



NAB Online Retail Sales Index

Indepth report – January 2013

Chart 1: Growth in online sales vs. retail sales (%) , yoy

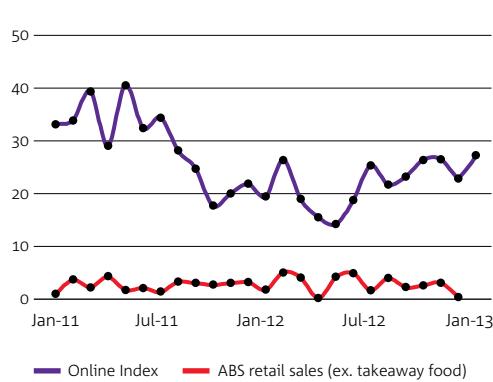


Chart 2: Growth in online sales by retail location (%) , yoy

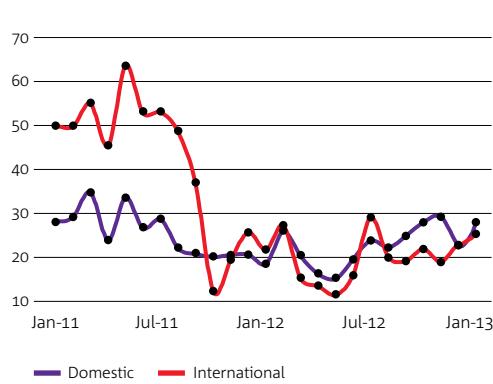


Table 1. Key online retail statistics

	Index points			yoy growth (%)		
	Nov 12	Dec 12	Jan 13	Nov 12	Dec 12	Jan 13
Online Index	241.0	227.0	202.2	26.5	22.8	27.2
Domestic sales	235.8	219.1	193.9	29.2	22.7	27.9
International sales	257.5	251.7	228.6	18.9	22.8	25.3

All data is non-seasonally adjusted (nsa). Online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS). Analysis is provided by NAB Group Economics.

■ A snapshot of the key findings in the latest NAB Online Retail Sales Index reveals that online continues to shape the Australian marketplace. Online retail sales rose to an estimated A\$13 billion in the year to January 2013 and is now equivalent to 5.8% of traditional bricks and mortar sales (excluding food). Growth remains strong, up 27% year-on-year in January 2013, even though January is typically a weaker month for the online sector (chart 1). Softer spending patterns follow a pre-Christmas rise in sales in November. The January 2013 results highlight a stronger post Christmas period than in January 2012. Online remains much stronger than traditional retail (up just 0.4% year-on-year in December 2012, on a non-seasonally adjusted basis).

Trends in the individual sub-sectors of online retailing remain divergent, with Household Goods & Electronics showing above average growth over the last three months, particularly in November 2012 – coinciding with the launch of the Apple iPad Mini and MacBooks with retina display – after a long period of underperformance. The index for this sub-sector moderated in January, though is considerably higher relative to last year.

Those aged in their 30s and 40s remain the key demographic for online spending, while Western Australia's share of spending continues to rise, as the state outpaces the rest of the nation in growth terms.

– Alan Oster, Group Chief Economist, NAB

■ It's clear that our domestic retailers are now fully comprehending the potential of the online retail channel. Our latest Online Retail Sales Index reveals that this constituency, who account for almost three quarters of sales, have continued to record strong growth in recent months and outpace international sales growth (chart 2). Domestic sales increased by 28% year-on-year in January, compared with 25% year-on-year for international retailers.

The key for retailers is to ensure their online offering complements and supports their core business. Successful retailers are providing their customers with alternative ways to shop. In return, the retailer can generate additional sales activity not based on store-wide heavy discounting. Retailers are also adopting live inventory management techniques to fulfil sales and enhance stock turnover.

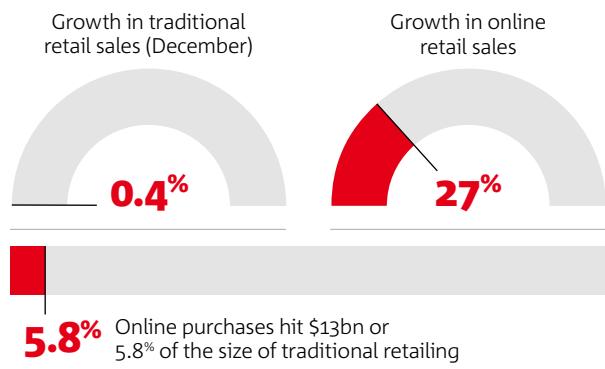
The changing landscape means tools that clients can use to help shape their customers' experiences are more important than ever – we remain committed to providing the insight and understanding that helps transform the retail market.

