

# BNZ Online Retail Sales Report



Monthly Update: June 2015 online retail sales

Focus topic: Interview with Craig Jordan of The Warehouse Group

## International online purchases very much on the rise - despite the weaker New Zealand dollar

- Total online retail spending in June was up 19% compared to June 2014 levels, with double-digit annual growth in purchases at both local and international sites.
- Spending at international sites followed a strong May with an even stronger June, with spending up 29% on June last year. The New Zealand dollar was particularly weak compared to the same month a year ago - down 19% against the US dollar and 12% against the UK pound. This is making overseas goods more expensive, (which partly contributes to the higher spending figure), but underlying volumes are continuing to rise regardless.
- Online spending at local merchants in June was up 12% on the levels a year earlier – stronger than the recent trend and outpacing the growth in spending at physical stores (c.6%, based on electronic card transactions)<sup>^</sup>.

## Entertainment Media, Specialised Food, and Pharmacy and Cosmetic categories continue recent strength

| Growth in total online spending (vs same month last year) |   |
|---|---|
| 28%   | Groceries & Liquor (incl health food and supplements)       |
| -16%  | Furniture, Housewares and Hardware                          |
| 26%   | Electrical & Electronic goods (incl computers & appliances) |
| 24%   | Recreation, Toys, Games, Entertainment media, Books         |
| 21%   | Clothing, Footwear and Accessories                          |
| 4%  | Daily Sales (at specialist sites)                           |
| 19%   | Variety, Department and Other*                              |
| 31%   | Pharmacy, Cosmetics, Stationery, Antiques, Flowers          |

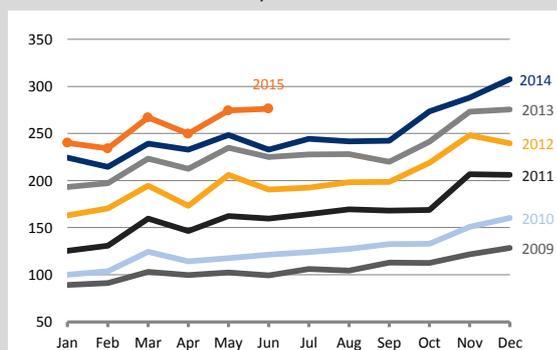
- The increase in the “Groceries” category continues to be mainly driven by the “Other Specialised Food” component (which includes supplements), at both international and domestic merchants.
- The Electrical, Entertainment Media and Cosmetics category groups are also showing solid growth at both local and international sites.

Please note that the monthly volatility in consumer spending means we need to be careful not to draw conclusions on wider trends from a single month’s figures.

\* 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.

### Total Online Retail Sales Index

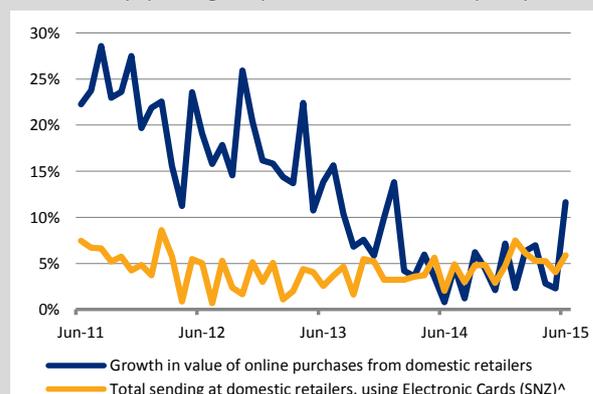
January 2010 = 100



Source: BNZ, Marketview

### Domestic Retailers: Online sales vs Total sales using cards

Monthly spending compared to same month in prior year



Source: BNZ and Marketview (online data); Statistics New Zealand (Electronic Cards data).

