



IAB NEW ZEALAND

**ECOMMERCE
WHITEPAPER**

2022

EXECUTIVE SUMMARY

The purpose of this paper is to provide insight on the state of ecommerce in New Zealand. This will help marketers and advertisers of both small and large enterprises in the industry find actionable insights for planning their omnichannel, ecommerce and m-commerce strategies. The paper also provides an overview of the marketplace and the latest research in terms of user-experience and innovation in ecommerce capabilities.

It also covers the importance of measurability with emphasis on how to define and track key KPIs and thereby establishing effectiveness of the channel. Last, but not least, the paper will cite research informing the most effective marketing mix between brand and performance investment, leveraging marketplace extensions better (ecosystem) and tracking through to a performance advantage.

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SECTION 1: WHAT YOU NEED TO KNOW

STATE OF THE MARKETPLACE

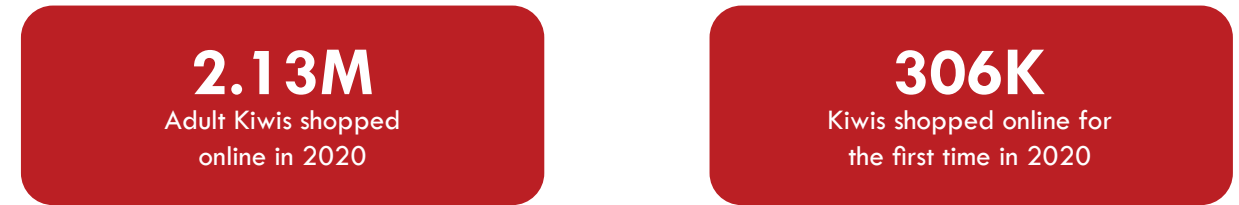
2020 was a watershed year due to Covid 19 which changed online shopping forever. The continued lockdown from August 2021 reinforces the importance of ecommerce to be able to transact with customers.

Global Perspective:

'Brands must pivot to ecommerce because it has gone from an experiment with technology to a necessity'

Source Events Reports, Shopee Brands Summit, Jan 21

Statista reports NZ ecommerce penetration at 61%, with the NZ population having bought at least one product online in 2020. In the most recent NZ lockdown, this trend has continued with record retail searches and total retail spend online up 24.2% YoY.



Source: NZ Post The Full Download 2021, Datamine Retailwatch Sep 2021

55% of retailers indicated that their online revenue was higher in 2020 according to the NZ Post report. This is predicted to continue to grow with the Statista Digital Market Outlook reporting the compound annual growth rate for the next four years will be 9%. Growth of online shopping is across a range of categories with the biggest growth associated with homewares, food and grocery purchases.

The growth of ecommerce is underpinned by research showing that retailers who have an omnichannel strategy maximise customer spend online and instore.

