

Retail RADAR

The REPORT

A quarterly Retail NZ Report // to 30 June 2022

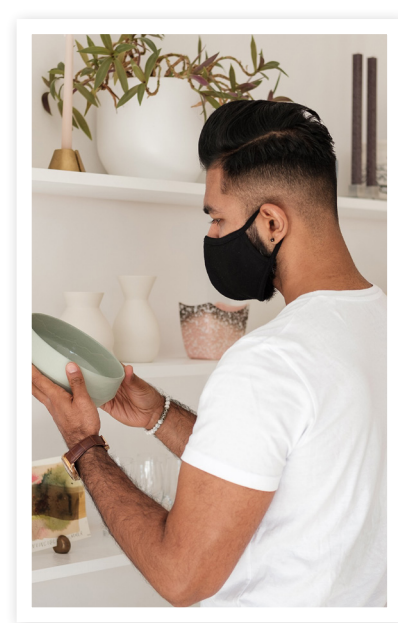
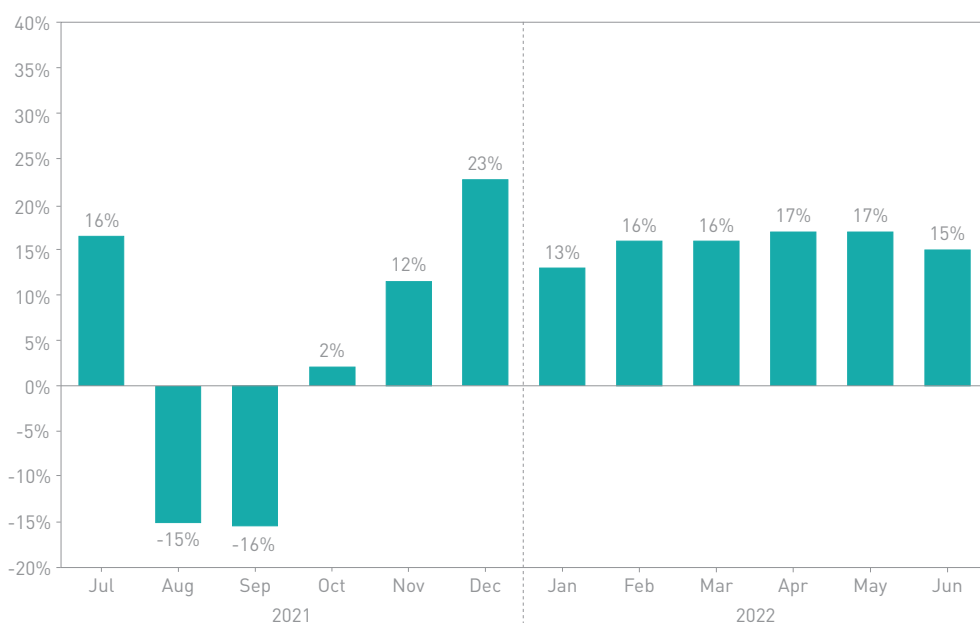
Inflationary pressures intensify

Prices continued to increase through the last quarter, with an average price increase of six per cent reported, with a similar outlook for the next quarter.

Rising operational costs, staff shortages, and a lack of foot traffic are having a significant impact on retailers.

Retail NZ Sales Index

The Retail NZ Sales Index has recorded a 16 per cent increase in average daily sales per site compared to the same quarter last year. This performance partly reflects the fact Auckland was recovering from lockdown in the second quarter of last year, and inflationary impacts. However, increased sales mask increased costs faced by many retailers over the past quarter.



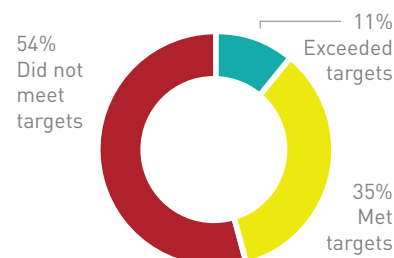
The Retail NZ Sales Index reports changes in average daily credit and contactless debit card spend per site at Retail NZ members which process their sales with Westpac.

Targets remain variable

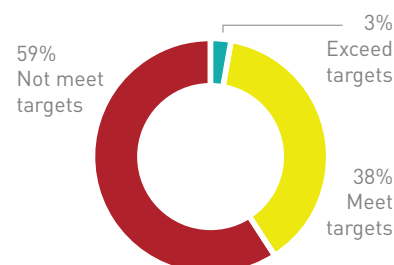
54 per cent of retailer did not meet their sales targets in the last quarter, while 46 per cent of retailers met or exceeded them. This is an improvement compared to the first quarter of 2022 and suggests the effects of the Omicron surge may be subsiding. However, margins remain tight due to cost increases.

Looking to the next quarter, there is significant uncertainty in the market. 59 per cent of retailers don't expect to hit their targets. Retailers continue to express their concern with the increasing cost of doing business, for smaller operators this can significantly impact their financial structure. This concern of missing targets has remained steady since last quarter.

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?

