



The Full Download

2021 New Zealand
eCommerce Review

Kia Ora

Welcome to The Full Download 2021, our annual in-depth review of eCommerce in New Zealand.

2020 was a watershed year for online shopping and we focus on the key trends and changes to consumer behaviour that continued to drive growth across all sectors in 2020. On top of in-depth shopping data, we also provide a number of articles and features to arm you – the online retailer - with the tools and insights to help you grow your eCommerce business.

Enjoy.



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20 20

HIGHLIGHTS

\$5.8^B

TOTAL ONLINE
SPEND IN NZ



25% GROWTH IN
ONLINE SPEND



71%

OF ALL ONLINE
SPEND IS WITH
LOCAL RETAILERS

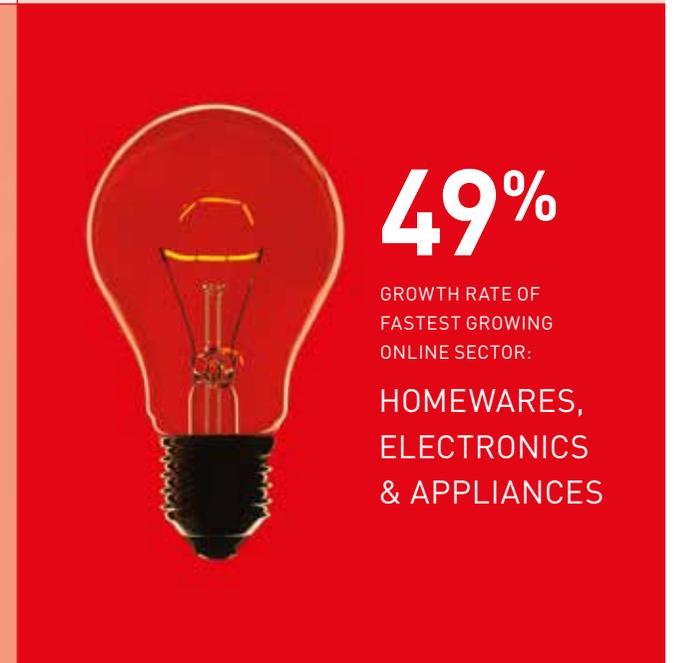
306^K

KIWIS WHO SHOPPED
ONLINE FOR THE **FIRST TIME**



53^M TRANSACTIONS
ONLINE **UP 17%**





Big year, big opportunities ahead

Wow, what a year 2020 was. A watershed year that will no doubt change online shopping forever. What's most important now is how Kiwi online retailers build on the momentum of 2020 to move their business to the next level. We hope The Full Download 2021 gives you the knowledge, insights and tools to grow your business.

Undoubtedly the biggest story of 2020 was COVID-19. It had such an impact on all aspects of our lives from how we work, our wellbeing, our sense of purpose, how we socialise and, of course, how we shop.

The year started well for online retailers with spend up 16% over the first quarter of 2019. We went into lockdown in late March and Kiwis discovered that, with physical stores closed and restrictions to leaving home, online shopping was the best means to get the things we needed. Kiwis shopped online like never before, resulting in quarter two sales (April, May and June) of \$1.6b, up almost 45% on the same quarter in 2019.

For us at New Zealand Post it made the weeks that followed the move to Level 3, when we could deliver all this shopping, some of the busiest we've ever experienced. Even bigger than event days and Christmas!

Following lockdown, and the reopening of physical stores, new shopping habits had been firmly established. Online shoppers were buying more often, across more sectors and spending more each time. Add to this, over 300,000 new online shoppers – many from the regions and of older demographics – and a strong desire to 'shop local.' It's not then surprising that, despite the threat of recession, the last quarter of 2020 was massive for local online retailers, driven by event days and Christmas shopping. In fact, combined with instore shopping Q4 was the biggest retail shopping quarter ever.

52%

OF ADULT KIWIS AGED
16+ SHOPPING ONLINE

11%

OF ALL RETAIL SALES
ARE NOW ONLINE

2020 required retailers to adapt their thinking as shoppers moved online. Many responded by adding eCommerce capabilities, delivery and 'click and collect' options. Many big traditional physical brands extended their online presence, allowing them to keep trading during lockdowns. And as online becomes a bigger part of their business, many are adapting their business model further to the new channel mix and to accommodate customers who interact with them online and in store.

With both sides of the online equation – shoppers and retailers – impacted, 2020 has changed the landscape forever. It would be easy to think that online shopping has had its moment in the sun, and it will now settle back to business as usual, but it's important to remember that online makes up only 11% of all Kiwi shopping spend. In the UK and US, online penetration is well over 20%*. This leaves plenty of room to grow in New Zealand for those who seek to make the most of the opportunities 2020 has unlocked.

In our view the biggest immediate opportunity is with the new customers acquired in 2020. We encourage online retailers to actively engage with these customers, in order to build a long-lasting relationship. And as we start to imagine a possible end to COVID-19 with vaccines, there is much talk of a two-tiered K-shaped economic recovery. Most of our online sectors, at least those not directly impacted by closed or restricted borders, should find themselves in the top part of the K, and benefiting from increased consumer spending.

Along with providing great delivery experiences for your customers, The Full Download is one of the ways we help you grow your online business. In this year's edition, we start by highlighting what shoppers bought, when, where, how often and how much they spent.

We see some interesting developments in 2020, in particular the rapid growth in the regions and over 60s embracing the online phenomena. Most sectors did well and, to the surprise of many, it wasn't groceries that saw the biggest growth. We go deep into each of the sectors, providing retailers with more targeted information that helps them attract shoppers in their sector.

For the first time this year we look at the so called 'Super Shoppers' – that 10% of the Kiwis who make up over 40% of all our spend online. For an online retailers this is the most valuable group and knowing how they behave is the start of attracting them.

As always we offer expert views, with Digital Boost sharing their thoughts on the opportunities and challenges ahead. We look at OfficeMax and how they adapted in 2020, providing valuable insights for retailers looking to make similar changes. And we provide a series of tips and suggestions to help retailers with their key business challenges like finding new customers, growing existing customer relationships, maximising event days and going global.

At New Zealand Post we're committed to being the best partner for online shopping by providing the innovative products and services, information and thought-leadership that Kiwi retailers need to grow. If there's anything we can do to help you make the most of the opportunities ahead with online shopping, please get in touch. We'd love to help.



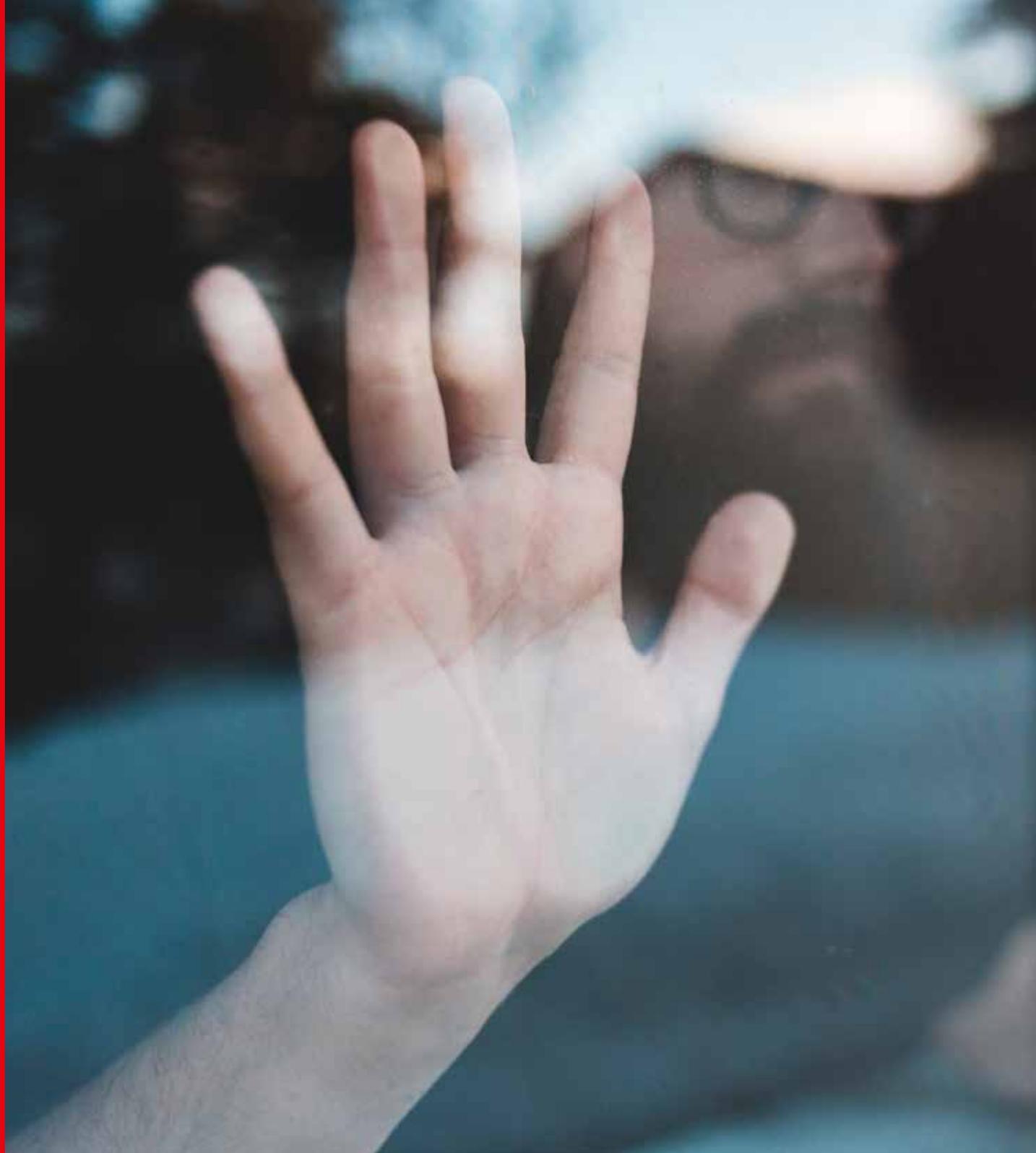
Chris Wong

General Manager, Business Marketing

* www.digitalcommerce360.com
www.emarketer.com

1.0

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THE FACTS

Data lets us see what Kiwi shoppers did online in 2020, revealing the trends that are shaping online shopping in New Zealand. More importantly, data gives us insights into shopper behaviour that lets you, retailers operating online, make informed decisions about how to grow your business.

In this opening section of our review, we have turned once more to Datamine for 2020 transactional card data to uncover the key insights into Kiwi shopping behaviour. We see who's buying what, when and from where, and we spotlight the important changes retailers should take note of.

Details on how we approach the data and changes in our data methodology from previous editions can be found on page 104.

Snapshot of eCommerce in 2020

2020 was the year online shopping stepped on the accelerator, with COVID-19, and more specifically lockdowns, really changing the shopping landscape in a major way. Lockdowns saw those already online spend more, more often and across more sectors and those who hadn't tried online shopping before discovering its ease and convenience.

At its peak in May, online spend hit over \$30m a day, resulting in monthly spend 56% higher than the equivalent months, in 2019.

And once shoppers were online, and new habits formed, many remained there, even when the stores reopened. By year end, Kiwis had spent a massive \$5.8b on online shopping, \$1.2b more than in 2019. That's a phenomenal 25% growth.

This growth story is a simple one about more, more and more:

More Kiwis shopped online (2.13m, up 9.2%); shopping more often (on average 22.92 times a year, up 8.6%) and spending more each time (\$109.33, up 7%).

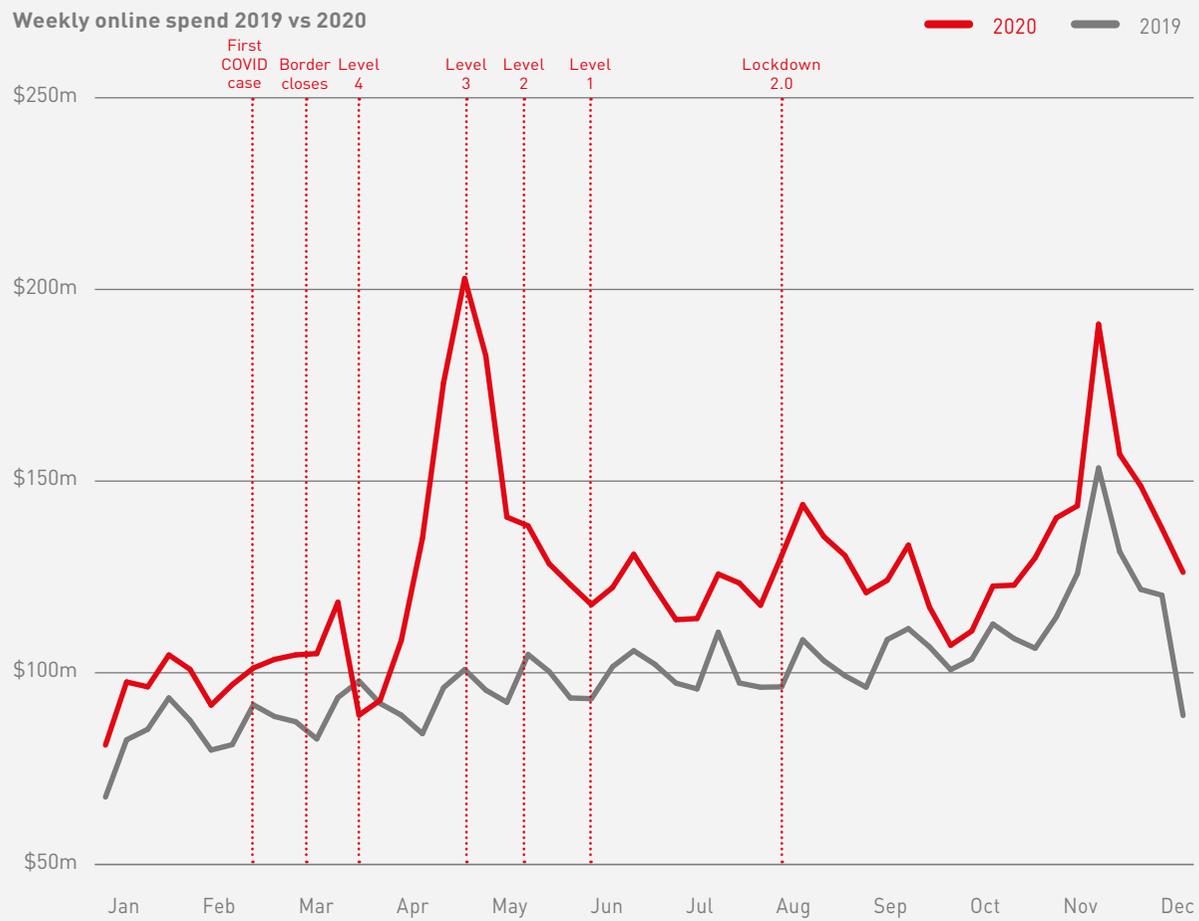
The average Kiwi shopper spent \$2,523 online in 2020 (up 15.6%).

Despite many physical retailers being closed for at least two months with lockdowns, instore spending in 2020 was up well over a billion dollars (up 3%) on 2019. Most commentators put this down to an increase in discretionary spending as a direct result of not going out as much and our inability to travel internationally.

Overall retail spending in 2020 was \$53.1b, up 5% on the year before.

Both online and physical stores benefited from a 'buy local' sentiment, with over 71% of all spend in 2020 with local retailers.

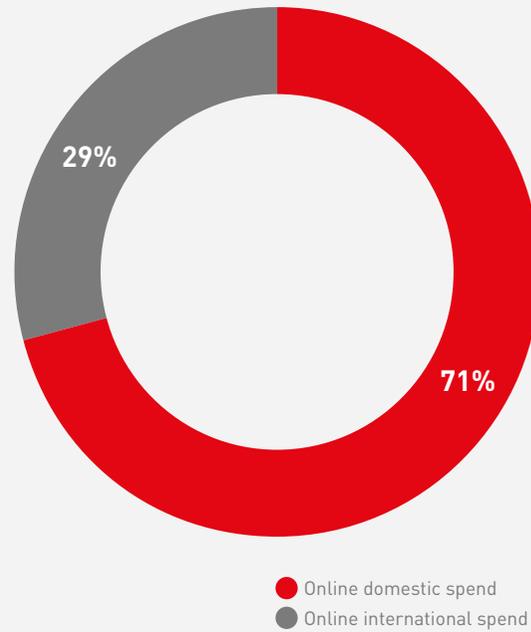
The story of 2020:



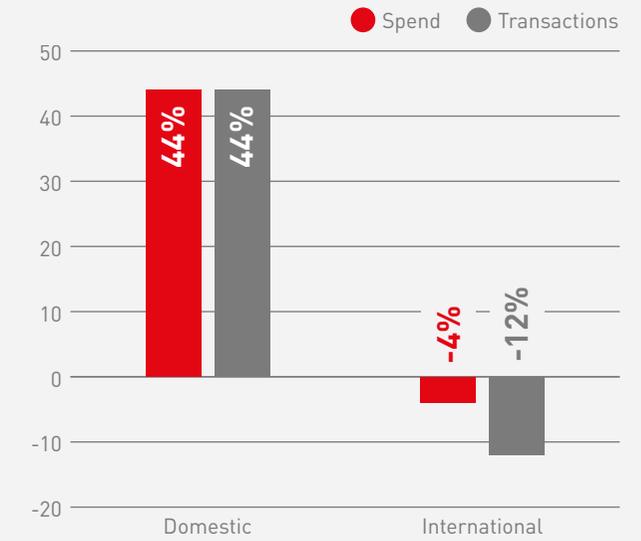
Shoppers vs non-shoppers
2020



Total online spend
2020



Domestic vs international spend and transaction growth
% change 2019 to 2020

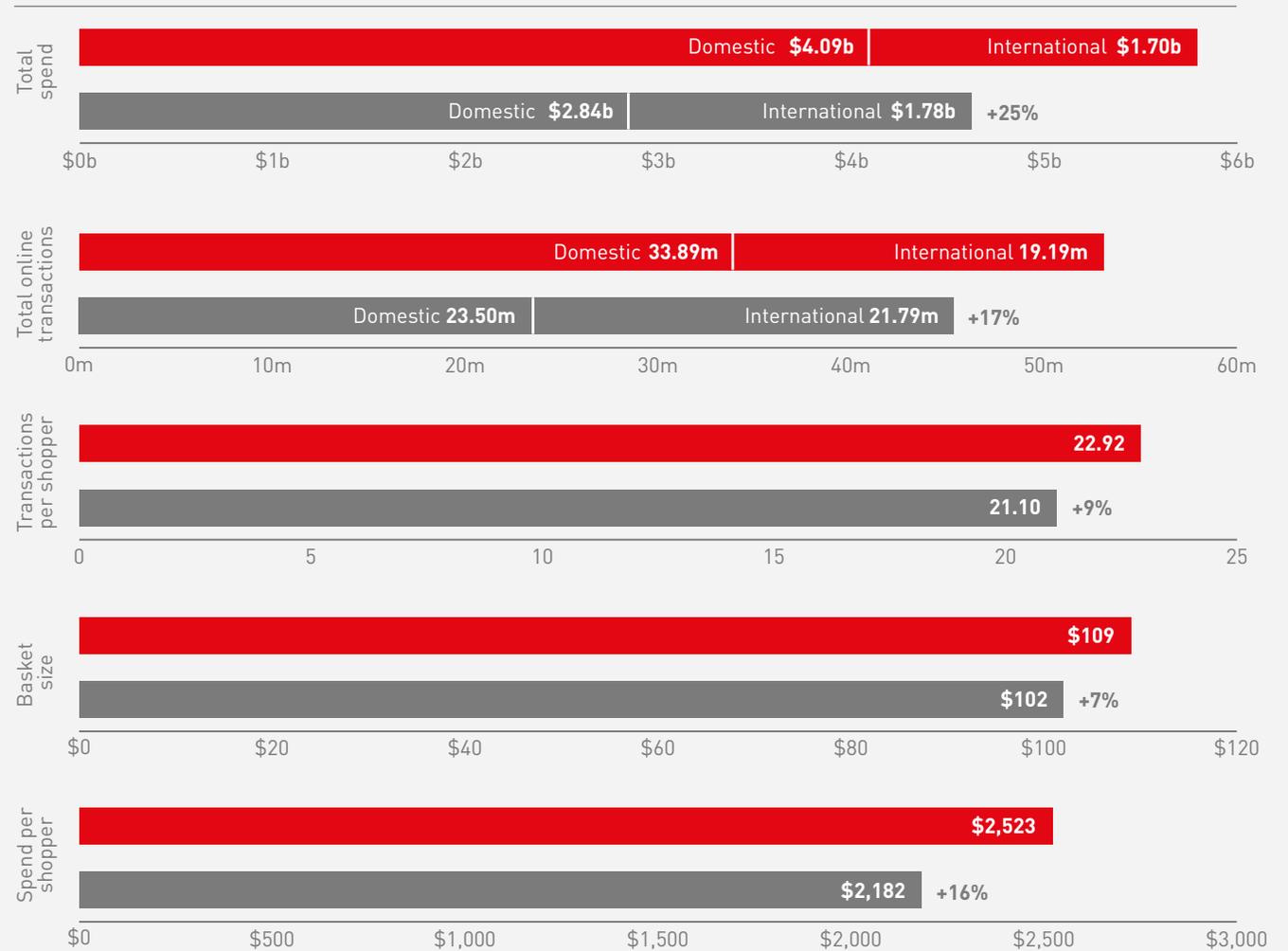


The growth of online shopping in 2020 was driven by new shoppers and existing shoppers buying more often and spending more each time.

Comparison of key online shopping metrics

2019 vs 2020

● 2020 ● 2019



Who's buying online?

The start of any good business growth strategy is understanding who your customers are and what's driving their behaviours. In this section, we use transaction data to develop a clear profile of the age, gender and location of online shoppers.

All age groups showed significant growth in 2020 but it was the older age groups who experienced the highest levels of growth. We saw increases in their numbers, as well as the frequency and size of their spend. Shoppers aged over 60 make up 22.6% of all online shoppers with about half of all 60-74 year olds, and a third of the 75+ age group, now online. On average, the 60+ group made one to two transactions a month, spending well over \$1,900 per annum for each person online.

Despite the growth in the older demographics, it's still the 30-59 group who dominate online shopping with nearly 70% of all online spending. The 30-44 group transact more often at almost 28 times a year on average, however it's the slightly older 45-59 group, with presumably a little more disposable income, that spend the most. Their average annual spend is a whopping \$3,110.

The gender gap in online shopping remains small. Women make up 54% of online shoppers, up just 1% from last year. On average, they transact more often and at lower levels of spend, while men are more prone to those big one-off online purchases.

Even though we saw lots of new online shopping activity in the regions, the split between major cities, urban and rural areas has remained consistent over the last three years. Big cities dominate with Auckland, in particular, making up over a third of all online transactions.

In 2020, there were over three-hundred thousand Kiwis who shopped online for the first time, representing a huge opportunity for online retailers in the year ahead. 60% of them were over the age of 45. They shopped online less often than the average shopper but their spend each time was considerably higher. We also see some significant differences in their shopping patterns, for example, 36% of their spend is in the Homeware, Appliances & Electronics sector (compared to 14% for the total online population).

2.13^M

ADULT KIWIS SHOPPED ONLINE IN 2020*

52%

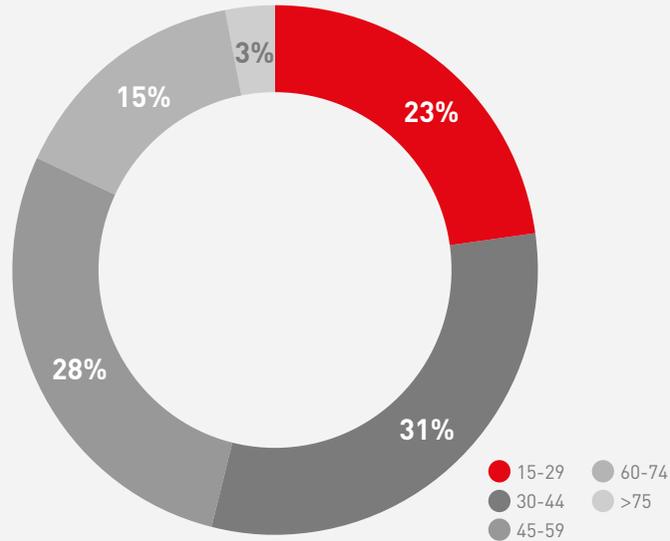
OF KIWIS SHOPPED ONLINE IN 2020*

306^K

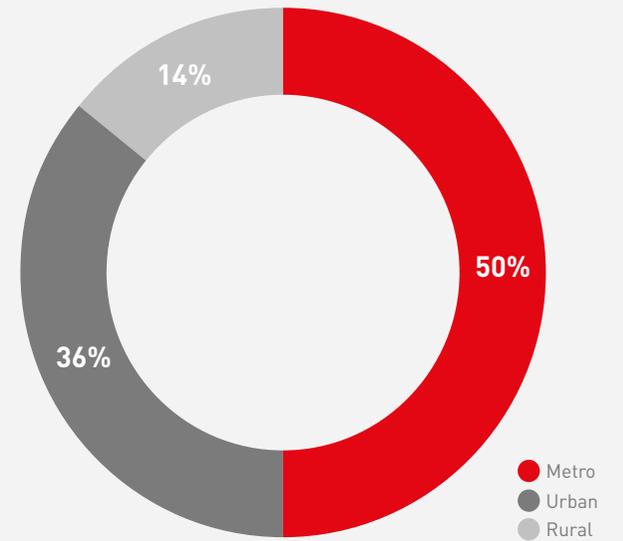
KIWIS SHOPPED ONLINE FOR THE FIRST TIME IN 2020

* Kiwis over age 16.

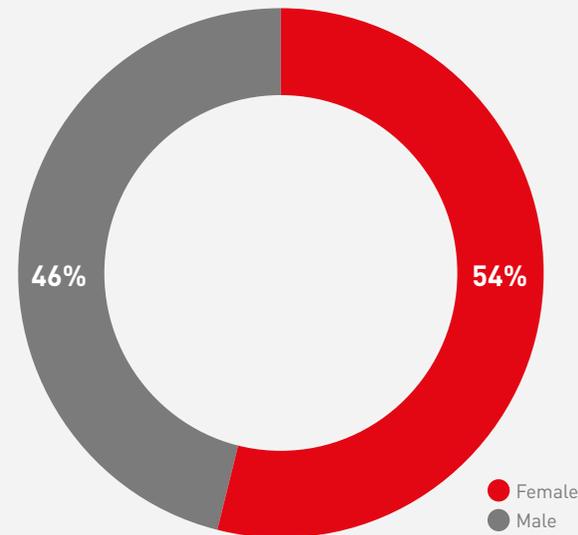
Age
2020 Online Shoppers



Location
2020 Online Shoppers



Gender
2020 Online Shoppers



Profiles of New Zealand's online shoppers by age group



Age 15-29



54% ARE

FEMALE

52% LIVE

METRO

46%

SHOPPED ONLINE
IN 2020

48%

REGULAR SHOPPERS
(1X MONTH MIN)

20 ↑

YEARLY TRANSACTIONS

\$86 ↑

AV. BASKET SIZE
UP 18% FROM 2019

\$1,702 ↑

AV. ANNUAL SPEND PER SHOPPER
UP 20% FROM 2019



Age 30-44



51% ARE

FEMALE

54% LIVE

METRO

59%

SHOPPED ONLINE
IN 2020

54%

REGULAR SHOPPERS
(1X MONTH MIN)

28 ↑

YEARLY TRANSACTIONS
UP 9% FROM 2019

\$108 ↑

AV. BASKET SIZE
UP 8% FROM 2019

\$3,025 ↑

AV. ANNUAL SPEND PER SHOPPER
UP 18% FROM 2019

KEY SECTORS



DEPARTMENT, VARIETY & MISC RETAIL STORES



SPECIALTY FOOD, GROCERIES & LIQUOR



CLOTHING & FOOTWEAR



Age 45-59



51% ARE

FEMALE

50% LIVE

METRO

61%

SHOPPED ONLINE
IN 2020

48%

REGULAR SHOPPERS
(1X MONTH MIN)

25 ↑

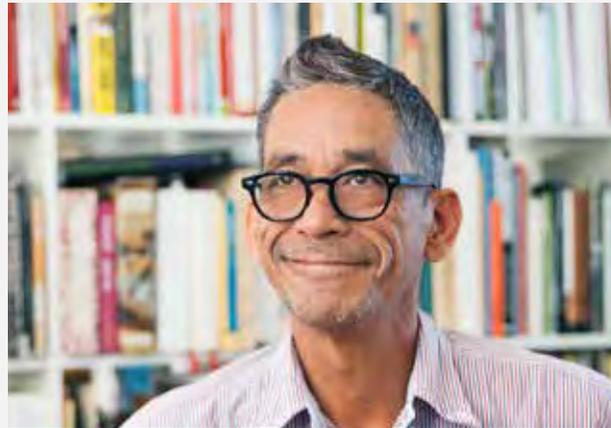
YEARLY TRANSACTIONS
UP 12% FROM 2019

\$125

AV. BASKET SIZE

\$3,110 ↑

AV. ANNUAL SPEND PER SHOPPER
UP 14% FROM 2019



Age 60-74



52% ARE

MALE

42% LIVE

METRO

51%

SHOPPED ONLINE
IN 2020

38%

REGULAR SHOPPERS
(1X MONTH MIN)

18 ↑

YEARLY TRANSACTIONS
UP 12% FROM 2019

\$114

AV. BASKET SIZE

\$2,072 ↑

AV. ANNUAL SPEND PER SHOPPER
UP 15% FROM 2019



Age 75+



53% ARE

MALE

49% LIVE

URBAN

32%

SHOPPED ONLINE
IN 2020

26%

REGULAR SHOPPERS
(1X MONTH MIN)

12 ↑

YEARLY TRANSACTIONS
UP 19% FROM 2019

\$101

AV. BASKET SIZE

\$1,243 ↑

AV. ANNUAL SPEND PER SHOPPER
UP 34% FROM 2019



What are they buying?

