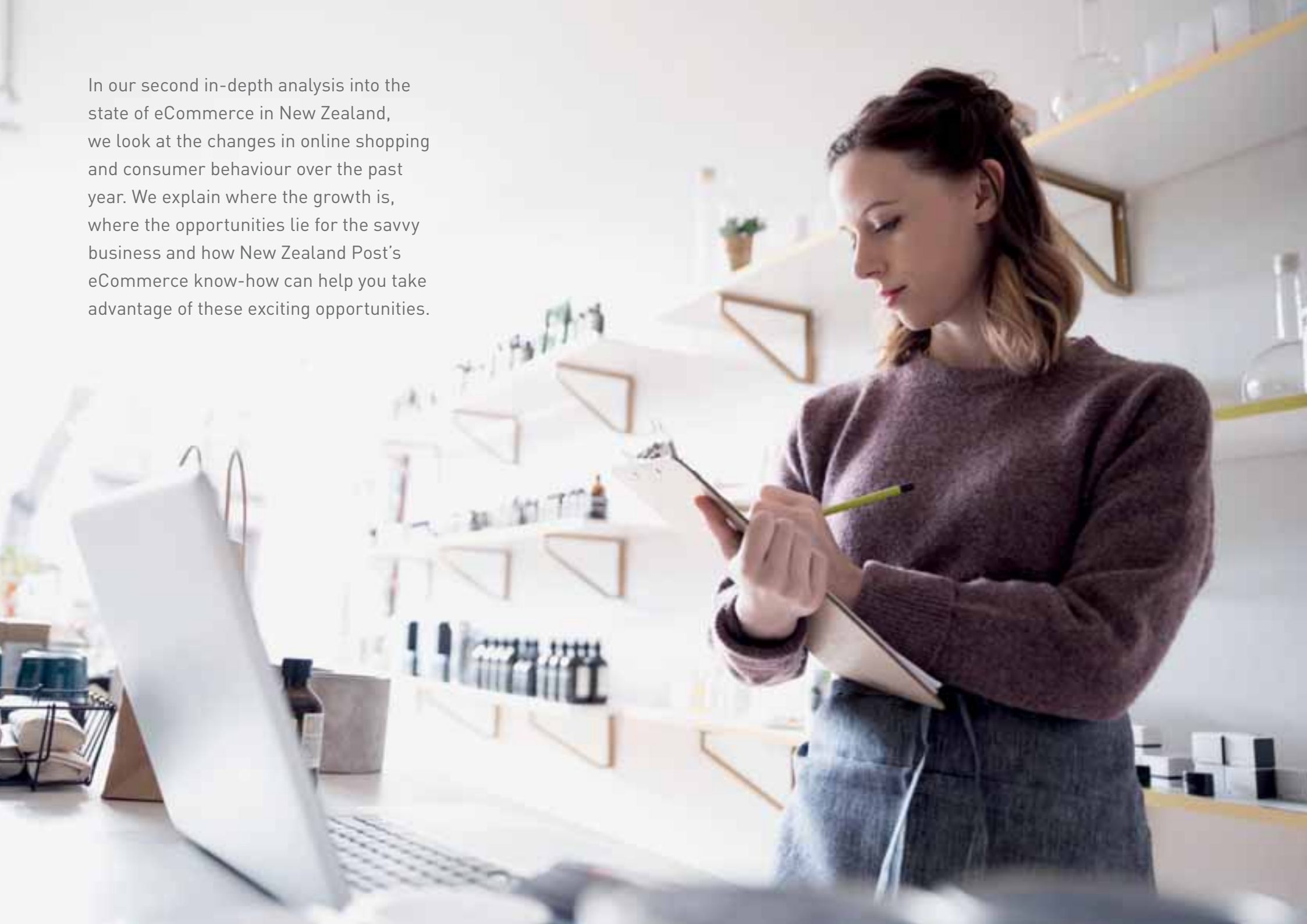




The Full Download

2019 New Zealand
eCommerce Review

In our second in-depth analysis into the state of eCommerce in New Zealand, we look at the changes in online shopping and consumer behaviour over the past year. We explain where the growth is, where the opportunities lie for the savvy business and how New Zealand Post's eCommerce know-how can help you take advantage of these exciting opportunities.



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Contents

A story of continued growth

Many New Zealand retailers could say 2018 was unremarkable with total retail sales of consumer goods growing by just 3%. However, online sales were another story altogether – growing by an undeniably impressive 16%.

Online is not only outperforming bricks and mortar retail sales, as a nation we are getting more comfortable and better at it. Over 1.8 million Kiwis shopped online in 2018 and 44% are doing so regularly, clicking that buy button more than once a month.

We're shopping more often and our basket size is increasing. The latest data reveals Kiwi shoppers are transacting 10% more often on average, compared to 2017. We've also seen a rise in spend per transaction up by 4%, from \$97 to \$100. This may not seem large, but annually it amounts to a significant 14% increase in spend per shopper.

Perhaps the most encouraging news for Kiwi retailers is a noticeable swing back to local business. Shoppers are telling us they trust domestic retailers more and want to support homegrown business wherever possible. Over 65% of shoppers prefer to purchase directly from New Zealand sites as opposed to overseas.¹

They are not just saying it, they are doing it and 2018 saw a turning of the tables – with domestic online spend growing at 19% over international spend which grew at just 10% – the reverse of 2017.

Finally, the rise in popularity of Buy Now Pay Later (BNPL) with younger females is being felt online, fuelled by a plethora of financial suppliers like Afterpay, Oxipay and Laybuy. Some 12% of all Kiwi online shoppers used BNPL in 2018. We predict this is only going to continue to gain momentum, particularly in the Clothing & Footwear sector.



8.9%

OF RETAIL SPEND
IN 2018 WAS ONLINE.
\$4.2B TOTAL SPEND.



16%

GROWTH IN ONLINE SPEND
IN 2018, COMPARED TO
2% OFFLINE.

1.8M

KIWIS BOUGHT ONLINE
IN 2018.

44%

OF ONLINE SHOPPERS BOUGHT
MORE THAN ONCE A MONTH,
MAKING UP 85% OF ONLINE SPEND.



WHILE ONLINE SHOPPER NUMBERS HAVE REMAINED RELATIVELY STATIC, SHOPPERS ARE SPENDING MORE ONLINE OVERALL.



KIWIS ARE SPENDING MORE
WITH DOMESTIC RETAILERS.



19%

INCREASE IN DOMESTIC
ONLINE SPEND VS 10%
GROWTH IN INTERNATIONAL
ONLINE SPEND.

30%

INCREASE IN DOMESTIC
ONLINE SPEND IN Q4
COMPARED TO THE FIRST
THREE QUARTERS OF 2018.

BLACK
FRIDAY
#SALE





45%

INCREASE IN DOMESTIC
ONLINE SPEND IN THE
CLOTHING & FOOTWEAR
SECTOR. 28% GROWTH
IN SPEND IN THIS SECTOR.



12%

OF ONLINE SHOPPERS
USED BUY NOW PAY LATER
SERVICES IN 2018.





eCommerce in New Zealand – can you catch the wave of change?

Last year, The Full Download Review found New Zealand retail at a crossroads. This year our 2019 New Zealand eCommerce Review shows online has helped many retailers go through those crossroads and many are accelerating away, nicely.

We're spending some \$4.2 billion annually on online purchases, close to 9% of total retail spending. Globally, that puts us on a par with Australia, but still some distance behind the UK, where online retail spend is 18% of total spending.¹

Within New Zealand's continued wave of online growth, significant changes and patterns appeared in 2018. The opportunity for local businesses is to adapt to take advantage of these changes in the e-tail environment.

For example, the fastest growing domestic sector with 45% growth in spend is Clothing & Footwear – fuelled partly by young females jumping onto the Buy Now Pay Later (BNPL) trend. Food, Groceries & Liquor had a surprising growth of 23% – driven largely by the popularity of meal kit delivery services.

But there's another strong trend emerging – domestic sales growth is outstripping international online sales growth.

By retailers continuing to make their customers' online shopping more engaging, and improving choice and delivery experiences, we can only see an upside to this growth for Kiwi businesses.

Once again, we've partnered with leading analytics provider Datamine to bring you this insightful review of eCommerce in New Zealand. We have also conducted an Online Shopper Survey where we asked customers to tell us what they were looking for from their online shopping experiences. It's more than big facts and figures: there are powerful insights into current buyer behaviour up and down the country that can help you make decisions to drive your eCommerce business forward.

Bryan Dobson

Chief Marketing Officer, New Zealand Post



Visit thefulldownload.co.nz to see the full story.

Where's the source?

We've used data from a variety of sources to bring you The Full Download 2019:

- 2017-2018 transactional card data from Datamine.
- Census 2013.
- Other eCommerce research and reports referenced in the footnotes where appropriate.
- NZ Online Shopper Survey 2018 commissioned by NZ Post, interviewing over 2,000 New Zealand online shoppers from 22nd November to 4th December 2018.

To help geographical insights, data has been aggregated to an area unit level and where it makes sense these have been replaced with specific suburb or locality names. All dollar amounts are in NZ Dollars unless otherwise stated.

All figures are from Datamine unless otherwise noted.

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

Specifically excluded from our core online transactional samples are the following merchant sector groups: travel and tourism, online lotteries, betting and ticket agencies etc., cafés, restaurants and bars, digital consumed goods and services (including subscription services such as Spotify, Netflix etc.), utilities, insurances, tax payments, buying and shopping services and clubs, transportation services, associations and organisations.

In order to keep a tight focus on retail, only transactions within the following merchant sector groups are included:



DEPARTMENT & VARIETY



FOOD, GROCERIES & LIQUOR



HOMEWARES & ELECTRONICS



CLOTHING & FOOTWEAR



HEALTH & BEAUTY



ENTERTAINMENT, BOOKS & STATIONERY

Definitions

We have used Statistics NZ geo boundaries to define rural, urban and metro. Main metro covers the main urban areas of Auckland, Wellington and Christchurch. Rural is defined as an area with 300-999 residents – everything outside of urban areas is considered mainly rural.

Abbreviations

Full sector names as follows have been shortened throughout the report for ease of reading. Clothing & Footwear, Department, Variety & Misc, Retail Stores, Health & Beauty, Homewares, Appliances & Electronics, Recreation, Entertainment, Books & Stationery, Food, Groceries & Liquor.

Changes to Datamine methodology

There were some changes to the methodology we applied to The Full Download 2018.

What the changes were:

- Inclusion of marketplace transactions to the report (where they had previously been excluded).
- Increase in the weighting applied to the contactless debit card transactions.
- An algorithm was created to make adjustments to transaction volumes to address the multiple payment instalments seen in Buy Now Pay Later (BNPL) transactions.
- Recategorisation and reclassification of transactions to a merchant level (with the help of Afterpay).

Why changes were needed:

- As new information was discovered, it was identified that the handling of marketplace transactions needed to be amended.
- The rise of contactless debit cards and BNPL transactions needed to be addressed.

What the effect was:

- New online category for marketplace transactions.
- Minimised the potential underestimation of year-on-year growth due to contactless debit cards being underweighted.
- Appropriate inclusion of BNPL transactions at a merchant level.
- As the result of the above changes, 2017 transactions data used in this report has improved.



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Data tells us what online shoppers actually did in 2018 and in this opening section of our review we use Datamine 2018 transactional data to reveal some key facts about Kiwi shopping patterns. We see who's buying, what, when and from where and we highlight key changes from 2017. Finally, we highlight two key emerging trends that online retailers should be mindful of.

All information contained in this section is derived from Datamine data unless indicated otherwise.

Section 1.0



Snapshot of eCommerce in New Zealand

Online domestic spend growth outstripped international spend growth. Whether it was a weaker Kiwi dollar or a sign that local retailers were improving their online game, New Zealand's domestic online spend grew at a promising 19% in 2018. This outstripped spend growth with international based retailers which slowed to 10% in 2018 from an impressive 23% in 2017.

To put this into context, the total retail spend in New Zealand grew by only 3% – whereas total online spend grew by 16%. In 2017 international transactions grew by 37% and then in 2018 they only grew by 6% – a notable slowing in growth for international. The number of domestic transactions, on the other hand, grew by a very healthy 16%.

Another encouraging sign in 2018 was the domestic basket size, which grew from \$115 in 2017 to \$118, trouncing the international basket by a whopping \$42.

Other economic factors came into play in 2018, particularly the Buy Now Pay Later (BNPL) trend which is encouraging an avid shopping culture – particularly amongst younger shoppers.



CLOTHING & FOOTWEAR, HOMEWARES & ELECTRONICS AND FOOD, GROCERIES & LIQUOR WERE THE FASTEST GROWING SECTORS.

Key highlights of the year:

TOTAL ONLINE
SPEND GREW BY

16%

DOMESTIC
TRANSACTIONS
GREW BY

16%

WHILE INTERNATIONAL
GREW BY 6%.

BRICKS AND MORTAR
SPEND GROWTH WAS

2%

DEPARTMENT & VARIETY
OUTPERFORMED ANY
OTHER SECTOR AND
ACCOUNTS FOR

31%

OF ALL ONLINE SPEND.

DOMESTIC ONLINE
SPEND GREW BY

19%

REGULAR SHOPPERS
ARE SHOPPING MORE
AND ACCOUNTED FOR

85%

OF SPEND AND
TRANSACTIONS.

INTERNATIONAL ONLINE
SPEND GREW BY

10%

IN CLOTHING & FOOTWEAR,
MORE THAN

50%

OF SPEND WAS WITH
DOMESTIC RETAILERS –
A REVERSAL OF 2017.

KIWIS SHOPPED

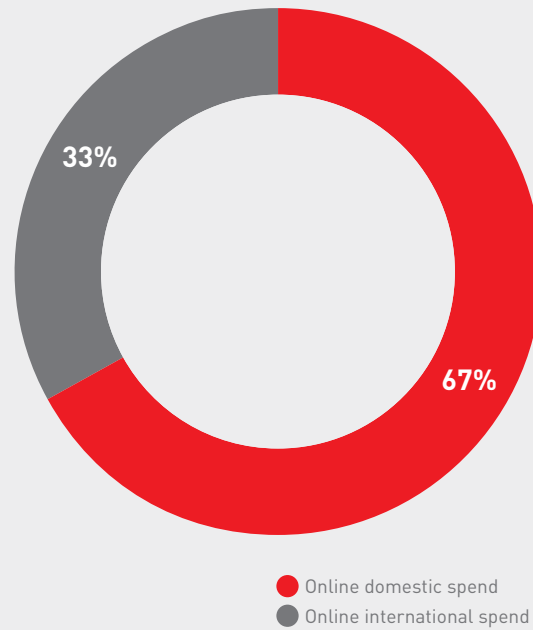
10%

MORE IN 2018 (22 TIMES
VS 20 TIMES IN 2017).

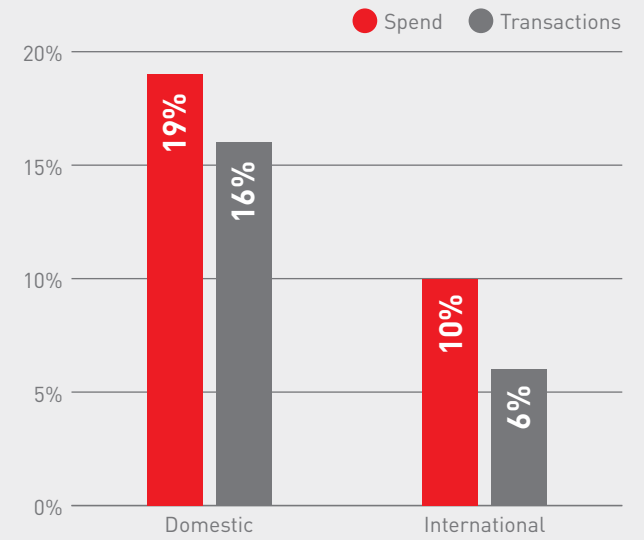
Shoppers vs non-shoppers
2018



Total online spend
2018



Domestic vs international spend and transaction growth
% 2017 to 2018



DOMESTIC ONLINE SPEND GREW TWICE AS MUCH AS INTERNATIONAL SPEND.



DID YOU KNOW?

The five key reasons shoppers go online rather than buying at physical stores:

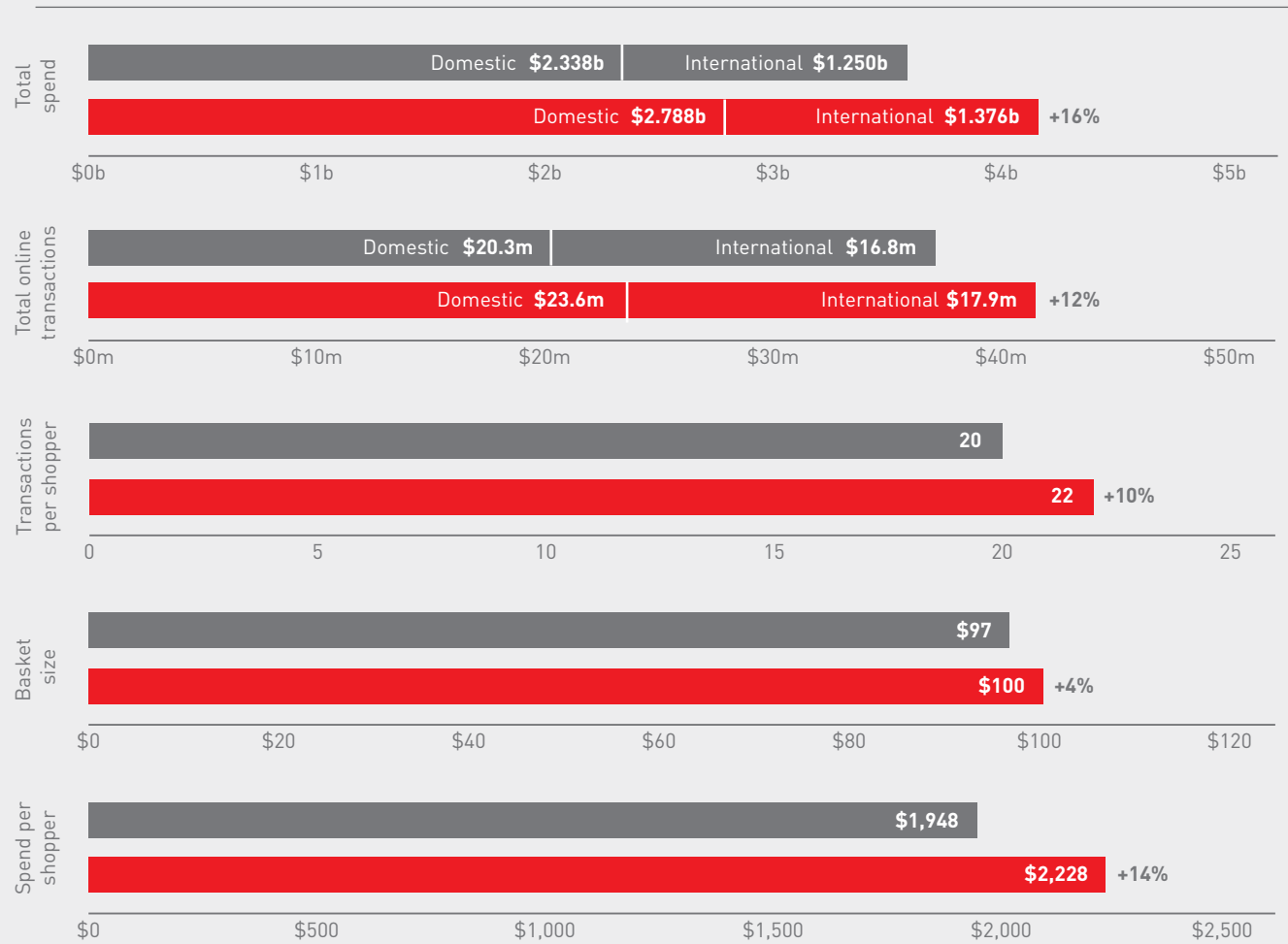
- Easier/convenient to search and buy
- Cheaper than in store
- More choice
- Easy to compare prices
- Don't like shopping in stores/malls

Source: NZ Online Shopper Survey 2018

Comparison of key online shopping metrics

2017 vs 2018

● 2017 ● 2018



Who's buying online?

Unlike traditional bricks and mortar store purchases, every online purchase helps build an accurate customer picture: their age, gender, preferences and their location. When combined with payment data, an even clearer understanding of your customer emerges – helping you tailor your marketing and your eCommerce platform for greater success.

Overall, the growth in online shopping in 2018 was largely driven by existing shoppers increasing their shopping frequency and their basket size. The average online spend per customer is now an incredible \$2,228. Some 44% of online shoppers are now shopping online regularly (more than 12 times a year). These shoppers contribute 85% of the spend; however, their average basket size is 5% lower than non-regular shoppers. Amongst those who are shopping online, the top 9% of the shoppers are contributing an astonishing 41% of spend. These top shoppers make an average of 86 purchases per year, and spend \$8,895 a year. This is an incredibly rich vein for New Zealand e-tailers to tap into.

It's in the under 30s where we are seeing the most growth, with 40% of this age group now shopping online – up from 27% in 2017. Once again, the rising popularity in Buy Now Pay Later (BNPL) amongst young females appears to be a big factor behind this growth.

In our rural communities, young women are also some of the highest users of online shopping with penetration at 66% in the 30 to 45 age group. The lack of proximity to a good selection of stores means they are hungry for choice and lower prices.

While the under 30s were the standout shoppers in terms of growth, let's not forget the real money is still held by the 30-60 age group. They continue to dominate the online shopper base with the 30-44 age group having the highest penetration of online shoppers at 58% while the 45-59 age group has the highest value basket size at \$117.

44%

OF ONLINE SHOPPERS
SHOP ONLINE REGULARLY.

