new zealand Retailers association

The Retail Market in New Zealand

An Analysis

2010

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promoting excellence in retailing

Introduction

Retailers do not operate in a vacuum.

The environment around us, competition in the market place, consumer shopping/buying behaviours, overseas trends and developments all impact on retail success or failure.

In these rather difficult times retailers have to maximise their sales. A better understanding of the market place will, hopefully, lead to more informed decision making and consequently a better share of the consumers' available dollars.

Over recent years the New Zealand Retailers Association has reviewed available information sources and has brought this information together to paint a picture of the environment we operate in.

This report replaces that issued in July 2009.

Much of the analysis in this report considers the 'big picture' only. More detailed analysis is available. We would be happy to advise on this.

Most data in this report is sourced from Statistics New Zealand. (Visit www.stats.govt.nz.)

Sources Of Information:

A. Statistics New Zealand

- Business Demographic Survey
- Retail Sales Series
- Annual Enterprise Survey
- 2006 Census
- Household Economic Survey

B. Business NZ

- Economic Background

C. Deloitte/National Retail Federation

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Section 1 – The New Zealand Economy

1.1 Key Economic Indicators

(Source: Business NZ Planning Forecast)

Executive Summary

New Zealand is poised to take advantage of an improving international market outlook with commodity prices going from strength to strength.

Despite ongoing concerns with debt level in some developed countries and difficulties with Governments winding back expenditure programmes in light of public expectations, many emerging economies and part of Asia, are booming with double digit growth.

China, now New Zealand's second largest trading partner, behind Australia, continues to show strong growth, while Australia is also showing strong expansion on the back of a continuing demand of minerals. While the mining industry may suffer a temporary setback on the back of the Australian Government's decision to introduce a special 'super profits' tax on minerals, the growth of the Australian economy overall augurs well for continued export growth to that country.

Significantly improved commodity pries have been reflected in a major drop in New Zealand's current account deficit of late and have resulted in an annual trade balance surplus of $161 million for the year ended April 2010. This is the first annual trade surplus recorded since July 2002.

Household budget will be boosted later this year through the implementation of significant personal income tax cuts announced in the recent budget. While the tax cuts were generally more significant than many commentators considered likely, both households and businesses will face some added costs which will reduce the tax cuts' real disposable value. Some of these costs include the one-offs associated with a rise in GST to 15%, the removal of the depreciation loading and the proposed rules surrounding non-depreciation for new buildings which have an expected life of greater than 50 years. Obviously their implications will differ from household to household and business to business.

Notwithstanding the above, the Government has been relatively generous in offsetting the effects of GST increases on beneficiaries and those receiving NZ Superannuation, so in reality, only a relatively few people (including businesses) will be any worse off as a result of the tax changes taken as a whole.

Given the Government's ongoing commitment not to touch significant expenditure areas such as the age of eligibility for NZ Superannuation, interest free student loans, or the fundamentals of the Working for Families scheme, the Budget represented a significant attempt to realign incentives (particularly within the tax system), while maintaining responsible levels of debt. Its efforts will be the envy of many countries to which we traditionally compare ourselves.

HIGHLIGHTS

Business New Zealand's Economic Conditions Index (ECI) is currently at its highest level since the third quarter of 2003 which augurs well for future economic and employment growth.

The international economy, while still mixed, has largely recovered from the recession of two years ago. However, debt levels remain the Achilles heel for a number of developed economies as Governments struggle to rein in public expectations with reality.

While some official statistics on the NZ economy continue to show mixed results, forecasts from the key forward looking indicators are all generally positive.

The Government's recent budget will have helped to improve both business and the consumer confidence on the back of significant personal income tax cuts while containing debt burdens within manageable levels. The drop in the company tax rate to 28% was largely unexpected and may offset the tightening up in the rules around building depreciation.

The one fly in the ointment remains the potential for ongoing inflationary pressures with the CPI headline rate projected to reach 5.9 percent next year as a result of a number 'one-offs' e.g. rise in tobacco excise tax, the increase in the rate of GST to 15%, the introduction of the Emissions Trading Scheme (ETS) and a rise in ACC levies for motorists. While the Reserve Bank will ignore 'one-offs' in setting monetary policy, the danger is that individuals and businesses will react to them.

