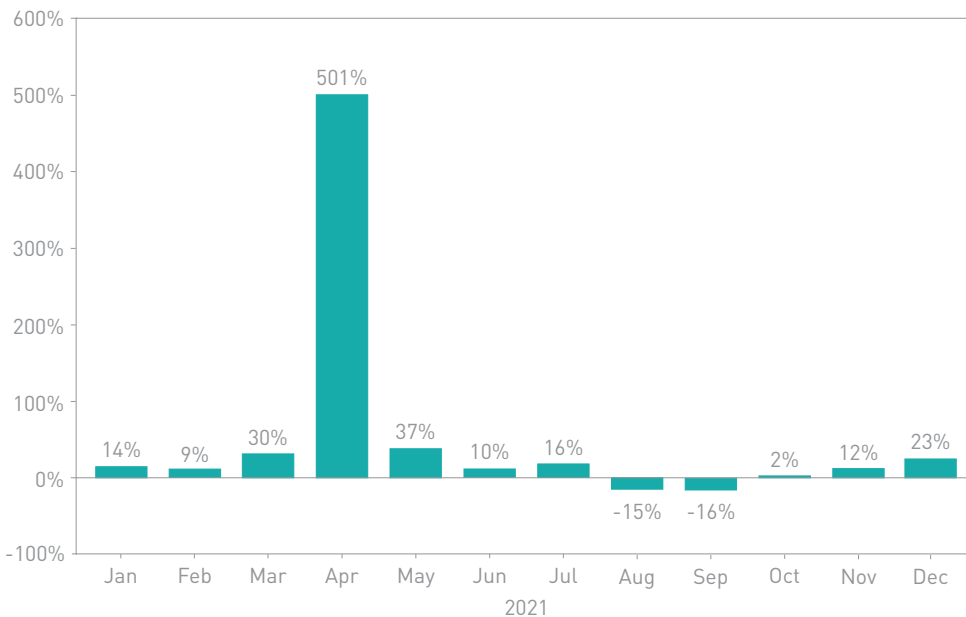


Despite a small increase in sales compared to Q3, the threat of Omicron and on-going global supply chain issues will remain challenging for the retail sector.

Inflationary pressures continue, with three quarters of retailers expecting prices to rise by 7.5 per cent on average over the next three months.

Retail NZ Sales Index

The Retail NZ Sales Index recorded increases in sales for each of the last three calendar months of 2021. In total, spending was up 4 per cent for the quarter, compared to a decline of 14 per cent in the previous quarter.



The Retail NZ Sales Index reports changes in average daily credit and contactless debit card spend per site at Retail NZ members which process their sales with Westpac.

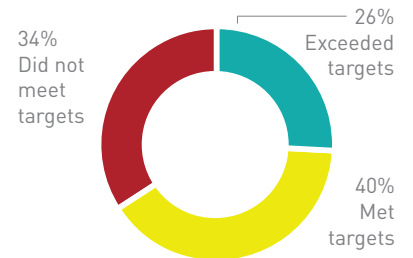
The final quarter of 2021 – Christmas spending and the emergence of Omicron

Early November saw Auckland and most of the Waikato enter Alert Level 3 Step 2, allowing for retailers to open their doors before moving to the Traffic Light Framework. During the quarter 66 per cent of retailers met or exceeded their quarterly targets, a significant increase of 41 per cent on Q3 2021.

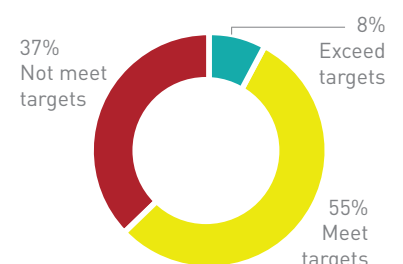
Global and domestic supply chain issues linked to COVID-19 continue to linger and impact prices. Retailers are optimistic going into the New Year, with 63 per cent expecting to meet or exceed their sales targets for the first quarter of 2022, but the arrival of Omicron is a risk.

The potential emergence of the Omicron Variant of COVID-19 in New Zealand has created uncertainty. We are yet to see a material impact from its presence, although this is being treated as a 'matter-of-time' scenario by the sector.