Not surprisingly, events of 2020 changed what Kiwis bought online but the categories that did the best and worst may well surprise you. As expected, Food, Groceries & Liquor saw massive growth – with spend up 47% – as lockdowns helped Kiwis embrace online shopping and contactless delivery. But this wasn't the year's biggest winner.

Homeware, Appliances & Electronics experienced the highest growth in 2020. Spend was up a massive 49%. Many factors contributed to this growth including: more discretionary spend for big-ticket items due to less international travel; setting up for working and learning from home; higher demand for more home entertainment devices; and, of course, more home time fuels that Kiwi home decorating desire.

Despite the huge overall growth of online, not all sectors benefited equally. In fact, two sectors experienced declines in spend. Recreation, Entertainment, Books & Stationery saw spend drop by 13%. Domestically the sector experienced a slight increase but this was more than offset by the 25% decline in international spend. Health & Beauty showed a similar pattern, with the slight growth in domestic spend outpaced by a significant 17% decline in international.

This domestic over international story has been growing over recent years but became much more prevalent in 2020. Kiwis were encouraged to support local retailers and they embraced this with force, resulting in 71% of all online spend being domestic. This saw a decline in almost all international categories. The one category that again bucked the trend was Homeware, Appliances and Electronics, with international spending up 23%.

Department & Variety continues to be our biggest online sector at 30% of all online spend, down slightly from previous years. As expected, Specialty Food, Groceries & Liquor took a big jump to make up 23% of all Kiwi online spend in 2020. Homeware, Appliances & Electronics was up 2%, now making up 15% of online spend.

Check out 3.0 What's Happening in your Sector? For a deep dive into each of the sectors.

49%

GROWTH IN HOMEWARE,
APPLIANCES AND
ELECTRONICS

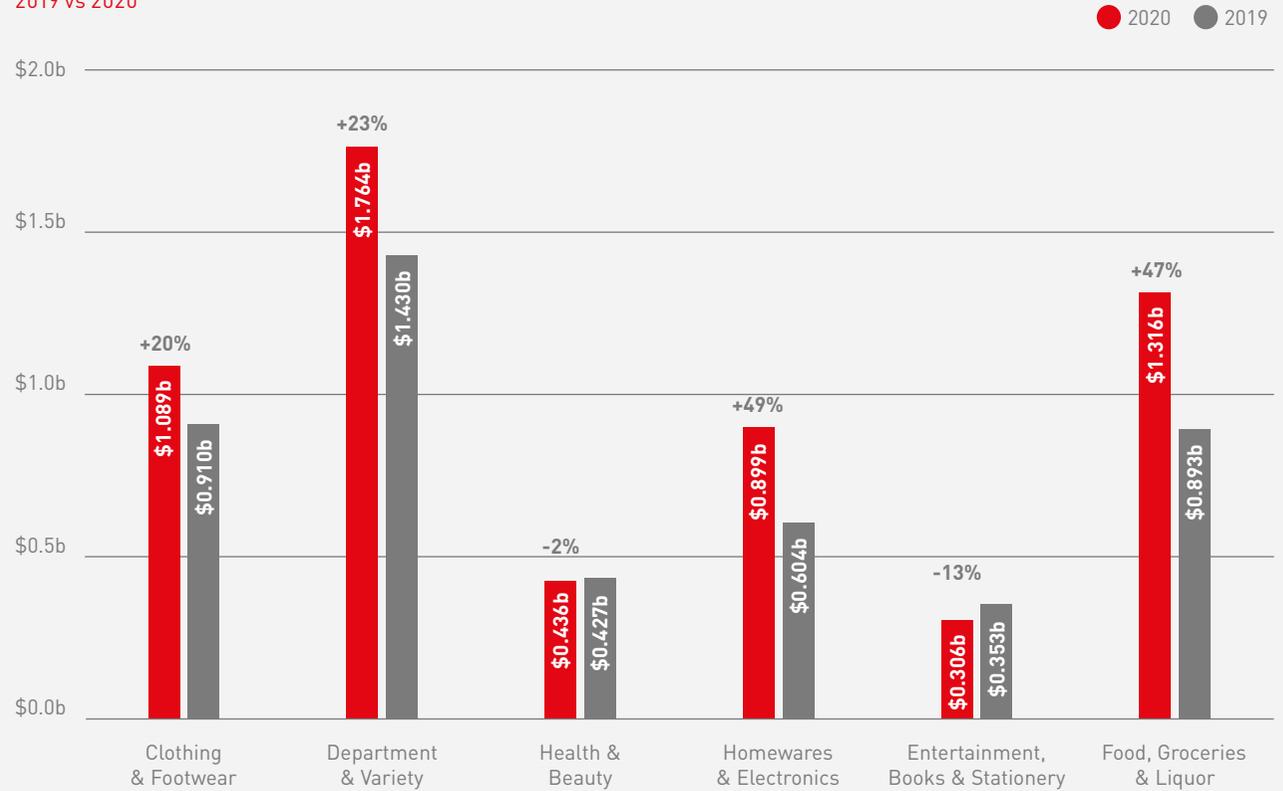
47%

GROWTH IN SPECIALTY
FOOD, GROCERIES &
LIQUOR

30%

OF ONLINE SPEND IS
IN DEPARTMENT &
VARIETY

Total online spend by sector
2019 vs 2020





Where are they buying from?

In this section we look at two key aspects of shopper behaviour – where are they located and where are they buying from. To round out our understanding of international shopping behaviour we supplement our data with additional research from International Post Corporation (IPC).*

Where are shoppers located?

While all regions in New Zealand increased their online spending in 2020, it was regional North Island that delivered the most impressive growth. Taranaki, Northland, Gisborne and Hawkes Bay all grew their online spend by over 30%.

In all cases it was that triple combination of more people shopping online, buying more often and spending a little more each time.

As expected, Auckland with its higher population and extra lockdowns, also saw spend grow big time, up an impressive 38%. Aucklanders made up nearly 40% of all online spending in New Zealand and with an average basket size of \$120, they spend almost \$20 more than the rest of the country every time they get online.

It appears the South Island hasn't embraced online shopping with the same enthusiasm as the North.

That's not to say there wasn't growth. The West Coast, Nelson and Marlborough all grew by over 20%. But as we move down the country this growth rate gets slightly less impressive – 11% in the Canterbury region, 8% in Southland and 7% in Otago. A number of theories for this include the quality of internet access, the population spread and the challenges of delivery this brings.

46%

GROWTH IN
TARANAKI'S
ONLINE SPEND

\$2.2^B

WHAT AUCKLANDERS
SPENT ONLINE

1.87^M

ONLINE SHOPPING
TRANSACTIONS IN
NORTHLAND

Where are they buying from?

The traditional favourites like supermarkets, the Warehouse, Farmers, Briscoes, Noel Leeming, Rebel Sport and others continued to dominate the local shopping landscape. What made 2020 unique was how Kiwis interacted with these brands, using alternative channels to keep buying from their favourite stores.

For many of these players this meant adapting their business models, first to retain customer spend during lockdown and then to grow the customer experience across both channels. For many retailers this meant quickly developing an online shop and delivery capability and/or 'click & collect' processes. Others went further, for example Office Max taking their offering fully online, The Warehouse realigning their resources with an online model and Countdown building a dedicated eShop.

Marketplaces are a great way for retailers, new to online shopping, to test the market for their products and services and to be found by customers. In 2020, domestic marketplaces, like TradeMe, Mighty Ape, The Market and a number of newer ones that launched, experienced growth in online spend of 46% over 2019. Growth comes from more shoppers buying more often but, interestingly, spending less each time.

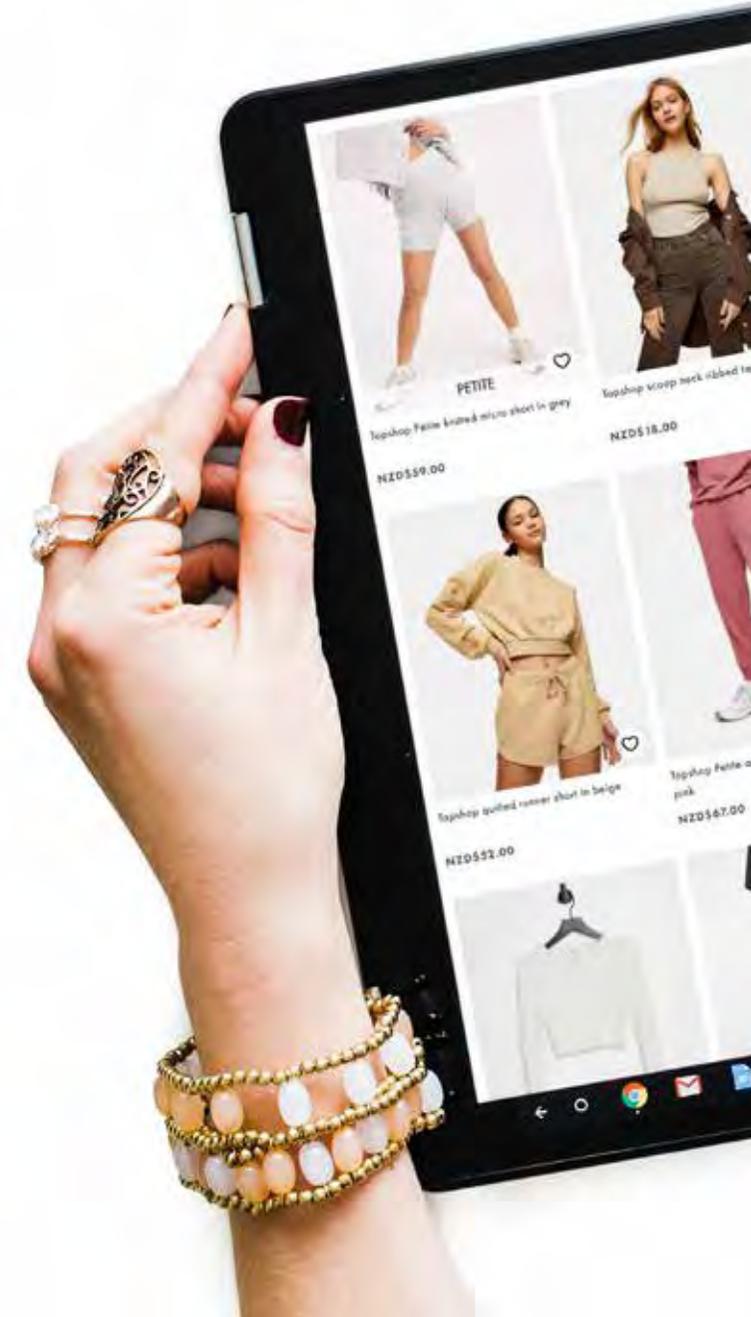
Local marketplaces in 2020

	Spend	Transaction	Basket Size
NZ Marketplaces	\$380m	6,506m	\$58
Growth	46%	55%	-6%

International marketplaces still make up a big part of how Kiwis shop overseas. Though down 9%, international marketplaces still accounted for over \$250m of Kiwis' foreign spend. AliExpress, Amazon, Wish and eBay are the preferred places to buy from with The Iconic, The Book Depository and ASoS also finding pockets of favour.

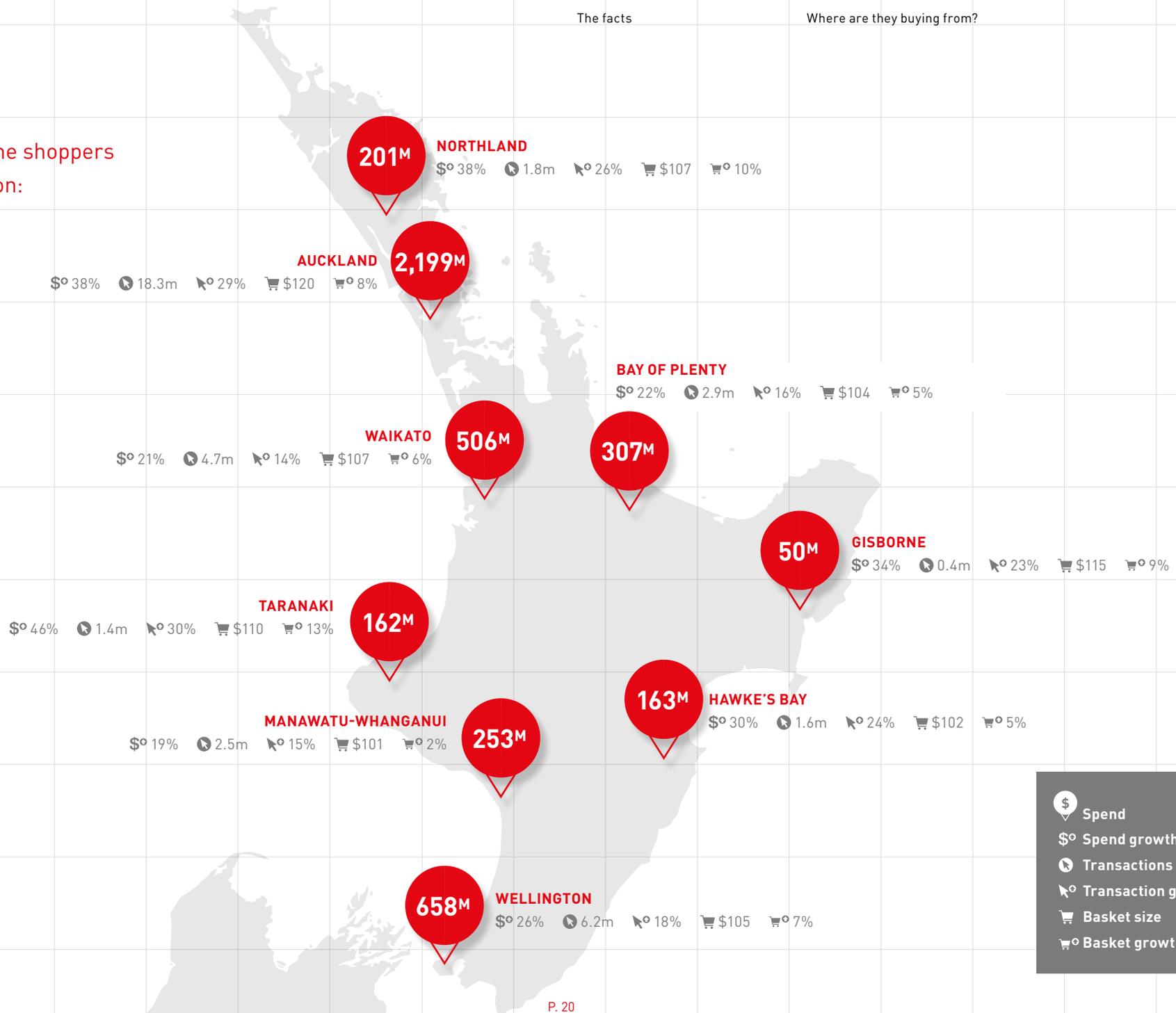
Interestingly, the IPC Cross-Border survey tells us 57% of kiwis who shop internationally buy from Australia. This makes Australia the most popular country for Kiwis to buy from, overtaking China which remains on 50%. These two countries account for a third-each of all international purchases. We saw less interest in buying from the US and the UK, potentially due to the fear of delays in getting products delivered here.

With over two-thirds of Kiwi's online spend local, the key reasons why shoppers look overseas remain consistent: lower prices and the availability of products not offered locally. Countering this is the cost of shipping, the time it takes for delivery and the perceived difficulties in returning products if they are not right. This is a competitive advantage local retailers can leverage to better compete with the global big players.

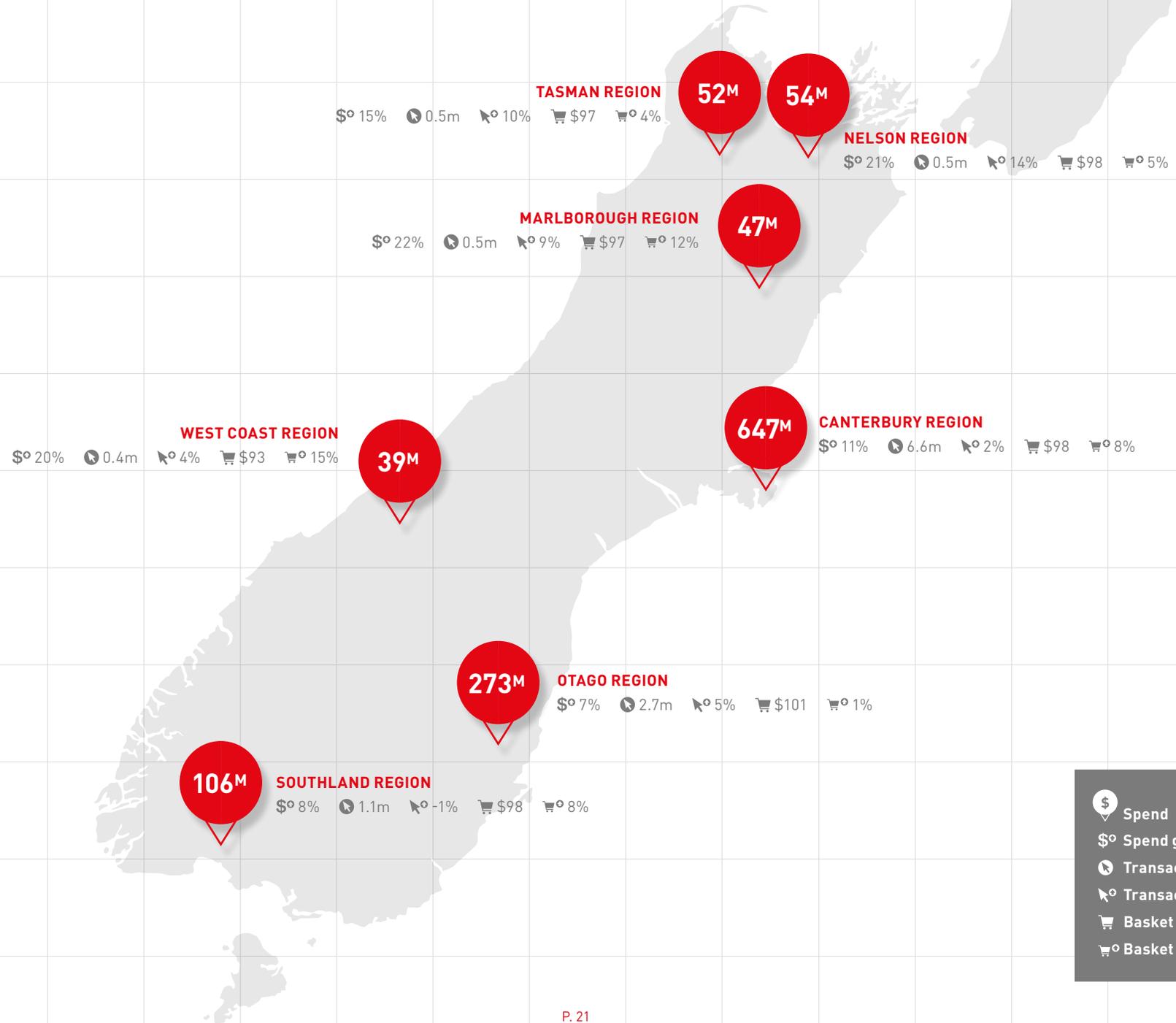


* IPC Cross-Border e-Commerce Shopper Survey 2020 – New Zealand Report. International Post Corporation

Where online shoppers live by region:



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

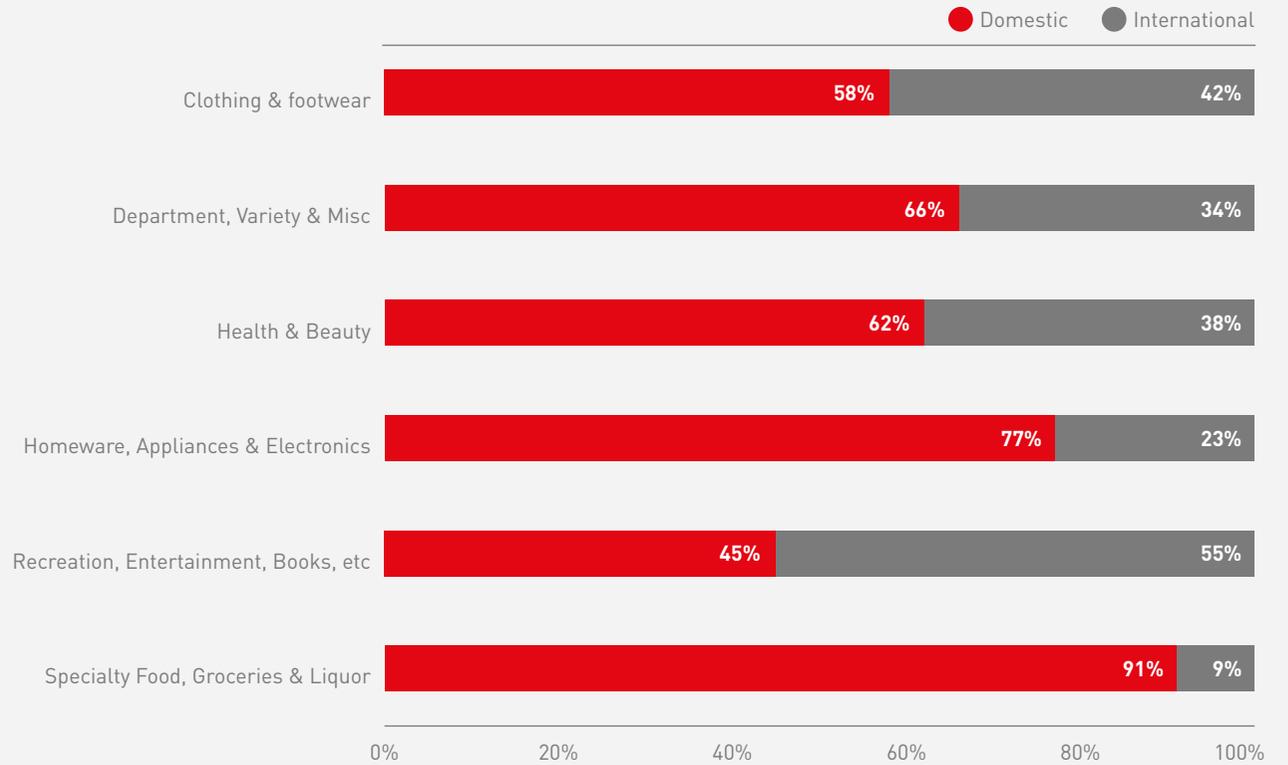


- \$ Spend
- \$% Spend growth
- 📍 Transactions
- 📍% Transaction growth
- 🛒 Basket size
- 🛒% Basket growth

Where overseas are kiwi's shopping?*



2020 sector online spend domestic vs international



* IPC Cross-Border e-Commerce Shopper Survey 2020 – New Zealand Report. International Post Corporation



SPOTLIGHT: Australia

Lockdowns in Australia occurred more often and lasted longer than what we experienced here in New Zealand. These were the catalyst for a huge Australian online boom in 2020.

34%

OF ALL KIWIS' INTERNATIONAL PURCHASES ARE FROM AUSTRALIA

57%

GROWTH OF ONLINE SPEND IN AUSTRALIA

Over nine million Australian households purchased online in 2020 – that's a staggering 4 out of every 5 households. 1.3m households got online for the first time. Many entered the online world as lockdowns began in April and May and grew their spend and the number of sectors they bought from as the year progressed.

The overall Australian retail sector grew by 9.7% to \$310.3b. Online made up \$50.46b of this – up a massive 57%.

Fashion & Apparel is Australia's largest sector with 33.6% market share but, at growth of 45% in 2020, it was the slowest growth sector. The fastest was Specialty Food & Liquor at 77%, followed by Home & Garden at 70%.

What's most significant is that online in Australia now makes up 16% of all spending, compared to New Zealand's 11%.

And the online growth in Australia has seen a growing number of Aussies buying from retailers on our side of the ditch. In 2020 Australia became the largest international destination for Kiwi goods bought online. The Australian market has become an even bigger growth opportunity for Kiwi retailers looking to find new customers.

When and how are they buying?

In this section we look at three key shopper behaviours – days of the week, the fourth quarter shopping rush and the continued rise of Buy Now Pay Later deferred payments.

Most popular shopping days

Tuesday and Wednesday still remain the most popular days for online shopping with nearly a third of all online shopping happening on these two days alone.

In 2019, we noticed Saturday and Sunday shopping declining and they continue to remain the least popular days to shop online. There is one notable exception though and that's Specialty Food, Groceries & Liquor where the traditional Kiwi weekend grocery shop is still alive, well and online. Nearly one-in-five online transactions in this category happens on a Sunday.

Buy Now Pay Later

Buy Now Pay Later (BNPL) has continued its meteoric rise from the last three years, despite growing warnings against rising debt levels, especially in these tougher economic times. In 2019 it grew by a massive 105%. It continued its rapid growth trajectory on 2020, with spend up again by a further 57%. This is driven by an ever growing number of shoppers using BNPL (+18%), for more transaction (+43%) and for larger spend items (+10%).

Aucklanders, in particular, embraced deferred payment schemes like After Pay, Zip and Genoapay, raising their spend by 67% in 2020. Growth occurred across all sectors but was particularly strong in Clothing & Footwear, Department & Variety and Homeware, Appliances & Electronics.

Around 75% of BNPL customers are aged 45 or under, but what's most interesting is the rise in popularity amongst the over 60s. Some commentators suggest that this growth reflects the older generation's familiarity with the original Layby concept. Others see it as evidence of tightening economic conditions, requiring those with fixed income to adopt spread payment options.



\$34^MBLACK FRIDAY SPEND
ONLINE**9%**SPEND GROWTH ON 11/11
OVER 2019**22%**GROWTH IN BLACK
FRIDAY SPEND ONLINE
OVER 2019**\$23.6^M**

2020 SPEND ON 11/11

\$33^MCYBER MONDAY SPEND
ONLINE**199K**ONLINE TRANSACTIONS
ON 11/11**32%**GROWTH IN CYBER
MONDAY SPEND ONLINE
OVER 2019**Quarter Four (Q4)**

Over recent years, the Q4 peak (September to December) has become a feature of how Kiwis shop. This comes from a combination of the big global shopping events in November, the build up to Christmas through December and the big Boxing Day sales to end the year.

At \$1.57b, Q4 2020 online spending was up 19% on 2019, making up around 27% of the year's total online spend. But Q4 wasn't the biggest quarter of the year, this honour went to lockdown dominated Q2 (April, May, June) with sales of \$1.6b. Offline, retail stores were largely closed in Q2 but were open again throughout most of Q4. With everything open, Kiwis spent a massive \$15b across online and instore in Q4, up 8% on 2019, making it the largest retail spending quarter ever.

With existing shoppers increasing their spend and new shoppers joining each year, sales events continue to become an important part of a retailer's year. However, with COVID-19 related supply chain challenges impacting stock levels, we saw some online retailers choose not to participate in event day sales this year. Others, keen not to miss out on the opportunity, offered deals on items they didn't have in stock, promising to deliver when they could.

Singles Day is the largest sales event in the world but still lags well behind Black Friday and Cyber Monday here in New Zealand. It's growing though, up 9% on 2019. This year we saw the Singles Day sales start earlier with big global players, like Alibaba, running their promotions for two weeks leading up to 11/11. Singles Day has become more than a one day event, and in 2020 we saw over \$20m in online sales on the day each side of 11/11.

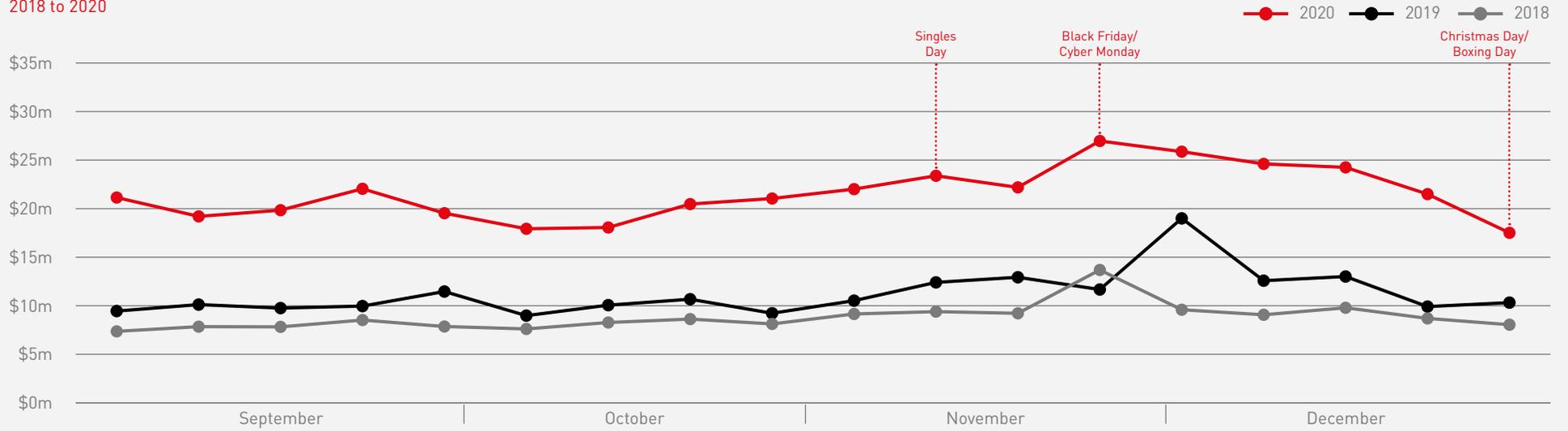
Similar to the global experience, New Zealand's Black Friday and Cyber Monday sales started much earlier in 2020 with a number of big players running pre-sales to avoid the competitive clutter of the day. Over the four shopping days, from Black Friday to Cyber Monday, we saw online spend of \$115m, up 30% on the same four days last year.

