

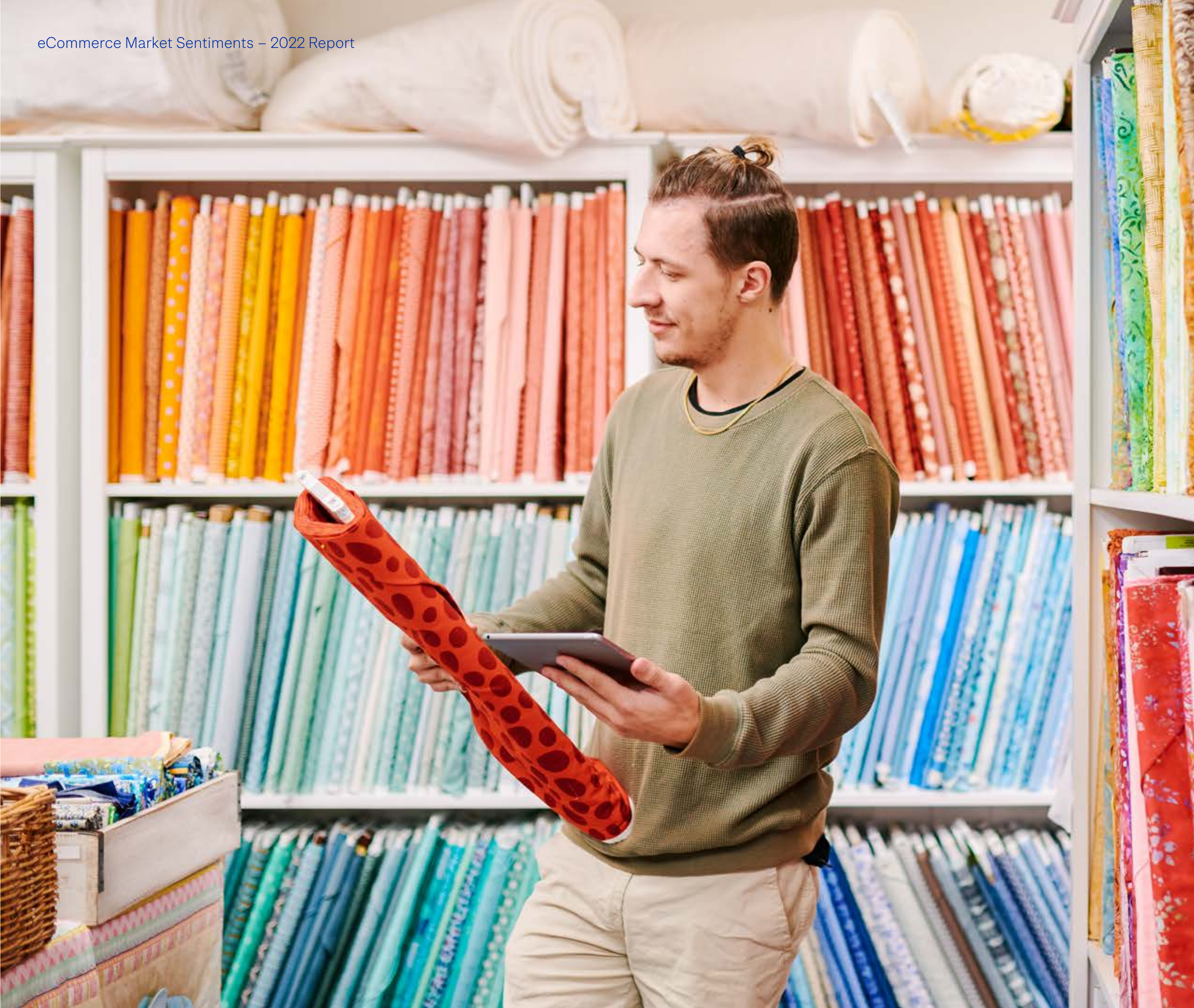
eCommerce Market Sentiments

2022 Report



NZPost





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Kia ora and welcome to our eCommerce Market Sentiments Report 2022

In this report we hear directly from shoppers and retailers about their online experiences in 2021 and their expectations for 2022.

There's no doubt that the pandemic has had a major impact on the online shopping world. Through our annual The Full Download report and regular eCommerce Spotlight reports we've documented the meteoric rise of online shopping spend in the last two years. Simply put, it's been driven by more Kiwis spending more online, more often and across more sectors. Despite this hyper-growth it has been far from easy for retailers who've had to adapt at speed in an uncertain environment.

For many, the onset of the pandemic required a quick rethink of their business model, allowing them to keep trading. This was followed by a series

of continuous improvements to ensure they coped with ever increasing volumes of online customers, and their rising expectations. And things got even tougher for most throughout 2021 with a combination of staff shortages, supply chain challenges and delivery delays.

And while an increasing number of Kiwi shoppers enjoyed the benefits of online shopping, they too felt the frustration of an eCommerce infrastructure running to keep up with a rapid increase in volumes. They too have had to adapt their behaviours and expectations accordingly.

Through research we look at both sides of the equation to see how retailers and shoppers perceived 2021 and the changes they made because of it. More importantly, we look ahead to understand what both sides expect in the year ahead. Specifically we look

at what online retailers are focusing on in 2022 and how that aligns with what online shoppers see as their priorities. Clearly, there is some common ground but also a number of areas where buyers and sellers see things a little differently.

