



NAB Online Retail Sales Index

Special Report – July 2013

Chart 1: Growth in online sales
(% sa 3MMA, mom)*

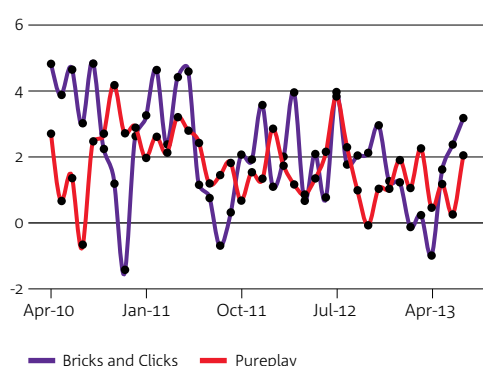


Chart 2: Average growth rate in sales and contribution to growth

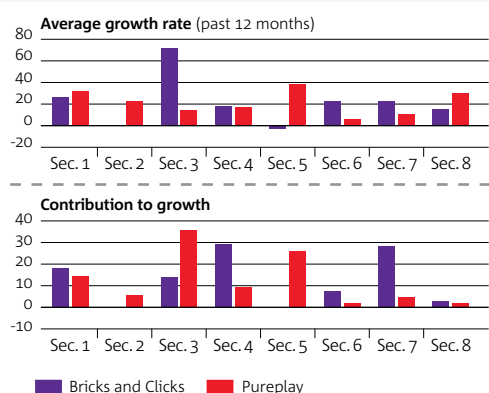


Table 1. Key online retail statistics

	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
Bricks and Clicks	19.9	18.8	17.5	1.6	2.4	3.2
Pureplay	17.8	14.1	13.4	1.2	0.2	2.0

*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).

Traditional retailers have made some inroads in the online space – developing the electronic channels required to evolve towards ‘Bricks and Clicks’ operations. That said, sales are currently dominated by online only ‘Pureplay’ retailers. In the 12 months to July 2013, Pureplay retailers controlled 70% of online retail sales.

The share of sales varies considerably when broken down into the various sub-categories of the online retail sector. For example, Department and Variety Stores – the largest sub-category overall – is dominated by Pureplay retailers, accounting for 95% of sales. In contrast, the majority of sales in Homewares and Appliances and Groceries and Liquor (respectively the second and third largest sub-categories) are controlled by Bricks and Clicks.

Bricks and Clicks retailers generally recorded stronger growth rates than the Pureplays across 2011 and 2012, and after a weak period at the start of this year, this trend has returned over the past three months.

Alan Oster, Group Chief Economist, NAB

The results of our deep dive into this quarter’s NAB Online Retail Sales Index really highlight how dynamics between Pureplay and Bricks and Clicks are changing. For the first time our survey broke down where customers were shopping, revealing that spending at Pureplay online retailers accounted for 70% of total sales, slightly lower than a high of 73% at the start of 2010. Weak conditions in Homewares and Appliances – thanks to a lack of new tablet and smartphone releases – was a key factor in the overall share of Bricks and Clicks.

This decline demonstrates that retailers appreciate the value of a multi-channel business model and are succeeding to grow online activity. We think the previous dominance in Pureplay retail may continue to slowly diminish.

Businesses need to consider many issues when developing their own online approach, but most importantly the offering must complement the existing bricks and mortar offering and avoid the potential to cannibalise their existing store offering.

We also see a clear contrast in how the Pureplay versus Bricks and Clicks plays out in the domestic versus international arenas. International Bricks and Clicks have been slowly and steadily declining since 2010, reflecting the constraints imposed by overseas retailers in shipping to Australia and the establishment of an Australian online presence by some of those retailers.