Online shopping levels built steadily through December, peaking the week before Christmas, as shoppers allowed time for delivery. As a result, NZ Post delivered 2.1m parcels in the week leading up to Christmas Day – over 200 parcels a minute.

Boxing Day, traditionally a big shopping day, had instore spend at \$183m. This was in line with last year but well short of Cyber Monday and Black Friday levels. The shopping fervour at the malls of previous Boxing Days appears to have waned, replaced by sales events in November, higher sales in the build up to Christmas and of course, online shopping. Boxing Day online spend was up 19%.

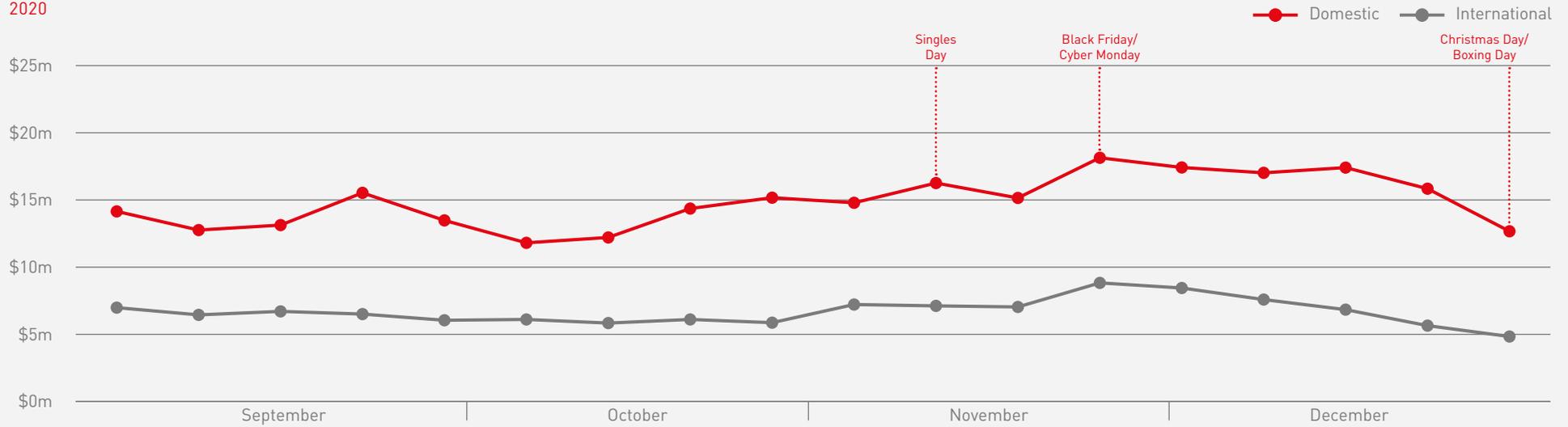
Total daily online spend Q4

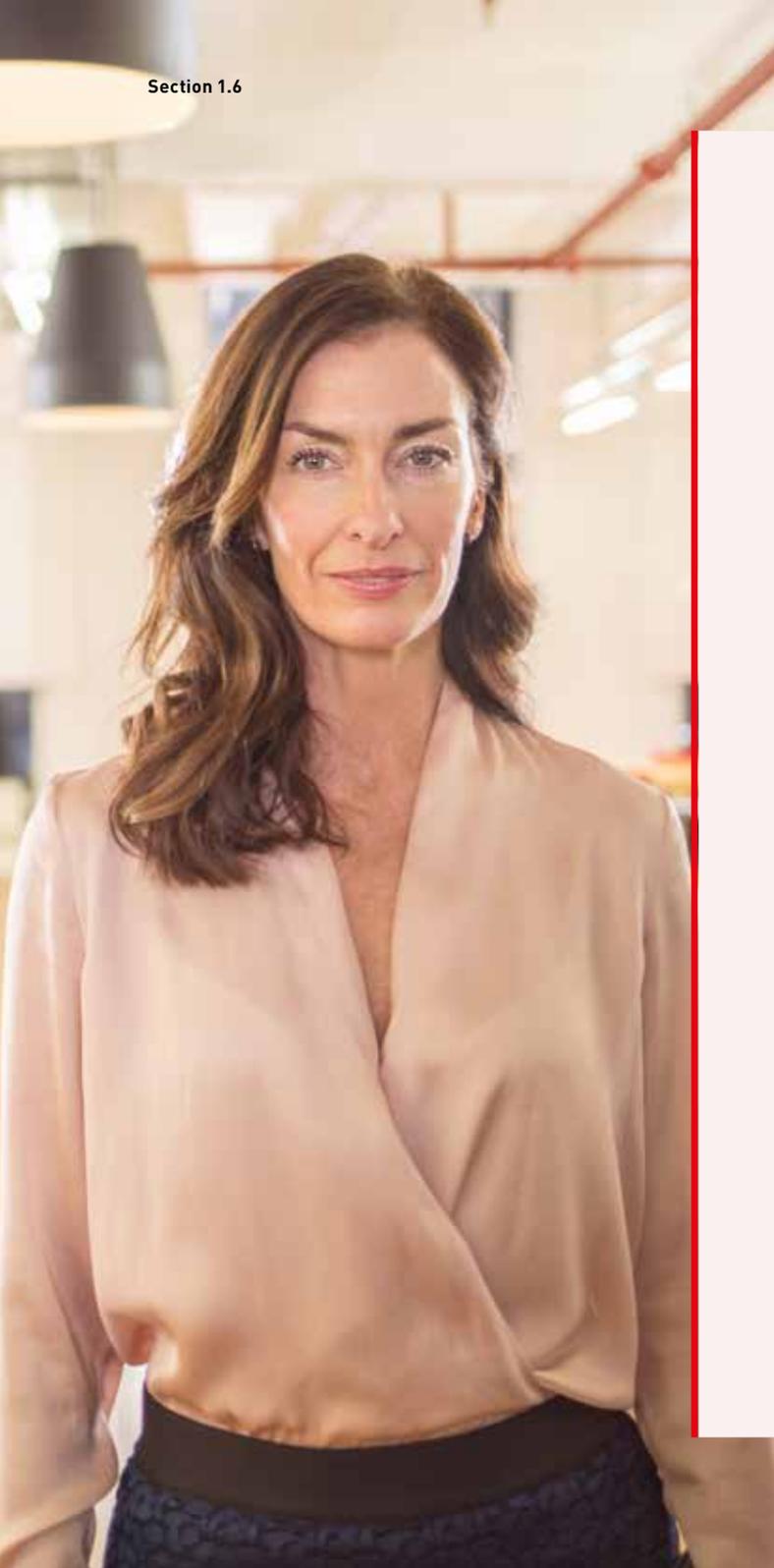
2018 to 2020



Daily online spend domestic vs international Q4

2020





FOCUS: Super Shoppers

We often hear the pareto rule, where a large part of a result comes from a small part of the effort. This principle applies to online shopping as well. In this section we look into the behaviour of 'Super Shoppers', those shoppers whose actions have the biggest impact on our online shopping trend numbers.

258^k

NUMBER OF SUPER SHOPPERS IN 2020

First things first, who are the Super Shopper? We have defined Super Shoppers as those who make more than 50 online transactions a year. That's about one online transaction a week on average.

Our Super Shoppers make up 10% of all online shoppers but 42% of all online spending and transactions. There's no doubt, that from a retailers perspective, these are the shoppers you most want to attract and retain.

In a year when Kiwis spent more online, it's not surprising that the Super Shoppers also lifted their game. There are now 28% more Super Shoppers than there was in 2019. At \$2.3b, their spend was 40% higher than 2019.

Each time Super Shoppers shop, their average spend is \$108. This is slightly less than all online shoppers. What makes this group so 'Super' is the frequency by which they shop – averaging nearly seven online transactions a month, compared to the average shopper's one to two. Online transactions from this group were up 30% in 2020 to a staggering 21.2m.

82.4

SUPER SHOPPERS
AVERAGE ANNUAL
TRANSACTIONS PER
SHOPPER

23

ALL ONLINE SHOPPERS
AVERAGE ANNUAL
TRANSACTIONS PER
SHOPPER

\$8,946

SUPER SHOPPERS
ANNUAL ONLINE
SPEND PER SHOPPER

\$2,523

ALL ONLINE SHOPPERS
ANNUAL ONLINE
SPEND PER SHOPPER

Who are they?



72% OF SUPER SHOPPERS ARE AGED BETWEEN 30 – 59. THIS GROUP MAKES UP 80% OF ALL THE SPEND BY SUPER SHOPPERS.



OVER 75s LED THE WAY FOR GROWTH IN 2020 WITH CUSTOMERS UP 45%, TRANSACTIONS UP 44% AND SPEND UP 85%.



58% OF SUPER SHOPPERS ARE FEMALE. IN 2020, THEIR NUMBERS GREW BY 33%, TRANSACTIONS BY 34% AND SPEND BY 48%.



FEMALE SHOPPERS ARE CONCENTRATED IN THE UNDER 45 AGE GROUP. MALE SHOPPERS ARE MORE LIKELY TO BE IN THE 45+ AGE GROUP.

Where are they?



AUCKLAND - 35% OF SUPER SHOPPERS AND 40% OF SUPER SHOPPER SPEND. THEY LEAD THE WAY IN ALL KEY STATS - 84 TRANSACTIONS A YEAR, \$10,240 ANNUAL SPEND, AND 122 TRANSACTIONS PER ANNUM.



CANTERBURY & WELLINGTON - EACH MAKE UP 12% OF SUPER SHOPPERS AND 10% AND 12% OF SPEND RESPECTIVELY.



GISBORNE - SUPER SHOPPERS SPEND ALMOST \$9,500 ON AVERAGE PER YEAR.

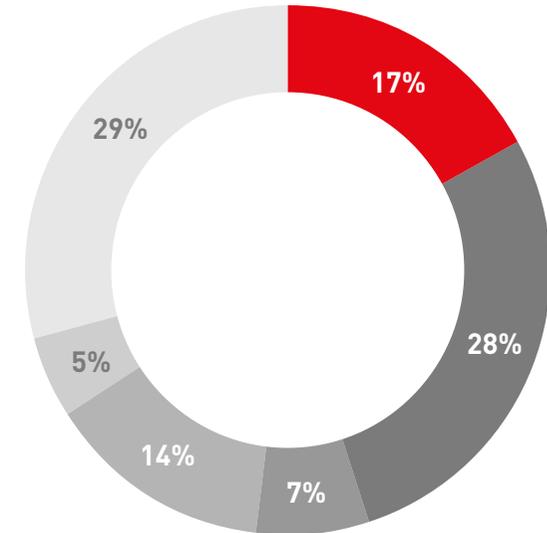


HAWKE'S BAY - HAD THE HIGHEST GROWTH OF SUPER SHOPPERS (UP 41%) AND TRANSACTIONS (UP 43%).



NELSON - HAD THE HIGHEST SPEND GROWTH BY SUPER SHOPPERS (UP 57%).

What are they buying?



- Clothing & Footwear
- Department, Variety & Misc. retail
- Health & Beauty
- Homewares & Electronics
- Entertainment, Books & Stationery
- Food, Groceries & Liquor

72%

OF SUPER SHOPPER SPEND IS WITH **DOMESTIC RETAILERS**

2.0

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IN THE REAL WORLD

In this section we bring the data alive by talking with shoppers and retailers about their experiences, perceptions and expectations. We look at two sides of the same question – how was 2020 for you and what are your expectations for 2021? First, we look at the results of our Online Shopper Survey, with over 650 respondents. We then look at the perspective of over 150 retailers, through the findings of our Online Retailer Survey. There are some interesting similarities but also a number of areas where buyers and sellers see things a bit differently.

We also look at OfficeMax, seeing how they changed their business model in 2020 in response to what was happening in the world around them. The insights and learning will be useful for many retailers making, or thinking about, similar changes.

And finally we talk to MBIE's Digital Boost, the team helping businesses compete more effectively in a digital world. They discuss some of the biggest challenges and opportunities ahead for retailers.

The Retailers' Perspective

The data tells us that many retailers had a successful 2020 with COVID-19 accelerating online revenue growth. Now, through our NZ Post Online Retailer Survey of 155 online retailers, we can see how retailers perceived that growth and the challenges and opportunities it delivered for them. We also look ahead to uncover retailer expectations and priorities.

55% of online retailers stated their revenue was higher in 2020 than the year before. Interestingly, that number rises to over 60% when you look at retailers who have both an online and physical store. Retailers perceive that this growth was largely driven by attracting new shoppers to their store but they also don't underestimate the cumulative impact of existing customers shopping more often, spending more each time and buying a wider variety of products. Nearly a third of retailers saw their growth come from new overseas customers, suggesting that there is a growing international market for Kiwi products.

Despite this overall growth trend, it was a challenging year for many retailers. Beyond the uncertainty of a pandemic and the financial pressure of an economic downturn, many dealt with supply chain and delivery delays impacting on their customers. Many upgraded their website or put new processes in place to cope with ever increasing volumes while others completely adapted their business model.



55%

OF RETAILERS INDICATED THAT THEIR ONLINE REVENUE WAS HIGHER IN 2020 (ONLY 17% THOUGHT THEY EARNED LESS)

90% of retailers think that the year ahead will be as good, if not better, than the year that has just been. In preparation, retailers' primary focus is on attracting new customers while continuing to build the value of existing ones. It's good to see that it's not growth at any cost though, with retailers also prioritising profitability, efficiency, innovation and sustainability.

2020 demonstrated the importance of a good delivery experience for shoppers and retailers are placing priority on this. Other shopper priorities though, like sustainable packaging and easy returns, appear to rank low for retailers. If attracting new customers, and growing existing ones, is priority then we encourage retailers to actively listen to what their customers are looking for.

Retailer's view of what's driving revenue



30%

BUYING MORE OFTEN FROM USUAL STORES ONLINE



50%

BUYING FROM MORE ONLINE STORES



14%

SPENDING MORE EACH TIME AT USUAL STORES ONLINE



54%

BUYING A WIDER RANGE OF PRODUCTS ONLINE

Top 5 challenges for online retailers in 2020



21%

DELIVERY DELAYS



Lost a lot of business from not having the advantage of picking up items from me."



19%

IMPACT OF COVID-19



Delivering goods - not being able to get parcels out during lockdown, as a non-essential business delays in delivery also meant additional customer follow up."



18%

RISING ONLINE BUSINESS COSTS



Security and handling of personal details and handling orders. Delivery service is biggest concern."



17%

LESS BUSINESS ACTIVITY



Restrictions and pandemic, limited and cut hours of work, anxiety about the COVID-19 situation."



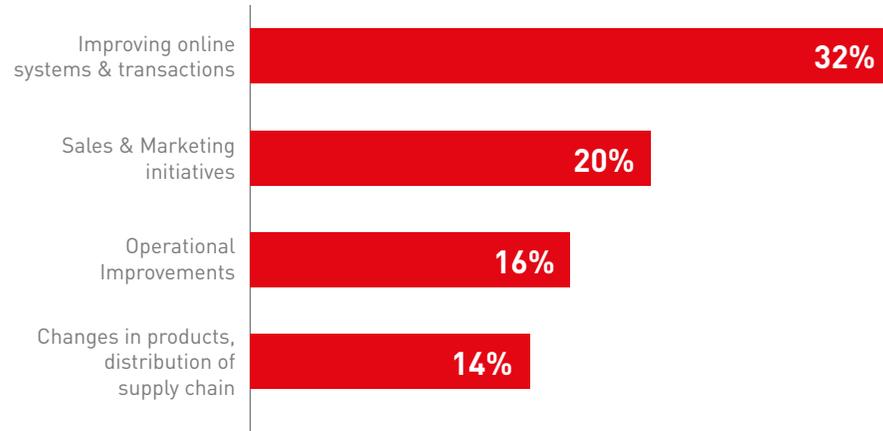
17%

FREIGHT RELATED ISSUES

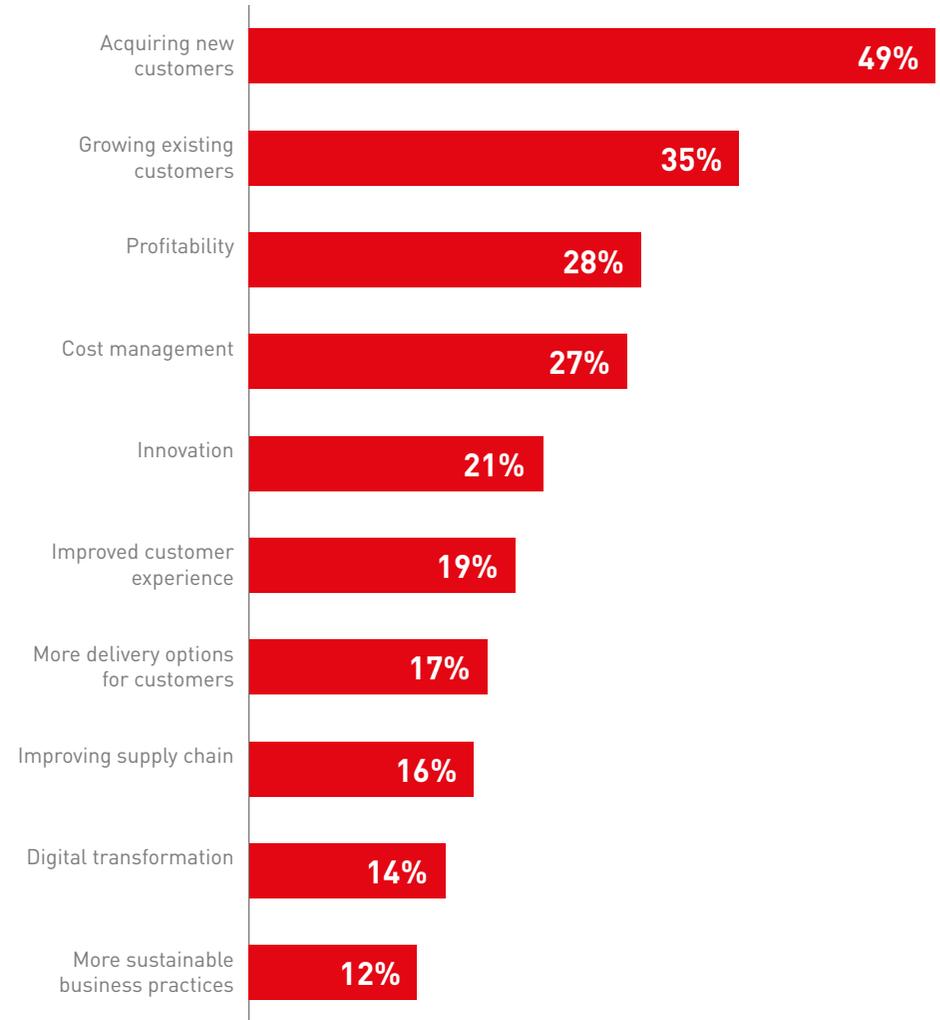


Making sure supply of products are arriving on time to meet demand"

Major changes implemented by retailers in 2020



Retailers' priorities for the year ahead





The year ahead*

31%

OF RETAILERS
THINK ONLINE
REVENUE WILL BE
THE **SAME**

56%

OF RETAILERS
THINK ONLINE
REVENUE WILL
BE **MORE**

13%

OF RETAILERS
THINK ONLINE
REVENUE WILL
BE **LESS**

What retailers think drives shopper spend*

*NZ Post Retailers Survey



PRICE/VALUE
61%



DELIVERY
EXPERIENCE **46%**



STOCK
AVAILABILITY **45%**



PRODUCT
QUALITY **30%**



CUSTOMER
SERVICE **21%**



RANGE OF
PRODUCTS **19%**



WEBSITE
EXPERIENCE **18%**



PAYMENT
OPTIONS **8%**



LOYALTY
SCHEMES **4%**



FLEXIBLE
RETURNS **4%**

RETAILERS

The year ahead*

49%

OF SHOPPERS
THINK THEY'LL
SPEND THE **SAME**

29%

OF SHOPPERS
THINK THEY'LL
SPEND **MORE**

16%

OF SHOPPERS
THINK THEY'LL
SPEND **LESS**

What shoppers would like retailers to focus on*

*NZ Post Online Shoppers Survey



FASTER
DELIVERY **38%**



ECO-FRIENDLY
PACKAGING **34%**



PRODUCT
AVAILABILITY **26%**



EASE OF RETURNS
24%



MORE DELIVERY
OPTIONS **21%**



PRODUCT
QUALITY **15%**



WEBSITE
EXPERIENCE **14%**



PRICE OPTIONS
13%

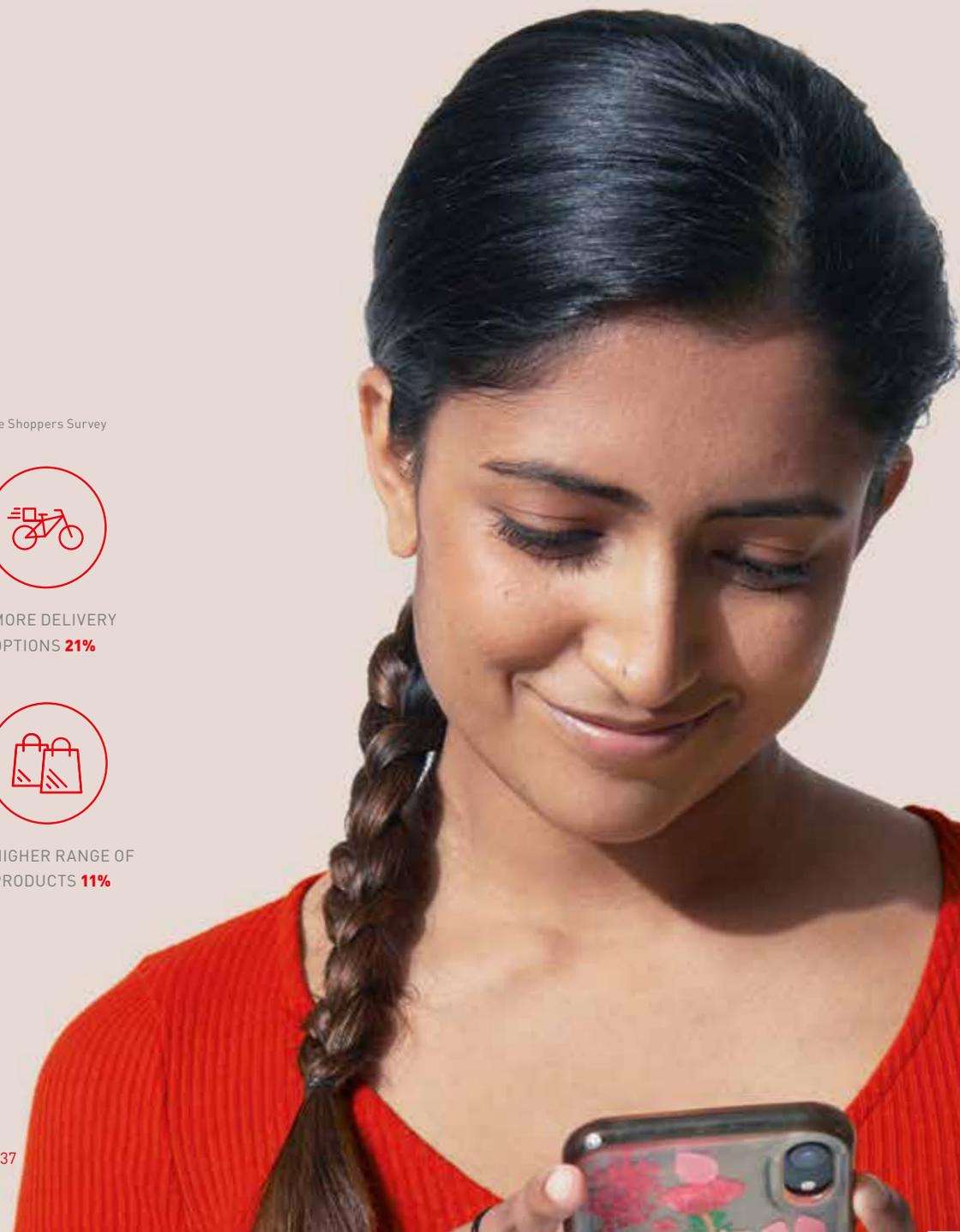


ONLINE HELP
OPTIONS **12%**



HIGHER RANGE OF
PRODUCTS **11%**

SHOPPERS



The Shoppers' Perspective

Data helps us identify shopper behaviours in 2020. What it doesn't tell though is why they acted the way they did. It also doesn't tell us if what happened in 2020 will drive what they do in the year ahead. Our NZ Post Online Shopper Survey talked to 650 shoppers across a variety of ages and locations and gives us good insights into what's driving shopper behaviour online.

Most shoppers felt they spent more online in 2020 and it appears this behaviour was across the board – spending more at shops they used to shop at and also at new stores. Spending more on the things they used to buy and also buying a wider range of products.

Is this just because of lockdowns, and shopping habits will now go back to where they were before? It appears not, with over half of those who spent more in 2020 seeing this as a permanent change in their shopping patterns.

And when we look at what drove these increased online spending habits we see that COVID-19 and health concerns are key reasons but they aren't the main reason. Shoppers have discovered the convenience of online and that's something, once discovered, is hard to go back on. Other key reasons to support permanent behaviour change include the ability to shop around, shoppers becoming more comfortable with online shopping and having more of their favourite stores now online.

But it wasn't all plain sailing for shoppers with a year full of disruptions and delays in supply and delivery. Maybe the most interesting finding was that nearly one-in-five shoppers expressed frustration at wasteful packaging. It was definitely a year where our wellbeing, and the planets, gained more prominence.

Looking ahead, nearly half of shoppers felt they'd keep spending at this higher level in the year ahead, while a further 29% thought they'd spend even more. That's a promising sign for retailers but there are also a number of things that shoppers would like to see them address. The obvious ones, mirror the frustrations of 2020, with shoppers wanting more delivery options, faster delivery times, greater stock availability and eco-friendly packaging. An interesting one, is that 24% feel that retailers need to focus on offering an easier returns policy. We've seen this as a key shopping trend internationally in recent years and it seems Kiwi shoppers also want retailers to take on some of the risk of buying without seeing.

We saw a drive to buy from local retailers in 2020. Looking ahead, over two-thirds of our shoppers told us that they'd still prefer to support local retailers. Yet another positive sign for Kiwi retailers online.

62%

OF SHOPPERS FELT THEY SPENT MORE ONLINE IN 2020 (ONLY 8% THOUGHT THEY SPENT LESS)

52%

OF SHOPPERS WHO SPENT MORE IN 2020 SAID THEIR ONLINE SHOPPING HABITS HAVE CHANGED PERMANENTLY.

Super Shoppers are those shoppers who buy online more than once a week.

76%

OF SUPER SHOPPERS FELT THEY SPENT MORE ONLINE IN 2020 DUE TO BUYING MORE FROM THEIR USUAL STORES AND BUYING A WIDER RANGE OF PRODUCTS.

64%

OF SUPER SHOPPERS WHO SPENT MORE IN 2020 SAID THEIR ONLINE SHOPPING HABITS HAVE CHANGED PERMANENTLY.

39%

OF SUPER SHOPPERS THINK THEY'LL SPEND EVEN MORE ONLINE IN 2021.

Shoppers' frustrations in 2020

“

Packages arriving in the country took more time to go cross country than it took them to arrive in the country from China.”

“

A few stores would offer amazing deals but then shipping would cost more than the product itself which was frustrating.”

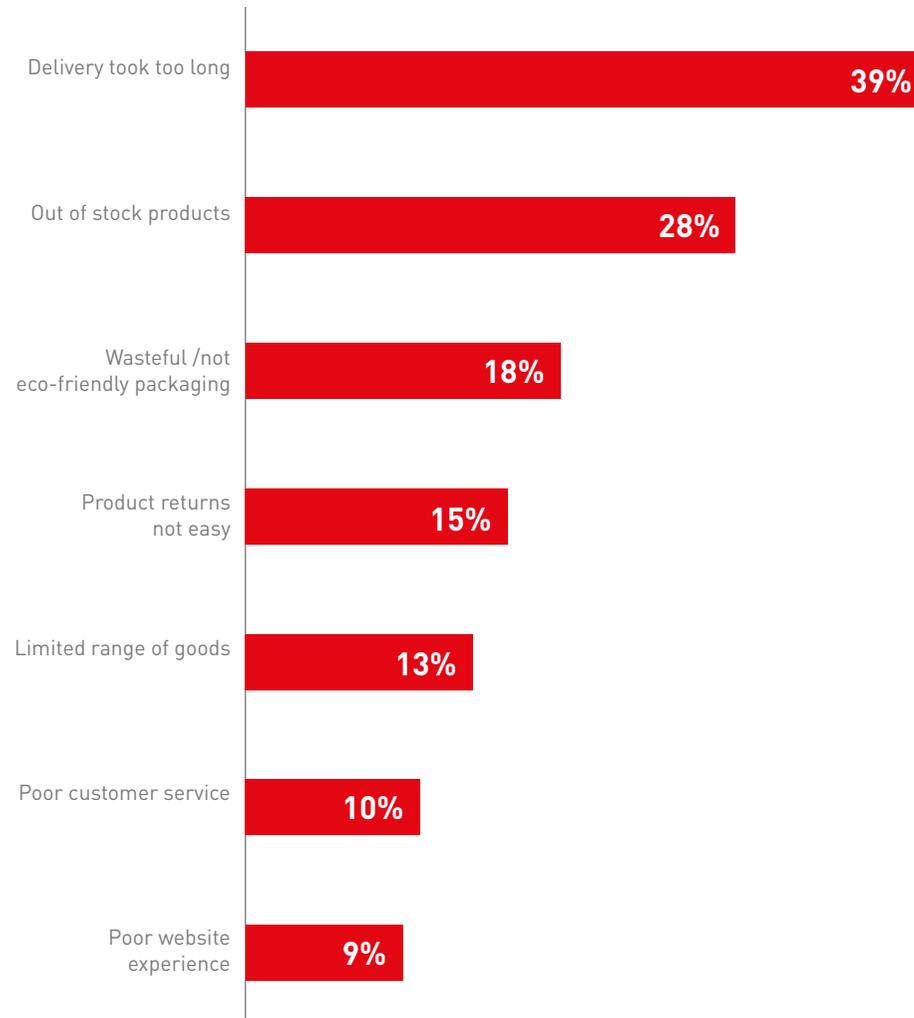
“

COVID-19 has meant delays in stock arriving into the country, so many items have been either out of stock or delayed.”

