



NAB Online Retail Sales Index

Indepth report – July 2013

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

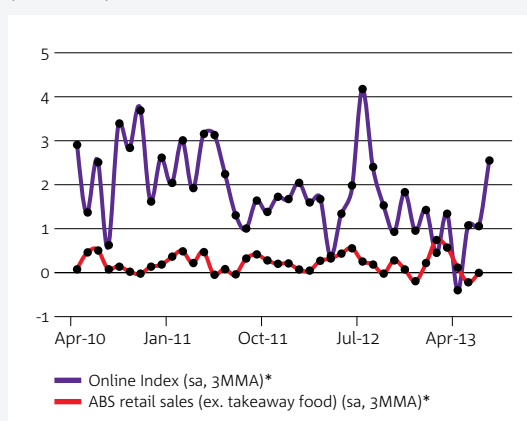


Chart 2: Growth in online sales by retail location
(%, mom)

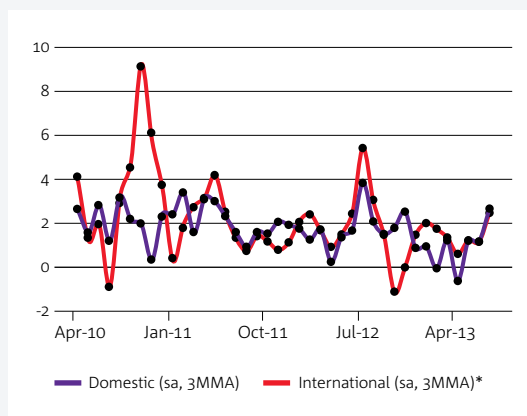


Table 1. Key online retail statistics

	yoy growth (%)			mom growth (% sa, 3MMA)		
	May 13	Jun 13	Jul 13	May 13	Jun 13	Jul 13
Online Index	18.4	15.5	14.2	1.1	1.1	2.6
Domestic sales	18.2	14.9	15.0	1.2	1.2	2.7
International sales	18.9	17.0	12.3	1.2	1.1	2.5

*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).

■ Australian online retail sales rose to \$14.1 billion in the year to July 2013, a level that is equivalent to 6.3% of traditional retail spending.

In this release, we've introduced seasonal adjustment to our index for the first time. Retail data is highly seasonal – with sales peaking around the Christmas period. Seasonal adjustment allows us to make better month to month comparisons – for example, it highlights a slowdown in online sales growth between January and April this year, and acceleration in growth in recent months (Chart 1). The three-month moving average growth rate was +3% in July (up from +1% in June).

We've also observed a trend of convergence over the last few months, with the growth rates for international and domestic sales, metropolitan and regional areas and major states all moving closely together (Chart 2). In particular, growth in Western Australia has slowed – moving from one of the strongest growing states to one of the weakest in July.

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

Alan Oster, Group Chief Economist, NAB

■ To understand how an online presence can transform businesses and sectors it is absolutely critical to have real granularity around the data about where customers shop. Last quarter we enhanced our index by breaking down retail categories from four – **Sector 1:** Online Auctions, Department Stores, Fashion, Cosmetics, Variety Stores; **Sector 2:** Home, Furniture, Appliances, Electronics; **Sector 3:** Recreation, Toys, Games and Hobbies, Music, Movies, Books; and **Sector 4:** Groceries, Liquor and Specialised Food – to eight.

The sectors we break out now include: **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; **Sector 8:** Toys and Electronic Games.

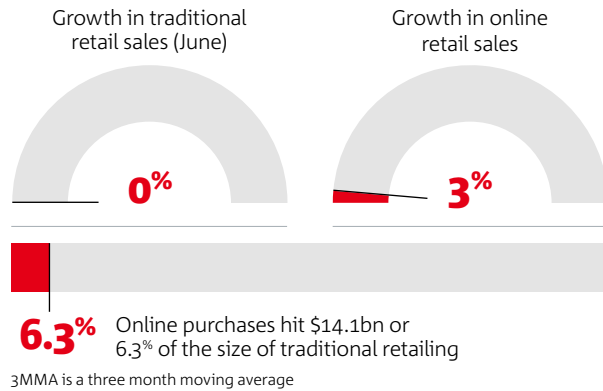
This level of detail gives us new understanding of spending trends across retail, which have been markedly different in individual sectors. Media, Groceries and Liquor, and Department and Variety Stores online sales have been relatively strong over the past three months. However, Homewares and Appliances sales have been weak.

