

Increasing costs and election uncertainty impacting retailers

Retailers were in a holding pattern during the third quarter, with issues such as inflation and increasing wage costs continuing to impact many. The recent election also created uncertainty. However, there are positive signs ahead with more retailers expecting to meet targets in the next quarter as we move into the warmer months and the busy festive season.

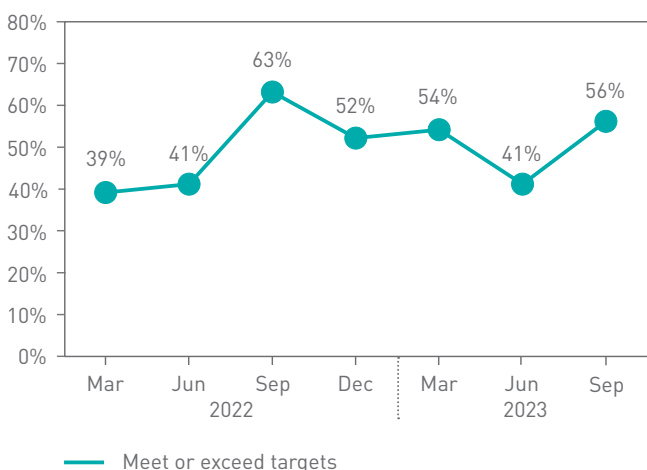
Most retailers did not meet targets this quarter, but the next quarter is expected to be more positive

Retail NZ's quarterly Retail Radar survey of members found that 61% of retailers did not meet sales targets over the past three months, a similar level to the 59% recorded in the previous quarter.

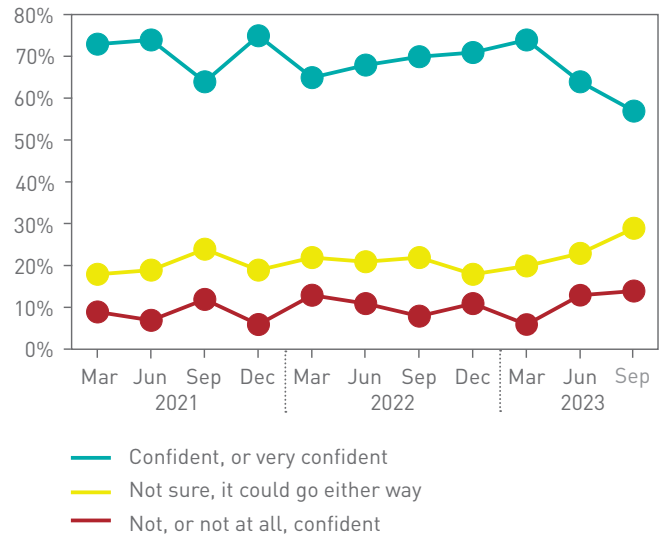
Improvements may be on the horizon however, with the majority (56%) of respondents expecting to meet or exceed their sales targets as we head into the summer months and busy Christmas period. While this is more positive than we have seen in recent quarters, it is not as high as this time last year, when 63% of retailers were expecting to meet or exceed targets.

The fourth quarter is a busy time for many retailers, and traditionally we see a seasonal improvement in outlook for this period. It will be interesting to see what eventuates in the next Retail Radar report to 31 December 2023, particularly for those businesses that rely on strong sales to carry them through the leaner months in the middle of the year.

Looking forward over the next three months, how will your business track against targets?



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

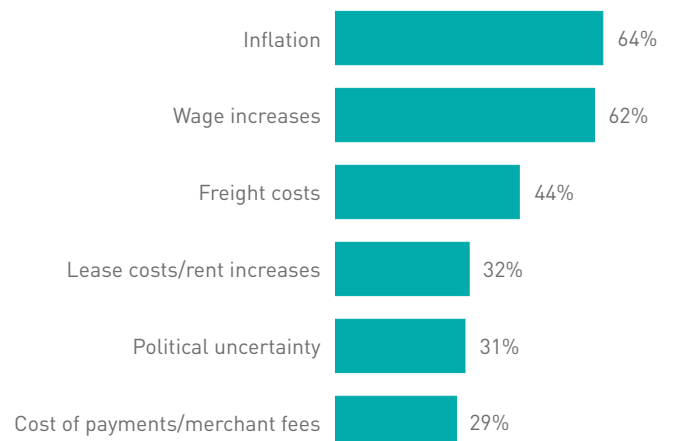


Confidence levels fell for the third consecutive quarter, with just 57% of respondents feeling confident or very confident that their retail business would survive the next 12 months. Alongside this was a big jump in those feeling 'unsure', and this is likely linked to both the economic and political uncertainty of the past three months. It will be interesting to see results for the next quarter to see whether this is a trend, or if confidence levels will stabilise once a new government is in place.

