

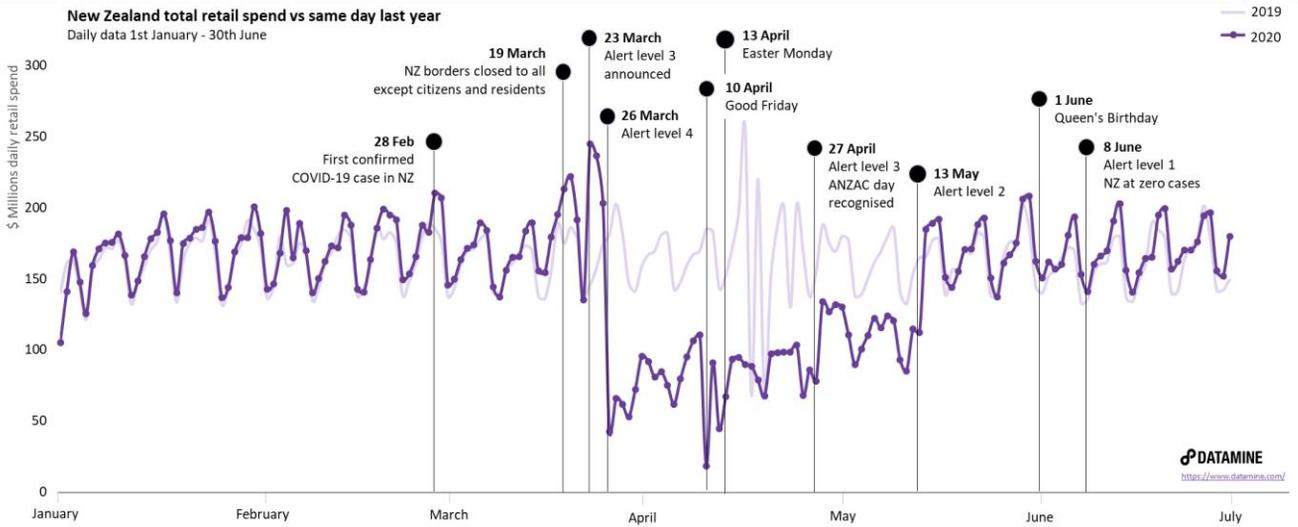


# Retailwatch COVID-19 special

## **A deep look into New Zealand's consumer spending spend changes since the COVID-19 outbreak**

The COVID-19 pandemic has significantly impacted New Zealand's retail ecosystem, and many businesses are struggling to keep tabs on the changing customer landscape. With access to Business Insight data, Datamine can provide a view of this changing landscape and how events have impacted consumer spending. In this Retailwatch special, we take a closer look to give you a more granular view of NZ consumer spending trends.

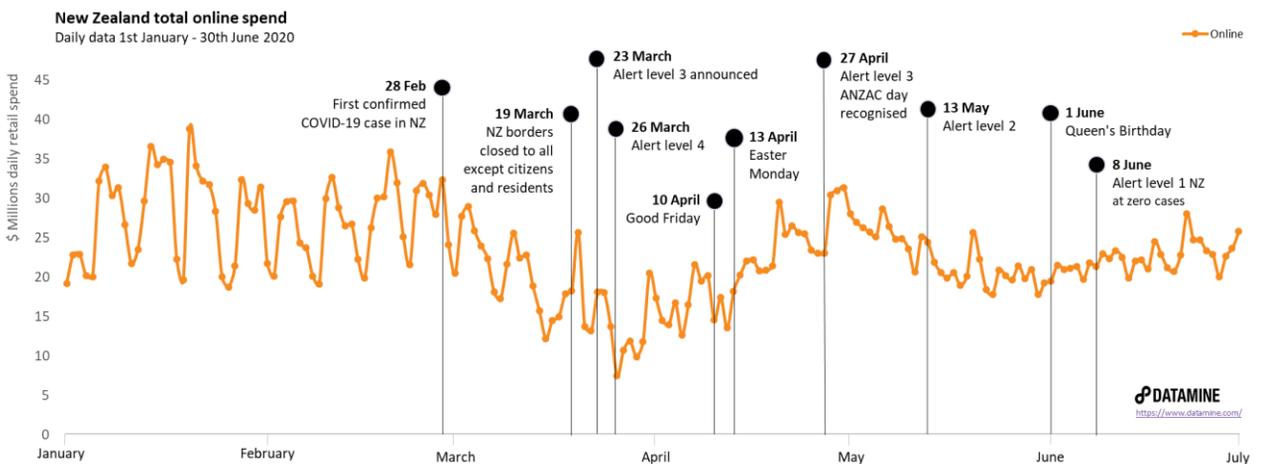
# Total change in NZ retail spend



Since mid-March 2020, total NZ retail spend has changed significantly as New Zealand moved through the national 4-Level Alert System. Markedly, changes in consumer behaviour correspond with notable dates over the past five months – for example the pre lockdown panic spend on March 19 – 25 saw a significant increase compared to the same period last year.

On March 26, day one of the nationwide Alert Level 4 lockdown, spend dropped to well below last year's levels, sitting at around \$36 million compared to the \$160 million spent on the same day in 2019. As of April 3, spend is still around half of what it was last year – however, this trend is improving, displaying positive growth as the New Zealand economy begins to recover.

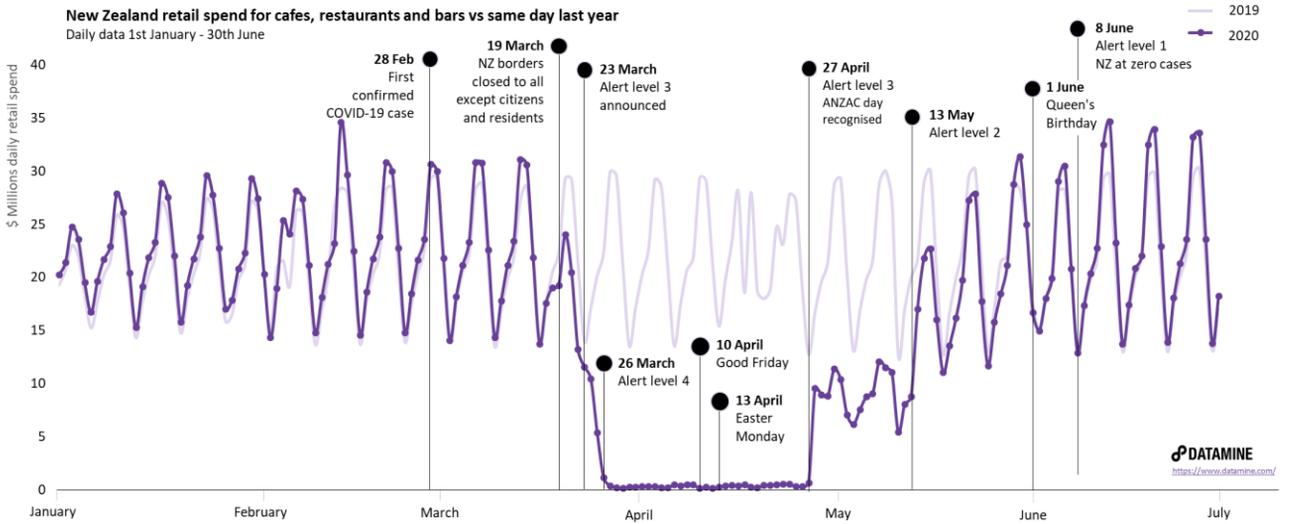
Similarly to 2019, retail spend during public holidays over the April to June period reflects typical spend patterns during restricted trading hours, with the added dampened impact of the COVID-19 effect.