We hope the unique level of detail we are able to provide on the online sales environment provides insights that help guide your business.

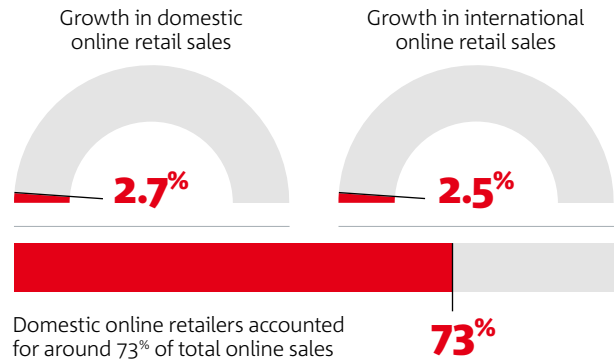
Tiernan White, Retail Sector Head & Head of NAB Corporate (NSW)

At a glance

Traditional vs online (sa, 3MMA, July mom)

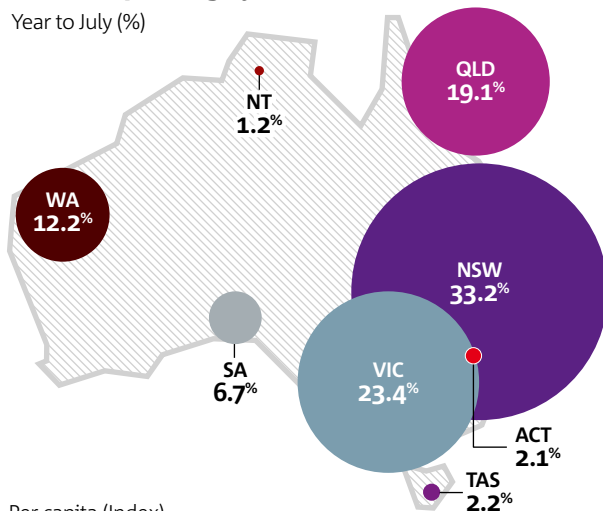


Domestic vs international (sa, 3MMA, July mom)

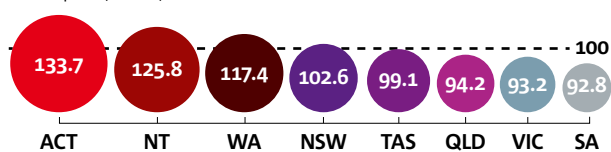


Share of spending by state

Year to July (%)

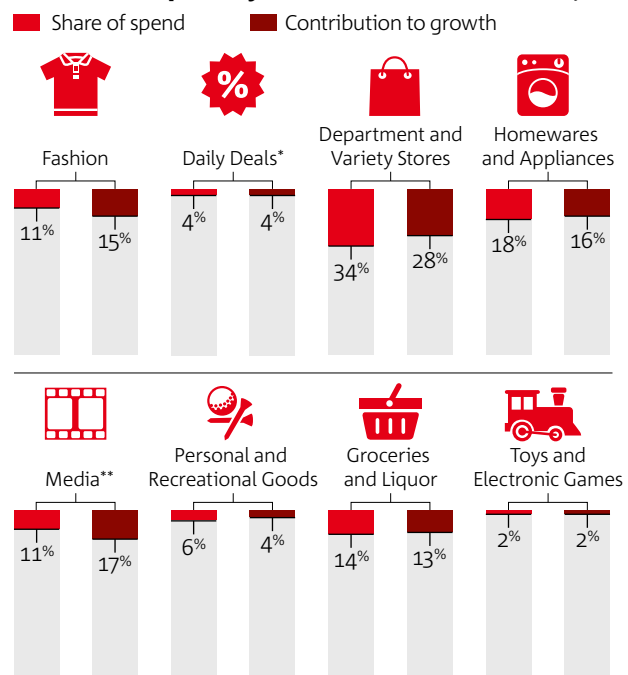


Per capita (Index)



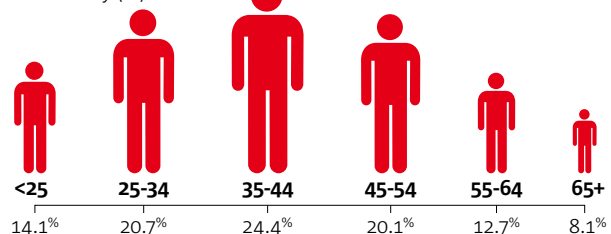
Total online spend by sector

Year to July(%)



Share of spending by age group

Year to July (%)



Groceries, Liquor and Specialised Food

Purchases differ significantly between traditional and online retailers



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

Online sales up over last quarter, after a flat period in early 2013

In the year to July 2013, Australia's online retail spending was \$14.1 billion – a level that is equivalent to around 6.3% of the traditional bricks & mortar retail sector – which totalled \$225 billion in the year to June 2013.*

NAB's Online Retail Sales Index increased in July 2013 – moving up to 235 points (on a seasonally adjusted basis), from 228 points in June (Chart 3).