Political uncertainty one of the big issues

In the lead up to the General Election on 14 October, political uncertainty impacted business owners. Inflation continues to be the top issue, resulting in increased costs across the board. Wages, freight and lease costs are the biggest cost impacts for retailers. The cost to merchants of accepting payments is also a significant and ongoing issue for retailers in our survey.

Top six issues having the biggest impact on retailers

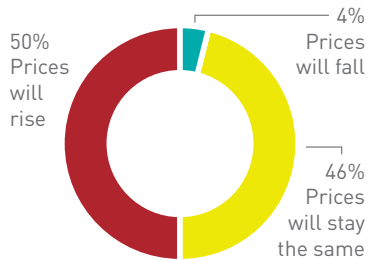


Price inflation may be slowing

This quarter 59% of retailers reported increasing their prices, which is a small decrease on the previous quarter. The average price increase across the board was 3.4%, also down on last quarter. The key driver of price increases is increasing costs from suppliers.

The downwards trend is set to continue into the next quarter with half of retailers expecting to leave prices unchanged or decrease prices within their businesses (up from 37% last quarter). The average predicted increase being 2.4% (down from 4.2% in the previous quarter).

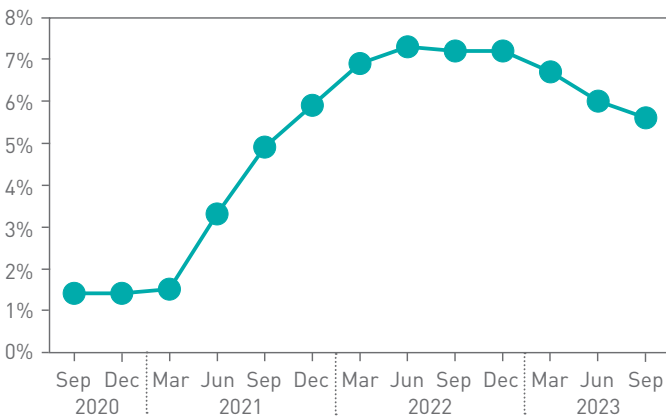
Looking forward over the next three months, in general, do you expect your prices to rise, fall or stay about the same?



Sales Index and CPI

The [Retail NZ Sales Index](#) shows that sales are slow, increasing just 0.5% on the same month of the previous year. Alongside this, inflation has fallen for three consecutive quarters and, while still high at 5.6%, it is looking increasingly likely that the peak has been reached.

Consumer Price Index - percentage change from 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.

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



CUSTOMER • RADAR

Charting the Course to Holiday Cheer

With the holiday season on the horizon, New Zealand retailers have a unique opportunity to make adjustments that will create a memorable shopping experience. Retailers should seize the opportunity to make changes that will leave customers not just satisfied, but delighted, with their shopping experiences in the months to come. The ultimate outcome should be to create an experience customers want to come back for, and even better, one they tell their friends and social media about.

1. Overall NPS Surges to 80.33: or 5.41% increase in NPS this quarter

The overall NPS for Q3 2023 increased by 5.41%, reaching an impressive 80.33, compared to 76.21 in the previous quarter. This indicates a positive shift in customer sentiment and their likelihood to recommend retailers to friends and family.

2. Weekend Blues

One interesting finding is that customer experience consistently tends to be lower on the weekends. This suggests that retailers might need to pay closer attention to staffing, staff training, inventory management, and overall store operations during the weekend. Addressing these issues now can set the foundation for a more enjoyable customer experience during the busy Christmas season.

3. The Power of Friendliness

One consistent theme in customer feedback is the emphasis on friendliness of the staff. Nearly 20% of all customers mentioned the friendly attitude of retail staff as a highlight of their shopping experience. Retailers should continue to prioritise training and motivating their teams to maintain the high standard in this area.

4. Beyond Price

Surprisingly, despite the challenges posed by the economic landscape and particularly the upward pressure on prices in 2023, price is not the top concern for most customers. Only 4.8% of customers mentioned price as a significant factor in their shopping experience. This suggests that if retailers focus on delivering a great experience, price becomes less of a focus for customers.

This customer satisfaction analysis is from + 38,000 customers who gave feedback through Customer Radar from July to September 2023. Customer satisfaction and loyalty is measured using the Net Promoter Score® methodology which ranges from -100 to +100.