

New Zealand Customs

Consumer motivation for purchases of low-value goods from abroad

February 2016



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Overall objectives and method

1.1 Objectives

- To identify likely behavioural responses including:
 - Maintaining current purchasing patterns vs switching to local retailers (online and physical stores).
 - Legal changes to purchasing patterns e.g. splitting consignments.
 - Illegal changes e.g. mis-declaration.
 - Abandonment of purchases when duty is charged.
- To identify factors that need to be incorporated into service design to facilitate voluntary compliance:
 - What level of delay from goods being held to collect duty is 'acceptable'?
 - Do people react differently to different types of tax, such as GST vs fees?
- To explore and identify issues that need to be reflected in messaging for the public at the time changes are introduced.
- To identify any issue management requirements and implications.
- To aid in the preliminary development of an Intervention Logic Model.

1.2 Method

- Three-phase research approach:
 1. Initial qualitative phase - four focus groups
 2. Quantitative online survey (n=1,200)
 3. Follow-up depth interviews with identified segments.

Initial qualitative research

2.1 Initial qualitative research

The purpose of the research was to:

- Provide strategic information on the knowledge, attitudes and behaviours around overseas online shopping for low value goods, and the associated taxes, duties and fees.
- Inform the development of the quantitative questionnaire.

The research objectives were to:

1. Explore current behaviour regarding off-shore purchasing of LVGs; key reasons for purchasing off-shore; key motivations (e.g. importance of price and non-price factors).
2. Explore impact on demand for off-shore purchasing of LVGs if the 'de minimis' is lowered (test a range of options for reduction); will they/ won't they continue to purchase off-shore LVGs and the reasons why?
3. Explore understanding of Customs' role in administering the GST and tariffs and/or entry fees; expectations of Customs service delivery; how does Customs service impact on purchasing decisions?
4. Explore best ways to communicate any changes and the impact on off-shore purchasing of LVGs.

2.2 Qualitative methodology

- Four focus groups.
- Each approximately two hours in length.
- 7-8 respondents per group.
- Two groups per night (6pm and 8pm).
- Groups split on income and shopping frequency:
 - Group 1: lower income (<60k)
 - Group 2: medium income (60k-120k)
 - Group 3: higher income (>120k)
 - Group 4: frequent overseas online shoppers (mix of 6+ and 10+ times per year).
- Mix of respondent genders, ethnicities and ages.
- Conducted 26 and 28 January 2016 at UMR facilities, Parnell, Auckland.

2.3 Qualitative executive summary

- Savings are the biggest driver, followed by range and convenience.
 - Cheaper prices seen as “compensation” for increased risks and delay.
- Most are shopping well below the current de minimis.
 - Correspondingly, very limited awareness of it, or potential charges which may be incurred.
- Most would reluctantly accept paying GST on a wider range of purchases.
 - Fairness arguments resonate strongest.
 - A few strongly against, though split on grounds of principle or personal detriment.
- \$50 in fees seen as too high.
 - There is general acceptance of this figure as a percentage at higher goods values but not at lower values.
 - Many, though, don’t do this “percentage” calculation and rule the fees out as “unreasonable” in virtue of the absolute amount.
- No evidence that Customs currently seen as a major component of any shipping delays.
- Increased spending under the new limit most likely behavioural response, less so the “more serious” circumvention measures.

2.4 Attractions of overseas online shopping

- Cheaper goods, better prices, better value.
- Better/ more range.
- The fact that many things can be found all in one place.
- Convenience, ease of shopping (can do it from home, available 24-hours, don't need to leave the house, no need to battle traffic, no need to take children out of the house, often considerable time savings, save on petrol costs, less hassle).
- Sourcing impossible to find items.
- Higher quality - though when pressed, fairly light on examples.
- Excitement of parcels arriving at home or work.
- The general enjoyment of the process: "a fun pass-time" or a source of pleasure/ recreation.
- One report of getting things sent to work to avoid a husband/ wife finding out.
- Availability of reviews and recommendations on the same sites on which purchasing will occur e.g. Amazon.

Price would have to be a big one for me and also getting stuff that you can't get here. Or if it is here it is extremely expensive and you think stuff it I am not paying that I will find another way of getting it.

I don't want to be stuck with the small New Zealand range if I know there is something cool that I can get from overseas.

If you shop locally you feel you are dictated to whereas you can get whatever you want.

Speed and convenience as well like I hate traipsing through a mall or anything like that at any time of day or night I can go online and compare the different sites. It might be 10 or 11 o'clock at night.

2.5 Barriers to shopping overseas online

- Delays in receiving goods, generally slower speed than going to a local shop.
- Wanting to support local businesses.
- Transit risks: missing or broken parcels.
- Desire to touch/ feel/ see products before purchase (especially “personal” items: underwear, glasses, sometimes clothing etc).
- A desire to minimise packaging waste.
- Anxiety about differing safety standards (especially for electronic goods like power adapters and batteries).
- Lack of aftersales service/ advice/ support/ warranties.
- Insufficient savings to compensate for risks.
- Many of these risks are seen as being mitigated by:
 - Previous personal experience with a seller or site.
 - Particular trusted recommendations from friends or online community members.
 - Reviews from previous buyers.
 - The general reputation or reputation score of a particular seller or site.
 - Shopping at lower value ranges.
- Specific goods respondents would be hesitant to purchase from overseas online sellers:
 - Split on clothes, many prefer to touch/ try on first, others have had very positive experiences.
 - Some electronics e.g. power adapters from China.
 - Supplements, some cosmetics, citing safety/ health concerns, though again, some do this frequently.
 - Goods that are “highly personal”: glasses frames, underwear (though some report “rebuying” trusted brands/ models/ sizes).

Anything from \$30 to \$50 and I do that quite regular. It still feels like a risk but it is not as bad as losing say \$200 if you don't get your items but I have had no problems.

I find if it is similar pricing or even a bit more we tend to buy it locally. I have got family members in owner-operator retail and you know how hard it is.

2.6 Common overseas online retailers

- No real surprises here.
- There were a number which were more or less universal across groups and respondents:
 - Amazon
 - EBay
 - AliExpress
 - Book depository
 - iHerb.
- As well as those, many respondents reported use of a range of fairly niche sellers:
 - Lots of craft, art stores/ supplies.
 - Suppliers of ethnic clothes and foods.
 - Special interest: e.g. model trains, car parts.
- To generalise, many of the goods that were purchased via the former sites appeared to be items that could be sourced locally in New Zealand, though typically a smaller range and at considerably higher prices. The items from the latter group of sites were typically unavailable here, and price was less of a motivation.

2.7 Value ranges for goods commonly purchased

- Respondents were asked to state the approximate percentages of goods purchased in the following bands:
 - Under \$100
 - \$100 - \$200
 - \$200 - \$400
 - Over \$400.
- Overwhelmingly, respondents reported themselves to be shopping towards the lower range, predominantly under \$100.
- Approximately 70% of their reported spending was under \$100 (e.g. books, toys, cosmetics, CDs, small electronic items).
- Approximately 20% was in the next two bands: \$100 - \$400 (e.g. homewares, kitchen, clothing, shoes).
- About 10% fell into the \$400+ category (e.g. audio gear, computers, cameras).

- Many expressed significant reservations about spending any more than \$400 as risks were seen to be far greater
 - Getting ripped off - loss of money
 - Damage in transit
 - Warranties and after-sales service.

2.8 What costs do people factor into their purchases?

- For many respondents cost was an important (mostly the principal) motivator.
- Accordingly, these cost calculations tended to be done thoroughly and respondents talked freely and confidently on this.
- Many included tangential costs (petrol/ time) of the equivalent local purchase.
- They are typically adept at this process and see these assessments as “just part of the process” of online shopping.
- In terms of costs factored in, unprompted respondents mentioned:
 - Postage/ freight costs
 - Credit card charges
 - PayPal charges
 - Petrol/ time compared to shopping locally
 - (Occasionally) return shipping costs.
- Notably, there were very few mentions of GST, tariffs, duty and import/ processing fees.
 - Mostly because respondents were shopping at value levels where they hadn't encountered such charges.
 - Some had believed text on some sites that reads: “Includes all fees/ taxes applicable in your country.
 - When these charges were mentioned, they were sometimes characterised as “discretionary” on behalf of Customs.

2.9 Attitudes and expectations towards delivery delays

- Most have experienced delays from time to time in their overseas online shopping histories.
- For the most part occasional delays are expected and tolerated.
 - Psychologically off-set by convenience of the purchasing process, savings, and unavailability locally.
 - Most respondents not shopping for “urgent” items.
- In terms of who is to blame for delays, answers were predominantly:
 - Overseas senders
 - The worldwide delivery system
 - Local couriers.
- Customs delays typically weren't mentioned.
- Where they arose occasionally it was with those who had attracted charges: package held, letter sent, payment, release etc.
- On prompting, most thought the screening/ release process must be fairly efficient once they considered volumes and process

I am not agreeing - I think that it has always taken about three days for customs. You can see on the stamps and when it comes to my house and it looks like 2 - 3 days and sometimes if there is something wrong they send you an email and call you and you have to go to the office and find out and pay and then after you pay it comes to your place in a couple of days. From 2 days to a week.

2.10 Awareness of current 'de minimis' rules

- Generally very limited awareness of current rules.
 - Some knowledge that GST might become payable at some (in their minds, high) threshold, but most unsure on actual limit.
 - Almost no knowledge of tariffs or other potential fees.
- Exceptions were those who have shopped at the top of the de minimis range who generally know the rules fairly well or those who had been unexpectedly billed in the past.
- Several of these respondents also had some knowledge of the calculator and advice on the Customs website.
- Where respondents had even a vague awareness, the general way the rules were expressed was "the \$400 limit" rather than in terms of duty payable.
 - No more than a couple of respondents understood details: the actual basis of the calculation, that the "real" limit could be much lower for items attracting tariffs, that freight was included and so on.
- On prompting with the details of the current rules there was some surprise at the potential charges.
 - Dominant assumption is that border control and so on is paid for from the consolidated tax take.
 - That their limited importation activities don't really add to the overall labour or processes required.
 - That they're not importing the kinds of things they'd justifiably see as being of concern to Customs.
 - "Isn't every parcel and piece of mail examined already?" "Why are just some charged?" "I don't bring anything dangerous in."

I have never had a purchase that has gone over \$150NZ. I didn't even know that it was a thing.

\$400 plus you get stuck on the wharves. Duty, if it is over \$400 you have to pay for it to be released. If it is less than \$400, if it is under a percentage they don't bother collecting so you don't have to pay GST or Duty.

It wasn't just the GST which I am not averse to paying at all it was there was a \$70 processing fee which was the bit that I thought was over the top.

2.11 Awareness of potential rule changes

- Moderate awareness of potential changes on the horizon.
 - Most common context cited was media coverage around gathering GST on iTunes/Netflix purchases.
- On probing, general expectation that GST will become payable on all physical goods purchased overseas too i.e. no de minimis.
 - However, most do not currently know that a de minimis exists.
 - Even those who did tended to focus on the GST component of the charges in the discussion that followed.
 - There was little or no unprompted discussion of other charges and fees.

It they brought it down to zero I would be a bit gutted but in reality not being entirely certain what the point of GST is or what it is other than it stands for goods and services tax if I had it explained again I would probably go oh that makes sense. 15% wouldn't make much difference to my purchases all the books I buy would probably be cheaper to buy online plus 15%. It would still be cheaper than me getting it in book shops and I would still not be able to find what I want anyway.

