BNZ Online Retail Sales Report

Quarterly in-depth update. Annual sales push past $3 billion.

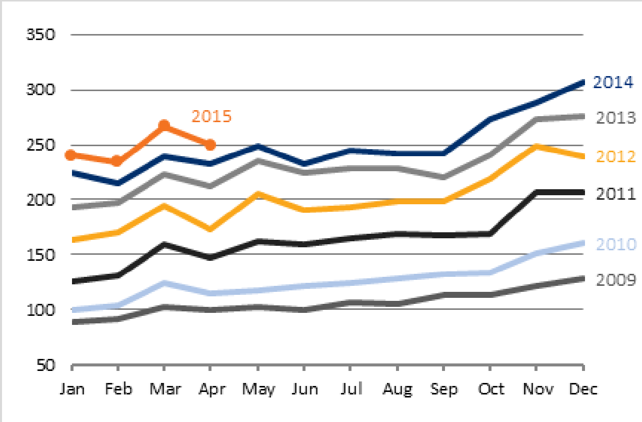
3 June 2014

Highlights

- New Zealand's online retail spending now exceeds $3 billion per year.
- Total online spending by Kiwi's rose moderately in April and was 7% higher than in April last year. There was a dip in spending between March and April, but this is a typical seasonal occurrence.
- The value of online spending at domestic merchants was up 3% on spending in the same month last year. Bricks and mortar stores showed slightly higher growth - the value of Electronic Card Transactions reported by Statistics New Zealand (SNZ) for April was up 5% on April last year (for retail industries broadly comparable with those used in our online index).
- Online purchases from international merchants continue to show double-digit growth, with spending up 14% on April last year.
- The online sales split between domestic and international merchants was approximately 58% vs 42% for the month of April; and 59% vs 41% for the 12 months ended April. Over the past year international merchants have gained 2½% market share.
- For the 12 months to 31 March 2015, online retail sales across the categories we monitor* represented 6.4% of retail spending reported by Statistics New Zealand, for equivalent categories. If we exclude the grocery and liquor sectors from both the official retail figures and our Index, online spending is equivalent to around 9.7% of traditional retail sales.

NZ Online Retail Sales Index

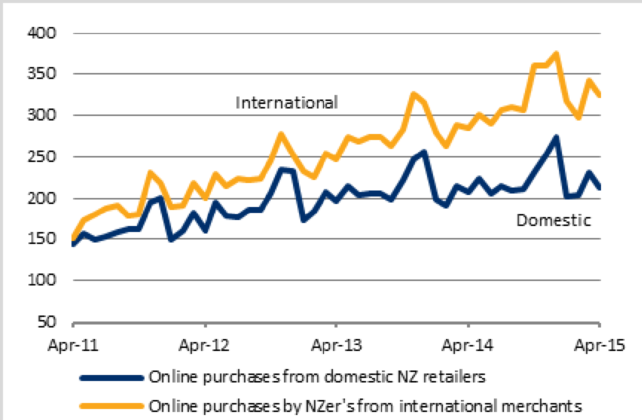
January 2010 = 100



Data source: BNZ/Marketview

NZ Online Retail Sales Index by retailer location

January 2010 = 100



Data source: BNZ/Marketview

Annual growth versus same period prior year

	3 Months ended			Month ended		
	Feb-15	Mar-15	Apr-15	Feb-15	Mar-15	Apr-15
Total Online Index	9%	9%	9%	9%	11%	7%
Domestic purchases	5%	5%	5%	6%	7%	3%
International purchases	16%	15%	15%	13%	18%	14%

Data source: BNZ/Marketview.

**General data notes: Online sales data is sourced from BNZ and Marketview. Traditional retail sales data is from Statistics New Zealand quarterly releases.*

For both data sets, the figures we use in this report 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 approx. $45 billion.

March quarter buoyant for both online and traditional retail spending

- Across the categories we monitor, officially reported retail sales in the March 2015 quarter (which are mostly bricks and mortar stores) were up by 5.8% on the same quarter a year earlier.
- Total online retail sales for the same period were up 9% on the level a year ago.