“

Sometimes ridiculously large boxes for small items and then lots of plastic air-bag wrapping.”

Key frustrations experienced by shoppers in 2020



Shoppers' perceived drivers of increased spend



54%

BUYING A WIDER RANGE OF PRODUCTS ONLINE



50%

BUYING FROM MORE ONLINE STORES



30%

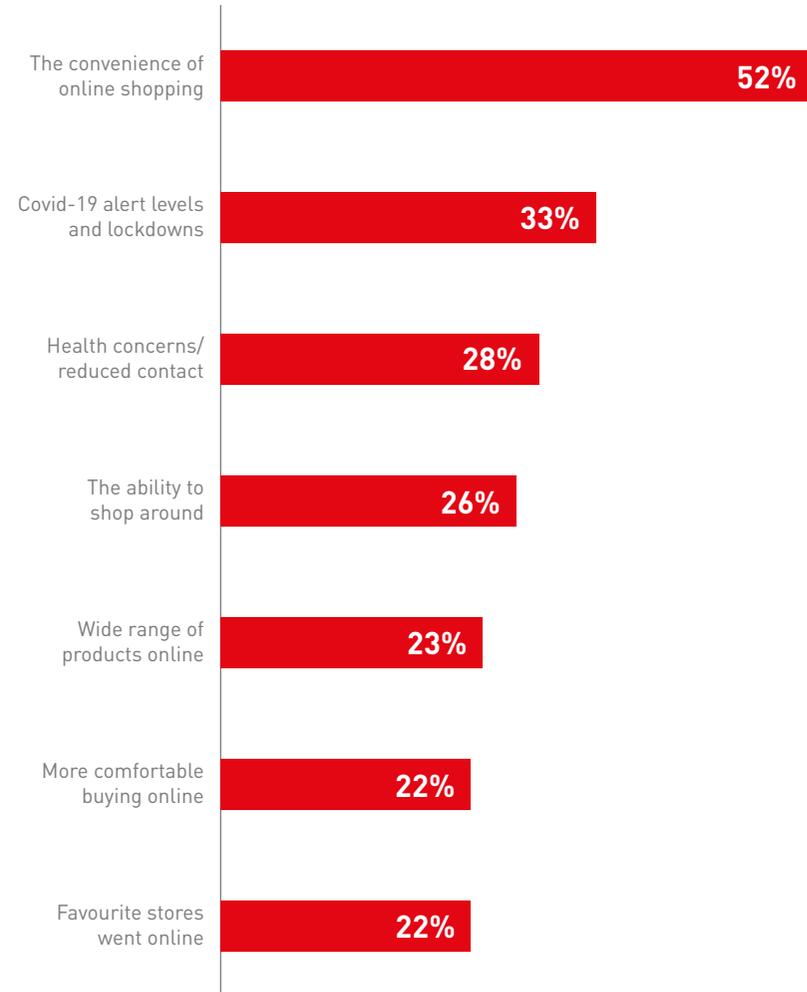
BUYING MORE FROM USUAL STORES ONLINE



14%

SPENDING MORE AT USUAL STORES

Key drivers of shopping behaviour changes



Case study



OfficeMax goes broader by going online

Before the dark clouds of COVID-19 were even threatening our shores, OfficeMax was embarking on its own brave journey to further grow its business model online. Kevin Obern, Managing Director at OfficeMax talks about the change, and how online has opened up new markets and new opportunities for the business.

Mention OfficeMax and most people will talk pens and paper. But this 150-year old business offers far more and has the capability to stretch its customer relationships to multiple product solutions and business services including office cleaning, managed print services and interior fit-outs. OfficeMax already had a growing online presence but made the decision to transition to purely online.

The home office

OfficeMax couldn't have anticipated the impact of COVID-19, which saw offices emptied nationwide and thousands of mini offices and classrooms set up at home. It's call centre, sales and office employees, vital to their business model, were dispersed and this put tremendous pressure on a new model still being established. Kevin reveals:

There was a significant and very swift period of adjustment. We had to roll out new cloud-based technology very quickly to enable the call centre folks and others to work from home.”

An office supplies business suddenly faced with empty offices doesn't sound survivable. But their customers hadn't gone – they were working from home. Casual online customers increased thousands of percent overnight and online registrations from B2C customers increased by more than 168% from prior year.

“So one of the changes for us is how we enabled corporate customers to provide their office workers access to our products while working from home. We saw an enormous spike in products like webcams, headsets and computer monitors. The searches for webcams alone were up 8,000% during March and April 2020 when compared to 2019.”

36

The fact of the matter is that our customers see a lot of the courier so having that connectivity and visibility as to what's happening is becoming increasingly important.”

Things have settled down now, but there are ongoing changes. For example, in office locations, demand for tea, coffee and consumables like toilet paper are down but there are big increases in pens and paper for people's home offices. There's a 20% rise in sales of packaging products to the retail industry, reflecting a growing trend of online shopping (2020 versus 2019).

Maintaining the customer relationship

Like many business providers, OfficeMax relies on more than a customer-centric website and a well-trained call centre to maintain relationships. They also recognised that customers want a more tactile experience for items like coffee machines, cleaning equipment and packaging solutions. They responded with interactive showrooms in Auckland and Christchurch, and soon Wellington.

“Office products are about 50% of our business now. These industry-first showrooms give us the opportunity to talk to customers about our broader products and services, helping them see we can provide a complete solution for their business” explains Kevin.

Kevin is also quick to acknowledge the importance of delivery and the need to invest in improving the experience. “The fact of the matter is that our customers see a lot of the courier so having that connectivity and visibility as to what's happening is becoming increasingly important.”

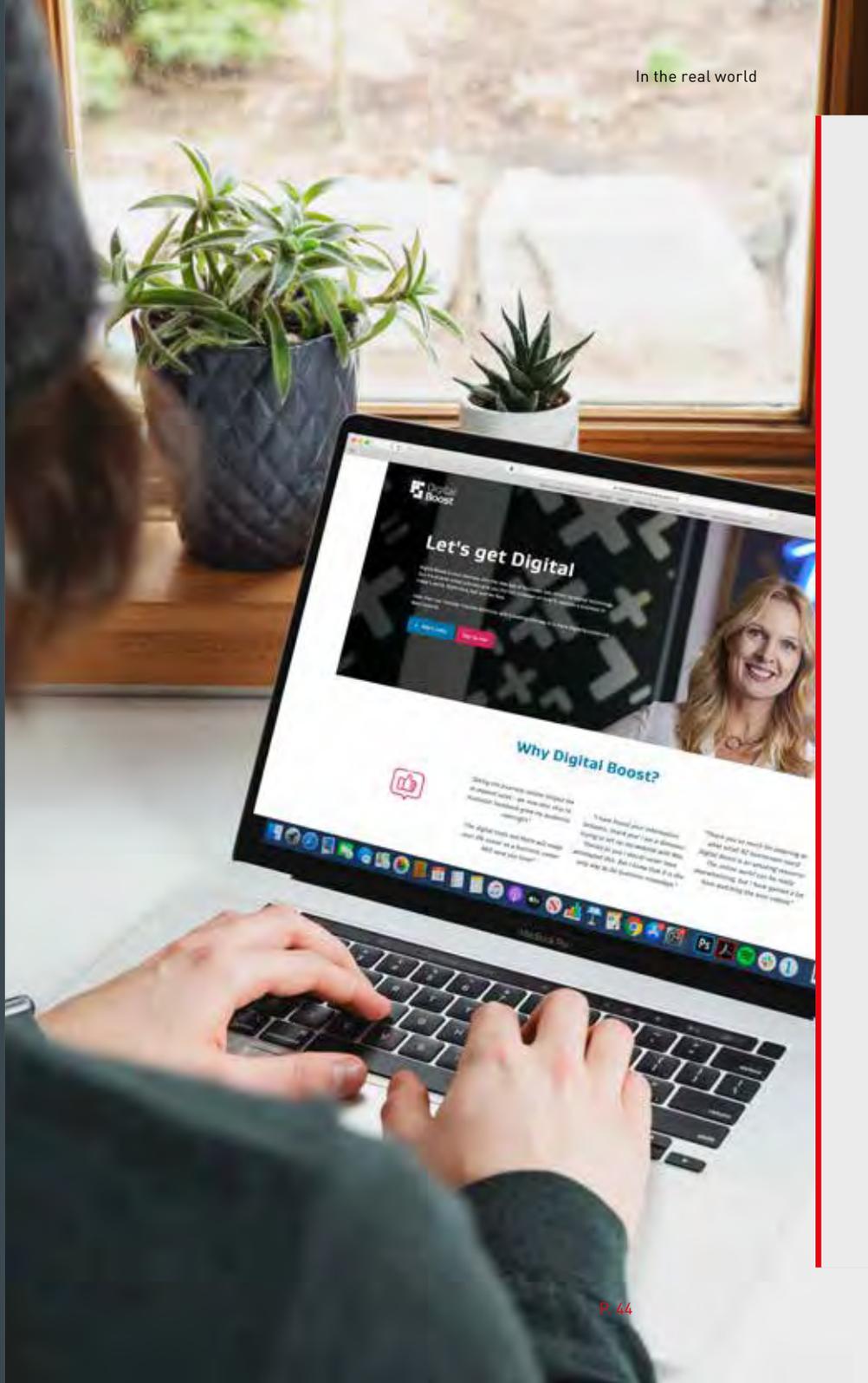
A final piece of advice from Kevin for any business is using Net Promoter Score (NPS) surveys to improve their customer experience. “NPS helps us understand how engaged customers are with us and lets us spot key trends.”

What's evident from the OfficeMax story is their clear focus on customer needs, and delivering a first-class customer experience. And that means changing the model when you need to but also having the flexibility to keep adapting in order to deliver what matters most to customers.



ABOUT OFFICEMAX Company Profile

OfficeMax have been supplying Kiwi homes, schools and workplaces across New Zealand, for over 150 years. Their range of solutions includes office products and furniture, school supplies, STEAM, art supplies, stationery, paper, ink and toner as well as tools and hardware. They have a range of services and solutions too, including cafe and catering goods, safety and first aid supplies, cleaning and hygiene services, packaging and mailing solutions and full technology solutions.



Evolving e-commerce for our post pandemic world

COVID-19 highlighted many strengths and weakness in our economy. One area that stood out was how businesses that embraced digital technologies fared better. We talked to Lisa Casagrande, Director of Better for Business – who is helping to drive the Ministry of Business, Innovation and Employment’s (MBIE) Digital Boost programme.

B4B’s ongoing research with New Zealand businesses helps identify where government can best support business resilience, economic recovery and growth. Importantly, it has provided a real understanding of our digital landscape.

Lisa explains: “NZ is a nation of small businesses. 97% have fewer than 20 employees, and 89% have fewer than 6. Of the nearly 28,000 retailers in NZ, 95% are small businesses with 81% having fewer than 6 employees.

What that boils down to is small business owners often have their hands full working in their business rather than on their business. Finding time to consider how digital technologies can benefit them is often at the bottom of a very long to-do list.”

COVID-19 revealed some clear advantages of getting digitally savvy. Businesses using four or more digital services lost a third less revenue and had 40% fewer job losses than less digitally enabled businesses.

Upskill to survive

The government-funded Digital Boost programme was established to upskill more Kiwi businesses in being digital. Delivered by industry experts, Digital Boost covers everything from websites and online marketing, to eCommerce and supply chain management. Lisa recommends retailers sign-up to hear how others are benefitting from being digital, and learn more about the digital tools that can make their business smarter and more relevant in the Covid world.

New Zealand may have fared better than most, but there are still huge changes to shopper behaviours with big implications for retailers. Limiting shopping to all but the essentials in many countries is a new normal. Bulk buying is on the rise, online grocery shopping is through the roof and subscription services for food and medical are trending upwards. The return to pre-Covid routines is unlikely to ever be the same.

What this means for online retailers is the need to be able to switch to new fulfilment processes, offer new subscription services and look closely at the relevancy of their product lines and have back up plans for quarantine and stock shortages.

Lisa agrees:



Whether there are disruptions or not, once some good foundational digital processes and systems are in place, thinking about how these are connected is a sensible step – eCommerce, inventory management, shipping, accounting, should all be linked up.”

Tooling up with digital

The digital tools required to survive in the new environment are far more than just a smart looking website. Online retailers need tools to connect with an ‘always on’ consumer, tools that create a comprehensive experience, and tools that enable you to future-proof your business. To a degree it’s about getting future fit and we shouldn’t just think about within our borders – because online is everywhere.

On the global scene, many international retailers have been forced to accelerate their digital presence and competition may be stiffening as Lisa warns.

“Overseas retailers have been forced to think more creatively with longer, more severe lockdowns, which means they have had to accelerate their online, digital presence in a way New Zealand hasn’t had to. Where retailers are competing in an international arena, it’s important to understand the digital customer journey accordingly.”



LISA CASAGRANDA

Better for Business, MBIE

Better for Business is helping to drive MBIE’s Digital Boost programme. The Government-backed Digital Boost Skills Training and Support initiative is designed to provide small businesses with training in the benefits of becoming a digital business. It has been designed by small business – for small business. And it’s free!

Sign-up at DigitalBoost.co.nz

3.0

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3.7 Recreation, Entertainment, Books & Stationery	80





SECTORS

In this section we look at each of the sectors, giving retailers the in-depth information that will help them make informed decisions to grow their business.

For each sector we understand where growth is coming from and identify the trends that are shaping the future for retailers. This year, for the first time, we dig deeper, looking at the sub-sectors that are driving each sector's performance.



The sectors

It was a better than good year for most sectors, driven by domestic online spending, but two in particular had stellar years both online and off.

The sectors

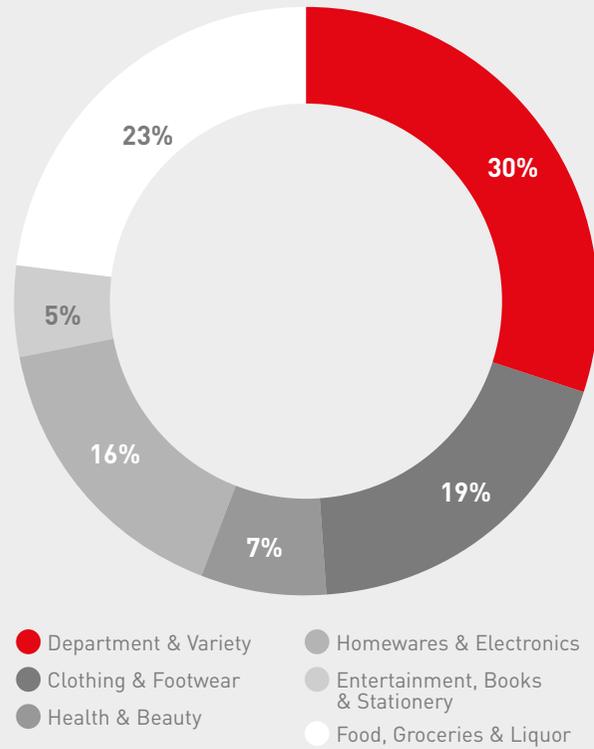
Lockdowns encouraged Kiwis to do their weekly supermarket shop online and this became a habit that stuck for many. With \$1.3b spent online, the Specialty Foods, Groceries & Liquor category was up a whopping 47%, over \$400m on 2019 shopping figures.

If you've ever wondered what Kiwis would spend their money on if they had more time at home and more discretionary income, then 2020 gave us the answer. Homeware, Appliances and Electronics was the surprise big winner of 2020 up 49% with \$900m in total online spending.

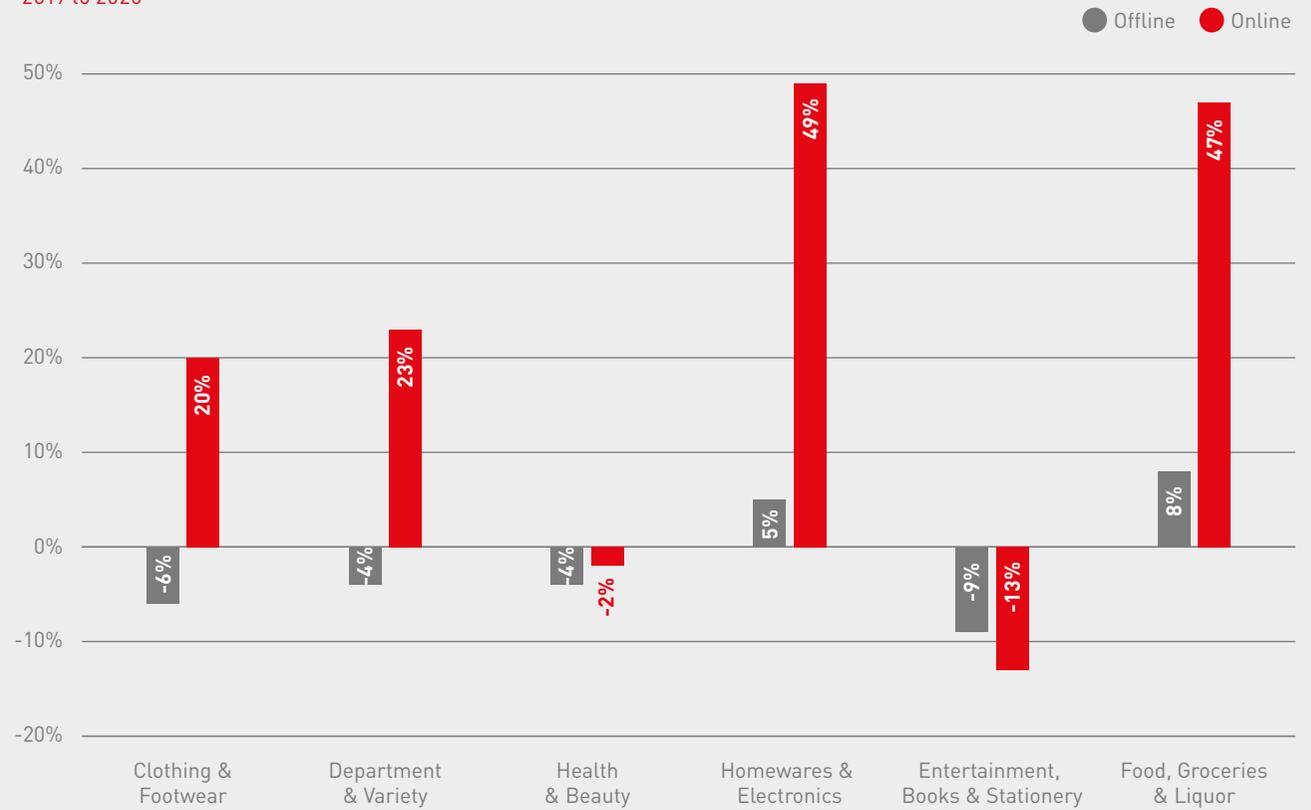
Spending in Department, Variety and Miscellaneous Retail grew by 23% allowing it to remain Kiwi's favourite sector. 30% of total online spend – over \$1.75b in 2020 – is in this sector.

However not all sectors saw the same success with Health & Beauty and Recreation, Entertainment, Books & Stationery both experiencing declines in spend levels, largely driven by a drop-off in international spend.

Share of total online spend by sector
2020



Domestic growth rate online vs offline by sector
2019 to 2020





Department, Variety & Miscellaneous

Department, Variety & Miscellaneous is our biggest online sector with 30% of all online shopping spend. It's the third biggest sector overall, online and offline, after Homeware, Appliances & Electronics.

Spending online in this sector grew by 23% in 2020 driven by more customers, buying more often and spending more each time. Offline the story is a bit different, with a decline in spending of nearly \$250m.

This is the sector that includes many of our largest and most well-known brands like Farmers, The Warehouse and Briscoes. And of course, this is where the big global online players like Amazon, Wish and Alibaba Express play.

What drives success online in this sector is volume and frequency. Over 1.8m Kiwis shop in this sector, more than any other sector. Each shopper makes on average 13.4 transactions a year, which is again the highest of any category. What's most interesting though is the average basket size which at \$71 is the lowest of any category.

Department, Variety & Miscellaneous is the sector shoppers come to often but for lower value items.



Sector at a glance for 2020:

\$7.55^B

TOTAL RETAIL SPEND (ONLINE & OFFLINE)

\$1.76^B

ONLINE SPEND

17%

OF SECTOR SPEND ONLINE

-4%

OFFLINE GROWTH

23%

ONLINE GROWTH

66%

OF SECTORS ONLINE SPEND IS DOMESTIC

24.8^M

ONLINE TRANSACTIONS

1.85^M

ONLINE SHOPPERS

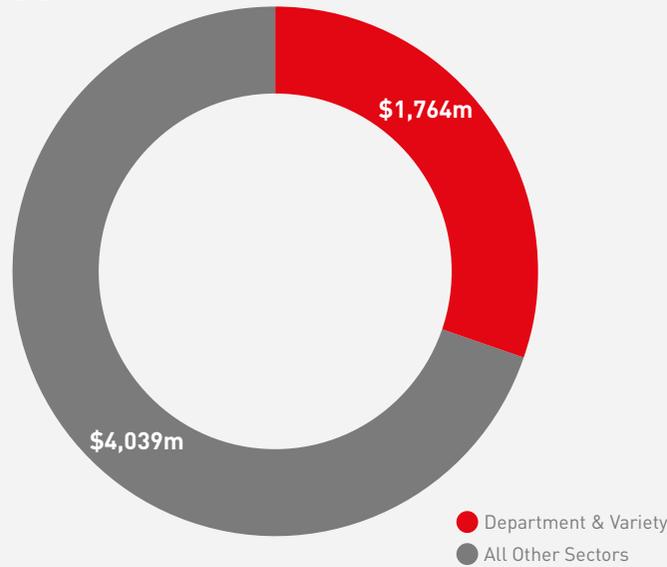
223^K

NEW ONLINE SHOPPERS

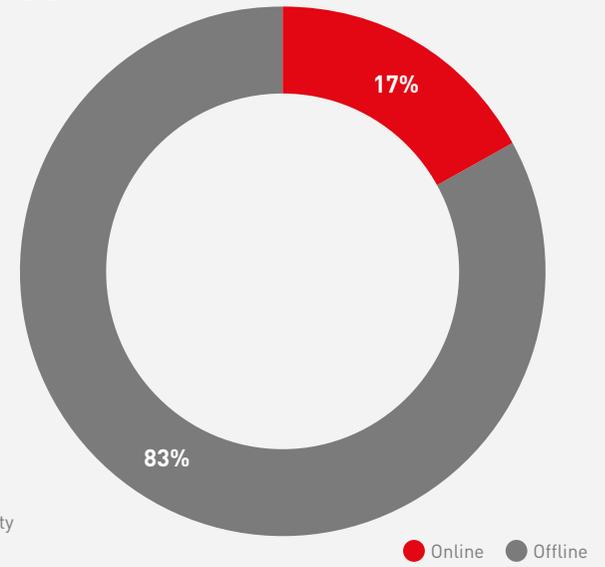




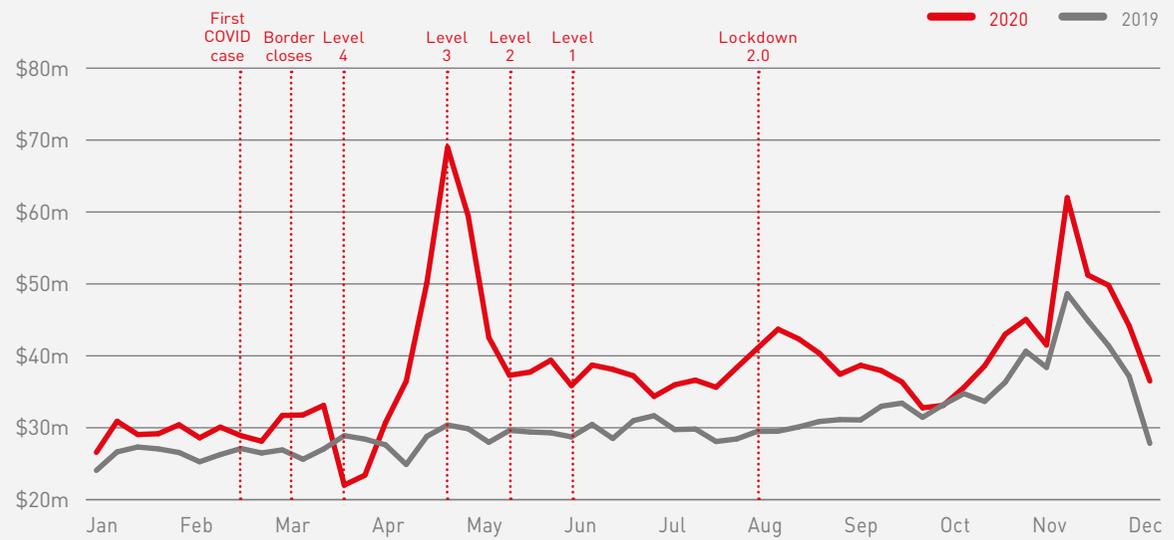
Sector total online spend
2020



Sector domestic retail spend – online vs offline
2020



Weekly online spend
2019 vs 2020



ANNUAL SPEND PER SHOPPER

 **951**

TRANSACTIONS PER SHOPPER

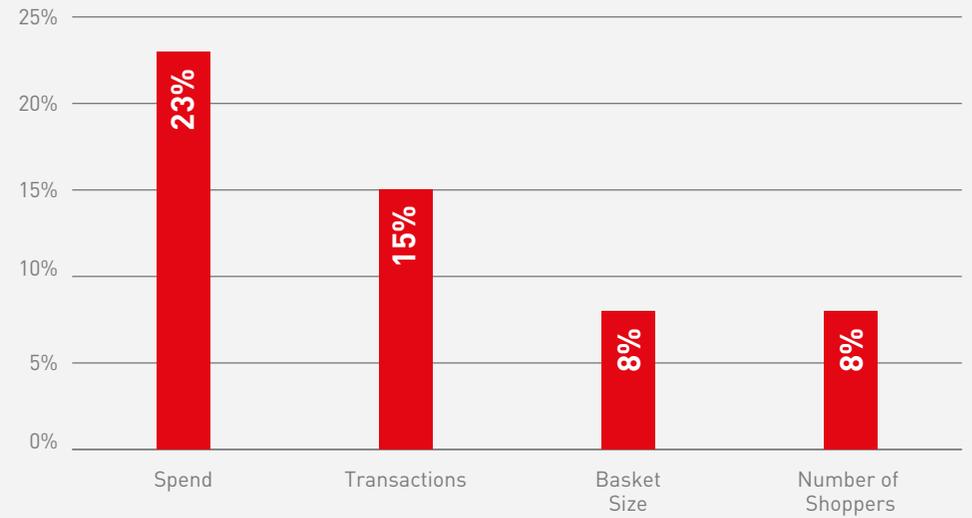
 **13.4**

AVERAGE BASKET SIZE

 **\$71**

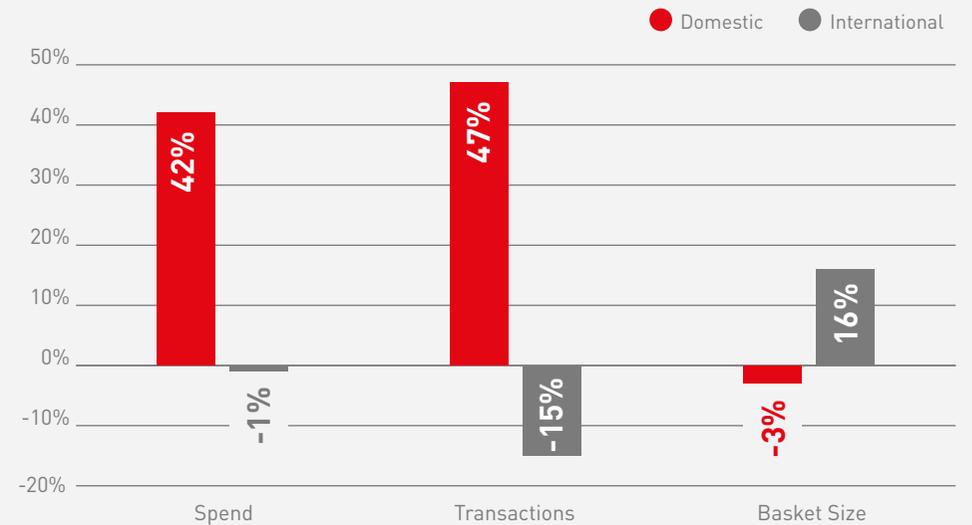
Total sector online growth metrics

% 2019 to 2020



Key growth metrics – domestic vs international

% 2019 to 2020



Who's shopping in this sector?



