



NZPost









# eCommerce Market Sentiments Report

2023





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## Welcome to the eCommerce Market Sentiments Report for 2023.

In this research report we hear directly from online shoppers and retailers about their shopping experiences in 2022 and their expectations for 2023. By talking to both sides of the retail equation we can see the key trends, challenges and opportunities online retailers are facing and provide insights that support them to keep growing in 2023 and beyond.

Online retailers have experienced a boom in 2020 and 2021, with pandemic lockdowns driving more customers to shop online and more often. While this hyper-growth was largely driven by the physical stores being closed for long periods, many shoppers discovered that online shopping was in fact easy and convenient. Long after the physical stores reopened, shoppers continued to transact online with growing frequency. But lockdowns weren't all milk and honey for retailers, far from it. They quickly learnt to adapt for significant volume growth, global supply challenges and

delivery disruptions driven by local eCommerce infrastructure struggling to keep up with the unprecedented growth.

On paper 2022 was always going to be a less spectacular year for online retailers than the previous two, given the physical stores were open for most of the year. What wasn't foreseen though was the impact that the post-lockdown economic environment would have on retail, across all channels. Money was tight and this showed in what, and how, customers spent. Add to this staff shortages and the tail-end of global supply issues, and 2022 was a tough year for retailers and shoppers alike.

Through research we see how both shoppers and retailers faired through the tough conditions of 2022 and the changes they made because of it. Just as importantly, we look ahead at their expectations for the year ahead. Specifically, we look at what online retailers are focusing on in 2023 and how that aligns with the things online shoppers see as important. 2022 was the year that shoppers didn't have to choose between online or in-store, so we also explore how the two channels are working alongside each other. And we consider sustainability from both sides to identify opportunities for retailers.



Our research is based on the views of over 200 online retailers and nearly 600 online shoppers. Both surveys were conducted in February 2023.

To add a human face to the key themes we see emerging from the last year, we talk to two Kiwi retailers about how they've adapted in recent times and what that's meant for their business. We start with The Sleep Store, an online business who've experienced significant growth by focusing on quality products and an excellent customer experience. Our second case study, Animates, is well-known for selling pet products in branded stores throughout the

country. The new environment, and the changing needs of their customers, has seen them replicate this success online.

We round out the report by talking with retail growth experts, First Retail, about the changing face of retail in New Zealand and the challenges and opportunities facing retailers prepared to keep adapting to the needs of customers.

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

# Kiwi Ors



# Online Shopping in 2022 by the Numbers

**Before we get into understanding what shoppers and retailers are thinking and doing, let's recap on 2022's big numbers.**

2022 started with the emergence of Omicron, a new and more transmissible COVID variant, leading to further in-store restrictions and a continuation of the high levels of online shopping from the previous two years. A 'return to normal' came in the second quarter with Kiwis once again embracing the freedom to travel, to go to cafes, bars and restaurants, and to seek out experiences that were denied in the previous two years.

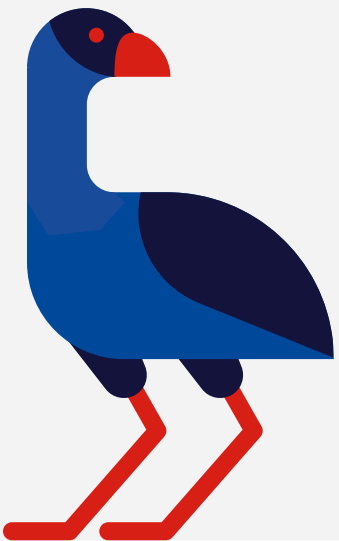
There was always going to be some levelling out of online's hyper-growth in the aftermath of COVID restrictions. What wasn't expected was the 'inflation pandemic' that also followed, characterised by higher prices, rising interest rates, a declining housing market, and a decline in real wages. Kiwis responded by cutting back their online spending over the rest of 2022. As a result, online spending for 2022 ended up 4% below the highs of 2021, characterised by a strong first quarter and three quarters of increasingly larger spending declines compared to the same period in 2021.

*The following numbers are based on card transactional data supplied by Datamine. For full details and commentary of 2022 please refer to the [eCommerce Spotlight](#) review of 2022.*



**\$6.07b**

Total online spend 2022  
↓ 4% on 2021 ↑ 62% on 2019 (pre-pandemic)



**73%**

was with NZ-based online businesses

**11%**

of all retail spend was online



# Key Drivers of Online Shopping in 2022

53.9m

online transactions  
↓ 5% on 2021 ↑ 45% on 2019



The average online shopper made

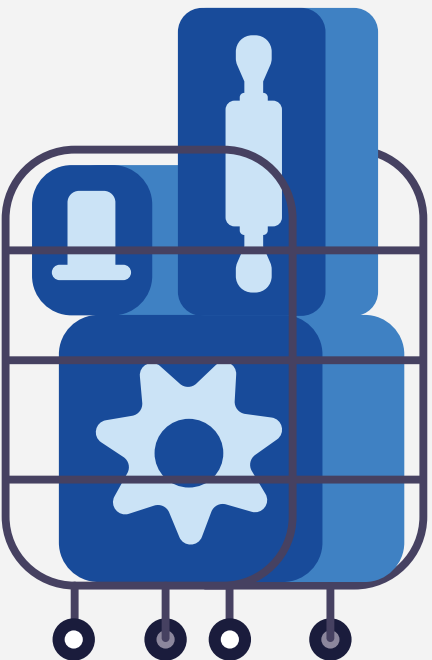
27

transactions in 2022  
with an average annual online spend of

\$3,083

↓13%

online shoppers  
Q4 2022 vs. Q4 2021



\$113

average basket size  
↑ 1% on 2021 ↑ 12% on 2019

\$51b

in-store retail spend  
↑ 7% on 2021 ↑ 13% on 2019



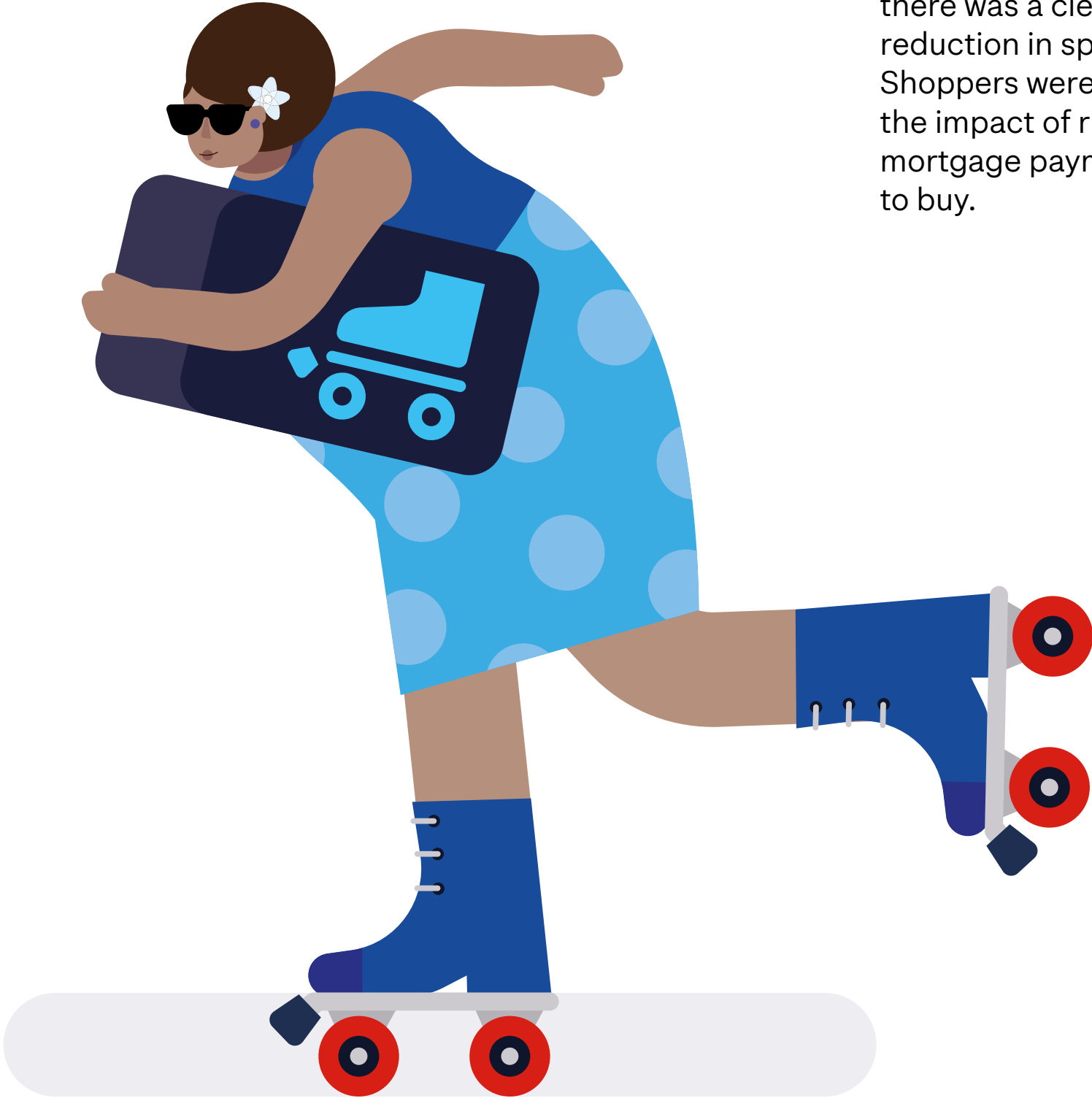
# The Shopper's Perspective



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 over 600 online shoppers across a variety of ages and locations in New Zealand. It gives us good insights into what's driving shoppers' behaviours and expectations.



# Shoppers Changing Spending Patterns



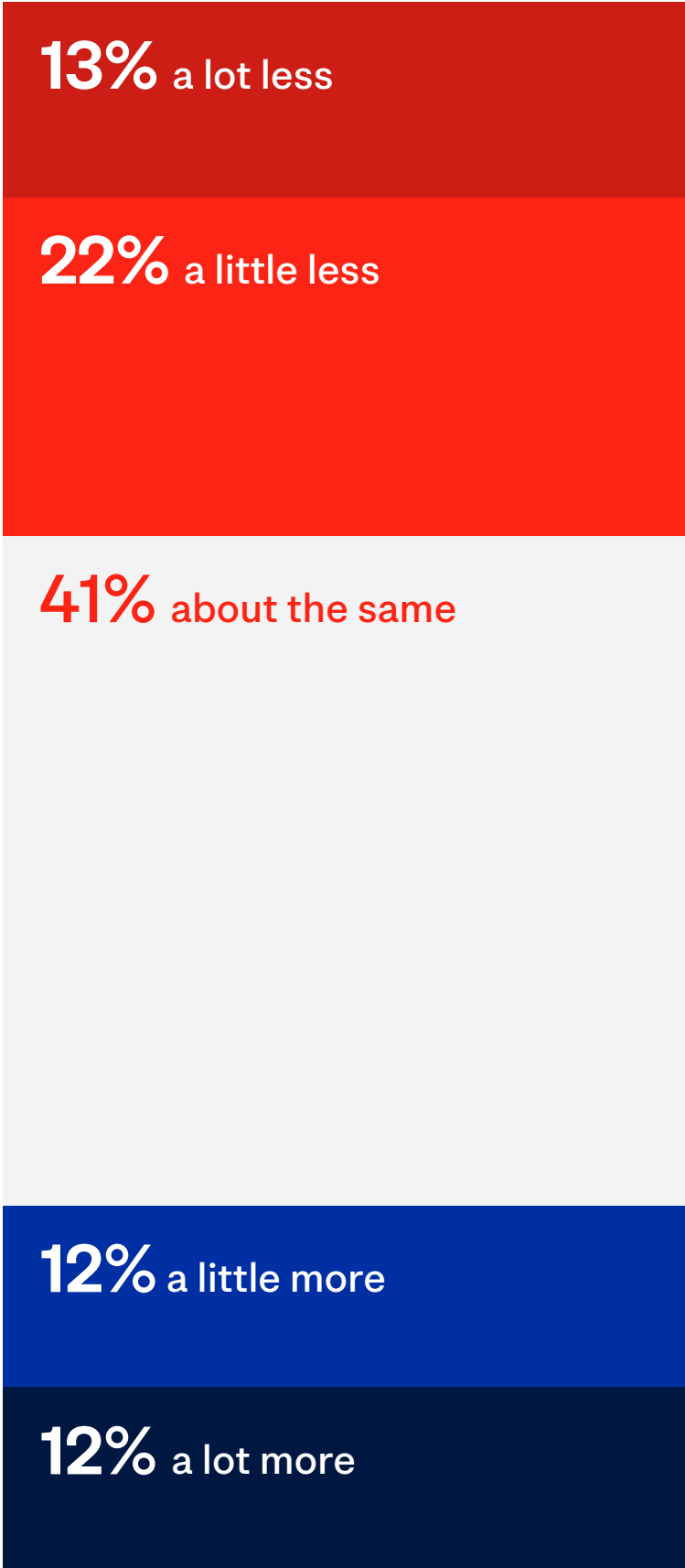
**2022 was a year of change, with 59% of shoppers adjusting their spending from 2021.**

35% of the shoppers we spoke to felt that their overall retail spending reduced in the last year – over a third of them said it reduced by a lot. And there was a clear reason behind the reduction in spending – the economy. Shoppers were quick to point to the impact of rising living costs and mortgage payments on their ability to buy.

With reduced purchasing power, for many the priority became spending on essentials like food and petrol. Even then, it appears decisions were made to substitute brands for cheaper alternatives. For others the focus was on buying value, maybe spending a little more to get quality that would last longer.

While many spent less in 2022, nearly a quarter of respondents indicated they spent more in 2022. Many acknowledged the tougher economic times but were enjoying spending again in a ‘more normal’ year when they could go to stores. Others cited changed personal circumstances, while some just felt they spent more because things just cost more. Interestingly, frequent online shoppers, those who shop online at least once a week, were the group most likely to have increased their overall retail spending in 2022.

**How shoppers’ retail spending changed in 2022 compared to 2021**



**Shopper Profile**  
John



Retiree on a fixed income so has actively reduced spending as the economic situation has worsened.

Key focus is on reducing overall consumption by buying “less junk” and focusing on quality. Online lets him search for the best products and deals, and helps him avoid impulse buying. Researches online options both at home and while in-store.

Prefers to buy from local stores so he can click and collect. Lets him get the product faster, reduce cost and it also has less impact on the planet. Prefers retailers with sustainable practices around product sourcing, packaging and delivery. Expects to spend the same or less online in 2023.