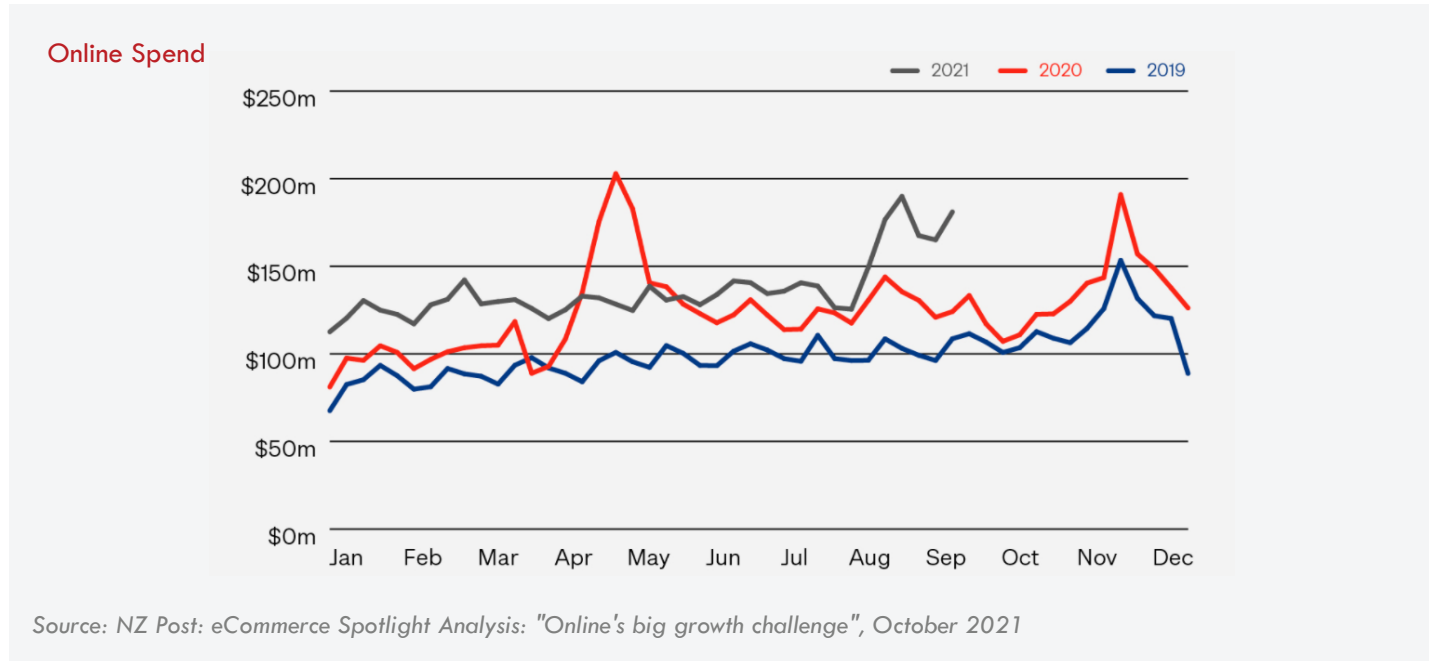


Global Perspective: Ecommerce as an e-business

"Ecommerce is thought of holistically rather than as a segregated channel."

PandG's Alexandra Vogler, senior marketing director of e-business in Asia, the Middle East and Africa.

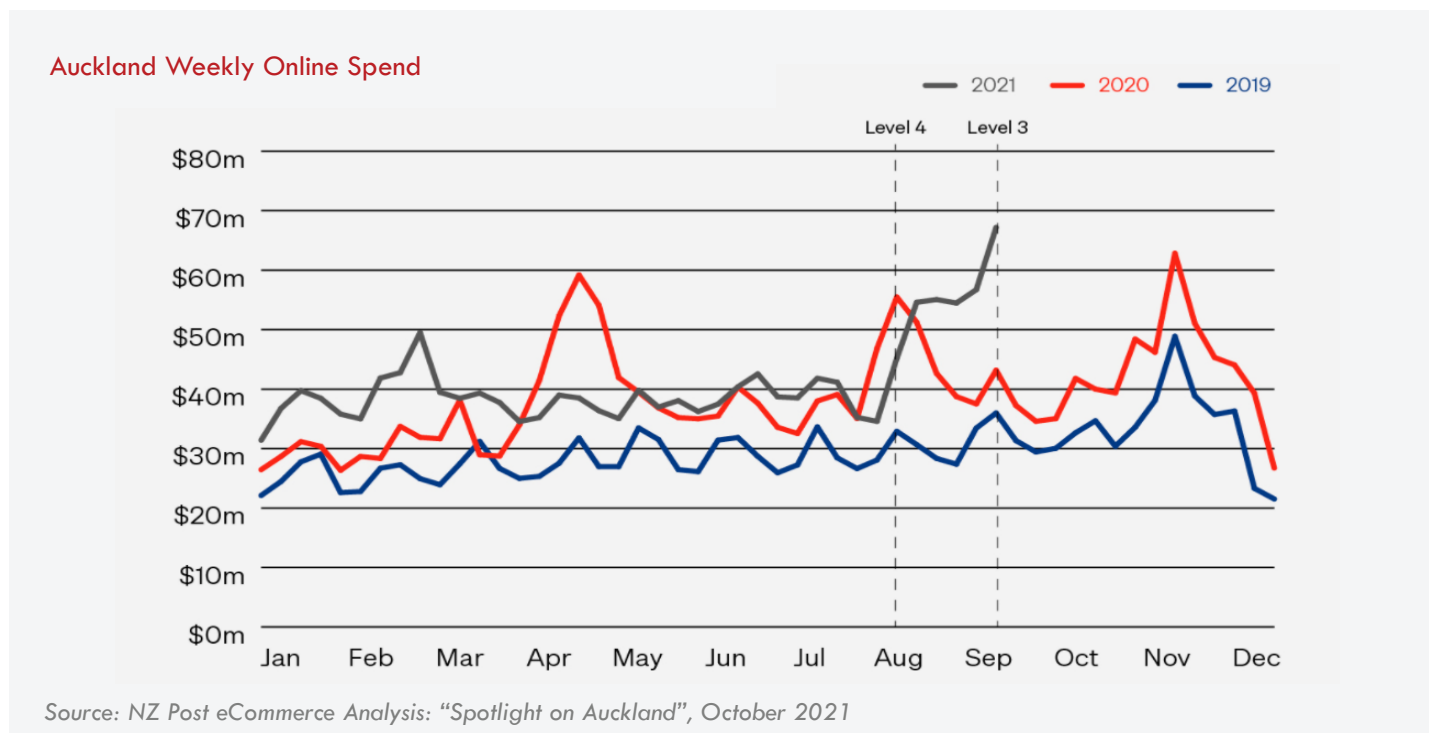
In 2021 ecommerce growth did not slow, with NZ Post report forecasting that 2021 will exceed the **\$6.6 billion annual spend – that's 14% up on 2020.**



In the latest quarter, which was affected by a Covid lockdown nationally, NZ Post reported Q3 21's online sales of **\$1.78 billion – the biggest quarter since monitoring** the markets commenced three years ago. This was a massive 22% increase on the same quarter last year.

