

# BNZ Online Retail Sales Report



## Quarterly in-depth update and sales for July 2014

1 September 2014

### Highlights

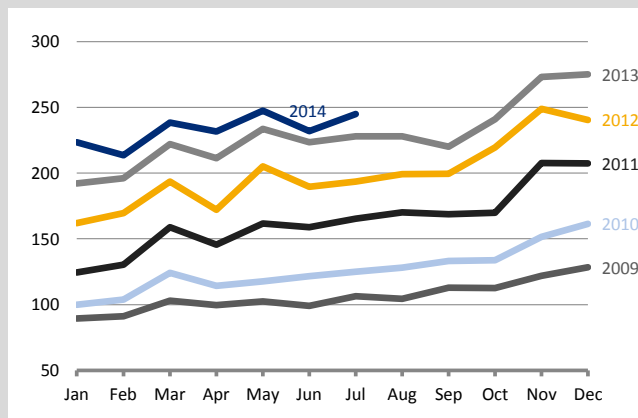
- Growth in New Zealand’s online retail sales picked up in July, following a rather uninspiring June. Total online spending in July was up 7% on July last year.
- The “Groceries, Liquor and Specialised Food” category continues to show strong growth, although the rate has slowed from recent highs.
- The annual growth rate in online purchases from merchants overseas is back into double digits. Purchases from overseas sites were up 11% on July last year.
- The annual growth in online purchases from domestic merchants also rose in July. Domestic online sales were up 5% on July last year. Bricks and mortar stores showed similar growth - the value of Electronic Card Transactions reported by Statistics New Zealand (SNZ) for July was up 5% on July last year (for retail industries broadly comparable with those used in our online index).
- The online sales split between domestic and international merchants was 59% / 41% in the month of July. Looking at 12 monthly totals, international merchants have made a 2% gain in market share over the past year.
- For the 12 months to 30 June 2014, online retail sales across the categories we monitor represented 6.2% of SNZ reported retail sales. If we exclude the grocery and liquor sectors from both the official retail figures and our Index, online spending is equivalent to around 9.5% of traditional retail sales.

*“Online spending continues to grow in popularity with Kiwis, particularly at overseas sites”*

Stephen Bridle, Marketview

### NZ Online Retail Sales Index

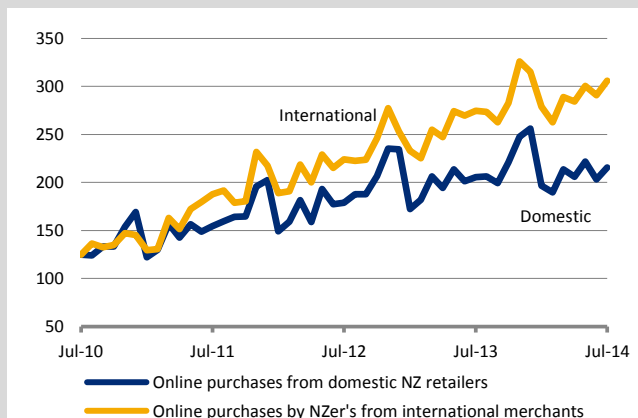
January 2010 = 100



Data source: BNZ/Marketview

### NZ Online Retail Sales Index by retailer location

January 2010 = 100



Data source: BNZ/Marketview

### Annual growth versus same period prior year

	3 Months ended			Month ended		
	May-14	Jun-14	Jul-14	May-14	Jun-14	Jul-14
Total Online Index	8%	6%	6%	6%	4%	7%
Domestic purchases	4%	4%	3%	4%	1%	5%
International purchases	13%	11%	10%	10%	8%	11%

Data source: BNZ/Marketview. Growth rates for May and June have been revised by approximately 1% since our previous report.

