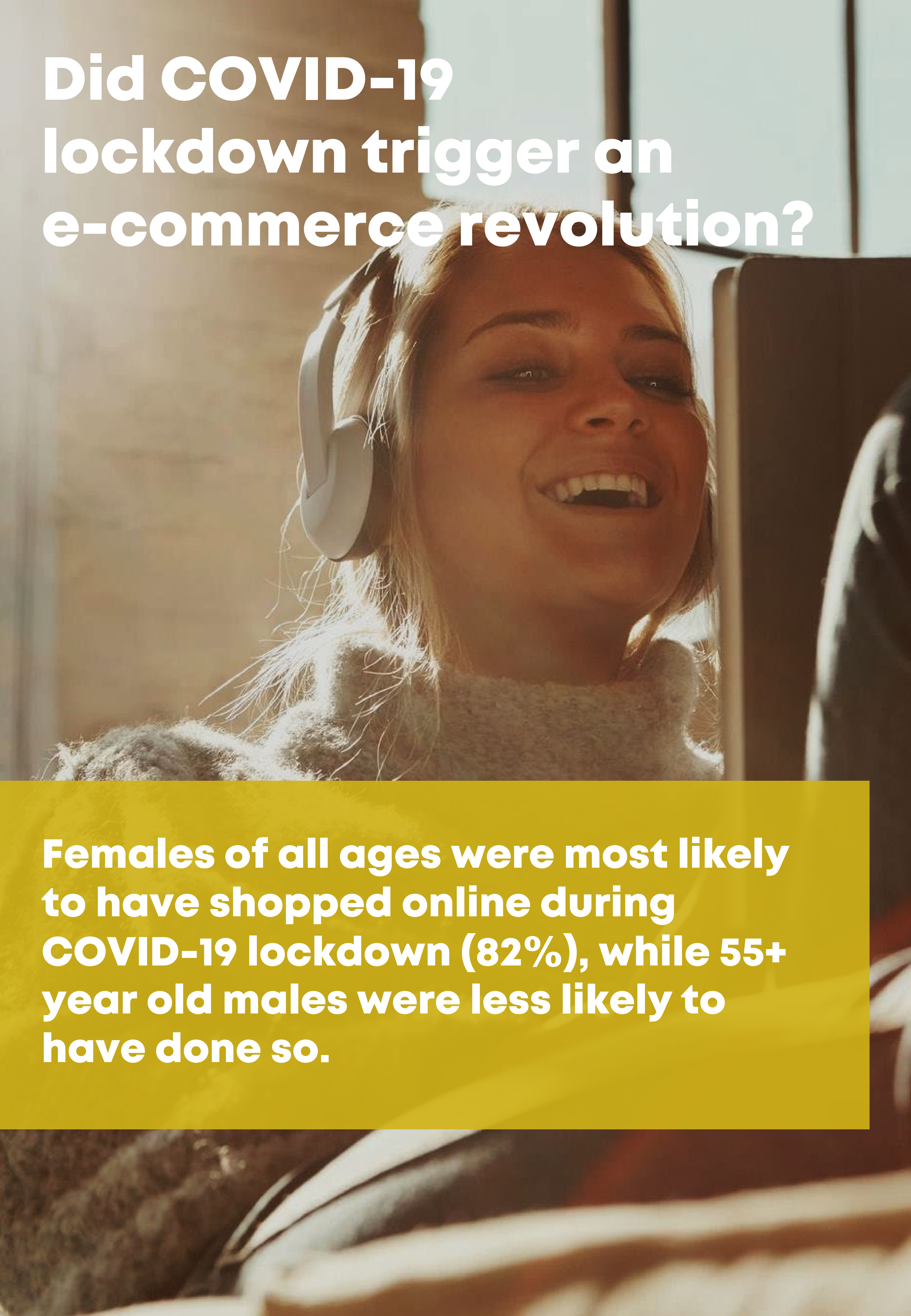
Shopping our way into economic recovery

A REVIEW OF NZ RETAIL DURING COVID-19

During COVID-19 lockdown in NZ we set out to understand how Kiwis are changing the way they engage with retail, and what opportunities this could hold for NZ brands, manufacturers and retailers. This report showcases our findings and insights.

COLMAR BRUNTON
A Kantar Company

RESULTS FROM
MAY / JUNE 2020



Did COVID-19 lockdown trigger an e-commerce revolution?

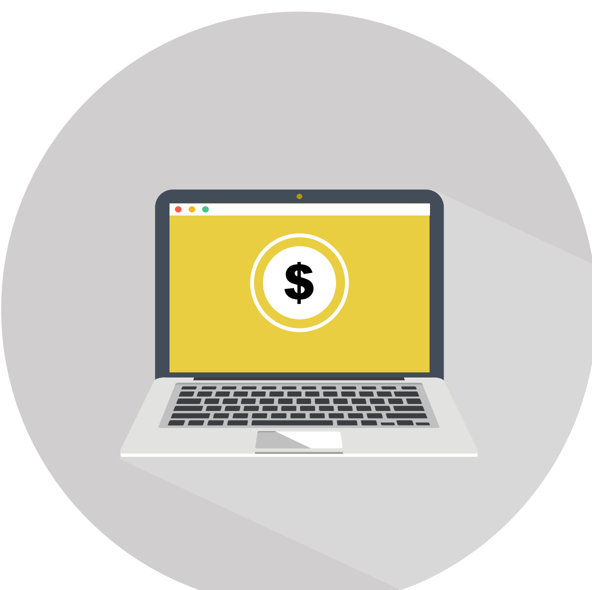
Females of all ages were most likely to have shopped online during COVID-19 lockdown (82%), while 55+ year old males were less likely to have done so.