– Tiernan White, Retail Sector Head & Head of NAB Corporate (NSW)

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At a glance

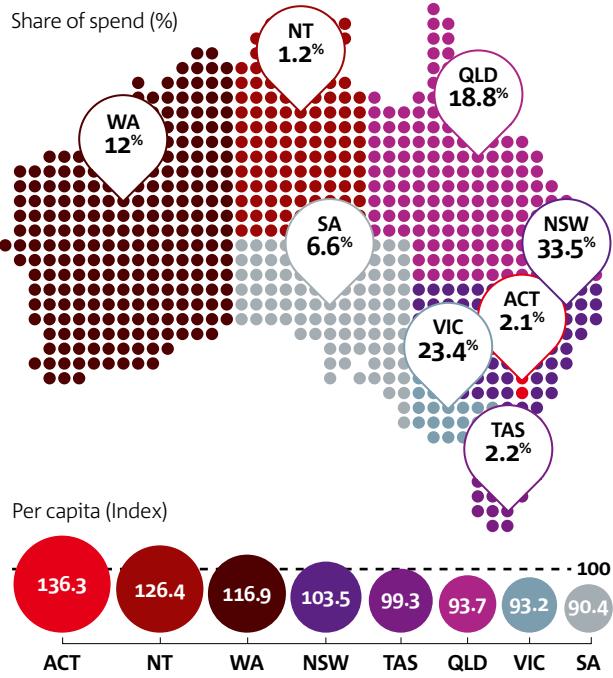
Traditional vs online (nsa, January yoy)



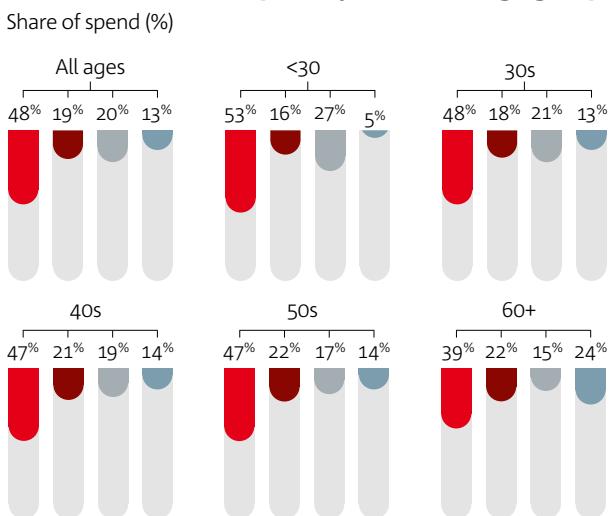
Domestic vs international (nsa, January yoy)



Share of spending by state



Share of total online spend by sector and age group



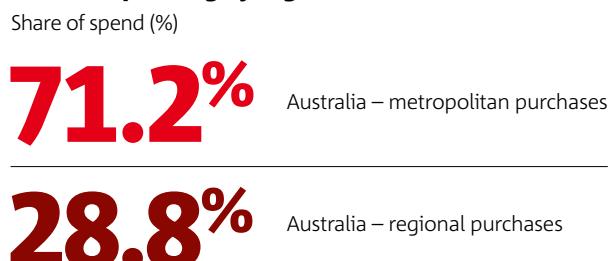
Sector 1: Online Auctions, Department Stores, Fashion, Cosmetics, Variety Stores

Sector 2: Home, Furniture, Appliances, Electronics

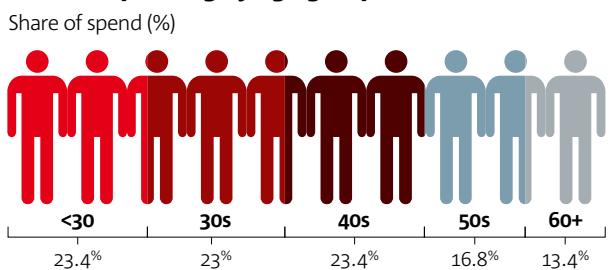
Sector 3: Recreation, Toys, Games & Hobbies, Music, Movies, Books

Sector 4: Groceries, Liquor, Specialised Food

Share of spending by region



Share of spending by age group



Seasonal softness in January is evident in the decline in the index

NAB's Online Retail Sales Index fell in January 2013 – down to 202 points from 227 points in December 2012 (chart 3). This trend is consistent with observed seasonal patterns over the last few years, with January typically a weaker month, with softer spending patterns post Christmas.

