



# The Full Download

2020 New Zealand  
eCommerce Review

# Kia Ora

Welcome to our third Full Download. New Zealand Post's annual in-depth review of eCommerce in New Zealand. This time round we are focused on the retailer, highlighting the trends and the consumer behaviours that continued to drive their growth across all sectors in 2019. Together with New Zealand Post's logistics expertise and delivery leadership, we hope to arm you with some tools and insights to help you grow your eCommerce business.

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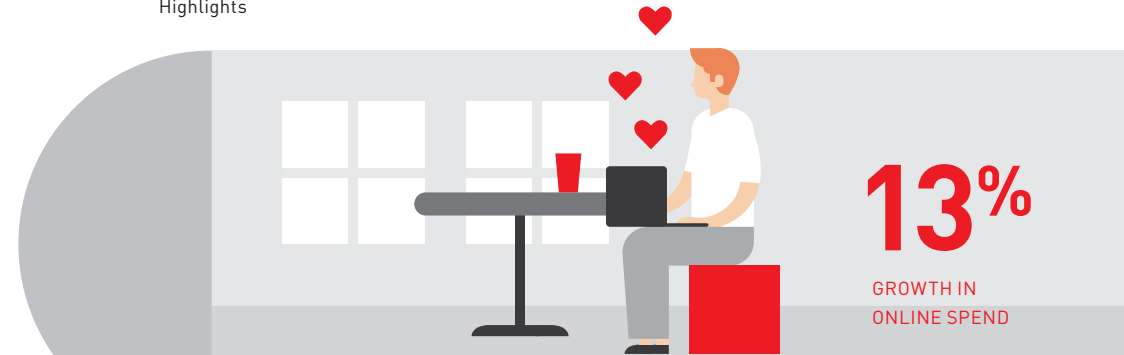
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# 2019 Online Shopping Data Highlights



**13%**  
GROWTH IN ONLINE SPEND

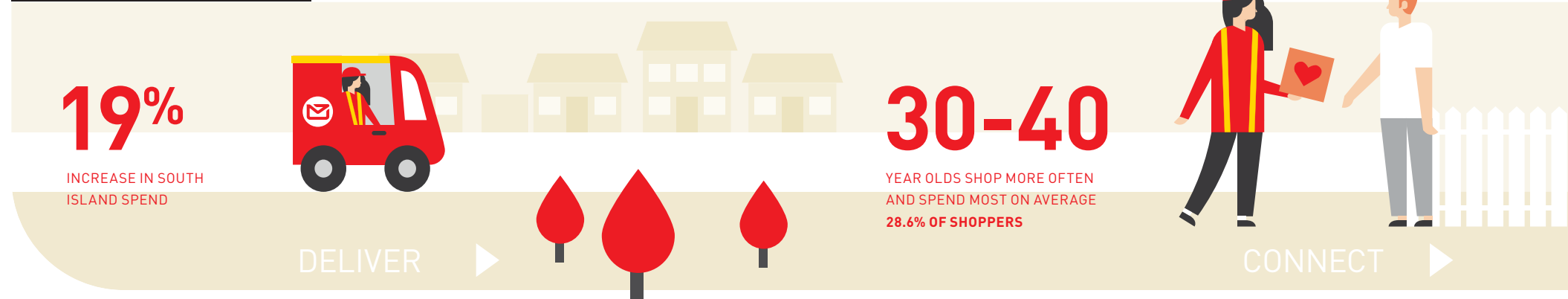
ORDER ▶



**20%**  
GROWTH IN ONLINE SPEND FOR CLOTHING & FOOTWEAR

**105%**  
GROWTH IN SPEND USING BUY NOW PAY LATER (BNPL) SERVICES

PROCESS ▼



**19%**  
INCREASE IN SOUTH ISLAND SPEND

**30-40**  
YEAR OLDS SHOP MORE OFTEN AND SPEND MOST ON AVERAGE  
**28.6% OF SHOPPERS**

DELIVER ▶

CONNECT ▶

**\$4.67<sup>b</sup>**

TOTAL SPEND ONLINE

**9.8%**

OF ALL RETAIL SPEND IS ONLINE



FULFIL ▶

**17%**

GROWTH IN ONLINE SPEND ON KIWI RETAILERS



COLLECT

**10%**

INCREASE IN SPEND PER SHOPPER

**22.1**

TRANSACTIONS PER SHOPPER ↑4.8%

**\$107**

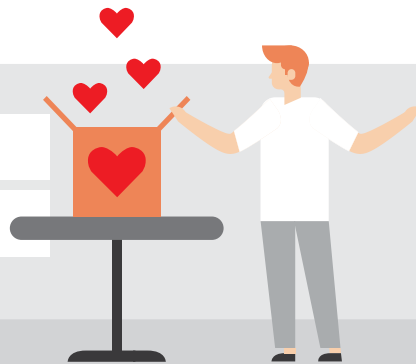
AVERAGE SPEND PER TRANSACTION ↑5.1%



◀ TRANSPORT

**16%**

GROWTH IN TRANSACTIONS ACROSS Q4 (BLACK FRIDAY, CYBER MONDAY, XMAS & BOXING DAY)



ENJOY

**50%**

OF NEW ZEALANDERS NOW SHOP ONLINE

## Continuing to support online retailer growth

It's impossible to write a preface about eCommerce in New Zealand in 2019 without acknowledging the impact of COVID-19 on the world's economy and our very way of living.

The events unfurling around us in early 2020 have already changed much of what was forecast economically and severely impacted just about every business in the country. Just how we respond and how New Zealand eCommerce rebounds will undoubtedly be the main topic of next year's report.

But if we can park the pandemic crisis for the moment and look back at 2019, there are still some encouraging signs, valuable insights and opportunities that could enable your business to build a sustainable future – whatever that shape may be.



*The number of Kiwis embracing eCommerce also passed an important mark in 2019, with over 50% of our adult population getting their shopping fix online."*

What we witnessed in 2019 was another year of impressive eCommerce growth – across all sectors with domestic online spend continuing to outperform international spend. That gap just seems to be getting wider as local retailers continue to improve their offering and become more experienced e-tailers.

# 80%

OF ONLINE RETAILERS  
SAW AN INCREASE IN  
ONLINE SALES.

The number of Kiwis embracing eCommerce also passed an important mark in 2019, with over 50% of our adult population getting their shopping fix online. We're seeing more shoppers – especially male, rural and younger shoppers and they are spending more with every visit.

Kiwi shoppers still have a way to go to catch up with their global counterparts, but all the signs are that online shopping is becoming more and more the norm for many Kiwis.

This view was confirmed by retailers who in our 2020 Online Retailer Survey, reported they were pretty buoyant too, with 80% seeing an increase in sales and 20% seeing significant growth.

As in 2018, one of the biggest drivers of increased online spend in 2019, was the continued popularity of Buy Now Pay Later (BNPL) and we look into this in detail in the report. We also have a special feature on event days and how they are reshaping shopping patterns in the run up to Christmas and we reveal the pressure retailers feel to participate and effects on their margins.

To help retailers navigate their way through pressures and perils of event days, like Black Friday, we've teamed up with Shopify to bring you a section full of helpful tips and tools.

Last year, we showcased some online retailers doing well, and the feedback was this was particularly useful. So, this year we've featured two new businesses which NZ Post partners with. We hope there are some learnings that you can apply to your business.

Finally, we've persuaded one of New Zealand's leading retail experts, Professor Jonathan Elms of Massey University to share his thoughts on how to make the most of the growth ahead. Plus, we've got expert advice from Jocelyn Honour, Global Practice Lead at NZTE, on how to capitalise on New Zealand's global reputation for quality and innovation.

As one of the largest enablers of eCommerce in the New Zealand market, we are here to support your business in any way we can, particularly in these uncertain times. We are dedicated to being nimble and innovative, providing the knowledge and expertise to help your eCommerce business get through these challenging times and to make the most of the opportunities ahead.



**Bryan Dobson**  
Chief Marketing Officer, New Zealand Post



As ever, good data can tell us what New Zealand online shoppers actually did in 2019. Knowing this can help you make informed decisions about growing your business.

In this opening section of our review, we have turned once more to Datamine for their 2019 transactional card data to uncover some key insights into Kiwi shopping behaviour. We see who's buying, what, when and from where and we spotlight the important changes over 2019. We also highlight trends that retailers should continue to take note of.





# 1.0

# THE FACTS

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## Snapshot of eCommerce in New Zealand

By the end of 2019, online retail spend accounted for 9.8% of total retail spend. Up almost a whole percent on 2018 and worth a staggering \$4.7 billion. What's even more impressive was that offline bricks and mortar retail growth was flat in 2019. Once again, domestic online spend continued its standout growth at 17% - just slightly down on 2018 but impressive by any count. The story was very different for International online spend growth which continued to slow, down again to just 4.9% growth compared to 10% in 2018.

New Zealand online shoppers hit an important milestone in 2019 with some two million Kiwis now shopping online. That's nearly 50% of the adult population. Imagine, for every 1,000 shoppers, 500 are heading to their favourite online stores. What's more, they're spending up, with spend per online shopper increasing by 10% from \$2,134 to \$2,349.

There are some serious regular\* shoppers doing the bulk of the online buying. This growing group accounts for 86% of all transactions – spending roughly \$106 per transaction. That's up 4% over 2018.

While only contributing 15% of the spend, irregular shoppers tend to go large when they do shop. Outspending their regular counterparts by 8% with \$115 spent per transaction. Of regulars, 9% of them contribute a massive 41% of total spend.

The online basket size continues to grow and once more it's a tale of two markets. Domestic triumphing over the International basket by over \$45 per transaction – which is encouraging news for our local online retailers.

\*Regular shoppers are defined by completing more than 12 transactions a year.

Key highlights of the year:

**9.8%**

OF ALL RETAIL SALES  
ARE NOW ONLINE.

**\$4.7<sup>b</sup>**

SPENT ONLINE IN 2019.

**2.4%**

GROWTH IN TOTAL  
RETAIL SPEND.

**13%**

GROWTH IN  
ONLINE SPEND.

**17%**

GROWTH IN  
DOMESTIC SPEND  
**5% GROWTH IN  
INTERNATIONAL SPEND.**

**50%**

OF ADULT  
NEW ZEALANDERS  
NOW SHOP ONLINE.

**9%**

OF ALL SHOPPERS  
CONTRIBUTE 41% OF  
ONLINE SPEND.

**20%**

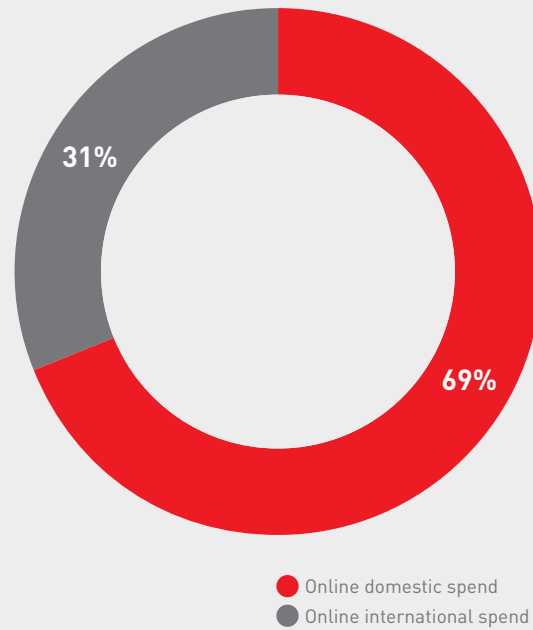
GROWTH IN ONLINE  
CLOTHING &  
FOOTWEAR SPEND.



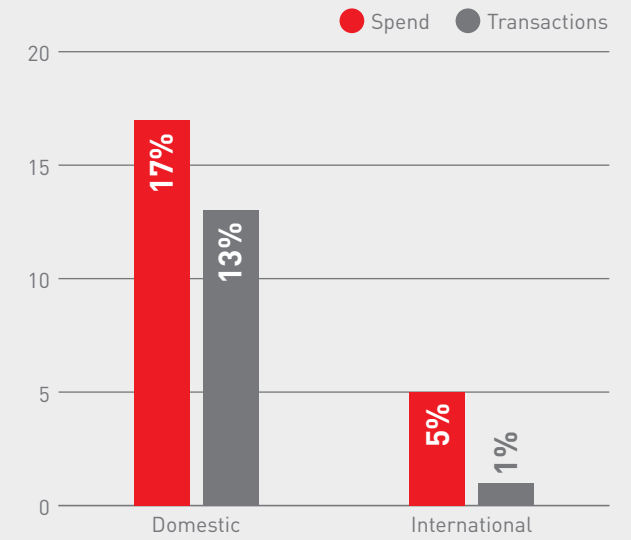
**Shoppers vs non-shoppers**  
2019



**Total online spend**  
2019



**Domestic vs international spend and transaction growth**  
% 2018 to 2019



The growth of online shopping has come from both new shoppers and existing shoppers buying more often and spending more each time.

Comparison of key online shopping metrics  
2018 vs 2019





## Who's buying online?

Getting an accurate picture of your online shopper isn't always easy. Knowing just who is browsing, purchasing or returning behind the anonymity of the computer keyboard or mobile device, is tricky. But transactional card data is revealing and can help us build an accurate image of your customer - their age, their gender and location, plus their transactions. This is the gold that can shape your marketing and eCommerce strategy for the year ahead.

While we know more than 50% of adult New Zealanders are now shopping online in 2019, where is the growth actually coming from? The answer is the younger market. The online spend with shoppers aged 30-44 years, with 13% spend growth, has overtaken the spend of shoppers aged 42-59 years who were, on average, the biggest spenders in 2018.

This 30-44 age group also has the highest online penetration, with 60% of this age group shopping online. They have an annual spend per shopper - topping out at around \$2,548. Their slightly older counterparts in the 42-59 group, don't go home empty handed. They still hold the highest spend per transaction, at \$122 and the highest annual average spend per shopper at \$2,625.

But it's in the even younger under 30s age bracket where the growth in online spend is the most impressive at 22%. Like last year, female buyers in this group are driving the spend and make up 53.4% of shoppers. Those under 30s females living the rural life continue to outspend their urban sisters with a \$83 basket size, compared to the urban basket of \$76.

Despite popular belief, the gender gap in New Zealand online shopping is very small, with women only shopping slightly more than men. On the other hand, men still lead the way for bigger purchases, though this lead is slowly being whittled away by female shoppers with the average annual spend gap last year at \$154 compared to \$211 in 2018.

# 50%

OF NEW ZEALANDERS  
NOW SHOP ONLINE.

# 41%

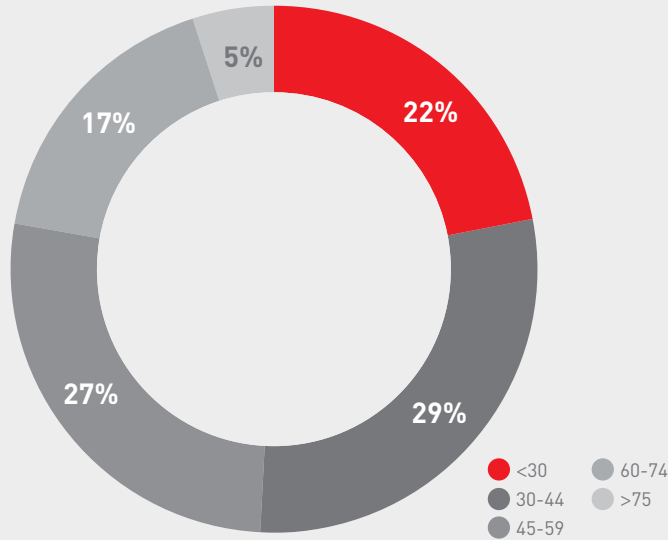
OF ONLINE SPEND MADE  
BY 9% OF SHOPPERS.

# 13%

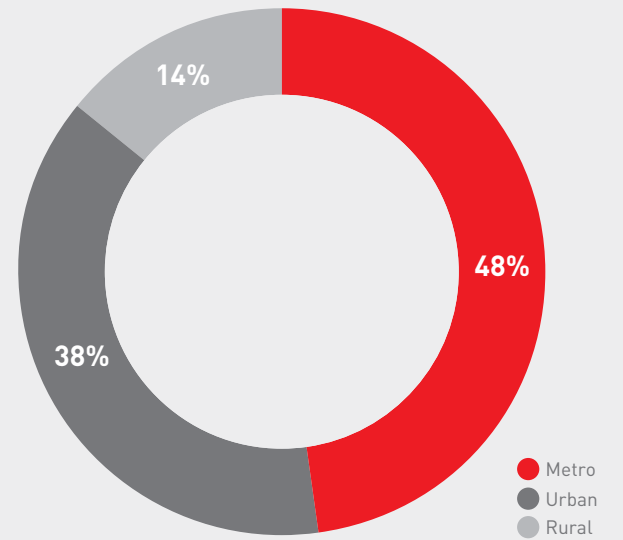
INCREASE IN SPEND FROM  
THE 30-44 AGE GROUP -  
THE BIGGEST GROUP.

As online shopping becomes more widespread the gender, age and urban/rural gap is beginning to close.

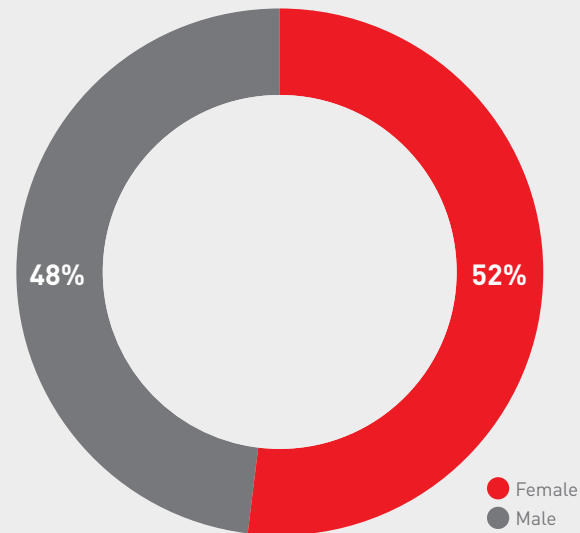
**Age**  
2019 Online Shoppers



**Location**  
2019 Online Shoppers









**Gender**  
2019 Online Shoppers




# Profiles of New Zealand's online shoppers by age group

**SECTORS**

-  DEPARTMENT, VARIETY & MISC RETAIL STORES
-  SPECIALITY FOOD, GROCERIES & LIQUOR
-  HOMEWARE, APPLIANCES & ELECTRONICS
-  CLOTHING & FOOTWEAR
-  HEALTH & BEAUTY
-  RECREATION, ENTERTAINMENT, BOOKS & STATIONERY

## Age <30



**43%**  
OF THIS AGE GROUP SHOPPED ONLINE IN 2019

**43%**  
REGULAR SHOPPERS\*

**53%**  
ARE FEMALE

**17**  
YEARLY TRANSACTIONS  
↑ 1 FROM 2018

**52%**  
LIVE MAIN METRO

**\$81**  
AVERAGE BASKET SIZE  
↑ \$8 FROM 2018

**\$1,368**  
AVERAGE ANNUAL SPEND PER SHOPPER

**KEY SECTORS**



## Age 30-44



**60%**  
OF THIS AGE GROUP SHOPPED ONLINE IN 2019

**51%**  
REGULAR SHOPPERS\*

**52%**  
ARE FEMALE

**24**  
YEARLY TRANSACTIONS  
↑ 1 FROM 2018

**53%**  
LIVE MAIN METRO

**\$107**  
AVERAGE BASKET SIZE  
↑ \$5 FROM 2018


**\$2,548**  
AVERAGE ANNUAL SPEND PER SHOPPER

**KEY SECTORS**





Age 45-59



**57%**  
OF THIS AGE GROUP  
SHOPPED ONLINE IN 2019

**47%**  
REGULAR SHOPPERS\*

**52%**  
ARE FEMALE


**21**  
YEARLY TRANSACTIONS  
NO CHANGE FROM 2018

**48%**  
LIVE MAIN METRO

**\$122**  
AVERAGE BASKET SIZE  
↑ \$5 FROM 2018

**\$2,625**  
AVERAGE ANNUAL SPEND  
PER SHOPPER

Age 60-74



**48%**  
OF THIS AGE GROUP  
SHOPPED ONLINE IN 2019

**36%**  
REGULAR SHOPPERS\*

**51%**  
ARE MALE


**16**  
YEARLY TRANSACTIONS  
NO CHANGE FROM 2018

**43%**  
LIVE URBAN

**\$113**  
AVERAGE BASKET SIZE  
↑ \$2 FROM 2018

**\$1,807**  
AVERAGE ANNUAL SPEND  
PER SHOPPER

Age 75+



**29%**  
OF THIS AGE GROUP  
SHOPPED ONLINE IN 2019

**23%**  
REGULAR SHOPPERS\*

**50%**  
ARE MALE

**10**  
YEARLY TRANSACTIONS  
↓ 1 FROM 2018

**52%**  
LIVE URBAN

**\$100**  
AVERAGE BASKET SIZE  
↑ \$1 FROM 2018

**\$1,028**  
AVERAGE ANNUAL SPEND  
PER SHOPPER

KEY SECTORS



KEY SECTORS



KEY SECTORS



## What are they buying?

In 2019, Kiwi online shoppers, for the most part, stuck to the script. In an encore of 2018, Department & Variety dominated shopper activity but it was Clothing & Footwear that put in the stand-out performance with growth in spend up 20%. The other key area of continued growth was shoppers actively choosing to buy locally.

Department & Variety held on to its lead as our biggest online sector – accounting for 30% of all online spend. There was a slight easing in spend growth, dropping out of double figures to just 8%, with transaction growth at just 2%. Again, Kiwi shoppers favoured the domestic retailers over their international counterparts and outspent them by \$891 million to \$532 million.

