

MAKING IT ON-LINE

If you thought e-retail grew fast in the last decade, then perhaps you've seen nothing yet. And Kiwi retailers of all sizes need to be ready – and that should have been yesterday.

A recent survey by research company Nielsen showed 45 per cent of New Zealanders shop on-line compared with nine per cent in 2001. There are no statistics for the dollar value of these on-line sales.

Last year the number of Kiwis shopping on-line bottomed out, but if New Zealand follows international expectations then the number of Kiwis shopping on-line will start climbing again. This is backed by a recent survey indicating a significant number of Kiwis would consider purchasing on-line in the future.

There are dollar numbers across the Tasman. According to research commissioned by eBay Online,

on-line retail in Australia is forecast to reach A\$33.8 billion by 2012 – up from A\$24 billion in 2009. Overseas websites are picked to take much of this spend.

In the US, global investment bank Goldman Sachs is predicting that e-retail will grow five times faster than traditional retail and its year-over-year dollar increase will overtake off-line retail by 2020.

E-retail experts interviewed by NZRetail are confident that on-line shopping in New Zealand is currently growing faster than bricks-and-mortar shops.

The recession, and the slow pull out of it, has had an effect, says Paul O'Shannessey, chief executive of

TheDeal on-line discount store which offers retailers a specialist channel to clear excess stock. "A new frugality is pushing consumers on-line. People are

"A new frugality is pushing consumers on-line."

being a lot pickier," he says. "They are watching their dollars, but they are also scrutinising the products more seriously as well."

James Gilbert, director of web development business Solutionists,

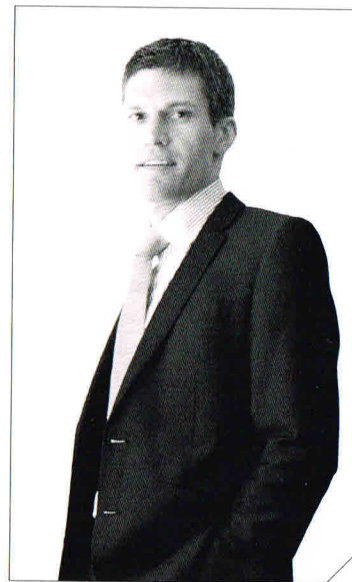
warns retailers who are not on-line that they will face more and more competitors – without even realising it.

Global

And it won't just be local or New Zealand competition. "It's a global market-place.

If we are slow to go on-line in New Zealand, on-line retailers in the US and Europe will jump in.

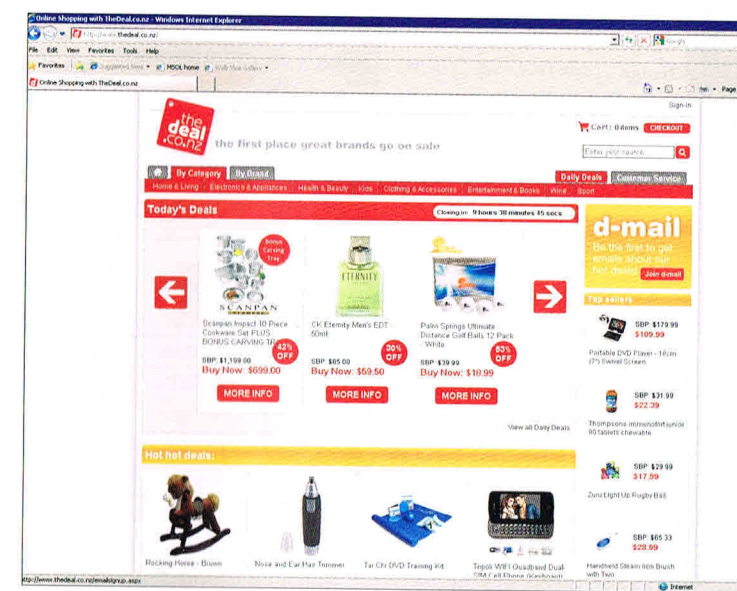
"It's a steep learning curve and a big investment if you want to go on-line properly If you don't get into it now, then when you eventually do you will be trying to compete with companies with big budgets and huge on-line experience."