For the 12 months to January 2013, Australia's total online retail spending was \$13.0 billion.

This level of spending remains relatively small when compared with retail sales from the traditional bricks and mortar sector. For the 12 months to December 2012, traditional retail sales* totalled \$222 billion. As a result, online sales are equivalent to around 5.8% of the traditional sector.

The composition of online and traditional sales remains markedly different. When food & beverages are excluded from both series, the share of online sales increases to 9.6% (up from 9.1% in October) (see page 4).

Growth rates remain strong after late 2012 peaks

In January 2013, the growth in online retail sales was 27% year-on-year. Though off a much larger base, the growth rates for the traditional retail sector are far more modest – with an increase of just 0.4% year-on-year in December (on a non-seasonally adjusted basis) (chart 4).

In seasonally adjusted terms, the growth rate for traditional sales was a little stronger in December 2012, at +1.9% year-on-year.

* Traditional retail sales defined here excludes cafés, restaurants and takeaway food to create a like-for-like comparison.

"The unseasonal growth in eCommerce in January illustrates consumers' increasing confidence in doing their holiday shopping online."

Tony Davis, Quantum

Chart 3: Online index vs. retail sales

(nsa, monthly)

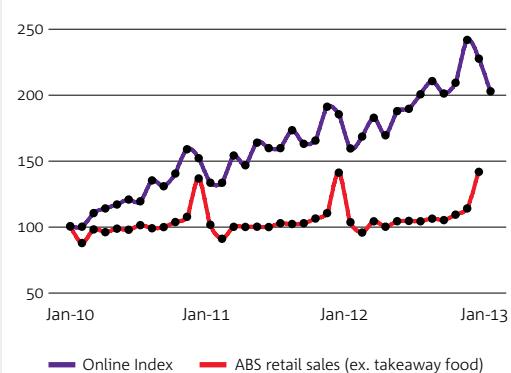


Chart 4: Growth in online sales vs. retail sales (%), (oy)

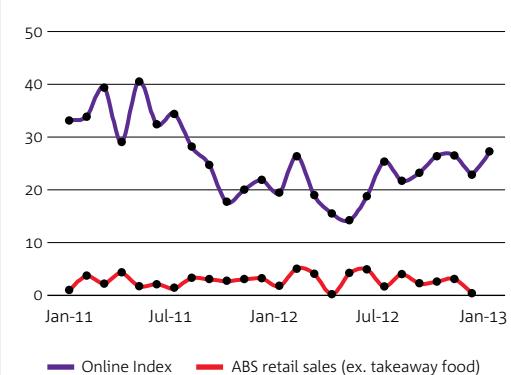
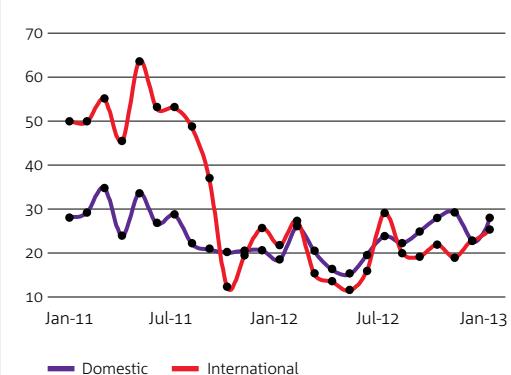


Chart 5: Growth in online sales by retail location (%), (oy)



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Chart 6: Online index by retail location

(nsa, monthly)

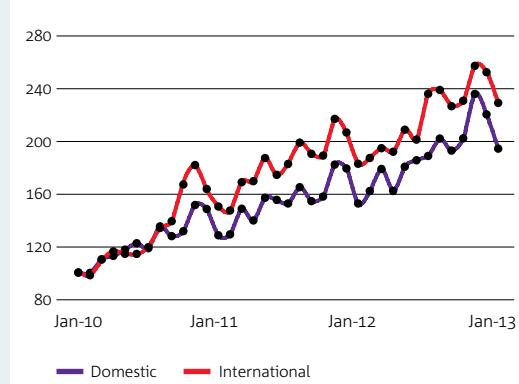


Chart 7: Share of online sales by retail location

(nsa, monthly)