The last three months has seen the index return to a stronger growth trend, after a particularly flat period between January and April 2013 – when the seasonally adjusted index recorded minimal change.

Online sales growth accelerated in July after weak levels in Q1 '13

There was a slowing trend in seasonally adjusted month-on-month growth rates between August 2012 and April 2013 (following a notable peak in July 2012).

This slowdown – culminating in a small contraction in April 2013 – resulted in the flat trend in the seasonally adjusted index in early 2013. As noted in our previous Quarterly release, the absence of new tablet and smartphone product releases (in the broad Homewares & Appliances category) contributed to the slowdown in this period.

More recently, the growth rate has accelerated – with the three-month moving average growth rate at +3% in July** (up from +1% in June) (Chart 4). The main contributors to the growth since April were Department & Variety Stores, Groceries & Liquor and Media (see page 5).

Traditional retail sales have generally recorded weaker growth levels – with no change in seasonally adjusted sales in June.

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

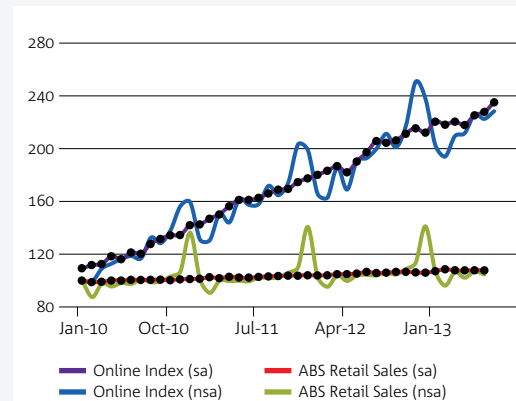


Chart 4: Growth in online sales vs. retail sales
(%, mom)

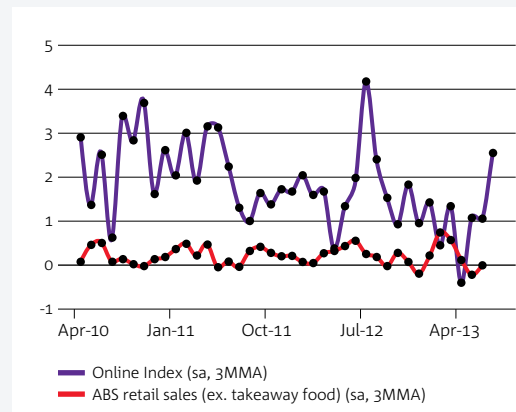
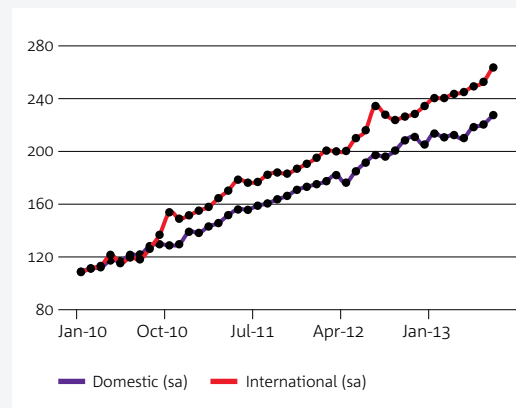


Chart 5: Online index by retail location
(monthly)



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

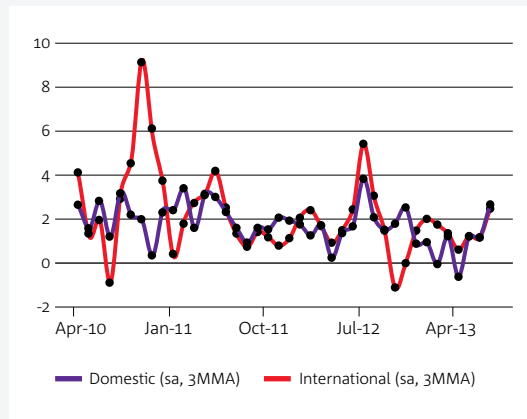


Chart 7: Share of online sales by retail location (monthly)

