

BNZ Online Retail Sales Report

Monthly Update: May 2014 online sales

Focus Topic: Online spending by Rural and Urban New Zealanders



Growth in online retail sales continues to ease

The drop in momentum observed in recent months continued into May

- Total online spending in May 2014 was up 7% on May last year. This is a respectable growth rate, but not as fast as we saw last year, when most months were turning in double digit annual growth rates. The underlying trend (based on a three month moving average of the seasonally adjusted series) has now been fairly flat since February 2014.
- Categories growing particularly strongly in May include “Other specialised food”, “Computers and computer peripherals” and “Housewares”. Sales in the specialist “Daily sales” sector continue to weaken.

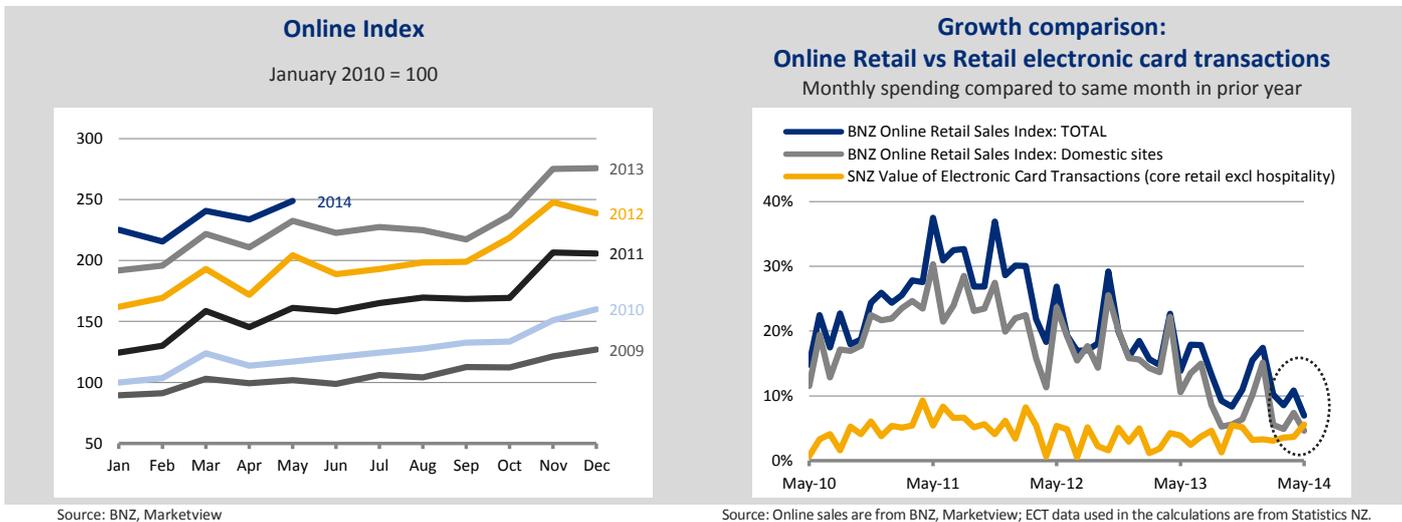
Growth in online purchases at domestic sites appears slightly slower than growth in spending at physical stores

- Spending at domestic online sites is up by 4.6% on the online spending in May last year. In comparison, the value of Electronic Card Transactions reported by Statistics New Zealand for May is up 5.6% on May last year, for retail industries broadly comparable with those used in our online index¹. It is a little surprising that the strong card spending at physical stores is not fully reflected in strong spending at domestic online retailers. However, the two series are not perfectly comparable, and monthly data can be volatile, so we will await further months’ data before drawing conclusions.

Online purchases at offshore merchants 11% higher than May 2013

- Online spending by New Zealanders at offshore retailers has again grown strongly, but the rate of growth is continuing to soften. The split of online retail spending between domestic and international merchants continues to run at approximately 60/40.

¹Using Statistics NZ data for May 2014 for the value of electronic card transactions for “core retail” industries excluding hospitality. These transactions mostly relate to physical stores, but do include an element of domestic online spending.



The table below shows growth rates on a monthly and 3-monthly basis (comparing to the same period in prior year). Again, monthly growth rates can be volatile, so it’s best not to read too much into a single month’s result.

Growth Rates	Total Online Index			Domestic Online Purchases			International Online Purchases		
	Mar-14	Apr-14	May-14	Mar-14	Apr-14	May-14	Mar-14	Apr-14	May-14
Month ended >>>									
Monthly spending vs same month prior year	9%	11%	7%	5%	7%	5%	15%	16%	11%
3-monthly average vs same period prior year	12%	10%	9%	8%	6%	6%	18%	16%	14%

*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: Online spending by Rural and Urban New Zealanders

Introduction

In this section we compare online retail shopping trends for rural and urban New Zealanders.

The identification of consumers as “rural” or “urban” is based on Statistics New Zealand classifications, and more detail on this can be found here:

http://www.stats.govt.nz/browse_for_stats/people_and_communities/Geographic-areas/urban-rural-profile.aspx

Please note that our analysis focuses on “retail” spending, so does not include online purchases from supply companies that primarily service rural industries.

Online retail spending by rural residents is currently growing more quickly than urban

- Online retail spending by rural New Zealanders has grown 20% over the 12 months to 31 March 2014, outpacing the 14% growth rate for urban residents.

Spending by rural residents at offshore merchants has grown particularly fast

- The growth in online retail shopping has been especially strong for rural kiwis buying from international retailers, where spending has increased 27% over the year to March 2014. Urban residents increased their online spending at offshore merchants by 20%.
- The annual growth in online spending at domestic retailers was 17% for rural kiwis and 11% for urban kiwis.