 **Watch the shopper video [here](#).**

# Online Spending

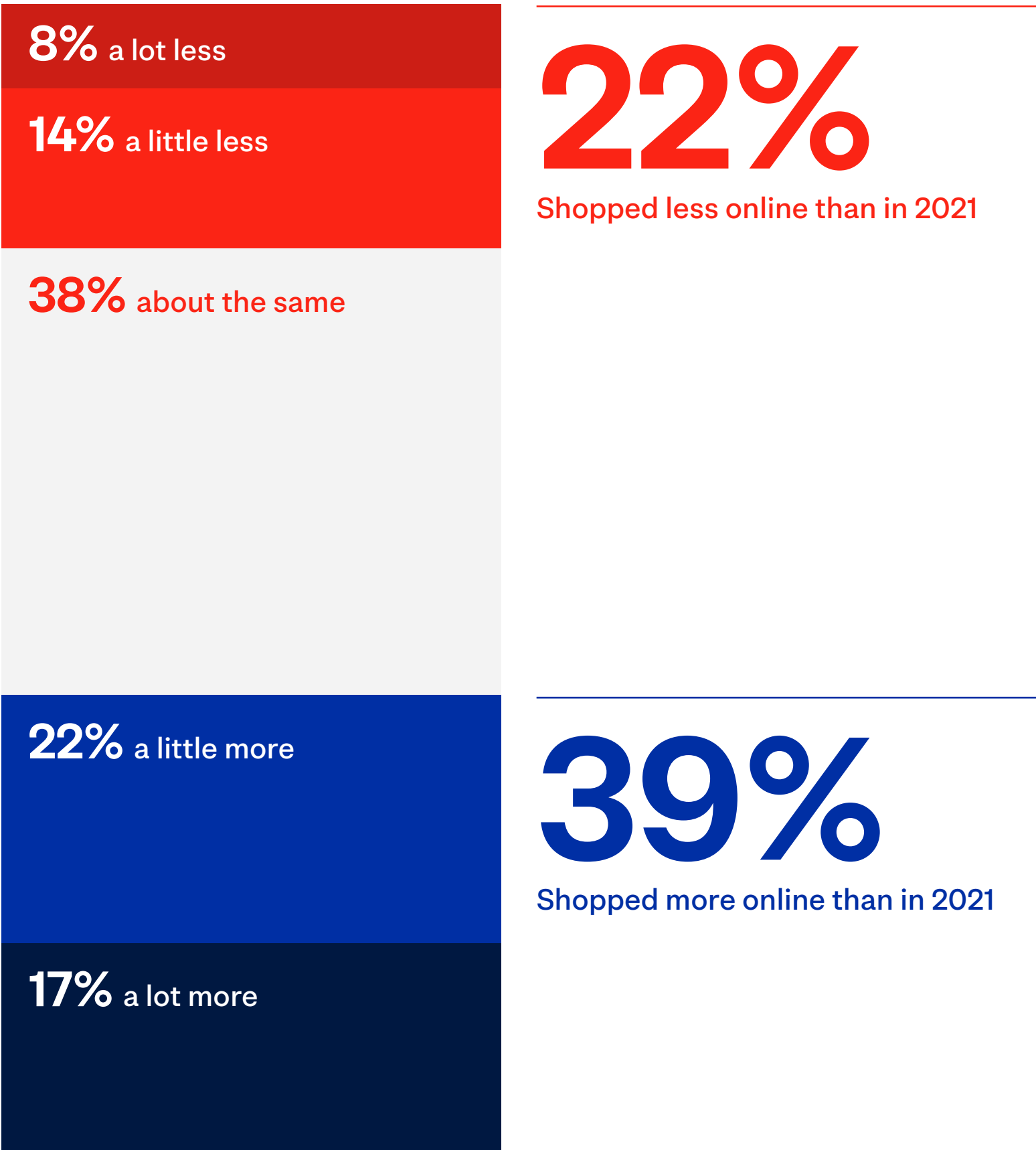
While nearly a quarter of shoppers indicated they spent more overall in the last year, this number rises to 39% when asked specifically about their online spending.

- Of the 35% who said they decreased their overall spend in 2022, 34% spent more online.
- Of the 24% who said they increased their overall spend in 2022, 61% spent more online.
- Both groups talked about making an active move online because it allowed them to research products and features and to find those much-needed deals.

22% of shoppers said that they spent less online in the last year. Largely, these were shoppers who reduced their overall spending, primarily as a result of the economic pressures they were facing. For nearly a third, the ability to be able go to stores again, after lockdown restrictions, is the key driver for spending less online. Nearly one in three shoppers indicated that they were more conscious of their overall consumption and reduced their spend accordingly.

Overall, these numbers suggest some good opportunities for online retailers to support shoppers looking for better value and for more sustainable options.

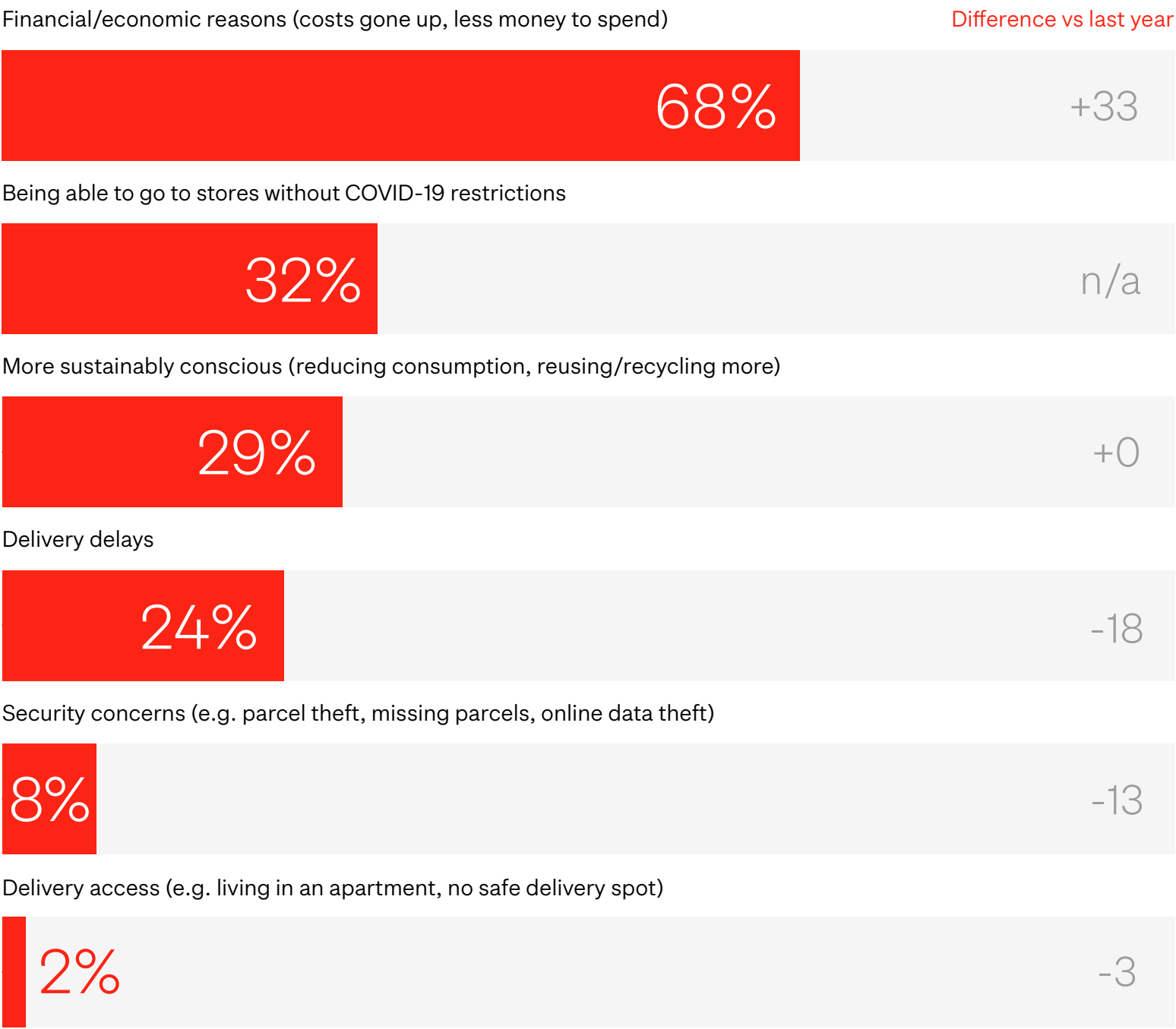
## How online spending changed in 2022 compared to 2021







Factors that drove a decrease in online shopping



Overall, these numbers suggest there are good opportunities for online retailers to support shoppers looking for better value and for more sustainable options.


Shopper Profile  
Faith



Shops online “almost every other day.” Mostly for groceries, clothes and “things for the kids.” Overall shopped less last year – due to being down to one income – but more of it was online.

Likes ability to look around, compare options and prices and to read reviews. Even when she goes to stores, does the research online first. Feels it saves her time and money. Likes delivery options that let her decide between speed and cost. Sustainable packaging also a consideration – she won’t go back to stores that feel wasteful.

Returns policy is also important. “I don’t always get it right” so I must be able to return it for free. Expects to spend more online in 2023 because they are back to two incomes.

 Watch the shopper video [here](#).

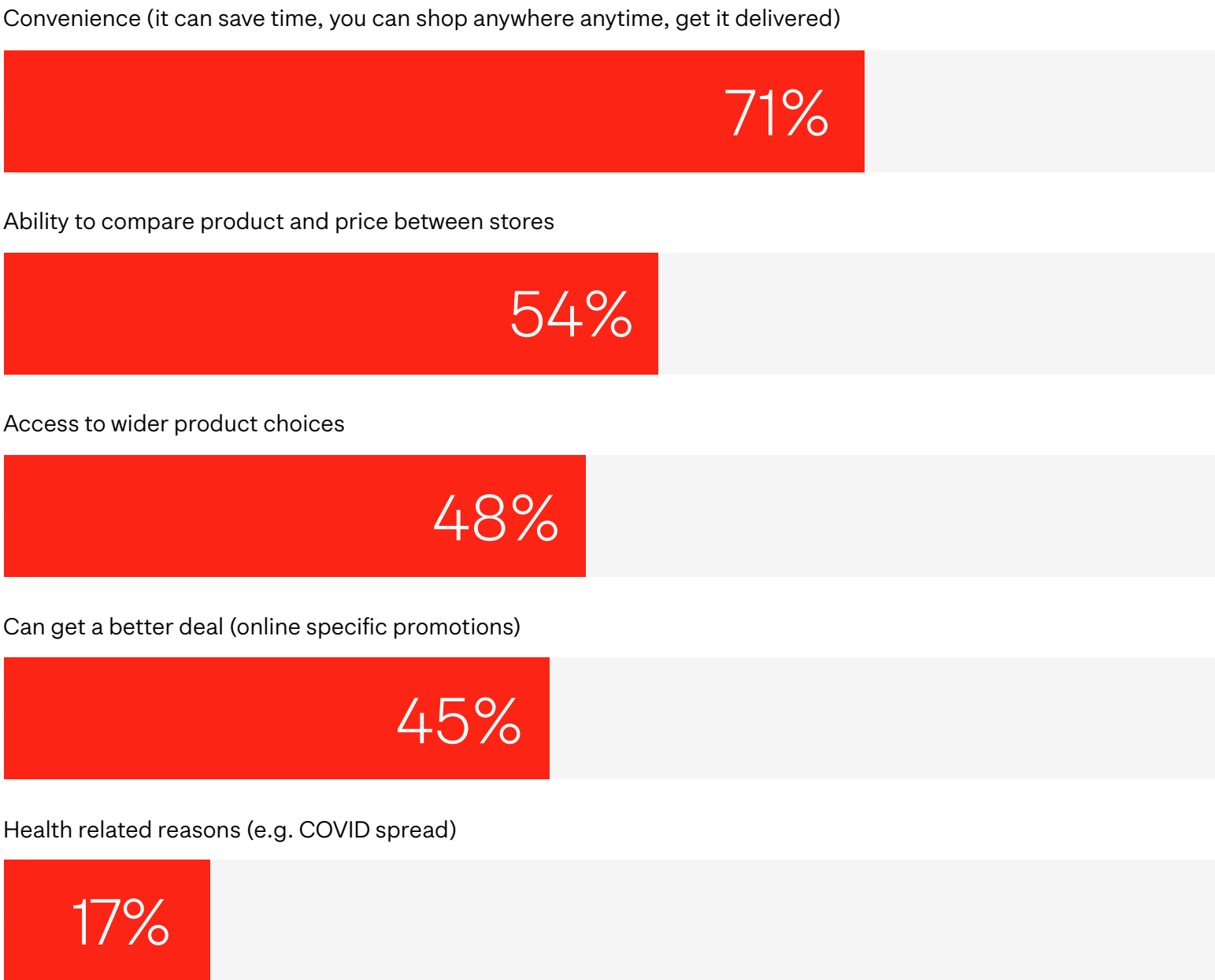


# Choosing Online or In-Store

**71% of shoppers told us that the main reason they shop online is convenience – they can shop anywhere, anytime and it saves them time having it delivered.**

The other key reasons are the ability to compare products and prices across stores and the perception that they can get better deals online. When we asked this question a year ago, we saw health reasons, related to COVID, were one of the key reasons shoppers went online. This year only 17% of shoppers said this was why they chose online shopping.