Ecommerce accelerates in Auckland during Covid lockdowns:

NZ Post ecommerce October 21 spotlight on Auckland, reported growth of online sales up 94% year-on-year from the week prior to lockdown till the end of September.



It identified the drivers of growth are the number of online shoppers, how often they shop and how much they spend each time.

But the single most important driver was the **sheer number of transactions** with Aucklanders completing 6.3 million online transactions for the quarter. That is **1.4 million** transactions more than the same quarter last year.

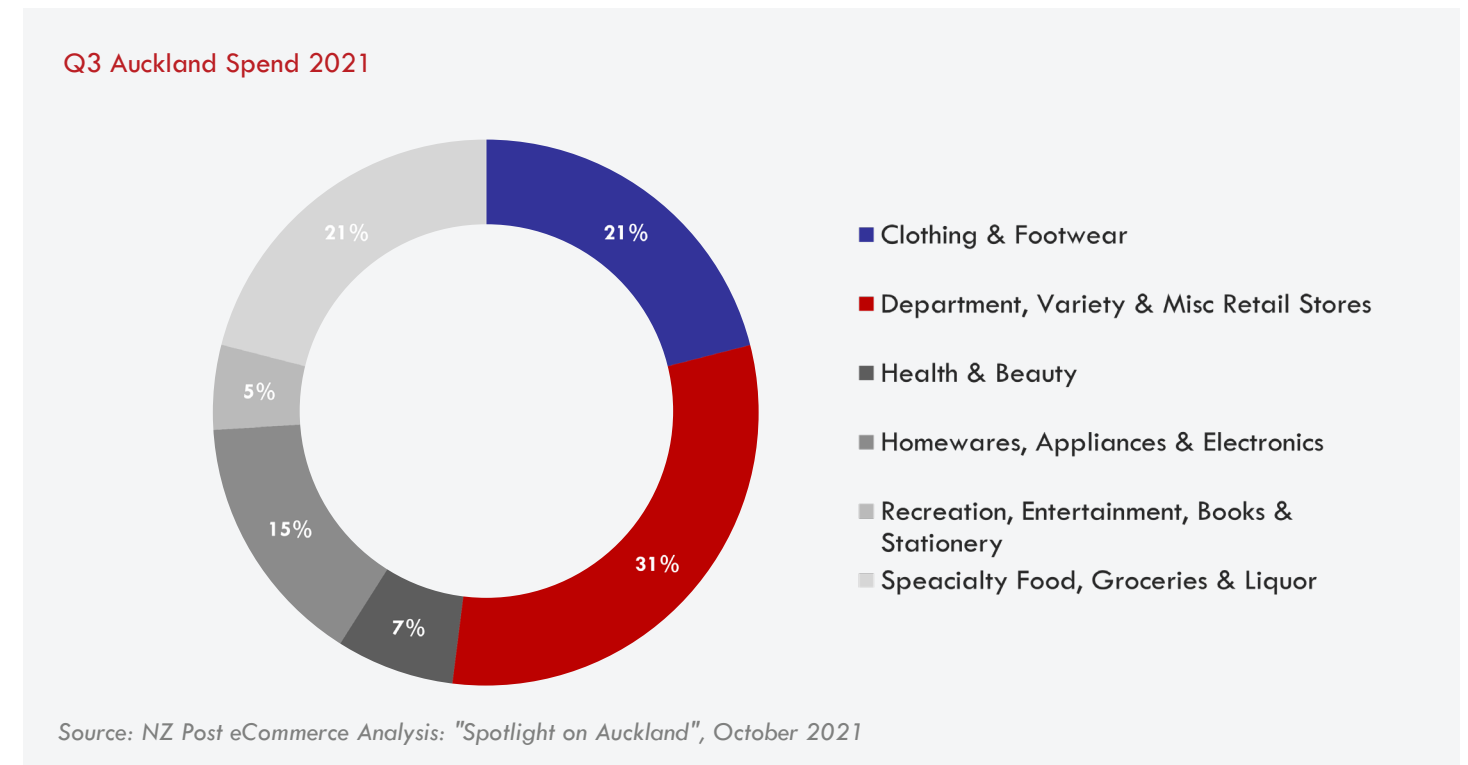
This highlights the importance of the need for businesses to have a strong ecommerce platform to weather current and future Covid related lockdowns or restrictions.