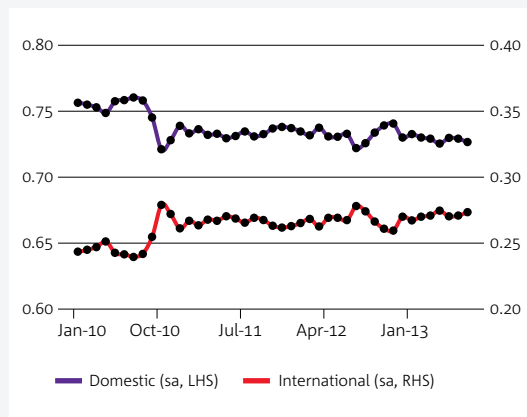
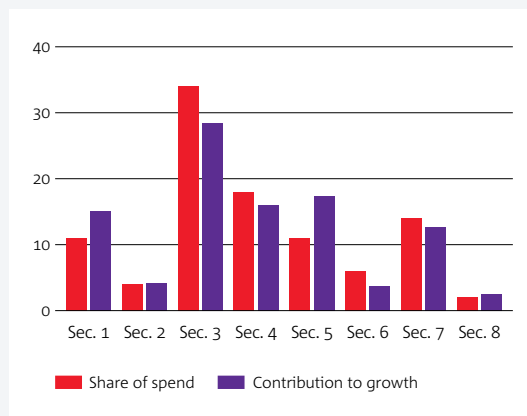


Chart 8: Share of spend and contribution to growth (% , year to July 2013)



Early 2013 softness more evident among domestic retailers

In seasonally adjusted terms, both the domestic and international indices recorded increases in July – up to 263 points for the international index (from 252 points in June) and 227 points for the domestic index (220 points previously) (Chart 5).

Recent trends show a similar pickup in growth for domestic and international sales

The flat period for online sales between January and April 2013 was more evident among domestic retailers – with international sales continuing to grow over this period (Chart 6).

As the growth rate for online sales has accelerated across the past three months, the rates of growth for both domestic and international sales have moved in close correlation – whereas international growth rates have typically exhibited greater volatility over the last three years (Chart 6).

The strengthening in international sales comes despite a fall in the Australian dollar – from an average of 94 US cents in June to 92 US cents in July.

The share of sales for domestic retailers edged marginally lower – but still above 73%

There has been a marginal downward trend in the share of domestic sales since late 2012 – albeit the share remained above 73% in July (Chart 7).

The seasonally adjusted share remains above the recent low – recorded in July 2012, at 72%.

“eCommerce has seen continued positive domestic and international growth over the last quarter.”

Tony Davis, Quantum

Department Stores, Media, Homewares & Appliances and Fashion drove the growth in online sales over the year to July 2013

Share of total spend in 12 months to July 2013

11%	Sector 1 Fashion
4%	Sector 2 Daily Deals*
34%	Sector 3 Department and Variety Stores
18%	Sector 4 Homewares and Appliances
11%	Sector 5 Media**
6%	Sector 6 Personal and Recreational Goods
14%	Sector 7 Groceries and Liquor
2%	Sector 8 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%	14%	16%	5%	4%	6%
25-34	12%	5%	35%	16%	12%	7%	11%	2%
35-44	10%	4%	34%	17%	11%	6%	15%	2%
45-54	10%	4%	35%	20%	9%	6%	14%	2%
55-64	9%	3%	34%	21%	8%	6%	17%	1%
65+	7%	2%	29%	21%	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

The composition of purchases continues to differ significantly between traditional and online retailers. Groceries, Liquor and Specialised Food accounted for 47% of traditional retail sales in the year to June 2013 – whereas the online sector had only 14% of online sales in the year to July 2013. Over this time, the main contributors to the growth in online spending were Sector 3 (Department and Variety Stores) with 28% of the increase, Sector 5 (17%), Sector 4 (Homewares & Appliances) at 16% and Sector 1 (Fashion) (15%) (Chart 8).

