

NAB Online Retail Sales Index

Indepth report – April 2014



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

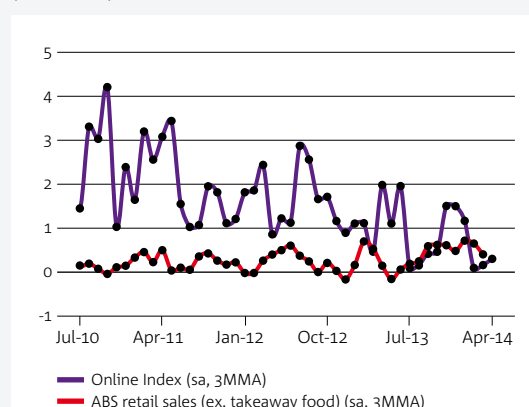


Chart 2: Growth in online sales by retail location
(%, mom)

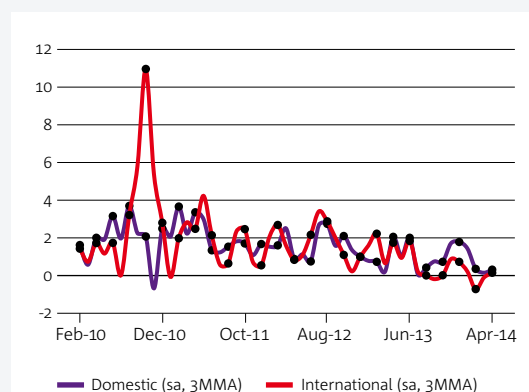


Table 1. Key online retail statistics

	yoy growth (% nsa)			mom growth (% sa, 3MMA)		
	Feb 14	Mar 14	Apr 14	Feb 14	Mar 14	Apr 14
Online Index	8.6	12.7	6.4	0.1	0.2	0.3
Domestic sales	10.7	14.9	8.1	0.4	0.1	0.3
International sales	3.0	7.0	1.9	-0.7	-0.1	0.1

*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 increased to \$15.25 billion for the year to April 2014, or by 6.4%. It now represents around 6.6% of traditional retail spending. Domestic retailers continue to control the largest share of online sales – at around 74% (Chart 1).

Despite a recent pick-up in the traditional bricks & mortar retail sector, it was still outpaced by the improvement in online retail growth over the past three months. That said, recent online growth has been more subdued than the 20-30% growth rates recorded in earlier years. The stronger growth evidenced earlier in the year in domestic online retailing has now slowed, though growth is still higher than international online (Chart 2).

By category, the results are mixed. Over the past three months strong sectors included Fashion, Media, Department and Variety Stores, and Electronic Games and Toys. In contrast, trends over the past three months have been weaker in Homewares and Appliances, Daily Deals, Personal and Recreational goods, and Grocery and Liquor.

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

Alan Oster, Group Chief Economist, NAB

■ One of the key features of the NAB Online Retail Sales Index is the granular information it provides on consumer trends. We are confident the data included in the Index will allow retailers real insights across discrete consumer demographics as they consider how best to connect with their customers.

The latest NORSI data has some particularly interesting insights into spending by age group which is useful for retailers looking at targeting specific demographics online. Online spending by the largest age group by spend – the 35 to 44 group – has stalled in terms of online spending growth in the year to April. However the over 65s are clicking with more apparent confidence, leading the share of online spending growth. With 54% of over 65s using the internet to purchase goods online, according to the 2013 Sensis eBusiness Report, retailers should ensure they have a clear strategy to reach this growing online consumer base.

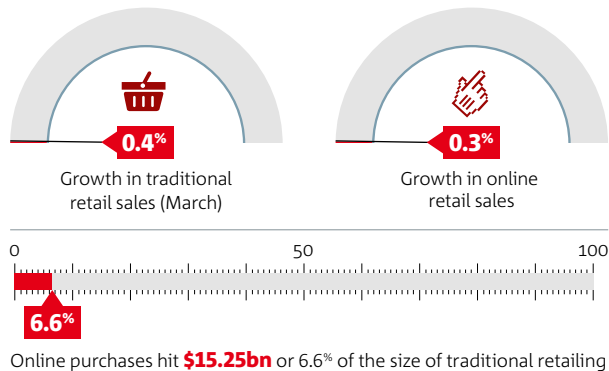
The NORSI report contains similarly relevant insights into the specific segments consumers are targeting online, spending behaviour across the states and in metro versus regional areas. We encourage you to delve deeply into data.

