

BNZ Online Retail Sales Index



Monthly Update: March 2014 online sales

Focus Topic: Online Shopping by Days of the Week

Growth momentum easing

Introducing a seasonally adjusted series

- In this release we introduce a seasonally adjusted version of the Online Retail Sales Index. This allows us to make better month-to-month comparisons and helps illustrate the underlying trend more clearly. The yellow line in left chart below shows a three month moving average of the seasonally adjusted series.

Online spending up strongly on last year, but growth momentum easing

- Total online spending in March 2014 was up a healthy 9% on March last year, but the growth rate has lost some momentum. The three month moving average of the seasonally adjusted series is fairly flat between February 2014 and March 2014.

Online purchases at domestic sites 5% higher than in March 2013

- The 5% increase in spending at domestic online sites since March last year is only slightly higher than the 3.6% growth rate shown by Statistics NZ figures for electronic card transactions (for broadly comparable industries¹)
- The annual growth rate for online purchases at domestic merchants has been running below 7% for five of the last seven months. The strong year-on-year growth we saw for these merchants in December and January is looking more like a blip than a resurgence.

Online purchases at offshore merchants 15% higher than March 2013

- Online spending by New Zealanders at offshore retailers has again grown strongly, albeit the annual growth rate has eased from recent levels of around 20%, down to the mid-teens.

¹Using Statistics NZ data for March 2014 for the value of electronic card transactions for "core retail" industries excluding hospitality. These transactions mostly relate to physical stores, but do include an element of domestic online spending.

Online Index

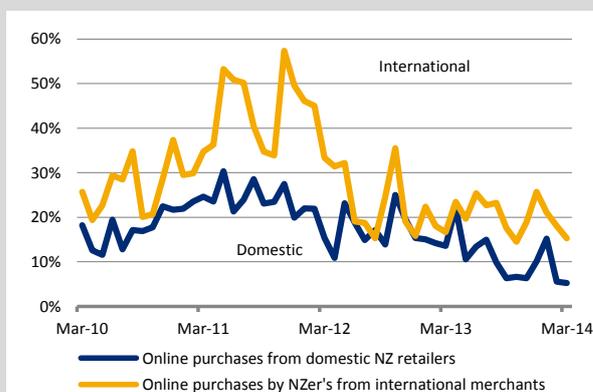
January 2010 = 100



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		
	Jan-13	Feb-14	Mar-14	Jan-13	Feb-14	Mar-14	Jan-13	Feb-14	Mar-14
Month ended >>>									
Monthly spending vs same month prior year	18%	10%	9%	15%	6%	5%	21%	18%	15%
3-monthly average vs same period prior year	14%	14%	12%	10%	10%	8%	22%	22%	18%

*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.

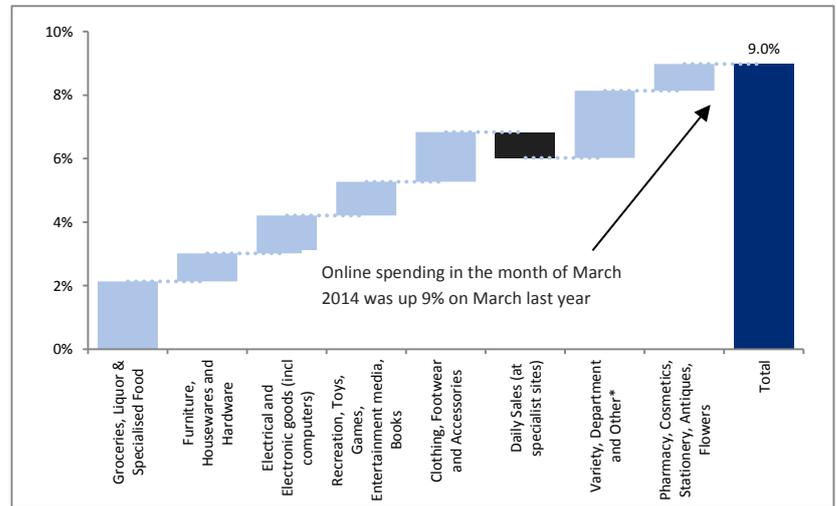
Categories included in the BNZ Online Retail Index are: supermarket and grocery stores; specialised food and liquor; furniture, floor coverings, houseware and textile goods; electrical and electronic goods; hardware, building and garden supplies; recreational goods; clothing, footwear and personal accessories;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

Growth contributions by category

- Looking at spending categories, nearly a quarter of the growth in online spending between March last year and March 2014 came from “Groceries, Liquor and Specialised Food”. Within this category, the biggest contributor was the “Other Specialised Food” component, which includes health supplements.
- Clothing continues to be a strong growth category.
- The specialist Daily Deals sector is continuing to experience declines. Some of the lost sales might be being picked up by other online stores increasing their focus on daily specials. It’s interesting that this sector has also gone into reverse in Australia (Sales in the Daily Deals sector in Oz are down 3% year-on-year, according to NAB online retail research).
- Nearly two thirds of the online spending growth since March last year has come from purchases at international merchants.

