

BNZ Online Retail Sales Report



Quarterly in-depth update and Sales for April 2014

29 May 2014

Highlights

- New Zealand's online retail spending in April was up a healthy 11% on April last year.
- The trend (indicated by the yellow line in the top chart) has been fairly flat in recent months.
- Online spending typically shows a *seasonal* dip in spending March and April. This year was no exception, although the drop was a little smaller than it's been in recent years.
- The annual growth in online purchases from merchants overseas lifted to 17% in April, following a slight softening in the growth rate in March.
- The annual growth in purchases from domestic merchants also lifted in April. Domestic online sales were up 8% on April last year.
- The online sales split between domestic and international merchants was 60/40 in April.
- For the 12 months to 31 March 2014, online retail sales across the categories we monitor* were estimated to be \$2.8 billion (excl GST). This represents 6.1% of SNZ reported retail sales, which is up a notch on the 6.0% figure (revised¹) for the 12 months ended 31 December 2013.

"We are seeing spending increase both online and on the high street. It paints a pretty good picture of New Zealand consumer confidence."

Stephen Bridle, Marketview

¹ Please refer to our report dated 29 April 2014 for details of data revisions we made to improve the series.

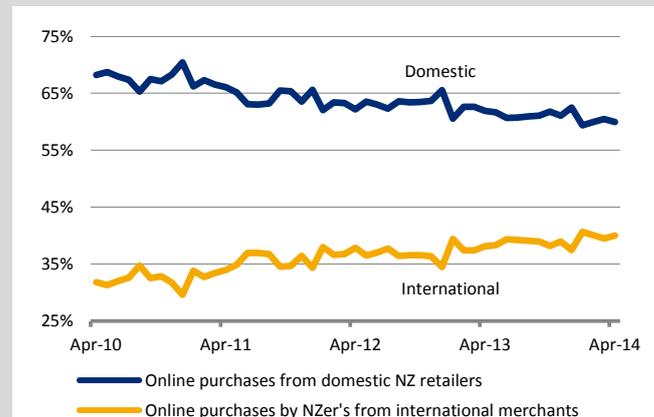
Online Index

January 2010 = 100



Share of NZ online retail sales by retail location

(Monthly)



Annual growth versus same period prior year

	3 Months ended			Month ended		
	Feb-14	Mar-14	Apr-14	Feb-14	Mar-14	Apr-14
Total Online Index	14%	12%	10%	10%	9%	11%
Domestic purchases	10%	8%	6%	6%	5%	8%
International purchases	22%	18%	16%	18%	15%	17%

*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 in this report 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 approx. \$45 billion.

At a glance

Traditional vs Online (3 months ended March 2014)

Growth compared to same period a year ago



6.1% Annual online purchases total \$2.8bn, or 6.1% of the size of traditional* retailing

*Official retail sales reported by Statistics NZ for categories we cover

Domestic vs international (3 months ended April 2014)

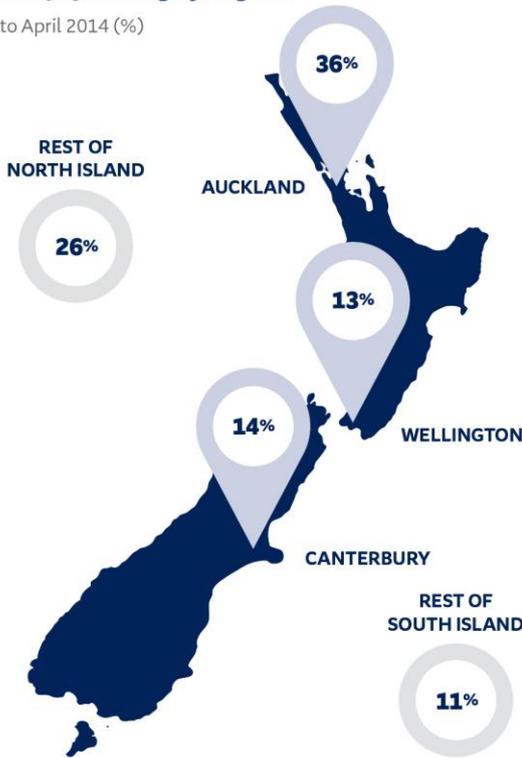
Growth compared to same period a year ago