Tiernan White, Head of NAB Corporate (NSW)

At a glance

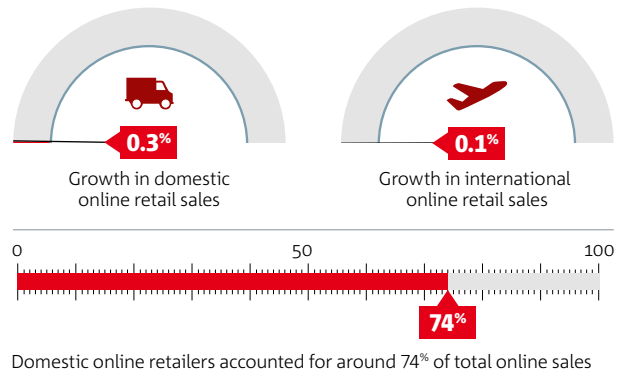
Traditional vs online

(sa, 3MMA, April mom)



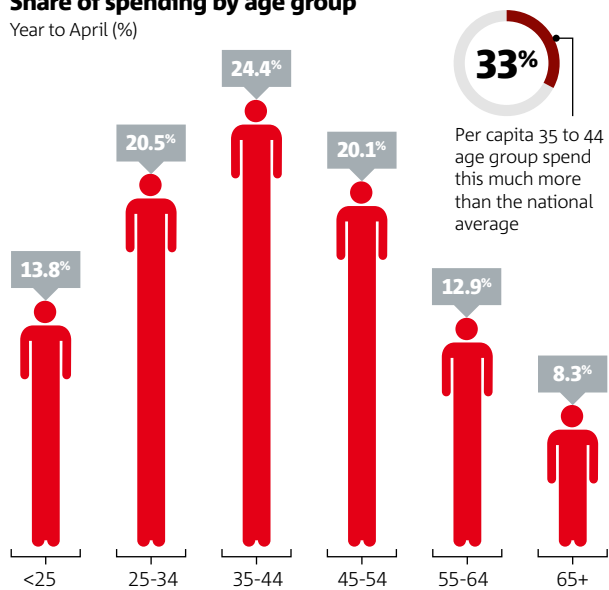
Domestic vs international

(sa, 3MMA, April mom)



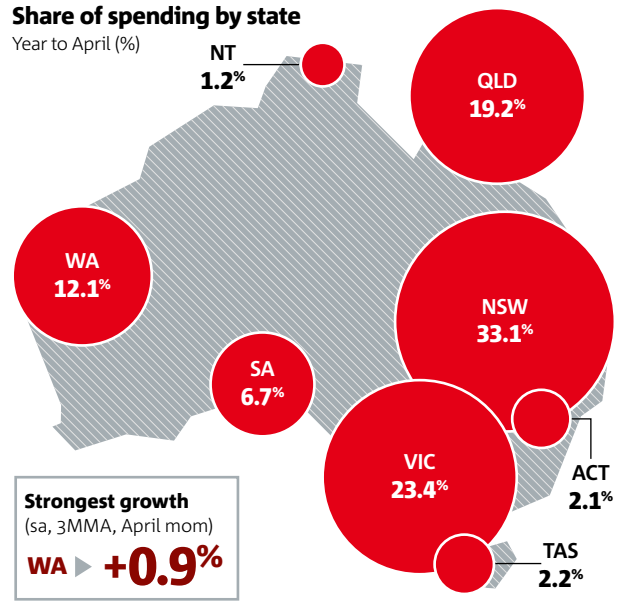
Share of spending by age group

Year to April (%)



Share of spending by state

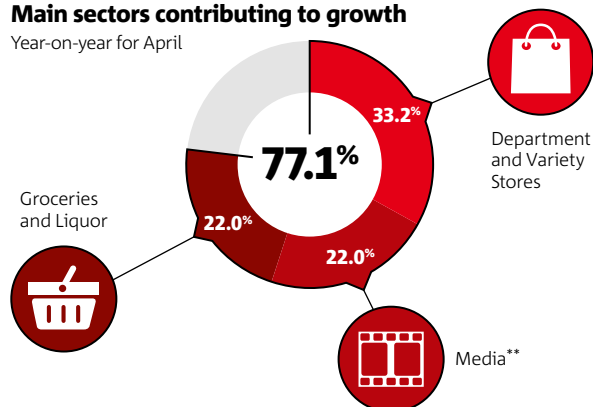
Year to April (%)