2.12 Attitudes towards potential changes

- Respondents were prompted on their views towards having to pay GST on a broader range of purchases as well as varying levels of import duties.
- Most would reluctantly accept GST.
 - Respondents typically replayed the “business competitiveness” and “level playing field” arguments.
 - This was a much stronger sentiment in the higher-income group, many with higher awareness of business processes and product margins.
 - Some respondents saw the lack of having to pay GST as an “entitlement” or as “compensation” for living in a country that’s not got easy access to large local markets.
 - Tend to view the imposition of GST as a punishment or a “tax grab”.
 - Most do not characterise GST as a “consumption tax” and struggle to understand why it would be collected on goods originating from outside New Zealand.
- Current level of charges generally felt to be “unreasonable”.
 - \$50 seems like a lot for the process they have in mind (even when prompted on “screening, administration, sniffer dogs, conveyor belts etc”).
 - Though fairly responsive to the argument that higher value purchasers are picking up too much of the overall cost.
 - Many endorsed (unprompted) a “tiered” system, perhaps tied to item value, though bureaucracy was fairly frequently flagged.

- Several settled on percentage charge of around 5% of the value of the goods, or in the region of \$20 or \$25 for the kinds of mid-value purchases they had in mind.
- The idea of a single 'de minimis' level did not typically arise unprompted.

Thinking about GST these companies don't use any of New Zealand's services, the New Zealand Government doesn't subsidise these people at all in these companies so I wonder why it should apply.

To be honest I don't like it but I know that it is fair for local businesses. It is a level playing field.

I do think that it is quite good in that it is trying to protect small businesses rather than big companies.

If I have to pay GST I understand that GST is 15% but I think the processing charge is a bit over the top.

You are taking my choice away or penalising me because I have found a way to get what I want with the income that I am getting.

If it was just GST obviously I wouldn't like paying it but I can understand the reasons.

I wouldn't be happy paying GST it would be a disaster.

We pay that in our taxes already.

I don't mind paying [the import charges as] long as it is reasonable.

2.13 Purchasing behaviour changes

- Respondents were prompted on possible behaviour changes stemming having to pay GST on a broader range of purchases as well as varying levels of import duties.
- The majority were very openly price sensitive.
 - Saving was the main reason given for buying online overseas.
 - Increased choice flagged as important too, though generally secondary, with a few exceptions.
- Respondents' first response is to assess the "reasonableness" of the GST and charges, though the way respondents ultimately fall on purchasing decisions in differing scenarios appears to have more to do with the overall cost of the goods compared to local equivalents (if available).
 - The "reasonableness" test is based not just on the fee as a total percentage of the value of the goods, but also what's perceived as an acceptable charge for the effort incurred in processing, and, for some, what feels personally affordable.

- Most felt that even having to pay GST on goods purchased overseas they'd still be ahead, it was reluctantly accepted by most on this basis, and most felt they would continue to purchase.
 - The exception was those situations where spending is "self-capped" and the cap would be exceeded by the imposition of GST or other charges. e.g. "I'm not going to spend more than \$150 under any circumstance".
- Simplified decision-making process:
 - What will the total price of the online overseas goods be?
 - Compare the online overseas price (plus all charges) to local retailer price.
 - If price is lower overseas: is the saving adequate compensation for delay and risk? (\$10 = probably not).
 - If price is higher overseas: is higher price outweighed by uniqueness or necessity? (Sometimes prepared to pay much more).

■ Purchasing behaviour changes - Quotes

If the GST got to the point that I am paying the same amount whether I bought it here or overseas then you would get it here for convenience but if it was still cheaper to get it overseas I would probably get it from overseas.

It all depends because it goes back to if you can't get it in New Zealand then you will pay it. It wouldn't stop me getting product but it probably puts a bit of a barrier but you would get around it.

I was looking for a rocking chair cover and I could not find one in New Zealand it was full of American ones and in the end I didn't get the rocking chair but I would have spent whatever it took to match the nursery to get that.

There will be no point in buying things online if the fees and postage adds up to make it not worth doing. If the Government wants to stop people buying online I guess it is their prerogative but it is not going to make people very happy.

Same thing with postage, it is not worth buying it if it is going to cost more or the same as it would here.

If you are looking at price it is simple, it is going to cost me this much and if there are those fees on top it is going to cost me that much. Then for those things that you can't get elsewhere you are still going to pay that anyway.

If I was buying a book I would still be comparing the prices to find the lowest but that might just not come from overseas anymore and it tends to at the moment.

If I could get it here and if the 15% is going to make them similar prices then I would probably get it here but if I can't get it here which is probably mostly what I get online then I will get it overseas.

2.14 Circumvention

- Limited first-hand feedback given the value levels at which most respondents were shopping.
- Broad suspicion that circumvention is bound to be happening “just like everywhere else in life”.
- Some evidence that those with more knowledge of the rules are currently modifying behaviour to circumvent.
 - Most common is splitting shipments into consignments under the de minimis.
 - Not seen as breaking the law, but of being “prudent”, or a “well-informed” online shopper.
- Significant personal reluctance to “cheat” or “law-break” by actively lying or mis-declaring.
- There are mentions of sample/ gift (flagged as being commonly offered by online sellers) but most feel that this is a “bigger step” than splitting shipments.
- Other things people thought might happen more frequently if limits were to change included:
 - Rerouting through friends/ family
 - More personal trips overseas
 - Mis-declaration (less so).
- Respondents were unanimous that circumvention could be expected to increase.
 - Particularly if rule changes perceived as “unfair”, unreasonable, or onerous.

I have in the past spent up to the \$400 limit to avoid any GST. I have made sure that I have kept it under New Zealand \$400 with the processing charge and the GST added.

2.15 Communications insights

- Respondents were, by the end of the session, increasingly aware of the gaps in their understanding.
 - Correspondingly, their major concern was any changes are well communicated to allow them to avoid any unexpected charges.
- Many were more prepared to accept charges perceived as being levied on a principled basis.
 - “Fairness” overall was the primary determinant (both for businesses, and for purchasers).
- GST.
 - On GST the level playing field argument resonated most strongly.
 - Many respondents pushed back on the basis that GST shouldn’t apply to goods for which the Government isn’t responsible somehow.
- Other charges and fees.
 - Perception of “Reasonableness” of these charges, at both an absolute and relative level were crucial to acceptance.
 - On fees, arguments about concrete administrative needs and our collective responsibility for border protection appeared to work best.
 - Detailing the involved processes of screening and processing made the sell easier.
 - The main difficulty was with those who felt their taxes were already paying for this service.

If it is a uniform and fair system that clearly is going into the pot to cover the costs of surveillance or protecting to some extent our retailers it would have to be very clear and transparent.

[Changes] make you feel a little bit more nervous because you are not sure what to expect.

The GST doesn’t bother me at all it is when there are things you haven’t factored into it at all. If you agree to it and know that is what you are paying for and you agree to it that is fair enough and GST to keep it fair I don’t mind it is just when you get some extra charge that no one told you about.

Quantitative research

3.1 Quantitative method

1. These findings are based on results from an online survey among a nationally representative sample of New Zealanders aged 18 years and over. The sample size was n=1,500 and fieldwork was carried out from the 3rd to 9th February 2016. The margin of error for a 50% figure at the 95% confidence level for a sample size of 1,500 is plus or minus 2.5%.
2. Many questions in the survey were directed at online shoppers only. A total of 993 respondents were identified as being online shoppers. The margin of error for a 50% figure at the 95% confidence level for the sub-sample size of 993 is plus or minus 3.1%.

A number of different multivariate techniques were performed on the attitudinal statements:

- Analysis showed that a number of the statements were highly correlated and it was evident that multi-collinearity was present (this is a much bigger problem for logistic regression modelling, than cluster analysis).
- A number of different cluster analysis techniques were explored and each yielded three segments. (Cluster analysis is an exploratory data analysis technique which aims at sorting different respondents into groups in a way that the differences between respondents within each group is minimal but the differences between the groups is maximum).

3.2 Quantitative executive summary

■ Reasons for purchasing from an online overseas seller

Over three-quarters (78%) of online shoppers rated 'Price/ Value/ Lower cost' as an important factor in the decision to purchase physical goods online from overseas sellers. 'That the goods aren't available in New Zealand' was the next highest rated with 71% of online shoppers indicating this factor was important. This was followed by 70% of online shoppers saying the larger/ better range was an important factor in their decision to purchase goods online from an overseas seller.

■ Concerns about purchasing online from an overseas seller

Over half (57%) of online shoppers indicated they were concerned with high shipping charges when purchasing from an overseas seller. This was followed by 'Risk that the product might go missing in transit' at 46% and 'Getting ripped off by the seller' at 44%.

■ Potential costs to factor into online overseas purchases

The predominant potential cost that online shoppers factored in when assessing the overall cost was postage/ freight (78%).

The next most common potential costs online shoppers factored into overall cost of purchase were: credit card charges (43%), other New Zealand duty or import fees (33%), import tariffs (32%) and GST (31%).

■ Awareness of current rules

The vast majority (81%) of online shoppers stated they were aware that they may have to pay GST, duty or other fees on goods purchased overseas when they arrive in New Zealand. Of those who are aware of these potential charges only 22% actually had to pay GST, duty or other fees on goods they purchased from overseas sellers.

■ Knowledge of current threshold

The majority (59%) of online shoppers were unsure or did not know the total value of goods when fees become payable.

Just under one in five (19%) online shoppers indicated the price range when fees become payable is \$400 - \$499.

■ Awareness of changes

Over half (55%) of online shoppers said they were aware that the Government has signalled there may be changes to the limits at which GST, duty and other fees become payable on physical goods purchased online from overseas. Although, of the online shoppers who were aware of the potential changes to the threshold, over half said they didn't know much about the changes (26% indicated '1 - hardly anything' and 27% indicated '2').

Over a third (37%) of the online shoppers who indicated they knew ('3', '4', or '5 - A lot') about the potential changes to the threshold supported the change and 63% opposed the change.

■ Delays

Just over half (52%) of online shoppers indicated they experienced delays in receiving online goods purchased from overseas sellers.

Of those shoppers who experienced delays 39% thought the delays were a combination of local New Zealand couriers, overseas postal service, overseas courier services and New Zealand border controls.

3.3 Quantitative results

3.3.1 Overall mood

Over half (53%) of the respondents think that New Zealand's economic conditions are good, while just over a third (34%) rated the economic conditions as 'not so good'.

Just under half (46%) of the respondents indicated their personal financial situation is good, while 36% of respondents claimed their personal financial situation is 'not so good'.

Thirty-nine percent of respondents rated this point in time as a good time (excellent time + good time) to buy the things they want and need. Whereas 60% of respondents claimed this was not a good time (not so good time + poor time) to buy the things they want and need.

Just under half (47%) of the online shoppers stated that the goods they buy from overseas online sellers are things they could not obtain from local New Zealand sellers.

The vast majority (92%) of online shoppers claimed the majority of the goods purchased online from overseas retailers are for personal/family use.

ECONOMIC CONDITIONS IN NEW ZEALAND

Do you think economic conditions in New Zealand at the moment are...

	All %
Base: n=	1494
Excellent	4
Good	53
Total good	57
Not so good	34
Poor	6
Total not good	40
Unsure	3

Base: All respondents

PERSONAL FINANCIAL SITUATION

And what about your personal financial situation, would you say it is...

	All %
Base: n=	1494
Excellent	4
Good	46
Total good	50
Not so good	36
Poor	13
Total not good	49
Unsure	1

Base: All respondents

GOOD OR BAD TIME TO BUY GOODS

Considering the cost of things today and your own personal finances, how would you rate this point in time as a time to buy the things you want and need?