\*General data notes: Online sales data is sourced from BNZ and 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 June 2014)

Growth compared to same period a year ago



**6.2%** Annual online purchases total \$2.8bn, or 6.2% of the size of traditional\* retailing

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

### Domestic vs international (3 months ended July 2014)

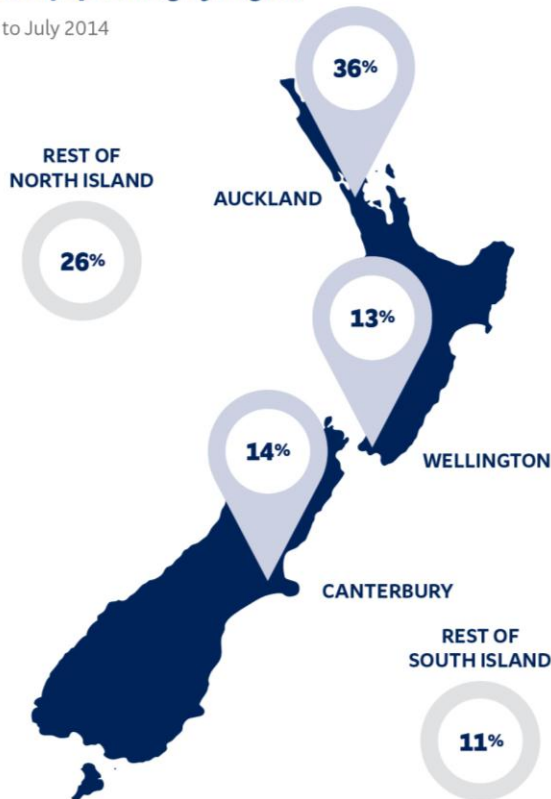
Growth compared to same period a year ago



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

### Share of spending by region

Year to July 2014

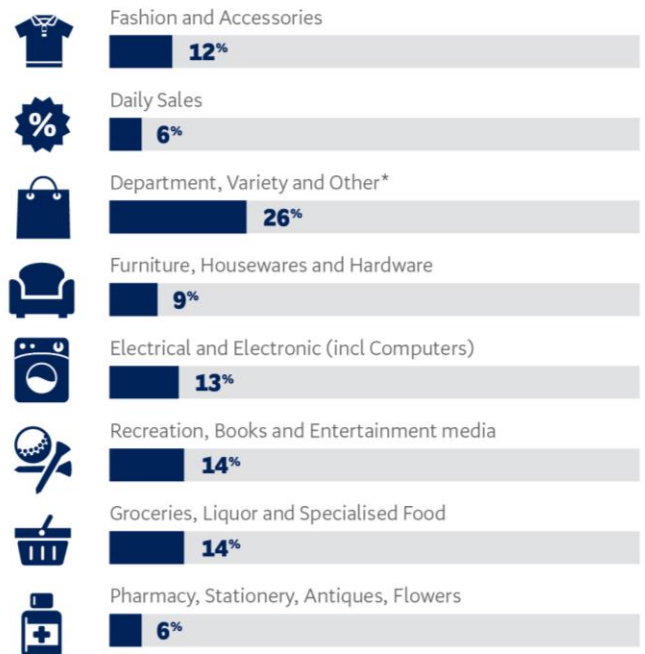


**75%**  
North Island

**25%**  
South Island

### Share of total online spend by sector

Year to July 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 July 2014 (%)



### Online growth rate getting closer to the growth in traditional retail sales – but we’re not there yet

- Across the categories we monitor, officially reported retail sales in the June quarter were up by 2.3% on the same quarter a year earlier.
- Online sales again outpaced bricks and mortar. Online sales for the June 2014 quarter were approximately 6% higher than they were a year earlier.
- A year ago the gap between the annual growth rates for officially reported retail sales and online retail sales was close to 15%. Now it’s 4%.