This is supported by customer expectations and need to transact when locked down:

90% of consumers expect retailers – big and small – to sell their products online.

Source: Google commissioned Ipsos COVID-19 tracker, US, CA, UK, FR, DE, IT, AU, JP, RU, IN, CN, BR, MX, ES, ZA, KR n=1000 online consumers 18+ per market. January 28-31, 2021

While food and liquor was strong at 21% share of spend, it was the department and variety retail that saw the largest share which was also a 32% increase year-on-year.



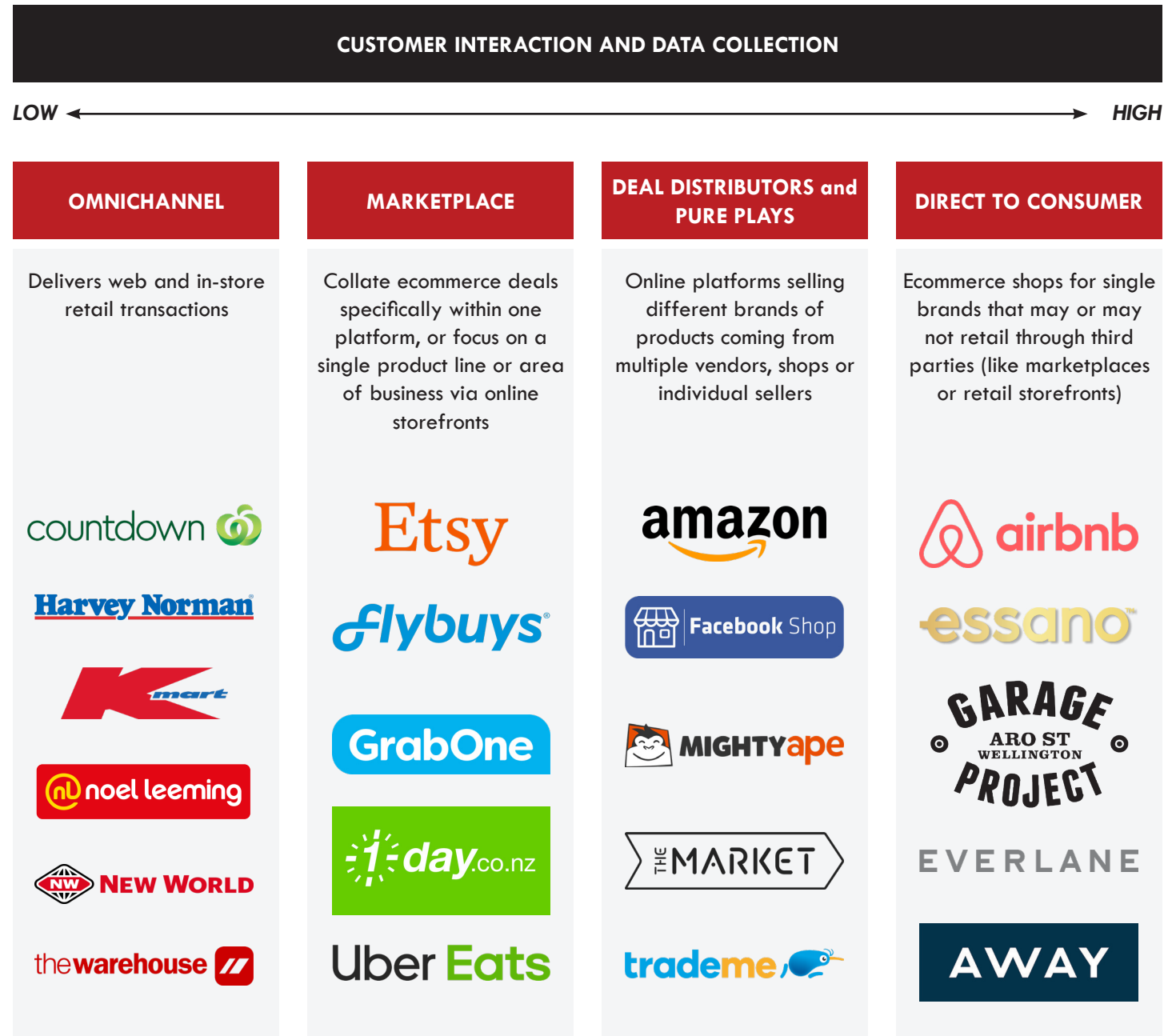
In NZ 2021 **Black Friday weekend** saw this year's spend **7% up** on the same four days last year with \$248 million sales. Source: Worldline All Cards excluding Food, Liquor and Hospitality 26-29 Nov 21.

Globally, Shopify announced that the weekend was record setting with **\$6.3 billion** in sales transacted via their merchants – a 23% increase in 2020. Overwhelmingly, 71% of sales were made on mobile devices.