60% Domestic online retailers accounted for around 60% of total online sales

Share of spending by region

Year to April 2014 (%)

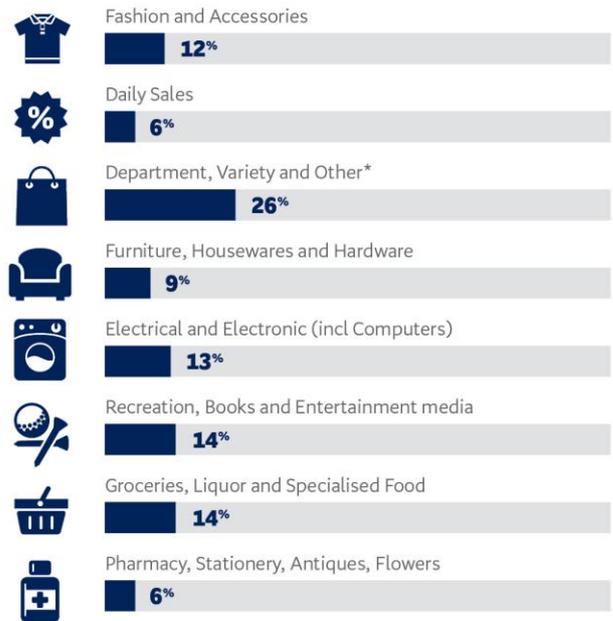


75%
North Island

25%
South Island

Share of total online spend by sector

Year to April 2014 share of spend (%)



* "Other" includes unclassified stores and specialty stores that don't neatly fit into defined ANZSIC categories. Figures may not add to 100% due to rounding.

Trade Me spending (estimated "retail" component, as per the retail categories we include in the online index) is included with Department Store spending.

Main contributors to growth in online retail sales

Year to April 2014 (%)



Online growth rate has slowed in recent years but remains much higher than that for traditional sales.

- Traditional retail sales in the March quarter were up by 3.2% on the same quarter a year earlier.
- The rate of growth in online sales has eased back from the very high levels experienced over 2011 and 2012, but is still significantly higher than the growth rate for traditional sales. Online sales for the three months ending March 2014 were up by 11.9% on the same time a year earlier.
- Over the past 12 months, online sales have been growing at around \$27m per month, on average. This is higher than the average growth of around \$25m per month over the year ended April 2011, but shy of the growth rates of around \$39m per month and \$33m per month in the years ended 30 April 2012 and 2013 respectively.

Online sales growth picks up slightly in April, following a loss of momentum in March.

- Looking at online sales on a monthly basis, April saw a recovery of some of the growth momentum lost in March.
 - Figures for April 2014 were up 11.2% on April last year.
 - In March online sales were up 8.6% on March last year, which was the lowest annual growth rate for several years.

Online sales equivalent to 6.1% of reported retail sales; 9.5% if exclude groceries & liquor

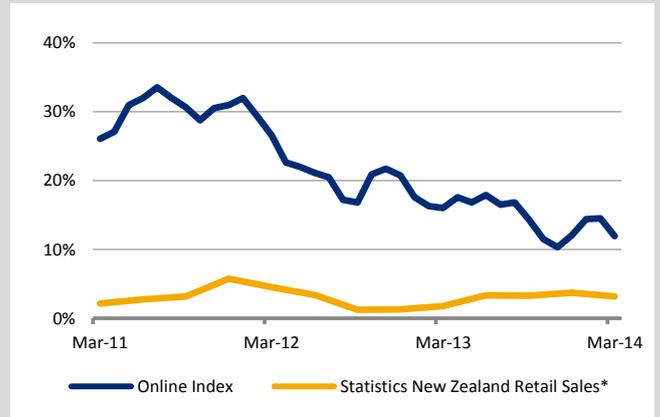
- Comparing with latest figures reported in Statistics New Zealand’s RTS, online retail spending for the 12 months ended 31 March 2014 was equivalent to 6.1% of reported retail sales.
- Excluding the grocery and liquor sectors from both the RTS and our Index, we estimate the remaining online spending is equivalent to around 9.5% of traditional retail sales.