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

At a glance

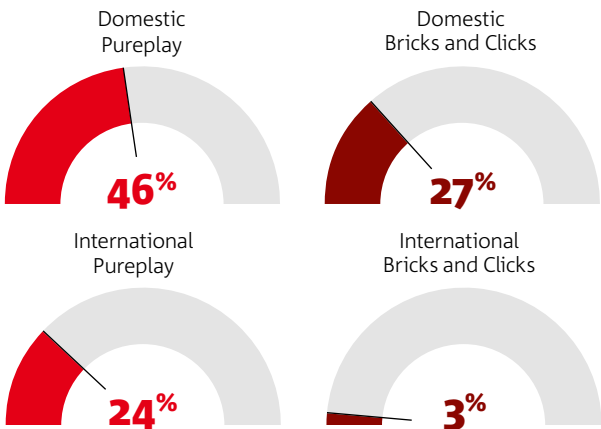
■ Pureplay (online-only retailers) ■ Bricks and Clicks (traditional retailers with an online presence)

Pureplay vs Bricks and Clicks (Year to July)



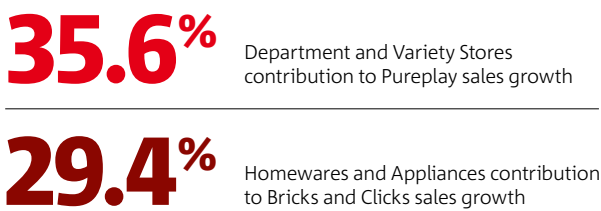
Domestic vs International (Year to July)

Share of total online sales (%)



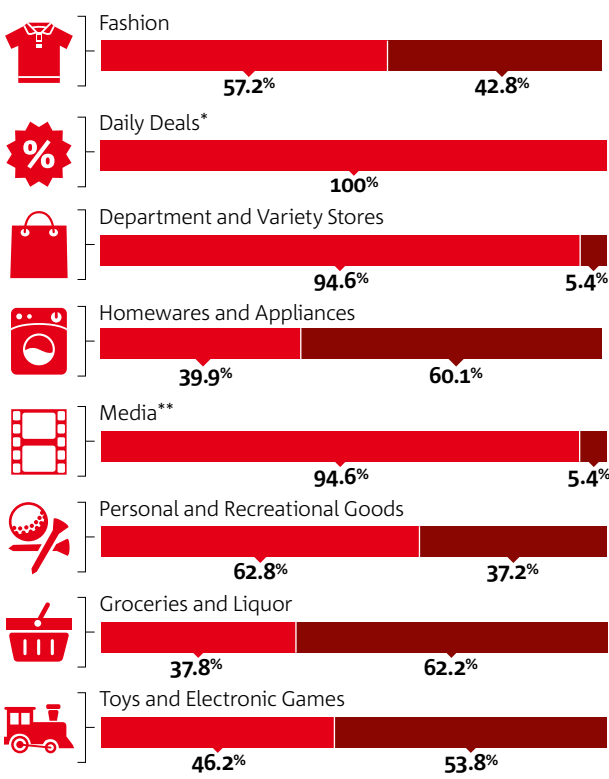
Top contributors to sales growth

Contributions to growth (%)

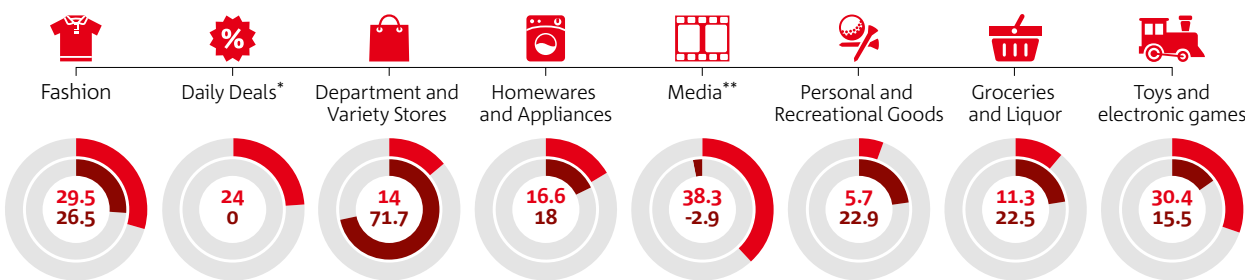


Share of online spending by category (Year to July)

Share of online spending (%)



Growth in sales by category (% , past 12 months)



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

Bricks and Clicks show more volatile trends, with larger Christmas spikes

Since the start of 2010, online sales for both Bricks and Clicks (traditional retailers with an online presence) and Pureplay (online only) retailers have steadily increased (Chart 3).

