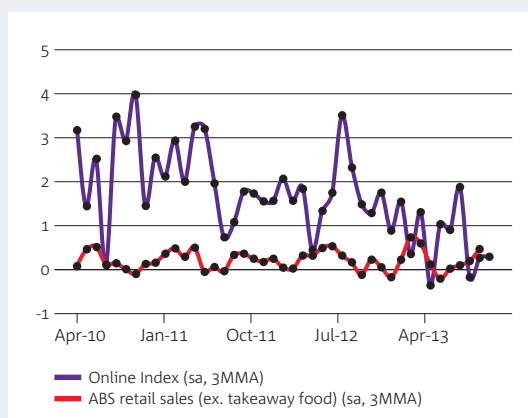




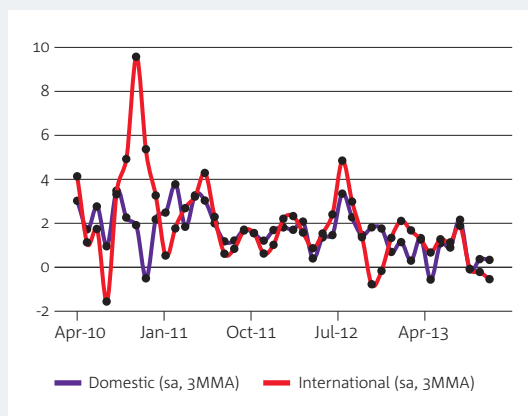
# NAB Online Retail Sales Index

## Indepth report – October 2013

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



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



**Table 1. Key online retail statistics**

	yoy growth (%)			mom growth (% sa, 3MMA)		
	Aug 13	Sep 13	Oct 13	Aug 13	Sep 13	Oct 13
Online Index	9.2	10.7	10.6	-0.2	0.3	0.3
Domestic sales	9.5	10.5	9.6	-0.1	0.4	0.3
International sales	8.5	11.2	13.1	-0.1	-0.2	-0.5

\*3MMA is a three month moving average

Data is seasonally adjusted (sa) where specified, with a leap year adjustment made for February 2012. Non-seasonally adjusted online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS).

■ Australia’s online retail spending has continued to grow, increasing to \$14.4 billion for the year to October 2013, a level equivalent to 6.4% of traditional retail spending. Domestic retailers continue to control the largest share of online sales – at around 73%.

That said, there has been a significant slowdown in sales growth across the past three months, with a slight contraction in August and only very modest increases in September and October. It is interesting to note that growth over this period was weaker than the traditional bricks & mortar retail sector and well below the strong trends across most of the period from 2010 to mid-2013.

These trends have been highly mixed at the sub-sector level. Conditions for online retailers in the Media category have remained strong and there has also been growth in the Groceries & Liquor and Homewares & Appliances categories. In contrast, trends over the past three months have been weaker in the Daily Deals, Recreational & Personal Goods, Fashion and Toys & Electronic Games categories, with falling sales in these sectors during this period.

I hope you enjoy our latest insights into this rapidly evolving sector.

**Alan Oster, Group Chief Economist, NAB**

■ The world of retail is nothing if not changeable. Our NORSI data is invaluable to retailers who want to track just how spending patterns are changing across age groups, sectors and according to season.

The data also shows some important changes in bigger picture trends. In the October edition of NORSI, for example, it has become clear that the Daily Deals sector has been struggling, with growth falling -3.7% in October. This reflects what appears to be a global change in consumer behaviour, with fewer buyers apparently responding to the avalanche of daily deal emails that were so popular such a short time ago.

The online environment is clearly still the domain of the 35-44 age group. This group has the largest share of spending, outbuying the national average by a substantial 34%. The over 65s spend 51% less online than the national average – reflecting relative comfort levels with technology.

The granularity of this kind of information is critical for retailers who are focused on targeting their product to certain demographics. That’s why we’re so committed to providing the insights that can explain the landscape for retailers.

