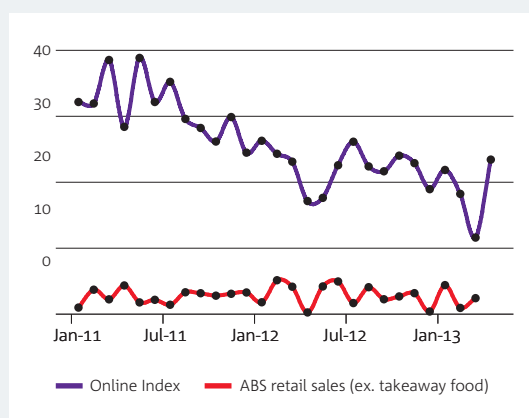




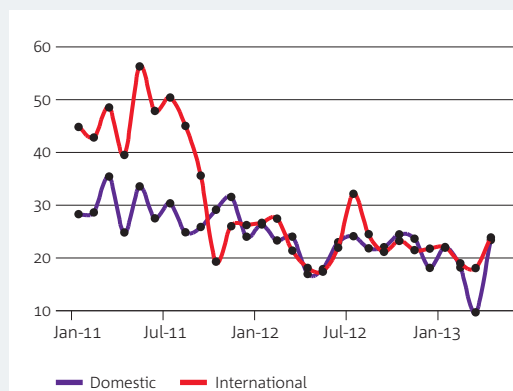
# NAB Online Retail Sales Index

## Indepth report – April 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 (%)		
	Feb 13	Mar 13	Apr 13	Feb 13	Mar 13	Apr 13
Online Index	193.5	208.5	209.4	18.2	11.6	23.4
Domestic sales	187.7	200.8	201.1	17.9	9.4	23.2
International sales	211.3	232.5	234.8	18.8	17.8	23.7

All data is non-seasonally adjusted (nsa) with a leap year adjustment made for February 2012. Online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS).

■ For the year to April 2013, Australians spent \$13.5 billion online – a level that is equivalent to around 6.0% of traditional retail spending.

Online retail sales have continued to grow at a vastly stronger rate than the traditional bricks & mortar retail sector. After a weak March, April saw a rebound in online sales growth – back up to 23% year-on-year – in line with the typical levels we've seen since late 2011. Our analysis shows that the strongest rates of growth this quarter were recorded in Fashion, Daily Deals and Media.

Spending patterns remain quite different between the online and traditional retail sectors and also differ by age group.

The key demographic groups and states for online retailing have remained largely unchanged – with the strongest per capita spending being among those aged 25 to 54 (particularly between 35 and 44) and residents in the ACT, Northern Territory and Western Australia.

This quarter, we unveil some enhancements to the NAB Online Retail Sales Index, which are detailed on page 3. The aim is to ensure that we are providing even more detail about this rapidly evolving sector.

I hope you enjoy our insights.

– Alan Oster, Group Chief Economist, NAB

■ It was encouraging to see a gradual uplift in sentiment among retailers in the April quarter. In the online environment, this translated into much stronger sales – growing at 23% in the 12 months to April 2013 compared to 12% year-on-year in March.

It's no surprise that the share of online spend to traditional spend continues to grow quarter by quarter – at \$13.5 billion for the year to April, it's now at around 6% of the size of traditional retail compared to 5.2% for the same time last year.

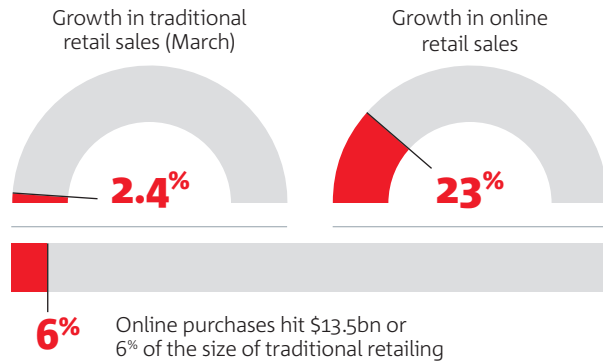
While we're seeing businesses take a multi channel approach by developing an online presence alongside a traditional storefront, growth rates among businesses remains mixed. However, encouragingly online sales have grown by over \$2 billion in the past year, evidence that retailers are becoming more sophisticated in how they engage with their customers.

