

## Trading challenges continue into the winter months

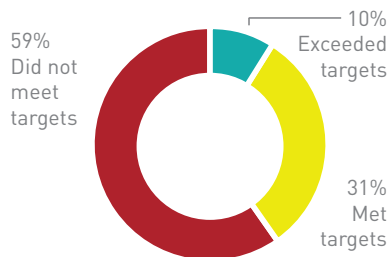
Many of the challenges that retailers have reported last quarter have continued into the winter months, with inflation, increasing wage costs and retail crime proving stubborn. Inflation is affecting all areas of business while at the same time consumer spending is slowing with many shoppers having less in their pockets due to mortgage interest rates hikes, and ongoing increases in council rates and consumer goods.

The economy was in a recession, with negative GDP being recorded for the second quarter in a row (economic activity fell -0.1 per cent in the March 2023 quarter). Retail Trade and Accommodation however has fallen behind at a faster rate, falling -1.0 per cent in the March quarter after two consecutive quarters of falls (-1.9 per cent in fourth quarter of 2022 and -1.7 per cent for quarter three).

## Tough trading conditions hitting home for retailers

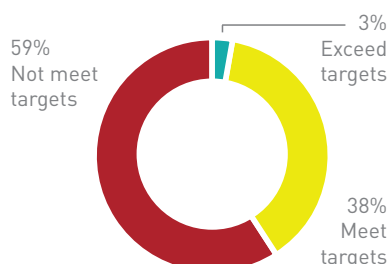
59 per cent of retailers did not meet their sales targets over the past three months, a substantial increase on the 44 per cent recorded in the previous quarter.

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

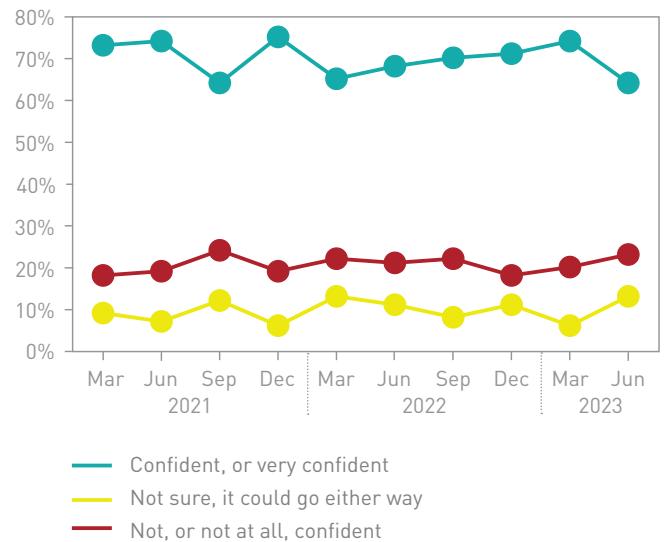


The pessimistic outlook continues for the next three months, with more than half of retailers not expecting to meet targets again for in the third quarter.

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



## Retailers confidence that their business will survive over the next 12 months

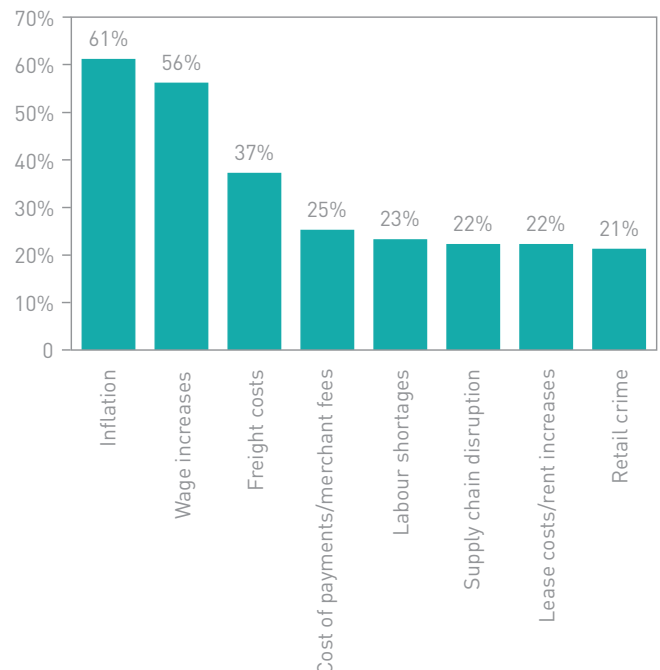


Concerningly, 36 per cent of retailers report that they were either unsure or not confident that they will survive the next 12 months. While this number can be volatile, it is a significant jump on the 26 per cent recorded last quarter and could be a sign that the negative economic situation is starting to bite for some retailers.