These events originated as ecommerce holidays, therefore retailers must have a strong ecommerce presence to capitalise on the increased sales on offer. As is often the case, pre-shopping is done online even if the transaction is completed in store.

There is no 'one size fits all' approach to ecommerce and the strategy can be designed to meet a business's requirements.

TYPES OF ECOMMERCE



Global Perspective: Ecommerce as a data trove

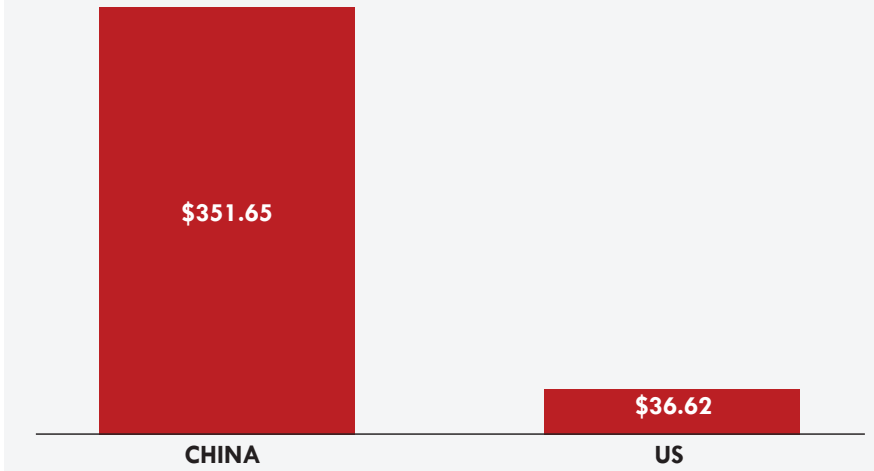
“The power of ecommerce lies in using data to understand the consumer and shorten their decision-making process.”

Nicholas Lee, Personal Health Lead for Philips Asean Pacific

THE EMERGENCE OF SOCIAL AND HYPERLOCAL COMMERCE

In the past two years, Facebook, Instagram, Pinterest, Snapchat, Tik Tok and YouTube have all introduced shoppable solutions from full platform marketplaces (Facebook shops) to 'community commerce' ad formats and tactics. In Q2 2021, 8.9% of visits to digital commerce sites globally came from social media, up from 6.6% in Q3 2019. In the US, shoppable social media is projected to rise 35.8% in 2021, though it dwarfs in comparison to China. To accommodate both social shopping and Google shopping, brands have adopted product feeds, data API solutions, platform automation and DCO en mass.

Retail Social Commerce Sales in China vs. the US, 2021 (Billions)



NOTE: Includes products or services ordered via social networks (such as Facebook, Instagram, Pinterest, WeChat, Line, VK and others) regardless of the method for payment or fulfillment; excludes travel and event tickets, tips, subscriptions, payments, such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales.

Source: eMarketer, May 2021. 266526 InsiderIntelligence.com

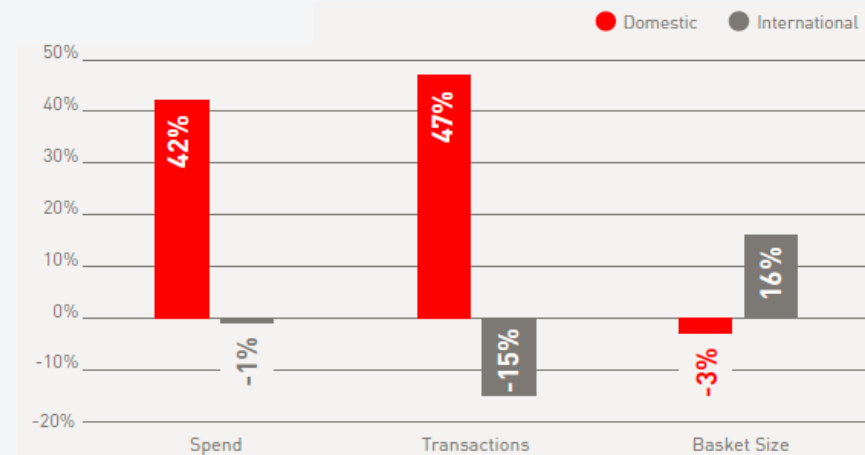
One big opportunity for the local ecommerce retailers is to capitalise on the desire to shop local.

Global Perspective: Ecommerce as a one-point stop

“For offline purchases, you might search online, then go buy it offline,” said Bhasin. “But ecommerce is a one-point stop; getting information about the product, getting entertainment through the product and actually buying the product.”