While trends between the two series are broadly similar, there is a notable divergence around the Christmas period, with sales for Bricks and Clicks spiking more significantly than Pureplay.

In early 2013, the Bricks and Clicks sector recorded a flat period between January and April (on a seasonally adjusted basis). As noted in our indepth report for July, this reflected weakness in the broad Homewares and Appliances category – due to the absence of new tablet and smartphone product releases. More recently there has been a return to monthly growth.

Seasonally adjusted Bricks and Clicks rose to 269 points in July (from 265 points in June), while Pureplay increased to 225 points (from 215 points previously).

Pureplay control the largest share, though the share trended down to December 2012

Pureplay online retail controls the dominant share of sales (Chart 4). However, this share trended gradually downwards between January 2010 and December 2012.

In 2013, the shares for each type of retailer have been relatively stable – with Pureplay fluctuating modestly around 70% and Bricks and Clicks at 30%. Weak conditions in Homewares and Appliances (noted above) impacted the overall share of Bricks and Clicks sales in early 2013.

“Fashion pure-play retailers continued to experience strong annual growth highlighting the increasing comfort of Aussie consumers to purchase Fashion online”

Tony Davis, Quantum

Chart 3: Online retail sales index – Bricks and Clicks vs. Pureplay (monthly)

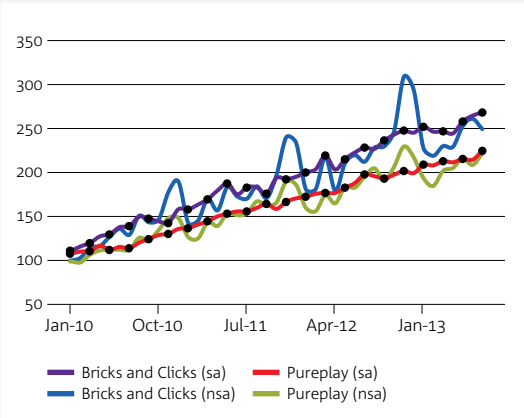


Chart 4: Share of online sales – Bricks and Clicks vs. Pureplay (sa, monthly)

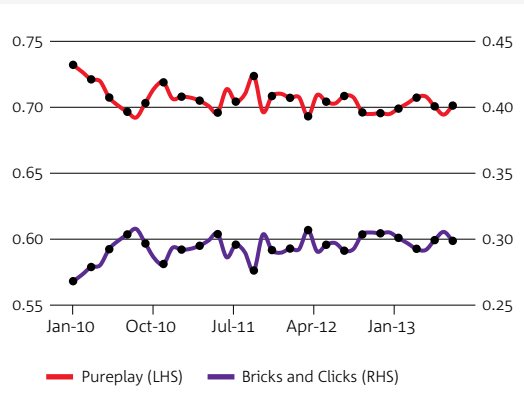


Chart 5: Share of total online sales – Bricks and Clicks vs. Pureplay (year to July 2013)

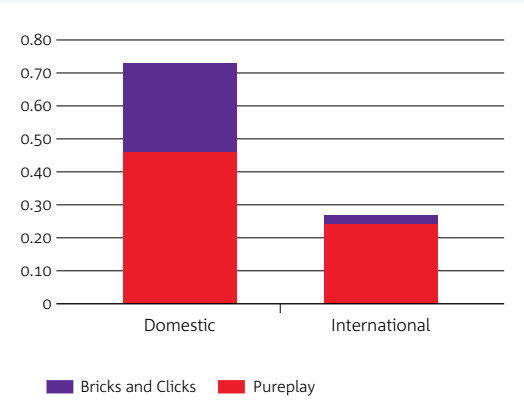


Chart 6: Share of domestic and international sales for Bricks and Clicks vs. Pureplay (sa, monthly)