## Increasing costs is the number one issue

Inflation is resulting in increased costs across the board, but wage costs and freight costs are hitting retailers the hardest.

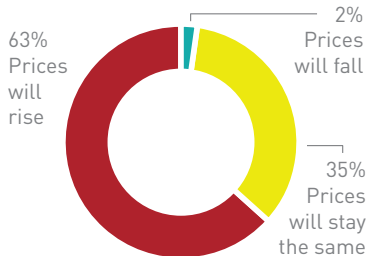
### Biggest issues affecting retailers



## Price inflation may be slowing

60 per cent of retailers reported an increase in prices during the second quarter of 2023, with an average price increase across the survey of around 4.3 per cent. This is set to continue into the third quarter with 63 per cent of retailers expecting to put prices up within their businesses.

**Looking forward over the next three months, in general, do you expect your prices to rise, fall or stay about the same?**

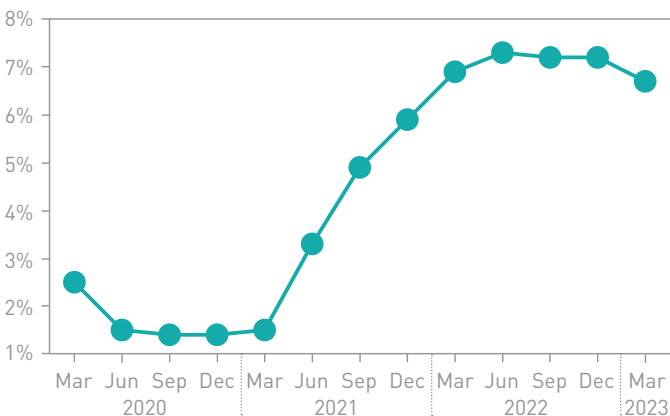


## Sales Index

On the sales side, the Retail NZ Sales Index was up slightly, increasing 6.5 per cent on the same month of the previous year. This is a small improvement on the 3.9 per cent increase recorded last quarter. 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.

Inflation, which has been steadily rising over the past six quarters, slowed for the first quarter of 2023. It is early days, but retailers will be hopeful that this is a sign that the peak has been reached.

**Consumers price index - percentage change on the same quarter of the previous year**



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



## CUSTOMER • RADAR

### As the weather cools so does customer satisfaction

As winter weather rolls in, customer satisfaction has cooled down too - with the overall Net Promoter Score taking a slight dip of nearly 3% from the previous quarter, landing at 76.21.

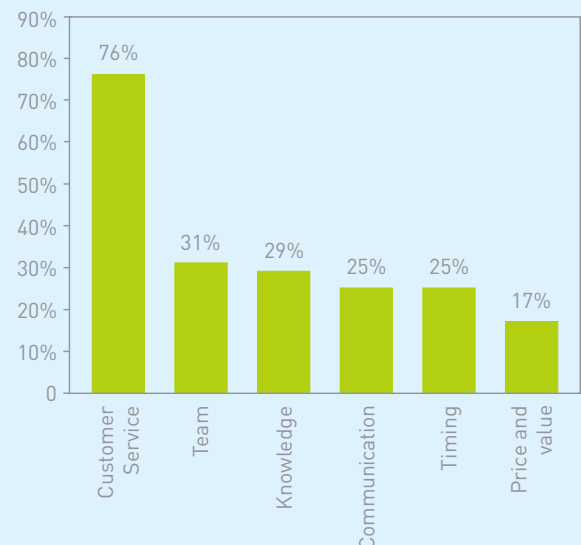
But, there's a silver lining amidst the clouds. Approximately 16% of chilly customers have taken the time to share helpful suggestions on how retailers can improve.

Embracing customer feedback and implementing changes that customers want is a great way to set yourself up for continuous improvement in customer experience.

When it comes to retail, customer service is like a winter coat—it can make or break you. But here's the good news: you have the power to control it. Bundle up your team for success in delivering a helpful, friendly, and expert customer experience.

Customers have spoken loud and clear. Throughout April, May, and June, they mentioned customer service more than anything else. Knowledge and communication also ranked high on their list of retail priorities.

### What matters most to customers?



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