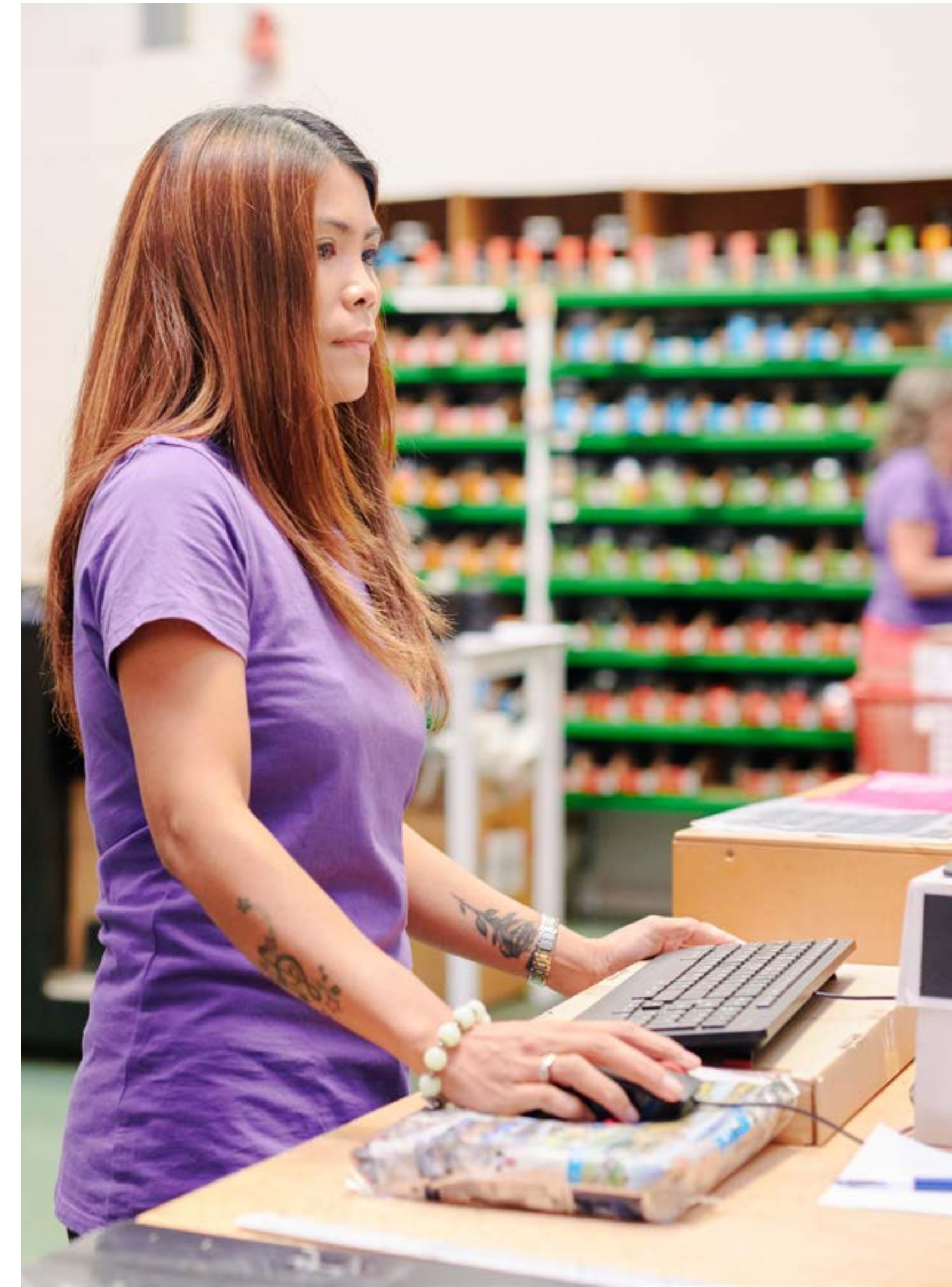
Our research is based on the views of over 200 online retailers and over 650 online shoppers. Both surveys were conducted in April of this year.

To add even more colour to the theme of adapting, we also talk to two Kiwi retailers about how they've adapted and what that's meant for their business. We start with High Country Salmon, a destination retailer, who saw the customers stop coming during lockdowns and successfully made changes in response. HealthPost, was already a successful online business and has continued to evolve

its approach to keep up with the changing social and environmental expectations of its customers.

In 2022 the pandemic's economic after-effect is casting a big shadow on where shopper and retailer sentiment goes from here. Kiwibank's chief economist, Jarrod Kerr, talks us through how he sees the future for our local economy and what that means for online shopping and online retailers.

We hope the research insights, the case studies and expert opinion offered in this report prove to be useful tools that help you adapt and grow your business in this rapidly evolving world of eCommerce.



The Retailers' Perspective



2021 was a year of growth for many online retailers. Now, through our Online Retailer Survey of 200 online retailers, we can see how retailers saw this growth and the challenges and opportunities it has meant for them. We also look ahead to uncover what retailers' expectations and priorities are for the year ahead.

Two-thirds of online retailers (67%) indicated that their revenue was higher in 2021 than the year before, with nearly half saying it was “a lot more.”

Retailers perceived the largest single driver of growth was having more customers but it was the cumulative impact of existing customers shopping more often and spending more each time that made the biggest difference for most. It was good to see retailers active in selling through the numerous channels open to them and that they embraced online marketing to drive growth from both existing and new customers.

14% of retailers indicated that online revenue was down in 2021, pointing to supply chain and stock issues as the key reasons for this. It was another challenging year for retailers, even those who saw revenue grow, as supply chain and delivery delays impacted on their customers. We saw many retailers respond with changes to their operations, like the way they managed shipping and logistics, how they marketed products, and the overall customer experience they created.

In recent years sustainability has become a key focus for online retailers and that accelerated in 2021. 33% of retailers

told us they introduced some sort of sustainability programme in 2021 while a further 28% indicated they plan to do so in 2022. These sustainability initiatives include using eco-friendly packaging (52%), sourcing materials locally (33%), making social impact within the local community (32%), offering recycling options (22%) and having a carbon offset programme (21%).

66% of retailers feel 2022 will be even better than 2021, while a further 23% feel it will be just as good. This optimism is driven by a growing customer base, an easing up of COVID restrictions and the economic improvement this introduces. For others the optimism is driven by the business changes they've introduced over the last two years.

When asked about the factors that will most impact them in 2022, we see a mix of positives and negatives. On the plus side we see more people shopping online (27%) and more customers choosing to buy local (21%). On the other side, retailers expect further supply and fulfilment challenges (35%), further COVID uncertainty and restrictions (23%) and an increased impact from macro-economic factors like high inflation squeezing their profit margins/bottom line (21%).

In preparation for what most perceive will be a good but somewhat challenging year, we see retailers actively looking to better manage their supply chain uncertainties while also improving their customer experience, product variety and communications.

[Read on in the next section 'The Shoppers' Perspective' to see if what retailers are prioritising for 2022 and beyond are what shoppers are looking for.](#)

Retailers' view on what's driving their revenue increase

42%

New customers

22%

Having more channels to sell through

30%

Existing customers buying more

19%

More online promotional and marketing activity

29%

Existing customers spending more each time



Major changes made by online retailers in 2021 in response to eCommerce growth*

42%

Shipping and logistics changes

“We introduced click and collect, contactless payment, and time line of delivery.”

“Arranged backup delivery options, as we knew that it was likely we would be high on demand.”

“Delivery deals for sales over a certain amount.”

“Offered non-contact delivery.”

“More payment options, made the business look attractive.”

36%

Sales, marketing and promotional activities

“Concentrated on online advertising and targeting people that way.”

“More funds and efforts into increasing online presence.”

“Shifting all marketing focus to local customers.”

“Introduced a reward programme.”

“Tapped into our existing customers with improved communication channels.”

28%

Overall online shopping experience

“Improving the site and payment options.”