Did COVID-19 trigger an e-commerce revolution?

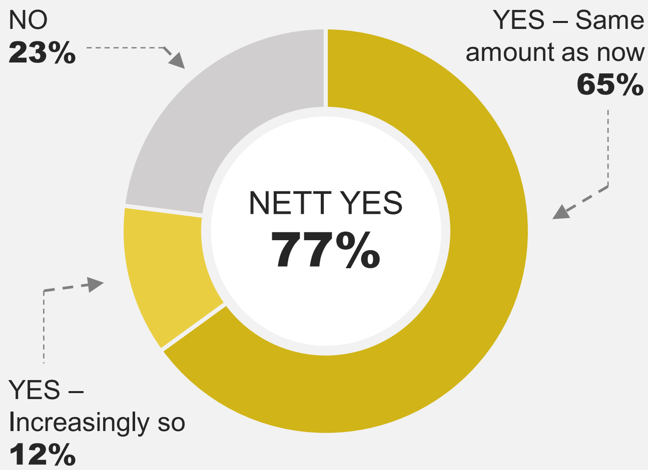
In June nearly 4 in 5 New Zealanders had shopped online during the month, and the same intended on doing so in the future.

Have You Shopped Or Ordered Anything Online In The Last Month?

Females of all ages were most likely to have shopped online recently (82%), while 55+ year old males were less likely to have done so. Interestingly, consumers in the South Island, specifically outside of Christchurch, saw the highest rate of online shopping across any region.



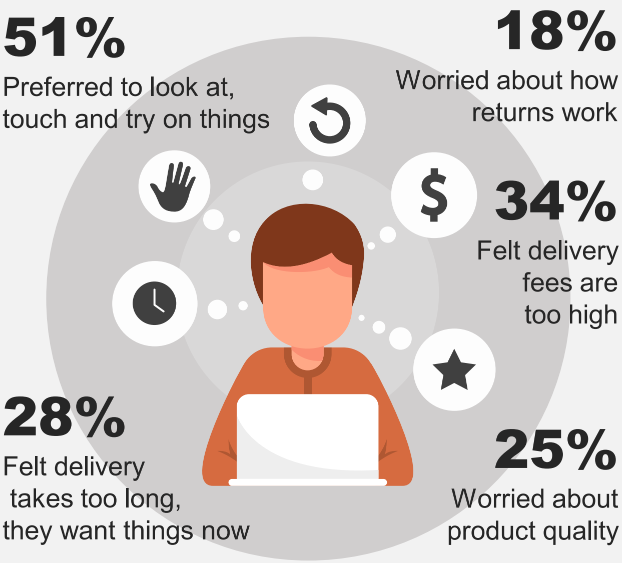
Do you plan to shop online in the coming months?



In June 77% of Kiwis planned to continue or increase the amount of online shopping they were doing.

Kiwis aged 24-44 years, full-time employees were most likely to engage with e-commerce consistently, while males aged 25-34 years and Asian ethnicities were most likely to lead the way in increasing their e-commerce engagement.

What are the potential barriers to e-commerce?

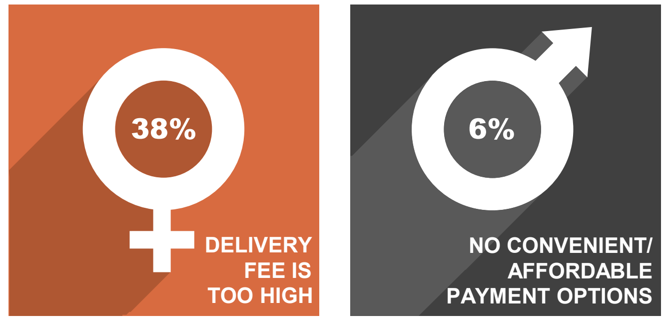


The 'lack of **tactility** of the online shopping experiences' stood out as the biggest barrier, by far.

Interestingly this was a significantly smaller barrier to the 35-54 year age group. Perhaps the cohorts existing experience with online shopping has helped to 'normalize' non-tactile retail experiences. Instead, this group of consumers worried more about **product quality** and **returns.**

Delivery fees were one of the top concerns for many Kiwis, with research indicating that higher 'base prices' (which include the delivery fee) and an explicit offer of 'free delivery' was more appealing to the consumer psyche, often resulting in better sales conversion.

Some shoppers experienced issues purchasing online. Brands need to understand who their target market is and for some there is a need to work harder to convince shoppers to purchase online and provide an offline option. This is why brands need to optimize their omnichannel strategy.



A new 'retail frontier' for 55+ year olds…

Prefer to look at, touch and try on things	59%
Worried about product quality	33%
Scared to use e-commerce (security/privacy/ fraud concerns)	10%

For the **55+ age group**, significantly bigger barriers to this "new frontier" of e-commerce included the lack of tactile experience, uncertainty around product quality and concerns around safety.