Strongest growth
(sa, 3MMA, April mom)
WA +0.9%

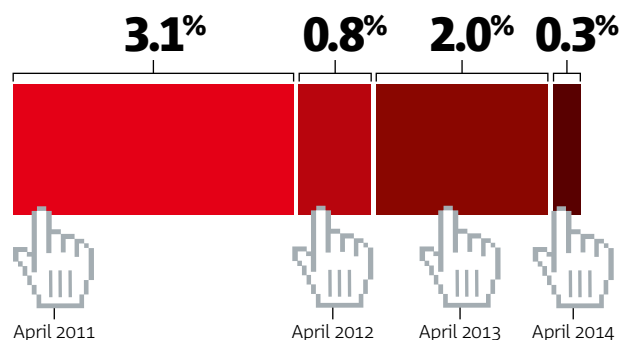
Main sectors contributing to growth

Year-on-year for April



Growth in online sales from April 2011 - 2014

(sa, 3MMA, April mom)



3MMA is a three-month moving average. *Daily Deal sites release for sale a single product or range of products every day. **Media comprises Movies, Books and Music.

Online Sales Index edges higher this quarter compared to a strong previous quarter

In the 12 months to April 2014, Australians spent \$15.25 billion on online retail – a level that is equivalent to around 6.6% of the traditional bricks & mortar retail sector (which totalled \$232 billion in the year to March 2014).*

NAB's Online Retail Sales Index edged higher in April, increasing to 245 points (on a seasonally adjusted basis), from 243 points in March (Chart 3).

Slowing growth trends in online, with growth in line with traditional retail

Growth in online retail sales has improved marginally from the lows experienced in February but April quarter growth was much slower than that in the previous quarter. Growth over the past few months is in stark contrast to the trends between 2010 and 2012 (Chart 4).

In April, monthly online retail sales grew by 0.3% (on a seasonally adjusted, three-month moving average basis)**. This level was slower than the November to January period and considerably slower than April 2013 (2%).

With the weaker growth over recent months, online sales have returned to growth rates more in line with traditional retail sales.

A marginal increase in the share of sales for domestic retailers

Domestic retailers continue to control the largest share of online retail sales – at around 74% (Chart 5). This share has edged marginally higher over the past few months – reflecting the comparatively weaker growth trends for international retailers over this period.

* 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)

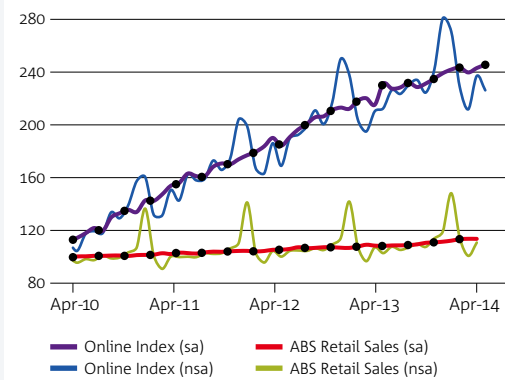


Chart 4: Growth in online sales vs. retail sales
(%, mom)

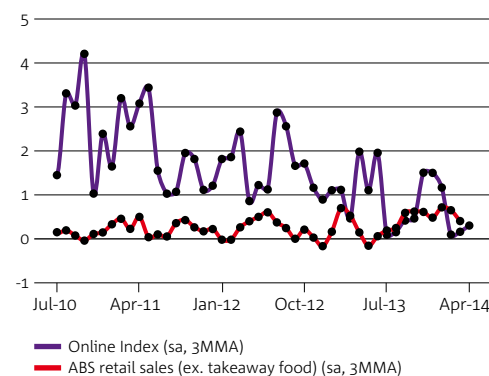


Chart 5: Share of online sales by retail location
(monthly)

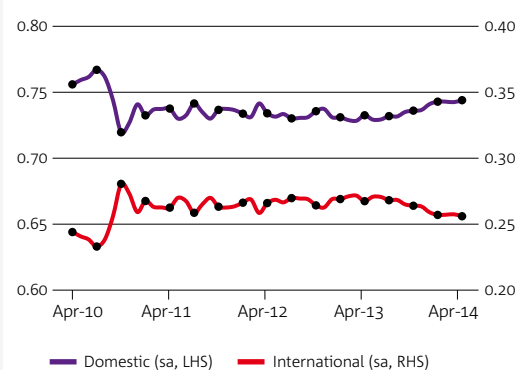


Chart 6: Online index by retail location
(monthly)