The future of retail looks positive with good appetite for lending into the sector. Finally, a number of enhancements were made to the Index this quarter including doubling the number of sub-categories from four to eight, and age groups from five to six. The Index will now provide even greater clarity and insights around the structure of the online retail market than ever before.

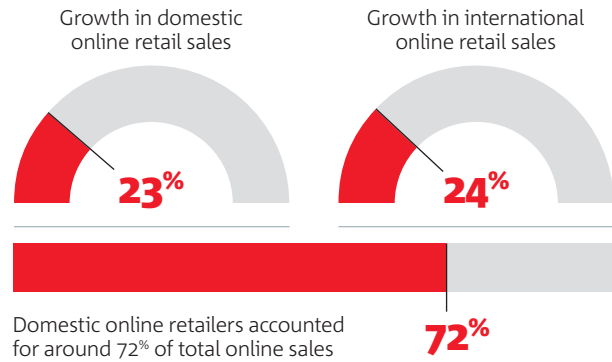
– Tiernan White, Retail Sector Head & Head of NAB Corporate (NSW)

## At a glance

### Traditional vs online (nsa, April yoy)

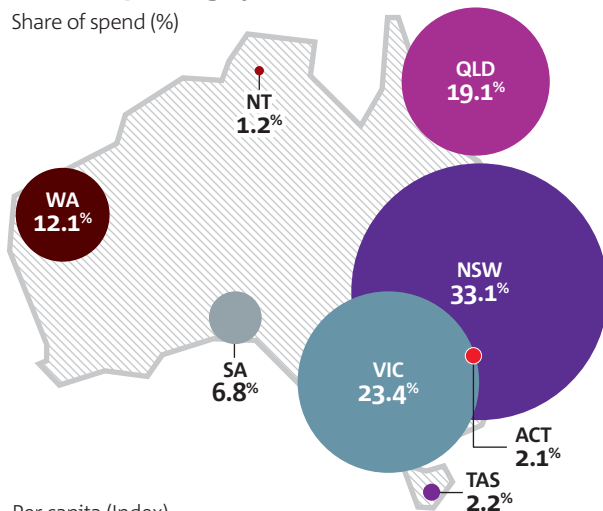


### Domestic vs international (nsa, April yoy)

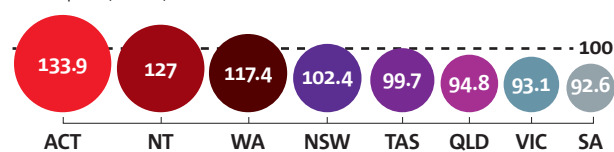


### Share of spending by state

Share of spend (%)

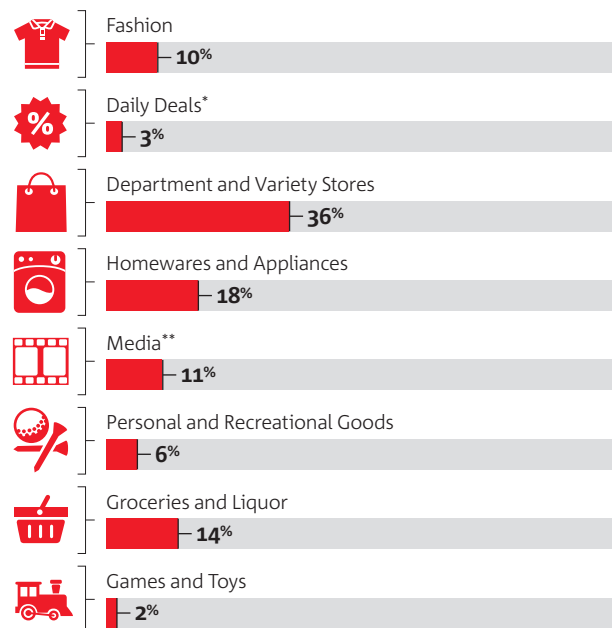


Per capita (Index)



