

## Minor improvements in retail outlook but inflationary pressures remain

While retail sector performance has not been strong through winter, we have recorded minor improvements in the proportion of businesses hitting their sales targets, and a minor improvement in confidence levels. However, significant cost pressures remain and we are forecasting an average price rise of five per cent in the next quarter, on top of six per cent in the period ended 30 September.

### Diminishing confidence and targets continue

Half of all retailers continue to fall short of their quarterly sales targets, while 50 per cent of retailers met or exceeded them last quarter. Retailers are, however, more optimistic as we enter the Christmas and summer periods – 63 per cent of retailers are expecting to meet or exceed their quarterly targets. This is an eight per cent increase when compared to the same quarter last year.

30 per cent of retailers are not sure, or not confident if their business will survive the next 12 months. While this is a slight improvement on the previous quarter, a blanket of economic uncertainty remains.

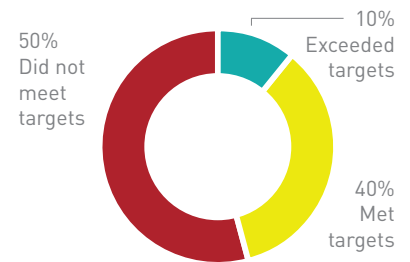
### Key 'top of mind' issues

Wage increases, inflation, supply chains, and freight costs have been identified as the key pressure points impacting retailers.

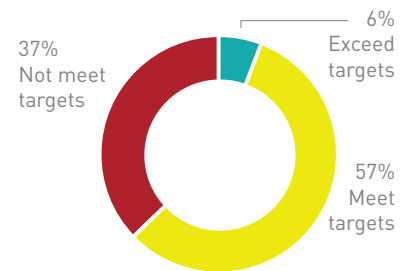
Pressure on supply chains and freight cost increases continues to be felt. Although overseas evidence suggests shipping rates are beginning to fall as global trade volumes recover, New Zealand retailers are yet to see this translate into substantial price decreases for freight.



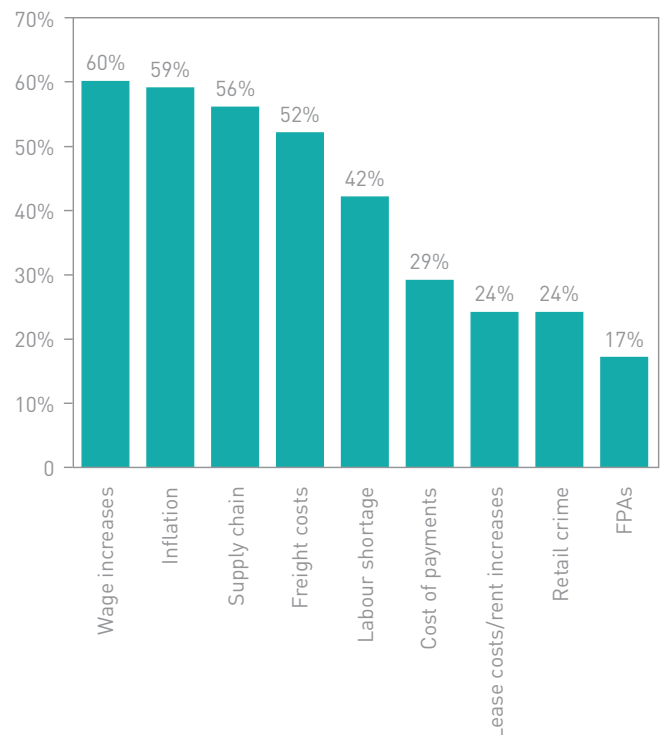
Looking back over the past three months, how did your business track against your targets?



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



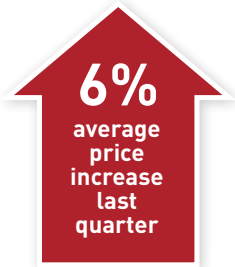
What issue(s) are having the biggest impact on your business at the moment?



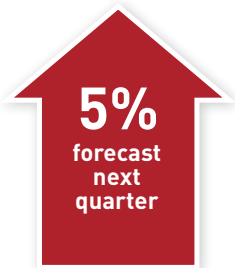
## Drivers and influences on inflation

Retailers reported average price increases of six per cent across the sector last quarter.

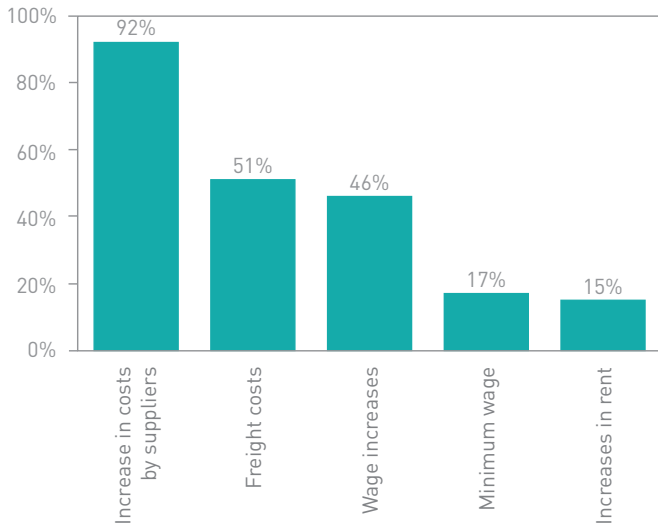
Driving price increases across the sector, are increases in costs by suppliers (identified by 92 per cent of retailers), freight costs (51 per cent), wage increases (46 per cent), and rent increases (15 per cent). In many cases a combination of these influences will be driving price increases.



Looking ahead, 71 per cent of retailers expect to increase prices in the next three months at an average of five per cent. Such cost increases will likely be passed onto consumers in the form of higher prices. This signals that the current inflationary rates in goods and services will continue into 2023.



### What is the key driver of price increases for your business?



**Methodological notes:** \*This Retail Radar report presents the results of a survey of Retail NZ members.



## Did your customers beat the Winter Blues?

Customer happiness took a dip through the winter. These insights highlight the risks and opportunities for retailers as we head into the silly season.

Customer Radar looked at over 43,000 pieces of customer feedback across Australia and New Zealand to bring together customer trend and satisfaction insights. Customer satisfaction and loyalty is measured using the Net Promoter Score® methodology which ranges from -100 to +100.

The July to September quarter saw a slight decrease in the Net Promoter Score compared to the previous quarter. The quarter's results showed an NPS of 78.08, down almost 2 points from the previous quarter (79.95). Looking deeper, customers appeared to be feeling the winter blues particularly throughout August as the months' NPS of 75.03 represents the lowest score of 2022 so far.

The good news is that helpful and friendly service still goes a long way. Retailers have the opportunity to retain customers by delivering a customer experience that goes above and beyond. Key customer experience trends for the quarter included *professionalism, efficiency and friendly customer service*.

Friday was the happiest shopping day for customers - with an average NPS of 81.50. The least happy day for customers was Sunday (NPS 74.49) which has been the trend for all of 2022 so far, but has improved 1.5 points since the last quarter.



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**Got questions?** Email us at: [retail.radar@retail.kiwi](mailto:retail.radar@retail.kiwi)