Unilever’s Rohit Bhasin, Global VP of Pond’s

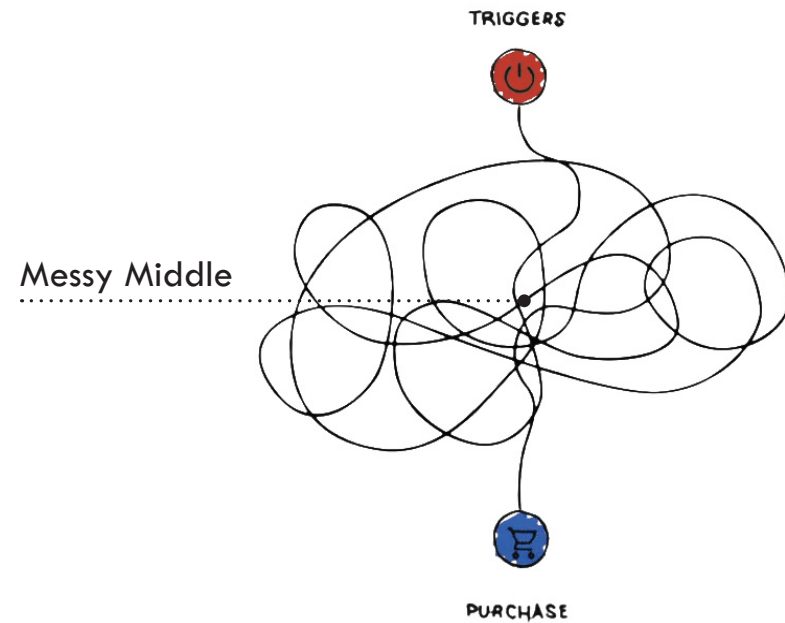
Key Growth Metrics – Domestic Vs International % 2019 To 2020



Source: Google commissioned Ipsos COVID-19 tracker, US, CA, UK, FR, DE, IT, AU, JP, RU, IN, CN, BR, MX, ES, ZA, KR n=1000 online consumers 18+ per market. January 28-31, 2021; “Nearly 10% of online shopping traffic now comes from social media”, WARC Data Points, October 2021

SECTION 2: THE IMPORTANCE OF MEASURABILITY

The complexity of today's customer journey drives many of the measurement challenges we face. As digital touchpoints and devices increase, cross-device and cross-media is a requirement. Coupled with this, we know consumer journeys are not linear, and users expect to move seamlessly between touchpoints with your brand.



Source: 'Leading marketers embrace 3 beliefs to drive business growth', Google/MIT: Economist Blog Post by David Edelman and Francesco Banfi, McKinsey and Company

Consumers have also raised their expectations for transparency and choice, which has led to regulatory reviews and technical changes within major tech businesses posing questions around future state. It's critical for retailers to comply with local regulation and also respect user choices. With all this complexity, one thing is consistent: ecommerce businesses that invest in advanced data, measurement, and attribution capability, will be in a stronger position to not only drive key investment decisions but also benefit from the advanced targeting capabilities available.

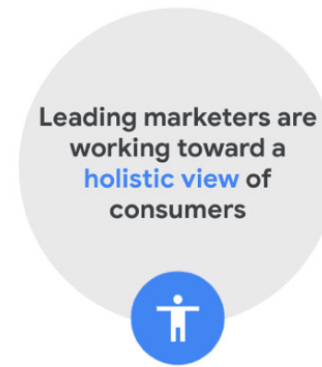
*"If there were 10 Commandments for marketing,
#1 would be: Know Thy Customer.*

*While it's one of the most fundamental principles in business,
companies are still having trouble adhering to it."*

McKinsey & Company

DEFINING KEY KPIS

Leading marketers around the world are focussed on three key areas: developing a holistic single view of customer, investing in machine learning to support their activities, and acknowledge that how they apply their data is crucial to current and future success.



63%

of leading marketers agree they are using KPIs to develop a single, integrated view of the customer



73%

of marketing leaders investing in machine learning have shifted more than 10% of their time from manual activation to strategic insight generation.



60%

of leading marketers believe data-driven attribution is essential to understanding journeys of high-value customers.

BRIDGING TO EFFECTIVENESS AND THE DEMONSTRATION OF RESULTS

An ecommerce platform set up with effective site-wide tagging, provides marketers the opportunity to collect data on their customer, building out a view – not only of what a customer has purchased – but how they visited the site, the engagement within the site, and the ability to engage with that customer once they have left the site. Overlaying this established 1P data enables the ability to build out 'lookalike' audiences to enhance the efficacy of further marketing.