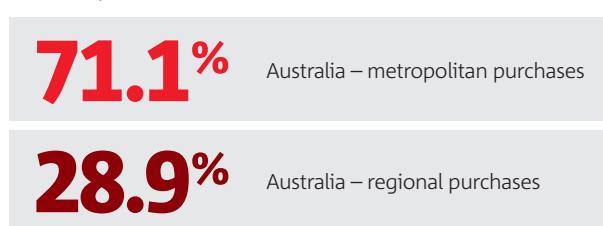
### Share of total online spend by sector

Share of spend (%)



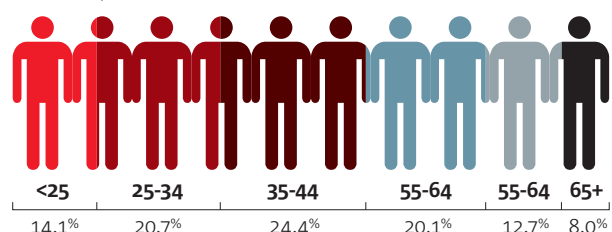
### Share of spending by region

Share of spend (%)



### Share of spending by age group

Share of spend (%)



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

## Revisions to historical sales pushes Christmas higher in 2011 and 2012

This quarter we have made some significant enhancements to our Online Retail Sales Index, particularly the expansion of the number of sub-categories and revisions to history of the index.

The index is constructed using a bottom up approach – with detailed tracking of individual brands within NAB transaction data once sales for these brands pass a threshold. This has been expanded to now monitor approximately 500 brands with over \$2.5 million in annual online sales from \$4.0 million in previous releases.

Brands are continually added to the index, reflecting the fast moving nature of the online retail sector, however the history of the index was previously kept constant. As part of the changes, we will be including the past sales history of newly added brands in the months prior to them passing the threshold, resulting in a more accurate view of performance.

The revisions have only a modest impact for most of the history of the index, however there is an increase around November and December in both 2011 and 2012 – the peak Christmas period in both years.

## Impact of changes in methodology: higher rates of growth in late 2011 and lower in late 2012

The effects of these revisions are more evident in the profile of growth rates over the history of the index.

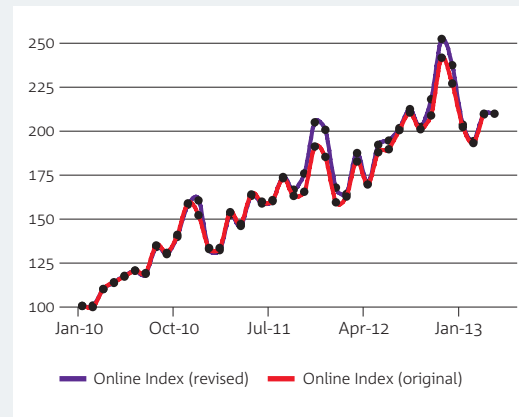
In the case of our previous monthly release in March 2013, the growth rate fell from 15% to 12%.

We will introduce further changes to the index later in the year, when the latest census data is incorporated in the population analysis.

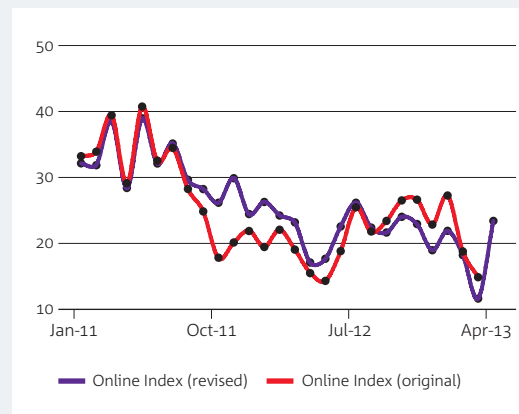
*“Aussie consumers increasing comfort with purchasing Fashion online is reflected in strong sales in the category.”*