“Investments in technology and increased presence online.”

“Added extra payment methods.”

“Better descriptions and photos of products.”

“Becoming 100% online.”

“Spend more on website to improve its functions.”

14%

Operational changes

“Employees working from home with fewer staff working on site.”

“Opened a new warehouse and hired more staff.”

“Customer experience staff training.”

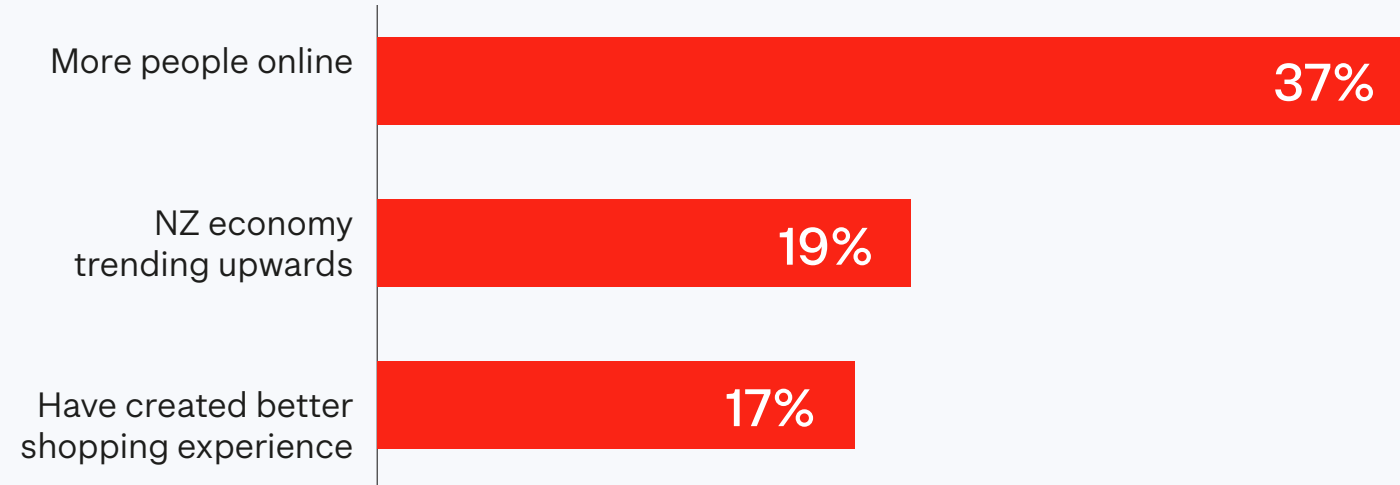
“Expanded our warehouses to cope with volume.”

*The unprompted question asked was “What major changes did your company make to your business model in 2021 in response to the growing eCommerce industry due to global pandemic for the online part of your business?” The numbers represent the number of respondents who made these changes.

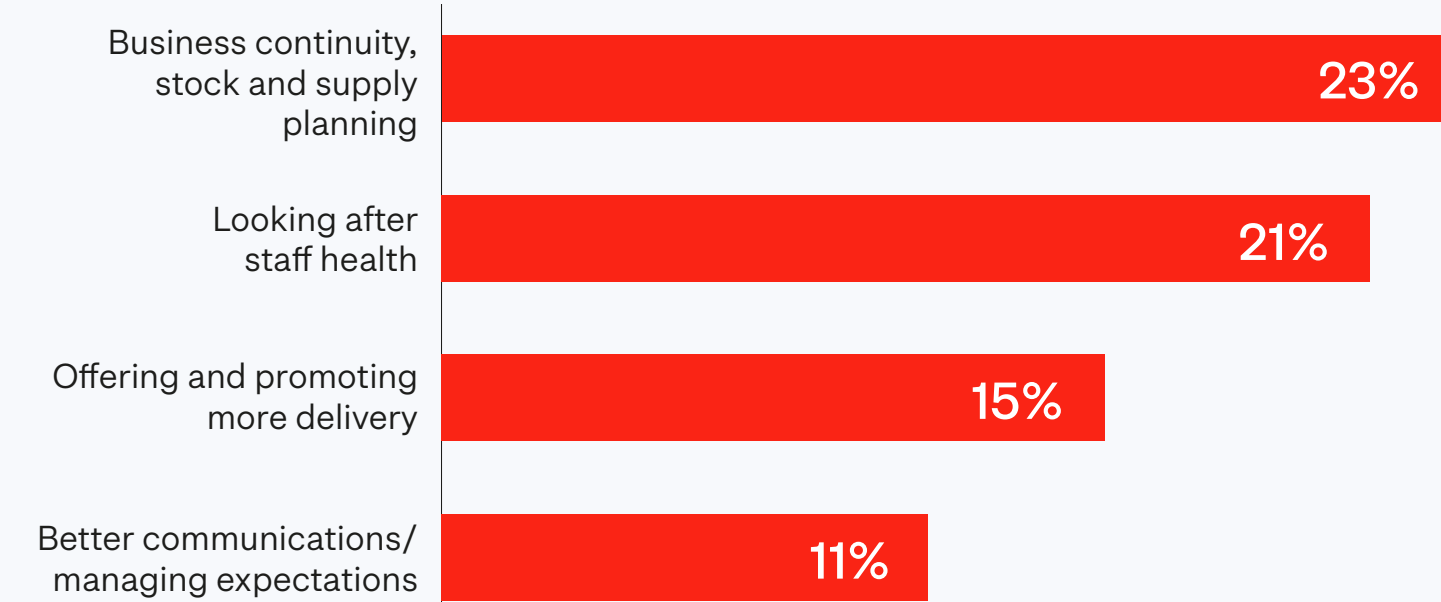
Looking out to 2022

When asked, here's what retailers told us about how they see 2022.

Reasons to be optimistic



How retailers are preparing for further COVID disruptions



The biggest impacts retailers expect in 2022



“We are trying to increase our stock levels and have planned further in advance than usual to allow for delays in the supply chain. Some product which has been too hard to maintain levels we have discarded or put to the back and have pushed those lines where we have good ongoing stock levels or they are NZ origin based.”

Retailer priorities in 2022

- Improving customer experience **30%**
- Cost efficiency and saving money **29%**
- Offering more product range **27%**
- Growing sales from existing customers **25%**
- Finding new customers / increase market share **25%**
- Maintaining and growing profitability **21%**
- Improving website / technology **19%**
- Improved supply chain efficiency **18%**
- Improved sustainability practices **16%**
- Providing more delivery options **15%**
- Being more innovative **12%**
- Improving returns policy **9%**

See page 11 for how retailers' priorities compare with what shoppers see as important.