Still following a similar growth trend to Australia

- Growth in New Zealand’s online retail sales continues to follow a track very similar to that of Australia’s, as measured using the NAB Online Retail Sales Index. (The NAB index incorporates a very similar retail category set to that used in our Index.) For the 3 months ended March 2014, the NAB index was up 11% on the same period a year earlier. In New Zealand the growth rate was 12%.
- Australian online retail sales for the 12 months ended March 2014 were at a level equivalent to 6.6% of officially reported retail spending.

Growth in online sales vs reported retail sales*

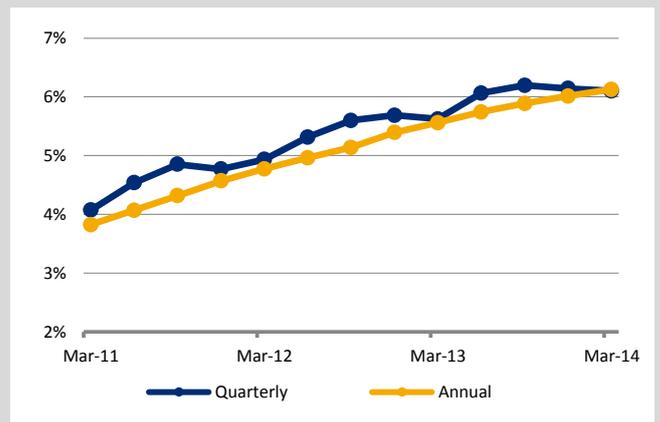
(3 month average compared to same period in prior year)



Official retail sales statistics are sourced from Statistics New Zealand

Online as a % of reported retail sales*

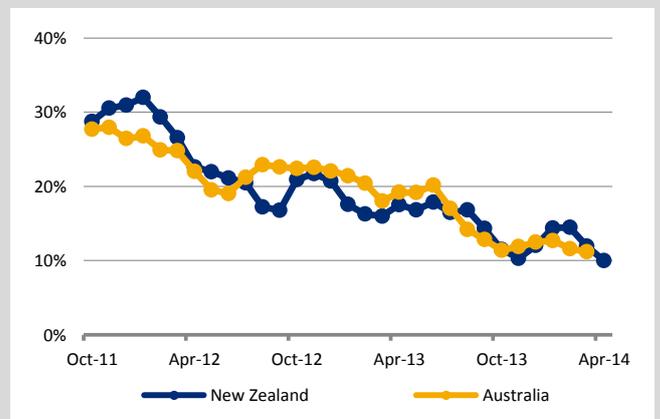
Online retail sales / Traditional retail sales



Official retail sales statistics are sourced from Statistics New Zealand

NZ vs Australia^ online growth rates

(3 month average compared to same period in prior year)



* Please refer earlier notes and the detailed notes on page 6 for a description of what store categories are included in the analysis.

^Australian figures are calculated using index figures supplied by National Australia Bank Limited.

Growth in domestic purchases nudges up in April

- Purchases from domestic online retailers in April were up 8% on a year earlier.
- This is up from typical annual growth levels for domestic online sales observed in recent months of 5% to 6% (aside from the very strong Jan-Dec period).

Growth in International purchases also lifts

- Online purchases made by New Zealanders at international merchants in April were up 17% on a year earlier.
- This growth rate is back in line with that of recent months (Jan-Dec aside), after a dip in March.

International merchants continue to steadily increase market share

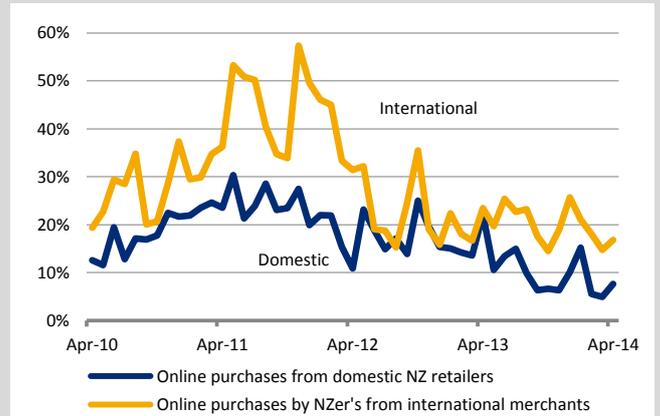
- International online retailers accounted for 40% of online retail sales in April.
- In April last year, the international retailers’ share was 38%, so they’ve made a 2% gain in market share since then. Monthly figures vary, but the 2% gain is also evident if we look at total annual online spending.
- Both domestic and international sales tend to show a *seasonal* dip between March and April. For both sets of merchants the drop this year was about half what it was between March and April last year.