1 GDP % Growth

(Source: ANZ, ASB, BNZ, National and Westpac)

Forecasts: Year Ending

	June 2010	June 2011	June 2012
	%	%	%
Highest	1.3	4.7	4.0
Average	0.9	3.5	3.5
Lowest	0.6	2.6	2.8

2 % Change in Inflation (CPI)

(Source: ANZ, ASB, BNZ, National and Westpac)

Forecasts: Year Ending

	June 2010	June 2011	June 2012
	%	%	%
Highest	2.2	4.9	3.1
Average	2.1	3.6	2.8
Lowest	2.0	2.4	2.3

3 Labour Cost Index

(Source: ANZ, ASB, BNZ, National, Westpac)

% Change (Wages & Salaries): Year Ending

	June 2010	June 2011	June 2012
	%	%	%
Highest	1.9	2.5	2.7
Average	1.7	2.1	2.4
Lowest	1.5	1.5	1.9

4 Unemployment (Household Labour Force Survey)

Unemployment %: Quarter Ending

	June 2010	June 2011	June 2012
	%	%	%
Highest	7.5	6.2	5.9
Average	6.8	6.1	5.9
Lowest	6.4	5.9	5.2

5. Interest Rates (90 Day Bills)

Period Ending

	June 2010	June 2011	June 2012
	%	%	%
Highest	3.2	5.2	6.2
Average	3.1	5.0	5.8
Lowest	2.7	4.6	5.2

6. Exchange Rates

a) Australian dollar

NZ$1 = Aust cents

	June 2010	June 2011	June 2012
Highest	0.790	0.820	0.840
Average	0.774	0.800	0.806
Lowest	0.747	0.756	0.788

b) US dollar

NZ$1 = US cents

	June 2010	June 2011	June 2012
Highest	0.740	0.750	0.716
Average	0.723	0.713	0.675
Lowest	0.710	0.680	0.650

Across a number of these indicators the gap between the highest and lowest estimate is quite significant – particularly the growth (or contraction) in GDP. This highlights the difficulty in predicting the future, particularly in today's trading conditions.

Section 2 – The Retail Market

2.1 Store Numbers

(Source: Statistics NZ)

Total Outlets by Region

Period: February 2010

Statistics New Zealand has re-worked the classification system for businesses (ANZSIC) and the numbers below have been produced under ANZSIC 2006 (previously, ANZSIC 1996). These changes have had a significant impact on what is 'in' and what is 'out' in the retail sector demography analysis. For example, we now exclude such sectors as automotive repairs, household appliance repairs, footwear repairs, bakeries and cake kitchens, takeaway food operators and panel beaters to name a selection. On the plus side we now include all of those hardware retail stores that were previously included in the wholesale series.

A reconciliation is included under Appendix 1.

Regional Council Region	Total Outlets (as defined above)	% of total
Northland	1,137	3.4
Auckland	11,739	35.2
Waikato	3,025	9.1
Bay of Plenty	2,187	6.5
Gisborne	293	0.9
Hawkes Bay	1,152	3.4
Taranaki	795	2.4
Manawatu/Wanganui	1,613	4.8
Wellington	3,394	10.2
Total North Island	**25,335**	**75.9**
West Coast	263	0.8
Nelson	460	1.4
Tasman	336	1.0
Malborough	325	1.0
Canterbury	4,329	13.0
Otago	1,674	5.0
Southland	653	2.0
Total South Island	**8,040**	**24.1**
Total New Zealand	**33,375**	**100.0**

The five major regions – Auckland, Waikato, Wellington, Canterbury and Otago - account for over 72.5% of the country's retail outlets. Auckland leads the way with over a third.

Relative to the 2006 population census the distribution of retail stores compares as follows:

	% Retail Outlets (Feb 2010)	% Population (2006 Census)
Auckland	35.2	31.9
Waikato	9.1	9.5
Wellington	10.2	11.0
Canterbury	13.0	13.1
Otago	5.0	5.1

Auckland is a little more 'over shopped' relative to population with the two major South Island centres being essentially on target.

Outlet Types By Region (selected outlets only)

Source: Statistics New Zealand
Period: February 2010

Notes: 1 As with the previous table, the table below is based on the new ANZSIC codes (2006).