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

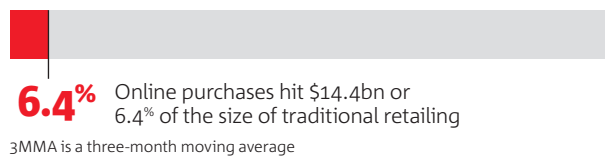
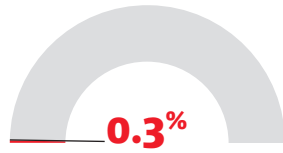
## At a glance

### Traditional vs online (sa, 3MMA, October mom)

Growth in traditional retail sales (September)

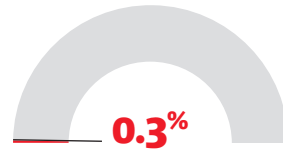


Growth in online retail sales



### Domestic vs international (sa, 3MMA, October mom)

Growth in domestic online retail sales

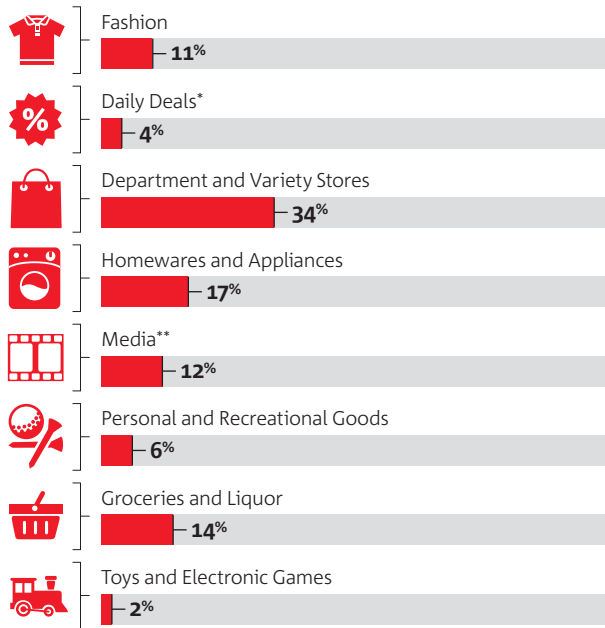


Growth in international online retail sales



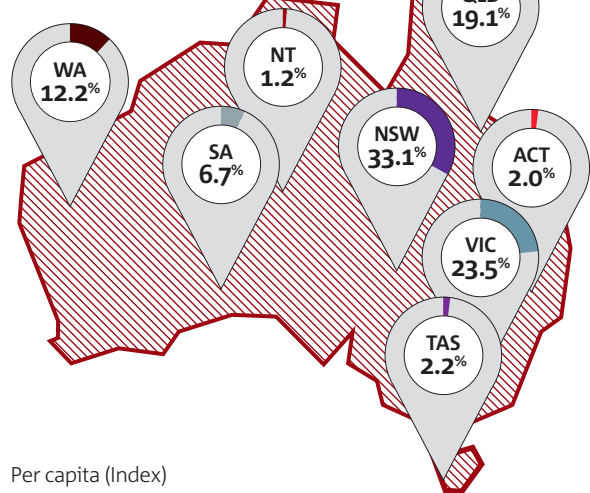
### Share of total online spend by sector

Year to October share of spend (%)

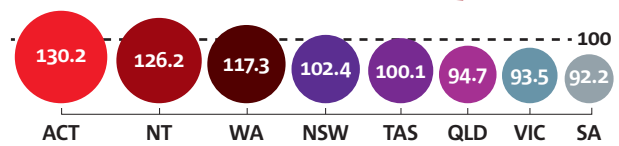


### Share of spending by state

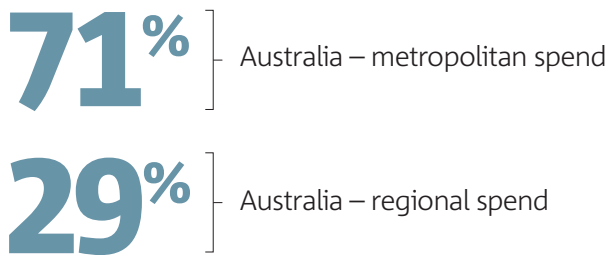
Year to October (%)