Tony Davis, Quantum

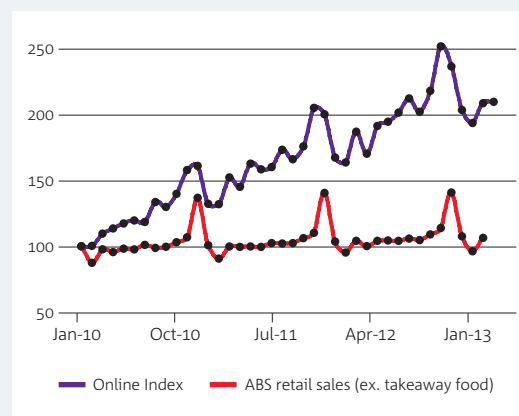
**Chart 3: Revisions to online index**  
(nsa, monthly)



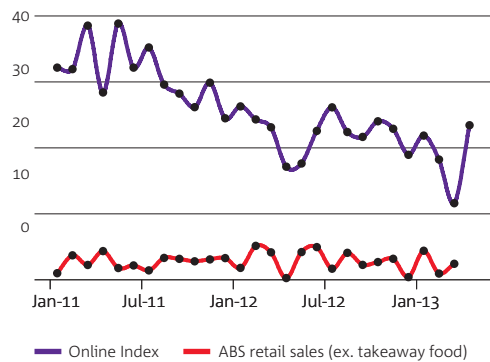
**Chart 4: Revisions to growth in online index**  
(%, yoy)



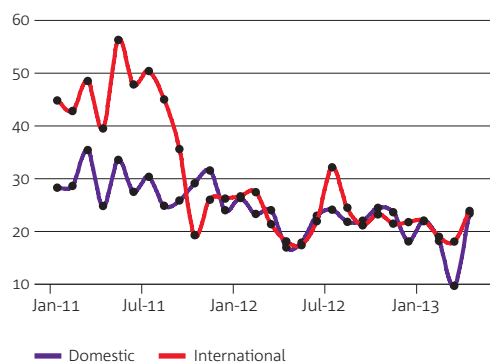
**Chart 5: Online index vs. retail sales**  
(nsa, monthly)



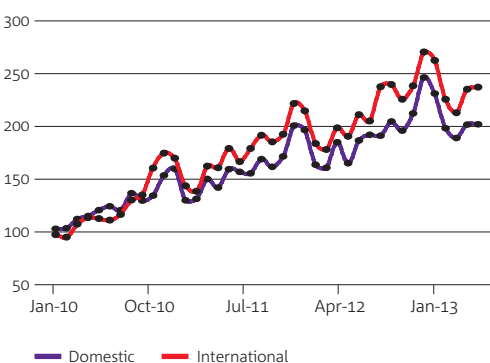
**Chart 6: Growth in online sales vs. retail sales**  
(%, yoy)



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



**Chart 8: Online index by retail location**  
(nsa, monthly)



### Index edges marginally higher in April

There was minimal change to NAB's Online Retail Sales Index in April 2013 – edging slightly higher to 209.4 points, from 208.5 points in March.

In the past two years, April has been a softer month for online sales than March, so this marginal increase serves to highlight the weakness we observed in March.

For the year to April 2013, Australians spent around \$13.5 billion online. This figure is equivalent to around 6.0% of the size of the traditional bricks & mortar retail sector\* – which totalled \$224 billion in the 12 months to March 2013.

There remains a considerable difference in the composition of traditional and online retail sales. Around 47% of traditional retail sales in the year ending March 2013 were accounted for by Groceries, Liquor and Specialised Food – a sector that comprised just 14% of online sales (for the year ending April 2013) (see page 6).

### Growth for online rebounded in April after a weak March

Growth in online retail sales rebounded in April – after a weak March – increasing by +23% year-on-year (up from a revised +12% in March).

As discussed in our previous monthly report, March 2013 lacked the release of flagship tablets, which boosted online sales in both March 2011 and 2012.

Growth in April was within the typical levels observed since late 2011.