The good times continued to roll for domestic retailers in the Clothing & Footwear sector as sales growth continued to climb by 36% with 34% growth in transactions. What this boils down to in money terms, is a jump from \$453 million in 2018 to \$616 million in 2019. A lot of it at the expense of international sales which saw 2% growth in spend but an 8% fall in transactions. Clear evidence once again, that the Kiwi domestic online clothing market has gained the upper hand.

Speciality Food, Grocery & Liquor came off its peak of 23% spend growth in 2018 to 18% spend growth in 2019, driven predominately by home meal kits, made popular by My Food Bag and new entrants like Hello Fresh, as well as the increase in home delivery of groceries.

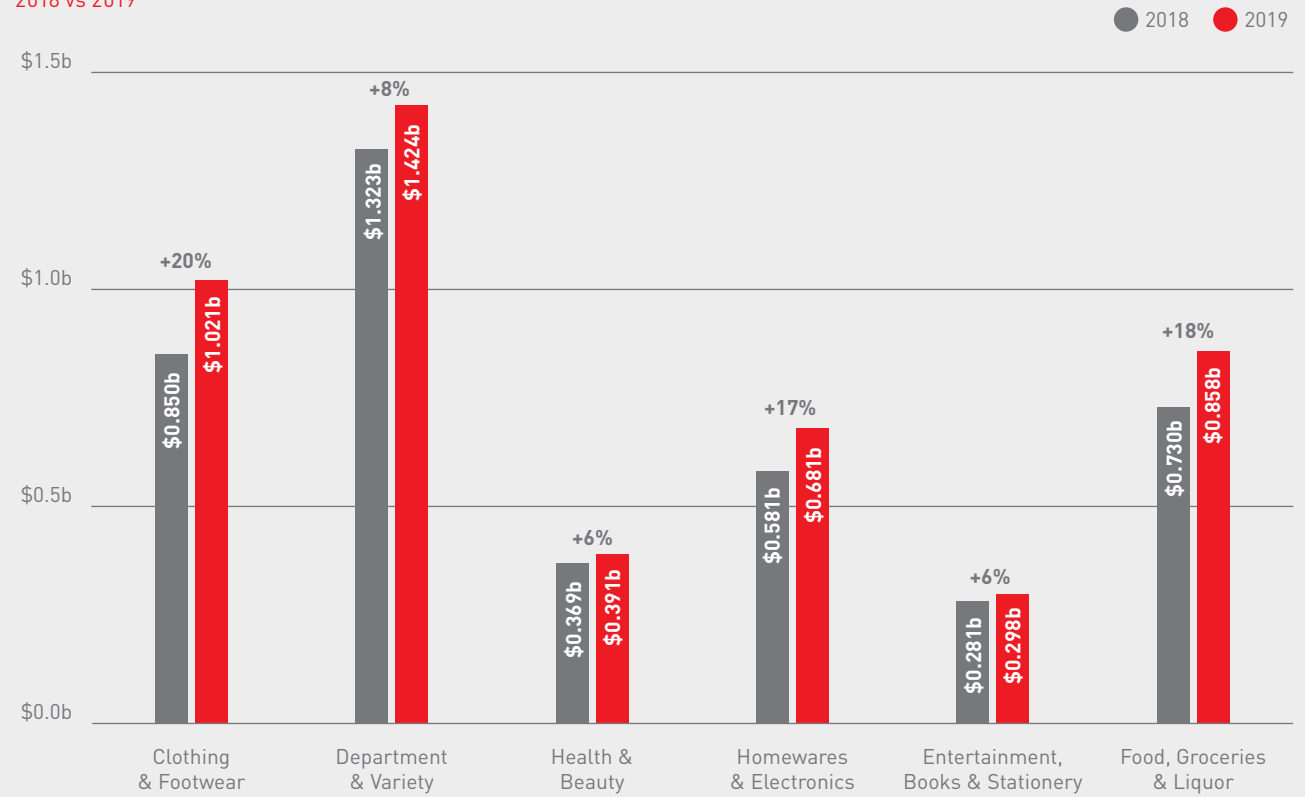
**Go to 4.0 'What's happening in your sector?' to read the full details for each sector.**

# 30%

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

All sectors experienced strong sales growth in 2019.

**Total spend online by sector**  
2018 vs 2019



## Where are they buying from?

### Where are buyers located?

While it won't surprise anyone that the North Island has over 76% of the online spend, it was the South Island that dominated the growth in 2019. Online spend in the South grew by 19% compared to 14% in the North Island.

The South Island surge was led by the Southland region with online spending growing at a surprising 27%. Neighbouring Otago and Canterbury pulled in double figures, too – with 19% growth a piece. The roll out of ultrafast fibre in the regions could explain some of the growth. Tempering this surge slightly, is the Southland and Canterbury basket sizes which at \$96 are the second lowest in the country.<sup>1</sup>

# 1/3

OF ONLINE SPEND IS FROM THE AUCKLAND REGION.

# 36%

OF KIWI'S INTERNATIONAL SPEND IS IN CHINA.



# 27%

SOUTHLAND  
REGION ONLINE  
SPEND GROWTH

The Auckland region retained its leadership for online shopping across the board with the highest spend, transactions and spend per transaction. But their share of the spend percentages seems to have peaked, growing by only 6% and dropping slightly in overall spend from 36% in 2018 to 34% in 2019.

Elsewhere in the North Island, Manawatu-Whanganui and Waikato continue to impress with spend growth figures of 18% and 16%, respectively. The Waikato just marginally down on 2018 figures of 20% growth. The Wellington region saw 12% growth in online spend, now making up just over 12% of New Zealand's total online spend.

While the big cities continue to dominate online sales, 2019 saw growth from the smaller urban centres and from the rural sector – they grew by 13% and 12% respectively. They now make up 36% and 15% of the total online spend.

### Where are they purchasing from?

Throughout 2019, New Zealand domestic spend continued to grow impressively with an average growth of 16.5% across our six sectors. That accounted for some \$3.23 billion in online spend, against \$1.44 billion which was spent on overseas purchases.

The local favourites according to Statista's June 2019 figures – excluding supermarkets, were The Warehouse with \$151 million and Mighty Ape with \$104 million – closely followed by Noel Leeming, PB Tech and Farmers.

Like many countries our international shopping is dominated by a few large players. AliExpress continued to stretch its lead as a favourite destination for the Kiwi online shopper increasing its market share to 23%. Amazon and Wish were on equal footing of 11% share, whereas the fortunes of eBay took a knock and it dropped to 11% in 2019 from a high of 14% in 2017 according to the latest IPC figures.<sup>2</sup>

Price remains the main driver for overseas purchases for over 58% of shoppers and the unavailability of products locally, was cited by over 44%. So, there's little change in the Kiwi shoppers' motivations over the past year and domestic retailers continue to face the same challenges of price and range.

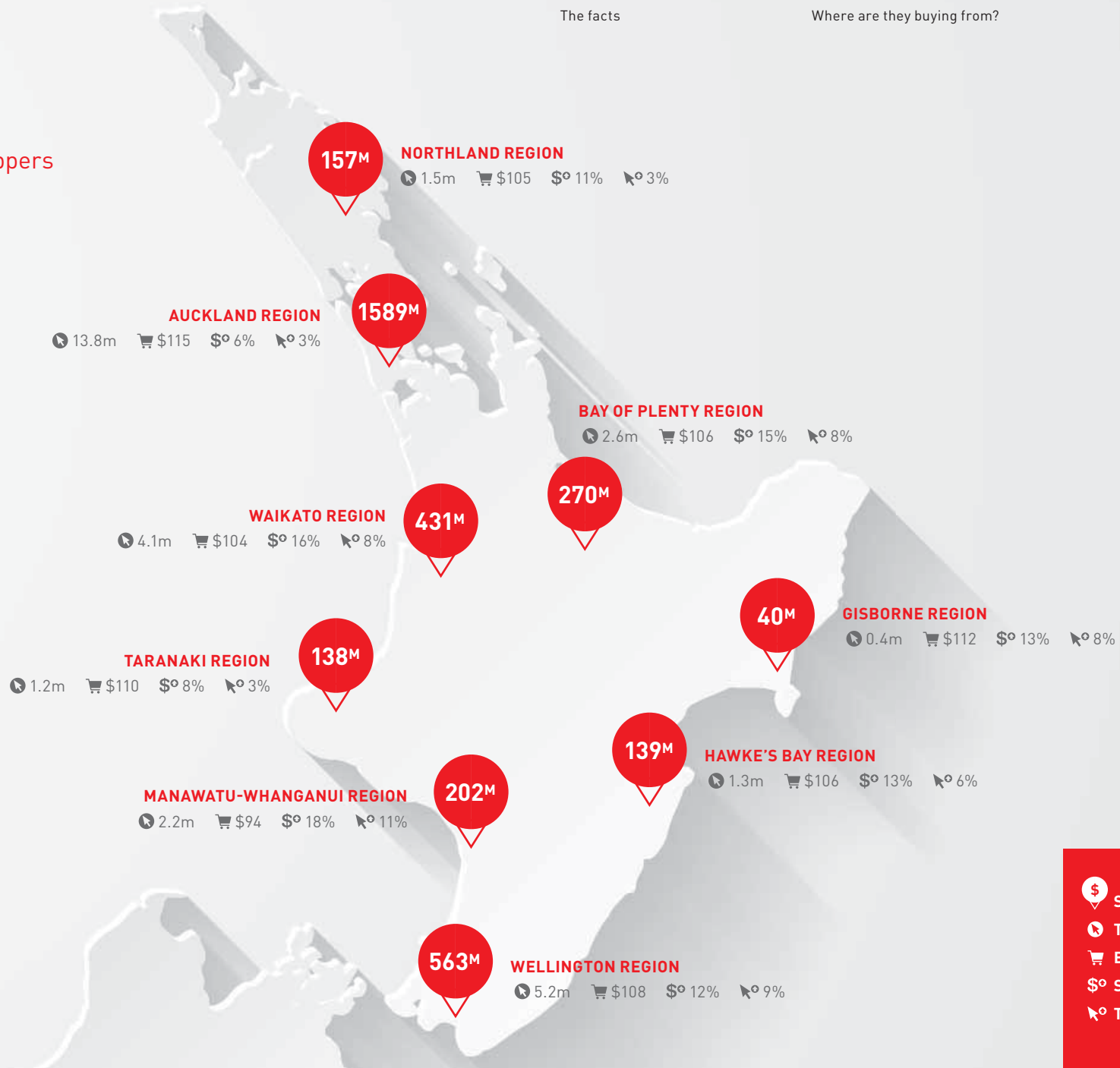
As expected, China once again took the lion's share of New Zealand's cross-border purchases with 36%, up slightly from the 33% figure we saw in 2018. Our close neighbour, Australia edged up to 23% and the USA was a steady attraction with 18% share. The United Kingdom, however, appears to have fallen out of favour with Kiwi shoppers and saw the largest fall of spend with a 4% decline.

Given that the New Zealand domestic market has been performing so well, and with the introduction of GST on imports in late Q4, it's not hard to imagine a further increase in the domestic market share and a fall in overseas purchases. Half of New Zealand's overseas purchases are below \$37, so it only takes a small impact, such as a falling Kiwi dollar and added GST to make the purchase far less desirable.

1 Enable. <https://www.enable.net.nz/media-releases/enable-aims-to-end-2018-with-90000-fibre-broadband-customers/>

2 Source: Cross-border eCommerce Shopper Survey 2019, Country report - New Zealand (December 2019) International Post Corporation.

Where online shoppers live by region:



- \$ Spend
- 👤 Transactions
- 🛒 Basket size
- 📈 Spend growth
- 📈 Transaction growth

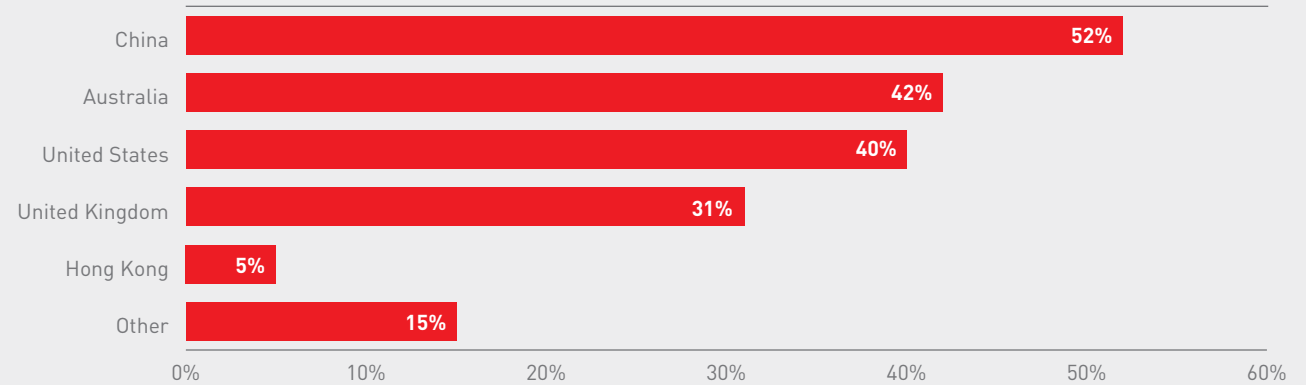


- \$ Spend
- 📍 Transactions
- 🛒 Basket size
- 📈 Spend growth
- 📈 Transaction growth

Half of New Zealand's overseas purchases are below \$37.

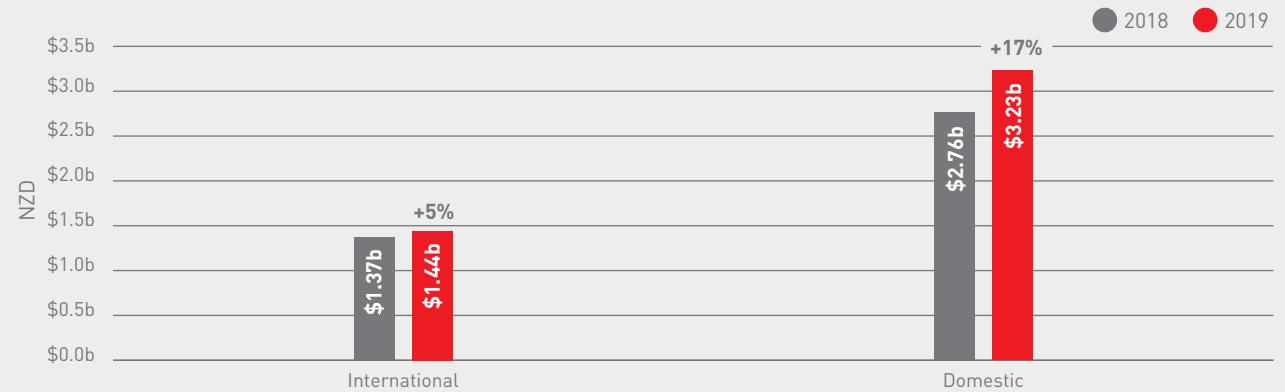
**The countries New Zealanders have purchased from 2019**

Source: Cross-border eCommerce Shopper Survey 2019, Country report – New Zealand (December 2019), International Post Corporation



**Online sales growth – international vs domestic retailers**

2018 vs 2019

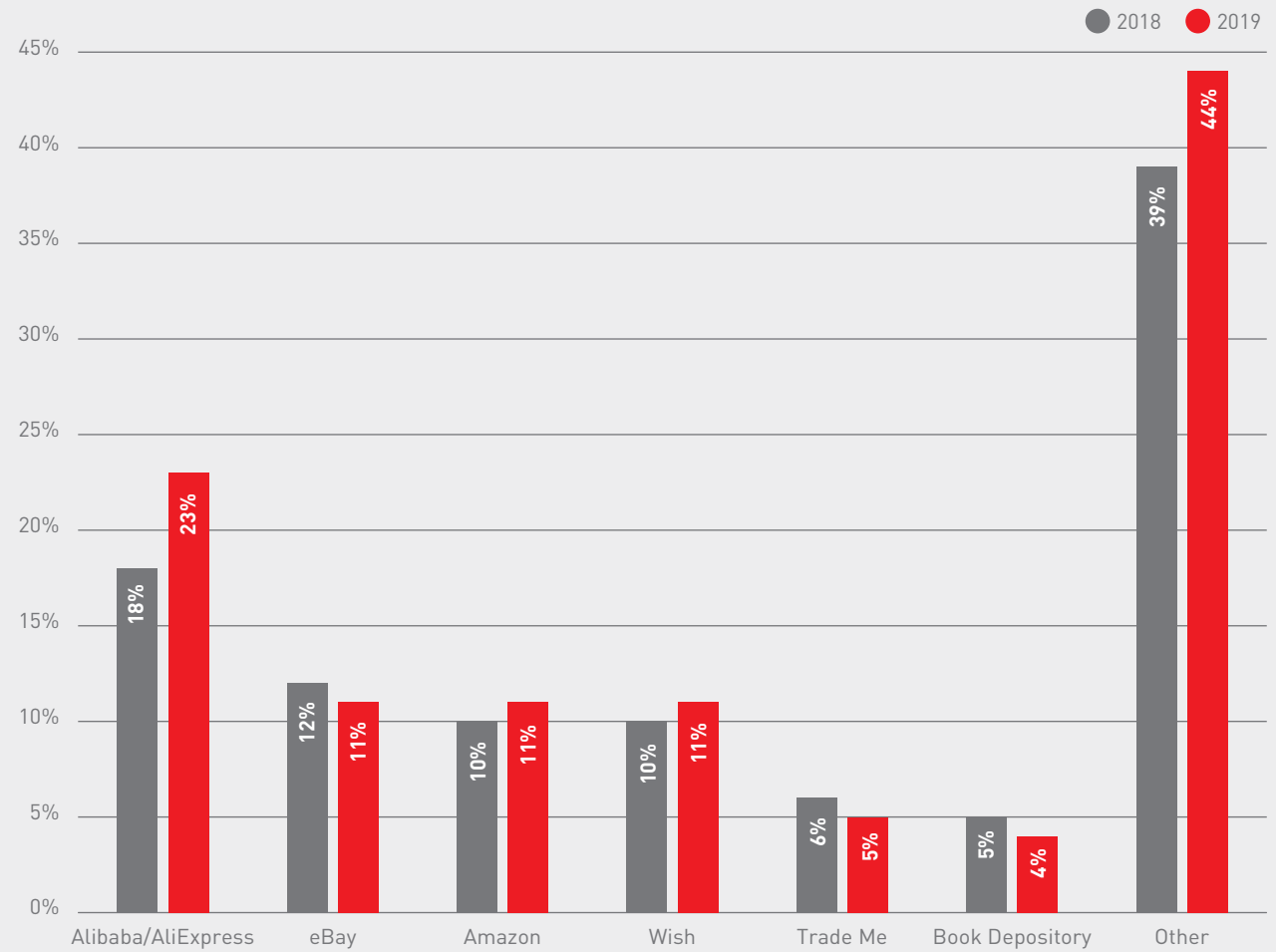




Alibaba, eBay, Amazon and Wish continue to take the lion's share of Kiwi's spend.

### Websites New Zealanders bought from 2018 vs 2019

Source: Cross-border eCommerce Shopper Survey 2019, Country report – New Zealand (December 2019), International Post Corporation



## When are they shopping?

In terms of annual shopping patterns, 2019 was a repeat of 2018, with steady sales over the first three quarters followed by everything ramping up in Quarter 4 (Q4), especially from Black Friday/Cyber Monday onwards. Online transactions grew from Q1 to Q3, with each quarter 5-6% higher than the year before. Q4 grew by 12%, marginally higher the same quarter in 2018.

Domestic growth continued to dominate in 2019 Q4 with 17% growth over 14% in 2018. And international growth eased again to just 5% growth compared to 6% growth in Q4 2018.

Weeks 47 to 52 are peak period for all shopping. The highest offline sales week was the week leading up to Christmas. For online shopping the highest week was in week 48 (early December) when online transactions peaked at 1.3 million.

The big online shopping events of Black Friday and Cyber Monday fired up the peak shopping period as expected, albeit a week later than 2018, falling on November 29 and December 2nd respectively. And the figures didn't disappoint, with transactions growing 12% from the previous year. In comparison, offline transactions only managed 0.3% growth throughout the year. But they enjoyed a 14% jump over 2018, during the Black Friday/Cyber Monday week.

Black Friday/Cyber Monday transaction patterns for 2019 were different to those in 2018. For the three days that lead to Black Friday, transaction growth was greater than 18%. Black Friday experienced growth of 21%. The highest transaction growth occurred during the weekend, with Saturday at 38% and Sunday at 33% growth. Cyber Monday itself had 16% transaction growth.

# 12%

INCREASE IN Q4  
TRANSACTIONS.

# 21%

GROWTH IN BLACK FRIDAY  
ONLINE TRANSACTIONS.

# 16%

GROWTH IN CYBER MONDAY  
ONLINE TRANSACTIONS.

Section 1.5

These special online event days are certainly continuing to gain in popularity and the newest, Singles Day experienced a whopping 48% growth in transactions over last year.

In the next section, we take a detailed look into these special online event days – but suffice to say they are key events every eCommerce retailer needs to consider when planning, to take advantage of the obvious shopper demand for these events and to take advantage of the exceptional growth.

As we saw in 2018, Tuesdays are still the most popular online shopping days with 18% of online shopping occurring on that day. This peak is closely followed by Wednesday at 16% and there has been a slight shift to Fridays, now at 14% compared to 13% in 2018.

It seems weekends are becoming weekends once more, with shoppers taking a little break from online shopping. Transactions on Saturdays and Sundays have fallen, down from 11% and 12% respectively in 2018, to 9% and 10% in 2019. It's not all one way traffic though with Health & Beauty and Speciality Food, Groceries & Liquor weekend transactions growing.