Per capita (Index)

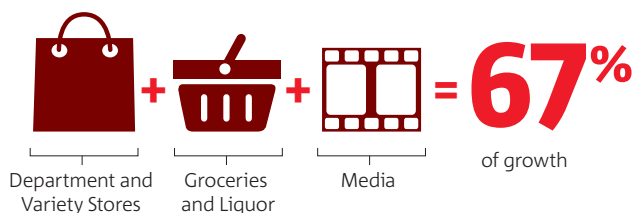


### Share of spending by region



### Main contributors to growth in online retail sales

Year to October (%)



\*Daily Deal sites release for sale a single product or range of products every day. \*\*Media comprises Movies, Books and Music.

## Online sales relatively soft in recent months; Sales in October marginally higher than level in July

In the 12 months to October 2013, Australians spent \$14.4 billion on online retail – a level that is equivalent to around 6.4% of the traditional bricks & mortar retail sector (which totalled \$226 billion in the year to September 2013).\*

NAB's Online Retail Sales Index edged higher in October, increasing to 235 points (on a seasonally adjusted basis), from 230 points in September (Chart 3).

The index has been relatively soft across the past three months – with the level in October only marginally higher than July 2013 – following a month-on-month contraction in August.

## Slowing growth trends for online – softer than traditional since July

There has been a marked slowing in the growth in online retail sales over the past few months – in stark contrast to the trends between 2010 and 2012.

In October, monthly online retail sales grew by just +0.3% (on a seasonally adjusted, three-month moving average basis).\*\* This level was unchanged from September and a marginal improvement on the -0.2% contraction in August (Chart 4).

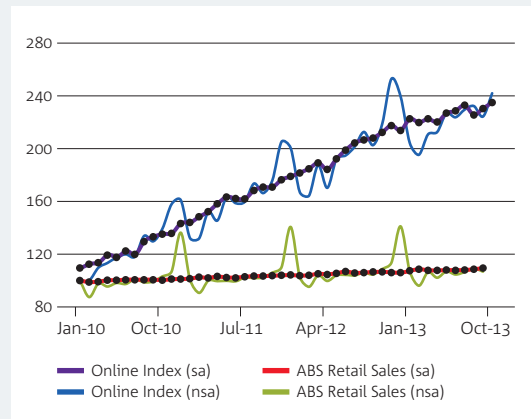
Trends have differed significantly in individual retail sectors – with the modest growth in the three months to October (compared with the three months to July) being driven by Media, Groceries & Liquor and Homewares & Appliances – while sales in Daily Deals, Recreational & Personal Goods, Fashion and Toys & Electronic Games contracted over this period.

Recent months have seen marginally stronger growth for traditional retail sales than the online sector – with traditional sales increasing by +0.5% in September 2013.

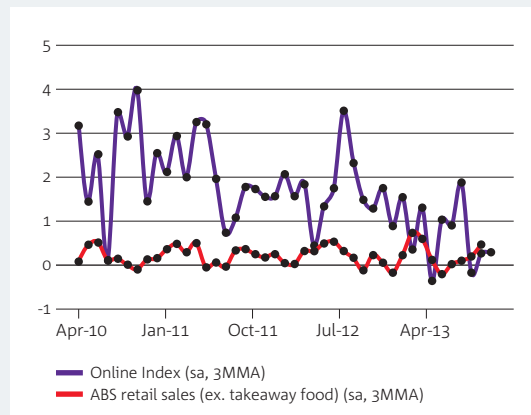
\* Traditional retail sales exclude cafés, restaurants and takeaway food to create a like-for-like comparison.

\*\*Due to volatility in the month-on-month growth rates, these series have a three-month moving average trend applied.