Pre purchase

'Insights that can drive my targeting strategy'



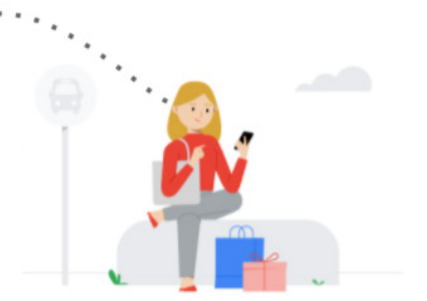
During purchase

'Data collection that fuel my insights and supply my audience lists'



Post purchase

'Activating my audience lists via remarketing'



SECTION 3: IDENTIFYING YOUR MARKETING MIX

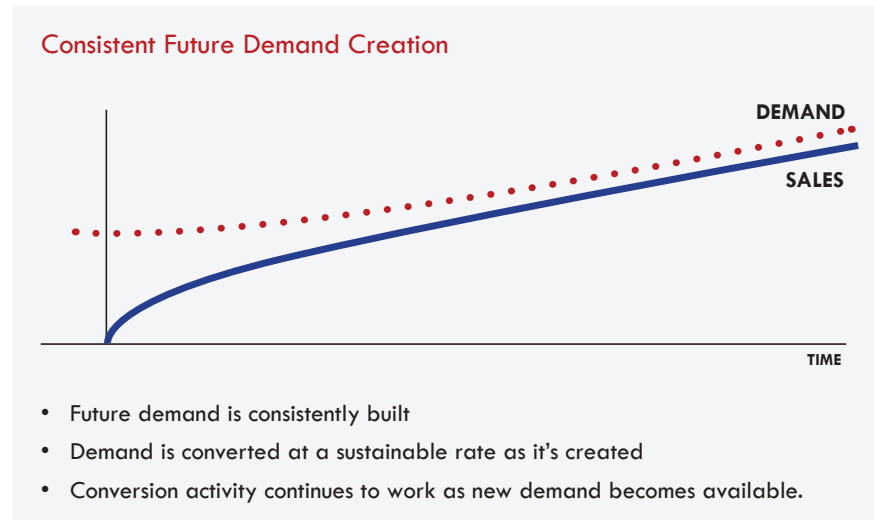
INVESTMENT AS A FUNCTION OF PRESENT VS FUTURE DEMAND

With measurement capabilities increasingly real-time and directly connected to sales inputs, it is easy to get caught up in performance marketing investment for digital commerce. However, just focussing efforts on converting *present* market demand for a retail business can be unsustainable.

Without brand efforts contributing to the creation of *future demand*, present demand becomes exhausted by conversion efforts.

Bricks and mortar presence in complement to digital commerce can also contribute to demand creation. Many global Direct to Consumer companies have partnered with retail chains for in-store pop-ups, or have invested in experiential store locations.

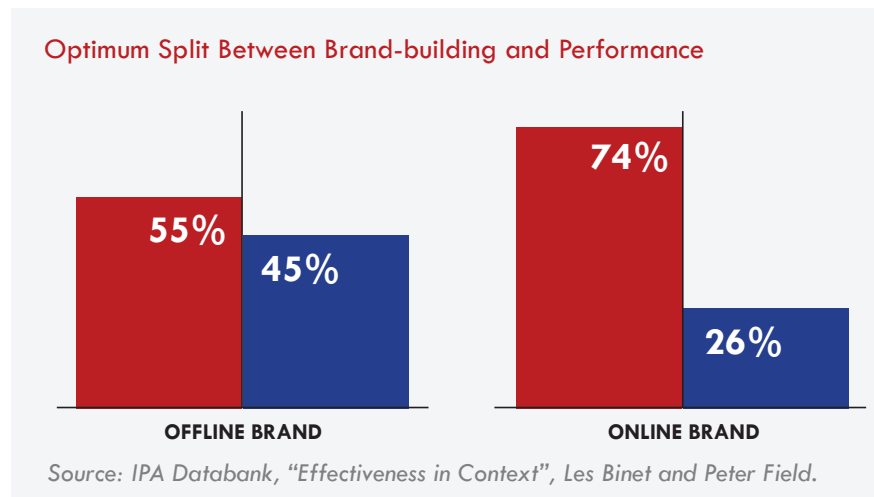
Research shows that retailers that have an omnichannel strategy, maximise customer spend online and instore.



BALANCING BUDGETS BETWEEN BRAND BUILDING AND PERFORMANCE

Performance and brand marketing should balance and be planned together, particularly so that the expectations set by the brand work are in turn met by the customer experience. However, that doesn't equate to an equal investment.

Studies by the IPA Databank suggests **brand investment should be three times that of performance investment** for the digital commerce category (74% to 26% optimal). This is higher than offline brands which are recommended at a 55% brand, 45% performance split.



Though achieving this is not without challenges:

- **Economic pressure:** the pandemic has pressured businesses to produce short-term gains, which shifts investment to performance efforts.
- **'Digital rent':** investment in marketplaces and ecommerce platforms diverts marketing dollars into ecommerce infrastructure.
- **Full-funnel tactics:** ad formats increasingly cater to a full brand to conversion experience, blurring the distinction of investment.

