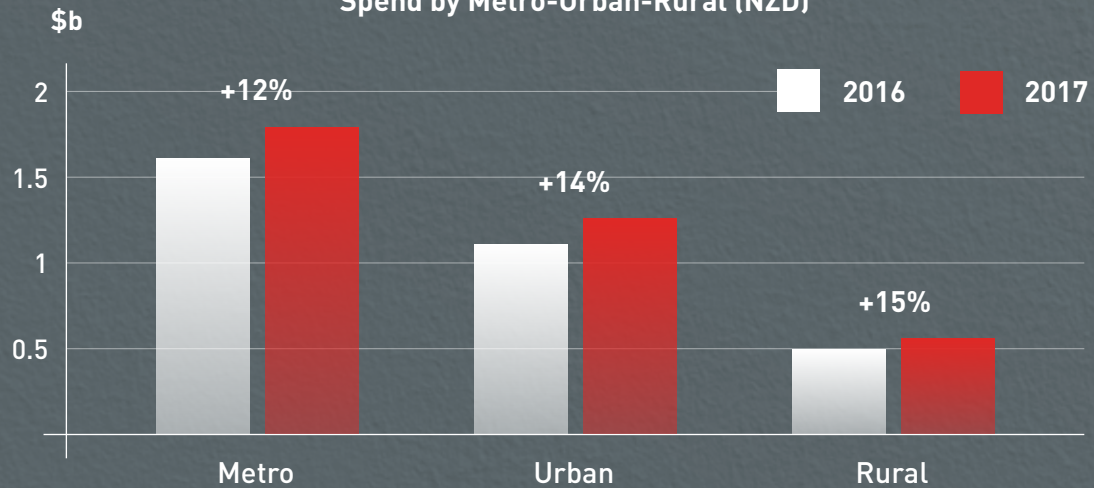
Expert Tip

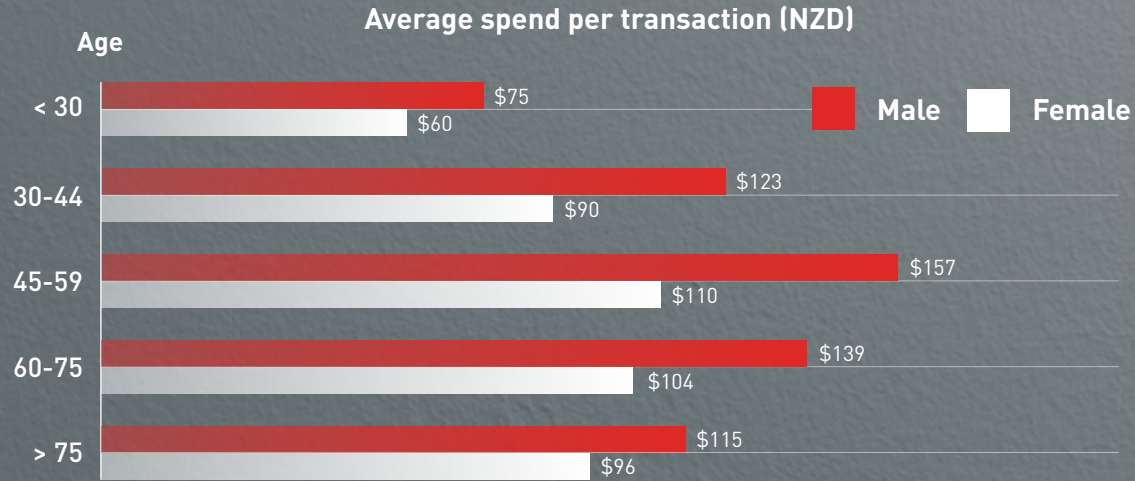
Savvy e-tailers can re-target customers who are researching and buying online. Understanding your core customer segments and tailoring better experiences to them is the corner stone of eCommerce. Consider ways in which to utilise the data that you collect.

Population, spend, transaction by age group

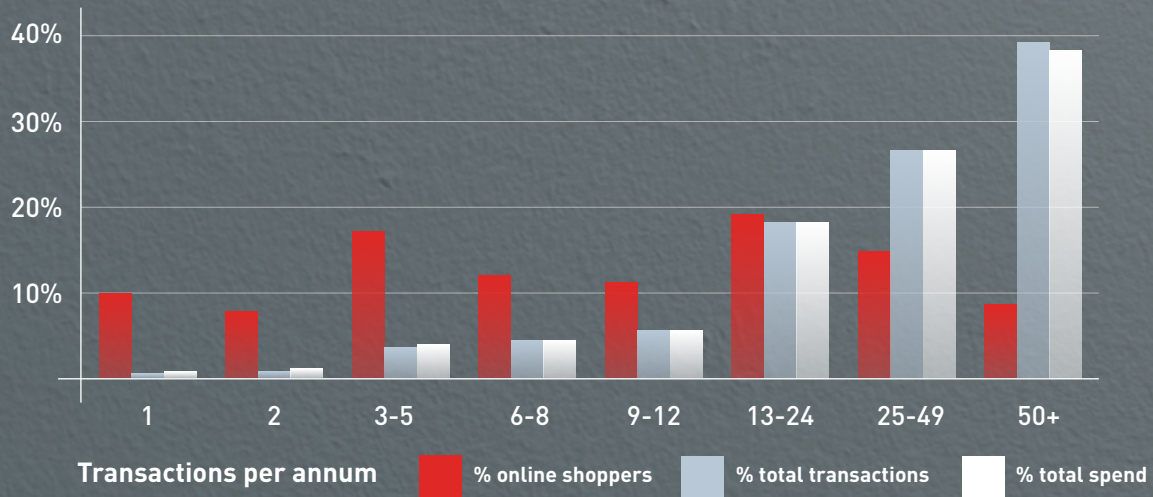


Spend by Metro-Urban-Rural (NZD)