Growth lifts across all regions

- For the 3 months ended April, the strongest annual growth rate has been in the South Island (excluding Canterbury), where online sales were up nearly 15% on the same period a year ago. The slowest growth was in the Auckland region, which was up 8%.
- Most regions saw their growth rate soften in Feb/Mar, after a very strong Dec/Jan period, and then lift in April.

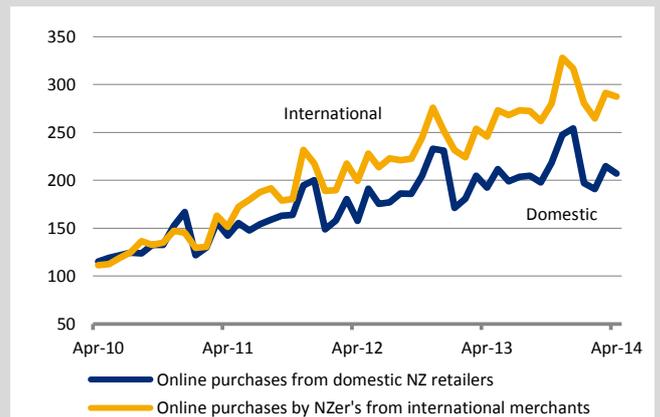
Growth in online sales by retail location

(monthly spending compared to the same month in prior year)



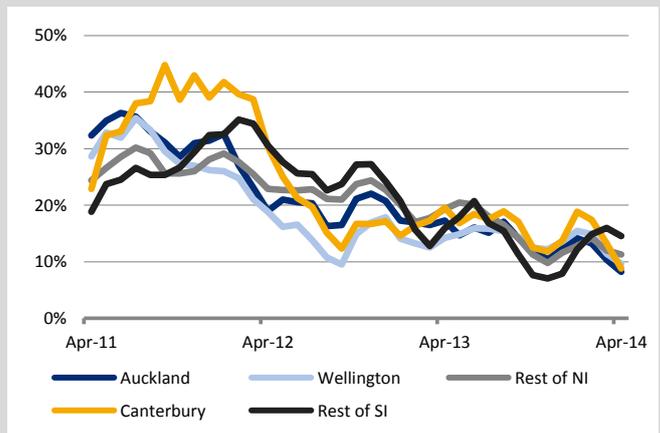
Online Index by retail merchant location (monthly)

January 2010 = 100



Growth in online spending by region of shopper

(3 month average compared to same period in prior year)



Composition of online sales significantly different from traditional

- The composition of New Zealanders’ online retail sales differs significantly from traditionally reported retail sales. In particular, the Groceries and Liquor category accounts for 14% of online sales but 44% of reported retail sales, across the categories we monitor.
- Looking at annual online sales compared to a year ago, the biggest gain in online share has been in the “Groceries & Liquor (including health food supplements)” segment, which has increased its share by nearly 1%.
- The “Furniture, Housewares and Hardware” and “Recreation, Toys, Games, Entertainment media and Books” segments have both increased their share of online retail sales by around 0.5%.
- The biggest loser in terms of online market share has been the “Daily Sales” specialist sector, which now represents approximately 6% of online retail sales, compared to over 7% a year ago. We suspect this partly represents a maturing of that market segment after a rapid development phase.

Groceries, Liquor and Specialised Food is one of the fastest growing online retail segments

- Comparing online sales in the 3 months ended April with the same period a year earlier, the “Groceries, Liquor and Specialised Food” sector has shone:

Groceries and liquor, etc	+20%
Furniture, housewares, etc	+12%
Entertainment media, etc	+10%
Electrical and Electronic	+10%

Growth in Clothing sales eases after a strong period

- Spending in the Clothing, Footwear and Accessories category over the 3 months ended April was up 9% on sales a year ago. This growth rate has eased back from the double digit rates observed earlier this year and is now more in line with the growth rate for the online retail sales sector as a whole (which was up 10% for the 3 months, compared to year ago).
- Online sales at “daily sales” or “one day sales” websites have continued to contract, following exceptional growth over 2010-2011. As per previous reports, please note that this series only includes sales at specialist “daily sales” sites, and does not include spending at online retailers that offer “daily deals” as part of a wider retail offering.