	All %
Base: n=	1494
Excellent time	3
Good time	36
Total good time	39
Not so good time	45
Poor time	15
Total not good time	60
Unsure	1

Base: All respondents

PHYSICAL GOODS PURCHASED FROM OVERSEAS ONLINE SELLERS

The physical goods I buy from overseas online sellers are:

	%
Base: n=	993
Mostly things that I couldn't otherwise obtain from local NZ sellers	47
Mostly things that I could have purchased locally, either in physical stores or from local online sellers	17
About an equal split of things I could and couldn't get locally	36

Base: Respondents who have bought goods online from overseas sellers

USE OF GOODS PURCHASED FROM OVERSEAS ONLINE SELLERS

Thinking about the goods you purchase online from overseas retailers, which of the following best describes you:

	%
Base: n=	993
The majority of the goods are for my personal/ family use	92
The majority of the goods are for resale in NZ	3
Both	5

Base: Respondents who have bought goods online from overseas sellers

3.3.2 Frequency of online purchases

Just under one in ten (9%) online shoppers stated they purchase physical goods from overseas sellers every couple of weeks. The majority of online shoppers were purchasing goods less frequently, 20% said every couple of months, 20% said 3-5 times a year, 22% said 1-2 times a year and 13% said once a year or less.

FREQUENCY OF ONLINE SHOPPING FROM OVERSEAS SELLERS

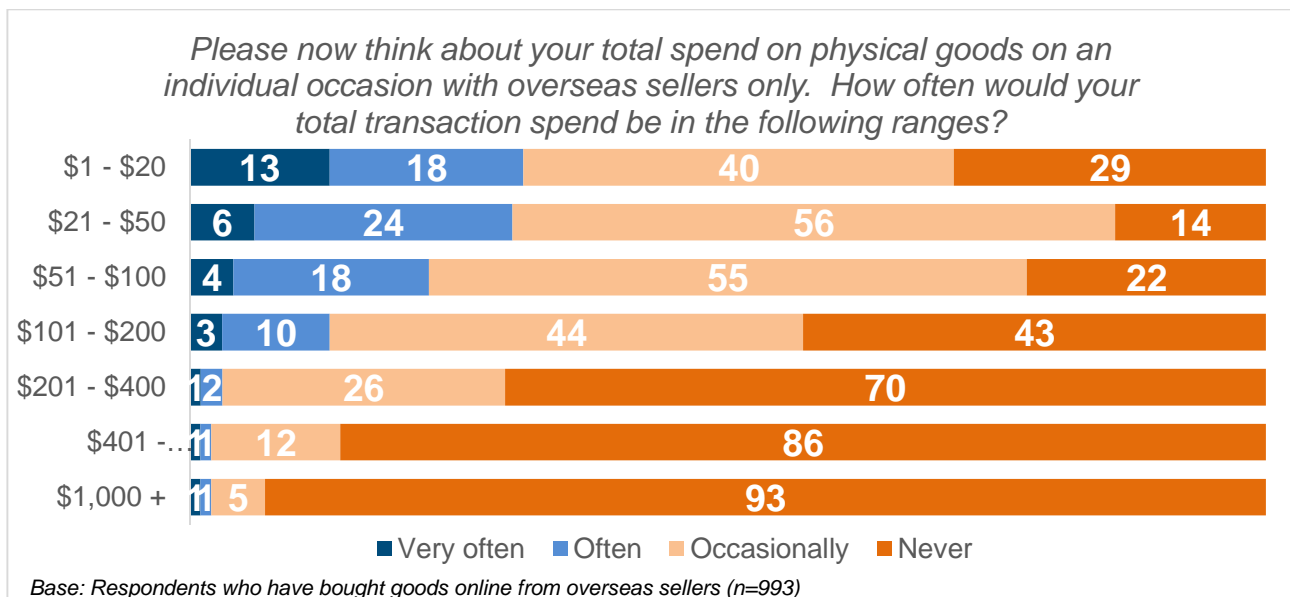
*Approximately how many times per year would you purchase physical goods from overseas sellers?
OR
Thinking just about your purchases of physical goods from overseas sellers... Roughly how many times per year would you purchase?*

	%
Base: n=	993
More than once a week	2
About weekly	3
Every couple of weeks	9
About monthly	11
Every couple of months	20
3 – 5 times a year	20
1 – 2 times a year	22
Once a year or less	13

Base: Respondents who have bought goods online from overseas sellers

3.3.2 Value of goods

Thirteen percent of online shoppers said they purchase physical goods that cost \$101 - \$200 'very often' or 'often'. Just under a quarter (22%) of online shoppers said they 'very often' or 'often' purchase physical goods that cost \$51 - \$100. 30% of online shoppers said they purchase physical goods that cost \$21 - \$50 'very often' or 'often'. A similar number of online shoppers (31%) said they purchase physical goods that cost \$1 - \$20 'very often' or 'often'.



3.3.3 Savings

Just over three-quarters (76%) of online shoppers feel they normally save money on the physical goods they purchase from overseas sellers compared to buying the goods locally.

SAVE MONEY BY PURCHASING FROM ONLINE OVERSEAS SELLERS

Do you feel that you normally save money on the physical goods you purchase from online overseas sellers, compared to buying the goods locally in NZ, either from a physical store, or from a local online seller?

	%
Base: n=	993
Yes	76
No	10
Unsure	14

Base: Respondents who have bought goods online from overseas sellers

3.3.4 Amount saved when purchasing from online overseas sellers

Over a third (37%) of online shoppers who say they save money from purchasing from online overseas sellers indicated that, on average, they save 21% - 40% when purchasing from these sellers. While 29% claim they save 41% - 60% when purchasing from online overseas sellers.

PERCENT SAVED ON GOODS PURCHASED FROM ONLINE OVERSEAS SELLERS

For each of the following categories of goods, as a percentage, about how much do you think you typically save when purchasing from online overseas sellers compared to what it would cost to buy the physical goods locally in NZ, either from a physical store, or from a local online seller? (Your best estimate is fine)

	0% – 20% saving	21% – 40% saving	41% – 60% saving	61% – 80% saving	81% – 100% saving	Not applicable to me
	%	%	%	%	%	%
Cosmetics/beauty	9	16	14	4	2	55
Health/ Supplements	10	15	8	4	1	62
Clothing and shoes	14	24	22	8	3	30
Physical books (not e-books)	18	23	19	6	2	32
Electronic devices	18	24	15	6	2	35
Average for goods you buy (including those listed above)	17	37	29	7	4	7

Base: Respondents who stated they save money by purchasing from online overseas sellers (n=759)

3.3.5 Minimum saving that makes it worthwhile to purchase from online overseas sellers

The table below shows the minimum saving that is needed to make it worthwhile to purchase physical goods from an online overseas seller.

Just under a third of online shoppers who say they save money by purchasing from online overseas sellers needed, on average, a 0% - 20% saving to make purchasing from them worthwhile. 40% indicated they needed, on average, a 21% - 40% saving to make it worthwhile and 16% stated they needed, on average, a 41% - 60% saving to make it worthwhile.

Twenty-eight percent of online shoppers who say they save money by purchasing from online overseas sellers stated that physical books only needed a 0% - 20% saving to make it worthwhile to purchase from online overseas sellers.

MINIMUM SAVING THAT MAKES SHOPPING ONLINE FROM AN OVERSEAS SELLER WORTHWHILE

For the following categories what is the minimum saving that makes it worthwhile to shop overseas online compared to buying locally in NZ, either from a physical store, or from a local online seller? (Your best estimate is fine)

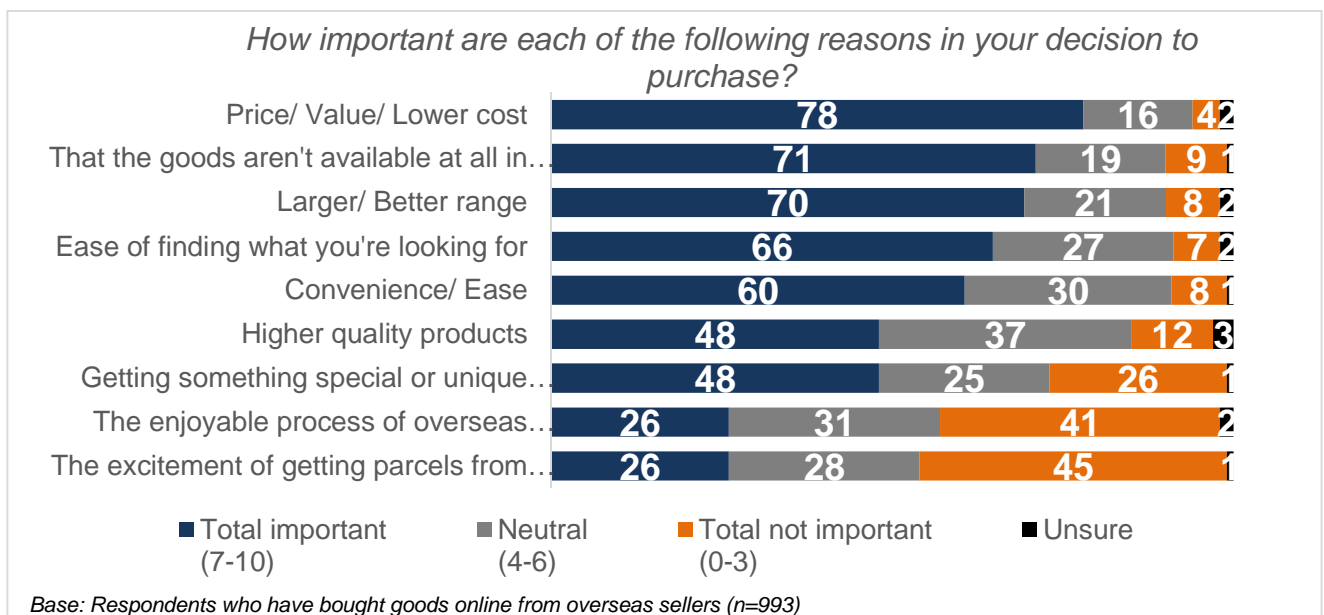
	0% – 20% saving	21% – 40% saving	41% – 60% saving	61% – 80% saving	81% – 100% saving	Not applicable to me
	%	%	%	%	%	%
Health/ Supplements	18	21	7	2	1	51
Cosmetics/beauty	19	26	9	2	1	44
Clothing and shoes	24	32	15	3	2	25
Electronic devices	26	32	12	3	1	25
Physical books (not e-books)	28	33	11	2	1	25
Average for goods you buy (including those listed above)	31	40	16	4	2	7

Base: Respondents who stated they save money by purchasing from online overseas sellers (n=759)