2 Store classification is based on turnover in the category. – For example, if an outlet had 55% of its business in sports goods and 45% in footwear it would be classified as a sports goods store.

Number of Outlets by Region

	Supermarkets /Grocery	**Department Stores**	**Clothing**	**Furniture*** **	**Appliances* + Electrical Goods**	**Chemists ******	**Footwear**	**Books, stationery Newspapers ****
Northland	120	10	97	68	56	30	12	33
Auckland	1,148	72	1,525	902	666	424	205	337
Waikato	281	27	342	176	142	97	54	96
B.O.P	180	21	225	147	114	78	36	63
Gisborne	33	5	26	18	17	12	4	11
Hawkes Bay	94	9	138	93	55	45	19	35
Taranaki	87	7	91	51	46	29	16	32
Manawatu, Wanganui	164	13	141	106	83	64	18	62
Wellington	383	33	432	213	189	132	80	122
Total North Island	*2,490*	*197*	*3,017*	*1,674*	*1,368*	*911*	*444*	*791*
West Coast	33	2	17	15	16	7	5	8
Nelson	26	5	56	27	28	13	9	13
Tasman	29	3	29	26	13	13	6	9
Malborough	28	5	29	16	17	12	6	12
Canterbury	373	42	502	251	220	157	86	121
Otago	148	19	216	97	78	66	31	54
Southland	77	11	72	40	22	24	10	18
Total South Island	*714*	*87*	*921*	*472*	*394*	*292*	*153*	*235*
Total New Zealand	***3,204***	***284***	***3,938***	***2,146***	***1,762***	***1,203***	***597***	***1,026***

(*Excludes specialist computer stores)
(**Covered by two different ANZSIC codes – 'newspapers and books' and 'stationery goods')
(*** Furniture, Floor Coverings, Houseware, Textile Goods Retailing)
(**** Includes Pharmaceutical, Cosmetic and Toiletry Goods Retailing)

This analysis of outlet type by area considers only eight different categories of store. The full analysis from Statistics New Zealand covers 36 store types – this more detailed information is available on request.

The full list of store types is:

Supermarket / Grocery Stores
Fresh Meat / Fish / Poultry Retailing
Fruit and Vegetable Retailing
Liquor Retailing
Other Specialised Food Retailing
Department Stores

Clothing Retailing
Footwear Retailing
Other Personal Accessory Retailing
Manchester and Other Textile Goods Retailing
Furniture Retailing
Floor Covering Retailing
Houseware Retailing
Electrical, Electronic and Gas Appliance Retailing
Computer and Computer Equipment Retailing
Other Electrical and Electronic Goods Retailing
Sports / Camping Equipment Retailing
Toy and Game Retailing
Newspaper / Books Retailing
Stationery Goods Retailing
Entertainment Media Retailing
Marine Equipment Retailing
Pharmaceutical, Cosmetic, Toiletry Retailing
Antique and Used Goods Retailing
Hardware and Building Retailing
Garden Centre Retailing
Flower Retailing
Watch and Jewellery Retailing
Car Retailing
Motor Cycle Retailing
Trailer and Caravan Retailing
Motor Vehicle Parts Retailing
Fuel Retailing
Tyre Retailing
Non-Store Retailing
Commission-Based Buying and/or Selling

