

# BNZ Online Retail Sales Report



Monthly Update: September 2014 online sales

Focus topic: Spending online – No longer just for the pioneers

## Bounce!

- **New Zealand’s total online spending was very strong in September**, with spending up 13% on September last year. Previously the annual growth rate had been running at only about half that rate.
- **Both domestic and international retailers benefited from the lift in spending.** Online purchases at domestic merchants were up 9% on last September, and online purchases at offshore merchants were up 20%.
- **Stand out major categories this month** were Electrical and Electronic goods, Computers and Peripherals, and Other Specialised Food. Spending in each of these categories was up by more than 20% on September 2013.
- **Domestic clicks outpace domestic bricks.** Combined physical store and online spending at local retailers in September was up a respectable 5% on September last year<sup>1</sup>. Notably, the growth in spending at physical stores was clearly outpaced by the 9% annual growth in *online* spending at local merchants (11% if we exclude the specialist “Daily Sales” sector).

## Exchange rate effects

The NZ dollar has weakened in recent months, including a 6% fall against the USD between July and September.

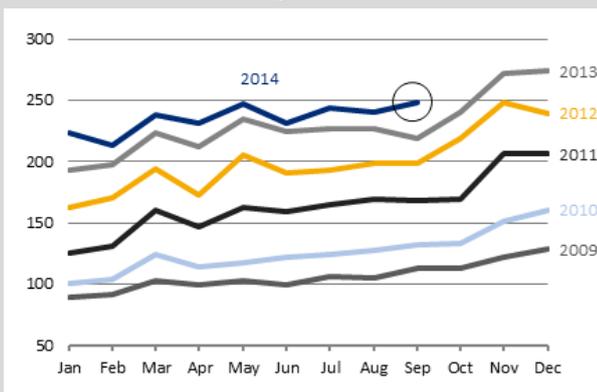
This makes international goods more expensive in NZD terms. However, the solid rise in online spending at offshore retailers in September suggests that, for now at least, kiwis are not being discouraged by the extra cost.

Interestingly, the NZD-USD exchange rate in September this year is almost the same as it was in September 2013. So the 20% annual growth in purchases at overseas sites is comparing two periods with a similar level for this key exchange rate.

<sup>1</sup>Using Statistics New Zealand data for September 2014 for the value of electronic card transactions (ECT) for “core retail” in 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 Sales Index**

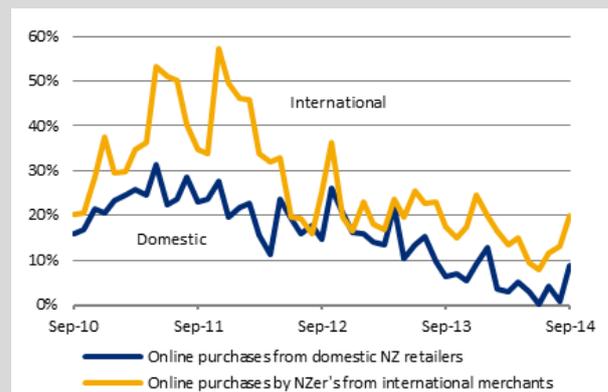
January 2010 = 100



Source: BNZ, Marketview

**Growth in NZ online spending by retailer location**

Monthly spending compared to same month in prior year



Source: BNZ, Marketview

Growth Rates	Total Online Index			Domestic Online Purchases			International Online Purchases		
	Jul-14	Aug-14	Sep-14	Jul-14	Aug-14	Sep-14	Jul-14	Aug-14	Sep-14
Month ended >>>									
Monthly spending vs Same month prior year	7%	6%	13%	4%	1%	9%	11%	13%	20%
3-monthly average vs Same period prior year	5%	5%	9%	2%	2%	5%	10%	11%	15%

\*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.

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Prepared by:



We launched the Online spending report 12 months ago, and have been delighted with the reception it has received. One of the most consistent questions we field since starting relates to who is spending online and in simple terms the answer is everyone.