3.3.6 Reasons for purchasing from an overseas online seller

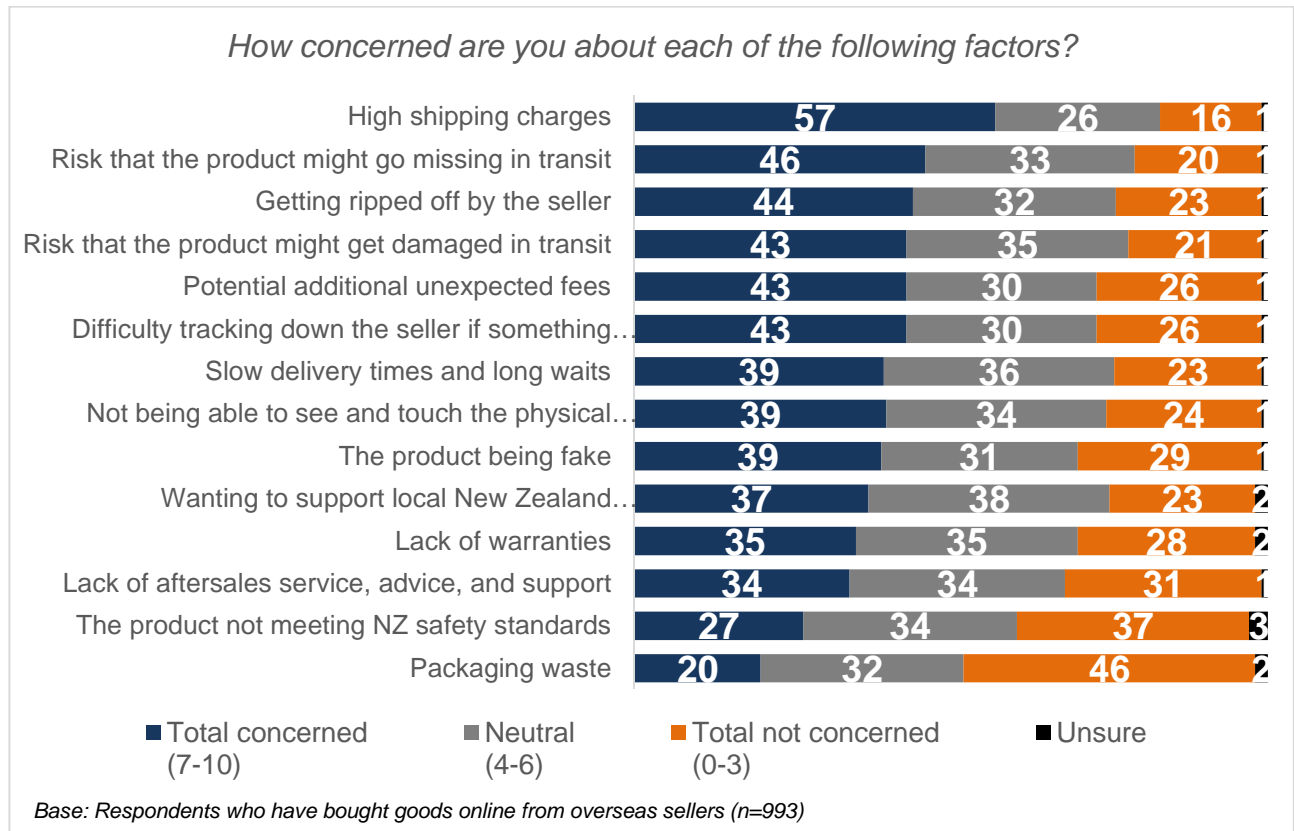
Over three-quarters (78%) of online shoppers rated price/ value/ lower cost as an important factor in their decision to purchase goods from an overseas online seller. 71% of online shoppers rated 'That the goods aren't available at all in New Zealand' as an important reason for purchasing from an overseas online seller. 70% indicated that the 'Larger/ Better range' was an important reason for purchasing goods online from overseas sellers.

Only around a quarter (26%) of online shoppers indicated that 'The enjoyable process of overseas online shopping' and 'The excitement of getting parcels from overseas' were important reasons for purchasing goods online from overseas sellers.



3.3.7 Concerns about purchasing goods online from overseas sellers

Over half of online shoppers (57%) indicated that they were concerned with 'High shipping charges'. 46% indicated they were concerned with the risk that the product might go missing in transit and 44% were concerned with 'getting ripped off by the seller'.



3.3.8 Potential costs to factor into online overseas purchases

The predominant potential cost that online shoppers factored in when assessing the overall cost was postage/ freight (78%)

The next most common potential costs online shoppers factored into overall cost of purchase were: credit card charges (43%), other New Zealand duty or import fees (33%), import tariffs (32%) and GST (31%)

POTENTIAL COSTS TO FACTOR INTO OVERALL COST

Which, if any, of the following potential costs do you factor into your online overseas purchases when assessing the overall cost to you?

	%
Base: n=	993
Postage/ Freight	78
Credit card charges	43
Other New Zealand duty or import fees	33
Import tariffs	32
GST	31
Return postage in case you need to return the item(s)	27
Your time spent shopping if you decided to purchase locally	20
Your petrol costs if you decided to purchase locally	16
None of the above	9

Base: Respondents who have bought goods online from overseas sellers

Note: Multiple response question

3.3.9 Awareness of current rules

The majority (81%) of online shoppers indicated they were aware that they may have to pay GST, duty and other fees on goods when they arrive in New Zealand. Only 22% of those who are aware of charges actually have had to pay any GST, duty and other fees on overseas online purchases.

The majority (65%) of online shoppers who have had to pay GST, duty or other fees said they were expecting to pay fees, while just under a third (31%) said the fees came as a surprise. Only 37% of these shoppers felt the charges were reasonable.

CHARGES FOR BUYING PHYSICAL GOODS ONLINE

Are you aware that if you are buying overseas physical goods online, you may have to pay GST, duty, and other fees on your goods when they arrive in New Zealand?

	%
Base: n=	993
Yes	81
No	13
Unsure	6

Base: Respondents who have bought goods online from overseas sellers

PAYMENT OF GST, DUTY AND OTHER FEES

Have you yourself ever had to pay any GST, duty and other fees on overseas online physical goods that you have purchased when they have arrived in New Zealand?

	%
Base: n=	802
Yes	22
No	74
Unsure	4

Base: Respondents who were aware of charges when physical goods purchased online arrive in New Zealand

EXPECTING TO PAY GST, DUTY AND OTHER FEES

Were you expecting to pay GST, duty and other fees or did these charges come as a surprise?

	%
Base: n=	177
I was expecting them	65
They came as a surprise	31
Unsure	4

Base: Respondents who have had to pay GST, Duty or other fees on overseas online physical goods when they arrived in New Zealand

WERE CHARGES REASONABLE

Did you feel that these charges were reasonable?

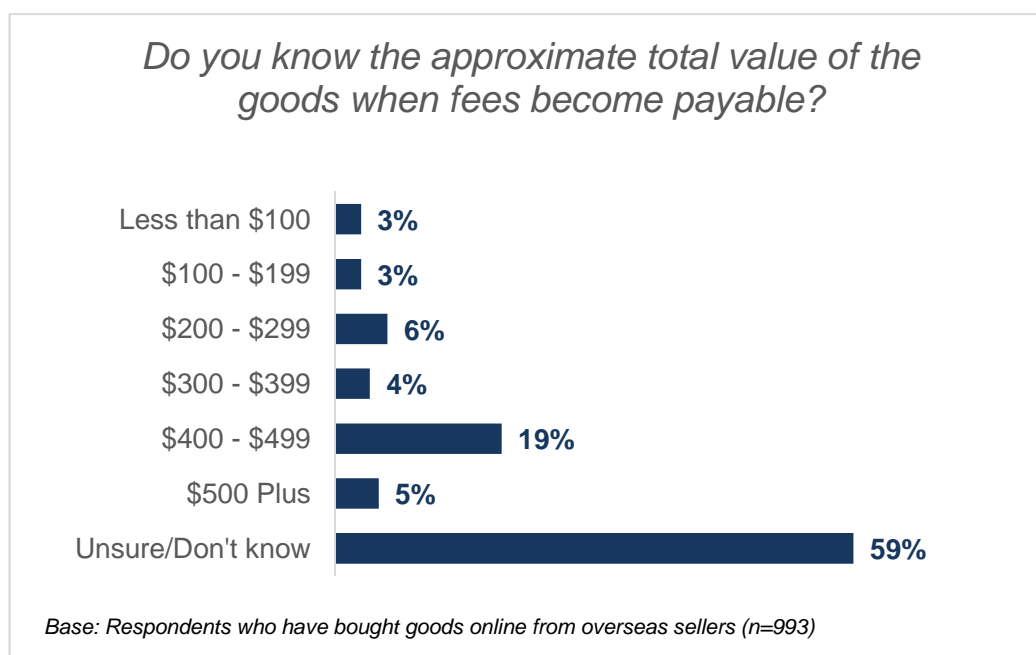
	%
Base: n=	177
Yes	37
No	56
Unsure	7

Base: Respondents who have had to pay GST, Duty or other fees on overseas online physical goods when they arrived in New Zealand

3.3.10 Knowledge of current threshold

The majority (59%) of online shoppers were unsure or did not know the total value of goods when fees become payable. Just under one in five (19%) online shoppers indicated the price range when fees become payable is \$400 - \$499.

Male online shoppers were more likely than female online shoppers to say the price range when fees become payable is \$400 - \$499 (23% compared to 15%).



3.3.11 View on current rules

Over half (56%) of online shoppers indicated they think it is fair that some people avoid GST by buying goods from overseas sellers.

Under half (47%) of online shoppers think it's fair that people buying overseas goods online should pay something for the process of screening parcels at New Zealand's border.

Just over half (54%) of online shoppers think it's fair that buyers spending over the threshold are paying for the screening of all lower value goods entering New Zealand because they tend to be the big spenders who can afford it. While 46% think that it is not fair because the cost of keeping the country safe should be spread more evenly amongst overseas purchasers.

Over half of online shoppers indicated they think the current processing fee is too high (34% say 'It's far too high' and 23% say 'It's a bit too high'). Just over a third (35%) think 'It's about right for goods \$400 and over, but too much for lower value goods'. Only 3% of online shoppers think 'It seems right for what's required to protect our borders' and 1% say it's too low.

SHOPPERS PURCHASING FROM OVERSEAS ONLINE SELLERS AVOIDING GST

Currently, people in NZ don't pay GST on many overseas goods they purchase online if the total value (including shipping) is below about \$400 (although the limit can be closer to \$240 for some kinds of goods like clothing and shoes). Do you think it's fair that people avoid GST by buying these goods from overseas sellers?

	%
Base: n=	993
Yes	56
No	29
Unsure	15

Base: Respondents who have bought goods online from overseas sellers

SHOPPERS PURCHASING FROM OVERSEAS ONLINE SELLERS SHOULD PAY SOMETHING FOR THE COST OF SCREENING PARCELS

There is a cost to the country of screening parcels at NZ's border to protect against prohibited goods and things like pests and diseases. Do you think it's fair that people buying overseas goods online should pay something for this process?

	%
Base: n=	993
Yes	47
No	41
Unsure	12

Base: Respondents who have bought goods online from overseas sellers

VIEW OF CURRENT THRESHOLD

Currently, only those people who purchase overseas goods online with a total value (including shipping) above about \$400 attract these fees (although the limit can be closer to \$240 for some kinds of goods like clothing and shoes). Effectively these buyers are paying for the screening of all lower value goods entering NZ. Which of the following is closer to your view:

	%
Base: n=	993
That's fair because they tend to be the bigger spenders who can afford it	54
That's not fair because the cost of keeping the country safe should be spread more evenly amongst overseas purchasers	46

Base: Respondents who have bought goods online from overseas sellers

CURRENT SCREENING FEE

If the total value of physical goods you purchase online overseas attracts a fee, the current fee for screening and processing that you are asked to pay is set at around \$50. Do you think this is a fair amount?

	%
Base: n=	993
It's far too high	34
It's a bit too high	23
It's about right for goods \$400 and over, but too much for lower value goods	35
It seems about right for what's required to protect our borders	3
It's too low	1
Unsure	4

Base: Respondents who have bought goods online from overseas sellers

3.3.12 Awareness of changes

Over half (55%) of online shoppers indicated they were aware that the government has signalled that there may be changes to the limits at which GST, duty and other fees become payable on physical goods purchased online from overseas. Male online shoppers were more likely than female online shoppers to be aware of the potential change (61% compared to 50%). Older online shoppers, those over 60, were more likely than other age groups to be aware of the potential changes (74% compared to 55% overall).