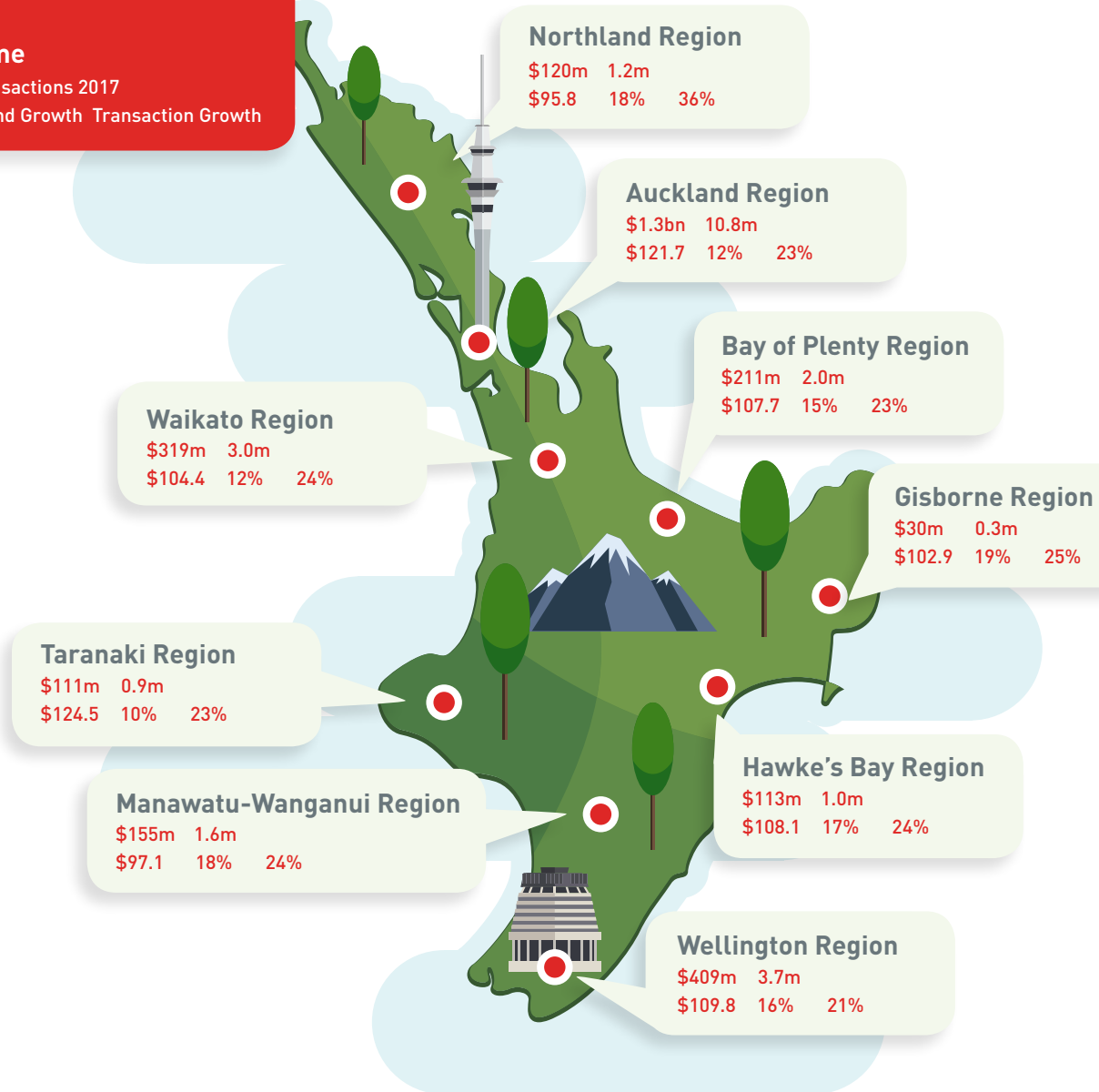
Distribution of customers, transactions and spend by annual transaction buckets



KEY

Location Name

Spend 2017 Transactions 2017
 Basket Size Spend Growth Transaction Growth







Did you know?

Some offshore online traders launch Boxing Day sales on the day after they can no longer guarantee delivery for Christmas. Are you changing your online strategies to take advantage of these new opportunities?

02.4

Peak Trading Periods.

Online shopping is a reflection of **consumer downtime** – when customers have the time and space to access mobiles or research via desktops.

Invariably that means an inversion of the busiest times for physical shopping – the weekends and late nights. Home leisure hours (midweek in the evening or just before going to bed), or even at work, over a hurried desk lunch... these are the new times to attract your shoppers.

Savvy e-tailers will use data to capitalise on these peaks, using calls to action such as emails or even flash sales to put targeted offers to particular shopping segments. The big learning is to let the data do your planning for you – if you are able to extract insights about when your customers are most likely to buy, then it is a simple thing to time offers to these peaks.

Seasonal peaks are equally interesting. Traditional retail based opportunities such as Mother's or Father's Day have had little e-tail effect to date. Newer trends instead are emerging. Coming from almost nowhere, the Chinese New Year, Chinese Singles Day (Nov 11), Black Friday and then Cyber Monday (the Friday and Monday following the US Thanksgiving holiday) are all now significant sales opportunities in New Zealand online spending. It is striking that even five years ago these would have had little impact on the retail calendar.

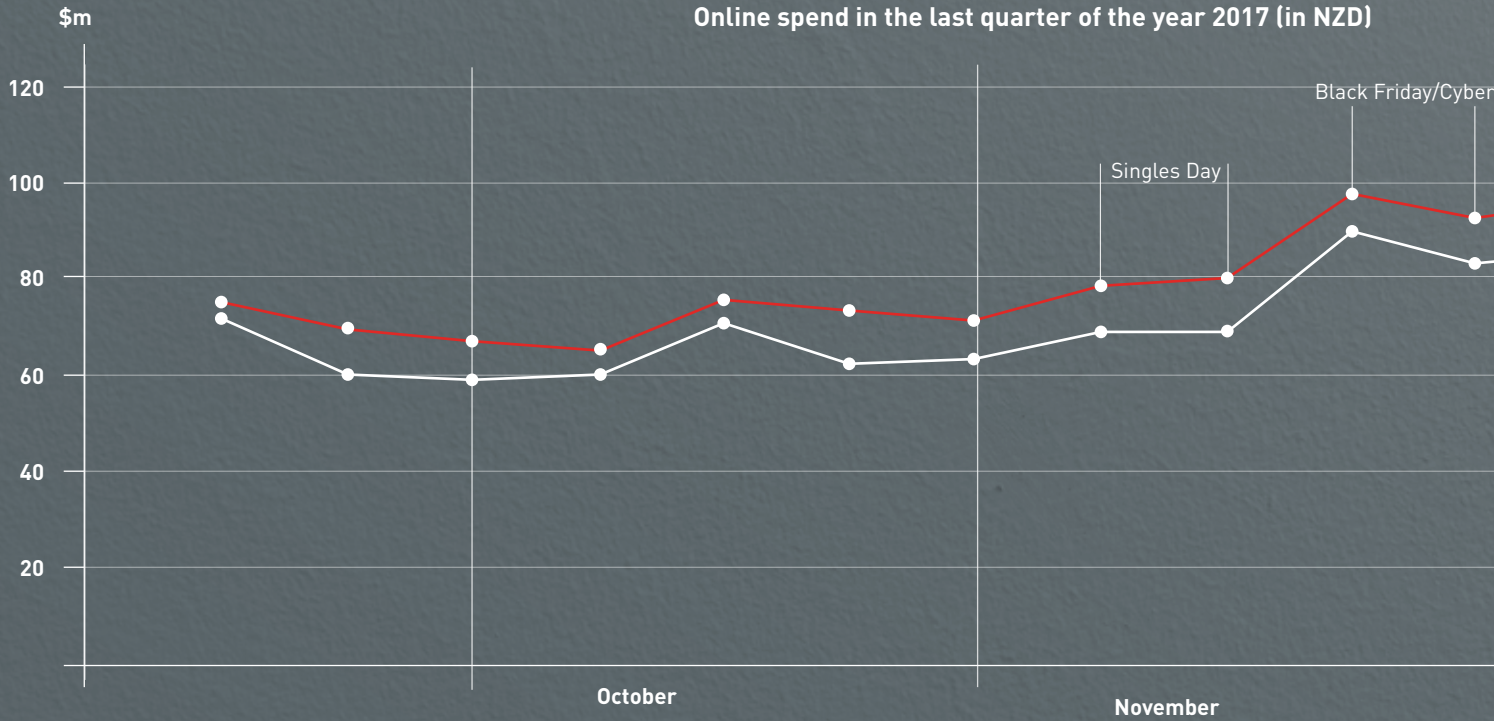
Finally, although perceptions around risk of delivery mean a big drop off in spend the last week of December, enterprising e-tailers cushion this blow by starting their New Year sales early. Amazon's Boxing Day usually commences on the day after they can no longer guarantee delivery, creating a continued demand for online shopping right through the season.