Retailer revenue expectations in 2022

66%

of retailers think online revenue will be **higher**

23%

of retailers think online revenue will be the **same**

7%

of retailers think online revenue will be **lower**

The Shoppers' Perspective



In this section we seek to understand what's driving online shopper behaviour and what this will mean in the year ahead. Our Online Shopper Survey talked to 650 online shoppers across a variety of ages and locations and gives us good insights into what's driving shopper behaviour online.

59% of online shoppers felt they spent more online in 2021 than they had in the previous year, with a further 35% indicating they spent about the same. In 2020, lockdowns drove a lot more people online. One year on, the shopping habit is fully entrenched and online is the main channel for many shoppers. 81% of online shoppers said they shopped online regardless of the rules and regulations around shopping in stores.

As online shoppers' confidence rises we should see further online growth. COVID-19 and health concerns may still be key reasons for being online but they aren't the main reason. Shoppers are enjoying the convenience, the ability to shop around, accessing a wider range of product options, having more of their favourite stores online now and also online working better with the changes in their day-to-day activities like working from home.

6% of shoppers told us that they purchased less online in 2021, citing delivery delays and financial issues as key drivers. These frustrations impacted all online shoppers and it appears to have been a year full of disruptions and delays in supply and delivery for many.

For the second year in a row we see delivery and sustainability as key motivators for online shoppers. Shoppers are looking for more delivery options – like same day delivery - greater transparency and more ways to track their parcels and be notified where a delivery is at. 70% of shoppers indicated they'd like to see eco-friendly packaging while many more support product recycling, local sourcing of materials, businesses making community impacts and the use of carbon offsets.

Looking ahead, 70% of shoppers said they expect to spend about the same online in the year ahead as they did last year, while a further 20% thought they'd spend even more.

These are promising signs for retailers but there are also a number of things that shoppers would like to see them address. When we compare how shoppers choose one retailer over another with what retailers are prioritising in the year ahead there are some glaring mismatches. The most notable being the management of returns, which shoppers see as important while retailers seem to place little priority on. The second one is sustainable business practices, where shoppers seem to place more priority than retailers. If the cardinal rule of successful retail is to deliver what your customers want better than your competition, then some retailers may have to think further about their 2022 priorities.

Main reason for spending more online in 2021 than the previous year

64%

Convenience

26%

Wide range of products and categories

39%

Ability to shop around/compare

24%

COVID-19 restrictions

29%

Health concerns/avoiding contact



Shoppers' key frustrations with online shopping in 2021*

42%

Delivery delays

- “Delaying in processing and delivery.”
- “Slow processing.”
- “Slow delivery times.”
- “Annoying returns process.”
- “Delivery you didn't know was coming from overseas.”
- “Having to chase delivery up.”

29%

Items being out of stock without clear information

- “Pay for goods and then receiving an e-mail telling me product is out of stock.”
- “Items that are in store, are not listed on their website.”
- “Products being out of stock.”
- “Items being available online but then unable to be delivered as sold out.”
- “Some stores do not indicate that they actually don't have the product in stock and ready to ship. Only once ordered it appears that it takes weeks for the product to arrive.”

16%

Poor website experience

- “Slow, website design clunky.”
- “Not enough detail about product.”
- “Occasionally, badly designed websites.”
- “Terrible photos so hard to understand what you are actually buying.”
- “Not enough product information or photos.”
- “Poorly designed websites that were frustrating to navigate.”
- “Confusing to follow when placing your order.”