40%

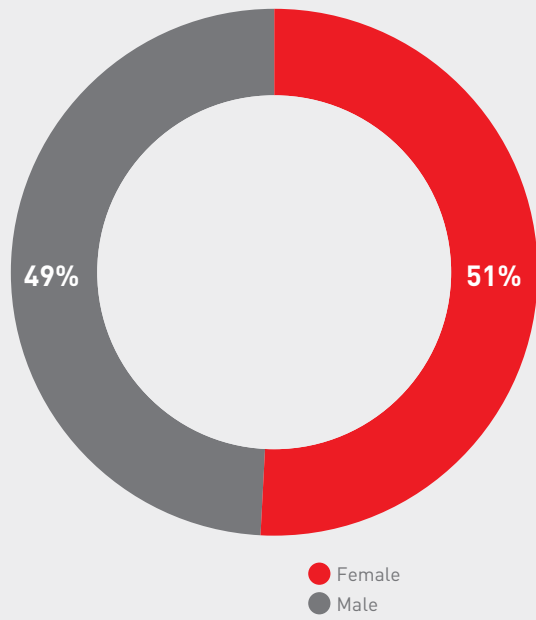
OF UNDER 30s
SHOP ONLINE.

66%

YOUNG RURAL WOMEN
(30-45) SHOP ONLINE.

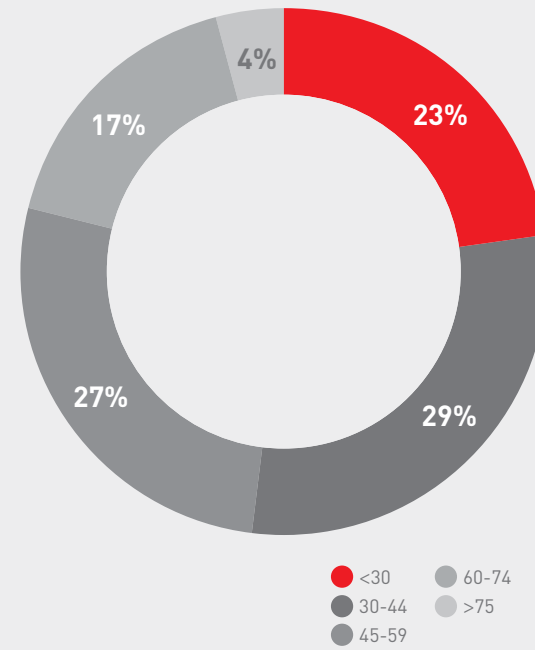
Gender

2018 Online Shoppers



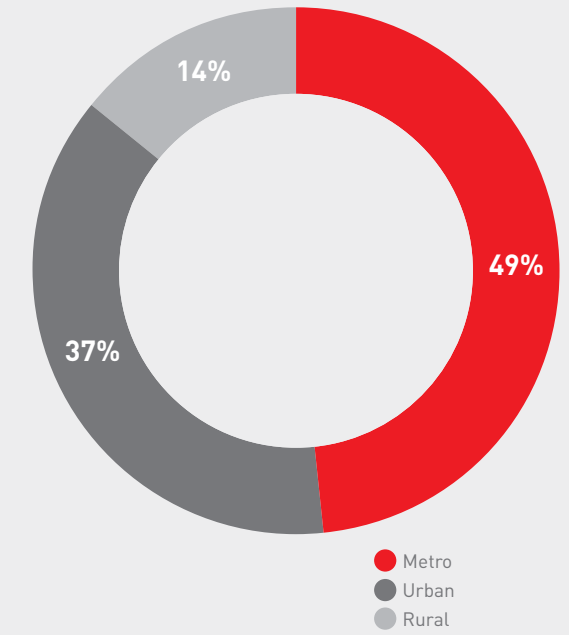
Age

2018 Online Shoppers

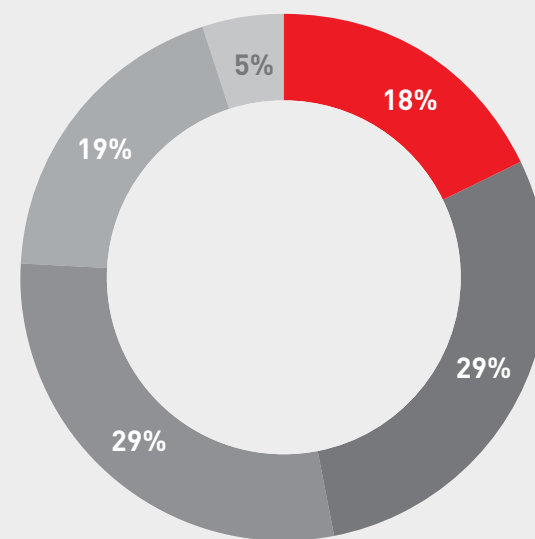


Location

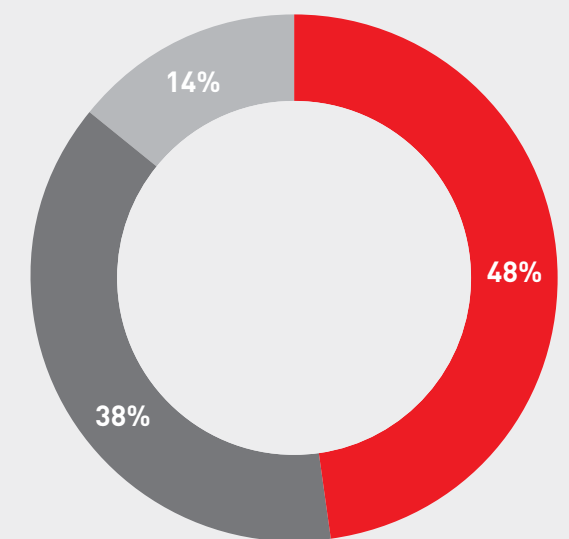
2018 Online Shoppers



2017 Online Shoppers

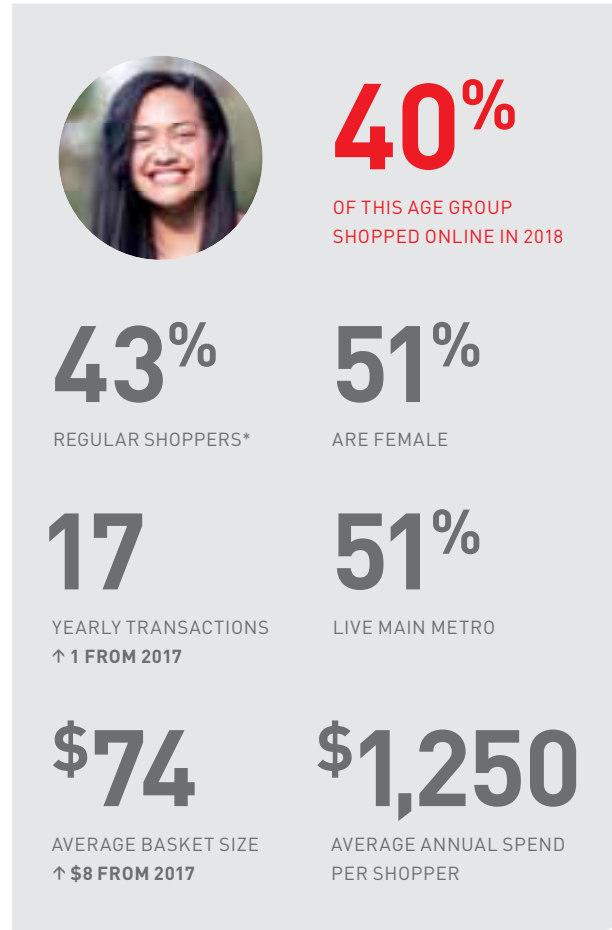


2017 Online Shoppers



Profiles of New Zealand's online shoppers by age group

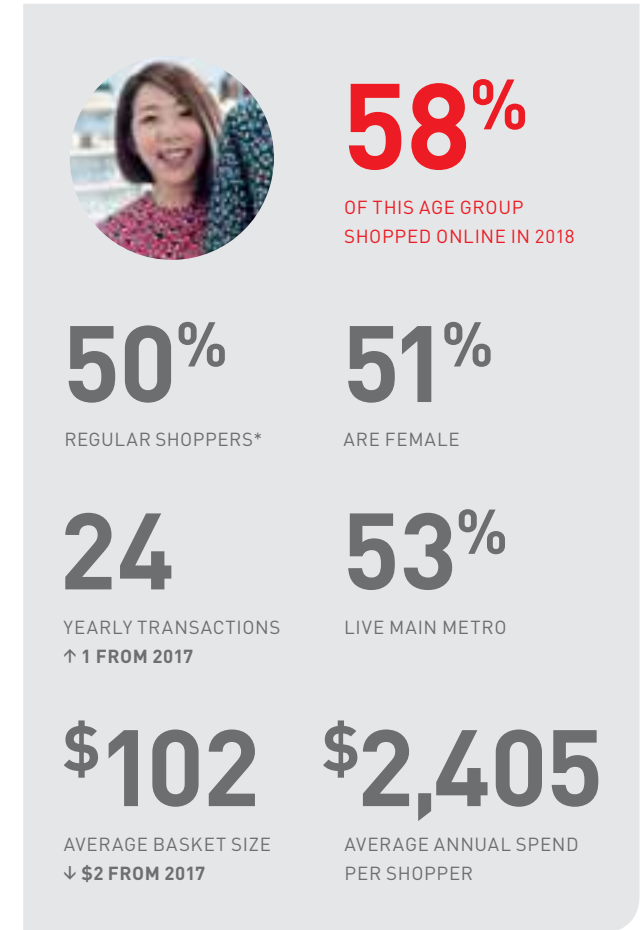
Age <30



KEY SECTORS



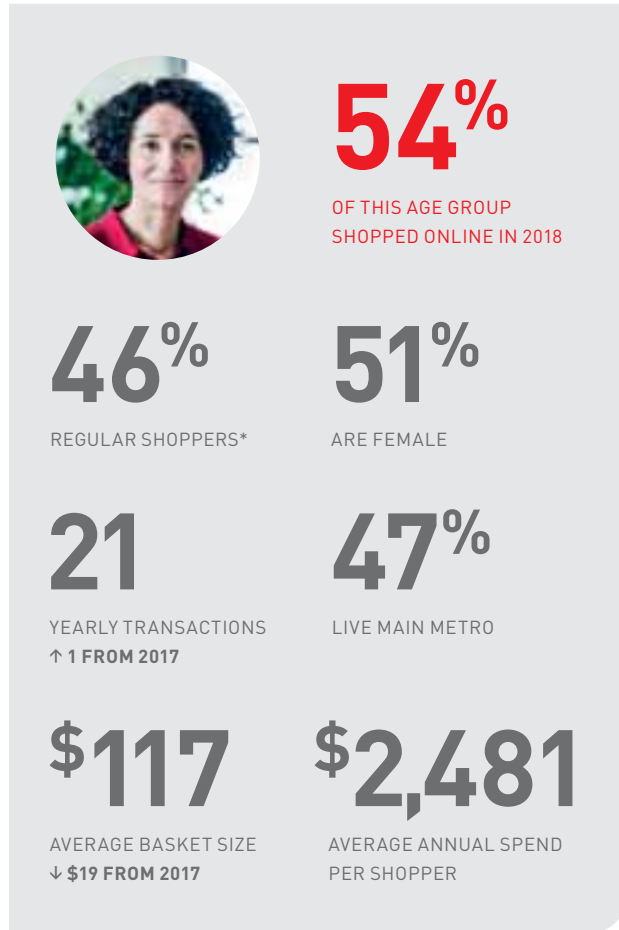
Age 30-44



KEY SECTORS



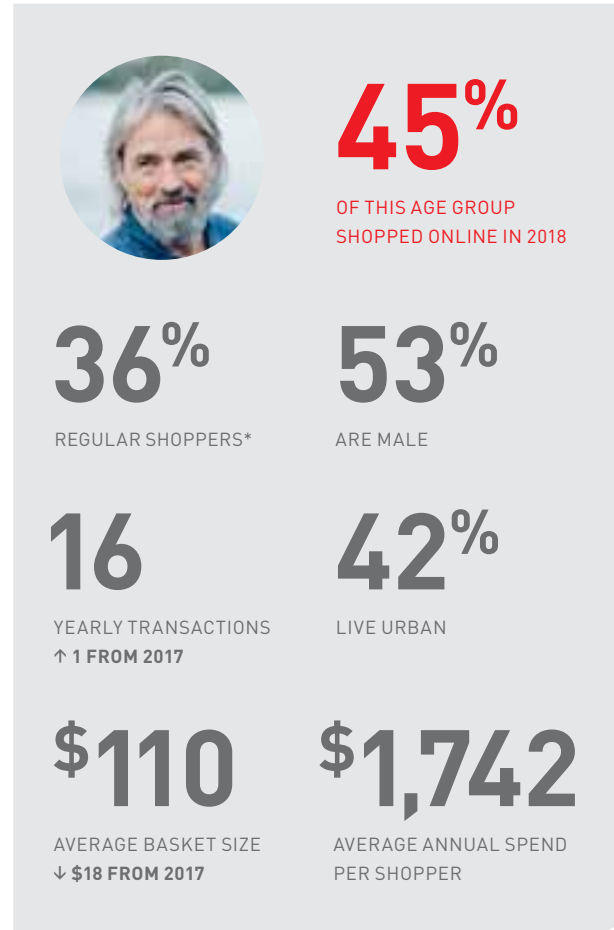
Age 45-59



KEY SECTORS



Age 60-74



KEY SECTORS



Age 75+



KEY SECTORS



What are they buying?

The online market is always changing – driven by trends, exchange rates, by delivery speeds and cost, and increasingly influenced by finance offers.

2018 saw the shifting of the sands for some sectors with both opportunities and threats emerging for New Zealand retailers.

The Department & Variety sector grew by 10% and dominated with 31% of all online spend. What's encouraging for New Zealand retailers is 62% of this was spent domestically.

Yes, a large proportion of spend is going overseas – especially in the Clothing & Footwear and Entertainment, Books & Stationery sectors where almost 50% of sales go abroad. But there are signs the tide is turning – particularly in Clothing & Footwear, which is the fastest growing domestic sector with 45% growth and now more than half of all online spend (53%) in this sector stays in New Zealand.

There's also real growth in the Homeware & Electronics and Food, Groceries & Liquor sectors with 23% domestic growth a piece. The Health & Beauty sector, on the other hand, continues to be one of our smallest sectors with just 9% of online sales and growth of only 12% over 2017.

The Food, Groceries & Liquor sector has clearly benefited from our lifestyle changes. With big metros suffering from traffic gridlock and time-poor people, sales in complete meal kits like My Food Bag and grocery deliveries will continue to grow.

Go to '4.0 What's happening in your sector?' to read the full details for each sector.



31%

OF ALL ONLINE SPEND
WAS IN THE DEPARTMENT
& VARIETY SECTOR.



DID YOU KNOW?

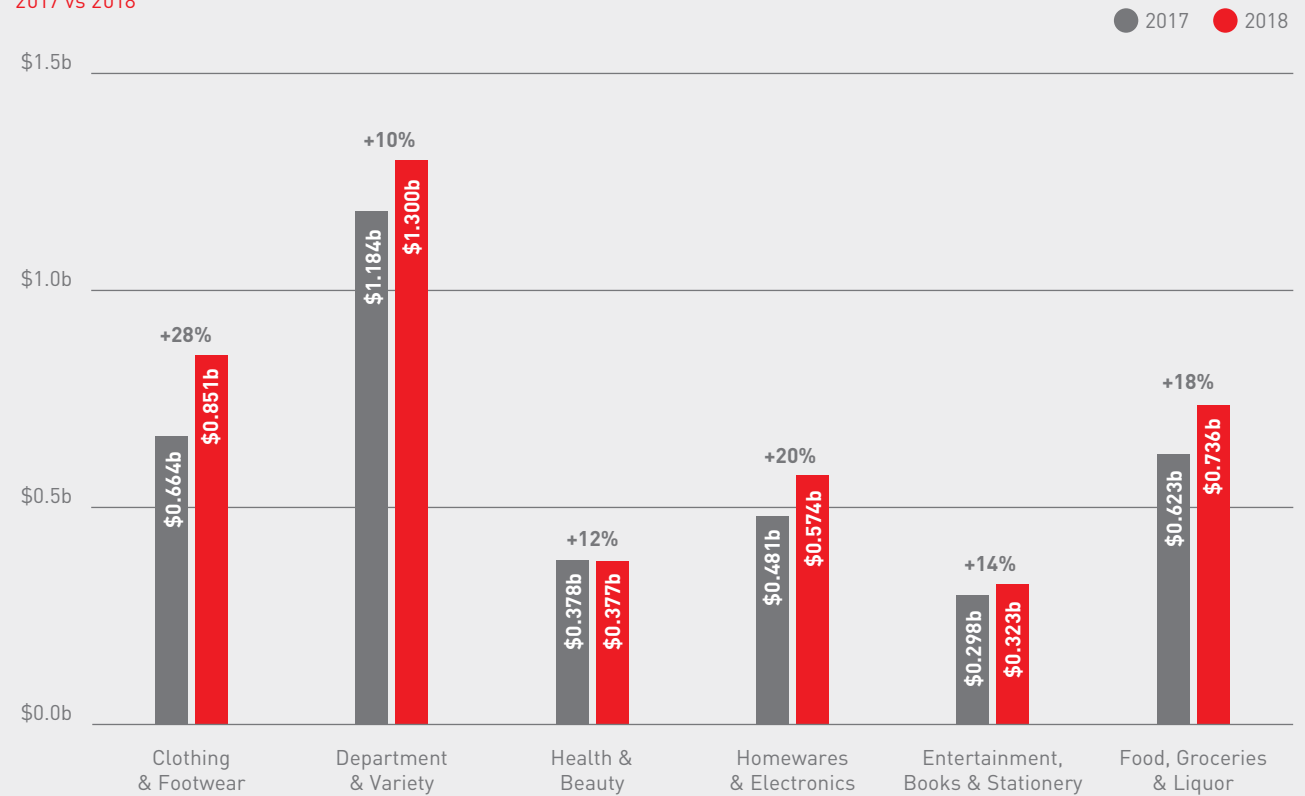
The most important criteria for shoppers (across all sectors) when choosing an online store are:

- Cheapest price (77%)
- Range of goods (72%)
- Delivery charges (57%)
- Great customer service (26%)
- Lots of delivery options (18%)
- Has a permanent store in New Zealand (16%)

Source: NZ Online Shopper Survey 2018

Total spend online by sector

2017 vs 2018



WITH 28% GROWTH IN SPEND, CLOTHING & FOOTWEAR WAS THE FASTEST GROWING SECTOR IN 2018.

Where are they buying from?

Where are buyers located?

Customers in the big metros continue to dominate purchases with Auckland, Wellington and Christchurch regions contributing over 60% of all online spend. This is in line with 2017's figures and predictably, Auckland leads the nation's online share of spend and also has the biggest basket size of \$110.

Elsewhere, we saw the highest growth in online purchases coming mostly from the South Island: Marlborough (19%), Otago (14%) and Southland (14%).

Online spend from the Waikato region grew by 20% – perhaps reflecting the continued rise in population and prosperity in the golden triangle between Auckland, Hamilton and Tauranga.



65%

OF SHOPPERS SAY
THEY WOULD PREFER
TO SHOP FROM A
NEW ZEALAND WEBSITE.

Where are they buying from?

While it's heartening to see domestic spend growing at 19%, international retailers still received a substantial share of the New Zealand wallet with 50% of shoppers purchasing from China, 46% from Australia, 42% from the US and 35% from the UK in the last year. Fifty per cent of people purchasing from international retailers said they purchased from marketplaces such as Alibaba, eBay, Wish and Amazon.¹

However, the positive news is that there is good support for domestic merchants: 65% of shoppers say they would prefer to shop from a New Zealand site, given the choice. Top reasons cited are trust and a desire to support local business.²

Domestic marketplace shopping is another trend on the rise, with sites such as Trade Me, NZSale and Onceit combining to make the category a very competitive sector.

But it's still very competitive out there and Kiwi shoppers are highly motivated by price and range – the two big challenges for many New Zealand retailers.

All the same, Kiwis are increasingly happy with the level of service they receive from New Zealand online retailers with 88% reporting satisfaction compared to 66% satisfaction from overseas sites.²

We believe this is a real opportunity for New Zealand businesses to build on.



DID YOU KNOW?

Customers say they prefer to purchase from New Zealand based websites, but the reality is they are looking around for the best range of products and prices. Asked where they made purchases from in the last three months, shoppers said:

- New Zealand websites (77%)
- New Zealand marketplaces
e.g. Trade Me, NZSale, Onceit (49%)
- Overseas websites (47%)
- Overseas marketplaces
e.g. Amazon, Alibaba (43%)

Source: NZ Online Shopper Survey 2018

¹ Source: Cross-border eCommerce Shopper Survey 2018, Country report – New Zealand (December 2018), International Post Corporation

² Source: NZ Online Shopper Survey 2018

Where online shoppers live by region:



- \$ Spend
- 📍 Transactions
- 🛒 Basket size
- \$% Spend growth
- 📍% Transaction growth



- \$ Spend
- 👤 Transactions
- 🛒 Basket size
- \$° Spend growth
- ↗° Transaction growth



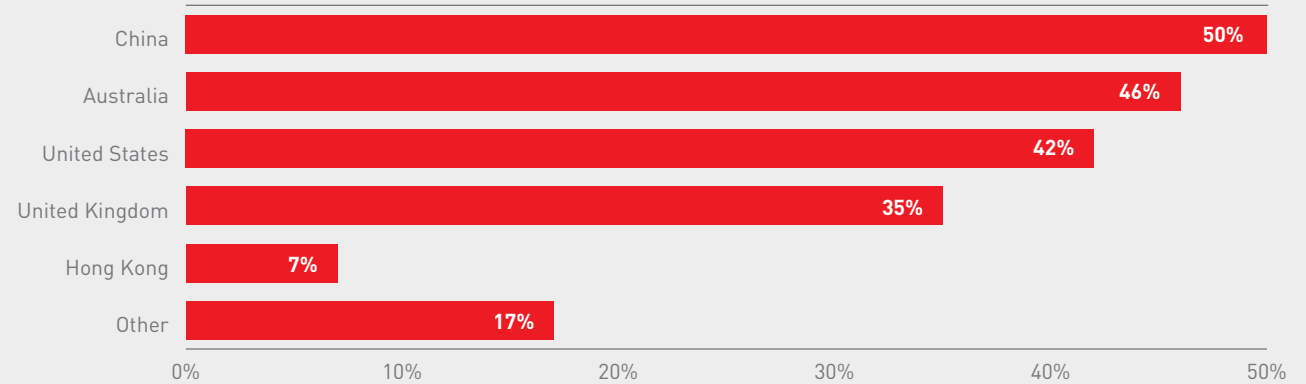
DID YOU KNOW?