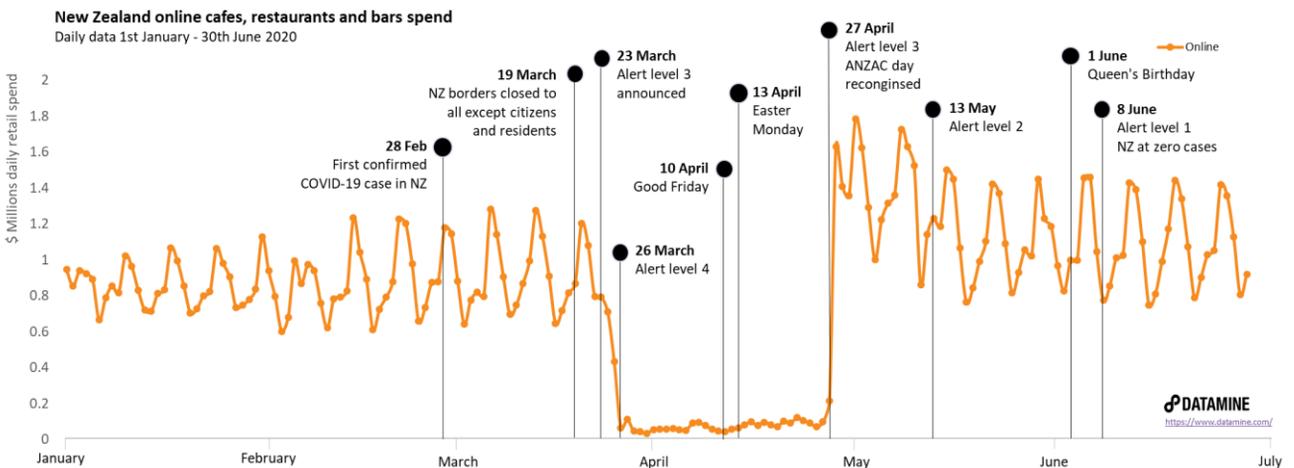
In terms of online spend in New Zealand, there was an initial downtrend towards the pre-lockdown panic, with a significant decline during the three day Level 3 period before lockdown. Online spend remained consistently low during Level 4, with some minor bumps in spend throughout. There was a visible uptake in spend on April 27 when New Zealand moved out of lockdown into Level 3, with a much more dramatic incline in the days following. The category reached \$31 million on April 30, the highest day of online spend reported in 2020 since the first COVID-19 case was confirmed in NZ. Since this point, total online spend trended downwards, before picking up slightly as the country moved to Level 1, with a final reported spend of \$25 million on June 30.



# Cafes, Restaurants and Bars



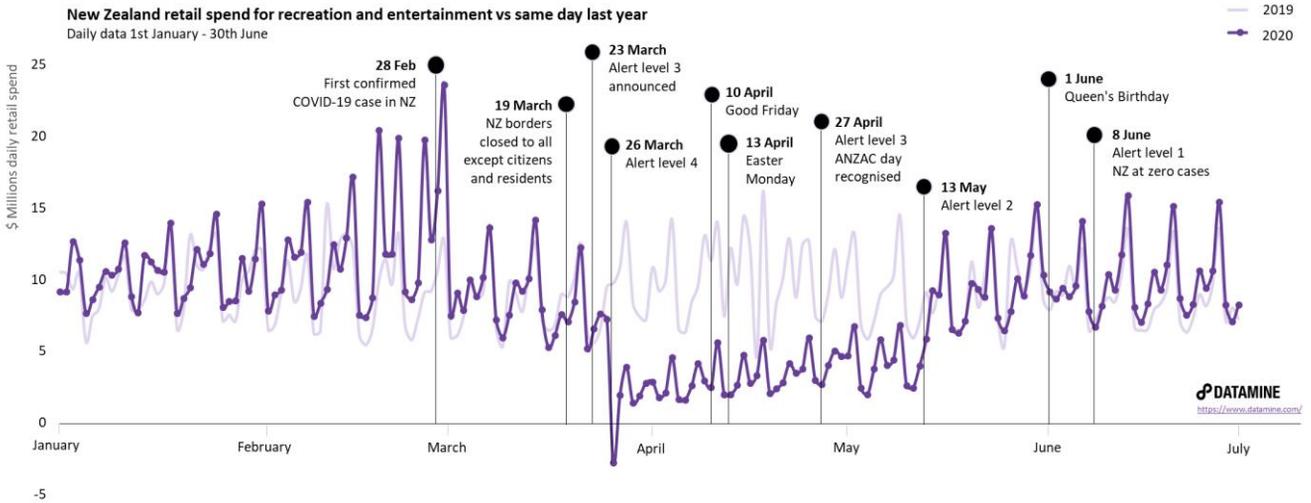
The Cafés, Restaurants and Bars category felt the impacts of COVID-19 slightly before many of the other categories. By the time the borders were closed on March 19, spend in this category was already lower than the same time last year as people opted to stay home. On April 3, spend in the Cafes, Restaurants and Bars category was nearly \$29 million lower than the same day last year. Spend in this category during lockdown period remained consistently low, there was a steep incline in spend at the announcement of Level 3 as this Cafes, Restaurants and Bars were able to offer takeaways, which quickly resumed the weekend peak vs weekday trough pattern typically witnessed in in pre-COVID times (albeit at a much lower volume). The move to Level 2 saw spend in this category recover steadily, eventually overtaking 2019 spend levels one week prior to the Level 1 announcement.



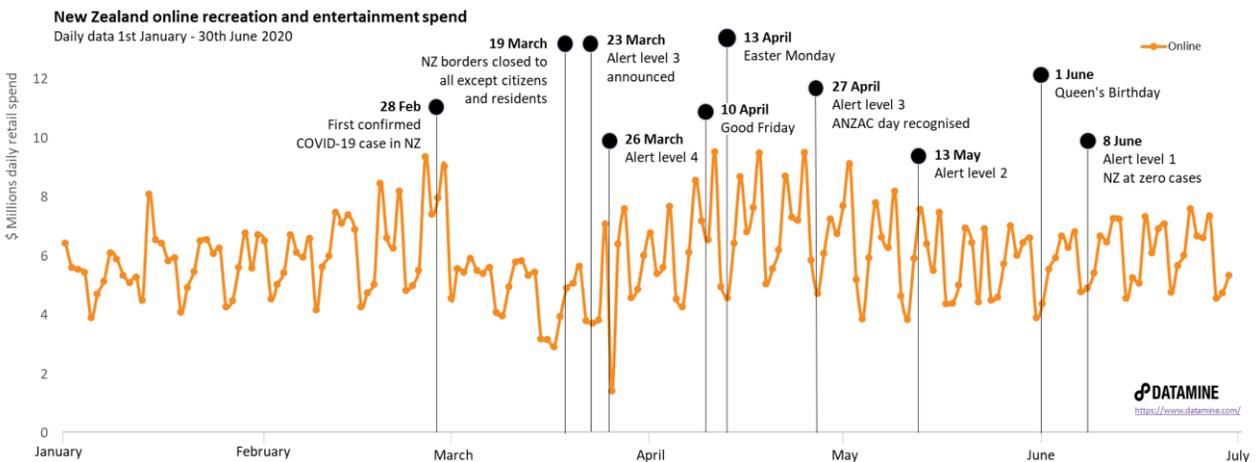
In terms of online spend, this category remained relatively stable until lockdown began on March 26. Like in-store spend, this category witnessed an extraordinary comeback with the availability of many takeaway and food delivery options at the announcement of Level 3, resulting in an incredible \$1.5 million jump between April 26 and 28.