AGE <30

22%



AGE 30-44

29%



AGE 45-59

26%



AGE 60-74

18%



AGE 75+

4%



52% OF SHOPPERS ARE

MALE



16.2% OF TRANSACTIONS ARE ON

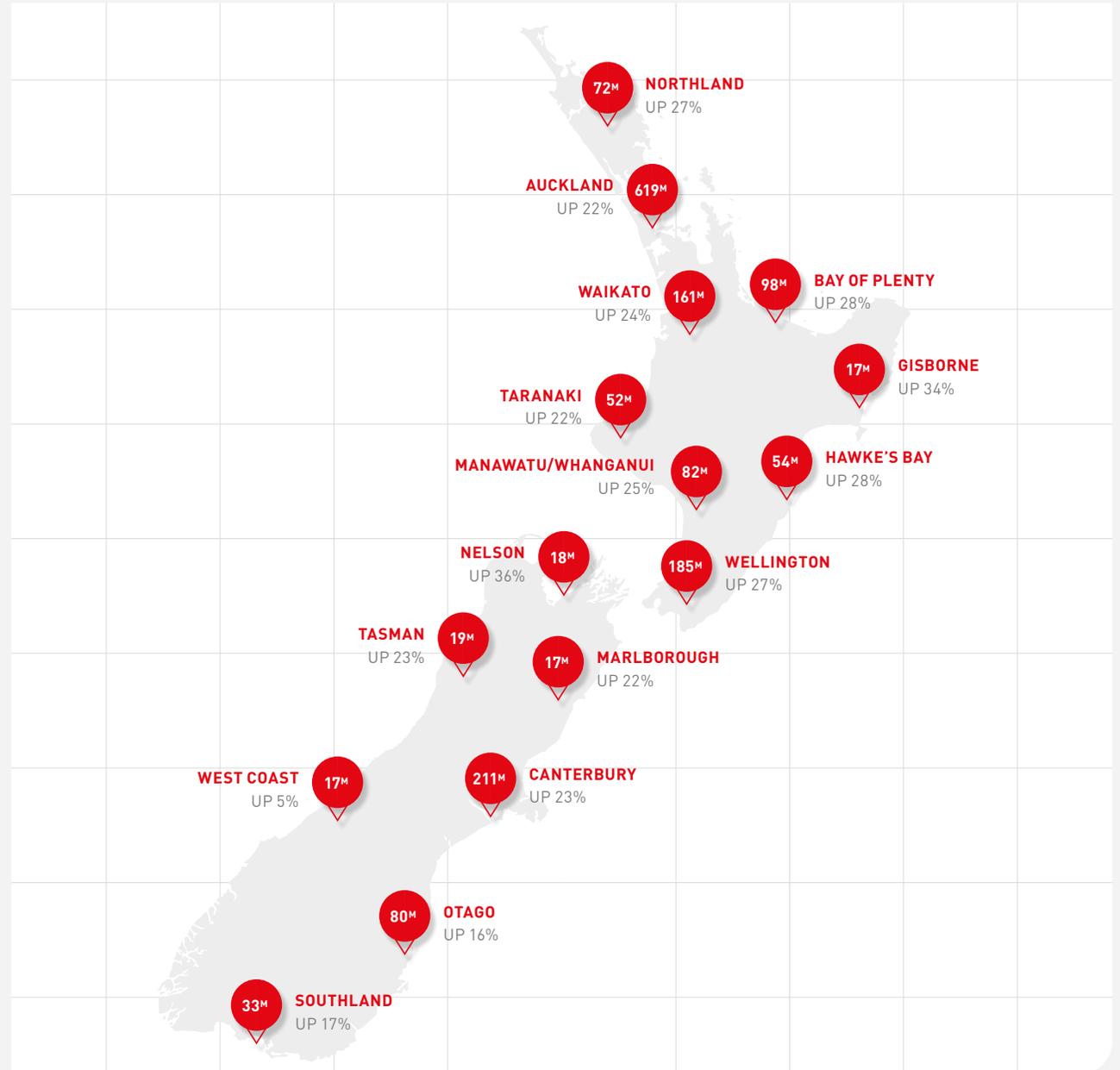
TUESDAY



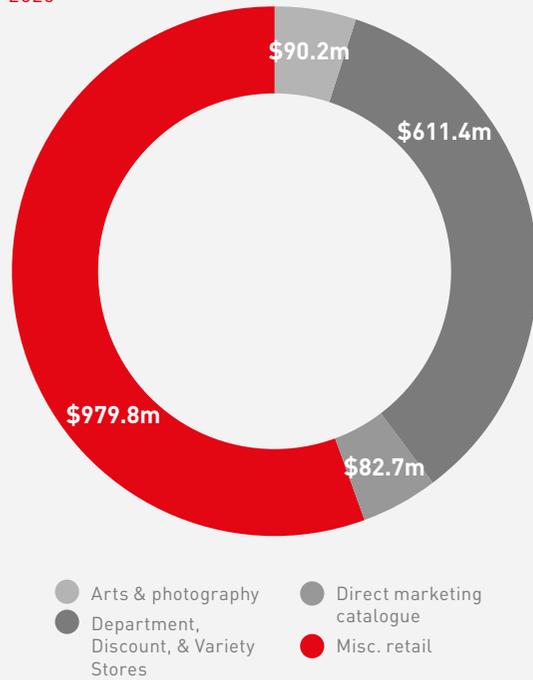
14% OF SHOPPERS ARE

RURAL

Spend by region in this sector



Sector spend
2020



The Sector Breakdown



443K

SHOPPERS

72%

SPEND BY SHOPPERS
AGED 30-59

55% ARE

MALE

BASKET SIZE

\$93

SPEND PER SHOPPER

\$204

TRANSACTIONS PER SHOPPER

2.18

DOMESTIC SPEND

34%



1.37M

SHOPPERS

67%

SPEND BY SHOPPERS
AGED 30-59

56% ARE

FEMALE

BASKET SIZE

\$63

SPEND PER SHOPPER

\$446

TRANSACTIONS PER SHOPPER

7.08

DOMESTIC SPEND

62%



444K

SHOPPERS

67%

SPEND BY SHOPPERS
AGED 30-59

53% ARE

MALE

BASKET SIZE

\$59

SPEND PER SHOPPER

\$186

TRANSACTIONS PER SHOPPER

3.18

DOMESTIC SPEND

23%



1.58M

SHOPPERS

66%

SPEND BY SHOPPERS
AGED 30-59

58% ARE

MALE

BASKET SIZE

\$77

SPEND PER SHOPPER

\$617

TRANSACTIONS PER SHOPPER

8.02

DOMESTIC SPEND

75%



Specialty Food, Groceries & Liquor

Whether it's that staying home requires more groceries or that Kiwis adopted a hoarding mentality, the Specialty Food, Groceries & Liquor sector had a big year, growing by 10% overall amidst lockdowns and a hesitancy by many to visit their local grocery store. Online spending on food, groceries and alcohol grew by over \$400m in 2020 – a huge 47% increase.

What's driving the sector's growth? For starters, the over 380,000 new customers who joined the sector online in 2020. Shoppers are transacting more often – in fact there were 41% more transactions in 2020. The third part of the trifecta – online shoppers are spending more each time they shop. And to add to the winning formula, more than 90% of online spend in this category is with local retailers.

In response to the growth, supermarkets and other grocery outlets dialled up their ability to service online shoppers more effectively. Many looked to improve their website ordering process and not just to cope with more volume. Some retailers introduced delivery for the first time while others added more delivery options including click and collect and collection point services. Foodstuff, one of the big players in the sector, opened a new centre designed exclusively to service online shopping customers.



Sector at a glance for 2020:

\$24.69^B

TOTAL RETAIL SPEND
(ONLINE & OFFLINE)

\$1.3^B

ONLINE SPEND

5%

OF SECTOR SPEND
ONLINE

8%

OFFLINE GROWTH

47%

ONLINE GROWTH

91%

OF SECTORS ONLINE
SPEND IS DOMESTIC

9.16^M

ONLINE TRANSACTIONS

1.09^M

ONLINE SHOPPERS

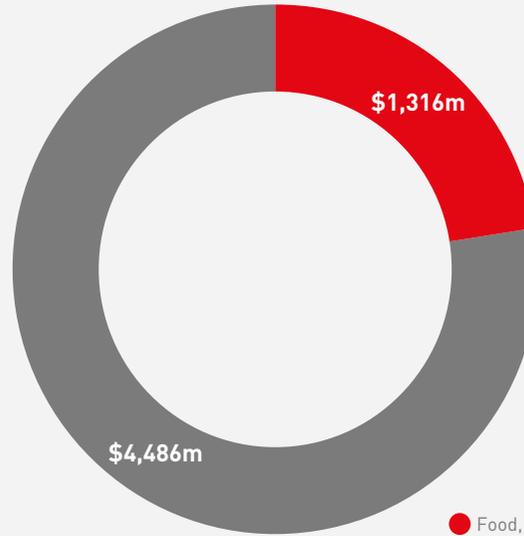
385^K

NEW ONLINE SHOPPERS

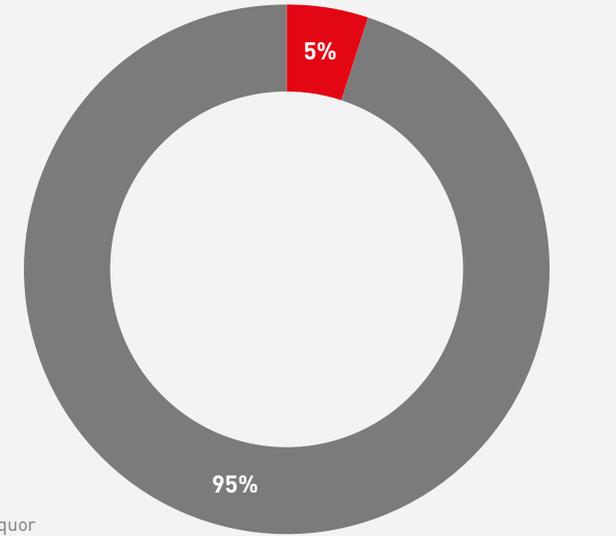




Sector total online spend
2020



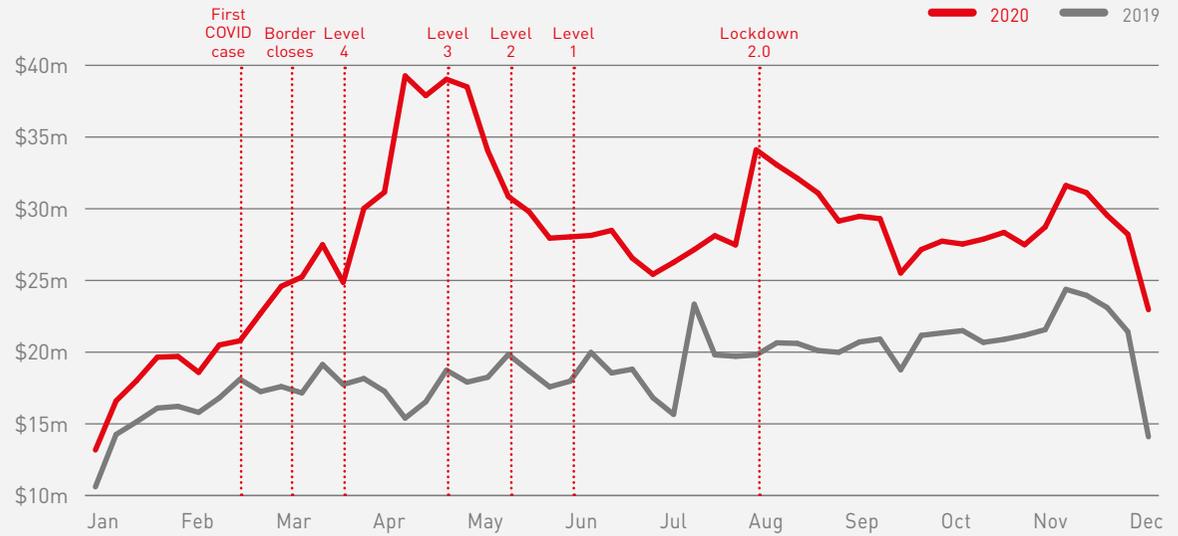
Sector domestic retail spend – online vs offline
2020



● Food, Groceries & Liquor
● All Other Sectors

● Online ● Offline

Weekly online spend
2019 vs 2020



ANNUAL SPEND PER SHOPPER

 **1,209**

TRANSACTIONS PER SHOPPER

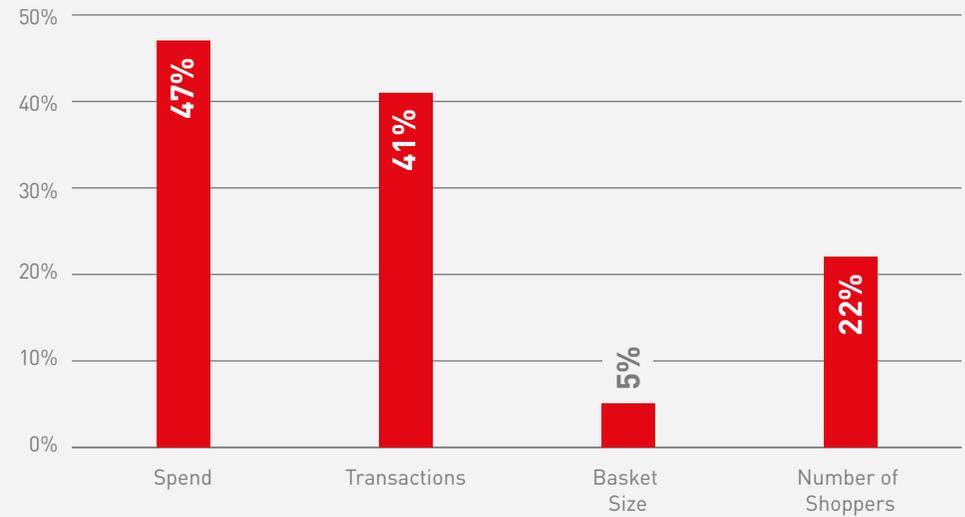
 **8.4**

AVERAGE BASKET SIZE

 **\$144**

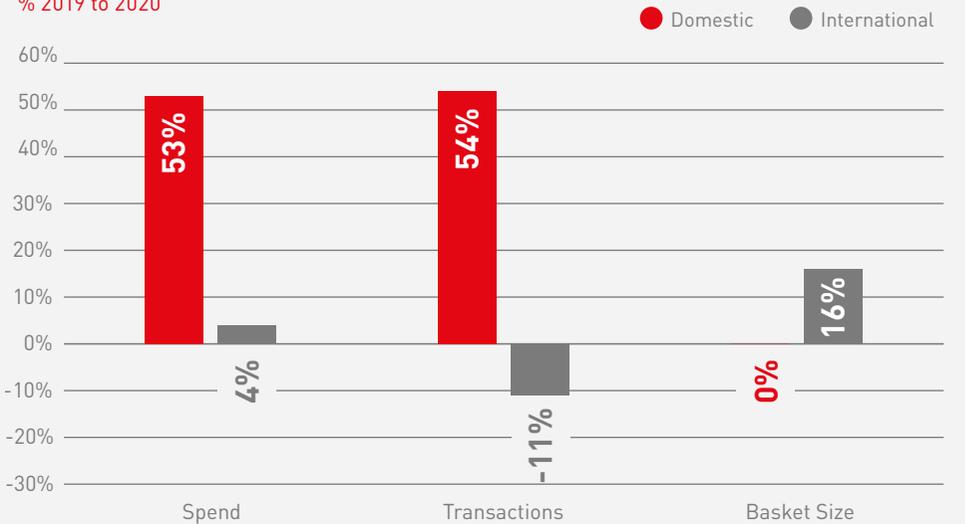
Total sector online growth metrics

% 2019 to 2020



Key growth metrics – domestic vs international

% 2019 to 2020



Who's shopping in this sector?



AGE <30

21%



AGE 30-44

31%



AGE 45-59

28%



AGE 60-74

16%



AGE 75+

4%



55% OF SHOPPERS ARE

FEMALE



19.7% OF TRANSACTIONS ARE ON

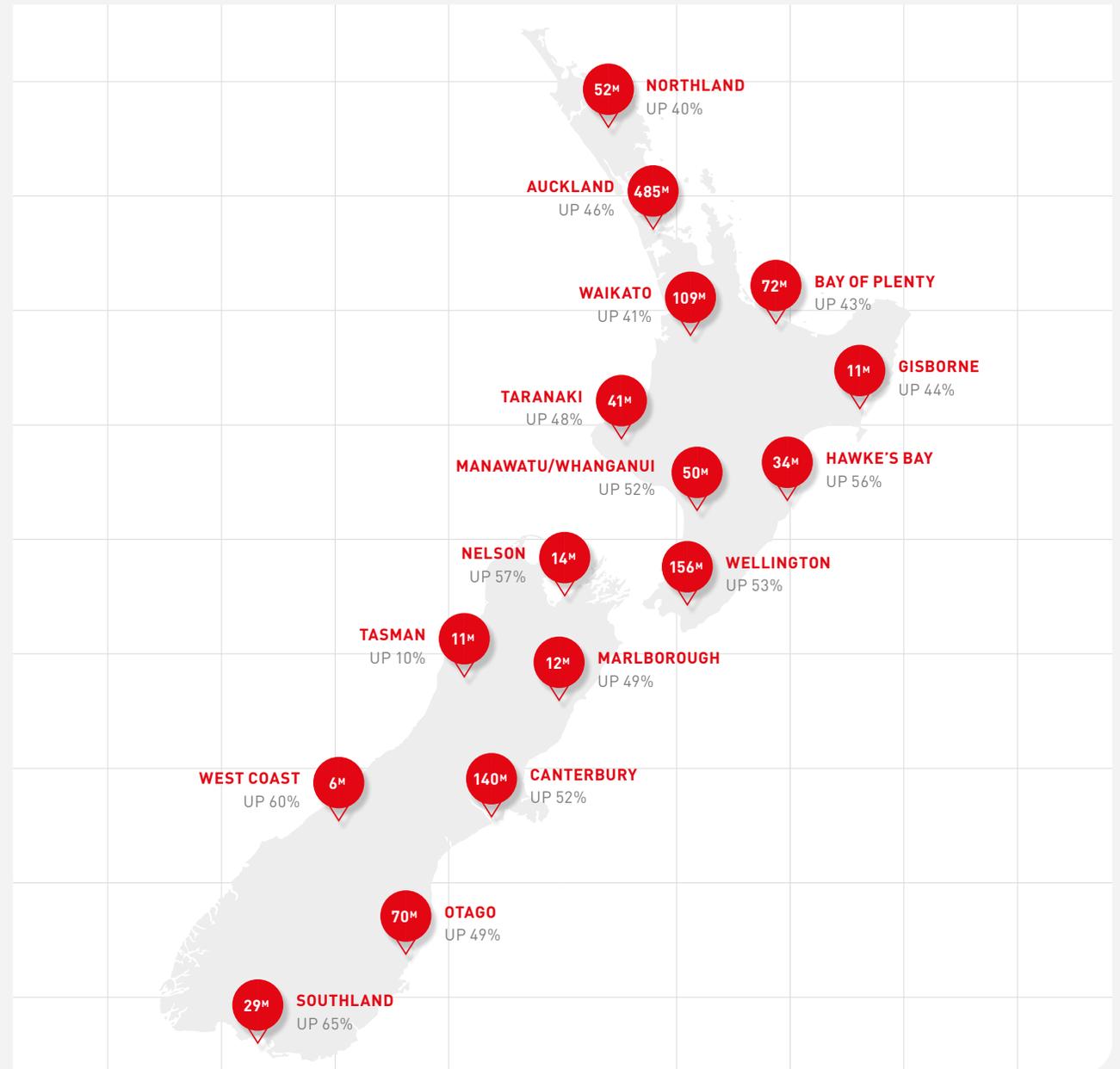
SUNDAY



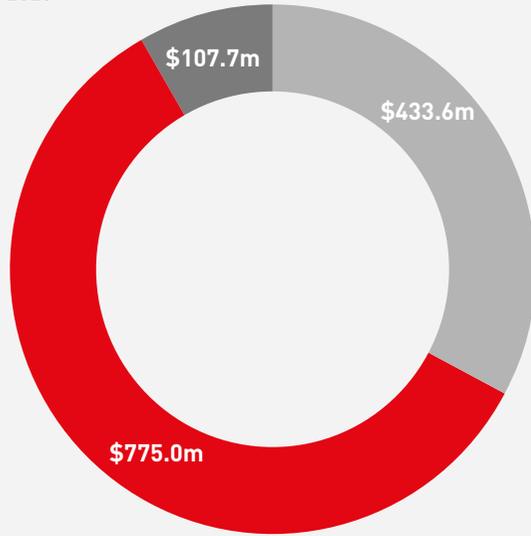
13% OF SHOPPERS ARE

RURAL

Spend by region in this sector



Sector spend
2020



- Convenience Stores & Specialty Markets
- Liquor Stores
- Grocery Stores & Supermarkets

The Sector Breakdown



834^K

SHOPPERS

71%

SPEND BY SHOPPERS AGED 30-59

53% ARE

FEMALE

BASKET SIZE

\$96

SPEND PER SHOPPER

\$520

TRANSACTIONS PER SHOPPER

5.44

DOMESTIC SPEND

83%



470^K

SHOPPERS

77%

SPEND BY SHOPPERS AGED 30-59

59% ARE

FEMALE

BASKET SIZE

\$196

SPEND PER SHOPPER

\$1,648

TRANSACTIONS PER SHOPPER

8.40

DOMESTIC SPEND

98%



207^K

SHOPPERS

51%

SPEND BY SHOPPERS AGED 30-59

64% ARE

MALE

BASKET SIZE

\$162

SPEND PER SHOPPER

\$520

TRANSACTIONS PER SHOPPER

3.21

DOMESTIC SPEND

74%

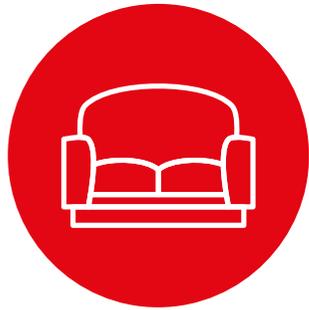
A photograph of a desk setup. A smartphone with a brown case is standing on a white dock. To the left is a computer monitor displaying a landscape image. A white mouse is visible in the foreground. The background is slightly blurred, showing a lamp and other desk items.

Homeware, Appliances & Electronics

What a year for the Homeware, Appliances & Electronic sector. Who knew that putting Kiwis into lockdown for part of the year, and restricting their overseas travel for the rest of the year, would result in them spending more on furniture, artworks, ornaments, gadgets, DIY and home appliances? But that's exactly what happened in 2020. Kiwis spent nearly 49% more online in this category compared to 2019.

No doubt some of this was by necessity in setting up working from home arrangements. For others, it was about making home more comfortable given the extra time being spent there. The result was more discretionary money spent on 'stuff for the home' at places like PB Tech, Noel Leemings, Harvey Norman, Freedom Furniture, Mitre 10 and others.

Again, growth was driven by more people, buying more often and spending more each time. Over 440,000 shopped online in this category for the first time in 2020. Interesting though, the average basket size declined by 6% driven by a big drop in spend with local retailers.



Sector at a glance for 2020:

\$8.77B

TOTAL RETAIL SPEND (ONLINE & OFFLINE)

\$899M

ONLINE SPEND

10%

OF SECTOR SPEND ONLINE

5%

OFFLINE GROWTH

49%

ONLINE GROWTH

77%

OF SECTORS ONLINE SPEND IS DOMESTIC

3.4M

ONLINE TRANSACTIONS

1.02M

ONLINE SHOPPERS

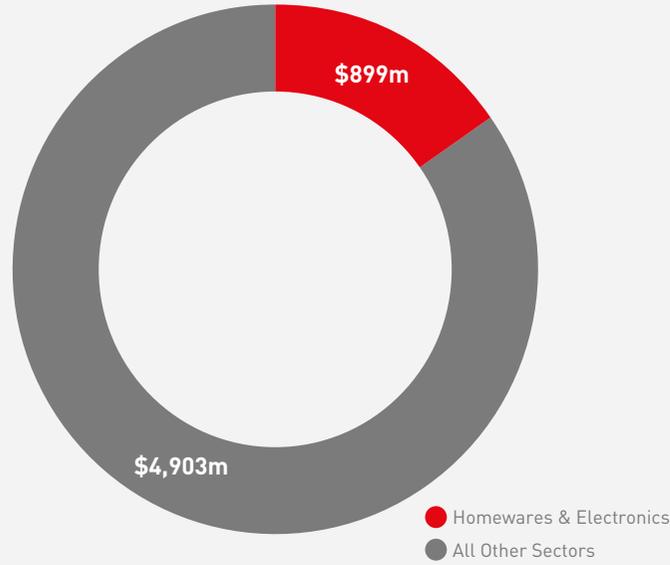
441K

NEW ONLINE SHOPPERS

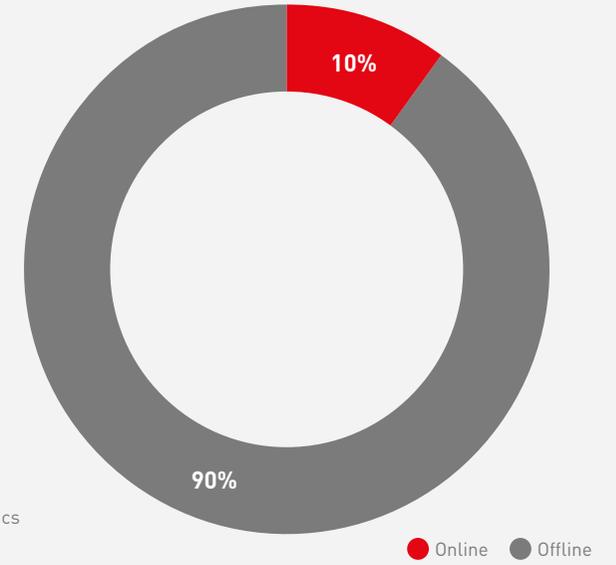




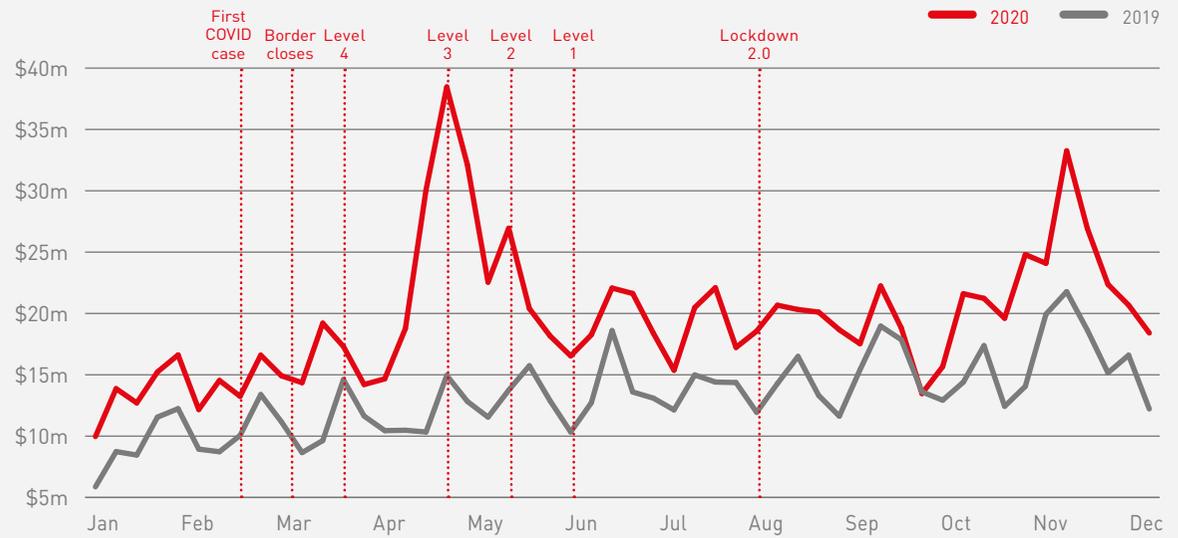
Sector total online spend
2020



Sector domestic retail spend – online vs offline
2020



Weekly online spend
2019 vs 2020



ANNUAL SPEND PER SHOPPER

 **882**

TRANSACTIONS PER SHOPPER

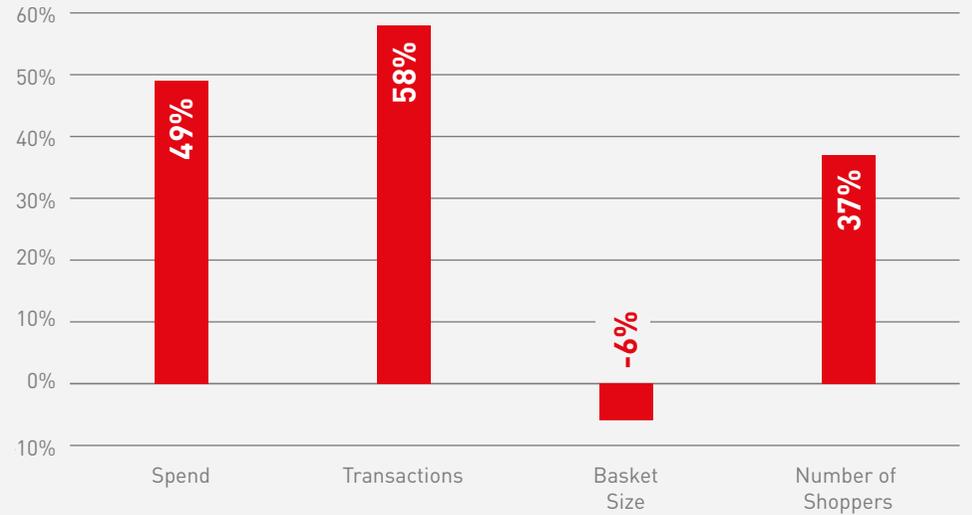
 **3.3**

AVERAGE BASKET SIZE

 **\$264**

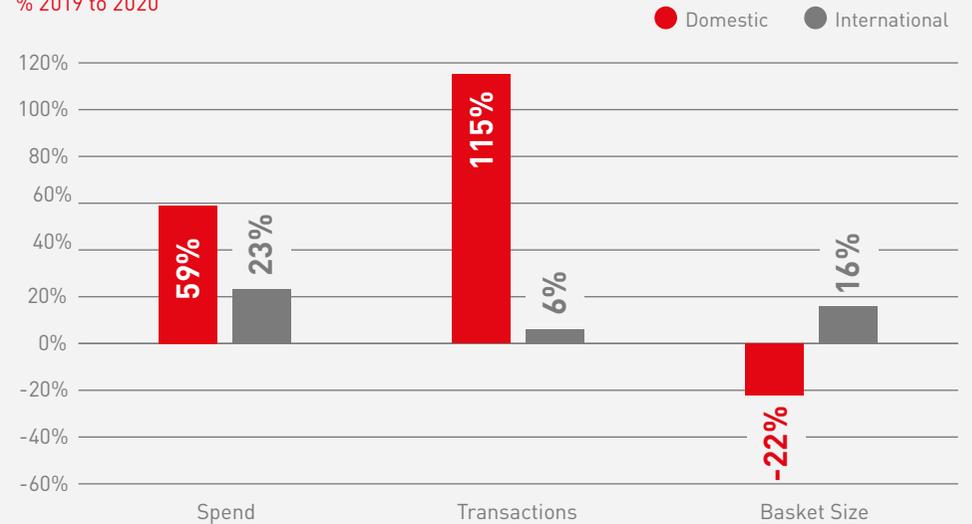
Total sector online growth metrics

% 2019 to 2020

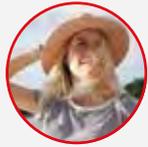


Key growth metrics – domestic vs international

% 2019 to 2020



Who's shopping in this sector?