The growth in online retail sales continues to outpace that of the traditional retail sector – which increased by +2.4% year-on-year in March (on a non-seasonally adjusted basis).

When seasonal factors are included, the rate of growth for traditional sales was stronger – at +3.1% year-on-year.

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

## Domestic & international sales track closely after domestic dip in March

Trends in the growth rates for both international and domestic online retail sales have been fairly uniform since the start of 2012 – with the exception of two clear outliers in July 2012 and March 2013.

Domestic online sales recovered strongly in April 2013 – growing by +23% year-on-year, compared with just +9% year-on-year in March.

International online sales increased by +24% year-on-year, recording a more modest improvement from +18% in March.

The large disparity in year-on-year growth rates in the first half of 2011 is related to a one-off surge in international sales in late 2010.

## Both indices largely unchanged – still closely correlated

There was minimal change to either the domestic or international index in April (compared with the levels in March). The domestic index was essentially unchanged at 201 points, while the international index edged up to 235 points (from 232 points in March).

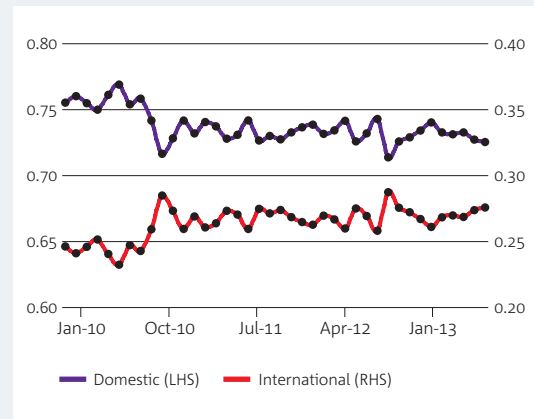
## Domestic retailers continue to control the dominant share of sales

Domestic retailers – who are defined in our index as those that are Australian for tax purposes – remain the dominant force in online retail sales. Domestic retailers accounted for 72% of sales in April – slightly below the average level for the past year – but above the recent low of 71% in July 2012.

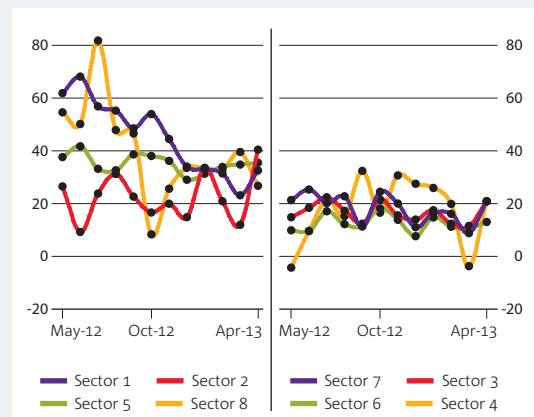
*“Strong growth has returned to eCommerce in April 2013 indicating a soft March was more product-driven as opposed to any structural shift in consumer behaviour.”*

Tony Davis, Quantum

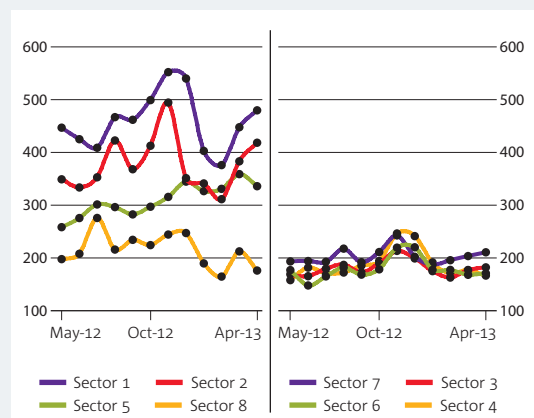
**Chart 9: Share of online sales by retail location**  
(nsa, monthly)