# Recreation and Entertainment



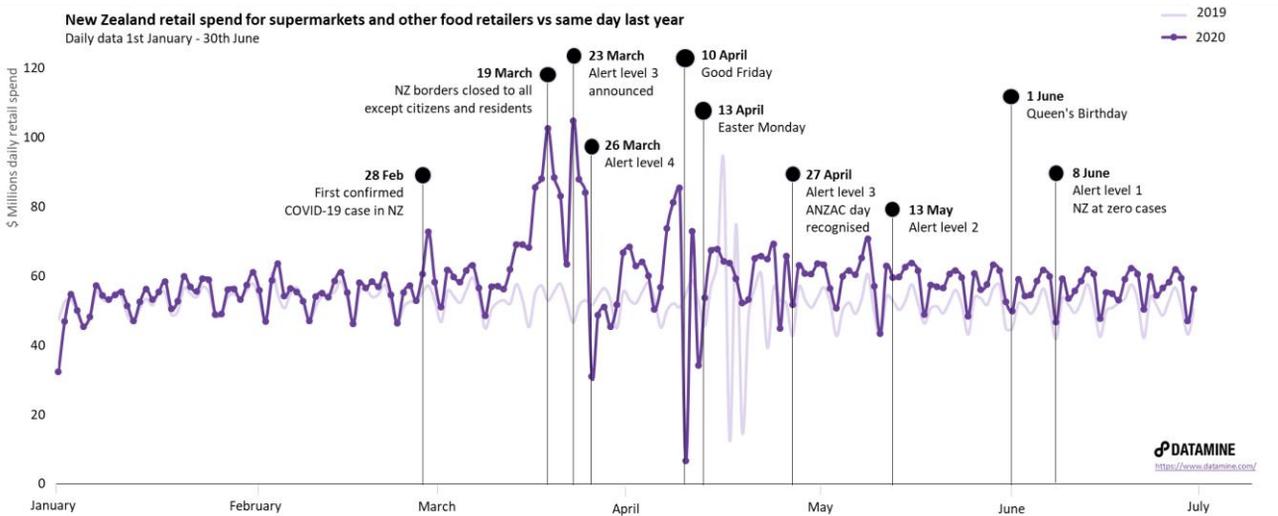
Other than a few large spikes in February (which are likely related to the Powerball draw on February 29), spend in the Recreation and Entertainment category was tracking normally until mid-March. The category saw a dip in spend compared to the same day period last year, followed by a spike on March 21 and subsequent negative drop on day one of Alert Level 4 lockdown (around the same time ticket refunds for cancelled events were being issued). Since then, spend in the Recreation and Entertainment category has gradually trended upwards with the opening of venues at the move to Level 2. By May 16, weekend spend in this category began surpassing that of 2019, with an additional \$1.8 million on June 27.



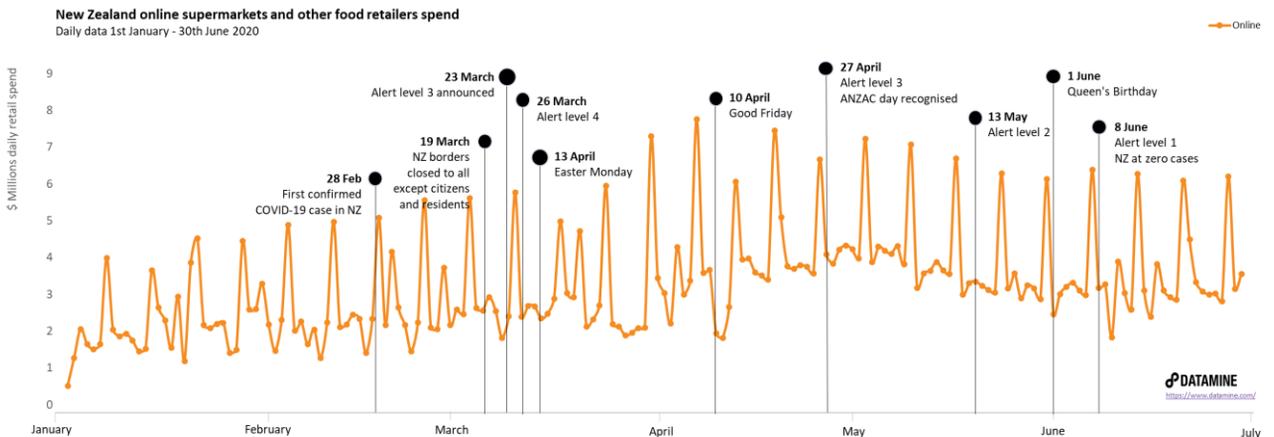
From the beginning of March until New Zealand entered Level 4, online spend in this category was somewhat stable. Other than a massive drop on March 26, spend has been trending upwards since lockdown began, peaking on Easter weekend with spend at \$9.5 million. A gradual decline in online Recreation and Entertainment was witnessed with the national shift to Level 3 as New Zealanders began to move outside of their bubbles. This decline gradually flattened out as consumers had greater access to offline alternatives in this category.



# Supermarkets and Food Retailers

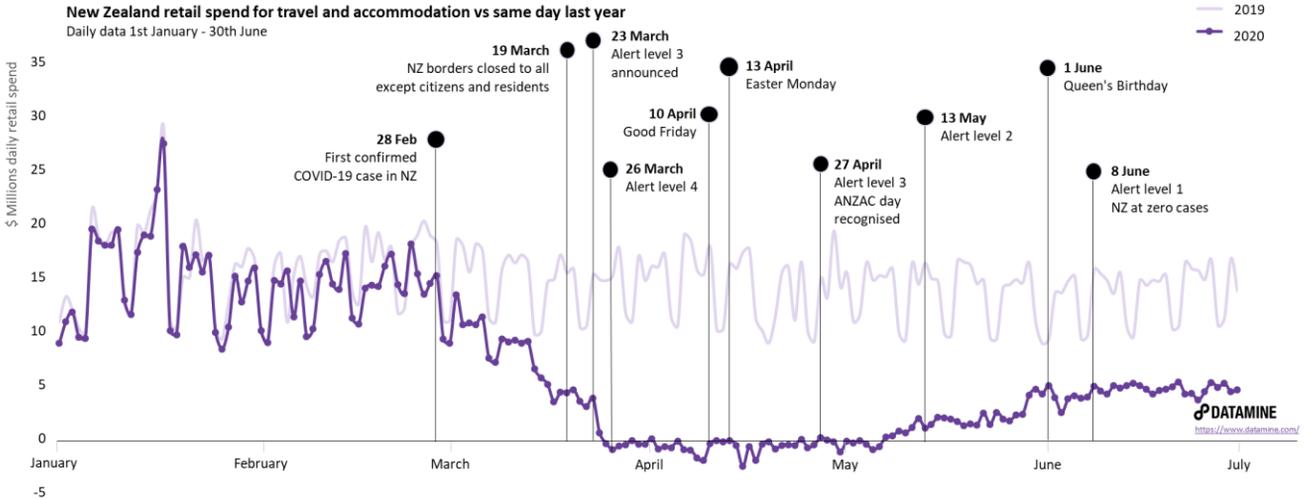


As one of the only categories allowed to remain open during New Zealand’s lockdown period, the Supermarkets and Food Retailers category saw extreme increases in spend from mid to late-March, most notably on the day the borders closed and at the beginning of the pre-lockdown panic. Since the pre-lockdown panic, there was a drop in spend compared to the same period last year, followed by a steep upward trend in spend prior to the closure of stores over Easter Weekend, peaking at \$86 million. Following this, spend has remained consistently stronger than year prior, with June 2020 averaging \$5.6 million higher YOY.

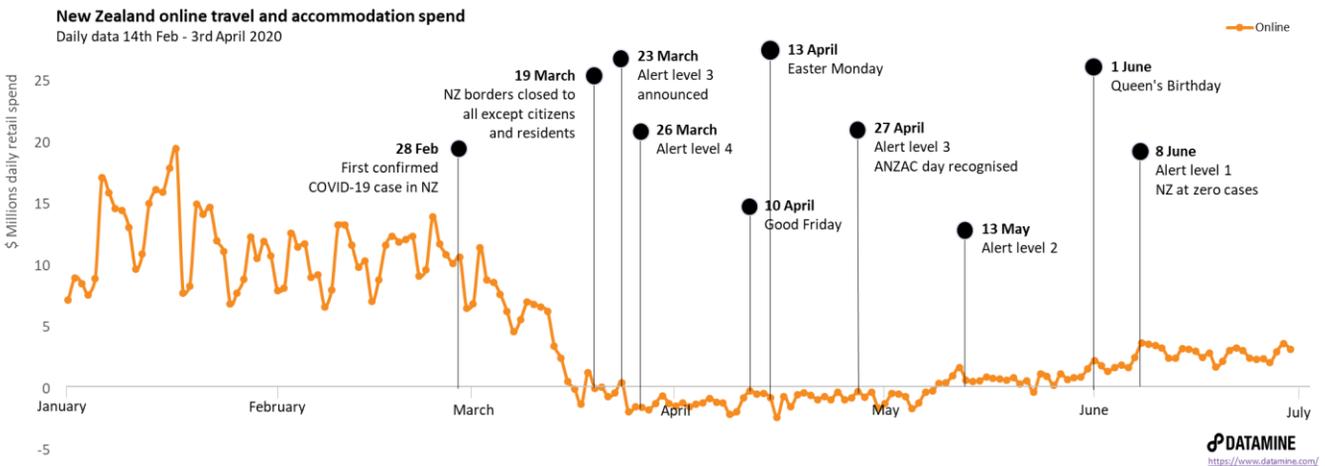


Online spend for the Supermarkets and Food Retailers category has remained relatively predictable, give or take a few spikes, throughout this time period. The most notable increase was on April 7, when spend hit \$7.8 million. A national uptake in New Zealanders doing their grocery shopping online becomes clearly visible in the initial few weeks of lockdown, with a more committed shift in consumer habits appearing in the days following Easter 2020. While the data does portray a slight decline in online Supermarket and Food Retailer spend with the lessening of restrictions on stores, it has remained consistently higher than pre-COVID spend, suggesting this new behaviour may be here to stay.