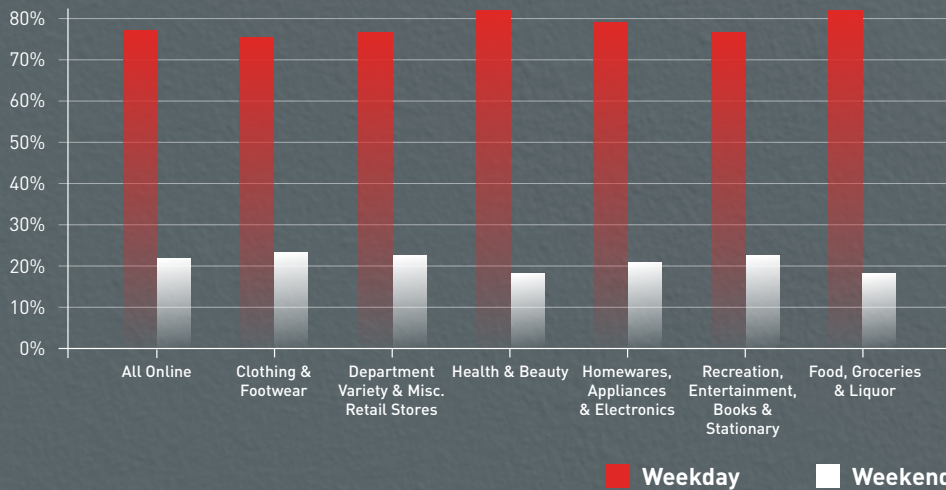
Did you know?

Between 2014 and 2017 the annual parcel volume sent through NZ Post increased by 21%. But the average parcel volume sent in November (when Chinese Singles Day, Black Friday, and Cyber Monday all feature) rocketed up by almost 50% in the same period as the previous year.

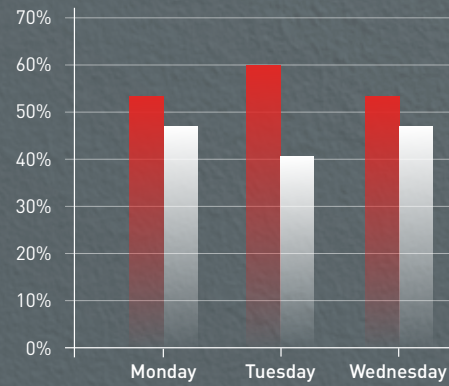
Online spend in the last quarter of the year 2017 (in NZD)

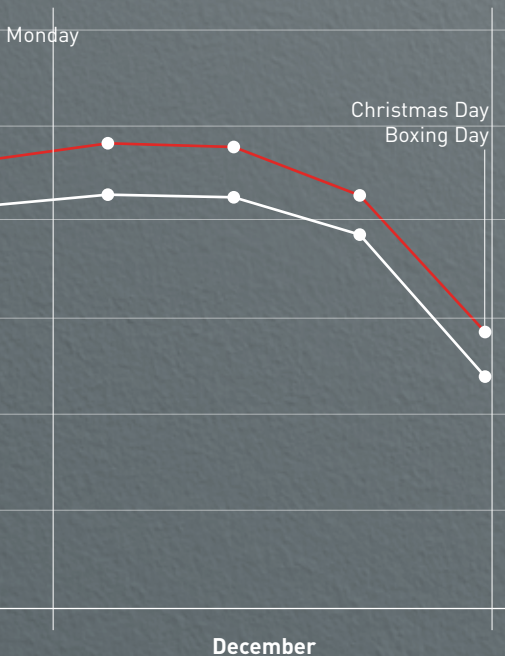


Category Transactions Over Week



Domestic vs International

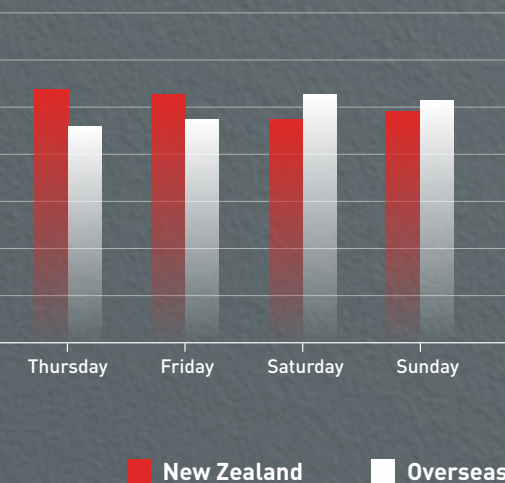




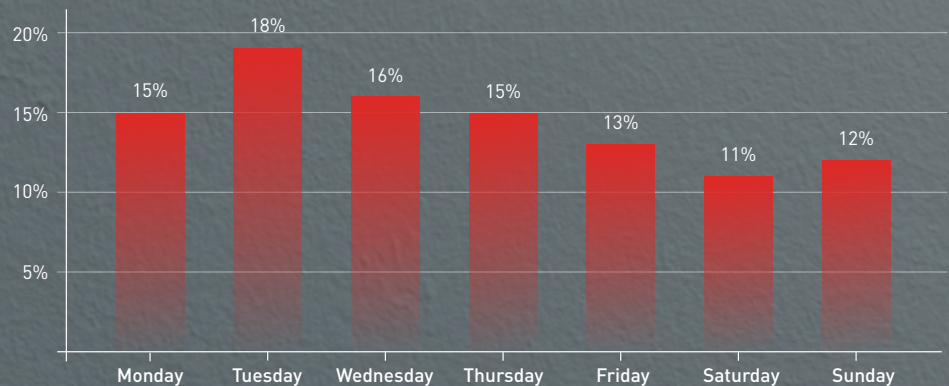
— 2017 — 2016

- The introduction of online **promotional events** has seen the peak trading period start to ramp up from early **November**.
- Online shopping is generally higher **during the week**, with international shopping picking up at weekends.

