

BNZ Online Retail Sales Report



Monthly Update: December 2014 online retail sales

Marketview focus topic: Does Santa drive a courier van?

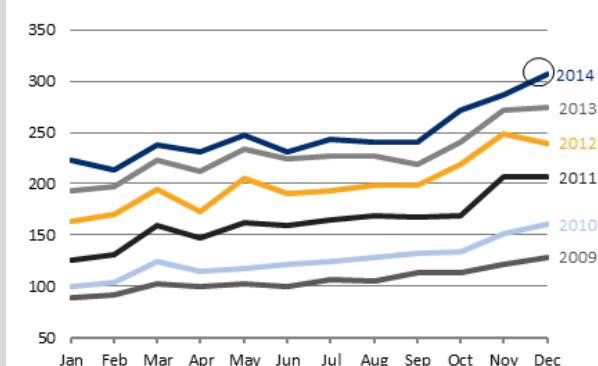
Online increases its share of the Christmas spend

- The strength in New Zealand's online spending continued in December, with total online retail spending up 12% on December 2013.
- The NZD weakened against the USD in December and was down 6% from where it was a year earlier. However, this didn't seem to deter kiwi shoppers, who spent 19% more online at **offshore merchants** than they did in December 2013.
- Online purchases at **domestic merchants** were up 7% on the spending levels a year earlier (8% if we exclude specialist "daily deals" sites). This is a strong result for December, as over most of the year online purchases from local sites had been growing at only around 3% to 4% p.a.
- Looking at individual **categories**, food and entertainment goods stood out. **Total online spending** in each of the categories "Electrical and Electronic goods", "Supermarkets and Groceries", "Other Specialised Food", "Entertainment", and "Pharmaceuticals and Cosmetics" was up by more than 20% on December 2013 levels.
- Looking at **domestic merchants** only, online spending growth was also very strong for "Newspaper and Books" (up 18% on last December) and "Computers and Peripherals" (up 21% on last December).
- Online purchases of **clothing** from offshore sites in December continued their strong trend, with spending up 19% on December 2013. Online spending on clothing at local sites was up 6% over the same period.
- Spending at the **physical stores** of local retailers in December was up approximately 4% on December 2013¹. This growth rate was clearly outpaced by online spending, at both local and international merchants.
- Overall, it seems the proportion of Christmas presents that are bought online increased another notch in 2014.

¹Using Statistics New Zealand data for December 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 Sales Index

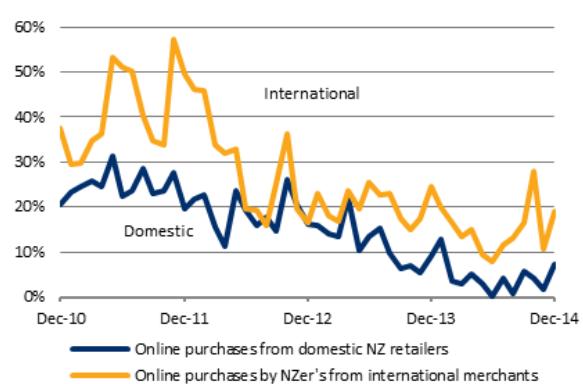
January 2010 = 100



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		
Month ended >>>	Oct-14	Nov-14	Dec-14	Oct-14	Nov-14	Dec-14	Oct-14	Nov-14	Dec-14
Monthly spending vs Same month prior year	13%	5%	12%	4%	2%	7%	28%	11%	19%
3-monthly average vs Same period prior year	10%	9%	10%	4%	4%	4%	19%	18%	19%

*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: Does Santa drive a courier van?

Prepared by:



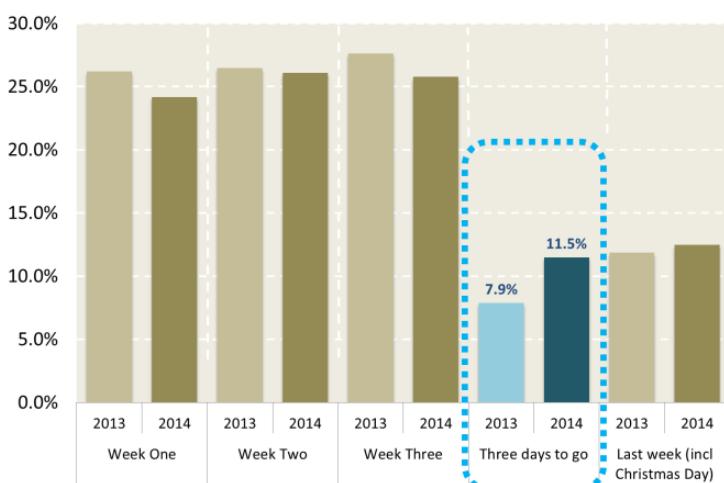
In the seven years we've been monitoring Kiwi's consumer spending we've seen an increasing trend to leave Christmas shopping until late in the piece, if not after the fact. 2014 was no different, with store based spending basically dead the first three weeks of December. Things didn't really kick off until the 22nd and fortunately for retailers, have surged since.

While factors such as when the big day falls are influential, we also believe consumers are prepared to play a bit of 'chicken' with retailers, holding back spending in order to induce discounts, forcing merchants to bring forward their Boxing Day promotions.

This year we have seen a shift in the timing of online purchases, with an increase in the percentage of Domestic Online transactions completed in the three days just prior to Christmas.

Percentage of Domestic Online spending completed each week in December (excl. grocery and liquor purchases)

2014 vs 2013



Note: The totals for each year add to 100%.

Source: BNZ, Marketview.

The distribution of 2014 spending in the first three weeks (the dark bars) is generally down on 2013, but shows an increase in the three days just prior to Christmas (22 – 24 December) compared to the same time last year.

This is not due to the way the days fall. In comparing the same days (as opposed to dates) there is a general uplift in 2014 spending over the same shopping days last year. We'd note that some transactions can be processed once goods are shipped, so this blip may relate to purchases made earlier in the month. With the overall increase in online spending this December it is likely there was a bit of pressure on delivery systems. That said, it would seem unlikely the increase is entirely due to delayed shipments; if you'd had to wait three weeks chances are you'd be cancelling the order and heading to the shops!

A few delayed transactions aside, it seems to us this is an indication of consumers' growing confidence in shopping online, and their willingness to wait for those best, last minute deals. It also points to the efficiency of New Zealand e-tailers supply chains. If consumers know they will get reliable service, it can only help to increase online purchase levels.

The chart left shows a breakdown of Weekly Domestic Online spending for December 2013 (light bars) and December 2014 (dark bars). We have also isolated the three days just before Christmas (blue bars). We've excluded spending on groceries and liquor as these are often big, last minute purchases.

As we showed in the top line numbers, there was a healthy increase in spending at domestic sites in December. This analysis shows that a lot of the extra activity happened in the week of Christmas Day.

Reports can be downloaded here:

www.bnz.co.nz/onlineretailindex and www.marketview.co.nz/our-reports/

For technical notes, please refer to one of our "Quarterly update" reports.

For details on how our measure compares with other studies of online sales in New Zealand, please refer to the "Quarterly update" report we released in February 2014.

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