# Travel and Accommodation



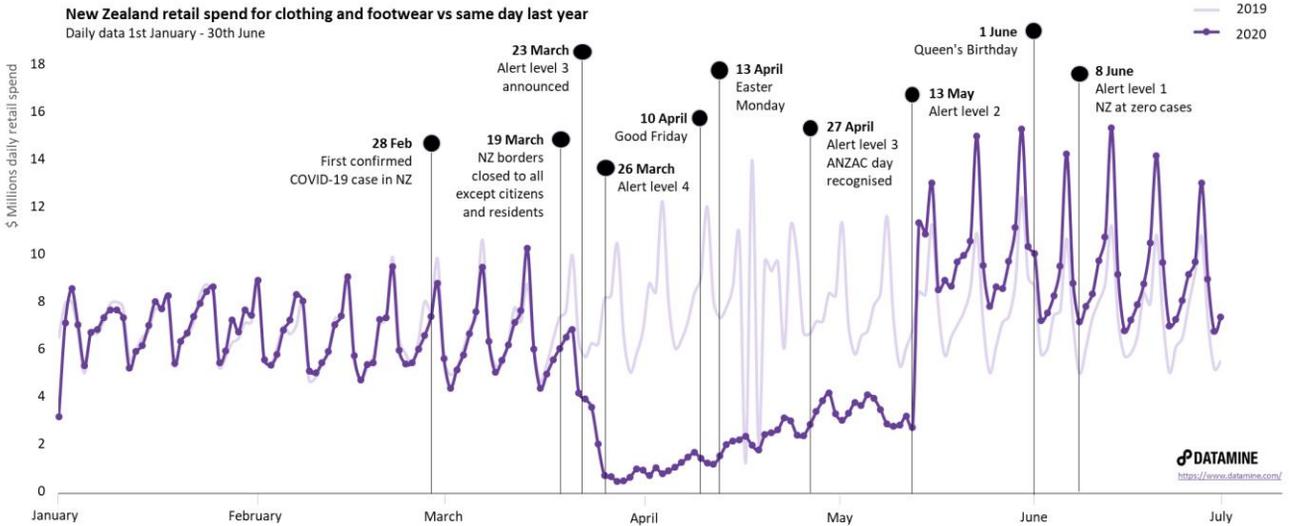
Understandably, Travel and Accommodation has been the most affected category by COVID-19, with most of April displaying negative spend as companies processed refunds (keep in mind this is only NZ consumer spend and does not take tourist spend into account). Category spend since the second week of February has been lower on average than the same period last year with a much more significant drop around the beginning of March and a steady decline in spend until the end of the month. April 15 saw the lowest day of spend for 2020 so far, reporting  $-\$2.6$  million. Early May finally saw the category climb back into positives with an incline beginning May 7 and a spike in spend seen over Queen's Birthday. Since this date, the gradual incline in Travel and Accommodation spend has continued, flattening somewhat over the month of June prior to a predicted increase in spend over the school holiday period. This category is expected to take a much longer time to recover from COVID-19 than other categories due to the huge reduction in international flights and many customers obtaining and using credits from cancelled flights.



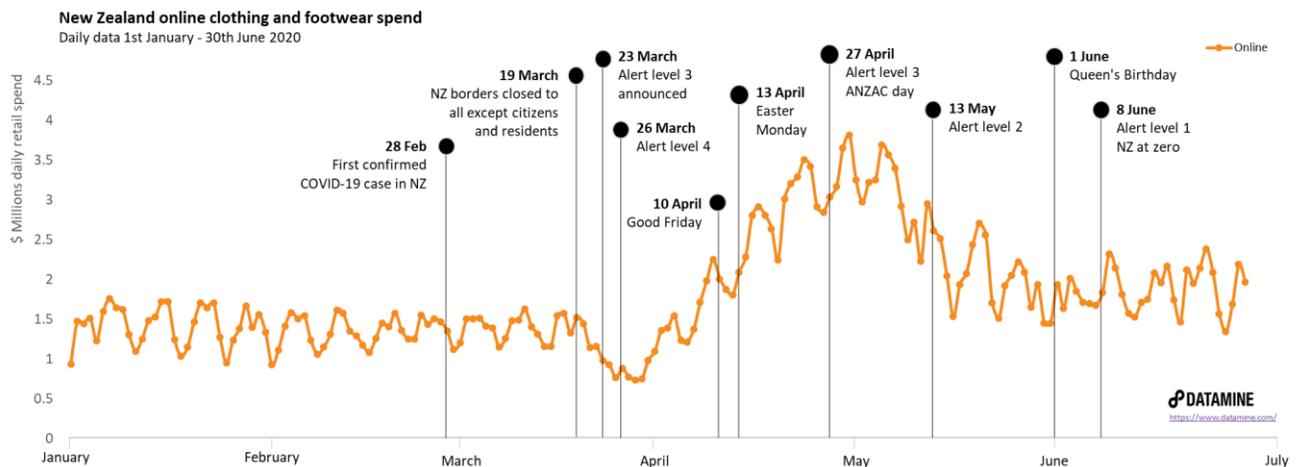
Online spend in the Travel and Accommodation category has been trending downwards since late February. From March 12 – 17, it took a dive of around \$6 million, ending March 17 at around  $-\$1$  million due to refunds. Other than a few small increases, online spend remained in the red until May 9, the lowest point having been April 15 hitting  $-\$2.4$  million. Spend has trended gradually upwards since then, dipping into negatives once more on May 23 but finishing June on \$3.2 million, reflecting spend levels just prior to borders closing in March.



# Clothing and Footwear



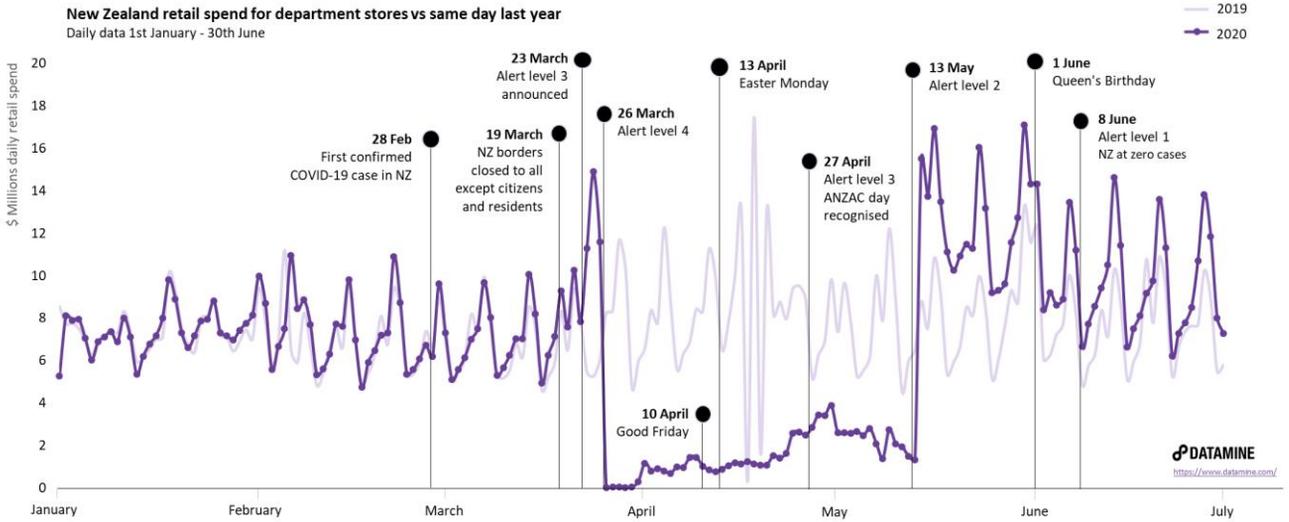
Spend in the Clothing and Footwear category in 2020 was tracking similarly to last year, up until mid-March. By March 21, the day the Prime Minister introduced the national 4-Level Alert System and moved the country into Level 2, we see a significant drop in category spend as people are asked to stay home where possible. Despite a small flattening out during the pre-lockdown panic, numbers remained very low for the first half of lockdown but started to creep up after Easter. This could be attributed to the relaxation of essential services/products rules. From Level 4 to the announcement of Level 2, the Clothing and Footwear category was down over 70% on 2019. From this point, spend in this category steeply inclined and has since maintained figures consistently above 2019 from May 13 onwards.