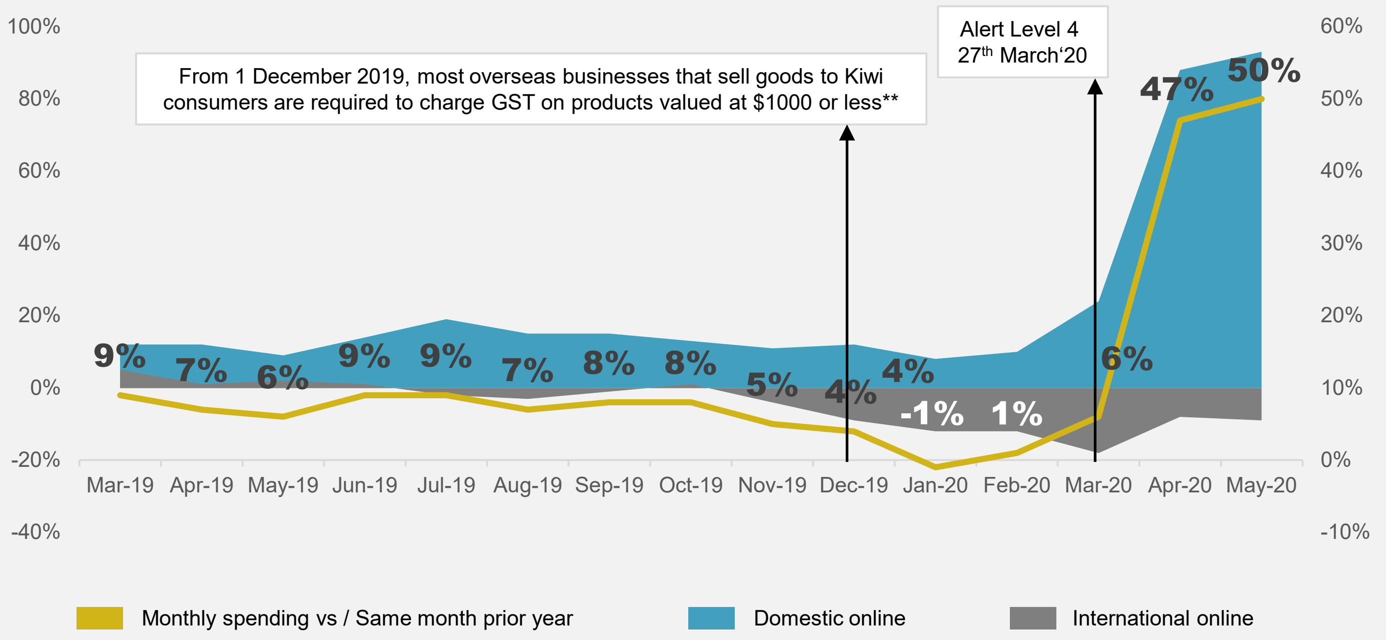
Families often have to stretch budgets more than most people, and are often pressed for time in their purchases. It is no surprise that delivery fees and the wait time for purchases to arrive were bigger barriers to e-commerce adoption for this consumer group.

Delivery fees are too high	42%
Delivery takes too long, we want things now	35%

How is e-commerce spending data stacking up against this?

Online shopping saw an unprecedented year on year increase in April 2020, up almost 50% versus April of the previous year.

While shopping online, Kiwis are clearly still keen as to #supportlocal, with growth clearly driven by 'domestic online' spending. This, despite overseas retailers reportedly targeting Kiwis during lockdown.



Consumers compensated for their lack of mobility by having *bigger baskets* in April. In May we saw early evidence of recovery, in June the number of transactions bounced back and basket sizes began to normalize. Long term trends remain to be seen.

*Source: Market View , BNZ, Stats NZ ** Source: GST Consumer

We observed the rise of New Zealanders 'shop local' sentiment.

For some brands and manufacturers this could be a growth driver, for others it could pose a risk.

Proximity is king for shop local

When hearing or saying 'shop local' a majority of Kiwis agreed this meant 'their neighbourhood' or 'close to their home'.

Small businesses stand to benefit more from these perceptions, this means bigger brands, multinational corporations or franchises have to work harder to demonstrate how they are 'local' too.

It's time to think about local or community causes your brand can support or partner with to establish valuable 'local cues'.

> *"Do your shopping in your local town instead of online shopping."*
>
> *"It means support the smaller companies in NZ and in your community. Where possible purchase their products and services."*
>
> *"Looking at locally family owned business selling NZ manufactured items, then looking at NZ owned and manufactured business."*
>
> *"Shop local to me is the local businesses in town and also includes New Zealand made products around the country."*
>
> *"Supporting New Zealand businesses and products made in Aoteoroa."*

xx/xx groups which scored significantly higher/ lower than total

Located near me (neighbourhood/ area/city) **72%**

MALE, ASIAN, AUCKLAND

FEMALE, NZ PAKEHA, SOUTH ISLAND (excl CHRISTCHURCH)

Products manufactured in NZ **63%**

25-34 YEARS

Made by kiwis (for kiwis) **58%**

55+ YEARS; 18-34 YEARS

Made with NZ ingredients **49%**

25-34 YEARS, AUCKLAND

Brands founded/ established in NZ **46%**

25-34 YEARS

What 'local' means to Kiwis differed not only by age groups, but also by location.