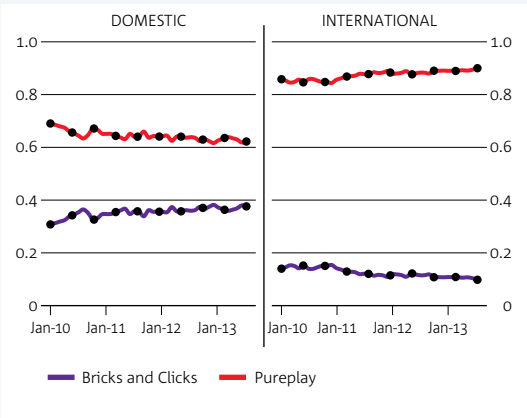


Chart 7: Share of total online spending (year to July 2013)

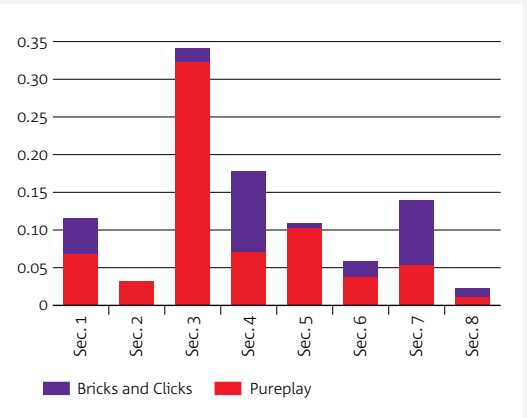
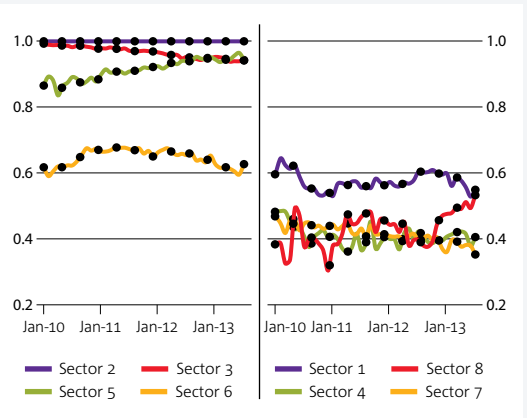


Chart 8: Pureplay share of spending by category (sa, monthly)



Bricks and Clicks are a stronger force in domestic sales than international ones

There is a clear contrast in the share of sales for domestic and international Bricks and Clicks and Pureplay retailers (Chart 5). For the year to July 2013, domestic Pureplay controlled the largest share (46% of total spending) compared with 27% for domestic Bricks and Clicks. International Pureplay sales were 24% of the total, while international Bricks and Clicks accounted for just 3% of total spending.

Trends in the share of online sales for domestic and international retailers have differed significantly. As a share of international sales, Bricks and Clicks have steadily declined since mid 2010 (Chart 6). This trend likely highlights constraints imposed by overseas retailers in shipping to Australia as well as some retailers establishing an Australian online presence (including the charging of GST). In contrast, as a share of domestic sales, Bricks and Clicks have gradually trended upwards, although this trend slowed in early 2013.

Wide variation in shares by category – Department Stores, Media and Daily Deals dominated by Pureplay

The split of online sales between Bricks and Clicks and Pureplay varies widely by category. The largest category, Sector 3 (Department Stores), is dominated by Pureplay retailers, while Sectors 4 (Homewares and Appliances), 7 (Groceries and Liquor) and 1 (Fashion) have a relatively large share for the Bricks and Clicks (Chart 7).

Since the start of 2010, there have been some notable changes in the share of Bricks and Clicks and Pureplay in the individual categories. The share of sales by category for Pureplay retailers has trended higher for Sectors 5 (Media) and 8 (Toys and Electronic Games). In contrast, the share of sales for Bricks and Clicks in Sectors 3 (Department Stores) and 7 (Groceries and Liquor) has gradually increased (Chart 8).

Share of online spending by category (year to July 2013)

	Bricks and Clicks	Pureplay
Sector 1. Fashion	42.8	57.2
Sector 2. Daily Deals*	0.0	100.0
Sector 3. Department and Variety Stores	5.4	94.6
Sector 4. Homewares and Appliances	60.1	39.9
Sector 5. Media**	5.4	94.6
Sector 6. Personal and Recreational Goods	37.2	62.8
Sector 7. Groceries and Liquor	62.2	37.8
Sector 8. Games and Toys	53.8	46.2

* Daily Deal sites release for sale a single product or range of products every day.