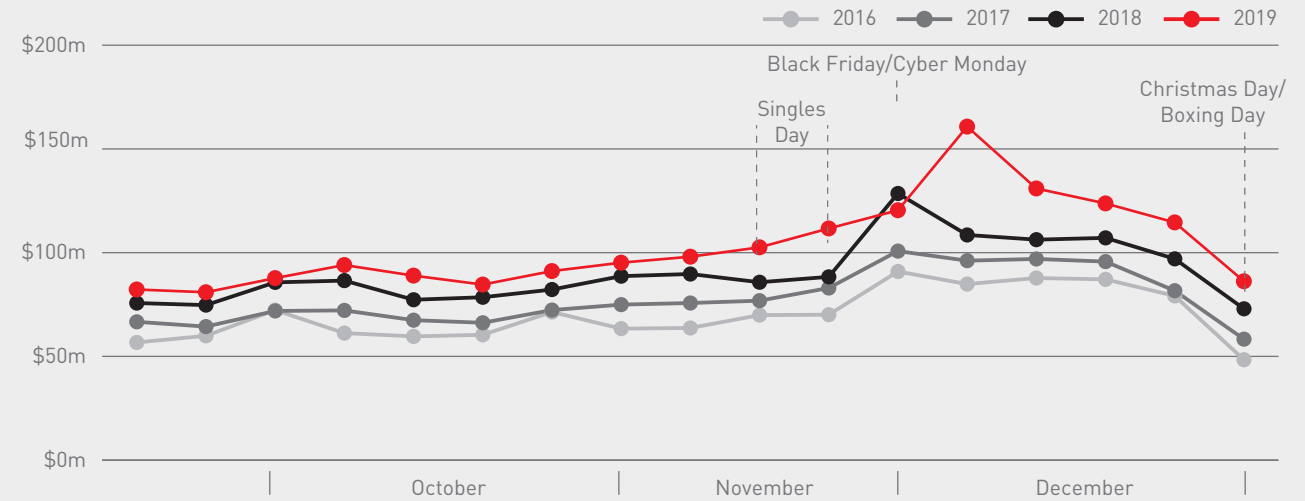
**48%**

GROWTH IN SINGLES DAY  
ONLINE TRANSACTIONS.

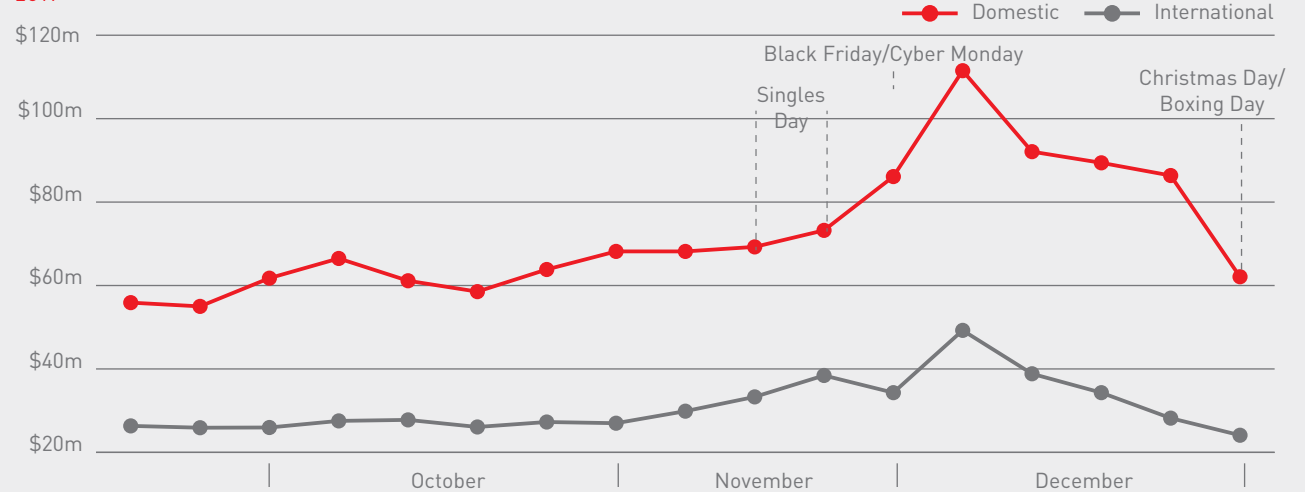
The facts

When are they buying?

**Total online spend last quarter**  
2016 to 2019



**Total online spend domestic vs international**  
2019



# Emerging trends



## Event days – a double-edged sword

In last year's Full Download, we highlighted the rising popularity of Black Friday and Cyber Monday. This year we look at the impact of those trends on more traditional sales events like Boxing Day and discuss the challenges and opportunities for retailers.

In 2019 Kiwi shoppers spent a record \$11.6 billion in the lead-up to Christmas, due largely to the Black Friday/Cyber Monday sales in November/December, according to Paymark's eftpos figures. The Black Friday spend alone was \$100 million more than Boxing Day.

First Retail Group managing director Chris Wilkinson said Black Friday 2019 marked a shift to consumers spending sooner, and becoming more "planned and purposeful".<sup>1</sup>

Much of that shift was driven by the retailers themselves who are starting their Black Friday sales by as much as two weeks earlier. Such is the pressure on retailers to make the most of this period that week-long Black Friday/Cyber Monday events are now common and some observers are even beginning to call the period "Black November".

### Black Friday. Not all in the black.

In 2019, the three days leading up to Black Friday experienced an online transactions growth of 23% with the Thursday before Black Friday climbing 28% over 2018. But it was over the weekend where the real online transaction growth kicked-in with the Black Friday/Cyber Monday weekend soaring to 13% growth on the Saturday, and 23% growth on the Sunday.

For the retailers, it wasn't all positive, The Warehouse reported that Black Friday sales actually compressed their peak Christmas trading period which combined with other factors like cooler weather, led to lower sales growth. This was echoed by the Chief Executive of the Briscoes Group, Rod Duke who said Black Friday was putting pressure on the retailer's profits.

"We operate in highly competitive markets, and while the trend towards major event-based campaigns, such as Black Friday and Boxing Day, have wide customer appeal, they do come at the cost of gross profit percentage."<sup>2</sup>

### Could Black Friday lose its lustre?

The widening spread of the Black Friday sales period is having several effects. The heat of Black Friday is being dissipated and if we follow US trends, Cyber Monday could become the net beneficiary. Black Friday may get more browsers, but Cyber Monday seems to be getting the buyers.

This make or bust sales Q4 period is creating fierce competition amongst retailers, who know they have one chance to hit their figures. In NZ Post's 2020 Online Retailer Survey, retailers are already signalling their concern that the power of the Black Friday/Cyber Monday event is creating intense quiet periods either side that are hard to manage.

This problem is further exacerbated by the rising popularity of Singles Day (11/11) which coming a few weeks prior is seen as a bit of a warm up to the main event. In New Zealand, online transactions for Singles Day grew by a massive 48% to approx 200,000 in 2019. This was much larger than the 12% growth seen in 2018.

While Singles Day is still a relatively small event in New Zealand, its financial worth to New Zealand e-tailers targeting the Chinese home market can't be ignored. Dairy giant Fonterra announced that 2019 Singles Day was their most successful day yet, with sales of over \$30 million.

But there were plenty of smaller Kiwi retailers profiting from Singles Day. Ecostore sold 340,000 products worth \$2.36 million in 24 hours. Just under half a million Chinese customers visited their online store on the day, up 12%. The power of the mobile device clearly evident with 99% of sales made via mobile phone.<sup>3</sup>

If the Q4 period wasn't busy enough already, a new Chinese event Double 12 (12/12) is rising fast. This Alibaba invention is supposedly for smaller brands who got trampled on, on Singles Day. Its growth, like everything in China, is phenomenal with 110 million consumers taking part.

Special events are clearly too big to ignore. However, the challenge for New Zealand retailers is not to create bigger, and more impactful multi-day events in Q4, but to look for ways to create a more even spread throughout the year, and to protect their already squeezed margins.

<sup>1</sup> <https://www.stuff.co.nz/business/118703018/black-friday-helps-set-a-record-116b-christmas-shopping-spreed>

<sup>2</sup> <https://www.stuff.co.nz/business/119227942/black-fridaysales-promotions-put-pressure-on-profits-briscoes-boss-says>

<sup>3</sup> [https://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=12284691](https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12284691)

# 23%

GROWTH IN THE  
3 DAYS LEADING UP  
TO BLACK FRIDAY.

# 23%

GROWTH THE  
DAY BEFORE CYBER  
MONDAY.

# 20%

GROWTH IN  
TRANSACTIONS OVER  
BLACK FRIDAY 2018.

# 950<sup>k</sup>

ONLINE TRANSACTIONS  
PER WEEK BETWEEN  
BLACK FRIDAY & XMAS.

# 17%

GROWTH IN Q4  
TRANSACTIONS.

# \$100<sup>m</sup>

BLACK FRIDAY SPEND  
ONLINE GREATER THAN  
BOXING DAY.

# Emerging trends



## The continued growth of Buy Now Pay Later (BNPL)

The BNPL phenomenon is not only experiencing astonishing spend growth, up 105% on 2018, it also saw a 49% increase in customers. This unfettered surge is beginning to raise concerns not just locally, but globally. It is after all, another form of debt – without the financial oversight most lending products abide by.

To give some context, in New Zealand the spend on BNPL is set to surpass the amount that customers spend on Marketplaces within the next one to two years. It's the "credit" of choice for the young with 40% of BNPL customers in the under 30 age group and 77% of shoppers being under 45 years old.

On average, women utilising BNPL are still outshopping males by 1.5 times with a \$923 dollar annual spend, against \$637, plus they are shopping twice as often. But one of the trends we are seeing, is a large increase in young males taking up BNPL.



According to Afterpay co-founder Antony Eisen, millennials are the sweet spot. "If you look at millennials as a demographic, they're the most important demographic in the world today, and very soon they will represent half of all disposable income globally," says Eisen.<sup>1</sup>

And these young shoppers are being tempted like never before with more and more BNPL brands leaping on the bandwagon. Along with market leader brands like Afterpay, Laybuy and Oxipay comes Genoapay and Zip - the rebranded Partpay.

The attraction of these brands comes at a loss to credit cards, in particular. Westpac's Senior Manager in Digital Ventures Mike Burke believes that the popularity of BNPL comes down to clever brand marketing but in reality, consumers are still taking on credit just as they would with their bank.

"Many next generation (millennials onwards) customers are averse to debt products, however, have flocked in recent months or years to "BNPL" schemes," he said. "It is materially the same product, but a lesson in packaging these products on the customers' terms, or at least in customer language.

"Terminology like credit, loans and debt are bank lexicon, and terms like this makes these customers' nervous. 'BNPL' is a debt or loan product that, through branding or language, gives the perception of empowerment to customers," Burke said.<sup>1</sup>

But it's not just the young who are liking this empowerment. There's a significant 45 plus age group who have families looking for ways to afford, or find a way of budgeting for the products they need. There's also a savvy shopper group who have figured out that free interest is a smart way to shop.

Financial regulators are keeping a close eye on developments. Minister of Commerce and Consumer Affairs Hon Kris Faafoi said he wanted to include new powers in the reforms to the Credit Contracts and Consumer Finance Act to allow him to regulate these new credit products, if needed.<sup>2</sup>

For Kiwi retailers, BNPL is undoubtedly helping to drive sales growth and bringing in new customers. According to our 2020 Online Retailer Survey, the majority (over 40%) of retailers see it as a positive for business, making incremental sales that would otherwise not have been made. But some retailers, particularly smaller ones, raise concerns about the impact on sales they would have made anyway but now at a reduced margin. With service fees perceived to be higher than other payment options, some retailers are asking themselves whether the 5% or so they pay the BNPL provider is really worth it.

<sup>1</sup> <https://www.stuff.co.nz/business/world/111001526/afterpay-is-a-mystery-to-older-shoppers-but-millennials-love-it>

<sup>2</sup> <https://www.westpac.co.nz/rednews/business/the-rise-of-buy-now-pay-later-services/>

# 105%

INCREASE IN BNPL SPEND.

# 49%

MORE CUSTOMERS USING BNPL.

# 11%

ALL DOMESTIC ONLINE SPEND.

# 77%

OF BNPL CUSTOMERS ARE UNDER 45.

# 68%

OF BNPL SHOPPERS ARE FEMALE.

# 59%

GROWTH IN MALE BNPL USERS.

In this section, we bring together data from the Facts section and show how it's affecting retailers in real life. The change in their business, the challenges they face and the solutions that are helping them adapt and grow.

The retailer's perspective is based on the key findings from The NZ Post 2020 Online Retailer Survey.

Over 150 retailers were surveyed throughout New Zealand in early 2020 and the report highlights the issues and changes in buyer behaviour that are challenging retailer operations.

In this year's report, we sought to capture different perspectives from both a large and a smaller online retailer to deliver useful insights for New Zealand retailers. First, we look at Pet.co.nz – a leading online pet supply business with 6,500 product lines in stock. Secondly, we interview Au Natural Skinfood, producers of an ethical beauty range harnessing the power of Manuka Honey.





# 2.0

## IN THE REAL WORLD

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## The retailer's perspective

Prior to mid-March 2020, the general sense among New Zealand's online retailers was positive with the expectation of another bumper year.

Our own retailer survey (The NZ Post 2020 Online Retailer Survey) carried out in late February and early March 2020 talked to over 150 retailers selling goods online. Over 80% of them were seeing an increase in sales and 20% were experiencing significant growth. They had new customers coming in every day, and existing customers were stepping up their purchasing frequency.

Success, of course, attracts more competitors and the New Zealand market has seen a flurry of new start-ups, or even late-comers to eCommerce launching online channels. More competition and more niche players mean e-tailers have to be on their game. There's no sitting back – the market and technology are fast movers and it's a road of constant change.

Online retailers told us they were feeling pressure on margins at both ends. Suppliers wanting to be paid more for products, and consumers wanting to pay less. Again, the speed of the internet and the transparency of prices, makes it very easy for consumers to see competitive prices and apply pressure on retailers to match. They also felt pressure to absorb delivery costs, simply to remain competitive.

These forces are making some retailers review their business model. Are they a high volume/low margin operation? Or a more niche, low volume/premium price business? You can't be both.

Retailers also said they were worried that the speed at which they were being forced to introduce new technology, could leave them vulnerable to cyber threats and fraud. There's a continuous need to keep updating and refreshing their websites and 20% of them said security had impacted them over the year.

But on a more positive note, 4 out of 10 retailers were excited by the year ahead and in particular saw BNPL as having a positive impact on their sales. As one business put it: "It's opened up opportunities for consumers who would otherwise be unable to purchase outright in one payment".



*My business is growing by the day."*



*BNPL opens up the product being purchased by people who usually wouldn't buy it."*



## Retailers and event days



*They are a great way to earn more money faster.”*



*Definitely good, means we can get rid of a lot more stock.”*



*Bad thing as people wait for these days to buy so business leading up to and after is not good.”*

Event days, as detailed earlier, scored mixed reviews amongst the retailers we interviewed. With some seeing real value and their sales volume driven dramatically, whereas others saw margins squeezed and thought consumer spend was simply being driven earlier. 36% said Black Friday was now their biggest trading day, but for other retailers, the quiet periods before and after these mega events were of concern.

Another topic on Kiwi retailers' minds is sustainability. Consumers are demanding less plastic, bio-degradable bags – recyclable packaging. There's a real wave of enthusiasm to reduce waste and lessen the impact on our landfills and the environment.

This green push is also encouraging retailers to look for carbon-neutral deliveries, no packaging options and even electric powered deliveries.

The underlying theme coming through retailers' responses has been the need to be dynamic, resilient and build an eCommerce business based on a sustainable model.

Overall retailers feel positive and excited about the future of eCommerce. They anticipate a continuing growth trend with more customers and technology advances.



In the last 2 years:

**33%**

OF RETAILERS HAVE EXPERIENCED 20% MORE GROWTH.

**45%**

SAID GROWTH HAS COME FROM NEW KIWI CUSTOMERS.

**30%**

SAID GROWTH WAS DUE TO EXISTING CUSTOMERS BUYING MORE OFTEN.

Customer trends retailers are seeing:



BNPL GROWTH



EVENT DAYS



SUSTAINABILITY



QUICKER DELIVERY



EASIER/FREE RETURNS

In the next 2 years:

**32%**

OF RETAILERS EXPECT 20% MORE GROWTH.

**49%**

OF RETAILERS EXPECT TO GROW BY LESS THAN 20%.

**3%**

OF RETAILERS EXPECT REVENUE TO BE LOWER.

3 biggest challenges retailers see:



INCREASED COMPETITION



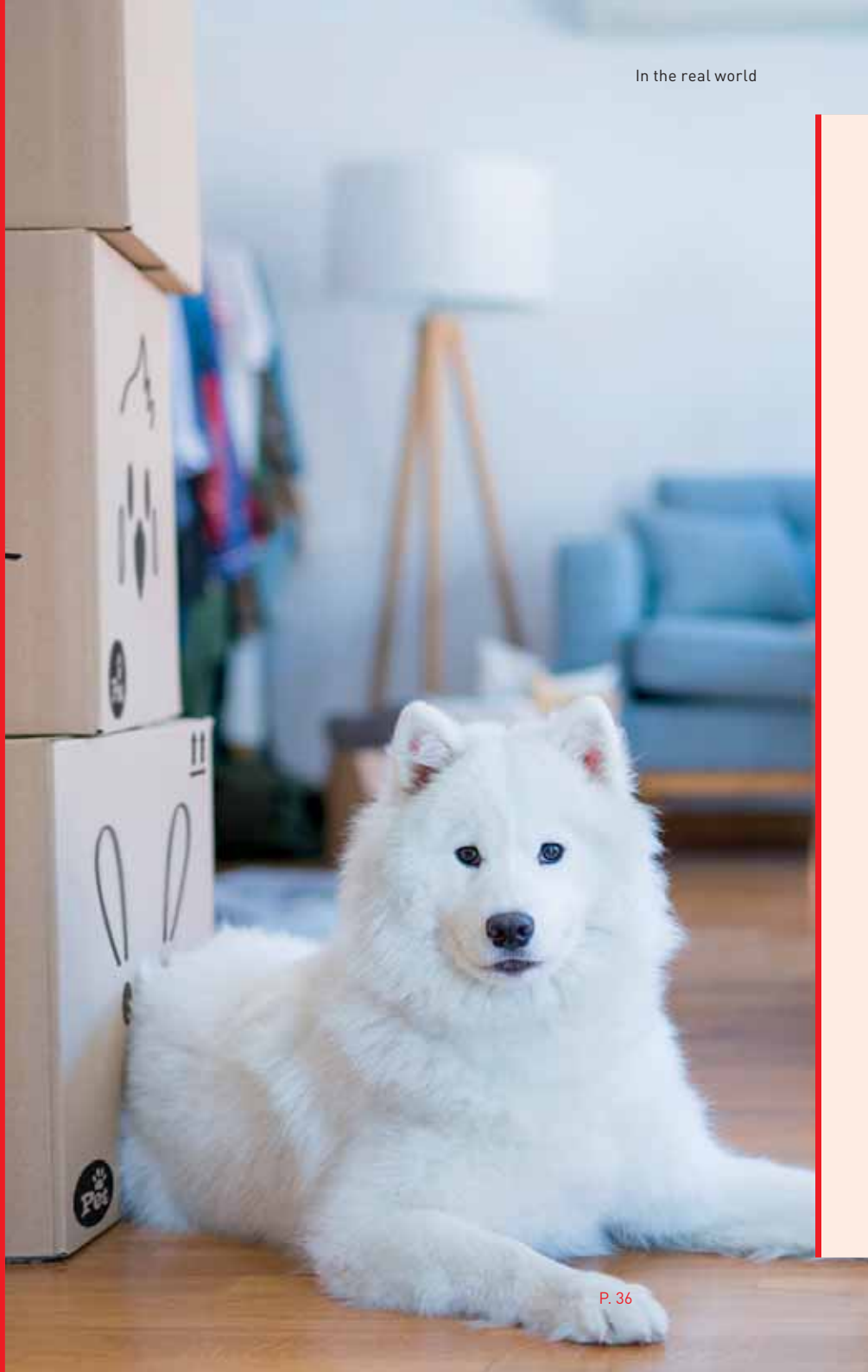
KEEPING UP WITH TECH



COST PRESSURES



# Case study



## Riding the subscription wave

Pet.co.nz were one of the early pioneers of eCommerce in New Zealand and are now dispatching thousands of orders every day. But it's their adoption of the subscription model that has been part of the reason behind their exceptional growth.

Driven by a love for pets and an insistence for good old-fashioned service, Pet.co.nz has been building a large, loyal customer following based almost entirely on relationships.

Casey Radley, New Zealand eCommerce Manager for Pet.co.nz shares some of the thinking behind this remarkable success story.

"When we have a new customer try our service, they're ultimately testing the waters with us. When they're satisfied with the fantastic level of service and quality of our products, our customers feel more confident to move to a subscription where they then sign up to our AutoShip service. From there, we continue to build on a relationship of getting to know them and their pets. Their pets are like our family too."

Finding and building their customer is a constant effort and Pet.co.nz use a multiple channel approach to capture new clients as Casey Radley explains: "It's incredibly important to

understand your target customer and how you can reach them. Ensuring your brand has a presence across multiple channels can be costly so needs to be a balanced effort with regular revision.”

With a pet-loving customer base, social media is the natural choice for marketing efforts and Pet.co.nz have a significant presence on social media, reposting customer stories and pictures and are excited by the developing opportunities with Instagram which could allow transactions within the platform itself.

They are keen to keep ahead of the curve and experience new places to find new customers, with video platforms – like Tik Tok that connect instantly to the heart-strings.



*When they're satisfied with the fantastic level of service and quality of our products, our customers feel more confident to move to a subscription where they then sign up to our AutoShip service.”*

One area that is proving helpful to customer retention is the Buy Now Pay Later (BNPL) trend. Pet.co.nz offer Afterpay to subscribers and this enables them to order whenever they like and just pay a weekly amount for four weeks.

“Pets are important members of the family for our customers and being able to afford a good quality pet food for them is so important. They care about what

products they give them even if it's sometimes a struggle.” Says Casey.