Composition of online spending by sector

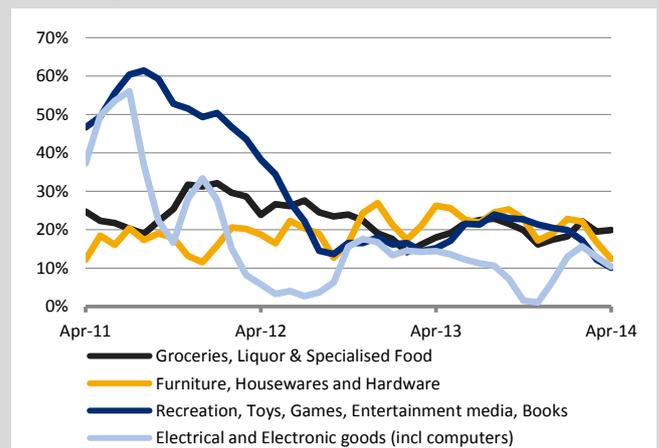
Composition of online spend for the 12 months to 30 April 2014

14%	Groceries & Liquor (incl health food and supplements)
9%	Furniture, Housewares and Hardware
13%	Electrical & Electronic goods (incl computers & appliances)
14%	Recreation, Toys, Games, Entertainment media, Books
12%	Clothing, Footwear and Accessories
6%	Daily Sales (at specialist sites)
26%	Variety, Department and Other*
6%	Pharmacy, Cosmetics, Stationery, Antiques, Flowers

**Note: “Other” includes unclassified stores and specialty stores that don’t neatly fit into defined ANZSIC categories. Unclassified Trade Me spending (estimated retail component) is included with Department Store spending. Figures may not add to 100% due to rounding.*

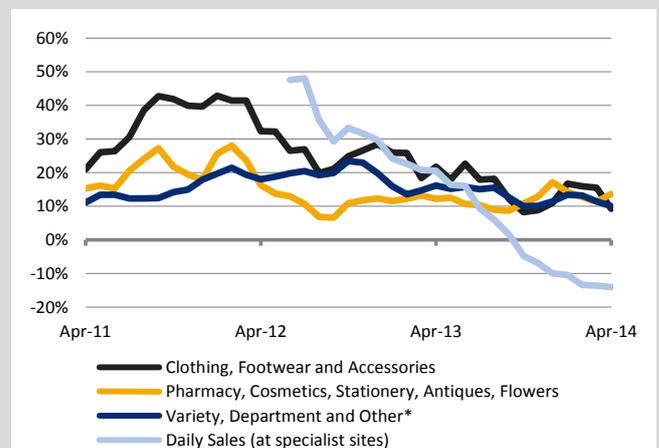
Growth in online spending by sector (chart #1)

(3 month average compared to same period in prior year)



Growth in online spending by sector (chart #2)

(3 month average compared to same period in prior year)



Note: Growth rates in the daily sales sector were very high over 2010-2011 (e.g. over 200%), so we’ve only included that sector’s figures from early 2012 onwards, to help readability.

Technical Notes and Q&A

How often do you publish the Online Index?

We currently publish the index monthly in a 1 to 2 page note, with more detailed reports every 3 months.

Will you be providing more detailed analysis in future issues?

Additional breakdowns and analysis will be added over time. We will sometimes take a closer look at topical items of interest, and also review feedback regarding data requests. We don't expect future reports will cover highly detailed market segment or market share analysis, but this can be supplied by Marketview on a bespoke basis.

What retail categories are covered by the report?