<sup>^</sup>Using Statistics NZ data 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.

| Growth Rates                                | Total Online Index |        |        | Domestic Online Purchases |        |        | International Online Purchases |        |        |
|---|--------------------|--------|--------|---------------------------|--------|--------|--------------------------------|--------|--------|
|   | Apr-15             | May-15 | Jun-15 | Apr-15                    | May-15 | Jun-15 | Apr-15                         | May-15 | Jun-15 |
| Month ended >>>                             |                    |        |        |                           |        |        |                                |        |        |
| Monthly spending vs Same month prior year   | 7%                 | 10%    | 19%    | 3%                        | 2%     | 12%    | 14%                            | 23%    | 29%    |
| 3-monthly average vs Same period prior year | 9%                 | 10%    | 12%    | 5%                        | 4%     | 5%     | 15%                            | 19%    | 22%    |

**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 Craig Jordan, The Warehouse Group's Chief Digital Officer

As well as informing readers on the way Online Spending is changing, we also like to bring in the views and insights of some of the leading players in the e-commerce market. This month Marketview was very fortunate to speak with Craig Jordan, Chief Digital Officer at The Warehouse Group and ask him about being an omni-channel retailer.

### Interview Transcript

prepared by



#### **Craig, how did the Warehouse decide to move into the online space? Was there a 'light bulb' type moment that led to that decision?**

Not really a lightbulb moment, just a steady move in that direction – in response to following our customers, so that they can shop in all the ways that they want to.

We've had an online presence for quite a long time. A number of years ago we began investing in multi-channel opportunities in tandem with re-investment in our stores. Now we've gone a step further with our digital strategy which sees each store integrating physical and an online sales channels. And the Group has a small online only presence with Shop HQ and Shotgun supplements.

The philosophy hasn't changed which is about ensuring we follow our customers and provide the range of options for them to research, buy and fulfil when they want, where they want.

#### **The purchase of Torpedo 7 seems like a really smart way of learning the online business faster (most people DIY it). Is there anything you can tell us about that decision and the learnings you have been able to apply across the business?**

Bringing T7 into the Group was an important milestone because of its breadth of category, and yes, it was partly motivated by a desire to have a leading player in the online space as part of the family.

We've learned a lot about fulfilment and other aspects of the business during this process. But let me stress again that, in the case of T7, by merging with R&R Sport we've actually added a physical store network to the business to complement the online business.

Our goal is to be the best at 'clicks and bricks', in other words an integrated physical and online offer, and T7's success is a good example of this, proving

that online brands can grow into a more traditional space as well as the other way around.

#### **This is a shift from mass marketing to micro marketing. The Warehouse traditionally has been a mass market retailer. Online offers the opportunity of building one:one relationships. How have customers responded to the change? Do they have different expectations now?**

Yes, and this is an exciting part of the digital story. Beyond offering online researching and buying as well as a physical store network, our digital strategy is also about getting to know our customers better, so that they can customise and personalise what they want from us, and our service to them improves as a result.

Customers have responded enthusiastically. They want to be notified more personally when we have deals or offers that interest them, and be allowed the choice of where they buy or get an online order delivered too. A good example is click and collect – which can only be offered because we have both an online presence and a store network.

One change with the digital world is that customers want things more quickly. Sometimes delivery or fulfilment of an online purchase can take time or might miss someone at home. Click and collect means that for some customers near a major store, they can buy online and collect the item as soon as it's available. Endless aisles is another good example of using digital to further our store servicing of customers. In a smaller store, customers need not leave the store without finding what they want. If it's not in stock, they can ask any team member to order the item at checkout and have it either sent to the store for collection, or delivered to home.

**Is online 'embraced' internally or seen as more of a bolt on? How has being online changed the Warehouse?**

Embraced, very much embraced. Our online business began – and this is going back many years – as a separate business unit, as was often the case in our industry. Today it's very much part of each of our retailers.

So the digital aspect of each business is now integrated into the business concerned – be it The Warehouse, Warehouse Stationery, Noel Leeming or Torpedo 7. Our retailers now don't think of online customers as different customers. We know that customers want an easy, well-supported shopping experience no matter how they are choosing to browse and purchase.

We want the brand experience of our customers to be as good across any sales channel. Our team understands this and is embracing this approach.

