

# BNZ Online Retail Sales Report



Monthly Update: August 2014 online sales

Focus topic: Interview with Cate Bryant of Ecommerce New Zealand

## Growth rates for clicks and bricks purchases from local retailers continue to converge. Purchases from international merchants continue to grow strongly.

### Overall

- Total online spending in August 2014 was up 5% on August last year. Online purchases at domestic merchants were up a meagre 0.5%, whereas online purchases at offshore merchants were up 13%.

### Growth in online spending at local retailers softens

- If we exclude the specialist "Daily Sales" sector, which continues to decline, online purchases at domestic retailers were up 3% on August last year. This online growth rate is very much in line with the annual growth rate for *total* spending at local retailers (bricks + clicks), which was 2.9% for August (measured using Statistics NZ data on spending using electronic cards<sup>1</sup>).
- One month's data doesn't make a trend, but we note that over the past 6 months online spending at local retailers has only been growing 1.5% pa faster than total retail spending at local retailers. In the 6 months before that, the difference in growth rates was much larger, at 5.7% pa, in favour of online. So there's certainly been some recent convergence in bricks and clicks growth rates for spending at local retailers.
- While overall growth in online spending at local retailers has been a bit pedestrian, several categories are bucking the trend and growing at double-digit rates. These include: Groceries; Other Specialised Food; Pharmaceutical, Cosmetic & Toiletry; Footwear; and Computers and Peripherals.

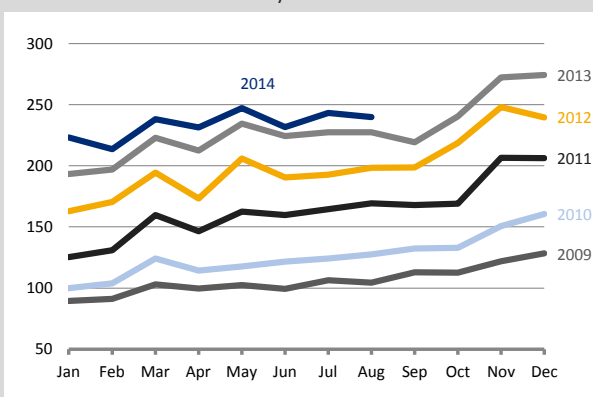
### Purchases from overseas online retailers still flying

- Looking at online spending by Kiwis at international merchants, August saw strong growth in spending in several categories. Compared to August last year, spending was up 18% for Clothing, 24% for Electrical and Electronic, 22% for Computers and Peripherals; and 22% for Pharmaceutical, Cosmetic & Toiletry.

<sup>1</sup>Using Statistics New Zealand data for August 2014 for the value of electronic card transactions (ECT) for "core retail" industries excluding hospitality. These transactions mostly relate to physical stores, but do include an element of domestic online spending. The series is a reasonable comparator with our index of domestic online spending in many respects, but isn't a perfect match.

### Total Online Retail Index

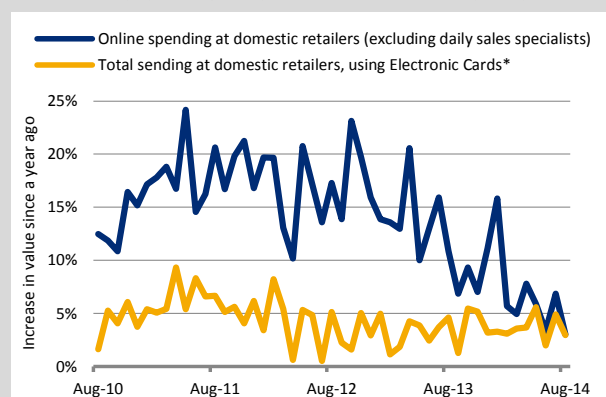
January 2010 = 100



Source: BNZ, Marketview

### Domestic online vs Domestic total (card transactions)

Monthly spending compared to same month in prior year



Source: Online sales are from BNZ, Marketview. \*The Electronic Card data used is from Statistics New Zealand ("SNZ"). It is for core retail excl hospitality, and does not include cash transactions.

Growth Rates	Total Online Index			Domestic Online Purchases			International Online Purchases			
	Month ended >>>	Jun-14	Jul-14	Aug-14	Jun-14	Jul-14	Aug-14	Jun-14	Jul-14	Aug-14
Monthly spending vs Same month prior year		3%	7%	5%	0%	4%	0%	8%	11%	13%
3-monthly average vs Same period prior year		6%	5%	5%	3%	2%	2%	11%	10%	11%

\*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.