### Online sales equivalent to 6.2% of reported retail sales; 9.5% if exclude groceries & liquor

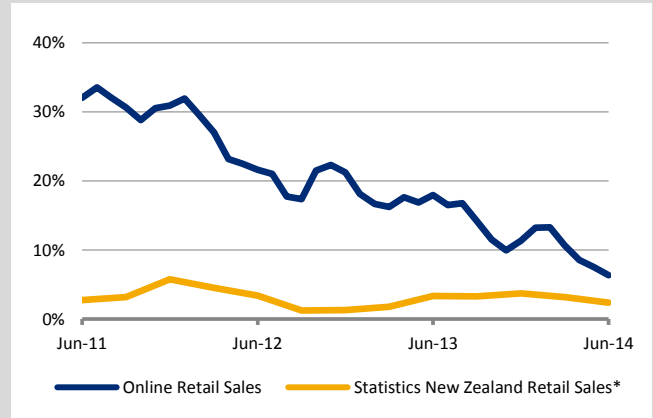
- For the 12 months to 30 June 2014, online retail sales across the categories we monitor were approximately \$2.8 billion (excluding GST).
- Comparing with latest figures reported in Statistics New Zealand’s RTS, online retail spending for the 12 months ended 30 June 2014 was equivalent to 6.2% of reported retail sales.
- The composition of New Zealanders’ online retail sales differs significantly from officially 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.
- If we exclude the grocery and liquor sectors from both the RTS and our Index, annual online spending is equivalent to around 9.5% of traditional retail sales.

### Online growth rates continue to follow a similar trend to Australia

- The overall pattern of growth in New Zealand’s online retail sales continues to track that of Australia, 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 June 2014, the NAB index was up 7% on the same period a year earlier. In New Zealand the comparable growth rate was around 6%.
- Australian online retail sales for the 12 months ended June 2014 were at a level equivalent to 6.6% of officially reported retail spending.
- One area of difference between NZ and Australia is the split of online sales between domestic and international merchants. In Australia domestic retailers command nearly 75% of the online retail sales market, whereas in New Zealand the figure is closer to 60%.

### Growth in online retail sales vs reported retail sales\*

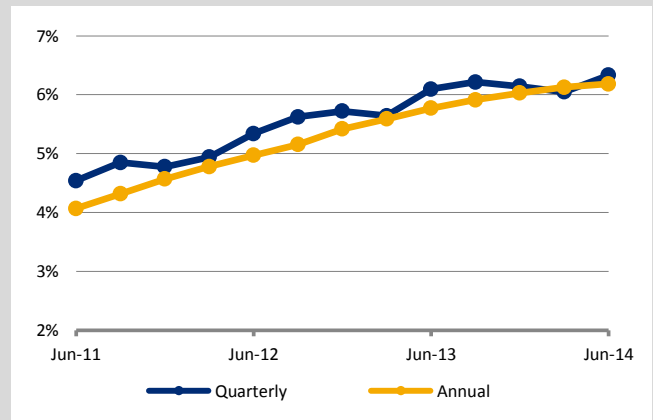
Quarterly spending compared to same period in prior year



\*Official retail sales statistics are sourced from Statistics New Zealand  
Online data is from BNZ/Marketview.

### Online as a % of reported retail sales\*

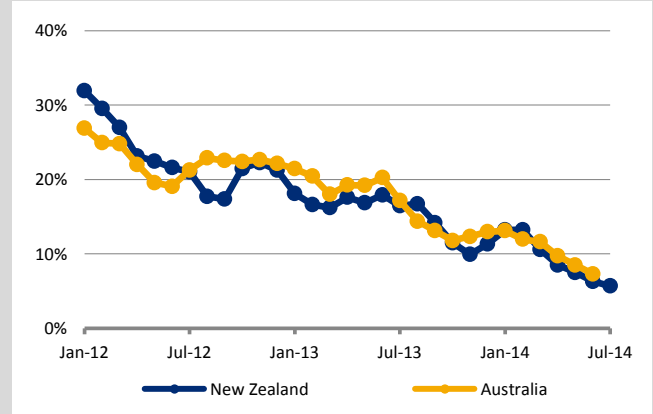
Online retail sales / Traditional retail sales



Official retail sales statistics are sourced from Statistics New Zealand  
Online data is from BNZ/Marketview

### NZ vs Australia\* online growth rates

3 month average compared to same period in prior year



New Zealand data is sourced from BNZ/Marketview. Please refer earlier notes and the 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.