AGE <30

22%



AGE 30-44

30%



AGE 45-59

29%



AGE 60-74

16%



AGE 75+

3%



69% OF SHOPPERS ARE

MALE



16.7% OF TRANSACTIONS ARE ON

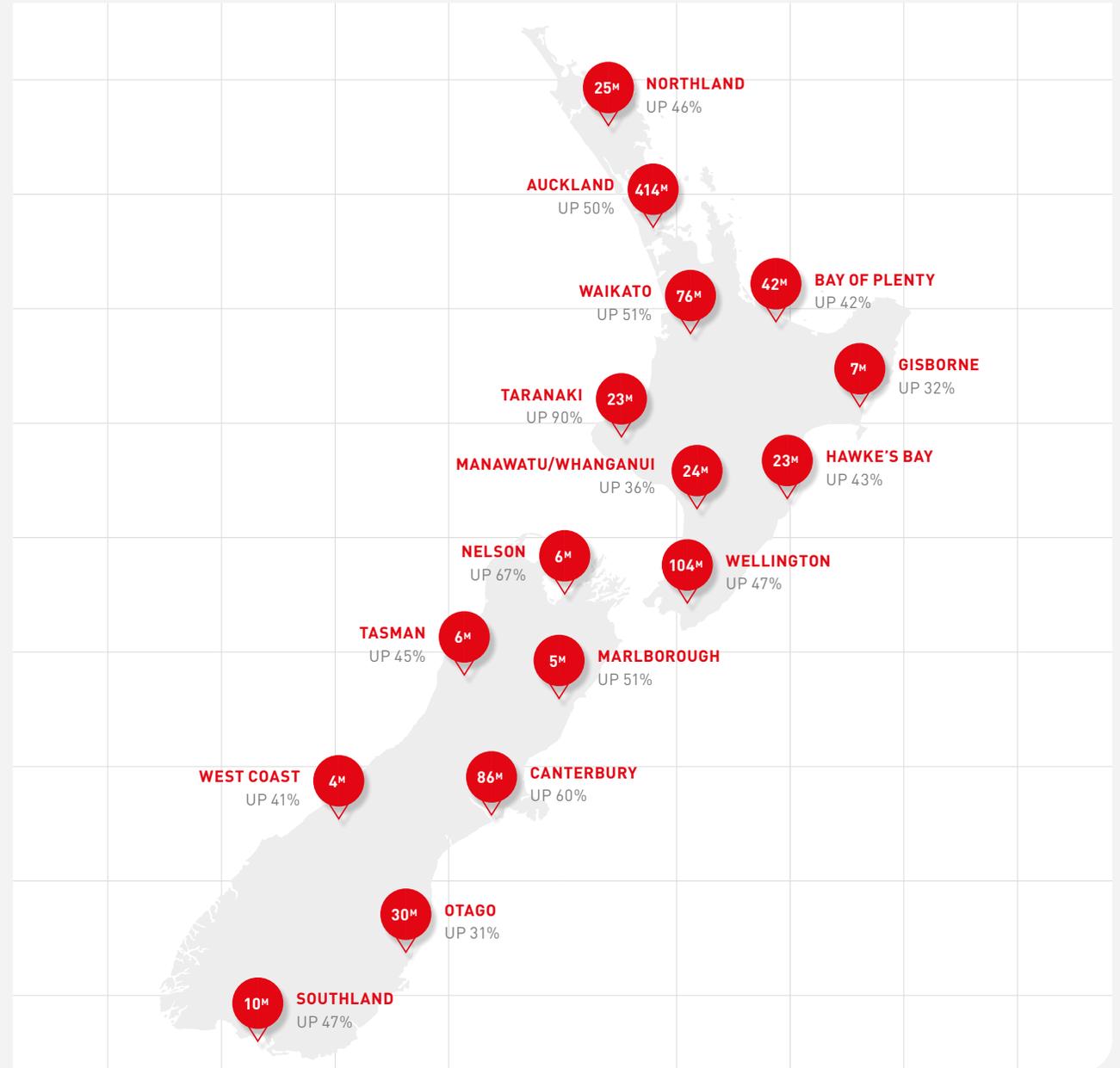
TUESDAY



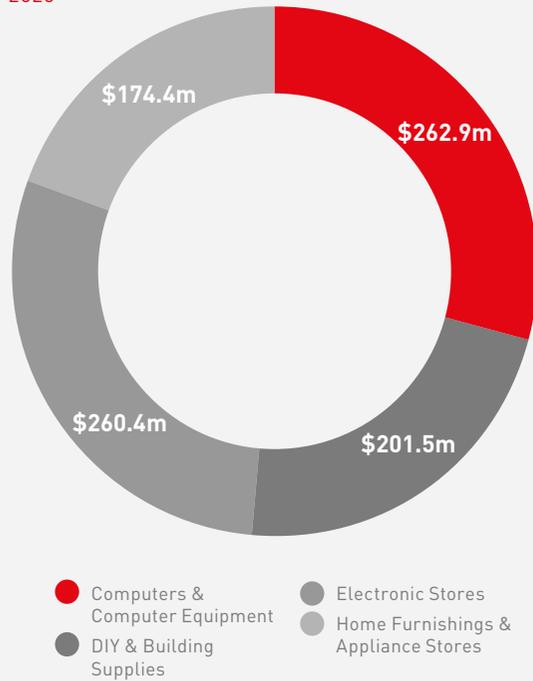
13% OF SHOPPERS ARE

RURAL

Spend by region in this sector



Sector spend
2020



The Sector Breakdown



450K

SHOPPERS

70%

SPEND BY SHOPPERS AGED 30-59

74% ARE

MALE

BASKET SIZE

\$226

SPEND PER SHOPPER

\$585

TRANSACTIONS PER SHOPPER

2.58

DOMESTIC SPEND

78%



365K

SHOPPERS

77%

SPEND BY SHOPPERS AGED 30-59

74% ARE

MALE

BASKET SIZE

\$306

SPEND PER SHOPPER

\$552

TRANSACTIONS PER SHOPPER

1.80

DOMESTIC SPEND

89%



480K

SHOPPERS

68%

SPEND BY SHOPPERS AGED 30-59

68% ARE

MALE

BASKET SIZE

\$295

SPEND PER SHOPPER

\$543

TRANSACTIONS PER SHOPPER

1.84

DOMESTIC SPEND

76%



434K

SHOPPERS

68%

SPEND BY SHOPPERS AGED 30-59

55% ARE

MALE

BASKET SIZE

\$250

SPEND PER SHOPPER

\$402

TRANSACTIONS PER SHOPPER

1.61

DOMESTIC SPEND

62%

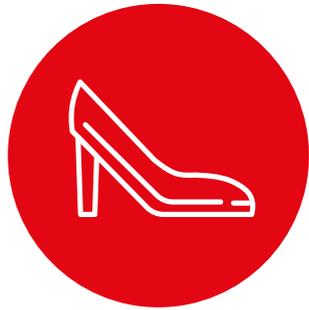


Clothing & Footwear

Most years, growing by 20% would be seen as a great year. In 2020, a 20% rise in online spending on Clothing & Footwear was a below average result. Unfortunately for the sector, the reduced ability and inclination to wander too far from home also reduced the need for new clothes and shoes.

Clothing & Footwear had a steady increase in all key growth metrics including the number of customers, the frequency of spending and the average basket size. The quarter of a million customers new to the category represent a great opportunity for retailers in the year ahead.

Of all the sectors, this is where shoppers support overseas retailers to the greatest degree, presumably because of the better variety and pricing available internationally. In 2019 domestic online sales topped international for the first time and this year we saw the push to buy local move the gap between the two slightly further apart. 58% of sales in this sector are with local retailers – and growing.



Sector at a glance for 2020:

\$5.08^B

TOTAL RETAIL SPEND (ONLINE & OFFLINE)

\$1.09^B

ONLINE SPEND

21%

OF SECTOR SPEND ONLINE

-6%

OFFLINE GROWTH

20%

ONLINE GROWTH

58%

OF SECTORS ONLINE SPEND IS DOMESTIC

9.21^M

ONLINE TRANSACTIONS

1.31^M

ONLINE SHOPPERS

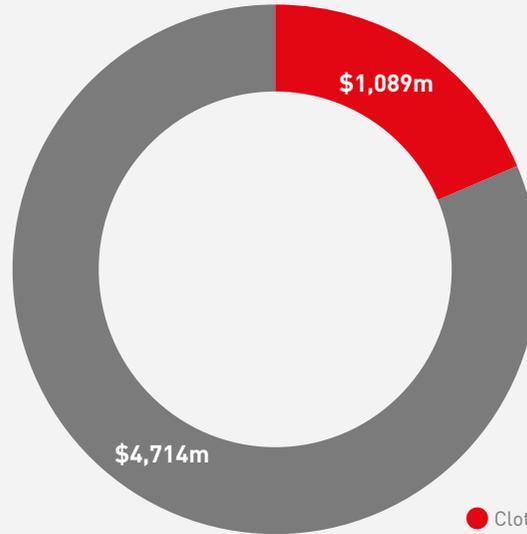
255^K

NEW ONLINE SHOPPERS

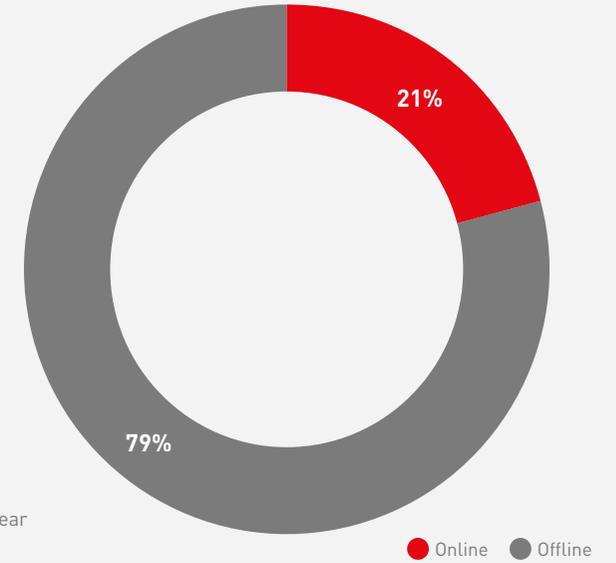




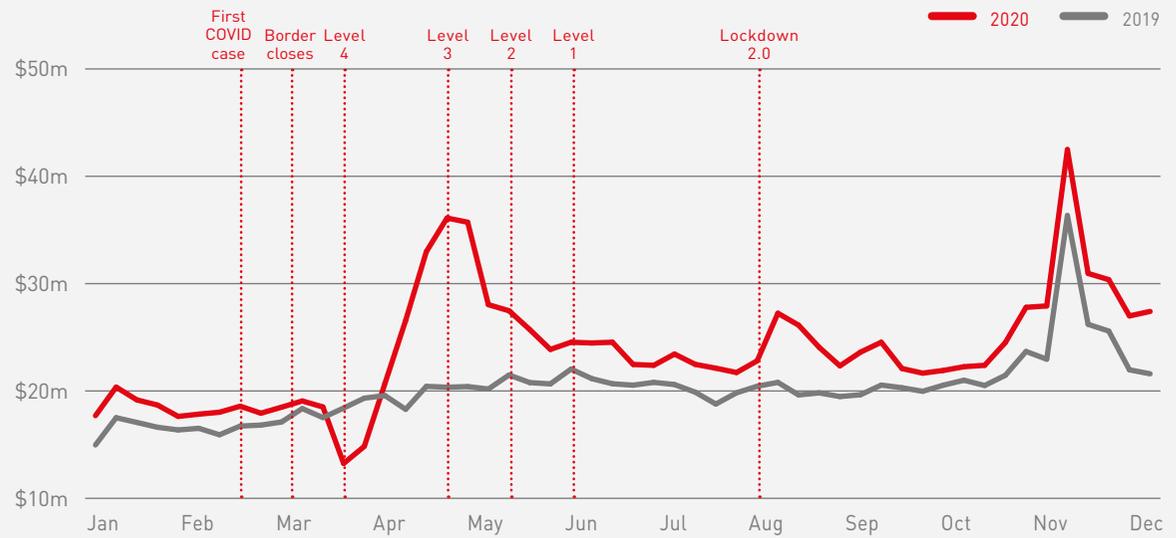
Sector total online spend
2020



Sector domestic retail spend – online vs offline
2020



Weekly online spend
2019 vs 2020



ANNUAL SPEND PER SHOPPER

 **834**

TRANSACTIONS PER SHOPPER

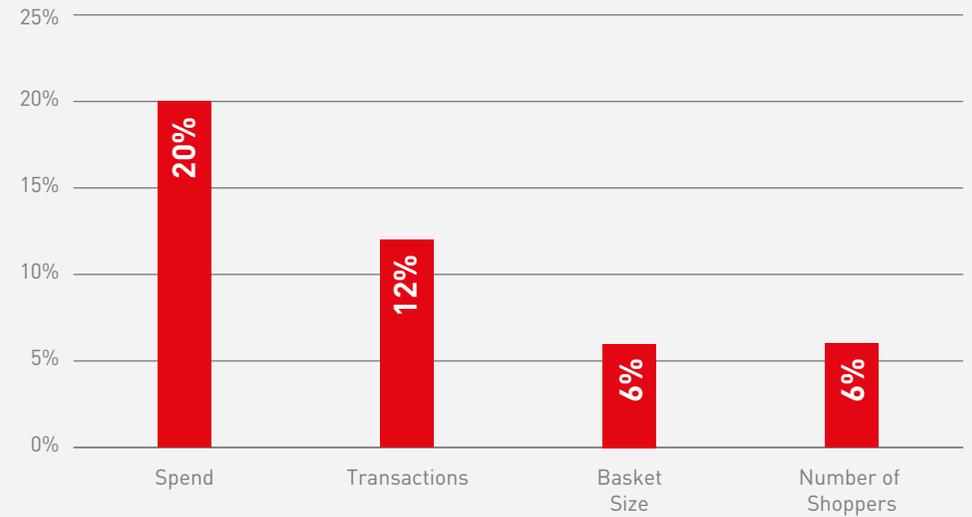
 **7.1**

AVERAGE BASKET SIZE

 **\$118**

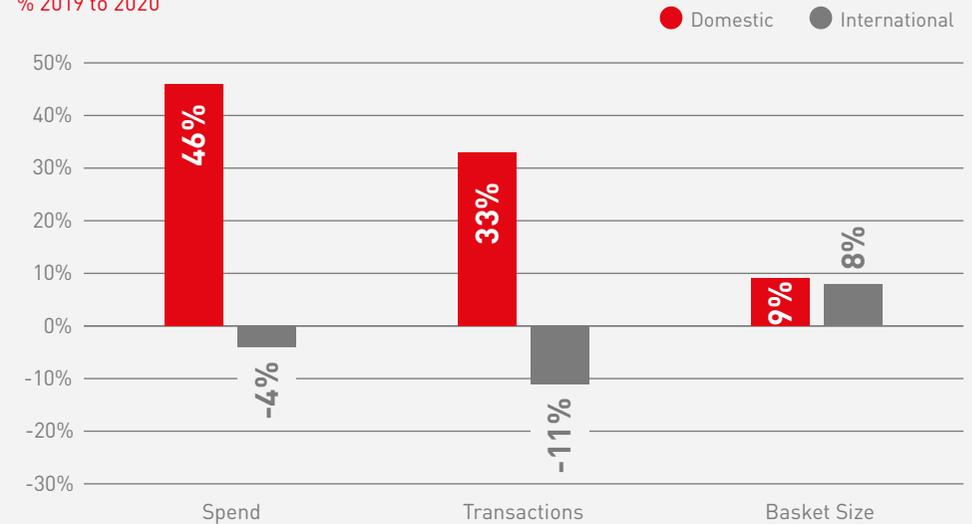
Total sector online growth metrics

% 2019 to 2020



Key growth metrics – domestic vs international

% 2019 to 2020



Who's shopping in this sector?



AGE <30

26%



AGE 30-44

31%



AGE 45-59

27%



AGE 60-74

14%



AGE 75+

2%



62% OF SHOPPERS ARE

FEMALE



17.13% OF TRANSACTIONS ARE ON

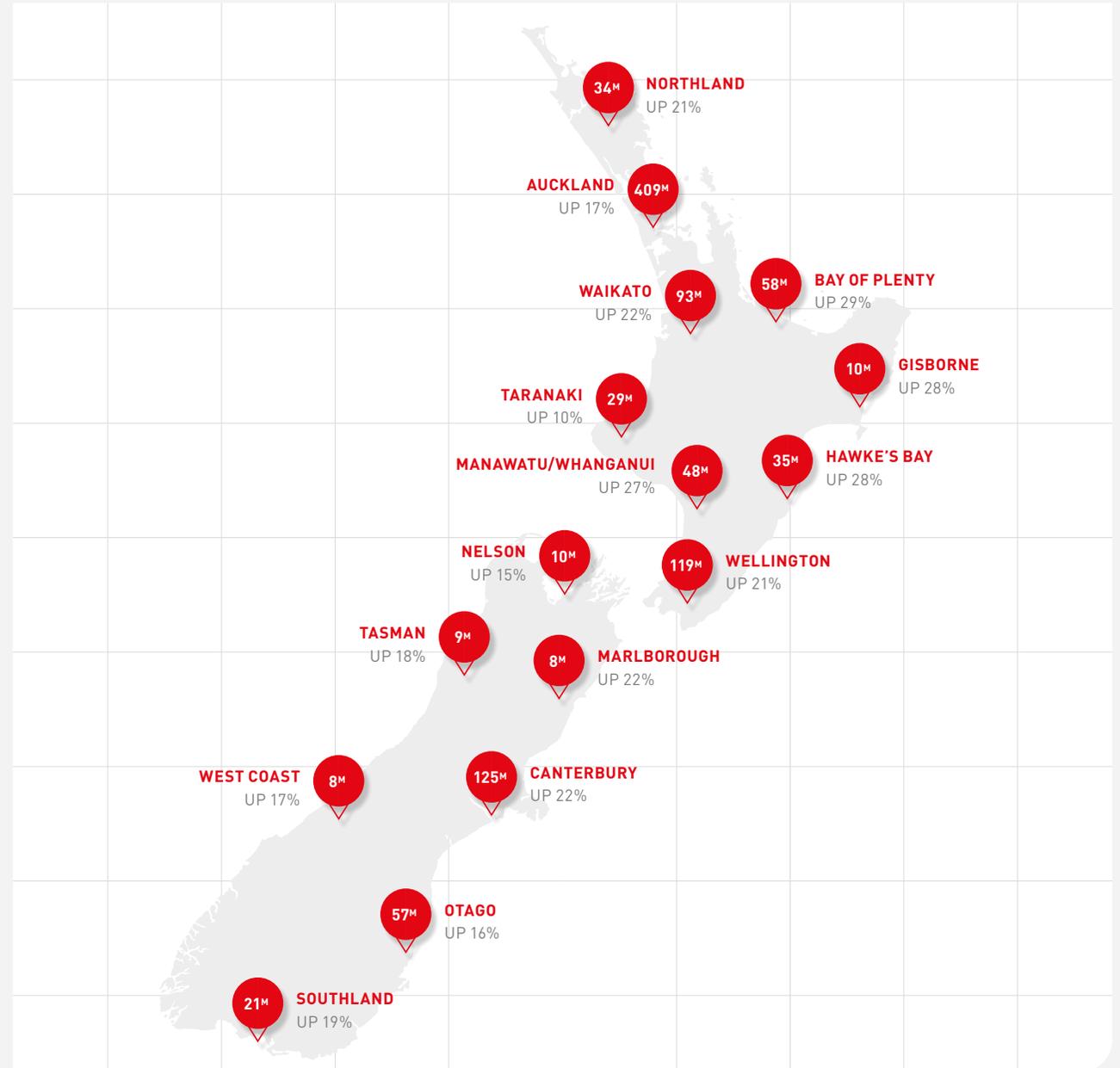
WEDNESDAY



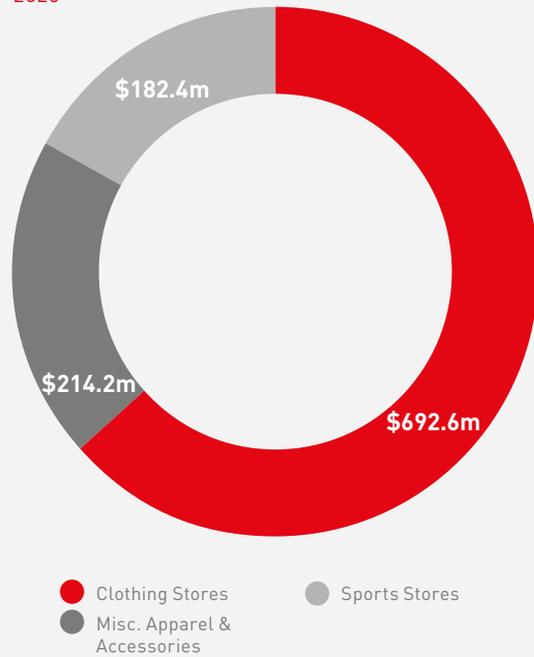
14% OF SHOPPERS ARE

RURAL

Spend by region in this sector



Sector spend
2020



The Sector Breakdown



1.13^M

SHOPPERS

63%

SPEND BY SHOPPERS AGED 30-59

66% ARE

FEMALE

BASKET SIZE

\$110

SPEND PER SHOPPER

\$610

TRANSACTIONS PER SHOPPER

5.56

DOMESTIC SPEND

57%



716^K

SHOPPERS

63%

SPEND BY SHOPPERS AGED 30-59

61% ARE

FEMALE

BASKET SIZE

\$131

SPEND PER SHOPPER

\$299

TRANSACTIONS PER SHOPPER

2.29

DOMESTIC SPEND

57%



610^K

SHOPPERS

67%

SPEND BY SHOPPERS AGED 30-59

53% ARE

MALE

BASKET SIZE

\$145

SPEND PER SHOPPER

\$299

TRANSACTIONS PER SHOPPER

2.06

DOMESTIC SPEND

63%



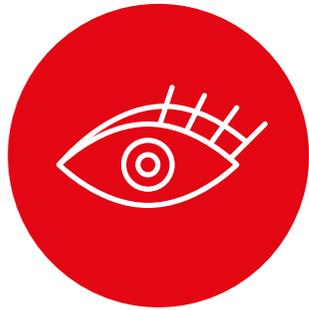
Health & Beauty

It was a tough year for the Health & Beauty sector, experiencing a decline when most other sectors experienced strong gains. This seems somewhat counter-intuitive in a year of a health crisis.

The first quarter started off well with spend across online and offline largely ahead of 2019. It was lockdown that started the decline. Lockdowns, working from home and a more home-centred lifestyle in Levels 2 and 1 are thought to be the most likely causes of the decline.

While the decline in spend online was down 2% it was over double this for physical retail stores. What has driven the sector's decline online most significantly is the reduction in how often shoppers buy and how much they spend each time.

There are however some positives that can give local retailers hope. The preference for buying local saw 62% of spend in the sector with Kiwi online retailers. This is 6% up on 2019. And with over 260,000 new customers coming online in the sector during 2020, the potential for growth is just waiting to be tapped into.



Sector at a glance for 2020:

\$5.15^B

TOTAL RETAIL SPEND (ONLINE & OFFLINE)

\$428^M

ONLINE SPEND

8%

OF SECTOR SPEND ONLINE

-4%

OFFLINE GROWTH

-2%

ONLINE GROWTH

62%

OF SECTORS ONLINE SPEND IS DOMESTIC

2.78^M

ONLINE TRANSACTIONS

0.86^M

ONLINE SHOPPERS

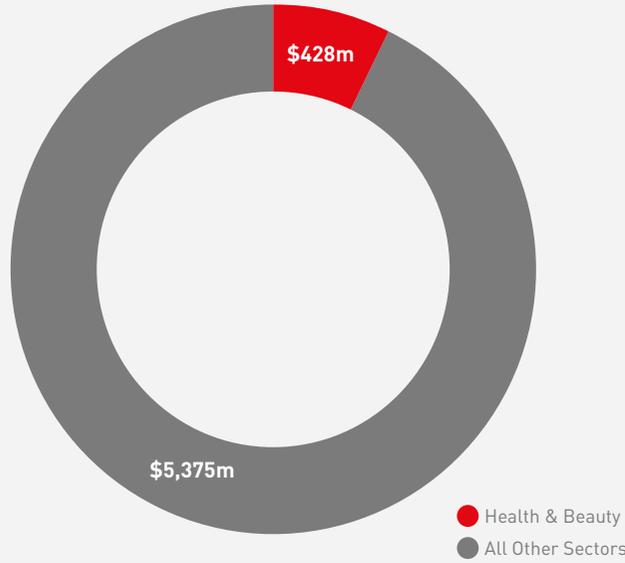
269^K

NEW ONLINE SHOPPERS

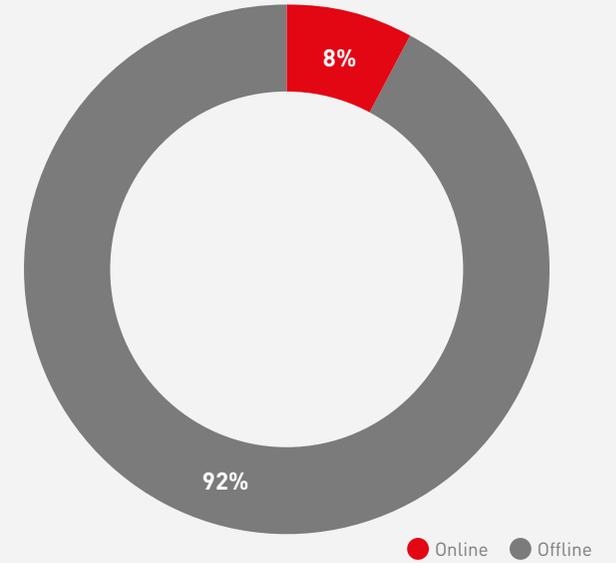




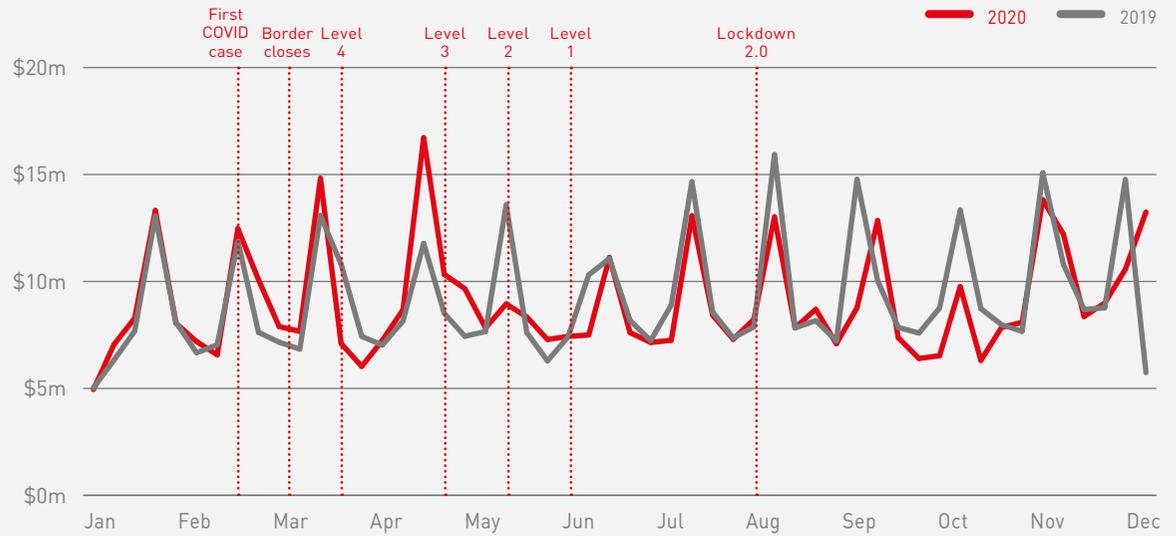
Sector total online spend
2020



Sector domestic retail spend – online vs offline
2020



Weekly online spend
2019 vs 2020



ANNUAL SPEND PER SHOPPER

 **499**

TRANSACTIONS PER SHOPPER

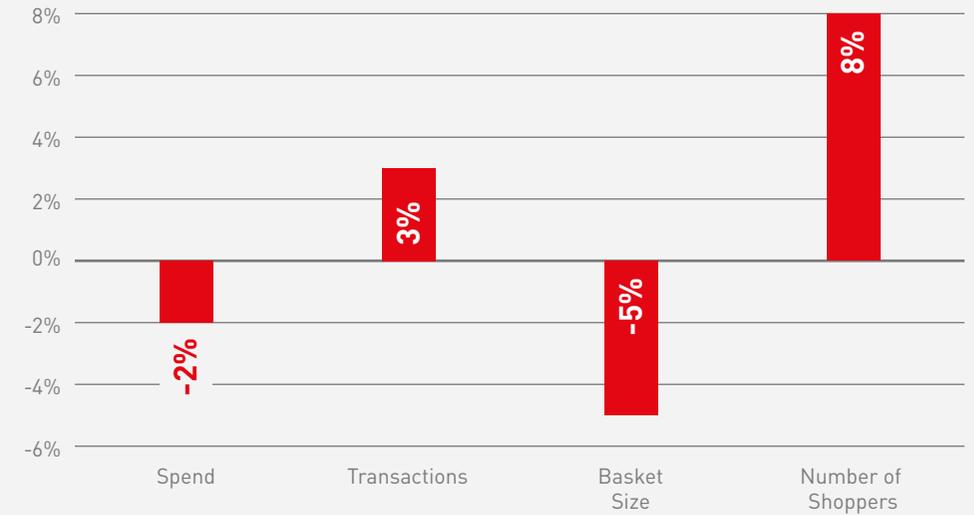
 **3.3**

AVERAGE BASKET SIZE

 **\$153**

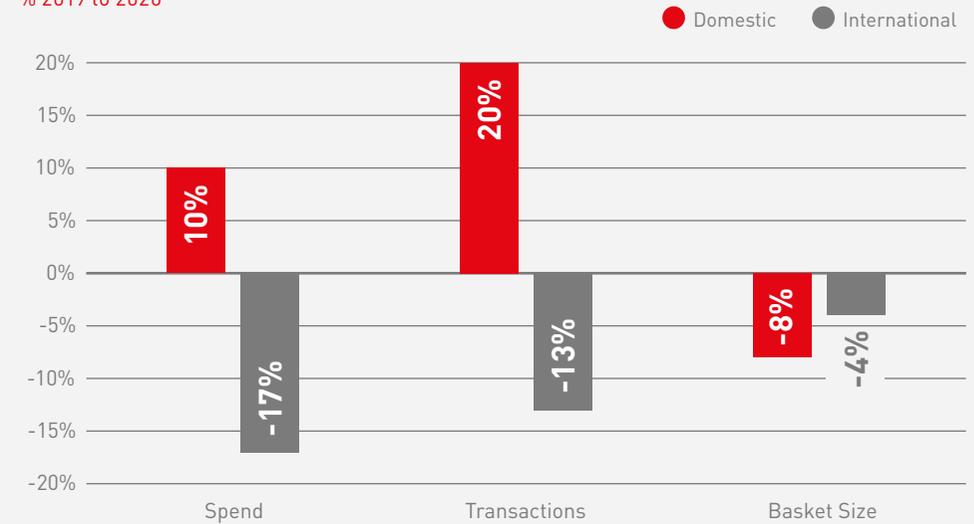
Total sector online growth metrics

% 2019 to 2020



Key growth metrics – domestic vs international

% 2019 to 2020



Who's shopping in this sector?