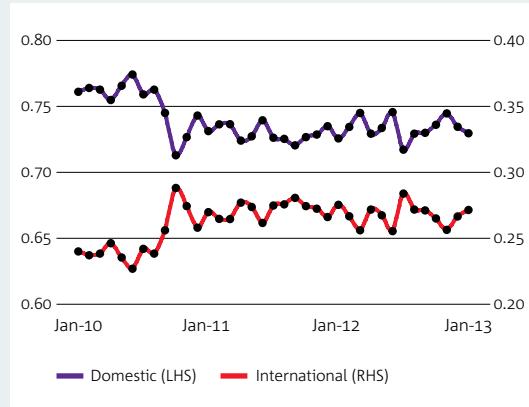
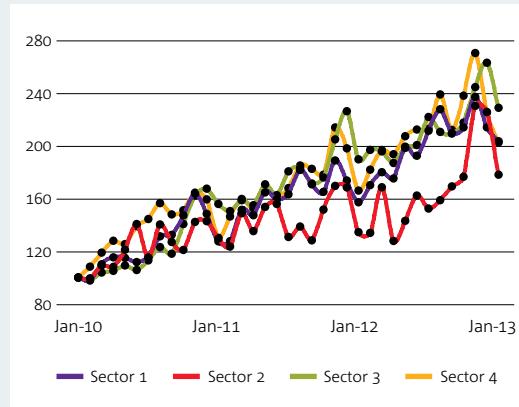


Chart 8: Online index by category

(nsa, monthly)



Growth in online still led by domestic retailers

Domestic online retailers have continued to record strong growth in recent months – outpacing international sales growth in January 2013 – a trend that has generally been evident over the last six months.

Domestic sales increased 28% year-on-year in January, compared with +25% year-on-year for international retailers (chart 5).

As we have previously detailed, the disparity between domestic and international growth rates over the first half of 2011 was related to a one-off surge in international sales in late 2010.

International and domestic indices in close correlation as both show a seasonal dip

Both the international and domestic indices pulled back in January 2013 – as noted above, this is a seasonal trend, with lower levels of spending post-Christmas. The international index was at 229 points (from 252 points in December), while the domestic index dipped from 219 points to 194 points (chart 6).

Following a small spike in the international index in July 2012, both the international and domestic indices have moved in relatively close correlation.

The domestic share of sales is slightly softer, but remains dominant

Domestic retailers – who are defined in our index as those that are Australian for tax purposes – continue to control the dominant share of Australia's online retail sales (chart 7). Over the last few months, the share has edged slightly lower – albeit well within the typical range of the last two years – at 73% (down from the recent peak of 74% in November 2012).

Sector 2 (Household Goods & Electronics) underperformed in 2012, but was a key driver of growth over the last three months

Share of total spend in 12 months to January 2013

- 48%** **Sector 1.** Online Auctions, Department Stores, Fashion, Cosmetics, Variety Stores.
- 19%** **Sector 2.** Home, Furniture, Appliances, Electronics.
- 20%** **Sector 3.** Recreation, Toys, Games & Hobbies, Music, Movies, Books.
- 13%** **Sector 4.** Groceries, Liquor & Specialised Food.

	Sector 1	Sector 2	Sector 3	Sector 4
Under 30s	53%	16%	27%	5%
30s	48%	18%	21%	13%
40s	47%	21%	19%	14%
50s	47%	22%	17%	14%
60+	39%	22%	15%	24%

Note: Totals may not sum to 100% due to rounding.

Trends in the individual sub-sectors of online retailing remain divergent – particularly between Sector 2 (Household Goods & Electronics) and the other categories (chart 8). From mid 2011, we've observed a relative underperformance in this sector – with growth rates consistently weaker than average until November 2012. The last three months have seen above average growth rates for the sector (particularly in November) – which is unusual by past standards. Though growth year-on-year has remained strong in January, the index has come off somewhat (chart 9). This spike in growth coincided with the launch of the iPad Mini and MacBooks with retina display in early November.

For the other sectors, growth rates have exhibited relatively similar trends over the last few months, with a peak in October and subsequent decline. In January however, there was a rebound in growth, particularly in Sector 1 (Auctions, Departments & Fashion).