Far left Daniel Munns, a retail specialist with IT solutions Intergen.

Left TheDeal.co.nz

Below Amazon.com



For example, in 2009 on-line bookseller Amazon.com's sales were US\$24.51 billion. According to Goldman Sachs, the on-line retailer invests nearly 20 per cent of its \$5.5 billion gross profit in technology.

Gilbert says New Zealand retailers should be especially worried about US on-line retailers while the Kiwi dollar was strong against the greenback. Factors like being left behind, competition and cost can all add up to a serious amount of pressure on retailers to get on-line. They are issues that won't go away.

Daniel Munns, a retail specialist with IT solutions company Intergen, warns that your website may not even be generating a positive return on investment. "But you have got to stay on-line to keep up with your competition and be seen."

"People feel that they need to be there," says Geoff Brash, co-founder of search and navigation technology company SLI Systems. "But even if you are only getting modest returns from your website, you need to stick at it because it is a learning experience. Many retailers don't measure the number of off-line (in-store) sales that are impacted by having their e-retailing site.

"It's important to remember that your website is not just about the transactions that occur but also

about how it can promote your business through other channels.

"Competitors will get ahead of you if you don't."

It's the website

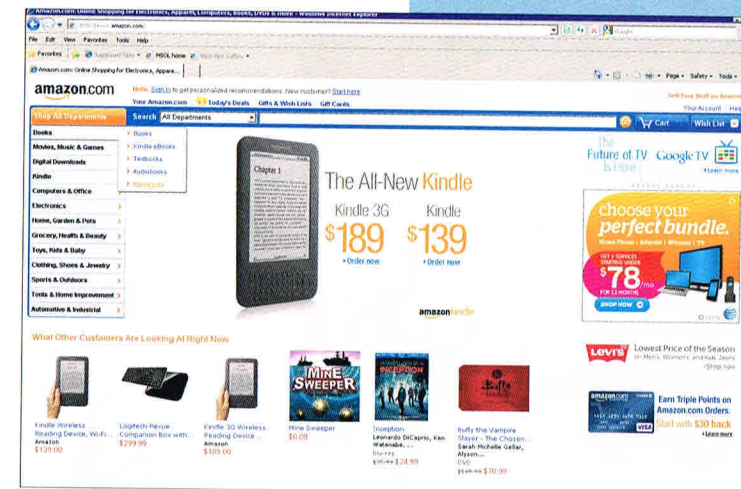
At the heart of e-retailing is the website. Like getting your store frontage and in-store layout and service right, a well-designed website can help to get the attention of on-line shoppers and ensure a successful sale.

A poor one will do the opposite. There's no shortage of free advice and free website builders on the web – a google search brings up 292 million results – but, unless you have experience in web design, it's not a place for DIY.

Glen Wallace, managing director of on-line retail store PriceDirect, says it's important to get an expert. "Find a website designer you feel comfortable with and get one that specialises in the e-commerce area." Wallace, who is also MD of Accede, a web design and on-line retail specialist business, says websites need to be easy to navigate and portray the personality of your store. "Think of your website as your storefront window."

Other website tips offered by Wallace and other web experts spoken to by NZRetail include:

- Use good photographs of your



WHAT IS E-RETAILING?

Selling on-line through the internet goes by a number of names other than e-retailing – the most commonly used term. Others you may hear of include electronic retailing, B2C (Business to Consumer) and e-tailing.

Whatever you want to call it, the phenomenon has transformed retailing over the last decade or more by providing shoppers with easy access to a greater range of products and services while helping retailers cut costs and reach more customers.

It has created a whole retail platform known as the 'pure play' – specialist on-line businesses such as Amazon and TradeMe.