Of the online shoppers who were aware of the potential changes to the threshold over half said they didn't know much about the changes (26% indicated '1 - hardly anything' and 27% indicated '2'). Over a third (37%) of the online shoppers who indicated they knew ('3', '4', or '5 - A lot') about the potential changes to the threshold supported the change and 63% opposed the change.

POTENTIAL CHANGES TO THRESHOLD

Were you aware that the government has signaled that there may be changes to the limits at which GST, duty, and other fees become payable on physical goods purchased online from overseas?

	%
Base: n=	993
Yes	55
No	38
Unsure	7

Base: Respondents who have bought goods online from overseas sellers

KNOWLEDGE OF POTENTIAL CHANGES TO THRESHOLD

How much do you know about what has been signaled by the Government in terms of potential changes to the limits at which GST, duty, and other fees become payable on physical goods purchased online from overseas?

	%
Base: n=	545
1 – Hardly anything	26
2	27
Total '1 – Hardly anything' + '2'	53
3	34
4	7
5 – A lot	2
Total '4' + '5 – A lot'	9
Unsure	3

Base: Respondents who were aware of potential changes to the threshold

POTENTIAL CHANGES TO THRESHOLD – OPPOSE OR SUPPORT

Thinking about what you know, in terms of these potential changes, how strongly do you oppose or support what you currently understand is being proposed?

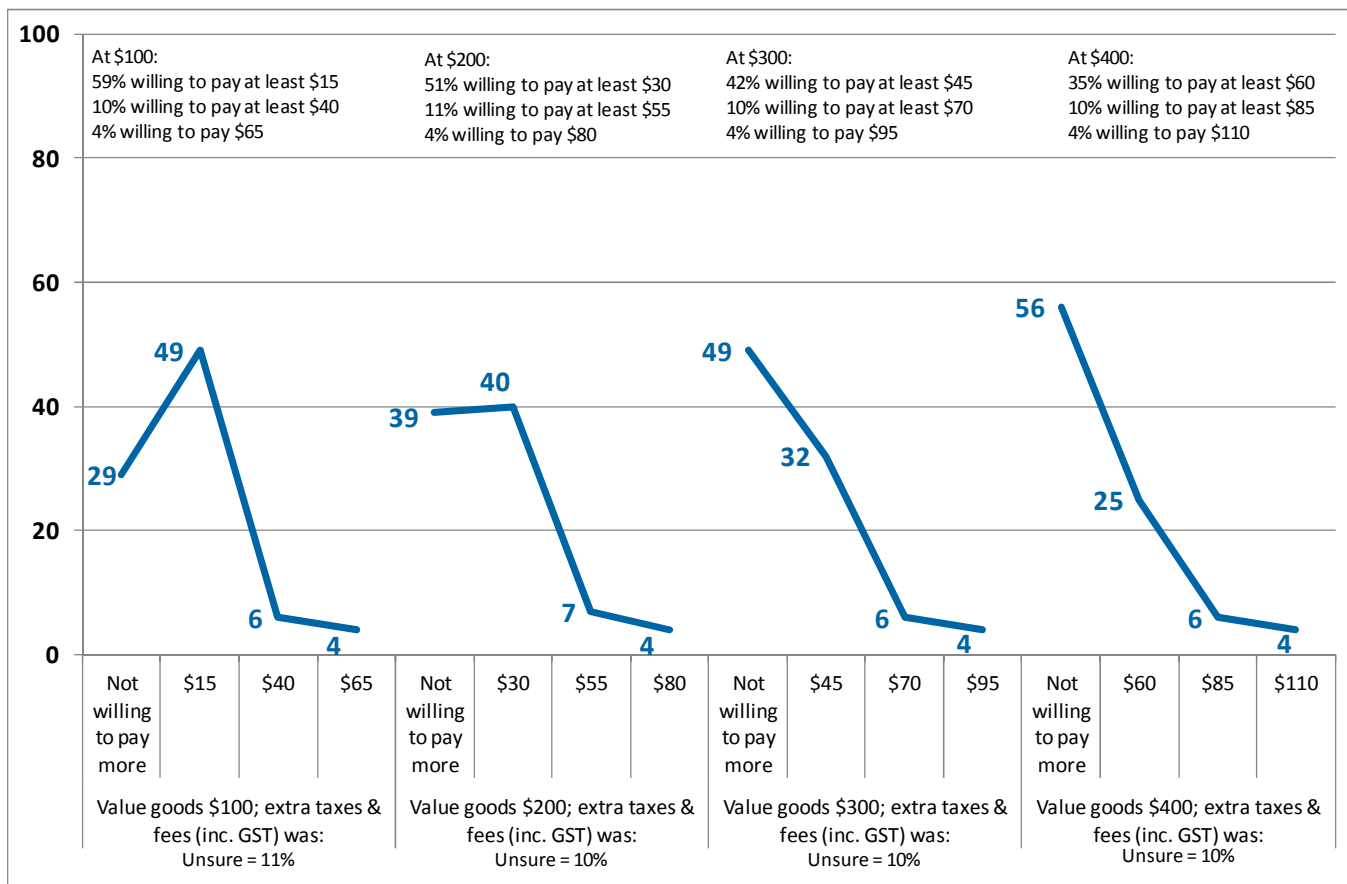
	%
Base: n=	239
Strongly oppose	21
Somewhat oppose	42
Total oppose	63
Somewhat support	32
Strongly support	5
Total support	37

Base: Respondents who rated their knowledge of potential changes '3', '4' or '5 – A lot'

3.3.13 Willingness to pay

According to the research, 66% (n=993) of respondents purchase goods online from overseas sellers. These respondents were asked about their future purchasing behaviour given a set of conditions. A summary of each 'value of goods' was created by implementing the following rules - if a respondent selected 'I would certainly go ahead and buy' OR 'I would probably go ahead and buy' at the highest level then they were assigned that value. For example, where the value of goods was \$100 and a respondent selected 'I would certainly go ahead and buy' OR 'I would probably go ahead and buy' where the extra taxes and fees was \$65 then they would be assigned that value. The chart (following) shows the percentage willing to purchase at each level.

- Where the value of the goods was \$100:
 - 29% not willing to pay any additional fees
 - 4% willing to pay \$65
 - 6% willing to pay \$40
 - 49% willing to pay \$15 (so a total of 59% willing to pay at least \$15).
- Where the value of the goods was \$200:
 - 39% not willing to pay any additional fees
 - 4% willing to pay \$80
 - 7% willing to pay \$55
 - 40% willing to pay \$30 (so a total of 51% willing to pay at least \$30).
- Where the value of the goods was \$300:
 - 49% not willing to pay any additional fees
 - 4% willing to pay \$95
 - 6% willing to pay \$70
 - 32% willing to pay \$45 (so a total of 42% willing to pay at least \$45).
- Where the value of the goods was \$400:
 - 56% not willing to pay any additional fees
 - 4% willing to pay \$110
 - 6% willing to pay \$85
 - 25% willing to pay \$60 (so a total of 35% willing to pay at least \$60).



The charts above may appear counter-intuitive (i.e. the value of the goods is increasing therefore the relative percentage of 'fees' are decreasing). This is more likely the result of respondents not actually purchasing in these price ranges to start with. The table below shows that 70% of respondents never purchase goods between the value of \$201-\$400 and even fewer people are purchasing over \$400. The qualitative research provides additional insights into respondent judgements in these situations.

TOTAL TRANSACTION SPEND FOR PURCHASES FROM OVERSEAS SELLERS

Please now think about your total spend on physical goods on an individual occasion with overseas sellers only. How often would your total transaction spend be in the following ranges?

	Never %	Occasionally %	Often %	Very often %
\$1 – \$20	29	40	18	13
\$21 – \$50	14	56	24	6
\$51 – \$100	22	55	18	4
\$101 – \$200	43	44	10	3
\$201 – \$400	70	26	2	1
\$401 – \$1000	86	12	1	1
\$1000 plus	93	5	1	1

Base: Respondents who have bought goods online from overseas sellers (n=993)

3.3.14 Necessity purchases

Forty percent of online shoppers indicated there are some goods they can only get online overseas and are so important that they would continue to purchase them even if they ended up costing a bit more than they do now due to potential importation cost and rule changes.

Male online shoppers were more likely than female online shoppers to say they would continue to purchase goods online even if they ended up costing more due to potential importation costs and rule changes (45% compared to 35%).

IMPORTANT PURCHASES

Are there some goods that you can only get online overseas that are so important to you that you would continue to purchase them even if they ended up costing a bit more than they do now due to potential importation costs and rule changes?

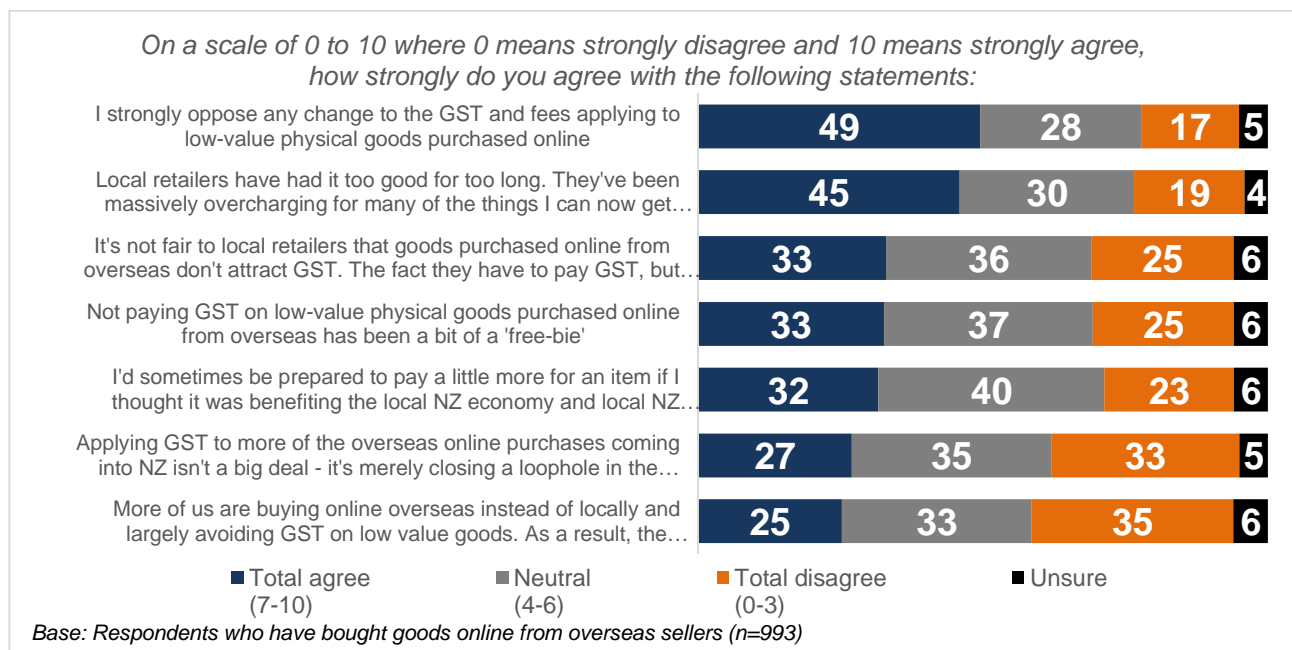
	%
Base: n=	993
Yes	40
No	40
Unsure	21

Base: Respondents who have bought goods online from overseas sellers

3.3.15 Statement testing

Around half (49%) of the online shoppers indicated they agree with 'I strongly oppose any change to the GST and fees applying to low-value physical goods purchased online'.

Under half (45%) of the online shoppers agreed with 'Local retailers have had it too good for too long. They've been massively overcharging for many of the things I can now get online from overseas much more cheaply - so part of the reason I shop online is to send them a message'.