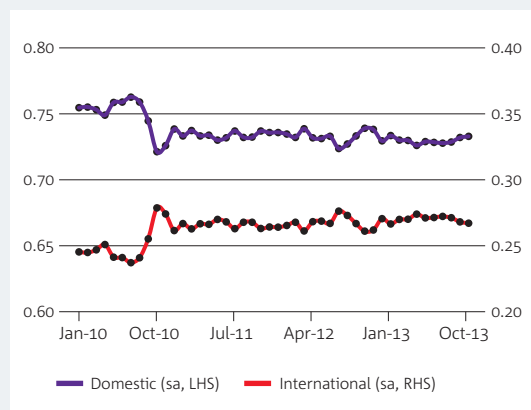
**Chart 3: Online index vs. retail sales**  
(monthly)



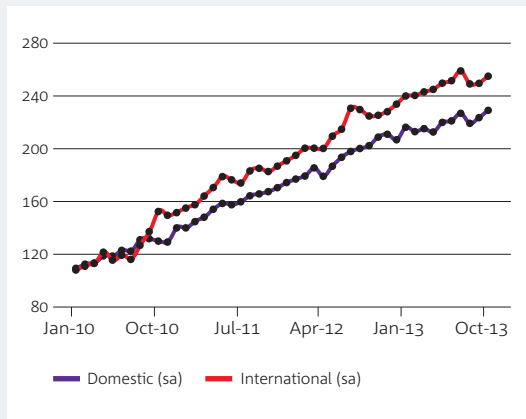
**Chart 4: Growth in online sales vs. retail sales**  
(%, mom)



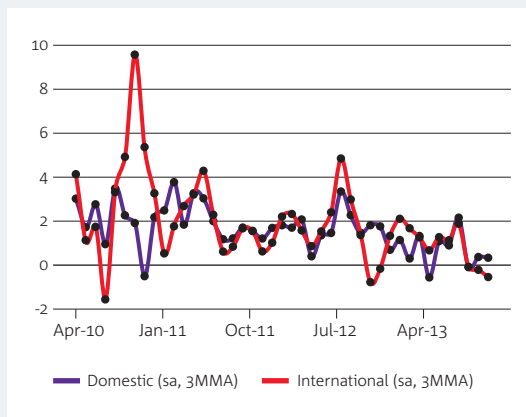
**Chart 5: Share of online sales by retail location**  
(monthly)



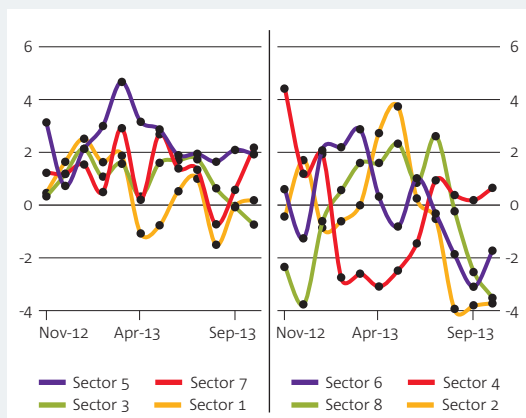
**Chart 6: Online index by retail location**  
(monthly)



**Chart 7: Growth in online sales by retail location**  
(%, mom)



**Chart 8: Growth in online sales by category**  
(%, sa 3MMA, mom)



## Modest increase in the share of sales for domestic retailers

Domestic retailers continue to control the largest share of online retail sales – at around 73% (Chart 5). This share has edged marginally higher across the past few months – reflecting the comparatively weaker growth trends for international retailers over this period.

## International retailers remain below the July peak

In seasonally adjusted terms, domestic and international online sales rose in October – however international sales were lower than the recent peak of July 2013.

The domestic sales index rose to 229 points in October (from 223 points in September), while the international index reached 255 points (from 250 points previously) – below the 259 points recorded in July (Chart 6).

## Recent growth trends weaker for international retailers

Growth rates for international online sales have been particularly weak in recent months – with seasonally adjusted, three-month moving average rates turning negative – down by -0.5% in October (Chart 7).

In contrast, domestic sales have tracked close to the Australian average – rising by +0.3% in October.

