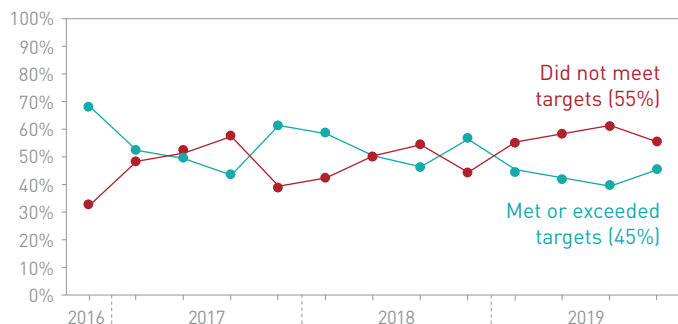


# Retail RADAR

# The REPORT

A quarterly Retail NZ Report // 31 December 2019

## Looking back over the past three months



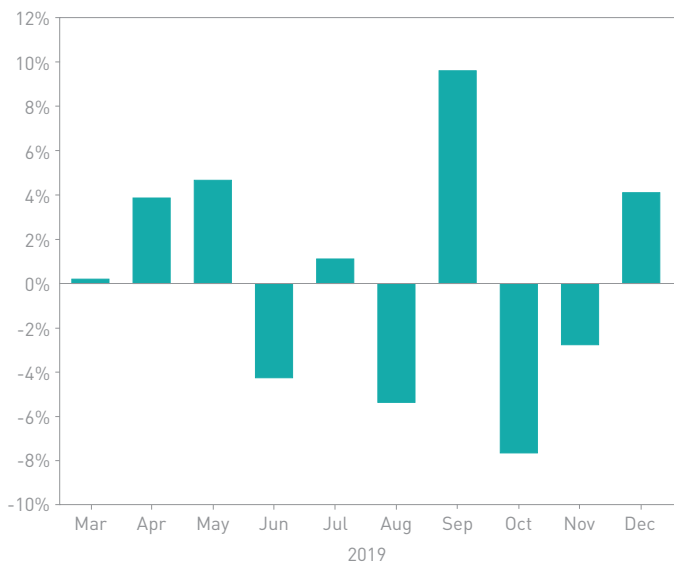
Notwithstanding the busy Christmas period, the last quarter of 2019 was challenging for many retailers, with just 45 per cent of retailers meeting or exceeding their sales targets for the quarter. While some retailers are performing well, there is a large proportion of businesses that is consistently underperforming.

While there were positive results reported in pre-Christmas spending in December, and strong sales reported for Black Friday at the end of November, overall, October and November 2019 were not good sales months for many retailers. The Retail NZ Sales Index shows that sales were down by 7.6 per cent in October and 2.8 per cent in November compared to the previous October and November, but up 4.1 per cent overall in December.

While Black Friday and Christmas saw increases in spending, survey respondents indicated that margins were depressed by cut-throat competition, and retailers continue to report a lack of customer confidence, driven negative perceptions about the economy and the direction of Government economic policy.

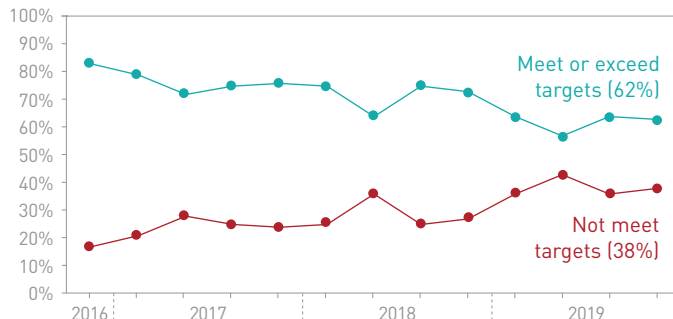
## Retail NZ Sales Index

- spending compared to the previous year



\* The Retail NZ Sales Index reports changes in average spend per site at Retail NZ members which process their sales with Westpac.