The traditional 'bricks-and-mortar' retail sector has also gone on-line seeking new ways to market what they have to offer to the growing on-line shopping community.

E-retailing shouldn't be confused with E-commerce. The former is a subset of the latter which also covers Business to Business (B2B) interactions.

products. You can either get them from suppliers or take your own, but they need to look professional.

- Make sure the site is secure.

"... unless you have experience in web design, it's not a place for DIY."

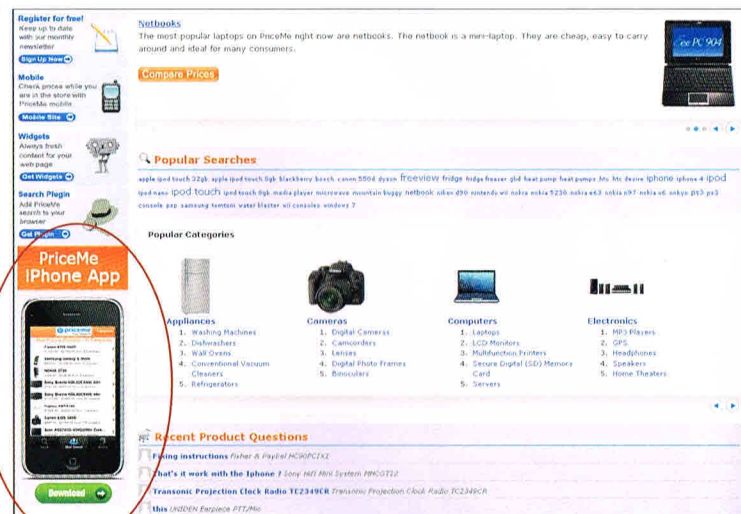
- Maximise the website's search engine exposure. This is something your web designer will look after by setting up the website to rank highly in google searches for words associated with your store.
- Make sure you can edit the website yourself so you don't have to pay the web designer

every time you want to make a change.

- Provide leads to other sales. For example, amazon.com has many of these, such as 'frequently bought together' and 'customers who bought this item also bought'.
- Keep your website content fresh – make sure content is accurate and up to date.
- Respond as soon as possible to on-line queries.
- Have a spot on your site for customer reviews and feedback.

As part of his job, Chris Palmer, director of customer acquisition channel PriceMe, checks out the websites of the 250 retailers who sell through PriceMe.

"I regularly look at client websites to see why they are not working as well as they might, such as why referrals are not being turned into sales. "I'm looking for road blocks."



Common ones include:

- Slow page loading time – your webpage needs to be fast otherwise potential customers will move on;
- Poor product displays;
- Hard-to-use shopping carts; and
- Confusing checkouts – don't

Above Provide leads to other sales ...

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refer customers to third-party payment sites.

"It's all about the shopper experience. If you are in a hurry and there are road blocks, your customer will say 'I can't be bothered'. The customer is right at the top of the mountain and he hasn't whacked his flag down."

Palmer says that if there's a problem on a website, it will repeat again and again so it needs to be fixed.

Businesses like PriceMe, which basically aggregate prices and reviews so shoppers can locate the best buys, are now a mainstream feature of the e-retailing scene.

Reviews are influential

Reviews and feedback are powerful weapons in your website's armoury. The internet has made it easy for shoppers to research products and services before purchase. They can even do this in-store on their mobiles.

A survey by US market research company, Forrester Research, showed about half of US on-line men and 42 per cent of female internet users were using ratings and reviews at least monthly.



HOW BIG?

According to latest Nielsen research, more than 1.4 million New Zealanders made a purchase on the internet between April 2009 and April 2010 – up 2.4 per cent on the same period for 2008-09.

Nielsen comments that growth has 'stabilised somewhat', but notes that e-retailing has boomed in the last decade. Forty-five per cent of shoppers over the age of 18 now shop on-line compared with nine per cent when Nielsen first began its survey back in 2001.