Chart 9: Online index growth by category
(%, yoy)

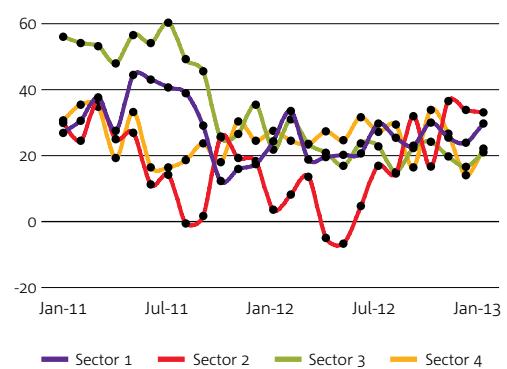
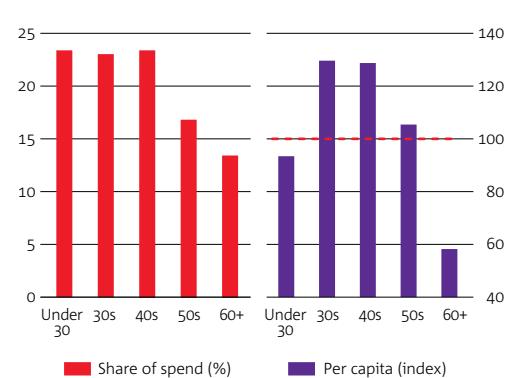
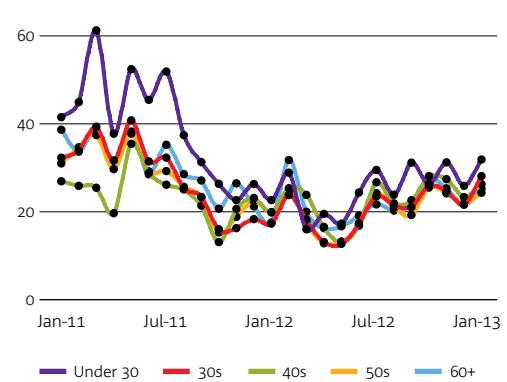


Chart 10: Share of spending by age group
(year to January 2013)



Under 30 consists of ages 18 to 30.

Chart 11: Growth of spending by age group
(%, yoy)



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Chart 12: Share of spending by state

(year to January 2013)

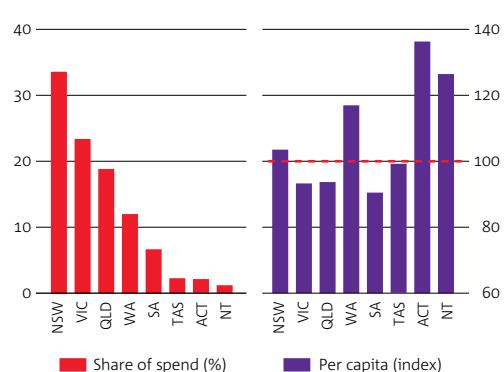
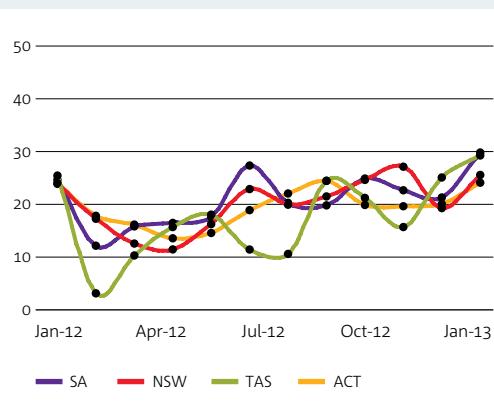
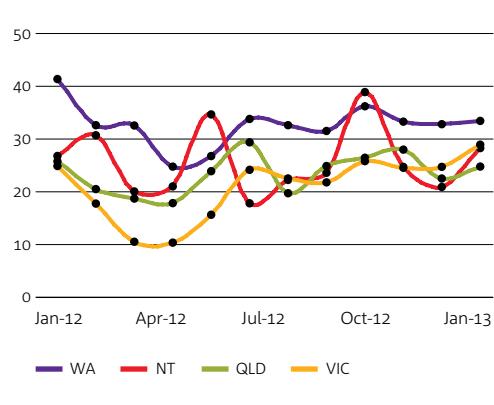


Chart 13: Growth of spending by state

(%, yoy)



Purchase trends remain markedly different by individual age groups (chart 11). Over the 12 months to January 2013, those aged under 30 spent considerably more than the national average on Sector 1 (53%) and less on Groceries, Liquor & Specialised Food (Sector 4, just 5%). Those aged between 30 and 60 – who account for the largest share of spending on a per capita basis – are broadly in line with the average spending by sector. In contrast, those aged over 60 have a larger than average spend on Sector 4 – almost double the national average.