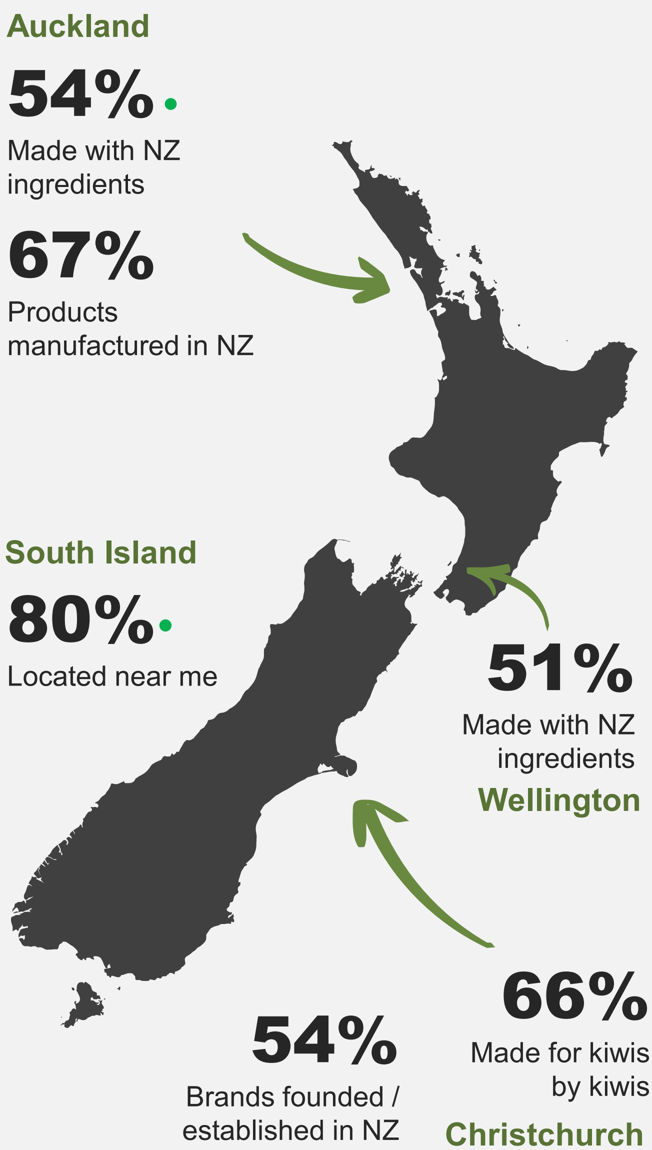
Kiwis in the South Island were significantly more likely to interpret 'shop local' as meaning places located near to them.

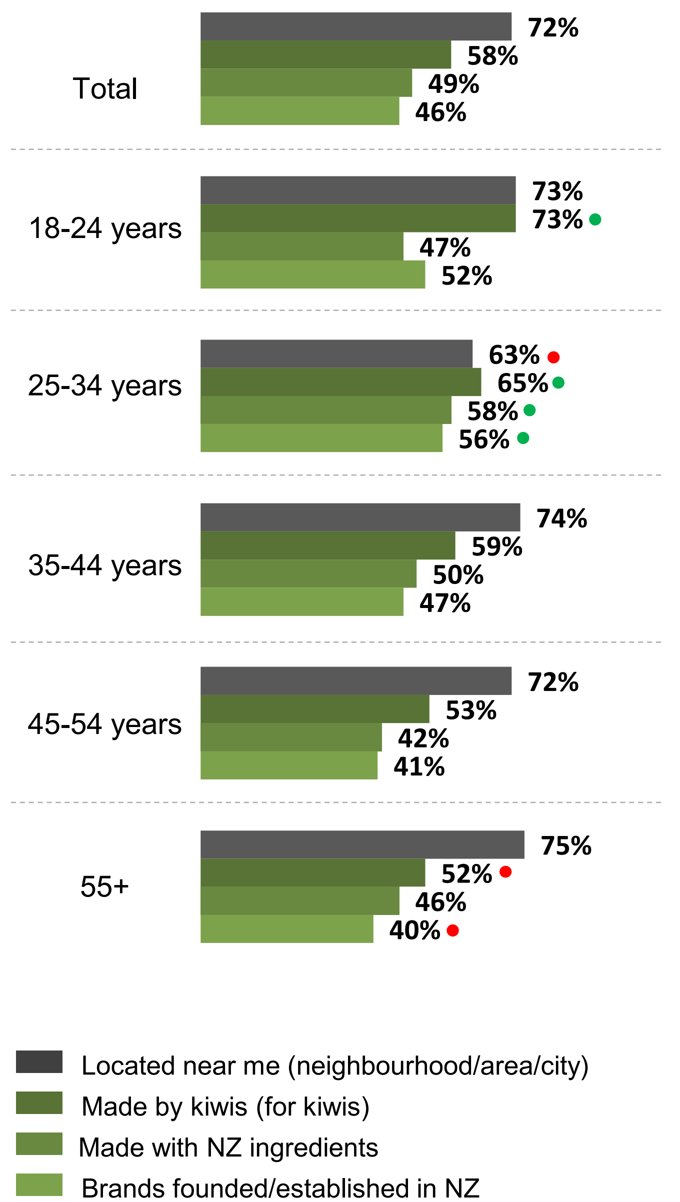
Aucklanders were significantly more likely to define local as "made with New Zealand ingredients", and were also the most likely to define 'shop local' as "products that are manufactured in NZ".

Older age consumers were most likely to define local as 'being located physically close' to them, perhaps because that's what retail and commerce has been traditionally.

Meanwhile consumers aged 18-34 years (especially those below 25 years) have taken the realities of the global economy they have grown up with to heart and think that products "made by kiwis (for kiwis)" still count as local.

Brands that were established in NZ were found to be more appealing to the younger cohort, while the older consumer groups thought this was not enough 'localness'.



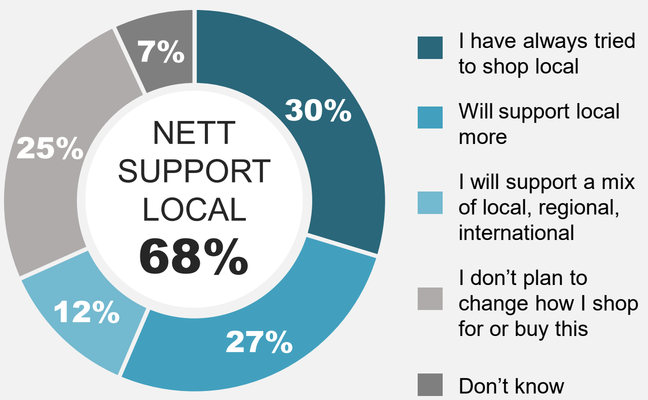


#Support(more)Local

Just under a third of New Zealanders said they already try to support local where possible.

A similar proportion said that they will try to support more local in the future.