## Looking ahead to the next three months

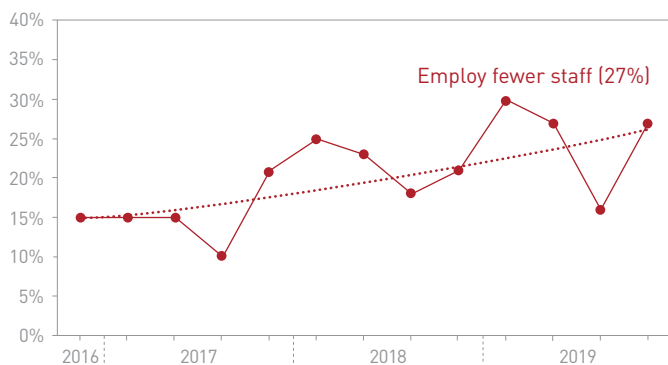


Looking ahead, there is some optimism about the next quarter, with 62 per cent of respondents expecting to meet or exceed their targets. Summer weather, the tourist flow, especially from China, and an expected improvement in house prices and economic performance are key factors behind this optimism. However, there is significant concern about foreign competition, wage increases, and continued economic uncertainty.



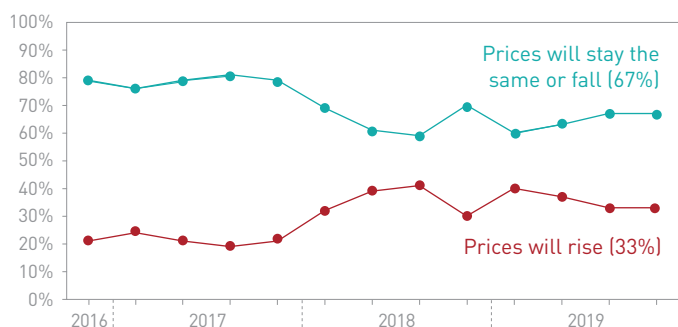
**"Just 45 per cent of retailers met or exceeded their targets for the quarter."**

## Employment intentions



Over the next three months, 27 per cent of retailers expect to employ fewer staff, up from 16 per cent in the last quarter. While it is not unusual for retailers to reduce staff numbers after Christmas, the number planning to do so is high. This is the continuation of a broad trend that we have seen since the 2017 General Election, suggesting that the direction of Government policies around employment is translating into fewer jobs in retail. Higher wage rates in an environment where sales growth is slow and there is pressure on margins is a key driver of reduced employment intentions.

## Retail price expectations



Prices continue to hold steady for most retailers, with 70 per cent reporting that prices stayed the same or fell over the last quarter. However, retailers continue to face higher costs for product, and a third expect prices to rise over the next quarter. Tempering this will be ever-present competition.

## Cost of leases

The last Retail Radar survey included a question on store rents. These are a significant issue for the sector, with the rents, on average, equating to 9.8 per cent of sales. Some retailers report that their rents are as high as 30 per cent of sales, and there is upwards pressure on rents as landlords seek to charge more each year. Retail NZ will be conducting further research on this issue during 2020.



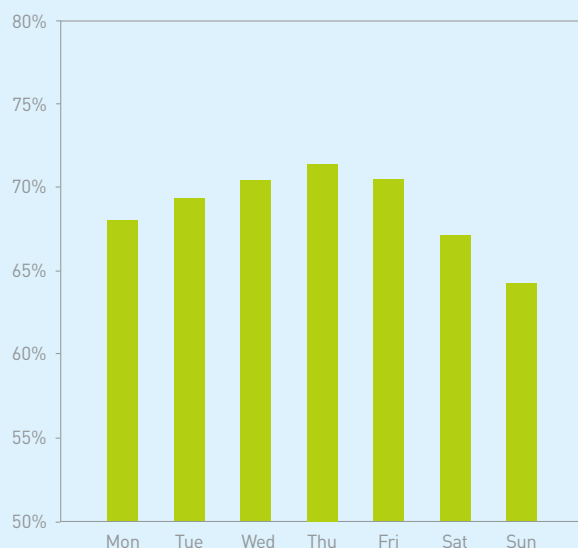
## FOCUS ON CUSTOMER HAPPINESS

Customer Radar data suggests that the busy Christmas quarter saw customers remain broadly happy with the sector, with an overall Net Promoter Score of 68.89.

Customers appear to be experiencing their happiest shopping days on a Thursday with an NPS of 71.43 which has shifted from Friday in the last quarter. Wednesday is close behind with an NPS of 70.43.

Sunday remains the day that customers are least satisfied, scoring only 64.25.

## Customer Radar 2019 Q4 NPS Score



\*Customer Radar measures the Net Promoter Scores of individual retailers.