Chart 9: Growth in online sales by category
(%, sa 3MMA, mom)

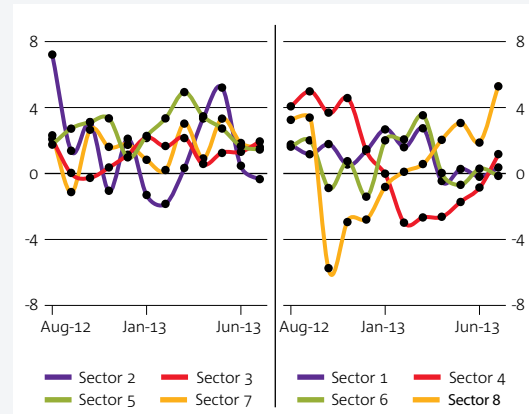
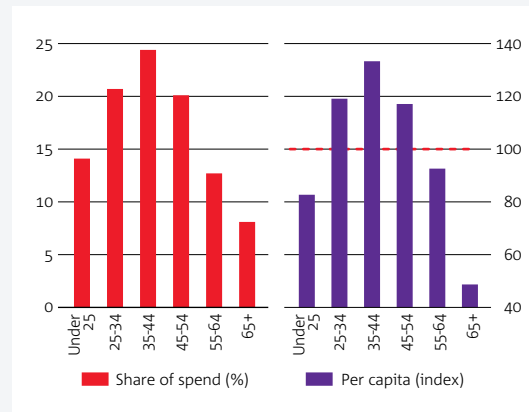


Chart 10: Share of spending by age group
(year to July 2013)



Under 25 consists of ages 18 to 25.

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

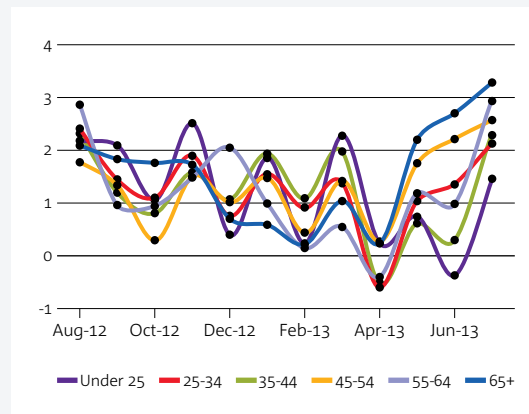


Chart 12: Share of spending by state
(year to July 2013)

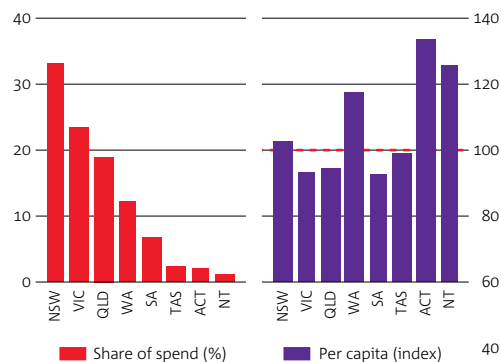


Chart 13: Growth of spending by state
(% sa 3MMA, mom)

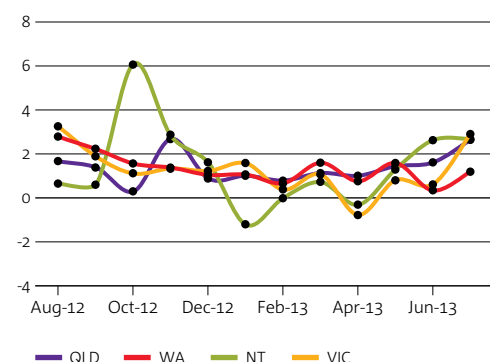
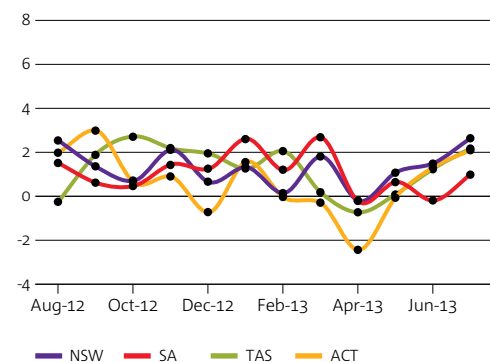


Chart 13A: Growth of spending by state
(% sa 3MMA, mom)



Online sales growth has accelerated over the last three months; however there have been markedly different trends in the growth rates of individual sectors (Chart 9). Sectors 5 (Media), 7 (Groceries and Liquor) and 3 (Department and Variety Stores) have maintained comparatively strong growth rates – driving the overall growth in online sales over this period. In contrast, Sectors 1 (Fashion) and 6 (Personal and Recreational Goods) recorded minimal change and Sector 4 (Homewares and Appliances) saw sales contract. The two smallest sectors – 2 (Daily Deals) and 8 (Toys and Electronic Games) have shown highly volatile growth trends.