Retail Outlets By Store Type

Total New Zealand – February 2010

Store Type	Number of Outlets	% Share	% Change on Feb 2009 (revised)
Supermarket and Grocery Stores	3,200	9.6	N/C
Fresh Meat/Fish/Poultry Retailing	650	1.9	-4.7
Fruit and Vegetable Retailing	466	1.4	-1.7
Liquor Retailing	889	2.7	+1.5
Other Specialised Food Retailing	912	2.7	-0.8
Department Stores	288	0.9	-0.3
Clothing Retailing	3,938	11.8	+0.5
Footwear Retailing	597	1.8	-1.8
Other Personal Accessory Retailing	214	0.6	-7.0
Manchester & Other Textile Goods Retailing	545	1.6	-4.0
Furniture Retailing	828	2.5	-3.0
Floor Covering Retailing	482	1.4	-2.5
Houseware Retailing	291	0.9	+3.9
Electrical, Electronic & Gas Appliance Retailing	1,242	3.7	-2.5
Computer & Computer Peripheral Retailing	400	1.2	+3.9
Other Electrical Equipment Retailing	120	0.4	+10.1
Sports/Camping Equipment Retailing	1,140	3.4	+5.8
Toy & Game Retailing	207	0.6	-10.3
Newspaper & Books Retailing	753	2.2	-3.1
Stationery Goods Retailing	273	0.8	N/C
Entertainment Media Retailing	162	0.5	-2.4
Marine Equipment Retailing	297	0.9	-7.5
Pharmaceutical, Cosmetic, Toiletries Retailing	1,203	3.6	+0.2
Antique and Used Goods Retailing	958	2.9	-7.8
Hardware & Building Supplies	1,464	4.4	-2.1
Garden Centre Retailing	445	1.3	+1.0
Flower Retailing	493	1.5	-1.0
Watch & Jewellery Retailing	603	1.8	-2.9
Car Retailing	1,769	5.3	-4.8
Motor Cycle Retailing	293	0.9	-1.0
Trailer & Caravan Retailing	108	0.3	+11.3
Motor Vehicle Parts Retailing	306	0.9	+4.4
Fuel Retailing	1,287	3.9	-3.2
Tyre Retailing	650	1.9	-0.3
Non Store Retailing	1,343	4.0	+3.8
Commission-Based Buying and/or selling	156	0.5	-3.7
Other Store-Based Retailing n.e.c.*	4,397	13.2	-1.0
Total All Retail	**33,382**	**100.0**	**-1.0**

(*n.e.c. = not elsewhere classified)

Comments

1 Overall store numbers at 33,382 were 346 down on February 2009 or 1.0%.

2 However, across the various categories there were some significant variations:

If we look at the store numbers over the last decade we see some interesting changes. The stand out movements are summarised below:

Number of Outlets

	2000	2010	% Change
Total Store Numbers	30,121	33,382	+11%

The Big Movers:

Motor Cycle Retailing	155	293	+89
Motor Vehicle Parts Retailing	246	306	+24
Liquor Retailing	677	778	+31
Other Specialised Food Outlets	640	912	+43
Clothing Retailing	2,571	3,938	+54
Footwear Retailing	480	597	+24
Furniture Retailing	671	828	+23
Floor Coverings	358	482	+35
Housewares Retailing	207	291	+41
Electrical/electronic/gas appliances	996	1242	+25
Computer/computer equipment Retailing	251	400	+49
Sport & Camping Equipment Retailing	836	1140	+36
Watch & Jewellery Retailing	504	603	+20
Toy & Game Retailing	171	209	+22

The Big Losers

Fresh Meat/Poultry/Fish Retailing	765	650	-15
Fruit & Vege Retailing	547	466	-15
Newspapers & Book Retailing	1,177	958	-19

All other store types were around the average growth of +11% demonstrated by ‘total retail’. It is worth comparing these outlet numbers with the retail sales numbers – it is no wonder that some sectors have become so competitive.

2.2 Retail Sector Sales Performance & Growth

Source: Statistics New Zealand

Note: It is important to note that the Retail Sales Statistics have NOT moved onto the new ANZSIC base – that is, this series is still reported on the basis of ANZSIC 1996. Our understanding from Statistics New Zealand is that it could be 2011 before the retail series will be re-worked to give valid comparisons.

Thus, the figures that follow are on the old basis so there are some inherent dangers in comparing the sales results by sector demography.

For the analysis that follows we have used March ending years, as this is the latest quarterly data available.

Long Term Trend

12 Months Ending	Total Retail Sales $ m	% Change on Prior Year	Index (year 2003 = 1,000)
March 2010	65,590	+0.5	1,329
2009	65,290	-0.6	1,323
2008	65,702	+5.5	1,331
2007	62,304	+4.7	1,262
2006	59,511	+6.1	1,206
2005	56,067	+7.3	1,136
2004	52,257	+5.9	1,059
2003	49,353	N/A	1,000

Note: The above includes all retail categories, including the motor vehicle sector, cafes and restaurants, hotels, accommodation etc.

Comments

1 Over the eight-year period retail sales grew by $16.2b or 33% (just under 5% p.a.).

2 While sales have slowed over the last two years, the rate of growth over the period above has been very strong. No other part of the economy has shown 5% growth (year on year) for such a protracted period.