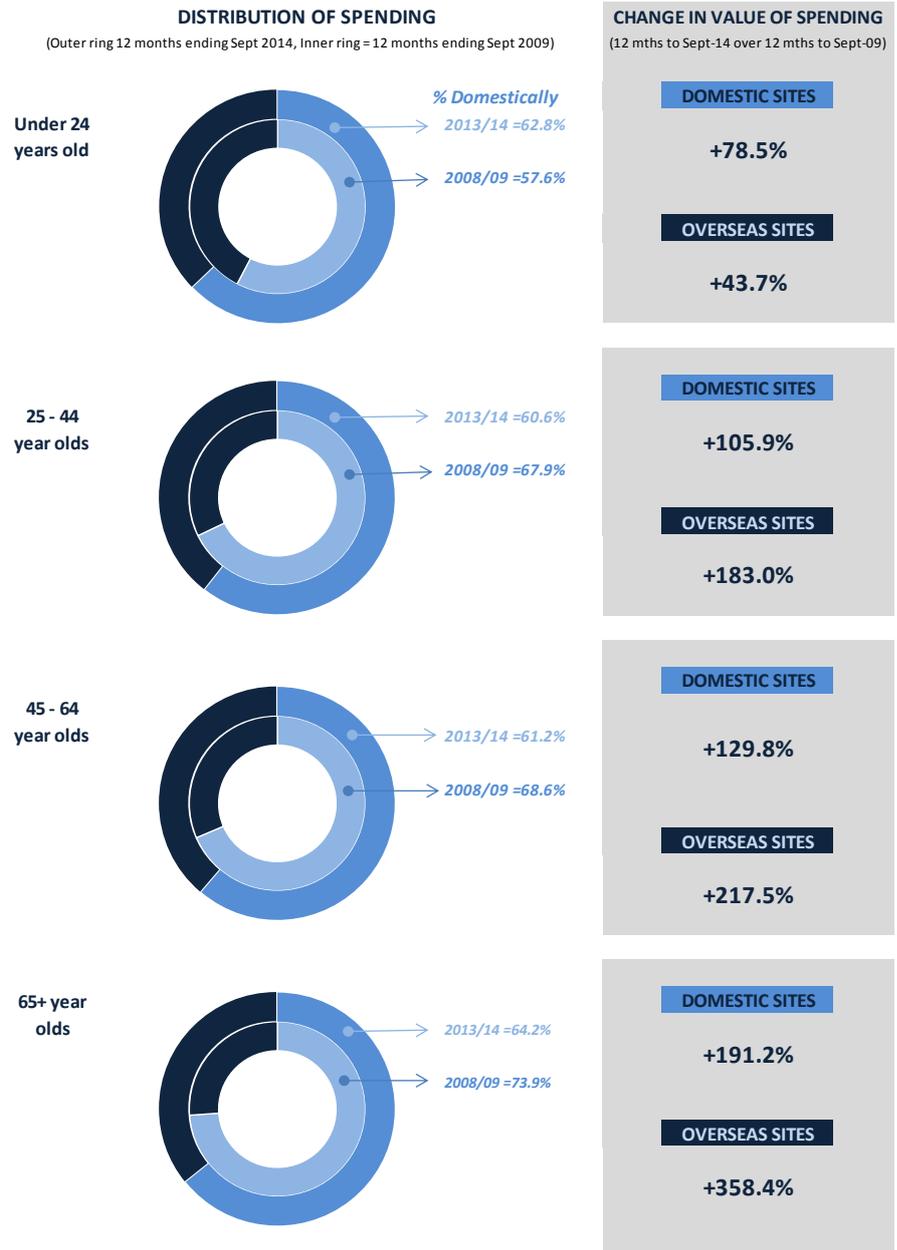
From the data we analyse we have seen an increase in spending across all age groups, and across most demographic segments in the NZ market. To illustrate an aspect of this we have compiled the accompanying breakdown by age bands.

The charts show the distribution of spending by location of merchant (local in light blue, overseas in dark blue). The inner circle shows the spending distribution 5 years ago (October 2008 – September 2009). The outer circle shows the latest 12 months (October 2013 – September 2014).

The percentage change in the value of spending by each age group, between the two periods, is shown in the tables to the right. Again this has been split by online-merchant location.

With the exception of the youngest age groups, which tend to be focused on day-to-day ‘experiential’ living, we have seen online spending at least double in the last five years, with the strongest growth rates coming from the older consumers spending on international sites.

While this growth is coming off a small base, it is a timely reminder that online spending is not just for the Fendalton ‘fashionista’ wanting the latest trend.



Source: BNZ, Marketview

We are seeing all age groups significantly increase the value of their online spending and most age groups increasing the proportion of goods they buy from offshore sites. As BNZ has mentioned on the previous page, the softening exchange rate does not appear to be a deterrent to buying offshore, at least for now. If your grandmother is happy buying her Royal baby celebratory tea towels online you can be reasonably certain that online spending is more than just a niche competitor to local retail, it’s a key part of most consumers’ decision set.

## 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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