The subscription model, 'Autoship', enables Pet.co.nz to be personal at almost every level. They don't just know their customer's buying habits, they know their pets by name and celebrate birthdays and share the sorrow of a death. It's as personal as it gets.



*It's a huge weight off our shoulders to be able to work with people who know what they're doing.”*

Of course, you need good products and efficient delivery to make this subscription model work and excellent systems in place to support it. Pet.co.nz use NZ Post Contract Logistics to hold their stock and the NZ Post, Pick Pack Ship service. The whole aim is to make it easy on the customer and easy for the logistics team to fulfil the orders. But it doesn't happen by chance, as Casey details:

“It's a huge weight off our shoulders to be able to work with people who know what they're doing. NZ Post have systems that are built to pick and pack, divvy up orders, create tickets, send them across, so this is an additional business resource for us. They are transparent with us and we have weekly, and fortnightly meetings to discuss how operations are going, as well as monthly reviews and quarterly strategy sessions to see what's going on around the world and what we can take advantage of as well.”



## PET.CO.NZ COMPANY PROFILE

Pet.co.nz was founded some 6 years ago to support an existing family-owned bricks and mortar business with 160 stores in Australia and New Zealand. Their subscription pet products model allows customers to choose a bundle that's delivered at a frequency that suits. With free delivery on orders over \$39, Pet.co.nz have been enjoying 20% year on year growth for the past four years.

**Pet.co.nz**

# Case study



In the real world

Case Study 2: Au Natural Skinfood

## Growing while staying true

For Christchurch-based natural skincare producer Au Natural Skinfood, one of the greatest challenges of global growth has been maintaining an ethical supply chain. After agonising over their own product packaging, the last thing they want is to let delivery systems spoil their efforts.

This is the challenge that co-founders Tracy and Tony Ahern of Au Natural Skinfood, faced while pursuing their dream of bringing a sustainable, natural New Zealand product to the world.

Their mission, to create a community of conscious consumers who want to leave our planet in better shape, drives every decision they make about their products, their marketing and their delivery.

Tracy explains: "We've agonised over our packaging. It took us over a year to find the right solution. Along with our truly home compostable courier bags, our carbon negative plant based, eco-pouches are derived from a fully renewable resource (sugarcane) that grows fast, providing an endlessly refillable solution, with no dyes or chemicals, but they do come at a cost. Hopefully as more companies come onboard, that cost will reduce."



Au Natural Skinfood's sustainable product range and their bundled subscription model of selling is quite unique and that has challenged the more traditional thinkers in the industry. "Nay-sayers" Tracy calls them. "Some simply can't get their heads around the idea of refilling, saying you can't do this – but there's no difference to the product inside. It's just packaging."



*Along with our truly home compostable courier bags, our carbon negative plant based, eco-pouches are derived from a fully renewable resource (sugarcane) that grows fast, providing an endlessly refillable solution, with no dyes or chemicals, but they do come at a cost. Hopefully as more companies come onboard, that cost will reduce."*

Thankfully, there are a lot of people in the world who think just like Tracy and in September 2019, Au Natural Skinfood opened an office in the US to support their considerable growth which was doubling almost every month. After considering their delivery options, Tracy and Tony decided not to warehouse in the States and deliver direct from New Zealand. "Using NZ Post, we can still achieve a 3-5 day delivery, to major cities in the States, but our carbon footprint is much smaller than using warehousing in the States where the wastage is massive."

Shipping direct from New Zealand gives Au Natural Skinfood the important control over delivery packaging – they can use recycled paper as opposed to the bubbled

wrap that Amazon wanted to use, for example. Plus, they also offer their customers a lower cost, 10-day delivery option that has even less of a carbon footprint. This ties in perfectly with their subscription service which allows Au Natural Skinfood to plan well ahead.

There are also some different buying behaviours that can take a bit of getting used to. Americans, for example, like to order big and their basket size is double that of New Zealand customers. They also like to read about the product far more, so Au Natural Skinfood includes a small brochure with every order. Kiwi customers on the other hand, are more practical and simply leap onto the internet to read up.

Nonetheless, the loyalty from both markets is considerable and Au Natural Skinfood enjoy a 110% retention rate. How does that make sense? The extra 10% are the extra orders customers put in for their friends.



*Using NZ Post, we can still achieve a 3-5 day delivery, to major cities in the States, but our carbon footprint is much smaller than using warehousing in the States where the wastage is massive."*

With all the global distribution challenges, it's hard staying true to your ethics. But there is a lot of help available for small Kiwi businesses going online. Au Natural Skinfood tapped into technical support from Callaghan Innovation, export advice from NZTE and NZ Post's logistical experience. Together, they have helped Tracy and Tony stick to their mission and grow their business from a garage to a global venture with annual sales of over NZD \$1.8 million.



## AU NATURAL SKINFOOD COMPANY PROFILE

After working in the beauty industry for 30 years Tracy and Tony Ahern wanted something new to do. With a passion for natural products and sustainability, they searched for a business to buy and in 2015, with 3 other shareholders, bought Beebio, a company that gave them access to tested formulations that would form the basis for Au Natural Skinfood. Today, their ethical beauty range sells in Australia, Asia, Europe and the USA, and of course, in New Zealand.

[www.aunaturalskinfood.com](http://www.aunaturalskinfood.com)

# Expert view



## Plan for growth and constant change

Online shopping in New Zealand is rapidly growing and changing according to Professor Jonathan Elms, New Zealand's leading authority on retail research. While this brings many challenges for retailers, it also offers opportunities. We uncover what these are and get expert advice on how retailers can make the most of them.

According to Elms, at around 10-12% of total retail sales, New Zealand's online shopping levels are nowhere near where they should be in terms of total shopping penetration. "In many other countries this number is over 20%. The biggest barrier to growth is our geography. It stops instant gratification. In the US and the UK, you buy online and a couple of hours later your purchase is on your doorstep. Here, it's still quicker to go to the mall."

The growth of convenient hybrid-delivery services like click and collect, are just one of the many new innovations retailers need to get their heads around in a world of constant change.

Retailers must keep learning and innovating and that can be difficult, especially in low margin sectors when the constant focus is on sales and quick fulfilment. On top of this, retailers must keep up to date with changing customer behaviours and expectations, new technology and a string

of new offers entering the market. Elms sees building a sustainable, yet adaptable, business model as one of the biggest challenges retailers face.

The growth of customers' sustainability expectations is driving the way many retailers are changing. Consumers, especially younger ones, are making more informed decisions about what they buy and who they buy from. Elms suggests it's not enough to offer 'recycled packaging' or 'carbon offsets.' "Your approach has to be authentic and aspirational, driven by a high-level purpose that goes across the entire chain of activities." This adds complexity, and often cost, but is one of the ways that retailers differentiate and deliver real value to customers.



*New Zealanders are becoming more sophisticated so more of them will buy more products across more categories."*

Elms sees the growth of event days like Black Friday and Cyber Monday as both a blessing and a curse for retailers. They may attract new customers but also create an 'always on sale' mentality for both retailers and consumers. "Retailers need to avoid this race to the bottom by focusing on a richer offer beyond price including brand, purpose, returns policy, delivery quality and overall service experience." The goal is to make an emotional connection. Elms likes that many online retailers are amplifying the physical aspects of their offer with experiences like pop-up stores.

Despite the challenge of constant change, Elms sees the growth opportunities for retailers as far greater. "New Zealanders are becoming more sophisticated so more of them will buy more products across more categories. We also have the benefit of seeing what's

happened in overseas markets so we know what consumer trends are likely to be."

He comes back to click and collect and the roll it has played overseas in spanning the online and physical market. "Given our geographical challenges, this centralised delivery approach is a trend I see taking-off here." Elms suggests retailers should be thinking ahead and finding ways to collaborate with others – even competitors – to spread the costs. He advises retailers to work closely with partners who already have large logistics and distribution networks.

This collaboration theme is one Elms stresses repeatedly, pointing to local marketplaces like The Market and Trade Me as "fantastic ways to leverage economies of scale, awareness and to grow credibility through brand association."

Another big retailer opportunity is being New Zealand based. Elms says "Being a local is something the big global players can never match. Kiwis love to support Kiwi businesses, especially those with a unique story, unique products, a good service experience and a focus on giving back to the community." This is especially true now that new GST rules level the playing-field on price.

There are significant opportunities for New Zealand businesses globally to showcase what makes us unique and better. Elms points to countries like China, India and the US. "Everything about New Zealand is appealing and aspirational. Product and retailer stories that align with this pure, clean, green and aspirational perception will connect with consumers and drive sales. Kiwi retailers should leverage the New Zealand brand to access these new markets, especially on global event days."

Elms' advice to retailers is to plan for both growth and constant change for some time to come. "Through it all, keep focused on the things that remain constant — making real connections with your customers with good products, a great experience and a compelling brand story.



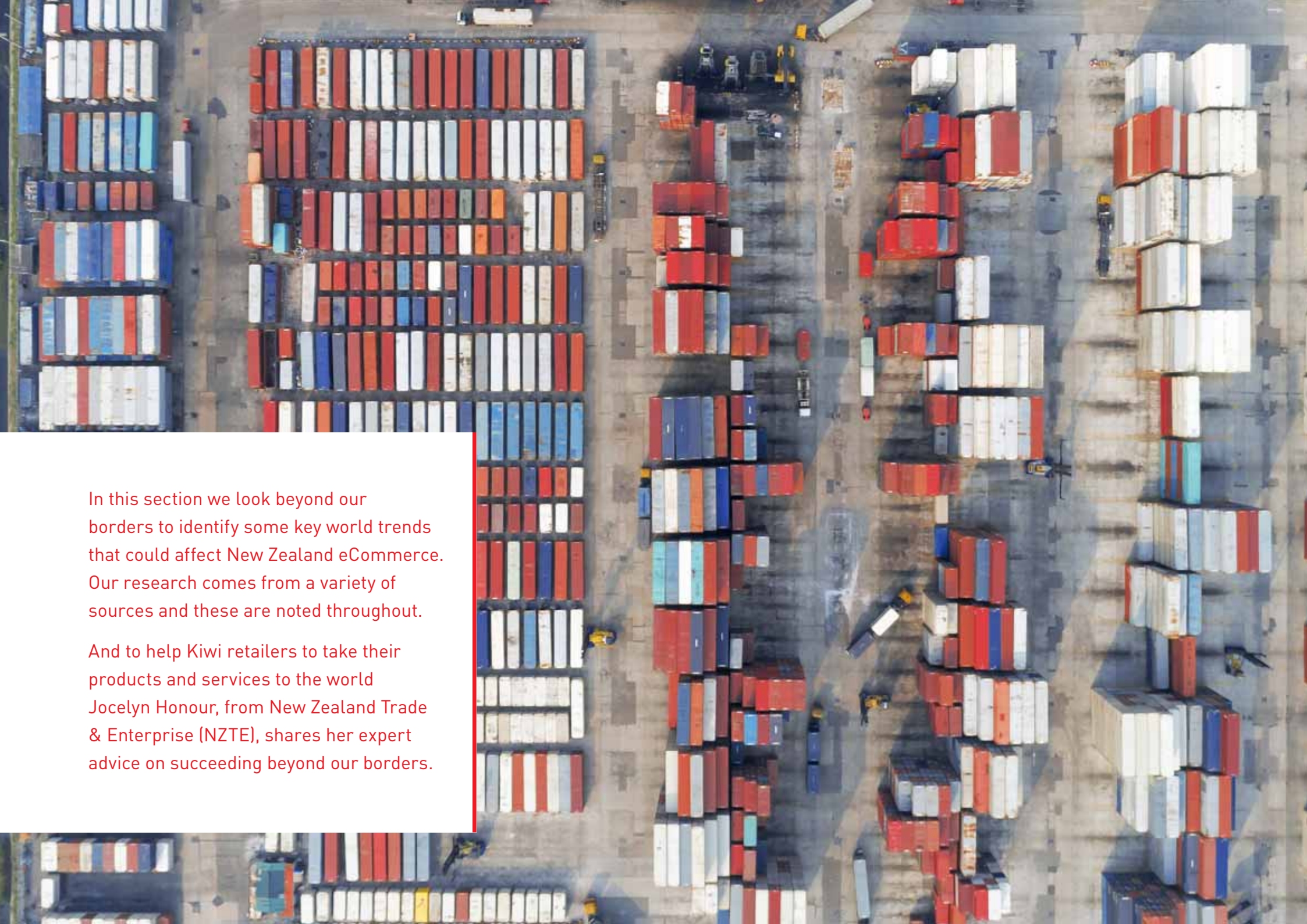
**PROF JONATHAN ELMS**

**Massey Business School,  
Massey University**

Jonathan Elms is the Sir Stephen Tindall Chair Professor in Retail Management. He is the Director of the Centre for Advanced Retail Studies, New Zealand's 'centre of excellence' for retail research, education and scholarship. He is also currently the Director of Research for Massey Business School.

He holds a BSc (Hons) Marketing, MSc Management, and PhD in Marketing from Lancaster University.

Jonathan's research explores the interrelated themes of 'Retail Change, Power and Competition' and 'Consumer Behaviour and Choice in a Retail Context.' He is published extensively in specialist retailing, marketing, management and social scientific journals.



In this section we look beyond our borders to identify some key world trends that could affect New Zealand eCommerce. Our research comes from a variety of sources and these are noted throughout.

And to help Kiwi retailers to take their products and services to the world Jocelyn Honour, from New Zealand Trade & Enterprise (NZTE), shares her expert advice on succeeding beyond our borders.

# 3.0

## THE BIGGER PICTURE

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3.1 The global trends

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3.2 Expert View: The global mindset

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## The global trends

Once again, the team at NZ Post has looked at the global trends likely to shape eCommerce in the future in New Zealand. We've settled on five of the trending topics.

### 1. B2B eCommerce – the rise of a giant.

With so much focus on retailers and consumers shopping online, it's easy to miss the business to business side of eCommerce. It may be less glamorous, but with higher conversion rates, B2B is set to overtake B2C eCommerce in less than five years. A report from Forrester<sup>1</sup> suggests the US B2B eCommerce industry will be worth \$1.8 trillion by 2023. Businesses, like consumers, are now placing orders on the run. An urgent machinery part, office supplies, raw materials – they can all be ordered securely via mobile which is one of the reasons why the use of mobile wallets is rising rapidly. Websites, of course, are the main entry point and the pressure is on owners of those sites to make them clean and simple, or to develop an app. Buyers used to the consumer world, want the same ease of navigation and purchasing in the business to business world. A report from Digital Commerce<sup>2</sup> suggests 60% of buyers would stop doing business with B2B vendors if their site or app was difficult to navigate.

### 2. Drop-off returns.

Globally, online retailers are struggling to cope with the avalanche of returns and the effect this has on their margins. Last year, we saw online giants like Amazon introducing bricks and mortar return stores and adding Amazon returns counters to subsidiaries – they now have over 18,000 physical returns locations in the US. This returns problem is also creating opportunities – Happy Returns is a new returns service for online retailers with no stores. It now operates 700 "return bars" throughout the States. These return counters are placed in existing retailers and they get the benefit of increased foot traffic. With over \$40 billion in returns just between 01 November and 31 December in the US, there is plenty of room for new thinking. Two new retailers have set up solely to take advantage of this shop and return mindset. Stitch Fix lets customers try on at home before they buy, with free shipping and exchanges. Warby Parker does the same with eyeglasses and sunglasses. Both businesses send out more items than



# 75%

OF US HOUSEHOLDS  
WILL OWN A SMART  
SPEAKER BY 2025.

they expect the customer to keep, building their business model around customer returns.

### 3. Sustainable shopping.

Environmental sustainability, less plastic, less waste – these are the watch words for an increasing number of consumers. In fact, 73% of consumers<sup>3</sup> say they would definitely change their consumption habits to reduce their environmental impact. The fashion industry, in particular, has been the focus of a lot of consumer pressure with brands like Forever 21 filing for bankruptcy protection as it found itself at odds with a population focused on sustainability. The environmental impact of online shopping, of course, stretches far beyond the manufacturing process of the goods. There's the packaging, the delivery materials and even the way the product is transported to the purchaser's doorstep. In the 2019 IPC Cross Border Survey, 47% of consumers said they would like their parcels to be recyclable – with cardboard being the preference. A further 28% said they would be willing to receive a package a few days later to reduce the environmental impact. Given choices, we suspect consumers might just click the one that's better for the world.

### 4. Alexa...Buy that.

Figures out of the US suggest that 75% of US households will own a smart speaker by 2025. While much of their use is still limited to playing that song or switching on appliances, more and more consumers are using their personal assistants for shopping. EMarketer<sup>4</sup> expects only 26% of smart speaker owners to make purchases with their devices this year. Of course, for a voice assistant to work with your eCommerce platform requires a voice interface overlay across all your customer touch points. You'll also need to understand the way customers are likely to ask for things, including their slang! Getting your tech team up to speed with Voice User Interface (VUI) design practises, would be a great starting point, if you want to tap into the chatter.

### 5. It's getting more personal.

Just like a personal voice assistant, consumers warm to individualised experiences. Greeting a customer by name, or perhaps asking how they are enjoying the product they bought last time, can all help build up trust and favour. Creating more personal online experiences on your website or in your digital marketing efforts has been shown to have a strong effect on revenue, with one study<sup>5</sup> finding it had a 25% revenue lift. Personalisation can also reduce bounce rates by 45% according to a report by Big Commerce<sup>6</sup>. Personalisation is more than just putting a name in place, it's about identifying new, returning or lapsed customers. It's recognising where they have come from - social, organic search, referral. You want to identify location, country, region – even what's the weather doing? The device they are on and finally, their buying behaviour. All this helps you tailor your site to them, making them feel at home.

1 Source: <https://www.forrester.com/report/US+B2B+eCommerce+Will+Hit+12+Trillion+By+2021/-/E-RES136173>

2 Source: <https://www.digitalcommerce360.com/2019/01/27/2019-b2b-e-commerce-trends-putting-convenience-before-innovation/>

3 Source: <https://www.nielsen.com/us/en/insights/report/2018/unpacking-the-sustainability-landscape/>

4 Source: <https://www.mobilemarketer.com/news/emarketer-voice-shopping-is-growing-more-slowly-than-expected/571720/>

5 Source: <https://www.bcg.com/publications/2019/next-level-personalization-retail.aspx>

6 Source: <https://www.bigcommerce.com/blog/bounce-rates/#what-is-a-bounce-rate-on-an-e-commerce-website>

Potential international market opportunities:  
Top five commodities purchased<sup>1</sup>

**UK**

Population 67.5 million

1. Clothing, footwear & apparel 26%
2. Consumer electronics 16%
3. Health & beauty 16%
4. Home and garden 14%
5. Joint 5th – Books, music & media 12% & Toys 12%

**USA**

Population 329.1 million

1. Clothing, footwear & apparel 33%
2. Consumer electronics 17%
3. Jewellery & watches 17%
4. Health & beauty 16%
5. Toys 14%

**India**

Population 1.366 billion

1. Clothing, footwear & apparel 46%
2. Consumer electronics 37%
3. Health & beauty 33%
4. Jewellery & watches 33%
5. Computers 26%



**Japan**

Population 127 million

1. Clothing, footwear & apparel 31%
2. Health & beauty 29%
3. Consumer electronics 15%
4. Household appliances 13%
5. Books, music & media 13%

**China**

Population 1.441 billion

1. Health & beauty 49%
2. Clothing, footwear & apparel 35%
3. Consumer electronics 25%
4. Joint 4th/5th/6th at 23% - Jewellery & watches, sport & leisure, and baby & child.

**Australia**

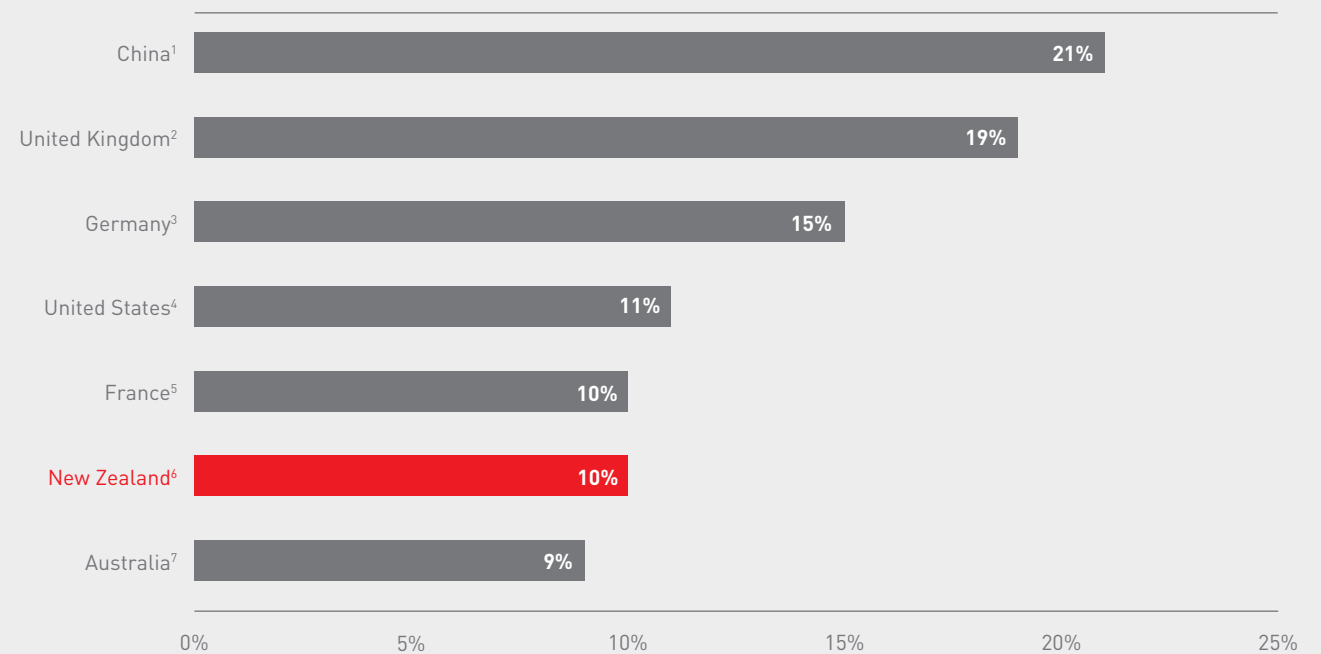
Population 25.2 million

1. Clothing, footwear & apparel 29%
2. Consumer electronics 16%
3. Health & beauty 15%
4. Books, music & media 14%
5. Sport & leisure 11%



While New Zealand continues to see online shopping growth, the percentage of online compared to total retail sales still lags behind most developed nations.