Online sales equivalent to 6.4% of reported retail sales; 9.7% if we remove groceries and liquor

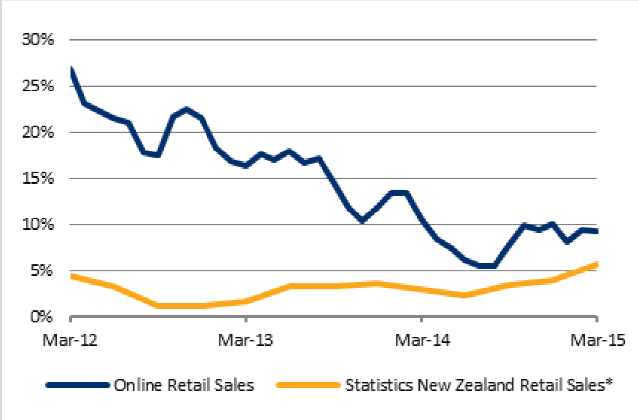
- Comparing with the latest figures reported in Statistics New Zealand's Retail Trade Survey (RTS), online retail spending for the 12 months ended 31 March 2015 was equivalent to 6.4% of reported retail sales.
- Excluding the grocery and liquor sectors from both the RTS and our Index, we estimate the remaining online spending equivalent to around 9.7% of traditional retail sales.

Growth in Australian online spending tracking just under 10% p.a.

- For measuring online retail sales in Australia we use the NAB Online Retail Sales Index, which incorporates a very similar retail category set to that used in our Index.
- For the first 3 months of 2015 Australian online spending has been running at levels between 8% and 9% higher than it was a year earlier.
- All categories except Daily Deals recorded growth in online sales in Australia in March. Growth in Personal and Recreational goods accelerated, and Media and Homeware have maintained double digit growth. Electronic Games and Toys experienced a significant decline in growth (8.2% year-on-year March vs 21.6% yoy February), although this sector can be volatile.
- Australian online retail sales for the 12 months ended March 2015 were at a level equivalent to 6.9% of spending at traditional bricks & mortar retailers.

Growth in online retail sales vs reported retail sales*

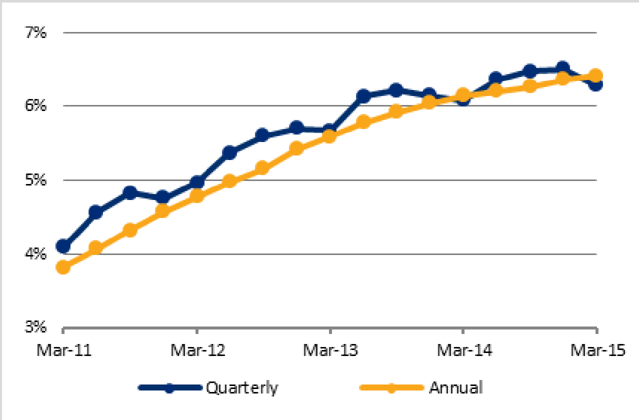
Quarterly spending compared to same period in prior year



**Official retail sales statistics are sourced from Statistics New Zealand*
Online data is from BNZ/Marketview.

Online as a % of reported retail sales*

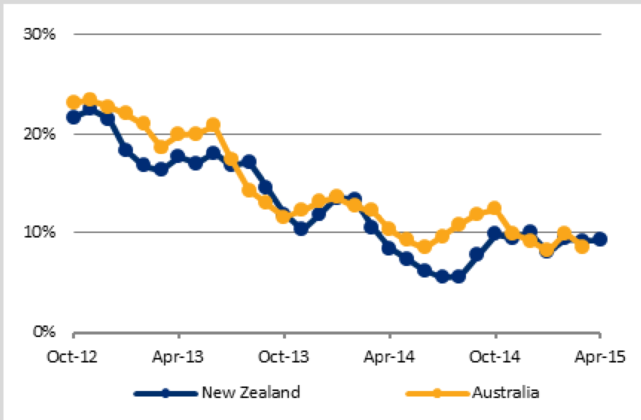
Online retail sales / Traditional retail sales



Official retail sales statistics are sourced from Statistics New Zealand
Online data is from BNZ/Marketview

NZ vs Australia* online growth rates

3 month average compared to same period in prior year



New Zealand data is sourced from BNZ/Marketview. Please refer earlier notes and the Technical Notes section later in this report for a description of what store categories are included in the analysis.

**Australian figures are calculated using index figures supplied by National Australia Bank Limited.*

Growth rate in domestic merchants' physical store sales outpacing their online sales.

- The value of Electronic Card Transactions (ECT) reported by Statistics New Zealand for April is up 5.3% on April last year, for retail industries broadly comparable with those used in our online index ("core retail" industries excluding hospitality).
- This growth rate mainly reflects sales at physical stores and exceeds the 2.7% rise in online spending at domestic retailers compared to April 2014. However, the annual growth rate is 4.3% for online sales by domestic merchants if we exclude "daily deals" sites.
- Using ECT data as a proxy, for 8 out of the last 12 months domestic merchants' physical store sales have grown faster than their online sales (in year-on-year terms).