The composition of sales by category remains quite different between the traditional and online sectors. In 2012, Food & Beverages accounted for around 47% of traditional sales, compared with just 13% of online sales. While online sales are equivalent to around 5.8% of the traditional bricks & mortar sector, online sales in Sectors 1, 2 and 3 account for around 9.6% of non-food & beverage sales.

Little change to share of per capita spending – remains dominated by those in their 30s and 40s; growth marginally stronger for under 30s

Over the last year, there has been minimal change in the share of total online spending by age group – with the largest shares being among those aged under 30 and those aged in their 30s and 40s, with each of these groups accounting for around 23% of the total. Similarly, the per capita share of spending by age group has remained stable – with the strongest levels of per capita spending concentrated in the 30s and 40s age groups, while under 30s continue to record below average spending levels.

Across age groups, in growth rate terms, the under 30s have slightly outpaced other segments over the last 3 months.

“The launch of new digital devices in late 2012 flowed through to strong sales in the category.”

Tony Davis, Quantum

Western Australia's share of spending continues to rise, as the state outpaces the rest of the nation in growth terms

With the exception of Western Australia (WA), there has been minimal change to the relative levels of per capita spending by state (chart 12). The per capita index for WA was at 117 points for the year to January 2013 – up from 115 points in October 2012 – indicating that on average WA residents spent 17% more than the national mean. Spending also remains stronger than average in the ACT and Northern Territory (136 points and 126 points respectively), and comparatively weak in South Australia, Victoria and Queensland.

Growth in online sales in WA has remained consistently among the strongest across the country over the last year – with the rate easing slightly to 33% year-on-year in January, well above the trends for other states (chart 13).

Regional WA continues to outpace the rest of the country in per capita spending, while regional Victoria lags

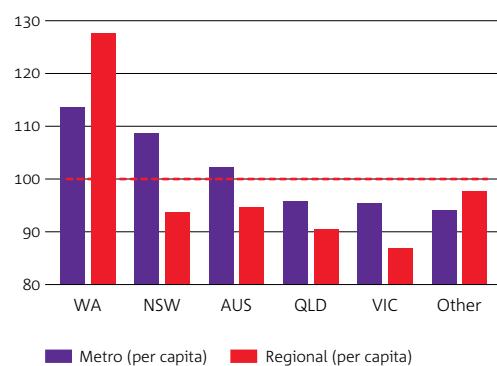
The majority of online spending continues to be concentrated in metropolitan areas – with metropolitan residents accounting for 71% of total spending in the year to January 2013 (chart 14). Growth rates for the two regions have tracked closely over the last three months – resulting in the same shares in January that were recorded in October 2012 (chart 15).

The split between metropolitan and regional per capita spending remains divergent around the country – with the strong trends for spending in regional WA continuing, at 128 points (from 126 points previously). This implies that regional Western Australians spend 28% more online than the national average. It should be noted however, that this group accounts for only around 3.4% of total online spending. In contrast, regional Victoria records the weakest level of per capita spending – at 87 points. ■

*Note: Metropolitan NSW includes the ACT in this series.

Chart 14: Share of spending by region

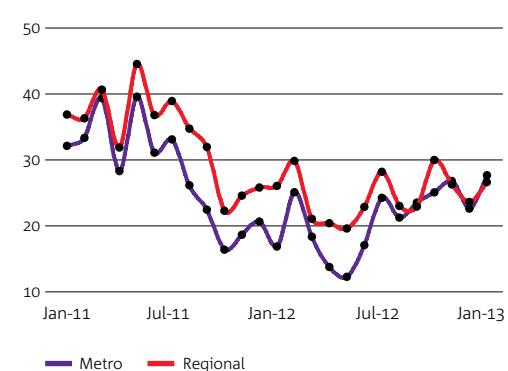
(year to January 2013)



*Note: Metropolitan NSW includes the ACT in this series.

Chart 15: Growth of spending by region

(%, yoy)



About Quantum

Quantum is Australia's leading data analytics and marketing strategy firm. Quantum has worked with NAB for more than 4 years, assessing de-identified transaction data to derive insights, trends and shopping habits of different customer groups. The resulting analysis forms Market Blueprint and is used by NAB and other businesses to drive innovation and business performance through customer, distribution and marketing strategies. www.quantium.com.au





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