AGE <30

25%



AGE 30-44

32%



AGE 45-59

26%



AGE 60-74

14%



AGE 75+

3%



50% OF SHOPPERS ARE

FEMALE



17.5% OF TRANSACTIONS ARE ON

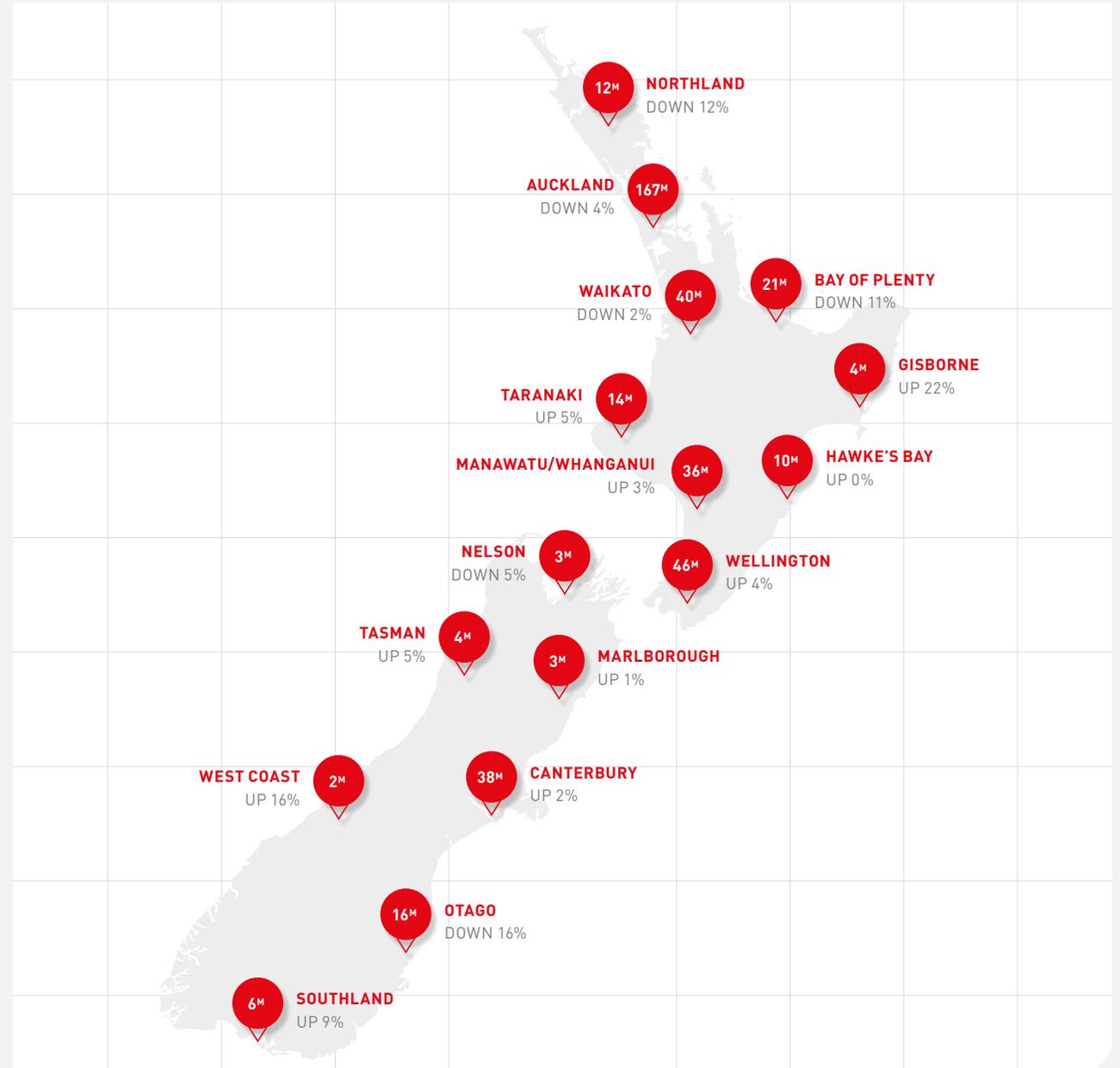
TUESDAY



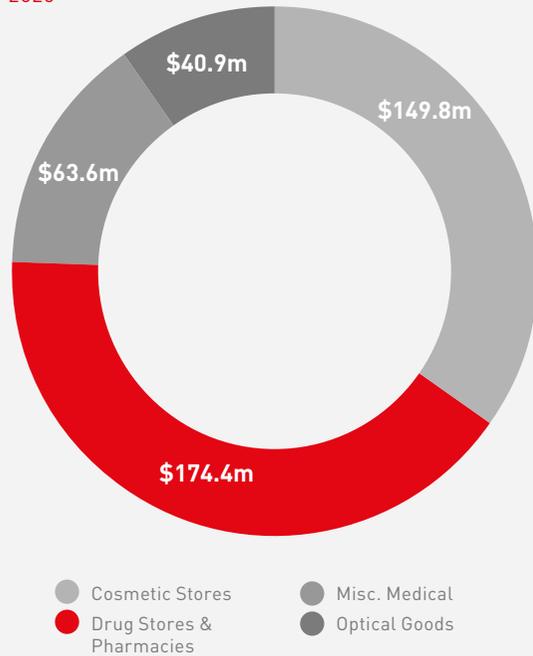
13% OF SHOPPERS ARE

RURAL

Spend by region in this sector



Sector spend
2020



The Sector Breakdown



571K

SHOPPERS

63%

SPEND BY SHOPPERS
AGED 30-59

70% ARE

FEMALE

BASKET SIZE

\$110

SPEND PER SHOPPER

\$261

TRANSACTIONS PER SHOPPER

2.37

DOMESTIC SPEND

40%



410K

SHOPPERS

65%

SPEND BY SHOPPERS
AGED 30-59

67% ARE

MALE

BASKET SIZE

\$202

SPEND PER SHOPPER

\$425

TRANSACTIONS PER SHOPPER

2.11

DOMESTIC SPEND

86%



239K

SHOPPERS

69%

SPEND BY SHOPPERS
AGED 30-59

50% ARE

FEMALE

BASKET SIZE

\$220

SPEND PER SHOPPER

\$266

TRANSACTIONS PER SHOPPER

1.21

DOMESTIC SPEND

56%



194K

SHOPPERS

72%

SPEND BY SHOPPERS
AGED 30-59

50% ARE

MALE

BASKET SIZE

\$146

SPEND PER SHOPPER

\$211

TRANSACTIONS PER SHOPPER

1.44

DOMESTIC SPEND

50%



Recreation, Entertainment, Books & Stationery

Ironically, in the year where we all had more time for recreation and reading, the Recreation, Entertainment, Books & Stationery sector experienced shopping's biggest declines, both online and instore.

Lockdowns, restricted movement and social distancing are probably the main reason for out of home entertainment being down. In-home movie subscription based services like Netflix and Neon are excluded from our data, but all indications were that these experienced a big year of growth.

The story for this sector is negative across all the key metrics. Even though we had over quarter of a million first time online shoppers in this sector, the overall online shopper numbers were down 3%. This suggests a number of existing shoppers didn't find time for this sector in 2020. Re-engaging these lapsed shoppers represents a good opportunity for retailers in the year ahead.

This sector has one of the smallest online basket sizes, and this dropped further in 2020 to \$83. Shoppers spend around 3.6 times a year, which is one of the lowest frequencies across the sectors.

A hint of positive is the growth of local spend, up from 36% to 45%. Even still, this is the only sector where international outstrips local spend, driven by the big book sellers like Amazon and the Book Depository.



Sector at a glance for 2020:

\$1.91^B

TOTAL RETAIL SPEND (ONLINE & OFFLINE)

\$306^M

ONLINE SPEND

16%

OF SECTOR SPEND ONLINE

-9%

OFFLINE GROWTH

-13%

ONLINE GROWTH

45%

OF SECTORS ONLINE SPEND IS DOMESTIC

3.7^M

ONLINE TRANSACTIONS

1.02^M

ONLINE SHOPPERS

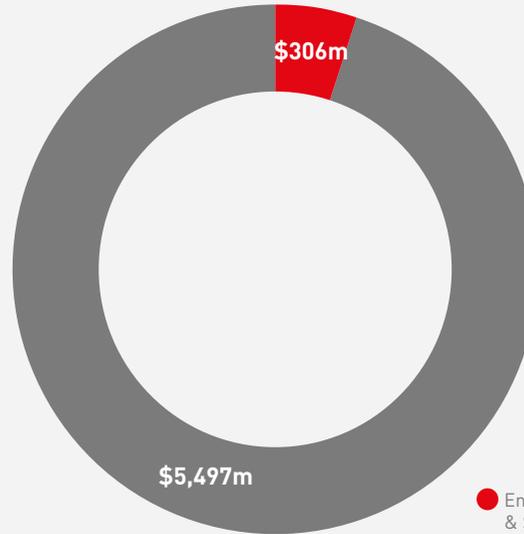
261^K

NEW ONLINE SHOPPERS

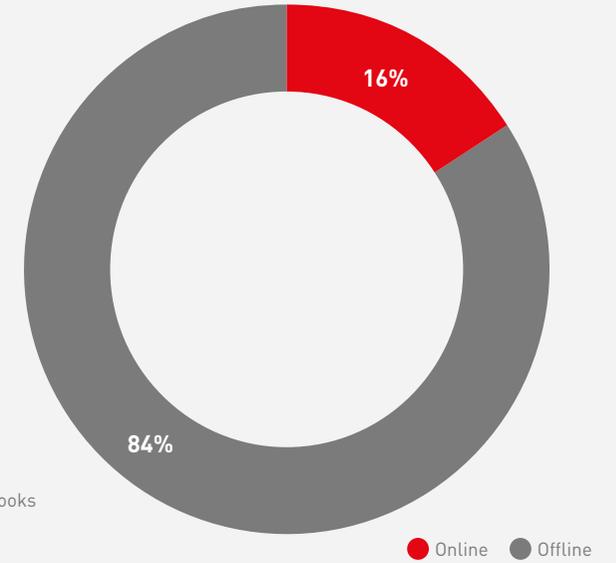




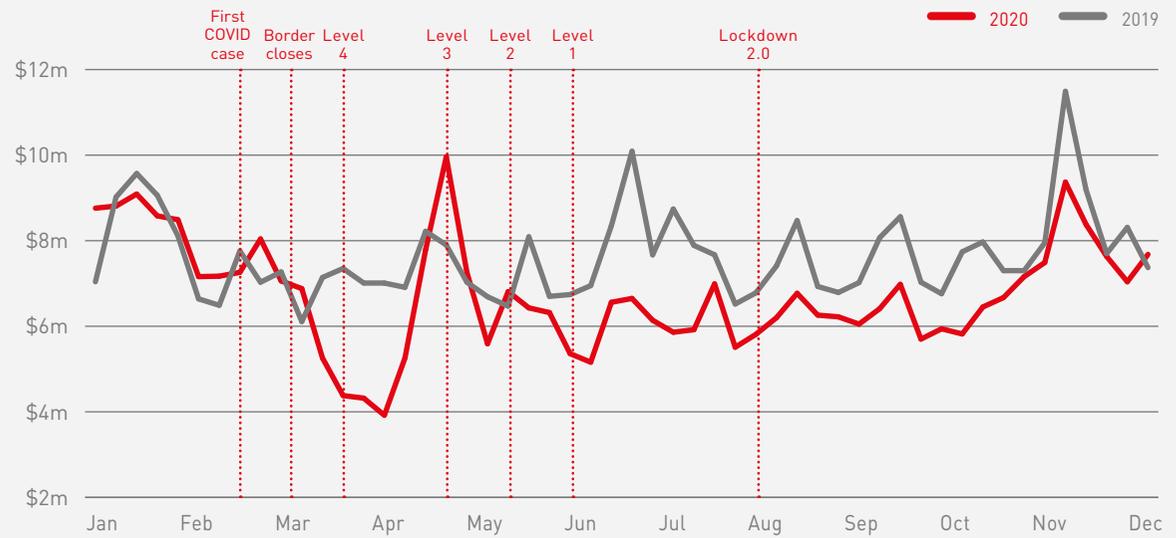
Sector total online spend
2020



Sector domestic retail spend – online vs offline
2020



Weekly online spend
2019 vs 2020



ANNUAL SPEND PER SHOPPER

 **302**

TRANSACTIONS PER SHOPPER

 **3.6**

AVERAGE BASKET SIZE

 **\$83**

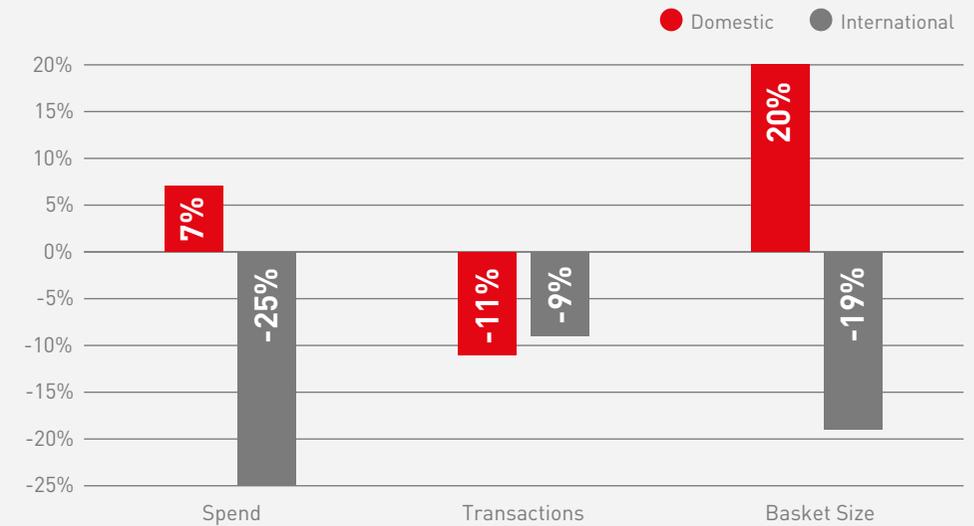
Total sector online growth metrics

% 2019 to 2020

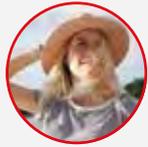


Key growth metrics – domestic vs international

% 2019 to 2020



Who's shopping in this sector?



AGE <30

25%



AGE 30-44

31%



AGE 45-59

27%



AGE 60-74

14%



AGE 75+

3%



59% OF SHOPPERS ARE

MALE



15.7% OF TRANSACTIONS ARE ON

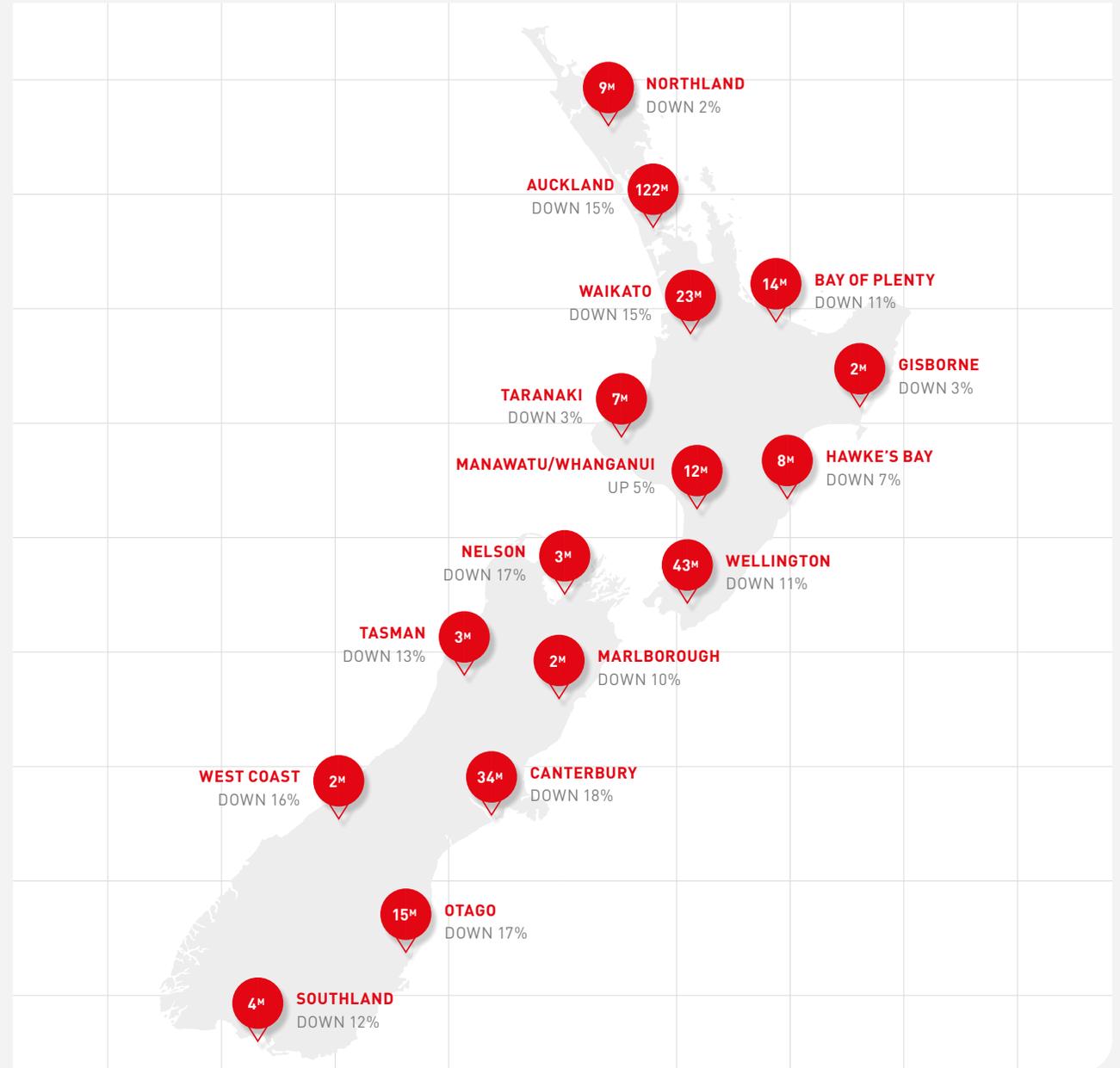
TUESDAY



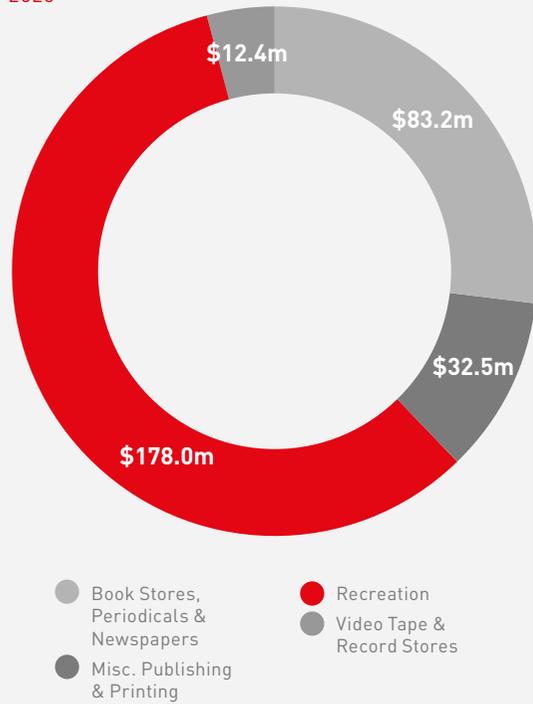
13% OF SHOPPERS ARE

RURAL

Spend by region in this sector



Sector spend
2020



The Sector Breakdown



BOOK STORES,
PERIODICALS &
NEWSPAPERS

516K

SHOPPERS

61%

SPEND BY SHOPPERS
AGED 30-59

50% ARE

FEMALE

BASKET SIZE

\$68

SPEND PER SHOPPER

\$161

TRANSACTIONS PER SHOPPER

2.37

DOMESTIC SPEND

26%



MISC.
PUBLISHING
& PRINTING

150K

SHOPPERS

74%

SPEND BY SHOPPERS
AGED 30-59

66% ARE

MALE

BASKET SIZE

\$128

SPEND PER SHOPPER

\$217

TRANSACTIONS PER SHOPPER

1.69

DOMESTIC SPEND

43%



RECREATION

706K

SHOPPERS

66%

SPEND BY SHOPPERS
AGED 30-59

61% ARE

MALE

BASKET SIZE

\$92

SPEND PER SHOPPER

\$252

TRANSACTIONS PER SHOPPER

2.74

DOMESTIC SPEND

56%



VIDEO TAPE &
RECORD STORES

125K

SHOPPERS

64%

SPEND BY SHOPPERS
AGED 30-59

63% ARE

MALE

BASKET SIZE

\$43

SPEND PER SHOPPER

\$98

TRANSACTIONS PER SHOPPER

2.27

DOMESTIC SPEND

23%

4.0

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ECOMMERCE FOR YOUR BUSINESS

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

In this section we offer a series of tips to help businesses become more effective at selling online. From getting your website and shopping experience right, growing your customer base, capitalising on the big shopping event days, building your customer relationships to encourage higher and more frequent spend – right through to ideas to help you manage your business seamlessly. Finally, we provide some key tips, should you want to take your business global.

Five things every business needs

The following five points are long-term essentials every business needs, regardless of what sector they operate in or how established they are. Following an unprecedented 2020, your business should also have a short-term 'disruption plan' in case of further lockdowns or supply chain challenges in the year ahead. This action plan needs to cover everything, from the operational activities to communication plans, to keep servicing existing customers and finding new ones. Having a plan will mean you are prepared whatever happens.

1. Position yourself for competition

2020 made it even more competitive out there and consumers have become very savvy. They are using the internet to their advantage, its speed and transparency to put the retailer under pressure. Be very clear about your strategy and why customers should choose you. Are you low-cost volume vs premium positioning? Make sure your customers get it. The market is very crowded and getting more so. Have clear, short, competitive messages that position your business away from the competition. Play to your strengths. Be consistent and ensure you display and market your products in a way that fits your proposition. If you're charging premium prices, act that way.

2. Foster a pipeline of steady business

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

3. Get ready to adapt

Retailers who get eCommerce right often experience quite heady lifts in sales. There's nothing that turns a consumer off more than a business who fails to deliver. So have you got things in place to cope with growth? Can your business quickly scale up? With the right logistics and finance in place? And as we saw in 2020, plans need to be ready to change quickly in response to what's happening in the world around you. Make a plan for every scenario - from supply chain disruptions right through to further lockdowns.

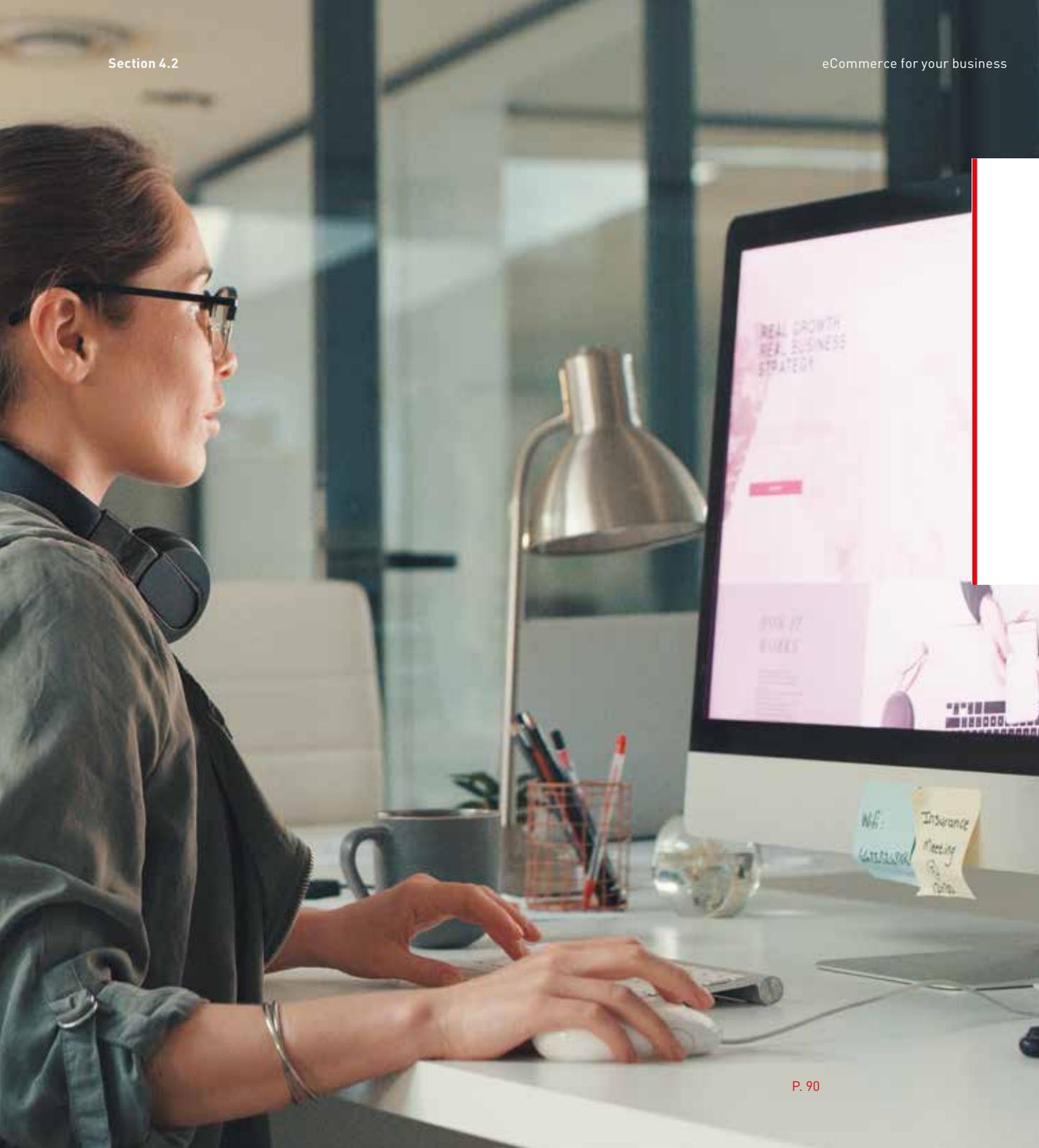
4. Go with fast shipping

We may not always be able to fight international online retailers on price, but we can win Kiwi shoppers' hearts through great service. Getting things to Kiwi shoppers fast is a competitive advantage you should look to leverage. By offering same day or next day delivery, we can sway more and more shoppers to back homegrown businesses. From easy tracking and notifications to offering options of where and how your customers would like their goods delivered. And use sustainable packaging to reinforce that local is not only faster but better for the planet. Great delivery experiences ensure return visits and help build brand loyalty.