Shoppers feel more satisfied when buying directly from New Zealand websites (88%) and marketplaces (81%) than buying from overseas based websites (66%) or marketplaces (55%). This is a point of difference that New Zealand based online retailers can turn into a real competitive advantage.

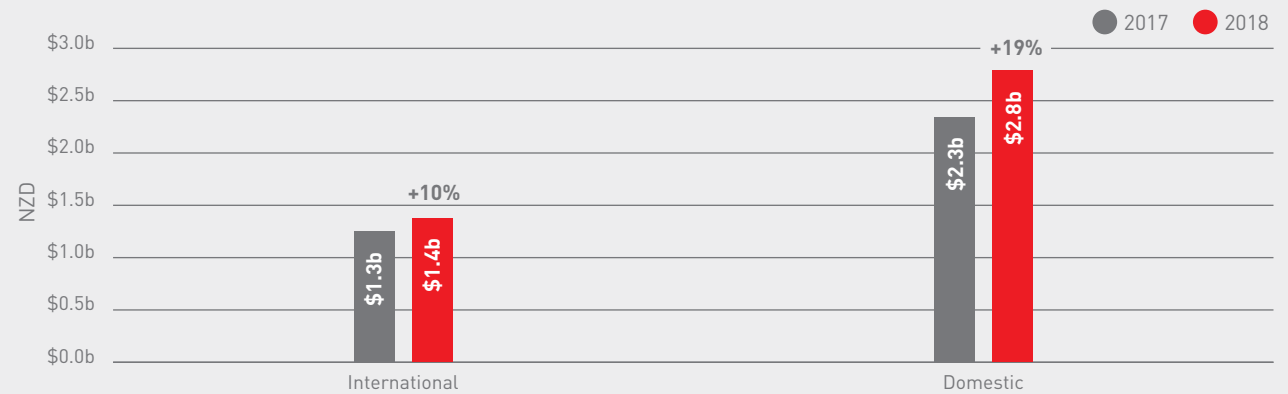
Source: NZ Online Shopper Survey 2018

The countries New Zealanders have purchased from 2018

Source: Cross-border eCommerce Shopper Survey 2018, Country report – New Zealand (December 2018), International Post Corporation

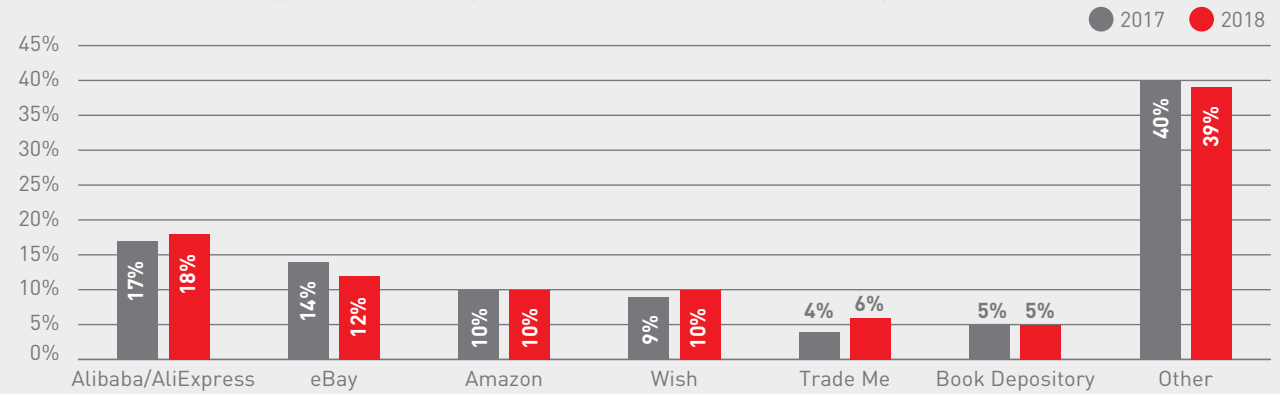


Online sales growth – international vs domestic retailers 2017 vs 2018



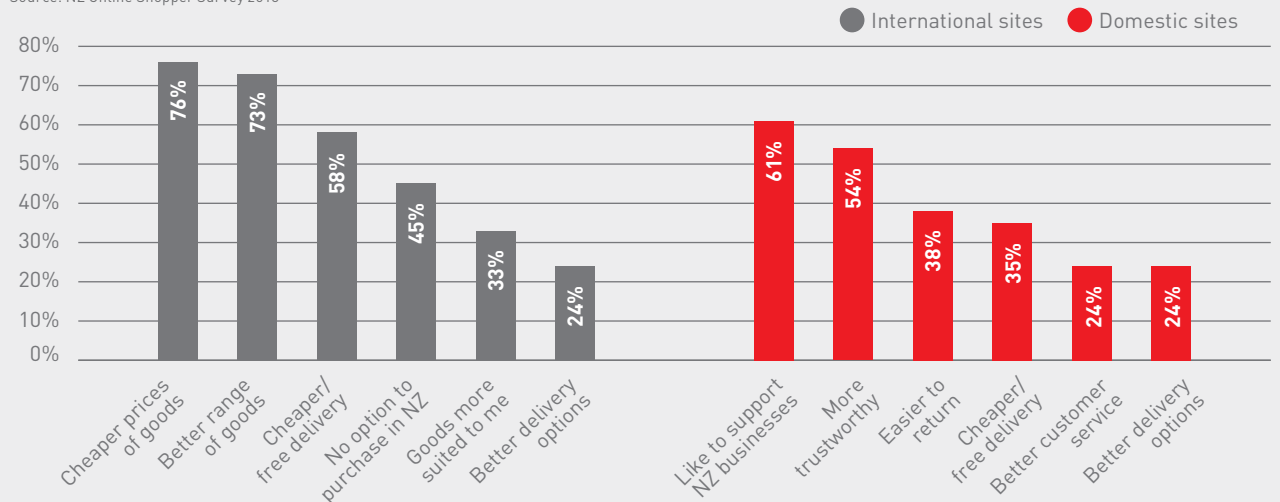
Websites New Zealanders bought from
2017 vs 2018

Source: Cross-border eCommerce Shopper Survey 2018, Country report – New Zealand (December 2018), International Post Corporation



Reasons to purchase from websites – international vs domestic
2018

Source: NZ Online Shopper Survey 2018



When are they buying?

Kiwis are not only spending more online, we are shopping more frequently with 44% of online shoppers purchasing more than once a month. If we drill down to the day by day, weekdays – particularly Tuesdays – are when shoppers' fingers are doing the most clicking.

Online purchases remain fairly stable throughout the year, until October when transactions and spend start to ramp up dramatically. In Q4, transactions increase 25% domestically and 10% internationally. This surge in domestic shopping is a clear opportunity for New Zealand retailers to target more.

Earlier shopping doesn't mean people are simply moving their holiday shopping forward: there's incremental online growth right through to the end of the year.

This rise in Q4 spend is, of course, dramatised by a spike on Black Friday and Cyber Monday, which follow American Thanksgiving. In 2018 these two days produced online sales in excess of Boxing Day. According to Paymark, spending at the core non-food retail shops on Black Friday was \$69.7 million – up a staggering 20.3% on 2017.¹

The learning here is Black Friday and Cyber Monday need to be built into marketing plans and given even more weighting than Boxing Day. These shopping events are here to stay and can provide a great opportunity for e-tailers to capitalise on pre-Christmas sales.

Another online shopping event that falls into this busy quarter is Singles Day, or 11.11 as it's known in China, where it originated. While New Zealand online retailers largely target the Chinese Mainland market, there's a growing domestic market, too.

Q4 is also the time when Kiwis buy more Clothing & Footwear and Homewares & Electronics from domestic merchants, with a staggering 57% and 38% increase in spending in these sectors over the rest of the year.



DID YOU KNOW?

Online special events are gaining traction with a third of New Zealanders participating in Black Friday, Cyber Monday or Singles Day in 2018. These events are creating incremental spend with 44% of shoppers saying they purchased more than they normally would, while a further 19% said they "stocked up".

Source: NZ Online Shopper Survey 2018

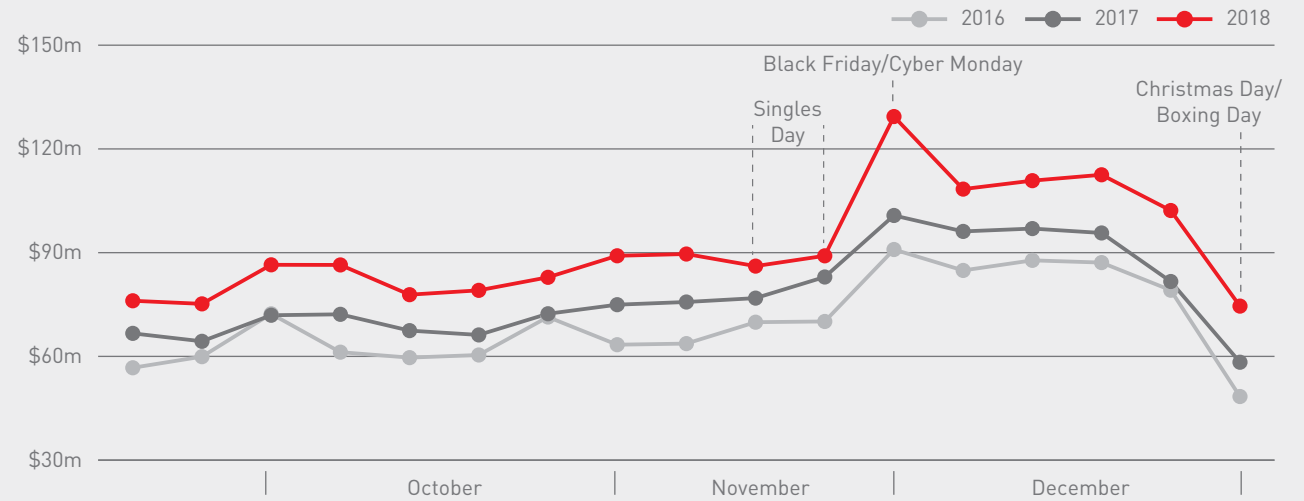
This online spending continued to be strong right up to mid-December, when international transactions start to tail off. Domestic purchases, on the other hand, continue strong right through to Boxing Day.

¹ Source: Payments 2018, A Year in Review – New Zealand data and international trends, January 2019

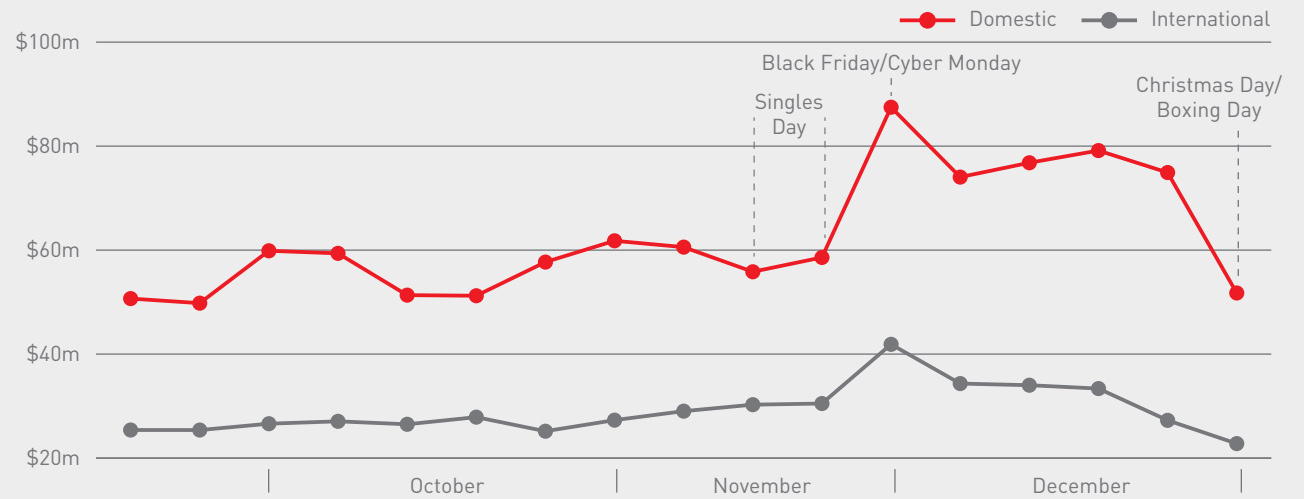
With 35% of Kiwis saying they were looking to purchase something on Black Friday, and 47% of those intending to shop online, these events are too big to be ignored. Is your marketing plan aligned with this trend?

Source: PriceSpy Kiwi Shopper Intentions 2018

Total online spend last quarter
2016 to 2018



Total online spend domestic vs international
2018





DID YOU KNOW?

Laptops remain the most used device for purchasing (53%) followed by smartphones (43%). Shoppers under age 45 are however twice as likely to be using a smartphone than those over 45. Smartphone shoppers are also more likely to buy from social media.

Forty per cent of shoppers use social media and are open (71%) to making purchases directly from Facebook, Instagram and other social channels.

Source: NZ Online Shopper Survey 2018

Emerging trends

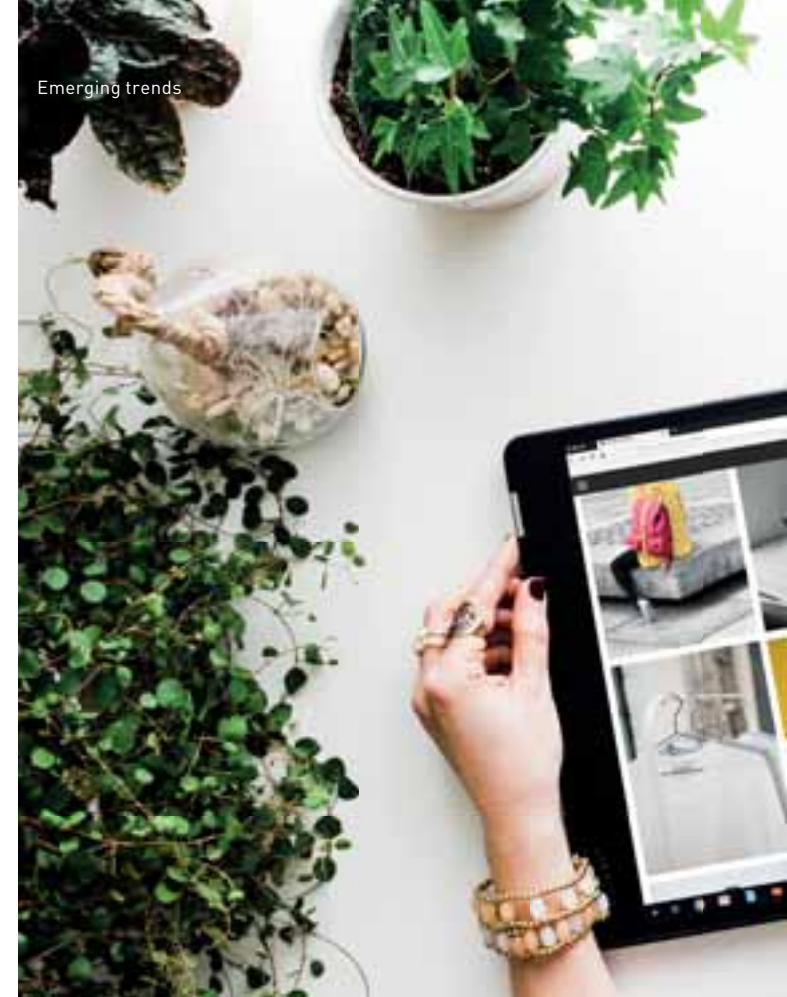
Buy Now Pay Later

In the last year Buy Now Pay Later (BNPL) deferred payment schemes have experienced a staggering rise and are set to keep growing. The main brands available in New Zealand are Afterpay, PartPay, Laybuy and Oxipay.

BNPL schemes work by allowing the customer to spread payments of their item over typically weekly or fortnightly payments with no interest. It is a very appealing proposition, particularly for millennials as it fits in with their generation's ethos of wanting everything now.

Over 228,000 Kiwis have already signed up to BNPL schemes and women, in particular, are loving it with 70% of BNPL purchases made by female customers in 2018.

These pay-later solutions are having a growing impact in social media. Instagram, for example, exposes consumers to appealing products accompanied by easy ways to own them. The desire to spend, and the removal of spending barriers, makes purchase very tempting - particularly in the Clothing & Footwear and Health & Beauty sectors, both in store and online.



IT IS ESTIMATED THAT
20%
 OF ALL CLOTHING &
 FOOTWEAR SPEND
 IN NEW ZEALAND WAS
 WITH BNPL IN 2018.

40%
 OF ALL BNPL SPEND
 HAPPENED IN Q4.

12%
 OF ONLINE SHOPPERS
 HAVE USED BNPL.

70%
 OF USERS WERE
 FEMALE.



80%

OF BNPL SPEND
CAME FROM THE
UNDER 45 AGE GROUP.

61%

WAS FROM WOMEN
UNDER 45.



In a fast-paced and technology-led environment, retailers need new ways to attract and keep customers and that's the main reason why over 1,200 Kiwi businesses including some of the largest retail brands like Hallenstein Glassons, Stirling Sports and Trade Me have already signed up to Afterpay alone. The appeal for retailers is clear. Firstly, the system is relatively easy to implement online or instore. Retailers get paid upfront and don't need to worry if the customer can pay or not. It removes a big barrier to purchase and increases the chances of browsers becoming buyers. Overseas experiences show these are shoppers who buy more, spend more per transaction and also come back more often.

The continued growth of BNPL is a trend that retailers just can't ignore.

Note: To capture the significance of BNPL, we have counted the BNPL transactions as one transaction in order to not distort the number of purchases.

 **Visit thefulldownload.co.nz to see our video explaining BNPL.**

Emerging trends

Marketplaces growth in popularity

Marketplaces are virtual shopping malls, where all the things you want are on one convenient platform. If this is where shoppers are congregating, then sellers shouldn't ignore them.

Kiwis have been shopping on marketplaces for years. Trade Me, our most successful marketplace, just celebrated its 20th birthday. Other popular local marketplaces include GrabOne and NZSale. The big global marketplaces include Amazon, Alibaba, eBay and Wish. Facebook's recent move into marketplaces has given us easy access to millions of products worldwide and opened up New Zealand products to billions of customers.

So why do shoppers love marketplaces?

The rise of online shopping is driven by choice, price and convenience. The downside is the effort it takes to search multiple sites to find what you need. Marketplaces solve this problem by bringing retailers together in one place, making it easy to find, compare and buy.



Marketplaces in 2018:

10%

GROWTH IN SPEND.

12%

OF TOTAL
ONLINE SPEND.

37%

OF INTERNATIONAL
ONLINE SPEND.

2x

GLOBAL MARKETPLACE
REVENUES EXPECTED
TO DOUBLE BY 2022.¹

25-44

YEAR OLDS ARE THE MOST
FREQUENT SHOPPERS.²



2.5^M

KIWIS ACCESS TRADE ME –
NEW ZEALAND'S LARGEST
MARKETPLACE.³

67%

SALES WERE FROM
30-60 YEAR OLDS.

What's in it for business?

Marketplace platforms are a simple, low cost way for businesses to get into the world of online retail shopping. There's no need to create your own shopping-enabled website, the platform manages all the payment transactions. Businesses just need to promote their products and fulfil orders. There are costs though, and most marketplaces have a listing fee or charge a success fee.

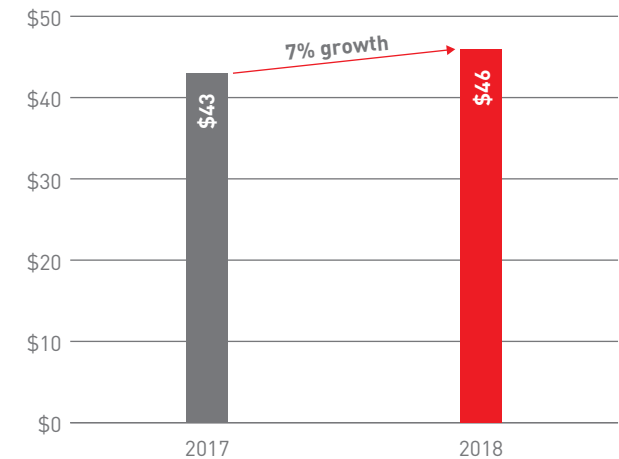
For many businesses, marketplaces are a good customer acquisition opportunity. By promoting a few popular products, they can catch the attention of customers and drive them to their own site. For bigger offline retailers, marketplaces are a means to increase store traffic either to view products before buying online or to pick-up products after an online purchase. Marketplaces are also a great way to break into international markets and access global shoppers without huge upfront costs or investment into local markets.

Where to from here?

The global trend is for more specialist niche marketplaces to bring like-minded buyers and sellers together. We're also seeing a rise in localised marketplaces and more platforms trading services rather than products. Longer term, some of the trends worth keeping in mind include:

- Increased Artificial Intelligence (AI) and machine-learning as marketplaces seek efficiencies and to replicate the personalised experience that offline shopping offers.
- Peer-to-peer marketplaces, bringing buyers and sellers together without the middle-man.
- Blockchain technologies for things like authenticating reviews and tracing product origins.⁴

Average basket size for marketplaces Domestic & international



Whether selling products or services, retailers seeking to grow their online sales must consider the marketplaces where their customers are hanging out and then find ways to integrate them into their business strategies.

¹ Source: Coresight Research 2017

² Source: NZ Online Shopper Survey 2018

³ Source: Trade Me Annual Report 2018

⁴ Source: Arcadier Top 8 eCommerce Marketplace Trends in 2018



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In this section, we complement the data from The Facts section with real life stories that highlight some of the key trends shown in the data.