15%

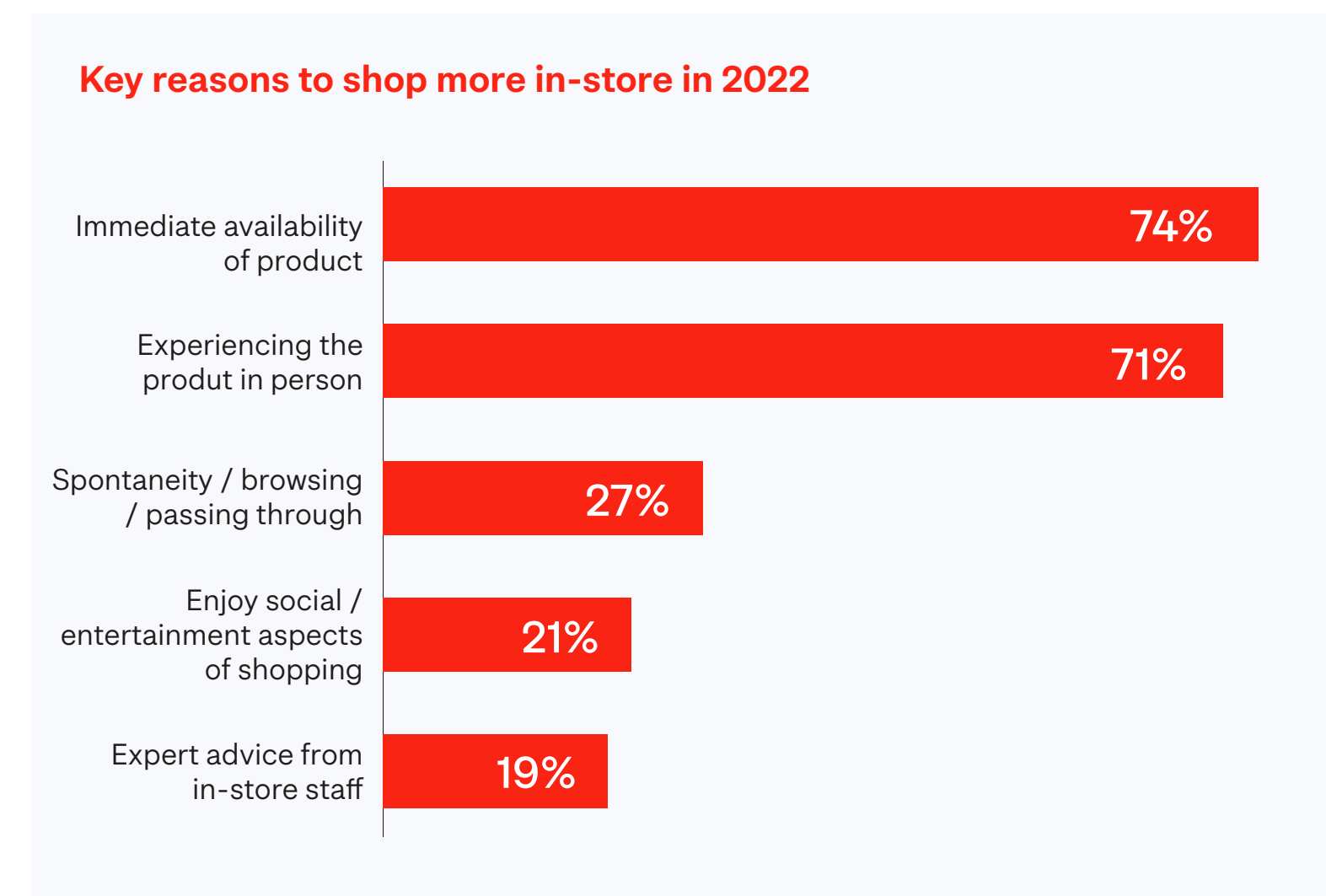
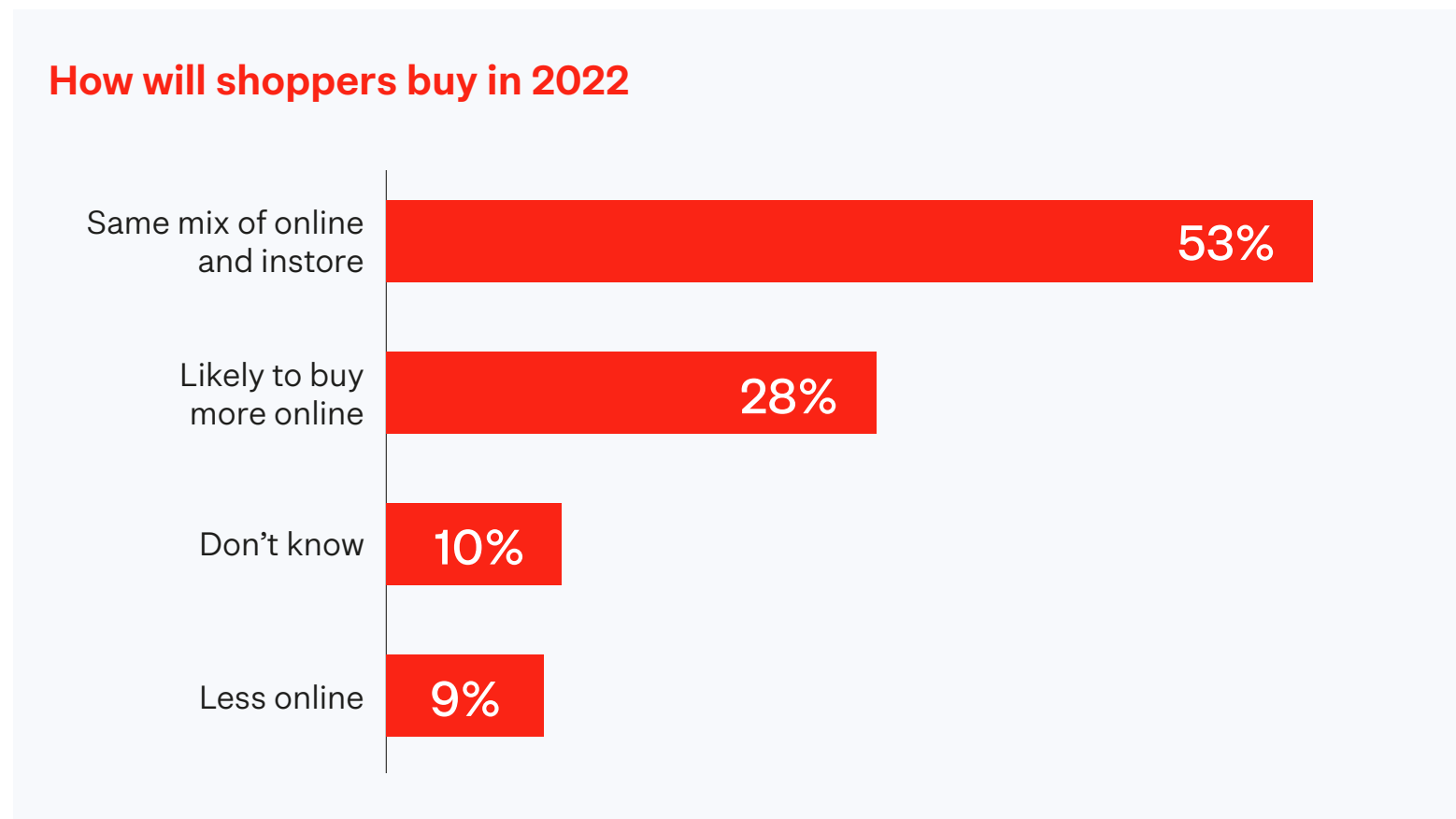
Other visibility issues

- “Misleading information and undisclosed costs until reaching payment option.”
- “Needs to have more up front information prior to actually placing an order.”
- “Differences in shipping costs.”
- “Not being able to use vouchers issued by store.”
- “Placing an order from what I thought was an NZ company and finding out that it was actually an Australian company and the items took 6 weeks to get here.”
- “The price of shipping is not visible until the final checkout page to allow fair price comparison between stores.”

*The question asked was, “In the last year, specifically thinking about your online shopping experience, what were the main frustrations you experienced when dealing with online stores?” The numbers represent the percentage of respondents who indicated this frustration.

Looking out to 2022

When asked, here's what shoppers told us about their online and in-store shopping in 2022.



“Why shop online? Convenience above all and the capacity to shop around and take advantage of deals, bulk discounts and fast delivery.”

Shopper priorities in 2022

What is important to shoppers when choosing a particular online store over another, when similar products are offered:

Visibility of delivery **92%**

Easy returns **88%**

Visibility of order **77%**

Discounts or rewards for bulk /repeat purchase **79%**

Product reviews, comments, testimonials **77%**

A variety of delivery/collection options **77%**

Sustainable business practices **67%**

Live chat **54%**

Local company **24%**

Website experience **18%**

Price cost **23%**



Shopper spend expectations in 2022

20%

of shoppers think their online spend will be **higher**

70%

of shoppers think their online spend will be the **same**

8%

of shoppers think their online spend will be **lower**

Are shopper and retailer priorities aligned?

Retailers say that improving the customer experience is their priority in 2022. By looking at online shopper priorities we get a clear picture of the things that would improve the customer experience for them. At the top of shopper's list is a better delivery experience with most customers looking for greater visibility through the delivery and ordering process and more delivering options.

The second area that would support a better customer experience is making returning products easier. 88% saw this as a key decision driver for them however this isn't a factor which is high on retailer's priority list.

Over recent years we've seen shoppers place increasing emphasis on sustainable business practices. Two-thirds of shoppers said this would influence their decision to choose one retailer over another. Only 16% of retailers however identified this as a priority suggesting this is another area where retailers priorities may need to be reconsidered.