Our benchmark when assigning industry categories to retail stores is the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006. This classification system was developed by Statistics New Zealand and the Australian Bureau of Statistics and more details about it are available on their respective websites. We focus on stores in ANZSIC Division G ("Retail Trade") and exclude fuel, motor vehicles and vehicle parts. We also exclude marine equipment retailing (annual sales of just over \$300m, according to figures we commissioned from Statistics New Zealand), purely to facilitate like-for-like comparisons with Australian statistics.

All remaining Division G categories are included. These account for annual retail sales of approximately \$45 billion (excluding GST) and include the following categories: 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.

Please note that when Statistics New Zealand releases retail figures they include Division H figures in the release publication. Division H includes accommodation and food and beverage food services (e.g. restaurants, takeaways, pubs and taverns) and we don't include these in our online retail sales index.

What online sales are captured by the Online Index and what sales aren't?

Our primary source of information is card payments (credit and debit cards, including the use of online payment services like PayPal).

We also make estimates of Trade Me sales relevant to our retail category set that aren't picked up via card payments. In doing so, we seek to estimate only sales that would count as "retail" spending in official statistics (which would not include household-to-household sales of second hand goods, for example).

The Index includes goods purchased online from New Zealand retailers and goods purchased by New Zealanders from international online stores. Retail online sales are a subset of wider ecommerce spending.

We don't capture online sales using prepaid gift cards or payments made directly into merchants' bank accounts (other than those picked up through our Trade Me estimates).

Are all the online sales you measure included in the retail sales figures reported by Statistics New Zealand?

No, the official Statistics New Zealand figures do not include online purchases bought from overseas merchants, which amount to approximately \$1.1 billion in the retail categories we monitor. That's why we endeavour to say "online sales are *equivalent to* x% of reported traditional retail sales", rather than "online sales *are* x% of retail sales".

How good is the underlying data?

Marketview has an 11 year history of analysing and categorising New Zealand spending data and has built up a detailed knowledge of the data it deals with. Furthermore, Marketview and BNZ have conducted a range of sample testing and data reviews in producing the Index.

The BNZ Online Retail Sales Index is compiled from millions of non-cash transactions involving hundreds of thousands of people. However, nothing is ever perfect, and as with any indicator, improvements will be ongoing.

How does the BNZ Online Index compare with other studies of the NZ online retail market?

Please refer to our report published in February 2014 for a detailed comparison of our Index and other NZ online sales measures.

Other online retail studies that we have come across are survey-based snapshots (e.g. annually), often involving a range of detailed questions. Our Index uses actual (rather than surveyed) payment data, across a much bigger population base (hundreds of thousands of people), but with a more narrowly focused parameter set (e.g. it doesn't capture information about what sort of research a person does before they purchase online). We allow for regional and age skews in our data when scaling it up to a measure for the broad economy. Other studies may make similar types of adjustments. We also remove GST from domestic purchases to facilitate comparison with official retail statistics. GST treatment may vary across other studies. We generate a monthly time series, whereas major market surveys are often produced on an annual basis.

Overall, we believe that our Index and other sample surveys both have their place in informing the retail market. We believe one of the key strengths of our Index is that the very large "sample size" of actual online payments helps us produce a robust measure of aggregate online spending across the payment types we cover.

Please note that some online studies produced by other parties may cover "ecommerce" online spending, whereas our data set focuses on "retail". "Ecommerce" captures a much wider set of data (e.g. air tickets, accommodation, cinema tickets, contact lenses) and will result in a much higher figure for online spending. While Marketview has comprehensive data for the wider ecommerce sector and can produce bespoke reports in this area, wider ecommerce is not the focus of our Index.

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About Marketview

Marketview specialises in the management and analysis of depersonalised, debit (EFTPOS) and credit card transactional data. Marketview manages annual transaction volumes of 1 billion transactions and spending worth over \$40 billion. We have spending data across a broad range of industries, dating back to 2002. We cover spending at stores, and online transactions with both domestic and international E-tailers.

Working with our data partners, Marketview converts the raw transactions into high quality, precision market intelligence reports. Our services include Market Performance monitoring, Customer catchment definition and valuation, and Consumer purchase behaviour. Reports are available on a subscription basis or through one off projects, tailored to meet specific requirements.

The first Marketview services were launched in association with BNZ in September 2001. Today our reporting services are used by retailers - national chains and independents, central and local government agencies, as well as a range of professional services consultancies.



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