## Main reasons for shopping online

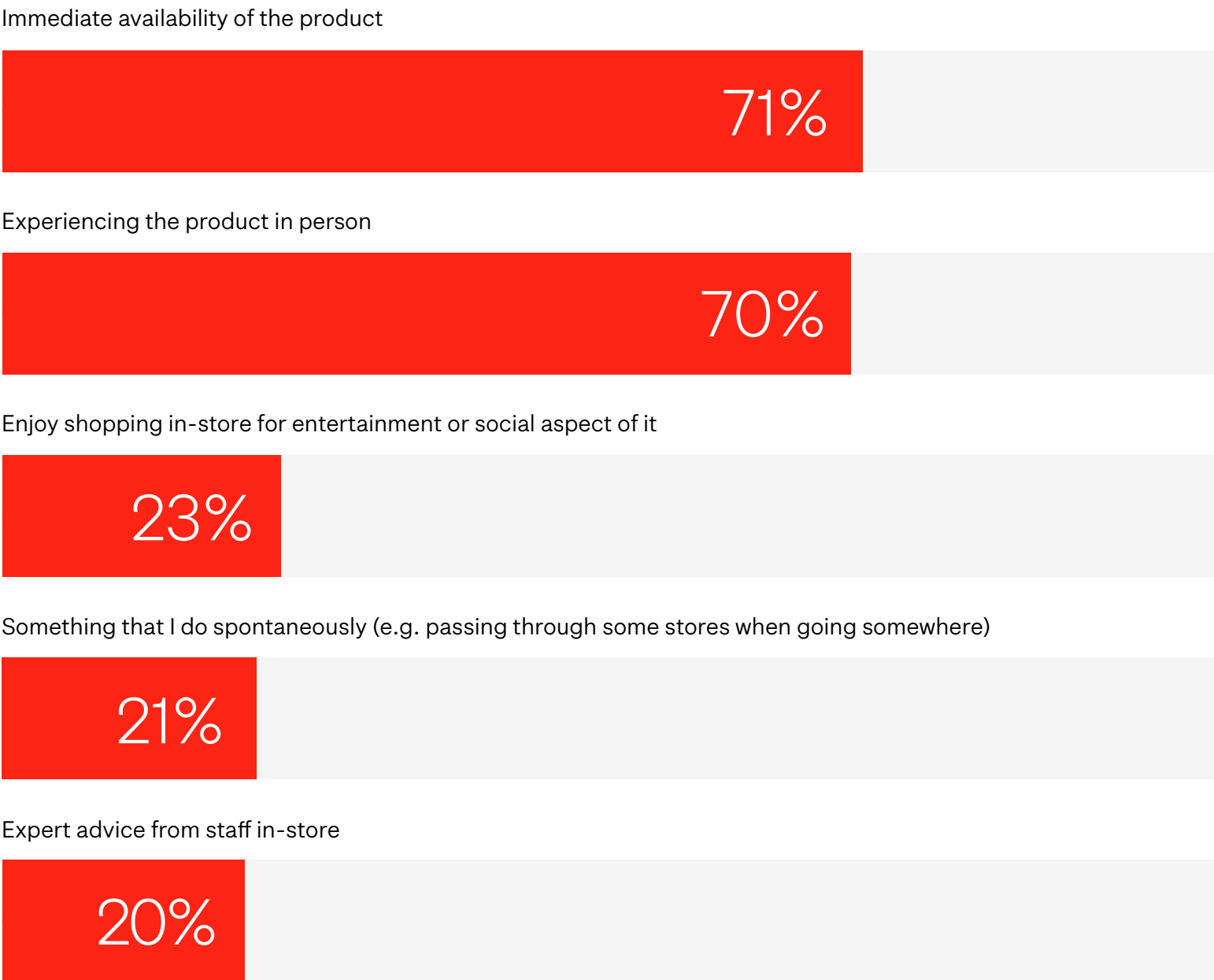


71% of shoppers said they chose to shop in-store because of the immediate availability of the product. This suggests that providing online shoppers with ways to get their product quicker, like same day delivery and click and collect, will enhance the appeal of online shopping.

The second big reason for shopping in-store is the physicality of it. It's hard to beat seeing the product, picking it up or trying it on. And while there are many ways that online stores can create a more tangible experience, this reason highlights the value of complementing your online stores with some form of physical presence.

This physical presence is further highlighted by the third key reason for choosing in-store shopping, the social and entertainment factor of physical shopping.

## Main reasons for shopping in-store





# What's Important to Online Shoppers?

We asked shoppers “When deciding which store to buy from online, where similar products are offered, what are the most important factors to you?” The results provide much food for thought for retailers.

Not surprisingly in the current economic conditions, discounts and special offers are what shoppers most value, with over half selecting this option. Nearly 40% of online shoppers also value where the business is based, with the majority preferring local stores for faster delivery and because they want to support the local economy. For many this locality provides confidence that the store actually exists and isn't a scam. Making it easy to return a product, if it's not right, is also a key driver for shoppers. No doubt, this becomes even more important in tougher economic times.

The delivery experience continues to be important to shoppers, with both order tracking and having a variety of delivery options appearing high on their priority list.

Interestingly, over a fifth of shoppers would choose an online store because it has a physical presence, indicating that shoppers find value in having access to a tangible experience. And we continue to see sustainable business practices growing in importance for shoppers.

## What's important to shoppers



## Shopper Profile Akshay



Shops online most weeks for groceries and every other week for “toys for his 4-year old son and DIY stuff for their new home.”

Shopping more online in the last year, mainly so he can find more options and better prices. Shops in local stores where he can so he can click and collect. Saves him time and money. Prefers stores with physical presence, especially when buying for the first time, as he worries about online scams.

Goes to stores for bigger items but usually does the research online first. Also uses his phone in-store to compare prices and features and to check reviews.

Expects to spend more online in 2023, mainly to keep finding deals and to be more efficient with his time.

Watch the shopper video [here](#).



# Shoppers' Expectations for 2023 and the Drivers Behind Them

**Last year we asked shoppers whether they expected to spend more, less, or the same over 2022. 8% said less, and 72% indicated about the same.**

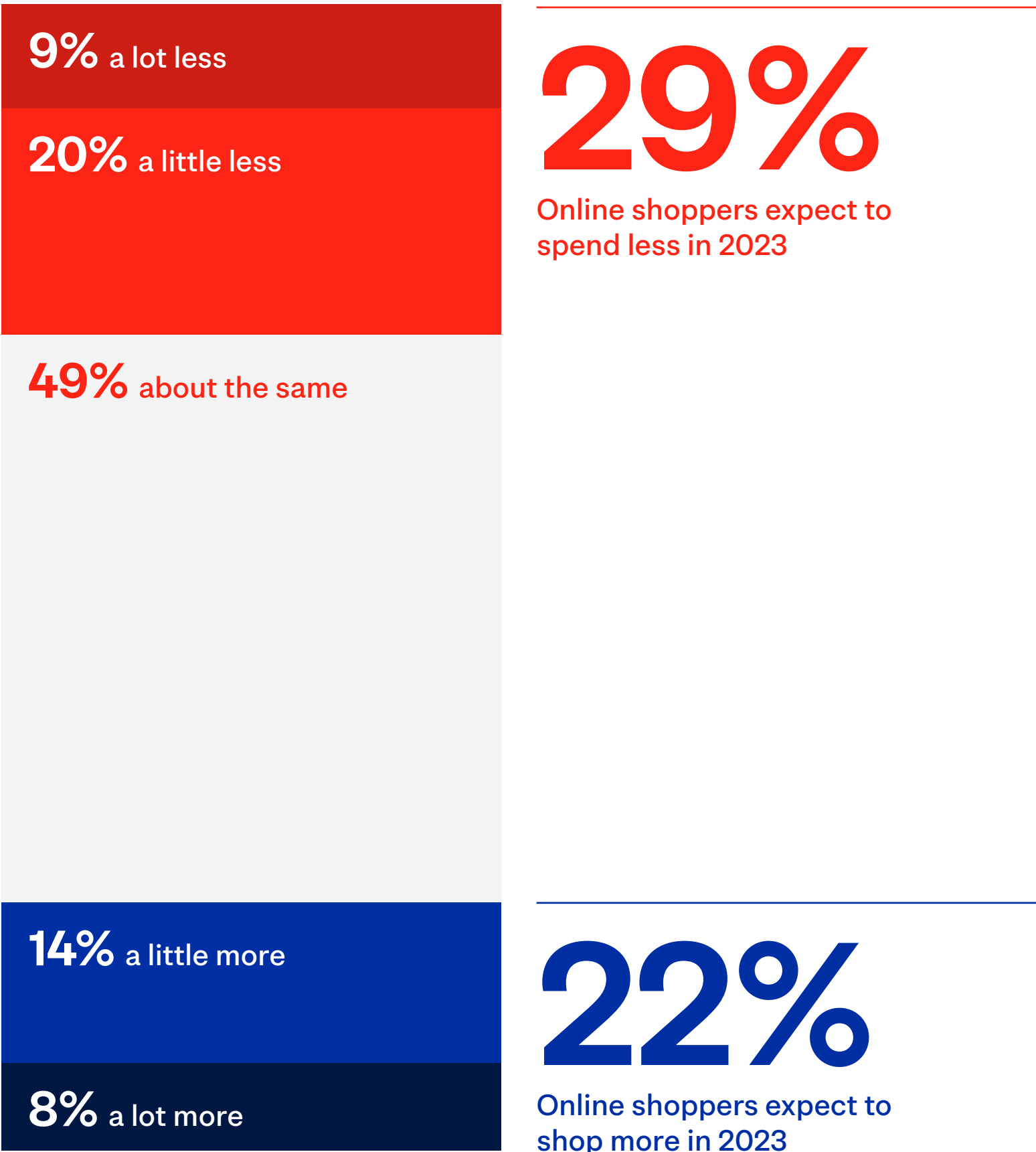
As we saw earlier in the transactional data, those who actually spent less was significantly higher, driven by the economic environment. So, what are shoppers thinking about their spending in 2023? Will it be greater, less or the same?

Somewhat surprisingly, 22% of shoppers expect to spend more. The reasons for this are often more personal, driven by changes in circumstances like having a baby, getting a new job with more disposable income, planning travel, renovating, or buying a new house. Asked where they will prioritise their spending in 2023, the three categories that lead the way are travel and leisure, home improvements and clothing and footwear.

29% of shoppers expect to spend less over the rest of 2023. The reasons are more systemic than personal, with more of these shoppers referencing the rising cost of living, the reduced purchasing power of their wages and the impact of rising mortgage rates. There's a clear shift amongst this group to reduce their overall consumption, make better shopping choices and to save for more rainy days ahead. Interestingly, home improvements are also a priority for this group, either by choice or necessity following recent weather events. This group continue to prioritise spending on necessities like groceries and health products.

Like in 2022, it seems the economic environment will once again be a key driver in shoppers' spending patterns in the year ahead.

Expectations on spending in 2023 compared to 2022



What those who expect to spend more had to say:

“I have started full time work and have a larger disposable income. I am also taking more of an interest in spending on my hobbies.”

“It will be nice to travel again post-COVID.”

“Moved into a new home and needing to furnish it throughout.”

“We are mid-renovation and will be buying furniture, accessories etc. for the house.”



What those who expect to spend less had to say:

“Trying to reduce consumption, make better shopping choices or use items that I have rather than purchasing more so I can save money.”

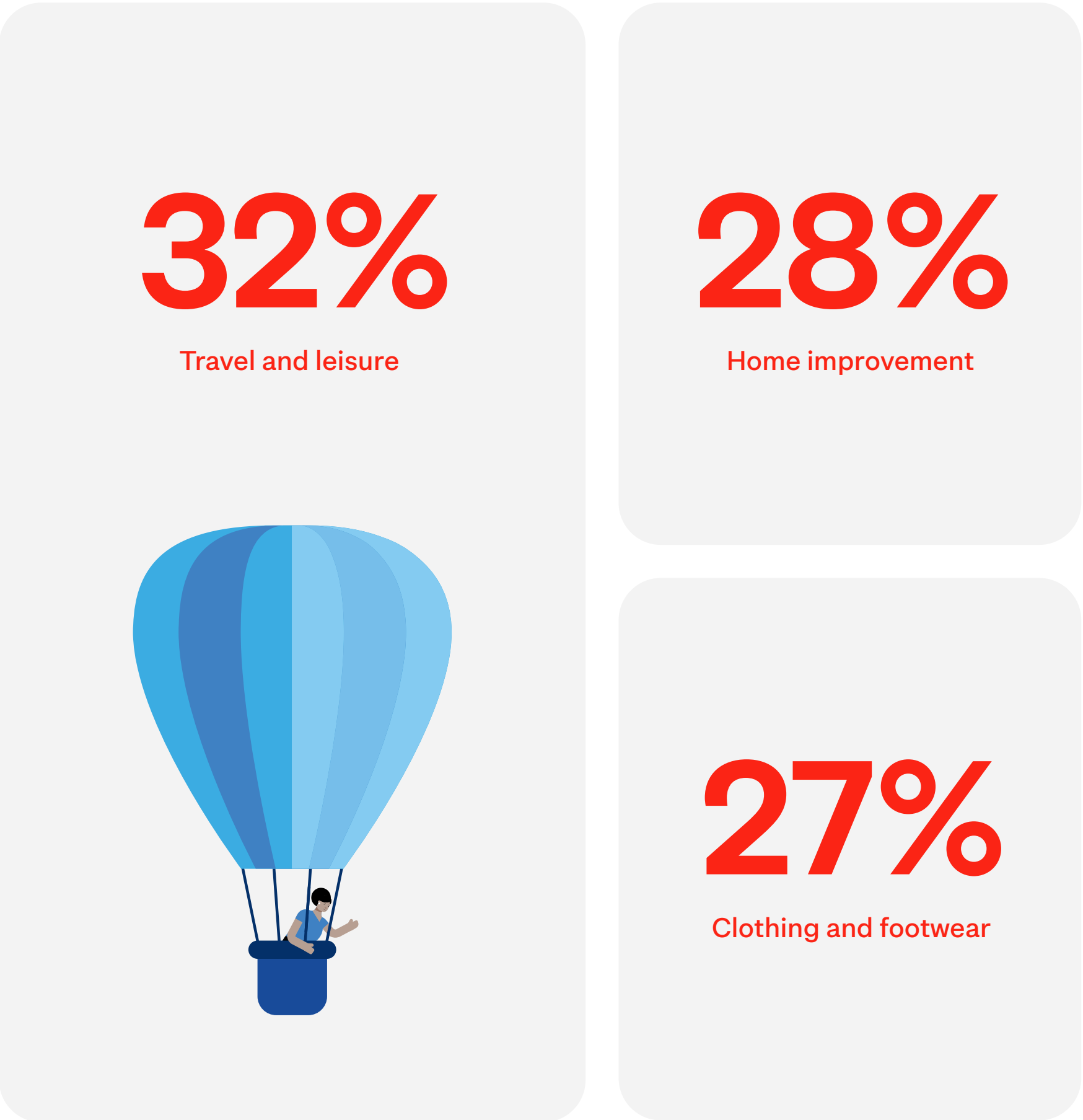
“Everything costs so much more, interest rates have gone up so much, so need to prioritise spending.”

“Very mindful of rising cost of living pressures and interest rates. I’d like to be more prepared for bad economic outcomes so I will continue to save more for a rainy day.”