3 Over this same period the 'All Groups' consumer price index demonstrated the following:

Movement In CPI
All Groups – Year on Year

12 Months Ending March	%	Index (2003 = 1,000)
2010	+2.0	1,201
2009	+3.0	1,177
2008	+3.4	1,143
2007	+2.5	1,106
2006	+3.4	1,079
2005	+2.7	1,044
2004	+1.6	1,016
2003	+2.5	1,000

Thus, over this period, sales in retail have grown in dollar terms by 33% compared with general price rises of just over 20%.

How have the various regions of the country performed over the last year or so? Has there been much variability from north to south?

	12 Months Ending March 2010	12 Months Ending March 2009	% Change
	$m	$m	%
Auckland Regional Council	21,373	20,791	+2.8
Waikato Regional Council	6,020	5,915	+1.8
Wellington Regional Council	6,942	7,242	-4.1
Remainder of North Island	14,696	14,820	-0.8
Total North Island	**49,031**	**48,768**	**+0.5**
Canterbury Regional Council	8,473	8,657	-2.1
Remainder of South Island	8,086	7,865	+2.8
Total South Island	**16,559**	**16,522**	**N/C**
Total New Zealand	**65,590**	**65,290**	**+0.5%**

Comments

A year ago it appeared that both Wellington and Christchurch had beaten the first bite of the recession (growth of 2% and 3% against a total market down 0.6%). However, in the latest year it has all caught up with those two areas. While Auckland and the South Island (excluding Canterbury) are showing signs of recovery (both +2.8%) Wellington has declined by 4% and Canterbury by 2%.

Retail Sales - By Sector

All of the analysis that had gone before has included the total retail market as defined by Statistics New Zealand. This includes:

'Regular Retail'
Accommodation/cafes/restaurants/bar & clubs
Motor vehicles, fuel, accessories, repairs, tyres etc.

If we look at these sectors individually, how does the retail sector stack up?

12 Months ending March	Total	'Regular Retail'	Accom/cafes/ restaurants / bars etc	Vehicle Sector
	$m	$m	$m	$m
2010	65,590	41,332	7,726	16,532
2009	65,290	40,294	7,687	17,309
2008	65,702	39,697	7,571	18,434
2007	62,304	37,769	7,284	17,251
2006	59,511	35,611	6,953	16,947
2005	56,067	33,616	6,464	15,987

Comments

1 When we review the break up of the market between hospitality, vehicle expenditure, and what we have called 'regular retail', the movement over the last few years is interesting.

% Change On Prior Year

Y/E March	Total Market	'Regular Retail'	Hospitality	Vehicle Expenditure
	%	%	%	%
2010	+0.5	+2.6	-0.5	-4.5
2009	-0.6	+1.5	+1.5	-6.1
2008	+5.5	+5.1	+3.9	+6.8
2007	+4.7	+6.1	+4.8	+1.8
2006	+6.1	+5.9	+7.6	+6.0

'Regular Retail' certainly performed better than either the hospitality sector or the vehicle sector. Fuel prices had the biggest impact on the vehicle sector.

Retail Sales - By Sector
For the 12 Months Ending March

	2010 $m	2009 $m	2008 $m	2010/2009 % Change	2009/2008 % Change
Supermarket & Grocery Sales	15,288	14,521	13,886	+5.3	+4.6
Fresh Produce Retailing	963	961	885	+0.2	+8.6
Liquor Retailing	1,250	1,243	1,222	+0.6	+1.7
Other Food Retailing	749	752	784	-0.4	-4.1
Takeaway Food	1,327	1,232	1,219	+7.7	+1.1
Department Stores	3,723	3,805	3,778	-2.2	+0.7
Furniture & Floor Coverings	1,264	1,376	1,603	-8.1	-14.2
Hardware Retailing	1,444	1,453	1,551	-0.6	-6.3
Appliance Retailing	2,578	2,475	2,474	+4.2	N/C
Recreational Goods Retailing	2,389	2,283	2,354	+4.6	-3.0
Clothing & Softgoods Retailing	2,662	2,556	2,587	+4.1	-1.2
Footwear Retailing	457	460	437	-0.6	+5.3
Chemists	1,877	1,853	1,788	+1.3	+3.6
Household Equipment Repair Services	376	359	348	+4.7	+3.2
Other Retailing	2,958	2,959	2,802	N/C	+5.6
Personal & Household Goods Hiring	226	231	244	-2.2	-5.3
Other Personal Services	1,801	1,775	1,735	+1.5	+2.3
Total 'Regular Retail'	**41,332**	**40,294**	**39,697**	**+2.6**	**+1.5**

When we take out the hospitality and vehicle related products sectors we find that, in the latest 12-month period (ending March 2010), the 'regular retail' market grew by 2.6%. This followed a growth rate of just over 1.5% in the previous year..