Younger Kiwis were most likely to support local more, while older Kiwis felt that they were doing a lot already (less likely to change future behavior).



Traditionally more local businesses such as cafés and grocery stores are most likely to benefit from the 'support local' sentiment.

Currently support local…

Cafés	42%
Groceries, Fresh Produce	40%
Ready To Eat Food/ Restaurants	37%
Clothing/Shoes /Fashion	17%
Cosmetics /Speciality Toiletries	13%

However there is potential for local clothing, shoes and fashion retailers to be supported.

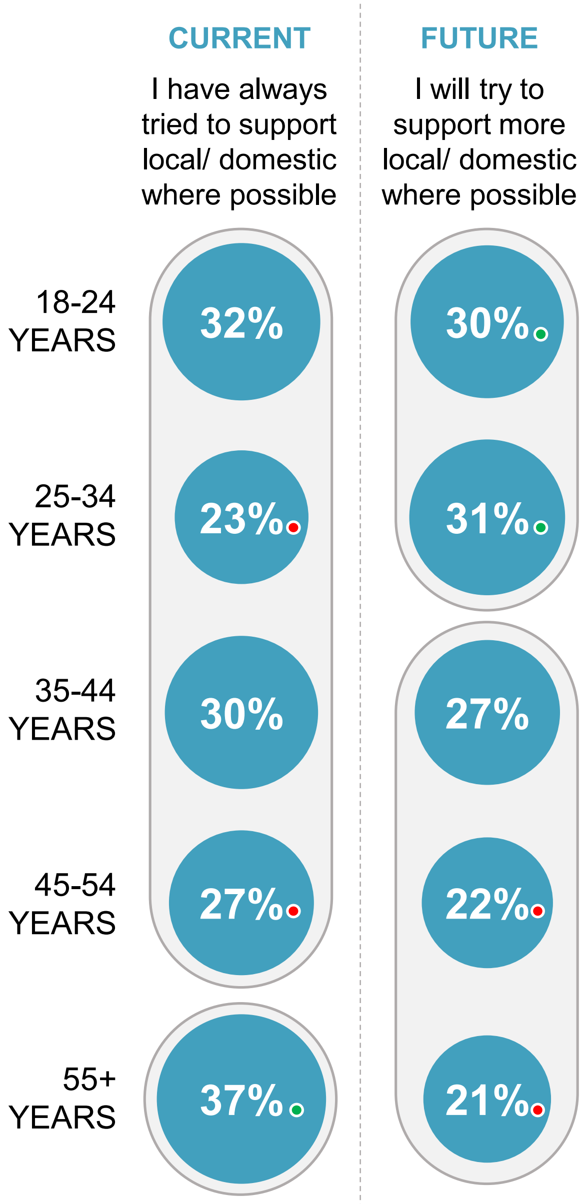
Where possible, I will try to support more local:

Clothing/Shoes /Fashion	29%
Groceries, Fresh Produce	29%
Ready To Eat Food/ Restaurants	26%
Cafés	26%
Cosmetics/ Speciality Toiletries	23%

Does #supportlocal differ by consumer groups?

Yes it does. We found interesting behaviour differences across ages and income groups. The 55+ age group, who defined 'shop local' as being located near them, were most likely to currently support local businesses (32%), and least likely to see the need to change to support more local businesses (21%).

Meanwhile, younger consumers were most willing to shift behaviour towards supporting more local businesses, with almost a third (30%) of under 25 year old's saying they would support more local goods and services where possible.



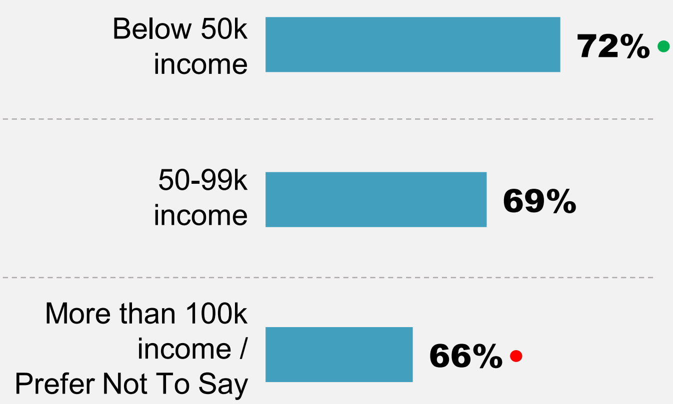
We observed the #supportlocal sentiment correlating strongly to consumers' income groups.

Consumers from a lower income background were significantly more likely to support local currently, as well as showing interest in continuing doing so.

Conversely, higher income Kiwis were least likely to currently support local, although 1 in 4 said they would try to support more local in the future.

This could give insights into the type of products and product ranges which could find a #shoplocal message resonate with their customer base. Among others, job security of local employees could be one message to embrace, to appeal to these cohorts.