Top priorities for those expected to spend less is 2023



Top priorities for those expected to spend more is 2023





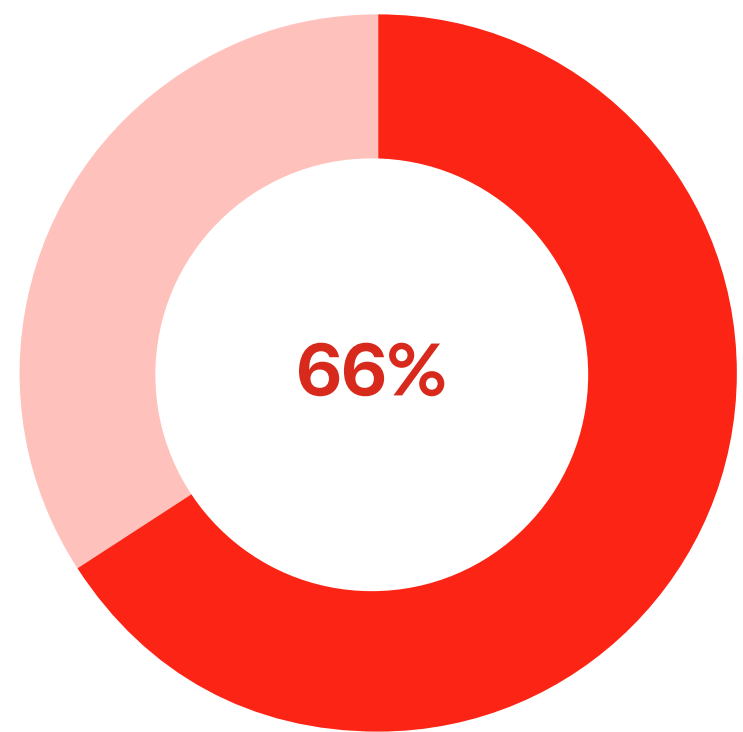
# The Rise of the Omnichannel Shopper

We often talk about shoppers choosing between buying something online or going to store for it. With both options readily available to shoppers over the last year, shoppers have increasingly chosen to do both – often within the same transaction. Add to this the fact that almost all the big physical retailers have developed their digital experience, and we see shoppers operating increasingly across both channels.

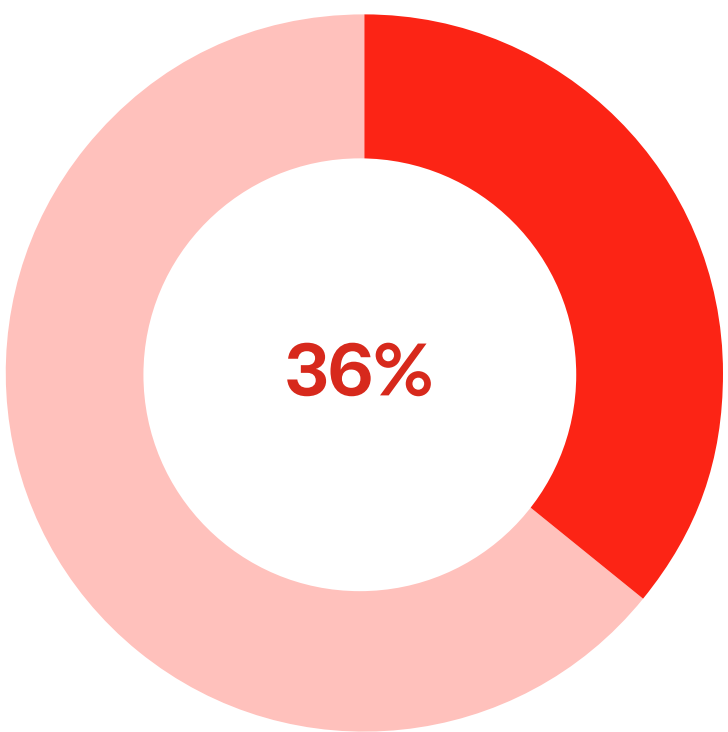
This shouldn't be surprising given the reasons why shoppers choose the different channels. Omnichannel shopping brings the convenience and research-ability of online with the tangible physical experience of in-store. As a result, we often see shoppers start with one channel and then finish with another. Two-thirds of shoppers look online before going to a store to purchase a product. A third buy online and then go to a store to collect. A further 20% start in-store and then make the purchase online.

The other interesting trend is the rise of shoppers going online while in-store to compare prices, obtain further information about the product and to access product reviews.

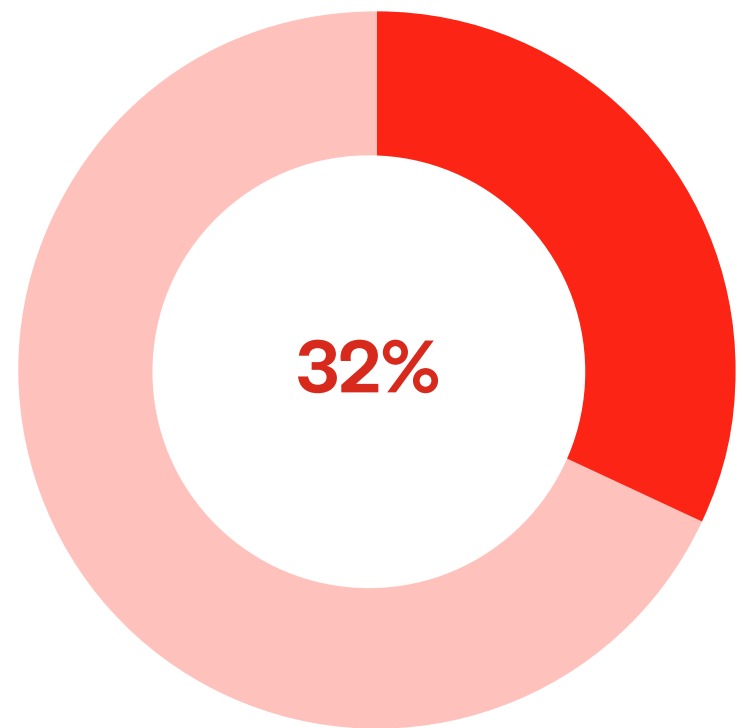
## Omnichannel activities shoppers regularly engage in



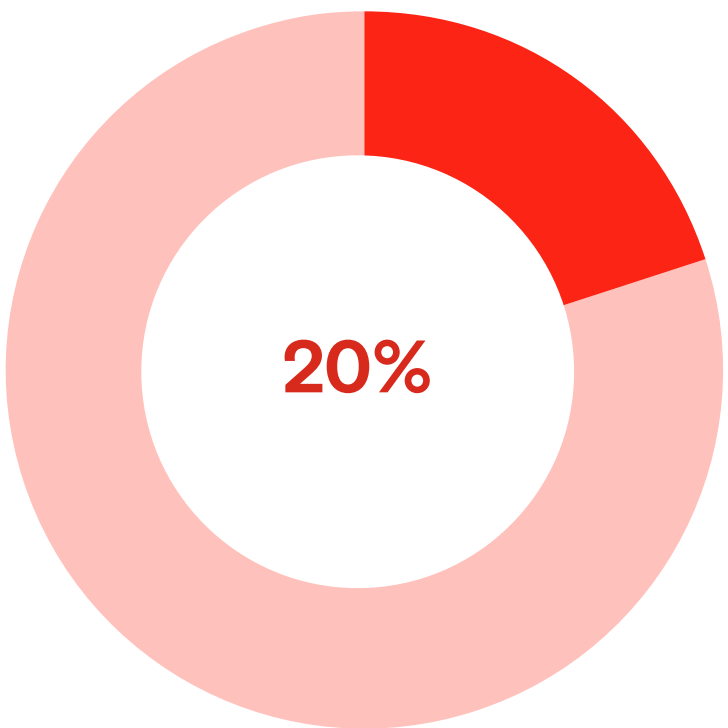
Browse online and purchase in-store



Use mobile in-store



Purchase online and collect in-store



Browse in-store and purchase online

## Shopper Profile Steve



Goes online 2-3 times a week, even if it's just to browse. Mostly buys groceries, tools, hardware and gifts. Shopped more online in the last year due to convenience, availability, variety and ability to research options and prices.

Uses mobile in-store to check location, availability, product features, reviews and to compare prices with other stores.

Returns policy is important. If it's not obvious and free, he won't choose that store.

Gives preferences to businesses that support the community and the environment. He hates to see wasteful packaging and will click and collect where he can.

Expects to spend more online in 2023, swapping more in-store purchases with online purchases.

 Watch the shopper video [here](#).



# The Drivers of Omnichannel Growth

**Having an online and physical presence is quickly becoming a competitive advantage for retailers.**

We are already seeing many physical retailers embracing the opportunity, offering QR codes in-store to make it easy for shoppers to access information about that product on their mobile phone. Other stores have included online functionality that makes it easier to locate the physical product when in-store. On the other hand, online stores are looking to replicate the service experience available in-store by adding real-person chat functionality or by offering samples and swatches to potential buyers.

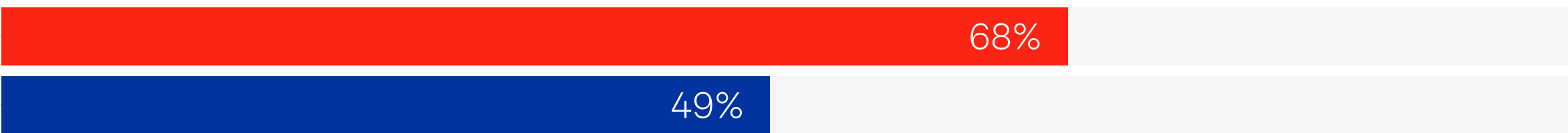
We see from the numbers that a retailer’s online store plays a key role in the research and decision-making process that leads to the physical purchase in-store. Whether it’s before coming to store or while in-store, shoppers go online to compare products and prices, access additional product information and to look at product reviews. This represents an excellent opportunity to win the shopper over with a great digital experience.

## Reasons to go online

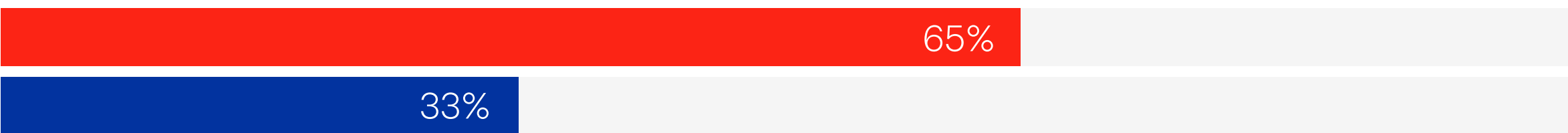
Comparing items and prices between different stores



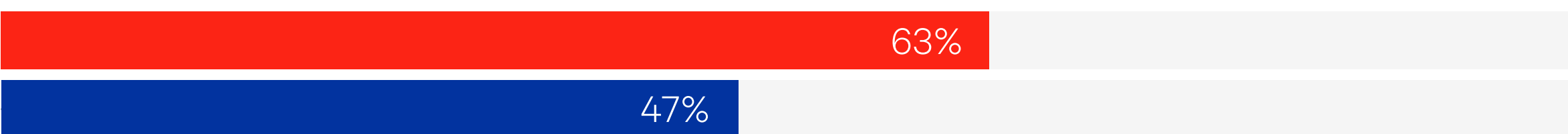
Comparing online and in-store prices for the same item



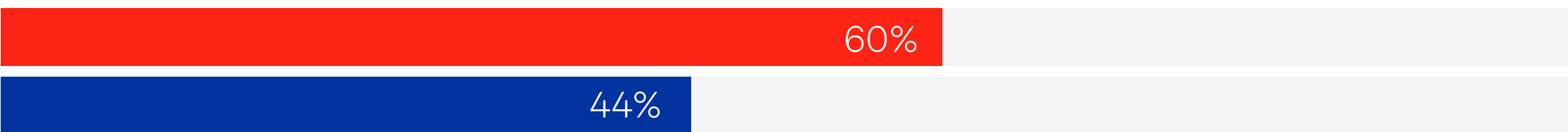
Checking stock availability



Checking product information and specifications



Checking product reviews



● Browsing online before visiting a store

● Using mobile in-store



# The Growth of Environmentally Conscious Consumers

**56% of consumers said they were prepared to make major changes to their lifestyle and shopping behaviours to help reduce the effect of climate change.**

Even though consumers are becoming increasingly environmentally conscious, we did see a slight declining trend in the percentage of consumers who would pay more for environmentally responsible products and services. This is likely driven by the tougher economic environment, requiring consumers to make a trade-off between price and sustainable choices.

With environmental concerns heightened due to the recent extreme weather events, consumers believe more needs to be done to address climate change. While largely this is

aimed at Government and businesses, consumers understand that they also must take positive action to drive the changes they'd like to see.

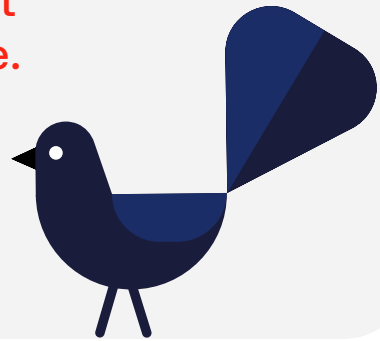
*The findings on this page are from a separate sustainability study conducted in February 2023. Further details of this study can be found in the Research Methodology on page 38.*



## Consumer attitudes towards sustainability

35%

Wouldn't buy a product or service from a company that was not environmentally responsible.



44%

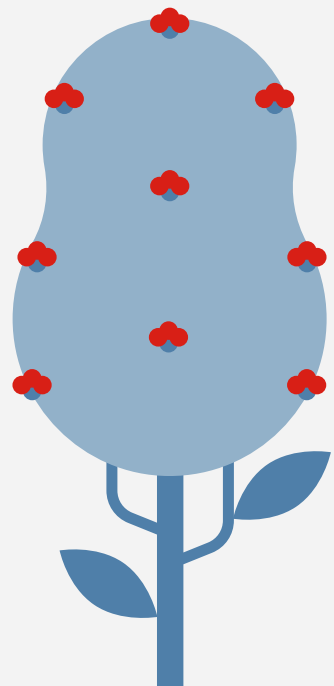
Prepared to pay a little more for products or services from companies that are environmentally responsible.

53%

Would actively seek to reduce consumption and reuse goods to reduce their carbon emissions at home.

49%

Would shop more consciously such as supporting local businesses, buying second-hand, and choosing options with less packaging.





We know getting their shopping delivered quickly is important to consumers but 84% of them indicated that they would be open to use delivery options that generate less carbon emissions (like ship or train compared to plane) even if it took longer.

Consumers are open to this delivery option, but mostly for certain items/ deliveries (including non-perishables, overseas purchases, and non urgent items). They'd like to see businesses make active decisions to use more environmentally friendly materials, to support a more circular economy and to move toward more renewable fuel sources and electric vehicles.

Finally, consumers are becoming increasing sceptical of carbon offset schemes. Many see it as a way for business to avoid taking real action, shifting the problem on to others while also passing on the cost of carbon credits to the consumer. Retailers relying on this to give them sustainable credentials may need to reconsider.

Consumer expectations of responsible businesses

72%

Use environmentally friendly (recyclable) materials for their products and packaging.