So… what is the importance of each sector?

The analysis below shows the various sectors (ANZSIC 1996) and their share of the 'regular retail' market and the total retail market including motor vehicle related sales and sales in the hospitality sector.

12 Months Ending March 2010

Category	Regular Retail $m	% Share	Total All Retail Sales % Share
Supermarket & Grocery Sales	15,288	37.0	23.3
Fresh Produce Retailing	963	2.3	1.5
Liquor Retailing	1,250	3.0	1.9
Other Food Retailing	749	1.8	1.1
Takeaway Food	1,327	3.2	2.0
Department Stores	3,723	9.0	5.7
Furniture & Floor Coverings	1,264	3.1	1.9
Hardware Retailing	1,444	3.5	2.2
Appliance Retailing	2,578	6.2	3.9
Recreational Goods Retailing	2,389	5.8	3.6
Clothing & Softgoods Retailing	2,662	6.5	4.1
Footwear Retailing	457	1.1	0.7
Chemists	1,877	4.5	2.9
Household Equipment Repair Services	376	0.9	0.6
Other Retailing	2,958	7.2	4.5
Personal & Household Goods Hiring	226	0.5	0.3
Other Personal Services	1,801	4.4	2.8
Total Regular Retail	**41,332**	**100%**	**63.0**
Hospitality	7,726	-	11.8
Vehicle Related	16,532	-	25.2
Total All Retail	**65,590**	**-**	**100**

Comments:

- If we take the vehicle related sector, supermarkets and grocery stores we have nearly 50% of retail expenditure.
- Supermarkets and grocery sales account for over a third of 'regular retail' sales.

- Department stores account for 9% of 'regular retail'. – In spite of their heavy presence they account for only about a quarter of what is achieved by supermarket and grocery sales.

We have seen how the sales levels have changed over time but how good is the management? How have retail stocks varied relative to change in sales performance?

2.3 Retail Stock Trends

Category	**Sales 12 Months Ending March 2010 vs. 2009 %**	**Stock % Change March 2010 vs. 2009 %**
Supermarket & Grocery Sales	5.3	9.4
Fresh Produce Retailing	0.2	1.5
Liquor Retailing	0.6	-4.4
Other Food Retailing	-0.4	-8.0
Takeaway Food	7.7	9.2
Department Stores	-2.2	12.5
Furniture & Floor Coverings	-8.1	-6.6
Hardware Retailing	-0.6	-5.1
Appliance Retailing	4.2	-3.5
Recreational Goods Retailing	4.6	-3.0
Clothing & Softgoods Retailing	4.1	1.3
Footwear Retailing	-0.6	-7.7
Chemists	1.3	-0.9

Comments

Total 'Regular Retail' stores showed revenue growth of 2.6% year on year. Over the same period total stocks grew by only 0.8%. However, as the store type analysis shows there were some mixed performances:

Supermarkets/Grocery	sales up 5.3%. stocks up 9.4%
Department Stores	sales down 2.2%, stocks up 12.5%
Appliance Retailing	sales up 4.2%, stocks down 3.5%
Recreational Goods	sales up 4.6%, stocks down 3%

Some good, some poor and some well managed.

2.4 Business Performance

Statistics New Zealand conducts an annual survey of business performance (Annual Enterprise Survey). The latest results available are for the 2008 year (gathered during 2009).

<u>Notes</u>:

- *Some retail categories are not available due to issues of confidentiality. For example, specific data for supermarkets and department stores is not available.*
- *Data is, in general, at a level lower than that normally reported by Statistics New Zealand, therefore the details shown must be treated with caution.*
- *Definitions of terms used are as follows:-*

  a **<u>Sales: Closing Stock</u>** – This is a crude measure of stock turn based on stock valued at cost. For example: Liquor retailing showed total sales of $1,149m and stock at the end of the period of $145m. The ratio calculated is 7.9.

  b **<u>Salaries & Wages/Sales</u>** - This is the total cost of salaries and wages, including that paid to working proprietors, divided by total income.