International Online Transactions



All Online Transactions



A warehouse scene with high industrial shelving units filled with cardboard boxes. In the foreground, a yellow forklift is partially visible. Three figures dressed as Santa Claus are present: one on the left, one in the center holding a large red sack, and one on the right. The scene is brightly lit, and the overall atmosphere is festive and busy.

02.5

NZ Post and the Great Kiwi Christmas.

The Christmas season. It's make or break for retailers, whether they trade on or offline. While the rest of us get to relax a little ahead of the holiday season, retailers are hard at it, opening early and closing late, keeping an eye on stock and revenue and generally spending most days busy, stressed, and exhausted.

And it's not just the retailers.

For many of us November and December mean end of year long lunches, a slowdown in work output, and lots of time in the evening with kids freshly released from school. But even with all that lovely extra time there's still the looming deadline of Christmas shopping to deal with. Those presents don't just buy themselves... so it's no real surprise to see such a seasonal spike in online Christmas shopping.

And of course, more online shopping means more deliveries. For NZ Post, Christmas means managing a significant increase in both demand and capacity. Last December a record 38.9m parcels (up by 9% on 2016) were safely delivered across the nation by NZ Post.

December 21, 2017 was the busiest day of the year. The penultimate day for guaranteed pre-Christmas deliveries saw 338,596 parcels delivered across the country.

Nothing that big can happen without some serious organisation and collaboration. Planning started almost as soon as 2016 was done, an early milestone being the opening of Christchurch's Southern Operations Centre in June 2017. By the time December rolled around, 600 extra staff were on board, along with 200 extra vans, 13 additional long haul trucks, and even an extra Boeing 737. All dedicated to getting those presents into the right hands, and on the right day.

03.

Segments

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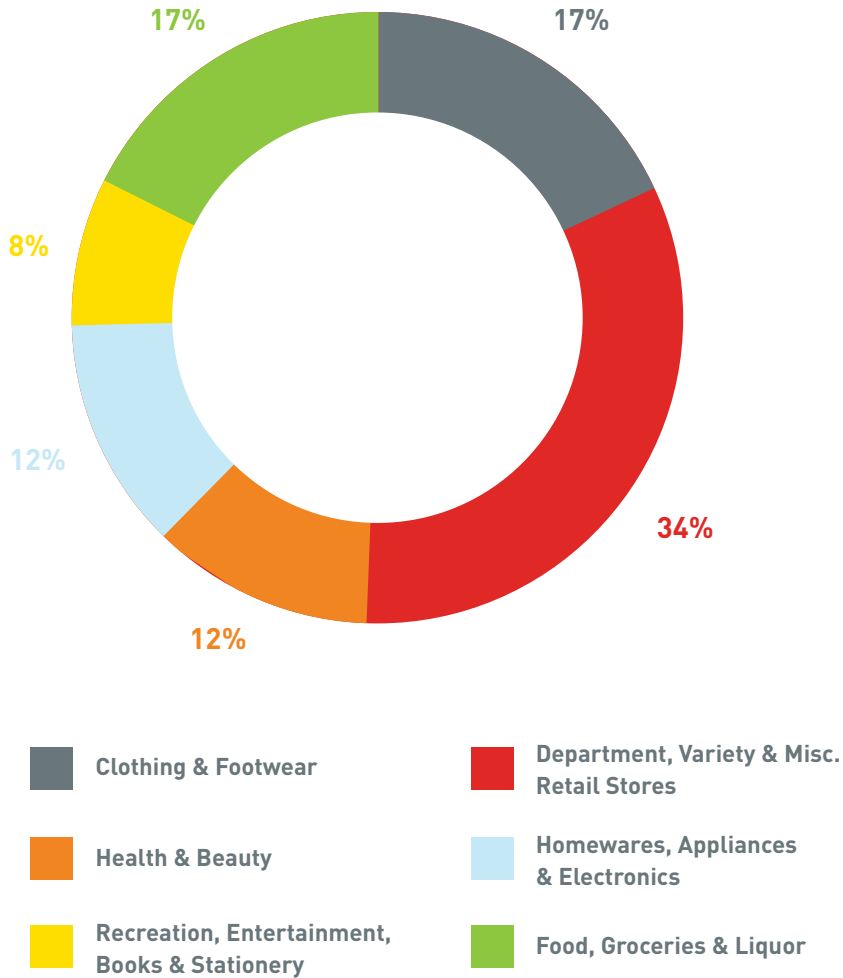
03.1

The impact of eCommerce has varied between the segments we are about to examine.

Many local retailers have ensured a relatively successful transition to online from Department and Variety stores and Misc. Retail. The same is probably not true for Books and Entertainment, where **Amazon** has stolen a significant march.