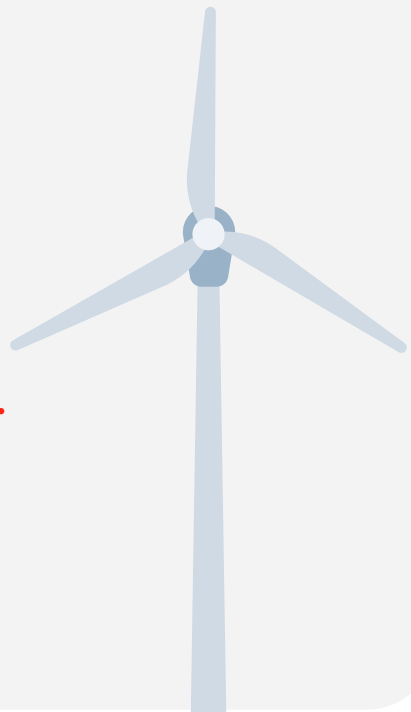
58%

Provide a recycling or takeback scheme for their products and packaging to reduce waste.



47%

Move from fossil fuels to renewable fuels for their logistics.





# Eight Key Outtakes from the Shopper Survey

## #1

Tough economic times mean people are looking for value for money. Online is a great platform for researching new products and finding better prices. This opens up new acquisition opportunities for smart retailers.

## #2

Shoppers value bargains, discounts for loyalty and for buying in bulk. Think about how to retain your existing customers by engaging with them and rewarding them for their loyalty.

## #3

Shoppers still prefer Kiwi retailers and supporting the local economy. It also means delivery is quicker, they can click and collect, and choose more sustainable options. Play up the fact you're a local.

## #4

The delivery experience remains vital to online shopping. Shoppers want options that let them decide between speed and cost including the ability to click and collect. Ensure shoppers have visibility of their delivery, every step of the way.

## #5

Shoppers place a lot of value on a retailer's returns policy. It must be visible on the website, easy and ideally free. If you're not already, make easy returns a priority.

## #6

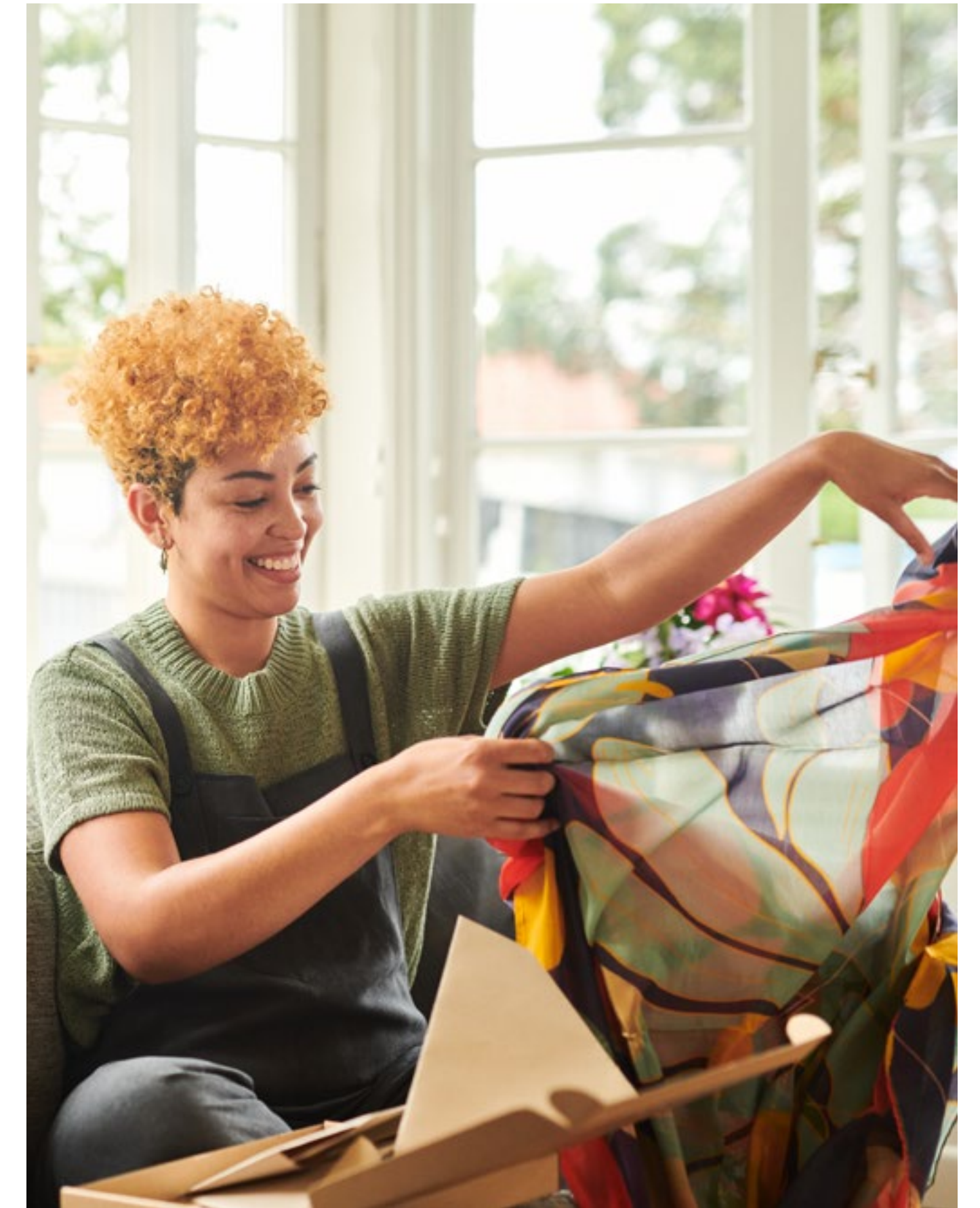
Shoppers are increasingly looking to support businesses with ethical and sustainable practices. Demonstrate your commitment by offering sustainable products, packaging, and delivery.

## #7

Most shopping experiences start online, regardless if the actual purchase is there or in-store. Increasingly, shoppers are going online while in-store to check prices, product features, availability and read reviews. Find ways to make the experience as seamless and integrated as possible.

## #8

Online only retailers can bridge the gap of a physical experience by creating ways for shoppers to connect with them. Examples include live chat and call options, attending trade shows, offering click and collect from their warehouse and setting up pop-up stores where shoppers can see and feel the product.





# The Retailers' Perspective



In this section we seek to understand what kind of year it's been for online retailers and how they've responded to it. We explore their expectations for the year ahead and what activities they are prioritising. We also explore how they are adapting to key changes in shopper expectations.



# Business Performance in 2022

Despite the growing economic pressures, two-thirds of retailers told us that their business performance in 2022 was better than it was in 2021.



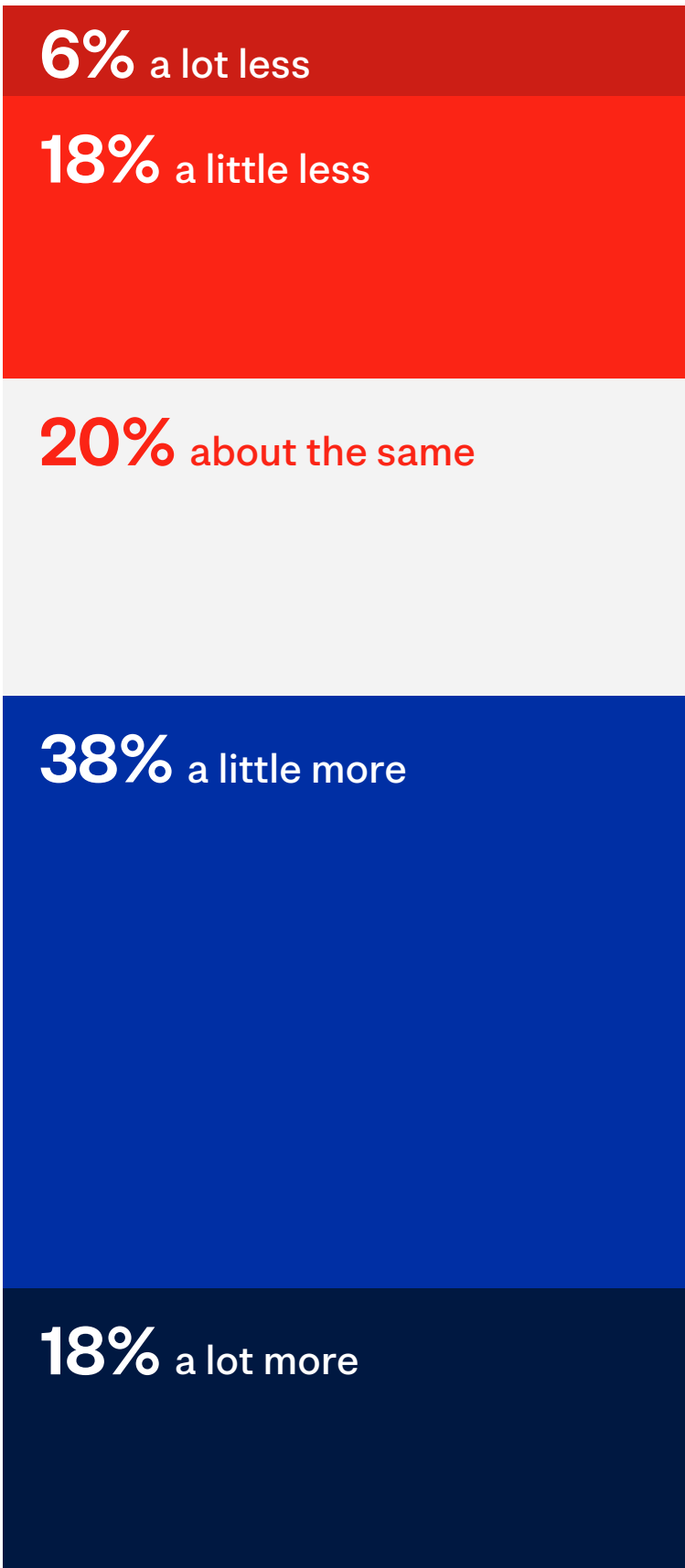
Most saw this as an after-effect of the loosening of COVID-restrictions, meaning that shoppers were out and about again and feeling more confident to spend, especially at the start of 2022. It also created an environment where businesses felt they could plan more, particularly around their marketing activity.

Retailers who had both an online and physical store were 10 percentage points more likely to have experienced a better year in 2022.

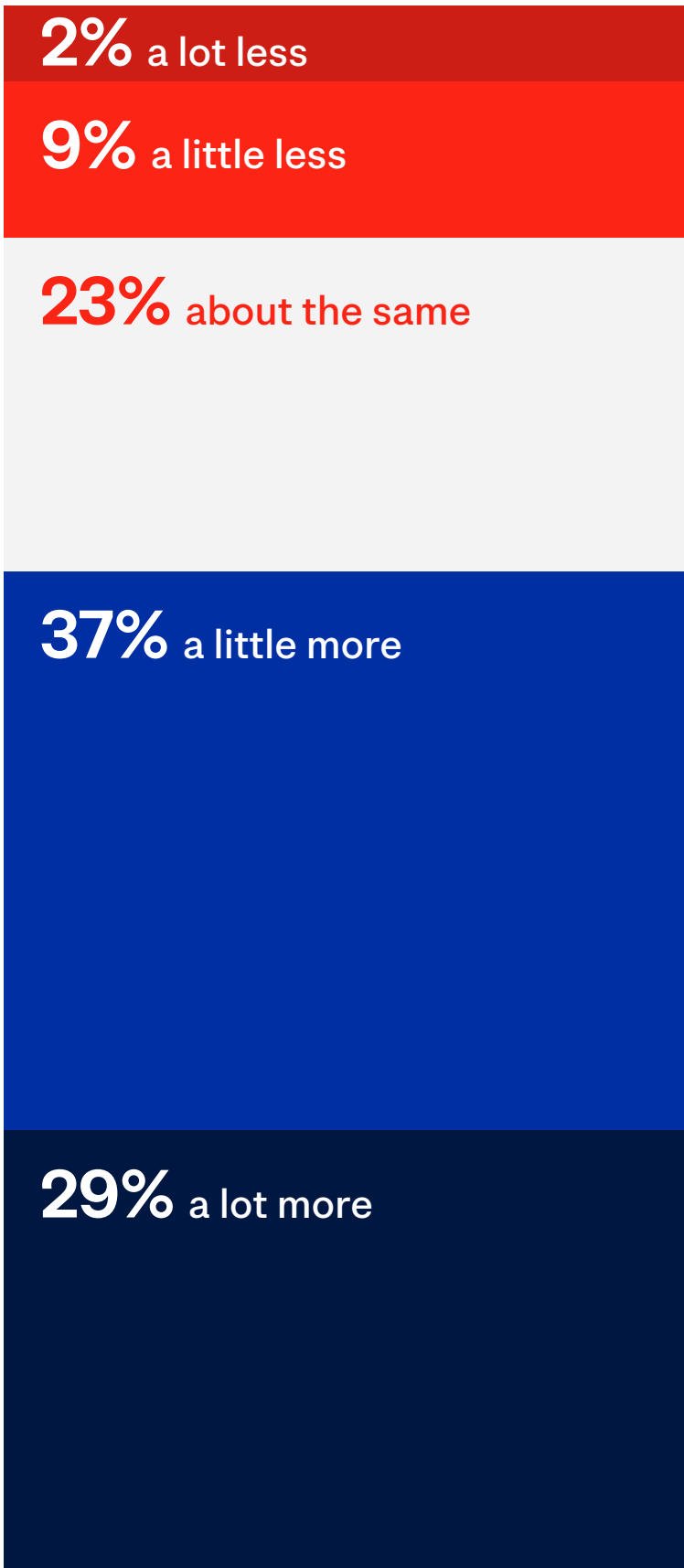
On the flip side, 24% of retailers who were online-only said that 2022 was worse than the year before. This is more than double the rate of multichannel retailers. The reasons for lower business performance is almost exclusively due to the impact the economy is having on consumer spending and on profit margins. Staff shortages were also seen as another key factor driving reduced business performance.

## Business performance last year

### Online only



### Online and physical/offline



11%

of retailers with an online and offline presence stated their business performed worse last year. Lower than the 24% amongst the online only retailers.

66%

of retailers with an online and offline presence stated their business performed better last year. Higher than the 56% amongst the online only retailers.



# Major Changes Made in 2022



**In response to the economic conditions, staff shortages, changes in shopper expectations and other challenges in 2022, we saw many retailers make changes to their business operations.**

Many of these changes were to drive efficiency, manage costs and to build more resilience into their business model.

The three most common responses to the challenges of 2022 were to better manage stock and the supply chain, to focus on staff management and to actively work on improving the customer experience. Beyond these, we heard a number of retailers talk about cutting back their own spending while others talked about changing their product mix or investing more in marketing activity to retain customers and attract new ones.