### Domestic purchases are up 5% on July last year

- This is nice lift in growth after a very sluggish June, and more in line with the growth trend prevailing earlier in the year.

### International purchases are up 11% on July last year

- Online purchases made by New Zealanders at international merchants also showed an increase in growth rate.
- But the rate of growth remains well down from where it was 6 months ago.

### The 5% annual increase in domestic online purchases mirrored the 5% increase in electronic sales at physical stores in July

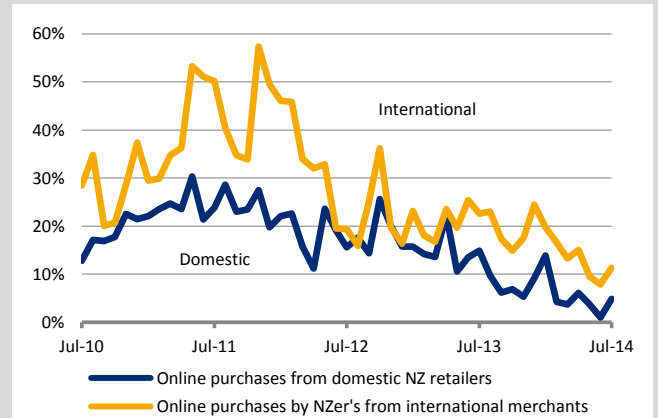
- The value of Electronic Card Transactions reported by Statistics New Zealand for July is up 5% on July last year, for retail industries broadly comparable with those used in our online index ("core retail" industries excluding hospitality). These transactions mostly relate to physical stores, but do include an element of domestic online spending.
- The two series are not perfectly comparable, and monthly data can be volatile, but we'll continue to compare them both to see if recent similarities continue.

### International merchants continue to chip away on the market share front

- International online retailers accounted for nearly 41% of online retail sales in the month of July.
- They've made a 1½ % gain in monthly market share, compared to July last year.
- Using 12-monthly totals, international merchants have made a 2% gain in market share over the past year.

### Growth in online sales by retail location

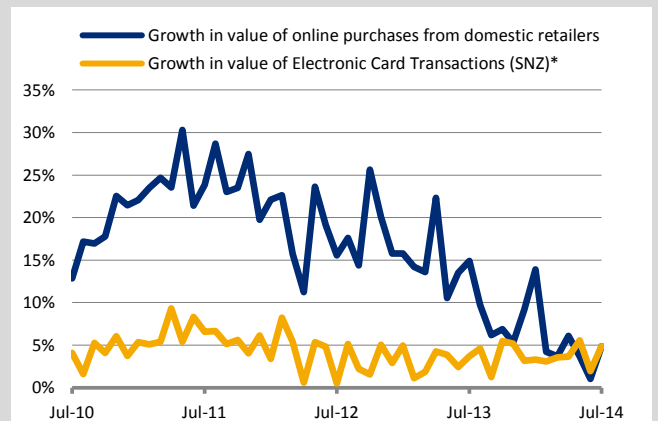
Monthly spending compared to the same month in prior year



Data source: BNZ/Marketview

### Domestic Online vs SNZ Electronic Card Transactions\*

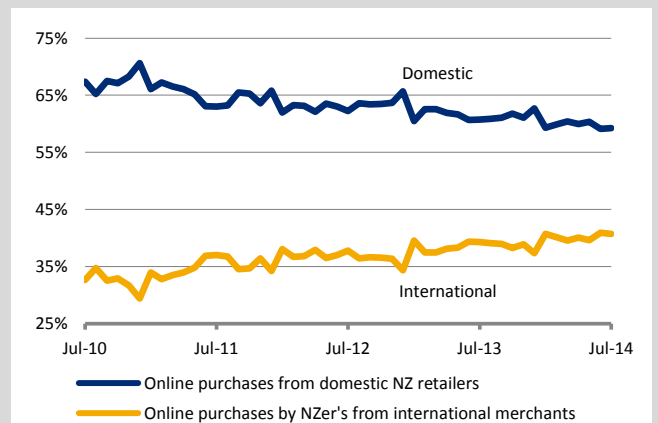
Monthly spending compared to the same month in prior year



\*"SNZ" refers to official figures released by Statistics New Zealand. The SNZ ECT data used is for core retail excluding hospitality. Growth rate calculations performed by BNZ. Online sales data is from BNZ/Marketview.