Electrical and Electronic goods are a key growth category for Kiwis, at both domestic and international merchants

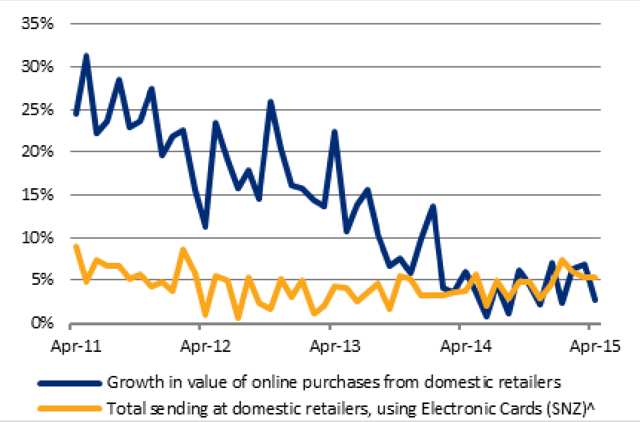
- International merchants continue to enjoy faster online spending growth in NZ than their domestic counterparts.
- The categories "Clothing, Footwear and Accessories" and "Electrical and Electronic goods (incl computers)" are responsible for just over 40% of the growth in New Zealanders' annual online spending at *international* sites.
- If we exclude "Daily Sales" from the mix, then the categories "Groceries, Liquor & Specialised Food" and "Electrical and Electronic goods (incl computers)" are responsible for over 60% of the growth in annual online spending at *domestic* sites.

International merchants' market share continues its upward trajectory.

- In the month of April 2015 the online sales split was approximately 58% for domestic merchants versus 42% for international merchants (as charted to the left).
- For the 12 months ended April, the ratio was approximately 59% for domestic merchants versus 41% for international merchants. International merchants have made a market share gain of 2½% over the last 12 months.

Domestic Online vs SNZ Electronic Card Transactions*

Monthly spending compared to the same month in prior year

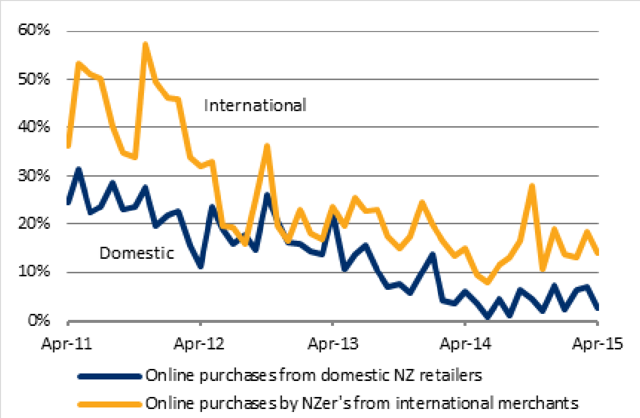


*"SNZ" refers to official figures released by Statistics New Zealand. The SNZ ECT data used is for core retail excluding hospitality. Growth rate calculations performed by BNZ.

Online sales data is from BNZ/Marketview.

Growth in online sales by retail location

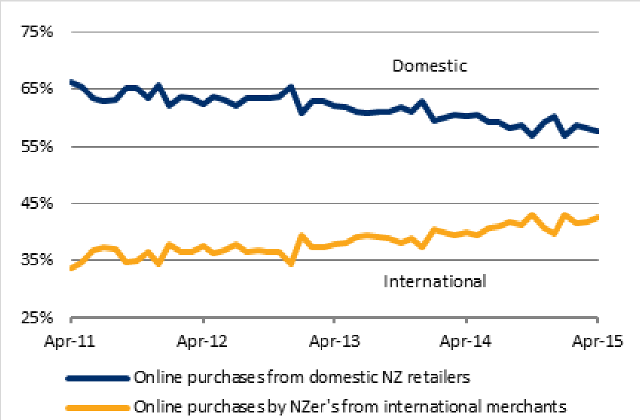
Monthly spending compared to the same month in prior year



Data source: BNZ/Marketview

Share of online sales by retail merchant location

Monthly shares



Data source: BNZ/Marketview

Groceries and Electrical goods increase their share of the online spending basket…..

- The main change in the composition of online spending over the past 12 month has been a loss in share for "daily sales" specialists, and gains in share of approximately 1% each for "Groceries & Liquor" and "Electrical and Electronic".
- The spending composition has otherwise been fairly stable over the last 12 months.