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Improving website / technology **19%**

Improved supply chain efficiency **18%**

Improved sustainability practices **16%**

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Being more innovative **12%**

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Case study

High Country Salmon

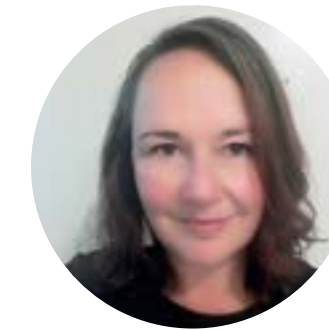
Swimming upstream



Floating on glacial lake waters, High Country Salmon is ideally situated just south of Twizel on the main road between Christchurch and Queenstown. Over the last 22 years it's grown and evolved, becoming a 'must-stop' destination for passing tourists and a source of pride for locals. Business Operations Manager, Tracey Gunn, speaks with real passion about the quality and freshness of their product. "From my office window I can see the farm, the processing plant, shop and café. That's the shortest farm to table supply chain possible and that's what gives our customers the freshest salmon."

Asked about how the last few years have been, Gunn responds by talking about a business that has always been receptive to new ideas and open to giving things a go. She recalls a time, just a few months before the pandemic, when they had a conversation about what would happen if the tourist buses stopped coming. A few weeks later she taught herself how to build a Shopify eCommerce site. "It wasn't too sophisticated" Gunn says "but it was functional."

It turned out that the new website, launched in February 2020, was more than just functional, keeping their business going when COVID meant neither tourists nor locals could get to them. Pre-COVID around 70% of business was on site, either through the shop or restaurant. That dropped to below 25% when COVID hit, with the difference made up in website orders, restaurant sales and through wholesale channels. The rapid change in business mix kept the cashflow going, allowed them to stay under their critical biomass limits and kept the team employed. "We're so pleased that we didn't need to let anyone go" says Gunn. "Café staff who were unable to work through lockdowns were called in to help vac pack, label, and pack online orders."



Tracey Gunn
BUSINESS
OPERATIONS
MANAGER
High Country Salmon

“We have a fantastic relationship with the local NZ Post courier and despite the volume pressures on them, it always felt like they went out of their way to ensure our product was delivered safely and on time.”

With a few key social media posts, plus word of mouth generated by staff and customers, the online business took off. Customers responded well and volumes grew from 20-30 dispatches a day to over 200, even requiring the introduction of a daily cap. “Customers told us they loved the variety we offered, the freshness of the product and our strong sustainability story.” Gunn adds.

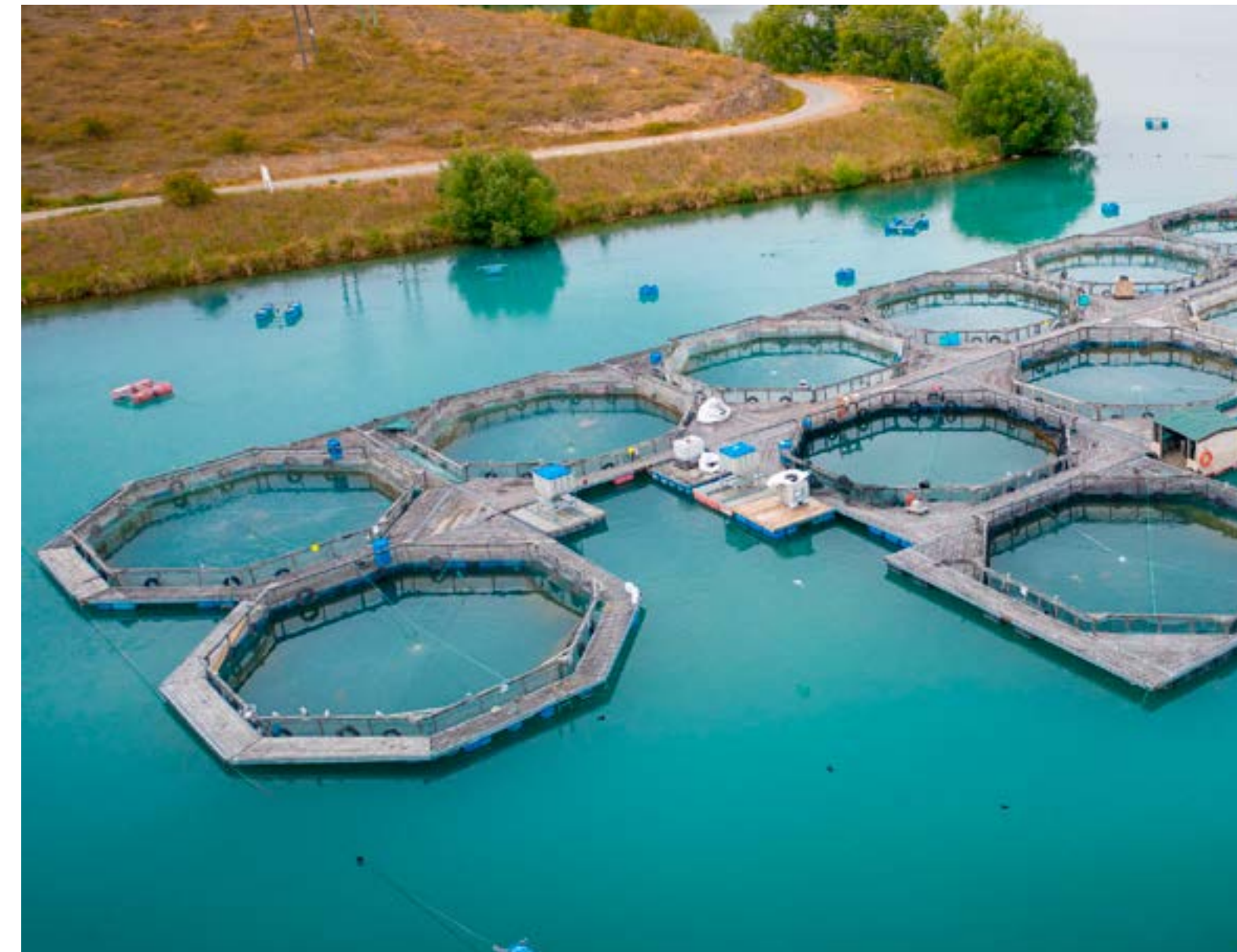
Selling a perishable good means that quality has always been a priority for High Country Salmon. That became even more critical when a large percentage of sales are shipped and not received by customers until the next day. Through a Callaghan Innovation grant, a team was established to review the reusable and recyclable packaging options available. They chose an eco-friendly cardboard box with wool liner. “Polystyrene is cheaper” adds Gunn “but it’s not as good for the planet and therefore not the best option for us long term.”