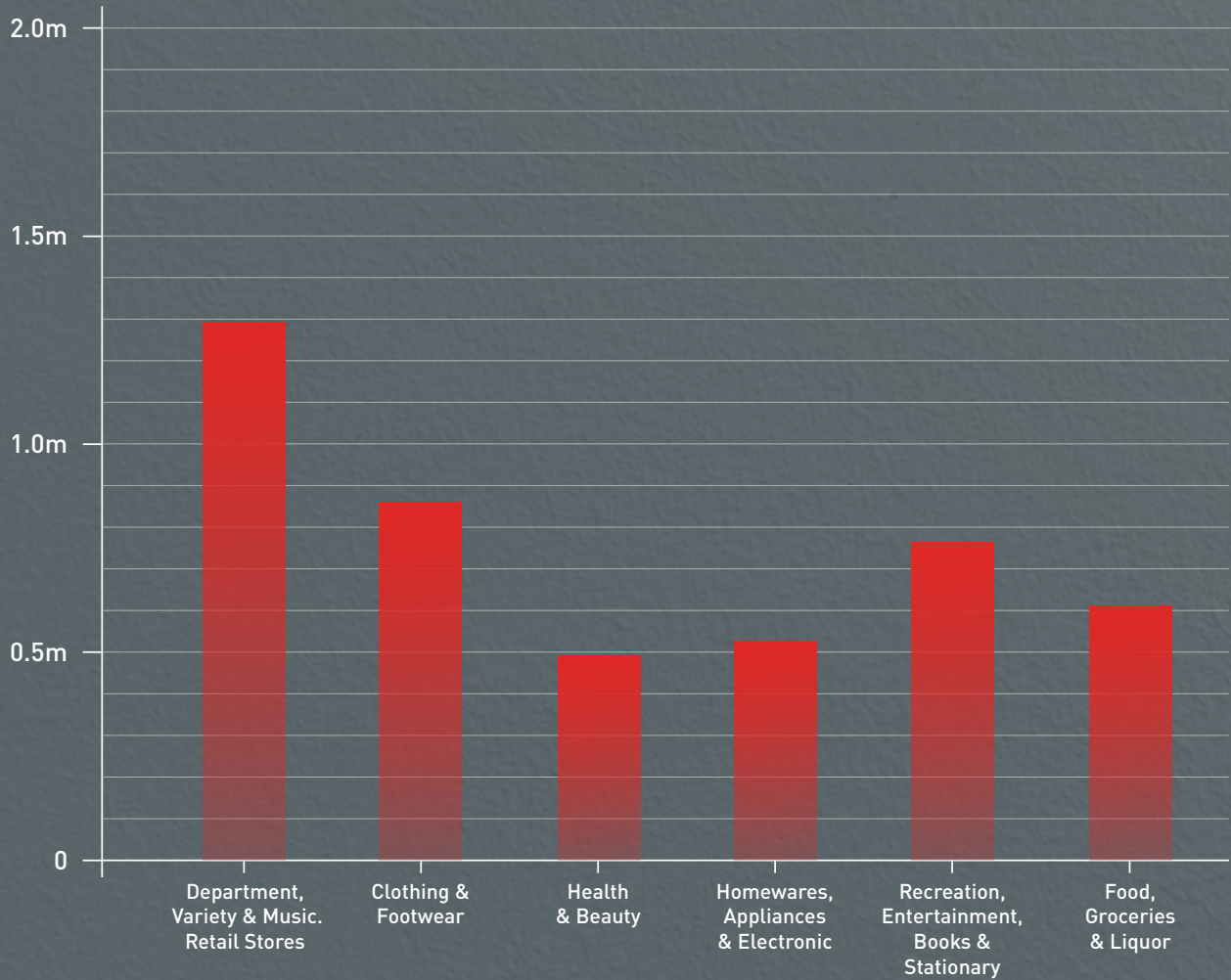
Of course, each segment has their own set of challenges, and in turn their own set of competitive advantages. Retailers are learning to integrate and exploit physical stores within their online offer, and at the same time Digital Native e-tailers are showing the value of a well executed pure play strategy (focusing only on digital and online trading).

Share of 2017 eCommerce Spend in New Zealand

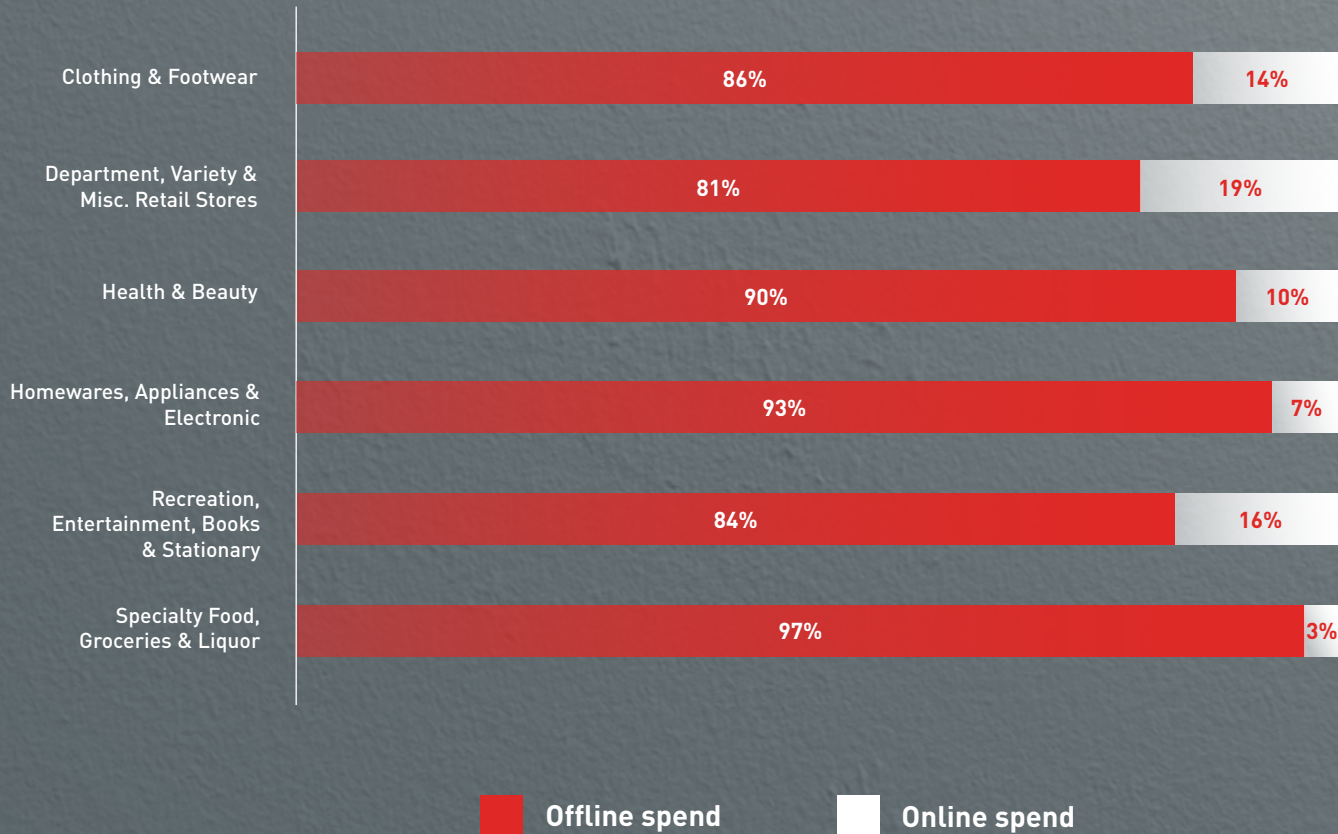


Ultimately, all of our segments face a **globalised competitive landscape**. How well they navigate this over the next few years will inform just how successfully New Zealand retail manages the transition to an **online dominated environment**.