There remains some significant variation in the share of spending by age groups (Table p5). In the year to July 2013, those aged under 25 spent comparatively more than average on Sectors 1 (Fashion) (19%) and 5 (Media) (16%) but less than average on Sector 7 (Groceries and Liquor), at just 4%. Trends for those aged between 25 and 64 vary a little, but were broadly similar to the overall average for each category (Table p5). Those aged over 65 spend less on Sectors 1 and 3 and considerably more on Sector 7 (Groceries and Liquor) (28%).

Spending is dominated by those aged 35 to 44; in recent months growth has come from those aged 45 to 54 and those aged 25 to 34

The 35 to 44 age group has the largest share of spending – almost 25% of the total – while those aged 25 to 34 and 45 to 54 each account for around 20% of spending. The under 25s and over 65s spend considerably less online – with this share being noticeably lower on a per capita basis. Per capita, those aged 35 to 44 spend 33% more online than the average Australian, while those aged under 25 spend 17% less than average. (Chart 10)

“Increasing consumer confidence in the online channel has been highlighted by the shift toward purchasing items such as bulky household goods online.”

Tony Davis, Quantum

The strongest rates of growth over the last three months have been for the over 65 age group – however reflecting this group’s low share of spending, the contribution to growth from the over 65s was modest. The strongest contributions came from the 45 to 54 and 25 to 34 age groups. The smallest contribution was from the under 25s, who recorded the lowest rates of growth in recent months. (Chart 11)

Growth rates for most states converged in July, with WA and SA lagging the pack

There was little change to the share of spending by state in the year to July (Chart 12). The three largest states – New South Wales, Victoria and Queensland – control the bulk of spending on an absolute basis, while the ACT, Northern Territory and Western Australia have the strongest spending on a per capita basis. South Australia, Victoria and Queensland continue to record comparatively weak per capita spending levels.

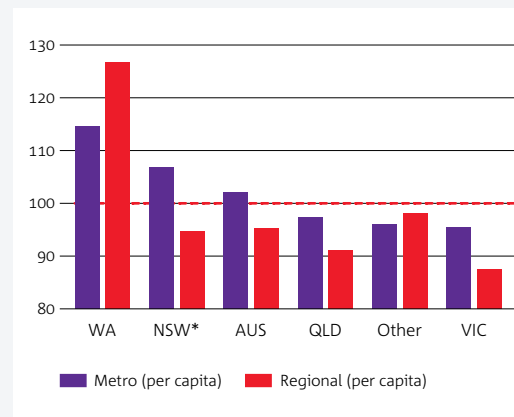
Growth in Western Australia has slowed considerably. The state had outperformed the rest of the country across 2011 and the first half of 2012 (Chart 13 and 13A). From the second half of 2012, Western Australia has trended closer to the national average – with weaker than average growth in July.

Growth rates for regional Australia have exhibited similar trends to metropolitan areas since the second half of 2012

Trends in per capita spending between regions were also largely unchanged in the year to July – with metropolitan at 102 points and regional at 95 points (Chart 14). Trends remain highly divergent between individual states – with regional Western Australia remaining the strongest, at 127 points (down marginally from the year to April) and regional Victoria the weakest at 87 points (largely unchanged).

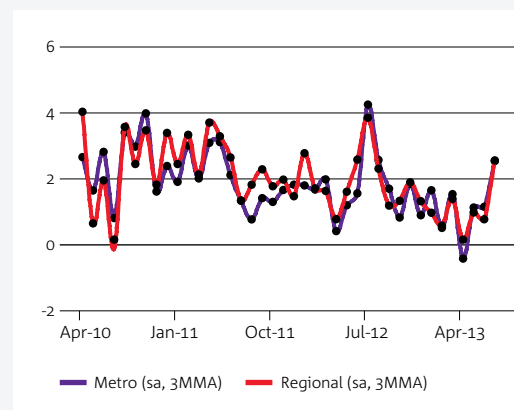
Across 2011 and the first half of 2012, regional sales generally grew at a stronger rate than metropolitan sales (Chart 15). However, over the last year there has been a close relationship between metropolitan and regional sales growth – leading to minimal changes in the share of sales for the two regions. ■

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



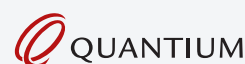
*Metropolitan NSW includes the ACT in this series.

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



About Quantum

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