While sustainability and the environment are increasingly becoming important customer drivers, they have always been high on the agenda for High Country Salmon. This was recognised at the recent Business Excellence Awards, where they took out the Environment Canterbury

Sustainability and Environmental award. Gunn sees this as “real recognition of the extra mile we go to protect the spectacular environment we are so lucky to work in.”

Delivery also became a big focus through COVID, with the goal to get the product to market overnight regardless if it was going local, to Christchurch, or to Auckland. “Being rural means that we rely heavily on our courier partners. It goes beyond that when they are responsible for over two-thirds of your revenue” explains Gunn. “We have a fantastic relationship with the local NZ Post courier and despite the volume pressures on them, it always felt like they went out of their way to ensure our product was delivered safely and on time.”

Gunn and the team are getting ready for post-COVID business. She feels the work they did in developing multiple income streams will see the business emerging from COVID stronger, more resilient, and more sustainable. “We’ll keep growing our online business so I’m on the website again” says Gunn with a smile “I’m looking to enhance the customer experience by adding subscription, email marketing, and booking modules. And I’m keen to build our brand recognition.”



As the borders reopen and the tourist buses start showing up again, there are a number of exciting changes planned on site. These include a new fish shop, new salmon products, an extended range of complementary goods, merchandising, and extending their catch-a-fish tourist venture. Gunn tells us that the business has also started planning for longer term growth. “We’re working on a purpose-built processing plant with a custom-built kitchen to help us better manage the growing volumes that online has enabled.”

Asked if they’d then look to use online to take their product to the world, Gunn looked doubtful. “What makes us unique to the other salmon companies in New Zealand is that our focus is exclusively local, allowing us to put the emphasis on the freshest product possible.”

Gunn summarises the key lesson other businesses can learn from High Country Salmon’s experience is to be proactive, not reactive. “Things are always changing so businesses need to always listen to their customers and think about what’s next. Don’t be afraid to give things a go. Some ideas will work better than others but, either way, you’ll learn new things that will see you keep moving forward.”

Case study

HealthPost

Better choices



Abel Butler, HealthPost's CEO remembers the early days of HealthPost very fondly. "It was set up by my mum, over 30 years ago, when I was just seven years old. She set off with a genuine desire to help people live healthy lives by making natural health more accessible." says Butler. "Natural health and HealthPost are a huge part of who I am. I grew up surrounded by plant medicine and was immersed from a young age in the value of doing the right thing by our customers and community."

HealthPost started life as a natural health mail-order catalogue business, before becoming an early adopter of eCommerce in the early 2000s. "We think of ourselves as an industry innovator when it comes to quality, integrity and sustainable business practices. Our team are passionate about coming up with new ways to make a lasting and positive impact on people and the planet."

Today HealthPost carries around 600 'mindful' brands across a carefully curated collection of natural health, clean beauty, food and drink, eco-living, and kids and baby products. Butler adds "We have strict ingredient, ethical and environmental standards that underpin our range, so customers can shop with confidence that whatever they buy, it's a good choice for them and the planet."

Butler urges businesses to not underestimate how much customers care about ethics and sustainability. "This isn't a trend or a nice-to-have in terms of brand positioning anymore – it's the future. Being able to convincingly demonstrate a purpose other than profit may soon become a baseline expectation that will drive who consumers choose to buy from."



Abel Butler
CEO
HealthPost



A growing and loyal customer base

HealthPost’s customers are mostly domestic but can also be found in Australia, China, Japan, US, UK and other countries. Butler adds proudly “Most of our local customers have been with us for 10 or 20 years. This loyalty drives us to keep evolving in order to support them in living naturally healthy lives. While our customers are demographically diverse, many share the same values – seeking brands that can demonstrate sustainable and ethical practices that represent a healthier choice all round.”

Butler welcomes the accelerated cultural and societal changes driving more people to talk about – and shop for – sustainability and ethics. “As a society, we’ve known for some time that mindless consumerism is creating a huge problem, but it’s only in the last few years that this belief has become quite mainstream and urgent. Our customers want to feel that they are contributing to the solution, or at least not adding to the problem. We want them to feel good about shopping with us.”

Making ethical choices easier

This growing social awareness has seen HealthPost raise their standards even higher by introducing their Ethical by Nature Promise.

“We have what we think are the highest ingredient, ethical and environmental standards in our industry. Transparency and access to information is critical to this. We have four Mindful Values that guide our business decisions, holistically – Nature, People, Materials, and Transparency. And we partner with ethically-minded Mindful Brands who share these values too. By sharing all the information with our customers, they can choose brands that share the same values as they do.”

Butler sees data as key to making better choices, “As an online business, we’re particularly interested in using data and technology to drive our own carbon reduction efforts, to support our supply partners on their sustainability journey and so our customers can shop with their health and the health of our planet in mind.”

Continuing the good choices theme, HealthPost introduced Shop Your Way, with 40+ values-based shopping filters. Butler believes that product labelling can be confusing and wanted to simplify things so customers could easily find what matters to them: things like gluten-free, GMO free, sustainable packaging, certified organic, vegan and many more.

The challenge of being sustainable

Working well with supply partners is a big part of HealthPost’s success. Butler explains “We have a dedicated team researching, reviewing and verifying, and that requires a fair bit of digging and the odd uncomfortable conversation. We’re continually encouraged by how responsive our partners are to working with us on sustainability issues. Many see it as an opportunity to make changes to things like their ingredients, labelling or packing. It’s a win for them, for us and for customers.”

HealthPost’s rural location in Mohua Golden Bay (top of the South Island) also comes with challenges. “Our location means many of the options available – like transport, packaging, and waste minimisation are limited. We’re navigating this as transparently and holistically as possible – explaining the decisions we make and acknowledging where there’s more to do.”

The lessons from COVID

COVID saw sales surge by three or four times for certain products but they were also met by supply chain and logistics delays. Add working from home, and managing orders became more complex.

In a disrupted environment, Butler identifies some key decisions that helped them get through. First, deciding to source more products from local suppliers and to increase buffer levels of stock-on-hand to mitigate supply-chain disruptions. The second decision was to over-communicate with customers, “We continually reviewed our communications, ensuring our customers always knew what to expect in terms of product availability, delivery timeframes and safety protocols.”

Above all COVID reinforced for Butler that looking after your team will see them looking after the business. “As with customers, employees have options and are looking for meaningful work they can feel good about. Take the time to communicate, to listen and to engage them in the challenges you are tackling. This inclusive approach, connected to a bigger purpose, helps build goodwill, engagement and ‘buzz’ among the team.”