Top on-line categories are:

- Airline tickets: 51.1 per cent of on-line shoppers;
- Books and magazines: 30.6 per cent;
- Tickets for entertainment: 28.2 per cent;
- Clothing, shoes and accessories: 26.8 per cent; and
- Travel and related services (hotels, etc.): 23 per cent.

The next biggest category is computer hardware at 13.4 per cent.

Nielsen says most growth in on-line shopper numbers has been among the big users. More than one third of New Zealanders who shop on-line made six or more purchases on the internet in 2009-10, up 12.7 per cent on the previous year.

Palmer says an independent product review, next to what you are advertising, increases the chances of the shopper pushing the 'buy' button. He says getting the reviews, either from experts (independent ones are best) or users takes time, but it is a good investment – especially if you are selling bigger-ticket items.

The power of many

Your own website is not the only web channel available to you. It may not even be the best. O'Shannessey says globally successful e-retailers don't rely on their own website – they sell through lots of websites. In the jargon, they are multi-channel, an area of focus for TheDeal's parent company, Hubsta.

"For mid-tier retailers this concept is really important," he says.

"You need to go to where the consumers are and that's on shopping comparison websites; market-places like TradeMe, social media sites and other multi-channel offerings – an area where we're frequently assisting retailers who have invested large



The global information company also says a significant number indicated they would consider purchasing on-line in the future. This includes such categories as grocery shopping, home appliances, furniture, consumer electronics, collectibles and toys.

Tony Boyte, research director for Nielsen's on-line division, says the increase in on-line purchases – combined with those considering purchasing via the internet across more categories – is a "sign that growth in on-line shopping is really set to continue".

Perceptions of on-line shopping have also improved. Sixty-one per cent of New Zealand internet users say they find it easier to compare products and prices over the internet. Close to half of New Zealanders find on-line shopping to be more convenient.

"Our online sales are up 1000% with our new website."

Nick Harris, Nicholas Jermyn Shirtmakers

There's a big difference between just building a website with a shop in it and creating an effective online retail store that delivers for both you and your customers.

So it's really important to partner up with a company that understands e-retailing, has proven experience and can show you those results.

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amounts of money on websites only to be surprised that consumers aren't coming to them.

"Rather than just trying to focus on driving consumers to your own website – which can be expensive and time-consuming – take your product to where the consumers already are."

One of those places is shopping



MORE CONVERGENCE – SOCIAL MEDIA

Though not strictly speaking part of e-retail, social media is becoming an increasingly large and interconnected component of selling on-line.

Wallace says social media such as Facebook and Twitter are like trying to get people through the door in the old bricks-and-mortar world. "The main goal of social media for retailers is to drive traffic to your website. An on-line transaction is the end result."

Websites now regularly include at least Twitter and Facebook links. Facebook is particularly powerful:

- 72 per cent of New Zealanders use Facebook (Saatchi & Saatchi/Colmar Brunton).
- 82 per cent of on-line New Zealanders have visited

clubs which are growing in popularity with consumers. Carl Jackson, chief operating officer of Nzsale (part of a private on-line shopping club with over 800,000 members in New Zealand, Australia and Singapore), says retailers who are not quite ready to set up their own on-line function can always test the waters by leveraging existing on-line platforms such as

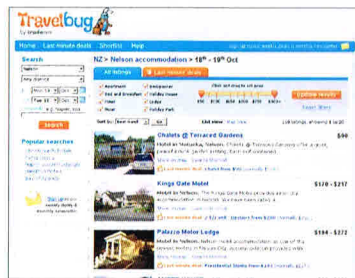
shopping clubs, shopping comparison and auction websites.

"As the costs of traditional retailing continue to increase, private on-line shopping clubs are becoming an important distribution channel for brands and retailers who can protect their brand and price points by selling their surplus inventory in a discrete on-line

environment, quickly and cost-effectively."