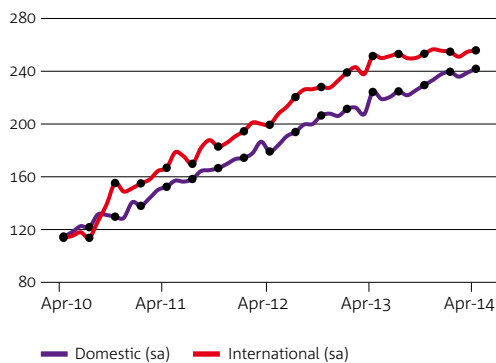


Chart 7: Growth in online sales by retail location
(%, mom)

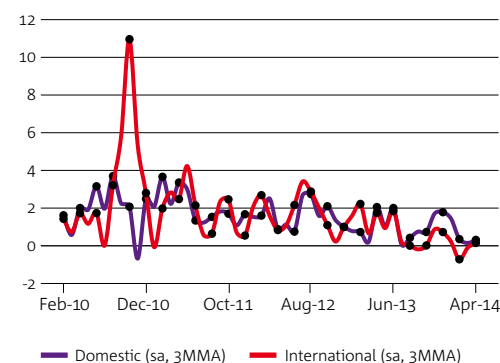
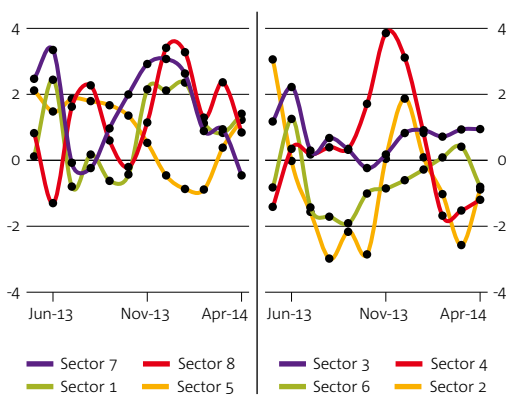


Chart 8: Growth in online sales by category
(%, sa 3MMA, mom)



See Page 5 for sector definitions.

Slow growth continues for domestic online retailers, while international sales plateau

In seasonally adjusted terms, domestic online sales rose in April, with the index rising to 242 points (from 239 points in March).

International online sales however were almost flat, reflective of a 1 point increase in the index to 256 points in April (Chart 6). This level is still lower than the November peak (an index of 257).

International retailers return to positive growth after contracting

Growth rates for international online sales have been particularly weak in recent months – the seasonally adjusted three-month moving average growth was just 0.1% in April (Chart 7).

In contrast, domestic sales continued very modest growth at a rate on par with the overall index – rising by +0.3% (sa, 3mma) in April, an improvement on March (+0.1%, sa, 3mma), though slower than February (+0.4%, sa, 3mma).

At around 0.2%, the growth differential between the two series has narrowed considerably in recent months.

“Despite growth being driven down in April due to the timing of Easter, online continues to outpace the growth of traditional bricks and mortar on a yearly basis.”

Tony Davis, Quantum

Growth trends highly mixed by sector in April

Share of total spend in 12 months to April 2014 by age band

	Fashion	Daily Deals*	Department and Variety Stores	Homewares and Appliances	Media**	Personal and Recreational Goods	Groceries and Liquor	Electronic Games and Toys
Under 25s	18%	3%	34%	13%	17%	5%	4%	6%
25-34	13%	4%	35%	15%	13%	6%	12%	2%
35-44	10%	4%	33%	16%	12%	6%	17%	2%
45-54	10%	3%	36%	18%	11%	6%	15%	2%
55-64	9%	3%	34%	20%	10%	5%	18%	1%
65+	7%	2%	29%	19%	9%	5%	28%	1%

Share of total spend in 12 months to April 2014

11%	Sector 1 Fashion
3%	Sector 2 Daily Deals*
34%	Sector 3 Department and Variety Stores
16%	Sector 4 Homewares and Appliances
12%	Sector 5 Media**
6%	Sector 6 Personal and Recreational Goods
15%	Sector 7 Groceries and Liquor
2%	Sector 8 Electronic Games and Toys

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 (Chart 8), with notable declines in Homewares and Appliances (Sector 4) (-1.2%, sa, 3mma in April), Daily Deals (Sector 2) (-0.9%, sa, 3mma), and Personal and Recreational Goods (Sector 6) (-0.8%, sa, 3mma) and Groceries and Liquor (Sector 7) (-0.4%, sa, 3mma). In contrast, Fashion (Sector 1) (+1.4%, sa, 3mma), Media (Sector 5) (+1.3%, sa, 3mma), Department and Variety Stores (Sector 3) (1.0%, sa, 3mma) and Electronic Games and Toys (Sector 8) (+0.9%, sa, 3mma) recorded comparably stronger growth.