Number of online shoppers by category New Zealand 2017



Online vs Offline retail spend (domestic and international spend) by New Zealand shoppers



03.2



Did you know?

Probably driven by isolation from major shopping centers in New Zealand, non-metro buyers dominate this sector. Does your online offer take into account rural shoppers and rural delivery requirements?

Department and Variety Stores – You’re never too old to learn new tricks.

Department and Variety is our eCommerce powerhouse with bricks and mortar retailers making a successful transition to eCommerce.

This segment accounts for more than half of online transactions and one third of online spend. Department and Variety attracted over one million online shoppers in 2017.

When Kiwis shop online they seem to want a one stop shop. Not unlike fashion’s adoption of digital specific innovations, retail helps facilitate adoption of online shopping through innovations like click and collect (in-store pick up). Not only does this drive adoption, it also helps existing retailers keep more spend in New Zealand. Department and Variety has the highest online penetration, 19% of the spend in this category happens online.

By the numbers

- eCommerce increased its share of overall revenue within Department and Variety

by

17%
in 2016

and now accounts for

19%
in 2017

And although

65%
of that revenue

was spent locally, it's worth noting a year ago that the same number

was

69%

- The majority of sales come from non-metro areas, at a proportion only matched by **Health and Beauty**.

- The weekend is by far the slowest period for Department and Variety online sales... while **Tuesday and Wednesday** are the busiest days.

- Men and women buy in almost equal numbers.

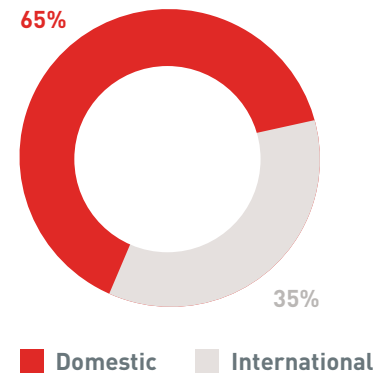
- Finally, the category delivers a relatively small average basket size in online terms

\$72.00

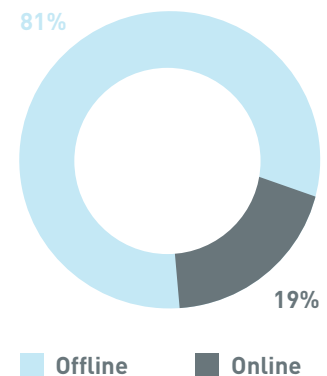
But it's worth noting that it's still bigger than the offline equivalent

\$55.00

Share of online spend



Share of retail spend



03.3



Food and Beverage – Ahead of the international curve

Food and Beverage has come from almost nowhere in the last couple of years. There's a really simple explanation – the emergence of home delivery services in the market.

Given its perishable nature it's not surprising that a massive eighty six cents in every dollar spent on F&B is kept here in New Zealand. That's higher than any other segment.

Did you know?

Online grocery shoppers in the US have doubled in the last twelve months, with nearly half of Americans buying groceries online. This is driven by online expansion of bricks and mortar grocers to meet millennial and Gen Xers needs.¹⁵

¹⁵Study conducted by Food Marketing Institute (FMI) and Nielsen

By the numbers

- eCommerce in F&B is still a recent phenomenon, with only **3.1%** of all spend occurring online last year. However it is catching on fast. Overall, online spend increased by **22%** compared to only **1.6%** for offline.
- Although sales are still concentrated in metro areas, **urban is showing the fastest growth**, with rural not far behind.

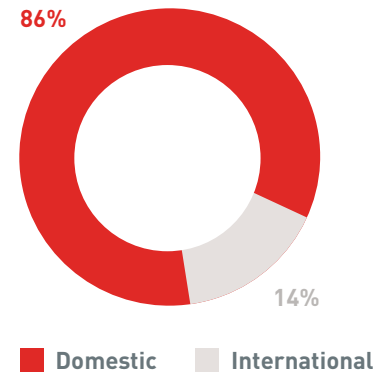
Seasonally, the uplift starts in **October**.

By Christmas, revenue is a massive

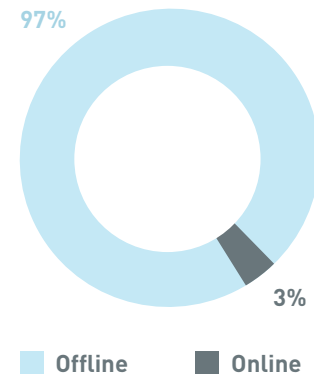
30% higher than average

- With a slight female bias, the average shopper is more likely to be older.
- There's one clear reason online spend is accelerating faster than offline – the average basket size is almost **4X** higher than a physical shop

Share of online spend



Share of retail spend



03.4



Did you know?

Top Shop has the highest social media presence in the UK.

Embracing social media and content marketing has helped to explode online fashion sales in more mature markets.

A smarter look – creating loyal fashion customers.

Clothing and Footwear is a tale of two competing stories... online shopping is taking a larger share of spend BUT over half of revenue now goes to overseas e-tailers.

Innovations like free returns, instant price matching, and best in class digital experience matched with a relatively strong New Zealand dollar can mean an advantage for well funded global operations. But savvy local operators are fighting back, along with blended bricks and mortar and online offerings.

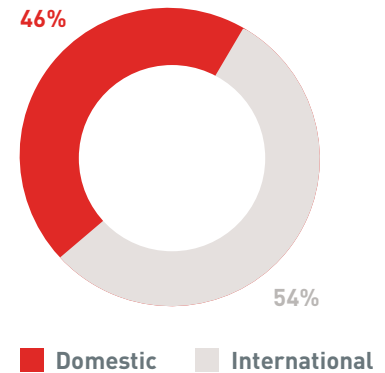
Expert Tips

- Free returns really is a table stake for online shoppers. Maximise your local PostShop for free drop offs... and keep an eye on new innovations like augmented reality and new models, like rent/buy through monthly subscription.
 - Half of all spend in fashion comes from younger metro buyers, predominately female. Does your marketing and communication strategy appeal to this segment, and use appropriate channels to reach them?
-

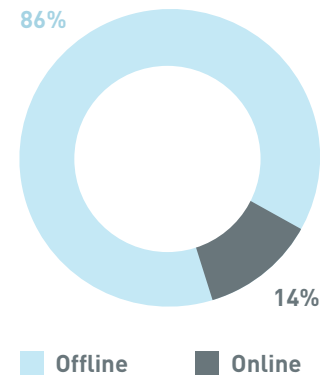
By the numbers

- In a segment where more than **half of all revenue** goes to overseas e-tailers, easy returns and promotions may hold the key for local competitors.
- **Labour Day, Christmas & Boxing Day** all see big lifts in local purchases, with a decline in offshore buying.
- eCommerce increased its share of overall revenue in the segment from **12%** to **14%** in 2017
- **Traditionally a metro demographic,** urban and rural are (like many other segments in the report) growing at a fast pace.
- Perhaps due to the success of sites like **asos.com & The Iconic** in attracting male shoppers, the typical shopper skews only slightly female.
- More expectedly, the average online basket is **\$121.00** **36%** higher than offline and most likely a reflection of shoppers consolidating spend to minimise shipping costs.