The deviation between the two series is relatively modest when compared with the sharp downturn in international sales growth in October 2012 and the surge in October 2010.

*“Domestic online retailers have been increasing their share of the online market, experiencing stronger growth than their international competitors. A significant drop in average transaction sizes, particularly with international retailers in 2013 has contributed to this trend.”*

Tony Davis, Quantum

## Growth trends highly mixed by sector – Media and Groceries & Liquor stronger in October; Daily Deal, Toys & Electronic Games were weaker

### Share of total spend in 12 months to October 2013

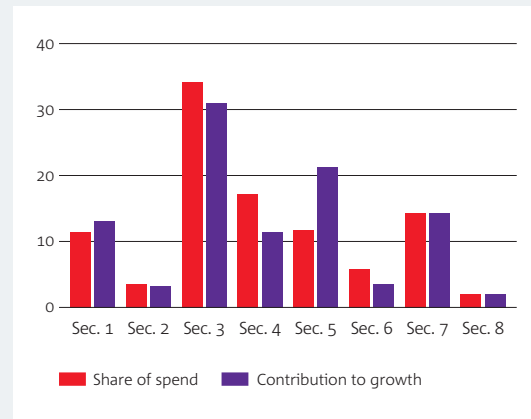
<b>11%</b>	<b>Sector 1</b> Fashion
<b>4%</b>	<b>Sector 2</b> Daily Deals*
<b>34%</b>	<b>Sector 3</b> Department and Variety Stores
<b>17%</b>	<b>Sector 4</b> Homewares and Appliances
<b>12%</b>	<b>Sector 5</b> Media**
<b>6%</b>	<b>Sector 6</b> Personal and Recreational Goods
<b>14%</b>	<b>Sector 7</b> Groceries and Liquor
<b>2%</b>	<b>Sector 8</b> Toys and Electronic Games

	Fashion	Daily Deals*	Department and Variety Stores	Homewares and Appliances	Media**	Personal and Recreational Goods	Groceries and Liquor	Toys and Electronic Games
Under 25s	19%	3%	34%	13%	17%	5%	4%	6%
25-34	13%	4%	35%	15%	13%	7%	11%	2%
35-44	10%	4%	34%	17%	11%	6%	16%	2%
45-54	10%	3%	36%	19%	10%	6%	14%	2%
55-64	9%	3%	34%	20%	9%	6%	18%	1%
65+	7%	2%	29%	20%	8%	5%	28%	1%

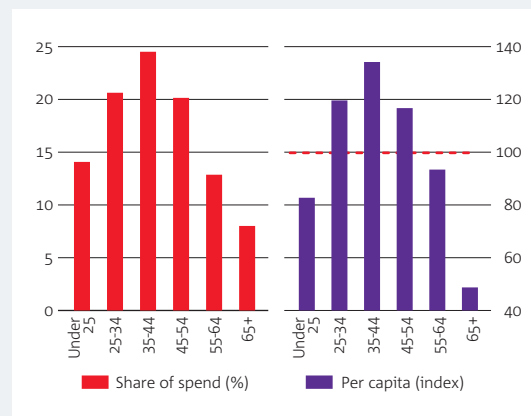
Note: Totals may not sum to 100% due to rounding  
 \* Daily Deal sites release for sale a single product or range of products every day  
 \*\* Media comprises Movies, Books and Music

Growth trends for the individual online categories have been highly divergent over the past three months, with notable declines in Daily Deals (Sector 2) (down by -3.7% in October), Toys & Electronic Games (Sector 8) (which contracted by -3.5%) and Personal & Recreational Goods (Sector 6) (down -1.7%) (Chart 8). In contrast, Groceries & Liquor and Media (Sectors 7 and 5) recorded stronger growth in the month – both increasing by 2.2% and 2.0% respectively.