Online spend in this category has remained stable between \$1-\$1.5 million over the past few months, though we can see a steady decline beginning March 20, ending at a low of \$740,000 on March 28. Since then, the online spend has shot upwards, reaching \$3.8 million on April 30, well above pre COVID-19 levels. Spend has since levelled out, averaging around \$1.8 million per day throughout June, a positive change on pre-COVID months which reported averages of \$1.4 million.



# Department Stores



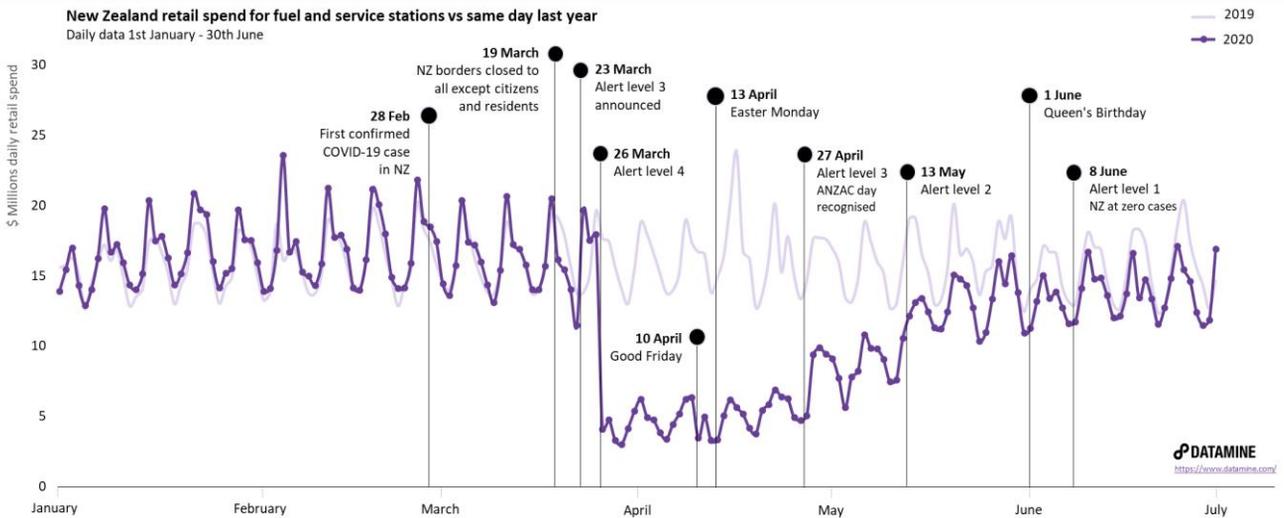
The Department Stores category spend was tracking only slightly higher than last year until the pre-lockdown panic, when spend hit around triple its 2019 value. In final days of March following the move to Level 4, the Department Store category reported record low spend, generating a combined spend of only \$490,00 over six days. However, we've seen spend pick up since this point, tracking upwards towards a peak of \$3.9 million shortly after the move to Level 3. Other than a few spikes, a decline in category spend came shortly after the Level 3 announcement, suggesting customers were withholding disposable income from this category until the move to Level 2 – at which point Department Store category spend rocketed up \$14 million in a day. From this point, we've seen spend sitting far higher than pre-COVID and 2019 levels.



Online spend in the Department Stores category remained level until there was a small spike on March 19, the day the borders were closed. Despite a drop during the pre-lockdown panic, online spend in this category has increased significantly since March 30, peaking at \$4 million one month later on April 30, this could be attributed to the change in definition of essential services. The category quickly returns to normal levels, leveling out to a daily average of \$1 million in June.