Contributions to annual online sales growth, by category

March 2013 to March 2014



Source: BNZ, Marketview

*“Other” includes unclassified stores and specialty stores that don’t neatly fit into defined ANZSIC categories. The estimated retail component of unclassified Trade Me spending is included with Department Store spending

The chart shows how much each category contributed to the 9% increase in online spending between the month of March 2013 and the month of March 2014.

Revisions to improve the Index

To improve the Online Retail Sales Index we have conducted a deep review of specific areas where the distinction of whether spending is “retail” or “non-retail” is blurry or difficult to determine accurately.

- The main change stemming from the review is that we have removed from the Index a small amount of spending that was previously allocated to international merchants.
- The combined effect of all the changes is that some growth rates and other metrics have shifted by a small percentage, but importantly, the underlying trends and conclusions are unchanged. Key changes are summarised below.

International merchants share of NZ online spending		Growth in international online vs same month a year ago		Online retail / Statistics NZ reported retail sales	
Previously reported (Feb 2014)	Revised figure	Previously reported (Feb 2014)	Revised figure	Previously reported	Revised figure
42%	40%	21%	18%	6.2%	6.0%

All past data have been revised to reflect the changes, to ensure there are no “series breaks” in the current charts and tables we report.

Focus Topic: Online purchasing patterns throughout the week

The charts below show how much of New Zealand’s online retail shopping occurs on each day of the week.

Highlights

- Weekdays are a lot more popular than weekend days for online shopping.
 - 84% of online spending happens on weekdays.
 - On average, online retail spending on a weekend day is about half as much as online spending on a weekday.
 - The bias towards more online shopping on a weekday is observed for both genders and is prevalent across all age bands.
- Online spending at domestic merchants is split 86% weekdays / 14% weekends. Online spending at international websites is split 81% weekdays / 19% weekends.
- The typical pattern is for online spending to be fairly strong on Monday, peak on Tuesday, ease off slightly over Wed-Fri, then drop right back over the weekend.
 - There are slight variations across age bands. For example, people in the 18-24 age band spend fairly strongly on Monday and build up from there to reach a peak on Thursday.

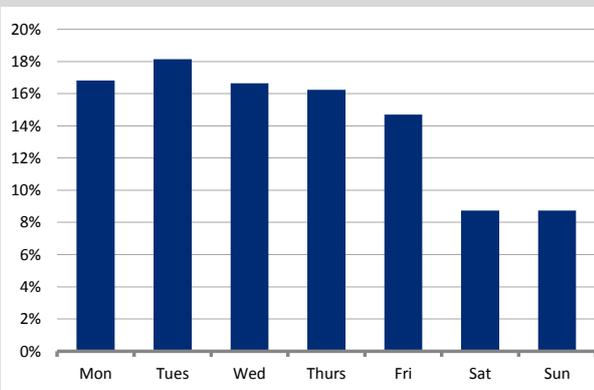
Australia and the US

- For consumers living in the US, Monday tends to be a strong day for online shopping. (e.g. http://bits.blogs.nytimes.com/2011/12/19/back-at-work-and-catching-up-on-online-shopping/?_php=true&_type=blogs&ref=business&r=0)
- We haven’t analysed online shopping by time of day. However, analysis of Australian data¹ by NAB/Quantum Group showed that Australians did most of their online spending during standard office hours and between 8-10pm in the evening. We wouldn’t be surprised if NZ showed a similar pattern.
- The Australian analysis showed Mon-Tues-Wed-Thurs as the strongest days, with a small drop off on Friday and a larger drop off in the weekend. This is very similar to the NZ pattern, although the peak day in Australia is Wednesday (versus Tuesday for NZ).