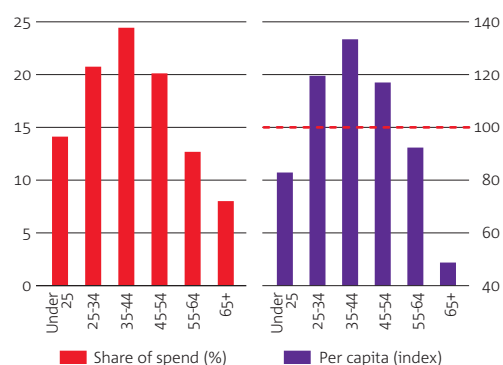
**Chart 10: Growth in online sales by category**  
(%, yoy)



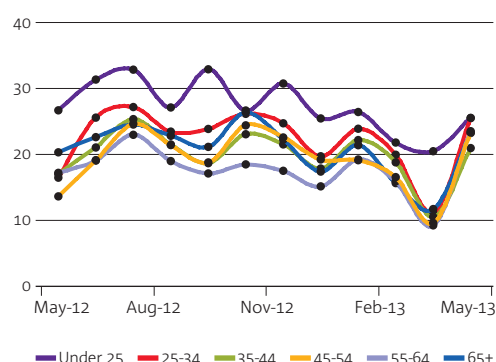
**Chart 11: Levels for online sales by category**  
(nsa, monthly)



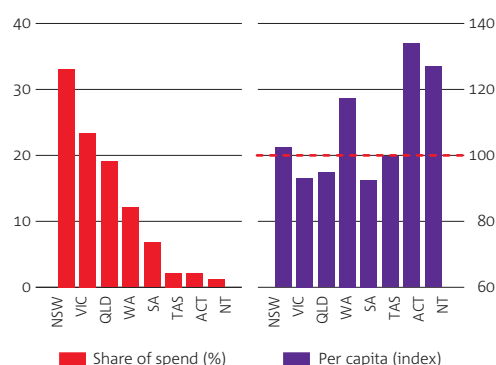
**Chart 12: Share of spending by age group**  
(year to April 2013)



**Chart 13: Growth of spending by age group**  
(%, yoy)



**Chart 14: Share of spending by state**  
(year to April 2013)



## Fashion, Daily Deals and Media are the fastest growing sectors, but Department Stores and Homewares account for the largest share

**Share of total spend in 12 months to April 2013**

	Fashion	Daily Deals*	Department and Variety Stores	Homewares and Appliances	Media**	Personal and Recreational Goods	Groceries and Liquor	Games and Toys
All ages	10%	3%	36%	18%	11%	6%	14%	2%
Under 25s	19%	3%	34%	14%	16%	5%	4%	6%
25-34	12%	4%	36%	16%	12%	7%	11%	2%
35-44	9%	4%	36%	17%	10%	7%	16%	2%
45-54	8%	3%	38%	20%	9%	6%	14%	2%
55-64	5%	3%	38%	21%	8%	6%	18%	1%
65+	3%	2%	33%	21%	7%	5%	29%	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.

In this survey, we have expanded the range of sub-categories in our Online Retail Sales Index – from four to eight. These categories are: Sector 1 (Fashion), Sector 2 (Daily Deals\*), Sector 3 (Department and Variety Stores), Sector 4 (Homewares and Appliances), Sector 5 (Media\*\*), Sector 6 (Personal and Recreational Goods), Sector 7 (Groceries and Liquor) and Sector 8 (Games and Toys). This change allows for greater granularity in our analysis – showing considerably different growth trends in each category.

In terms of growth there has been a clear divide between two broad groups over the last year. The strongest growth rates have been in Sector 1, 2, 5 and 8. However, these four categories have among the lowest overall share of spending. The lack of a flagship tablet release in March 2013 was evident in the growth for Sector 4 – with the sector declining year on year in March, before recovering in April.

The fastest growing sectors are comparatively small when compared with Sectors 3 and 4, which account for 36% and 18% of sales respectively. Sector 2 and 8 are the smallest of the categories, at 3% and 2% respectively.

Purchase trends by category differ widely among the individual age groups. In the year to April 2013, the under 25s spent considerably more on Sector 1 (19%), while those in the 55-64 and over 65 age groups spent

comparatively less (5% and 3% respectively). In contrast, the youngest age group spends less on Sector 7 (4%) when compared with the over 65s (29%).