**eCommerce sales as a percentage of total retail sales**  
2019



The online retail sales of physical goods reached 9,523.9 billion yuan, accounting for 20.7 percent of the total retail sales of social consumer goods estimated for 2019. Excludes private people that trade on online marketplaces.

1 Source: [http://www.stats.gov.cn/ENGLISH/PressRelease/202001/t20200119\\_1723651.html](http://www.stats.gov.cn/ENGLISH/PressRelease/202001/t20200119_1723651.html)

2 Source: <https://www.retailconomics.co.uk/library-retail-stats-and-facts>

3 Source: <https://www.bevh.org/presse/pressemitteilungen/details/vielbesteller-treiben-e-commerce-umsatz-in-2019-auf-neuen-hoechststand.html>

4 Source: <https://www.census.gov/retail/index.html>

5 Source: <https://www.reuters.com/article/us-france-retail-fevad/french-online-retail-could-extend-2019-growth-fevad-idUSKBN1ZZ0W6>

6 Source: Datamine

7 Source: <https://business.nab.com.au/nab-online-retail-sales-index-monthly-update-december-2019-38447/>

# Expert view



## The global mindset

There are many opportunities for innovative Kiwi retailers to take their products and services to the world according to Jocelyn Honour, Global Practice Lead for Digital Commerce at New Zealand Trade & Enterprise (NZTE). Jocelyn shares her expert advice and outlines how NZTE helps retailers succeed beyond our borders.

“Kiwis are born with an international outlook,” says Honour. “We grow up dreaming of our big OE and we place high value on global careers. But when it comes to online shopping, Kiwi retailers often think small, seemingly constrained by our physical borders. The online world has no boundaries. We must adopt a global lens, seeing the entire world as a potential customer.”

New Zealand has a good reputation internationally that goes beyond our clean green environment. Honour points out that “Kiwi products and services are generally perceived as high quality, innovative and thoughtfully designed. There is often a level of consumer trust associated with being ‘New Zealand made.’ In parts of China, North America and Europe, New Zealand is a strong quality mark that can give retailers a market advantage.”

Honour gives a clear warning that being from New Zealand does not guarantee success however. Retailers still need to make sure that their products stand out and deliver what consumers value. “Many retailers feel that customers at home love their product, so people in foreign markets will too. This isn’t the case, as consumer preferences and behaviour vary from market to market, depending on a market’s development stage and consumers’ sophistication and aspirations”.

“In larger regions, consumers can also vary from state to state,” Honour adds, noting the difference in outlook, tastes and behaviours between New Yorkers and Californians.

Honour recommends a good place to start when looking to sell offshore is with your current consumers – who are they, why are they buying and how are they finding you? “This sets a foundation for finding similar opportunities overseas. Look for pockets of customers who have a similar need and philosophy towards the type of benefits you offer.” NZTE provides numerous support services and insights to help retailers find suitable markets and to tailor their offer to consumers in that market.

Often retailers have to reposition their offer and structure delivery, payment and returns in ways they aren’t used to. “Regardless of different mindsets and expectation, consumers everywhere must clearly see your value proposition and how it aligns with what’s important to them. For Kiwi products and services, this ideally shouldn’t be about price but about premium quality.”

Another big decision for retailers looking overseas is determining the right business model. NZTE works through options with retailers based on their goals, their offer and the markets they are targeting.

Distributing from New Zealand is a genuine option for many. Often this is a good way to test the market. Honour points to marketplaces like Amazon and eBay as great

ways to understand the customer journey, and what they respond to, before launching a full market presence.

For many retailers, a joint-venture with a local company, appointing a local agent or distributor or setting up a subsidiary may prove better ways to go.

“Regardless of the business model, an eCommerce platform is a must,” explains Honour. “But we also recommend on-the-ground presence where possible, as consumers value seamless online and physical experiences.” She advises retailers to invest in good quality distribution and delivery relationships that add value to the customer and to your brand perception. She points to NZ Post’s international support services as a good example of enabling New Zealand retailers to build trust with global consumers.

Honour also suggests engaging a local creative agency to help promote your offer. “What works at home doesn’t necessarily work in other markets.” She cites the growth in China of ‘social selling’ with just 8 seconds, and 2-clicks, separating an ad and purchase. “Local agencies can tailor messages and channels to local, and regional, consumers and how they buy.”

NZTE has a series of engagement models and tools available to New Zealand retailers thinking of going global, including:

- Market and consumer research and insights
- Developing business plans and value propositions
- ‘Go-to-market’ strategies
- Supply chain development
- Reviewing distributor relationships and agreements
- Support with governance and compliance
- On-going learning and development.

Honour encourages retailers to leverage NZTE’s expertise. “The opportunities beyond our borders are huge but thinking globally is new, and often scary, for retailers. Having NZTE as your partner can help you make the most of the opportunities out there.”



## JOCELYN HONOUR

**Global Practice Lead, Digital  
Commerce, New Zealand  
Trade & Enterprise (NZTE)**

Jocelyn’s work in identifying leading ideas, information and global eCommerce trends enables NZTE to be a thought leader in eCommerce and help New Zealand companies expand to global markets.

NZTE is a Government agency working to grow New Zealand companies internationally. It employs 600 people, in 50 offices worldwide, and also has a global network of thousands of specialist partners.

NZTE provides customised services and support to help businesses build their capability, boost their global reach, connect to other businesses and invest in their growth.

You can access NZTE’s expert support at [www.nzte.govt.nz](http://www.nzte.govt.nz)



In this section, we dive deeper into each of the sectors to highlight key trends and performances versus 2018.

# 4.0

# SECTORS

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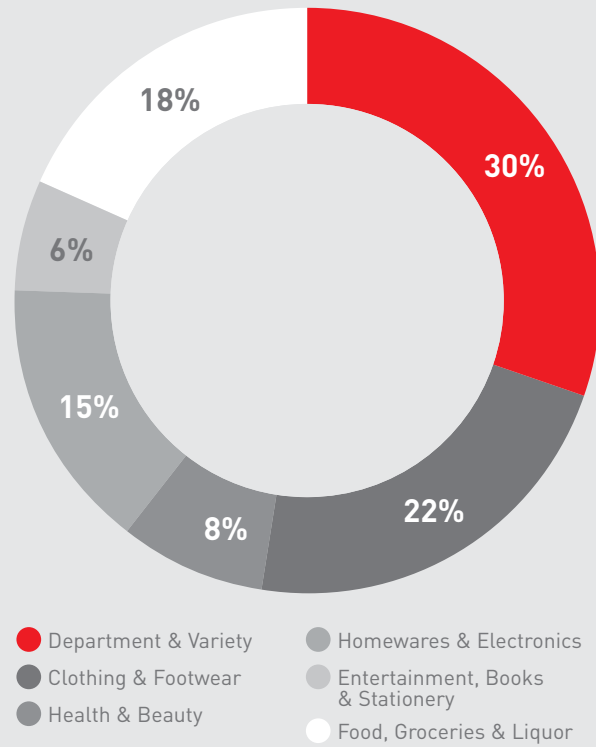
4.1 The sectors	52
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4.3 Speciality Food, Groceries & Liquor	58
4.4 Homeware, Appliances & Electronics	62
4.5 Clothing & Footwear	66
4.6 Health & Beauty	70
4.7 Recreation, Entertainment, Books & Stationery	74

## The sectors

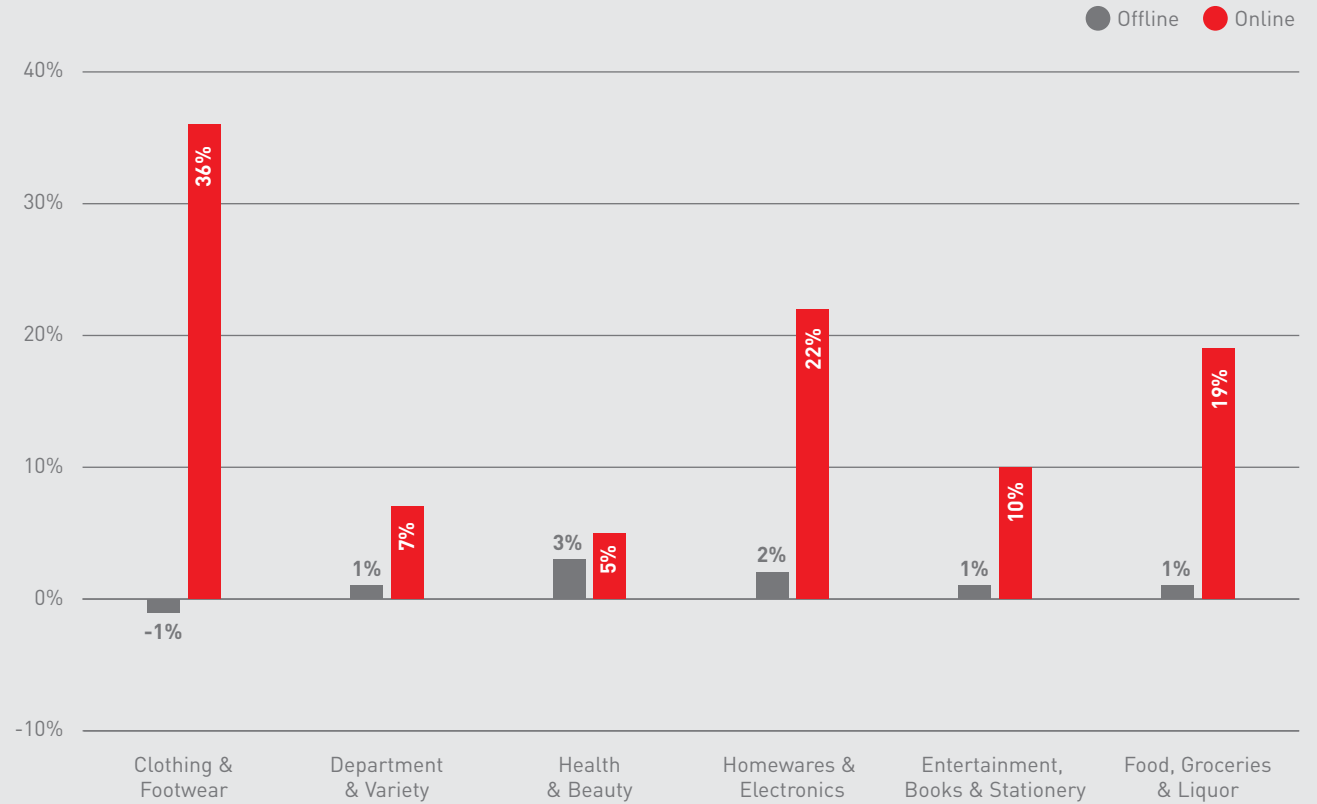
2019 saw Clothing & Footwear as the standout online sector with 20% growth in spend and 16% growth in transactions with sales topping the \$1 billion mark for the first time.

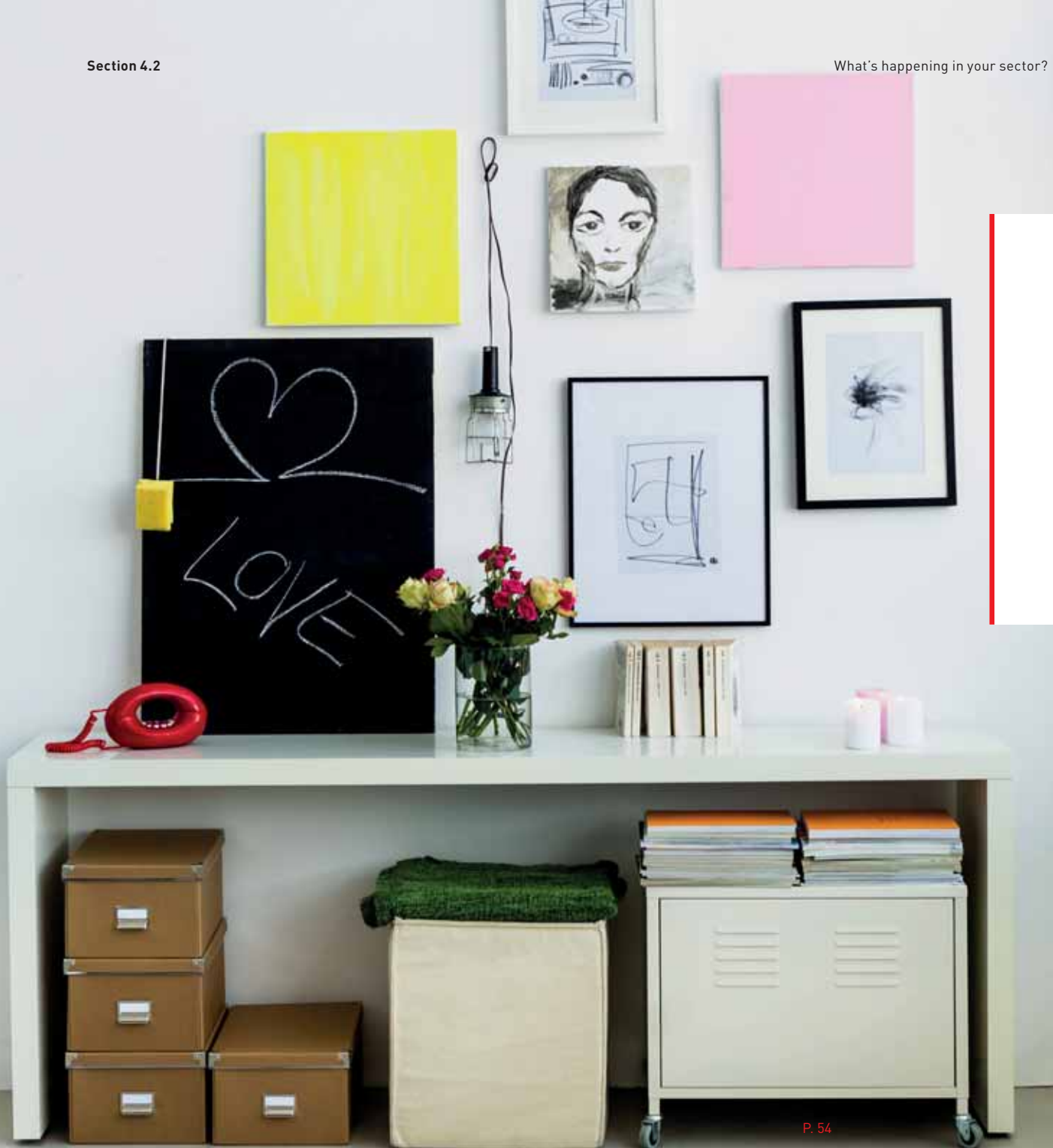
Domestic growth was the clear winner and in some sectors, exceptionally so. Further evidence that New Zealand's domestic e-tailers are becoming more sophisticated and competitive against their international competitors.

Share of total online spend by sector  
2019



Domestic growth rate online vs offline by sector  
% 2018 to 2019





**Department,  
Variety & Misc  
Retail Stores**  
Still our largest  
online sector





With online spend topping \$1.424 billion, Department & Variety still held the largest share of the online purse in 2019. With 30% of the online spend, it was marginally down on 2018's 32% share, and the number of transactions eased back to 47% from the 50% we saw in 2018.

This is a sector where shoppers come to frequently, but their basket size is the lowest of all the sectors. At \$69 it has managed to increase 5% over 2018, and still beats the traditional bricks and mortar basket size of \$57.

Overall, the year for Department & Variety echoed 2018 with a slight downside. While online spend growth was a healthy 8%, the increase in transactions was a mere 2%. International online spend growth at 9% helped buoy the sector with domestic online spend growth easing to 7%.

Such growth in a tough retail market is a good result and retailers in this sector will take heart from the fact that all domestic figures, growth, transactions and basket size were on the good side of the ledger. All combined, they pushed their domestic share of eCommerce up from 13.5% in 2018 to 14.2%.

Sales volumes were remarkably consistent throughout the year until the usual Q4 spike – where they practically doubled. This year was no different and Q4 put on a nice growth spurt of 14% - peaking with almost \$48 million in weekly online sales in week 48. Yes, that's Black Friday/Cyber Monday again.

Wednesday just pipped Tuesday as the most popular shopping day for this sector and 76% of all online purchases continue to take place during the week.

Department & Variety is relatively genderless with males getting the slight edge on the numbers in the over 30 age groups. But it's the rural shoppers' favourite online place to be, with more of them spending more here, and more frequently than in any other sector. Rural shoppers beat urban shoppers in annual spend per customer, too. With an average of \$875 – against the urban shopper's average of \$718.

# 8%

ONLINE SPEND  
GROWTH OVER 2018.

# 14%

GROWTH IN  
Q4 2019.

# \$875

RURAL SHOPPER SPEND  
VS \$718 FOR URBAN  
SHOPPERS.

# 7%

GROWTH IN DOMESTIC  
ONLINE SPEND. 9% FOR  
INTERNATIONAL SPEND.

# 20.1%

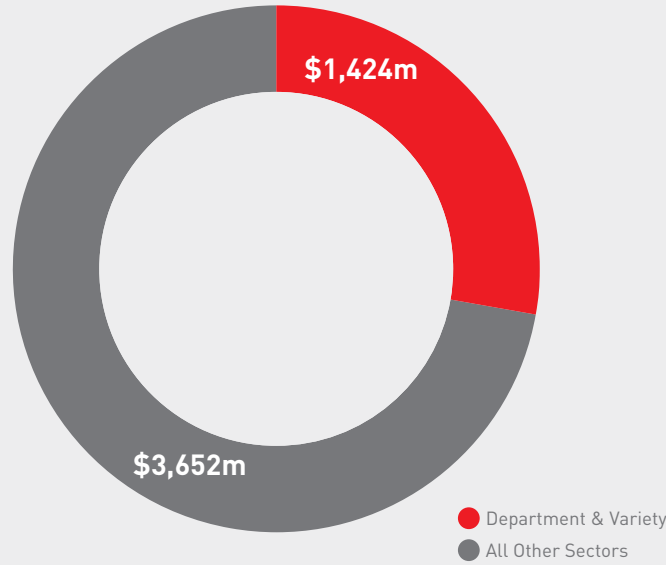
SHARE OF DOMESTIC  
ONLINE SALES.

# 5%

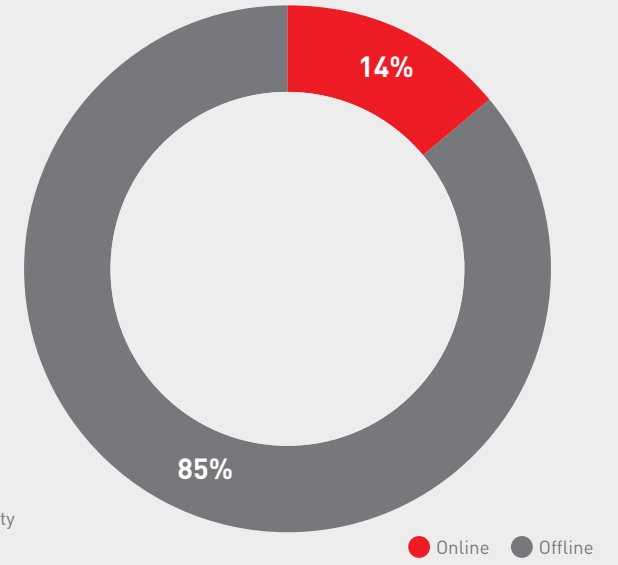
GROWTH IN ONLINE  
BASKET SIZES.

The sector continues to experience growth domestically and internationally.