Better supply chain and stock management

30%

“Holding more product in stock to meet demand, aligning with more diversely located supplies to enable local delivery options.”

“Minimise the need for importing so we can have better control of supply chain and lead time.”

“Making some tweaks to our stock levels so we can sustain a reasonable increase in demand. We also continue to look at improving systems where we can and develop a plan that can take us to the next level.”

Active staff management

24%

“We had a recruitment presence online more than we ever did and our marketing people concentrated a lot on online advertising and targeting people that way.”

“Making sure we had enough staff to cover shifts and that some can work from home.”

“Retraining staff by hiring an operational manager and having our staff attend courses in warehouse management to secure stock count.”

“Lay off some staff to deal with cost, reduce operation to keep up with supply and demand as well.”

Improving the customer experience

22%

“Improved customer notifications of expected or unexpected disruptions in the delivery network.”

“More delivery options including click and collect are now available.”

“Changes to online purchase process and delivery company and communication.”

“Upgrading our online store to enhance shopping experience from mobile or devices.”



# What Retailers Think is Important to Shoppers



In the Shoppers' section we saw that the three key reasons they chose one online store over another were: (1) the discounts and specials offered; (2) the location of the business; and (3) the returns policy.

When we asked retailers what they thought shoppers' key reasons were, only one of these reasons features in their top three priorities. Retailers have clearly identified that shoppers, in the current environment, are valuing special offers, discounts for volume and incentives that recognise repeat purchases.

Retailers rightfully perceive that a great shopping experience is high priority for shoppers, with factors like order visibility, payment and delivery options all ranking high in retailer's perceptions.

Interestingly, business location was at the bottom of retailer's priority list, suggesting that they haven't yet grasped the importance shoppers place on buying from local businesses and supporting the local economy. This is clearly an opportunity for retailers, especially if having a local store means shoppers can physically experience the product, collect it and have faster delivery.

The other big opportunity is returns. Shoppers see this as important but retailers aren't giving it as much priority. This is potentially an area retailers can achieve quick wins.

## Retailers perspective on reasons why shoppers choose an online store





# Looking Forward to the Rest of 2023

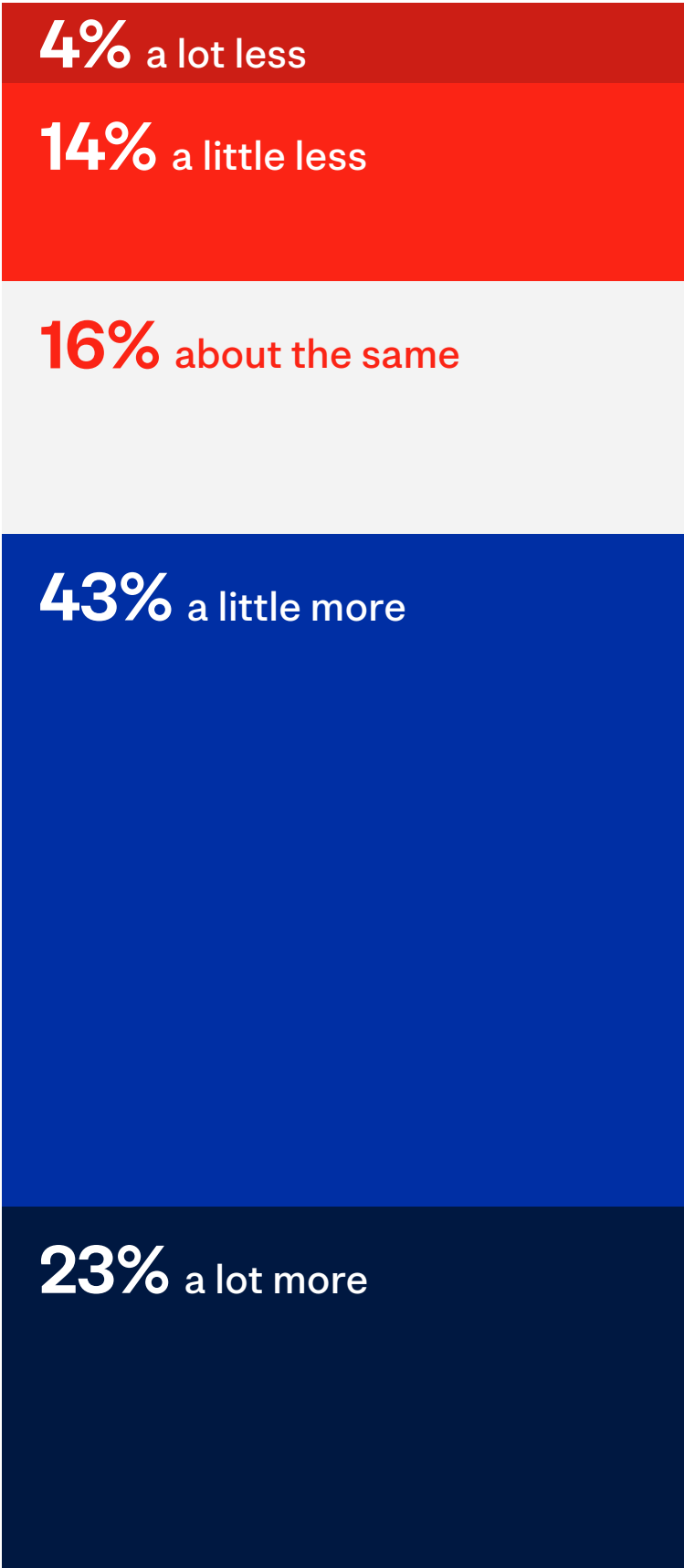
**In contrast to shoppers, retailers feel much more confident that the year ahead will be better than the year that’s been.**

Over 65% of retailers expect the year ahead to be better. The story is even more optimistic when we look at high-volume and generalist online retailers who sell a wide range of products.

These are stores whose variety of products allows their customers to make savings, hunt for better deals and to substitute products within and across categories. Effectively, this product breadth adds a layer of resilience regardless of how tough the market conditions are.

18% of retailers think that 2023 will see worse business performance than 2022. Largely this lack of confidence in 2023 comes from the ongoing impact of inflation and the wall of market commentary that worsening conditions and a potential recession are ahead of us. The recent floods and cyclone have also had a heavy impact on many retailers. Whether they were directly impacted or not, the events further compound any existing feelings that it will be a difficult year ahead.

## Business outlook to the year ahead



66%

of retailers expect 2023 to be better for their business





# Key Performance Drivers in 2023

While the majority of retailers are optimistic about the year ahead, there is still a large number of things they are keeping a watchful eye on.

Like they did a year ago, the key thing that retailers think will impact them this coming year is the ongoing supply chain and stock fulfillment issues. We see it joined at the top of the list by the rise of online marketplaces. This reflects a price sensitive environment and the product and price options existing marketplaces like Trade Me, NZ Sale, Grab One and others offer. These types of marketplaces provide a great vehicle for retailers to test new products and find new customers. It no doubt also refers to the rise of retailers like The Warehouse and Bunnings in Australia creating marketplaces within their own platforms to increase their presence in front of their shoppers.

Further down the list, we also see retailers’ own sales days becoming more critical to a retailer’s expected performance.

Two new factors enter our list this year - staff shortages and natural disasters. Staff shortages reflect the experience many retailers had in 2022, struggling to find and retain good people due to low unemployment, health reasons, staff going overseas, the ‘great resignation’ driving people to change employers and New Zealand’s well-publicised migrant shortages. Natural disasters reflect the growing awareness that one-in-a hundred year events are now more common and their impact is significant on businesses and the communities around them.

Retailers expect that there will be fewer people shopping online in 2023 and buying from Kiwi businesses will become less important to them. On the other hand, retailers expect that shoppers will have increased expectations on them about returning goods they bought online.

## Important factors to watch out in 2023





# Looking Out Three Years and Beyond

We asked retailers to think about eCommerce in their category/sector over the next 3-5 years and what the key trends may be. Two key trends dominated the feedback – omnichannel shopping and faster delivery of products.

## Omnichannel shopping

While the majority of retailers believe that a more integrated shopping experience, between online and in-store, is where eCommerce is heading, there are some who see a shift away from physical stores to online.

“I think store front and web store will both be popular with customers viewing product in-store before ordering and either collecting or having it delivered.”

“More consumers buying online and expecting delivery within a few hours and more click and collect options.”

“There will be a greater shift to online as customers can shop 24/7.”

## Faster delivery of products

Retailers believe that shoppers will want their products faster and with greater visibility, leading to delivery that happens within hours of a product being purchased online.

“People will want their products quicker, something like Uber style delivery.”



## Other trends

1. **The rise of social media** marketing and shopping, making it easier and more seamless for shoppers to buy products directly from their social feeds.
2. **An ever increasing focus on sustainability** where shoppers will actively choose retailers who can demonstrate their sustainable credentials through their purpose and community activities, the products they offer and the choices they make in terms of packaging and low-impact delivery.
3. **The rise of AI** was identified as both a challenge and opportunity. For most retailers there is an early-stage understanding of what the technology is and what it may mean for them but most haven't fully grasped how it will impact them or how they can utilise it to improve efficiency and gain competitive advantage.



# Omnichannel Preparedness

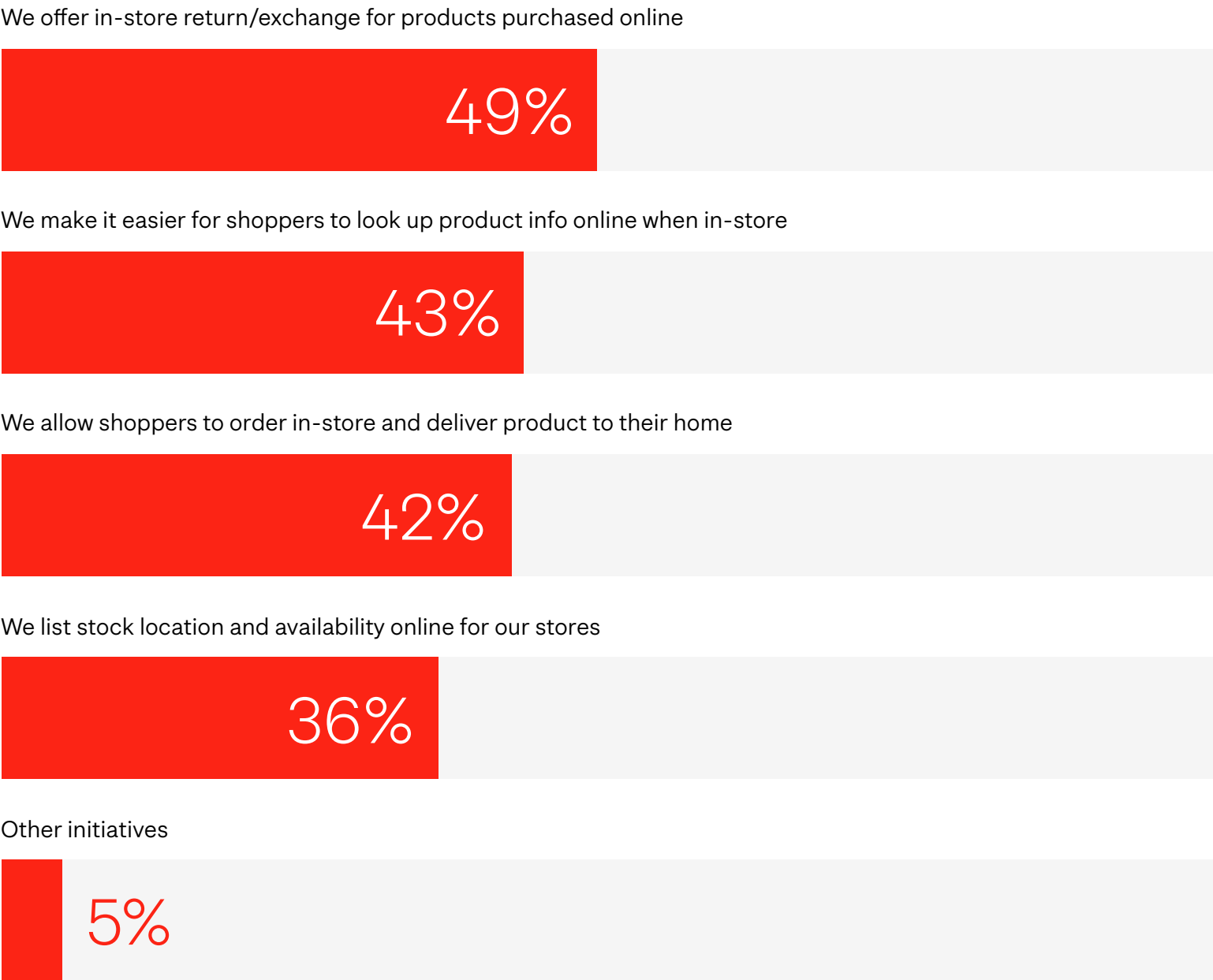
Although retailers are predicting the ongoing rise of omnichannel, more than half don’t have initiatives or plans to respond to this trend. Where they do, these actions are often taken in isolation of a clear plan to drive a seamless omnichannel experience for customers.

Retailers who have both an online and physical store are naturally more advanced in their thinking, especially when it comes to using the physical store to improve the online experience. Activities like supporting customers to buy a product online and then collect it in-store or returning online purchases to a store are relatively common.