Integrating an on-line shop

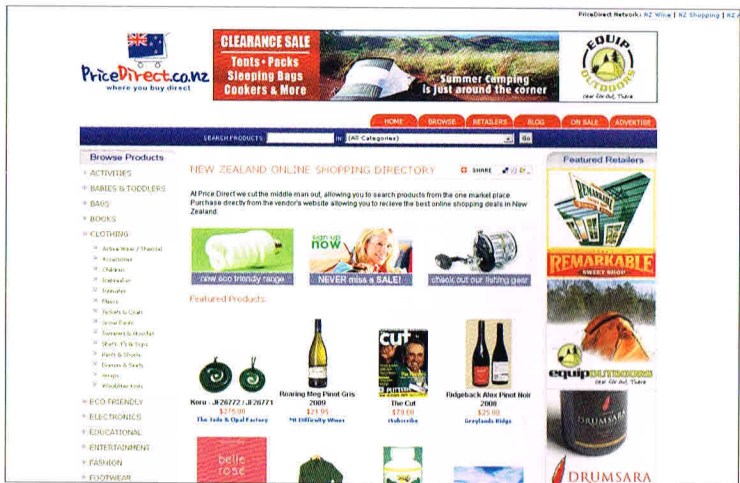
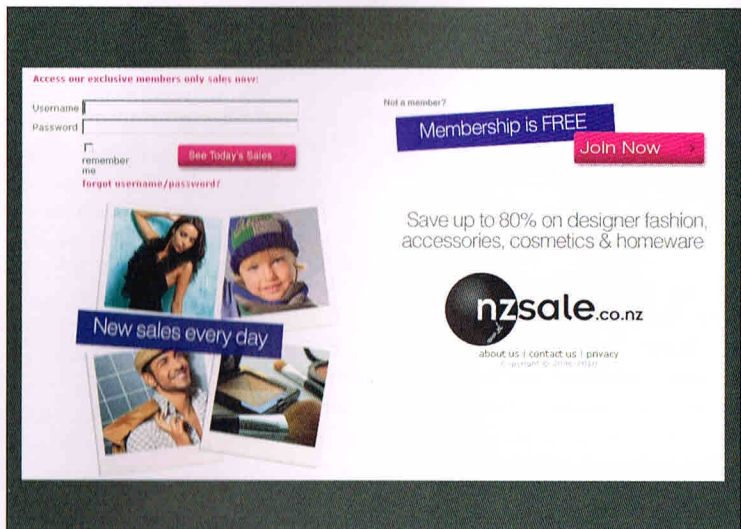
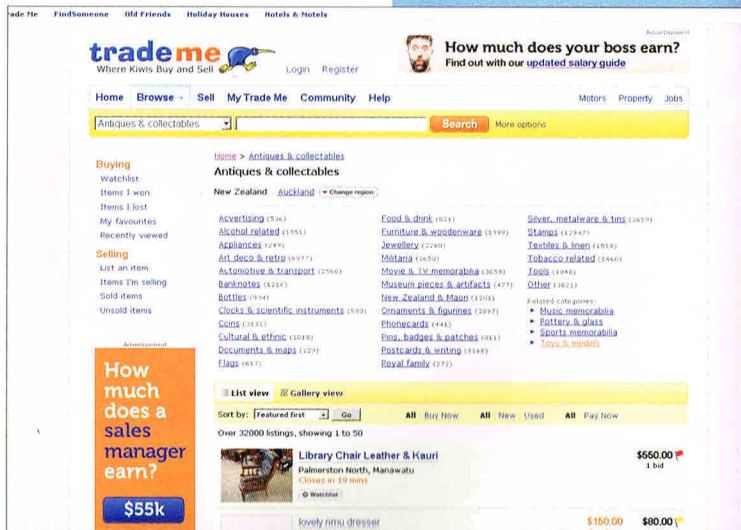
Okay, so you decide your bricks-and-mortar business needs to go on-line. Bruce Hutchings, managing director of retail IT specialists Kudos Solutions, says that's just the start of



Left Trademe's Travelbug website.