Chart 9: Share of spend and contribution to growth (%) , year to April)

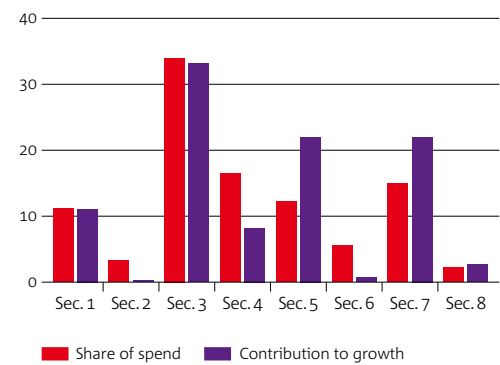
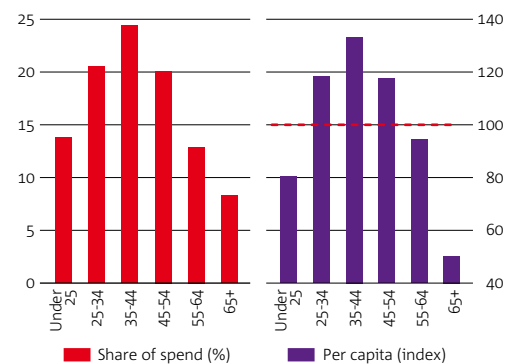


Chart 10: Share of spending by age group (year to April)



Under 25 consists of ages 18 to 25.

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

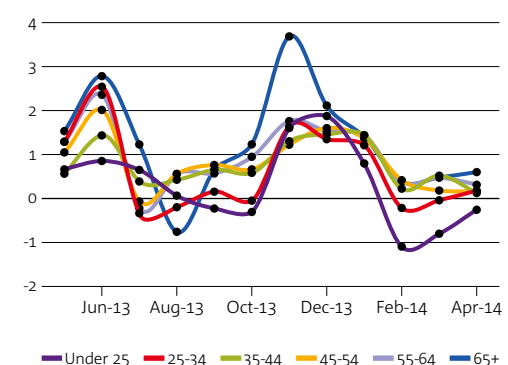


Chart 12: Share of spending by state
(year to April)

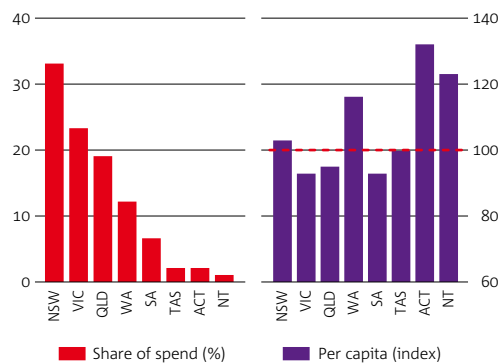


Chart 13A: Growth of spending by state
(% sa 3MMA, mom)

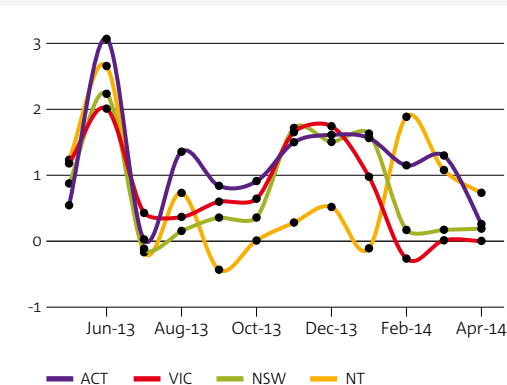
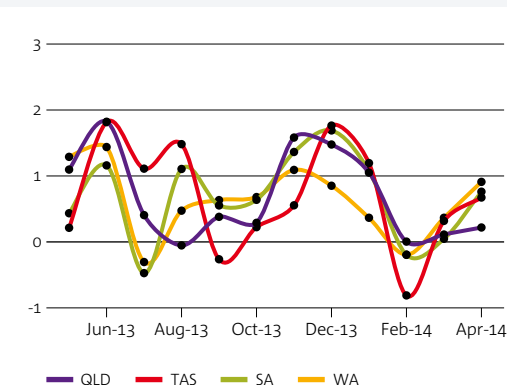