**Do you see your competition domestic or international retailers?**

It's both. The NZ retail market is extremely competitive, and we relish this challenge. Kiwis have the opportunity to shop offshore as well as onshore when it comes to shopping. Kiwis have long been inveterate travellers able to buy technology or other products duty free on their travels. So while online shopping has broadened this competition – it's not entirely new.

*We hope you found this interview to be of interest.*

*We'd also like to take this opportunity to thank Craig for his time in contributing to this month's issue.*

In the end it will come back to the quality of our offers, our products and services, the shopping experience and proximity to customers, and that is where we need to head.

**Torpedo 7 now has a physical presence. Does this mean bricks and clicks has an advantage over pure plays?**

Yes, we think there are some very real advantages and this appears to be the global trend, which isn't to say that pure plays won't work in some areas. But if you look across a number of markets you can see that there are many categories in which bricks and clicks is doing better than pure play. Customers use many channels, and will continue to, and we need to continually respond to their needs and their changing purchase journey.

.....

## Reports can be downloaded here:

[www.bnz.co.nz/onlinetailindex](http://www.bnz.co.nz/onlinetailindex) and [www.marketview.co.nz/our-reports/](http://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 released in February 2014 and the report on May 2014 online sales released on 2 July 2014.

## For more information, contact:

---

**Gary Baker**

Director, Institutional Research, BNZ

+64 9 924 9353

+64 21 436 763

**Stephen Bridle**

Managing Director, Marketview

+64 4 472 1991

+64 274 740 141

---



## BNZ Disclaimer

The information in this document (Information) is provided for general information purposes only. The Information does not constitute, in any jurisdiction, any advice, recommendation, opinion, guidance, offer, inducement or solicitation with respect to the purchase or sale or any financial product or the engaging (or refraining to engage) in any transaction. The Information is governed by, and is to be construed in accordance with, the laws of New Zealand and any dispute or claim arising from, or in connection with, the Information is subject to the non-exclusive jurisdiction of the courts of New Zealand. To the extent that any Information could constitute financial advice, it does not take into account any person's particular financial situation or goals. Any statements as to past performance do not represent future performance. The Information may contain forward-looking statements that may be based on certain assumptions. Actual events may differ from those assumed. All forward-looking statements included are based on information available on the date hereof and no Relevant Person assumes any duty to update any forward-looking statement. Accordingly, there can be no assurance that any forward-looking statements will materialise or will not be materially worse than those presented. The Information may include estimates and projections and involves elements of subjective judgement and analysis.

None of BNZ or any of its directors, officers, employees, agents, advisers or contractors (each a Relevant Person) provides any legal, tax, accounting, financial or other advice in respect of the Information. Anyone proposing to rely on or use the Information should obtain independent and specific advice, including (without limitation) legal, tax, accounting and financial advice, from appropriate professionals or experts, and should independently investigate and verify, and reach their own conclusions in respect of, the Information. No Relevant Person gives any representation or warranty, express or implied, that any of the Information is accurate, reliable, complete, current or reasonable, and no Relevant Person undertakes to update the Information. To the maximum extent permissible by law, each Relevant Person disclaims all liability and responsibility for any loss, damage, cost or liability whatsoever suffered or incurred by any person directly or indirectly resulting from the content of or any omission from the Information (including by reasons of fault, negligence, negligent misstatement or otherwise). Where the Information is provided by a specific author in this document, that Information is the personal view of the author and does not necessarily reflect the views of BNZ.

National Australia Bank Limited is not a registered bank in New Zealand.

## Marketview Disclaimer [interview transcript]

The interview transcript has been produced by Marketview. The analysis, conclusions and views expressed in this transcript have not been verified by and do not purport to represent the views of BNZ.

While every effort has been made in the production of this transcript, BNZ and Marketview Limited are not responsible for the results of any actions taken on the basis of the information in this transcript and expressly disclaim any liability to any person for anything done or omitted to be done by any such person in reliance on the contents of this transcript and any losses suffered by any person whether direct or indirect, including loss of profits.