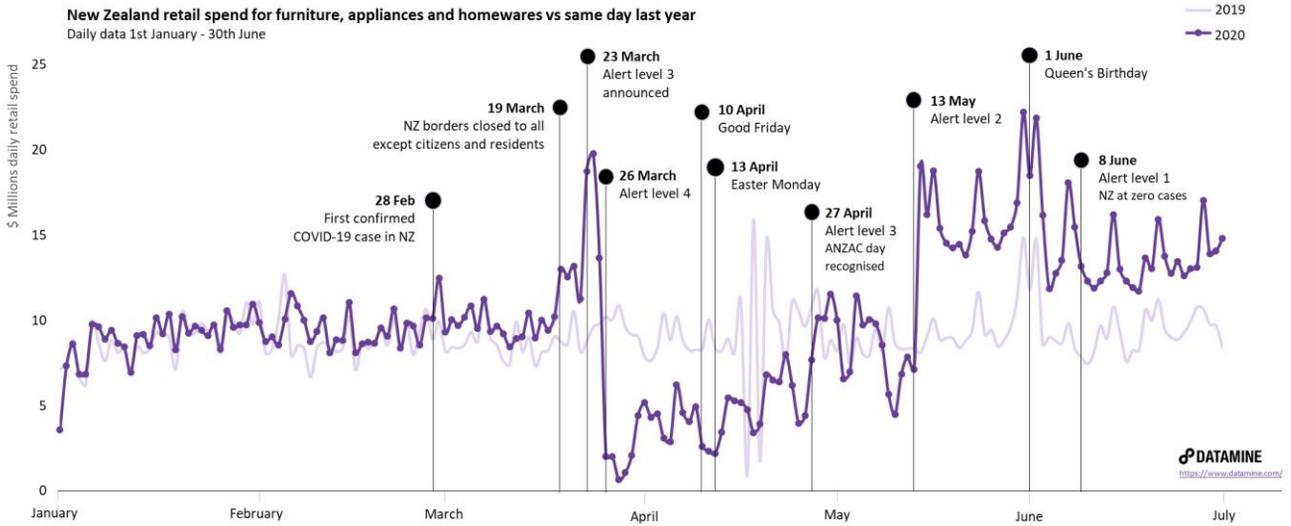
## Fuel and Service Stations



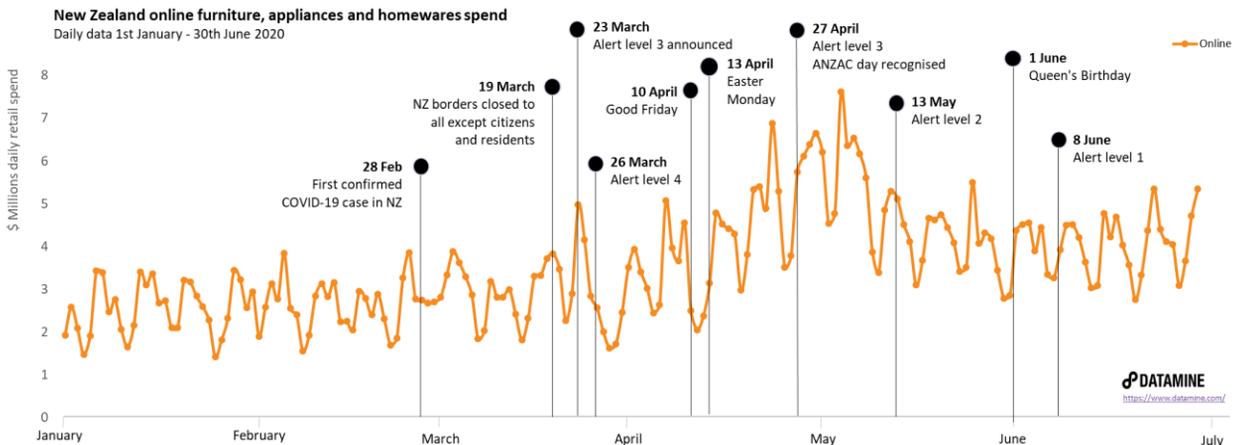
Fuel and Service Station spend levels remained relatively stable through the first few weeks of March, slightly outperforming 2019 spend. Interestingly, the first major drop in Fuel and Service Station spend occurred on March 19 (the day the NZ border closed), a time when many other categories experienced spikes. There was an influx in spend during the pre-lockdown panic, but this spend level has since dropped significantly to hover around \$4.8 million during the lockdown period. Spend in this category has since trended upwards with the re-opening of the country as New Zealand has progressed through the alert levels, however it is still sitting below 2019 spend for the same period, likely resultant of many multi-national businesses opting to remain remote during this global event.



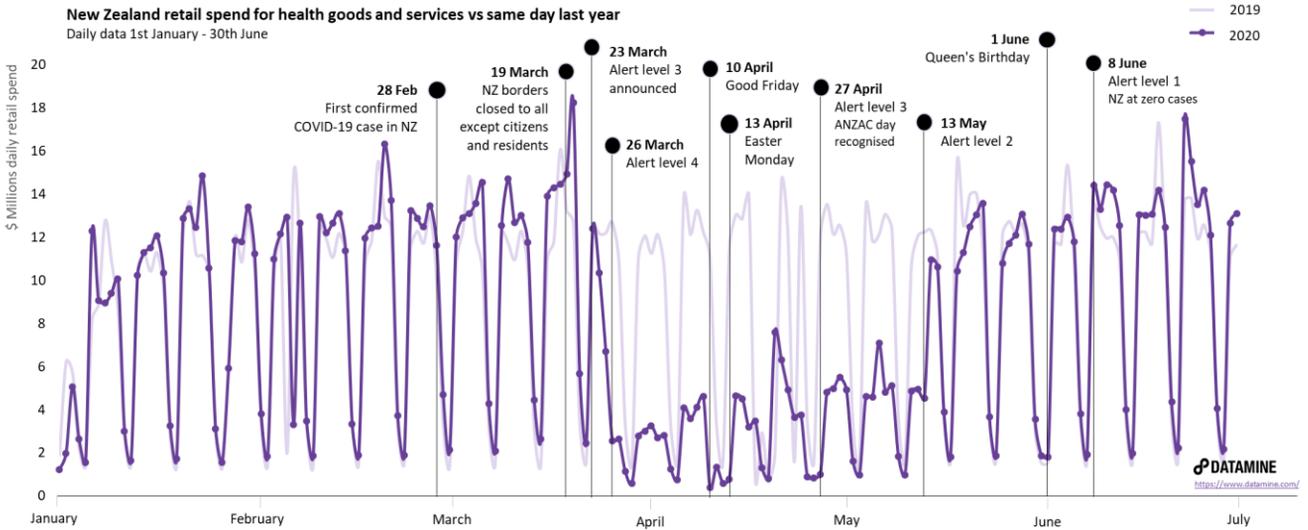
# Furniture, Appliances and Homeware



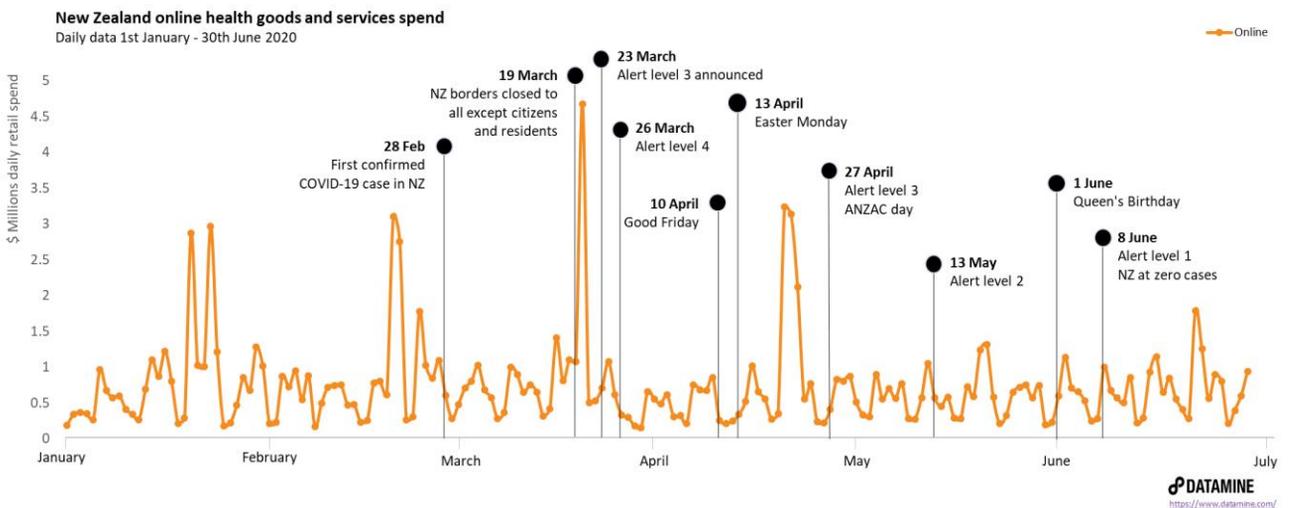
The Furniture, Appliances and Homeware category has seen a slight increase in average year-on-year spend over the past few months. This increase became more pronounced beginning on February 29. Since then, we can see two notable spikes – one around the time the borders closed (March 19), and a much larger one (reaching almost \$20 million) during the pre-lockdown panic. Spend in the Furniture, Appliances and Homeware category has since dropped significantly during lockdown, though it continued on an upwards trend with the relaxation of essential service rules, eventually surpassing 2019 spend on a number of days after the move to Level 3. Spend in the Furniture and Appliance category accelerated with the re-opening of stores at Level 2, hitting \$20 million on May 14. Spend fluctuated dramatically from this point, sitting well above 2019 figures and peaking at the beginning of June with Queen’s Birthday sales flooding the market.



Online spend in this category moves through a cyclical pattern. We’ve seen a gradual upwards trend since the beginning of April, reaching \$7.6 million at it’s height on May 5. Since then, spend has leveled out, remaining higher than pre-COVID figures and showing signs of continued growth as of the close of June.