Share of online spend



Share of retail spend



03.5



Did you know?

Over half a million New Zealanders bought Homeware and Electronics products online in 2017.

Homeware and Electronics – something for everyone.

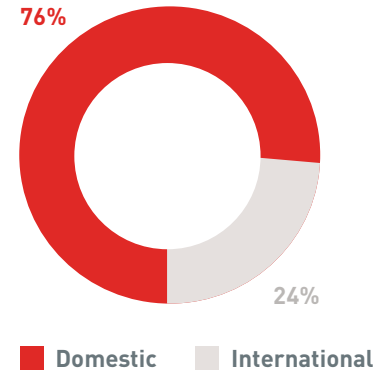
Given the nature of the products involved, it's probably unsurprising that Homeware and Electronics has one of the highest proportion of spend with local e-tailers. And although eCommerce has been a little slow in catching up to its offline cousin, with spend in the online channel still representing less than 7% of all revenue, it is growing – up by 10% last year.

This is one for the older blokes... the mature male demographic dominates homeware and electronics shopping. There is a significant opportunity waiting for an e-tailer able to attract the younger audience.

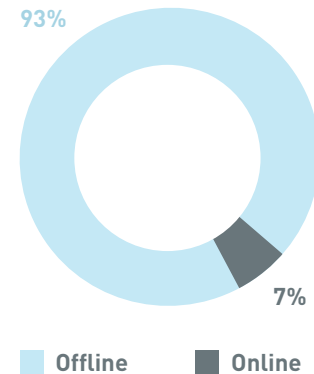
By the numbers

- It's also probably not surprising that there is a clear demographic split between each of **Homewares & Electronics**
- Rural sales grew by **21%** last year compared to metro **11%** and urban **8%**
- Whereas the average online shopper skews **female and slightly younger**, this is a segment dominated by **older males**.
- Another segment with a lot of self-purchase, the segment trades well across the week with weekend drop offs less pronounced. Similarly, Christmas peaks are slightly lower, at **20%** to **30%** higher than normal
- Although both **online and offline** baskets are high in this category, the average online spend **is still double**.

Share of online spend



Share of retail spend



03.6



Did you know?

Taking advantage of that steady buying pattern, some overseas e-tailers offer monthly subscription box products – pay a monthly subscription fee and receive a box of goodies each month.

Health and Beauty – beauty spots are popping up across the land.

The story of Health and Beauty is one of availability – with metro areas well stocked with beauty stores and health stores, the majority of eCommerce sales go to urban and rural areas.

Despite the excellence of overseas competitors, local e-tailers have risen to this challenge... like Department and Variety, we manage to retain 70% of all spend in New Zealand. And if the percentage of revenue going to online is reasonably low at 9.6% last year, the average basket is almost three and a half times larger.

Expert Tip

This is one segment where self-purchasing competes strongly with gifting. That means it's steady year round, and less spiky than other segments. Remember to gear your marketing, delivery and returns policies towards women buying for themselves.

By the numbers

- **The percentage of revenue**

going through the online channel only rose slightly last year – from just over to just under

9% **10%**

- Reflecting the self-purchase nature of this category, **Christmas sales increase only slightly** compared to other segments

- **Over 50% of all sales** went to non-metro areas, a trend that continues to grow

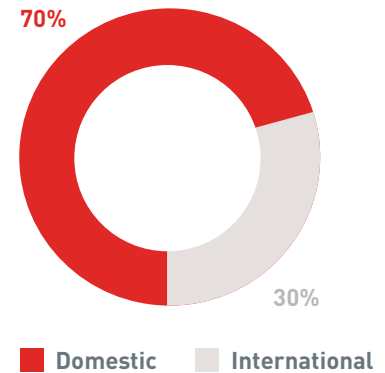
- **Around 490,000*** Kiwis bought Health and Beauty online last year

with an average online basket size of

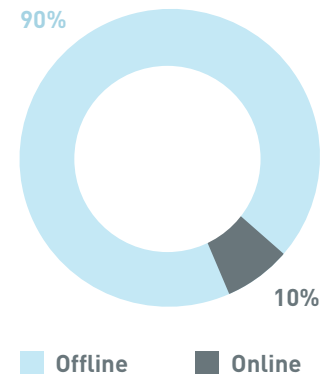
\$219.00

- **Unlike Homeware and Electronics** this is a segment fairly and squarely dominated by **younger females**

Share of online spend



Share of retail spend



*Based on the methodology, this is the best estimate for this category

03.7



Did you know?

Books are still incredibly important to amazon.com, accounting for around \$US4.7b of turnover in 2016 (around 3.5% of all sales). And in the first half of 2017 alone, sales were up by an incredible 46%.¹⁶

Books and Entertainment... Winning business from Amazon.

Books and Entertainment is one of the more mature segments in eCommerce. Amazon is the big beast here, not just with the frontline store, but also through a huge network of marketplace resellers, and of course The Book Depository (an Amazon company).

The dominance of mature e-tailers is one reason so much spend in this segment heads offshore – nearly half goes to non-New Zealand sellers. And the demographic is also slightly different to other segments – pretty much dominated by metro and urban mature females (aged 30 to 60), this is one segment where rural buying is not accelerating.

Expert Tip

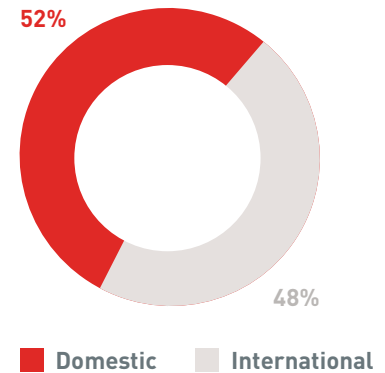
The most successful eCommerce sites in this category provide excellent information on their books and products. Content – reviews, recommendations – can add real value for your customers.