The shopper's perspective is based on a survey of over 2,000 New Zealand online shoppers conducted in late 2018 and highlights the perceptions that are driving online shopper behaviour.

We look at how our data trends play out for two very different retailers who operate in the online world. First, Mighty Ape, a big eCommerce player selling thousands of products and filling thousands of orders a day. And secondly, Feed My Furbaby, a growing subscription-based business meeting a very specific need in the market.

Section 2.0

The shopper's perspective

To understand what our shoppers are thinking and buying, we carried out a survey interview with over 2,000 Kiwi consumers to form our 2018 Online Shopper Survey. It revealed six clear trends evolving amongst shoppers.

1. Consumers across all age groups are buying more frequently

With 31% of online shoppers admitting to shopping at least weekly. When we look more closely at our most frequent online shoppers, they are predominantly young people who are time poor and don't like dealing with crowds so like the ease and convenience of shopping online.

2. Mobile is becoming the device of choice

Particularly with the under 45s, who are twice as likely to use a smartphone to make their online purchases versus over 45s. However, laptops are still the main device used to purchase online. Globally, particularly in Asia, mobile has taken over from desktops and we predict the same will happen here with mobile appealing to the younger generations' "I want it now" and "shopping on the move" mentality. To capture this group, New Zealand e-tailers need to ensure their website designs are easily navigated and formatted to mobile first.

3. Marketplaces have become a real option

Forty-nine per cent of surveyed shoppers saying they had purchased from a New Zealand marketplace in the previous three months, with as many saying they had purchased from an international marketplace in the same period. This is reflected in the rise of international platforms like Facebook Marketplace and ASOS Marketplace who offer the ability to shop for multiple product ranges and brands within one site. Because marketplaces aggregate products from a wide array of providers, selection can be wider, and availability higher than in vendor-specific online retail stores. Prices can also be more competitive. As well as our largest marketplace Trade Me, new Kiwi start-ups such as Designer Wardrobe, AllGoods and Felt all provide modern and innovative online marketplaces.



12%

OF TOTAL ONLINE SPEND
WAS VIA MARKETPLACES.



SMARTPHONES WERE THE
DEVICE OF CHOICE WHEN
BROWSING MARKETPLACES,
LIKE FACEBOOK.

35%

OF ONLINE SHOPPERS
SURVEYED ARE CONVERTS
TO ONLINE SHOPPING EVENTS.



IF YOU CAN OFFER A
RANGE OF DELIVERY
OPTIONS, YOU'LL HAVE
A WINNING FORMULA.

4. Specific online events are becoming more important

When asked, 35% of online shoppers admitted to being converts to occasions like Black Friday and Cyber Monday. These events are pulling the traditional Christmas shopping earlier, but the good news is, consumers say they want to support local retailers more during this time. Shoppers also say that are likely to purchase even more in 2020.

5. Price and range are still the biggest challenges

The growing support for homegrown businesses is tempered by the largest challenge for New Zealand retailers: the price and range perception versus overseas retailers. International websites are still seen as an attractive option with over 76% of shoppers citing the goods are cheaper, and 73% believing the range is better. However, consumers tell us they are prepared to make trade-offs on price for fast delivery, great local support, trustworthiness and easy returns. The more New Zealand businesses can tick those boxes, the better.

6. Consumers expect to pay for delivery

Consumers are quick to calculate the value of fast delivery time versus the product cost, and if global trends are anything to go by, shoppers will continue to want their items quicker and are prepared to pay for that luxury. There's also an emerging need for more notifications and greater transparency. Shoppers are telling us they want to see a range of delivery options upfront. Transparency is key here if you want to avoid scaring shoppers away at check out.

Regular online shoppers in New Zealand are most likely to:

BE AGED 25-44



BE EITHER GENDER



HAVE A COMBINED HOUSEHOLD INCOME OF \$120K+



HAVE YOUNGER FAMILIES



LIVE IN METROS OR RURALLY



BUY ACROSS ALL SECTORS



BUY FROM BOTH NEW ZEALAND AND INTERNATIONAL RETAILERS



BE USERS OF BUY NOW PAY LATER



BUY ON BLACK FRIDAY, CYBER MONDAY OR SINGLES DAY



BE LEADING USERS OF MARKETPLACES



BE INFLUENCED BY SOCIAL MEDIA PROMOTIONS



CARE MORE ABOUT SPEED AND EASE OF DELIVERY THAN FREE RETURNS



Case study

Mighty fast at Mighty Ape

One of the big changes Mighty Ape saw in 2018 was the move to mobile. The big change here is not simply people switching from home computers to tablets and mobiles, it's that their customers are now buying whenever and wherever they happen to be.



This change creates its own logistical challenges as Mighty Ape's General Manager, Alastair Burns, explains:

"Speed to customer is important because they're out and about and expecting to get things now. So, offering evening delivery, offering same day delivery is really important to our customers."

Mighty Ape saw strong online growth both in New Zealand and Australia in 2018, even with the arrival of Amazon. Core to their success is their speed of delivery.





“Shoppers care most about having quick delivery options. It’s about having not just an overnight service, not just an economy service, but offering that same day service. We are capable of offering same day from Auckland, all the way down to Wellington and Christchurch,” says Alastair.

This service wouldn’t have been possible without partnering with and challenging New Zealand Post to create new freight options and solutions that weren’t available off the shelf. This has been instrumental in assisting Mighty Ape getting as many of their orders to customers as fast as possible. It’s even worked across the Tasman, as Alastair explains:

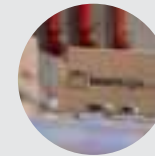
“Since moving to New Zealand Post for our Australia freight, we’ve noticed excellent feedback from our customers. They can’t believe that we are a New Zealand company delivering to them faster than they can get it locally”.

This need for speed is crucial to the future of business success, along with great customer service. Finally, Alastair has a mighty tip for any online business:

“Focus on the customers – they’re the ones you need to please. Make sure you deliver as quickly as possible and if anything goes wrong, fix it.”



Visit thefulldownload.co.nz to see the full Mighty Ape story.



MIGHTY APE COMPANY PROFILE

Mighty Ape was one of New Zealand’s first retailers to step into the online world in the late ‘90’s. Having started out as a bricks and mortar GameZone store, the company changed direction and its name to Mighty Ape in 2008 and has never looked back.

Today they employ over 120 staff and ship products to over 250,000 Kiwis every year. They still sell games but now their list of products is a true variety store with books, DVDs, hobby equipment – even clothing and perfumes. They fulfil hundreds of thousands of orders a month – offering Kiwis as many product ranges and brands as they possibly can.

mightyape.co.nz



Case study

A start-up that's ready to scale up

Auckland start-up Feed My Furbaby, quickly understood that one of the greatest challenges for their pet food subscription service was setting up their business to be scalable for growth from the outset.



Amy Rennell, owner and co-founder of Feed My Furbaby, explains:

"You don't want to start small and then chase your tail the whole time with your systems and processes and constantly have to keep investing, you'll never get ahead."

So Amy and husband Ben Rennell set about getting everything in place from the start. From branding, to website, to the whole customer journey and fulfilment.

"One of the challenges of our business actually is that it's quite complex having that tailored subscription service, but we've got to make that look really easy for each individual customer. We invested a lot of time up front to make sure everything was slick from the front for the consumer and the backend for the fulfilment process," says Ben.





As you'd expect, when you are in the business of feeding animals, delivery is critical. If you don't deliver on time, there's a very hungry pet and pretty angry customer. So, reliable overnight delivery is really important for Feed My Furbaby.

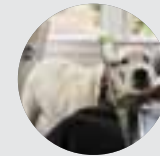
But they were also quick to recognise that customers want to be in control of their subscriptions and deliveries. Giving them the option to change delivery schedules puts the power back in the customer's hand.

Like many New Zealand e-tailers, they use the New Zealand Post Application Programming Interfaces (APIs) to help automate their order taking and processing as much as possible. Ben Rennell with the final word:

"We couldn't do what we do without the APIs. You literally click a couple of buttons and all our tickets are printed out and tracking numbers are sent to customers, so they are in control of their parcel. New Zealand Post was a huge help in terms of helping us integrate it into our systems; they have completely enabled our business to happen."



Visit thefulldownload.co.nz to see the full Feed My Furbaby story.



FEED MY FURBABY COMPANY PROFILE

Husband and wife team Ben and Amy Rennell had a 'light bulb' moment after lugging heavy dog food bags back from the supermarket. With help from Kickstarter, they launched the Feed My Furbaby pet food subscription service in November 2017. The idea has taken off with double digit percentage growth each month and continues to gather momentum with more and more pet owners subscribing to the service nationwide.

feedmyfurbaby.co.nz



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In this section, we look to give a global context to the trends we're seeing in New Zealand.

First, we look at what is happening globally with eCommerce. We use a variety of sources for this information and this is noted throughout. We also look at what our close neighbours Australia are doing online, thanks to information provided by Australia Post.

Finally, we look for a completely different perspective on the topic by asking a leading economist to give us his thoughts on the socio-economic forces driving online shopping and, conversely, how online shopping is impacting society and the economy.

Section 3.0

The global story

There are so many trends emerging in the super-fast and very dynamic world of eCommerce. We decided to pull out five global trends that we see as shaping the future of eCommerce in New Zealand.

1. Eye-watering growth

From our small island nation, it can be difficult to get our heads around the sheer magnitude of the world of eCommerce and how this colossus continues to grow. Retail eCommerce sales worldwide are projected to increase from \$2.7 trillion in 2018 to \$4.2 trillion in 2023.¹

2. Reshaping the map

This incredible global growth in international eCommerce is reshaping the map. By 2023, sales in Asia Pacific are projected to be greater than the rest of the world combined. It's not driven by a reduction of shopping in North America or the rest of the world: rather, it is rapid growth in Asia Pacific with China leading the charge. Figures suggest Asia Pacific will account for some USD 1.4 trillion, leaving the rest of the world to share the remaining \$1.3 trillion of the online pie.² The reasons behind this are rapid urbanisation, the rise of the Asia Pacific middle class and technology playing a game of leapfrog.¹

3. The Omni-channel experience

Globally, customers are not shopping the way they used to. They are increasingly browsing on mobile devices, purchasing on desktops or walking into store to complete their purchase. There are now a number of paths in the customer journey that need to work together, to deliver a consistent level of customer experience across different channels. Key to this is the use of structured data or Global Trade Item Numbers (GTIN) to enrich the information about your products. This is the information that Google robots can search for and tell consumers what and where the product is stored. With data on hand you can turn each of your stores into fulfilment centres, or drive more Click and Collect traffic into store and, importantly, make it easy for your customers to browse and shop for their products the way they want.

4. The rise of social shopping

The increasing use of mobile technology is changing buyer behaviour and the way we discover. Sites like Instagram and Pinterest can now show looks and styles that people want to share with their friends with links to where to buy the products. Instagram's "Shoppable Posts" and Pinterest's "Shop The Look" and Snapchat's Snap Store, are just some of the new platforms that target the hundreds of millions of global active users. These shoppable platforms can redirect you to the retailer's site or allow you to complete purchase completely in-app. For many retailers, this is very attractive as it takes away the burden of having to create their own eCommerce site, with all the financial and security issues that come with the territory.

5. Faster, flexible deliveries

Consumers, especially millennials, want immediacy. There's real pressure on retailers to offer overnight and even same day delivery. In some US, UK and Australian cities, it's down to a matter of hours. Amazon Prime, for example, charges £6.99 for a one hour delivery in London. Customers are increasingly wanting same day delivery and many are willing to pay for it. At the IPC annual conference 2018, Same Day service was ranked number one when delegates were asked what domestic eCommerce delivery service customers would expect as standard in five years' time.³

¹ Source: Statista Digital Market Outlook 2019

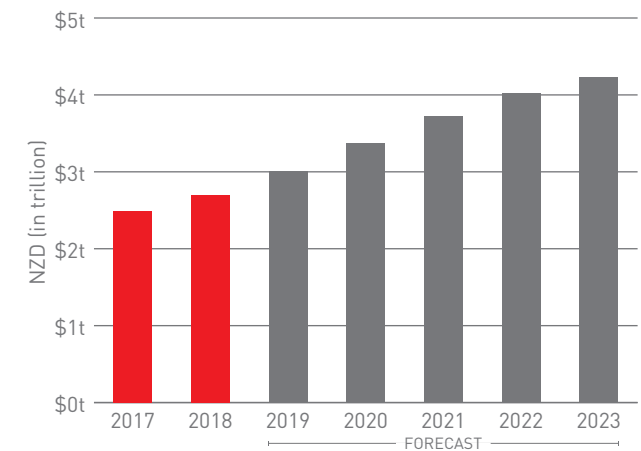
² Source: Global eCommerce Statistics and Trends to Launch Your Business Beyond Borders, February 2019. <https://www.shopify.com/enterprise/global-e-commerce-statistics>

³ Source: IPC Annual Conference Survey 2018

⁴ Source: Statista Digital Market Outlook 2019

B2C eCommerce sales worldwide (NZD) projection⁴

Reference: Sales figures refer to Gross Merchandise Value (GMV) and converted into NZD using ANZ exchange rate dated 8 May 2019



Potential international market opportunities:
Top five commodities purchased¹

UK

Population 66 million

Source: www.ons.gov.uk

- 1. Clothing & footwear 23%
- 2. Consumer electronics 13%
- 3. Health & beauty 13%
- 4. Jewellery & watches 12%
- 5. Home & garden 12%

USA

Population 328 million

Source: United States Census Bureau

- 1. Clothing & footwear 28%
- 2. Consumer electronics 17%
- 3. Jewellery & watches 14%
- 4. Health & beauty 13%
- 5. Books, media & music 10%

India

Population 1.362 billion

Source: United Nations www.un.org

- 1. Clothing & footwear 42%
- 2. Consumer electronics 38%
- 3. Health & beauty 28%
- 4. Jewellery & watches 27%
- 5. Computers 23%

Japan

Population 126.9 million

Source: www.stat.go.jp

- 1. Clothing & footwear 28%
- 2. Health & beauty 27%
- 3. Books, media & music 16%
- 4. Consumer electronics 12%
- 5. Household appliances 11%

China

Population 1.42 billion

Source: United Nations estimates

- 1. Health & beauty 41%
- 2. Clothing & footwear 25%
- 3. Baby & child 15%
- 4. Jewellery & watches 15%
- 5. Consumer electronics 14%

Australia

Population 25.4 million

Source: Australian Bureau of Statistics

- 1. Clothing & footwear 26%
- 2. Consumer electronics 17%
- 3. Health & beauty 15%
- 4. Books & media 14%
- 5. Jewellery & watches 10%



¹ Source: Cross-Border eCommerce Shopper Survey 2018, Key Findings – All Countries, (November 2018), International Post Corporation



DID YOU KNOW?

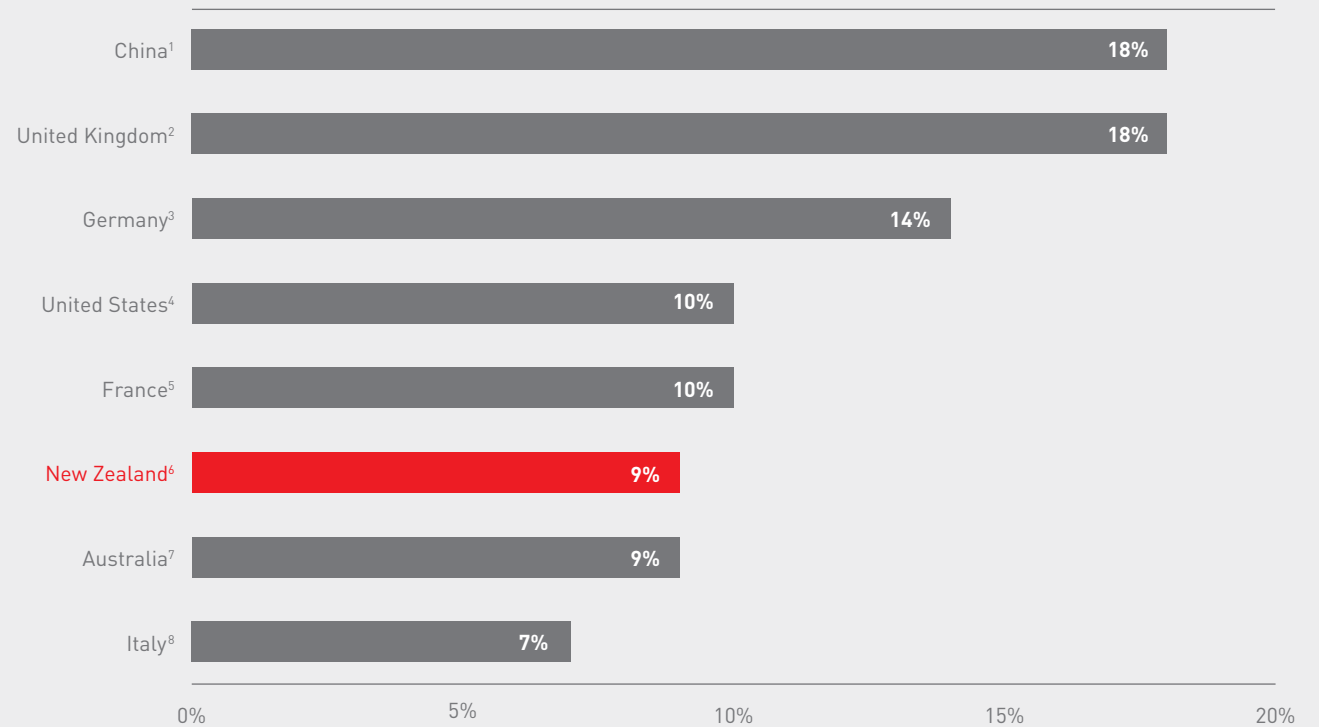
When it comes to delivery, shoppers said most important were:

- Delivery charges (90%)
- Speed of delivery (68%)
- Delivery notifications/tracking status (23%)
- Range of delivery options (20%)

Free delivery is most desirable, but shoppers understand they should pay more to have things delivered overnight or within the same day. For Kiwi retailers, quicker and more visible delivery should be an advantage over global competitors.

Source: NZ Online Shopper Survey 2018

eCommerce sales as a percentage of total retail sales
2018



Figures are calculated based on information gathered from multiple sources below; methodology may vary across different countries. (What is included in eCommerce and retail sales might differ between sources.)

- 1 Source: <https://www.chinainternetwatch.com/28092/retail-2018/>
- 2 Source: Office for National Statistics (UK) <https://www.statista.com/statistics/280655/proportion-of-retail-sales-made-online-great-britain-by-retail-sector/>
- 3 Source: <https://www.marketplacepulse.com/stats/germany-eCommerce/germany-eCommerce-share-of-total-retail-sales-51>
- 4 Source: https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf
- 5 Source: <https://www.cnbc.com/2019/02/05/reuters-america-french-online-retail-sales-could-rise-again-in-2019-despite-yellow-vests-fevad.html>
- 6 Source: Datamine
- 7 Source: <https://auspost.com.au/business/marketing-and-communications/access-data-and-insights/ecommerce-trends/fy18-ecommerce-market-update>
- 8 Source: <http://apps.export.gov/article?id=Italy-eCommerce>

The Australian experience

The eCommerce story across the Tasman is as you'd expect, one of size. With a larger population and bigger take home salaries, Australians are embracing online shopping with their disposable dollar. The online share of the retail market in 2018 is on a par with New Zealand at around 9%. But growth has fallen back in recent months due to the fragile nature of the Australian economy. All the same, online purchases are estimated to exceed AUD 28.6 billion.¹

**DID YOU KNOW?**

Most shoppers (80%) say free returns are important when choosing an online retailer but:

- Only half (52%) of shoppers have actually returned an item they purchased online.
- A third (35%) can't recall if free returns was an option in their last purchase.
- A third (30%) don't even look at a site's returns policy.
- Over half (53%) expect free returns to be based on meeting a minimum spend.

Source: NZ Online Shopper Survey 2018

52%

INCREASE IN SHOPPING
BY MOBILE.

8%

OF ONLINE SHOPPERS MADE
A PURCHASE FROM A KIWI
E-TAILER IN THE LAST YEAR.

Marketplaces have made good ground in Australia and the most popular online sites visited by Australian shoppers are eBay, Gumtree, Amazon (international), OzBargain and, most recently, Amazon.com.au. The arrival of Amazon on the ground in Australia is predicted to have impact on local retailers with JB Hi-Fi anticipating a 33% drop in online earnings.¹

If you thought it was big here, Black Friday/Cyber Monday is massive for Australian e-tailers, with sales surging 28.7% year-on-year. Outstripping all sectors was Health & Beauty with a whopping 54% year-on-year growth.

As you'd expect, the popularity of these online events is having a major impact on traditional bricks and mortar retailers. In 2018, Australian retailers reported foot traffic for traditional Boxing Day Sales was down by as much as 20% - whereas online shopping was up 24% year-on-year.

The biggest area of growth in 2018 was in Fashion, Health & Beauty and Variety Stores, all experiencing over 20% growth in sales. Drilling down into Fashion, it's Activewear that's running out the door with an incredible 37.5% rise in sales. This was followed by cosmetics with an equally impressive growth of 36.4%.²

This impressive increase in online spend isn't limited to Sydney or Melbourne; there's double digit growth right across all States - including Tasmania, which surprised us all with the strongest online growth of all at 25.8%.³

Australians prefer to go shopping late in the day, and the majority are doing so from their mobiles with a 52%⁴ year-on-year increase in mobile purchases. And by mobile, we really mean mobile - with a 12.5% increase in shopping occurring on public transport.³

Like New Zealand, it's the younger generation of 35-44 year olds who dominate Australian online shopping. However, it's the 25-34 year olds who are doing the most shopping internationally according to the NAB 2017 report - perhaps a sign of less disposable income and more bargain hunting.⁵

While Australia is the second most popular destination for Kiwi online shoppers, New Zealand online stores are largely undiscovered by our neighbours. Only 8% of Australian online shoppers say they made a purchase with Kiwi retailers in the last year.⁶ This represents a huge opportunity for New Zealand online e-tailers to grab a share of our closest large market without the cost of changing language, product ranges or sizes. We are, after all, pretty close to our Aussie mates when it comes to tastes. And when it comes to delivery, experience shows we can surprise and delight Australian consumers with a speedy delivery.⁶

¹ Source: NAB Online Retail Sales Index Dec 2018

² Source: Inside Australian Online Shopping: A preview of the 2019 eCommerce industry report, February 2019

³ Source: FY18 eCommerce Market Update, Australian Post

⁴ Source: Inside Australia Online Shopping 2017 eCommerce Industry Paper

⁵ Source: NAB Online Retail Sales Index, In-depth Report - December 2017

⁶ Source: Cross-Border eCommerce Shopper Survey 2018, Key Findings - All Countries, (November 2018), International Post Corporation

A socio-economic perspective

The rise of eCommerce is challenging retailers: it's changing the way consumers shop but on a more fundamental level, it's altering our economy. To uncover just how, we talked to Economist Cameron Bagrie about the impact online shopping is having on our culture.