## Peak per capita spenders are aged between 35 and 44

We have also broadened the age ranges in our latest release – from five to six age groups. The largest share of online spending – accounting for almost quarter of total spend – is among those aged 35 to 44, while those aged 25 to 34 and aged 45 to 54 each spend around 20% of the total. The lowest share of spending is among those aged under 25 and those aged over 65, with these age groups lagging significantly on a per capita basis. In the case of younger consumers, this likely reflects their lack of spending power.

## The ACT, NT and WA continue to have the dominant share on a per capita basis

Trends for per capita spending by state were largely unchanged in the year to April 2013. The strongest spending levels remain in the ACT and Northern Territory (at 134 points and 127 points respectively) along with Western Australia (WA), at 117 points. In contrast, South Australia, Victoria and Queensland continue to lag, with these states well below average.

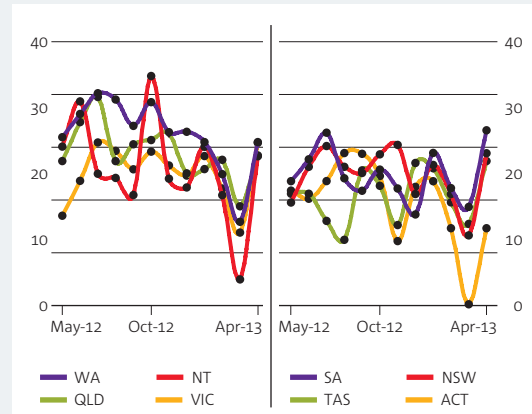
Since the start of the year, there has been less distinction between the rate of growth for WA and the national average – with WA's growth rate plunging in line with the national average in March and recovering to 25% in April – only just above average.

## Regional WA outperforms in per capita spending

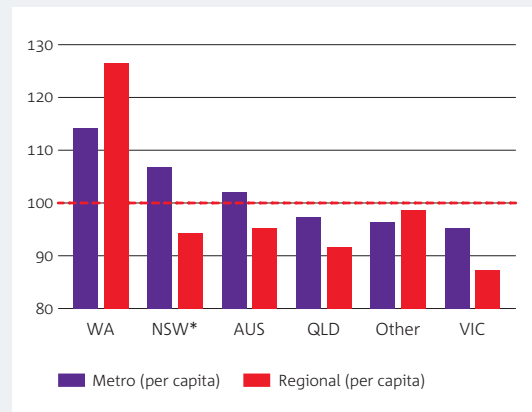
Overall there was a marginal decrease in the per capita share of spending for metropolitan residents. This was driven by a falling share for metro New South Wales and Victoria, while regional WA outperforms

Growth rates between metropolitan and regional have converged in recent months – with regional growth generally having outperformed metropolitan over the past two years – having come off a lower base. ■

**Chart 15: Growth of spending by state**  
(%, yoy)

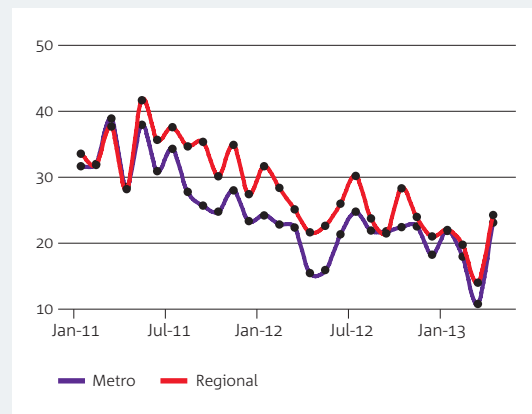


**Chart 16: Share of spending by region**  
(year to April 2013)



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

**Chart 17: Growth of spending by region**  
(%, yoy)







To discuss this report in more detail please speak with your NAB Relationship Manager, visit **[nab.com.au/onlineretailsales](http://nab.com.au/onlineretailsales)** or contact:

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### About Quantum

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