Below A favourite of Kiwis – Trademe.

Bottom nzsale.co.nz.



a complex journey into unfamiliar territory for many retailers.

E-retail systems have to be integrated into existing ones such as stock management, pricing, customer databases, enterprise resource planning and point-of-sale.

"It's difficult to get to gel because there are so many elements. That's where a lot of the frustration comes from. The biggest bugbear is keeping stock up to date on-line. If you are driving traffic to your website, don't disappoint the customer because what they want to buy isn't available."

"As the costs of traditional retailing continue to increase, private on-line shopping clubs are becoming an important distribution channel for brands ..."

One way of overcoming integration issues is to outsource them to businesses (like Kudos) which can close the gap between your physical and virtual store, including showing your true stock position.

Hutchings says Kudos is constantly being asked to provide a common system that can manage transactions, both at a physical store or an on-line one.

But even if you outsource the integration of your physical and

on-line stores, you still need to have a staff member dedicated to looking after your on-line business.

Doubly so if you don't outsource. That person should not be an IT person, says Gilbert from Solutionists. "You need a marketing-focused person who has time to collect all the product information and upload it to your site. Our observation of our customers is that businesses that do this are miles better."

He says this person doesn't have to be expensive. "There are lots of graduate students around who are



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* ----- SERVICE SECTOR ----- *

customers. It needs to be seamless – the language, the service levels, the visuals. And you need to replicate promotions on-line – for example, two for ones. That's the tricky stuff."

If you only have one or two staff, Gilbert says, you still need to treat the opening of an on-line store the same as if you were opening a new physical one. "You have to expect that you are going to have to spend a lot of time driving that, otherwise it is not going to work."

Return on on-line investment

Intergen Web Strategy specialist Giles Brown says when he meets clients, return on investment (ROI) is often something that clients have yet to define or can't agree (internally) on how to measure. He says he helps clients to "focus on realistic and measurable targets that they can achieve with their resources."

"Focus is a key part of your web strategy. Everyone would like to be the next Amazon or TradeMe, but it's better to do fewer things well rather than launching with unrealistic or vague targets."

So, where does e-retail leave the bricks-and-mortar shops?

There are mixed views, though everyone agrees there is still a place for traditional retailers – provided they figure out what they do better than the on-line newcomers. And also, how well they integrate an on-line presence into their business.

Brown says the issue here is really one of "continuity and consistency of customer and user experience. It's not being all on-line or all off-line – the respective weighting very much depends on your specific product or service. Obviously, some businesses are better suited to a physical presence."

"The important thing is not to treat your on-line presence as an afterthought or add-on to your physical presence. It has to be part of your planning from day one."

By Mike Booker, a freelance writer based in Paremata and a regular contributor to NZRetail. Follow his blog, BigCake – an economic growth cookbook, at: www.BigCake.co.nz.



E-RETAILING TRENDS

One e-retailing trend that stands out for Brash from SLI Systems is the power of the mobile phone – "It is just jumping ahead so quickly. A few years ago, using a mobile phone for anything on-line was just painful."

Phones like the iPhone have turned that experience right around. "In the US, shoppers are now using mobile phones in stores to do comparison shopping."

This raises issues for retailers, he says, as they need to have websites that are friendly towards the smaller screen of mobiles. "You need to at least think about having a mobile version of your website."

Among other e-retail trends picked by on-line retail experts spoken to by NZRetail were:

- Increased analysis of on-line customers;
- Greater website sophistication – including integration with Google;
- Greater selection of applications for on-line shopping on mobiles;
- Payment security becoming a non-issue for mobile users;
- More marketing budgets being spent on-line;
- Click and collect – where shoppers buy on-line but pick up their purchases at the store; and
- HTML newsletters to generate repeat sales.