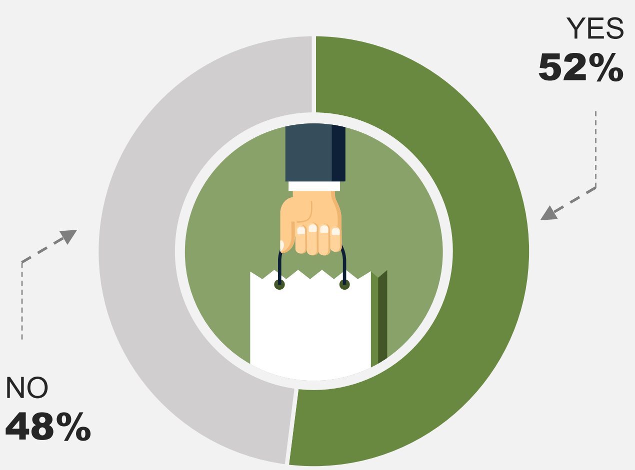
Nett Support local



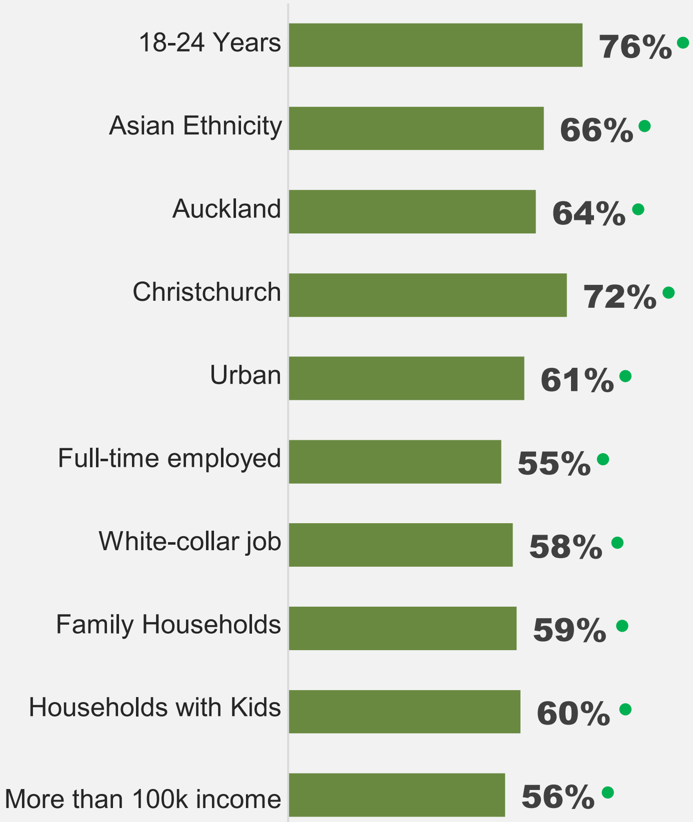
How has the ‘shop local’ sentiment impacted the shopping baskets of Kiwis?

In June, more than 1 in 2 New Zealanders had visited a mall in the past month. Around 1 in 5 said they couldn't wait to go back after lockdown levels changed (or businesses re-opened).

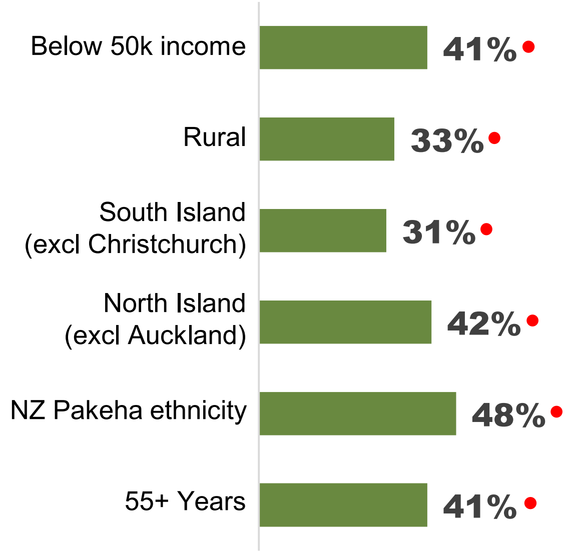
Visited a mall in the last month



Some consumers were more likely than others to have recently visited a mall, they included:



Others were less likely to have recently visited a mall, including:



In June, there were mixed intentions from consumers about visiting malls

Don't usually go there anyway
24%

Can't wait to go back as soon as lockdown levels allow
24%

Won't be going in the next few months
18%

Not sure if I will go there for now
27%

Some consumers were significantly more likely to visit a mall soon:

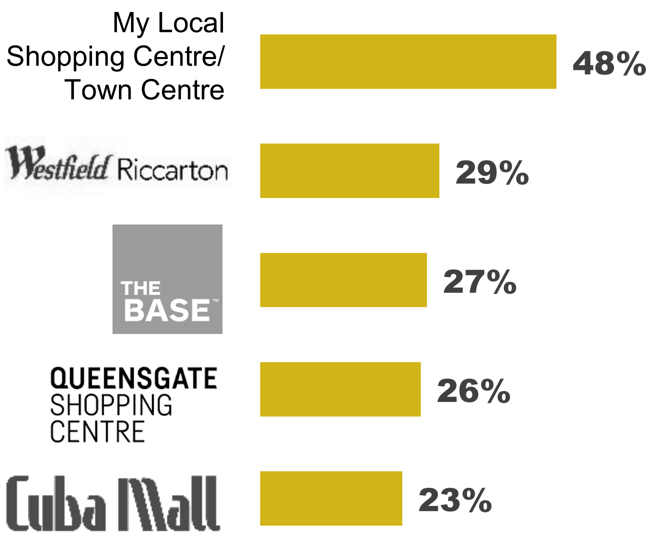
Christchurch	RANK 1
18-24 Years	RANK 2
Asian ethnicity	RANK 3
North Island (excl Auckland)	RANK 4

Others indicated being significantly less likely to visit a mall in the coming months, they were:

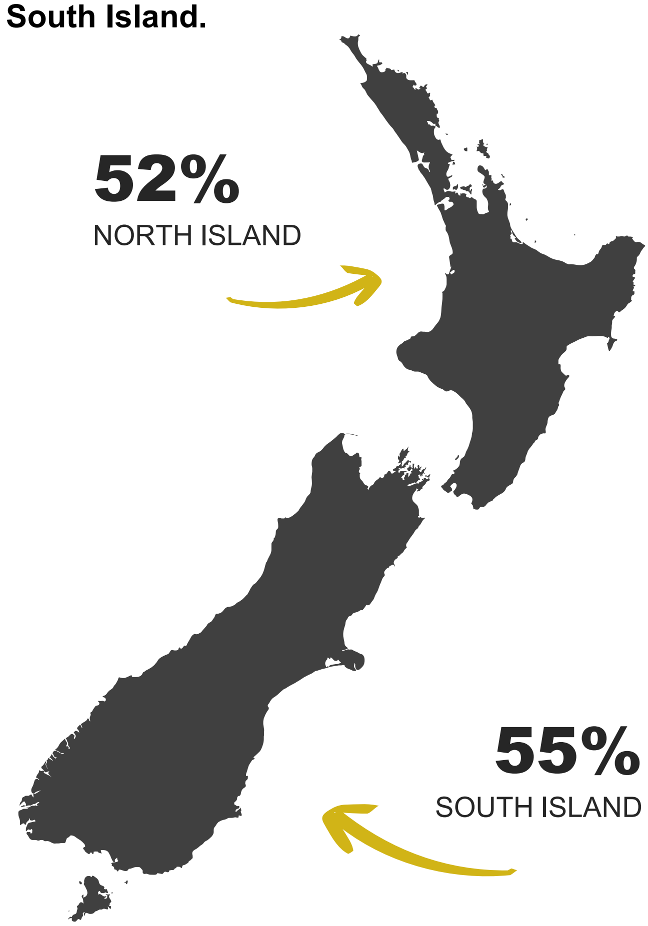
Unemployed	RANK 1
Home-makers	RANK 2
Females	RANK 3
55+ Years	RANK 4
Wellington	RANK 5

‘Malls’ the word

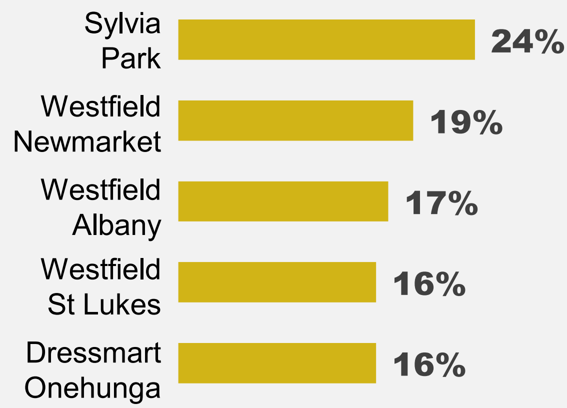
The locations set to benefit most from the post-lockdown excitement of re-engaging with retail are local town shopping centres. In June, around half of New Zealanders said they were excited to pop in for a visit.



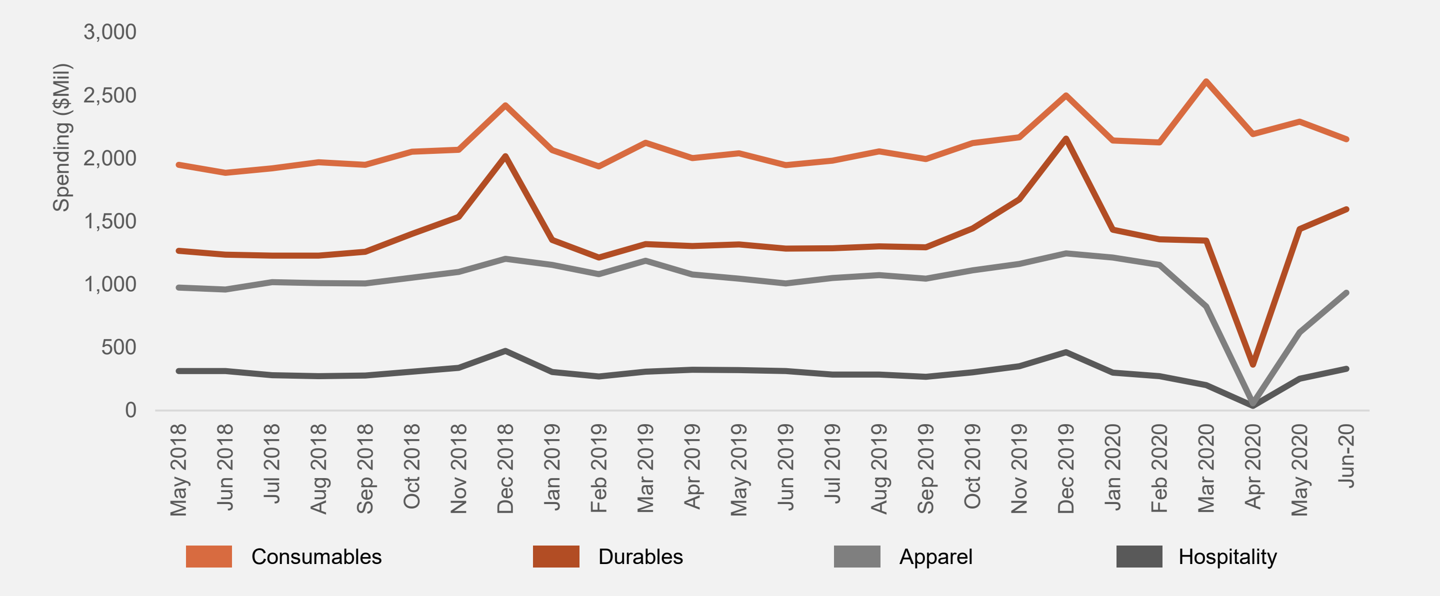
This was more pronounced in the South Island.



Within Auckland, Sylvia Park had the most people raring to go, followed by the three biggest Westfields.



Some categories were worse-affected than others, but there remains recovery potential for each of them.