### Share of online sales by retail merchant location

Monthly shares



Data source: BNZ/Marketview

**The composition of online sales is very similar to what it was 3 months ago**

- The sector mix of annual online spending is very similar to what it was in our previous in-depth report.
- Compared to a year ago, the biggest gains in annual online market share have been in: “Groceries & Liquor (including health food supplements)”, which has increased its share nearly 1%; “Furniture, Housewares and Hardware”, up 0.5%; and “Recreation, Toys, Games, Entertainment media and Books”, also up 0.5%.
- The prominent loser in terms of online market share remains the “Daily Sales” specialist sector, which now represents approximately 6% of annual online retail sales, down from a peak level of nearly 7.5% a year ago.

**“Groceries, Liquor and Specialised Food” continues to show strong growth, although the rate has slowed from recent highs**

- Comparing online sales in the 3 months ended July with the same period a year earlier:
 

Groceries and liquor, etc	+14%
Furniture, housewares, etc	+12%
Entertainment media, etc	+5%
Electrical and Electronic	+9%

**Overall, we are seeing a broad-based slow-down in growth rates, evident across most category groupings**

- Spending in the Clothing, Footwear and Accessories category over the 3 months ended July was up only 4% on sales a year ago. Earlier in the year this category was showing mid-teen growth rates.
- Online sales at “daily sales” or “one day sales” websites have continued to decline. 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 spending for the 12 months to 31 July 2014

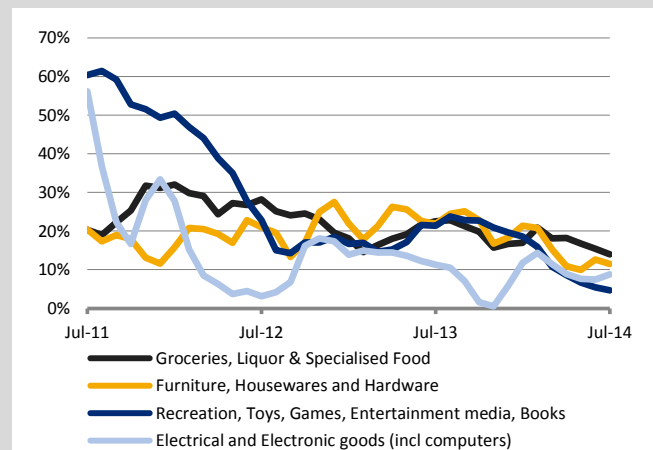
<b>14%</b>	Groceries & Liquor (incl health food and supplements)
<b>9%</b>	Furniture, Housewares and Hardware
<b>13%</b>	Electrical & Electronic goods (incl computers & appliances)
<b>14%</b>	Recreation, Toys, Games, Entertainment media, Books
<b>12%</b>	Clothing, Footwear and Accessories
<b>6%</b>	Daily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

Data source: BNZ/Marketview

\*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)**

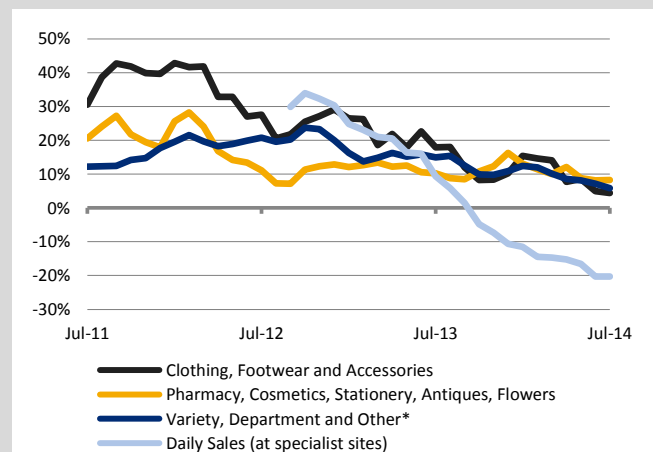
(3 month average compared to same period in prior year)



