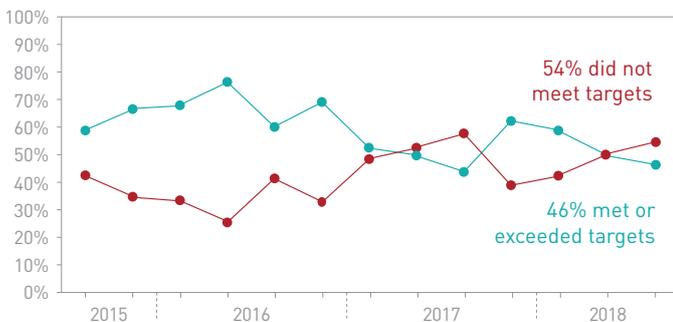


ANOTHER TOUGH QUARTER BUT IMPROVEMENT ON THE HORIZON

- Retailers' performance was down over the past three months with 54 per cent of retailers failing to hit their sales targets for the quarter. Just 46 per cent of retailers met or exceeded their sales targets. This is a decrease of four per cent on the previous quarter, but a slight improvement on the same quarter of last year.
- Over the next three months retailers expect their performance to be more positive as the festive season approaches, with 75 per cent of retailers expecting to meet or exceed sales targets, about the same as last year.
- The Christmas and peak tourist seasons will benefit many retailers, though cost pressures remain, and competition is as tough as ever.
- An increasing number of retailers are looking to recruit more staff to meet the demands of the holiday season however the majority (59 per cent) will retain the same staff levels over the next three months.

Looking back over the past three months



Retail performance dropped again this quarter but not as steeply as we saw during the first half of the year. While performance is low, the third quarter traditionally sees a slowdown in our survey and performance is slightly better than at the same time last year, when 57 per cent of retailers reported that they neither hit nor exceeded their sales targets.

A sense of uncertainty remained through the third quarter with the economy, government policy affecting business owners, and business confidence, all up in the air and negatively affecting retailers. There are also concerns about rising costs for consumers with fuel, rates and insurances taking money away from consumers' pockets.

The falling New Zealand dollar is also having a big effect. The costs of goods are increasing for Kiwi merchants, but these costs cannot simply be passed on if we wish to continue to compete with global eCommerce retailers.

A number of retailers also cited staff shortages, or an inability to afford suitable staff, as affecting abilities to meet sales targets.

On the positive side, retailers benefited from major events in their areas. For example, the All Blacks Test in Nelson and WOW in Wellington. These events brought people into town and visitors like to treat themselves while on holiday. These events largely benefit clothing and footwear retailers and the hospitality related categories. Many retailers also said that tourist numbers were high despite it not being peak season and that this had a positive effect.

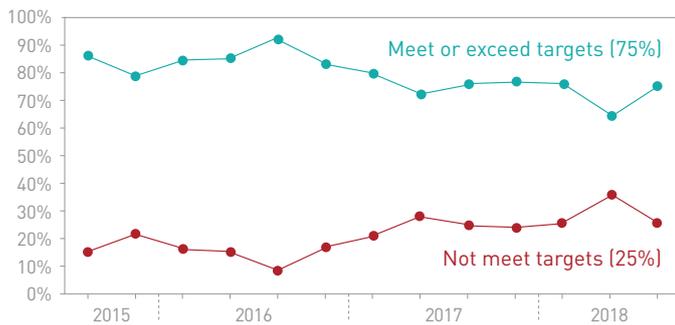


FOCUS ON: Christmas 2018

What are Kiwi retailers planning for this festive season? We thought we would ask!

- 71 per cent of retailers expect that up to 10 per cent of their Christmas sales will be made through eCommerce channels. 14 per cent say that 10-20 per cent of sales will be through eCommerce channels.
- Over half of retailers who plan to decorate for Christmas will have their decorations up by the end of November, with 46 per cent waiting until December. There are some early birds however: five per cent already had decorations up at the start of October!
- There are a few grinchers out there, 19 per cent of retailers in our survey won't be putting decorations up at all. Mainly this is because it is inappropriate for their store type or the store location, but a small number just think they look cluttered or tacky.
- The most popular Christmas gifts are expected to be clothing and footwear, food items, jewellery and accessories, camping and outdoor equipment, and small items of less than \$20.