The shares of online spending are commensurate with the rural/urban population split

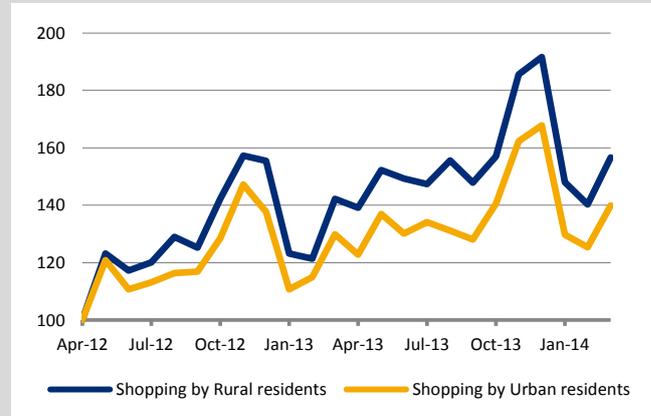
- Rural New Zealanders comprise 13.6% of the country’s population and are responsible for 13.3% of the online retail spending.

Rural residents do more of their online shopping at domestic merchants than urban shoppers do.

- 67% of online retail spending by rural kiwis has been at domestic merchants’ websites.
- For urban shoppers, 61% of their online retail spending has been at domestic sites.

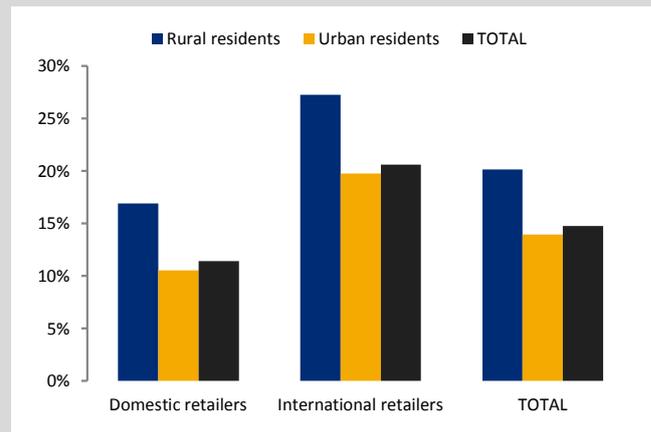
Trends in Online Retail Sales: Rural and Urban residents

Indexed to April 2012 = 100



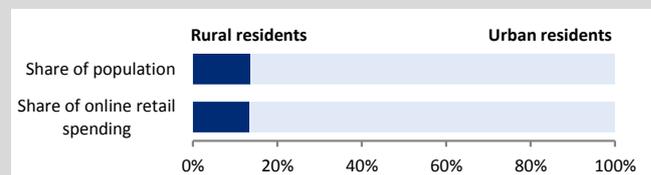
Annual growth in online retail spending

By retailer location and domicile of consumer. Year ended 31 March 2014



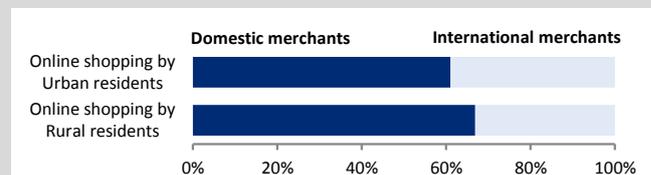
Share of online retail sales by domicile of shopper

Based on annual spending for year ended 31 March 2014



Online retail sales by retailer location

Based on annual spending for year ended 31 March 2014



Data sources for the above four charts:
BNZ, Marketview for online spending data. Statistics New Zealand for population data.

Differences between BNZ and Nielsen online spending measures

With the recent release of Nielsen's annual report on online retail spending in New Zealand, we thought it timely to recap on some of the differences between the Nielsen measure and the measure we use in the monthly BNZ Online Retail Sales report¹, to assist readers working with online retail data.

- The BNZ measure of online spending is \$2.8 billion for the 12 months ended 31 May 2014 (excl GST).
 - This measure includes only items in the retail sector as defined by Statistic New Zealand's (SNZ's) ANZSIC Division G ("Retail Trade"), excluding fuel, autos and parts, and marine.
 - It does not include ANZSIC Division H items ("Accommodation and Food Services"), which are reported alongside Division G items in SNZ's quarterly Retail Trade Survey.
 - It does not include other areas of consumer spending - such as airline tickets, movie tickets and contact lenses - because these are not counted in Statistics New Zealand's Retail statistics.
- Nielsen² report NZ online spending of \$3.8 billion in 2013 and provide an estimated figure of \$4.15 billion for 2014 (we are uncertain of the GST treatment).
 - This measure includes consumer spending in additional categories to ANZSIC Division G. For example: accommodation, airline tickets, entertainment tickets and car hire.
- The difference in treatment of travel spending has a significant impact. A rough estimate using our data puts annual online spending on consumer air travel, travel agency, accommodation and car rentals at approximately \$1.4 billion (including GST on purchases from domestic merchants).
- A key strength of the BNZ measure is its very large sample size (several hundred thousand cardholders). However, although the Nielsen survey has a smaller sample size, it is able to ask survey respondents very detailed questions.

It is important to note that each measure has been designed for a different purpose – which is why their scope varies.

References

1. From a more comprehensive discussion of the differences between various measures of NZ online retail sales, please refer to our report released on 28 February 2014, available here: <http://www.bnz.co.nz/onlineretailindex>
2. The press release regarding the latest Nielsen report is available here: <http://www.nielsen.com/nz/en/insights/news/2014/kiwis-online-shopping-sprees.html>

For more information, contact:

Gary Baker

Director, Institutional Research, BNZ

+64 9 924 9353

+64 21 995 435

Stephen Bridle

Managing Director, Marketview

+64 4 472 1991

+64 274 740 141



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.