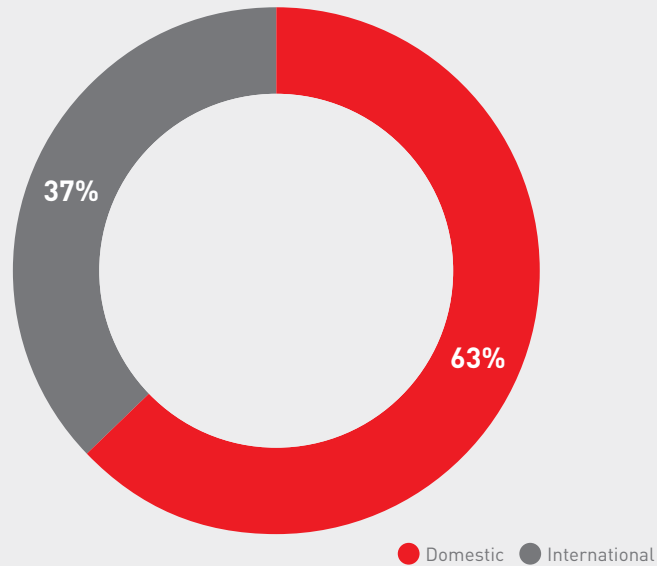
**Sector total online spend**  
2019



**Share of sector domestic retail spend – online vs offline**  
2019

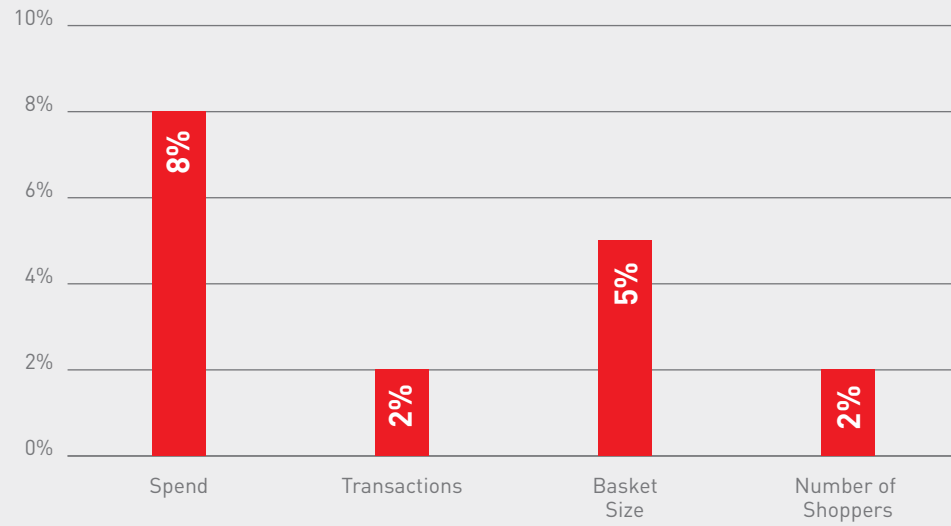


**Share of sector online spend – domestic vs international**  
2019



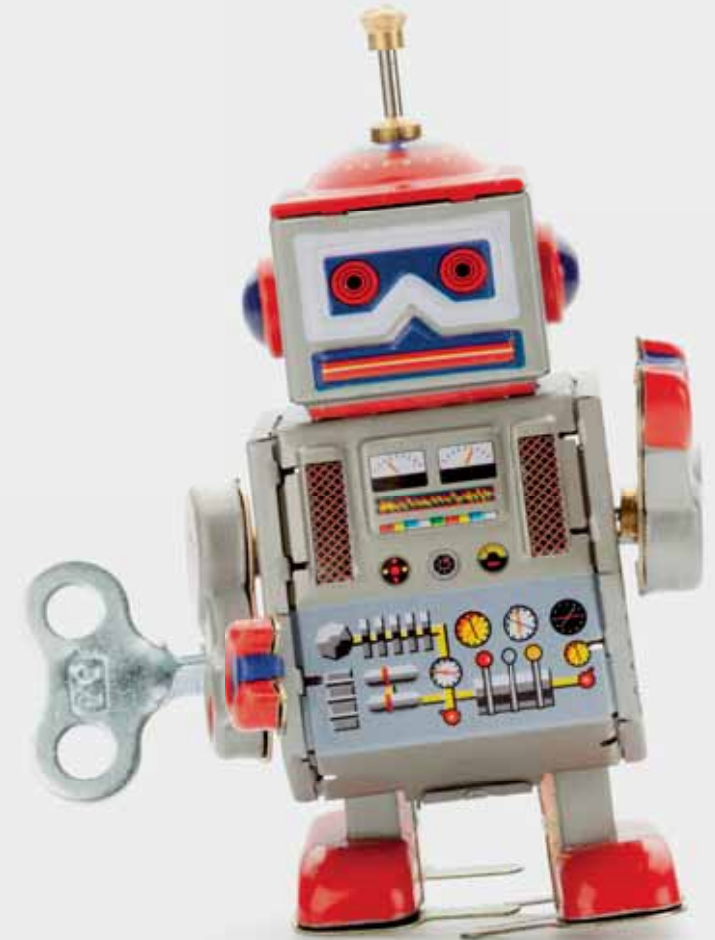
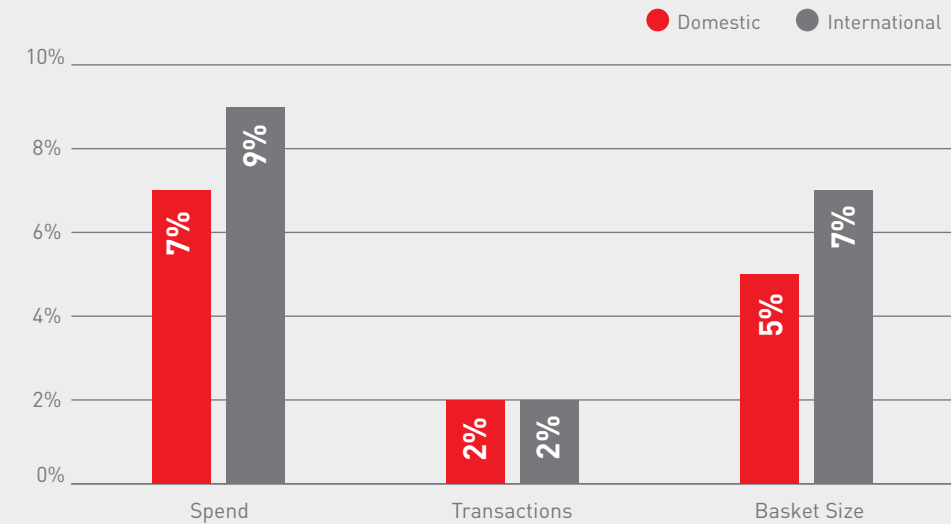
**Total sector online growth metrics**

% 2018 to 2019



**Key growth metrics – domestic vs international**

% 2018 to 2019





## Specialty Food, Groceries & Liquor

Growing nicely,  
thank you



The Speciality Food, Groceries & Liquor sector continued its impressive run, banking another 18% growth in online sales and 9% growth in customers. Some 63,423 new shoppers to be precise. With \$778 million spent online domestically, this sector knocks international sales of just \$80 million, out of the trolley. The category also has the highest annual spend of any sector with the average customer spend jumping from \$967 to \$1029.

This impressive growth was also supported by a 16% rise in online transactions. The basket size at \$149 however seems to have stalled with just 1% growth, and would suggest the forming of some weekly habits. We already know from last year's data that much of the growth is being driven by grocery, particularly new meal kit delivery services like My Food Bag and Hello Fresh as well the rising popularity of supermarket home delivery services.

Not surprising, Tuesday (the day for placing your meal kit delivery food order) is by far and large the biggest shopping day for this sector with 29% of shopping happening on that day.

For overseas purchases, 2019 saw a repeat of the previous year's story of declining transactions and rising basket sizes. Overseas spend grew by 7%, with a 5% decline in overseas transactions - but then it was boosted by a 12% increase in overseas basket growth. We know the Kiwi dollar has come off the boil and we suspect this drop in frequency is down to overseas shoppers only stocking up once in a while.

As with other sectors, online shopping is fairly consistent throughout the year - with a slight bump in week 29, when it's the end of July school holidays, and of course, the run up to Christmas. Then we see sales peak at nearly \$21 million in week 48 - surprise, surprise, before plunging down to \$11.7 million just before Christmas.

Many of the new shoppers are young, under 30 and again it's our rural shoppers who are shopping more (up 26%) and who have the biggest basket size. At \$170 it's a good \$20 larger than the urban shopper's basket.

# 18%

GROWTH IN ONLINE SALES .

# 63.4<sup>k</sup>

NEW SHOPPERS GOING ONLINE.

# 16%

RISE IN ONLINE TRANSACTIONS.

# \$149

BASKET SIZE.

# 29%

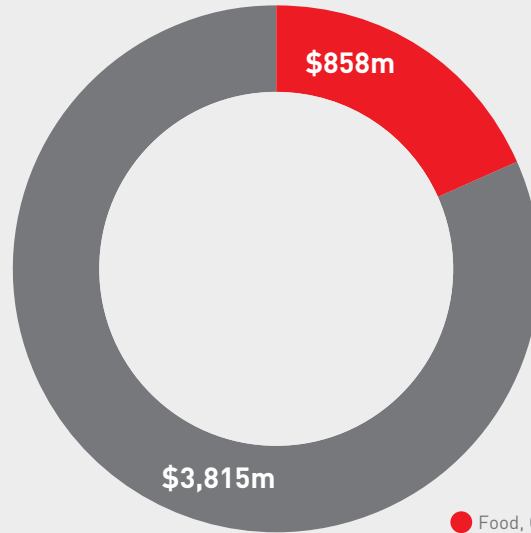
OF SHOPPING ON A TUESDAY.

# \$1,029

AVE. ANNUAL CUSTOMER SPEND.

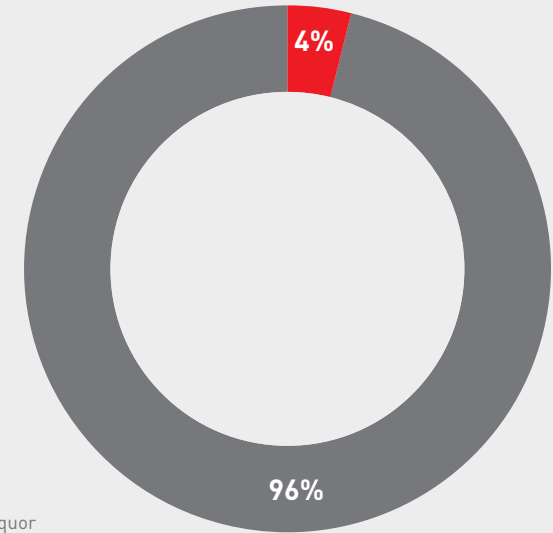
Growth in customers, spend, transactions and basket size but the growth is very different across domestic and international shoppers.

Sector total online spend  
2019



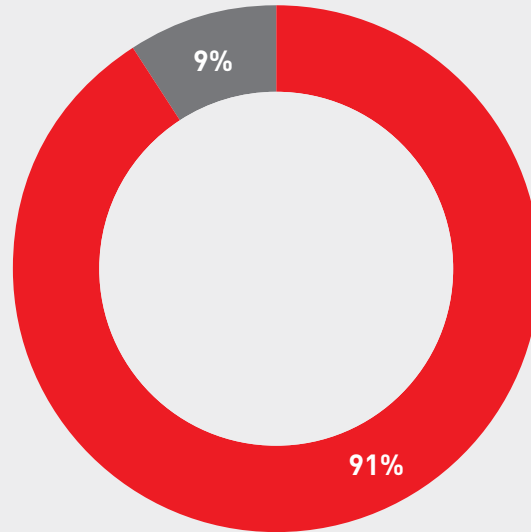
● Food, Groceries & Liquor  
● All Other Sectors

Share of sector domestic retail spend – online vs offline  
2019



● Online ● Offline

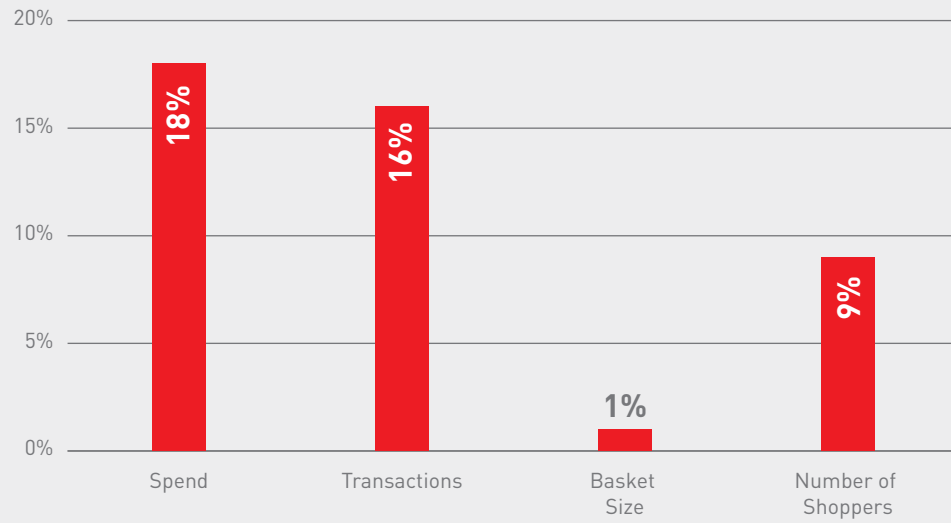
Share of sector online spend – domestic vs international  
2019



● Domestic ● International

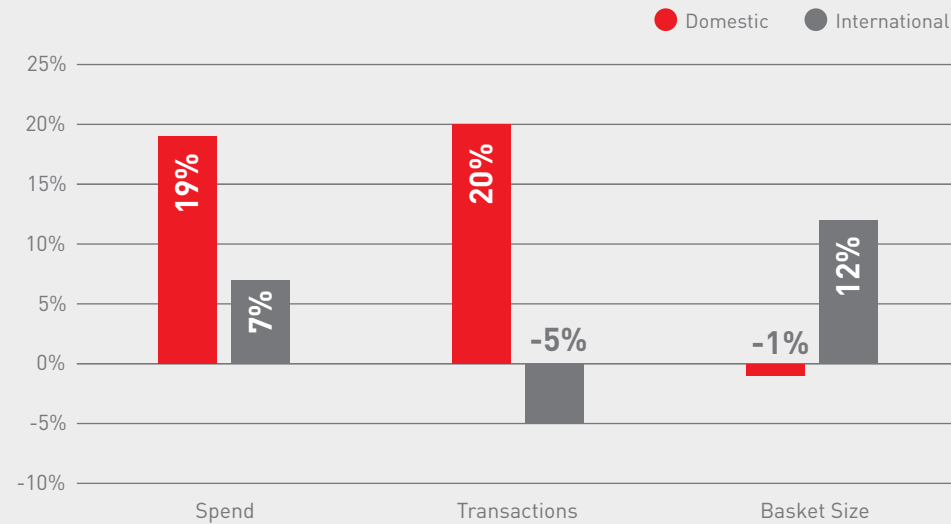
**Total sector online growth metrics**

% 2018 to 2019



**Key growth metrics – domestic vs international**

% 2018 to 2019



# Homeware, Appliances & Electronics

Four week  
peaky blinders





Every four weeks the weekly online spend in Homeware, Appliances & Electronics, peaks by about \$5 million before dropping away in an almost perfect wave form. Despite the ups and downs, online growth has been steady and impressive at 17% with a moderate 7% lift in transactions. This continues to make this one of the fastest growing sectors and it's now worth over \$680 million online.

We can't escape the fact this sector remains dominated by traditional bricks and mortar sales at \$6.7 billion. In other words – online sales make up under 10%.

Again this is very understandable with so many big ticket items in this category – like whiteware. It's these high value items that continue to make the average basket size the largest of all the online categories.

Accordingly, we saw the online basket size rise 10% from \$258 to \$283, but this was almost entirely driven by the overseas basket size growth. Domestic basket growth flat-lined which was somewhat surprising when domestic online spend and online transactions enjoyed 22% growth.

Conversely, overseas spend growth dropped by 3%, and overseas transactions fell 14%, while the basket size jumped from \$126 to \$143. In other words, fewer transactions, but bigger purchases.

Spend in this sector significantly favours males over females. And it's an older demographic with 45-59 year olds accounting for 17.7% of sector spend, followed by 60-74 year olds at 16.4%.

Weekday shopping continues to dominate in this sector, but purchasers seem to be making their buying decisions over the weekend and committing on Mondays which now has 20% of all spend. A shift from the previous year's preference for Wednesday shopping.

# 22%

DOMESTIC GROWTH  
(SPEND & TRANSACTIONS).

# 10%

INCREASE IN  
BASKET SIZE.

# 17%

ONLINE GROWTH.

# 14%

DECLINE IN INTERNATIONAL  
TRANSACTIONS.

# 20%

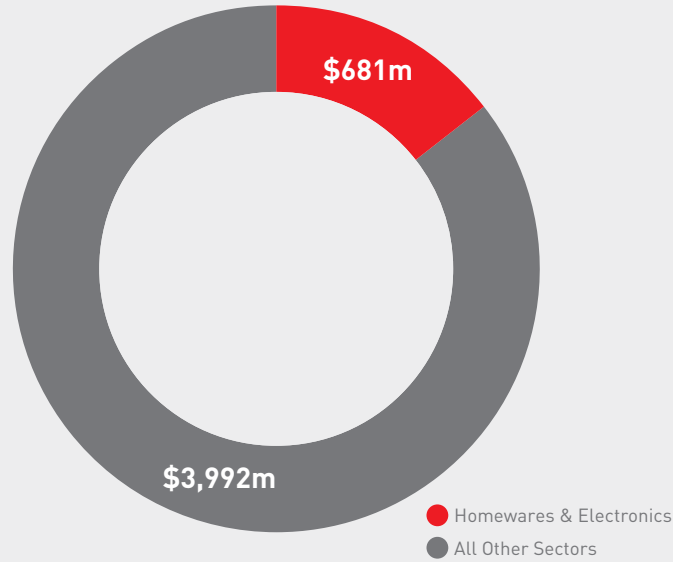
OF ALL SPEND HAPPENS  
ON A MONDAY.

# \$681m

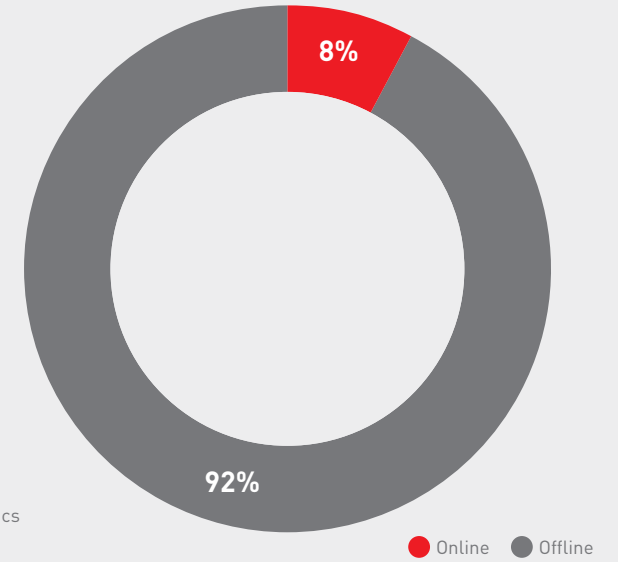
ONLINE SECTOR WORTH.

A growing sector with positive growth in all metrics. Domestic shopping leads the way with international declining.

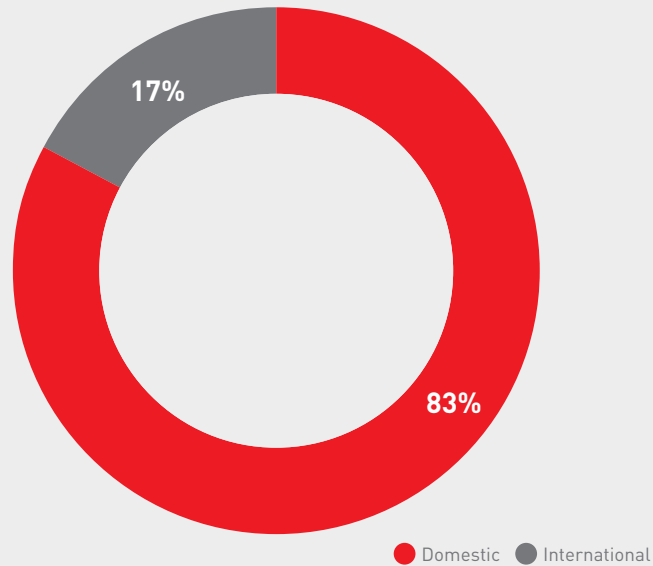
Sector total online spend  
2019



Share of sector domestic retail spend – online vs offline  
2019

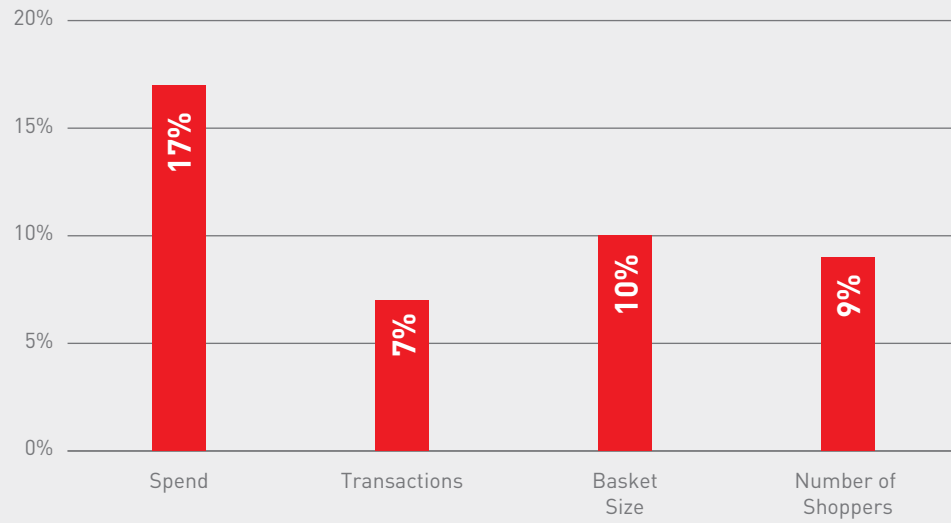


Share of sector online spend – domestic vs international  
2019



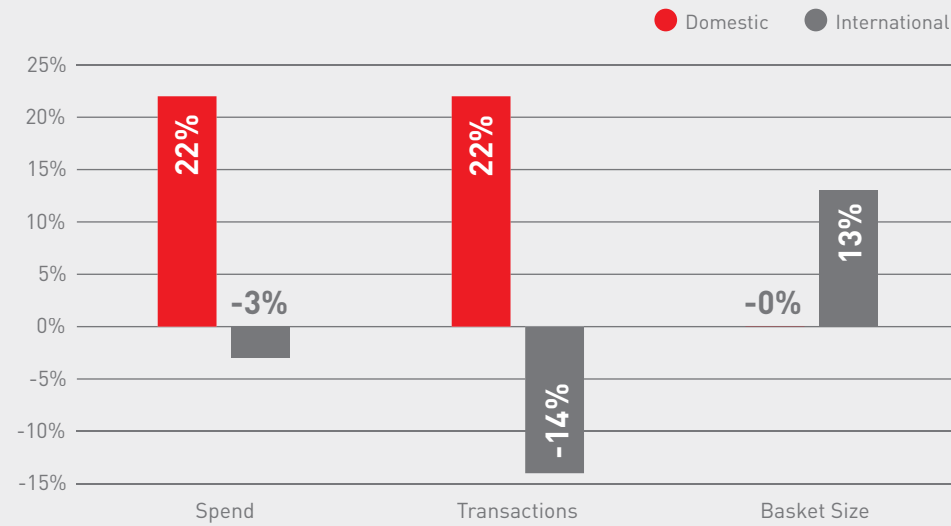
**Total sector online growth metrics**

% 2018 to 2019



**Key growth metrics – domestic vs international**

% 2018 to 2019





## Clothing & Footwear

A domestic victory



Off the back of last year's stellar performance, Clothing & Footwear continued to shine in 2019 with a 20% growth in online spend and 16% growth in transactions – figures that pushed sales through the \$1 billion mark for the first time. In a repeat of 2018, it was a domestic victory with local online retailers enjoying 36% online spend growth and a 34% rise in online transactions.