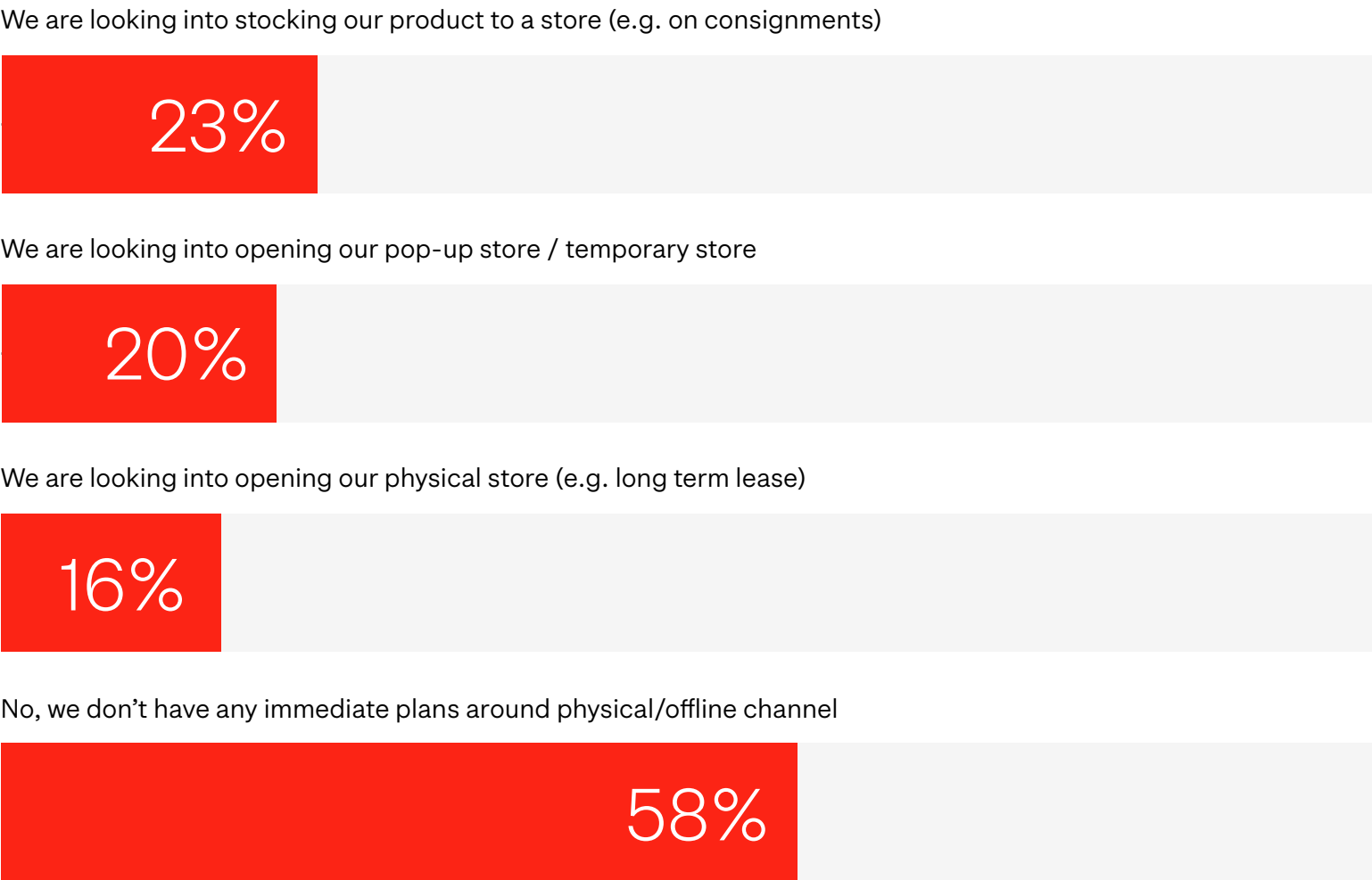
Click and collect bridges the gap between the convenience of online and the immediacy of in-store, allowing shoppers to get their product quicker. And of course, many retailers are using local stores to fill local orders, helping speed up the delivery timeframe.

More retailers, especially the larger multi-location brands, are also using their online store to improve the in-store experience, putting product information, stock availability and location-finding information in the hands of the shopper while they are in-store. Online-only retailers are further behind in their thinking. A number are starting to think about how they get into physical retail, either by stocking at other stores or opening up their own, but overall 58% of pure online retailers say they have no immediate plans to offer shoppers a multi-channel experience.

## Retailers with online and physical presence



## Online only retailers





# Driving Sustainable Business Practices

The findings on this page are from a separate Retailer Sustainability study conducted in February 2023. Further details on this study can be found in the Research Methodology on page 39.

Retailers are quickly realising that doing right is not only good for the planet but also good for business. As a result, we are seeing more businesses developing and communicating their approach to being a more sustainable business. For 61% of retailers the most important action to being a more socially responsible business is treating their staff well. Other key initiatives retailers are prioritising include working with suppliers that are committed to making a positive difference in their communities and partnering or investing in social enterprises.

Retailers' sustainability programmes generally focus on reducing their carbon footprint and sourcing environmentally friendly products by adopting initiatives like:

- Moving to environmentally friendly packaging, including moving from plastic to cardboard
- Using fair trade and sustainably sourced materials
- Working with suppliers committed to ethical and sustainable practices
- Investing in electric vehicles
- Buying in bulk, and preferably from local suppliers, to reduce carbon miles
- Tracking their carbon emissions

## Retailers attitude to sustainability

66%

Are prepared to make major changes in how they do business to help reduce the effect of climate change in the long term.



77%

Care about social responsibility and aim to actively contribute to local communities.



68%

Are prepared to spend a little more on products or services from business partners/suppliers that are environmentally responsible.

61%

Have an ongoing sustainability programme in place.



# Uncovering the Retailer Opportunities

**Retailers indicated that their biggest priority in 2023 is to find new customers and increase market share.**

By looking at online shopper priorities we see a number of opportunities to support this objective. Shoppers are prioritising specials, discounts, and loyalty rewards in deciding where they buy from, therefore any retailer initiatives that drive the perception of value for money is likely to support new customer growth. Alongside this, retailers should emphasise their New Zealand, and regional, location, their product range and the speed and visibility of their delivery process. And if the business has sound sustainable practices, highlighting these could also help drive growth.

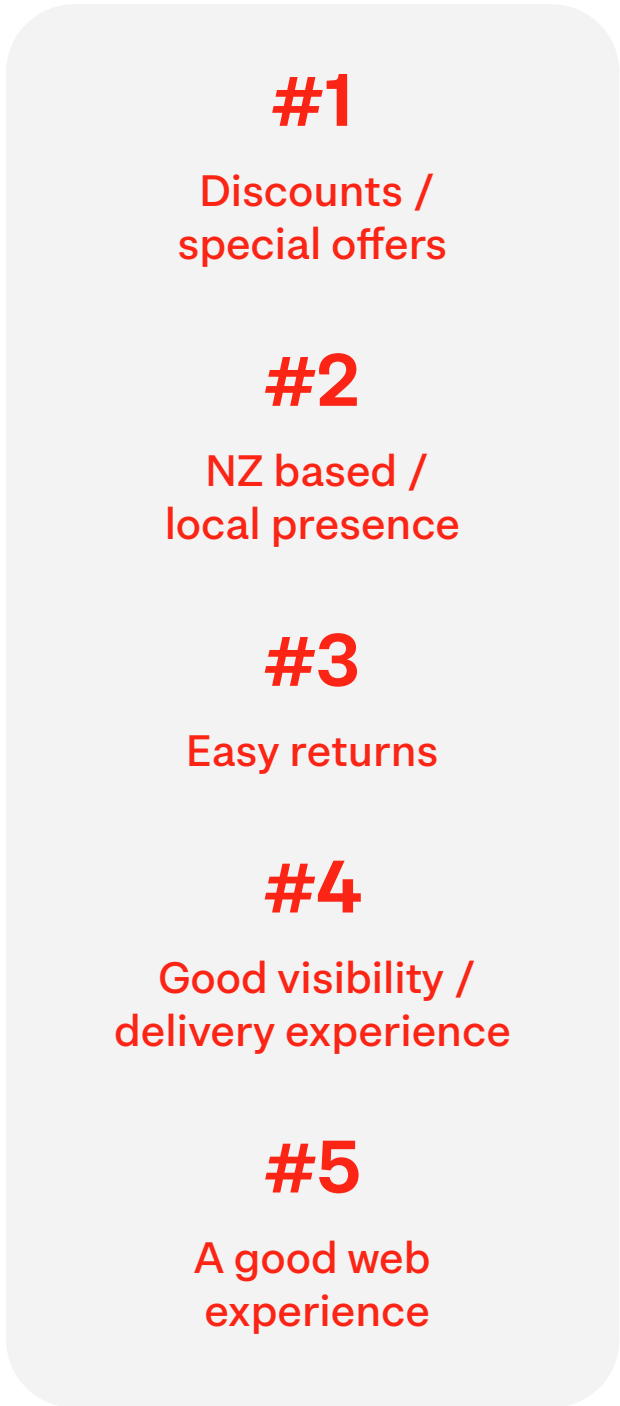
Shoppers are looking for a better delivery experience, prioritising greater visibility through the delivery and ordering process and having more delivery options. Retailers see improving the overall customer experience as high priority, and they can achieve this by focusing on improving both the website and delivery experience. We see over a fifth of customers value online stores with a physical presence, but we don't see enhancing the customers' cross-channel experience high on retailers' priority list. A focus on a more integrated, seamless omnichannel experience will also add to improving shoppers' overall experience.

Again, this year we see shoppers prioritising easy returns, while very few retailers have seen this as a priority. This may be an area where some quick wins, like publishing your returns policy or offering free returns, could result in both a better customer experience and greater market share.

## Retailer actions and priorities in 2023



## Summary of shopper priorities in 2023



See page 11 for full details of what's important to shoppers.



# The Sleep Store Case Study

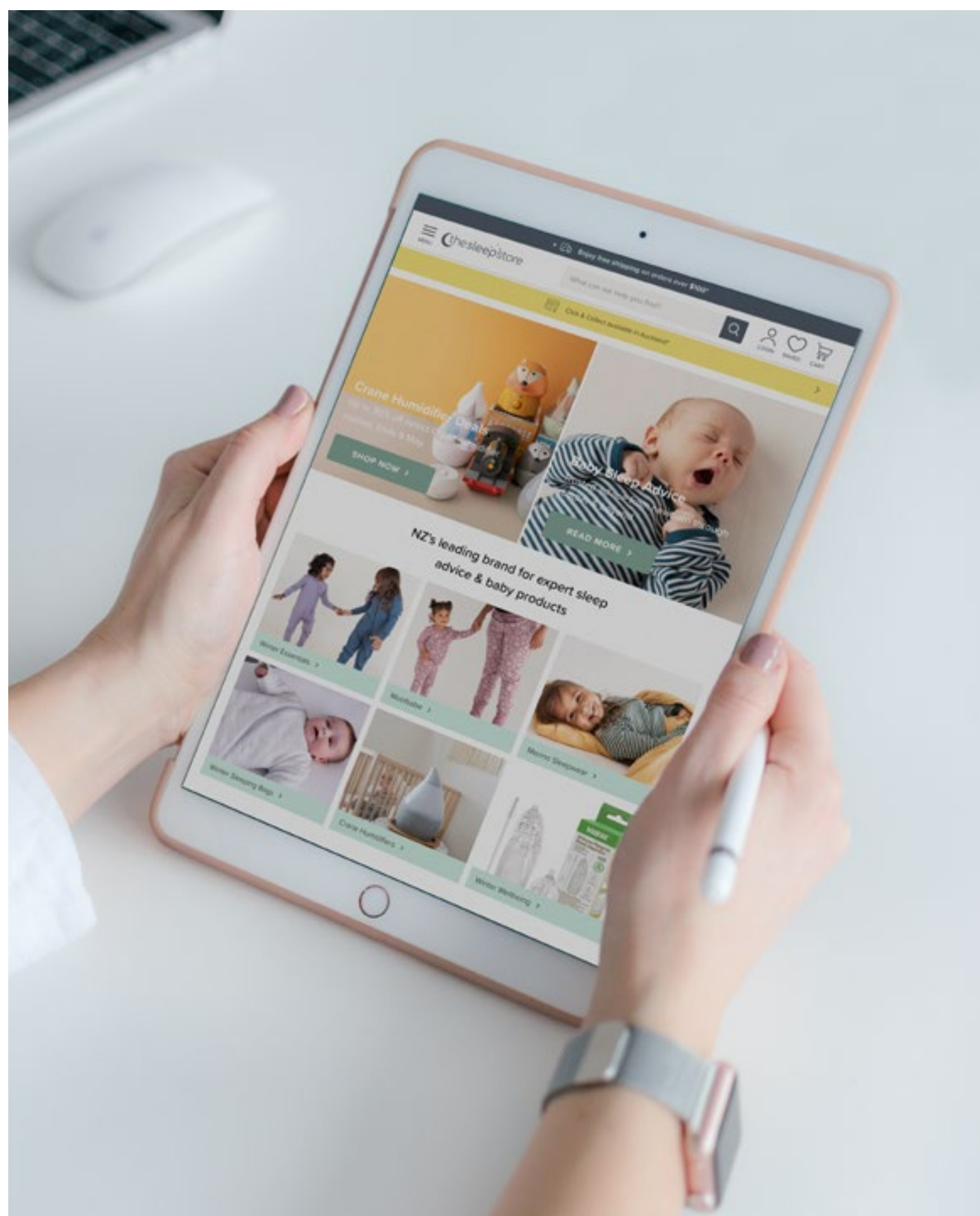


From the outside The Sleep Store looks like a pure online success story, rapidly growing as online shopping has grown. Talking with one of its owners, Matt Anderson, we find a complex business that imports, distributes, manufacturers, retails online and actively gets out amongst its customers. All this to deliver the best sleep products and advice for babies and their tired parents.



**Louise Tanguay  
& Matt Anderson**  
Owners  
The Sleep Store





The Sleep Store started in 2006 when Louise Tanguay and Matt Anderson were expecting their second child. They were reading up on the importance of sleep on the health of both the infant and mother, when they recognised that there was a business opportunity to help parents just like them. Anderson tells us “The concept for The Sleep Store was to provide an excellent resource for parents but also the best products on the market. I suppose focusing specifically on infant sleep was kind of innovative then. Since then, there’s an industry that’s evolved around sleep coaches or sleep consultants.”

The customer base, across New Zealand and Australia, is predominantly mums who have learnt about The Sleep Store through friends and family, or people in the same coffee or parents groups. “We are very fortunate to have customers who are happy to talk to their friends about us and to recommend our store. Through this The Sleep Store has built a reputation, and won a number of awards, for having a really good range of products, offering good advice, and delivering excellent customer service” Anderson tells us.

#### **Diversified Revenue Model**

Matt and Louise soon discovered that there was a limited range of infant

sleep products being distributed locally so began looking at overseas companies for brands that weren’t represented here. “We became an importer quite quickly” says Matt. “Initially it was just researching online, finding the most recommended products for infant sleep in other markets and seeing whether there was an opportunity to bring those into New Zealand. We attended specialist trade shows in places like Las Vegas and Germany to source products and make connections.”

One of the natural evolutions of importing products for The Sleep Store website was to become a wholesaler of some of those products to other retailers. “So almost by default we became a product distributor as well. The distribution part of our business is called Little Bird Brands” Anderson adds.

The business model evolved further about ten years ago, with the acquisition of some of the brands they were distributing. “Becoming brand owners and manufacturers was part of the drive to offer the best quality products to our customers at a good price.” says Anderson “By adding people to our team who focused exclusively on production we were able to create our own versions of products customers are seeking.”

#### **The benefits and downsides of diversification**

Having diversified revenue streams has been a key part of their success, opening up numerous opportunities to drive product growth. The Sleep Store website now offers over 200 different brands, and they distribute another 20 brands through other retailers. Seeing products in stores builds awareness and reinforces customers’ decisions to purchase them online. Anderson indicates “We’re always looking at what’s out there on the market and thinking about the opportunities to either import that product in or to bring a version of that product within one of our existing brands to the market. Deciding on the best approach is often a combination of manufacturing capacity and capability, economics and where we can deliver the best quality at the right price for customers.”