- **c** **<u>Gross Margin</u>** – This has been calculated on the basis of sale of goods not further processed, minus purchase of goods for re-sale, divided by sale of goods not further processed.
- **d** **<u>Employee Count Is Based On RME</u>** – Rolling, monthly employee count. This replaces full-time equivalents (FTE) which has been used in the past.
- **e** **<u>Surplus Before Income Tax</u>** - Total income less total expenditure (excluding salaries and wages paid to working proprietors) divided by total income.

The figures are derived from a specific survey. Therefore, the turnover figures will not necessarily be the same as those derived from the retail sales series.

Analysis for 2008 (data gathered during 2009)

Sector	Sales: Closing Stock (a)	Salaries & Wages % To Sales (b)	Gross Margin (c)	Income Per RME (d)	Surplus Per RME (e)
	Ratio	**%**	**%**	**$000**	**$000**
Fresh Meat/Fish/ Poultry Retailing	27.3	12.2	21.9	213.3	5.1
Fruit/Veg Retailing	34.9	11.3	21.6	221.1	9.3
Liquor Retailing	8.0	7.2	17.9	456.8	12.2
Other Specialised Food Retailing	10.5	19.3	37.4	133.1	1.5
Furniture Retailing	6.0	14.1	35.1	257.7	4.7
Floor Coverings Retailing	22.9	17.5	41.8	287.2	10.6
Houseware Retailing	5.0	18.1	41.7	160.6	5.6
Manchester Other Textile Goods Retailing	3.2	20.6	61.2	175.1	10.0
Electrical/ Electric/Gas Appliance Retailing	7.0	11.3	27.1	337.0	12.7
Computer & Computer Flexiplan Retailing	21.4	9.8	43.9	403.5	52.6
Hardware & Building Supplies Retailing	7.9	10.2	23.7	359.5	16.0
Garden Supplies Retailing	3.9	21.6	44.4	97.3	(-0.8)
Sport & Camping Equipment Retailing	3.9	15.4	36.7	166.6	(-1.5)
Entertainment & Media / Toys Games Retailing	4.7	14.5	32.1	149.6	(-4.6)
Newspaper/Book Retailing	4.4	14.1	37.0	163.2	3.4
Clothing Retailing	5.0	16.7	45.9	137.7	(-0.2)
Footwear Retailing	3.9	16.8	41.7	131.4	3.3
Watch & Jewellery Retailing	2.4	17.0	51.2	177.9	11.6
Pharmaceutical/ Cosmetics/ Toiletry Goods Retailing	12.4	15.7	33.7	207.0	16.1
Stationery Goods Retailing	6.3	15.8	38.4	159.2	3.9
Flower Retailing	13.3	23.9	42.2	92.5	(-0.5)
Total Retail	**10.2**	**7.9**	**26.6**	**195.5**	**6.9**

Note: ***For reasons of confidentiality supermarket and department store data is combined. These two sectors account for some 46% of 'regular retail' and nearly 30% of all retail. Their absence has a market impact on the 'total retail' figure above and the comparison with other sectors.***

Net Profit Before Tax As % Of Total Income

Sector	**2008** %	**2007** %	**2006** %
Fresh Meat/ Fish/ Poultry Retailing	2.3	3.2	6.3
Fruit & Vegetable Retailing	4.2	3.3	4.6
Liquor Retailing	2.7	2.6	4.4
Other Specialised Food Retailing	1.1	3.3	2.6
Furniture Retailing	1.8	6.8	3.1
Floor Coverings Retailing	3.7	7.5	8.1
Houseware Retailing	3.2	5.5	3.6
Manchester and Other Textile Goods	5.8	1.4	0.9
Electrical/Electronic/Gas Appliances	3.8	6.5	3.4
Computer & Computer???? Retail	12.9	0.9	2.9
Hardware & Building Supplies Retailing	4.5	5.1	2.4
Garden Supplies Retailing	(-0.7)	6.4	3.9
Sports & Camping Equipment Retailing	(-0.9)	7.0	11.1
Entertainment Media/Toys/Games	(-2.8)	4.2	1.5
Newspaper Book Retailing	2.0	5.7	2.9
Clothing Retailing	(-0.1)	2.9	7.6
Footwear Retailing	2.6	4.2	6.6
Watch & Jewellery Retailing	6.6	12.8	8.7
Pharmaceuticals/cosmetics/Toiletry Goods Retailing	7.8	7.2	7.9
Stationery Goods Retailing	2.3	7.3	6.4
Footwear Retailing	(-0.6)	0.6	-
Total All Retail	**3.5**	**4.1**	**4.2**