As impressive as those figures are, the momentum Clothing & Footwear saw in 2018 with a 51% increase in domestic online transactions, has eased back. The growth in customers came in at 6% overall as opposed to 11% in 2018 and the growth in domestic basket size at 1% was within the margin for error.

The flip we witnessed in 2018 with domestic sales taking over from international has deepened. Overseas online transactions continued to decline by 8%, but the basket size jumped 10% adding to the now familiar story of shopping less frequently, but more substantially.

This is a category greatly influenced by the Buy Now Pay Later (BNPL) trend with Clothing & Footwear accounting for over 30% of total BNPL spend – an eye-watering 104% spend increase over 2018.

As you'd expect, it's young urban females who continue to drive this segment with the under 30s making up 39.5% of all purchases.

Following on from a big Q4 in 2018, spending growth continued in the first half of the year with Q1 and Q2 witnessing a 25% and 26% rise. There was good growth through the rest of the year with the usual Black Friday spike in week 48 – where weekly sales topped \$41 million. \$10 million more than the same period in 2018.

Again, it was the domestic retailers who championed, enjoying massive Q1 and Q2 online spend growth of 52% and 47%. Further proof that our domestic e-tailers really are putting in a competitive and compelling performance.

# 20%

ONLINE SPEND GROWTH.

# 16%

ONLINE TRANSACTION GROWTH.

# 30%

OF TOTAL BNPL SPEND.

# 36%

ONLINE DOMESTIC SPEND GROWTH.

# 39%

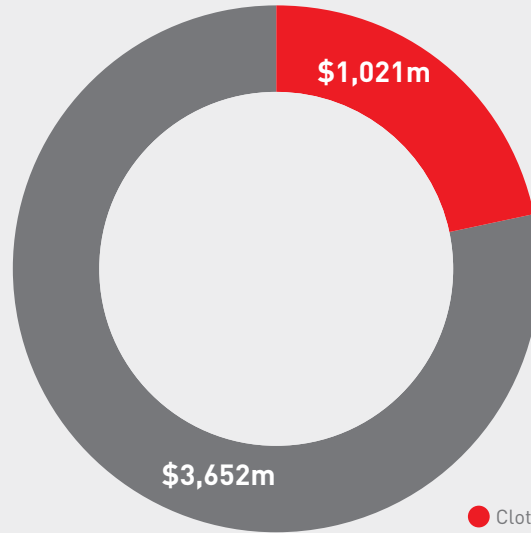
OF PURCHASES BY UNDER 30 FEMALES.

# 52%

DOMESTIC ONLINE SPEND GROWTH IN Q1.

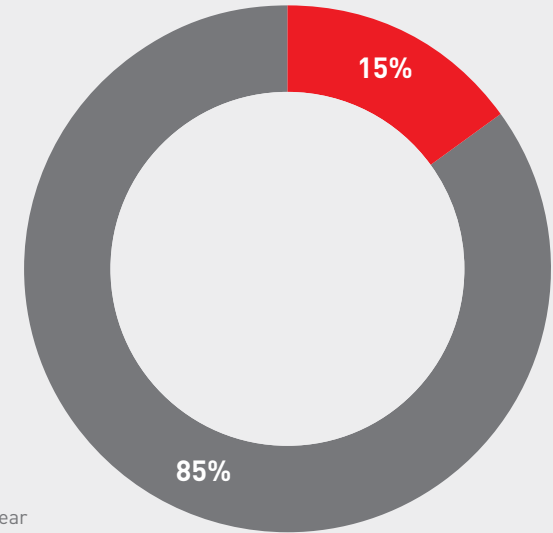
Our dominant online sector continues to find new shoppers and increase the frequency and size of existing shopper spend.

Sector total online spend  
2019



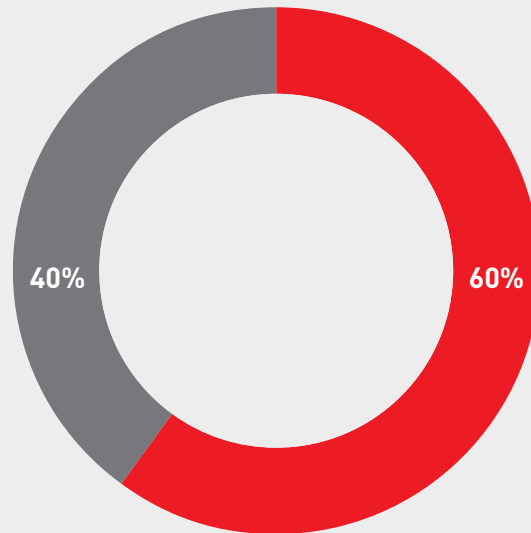
● Clothing & Footwear  
● All Other Sectors

Share of sector domestic retail spend – online vs offline  
2019



● Online ● Offline

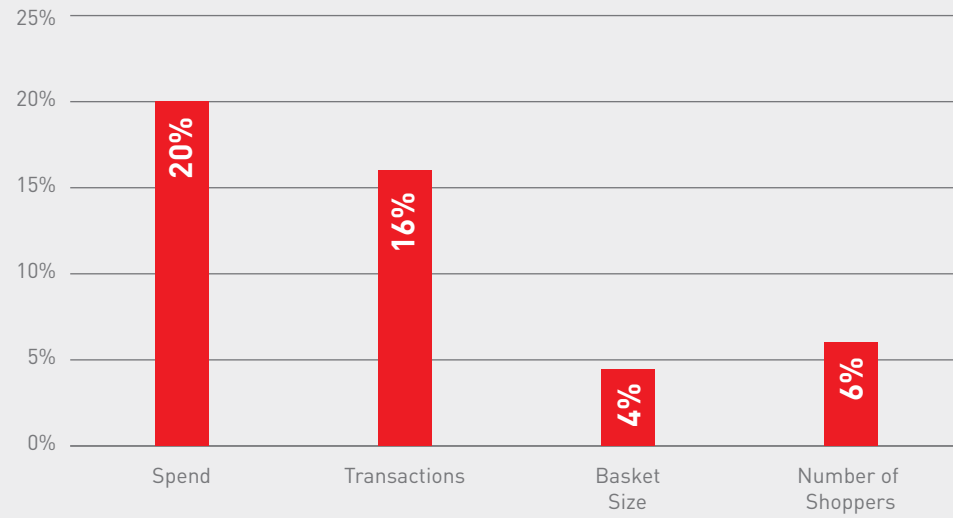
Share of sector online spend – domestic vs international  
2019



● Domestic ● International

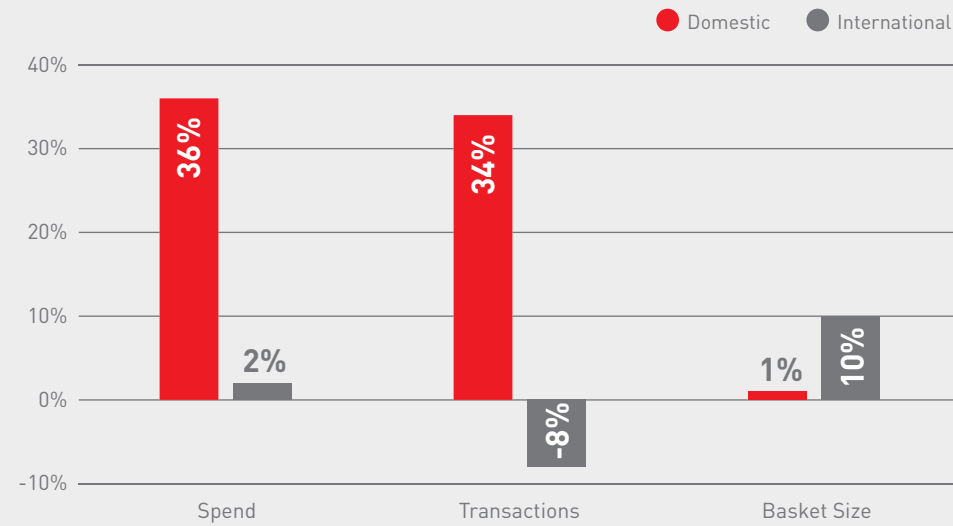
**Total sector online growth metrics**

% 2018 to 2019



**Key growth metrics – domestic vs international**

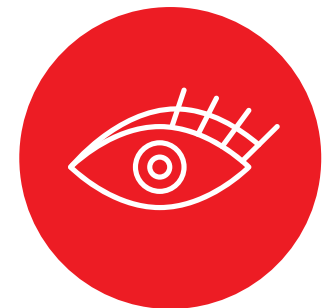
% 2018 to 2019





## Health & Beauty

Steady as she glows





The Health & Beauty sector is our smallest online sector by number of customers with just over 718,000 customers making purchases. This was a 7% increase on 2018 but the overall basket size remained static, and we saw a 3% decline in spend per customer. While they spent \$391 million – this figure pales in comparison to bricks and mortar sales which surpassed \$4.5 billion. Clearly e-tailers have a lot of work to do to change shopping habits for products that are so personal and tactile.

Total online spend increased 6% with 7% rise in transactions. Domestically this was mirrored with 5% and 6% growth respectively. This is a glaringly different story to what we saw in 2018 when domestic transactions jumped 30%.

At just \$158, the domestic basket declined slightly from \$160 in 2018. But is still 135% larger than the offline basket of just \$67.

International purchases enjoyed slightly more of an uplift. With 8% online overseas spend growth and 7% growth in online transactions. These increases were supported by a 1% growth in overseas basket size to \$143.

It really is a story of steady as she goes – although the yearly sales chart shows it's quite a bumpy ride. With sales echoing the pronounced 4 week peaks and troughs we saw in Homewares, Appliances & Electronics. The variance between the bottom of the wave and the peak is in the range of \$4 million, climbing to as much as \$6 million over Black Friday and the lead into Christmas.

With Health & Beauty, women continue to be the main drivers of online shopping. They outshop men by two to one. Women in the 30-44 age group also outspend under 30 females \$65 million to \$31 million. With men, it's the slightly older 45-59 age group who have money – splashing out \$56 million on Health & Beauty.

Unlike 2018, where we saw young rural women driving online sales, this year the spend growth for both rural and urban is a moderate 8%. The most outstanding figures for Health & Beauty come from the Buy Now Pay Later (BNPL) data which reveal a 112% rise in spend.

# 6%

ONLINE SPEND GROWTH.

# 7%

ONLINE TRANSACTION GROWTH.

# 135%

DOMESTIC ONLINE BASKET LARGER THAN OFFLINE.

# \$391m

ONLINE SECTOR SPEND.

# 112%

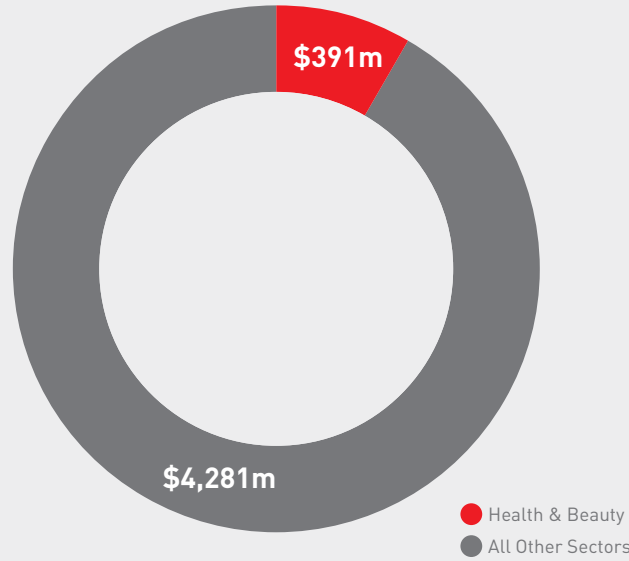
RISE IN BNPL PURCHASES.

# \$12m

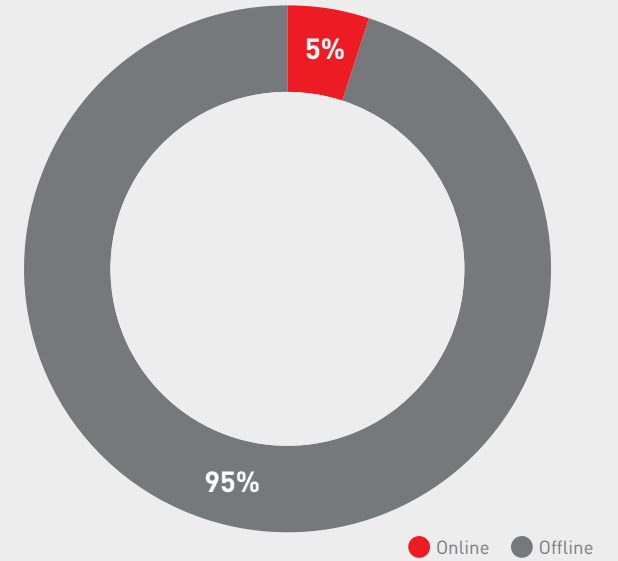
SALES PEAK WEEK LEADING UP TO BLACK FRIDAY.

One of our smallest online sectors and one of the few where international outshines domestic growth.

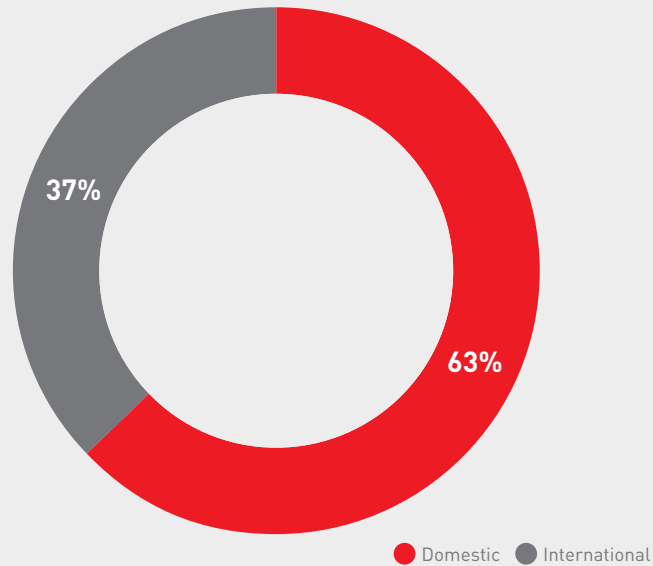
Sector total online spend  
2019



Share of sector domestic retail spend – online vs offline  
2019

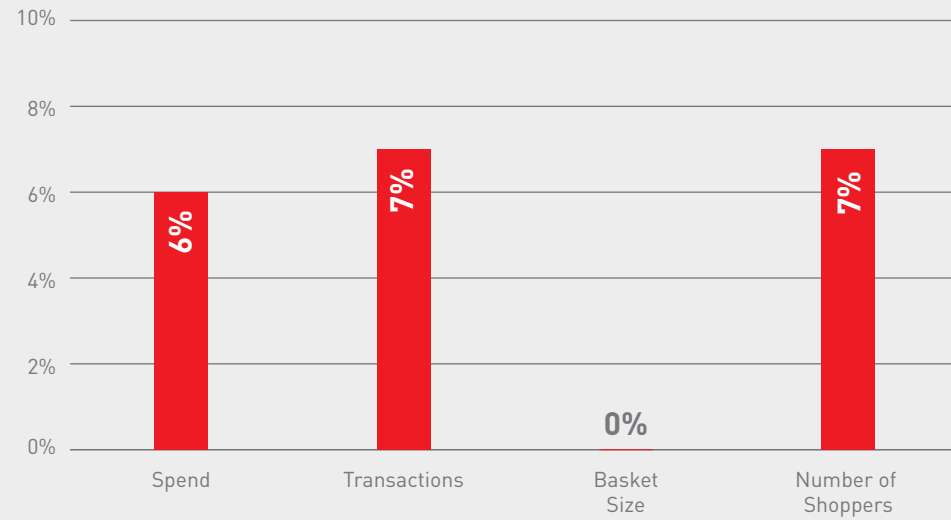


Share of sector online spend – domestic vs international  
2019



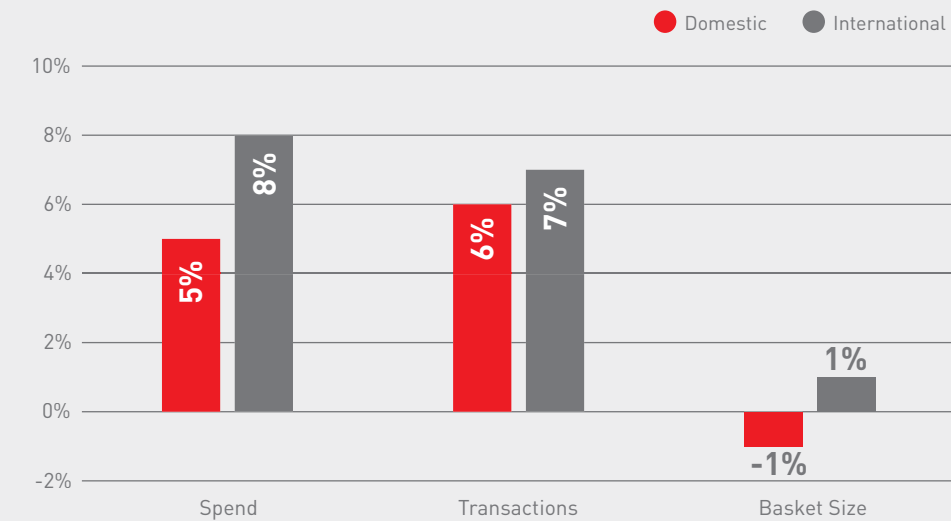
**Total sector online growth metrics**

% 2018 to 2019



**Key growth metrics – domestic vs international**

% 2018 to 2019





## Recreation, Entertainment, Books & Stationery

Rising transactions,  
shrinking baskets



This sector is worth \$298 million and this includes a lot more than books. There are music purchases, books, plus school and office stationery. It's all the back to school stuff that drives five distinct purchasing peaks before terms start. Total online spend growth in the sector was 6% – a drop on the 9% growth the category enjoyed in 2018.

By the end of 2019, growth in transactions come in at a respectable 11%. The money, however, was largely going overseas, as international transactions enjoyed a 14% boost. Despite there being a 6% rise in customers, bringing the number of Kiwi online shoppers to some 925,000, the domestic basket size only grew by 4% while the international basket size dropped by 10%.

As with other categories this would indicate, more frequent but smaller online purchases. But e-tailers should take a bit of heart, as online basket sizes at \$82 are still double their offline counterparts.

The spend in this segment is still dominated by the 45-59 age group. It's a steady weekday shopping pattern with purchases easing off over the weekends.

The Black Friday spike plays a familiar role in this sector, with weekly sales peaking at \$9.9 million. There's a second distinctive peak at the end of January and early February – the back to school phenomena and lesser term time peaks throughout the year. Targeting online sales in these periods is clearly, a worthwhile consideration.

# 11%

ONLINE GROWTH IN TRANSACTIONS.

# 5%

DECLINE IN OVERALL BASKET SIZE.

# 10%

DECLINE IN OVERSEAS BASKET SIZE.

# 14%

GROWTH IN OVERSEAS TRANSACTIONS.

# 100%

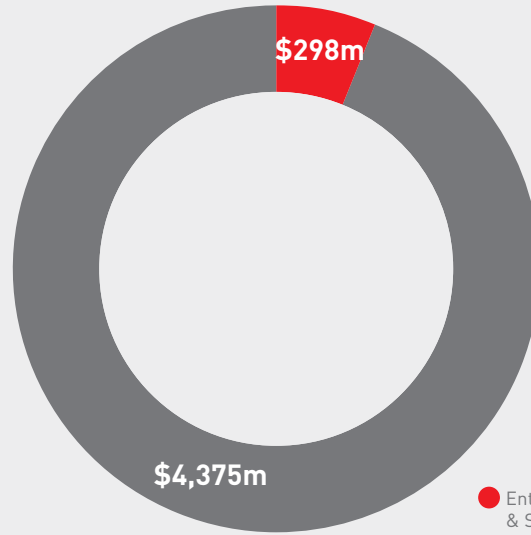
ONLINE BASKET SIZE LARGER THAN OFFLINE BASKET.

# \$10<sup>m</sup>

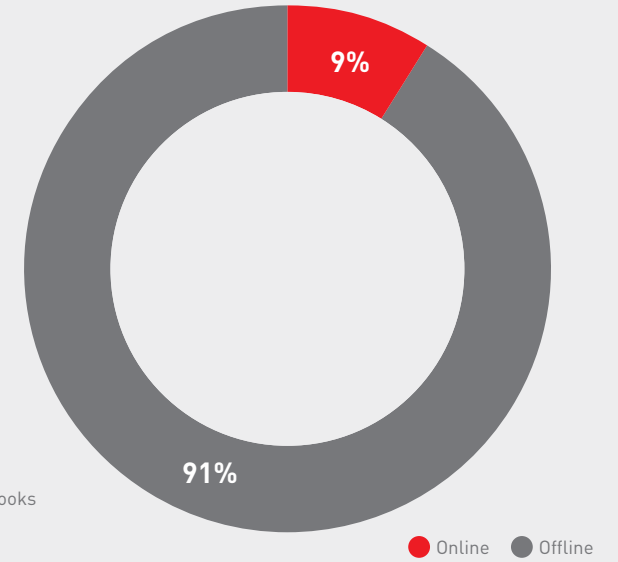
SALES WEEK PEAK – BLACK FRIDAY.