The bigger picture

A socio-economic perspective



Cameron: "In the first instance, online shopping is bringing convenience, it's bringing choice, it's saving people time and effort, and probably the most important thing for a lot of people is that it's saving them money."

But it's a bit of a double-edged sword. This easy access to products is encouraging a spending culture – particularly amongst the younger generation or, as Cameron calls them, the Freddie Mercury "I want it all. And I want it now" society.

Financial payment schemes like Buy Now Pay Later (BNPL) are perfect for this generation but these products also have the potential to create problems of debt and that's something Cameron thinks we need to keep a close eye on.

This generation has high expectations too. They expect to have their purchases delivered in days. Being told by a traditional bricks and mortar store that they can have something in three weeks is simply not going to cut it. You are up against big international, technology-led companies who can have it to you in days.

"Amazon is coming and it will bring disruption that has the potential to hurt just about every retail sector. That doesn't mean traditional bricks and mortar is a dead duck: it means we have to be far more innovative, flexible and adaptive. There's no point having that good old-fashioned Kiwi attitude of 'She'll be right', because it won't be. Business needs to take risks by adapting, by shifting platforms – because doing nothing is the worst risk of all," says Cameron.



DID YOU KNOW?

Credit cards still get the top mention when it comes to paying for online shopping (88%), followed by PayPal (60%) and internet banking (59%). Awareness of new BNPL options is growing with more shoppers trialling them over the last year. However, almost half of shoppers still feel unsure about how credible these payment options are.

Source: NZ Online Shopper Survey 2018

So many New Zealand businesses need to reinvent themselves. They will need to find better ways to connect and become meaningful to consumers.

Cameron points to cinemas. A few years ago people were saying cinemas were finished thanks to another digital disrupter - Netflix. But they repositioned themselves as entertainment - offering bigger seats and the ability to take a drink in, and they are doing well. A lot of what we do simply comes down to mindset. Another good example is retailers looking at international trade as a big barrier - which, according to Cameron, it's not.

Cameron: "If you're a New Zealand retailer, say in Dunedin - the odds are there might be someone in Auckland buying your goods. What's the difference between supplying goods to Auckland, and supplying goods to Sydney? Nothing at all. We just think it's a barrier, when in fact it's an enormous opportunity."

Finally, one piece of news that should hearten New Zealand retailers is the closing of the GST loophole that currently gives the international retailers an edge. From October 2019, foreign companies will be required by the IRD to become registered and to collect GST on goods under \$400 - making overseas products less desirable. Cameron predicts the impact on the economy will be a boost to local New Zealand retailers and a windfall tax collection of some \$57 million in the first year.



CAMERON BAGRIE
ECONOMIST

Cameron is a familiar face to many New Zealanders, appearing frequently on television to give his views on the economy. For over 11 years he was the Chief Economist at ANZ, heading a team that was consistently ranked No. 1 for its analysis of the New Zealand economy. He developed a reputation for taking a forthright stand on even the hardest of economic issues. He's also worked as an economist at the National Bank, Treasury and Statistics New Zealand.

bagrieeconomics.co.nz



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In this section of the report, we dig deep into each of the sectors to highlight key shopper behaviours and trends.

We supplement the Datamine transaction data with findings from our NZ Online Shopper Survey 2018, helping to build a more complete picture of what is driving the sector trends.

Section 4.0



The sectors

Here, we delve deeper into each of our sectors, pulling apart the data to reveal trends and growth areas which may affect your business. Every sector enjoyed good growth in online sales and some sectors saw head-turning performances against international retailers.

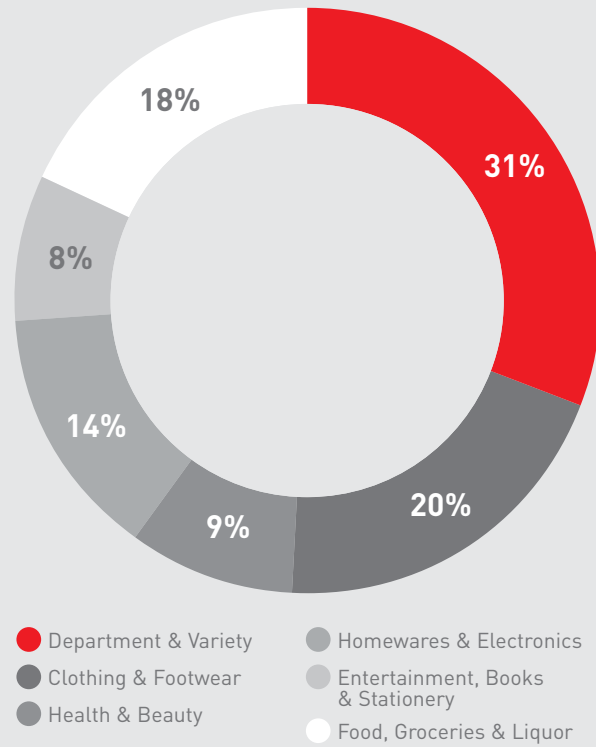


DID YOU KNOW?

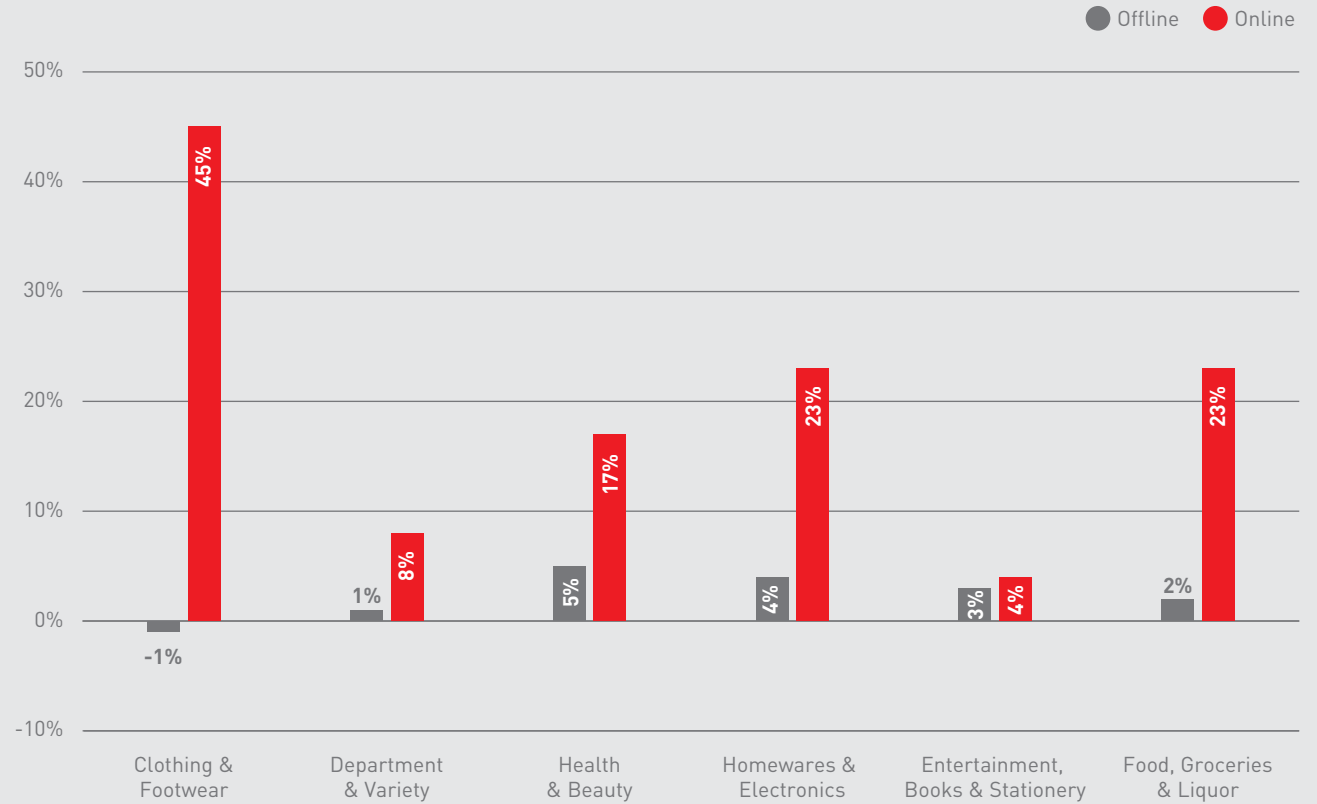
Along with price, range and convenience, good service is one of the key things online shoppers look for across all sectors. Find ways to make the whole experience – from finding your site, browsing, selecting, paying and having the purchase delivered – as good as it can be. And if you are a local business promoting Kiwi goods and services, make sure your customers know it. All other things being equal, they'd prefer to buy Kiwi.

Source: NZ Online Shopper Survey 2018

Share of domestic online spend by sector
2018



Domestic growth rate online vs offline by sector
% 2017 to 2018





Department & Variety

The largest share of online spend

New Zealand's largest online retailers have continued to successfully grow this sector to such an extent that it now comprises 31% of all online spend and 50% of all transactions. It's our most popular sector with 84% of online shoppers or some 1.57 million customers making purchases.

The total online basket size in Department & Variety is 18% higher than the bricks and mortar basket size at \$66 – though it is still the smallest basket size for all our sectors. However, it is one of our best performing sectors with \$1.3 billion in online spend.

Department & Variety spend grew by 10% in 2018 with an increase in transactions of 6%. This was driven by growth in both domestic and international sales in this sector.

**DID YOU KNOW?**

Top reasons customers say they purchase online in Department & Variety, rather than in a traditional store:

1. Easier to search and buy (60%)
2. I can compare prices more easily (54%)
3. Easier to go online than in store (52%)
4. Cheaper than in store (39%)

Source: NZ Online Shopper Survey 2018

Spend with New Zealand e-tailers grew by 8% in 2018. This was driven by a 6% increase in the average domestic basket size. Domestic transactions were relatively flat, as were the number of shoppers in this sector.

This is a sector where international sales grew faster than domestic this year, with 13% growth in spend. This was driven by a growth in the number of transactions of 9% as well as an increased basket size of 4%, meaning that shoppers purchased more frequently and with a higher average value per transaction.

Sales were steady throughout the year except in Q4 when domestic sales surged 27% higher than the rest of the year and international sales grew 19% as the holiday season approached.

Wednesday is the biggest shopping day for this sector and 76% of all purchases occur during the week.

Men and women shop equally often in the Department & Variety sector. The shoppers' geographic distribution is much the same as for any sector – with rural making up 14% of shoppers and urban tipping 48%. However, it is the rural women who have the highest spend growth in this sector, which begs the question: Are you targeting them?

The highlights:

10%

GROWTH IN ONLINE SPEND OVER 2017.

ONLINE BASKET SIZES WERE

18%

HIGHER THAN OFFLINE BASKET SIZES.

76%

OF ONLINE SHOPPING OCCURRED OVER THE WEEKDAYS – THE HIGHEST BEING ON WEDNESDAY.

62%

OF ONLINE SALES WERE WITH DOMESTIC MERCHANTS.

DOMESTIC SALES GREW

27%

AND INTERNATIONAL SALES GREW 19% IN Q4.

THE HIGHEST SPEND GROWTH WAS AMONGST RURAL WOMEN AT

28%

AND METRO MEN AT 17%.



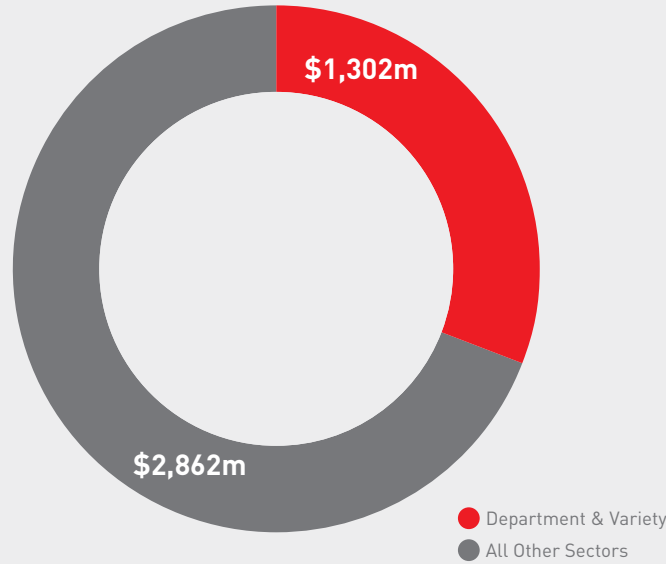
DID YOU KNOW?

Most purchases in Department & Variety are from local websites (79%) or local marketplaces (40%) like Trade Me, NZSale and Onceit. Shoppers are buying clothes, toys, books, gifts, kitchenware and Christmas decorations. For these shoppers, the most important things when purchasing online are:

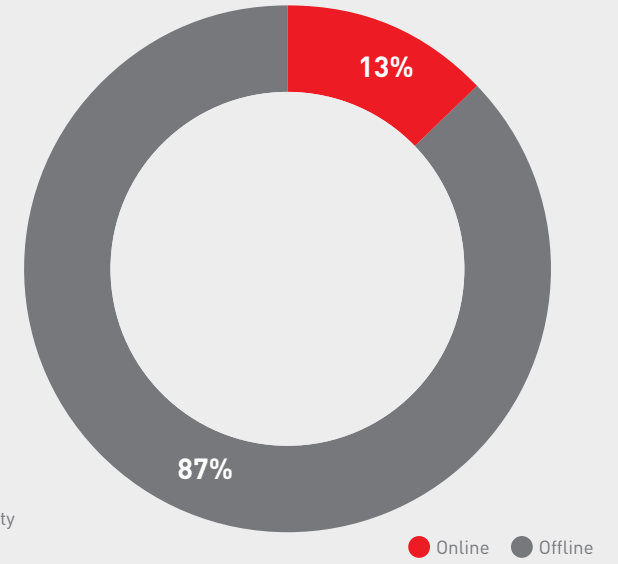
1. Range of products (87%)
2. Cheapest price (87%)
3. Delivery charges (44%)
4. Good pictures of products (37%)
5. Lots of delivery options (31%)
6. Great customer service (21%)
7. Made in New Zealand (17%)

Source: NZ Online Shopper Survey 2018

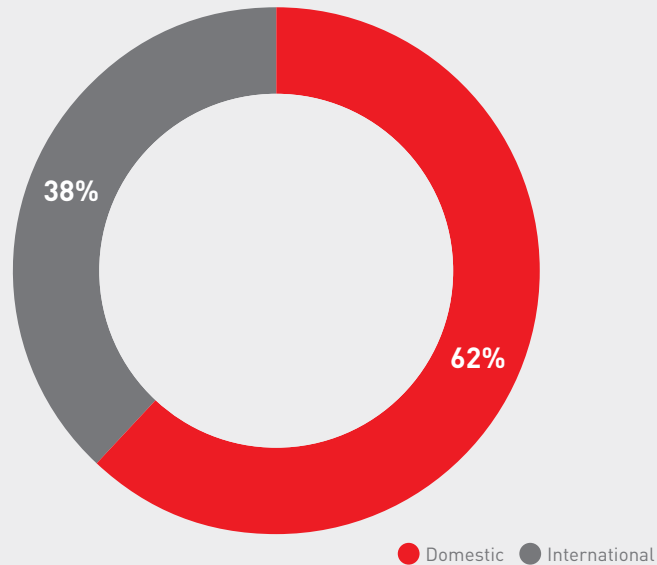
Share of sector domestic online spend 2018



Share of sector domestic spend – online vs offline 2018

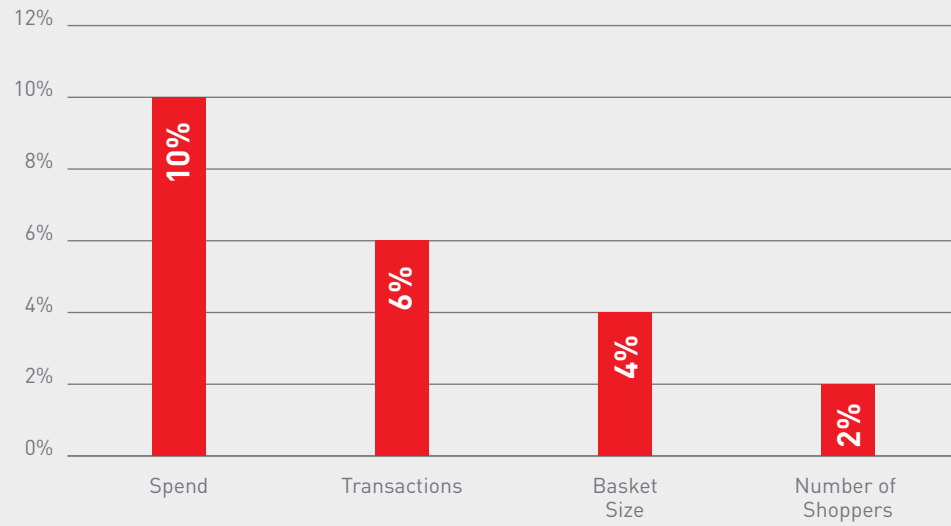


Share of sector online spend – domestic vs international 2018



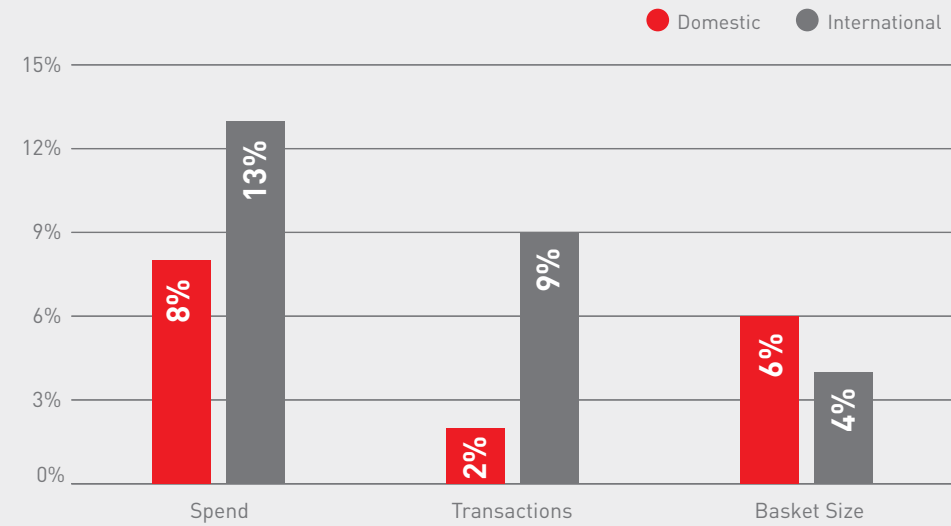
Total sector online growth metrics

% 2017 to 2018



Key growth metrics – domestic vs international

% 2017 to 2018





Food, Groceries & Liquor

Fresh and local
is where it's at

The Food, Groceries & Liquor sector is enjoying one of the fastest growths in online shopping. It's very much a homegrown phenomenon with 90% of online sales going to domestic merchants, the highest domestic share out of all sectors.

Total online spend however, at \$736 million only contributes to 3% of the total sector spend.

In total, the online spend for this sector grew by 18%, and transactions grew by 17%. This growth was driven by domestic sales. Spend domestically grew by 23%. This was driven by a 29% increase in transactions as well as an increase in shoppers. Basket size, however, dropped from 2017 meaning domestically more people were buying less, more frequently.

Internationally it was a completely different story. Spend decreased by 11% and was the only area to experience decline in spend this year. This was driven by a decrease in transactions of 25% versus 2017. The basket size did however increase 19% for international transactions, meaning that while shoppers were purchasing a lot less frequently, they were stocking up when they did make a purchase from overseas.

**DID YOU KNOW?**

Top reasons customers say they purchase online in Food, Groceries & Liquor, rather than in a traditional store:

1. Easier to go online than in store (49%)
2. Easier to search and buy (40%)
3. I can compare prices more easily (34%)
4. More choice (29%)

Source: NZ Online Shopper Survey 2018

At \$138, the average online basket size was 267% higher than the offline basket size and we're now making one big weekly purchase, mainly on Tuesdays.

Shopping online in this sector is gaining real traction with the under 45 year olds who are now spending 27% more on Food, Groceries & Liquor online. While urban and metro customers make up 85% of shoppers, the number of rural customers is increasing and spend amongst young rural shoppers is up a massive 45%.

To put it into perspective, this sector is now worth more than Health & Beauty and Entertainment, Books & Stationery combined, with 18% of online spend. Close to 734,000 Kiwis are turning to online to purchase their food and favourite tipple.

The highlights:

18%

GROWTH IN ONLINE SPEND.

90%

OF SALES WERE WITH DOMESTIC RETAILERS.

ONLINE BASKET SIZES WERE

267%

HIGHER THAN OFFLINE BASKETS.

SHOPPERS UNDER 45 WERE SPENDING

27%

MORE ON FOOD, GROCERIES & LIQUOR ONLINE.

17%

GROWTH IN ONLINE TRANSACTIONS IN 2018.

\$138

AVERAGE BASKET SIZE WAS CONSISTENT WITH 2017.

