Kiwis cut online spending, NZ Post research shows

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Spending on online shopping in New Zealand slowed in the second quarter of 2022 as many consumers were hit by the rising cost of living and inflation, according to NZ Postâ€™s latest Spotlight report, but online sales compared to pre-pandemic levels have still grown at a â€œphenomenal rate.â€

NZ Post's latest Spotlight report revealed that Kiwis spent NZ$1.6 billion online on physical goods in April – June 2022, down 4% on the same quarter in 2021. The figures followed a strong Q1 2022, which saw online shopping in the country up by 31% year-on-year to NZ$2.2 billion and up 86% when compared to 2020 figures.

Underlying growth

Chris Wong, the postal operator's General Manager Business Marketing, stressed that the Q2 2022 decline in online spending had to be seen in the context of the wider economic and retail environment. Inflation, for example, is at over 7%, a 30-year high, reflecting international factors like petrol prices and the war in Ukraine, and domestic inflationary pressures.

"The 4% decline we are seeing in spending this quarter is likely the result of retail shoppers feeling the bite of our economic reality and it's reducing their ability and willingness to spend – both online and instore," Wong said. "But when we compare these trends to pre-pandemic data, we see that online shopping has grown at a phenomenal rate over the past 30 months or so, fuelled by new shopper habits established when COVID-19 restricted our ability to shop in stores."

Comparing Q2 2022 to pre-pandemic days, online sales are up 52% compared to Q2 2019. "Online spending has fared comparatively well to other channels, reinforcing that online shoppers are not making the switch back to instore, but they are tightening their purse," he added.

Breakdown of figures

Kiwis are also continuing to buy local, according to the NZ Post report. 75% of spending online in Q2 2022 was with NZ-based retailers, up from 71% a year ago.

Breaking the figures down, the largest online sector, Speciality Food, Groceries and Liquor, held its ground online with a 0% spend

decline on Q2 2021. "Within the sector, however, we see two different stories," explained Wong. "The grocery store/supermarket sub-sector saw a 14% rise in online shopping spend. Contrast this with liquor stores which saw a 10% decline in spend. Shoppers are clearly putting less liquor in their basket or substituting products with lower priced items."

Health & Beauty, meanwhile, was the only online sector to show spend growth in the past quarter, up 4% on Q2 2021, driven by pharmacy and medical spend in a period of COVID and flu sickness.

"Discretionary spend sectors like Department, Variety & Misc Retail (down 12%), and Recreation, Entertainment, Books & Stationery (down 10%) experienced the largest declines in online sector spend compared to Q2 2021," Wong added.

Source: CEP-Research

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