…as they continue to enjoy a period of double-digit growth rates

- Comparing online sales in the 3 months ended April with the same period a year earlier:

Groceries and Liquor, etc	+18%
Furniture, Housewares, etc	+5%
Electrical and Electronic, etc	+17%
Entertainment Media, Recreation etc	+10%

- The strength in the Groceries and Liquor grouping continues to be predominantly driven by purchases from domestic retailers. The sub-category, "Other Specialised Food" (which includes supplements) is continuing to show particularly strong growth, for both local and overseas sites.

Diverse growth rates across sectors

- Comparing online sales in the 3 months ended April. with the same period a year earlier:

Clothing, Footwear etc	+10%
Pharmacy, Cosmetics etc	+10%
Variety, Department, Other	+7%
Daily Sales specialists	-14%

- The growth figure for the Clothing category reflects a 7% increase in purchases from domestic sites and a 15% increase in purchases from international sites.
- Sales at the Daily Deals specialist sites continue to decline.

Composition of online spending by sector

Composition of online spending for the 12 months to 30 April 2015

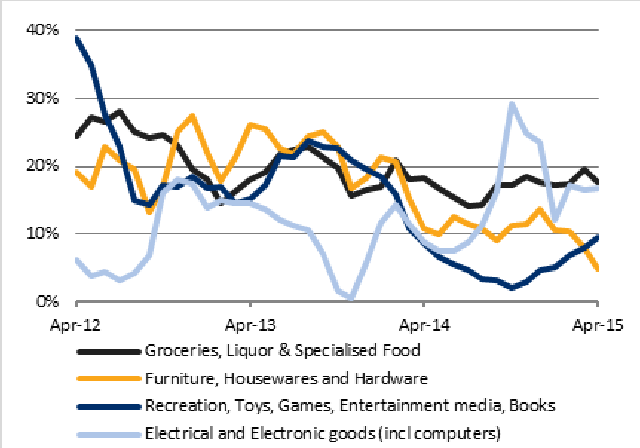
15%	Groceries & Liquor (incl health food and suppplements)
9%	Furniture, Housewares and Hardware
14%	Electrical & Electronic goods (incl computers & appliances)
14%	Recreation, Toys, Games, Entertainment media, Books
12%	Clothing, Footwear and Accessories
5%	Daily Sales (at specialist sites)
26%	Variety, Department and Other*
6%	Pharmacy, Cosmetics, Stationery, Antiques, Flowers

Data source: BNZ/Marketview

**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. Figures may not add to 100% due to rounding.*

Growth in online spending by sector (chart #1)

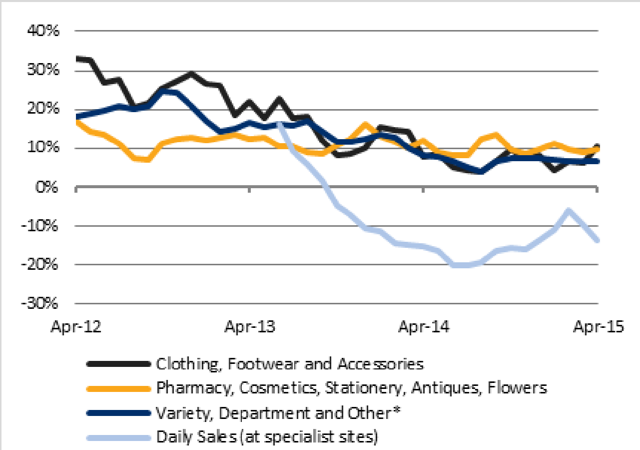
(3 month average compared to same period in prior year)



Data source: BNZ/Marketview

Growth in online spending by sector (chart #2)

(3 month average compared to same period in prior year)



Data source: BNZ/Marketview

Note: Growth rates in the daily sales sector were very high over 2010-2011 (e.g. over 200%), so we've only included that sector's figures from early 2012 onwards, to help readability.

Technical Notes and Q&A

How often do you publish the Online Index?

We currently publish the index monthly in a 1 to 2 page note, with more detailed reports every 3 months.

Will you be providing more detailed analysis in future issues?

Additional breakdowns and analysis may be added over time. We will sometimes take a closer look at topical items of interest, and also review feedback regarding data requests. We don't expect future reports will cover highly detailed market segment or market share analysis, but this can be supplied by Marketview on a bespoke basis.

What retail categories are covered by the report?