This diversified business model was critical to their ongoing growth through the COVID years. “We were already manufacturing our own brands but COVID supercharged this, as the fear of supply chain disruptions saw us increase the volume of stock we ordered for distribution but also what we made ourselves to keep inventory levels

“We’re always looking at what’s out there on the market and thinking about the opportunities to either import that product in or to bring a version of that product within one of our existing brands to the market.”



up.” Anderson adds “When we started, we predominantly purchased from local suppliers and therefore cashflow was easy to manage. We now hold much more stock and for much longer and that makes cashflow management challenging. The other pressure point is storage capacity. We started the business at home, moved to bigger premises nine years ago and now we’re having to move again.”

#### Connecting with customers

Anderson tells us that actively finding ways to engage with customers has been key to their growth. “We’ve done baby and trade shows for 17 years, ever since we started. It’s a great way to meet our customers and to understand what they need. It’s also a great way to demonstrate products and to hear what customers think.” The Sleep Store is active on social media, sharing information and making product and advice videos for customers and retailers. They also offers Click and Collect directly from their warehouse, creating further opportunities to engage with customers. And they receive about 1500 reviews on the website a month enabling them to understand how customers feel about specific products and their overall experience.

Asked about what makes a good online experience for their customers, Anderson says: “Our customers seek a good range at a fair price and good service, and those are things that we aim to deliver on. It’s important to be able to find products easily. We’ve worked hard on the categorisation of products to enable people to find things logically, supported by good photography and good product descriptions. Responding to phone calls and emails and social media questions and, of course, the delivery experience is extremely important. If customers aren’t getting products the next day, they’re generally asking us why not?”

#### Delivery Partners

The Sleep Store have partnered with NZ Post for efficient and reliable delivery since day one. “What we like most about working with them is the relationship we’ve built with our account manager and local couriers. They are always responsive and accountable so when things come up we just talk it through with them.” says Anderson “We integrated our systems with theirs for shipping making the dispatch process easier, letting us offer our customers more delivery options and the ability to track their purchase every step of the way.”

#### Building a better future

Anderson is excited about the future, the potential for better times ahead and the move to new premises. He talks about the focus on sustainability and their recent Toitu Carbon Zero certification. “Sustainability and ethical business practices will be a key pillar on how we take the business forward. We’re focused on working with our suppliers and manufacturers to be more sustainable and transparent in our approach to product standards. This includes looking at more sustainable and biodegradable packaging and reducing our carbon footprint relating to freight incoming and outgoing.” He adds “We’re excited to see our NZ Post driver has one of the first fully electric delivery vans in the country. This aligns nicely with our values and what more and more of our customers and community are telling us is important to them.”

While things are changing, like the last 17 years, the future for The Sleep Store will be all about delivering the best products and advice, at the best value, in ways that best meet their customers’ needs.

[thesleepstore.co.nz](https://thesleepstore.co.nz)

“We’ve done baby and trade shows for 17 years, ever since we started. It’s a great way to meet our customers and to understand what they need. It’s also a great way to demonstrate products and to hear what customers think.”





# Animates Case Study



Animates is a nationwide brand that is as passionate about pet care as its customers. When lockdowns occurred and customers – or pet parents - couldn't get to them, Animates quickly established a network of online fulfilment centres to keep meeting pet needs. Animates' General Manager of Marketing, Nathalie Moolenschot, talks to us about being an omnichannel business, how customers have responded and what the future holds for this Kiwi success story.



**Nathalie Moolenschot**  
General Manager of Marketing  
Animates



“Customers have become more comfortable with the online technology, and it’s given them choices to get their pet needs faster and easier, while still having access to the store experience.”

#### **Delivering to customer needs**

“Our business model has changed significantly in recent years. We’ve become an omnichannel business with 11 of our stores becoming fulfillment centers. All of them are available for click and collect and four of them do same day delivery.” says Moolenschot. “We were early in our eCommerce journey when COVID hit. People still needed to get their pet food and we needed to adapt to make sure we could still connect with customers, especially as an essential service.”

At lightning speed, 11 Animates stores had their backrooms adapted to operate as local fulfilment centres. The decision to create a wider network of smaller fulfilment centres meant they could service customers nationwide more efficiently while also ensuring customers had their needs met quicker. At the same time, they enhanced their online live chat solution, enabling customers to keep getting the advice they needed and helping Animates remain connected with customers.

“We had a couple of interesting operational challenges, of course, bringing in and growing our eCommerce solutions so rapidly.”

Moolenschot tells us “Luckily, we have an incredible group of people, willing and able to adapt quicky and very creative in their use of space.”

#### **Choice of channels**

As Animates and their customers have grown familiar with the new multi-channel approach it has become a key part of how they engage with each other. “Customers are now more comfortable with the online technology, and it’s given them choices to get their pet needs met faster and easier, while still having access to the store experience.”

More customers are now shopping both in-store and online but for different reasons. Moolenschot says “Online customers are more focused on replenishment needs, often for their preferred pet food. It is something that can easily be purchased over and over again online. Whereas in-store, while food is still quite a popular choice, there’s a lot more in the advice space, whether it’s with food, treats or toys.”

Moolenschot adds that many customers still prefer to come to store just for the experience. “Pets are always welcome and customers know it’s a safe environment that cares about their animals as much as

they do. We’re working to replicate this experience online with our live chat and advice.”

#### **Managing in difficult times**

Looking back on the last few years Moolenschot points out that Animates faced the same issues as most businesses, including staff shortages, supply chain issues and rising costs. “It came down to ruthless prioritisation and focusing on the fundamentals of delivering what our pet parents needed, when they wanted it. A key part of that was putting trust in our people, giving them the clarity and autonomy to do what was best for customers. Fortunately, we have an exceptional group of people who give everything, so supporting their wellbeing is also a key priority.”

Moolenschot also points to impact of the economic environment. “Customers are a lot more price sensitive today. We’re seeing that through their search terms and the questions they’re asking in-store. We’re also seeing them seeking higher quality and greater value for money. Our focus is providing good advice while also ensuring we have a really good range across numerous price points.”







**“A customer coming to a store wants to find products easily, have a good range of options, good information and access to good advice. It’s very much the same online. It’s just the aisle is now your dropdown menu or navigation bar.”**

#### **A trusted customer experience**

For Animates, customer experience goals aren’t set based on the sales channel but on what the customer needs and the best way to deliver it. Moolenschot says “A customer coming to a store wants to find products easily, have a good range of options, good information and access to good advice. It’s very much the same online. It’s just the aisle is now your dropdown menu or navigation bar.”

The way that customer trust is built is one of the key differences between the two channels.

“When a customer comes into a store, they can see the product, they pick it up, they walk out with it and their entire need has been met. But online, they must trust that once they hit the purchase button the experience is going to carry on and the product will arrive.” explains Moolenschot.

Animates builds trust through the delivery experience by having more delivery options that put the customer in control. “Same day delivery and click and collect give our customers more options to get what they want, when they need it, and they potentially overcome any concerns about engaging with us

online.” Moolenschot add “It’s also really important that we build trust through delivery transparency, allowing customers to see the progress of their order.”

#### **Investing for evolving needs**

Pet care is an increasingly competitive market but Animates believe they have a strong competitive advantage in their people. “Not only those in our stores but also those behind the scenes, driving our live chat, answering customer calls and those working really hard to make sure we’re continuously across what pet parents need and making sure we’re finding solutions.” says Moolenschot. “We’ll keep investing in technology solutions behind the scenes, so our people can keep delivering on customer needs.”

Animates prides itself on its ability to understand what’s important to customers and to adapt accordingly. “What was yesterday’s extraordinary experience is today’s expected norm” says Moolenschot. “Customers are expecting things faster and they’re expecting greater transparency in product availability and in the delivery process. We’ll keep investing to meet these changing needs and in removing any pain-points that stop the customer having the best experience possible.”

Becoming a more sustainable business is also important to Animates and they see themselves at the start of a sustainable journey. They’ve been investigating and investing in a range of products and solutions that not only make the business more sustainable but support customers to reduce their carbon footprint. Moolenschot adds “With the growth in eCommerce, one area of sustainability is reducing our impact through our delivery solutions. We’re working with NZ Post to understand the different options to reduce our impact on the environment while ensuring we still deliver to our customers, how and when they need it.”

Like everything Animates do, the future will be driven by the changing needs of their pet parents.

 **Watch the video interview [here](#).**

**[animates.co.nz](https://animates.co.nz)**



# Retail First Group Expert Opinion



We talk to Chris Wilkinson, Founder and Managing Director of First Retail Group, a frequent media commentator and conference speaker on retail and consumer trends. He talks to us about key retail trends, opportunities and challenges ahead, and offers some great advice to help retailers keep growing.



**Chris Wilkinson**  
Managing Director  
First Retail Group



First Retail Group offer strategic advice to consumer-facing brands across the retail, hospitality, healthcare, leisure and tourism sectors. Their work centres around helping organisations identify opportunities, improve performance and navigate risk. Their clients include many national and international brands, retail chains and franchisors, as well as local and central government.

### Shopping pattern disruption

Chris Wilkinson opens the discussion by saying: “It’s been a tough few years but I’ve been hugely impressed by how adaptive retailers have been after COVID disrupted traditional shopper behaviours and patterns.”

For Wilkinson, this disruption of shopper habits has been the most important trend of the last few years. “We are creatures of habit and it takes a lot for us to change” he says “but COVID changed our needs, our motivations, our priorities and the way we shop. Comfortable or not, shoppers had to change and this will have a lasting impact.”

He sees this disruption as being especially beneficial for eCommerce, with many new shoppers embracing online shopping channels. He quickly adds “The challenge for these

retailers now is to keep these shoppers shopping with them by continuing to engage with them through regular communications and relevant product offers. Fortunately, online is ideal for our economic conditions, allowing price sensitive shoppers to search for bargains.”

Wilkinson points out that the online expansion, together with flexible working arrangements, have negatively impacted our inner cities, with fewer people out and about. He says “Inner cities need to think about new ways of attracting people, to make up for the reduced foot traffic for businesses there.” He advocates for more hospitality, entertainment and experience destinations to help drive people to where the stores are.

### Social and environmental purchase

Wilkinson also notes the increasing number of consumers who are now considering social and environmental impacts in their purchasing decisions. “People prioritise the businesses and brands that are doing the right things in their communities, with their people, products and the environment.” Whilst currently he sees consumers driving the change, he predicts the future will see significant systemic change in the way New Zealand manages

environmental costs. “Provenance, packaging and waste will mean retailers, universally, will need to rethink their products and services to meet the needs of our planet.”

### Omnichannel

The global rise of omnichannel shopping is another area of significant change Wilkinson sees in retail. He recognises the threat of Amazon entering the local market as helping focus our biggest retail brands to develop full eCommerce offerings, fulfilment solutions and in-store experiences.

Wilkinson also points to a number of smaller retailers who have leveraged eCommerce tools, like Storbie and Shopify, to deliver excellent cross-channel customer engagement. “It just proves that you don’t need to spend huge amounts to create a compelling omnichannel experience” he adds.

Wilkinson expects omnichannel shopping to continue its momentum, as time-poor shoppers and those prioritising personal time, channel more ‘chore’ purchases online, and begin more of their store shopping from home. “Many retailers don’t understand just how important a strong web presence is for their physical stores. This is how people





“Consider any potential friction that can be eliminated to deliver enjoyable, repeatable experiences, across online and in-store.”



find and qualify their shopping targets nowadays, often scoping their destinations before they make the journey. Online shoppers also want an option to pick up their product, rather than waiting for delivery.” he says.

He encourages retailers to put themselves in their shoppers’ shoes to understand the customer journey. “Consider any potential friction that can be eliminated to deliver enjoyable, repeatable experiences, across online and in-store.”

#### Looking ahead

Post-lockdown economic conditions have seen shoppers reduce spending and be less brand loyal. “With this fluid and expectant audience, businesses have increased potential to capture spend and goodwill” notes Wilkinson “but retailers must be hungrier and smarter in order to get their share. Brands must stand apart with clearly understood propositions and strong calls to action.”

Wilkinson predicts that the pet sector will keep growing in the year ahead, after people took on animal ownership through the pandemic. He also sees continued growth in experience purchases, and the garden sector continuing to do well as more people begin to grow their own produce.

Asked who may continue to do it tough in 2023, he noted that retailers of big ticket items like electronics and whiteware may be in for another difficult year.

#### Retailer priorities

Wilkinson identifies three areas retailers must focus on to ensure their business thrives in the next year:

1. Hold onto your customers by keeping in touch, inspiring them and giving them reasons to prioritise your products, services and experiences over competitors. It’s hard work attracting new business, but much easier to keep those you’ve worked hard to recruit.
2. Think hard about customer succession and make sure your proposition is keeping pace with customer needs. Too often, businesses reflect their own preferences and not those of their changing audience. Think hard about the customers you have now, those not with you but could be, and those you want. How can your offer respond to these audiences?
3. Consider a value proposition within your overall offer, so shoppers who want to remain

loyal can do so, whilst also attracting new customers who want to buy from you but can’t afford to. Stepping stones of affordability will help increase relevance and resilience!

#### Build support networks

It continues to be tough for all retailers, so Chris Wilkinson encourages businesses to build alliances with other retailers. “We’ve found that successful businesses are typically happy to share what’s worked for them and will willingly guide those that need help.” He also adds “There’s lots of good online support platforms too, like NZ Post’s BusinessIQ, with resources that empower businesses to strengthen their performance.”



# Research Methodology

## Online shopper survey

- Conducted online in February 2023.
- A mix of 592 shoppers with varied frequency of online shopping, excluding those who didn't shop online regularly.
- 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.

Please note, a separate sustainability survey was conducted in February 2023 with 617 consumers across New Zealand. These findings are shown on pages 16-17.

## Retailer survey

- Conducted online in February 2023.
- A mix of 218 retailers in different roles including business owners, senior management, sales and marketing, and eCommerce professionals.
- 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  $\pm 6.8\%$  with 95% confidence level.

Please note, a separate sustainability survey was conducted in February 2023 with 225 businesses across New Zealand. These findings are shown on page 27.





# Committed to Helping You Grow Your Business

**At NZ Post we're passionate about eCommerce and helping Kiwi online retailers make the most of the opportunities that online shopping offers them.**

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## **Thank You**

Thank you to Insight Creative for the design, writing and project management of this report. Thanks also to Yabble for the research fieldwork. A big thanks to Animates, The Sleep Store and First Retail Group for agreeing to be part of the report. And a big shout out to the many people within NZ Post who do all the hard work to produce this report and to help Kiwi retailers grow their online business.

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