

Improved momentum in domestic online sales tapers off in February

Online purchases at domestic sites 6% higher than February 2013

- While 6% is an ok growth rate, and double the growth rate calculated using Statistics NZ figures for electronic card transactions (using broadly comparable industries¹), it is a lot softer than the 15% annual growth rate we saw in January.
- If we look at month-to-month growth, the normal seasonal pattern over the past 4 years has been a 5% or 6% increase in online purchases at domestic merchants as we move from January to February. But this year we saw a 3% fall. However, monthly data can be quite variable and care is needed in interpretation. The softness we are seeing in February might be symptomatic of the strong sales growth in January and December.

Online purchases at offshore merchants 21% higher than February 2013

- Online spending by New Zealanders at offshore retailers powers further ahead. 42% of NZ online retail purchases in February were from international merchants.

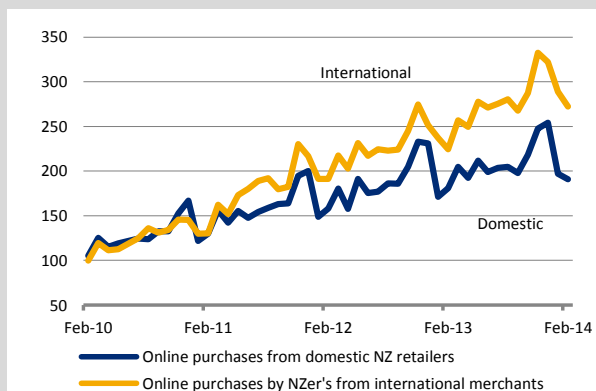
Growth rates across categories mixed

- Strong growth in entertainment media sales, at both domestic and international merchants.
- At domestic merchants, online sales in February were also up strongly for Supermarket & Groceries, Other Specialised Food, Department Stores, and Pharmaceuticals & Cosmetics. Domestic online sales of Clothing, Liquor, Electrical Appliances, and sales at specialist Daily Sales sites, were all softer than in February last year.
- International merchants enjoyed strong double-digit annual growth rates across most major categories.

¹Using Statistics NZ data we calculate that the value of electronic card transactions for “core retail” industries excluding hospitality was up 3.1% on February 2013. These transactions mostly relate to physical stores, but do include an element of domestic online spending.

Online Index by retailer location*

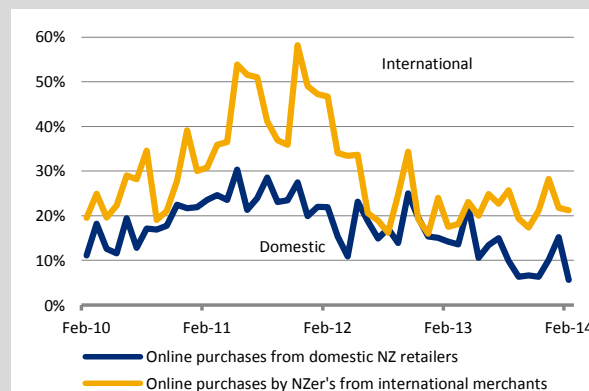
January 2010 = 100



Source: BNZ, Marketview

Growth in online sales by retailer location

(Monthly spending compared to same month in prior year)



Source: BNZ, Marketview

The table below shows growth rates on a monthly and 3-monthly basis (comparing to the same period in prior year). Monthly growth rates can be volatile, so it's best not to read too much into a single month's result.

Growth Rates	Total Online Index			Domestic Online Purchases			International Online Purchases			
	Month ended >>>	Dec-13	Jan-14	Feb-14	Dec-13	Jan-14	Feb-14	Dec-13	Jan-14	Feb-14
Monthly spending vs same month prior year		17%	18%	12%	10%	15%	6%	28%	22%	21%
3-monthly average vs same period prior year		13%	15%	15%	8%	10%	10%	22%	24%	24%

*Data notes: Online sales data is produced by Marketview. Traditional retail sales data is from Statistics New Zealand quarterly releases. For both data sets, the figures we use correspond to Statistics New Zealand's ANZSIC Division G (Retail Trade) excluding fuel, motor vehicles and parts, and marine. The annual value of official retail sales in the categories we monitor is approximately \$44 billion.