SPEND BY RURAL SHOPPERS UNDER 45 YEARS OLD HAS GROWN

45%

82%

OF ONLINE SHOPPING HAPPENED OVER THE WEEKDAYS WITH TUESDAYS BEING THE MOST POPULAR.



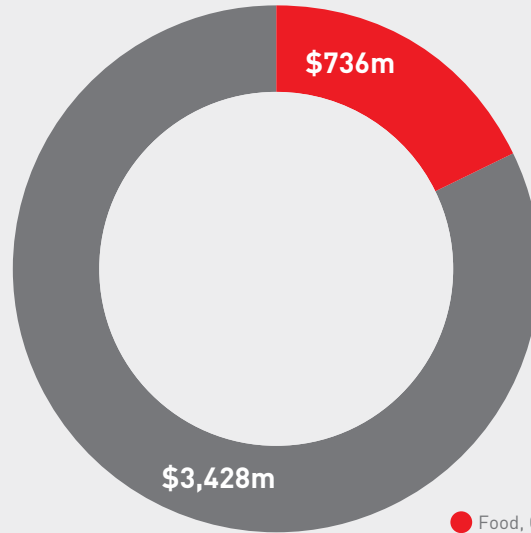
DID YOU KNOW?

Most purchases in Food, Groceries & Liquor are from local stores. Shoppers are buying groceries, meat, vegetables, drinks, alcohol, chocolate and fruit. For these shoppers, the most important things when purchasing online are:

1. Range of goods (89%)
2. Cheapest price (78%)
3. Ability to use Click and Collect (41%)
4. Delivery charges (40%)
5. Lots of delivery options (33%)
6. Great customer service (25%)
7. Has a permanent store in New Zealand (23%)

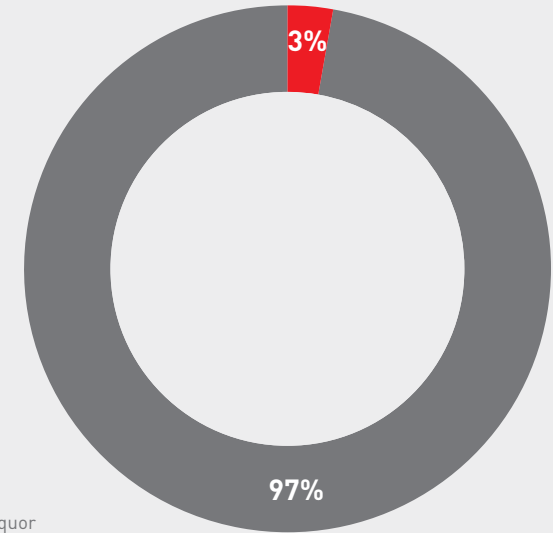
Source: NZ Online Shopper Survey 2018

Share of sector domestic online spend 2018



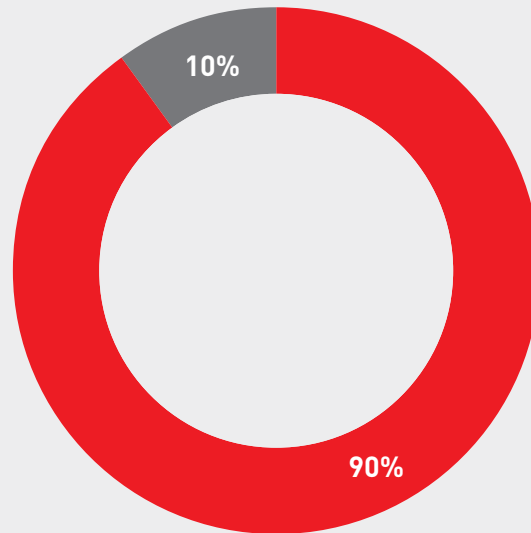
● Food, Groceries & Liquor
● All Other Sectors

Share of sector domestic spend – online vs offline 2018



● Online ● Offline

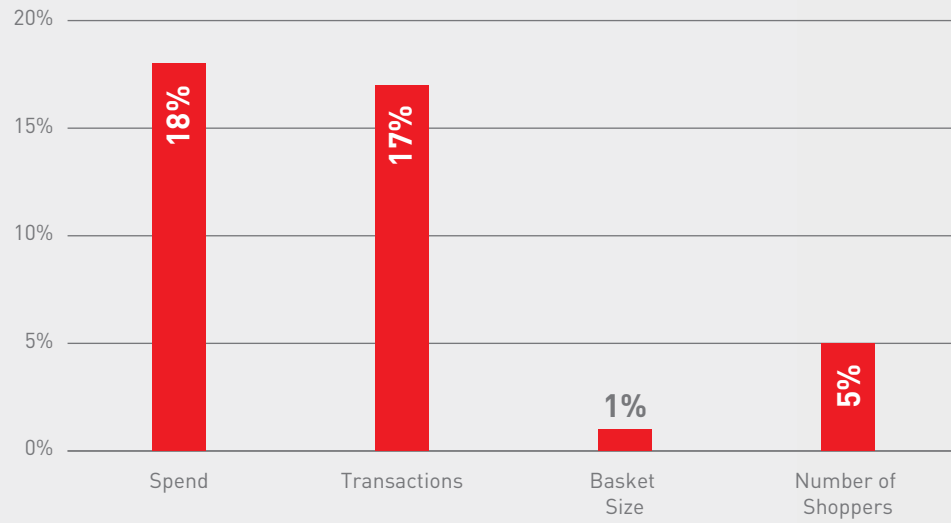
Share of sector online spend – domestic vs international 2018



● Domestic ● International

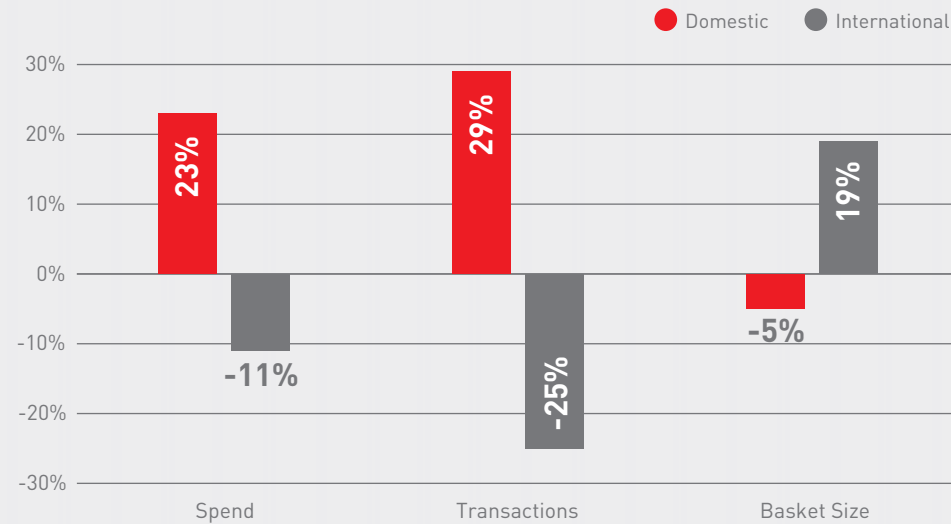
Total sector online growth metrics

% 2017 to 2018



Key growth metrics – domestic vs international

% 2017 to 2018





Homewares & Electronics

What's sparking
the rise in big
ticket sales?

Until recently, the Homewares & Electronics sector has been one of the slower selling sectors online – accounting for only 14% of all online spend. It's a low frequency of purchase sector, after all. It is also the sector that attracts the second lowest number of online customers – just 37% of all shoppers, or some 700,000 buyers. Sales are still dominated by traditional bricks and mortar retailers (93%) and of the online sales, some 79% are with domestic retailers.

**DID YOU KNOW?**

Top reasons customers say they purchase online in Homewares & Electronics, rather than in a traditional store:

1. Easier to search and buy (56%)
2. Cheaper than in store (55%)
3. I can compare prices more easily (53%)
4. Easier to go online than in store (49%)

Source: NZ Online Shopper Survey 2018

In 2018 we saw good growth in this sector. The overall growth in spend was 20% with transactions growing at almost the same rate of 19%, making it one of the fastest growing sectors and is now worth \$574 million online.

This was driven primarily by the growth in domestic online sales of 23%. This was due to a 28% increase in the number of transactions as well as the largest increase in the number of shoppers for any sector at over 16%. The basket size decreased by 3%.

Internationally the 7% growth in sales again came from an increase in transactions and shoppers, and like domestic, the basket size decreased in this sector by 3%.

Being largely big-ticket items, the average basket size is the largest of all the sectors at a whopping \$254, and is a huge 80% higher than offline basket sizes.

The rise in domestic online sales might just signal an improved online environment and increased trust by consumers in the fulfilment process, deliveries and in warranties.

Once again, it's the young who are embracing this sector online with 23% more under 30 shoppers. Watch for further growth in 2019.

The highlights:

23%

GROWTH IN DOMESTIC ONLINE SPEND.

WE'RE SUPPORTING DOMESTIC BUSINESS WITH

79%

OF ONLINE SALES STAYING IN NEW ZEALAND.

YOUNGER METRO & URBAN SHOPPERS CONTINUE TO SPEND THE MOST WITH

32%

AND 30% RESPECTIVELY – COMPARED TO RURAL SHOPPERS AT 21%.

\$254

AVERAGE BASKET SIZE HAS REMAINED CONSISTENT FOR ONLINE.

YOUNGER SHOPPERS WERE CLICKING MORE WITH

23%

MORE UNDER 30 SHOPPERS AND 16% GROWTH IN THE 30-44 AGE GROUP.

IT'S ALL IN A WEEK WITH

79%

OF ONLINE SHOPPING HAPPENING OVER THE WEEKDAYS WITH WEDNESDAY BEING THE MOST POPULAR DAY.



DID YOU KNOW?

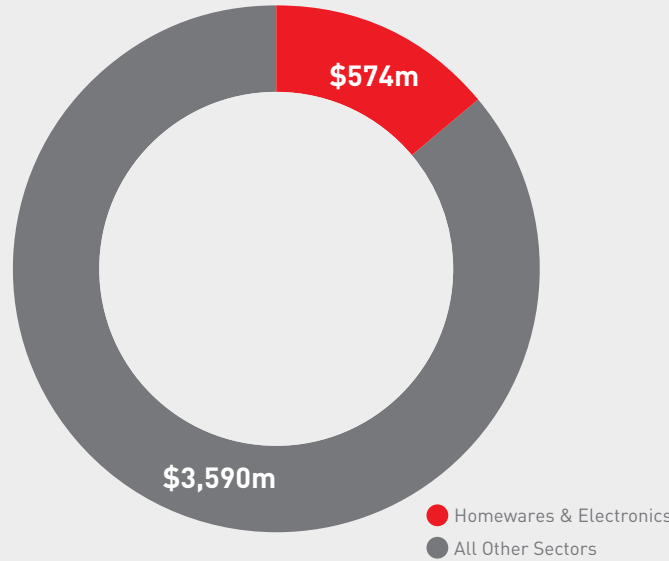
Shoppers are buying computers and accessories, kitchenware, headphones, laptops, mobile phones, microwaves and cookware. Two-thirds are buying them from local websites and/or local marketplaces. The most important things for them when purchasing online are:

1. Range of goods (84%)
2. Cheapest price (83%)
3. Delivery charges (48%)
4. Latest technology (40%)
5. Warranty (33%)
6. Lots of delivery options (25%)
7. Great customer service (21%)

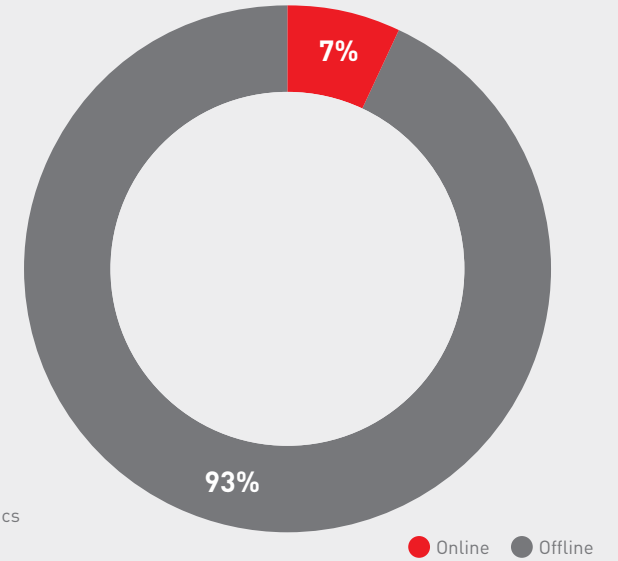
Twenty per cent of shoppers said having a permanent store in New Zealand was important.

Source: NZ Online Shopper Survey 2018

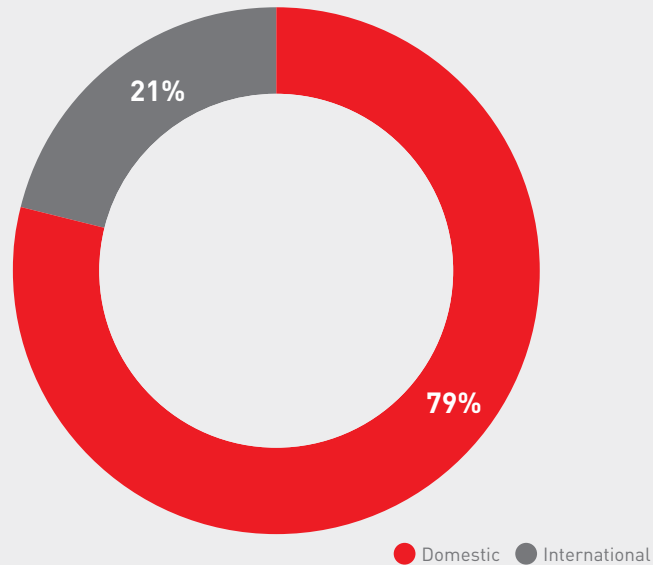
Share of sector domestic online spend
2018



Share of sector domestic spend – online vs offline
2018

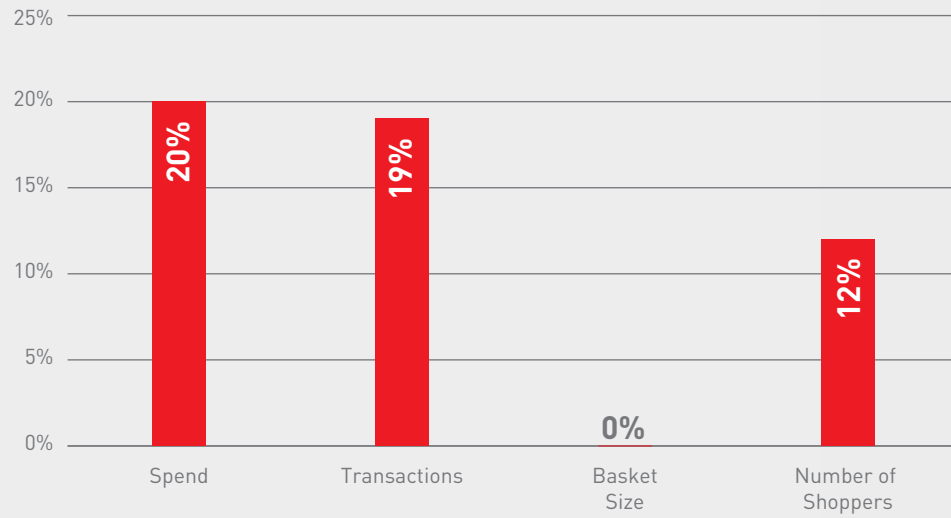


Share of sector online spend – domestic vs international
2018



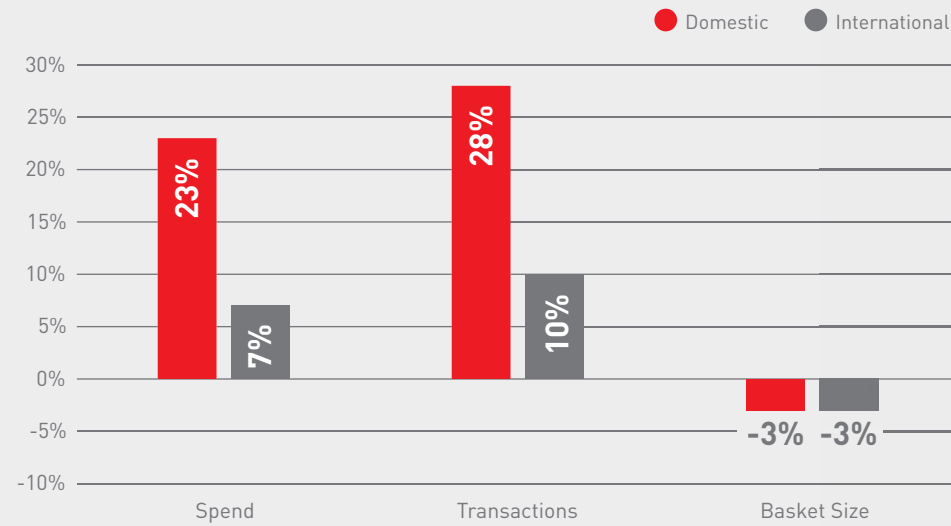
Total sector online growth metrics

% 2017 to 2018



Key growth metrics – domestic vs international

% 2017 to 2018





Clothing & Footwear

The rise of local fashion

This is 2018's online powerhouse with over 1.13 million shoppers seeking out Clothing & Footwear. While the sector as a whole enjoyed the highest online growth with sales of \$851 million, it was the performance of domestic retailers that truly turned heads with their stellar performance.

Total Clothing & Footwear spend and transactions both grew by a huge 28% in 2018. This was driven predominantly by the domestic sales growth of 45%. Behind the domestic growth is a huge 51% increase in transactions as well as a 15% increase in the number of people shopping in this sector. Basket size in this sector decreased, meaning that domestic growth came from a lot more people shopping a lot more often in this sector.

International spend growth at 13% was driven by a 6% increase in basket size as well as an 11% increase in the number of shoppers.

**DID YOU KNOW?**

Top reasons customers say they purchase online in Clothing & Footwear, rather than in a traditional store:

1. Easier to search and buy (51%)
2. Easier to go online than in store (50%)
3. Cheaper than in store (49%)
4. I can compare prices more easily (45%)

Source: NZ Online Shopper Survey 2018

This year, 53% of online sales were with domestic e-tailers – a reversal of what we saw in 2017 when international sales ruled the roost. It was a perfect flip and hardly changed the basket size, which remained at \$112 in total.

Earlier we identified the Buy Now Pay Later (BNPL) trend as a key driver of this increase by making clothing purchases more accessible for young females. There's a clear correlation between the growth in BNPL in Q4 and the 57% increase in domestic Clothing & Footwear sales over the same period. But overall, we get a sense there's more going on with domestic e-tailers.

With more local based fashion brands coming online, new payment options and increased levels of comfort in online shopping, thanks to easy returns and guarantees, shoppers appear to be flocking back to domestic online fashion retailers.

It's not just the young who are making an impact in this sector, there's significant growth in online shopping in this sector amongst older over 60s shoppers – with 18% growth over 2017.

It's good news all round for Clothing & Footwear retailers, for whom the planets seemed to have aligned in 2018.

The highlights:

45%

ONLINE GROWTH IN DOMESTIC SPEND.

2018 BASKET SIZE OF

\$112

WAS CONSISTENT WITH 2017.

WOMEN CONTINUED TO OUTSHOP MEN WITH

24%

GROWTH IN SPEND COMPARED TO 12% GROWTH FOR MEN.

DOMESTIC SALES WERE

57%

HIGHER IN Q4 COMPARED TO THE REST OF THE YEAR.

28%

ONLINE SALES GROWTH FOR INTERNATIONAL AND DOMESTIC COMBINED.

53%

OF ONLINE SALES WERE DOMESTIC – A REVERSAL OF 2017 WHERE MORE THAN 50% OF SPEND WENT OFFSHORE.

OLDER SHOPPERS HAVE A RENEWED INTEREST WITH

18%

INCREASE IN SHOPPERS OVER THE AGE OF 60.

INTERNATIONAL SALES WERE

21%

HIGHER IN Q4 COMPARED TO OTHER QUARTERS.



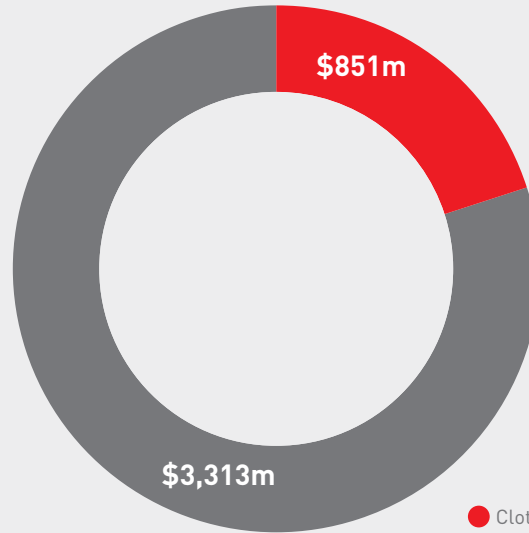
DID YOU KNOW?