3.3.16 Shipping charges as a barrier

Just over three-quarters (76%) of online shoppers stated they decided not to purchase overseas goods due to high shipping costs. Of these shoppers around a third (32%) stated they could purchase the goods locally.

Half of the online shoppers who said the goods were available locally said the main reason they did not go ahead with the purchase from overseas was 'Because the shipping charges seemed unreasonable, even though I probably would have saved money overall'. The other half said the main reason they did not go ahead with the purchase from overseas was 'Because the additional shipping charges made it cheaper to make the purchase locally'.

COST OF SHIPPING A DETERRENT TO PURCHASING ONLINE FROM AN OVERSEAS SELLER

Have you ever wanted to make an online purchase of overseas goods but decided not to because shipping costs were too high?

	%
Base: n=	993
Yes	76
No	21
Unsure	3

Base: Respondents who have bought goods online from overseas sellers

COST OF SHIPPING A DETERRENT TO PURCHASING ONLINE FROM AN OVERSEAS SELLER – WERE GOODS AVAILABLE LOCALLY

Was this purchase something you could have bought locally?

	%
Base: n=	750
Yes	32
No	57
Unsure	11

Base: Respondents who decided not to purchase online due to high shipping costs

COST OF SHIPPING A DETERRENT TO PURCHASING ONLINE FROM AN OVERSEAS SELLER – MAIN REASON NOT TO PURCHASE GOODS

Was the main reason you didn't go ahead with the purchase from overseas:

	%
Base: n=	241
Because the shipping charges seemed unreasonable, even though I probably still would have saved money overall	50
Because the additional shipping charges made it cheaper to make the purchase locally	50

Base: Respondents who decided not to purchase online due to high shipping costs and stated that goods could be purchased locally

3.3.17 Fees as a barrier

Just over one quarter (26%) of online shoppers decided not to make an online purchase of overseas goods due to high non-shipping charges (GST, duty and other fees). Of these shoppers around a third (32%) stated they could purchase the goods locally.

Sixty percent of the online shoppers who said the goods were available locally said the main reason why they did not go ahead with the purchase from overseas was 'Because the extra fees for import made it cheaper to make the purchase locally'. 40% said the main reason they did not go ahead with the purchase was 'Because the fees seemed unreasonable, even though I probably still would have saved money overall'.

COST OF GST, DUTY AND OTHER FEES A DETERRENT TO PURCHASING ONLINE FROM AN OVERSEAS SELLER

Have you ever wanted to make an online purchase of overseas goods but decided not to because the other, non-shipping charges (GST, duty and other fees) for getting it into New Zealand were too high?

	%
Base: n=	993
Yes	26
No	65
Unsure	9

Base: Respondents who have bought goods online from overseas sellers

COST OF GST, DUTY AND OTHER FEES A DETERRENT TO PURCHASING ONLINE FROM AN OVERSEAS SELLER – WERE GOODS AVAILABLE LOCALLY

Was this purchase something you could have bought locally?

	%
Base: n=	256
Yes	32
No	62
Unsure	7

Base: Respondents who decided not to purchase online due to the high cost of GST, duty and other fees

COST OF GST, DUTY AND OTHER FEES A DETERRENT TO PURCHASING ONLINE FROM AN OVERSEAS SELLER – MAIN REASON NOT TO PURCHASE GOODS

Was the main reason you didn't go ahead with the purchase from overseas:

	%
Base: n=	81
Because the fees seemed unreasonable, even though I probably still would have saved money overall	40
Because the extra fees for import made it cheaper to make the purchase locally	60

Base: Respondents who decided not to purchase online due to the high cost of non-shipping charges (GST, duty and other fees) and stated that goods could be purchased locally

3.3.18 Circumventing GST, duty or other fees

Only 7% of online shoppers indicated that they or someone they know has split an overseas online purchase into smaller bundles to avoid paying GST, duty or other fees.

Six percent of online shoppers claimed that they or someone they know has reported an overseas online purchase as a sample or gift to avoid paying GST, duty or other fees.

While 4% of online shoppers claimed that they or someone they know has mis-declared or been untruthful about the contents of an overseas online package to avoid paying GST, duty or other fees.

The majority (64%) of online shoppers who took steps to avoid paying GST, duty or other fees stated the main reason they wanted to avoid fees was to keep the overall costs of purchase as low as possible. While over a third (36%) claimed 'I didn't think the potential GST and fees were fair'.

SPLIT PURCHASES INTO SMALLER BUNDLES TO AVOID PAYING GST, DUTY OR OTHER FEES

Have you or anyone you know ever split an overseas online purchase into smaller bundles to avoid paying GST, duty or other fees?

	%
Base: n=	993
Yes	7
No	87
Unsure	5
I'd rather not say	1

Base: Respondents who have bought goods online from overseas sellers

REPORTED OVERSEAS ONLINE PURCHASES AS A SAMPLE OR GIFT TO AVOID PAYING GST, DUTY OR OTHER FEES

Have you or anyone you know ever reported an overseas online purchase as a sample or a gift to avoid paying GST, duty or other fees?

	%
Base: n=	993
Yes	6
No	89
Unsure	4
I'd rather not say	1

Base: Respondents who have bought goods online from overseas sellers

BEING UNTRUTHFUL ABOUT CONTENTS OF AN OVERSEAS ONLINE PACKAGE TO AVOID PAYING GST, DUTY OR OTHER FEES

Have you or anyone you know ever mis-declared or been untruthful about the contents of an overseas online package to avoid paying GST, duty or other fees?

	%
Base: n=	993
Yes	4
No	92
Unsure	4
I'd rather not say	1

Base: Respondents who have bought goods online from overseas sellers

MAIN REASON TO AVOID PAYING ADDITIONAL FEES

Which of the following was the MAIN reason you wanted to avoid paying additional fees?

	%
Base: n=	128
I didn't think the potential GST and fees were fair	36
I was just trying to keep the overall costs of purchase as low as I could	64

Base: Respondents who took steps to avoid paying GST, duty or other fees

3.3.19 Delays

Just over half (52%) of online shoppers claimed to have experienced delays in receiving online goods purchased overseas. Of those shoppers who experienced delays 39% thought the delays were a combination of local New Zealand couriers, overseas postal service, overseas courier services and New Zealand border controls.

DELAYS IN RECEIVING ONLINE GOODS PURCHASED OVERSEAS

Have you ever experienced delays in receiving online goods purchased overseas?

	%
Base: n=	993
Yes	52
No	44
Unsure	3

Base: Respondents who have bought goods online from overseas sellers

CAUSES OF DELAYS IN RECEIVING ONLINE GOODS PURCHASED OVERSEAS

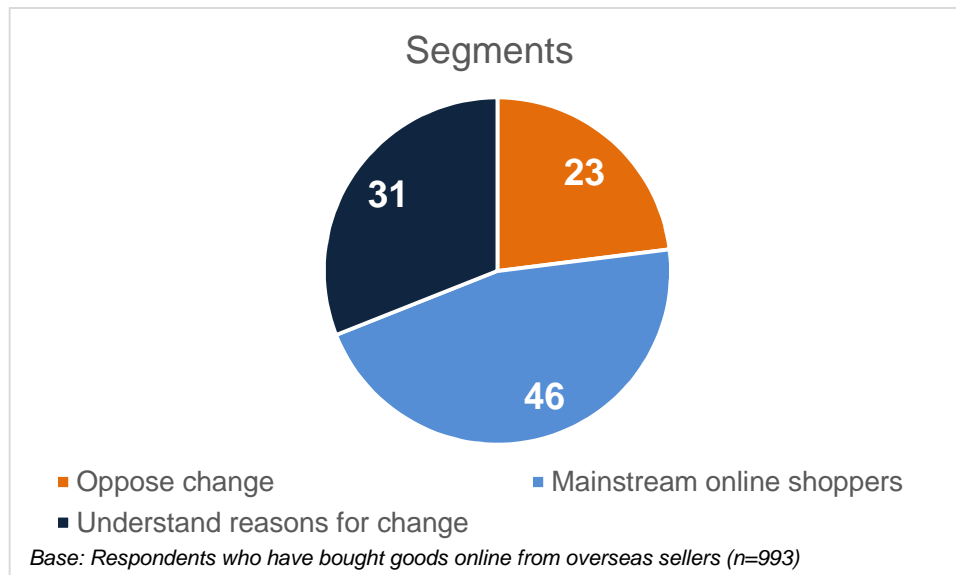
In your opinion were these delays mostly the fault of:

	%
Base: n=	521
Local NZ couriers	8
Overseas postal services	17
Overseas courier services	8
NZ border controls	10
A combination of the above	39
None	2
Unsure	13
Other	4

Base: Respondents who stated they had experienced a delay in receiving online goods purchased overseas

3.3.20 Segmentation

Just under a third (31%) of online shoppers have an understanding of why there should be changes to the charges. 46% of online shoppers were “average” or “mainstream” online shoppers and 23% of online shoppers oppose the changes.



The following charts show how each group rated the important factors in deciding to purchase goods online from overseas sellers, concerns around purchases and general statement testing.

■ Important factors in decision to purchase goods online from overseas sellers:

The online shoppers who oppose the change were more likely to rate ‘Price/ Value/ Lower cost’, ‘Larger/ Better range’, ‘Higher quality products’ and ‘Ease of finding what you’re looking for’ as important factors in deciding to purchase goods online from overseas sellers than the average shoppers and the shoppers who understand the reasons for the change.

■ Concerns about purchasing goods online from overseas sellers:

Online shoppers who have an understanding of why there should be changes were more likely than shoppers who oppose the change and the average shoppers to be concerned about the following:

- Lack of warranties.
- Difficulty tracking down the seller if something goes wrong.
- The product not meeting NZ safety standards.
- Getting ripped off by the seller.
- Not being able to see and touch the physical product first.
- Wanting to support local New Zealand businesses instead.

- Lack of aftersales service, advice, and support.
- Packaging waste.