Our benchmark when assigning industry categories to retail stores is the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006. This classification system was developed by Statistics New Zealand and the Australian Bureau of Statistics and more details about it are available on their respective websites. We focus on stores in ANZSIC Division G ("Retail Trade") and exclude fuel, motor vehicles and vehicle parts. We also exclude marine equipment retailing (annual sales of just over $300m, according to figures we commissioned from Statistics New Zealand), purely to facilitate like-for-like comparisons with Australian statistics.

All remaining Division G categories are included. These account for annual retail sales of approximately $45 billion (excluding GST) and include the following categories: 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.

Please note that when Statistics New Zealand releases retail figures they include Division H figures in the release publication. Division H includes accommodation and food and beverage food services (e.g. restaurants, takeaways, pubs and taverns) and we don't include these in our online retail sales index.

What online sales are captured by the Online Index and what sales aren't?

Our primary source of information is card payments (credit and debit cards, including the use of online payment services like PayPal).

We also make estimates of Trade Me sales relevant to our retail category set that aren't picked up via card payments. In doing so, we seek to estimate only sales that would count as "retail" spending in official statistics (which would not include household-to-household sales of second hand goods, for example).

The Index includes goods purchased online from New Zealand retailers and goods purchased by New Zealanders from international online stores. Retail online sales are a subset of wider ecommerce spending.

We don't capture online sales using prepaid gift cards or payments made directly into merchants' bank accounts (other than those picked up through our Trade Me estimates).

Are all the online sales you measure included in the retail sales figures reported by Statistics New Zealand?

No, the official Statistics New Zealand figures do not include online purchases bought from overseas merchants, which amount to approximately $1.2 billion in the retail categories we monitor. That's why we endeavour to say "online sales are *equivalent to* x% of reported traditional retail sales", rather than "online sales *are* x% of retail sales".

How good is the underlying data?

Marketview has a 12 year history of analysing and categorising New Zealand spending data and has built up a detailed knowledge of the data it deals with. Furthermore, Marketview and BNZ have conducted a range of sample testing and data reviews in producing the Index.

The BNZ Online Retail Sales Index is compiled from millions of non-cash transactions involving hundreds of thousands of people. However, nothing is ever perfect, and as with any indicator, improvements will be ongoing.

How does the BNZ Online Index compare with other studies of the NZ online retail market?

Please refer to our report published in February 2014 for a detailed comparison of our Index and other NZ online sales measures.

Other online retail studies that we have come across are survey-based snapshots (e.g. annually), often involving a range of detailed questions. Our Index uses actual (rather than surveyed) payment data, across a much bigger population base (hundreds of thousands of people), but with a more narrowly focused parameter set (e.g. it doesn't capture information about what sort of research a person does before they purchase online). We allow for regional and age skews in our data when scaling it up to a measure for the broad economy. Other studies may make similar types of adjustments. We also remove GST from domestic purchases to facilitate comparison with official retail statistics. GST treatment may vary across other studies. We generate a monthly time series, whereas major market surveys are often produced on an annual basis.

Overall, we believe that our Index and other sample surveys both have their place in informing the retail market. We believe one of the key strengths of our Index is that the very large "sample size" of actual online payments helps us produce a robust measure of aggregate online spending across the payment types we cover.

Please note that some online studies produced by other parties may cover "ecommerce" online spending, whereas our data set focuses on "retail". "Ecommerce" captures a much wider set of data (e.g. air tickets, accommodation, cinema tickets, contact lenses) and will result in a much higher figure for online spending. While Marketview has comprehensive data for the wider ecommerce sector and can produce bespoke reports in this area, wider ecommerce is not the focus of our Index.

Reports can be downloaded here:

www.bnz.co.nz/onlineretailindex

www.marketview.co.nz/our-reports/

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About Marketview

Marketview specialises in the management and analysis of depersonalised, debit (EFTPOS) and credit card transactional data. Marketview manages annual transaction volumes of 1 billion transactions and spending worth over $40 billion. We have spending data across a broad range of industries, dating back to 2002. We cover spending at stores, and online transactions with both domestic and international E-tailers.

Working with our data partners, Marketview converts the raw transactions into high quality, precision market intelligence reports. Our services include Market Performance monitoring, Customer catchment definition and valuation, and Consumer purchase behaviour. Reports are available on a subscription basis or through one off projects, tailored to meet specific requirements.

The first Marketview services were launched in association with BNZ in September 2001. Today our reporting services are used by retailers - national chains and independents, central and local government agencies, as well as a range of professional services consultancies.

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