## Focus topic: Interview with Cate Bryant of Ecommerce New Zealand

In addition to explaining what kiwi consumers are doing online, we are also keen to bring you thoughts of eCommerce operators. This month Stephen Bridle of Marketview spoke to Cate Bryant, a local online retail expert who has helped several of New Zealand's largest retailers go online. Stephen caught up with Cate just as she was heading off to Shop.org's conference in Seattle.

### Interview transcript

prepared by  MARKETVIEW  
Precision Market Intelligence

#### **You've just finished the first of two Click Monday's for 2014. How did last week's event go?**

We were able to drive sales uplifts of 2x right up to 10x for most retailers at a time of year that is typically a bit of a lull. Overall traffic and clicks were somewhat lower than last year's November event, because that's when Christmas shopping begins. We expect November 24th's event this year to be even bigger than last in both retailers participating, likely over 100, and clicks to their sites, well over 300,000.

#### **Compared to other countries, Kiwis do a higher proportion of their internet spending with off-shore sites. Obviously this will be with some international brands we don't have in New Zealand, but are there things international e-tailers do better than NZ e-tailers?**

Many international retailers have online teams of 30 to 300 or more, because they have many multiples of revenue to offset the investment against. They also have an advantage on the range they can stock and the cost they buy at, and they typically can afford to spend millions on their ecommerce platform, versus the hundreds of thousands our retailers spend. I personally think we've got some retailers doing an outstanding job with scarce resources. I also think that most of the important developments make their way here eventually, and we don't have to waste money on the speculative ones that fall away.

#### **The Net creates a market without boundaries. We estimate Kiwis spent a billion plus dollars on overseas sites last year, but are New Zealand 'e-tailers' maximising the opportunity to attract international customers?**

Access to international markets is far easier than it was when I started in online 10 years ago, but there's still some way to go. Logistics is the key and all the fulfilment providers are investing heavily in enabling cross border trade as it is a growing revenue stream for them. The big challenge is building awareness in massive markets such as China or the US with limited funds and competitors with a lower cost base. That's why New Zealand businesses probably need to focus on bespoke, higher end, IP heavy, or virtual products or

services when looking to go global. That said, Australia should be a shipping destination for all Kiwi ecommerce sites, and New Zealand retailers should be taking advantage of high traffic and conversion opportunities such as Australia's Click Monday equivalent, Click Frenzy.

#### **In addition to your day jobs you're also head of Ecommerce New Zealand. Can you tell us a little more about your goals there?**

It's hard to get good, neutral advice on the myriad of decisions you have to make every day in online retail, particularly when the market and technology options are changing all the time. ENZ is here to provide resources to help NZ retailers grow their revenue from ecommerce both locally and in international markets, predominantly via innovative, high quality, experiential education and training forums. On October 22nd, we are holding 'Ecommerce Strategy Sessions', where retailers can get a one to one session with an industry expert of their choice for just \$75. Should be a really valuable hour of their time!

#### **One last question, what would your advice be to retailers wanting to get the most from their online presence?**

Set yourself up to succeed by investing in a team, or at least someone, whose sole focus is to run the 'online business'. It will pay back because online is a crucial part of your customer's experience of you nowadays. Online is as much about customer engagement as it is about sales - email is the lifeblood of your relationship with your customers and your site is where you send them on the way to your store. Think about outsourcing fulfilment - you'll benefit from the volume discounts an external provider can access, but most importantly, you'll free up resources to focus on growing sales.

You can learn more about Click Monday at [www.clickmonday.co.nz](http://www.clickmonday.co.nz) and Ecommerce New Zealand at [www.enz.org.nz](http://www.enz.org.nz). If you'd like to discuss any of the points raised above with Cate, feel free to contact her on 0275 477 773, or use [cate@enz.org.nz](mailto:cate@enz.org.nz)

**Reports can be downloaded here:**[www.bnz.co.nz/onlinetailindex](http://www.bnz.co.nz/onlinetailindex)[www.marketview.co.nz/our-reports/](http://www.marketview.co.nz/our-reports/)**For more information, contact:****Gary Baker**

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