

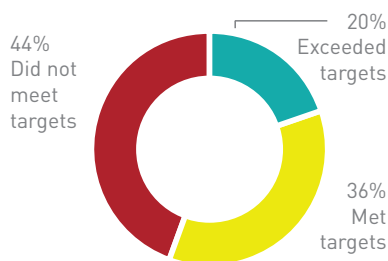
A challenging start to 2023 for retailers

Retailers report a challenging start to the year. The combined challenges of inflation, increasing wage costs and retail crime are hitting home for retailers across the country. Additionally, Auckland flooding and the devastating effects of Cyclone Gabrielle had localised impacts for a substantial number of retailers in the North Island.

Confidence and targets remains low

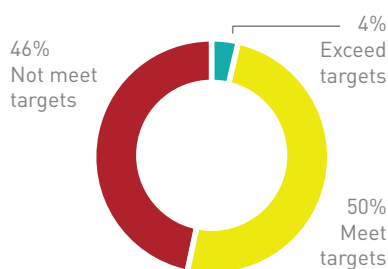
The first months of the year are typically important for many retailers, with holidaymakers and tourists typically lifting spending, however this was not the case in Q1. Retail NZ's quarterly survey found that 44 per cent of retailers did not meet sales targets, a similar level to that recorded in the last quarter of 2022. The survey also found that 28 per cent of retailers were either unsure or not confident that their business would survive over the next 12 months.

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



The pessimistic outlook continues for the next three months, with almost half of retailers not expecting to meet targets again for in the second quarter.

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



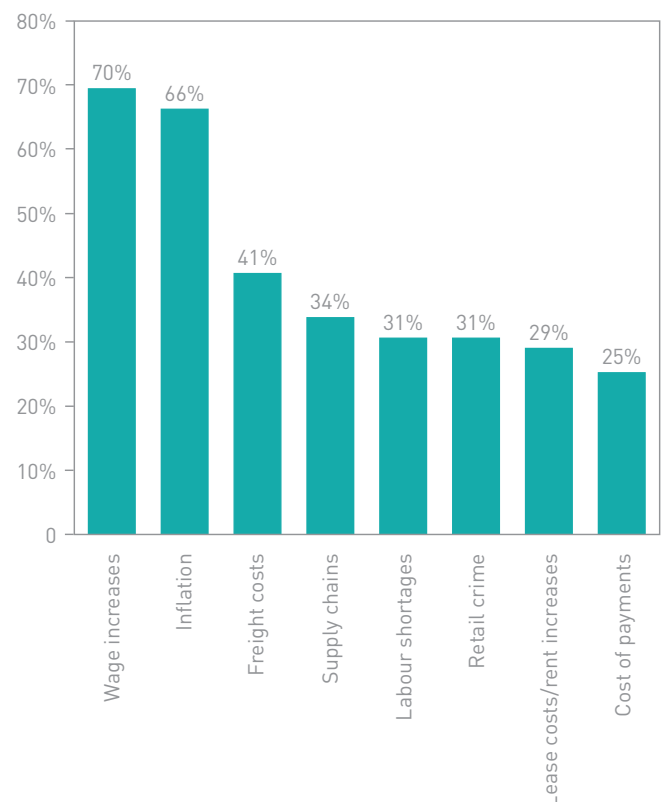
Wages costs an increasingly serious issue for retailers

The biggest issue facing retailers this quarter was wage increases. Inflation and labour shortages have been putting pressure on wages for some time. Many retailers will have increased wages in anticipation of the 7.1 per cent increase to the minimum wage which came into effect on 1 April.

Inflation is affecting all business costs, plus consumer spending is slowing with many having less in their pockets due to mortgage rates hikes.

Retailers also reported issues caused by flooding and Cyclone Gabrielle or felt the impacts of damage to roads and other infrastructure.

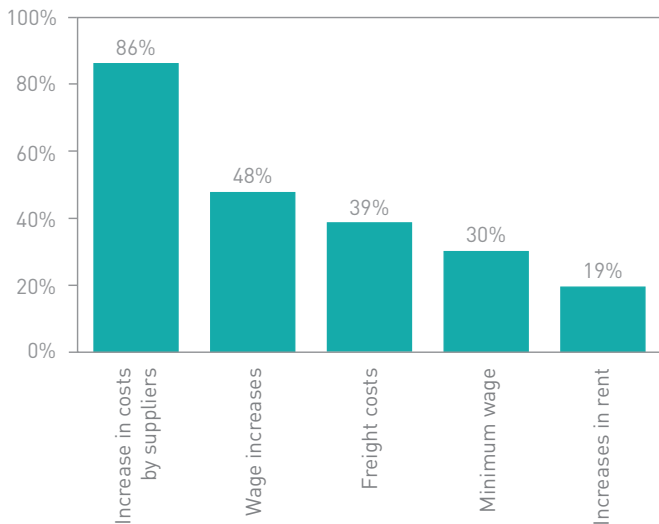
What issue(s) are having the biggest impact on your business at the moment?



Inflation outside of retailers' control continue

68 per cent of retailers reported an increase in prices during the first quarter of 2023, with an average price increase across the survey of around 5.4 per cent. Price increases were largely driven by increasing business costs and wage increases. Insurance rate increases are also cited by some as contributing to higher prices.

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



Price increases are expected to continue next quarter but at a slower rate. 71 per cent of retailers report prices will rise over the next three months but with an average increase of around 4.7 per cent, which is down from the 7.1 increase that was expected last quarter.



Sales Index

The Retail NZ Sales Index recorded a 20.9 per cent increase in daily sales per site compared to the same month last year. This likely reflects the fact that, last year, sales were significantly impacted by ongoing COVID-19 restrictions. Additionally, while sales values are up this index does not measure the amount of product being sold and it is likely that the increase is heavily influenced by inflation. This increase is broadly in line with Statistic NZ monthly Electronic Card Transactions, which recorded a 17.3 per cent increase in March compared to the same month last year.

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



Communication is Key: The Impact on Customer Satisfaction in Q1 2023

In Q1 2023, businesses in New Zealand received mixed feedback on customer satisfaction. Over one thousand unhappy customers mentioned poor communication as negatively impacting their experience.

Customers still value quality service and experience

The average Net Promoter Score for the first quarter of 2023 was 78.3, which is slightly lower than last quarter's score. Despite inflation being the topic of the year, only 16 per cent of customers mentioned price and value as part of their customer experience - suggesting that customers are willing to pay for quality service and experience.

Happy Team = Big Customer Experience Impact

Over 35 per cent of all feedback received by businesses this quarter mentioned the interaction with a team member, highlighting the critical role played by employees in enhancing customer satisfaction.

The customer satisfaction analysis is from + 26,000 pieces of customer feedback received through Customer Radar from January to March 2023. Customer satisfaction and loyalty is measured using the Net Promoter Score® methodology which ranges from -100 to +100.



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