** Media comprises Movies, Books and Music.

Homewares & Appliances, Groceries & Liquor and Fashion the main contributors to Bricks and Clicks growth over the past year

Reflecting the dominant share of Pureplay in overall online sales, the growth rate for Pureplay matches closely to the trend for the NAB Online Retail Sales Index (Chart 9). In contrast, growth rates for Bricks and Clicks have been a little more volatile and typically stronger across 2011 and 2012. The sharp pullback in growth for Bricks and Clicks in early 2013 was driven by weaker trends for tablet and smartphone sales – as detailed above.

Recent months have seen stronger rates of growth from the Bricks and Clicks sector – at +3% in July, compared with +2% for Pureplay.

Growth rates varied significantly across individual categories over the past year – with the strongest rates being in Bricks and Clicks Department Stores (Sector 3), Pureplay Media (Sector 5) and Pureplay Fashion (Sector 1) (Chart 10A). Although Bricks and Clicks Department Stores recorded strong growth, the small scale of this sector meant that its contribution to total sales growth was relatively modest.

The main contributors to growth in Bricks and Clicks sales were Sectors 4 (Homewares and Appliances), 7 (Groceries and Liquor) and 1 (Fashion) – which combined accounted for 76% of the total growth in Bricks and Clicks sales, while the main contributors to Pureplay were Sectors 3 (Department Stores), 5 (Media) and 1 (Fashion) – accounting for 76% of Pureplay growth (Chart 10B). ■

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

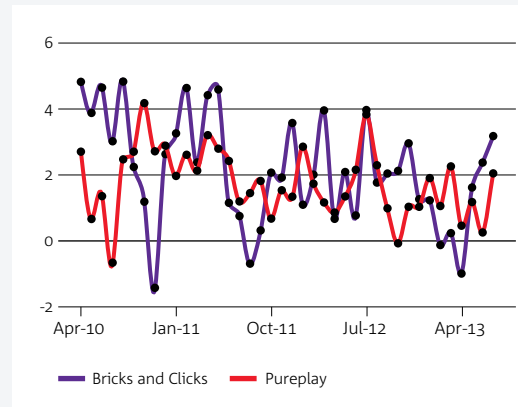


Chart 10A: Average growth in sales
(year to July 2013)

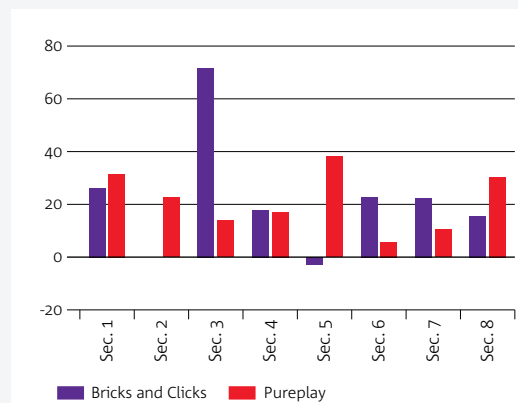
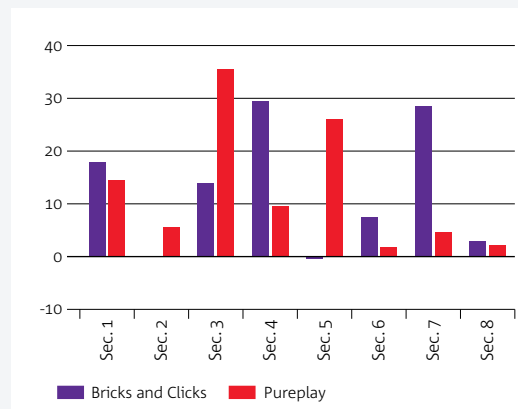


Chart 10B: Average contribution to growth in sales (year to July 2013)





To discuss this report in more detail please speak with your NAB Relationship Manager, visit nab.com.au/online-retail-sales or contact:

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