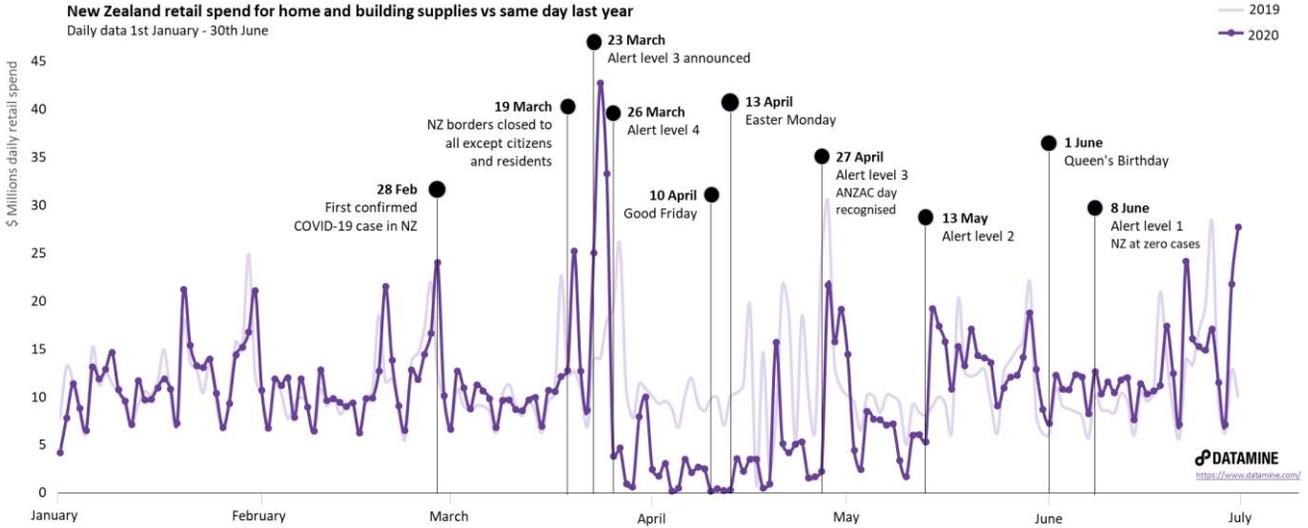
The Health Goods and Services category shows an early spike in pre-lockdown purchasing the day after the NZ borders closed, with spend sitting \$2 million higher than in 2019 on March 20. Category spend hit a low on April 10 (at around \$400,000) but bounced back with the move to Level 2, ending June 30 at around \$13 million, around \$1.5 million higher than the same day last year.



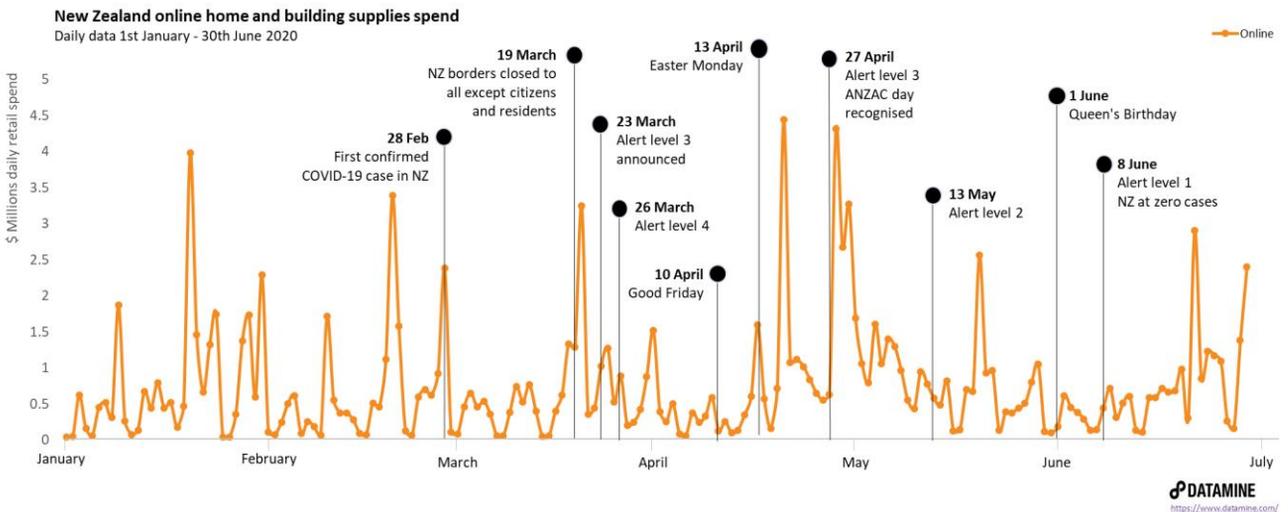
Online spend in the Health Goods and Services category saw a few interesting spikes during this time period, most notably on February 20, a couple days after NZ confirmed its first COVID-19 case, and on March 20, the day after the borders closed. Since the end of March, online spend has been relatively consistent, experiencing a peak of \$3 million on April 20 then dropping to resume a very slight incline throughout May and June.



# Home and Building Supplies

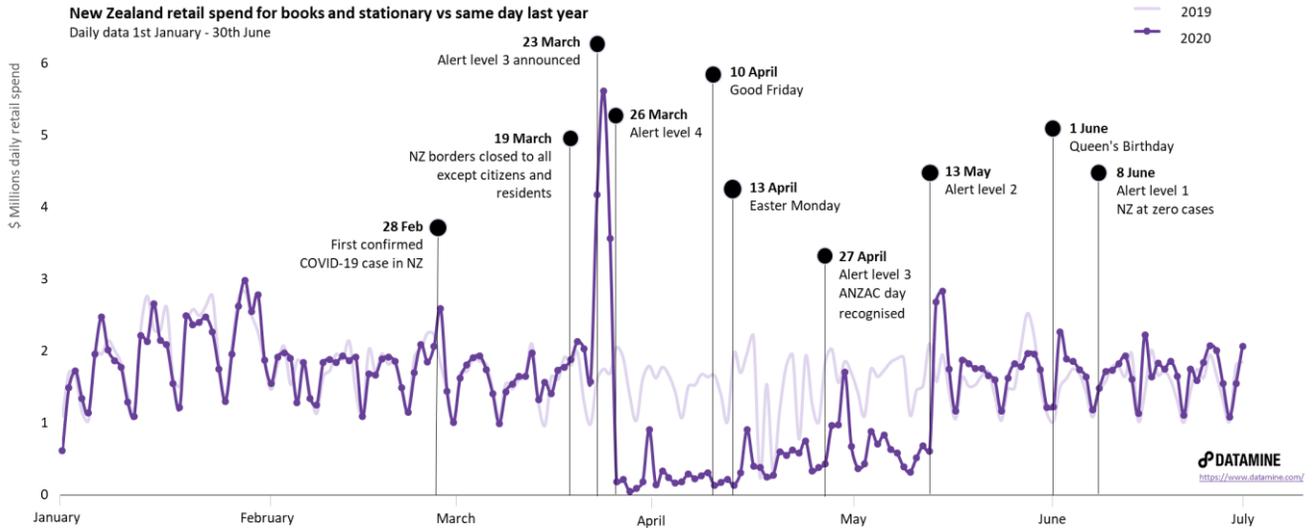


The Home and Building Supplies category experiences regular spikes around the end of each month due to bulk orders. Like a number of other categories, spend was tracking fairly similarly to 2019 levels until the pre-lockdown panic. We can see an enormous spike in spend on March 24 (approximately three times the 2019 spend level), followed by an equally enormous drop in spend over the next two days. The first day of Level 2 saw spend shoot up, increasing YoY spend by over \$10 million, the category maintains this level of growth averaging a \$9 million increase over 2019.

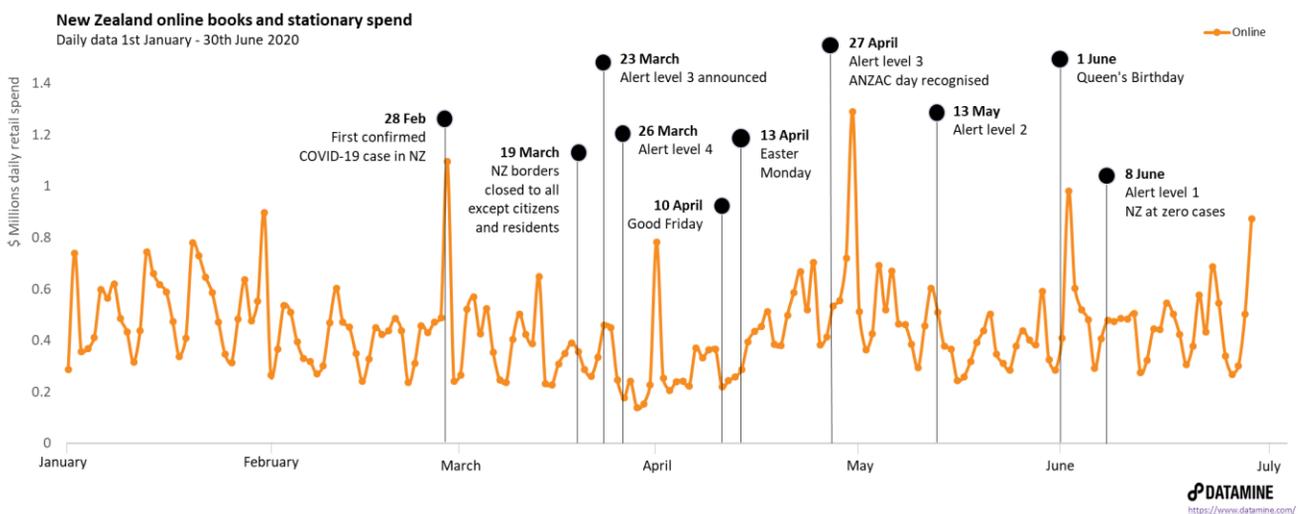


Online spend in the Home and Building Supplies category has remained fairly regular, other than a few spikes that correspond with notable dates until after Easter. April spend was up \$7.8 million on March before normalizing back to pre-lockdown patterns around mid-May.