Investment in brand vs. performance also differs based on company, market and data maturity.

THE IDEAL ECOMMERCE MARKETING MIX

You have the right marketing mix in play if your brand-work is delivering through to a performance advantage. Three spaces to track this are across signals of awareness, consideration and value perception.

| | AWARENESS | CONSIDERATION | VALUE PERCEPTION |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| MEASURES OF SUCCESS | Comes to life in how consumers show up to your website and owned properties. | Signs of emotional connection and brand salience. | Justified through emotional and rational means and good margin through emotional drivers. |
| | MEASURES: <ul style="list-style-type: none"> • Unprompted awareness • Brand search volume • Organic traffic | MEASURES: <ul style="list-style-type: none"> • Brand preference • Share of search • Earned growth rate | MEASURES: <ul style="list-style-type: none"> • Brand equity • Price premiums • Percentage of sales at full price |

For consideration, it is important to think beyond just search engines when measuring share of search. Consider your full ecommerce ecosystem of marketplaces and deal distributors. Recent US research around path to purchase attribution indicates that a branded search on a marketplace or ecommerce site is a stronger predictor of 'add-to-cart' action than generic search terms.

In value perception, an NPS score is a useful brand equity indicator. The right brand marketing investment reassures consumers that the product is worth your proposed price, and this also feeds into subscription models and loyalty programmes. So, in terms of impact on performance, having strong value perception lifts the lifetime value of your customer base, which can dramatically boost your return on marketing ad spend.

Source: 'Rethinking brand for the rise of digital commerce', WARC 2021. 'X-Ray Specs for Path to Purchase Attribution', DISQO 2021. 'Messy Middle' research, Google 2021. 'Effectiveness in Context', IPA Databank, Les Binet and Peter Field 2018. 'Net Promoter 3.0', Harvard Business Review Nov-Dec 2021.

IN SUMMARY:

- Ecommerce consumer behaviour is growing, further accelerated by pandemic conditions. This has enriched the ecommerce landscape of omnichannel, marketplace and DTC, and has spurred trends in shoppable social and local support. However, there are also challenges to face in the wake of our changing world from supply chain delays and increased business costs, to increasingly volatile conditions for business activity.
- This makes accurate and effective measurement more important than ever. With a richer commerce landscape, consumers have an increasingly complex journey to follow and high expectations on transparency and security of their personal data. Ecommerce marketers should focus on developing a single customer view, using machine learning, and securely managing and actioning their customer data.
- All of this in mind, a marketing mix needs to consider both short-term gains and long-term success. Invest in touch points throughout the customer journey, and track key measures from awareness and consideration through to value perception to manage both present and future demand.

SECTION 1: SOURCES

NZ Post: The Full Download 2021 NZ eCommerce Review

<https://thefulldownload.co.nz>

NZ Post: ecommerce Spotlight Auckland, October 21

<https://ecommercespotlight.co.nz/october-2021/spotlight-auckland>

NZ Post: ecommerce Online's Big Growth Challenges, October 21

<https://ecommercespotlight.co.nz/october-2021/onlines-big-growth-challenge>

EcommerceDB: Market Analysis – New Zealand 2020

<https://ecommercedb.com/en/markets/nz/all>

WARC: 'Thinking about APAC e-commerce in 2021: Insights from Unilever, P&G, Philips and HP', January 2021

eMarketer: Social Commerce Forecasts 2021 'How a Trend 'Made in China' is shaping up in the US', June 2021

<https://www.emarketer.com/content/social-commerce-forecasts-2021#page-report>

Scoop Business: Worldline Press Release 'Kiwis Spend Up For Black Friday Sales', December 2021

<https://www.scoop.co.nz/stories/BU2112/S00011/kiwis-spend-up-for-black-friday-sales.htm>

Shopify: 'Shopify Merchants Understood the Assignment, Smashing Black Friday/

Cyber Monday Records with \$6.3 Billion in Sales', November 2021

<https://news.shopify.com/shopify-merchants-understood-the-assignment-smashing-black-friday--cyber-monday-records-with-63-billion-in-sales-stqi3q>

DEFINITION

Ecommerce describes the trading of goods and services online.

Social commerce describes online retail which uses social networks or peer-to-peer communication to drive sales.

Shoppable media is interactive content that enables users to begin and – increasingly – complete a purchase within the publisher ecosystem.

Shoppable video is interactive video which allows viewers to click on items to discover more information, add to basket and complete a purchase.

Ecommerce advertising exists within ecommerce ecosystems, including search, classified and display ads.

Livestream is live video (or sometimes audio), usually streamed on social platforms and apps and often hosted by a celebrity or social media influencer.

Retail media includes all forms of online and offline advertising within retail ecosystems, from targeted sponsored ads on websites to in-store media.

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