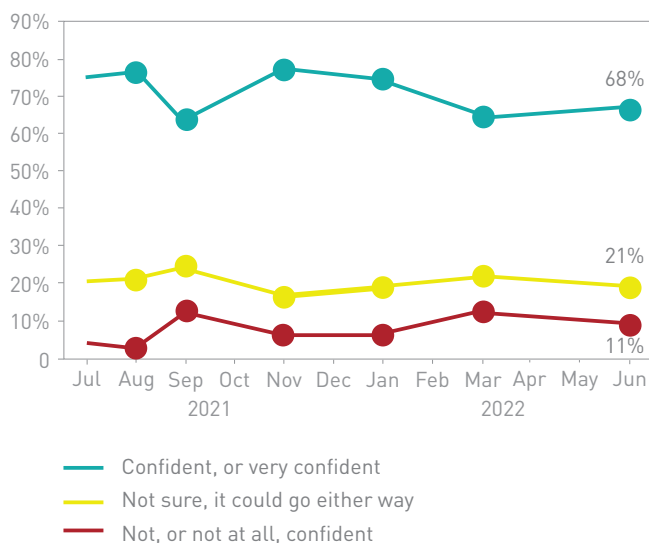


Variable confidence levels remain

There has been an improvement in the way the sector views the Government's handling of COVID-19. 45 per cent are now satisfied, compared with 35 per cent last quarter.

However, other issues are coming to the fore which are impacting overall confidence levels across the sector. 32 per cent of business owners report they are not sure or not confident their businesses will survive the next 12 months. This is a slight improvement compared to the previous quarter, but shows the impact of economic uncertainty on retailers.

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



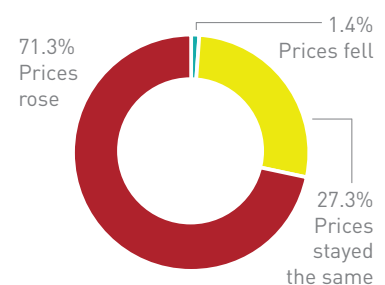
Inflation continues

Persistent inflationary pressures saw 71 per cent of retailers increase their prices over the last quarter, at an average increase of six per cent across the sector. For three consecutive quarters, retailers have seen quarter-on-quarter price increase that sit between 6-7 per cent – equating to an overall increase of 18-20 per cent. While this number is calculated on a different basis to the official Consumer Price Index, it does suggest that there will be ongoing and significant pressures for the remainder of the year.

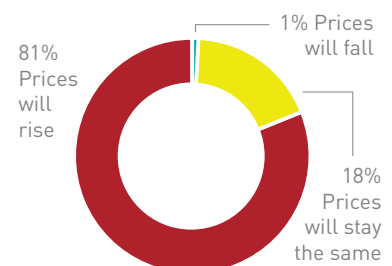
The cost of operating a retail store has significantly increased, in particular freight and shipping related costs, as well as the cost of labour. For many retailers, the reality is they are not able absorb these new costs, instead passing them on to the consumer through more expensive prices.

This snowball like effect of inflation shows no sign of slowing down as we head into the second half of 2022. 81 per cent of retailers expect to further increase their prices over the coming quarter, at an average increase of six per cent.

Looking back over the past three months in general, did your prices rise, fall or stay about the same?



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



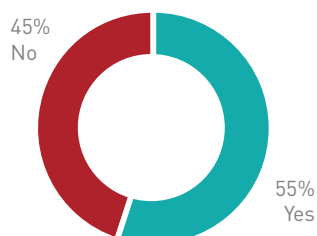
Key issues impacting retailers

Rising operational costs like wages and freight, staff shortages, and a lack of foot traffic have been identified by retailers as key pressure points for the sector. Foot traffic has failed to bounce back to pre-COVID levels. This equates to lower sales revenue, meaning retailers have less money to absorb new costs. The corresponding price increases we have seen in the sector over the last nine months can be attributed to these fluctuations.

Matariki

The newly established public holiday for Matariki saw 55 per cent of retailers open, with 45 per cent choosing to remain closed. The vast majority of retailers (88 per cent) did not offer any kind of promotions associated with the new public holiday.

Did your business open on the Matariki public holiday?



The good news

While it is challenging to find good staff at present, there are many opportunities available in the sector for those who want to work. Retail offers a dazzling array of roles, and the opportunity to build dynamic and exciting careers. The recent Retail NZ Wages Guide shows that the average wage across the sector is now \$26.65, well ahead of the Minimum Wage and the Living Wage.



Customer satisfaction holds steady

The Net Promoter Score (NPS) achieved for Q1 was 79.95, a slight increase from the previous quarter (NPS 79.07). The improvement indicates that many businesses have been able to recover from the challenges presented by the Omicron surge at the start of the year and renew their focus on delivering a great customer experience.

Two of the biggest trends for this quarter are related to time and team, suggesting that many businesses are still battling with key challenges including supply chain disruptions and employee retention.

This quarter had a number of long weekends, Easter Sunday and Monday were the two worst days for customer satisfaction for the quarter and the Sunday of Queens Birthday weekend was a close third. These results present an opportunity for businesses to better plan for long weekends, ensuring their customers are walking away feeling satisfied with their experience.

Tuesday remains on top as the happiest shopping day for New Zealand customers with an NPS of 83.4, followed closely by Fridays with an NPS of 82.53. Keeping with the trend from last quarter, Sunday was the least happy day for customers with an NPS of 72.29, more than four points behind any other day.



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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