Panic buying in March 2020 resulted in a 23% increase in consumable spending (measured via electronic transactions) compared to the same time last year. To put this into perspective, that exceeds the annual spike observed for Christmas over the last 2 years.
Due to the lockdown, durables and other products took a nose dive over the same period. NZ was under lockdown measures for all of April, and this resulted in a 72% decrease in spending on durables, a 89% decrease in spending on apparel, and a 9% increase for consumables versus same time last year.
NZ moved to alert level 3 on April 27th, which saw the opening of non-essential retail stores and shopping malls. This had a significant impact on durables and apparel transactions. Within a matter of weeks durables recovered to higher than pre-Covid-19 levels (March 2020).
At the start of June apparel transactions remained below last year's spend, we see the resulting closure of outlets making headlines recently.
Thus far hospitality had shown the weakest recovery, but positive momentum had already been made by kiwis taking it upon themselves to drive domestic recovery in this area.

In the News

CORONAVIRUS

Women's fashion brand Max to close 17 stores across New Zealand

UPDATED 09/06/2020 Lana Andelane

BUSINESS

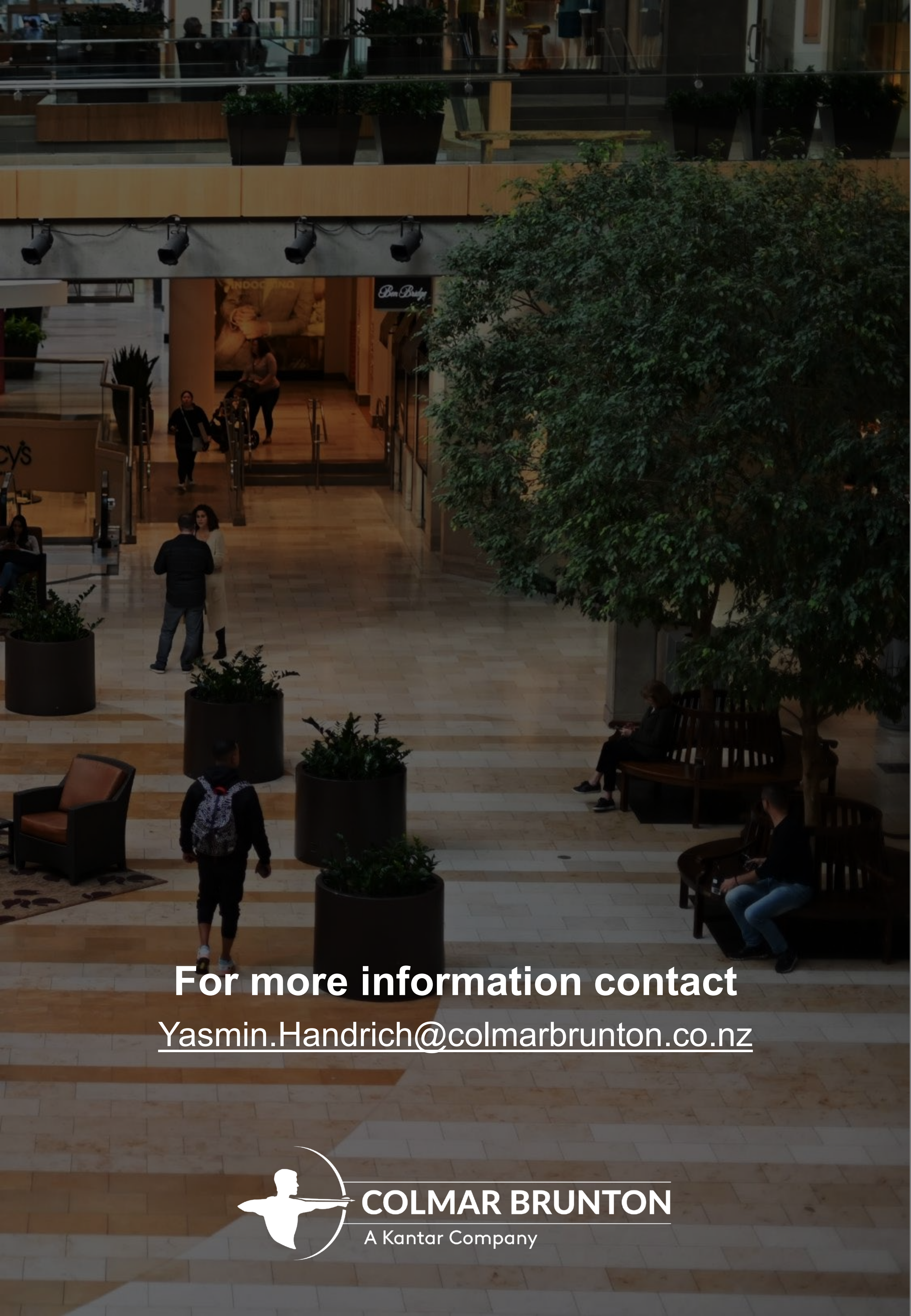
Bunnings to close seven New Zealand stores

UPDATED 12/05/2020 Priscilla Dickinson Madison Reidy

Smiths City to be sold, seven stores to close after COVID-19 delivers 'significant shock'

The Warehouse Group announces six **store closures**, up to ...
Newshub - 7/06/2020
The retail **stores** earmarked for **closure** are The Warehouse in Whangaparaoa, Johnsonville and Dunedin central, and Warehouse Stationery ...
'This is going to be a rough ride': More **store closures** likely as ...
In-Depth - Stuff.co.nz - 7/06/2020

*Source: Stats NZ** Note that the YoY increase in consumable spending may also be due to more electronic transactions in place of cash as stores encouraged the use of contactless payment like payWave as a measure to decrease COVID spread Source: Newshub



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