**Chart 9: Share of spend and contribution to growth** (% , year to October 2013)

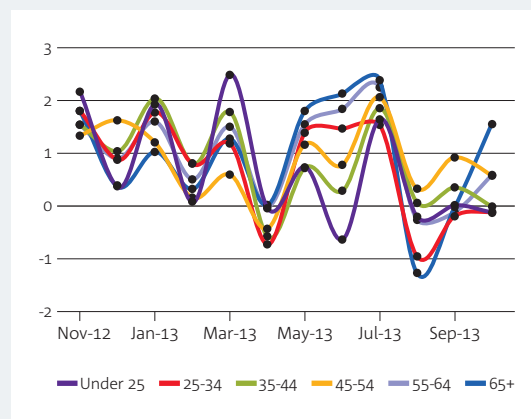


**Chart 10: Share of spending by age group** (year to October 2013)

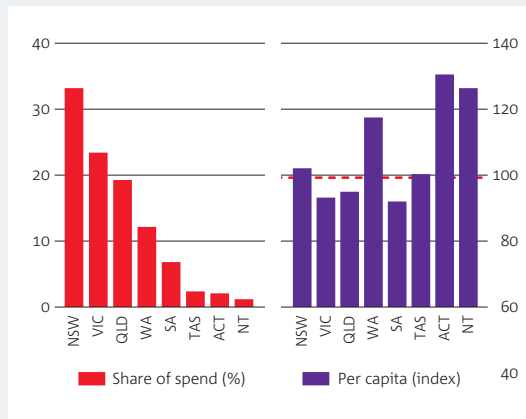


Under 25 consists of ages 18 to 25.

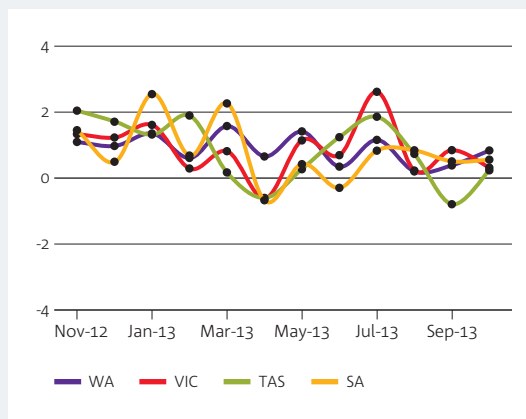
**Chart 11: Growth of spending by age group** (% , sa 3MMA, mom)



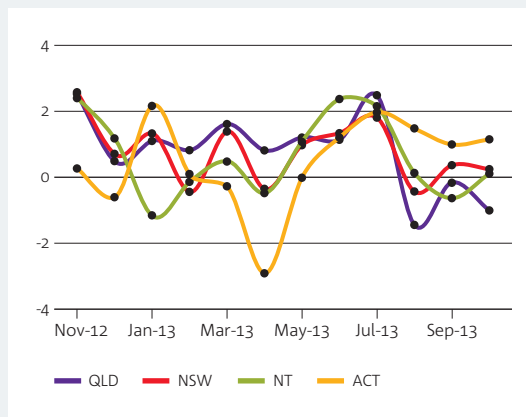
**Chart 12: Share of spending by state**  
(year to October 2013)



**Chart 13: Growth of spending by state**  
(% sa 3MMA, mom)



**Chart 13A: Growth of spending by state**  
(% sa 3MMA, mom)



A recent article in *Time* magazine highlights challenges for the Daily Deals sector globally – noting that fewer consumers are opening daily emails from these retailers, many of whom are seeking to move away from this business model.<sup>1</sup>

In the year to October, the main contributors to the growth in online retail sales have been Department and Variety Stores (Sector 3), Media and Groceries & Liquor – which combined accounted for 67% of the total growth over this period. The weakest growing sectors in recent months – Daily Deals, Toys & Electronic Games and Personal & Recreational Goods – provided the smallest contributions to growth (Chart 9).

The pattern of spending by age group remains largely unchanged – with those aged under 25 spending comparatively more than average on Fashion (Sector 1), Media and Toys & Electronic Games and comparatively less on Groceries & Liquor. Those aged over 65 spend less on Fashion and Department & Variety Stores and more on Groceries & Liquor.