Shoppers are buying everything from shoes, tops, T-shirts, dresses, kids clothes and sportswear from a variety of local and overseas stores and marketplaces. For these shoppers, the most important things when purchasing online are:

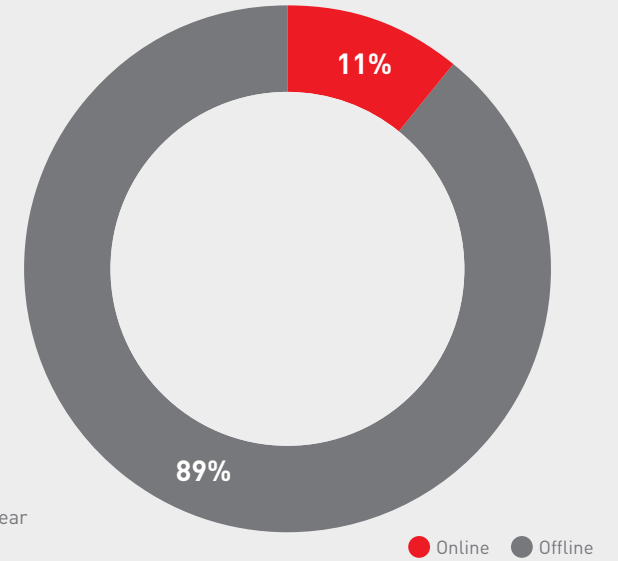
1. Range of goods (85%)
2. Cheapest price (79%)
3. Delivery charges (55%)
4. Good product photography (44%)
5. Range on trend (27%)
6. Great customer service (21%)
7. Lots of delivery options (20%)

Source: NZ Online Shopper Survey 2018

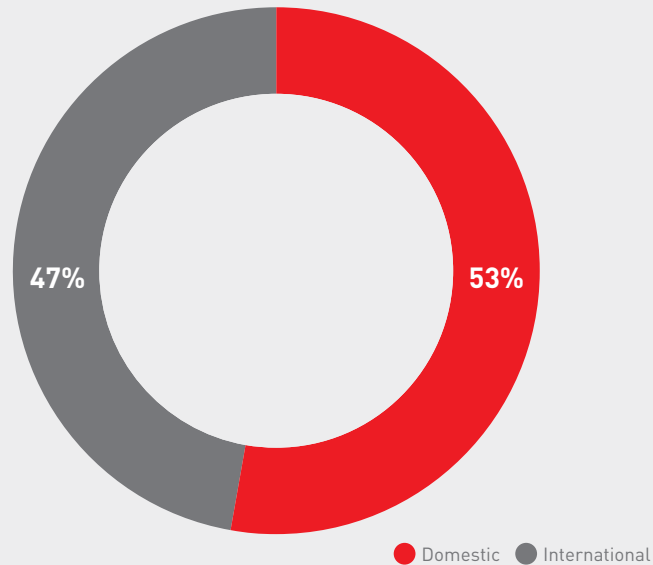
Share of sector domestic online spend 2018



Share of sector domestic spend – online vs offline 2018

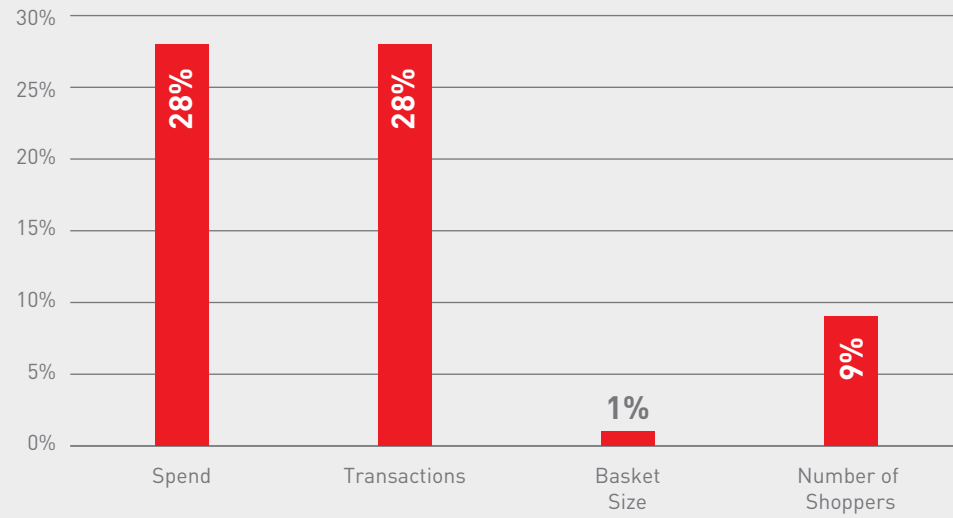


Share of sector online spend – domestic vs international 2018



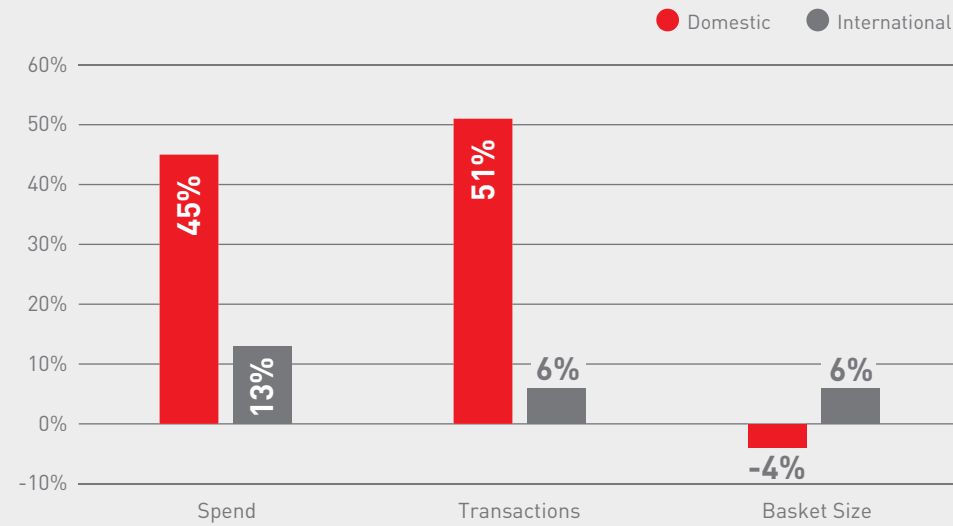
Total sector online growth metrics

% 2017 to 2018



Key growth metrics – domestic vs international

% 2017 to 2018





Health & Beauty

Tradition dominates, specialists are on the rise

The Health & Beauty sector is driven by hugely differing forces. With Health, there is often an immediacy of need. In Beauty, the shopping mode is one of replenish and discovery. These immediate and tactile drivers possibly explain why traditional bricks and mortar sales are high at 92%.

This makes Health & Beauty our second smallest online sector with only a 9% share of total online sales, or \$377 million. It is also the least visited of our sectors with only 646,000 or 35% of online shoppers making purchases.

Total spend with Health & Beauty increased by 12% in 2018 and transactions grew by 16%. The growth in this sector was driven by different factors domestically and internationally.



DID YOU KNOW?

Top reasons customers say they purchase online in Health & Beauty, rather than in a traditional store:

1. Cheaper than in store (58%)
2. Easier to search and buy (50%)
3. Easier to go online than in store (47%)
4. I can compare prices more easily (41%)

Source: NZ Online Shopper Survey 2018

Growth in spend with domestic e-tailers was driven by a large increase in transactions of 30% as well as in the number of shoppers at just under 14% increase. Domestically, basket size fell slightly by 3.8% but remained the second highest of all the sectors at a healthy \$144. Meaning that more customers were purchasing smaller amounts more frequently.

The 4% growth in international spend, on the other hand, was driven by an increasing basket size of 6% and increase in the number of customers. However, there was a decrease in the volume of transactions by 2%, meaning that more people were purchasing higher value items more frequently.

Women dominate this sector, making up 60% of online shoppers, but men – particularly young, urban males spent 26% more on online in 2018. In the rural towns, where choice and range are lower locally, it's the younger rural women who are spending more, with online spend growth rising to 19%.

The highlights:

12%

GROWTH IN ONLINE SPEND.

16%

GROWTH IN TRANSACTIONS.

AVERAGE BASKET SIZE DROPPED SLIGHTLY BY

3.8%

TO \$144 FOR ONLINE PURCHASES.

ONLINE BASKET SIZES WERE

113%

HIGHER THAN OFFLINE BASKET SIZES.

64%

OF ONLINE SALES WERE WITH DOMESTIC MERCHANTS.

WEEKDAYS DOMINATED TAKING

83%

OF ONLINE SHOPPING.

Q4 SAW A SWING TO INTERNATIONAL SALES –

21%

RISE OVER A 13% RISE FOR DOMESTIC SALES.

HIGHEST GROWTH IN SPEND WAS IN URBAN MEN UNDER 45 WITH

26%

GROWTH.



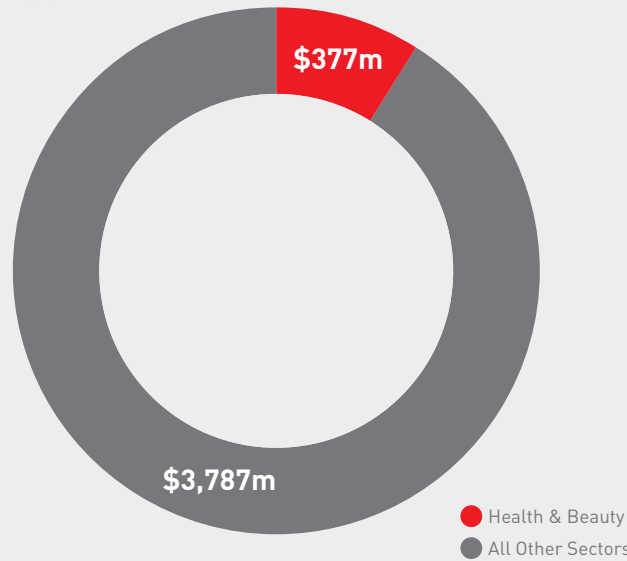
DID YOU KNOW?

Shoppers are mostly buying make-up, vitamins, shampoo, skincare, perfumes and moisturisers, mostly from local websites. The most important things they look for when purchasing online are:

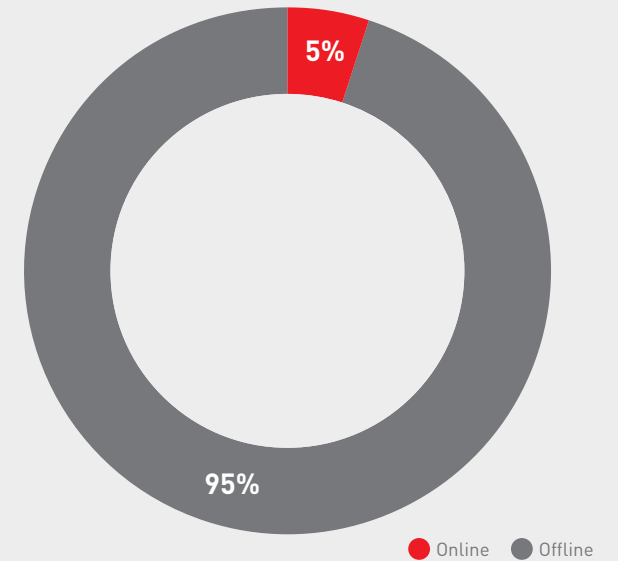
1. Range of products (87%)
2. Cheapest price (83%)
3. Delivery charges (51%)
4. Customer reviews of products (40%)
5. Made in New Zealand (38%)
6. Great customer service (26%)
7. Lots of delivery options (24%)

Source: NZ Online Shopper Survey 2018

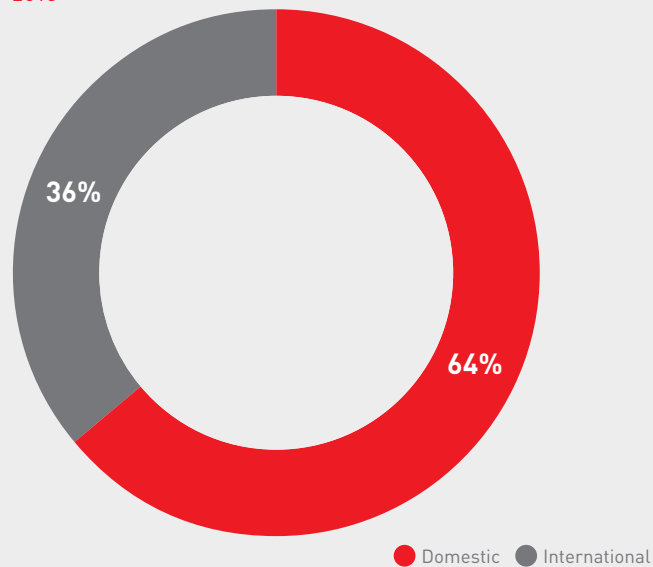
Share of sector domestic online spend 2018



Share of sector domestic spend – online vs offline 2018

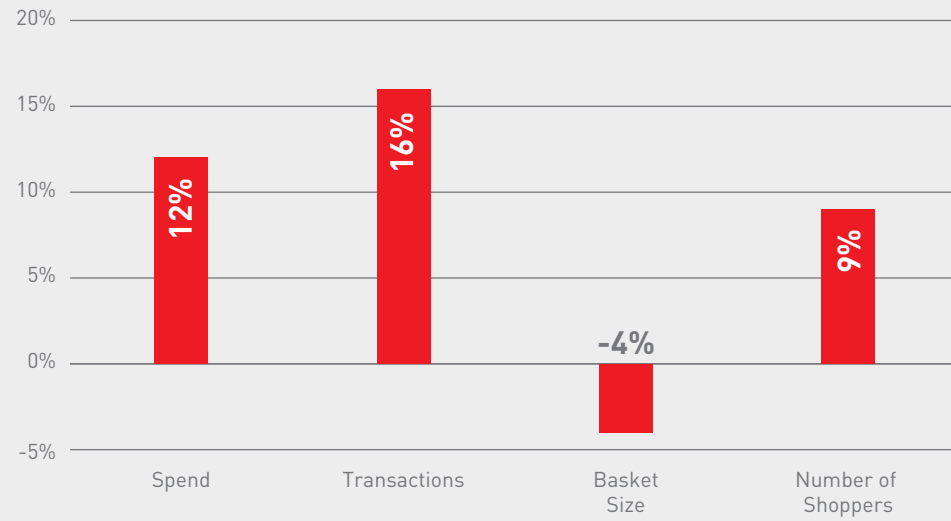


Share of sector online spend – domestic vs international 2018



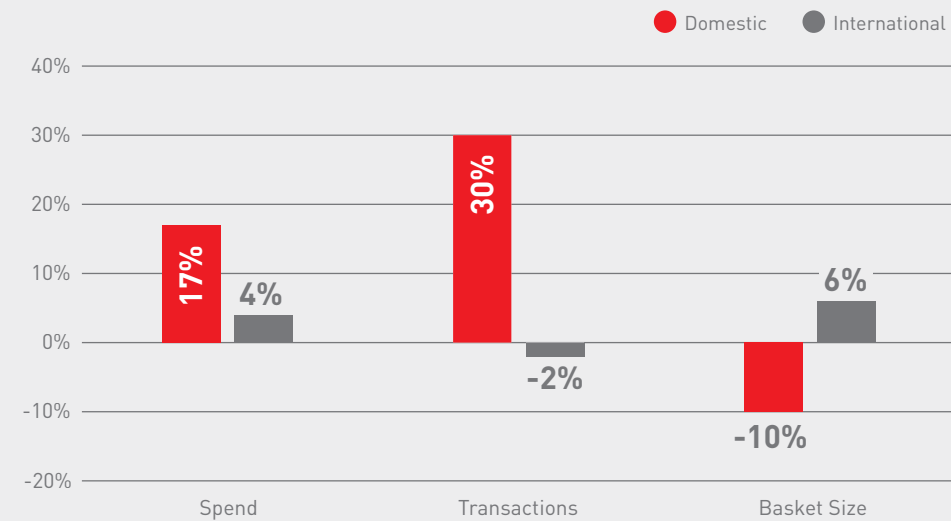
Total sector online growth metrics

% 2017 to 2018



Key growth metrics – domestic vs international

% 2017 to 2018





Entertainment, Books & Stationery

A mature sector
dominated by a few
giant players

Entertainment, Books & Stationery is our smallest sector and continues to display all the signs of a mature market, with long established online retailers like The Book Depository being the 'go-to' for many shoppers.

Some 50% of shoppers, or 946,000 Kiwis, made online purchases, which helped sales grow to \$323 million in total. Despite hefty overseas competition (much of it lower priced), our domestic merchants still held on to a respectable 52% share of sales.

Total spend in this sector grew by 9% and transactions also grew by 6%. The growth in this sector was driven by greater international spend.

Domestic spend grew by 4% and was due to an increase in basket size of 4% as well as by new shoppers coming into the sector. Domestically, customers are not buying as often as in 2017, with transactions falling by 1%.



DID YOU KNOW?

Top reasons customers say they shop online for Entertainment, Books & Stationery, rather than in a traditional store:

1. Cheaper than in store (59%)
2. Easier to search and buy (58%)
3. More choice (48%)
4. Easier to go online than in store (47%)

Source: NZ Online Shopper Survey 2018

International sales grew by 14%, driven by a 13% increase in transactions as well as an increase in shoppers of 8%. Basket sizes for international purchases remained fairly flat at 1% growth in this sector.

As with many other sectors, there was a lift in New Zealand retailers' sales in the lead up to the holidays in Q4, at 19%, this was just marginally behind the growth in international sales.

This is a sector where Kiwi shoppers seem at their most comfortable and when they shop, they tend to upsize. Their online basket size at \$80 is 100% higher than their offline size.

The highlights:

9%

GROWTH IN ONLINE SPEND OVER 2017.

946^k

SHOPPERS IN THIS SECTOR.

52%

OF ONLINE SALES WERE WITH DOMESTIC MERCHANTS.

DOMESTIC SALES ROSE **19%**

HIGHER IN Q4 COMPARED TO THE REST OF THE YEAR.

AVERAGE ONLINE BASKET SIZE OF \$80 WAS

100%

HIGHER THAN OFFLINE BASKET SIZES AT \$40.

INTERNATIONAL SALES WERE

23%

HIGHER IN Q4 COMPARED TO THE REST OF THE YEAR.

YOUNG RURAL SHOPPERS UNDER 45 CONTRIBUTED THE MOST TO THE SECTOR'S GROWTH - SPENDING

22%

MORE THAN IN 2017.

\$323^m

REMAINED THE SMALLEST ONLINE SECTOR IN TERMS OF SPEND.



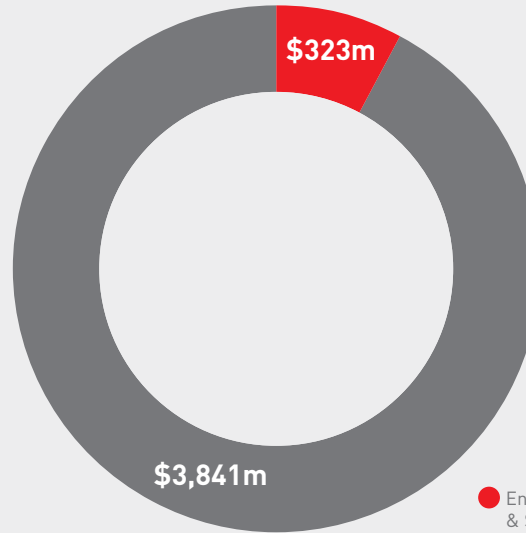
DID YOU KNOW?

While The Book Depository dominates this sector, shoppers also use local marketplaces regularly to buy books, DVDs, music and games. For these shoppers, the most important things when purchasing online are:

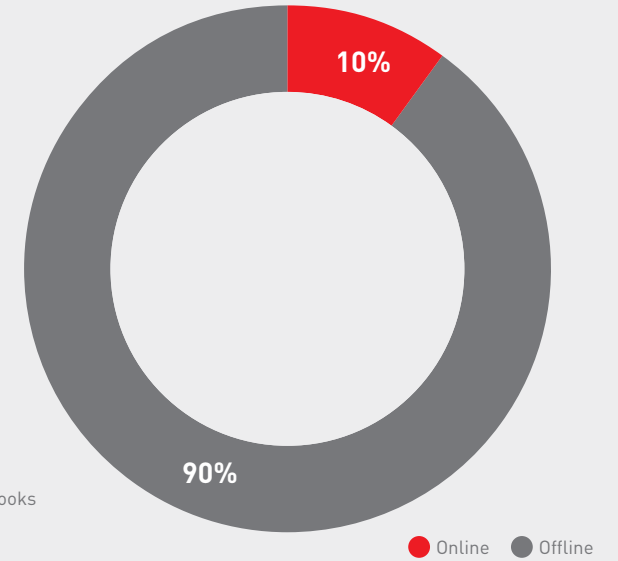
1. Cheapest price (85%)
2. Range of goods (84%)
3. Delivery charges (54%)
4. Customer reviews of products (46%)
5. Lots of delivery options (26%)
6. Great customer service (24%)
7. Good pictures of products (18%)

Source: NZ Online Shopper Survey 2018

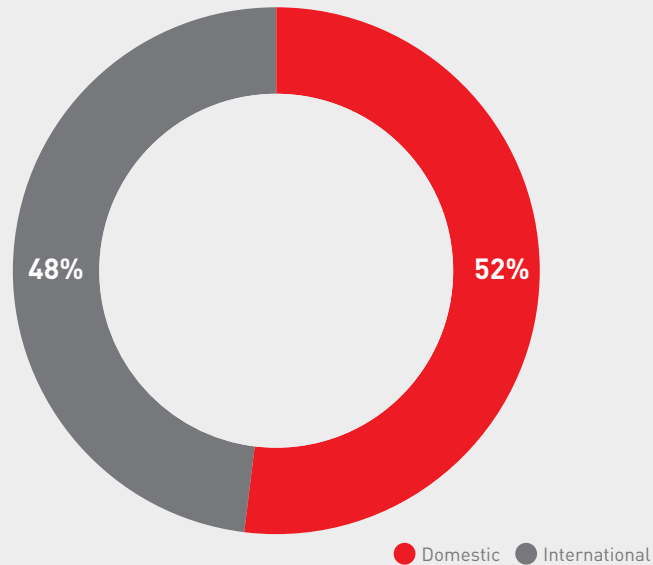
Share of sector domestic online spend
2018



Share of sector domestic spend – online vs offline
2018

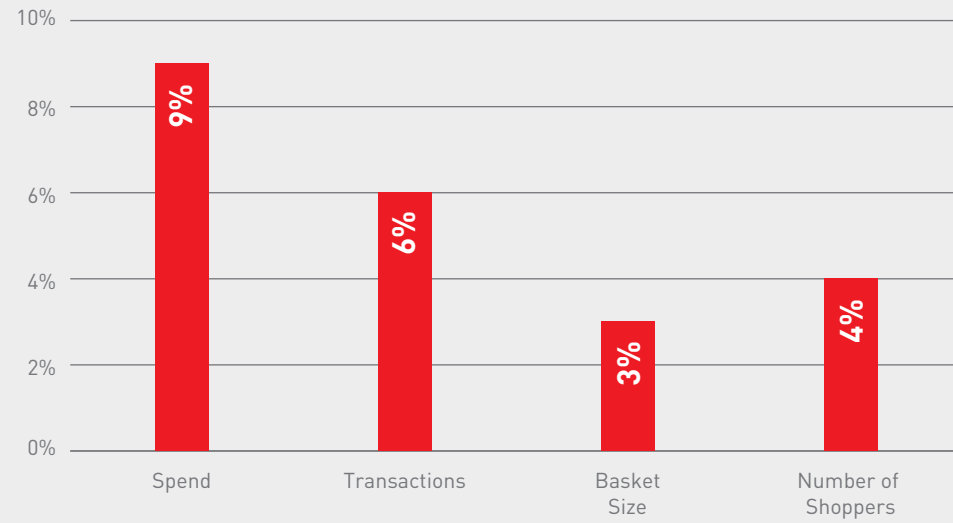


Share of sector online spend – domestic vs international
2018



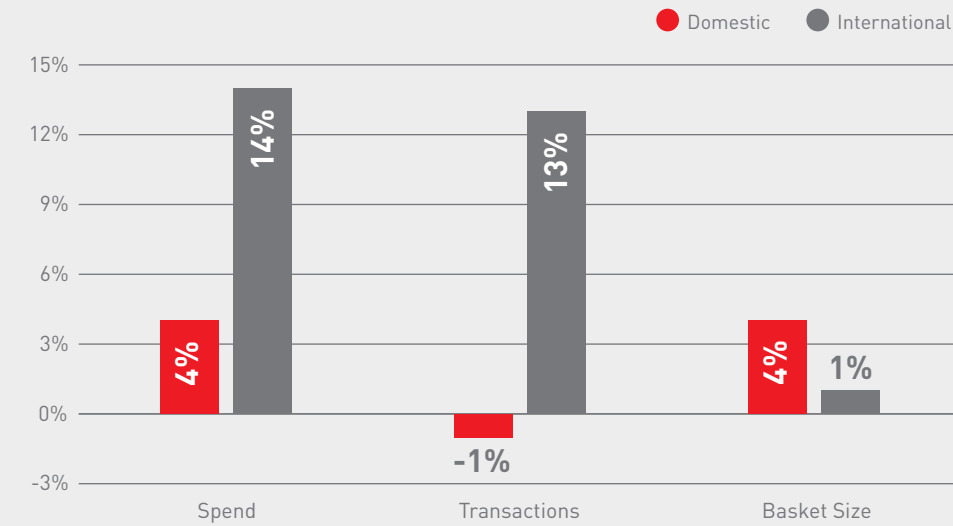
Total sector online growth metrics

% 2017 to 2018



Key growth metrics – domestic vs international

% 2017 to 2018





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No matter how big or small your business is, there are some common needs that you need to address to win in eCommerce.