What's coming up?



The next three months will see an improvement in performance as we move closer to Christmas, by far the biggest event of the retail year. The outlook is good with 75 per cent of respondents expecting to meet or exceed targets. This is certainly an improvement on the all-time low of last quarter, however it is the same level recorded at the same time last year.

“The outlook is good with 75 per cent of respondents expecting to meet or exceed targets”.

Improved weather encourages people to enjoy the outdoors with sports and camping equipment seeing a rise. Home owners take the opportunity to make improvements to house and garden, increasing spending at hardware, building and garden supplies retailers. Food and beverage categories will also see a jump as socialising and festivities step up for the holiday season.

The low New Zealand dollar and high fuel prices are putting a dampener on optimism this year. Fuel prices also push up costs for freight and transport which has a real impact on retailers.

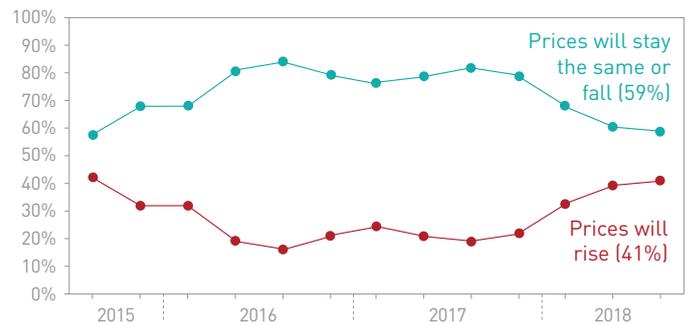
Smaller retailers have cited concerns about getting “cut through” and reaching customers in the crowded Christmas market. This can be a real issue online and on social media where a large investment is often required to make advertising visible to potential customers. And, of course, online is easily dominated by the global players.

Again, concerns about the costs facing business owners has come through strongly in our survey. These include fuel and freight, but also wages, insurance and rates. Providing some relief is ongoing low interest rates however, it remains very difficult to compete with offshore merchants that do not face the same taxes and overheads and domestic merchants.

The Christmas season is the time of year that the local retailer comes into its own creating a sense of community and magic on the main streets of New Zealand. And of course, only they can provide those special gifts for shoppers that leave things to the very last minute on Christmas Eve – no global giant can compete with that!

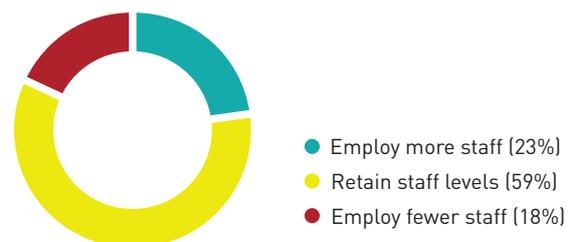
Got questions? Email us at: retail.radar@retail.kiwi

Retail price expectations



An increasing proportion of retailers have reported that prices will rise over the year and this has continued this quarter. 41 per cent of respondents said that prices will rise, which is up from 39 per cent last quarter. The increasing costs currently facing business owners will have to be passed on at some point despite the strong competition from both offshore and domestic retailers.

Employment intentions



Retailers will increase staff levels through the next quarter to meet the demand of holiday shoppers. Almost a quarter are looking to increase staff levels (23 per cent), up from 16 per cent last quarter. Concerningly, it is a drop on the third quarter of last year when 33 per cent were looking to increase staff. This may indicate that retailers are unable to meet the costs of additional staff, or that suitable staff are difficult to find.

The majority (59 per cent) will retain the same staff levels and this has been largely unchanged over the past year.