■ Statement testing

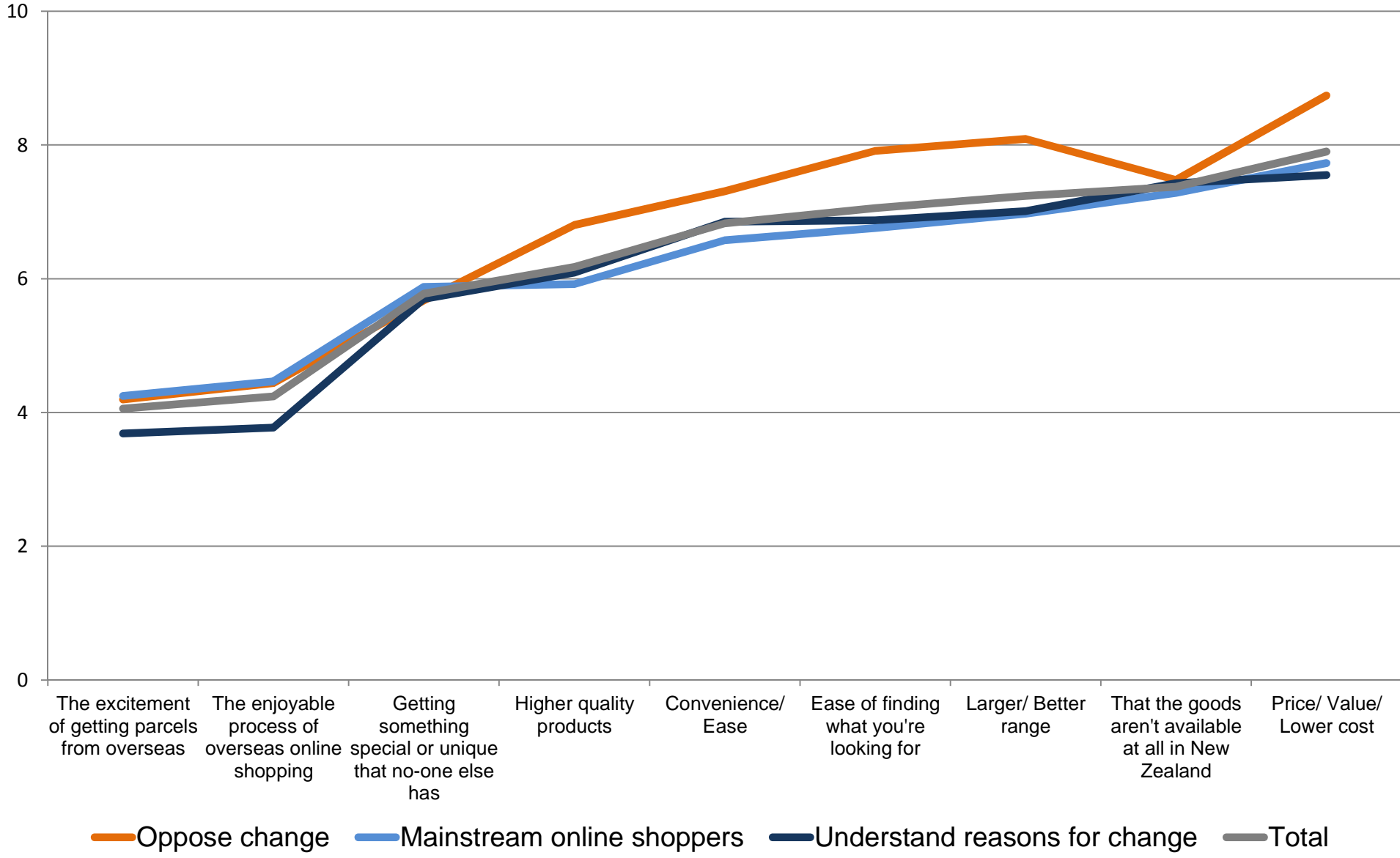
Online shoppers who oppose the changes were more likely than the “average” shoppers and also more likely than the shoppers who have an understanding of why there should be changes, to agree with the following:

- I strongly oppose any change to the GST and fees applying to low-value physical goods purchased online.
- Local retailers have had it too good for too long. They've been massively overcharging for many of the things I can now get online from overseas much more cheaply - so part of the reason I shop online is to send them a message.

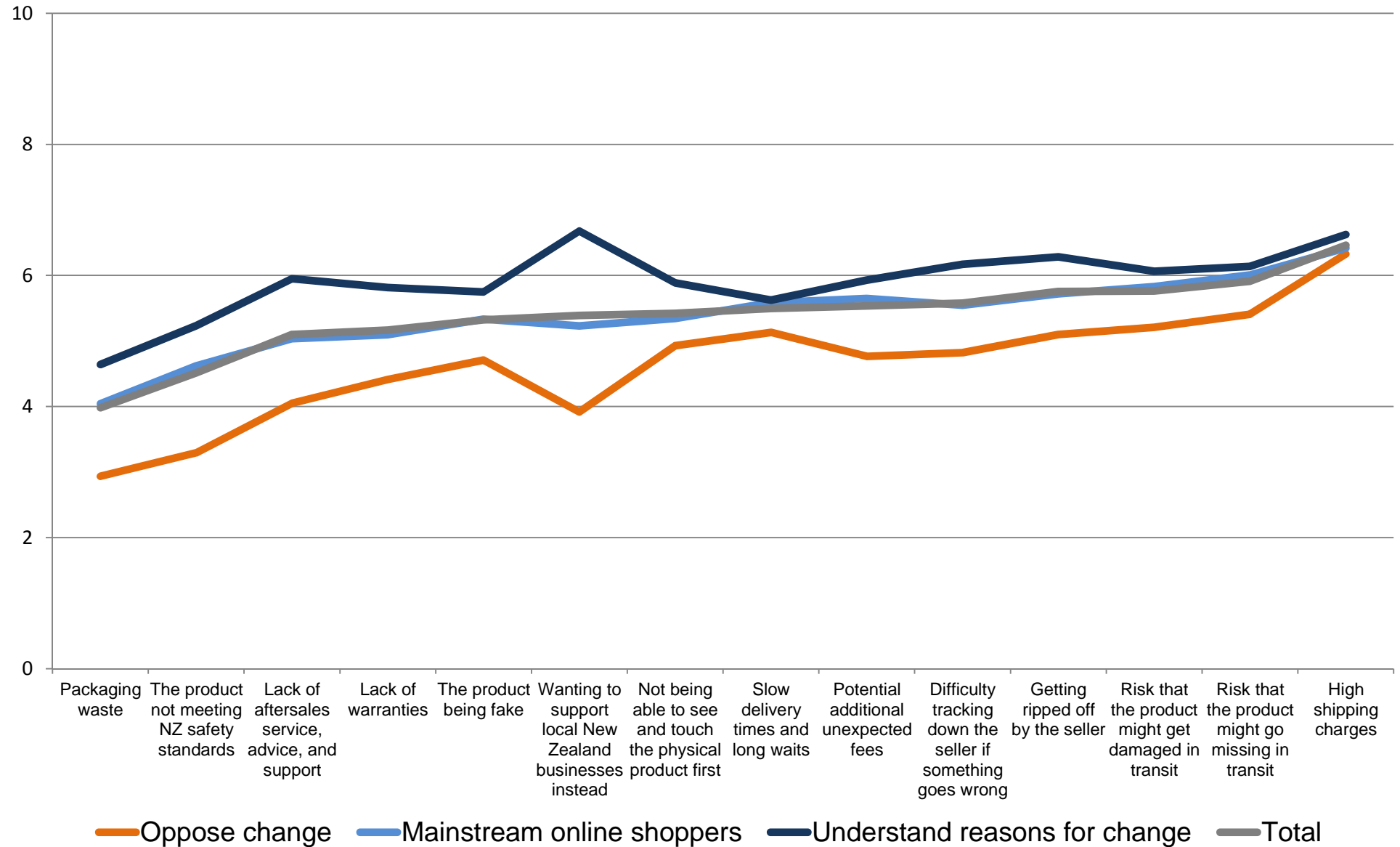
Online shoppers who have an understanding of why there should be changes were more likely than shoppers who oppose the change and the average shoppers to agree with the following:

- It's not fair to local retailers that goods purchased online from overseas don't attract GST. The fact they have to pay GST, but overseas sellers don't, makes it harder for them to compete.
- More of us are buying online overseas instead of locally and largely avoiding GST on low value goods. As a result, the Government is missing out on more and more GST.
- I'd sometimes be prepared to pay a little more for an item if I thought it was benefiting the local NZ economy and local NZ retailers.
- Not paying GST on low-value physical goods purchased online from overseas has been a bit of a 'freebie'.
- Applying GST to more of the overseas online purchases coming into NZ isn't a big deal - it's merely closing a loophole in the current system.

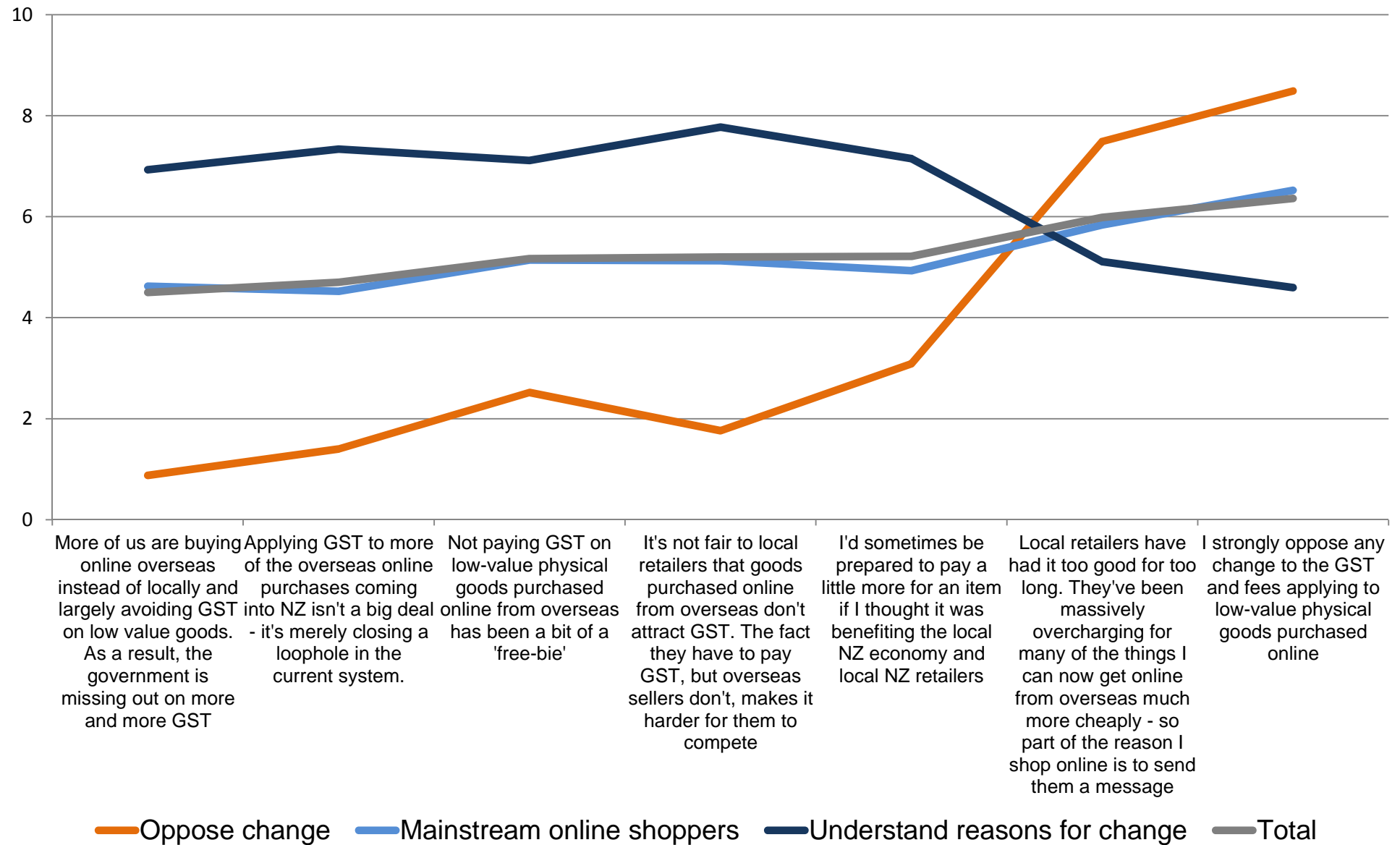
How important are each of the following:



How concerned are you about the following:



Statement testing



Qualitative follow-up research

4.1 Follow-up qualitative research objectives

- The purpose of the follow-up qualitative research was to:
 - Understand the differing positions in terms of opposition or support for potential changes to the rules around LVGs
 - Gain an insight into the drivers which underpinned answers in the fee structure section of the quantitative survey
- The research objectives were to:
 - Explore in further detail current behaviour regarding off-shore purchasing of LVGs; key reasons for purchasing off-shore; key motivations (e.g. importance of price and non-price factors).
 - Explore respondents' answers in detail from the quantitative survey in relation to purchasing decisions at various levels of additional fees and charges.
 - Examine in detail the “blockers and drivers” of individual purchasing decisions, particularly with regard to GST, fees and charges.
 - Explore sentiments in relation to GST on a wider range of goods, and perceptions towards other fees and charges for importation of LVGs, with particular regard to the arguments for and against.