¹Source: NAB/Quantum Group private report, Nov 2012

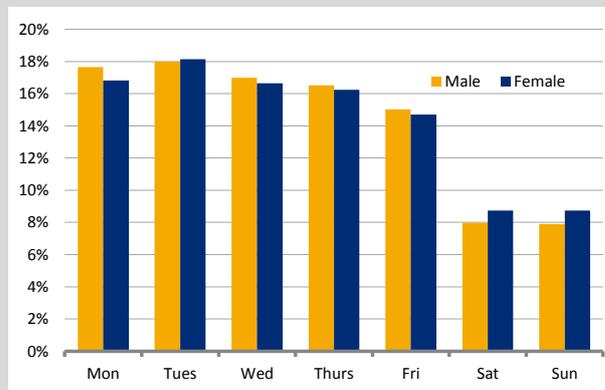
Proportion of New Zealander’s online shopping that occurs on each day of the week

Proportion of Online Retail Spend by Day of Week



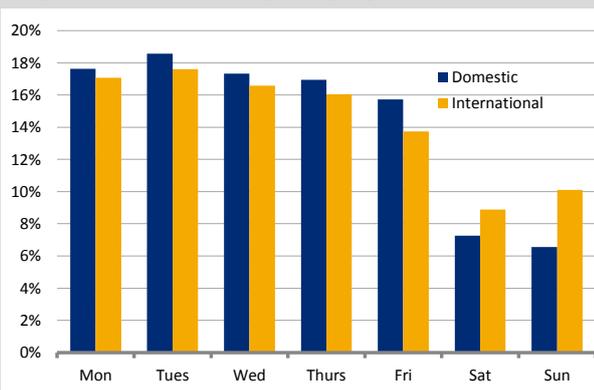
Source: BNZ, Marketview. 2013 calendar year.

Proportion of Online Retail Spend by Day of Week: Gender



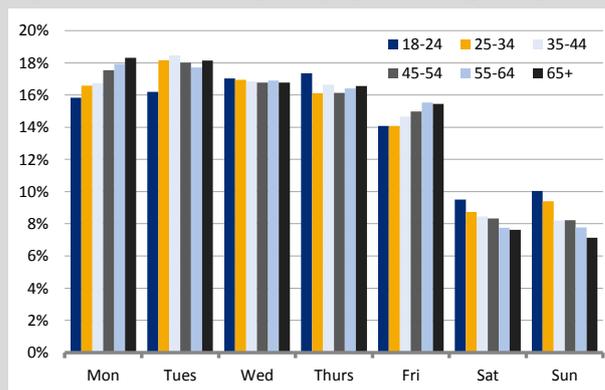
Source: BNZ, Marketview. 2013 calendar year.

Proportion of Online Retail Spend by Day of Week: Merchant location



Source: BNZ, Marketview. 2013 calendar year.

Proportion of Online Retail Spend by Day of Week: Age Group



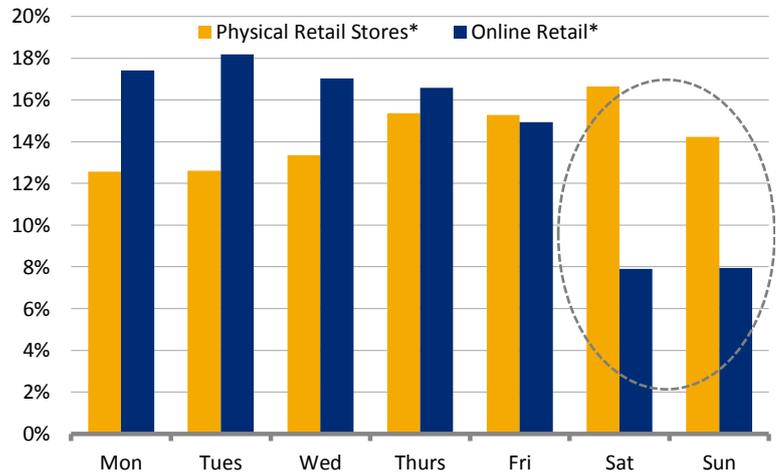
Source: BNZ, Marketview. 2013 calendar year.

Daily shopping patterns: Online versus Physical Stores

The chart below compares the proportion of New Zealander’s online shopping that occurs on each day of the week with the pattern for retail sales at physical stores. Please note that the spending figures only include card transactions (i.e. exclude cash spending).

- The daily pattern differs significantly between online shopping and spending at physical stores, particularly in relation to weekends.
- Saturday is one of the strongest days for retail shopping at physical stores (across a wide range of store types), but one of the weakest days for online shopping.
- 69% of retail spending at physical stores happens on weekdays, whereas 84% of online retail spending happens on weekdays.

Spending Patterns by Day of Week: Online vs Physical Stores
Proportions of weekly shopping that occur on each day



Source: BNZ, Marketview.

*For both data sets the categories included 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. These categories correspond to ANZSIC Division G (Retail Trade) excluding fuel, motor vehicles and parts, and marine. The figures used are for card spending only and exclude cash transactions.

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