Looking to the future

Asked about the future, Butler focuses on what more HealthPost can do for the planet and for customers.

The HealthPost Nature Trust was set up in 2017 to drive significant ecological restoration in Golden Bay. Part of HealthPost’s profits go to the Trust every year, directly supporting the reintroduction of native species and plantings. Butler would like to see this, and other similar initiatives, go further.

Beyond sustainability, Butler sees customer expectations continuing to evolve, requiring the delivery of the best website and delivery experiences possible. He points to good UX and a good online shopping experience as becoming just as important as offering a meaningful product range. On the delivery front, Butler says, “Our reputation for fast delivery is core to the service we work so hard to uphold. It’s great to see NZ Post investing heavily in their network and infrastructure. We also know they are making good sustainability choices, giving us confidence that they will keep delivering what we need, at multiple levels.”



“Beyond sustainability, Butler sees customer expectations continuing to evolve, requiring the delivery of the best website and delivery experiences possible. He points to good UX and a good online shopping experience as becoming just as important as offering a meaningful product range.”

Expert view The Economic Shift

Jarrold Kerr, Kiwibank Chief Economist



“Kiwis got online en-masse during the pandemic and that shift, we thought would take 5 to 10 years to get to, happened in just a year. And shoppers aren’t going back to the way they shopped pre-pandemic.”

In this interview we talk to Jarrod Kerr, Chief Economist at Kiwibank, about the rise of online shopping and its impact on the New Zealand economy. He looks ahead to the next few years, sharing his thoughts on where both online shopping and our economy are heading and what that means for online retailers.

“Online shopping played a huge role in keeping our economy going over the pandemic” says Kerr to begin our discussion. “It allowed consumers to keep spending and most businesses to keep trading.” He feels this played an important role that “saw our economy performing well over the last two years.” Kerr substantiates his assessment with “We have a record-low unemployment rate and strong demand for our products offshore. The economy is performing well and we’ve got pretty good momentum.”

A structural shift

But Kerr sees a number of challenges ahead for our economy with high inflation, the cost of living getting out of control, rising interest rates, a housing market that’s in retreat, and consumption coming off. Despite these short-term challenges, Kerr still sees an enormous opportunity for those retailers who embrace online.

“Kiwis got online en-masse during the pandemic and that shift, we thought would take 5 to 10 years to get to, happened in just a year. And shoppers aren’t going back to the way they shopped pre-pandemic.”

Kerr cites his own experience as typical of the Kiwi shopper mentality. “Over the last two years, my spending patterns really have changed. Now, whenever I think that I need something, the first thing I do is jump onto my laptop. I’m a lot more comfortable shopping online. I’m getting good products at cheaper prices and I’m enjoying myself. So, now that I’ve had those good experiences, I’m not going back.”

Kerr refers to this as a structural shift which has significantly changed the trajectory of online shopping growth. “I believe we’ll see online retailing explode further in coming years. It’s just going to get easier for shoppers. It’s just going to get faster. People are going to get more comfortable with trading online and it’s the way of the future. Online is only going to accelerate from here.”

The changing face of physical retail

Kerr is philosophical about the changing role of physical retail. He believes that we'll continue to see a decline in physical retailing due not only to the rise in online shopping but to the changes in lifestyle and work patterns the pandemic has helped accelerate. "There will always be a role for physical stores because shopping is more than just buying, it's a social and entertainment pastime. Many people still like to go and see, try things on, or test before they buy." He points out that shoppers want the best of both worlds and therefore retailers need to consider what role their physical store plays in driving their online growth.

Kerr also highlights the redistribution of physical retail spend away from the CBD out to the suburbs. "What we see is that CBD foot traffic is nowhere near what it used to be and a good gauge for that is parking prices – they're half what they used to be. That tells you everything you need to know about the amount of foot traffic in the CBD. Then you go into the suburbs and, with more people working from home, local shopping centres are looking as busy as ever."

The impact on our economy

The rise of online shopping does, however, have some direct impact on the economy with greater competition and the potential for shorter supply chains, as more products come direct from the source. "This cutting out of the middle-man is a dis-inflationary force that is mostly positive for shoppers but can be a mixed bag for retailers and the economy."

In discussing the growing role online shopping plays in helping increase the rate of globalisation, Kerr says "Retailers need to see the whole world as potential customers, as well as potential competition. For shoppers, it means more options and potentially cheaper prices." For the economy, globalisation can offer many positives, such as raising productivity and creating more jobs. At the same time it opens the economy up to more imported inflationary pressures.

The road ahead

Kerr acknowledges the year ahead will still present some challenges for retailers, with supply chains in particular causing further disruption. He encourages retailers to have an open mind and to keep adapting as quickly as they can to the changing retail environment. "The one thing that

has clearly changed for good is this move to online and it is now critical for all retailing businesses. Retailers need to keep investing in building an online presence in some shape or form and in creating the ability to adapt in the future as we see more changes. And the wider industry needs to keep investing in the critical supply-chain infrastructure – like internet and delivery coverage – that creates the capacity online retailers are going to need."

Kerr qualifies his 'retailers must invest in online growth' advice by reminding them that interest rates are rising. "It's pretty clear that interest rates are going to continue to lift over the next couple of years so retailers need to have that in mind when they're making their investment decisions."

Looking ahead, Kerr feels confident about the New Zealand economy, describing it as highly-resilient. "I think once we get through this next year, with wages growth and the strength of our labour market underpinning the economy, we'll see things pick up. So, a few challenges in the near term, but over the medium term, there'll be some real momentum behind the New Zealand economy. Even more good news for online shoppers and retailers."



“Retailers need to keep investing in building an online presence in some shape or form and in creating the ability to adapt in the future as we see more changes.”

Research Methodology

Both surveys were conducted online in April 2022 and were hosted by Yabble.



Retailer survey

A mix of people in different roles including business owners, senior management, sales and marketing, and e-commerce professionals. N=200 (Dynata Business Sample).

A mix of businesses who sell through physical and online channels and businesses who only sell online.

Representatives from a range of industries including homeware, appliances & consumer electronics; clothing and footwear; department stores; entertainment and books; food and groceries; health, beauty and personal care products.

Maximum margin of error is $\pm 6.9\%$ with 95% confidence level.

Online shopper survey

A mix of people with varied frequency of online shopping (excluding those who didn't shop online regularly), N=650 (Yabble Online Shopper Panel).

Respondents bought a range of categories including homeware, appliances & consumer electronics; clothing and footwear; department stores; entertainment and books; food and groceries; health, beauty and personal care products.

Maximum margin of error is $\pm 4\%$ with 95% confidence level.



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Thank you

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