Data source: BNZ/Marketview

**Growth in online spending by sector (chart #2)**

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



Data source: BNZ/Marketview

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.

### Growth slowing across all regions

The overall trend of slowing growth rates in online spending is reflected across all the regional groups.

- For the 3 months ended July 2014, the strongest annual growth rate has again been in the South Island (excluding Canterbury), where online sales were up 8% on the same period a year ago.
- The slowest annual growth in online spending was in the Auckland and Wellington regions, which were up by approximately 5% compared to the 3 months ended July 2013.

### Special Topic: Growth in transaction volumes

In last month’s report we noted that the NZ dollar was much stronger against the US and Australian dollars than it was a year earlier.

- When the NZ dollar appreciates against another currency, it will mean less NZ dollars are required to purchase items priced in the other currency, all else being equal.
- So, when looking at trends in online shopping by Kiwis at overseas sites, it is possible that a stronger NZ dollar can mask some of the underlying growth in the volume of goods being purchased.

The adjacent table supplements the analysis in last month’s report. It goes a step deeper, in that it looks at the growth in transaction volumes for specific categories.

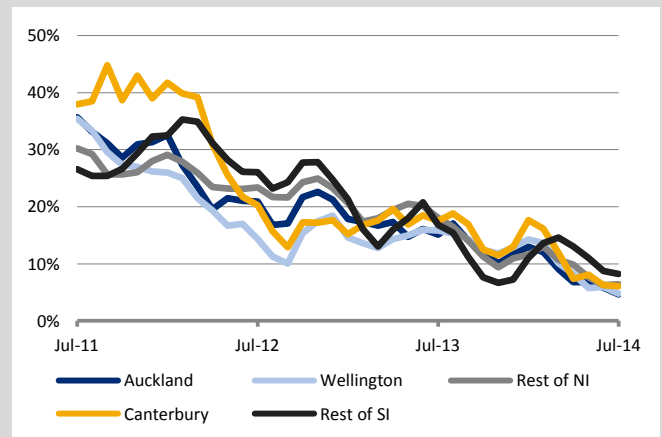
The category groupings here include the same sub-industry sets as the groupings tabled on the previous page, with the exception of the “Recreation” group, which now excludes Entertainment Media.

- While online **spending** at international merchants in the June 2014 quarter is up 11% on the prior year, the **volume** of international purchases is growing significantly faster than this across most categories.

As with our previous report, please note that this is only a partial analysis, because there are other significant factors that can have an influence, such as changes in the mix of spending.

### Growth in online spending by region of shopper

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



Data source: BNZ/Marketview

### Growth in the number of online transactions: NZ shoppers buying from international merchants

June 2104 quarter versus June 2013 quarter

Broad category group	Growth in Number of Transactions
Groceries & Liquor (incl health food and supplements)	40%
Furniture, Housewares and Hardware	29%
Electrical & Electronic goods (incl computers & appliances)	47%
Clothing, Footwear and Accessories	30%
Pharmacy, Cosmetics, Stationery, Antiques, Flowers	26%
Recreation, toys, games, books (excl entertainment media)	10%

Data source: BNZ/Marketview



## Technical Notes and Q&A

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### 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.

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### 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.

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### 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.

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### 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).

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### 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".

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### 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.

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### 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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## Reports can be downloaded here:

[www.bnz.co.nz/onlineretailindex](http://www.bnz.co.nz/onlineretailindex)

[www.marketview.co.nz/our-reports/](http://www.marketview.co.nz/our-reports/)

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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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