Chart 13B: Growth of spending by state
(% sa 3MMA, mom)



In year-on-year growth rate terms, the strongest growth rates were recorded in Electronic Games and Toys (+17.7%), Groceries and Liquor (+12.9%), Media (+11.7%) and Fashion (+8.5%). Daily Deals (-13.9%) and Personal and Recreational Goods (-9.7%) contracted.

In the year to April, the main contributors to the growth in online retail sales have been Department and Variety Stores (Sector 3), Media (Sector 5) and Groceries and Liquor (Sector 7) – which combined accounted for 77.1% of the total growth over this period (Chart 9). Daily Deals and Personal and Recreational Goods provided some of the smallest contributions to growth. While its share of spend remains high, the growth and hence contribution to growth of Homewares and Appliances (Sector 4) has fallen markedly.

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 Electronic Games and Toys, and comparatively less on Groceries and Liquor (Chart 10). Those aged over 65 spend less on Fashion and Department and Variety Stores and more on Groceries and Liquor.

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

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 33% more than the national average, those aged 25 to 34 spend 18% more and those aged 45 to 54 around 17% more. In contrast, those aged over 65 spend 50% less online than the national average.

“In contrast to the overall trend, Australians over the age of 45 are spending an increasing proportion of their online wallet with international retailers.”

Tony Davis, Quantum

Growth rates for most age groups improved in the lead up to Christmas but have slowed since (Chart 11). While still the largest by share, the 35 to 44 age group has seen growth almost stall (+0.1% sa, 3mma). The more volatile over 65 group has seen a slight pickup in growth and at +0.6% (sa, 3mma), now leads.

Growth trends mixed by state – strong rates for WA, SA and NT, but lagging in the ACT

In absolute terms, the largest share of online spending is controlled by the three largest states, NSW, VIC and QLD (Chart 12). On a per capita basis, the ACT, NT and WA continue to record stronger levels of consumption, while SA, VIC and QLD lag behind.

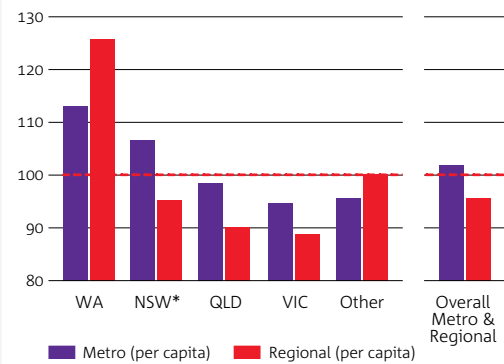
That said, strong rates of growth for April were seen in WA (+0.9%, sa, 3mma), SA (+0.8%), NT (+0.7%), and TAS (+0.7%). ACT (+0.3%), NSW (+0.2%) and QLD (+0.2%) saw more marginal growth, with the ACT slowing significantly in April, possibly reflecting recent changes to employment expectations (Charts 13A and 13B).

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

There was little change to the per capita share of spending by region in April – 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 WA continuing to outperform – with spending almost 26% above the national average. Regional VIC has the lowest per capita spending – 11% below average.

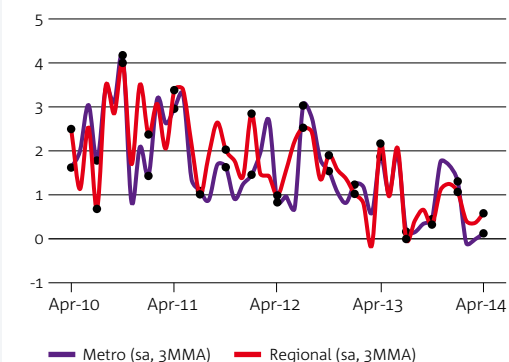
Generally there has been a close relationship between the growth rates for metropolitan and regional sales, though in recent months growth in regional online sales have typically been higher, with April up 0.6% (sa, 3mma) compared to metro (0.1%, sa, 3mma) (Chart 15). ■

Chart 14: Per capital spending by region
(year to April)



*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





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