4.2 Follow-up qualitative methodology

- 10 in-depth face-to-face interviews.
- Each approximately 45 minutes in length.
- Three segments identified from the quantitative research phase:
 - Group 1: frequent shoppers strongly against any potential GST/ fee changes
 - Group 2: mainstream, or “average” online shoppers
 - Group 3: those shoppers more accepting of potential changes.
- Mix of respondent genders, ethnicities, and ages.
- Conducted 22 - 24 February 2016.

4.3 Executive summary and key insights

- Additional charges seen as more of an imposition by respondents on low incomes, even where goods values are low (well below current de minimis, between \$20 - \$100).
 - This includes GST, which was a “harder sell” on even the fairness grounds which worked pretty well with other wavering respondents.
 - On the whole though, GST is expected, and respondents suspect they’d still mostly save on local prices.
- Respondents generally reiterated that \$50 seems like an unreasonable fee for what they envisage the processes to involve.
 - Typically don’t think in terms of de minimis levels, but feel that if a blanket fee were introduced 5% “feels about right” (adding it to 15% GST to arrive at 20%).
 - Another way this was expressed was that \$20 - \$25 didn’t seem particularly onerous (these respondents appeared to have goods \$150 - \$200 in mind).
- Strong indications that respondents viewed charges in the modelling section of the quantitative survey as absolute values, rather than as percentages of the total value of the goods, making their judgements as to ‘reasonableness’ on that basis.
 - This likely explains the decreasing acceptance of the “GST only figure” as goods values increased - \$15 (on \$100) “didn’t seem like much” but \$60 (on \$400) did - irrespective of the fact they’re both 15% of the total.
 - Similar judgments and shorthand were employed at other levels (“\$45’s coming up to \$50 and that’s my limit” or “\$100 is a psychological barrier, I’d be thinking harder about that”).
 - Very few are spending anywhere near \$400 given their incomes and budgets and there were indications that these kinds of amounts are so far outside their experience that they struggle to relate (for example one woman had never spent more than \$60 online, so as an additional charge it seemed outrageous).
- Frequent suggestion that the complexities of individual situations are difficult to model abstractly.
 - Several respondents suspected they may be prepared to pay more than they indicated in their quantitative answers “on impulse”.
 - Others felt that the total saving was a crucial piece of missing information, in that they could still “be ahead” in terms of savings even with significant extra GST/ charges (as per the initial qualitative insights).
 - Significant behavioural differences were indicated in relation to goods that are available here versus those that aren’t, with respondents signalling a likely willingness to pay higher charges in the latter case.

- Almost all respondents agree that the current system isn't fair.
 - Both to local businesses, or to those spending over the de minimis who are effectively subsidising everyone else.
 - Much less sympathy for the argument about the GST hole being left by increases in online overseas shopping.
 - 'Fairness' is heavily discounted by those opposed to change: "To change it wouldn't be fair to me".
 - This is typically on the basis of removing a privilege that currently allows them choice and freedom on a limited income, in a remote country.

4.4 Follow-up qualitative depths

- Drivers:
 - Consistent picture emerging - while all three factors below important, price is the standout for most.
 - Price - main appeal, though some indication that there are fewer huge bargains around than in the past.
 - Convenience - don't have to run around stores, 24 hours availability, quicker than leaving home, seamless process, can shop at own pace, take breaks, less impulse buying, more considered.
 - Range - especially for niche items: glass collecting, Indian clothing. Physical stores can only carry limited stock. Better sizing (including halves in shoes).
 - On things that can be obtained locally, price appears to be far more important a factor.
 - For unique items "range" is frequently the main driver.
- Downsides:
 - Considered annoyances rather than deal-breakers.
 - Include: delays, worries if needed urgently, risky sellers, customs charges (sometimes charged, sometimes not), warranties, things not fitting correctly.
- Again, very limited knowledge of de minimis, potential charges, duty, GST etc. - only two of the ten were moderately informed.

4.5 Those opposed to change

- Price was the strongest driver.
 - Some respondents thought 80%+ of the decision was price-based.
 - Several were “bargain hunting”: looking for significant savings (in the range of 40%) on fairly low value goods (\$150 max).
 - Tended to spend under \$200, most well below, with one never spending over \$50, and typically closer to \$20.
- Opposed to charging GST on more purchases, largely reject principled arguments.
 - Though many see it as inevitable and several “will just start factoring it in”.
 - But some think: “we’re being overtaxed” or “It’s already a struggle to make ends meet and this is a pleasant luxury”.
 - A few tend to resist GST in principle: In the context of promoting free trade, many feel that imposition of GST is the opposite.
 - For those who are reselling items (scarves, glass) an extra 15% will sometimes destroy their margins.
 - Fairness tended to be perceived from a personal perspective “it’s fair for me” and “the law says you don’t have to pay”.
 - They typically don’t accept the argument that the government is “missing out” on tax.
 - Getting things to New Zealand - long shipping and high charges - are already a disadvantage, and saving GST is “compensation”.
 - Some expectation that companies overseas will come to the rescue with bigger discounts if prices rise due to GST.
- Customs charges.
 - Fairly common view that “I’m not bringing in anything illegal, why should I be penalised?”
 - This was often the case even when they agreed that borders are worth protecting.
 - On the fairness of only those above the de minimis level paying: “If you have enough to spend \$1,000 or whatever, you have enough to pay the fees on it. Spending \$200 in one go is a big chunk of my wages, adding fees makes it almost untenable”.
 - \$50 is a big barrier, and most thought 10% would be too high, especially as well as GST.
 - General feeling that 5% might be around right as a universal charge, low enough not really to notice.
 - Behaviourally respondents struggled to generalise across unique situations: “I would take situations case by case if it got passed”.

- Tend to resist arguments about need to contribute at the border “it’s happening already”, “all the mail needs to be checked”, it’s “not fair that higher spenders pick up whole tab, but very high spenders are winning too”.
- Behaviour changes.
 - Might buy slightly less, when the fees add up over time, there would simply be less to spend overall.
 - Potential additional hassle of paying charges may make some think twice.
- Reasoning for the quantitative section tended to base judgment on “total extra charges” rather than thing GST plus something.
 - E.g. \$15 on \$100 seems less than \$30 on \$200 to respondents.

4.6 Those understanding of change

- Potentially higher income, larger purchases and anticipate still making a saving overall.
- Some suggestion that internet shopping has helped keep local retailers honest.
- Potentially a bit keener to support local retailers, not chains but particularly smaller players, artists, makers etc.
- Principled positions have greater resonance: “the free market only works if it’s free”, “level playing field”, “openness”.
- In terms of the arguments, these respondents were better able to disentangle personal interest from ‘greater good’: businesses, level playing field etc.
- Would prefer not to pay GST but keen to comply with the rules, and more likely to characterise the current situation as a “loophole”.
- Potentially happier that the opponents to change with smaller discounts and driven more by range/ convenience/ uniqueness
 - Price seems to be less of a driver with these respondents: more choices, range, variety, and uniqueness were all mentioned frequently.
- If changes go through, their view was that they may cut back slightly, (perhaps 20%) but uniqueness and exclusivity thought to still carry most purchases.
- Generally agree in the fairness argument where more people contribute to the screening costs.
- Though \$50 still seems like too much to them, at an absolute level, \$25 was flagged as more reasonable.

- One respondent held a contrary view, to them \$50 seemed reasonable for staff time, processing, admin, letters, email etc.
 - This group is not expecting complete fairness but demands a principled position, and one that's administratively achievable, "not a waste".

4.7 Mainstream or "average" online shoppers

- The respondents in this segment were generally unable to source their purchases in New Zealand.
 - Price was thus much less of a driver for them.
- That said, most were budget conscious and tended to be spending in the region of \$150.
- As with other segments, generally very low knowledge of currently rules.
 - Though one higher-value shopper did have much more knowledge of charges etc.
- Predictably conflicted on appropriateness of GST and fees.
 - Understanding of the principles but don't like the personal imposition.
 - GST - "we're not getting a local service".
 - "It feels like being forced to buy locally".
- In terms of quantitative responses, they still prefer to talk in total dollar savings rather than in percentages.
- Some indications that behaviour might not shift significantly if savings still significant.
 - May drop off a little initially, but allure of unobtainable goods hard to resist.
 - Perhaps buying patterns would change: bigger consignments to minimise multiple charges, more attention to special deals, etc.

4.8 Behaviour drivers

- In terms of their answers in the quantitative survey most respondents in this phase reported making a judgment on the "reasonableness" of the specified additional charges at various goods values.
 - "\$45 is coming up to \$50 and that's my limit" and "\$100 is a psychological barrier, I'd be thinking harder about that".
- The reasoning employed by respondents in assessing the reasonableness of these charges doesn't appear to be as rational as might be expected - for example they have differing views about the acceptability of applying 15% GST at \$100 versus \$400.
- Several respondents spoke of completing the survey matrix "by feel" and very few report actually doing much arithmetic.

- On top of this, they report that “reasonableness” of the charges isn’t often the primary driver of behaviour in the real world situations.
- There was the odd example of people deciding not to purchase when shipping charges seemed excessive in order to “punish” the seller who they thought was unethically and artificially inflating these charges (even when they’d still make an overall saving as against purchasing locally). But these situations were rare - most looked at the bottom line when deciding whether to purchase.
- This kind of “bottom line” comparison is really only relevant when the same or sufficiently similar goods are available locally though.
- Respondents generally admitted they’d be tempted to pay more for things they couldn’t get here.
 - One respondent noted that considering whether to pay an additional \$40 in charges on a \$100 item that was unique and locally unobtainable was a very different situation in their mind to one where the saving was marginal and the item generic.
- Dollar amounts appear to be far more important than percentages with regard to potential savings too “I’m not getting my calculator out and asking if it meets my discount threshold, \$40 or \$50 would be enough to keep me interested”.
- People also appear to differentiate fairly strongly between wants and needs in terms of their propensity to purchase at different fee levels - and many report paying what they perceive as a lot for things they characterise as “needs”. They expect the same to be true in situations of increased costs and charges.
- The flip-side to this is that, in the words of one respondent, “It’s hard to replicate the excitement you get from buying something new”. This person suspected her stated purchasing behaviour from the survey might be different - more impulsive - when confronted with an actual item in the real world that she wanted.
- The decision to buy was also dependent on budget, either what’s left in terms of discretionary spending, or what fits under some pre-defined personal spending cap.
- So in summary, ensuring “reasonableness of fees” is likely to be more important for the messaging of potential changes than it is in terms of a predictor of purchasing behaviour.

4.9 Behaviour changes

- Many, perhaps most, of the people surveyed in this phase are shopping at levels where even a considerably lower de minimis level might not affect them - lots are regularly most active well under \$150.
- Nevertheless, their general expectation is that GST will be charged universally and many of their responses are based on this assumption.
- When issues of thresholds were raised, people were fairly confident that they would just try to shop below the new limit to allow them to continue to enjoy additional savings, even if that meant splitting consignments.
 - For many, the availability of free shipping makes this a fairly painless exercise
 - All of those spoken to expressed a desire to comply with any new rules, but thought others may not
- There were a few who did think they would change their behaviour should they be subjected to new (higher) charges.
 - They typically expressed this as “buying a bit less”. On probing, most though around 20% less.
 - However, when pressed, most backed down, and thought that savings would still likely outweigh increased charges.
 - Many smaller items still thought to be considerably cheaper even with GST.
 - Though perhaps a little closer for some larger items once shipping factored in.