RETAIL HALL OF FAME 2010 INDUCTEES

The Retail Hall of Fame celebrates the achievements of those who have made a highly significant contribution to the New Zealand retail sector.

* ----- RETAIL DETAIL ----- *

Last year was the first year that the awards were started – with the induction of five worthy recipients. This year we have inducted two new recipients who have laid the platform for many of the retail concepts that we see today.



Robert Hannah (1845 – 1930)

Robert Hannah (originally Hanna) is a well-known New Zealand shoe manufacturer and retailer. He was born on the family farm in Ballymoney, Northern Ireland, on 10 September 1845.

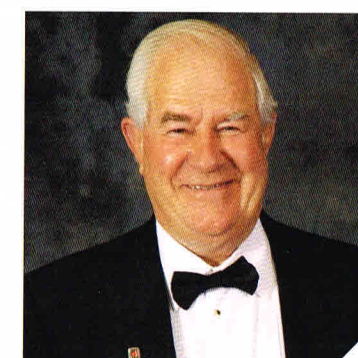
He served his apprenticeship in Kilrea as a bootmaker and, at the age of 18, emigrated to Queensland, Australia. In 1866, he arrived in Hokitika on the West Coast (in that era, one of the largest towns in New Zealand) – attracted by the gold rush and the business opportunities that went with it. He settled in

Charleston and, in 1868, opened his first boot shop. A record in his diary states that he slept in his own shop.

Two years later, he founded the firm of R. Hannah and Co. 'A policy of honest trading ensured his success from the very outset' (*Dominion Post*, 4 November 1948) and, in 1874, his business had outgrown the West Coast and was transferred to Wellington where he opened the first Robert Hannah & Co. shoe store on Lambton Quay.

Robert Hannah's policy was to give the public a uniformly high-quality product at the lowest possible price and, by 1897, Robert Hannah & Co. had opened 10 stores in the North Island – with new branches continually opening as the population of towns and cities all over New Zealand grew. Between 1868 and 1930, Robert Hannah built up New Zealand's largest footwear retailing and manufacturing organisation. Today, although the company no longer manufactures footwear, it remains the largest speciality footwear retailer in New Zealand.

Dominion Post, 4 November 1948: 'Age can also mean stability, tradition, character, experience – bringing as its reward the continuing confidence of vast numbers of customers. It is on this time-tested foundation that Hannah's have developed an unchallenged leadership in the growing shoe industry'.



Hugh Perrett

Hugh Perrett was born and raised in Wellington. Following 13 years with Unilever – where he was National Sales Controller throughout his last five years – Hugh joined Foodstuffs (Auckland) Ltd. in October 1977 as general manager and was subsequently appointed managing director in 1979. In 1985 he was also appointed managing director of Foodstuffs (NZ) Ltd. He retired from both these roles in 2001.

During Hugh's time at Foodstuffs (Auckland) Ltd., he was instrumental in seeing Foodstuffs' retailing operations structured to cover the major retail segments in the grocery market.

Hugh's input into the development of the Pak 'N Save group to its present market-leader position in the New Zealand supermarket industry is well-recognised. Hugh's determination that the integrity of the format of the Pak 'N Save operation be upheld

has been instrumental in the success of the group and he has, of course, left a legacy that will ensure that format remains protected.

In 2001, during a sponsored visit to this country, Michael O'Connor, a consultant to the Washington (US)-based Food Marketing Institute, congratulated Foodstuffs on the Pak 'N Save format saying that, unequivocally, it was the best format of its type in the world that he was aware of.

Foodstuffs is the market leader in the supermarket industry – with an unparalleled history of success, both financially and in terms of innovation and design. Hugh's achievements during his time at Foodstuffs have been enormous and he will be remembered for the whole retail philosophy that he brought to Foodstuffs. ■

By Olivia Bruce, marketing executive for the New Zealand Retailers Association.

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