¹⁶www.thebookeseller.com Amazon.com Book Sales up 46% in 2017, 21 August 2017

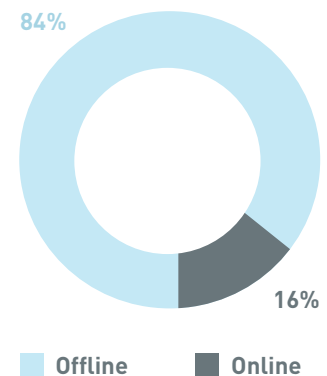
By the numbers

- At **16%** of all spend Online Entertainment & Book Buying is second only to Department & Variety for the penetration of eCommerce.
- Resolutely driven by the cities, only **Food & Liquor** gets more sales from metro than **Books**.
- Possibly driven by weekend reviews, this is a segment where weekend sales drop far less than other segments. **It's also a segment where self-buying is almost as common as gift buying.**
- The category is reasonably stable throughout the year, before lifting by **40%** to **45%** at Christmas
- The average number of items purchased in online and offline baskets is closer than in other segments, although offline still takes twice as much average value.
- Finally, over **700,000*** shoppers online in 2017, Books and Entertainment is almost as popular as Fashion, though still well short of the million shoppers in Department and Variety.

Share of online spend



Share of retail spend



*Based on the methodology, this is the best estimate for this category

04.

Winning in eCommerce



| | | |
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| 04.2 — | What we offer. | 66 - 67 |
| 04.3 — | Contact us. | 68 - 69 |



04.1

What does it take to win in eCommerce?

Understanding your customer is the key to winning in eCommerce.

Successful retail is driven by powerful brands, great products, excellent understanding of the customer, and brilliant marketing. Successful eCommerce needs all this and more...

Customers take a leap of faith when they decide to transact with you online. They trust you to manage their time and personal information appropriately and deliver the purchase on the time and the date promised. There are several key parts of the operations process you need to get right to reduce friction for your customer.

Even if most transactions still occur on a desktop or laptop, the time of the mobile is upon us. Just over a decade since the launch of the iPhone, New Zealand ownership of the smartphone sits at 80%, this is 10% higher than the global average. That makes a mobile-first site design crucial, along with the fully mobile ready eCommerce solutions.¹⁷

Successful e-tailers tend to offer a range of delivery options and up front clarity around shipping charges, timelines and delivery options. With the lead reason for cart abandonment being confusion around shipping, this is not only about

¹⁷iPhone Ownership Stat : Fresh Focus, Behind the Device: Decoding the New Zealand Mobile Consumer. Published 2017.

reducing customer friction – it's about actually getting the sale over the line.¹⁸ With increasing competition from international e-tailers, offering same day or next day delivery service options can help to build a point of difference vs the delivery time from overseas.

And it's not just about the shipping process – best in class experiences stand out with excellent parcel tracking and notification tools, meeting the delivery target and keeping the customer fully informed all the way to the final delivery.

To reduce the risk associated with purchasing online, savvy e-tailers know that peace of mind for customers comes from offering a good returns policy and process. Allowing customers to return their goods if they are not suitable helps to build trust with your brand.

¹⁸www.statista.com Primary Reason for Digital Shoppers to Abandon Carts 2016-2017

As well as offering customers choices on how they can have their items delivered, customers like to have choice when it comes to payment options. Offering different payment options means that customers can choose to pay by credit card or from one of the alternatives such as Paypal or AliPay. Increasingly e-tailers are also offering 'buy now, pay later' services to appeal to and capture new customers.

In the US last year the number one reason for cart abandonment was issues related to the shipping process.¹⁹ To ensure that you are converting your shoppers to buyers, choosing a delivery partner who can make the online shipping process seamless, transparent and reliable is increasingly important, and can make your business stand out from the competition.

¹⁹www.statista.com Primary Reason for Digital Shoppers to Abandon Carts 2016-2017

04.2

At NZ Post our solutions for eCommerce are based around the insights we have gained through the needs of our e-tailing customers,

the solutions below are by no means all the areas we can assist you with your eCommerce experience.



Removing the barriers to online purchasing.

Offering customers different sending options

In order to offer your customer choices, we have a range of different sending options that you can make available on your website. Whether it be international, CourierPost overnight domestic, a 2-3 day service or a same day delivery service, your customer can choose the speed of delivery based on their location and their needs.

An easy returns process

Reducing risk for your customers is about offering peace of mind. With an easy returns process, your customer knows that they have the option of returning their item should it not be suitable. Our ParcelPost returns solution allows you to include a fully tracked returns label in your customer's parcel, enabling them to return the item through NZ Post.

Offering more flexibility around where and how parcels are delivered

Giving your customers more choices on where they can have their parcel delivered the first time, (and thereby avoid a card to call) is the reason we developed our national Parcel Collection and Drop Off network. We have over 240 handy locations where customers can have their parcels delivered.

Sometimes your customers' plans change and they need to change their delivery address once an item is in flight. Your customer can redirect their parcel to within 75kms of the original delivery address.

Providing peace of mind around the delivery experience is the insight that drove us to develop a suite of notification options for your customer, we can work with you to find the right notification strategy for your business needs.

Sending parcels internationally

If your plans for growth include expansion into international markets, NZ Post has easy to use solutions for sending parcels overseas. Depending on the market you target we have a range of urgent, fast and standard options in this space. Our international team are global logistics experts and have a network of locally based agents to help facilitate your needs.

Ease of access to our services

In order to scale your business you need an efficient, reliable and scalable way to access and manage services with your delivery partner. At NZ Post we have developed two digital solutions to help you to automate and simplify your delivery processes.

eShip is a cloud-based application that integrates with common local and international eCommerce platforms, and leading accounting

software. eShip prints packing slips, consignment notes, invoices and parcel labels, and is a simple way to access and manage NZ Post services.

For customers who have a custom-built website or require more personalised service, NZ Post have developed shipping APIs to access and manage our delivery services.

Outsource your storage and fulfilment

Pick Pack Ship is a solution for e-tailers, where NZ Post can look after the warehousing, picking, packing and shipping of your product from one of NZ Post's third party logistics sites. Integrated with leading eCommerce platforms, we receive your customer's order at the same time you do. We pick, pack and ship your product to your customer, quickly and efficiently, even at peak periods. The cloud-based user-interface enables you to see your stock levels and movements at any time.



04.3

To find out how NZ Post can help you grow your business online

Call a NZ Post Business Specialist on
0800 959057

or email

businessenquires@nzpost.co.nz

or visit

nzpost.co.nz/business

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