## Online spending remains controlled by those aged between 25 and 54 (particularly between 35 & 44), with the over 65s lagging

The broad trends for spending by age group have remained stable – with the 35 to 44 age group having the largest share of spending, followed by those aged 25 to 34 and 45 to 54. On a per capita basis, the 35 to 44 age group spend 34% more than the national average, those aged 25 to 34 spend 19% more and those aged 45 to 54 around 17% more. In contrast, those aged over 65 spend 51% less online than the national average (Chart 10).

<sup>1</sup> Tuttle, B 2013, 'Why Daily Deal Sites Are Giving Up on Daily Deals', *Time.com*, 12 November, viewed 18 November 2013

Growth rates for each age group slowed from July onwards – however, this decline was less pronounced among the 45 to 54 group – which recorded above average growth over this period. The most volatile rates of growth were in the over 65 group – falling by -1.3% in August and rising +1.5% in October.

### Growth trends mixed by state – stronger rates for ACT, Victoria and Western Australia; Queensland’s growth has lagged in recent months

In absolute terms, the largest share of online spending is controlled by the three largest states, New South Wales, Victoria and Queensland. On a per capita basis, the ACT, Northern Territory and Western Australia continue to record stronger levels of consumption, while South Australia, Victoria and Queensland lag behind (Chart 12).

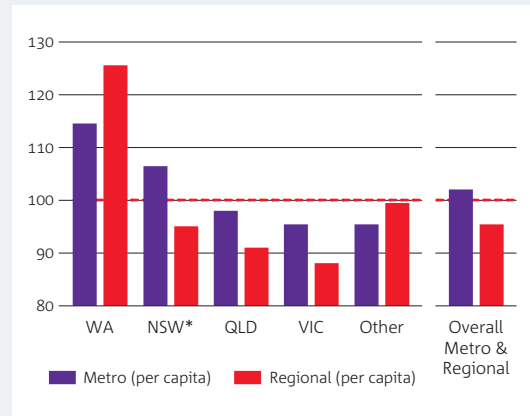
The strongest rates of growth for October were in the ACT and Western Australia (at +1.1% and +0.8% respectively). In contrast, sales declined in Queensland – down -1.0% (following on from a decline of -0.2% in September and a -1.5% fall in August).

### Metropolitan residents typically spend more than regional Australians, but regional Western Australia bucks the trend to lead overall

There was little change to the per capita share of spending by region in October – with metropolitan residents spending 2% more online than the national average and regional residents almost 5% less (Chart 14). That said, there remain some notable differences between individual states – with regional Western Australia continuing to outperform – with spending 26% above the national average. Regional Victoria has the lowest per capita spending – 12% below average.

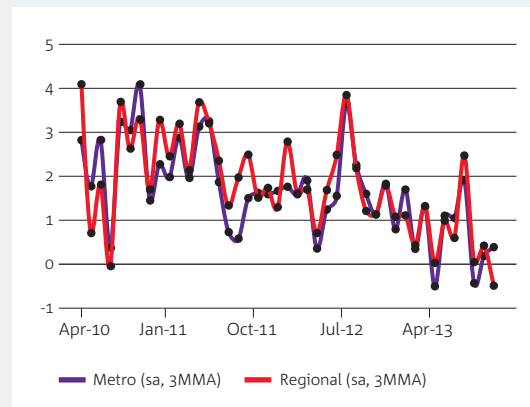
Over the past 12 months, there has been a close relationship between the growth rates for metropolitan and regional sales – with the exception of October, when metropolitan sales increased by +0.4% and regional declined by -0.5% (Chart 15). ■

**Chart 14: Share of spending by region**  
(year to October 2013)



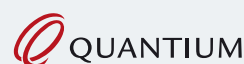
\*Metropolitan NSW includes the ACT in this series.

**Chart 15: Growth of spending by region**  
(%, sa, mom)



#### 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.quantum.com.au](http://www.quantum.com.au)





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