In this section, we look to help businesses become more effective at selling online by addressing five common business needs. From getting your website and shopping experience right, to growing your customer base, to building your customer relationships with higher and/or more frequent spend, right through to finding ways to manage your business more seamlessly. Finally, we provide some thought starters which should be a great help for businesses going global.

Section 5.0

Five things every business needs to succeed at eCommerce

1. Adopt a mindset of the modern consumer

The digital generation doesn't just discover your site and press the 'buy now' button instantly. They've gone through a convoluted process that's involved discovery, research, peer reviews, price scrutiny, receiving recommendations and comparing products. The more you understand that process, the more you can influence it and ensure your products are where they are looking. According to BigCommerce,¹ nearly 48% of customer journeys begin at eCommerce marketplaces like eBay or Amazon. So, engaging customers early in those environments with their built-in ad platforms would seem a smart media strategy.

2. Test. Test. And test again.

Online shoppers are unforgiving. If your much-heralded online site doesn't work, they'll let you know by not coming back. This applies for changes to existing sites as much to start-ups. Make sure everything works smoothly, easily, and professionally before launching and never stop improving. Think mobile first in your design process as more consumers are shopping on a mobile device than desktop.² And remember, consumers are making a leap of faith when buying online, anything that raises questions about the security, or the robustness or genuineness of your online site, is likely to put buyers off.

3. We buy with our eyes

Kiwi shoppers continue to tell us that range, trends and photography are the key influencers in their buying decisions. If you have a small range, bulk up the colour or size options to appear to offer more. Invest in good, clean photography. In fashion, the customer is buying the clothes not the model, so make sure you show the detail in your product.

4. Many ways to pay

Pick up on the trends. Young female shoppers are spending more and more using a Buy Now Pay Later (BNPL) option. Offering a spread of payments is one way Kiwi retailers can fight the price advantage held by overseas online stores. If your store is targeting New Zealand's growing Asian population, consider adding familiar payment options like Alipay or UnionPay to your site.

5. Fast shipping

We may not always be able to fight international e-tailers on price, but we can win Kiwi shoppers' hearts through great delivery. By offering same day or next day delivery, we can sway more and more shoppers to back homegrown businesses. The desire is there, we just need to out deliver across aspects of the parcel service. From easy tracking and notifications to offering options of where and how your customers would like their goods delivered. Great delivery experiences ensure return visits and help build brand loyalty.

¹ Source: <https://www.bigcommerce.com/press/releases/bigcommerce-survey-shows-americans-consider-online-shopping-essential/>

² Source: NZ Online Shopper Survey 2018



Getting started online

Assuming you've done your research and are sure there's a market for your products and services, starting online is largely about getting your website going.

Tip 1

What experience do you want to create? Look at other similar or parallel products and see how they do it. Most of all, adopt a customer mindset. What will they expect from a website like yours?

Tip 2

Adopt a mobile first design approach. Creating a mobile-friendly site is a must.

Think about how you will structure your website. What's a logical way to categorise your products to make it easy for customers to find what they want?

Tip 3

Generally, we say rely on off-the-shelf solutions to stay on top of changes in technology. Use platforms such as Shopify or Magento with eCommerce shopping cart functionality built in. However, if you have specific needs, a bespoke approach may be required.

Tip 4

How will your products be displayed? Good photography is essential so invest in it. It's important the customer can see the product (in all the colours available) and that they can access more details about it.

Tip 5

If you were opening a physical store, you'd be thinking about the look and feel of the interior. Your website is your store so start with a design approach. What will appeal to customers? Remember - simple is best. Your store should not be cluttered. Let the products take centre stage.

Tip 6

Let customers know about shipping costs and timeframes up front. Uncertainty is the main reason shoppers abandon the process before they buy. Find a good delivery partner like New Zealand Post who can provide reliable delivery times as well as a range of options. Offer a good selection of delivery options that allow customers to trade-off speed and cost. Make sure you have a clear returns policy that customers can easily find.

Tip 7

Set up your shopping cart so it's as easy as possible to complete the shopping process. You need to capture customer data but keep it to the absolute essentials to avoid customers getting frustrated and abandoning their purchase.

Tip 8

Speak to your bank around how to accept payments. With 88%¹ of shoppers using credit cards to make payment, a simple payment gateway may suffice, but consider additional payment options based on your customer base. Make sure you familiarise yourself with Merchant Service Fees before implementing any payment methods.



Our expert says the optimum purchase process is in three steps. Visit thefulldownload.co.nz to see what other good advice our expert has.

¹ Source: NZ Online Shopper Survey 2018



Growing your customer base

So, your business is under way and things are ticking along nicely. The challenge now is to grow your business to that next level and that means finding new customers by promoting your website and encouraging people to visit.

Tip 1

Utilise marketplaces to gain exposure in a bigger consumer pool and use this to drive customers to your website. For example, promote selected products via Trade Me and encourage purchasers to see a full range of products on your site.

Tip 2

Make sure that you build a community that has an interest or passion in your area. Engage with them to contribute content, which they will share with others in the community.

Tip 3

Maximise your marketing budget with digital marketing to re-target customers who have visited or purchased from your site through Search Engine Marketing or social media to drive repeat visits.

Tip 4

Use social media to promote and sell your products. There are a number of ways to do this – from creating specific adverts to boosting posts to a wider audience. Most social media platforms are easy to use and have many ways to target your messages.

Tip 5

Encourage (and make it easy for) your existing customers to share your site with their friends and family. It's likely they know others who will also like what you offer. Consider incentivising your existing customers to promote your store to their friends, family and extended networks. This can be done by offering discounts, free products or other benefits for introducing others.

Tip 6

Consider adding customer reviews and endorsements – they are very influential on customers who are unsure or are trying a new product for the first time. They are also a great way to gain customer feedback to make business improvements.

Tip 7

Many businesses promote specific products at low prices as a way to encourage customers to come to their store. It's a proven strategy that works well both online and offline. Use 'time-limited' or 'stock limited' to drive urgency.

Tip 8

Establish your marketing and sales funnel and define your activities and measures that take buyers through the awareness, consideration and decision stages.

Tip 9

Attending trade shows and events is a good way to grow your customer base and to stay relevant and connected with your customers. For an online only business, that face to face contact is even more valuable.

Tip 10

And of course, there are numerous online advertising options from social media to digital ads and videos that can drive traffic and engagement.



Our expert suggests videos and reviews to attract customers. Visit thefulldownload.co.nz to see what other good advice our expert has.



Building your customer relationships

You've made an all-out effort promoting your business and you now have a steady stream of new customers. Now you're thinking about ways to get more value out of your existing customers. That means encouraging them to shop more often and spend more when they do. Ultimately, the best results are achieved by doing both.

Tip 1

Collect customer data and build a customer database (CRM) to enable ongoing communication with your customers. Balance your regular communications so they incorporate good value-add tips, advice and information with product promotions. This can be extended to create communities of like-minded people with exclusive 'member only' deals.

Tip 2

Consider a loyalty programme to attract customers to spend more and/or to spend more often.

Tip 3

Allow customers to sign up for newsletters and alerts. This enables customers to receive emails or text alerts about new products or special promotions relating to the things they are interested in.

Tip 4

Collect good quality customer contact data to provide a more personalised experience. For example, based on previous visits, you know what a customer has looked at and bought. Promote these types of products to them the next time they shop.

Tip 5

Consider complementary and parallel products your regular customers might be getting elsewhere. Think about offering these products or cross-promoting with another business.

Tip 6

Incorporate up-sell and cross-sell as a standard part of the shopping process. Often that's as simple as promoting accessories and complementary products based on what the customer has selected. Other examples include "Other customers who purchased this product also purchased..." or making recommendations for alternative products "You may also like..."

Tip 7

A Buy Now Pay Later (BNPL) option is a must in many sectors if you are dealing with a younger target market. This helps customers justify their decision to spend a little more and eliminates barriers to purchase.

Tip 8

Incorporate Black Friday, Cyber Monday and Singles Day in your marketing calendars. Build excitement and anticipation about these events with your customers.

Tip 9

Being present through offline events and trade shows is a good way to stay relevant to your customer base and gather direct customer feedback.

Tip 10

Include a comprehensive FAQ section so customers can find information to help themselves.

Tip 11

Protect your brand reputation online. Set up alerts, proactively manage customer complaints and develop guidelines for social engagement.

Tip 12

Ask for feedback: capture feedback at key points in the customer journey to better understand and improve the customer experience. Remember, make sure you can act on and reply to feedback.

Tip 13

Finally, make it easy for customers to make contact – whether through online chat, Facebook messenger or email. This is essential for online only businesses.



Our expert encourages chat-bots and customer feedback tools. Visit thefulldownload.co.nz to see what other good advice our expert has.





Optimising your online business

Your business is performing well and now your focus is on making incremental improvements to deliver better experiences for your customers and better business outcomes for you.

Tip 1

Regularly review website data to understand user behaviour and learn what is posing challenges for customers. Continually make meaningful improvements to your site.

Tip 2

Establish a customer feedback loop, such as Net Promoter Score, to evaluate customer satisfaction levels and make improvements accordingly.

Tip 3

Consider adopting AI technology such as a chatbot to help scale your service capabilities.

Tip 4

Streamline operations to pick and ship items same day or overnight to ensure customers receive a great experience that differentiates you from competitors.

Tip 5

During the busiest times of the year, work with your delivery partner to ensure you are able to optimise the delivery experience for your customers.

Tip 6

Consider outsourced fulfilment options that can take care of many of your time-consuming backroom tasks, allowing you to focus more on customers and growing the business.

Tip 7

Allow customers to shop the way they want. The majority of products are now researched online before being purchased either online or in store. Give customers choices about how they receive their items. Click and Collect can drive increased foot traffic and lead to incremental purchases when customers are in store.

Tip 8

Leverage product identification standards like GS1 barcodes to identify, capture and share product information. This enables richer product experiences online and real time inventory management across channels and will allow customers to understand where items are in stock if they want them now.

Tip 9

Introduce customer notifications to the shipping experience to make material improvements to customer satisfaction and first-time delivery rates. Achieve this by capturing all the necessary data at checkout.

Tip 10

Your customers are on social media platforms like Instagram all the time, why not allow them to shop on there, too?

Tip 11

Always keep the customer experience at the heart of your decision making and listen to your customers' feedback about how they want to shop with you, what their pain points are and what other products they want to see from you.



Our expert encourages retailers to understand their website traffic. Visit thefulldownload.co.nz to see what other good advice our expert has.



Going global

So you've got an amazing product or service you want to take to the world. While all the usual online challenges apply, there are details you need to consider when going offshore if you are to make the most of the enormous opportunities available.



Tip 1

Marketplaces are a great way to break into an international market with relatively low upfront cost. They let you assess demand for your product, local pricing and to refine your sales approach before making a more significant investment in that market.

Tip 2

Consider the markets you want to enter, the competition your products may face and how you can successfully differentiate your product. Allow for potential tariffs and duties and build these into your pricing strategy.

Tip 3

Understand any cultural barriers as to how you show and promote products and the type of language you use. Customers like to see themselves in your site, so ensure yours reflects an appropriate cultural diversity.

Tip 4

Shoppers feel more comfortable working in their own language and currency so you should offer options on your website if possible. However, to keep things simple, you may need to be selective, working in just a few main languages and currencies.

Tip 5

New Zealand has a global reputation for clean green, safe, natural, quality and good service. If your product is New Zealand specific, look to leverage these positive attributes to attract customers. Check out www.nzstory.govt.nz for ideas, tools and support to make the most of being a Kiwi business on the global stage.

Tip 6

Given your location, delivery time and costs will be a big part of a shopper's decision making and experience. Be upfront with the costs and timeframes and offer a range of shipment options, an easy returns policy and easy tracking.

Tip 7

With offices in New Zealand, Singapore and Australia, partnering with a reputable company like New Zealand Post gives you access to a global network of specialists who can advise on the best options available to you for tracking, transparency and creating the best customer experience. With all the information and options out there, it is important to be able to talk to someone about all the options available.

Tip 8

Use an online shipping tool such as New Zealand Post's eShip – which will allow you to use the same system for both domestic and international parcels, for streamlining operations.

Tip 9

Local promotions become important for building a customer base in a cost-effective way. Use localised social media and Search Engine Marketing techniques that are highly targeted to specific groups within the markets you want to attract. Use digital marketing to scale into target geographies.

Tip 10

Word of mouth is still one of the best forms of advertising. Encourage (and possibly reward) your international customers for sharing your site and social pages and for introducing new customers.

Tip 11

Keep across major international regulations like General Data Protection Regulation (GDPR) which defines how you can manage and use EU customer data.



Our expert says getting deliveries out as fast as possible is critical to success. Visit thefulldownload.co.nz for more good expert advice.





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At New Zealand Post, we deliver more online shopping parcels than any other company in New Zealand. We work with some of the biggest, newest, most innovative and most successful online businesses. We partner with many of them, helping make them the success they are. You could say we know a thing or two about online shopping.

In this section, we highlight how our products, services and expertise can help you grow your online business.

Section 6.0



How we can help

Through great understanding comes great solutions

We hope by reading this review you'll appreciate how seriously New Zealand Post takes eCommerce. This annual Full Download extends our knowledge base and creates valuable insights for our online customers. This knowledge also helps us to tailor our services and inspires new innovations to better service the online shopping market.

CourierPost 

Pace 

Contract Logistics 

Here's how our expertise can help you

New Zealand Post delivers more online shopping parcels than any other company in New Zealand. We work with some of the biggest, newest, most innovative and successful online businesses. We partner with thousands of New Zealand companies and help to make them successful by offering consistent, reliable and innovative solutions.

As you'd expect, we have New Zealand's largest logistics and delivery network. It is also New Zealand's most reliable overnight delivery network. We deliver to our overnight delivery target an industry leading 97% of the time.¹

We have consistent and reliable delivery performance throughout the year and carefully plan and allocate resource at the peak online shopping period to ensure that we maintain our service standards when you are at your busiest.

New Zealand Post can deliver to more New Zealand addresses than any other logistics company, including rural addresses, Private Bags and P.O. Boxes.

When it comes to delivering internationally, we have a range of commercial and postal options to get your parcels wherever they need to go, all using the same online labelling tool and courier pick up as your domestic parcels.

More delivery options

Domestically, we offer a range of delivery options to give your customers more choices. Offering flexibility and transparency at checkout has a large impact on conversion to sales. Customers want delivery choices so that they can decide when they will have their item delivered – depending on how important that purchase is to them.

With a different range of delivery speeds – we have choices to offer your customers.

With our overnight courier service, CourierPost, we can deliver anywhere in the country overnight (1-3 days extra for rural addresses). We also offer a 2-3 day Economy service between islands.

In addition, we offer value-added services to our overnight delivery options such as obtaining a signature, delivering dangerous goods, Saturday and age restricted deliveries.

If you want to offer your customers an even faster service, our Pace Same Day courier service gets your item across town within hours or between metros for delivery in the evening.

Easy returns solutions

Shoppers are increasingly expecting a returns service as standard. So, having a good returns policy and an easy to use returns solution reduces the barrier to purchase and builds trust and customer satisfaction. By including a fully tracked returns label in your parcels, you are giving your customer the reassurance that they can return the item if it's not suitable, removing risk from the purchase.

We offer two returns solutions:

- **Tracked returns:** The customer simply drops their returns off at a PostShop, within two to three days we consolidate and return them to you all at once. A cost-effective and convenient option for non-urgent items.
- **CourierPost returns:** Send your customer a label which they can print off and apply to their parcel. Their item is then picked up by a courier and returned to you as a standard courier parcel.

We also offer a returns service from Australia.



Parcel Notifications

At New Zealand Post, we offer a Parcel Notification service to all customers who are using one of our online ticketing solutions. If we receive the correct customer data in our manifests, we can let your customers know where their parcels are in their delivery journey.

This visibility helps to improve customer satisfaction and removes needless enquiries to your call centre.

With SMS and Email notifications available, it's easy to connect directly with customers. We can send notifications when your item is picked up, with the courier for delivery, when it has been delivered and when an attempted delivery has been made.

Customers can interact with certain messages, giving them the option of having their parcels left in a secure location with a one-time authority to leave. This avoids redelivery for the customer and lifts the Net Promoter Score for their deliveries, a sign that they are happy with their delivery experience.

Delivering to your customers the way that they want

Our mobile generation isn't just shopping from anywhere – they expect to get their goods from almost anywhere. That's why New Zealand Post has a range of delivery options for customers to choose from.

With Parcel Leave, customers can specify a safe place to leave a signature required item, so that they do not have to be home to receive the parcel.

With Parcel Redirect, your customer can have their parcel redirected within 75km of the original delivery address for no additional charge.

With Parcel Collect, customers can have their item delivered to one of the 330+ Parcel Collect locations around the country. These options include Z stations, Countdown stores and PostShops nationwide. You can make these options available to your customers through your shopping cart with New Zealand Post's APIs.

Is international on your radar?

An increasing number of e-tailers, small and large, are discovering that selling to customers offshore is much easier than they thought. While sales into Australia and the Pacific are common, New Zealand e-tailers are finding customers in the growing markets of Asia, America and Europe.

To help your business expand and reach new customers, we have solutions for sending parcels overseas with a range of prices and speeds to match your customers' needs. Our team of international experts can make sending globally as seamless as sending locally.

We deliver to 220 countries around the world with a tiered range of solutions through both the postal and commercial networks, depending on the speed, the tracking and the experience you want to provide.

With our online tools, you can use the same solution as your domestic parcels, streamlining your operations and ensuring you only need to have one carrier do your pick-ups.

Warehousing solutions

If your business doesn't have the resources, storage or logistics expertise to manage fulfilment, then let us do the work for you. We can store, pick, pack and ship your items for you. This will free up your time to work on gaining new customers and looking into new markets. We integrate with your eCommerce platform, receiving your orders at the same time as your web store. Our warehouse staff will pick and send your orders quickly and efficiently, no matter how busy your business gets.

Larger businesses with more complex logistics demands and customised integration needs can benefit from our Mosaic Warehouse Management system, offering industry leading logistics services from our warehouses strategically located in Auckland and Christchurch.

Digital solutions to simplify your logistics

The more your business grows, the more you will need technology to help manage your deliveries efficiently, reliably and economically. At New Zealand Post, we offer world-class digital solutions to help you automate and simplify your delivery process.

eShip is our cloud-based application that works with popular local and international eCommerce and customer management platforms. eShip prints packing slips, consignment notes, invoices and parcel labels.

New Zealand Post Shipping APIs let your developer customise our shipping functionality into your software quickly and easily. You can create labels, track parcels, validate addresses and retrieve shipping options, all without leaving your usual software interface.



Want to find out more?

Are you based in New Zealand?

Call New Zealand Post on **0800 959 057**.

If you are a business based in Australia,
please call **+61 2 9310 7497**.

If you are a business based in South East Asia,
please call **+65 6955 8392**.

Email **businessenquiries@nzpost.co.nz**

Visit **nzpost.co.nz/business**

or

Talk to your **New Zealand Post Account Manager**.

Disclaimer

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Thank you

Thank you to Mighty Ape, Feed My Furbaby, Afterpay, Catchi, Bagrie Economics, Datamine, Yabble and everyone else who helped deliver this comprehensive report.