Growth in this sector was driven by shoppers buying more frequently but spending less each time.

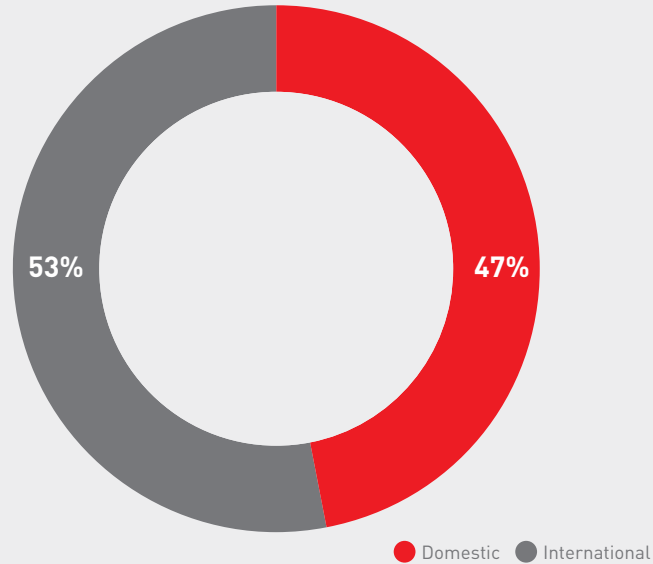
Sector total online spend  
2019



Share of sector domestic retail spend – online vs offline  
2019



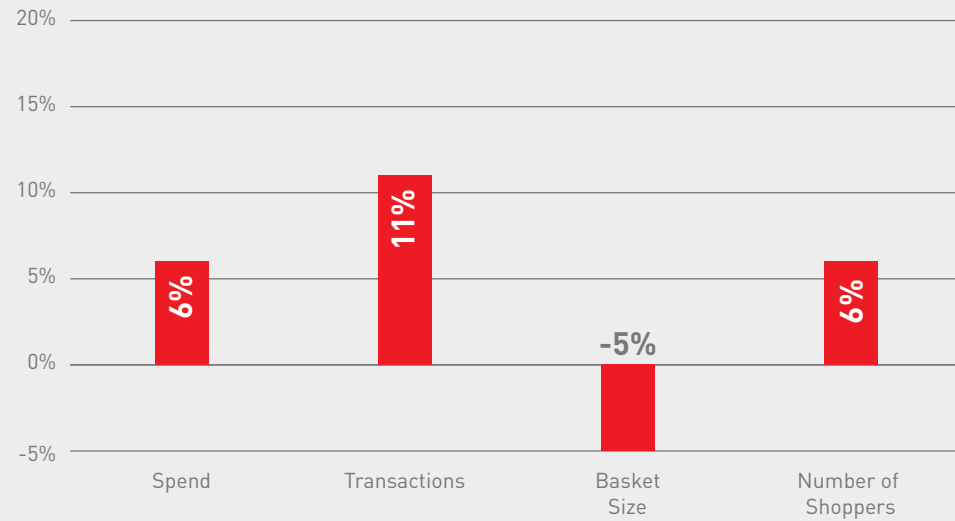
Share of sector online spend – domestic vs international  
2019



Section 4.7

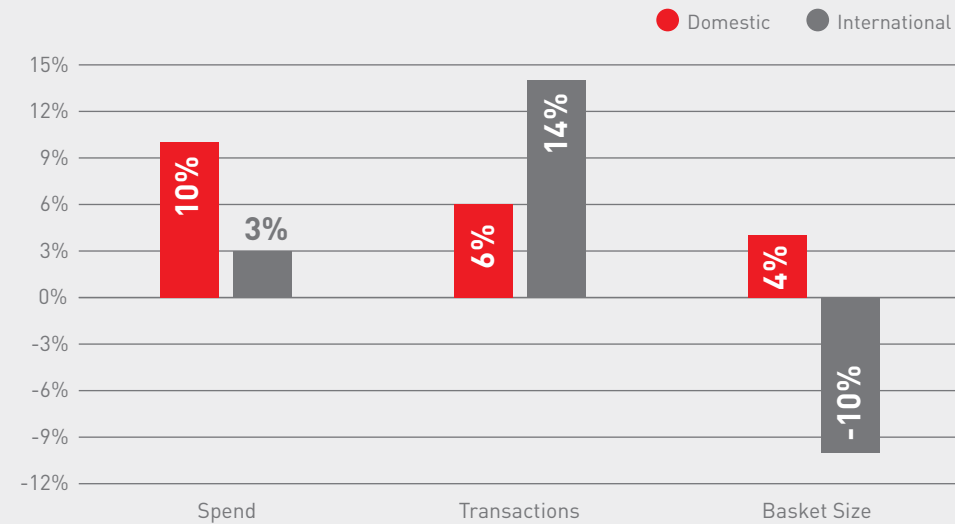
Total sector online growth metrics

% 2018 to 2019



Key growth metrics – domestic vs international

% 2018 to 2019



Whether you run a successful business already, or are a start-up looking to avoid making costly mistakes, there are some common steps you need to do to win in eCommerce.

In this section we have tips to help businesses become more effective at selling online. From getting your website and shopping experience right, to growing your customer base, to building your customer relationships with higher and more frequent spend – right through to ideas to help you manage your business seamlessly. Finally, we provide some key tips, should you want to take your business global.





# 5.0

# ECOMMERCE

# FOR YOUR

# BUSINESS

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## Five things every business needs to succeed at eCommerce

### 1. Becoming more competitive.

We know it's competitive out there and we already mentioned how savvy consumers are becoming. They are using the internet to their advantage, its speed and transparency to put the retailer under pressure. So you have to future-proof your business and ensure that you've built in total flexibility in your site design and construction. There's no point coming out with a site that's unable to adapt to the swift changes in market. Ask yourself how does your site work with the rising power of social? Are you using the power of video to demonstrate your products? What steps are you taking to build loyalty - like personalisation? The list could go on forever. But why re-invent the wheel, there will be someone in your category doing a great job. Learn from them. Copy if necessary.

### 2. Build a unique proposition.

Be very clear about your strategy. Are you low-cost volume vs premium positioning? Make sure your customers get it. The market is very crowded and getting more so. Have clear, short, competitive messages that position your business away from the competition. Be consistent and ensure you display your products in a way that fits your proposition. If you're premium act that way.

### 3. Building a pipeline of steady business.

The internet never sleeps and neither do successful eCommerce businesses. There's constant feedback, constant tweaking to get everything optimised. Your annual marketing plan should be multi-layered with promotional, re-marketing, loyalty and repeat customer programmes. Ensure you are capturing the big data and your team is up to speed with the latest techniques to keep your sales pipeline full. You'll find most of your customers research before they buy, so make sure you are visible in the social media sites where they are going to get peer opinions on your product. Fish where the fish are.

### 4. Getting ready for growth.

Retailers who get eCommerce right often experience quite heady lifts in sales. There's nothing that turns a consumer off more than a business who fails to deliver. So have you got things in place to cope with growth when it happens? Can your business quickly scale up? Have you got the manufacturing capacity? The right logistics in place? The finance even? Make sure you have everything worked out right through the supply chain and have the right partners on hand to manage your future growth.

### 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.





## 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%<sup>1</sup> 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.

<sup>1</sup> 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.





## 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**

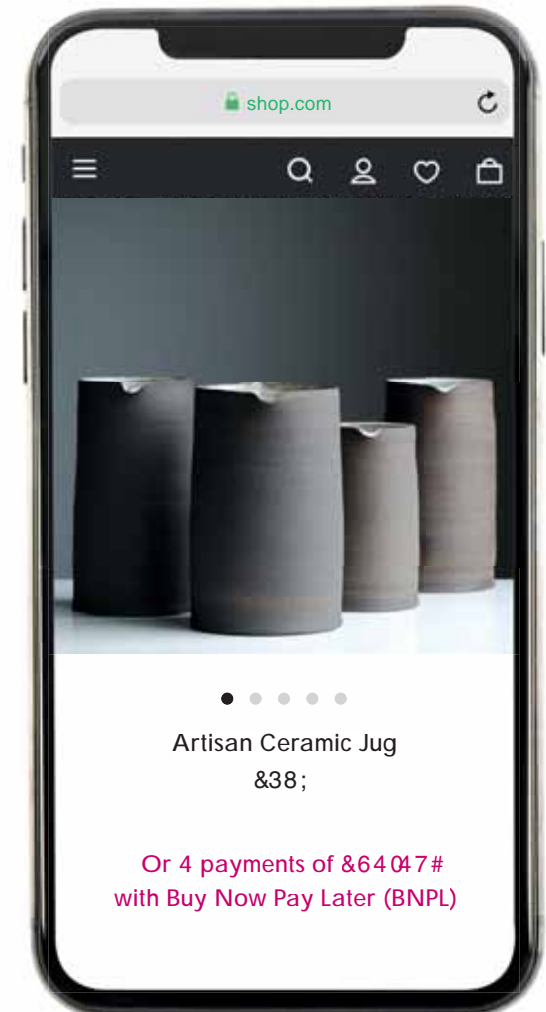
Protect your brand reputation online. Set up alerts, proactively manage customer complaints and develop guidelines for social engagement.

**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.



## 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**

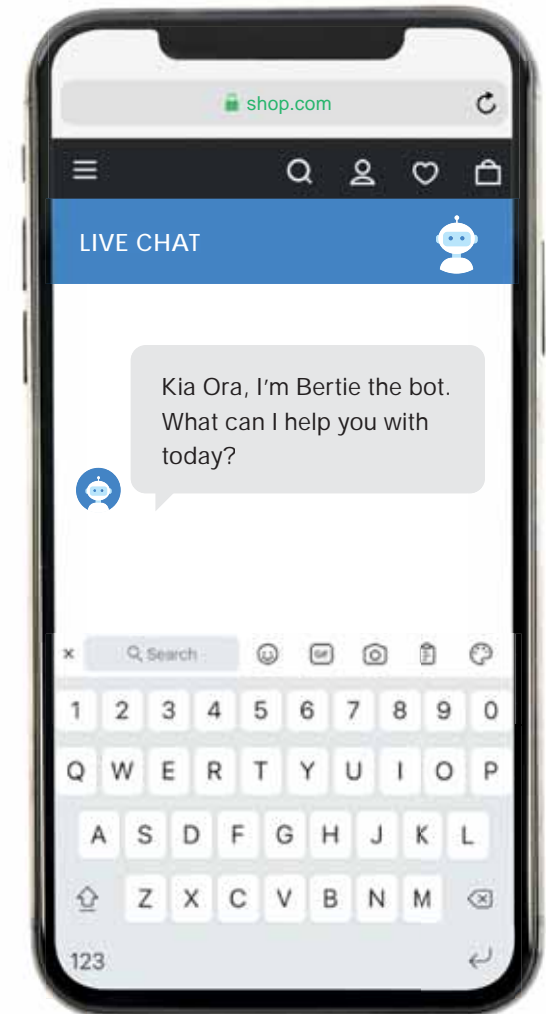
Introduce customer notifications to the shipping experience to make material improvements to customer satisfaction and first-time delivery rates. Achieve this by capturing all the necessary data at checkout.

**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.



## 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](http://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**

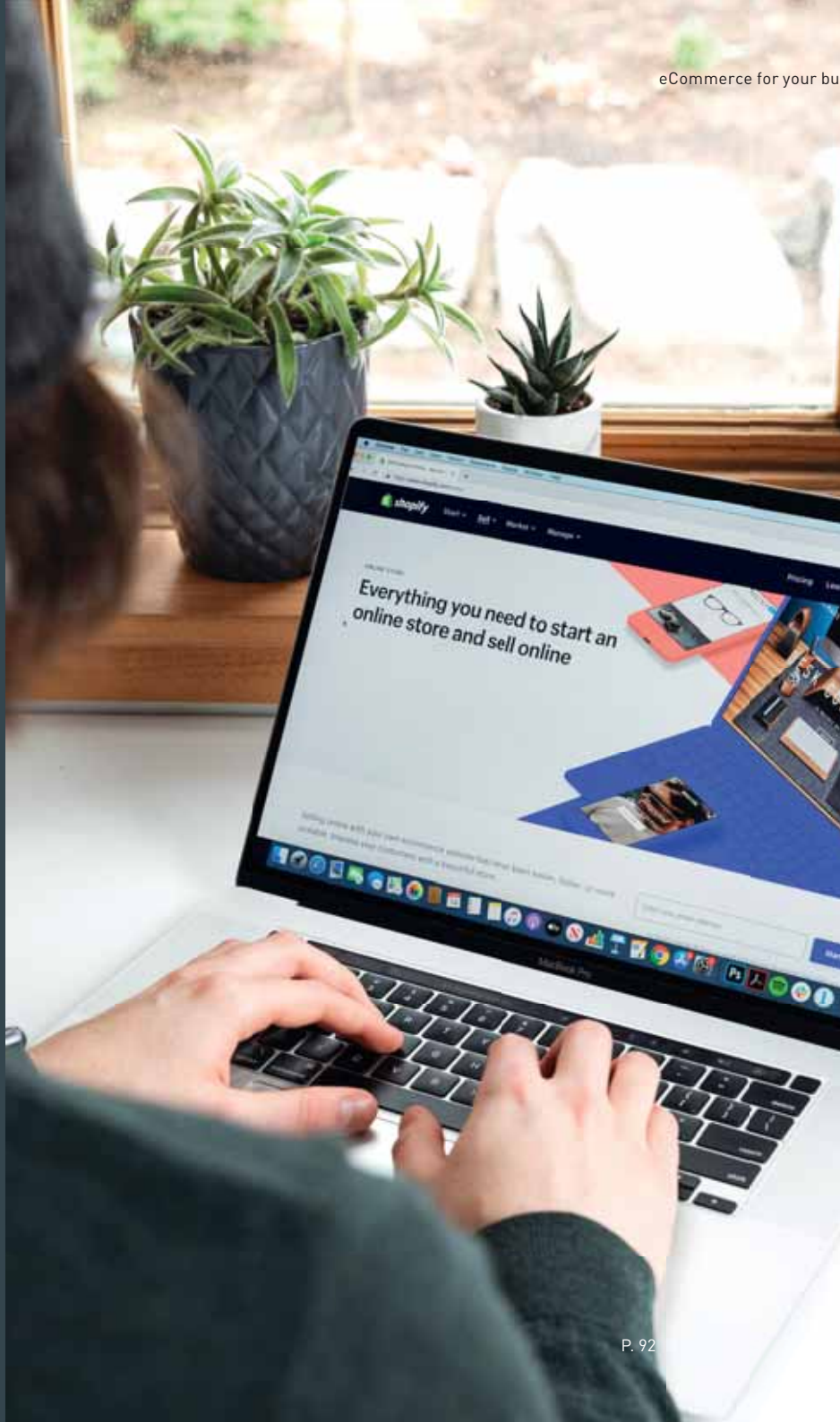
Word of mouth is still one of the best forms of advertising. Encourage (and possibly reward) your international customers for sharing your site and social pages and for introducing new customers.

**Tip 11**

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



**Check out 'The global mindset' on page 48, featuring NZTE's expert views on Going global.**



## Five ways to maximise the value of event days

We talked to Shopify about how Kiwi e-tailers could prepare better for the big event shopping days like Black Friday and Cyber Monday. We've distilled down many of their tips down to five key areas.

### 1. Plan for everything

You can't have a successful special event without a plan. What is your goal or target? Do you want to beat last year's sales figures or is your event more functional - like getting rid of slow-moving stock? Start out by looking at all your products and plan your deals and discounts in advance. Don't do it on the fly during the event.

By reviewing your margins early, you know the impact of success and you can time products on and off sale accordingly. If you've got an extensive product list, try using automatic discount systems that apply discounts at checkout.

Make contingency plans. Run some "what if" exercises. Like: What if we sell out too quickly - can we restock? Can our pick and pack team cope with demand? Finally, plan all your advertising well ahead. You don't want to be creating ads when you should be focused on the sale.



## 2. Embrace your customers

Customers don't suddenly switch on to an event on the day. They research well ahead. So, prepare them in advance. Make sure they know your sale is coming and you'll let them know early about the deals. The more you can prime them, the more they'll come to your store, instead of a competitor's.

Retarget your current customers and those who haven't visited for a while. There could be many reasons why they didn't shop, financial, personal – so don't ignore them just because they didn't purchase last year.

Finally, reward customers who did shop with something exclusive. It could be a first chance to shop, or exclusive stock or bundles – it doesn't have to be a big discount.

## 3. Prime your website

Your website is everything. How it looks, how it loads, how it copes with the demand. Stress test it well before the event. Make sure it can handle the upcoming load and is set up for mobile first. If it doesn't work well on mobile, you risk losing a whole generation of customers.

Don't just test the site, test the content. Are the offers enticing, clear enough? The more you can tweak your event day offers before going live, the better.

Set your site up with Google analytics to gain a better understanding of your customers. Where they came from, how they found you, where they lingered and what they bought. This will be invaluable for your event debrief and planning for your next big sales event.

## 4. Cut through communication

Create standout banners and hero images for your event day. That key visual for your homepage or special event landing page is often what's going to carry your campaign for the event day. Make sure it's clean and clear and exciting enough to entice the shopper.

Your communications should also reach out to bloggers, influencers as well as traditional media – anyone who's going to help you build the buzz and anticipation for the event. There's a whole raft of websites who specialize in telling consumers where the best deals are for say Black Friday. Make sure they know about your business. Your email marketing to customers also plays a big role, and according to Shopify has double the conversion rate of social advertising.

## 5. Track and Tweak

Besides tracking everything with Google, good eCommerce software like Shopify's analytics can tell you how your marketing is performing. You can even see how many of your site visits are converting to sales.

By using some of Shopify's app tools like Heatmaps, you can quickly see what pages are hot for the consumer and what pages leave them cool. Other apps can tell you where customers are getting stuck, or where they abandon your cart.

They are plenty of smart tools out there to help build your knowledge about what in your sales event worked and what didn't. Try them and find what's best for you.



**SHOPIFY**

Shopify is a Canadian multinational company that offers an eCommerce platform for online stores. It includes a suite of services including payments, marketing, shipping and customer engagement tools to simplify the process of running an online store for small merchants.

Shopify's goal is to help people achieve independence by making it easier to start, run, and grow a business. Today there are more than one million businesses in approximately 175 countries using the Shopify platform.



At New Zealand Post, we deliver more online shopping parcels than any other company in New Zealand. Delivering on average 218,000 parcels a day with 97% on time delivery. We work with some of the biggest, newest, most innovative and most successful online businesses. We partner with many of them to help them maximise growth and we are continuing to invest in the opportunities that eCommerce brings.

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



# 6.0

## HOW WE CAN HELP

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## **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.<sup>1</sup>

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 Contract Logistics 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.



# Where's the source?

We've used data from a variety of sources to bring you The Full Download 2020:

- 2018-2019 transactional card data from Datamine.
- Census 2013.
- Other eCommerce research and reports referenced in the footnotes where appropriate.
- The NZ Post Online Retailer Survey 2020 interviewed 153 online retailers between 28 February and 11 March 2020.

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 & MISC RETAIL STORES



SPECIALITY FOOD, GROCERIES & LIQUOR



HOMEWARE, APPLIANCES & ELECTRONICS



CLOTHING & FOOTWEAR



HEALTH & BEAUTY



RECREATION, 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. Urban covers the remainder of cities and large towns with 10,000 or more residents. 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, Homeware, Appliances & Electronics, Recreation, Entertainment, Books & Stationery, Food, Groceries & Liquor.

## Changes to data provided by Datamine

There has been a few data changes in The Full Download 2019.

### What the change is:

- transactions for some merchants have moved from online to offline
- exclusion of some merchants from online

### Why it changed:

- identifying if a transaction is offline or online is predicted by the behaviour of a merchant's customer base. The behaviour can change and so the indicators used to predict whether it is online also changes.

### What the effect was:

- as the result of the above changes, 2018 transactions data used in this report has improved.
- the table under statistical variants shows the changes in spend across online /offline and by online categories.

## Statistical variants

There are some statistical variants to those published in the last Full Download review.

Below is a table of what is different. The changes are due to recategorisation of spend from online to offline.

Total changes to online spend included in the report is about 1%. Individual categories differences range between 0.1% – 13.1%.

Metric	\$Millions 2018 Value as at 2019	\$Millions 2018 Value as at 2018	Difference	%
All Included Online Spend	4,134	4,164	-30	-0.7
Online Clothing & Footwear	850	851	-1	0.1%
Online Department, Variety & Misc Retail Stores	1,323	1,302	21	-1.6%
Online Health & Beauty	369	377	-8	-2.1%
Online Homewares, Appliances & Electronics	581	574	7	1.2%
Online Recreation, Entertainment, Books & Stationary	281	323	-42	-13.1%
Online Speciality Food, Groceries & Liquor	730	736	-6	-0.8%
Online Marketplace	510	511	-1	-0.1%
Online Buy Now, Pay Later (BNPL)	178	179	-1	-0.3%



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## Thank you

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## Sustainability

At NZ Post we are committed to delivering your parcels in the most sustainable way.

That's why we've made a number of decisions towards a sustainable future that we're really proud of – like our commitment to be carbon neutral from 2030, increasing our focus on sustainable packaging and supporting Gen Less, a new generation of people opting in to a climate-positive lifestyle.

We're aiming to be a leading sustainable New Zealand business by focusing on areas where we can make a difference. Check out [www.nzpost.co.nz/about-us/sustainability](http://www.nzpost.co.nz/about-us/sustainability) for details on how we are making this happen.