## Books and Stationery Stores



The Books and Stationery Stores category saw a very small increase in spend on the day the first COVID-19 case was confirmed in New Zealand. Beyond that, spend closely mirrored that of 2019 until the pre-lockdown panic, during which year-on-year spend more than tripled. This spike, however, quickly fell away and flattened out spend from Level 4 to Level 2, dropping to almost a sixth of where it was in 2019 (down an average of \$1.3 million). The first day of Level 2 (May 14) saw an increase of over \$1.1 million on 2019, landing at \$2.7 million. This increase continued on the May 15 before normalizing to pre COVID-19 levels. The Books and Stationery Stores category finished June on \$2.1 million.



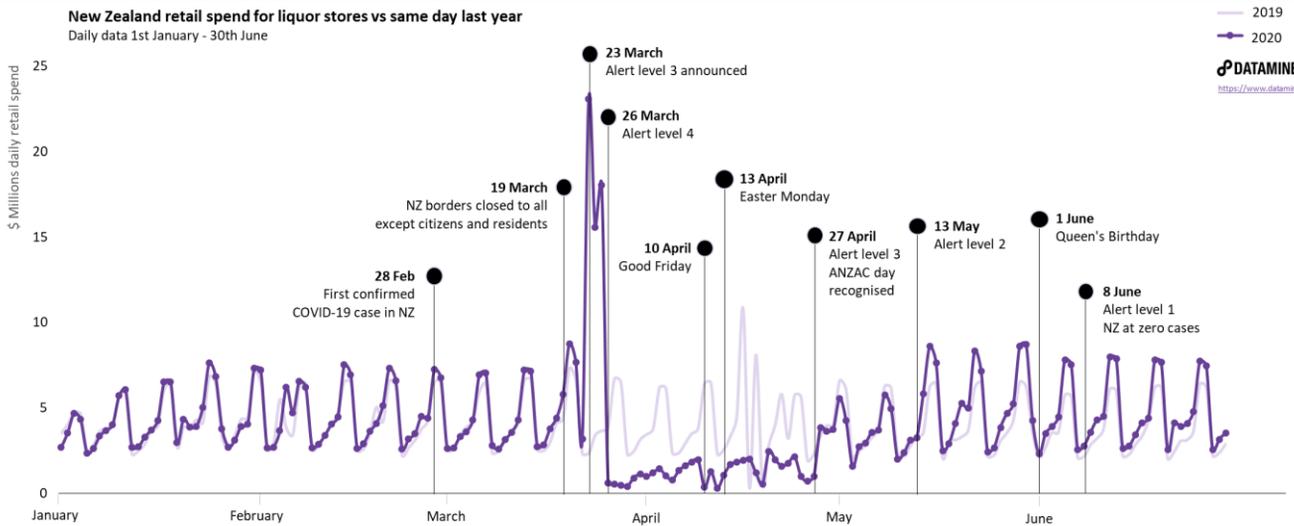
Online spend in the Books and Stationery Stores category experienced a \$600,000 spike on February 28 and has since gone through a number of small ups and downs. A \$580,000 peak on March 31 kicks off an increasing trend that hits \$1.3 million on April 30. Online spend in this category was not largely affected by COVID-19 and finished June on \$900,000.



# Liquor Stores

### New Zealand retail spend for liquor stores vs same day last year

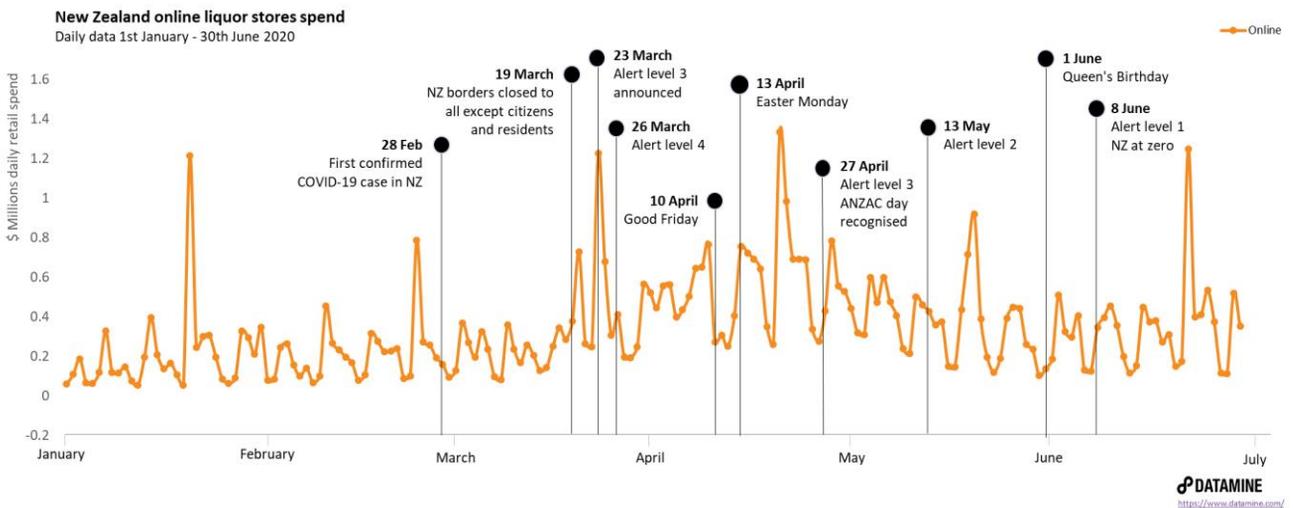
Daily data 1st January - 30th June



The Liquor Stores category shows incremental increases in year-on-year spend until March 19 when the NZ borders closed. This event kicked off the first spike in the March madness, building up to March 23 which saw the most dramatic spike out of all categories with liquor store spending shooting up around \$18 million higher than the day before. This trend continued over the pre-lockdown panic period before immediately dropping down to around \$500,000 on March 26. The first day of Level 3 (April 28) saw spend increase to 2019 levels while the announcement of Level 2 sees spend up an average of \$900,000 on 2019.

### New Zealand online liquor stores spend

Daily data 1st January - 30th June 2020



Liquor Stores online spend experiences a pattern of spikes around the 20<sup>th</sup> of each month, likely due to monthly invoicing patterns, before dropping back to regular levels. From March 19 there are two spikes one after the other as borders closed and Level 3 was announced. These peaks kick off an incline in overall online liquor spend with spend inflating over the lock down period until Level 2 was announced and allowed consumers to resume shopping instore.

## About Retailwatch

- Retailer categories are taken from Merchant Category Codes allocated by Mastercard and VISA
- \$ Values are represented in \$millions. New Zealand estimates are exclusive of GST
- Data for this report comes from one of our Banking and Financial clients' Business Insight and is weighted to give national totals
- Online transactions are identified using a range of methods including whether or not a card is present for the transaction, and identification of known online merchants
  - Stores included:  
AirNZ, Countdown Online, Ticketmaster, My Food Bag, Ticketek, 1Day, Mighty Ape, Webjet, The Warehouse Online, NZ Sale, Farmers Online, Briscoes, Bunnings, Fishpond, Onceit

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