Looking back over the past three months, how did your business track against your targets?



Looking forward over the next three months, how do you expect your business to track against your targets?

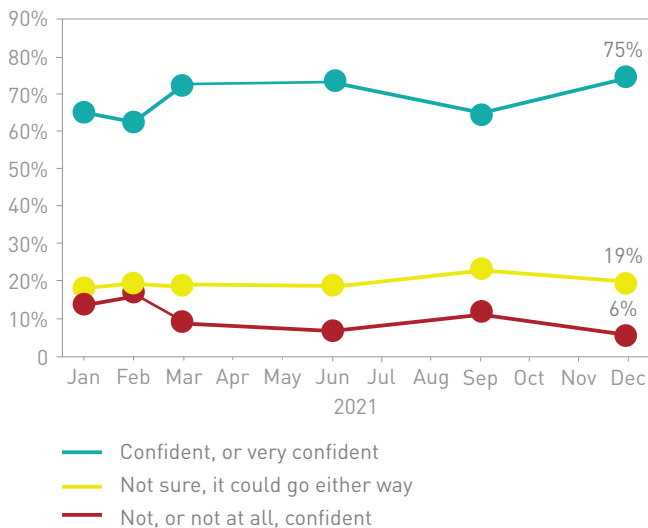


Business confidence increases

Just under three quarters of retailers are confident their business will survive the next 12 months, up 11 per cent from the previous quarter. This reflects the lifting of the most recent lockdowns across Auckland and parts of the Waikato.

However, while confidence has increased, 59 per cent of retailers remain unsatisfied/very unsatisfied with the Government's handling of the virus (compared to 70 per cent last quarter). Sustained dissatisfaction may be linked to the recent lockdown, the severity of lockdown measures deployed in New Zealand (when compared to other OECD countries) and a slow vaccine rollout.

How confident are you that your retail business will survive the next 12 months?

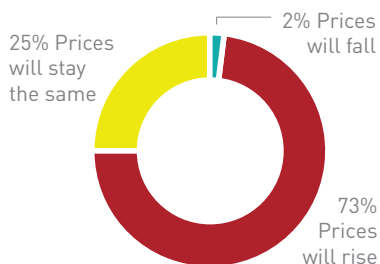


Price pressures intensifies

The pressure on prices continues steadily throughout Q4, with 57 per cent of retailers increasing prices. Nearly three-quarters of retailers expect prices to increase further over the next quarter, with an average inflationary expectation of around 7.5 per cent.

Global and domestic supply chain issues continue to drive the cost of freight up, plus cost increases in products, commercial rents and wages are responsible for putting pressure on prices.

Retail price changes over the next three months



Methodological notes: *This Retail Radar report presents the results of turnover recorded in the monthly Retail NZ Sales Index, as well as a survey of Retail NZ members.

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



December customer experience lacking good cheer

The introduction of the long-awaited traffic light system in December saw Aucklanders finally able to shop in-store, but data shows that many retailers found it difficult to capitalise on new-found freedoms.

The Net Promoter Score (NPS) for December was three points lower than the average for Q3 as a whole, and the only month to dip under 80, at 77.39. This also compares negatively to December 2020, which achieved an NPS of 81.43, four points up on 2021 results.

Capacity constraints in physical stores, stock shortages, shipping delays, and staff operating within unfamiliar new guidelines are all contributing factors leading to less customer experience satisfaction. But with Covid here to stay, the question is, who will navigate this new framework successfully? After significant periods of lockdown customers are looking for connection and those who can wow with prompt and personalised service will come out on top.

The NPS for Boxing Day 2021 is an ideal illustration of just how important customer experience is as shoppers return to store. Traditionally one of the busiest shopping days of the year, with dense crowds and a higher proportion of casual holiday staff, Boxing Day presents a challenge for all retailers. This year the NPS for December 26 was a whopping eight points lower than the Q3 average at just 69.39.

Luckily, not every day is Boxing Day, but with customers looking for more connection in the coming year, now is the perfect time to reflect on how your business can rise to the challenge. Here's to your customer success in 2022.