Categories included in the BNZ Online Retail Index are: supermarket and grocery stores; specialised food and liquor; furniture, floor coverings, houseware and textile goods; electrical and electronic goods; hardware, building and garden supplies; recreational goods; clothing, footwear and personal accessories; department stores; pharmaceutical and other store-based retailing; non-store retailing; and retail commission-based buying and/or selling.

Analysis snapshot: What we buy online - Domestic sites versus International sites

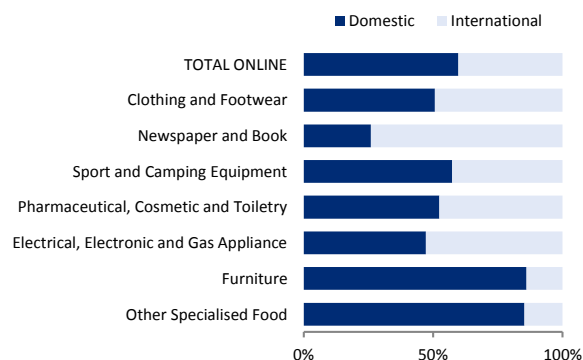
The chart right illustrates how NZers split their online spending between domestic and international merchants, for a selection of retail categories.

- The chart clearly shows the dominance of offshore merchants in the Newspaper and Book category (this excludes subscriptions directly with newspaper publishers).
- The category “Other Specialised Food” represents specialised food lines, one of which is health supplements. Supplements are a popular online purchase, predominantly bought domestically.

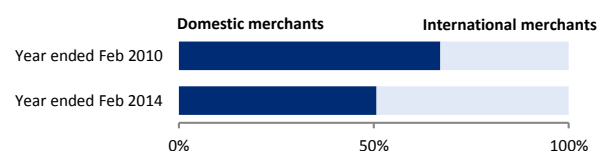
NZ online sales of Clothing & Footwear are currently split 50/50 between domestic and offshore merchants.

- Offshore merchants are quickly gaining share. Four years earlier the domestic/international split was 67/33.

NZ online sales by retailer location
(Based on spending for the 12 months ended February 2014)



Clothing and footwear online sales by retailer location



Analysis snapshot: Online sales vs Official reported retail sales

Previously we reported that NZ online retail spending was equivalent to **6.2%** of retail spending published by Statistics New Zealand (SNZ) in the Retail Trade Survey (RTS); or **9.7%** if we remove groceries and liquor.

When we look at individual categories (to the extent achievable using the detailed data available to us from SNZ), three groups of retail goods stand out as having a high proportion of sales online. We table these below.

Group	ANZSIC Code ¹	Retail categories included in Group	Total online sales of Group as a % of Statistics NZ reported retail sales ²
Recreational, excluding Newspapers & Books	4241	Sport and Camping Equipment	> 20%
	4242	Entertainment Media (including music downloads & computer games)	
	4243	Toys and Games	
Newspaper and Books	4244	Newspaper and Books	> 30%
Computers	4222	Computer and Peripheral (including non-game software)	> 20%

¹ For a description of the ANZSIC categories we apply in our online sales analysis, please refer to Chapter 8 of the ANZSIC 2006 manual, downloadable from Statistics NZ here: <http://www.stats.govt.nz/methods/classifications-and-standards/classification-related-stats-standards/industrial-classification.aspx>

² Figures relate to the 12 months ended 31 December 2013. Please note that online retail sales include purchases made from overseas merchants. These are not included in the SNZ's RTS. Another factor to bear in mind is that some goods in the categories tabled are also sold in department stores (which are in a separate retail category), and vice versa. Please also note that newspaper subscriptions directly with the publisher are not counted as “Retail” in the ANZSIC system.

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