5. Be Sustainable

Sustainability is becoming more crucial for how businesses operate. It's not only the right thing to do for the planet but also to grow your business. Shoppers are becoming more conscious about the sustainable practices of the businesses they deal with. This means price and variety are no longer the only factors that influence buying decisions. Highlight the sustainable credentials of your business and products, making them your competitive advantage. And remember the customer's end-to-end experience with you, including how the product is packaged and delivered. Choose partners that deliver the sustainable experience that reflects your brand.

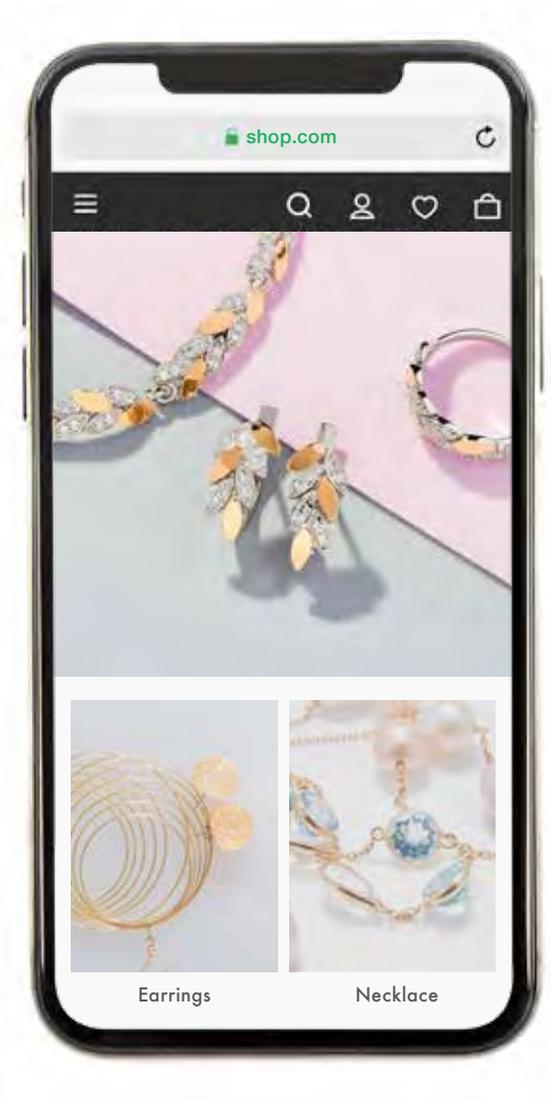




Getting started online

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

- What experience do you want to create? Look at other similar or parallel products and see how they do it. Most of all, adopt a customer mindset. What will they expect from a website like yours? 2020 may have changed some things – so start by thinking about how your own behaviours and expectations have changed.
- 2020 showed us that customer profiles are changing. The older demographic, and regional shoppers, are growing fast. What does that mean for the experience you need to create? If these audience are, or have the potential to be, important to your growth make sure you're catering to their needs.
- Adopt a mobile first design approach. Creating a mobile-friendly site is a must. Think about how you will structure your website. What's a logical way to categorise your products to make it easy for customers to find what they want?
- Generally, we say rely on off-the-shelf solutions to stay on top of changes in technology. Use established platforms with eCommerce shopping cart functionality built in. However, if you have specific needs, a bespoke approach may be required.
- How will your products be displayed? Good photography is essential so invest in it. It's important the customer can see the product (in all the colours available) and that they can access more details about it.
- If you were opening a physical store, you'd be thinking about the look and feel of the interior. Your website is your store so start with a design approach. What will appeal to customers? Remember - simple is best. Your store should not be cluttered. Let the products take centre stage.
- Let customers know about shipping costs and timeframes up front. Uncertainty is the main reason shoppers abandon the process before they buy. Find a good delivery partner like New Zealand Post who can provide reliable delivery times and a good selection of delivery options that allow customers to trade-off speed and cost. Make sure you have a clear returns policy that customers can easily find. And think about packaging, more and more customers are looking for a more sustainable delivery experience.
- Set up your shopping cart so it's as easy as possible to complete the shopping process. You need to capture customer data but keep it to the absolute essentials to avoid customers getting frustrated and abandoning their purchase.
- Ask for feedback about how shoppers found your website. What works? What doesn't? Shoppers appreciate being asked. Listen to the repeated feedback and look to make the improvements that help deliver a better website experience.
- Speak to your bank around how to accept payments. With many shoppers using credit cards to make payment, a simple payment gateway may suffice, but consider additional payment options, like Buy Now Pay Later, based on your customer base. Make sure you familiarise yourself with Merchant Service Fees before implementing any payment methods.



Growing your customer base

So, your business is under way and things are ticking along nicely. The challenge now is to grow your business to that next level and that means finding new customers by promoting your website and encouraging people to visit. 2020 brought many more retailers online, making competition for shoppers attention even more intense.

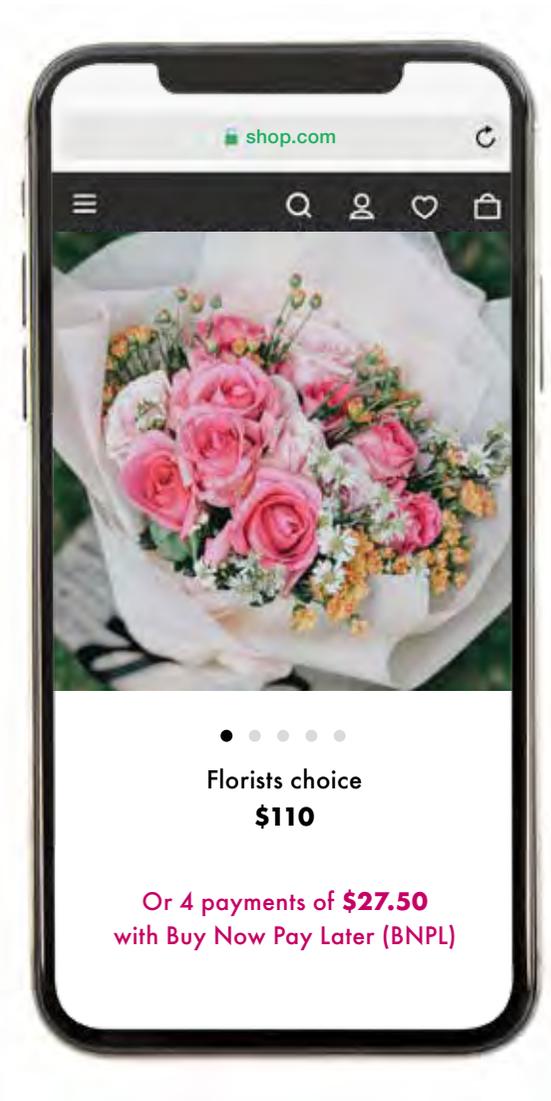
- Utilise marketplaces to gain exposure in a bigger consumer pool and use this to drive customers to your website. For example, promote selected products via Trade Me and encourage purchasers to see a full range of products on your site.
- Make sure that you build a community that has an interest or passion in your area. Engage with them to contribute content, which they will share with others in the community.
- Maximise your marketing budget with digital marketing to re-target customers who have visited or purchased from your site through Search Engine Marketing or social media to drive repeat visits.
- Use social media to promote and sell your products. There are a number of ways to do this – from creating specific adverts to boosting posts to a wider audience. Some social platforms, like Facebook, now let you sell directly. Most social media channels are easy to use and have good instructions on how to target your messages.
- Encourage (and make it easy for) your existing customers to share your site with their friends and family. It's likely they know others who will also like what you offer. Consider incentivising your existing customers to promote your store to their friends, family and extended networks. This can be done by offering discounts, free products or other benefits for introducing others.
- Consider adding customer reviews and endorsements – they are very influential on customers who are unsure or are trying a new product for the first time. They are also a great way to gain customer feedback to make business improvements.
- Many businesses promote specific products at low prices as a way to encourage customers to come to their store. It's a proven strategy that works well both online and offline. When it's genuinely the case, use 'time-limited' or 'stock limited' to drive urgency when it's appropriate.
- Highlight the things that are important to customers like quality, sustainability, service and being local. Reduce the risk for customers to try your products by having a customer friendly returns policy.
- Attending trade shows and events is a good way to grow your customer base and to stay relevant and connected with your customers. For an online only business, that face to face contact is even more valuable.
- And of course, there are numerous online advertising options from social media to digital ads and videos that can drive traffic and engagement.



Building your customer relationships

2020's online shopping boom introduced a number of new customers to your business. Now you're thinking about ways to get more value out of your existing customers. That means encouraging them to shop more often and spend more when they do.

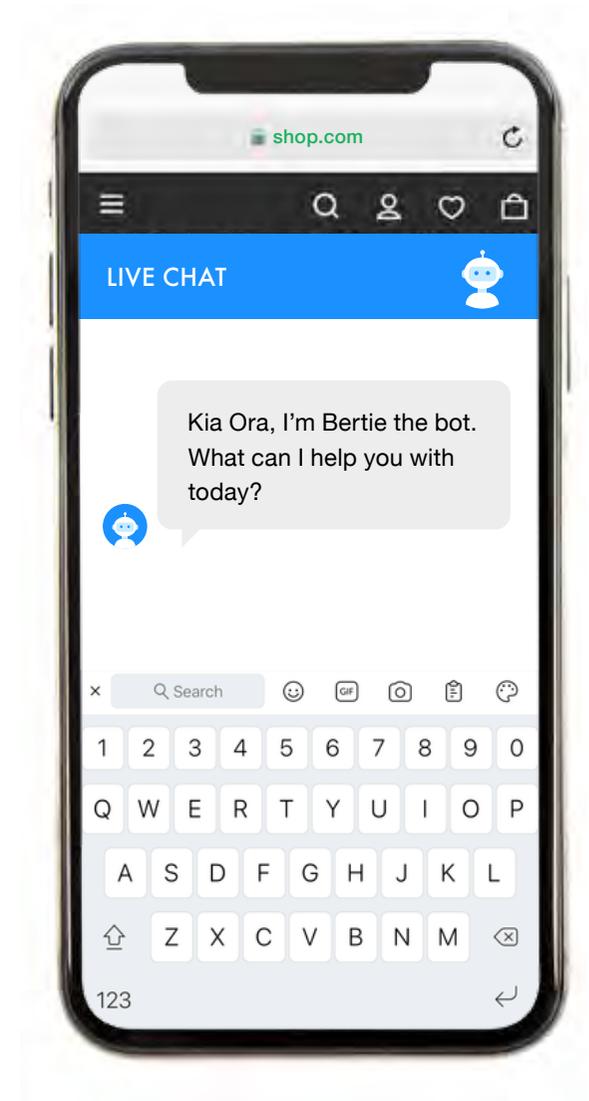
- Collect data and build a customer database (CRM) to enable ongoing communication with your customers. Balance your regular communications so they incorporate good value-add tips, advice and information with product promotions. Extend this to create communities of like-minded people with exclusive 'member only' deals.
- Consider a loyalty programme to attract customers to spend more and/or to spend more often.
- Make it easy for customers to sign up for newsletters and alerts. This enables them to receive emails or text alerts about new products or special promotions relating to the things they are interested in.
- Collect good quality customer contact data to provide a more personalised experience. For example, based on previous visits, you know what a customer has looked at. Promote these types of products to them the next time they shop.
- Consider complementary and parallel products your regular customers might be getting elsewhere. Think about offering these products or cross-promoting with another business.
- Incorporate up-sell and cross-sell as a standard part of the shopping process. Often that's as simple as promoting accessories and complementary products based on what the customer has selected. Other examples include "Other customers who purchased this product also purchased..." or making recommendations for alternative products "You may also like..."
- A Buy Now Pay Later (BNPL) option is a must in many sectors if you are dealing with a younger target market. This helps customers justify their decision to spend a little more and eliminates barriers to purchase.
- Incorporate Black Friday, Cyber Monday and Singles Day in your marketing calendars. Build excitement and anticipation about these events with your customers.
- Being present through offline events and trade shows is a good way to stay relevant to your customer base and gather direct customer feedback.
- Include a detailed FAQ section so customers can help themselves.
- Protect your brand reputation online. Set up alerts, proactively manage customer complaints and develop guidelines for social engagement.
- Ask for feedback: capture feedback at key points in the customer journey to better understand and improve the customer experience. Remember, make sure you can act on and reply to feedback.
- Finally, make it easy for customers to make contact – whether through online chat, Facebook messenger or email. This is essential for online only businesses.



Optimising your online business

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

- Regularly review website data to understand user behaviour and learn what is posing challenges for customers. Continually make meaningful improvements to your site.
- Establish a customer feedback loop to evaluate customer satisfaction levels and make improvements accordingly.
- Consider adopting AI technology such as a chatbot to help scale your service capabilities.
- Streamline operations to pick and ship items same day or overnight to ensure customers receive a great experience that differentiates you from competitors.
- During the busiest times of the year, work with your delivery partner to ensure you are able to optimise the delivery experience for your customers. This includes a good selection of delivery options as well as different packaging solutions to match where you are taking the business.
- Consider outsourced fulfilment options that can take care of many of your time-consuming backroom tasks, allowing you to focus on customers and growing the business.
- Allow customers to shop the way they want. The majority of products are now researched online before being purchased either online or in store. Give customers choices about how they receive their items. Click and Collect can drive increased foot traffic and lead to incremental purchases when customers are in store.
- Consider how to create a seamless experience across your online and physical stores. For example, banks offer online options while you're in one of their branches. Could you combine the personal and tactile experience of instore with the ease and efficiency of online? Alternatively, could Augmented Reality (AR) help online customers better visualise the product or enjoy an instore-like experience.
- Leverage product identification standards like GS1 barcodes to identify, capture and share product information. This enables real time inventory management across channels and allows customers to understand where items are in stock if they want them now. In 2020 we experienced significant supply chain delays which really highlighted the importance of good stock management.
- Introduce customer notifications to the shipping experience to make improvements to customer satisfaction and first-time delivery rates. Achieve this by capturing all the necessary data at checkout.
- Your customers are on social media platforms like Instagram all the time, why not allow them to shop on there, too?
- Always keep the customer experience at the heart of your decision making and listen to your customers' feedback about how they want to shop with you, what their pain points are and what other products they want to see from you.

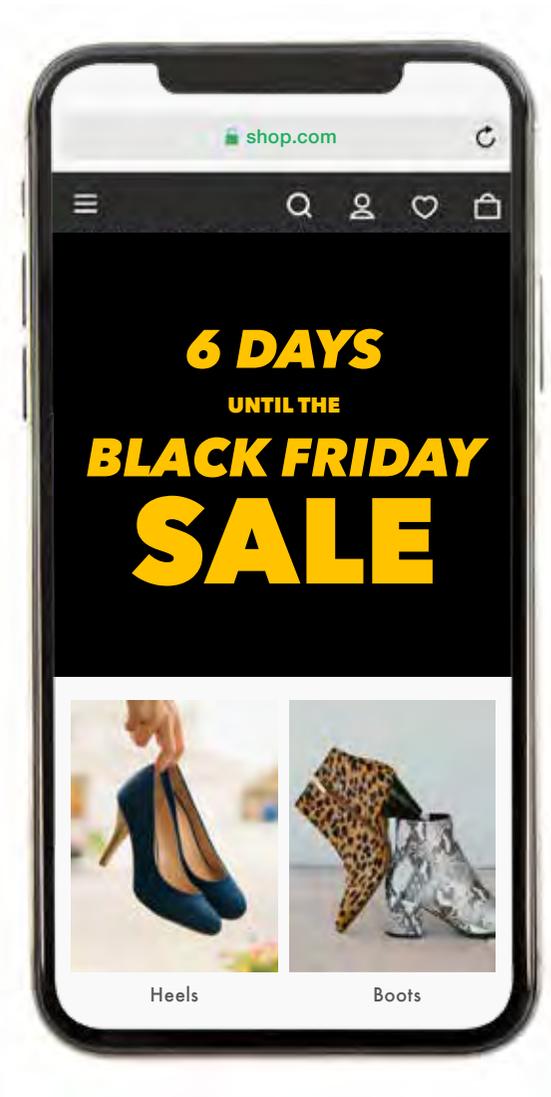


Making the most of event days

Event days like Singles Day, Black Friday and Cyber Monday are such a big part of the sales calendar. They offer a great opportunity to attract new customers and/or to grow the value of your existing shoppers.



- There's no successful sales event without a plan. What is your goal or target? Do you want to beat last year's sales figures or is your event more functional - like getting rid of excess stock? Start out by looking at all your products and plan your deals and discounts in advance. Don't do it on the fly during the event.
- Understand your product margins early so you know what can be discounted and by how much. Discounting products to get customers in, or to make an additional purchase, is a great tactic but can't be sustained over time.
- Make contingency plans and "what if" scenarios. Like: What if we sell out too quickly – can we restock? Can our pick and pack team cope with demand? After doing the hard work with events you don't want to be in a position where you can't meet customer expectations.
- Customers don't suddenly switch on to an event on the day. They research well ahead. So, prepare them in advance. Make sure they know your sale is coming. The more you can prime them, the more they'll come to your store, instead of a competitors.
- Reward customers who do shop with something exclusive. It could be a first chance to shop, or exclusive stock or bundles – it doesn't have to be a big discount.
- Your website is everything. How it looks, how it loads, how it copes with the demand. Stress test it well before the event. Make sure it can handle the upcoming load and is set up for mobile. If it doesn't work well on mobile, you risk losing a whole generation of customers.
- Remember, it's a cluttered time for advertising so think about what will cut through. In 2020, we saw retailers use an extended time before event days to create space for their messages to cut through, rather than relying just on one day. Consider how this may work for you.
- Make your offers enticing and clear. Create standout banners, hero images, headlines and calls to action for your event day promotions. That key visual is often what's going to carry your campaign for the event day. Make sure it's exciting enough to entice the shopper.
- Track everything on your website with good analytics that show you how your marketing is performing. Understand your customers. Where they came from, how they found you, where they lingered and what they bought. There are apps that let you see how many of your site visits are converting to sales. Others help you identify what pages are working while other can tell you where customers are getting stuck, or abandoning their cart. There are plenty of smart tools out there to help build your knowledge about what in your sales event offer has worked. This will be invaluable in planning for the next event.
- Always remember that the true value of tactical event day promotion is the long term value you can derive from customers. This is especially true when you offer discounts. As part of your planning, be clear how you'll follow up event day sales, turning new customers into regular shoppers.



Going global

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

- Marketplaces are a great way to break into an international market with relatively low upfront cost. They let you assess demand for your product, local pricing and to refine your sales approach before making a more significant investment in that market.
- Consider the markets you want to enter, the competition your products may face and how you can successfully differentiate your product. Allow for potential tariffs and duties and build these into your pricing strategy.
- Understand any cultural barriers as to how you show and promote products and the type of language you use. Customers like to see themselves in your site, so ensure yours reflects an appropriate cultural diversity.
- Shoppers feel more comfortable working in their own language and currency so you should offer these options on your website if possible. However, to keep things simple, you may need to be selective, working in just a few main languages and currencies.
- Online shopping in Australia grew to a new level in 2020, including more Aussies buying from kiwi retailers. This is a large market that allows easy access for Kiwi retailers and therefore is a great place to start your international journey.
- New Zealand has a global reputation for clean green, safe, natural, quality and good service. If your product is New Zealand specific, look to leverage these positive attributes to attract customers. Check out nzstory.govt.nz for ideas, tools and support to make the most of being a Kiwi business on the global stage.
- Given your location, delivery time and costs will be a big part of a shopper's decision making and experience, be upfront with the costs and timeframes and offer a range of shipment options, an easy returns policy and good tracking services.
- Partnering with a reputable company like New Zealand Post gives you access to a global network of specialists who can advise on the best options available to you for tracking, transparency and creating the best customer experience. With all the information and options out there, it is important to be able to talk to someone about all the options available.
- Use an online shipping tool such as New Zealand Post's eShip – which will allow you to streamline operations by using the same system for both domestic and international parcels.
- Local promotions become important for building a customer base in a cost-effective way. Use localised social media and Search Engine Marketing techniques that are highly targeted to specific groups within the markets you want to attract. Use digital marketing to scale into target geographies.
- Word of mouth is still one of the best forms of advertising. Encourage (and possibly reward) your international customers for sharing your site and social pages and for introducing new customers.
- Keep across major international regulations like General Data Protection Regulation (GDPR) which defines how you can manage and use EU customer data.



5.0

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HOW WE CAN HELP

At New Zealand Post, we deliver more online shopping parcels than any other logistics company in New Zealand. In 2020 we delivered 76 million parcels – on average that's over 200 thousand parcels every day.

We work with some of the biggest, newest, most innovative and most successful online businesses, partnering with them to maximise their growth potential. As a business, we see eCommerce as the future and we're continuing to invest in the opportunities it will bring, for us and for you.

In this final section, we highlight how our products, services and forever-evolving expertise can help you grow your online business. We'd love to help you succeed.



Through great understanding comes great solutions

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

Here's how our expertise can help you

As you'd expect, we have New Zealand's largest logistics and delivery network, it is also New Zealand's most reliable overnight delivery network. We deliver to our service standards an industry leading 98%* of the time. Now that's delivery you can count on.

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

New Zealand Post can deliver to more New Zealand addresses than any other logistics company, including rural addresses, Private Bags and P.O. Boxes. Reaching more places is a positive thing for you and your customers.

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

And why is all this important to you? Well, because delivery plays such a big part in how customers see you. When they have a good delivery experience it reflects well on you and they come back for more. We know doing our job consistently to the highest standards allows your business to grow. That's good for you and good for us – and that's what being partners is truly all about.

More delivery options

Customers want delivery choices so that they can control how and how fast it gets to them. With a different range of delivery speeds – we have lots of choices to offer your customers. And we're always adding new, and refining existing, options based on feedback from our retailers and their shoppers.

Offering flexibility and transparency at checkout has a large impact on your conversion to sales and that's why we offer a range of domestic delivery options that give your customers a market leading eCommerce experience.

With our overnight courier service, we can deliver anywhere in the country overnight, (though rural delivery may take a little longer). We also offer a 2-3 day Economy Courier service between islands, for those customers who are happy to wait longer if they can pay less. In addition, we have numerous value-added services for courier delivery options such as obtaining a signature, delivering dangerous goods, Saturday and age-restricted deliveries.

If you want to offer your customers an even faster service, our priority & express services could be the best option to get your items across town within hours, or between cities the same day.

This year, following many discussions with retailers and online shoppers, we introduced Express Tonight. This great new service allows you to get products to your customers that very same evening, between 6-9pm on weekdays (when ordered before 3pm). This is now available in and between Auckland, Hamilton, Wellington and Christchurch, allowing you to make delivery a key differentiator from your competitors.

Parcel Tracking & Notifications

At New Zealand Post, we offer a Parcel Notification service to all customers who are using any one of our online ticketing solutions when sending domestically. This lets customers follow the progress of their parcel delivery. This visibility helps to improve customer satisfaction and removes the need to call or email you to find out where things are at.

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

Customers can interact with certain messages, giving them options to have their parcels left in a secure location. This avoids redelivery and makes for happier customers.

And with our express courier services, your customers can track their parcel's journey in real-time on our live map, and receive instant pickup and delivery notifications, via email or text. This includes estimated time of arrival and live GPS tracking so they can see where the driver is when they're on their way. More visibility and control leads to better delivery experiences for customers and that reflects well on you.

* Competitor courier delivery performance test report, KANTAR, December 2020

Delivering to your customers the way that they want

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

- With **Parcel Leave**, customers can specify a safe place to leave a signature required item, so that they do not have to be home to receive the parcel.
- With **Parcel Redirect**, your customer can have their parcel redirected within 75km of the original delivery address for no additional charge.
- With **Parcel Collect**, customers can have their item delivered to one of the 330+ Parcel Collect locations around the country. These options include Z stations, Countdown stores and PostShops nationwide. You can make these options available to your customers through your shopping cart with New Zealand Post's APIs.

Easy returns solutions

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

We offer two returns solutions:

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

We also offer a returns service from Australia.

Sustainable packaging and carbon neutral

We know more and more online shoppers are looking for the retailers they buy from to be sustainable in their practices.

We're currently rolling out a range of plastic courier bags which are made of 80% recycled plastic. This range is recyclable, via soft plastic collection schemes, meaning your customers can drop them into any Love NZ soft plastics recycling bin at supermarkets and other participating stores.

We also have a great range of environmentally friendly boxes, made from 100% recycled content that are also 100% recyclable.

We are committed to using 100% reusable, recyclable or compostable packaging by 2025 or earlier if possible. We'll be constantly evolving our packaging solutions to meet this commitment and to help you deliver the solutions your customers want.

Is international on your radar?

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

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

We deliver to over 150 countries around the world with a tiered range of solutions through both the postal and commercial networks, depending on the speed, the tracking and the experience you want to provide.

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

Digital solutions to simplify your logistics

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

For a small business that is just starting up, a New Zealand Post online self-service account allows you to send parcels from anywhere and pay as you send with a credit or debit card. eShip is our cloud-based application that works with popular local and international eCommerce and customer management platforms. eShip prints packing slips, consignment notes, invoices and parcel labels.

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

If you're a Shopify user, check out our Addressing plugin that can streamline your customers' checkout experience by choosing a valid New Zealand address from the drop-down list.

Keeping you in the know

The world of online shopping is moving fast, and shopper expectations are changing by the day. We're committed to giving you the latest information, insights and tools to help you grow your business.

Along with this annual review of online shopping trends, we produce a regular and timely update called eCommerce Spotlight. This covers the latest market data and also provides in-depth analysis and stories that are directly relevant at the time. Check out eCommerce Spotlight and subscribe for alerts whenever a new one is published.



Where's the source?

We've used data from a variety of sources to bring you The Full Download 2021:

- 2018-2020 transactional card data from Datamine.
- Census 2018.
- Other eCommerce research and reports referenced in the footnotes where appropriate.
- Volume data from NZ Post's operations centres.
- The NZ Post Online Retailer Survey 2021 interviewed 155 online retailers.
- The NZ Post Online Shopper Survey 2021 interviewed 650 online shoppers.

All figures are from Datamine unless otherwise noted.

Currency

All dollar amounts are in NZ Dollars unless otherwise stated.

Sectors

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



DEPARTMENT, VARIETY & MISC RETAIL STORES



SPECIALTY FOOD, GROCERIES & LIQUOR



HOMEWARE, APPLIANCES & ELECTRONICS



CLOTHING & FOOTWEAR



HEALTH & BEAUTY



RECREATION, ENTERTAINMENT, BOOKS & STATIONERY

Full sector names have been shortened throughout the report for ease of reading.

Exclusions

To ensure data is representative of the wider New Zealand eCommerce landscape, weighting is applied to remove any known imbalances. Specifically excluded from our core online transactional samples are the following merchant sector groups: travel and tourism, online lotteries, betting and ticket agencies etc., cafés, restaurants and bars, digital consumed goods and services (including subscription services such as Spotify, Netflix etc.), utilities, insurances, tax payments, buying and shopping services and clubs, transportation services, associations and organisations.

Location Definitions

We have used Statistics NZ geo boundaries to define rural, urban and metro.

- Main metro covers the main urban areas of Auckland, Wellington and Christchurch.
- Urban covers the remainder of cities and large towns with 10,000 or more residents.
- Rural is defined as an area with 300-999 residents – everything outside of urban areas is considered mainly rural.

To help geographical insights, data has been aggregated to an area unit and, where it makes sense, these have been replaced with specific suburb or locality names.

Changes to data methodology

Working with our specialist data partner, Datamine, we continually seek to revise and refine the data methodology we use for our eCommerce market reporting.

During 2020, one of the most significant change to methodology has been the move from annual aggregation of spend data to a rolling monthly modelled calculation. Some transaction data across various sector categories has been re-categorised as a result.

These adjustments to the methodology allow for a more stable baseline and a more accurate view of the split between online and offline spend, as well as the split between domestic and international spend.

The new methodology has been applied to historical transaction data from 2018 and 2019 to allow a more accurate, like-for-like, comparison with previous year. However, that does mean that some historical data that appears in this year's report may differ from what was published in previous reports.

Want to find out more?

Are you based in New Zealand?
Call NZ Post on **0800 959 057**.

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

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

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

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

Or talk to your **NZ Post Business Manager**.

Disclaimer

The Full Download is published for general information purposes only. The views and opinions expressed, and any advice provided, is general in nature only. New Zealand Post does not represent that any information or advice it contains is suitable for your particular circumstances or purposes.

Thank you

Thank you to Datamine for the detailed numbers and to Insight Creative for the design and writing of The Full Download. A big thanks to Digital Boost and OfficeMax for agreeing to be part of the report. And a shout out to the many people within New Zealand Post who did all the hard work to produce this report in order to help Kiwi retailers grow.

Sustainability

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

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