Comments

This analysis has been taken to a detailed level and the output should be viewed with caution.

In reviewing this data it should also be remembered that the latest statistics for the 2008 year – that is, they are measuring cost inputs as the recession was starting to bite. Our expectation would be that, with the level of discounting in evidence over the past 18 months or so, net margins will have deteriorated further.

The net profit calculation excludes salaries and wages to working proprietors from the cost side of the equation.

With only the odd exception, net profit as a percentage of turnover fell between 2007 and 2008. Five categories, in fact, delivered a negative result for the year. The most significant of these was the clothing sector.

These tables highlight the risks in retail. While the numbers show some variability it is obvious it is obviously that the retail sector is not for the faint hearted.

2.5 Staffing in the Retail Sector

Geographic Distribution of Retail Staff

Note: The table below is based on ANZSIC 2006 and ties back into the outlet analysis in an earlier section.

2009

	Share Of Outlet Numbers %	Staff Numbers No. 000's	Share Of Staff Numbers %
Northland	3.4	6,750	3.4
Auckland	35.2	61,700	31.2
Waikato	9.1	17,660	8.9
Bay Of Plenty	6.5	12,740	6.4
Gisborne	0.9	1,760	0.9
Hawkes Bay	3.4	7,390	3.7
Taranaki	2.4	5,040	2.5
Manawatu/Wanganui	4.8	11,020	5.6
Wellington	10.2	22,470	11.3
Total North Island	***75.9***	***146,530***	***74.0***
West Coast	0.8	1,640	0.8
Canterbury	13.0	27,110	13.7
Otago	5.0	10,600	5.4
Southland	2.0	4,900	2.5
Tasman	1.0	1,930	1.0
Nelson	1.4	2,840	1.4
Malborough	1.0	2,450	1.2
Total South Island	***24.1***	***51,460***	***26.0***
Total NZ	**100**	**198,000**	**100**

Comments:

Auckland accounts for 35% of the store numbers but only 31% of staff. This could be a reflection of bigger stores leading to economies of scale or it could simply be greater cost awareness in Auckland leading to fewer staff. The share of 31% of staff compares with 32% in the prior year.

Wellington is the reverse of this – 11.3% of staff vs 10.2% of store numbers.

So… if that's the geographic spread how does the staffing level compare with store numbers at a store type level?

Once again, this analysis has been undertaken on the basis of the 2006 ANZSIC codes – see section 2.1 – 'Store Numbers' for the definitions.

Staff Numbers by Store Types - 2009

	Share of Outlet Numbers %	Staff Numbers	Share Of Staff Numbers %	Average/ Store (Employee Count)
Supermarket/Grocery Stores	9.6	54,460	23.5	17.0
Fresh Meat, Fish, Poultry	1.9	3,240	1.6	5.0
Fruit & Vegetable Retailing	1.4	1,890	1.0	4.1
Liquor Retailing	2.7	3,350	1.7	3.7
Other Specialised Food Retailing	2.7	2,500	1.3	2.7
Department Stores	0.9	17,440	8.8	60.6
Clothing Retailing	11.8	16,040	8.1	4.1
Footwear Retailing	1.8	3,520	1.8	5.9
Other Personal Accessory Retailing	0.6	580	0.3	2.7
Manchester and Other Textile Good Retailing	1.6	2,100	1.1	3.9
Furniture Retailing	2.5	2,740	1.4	3.3
Floor Covering Retailing	1.4	2,220	1.1	4.6
Houseware Retailing	0.9	1,250	0.6	4.3
Electrical/Electronic & Gas Appliance Retailing	3.7	6,880	3.5	5.5
Computer & Computer Peripheral Retailing	1.2	850	0.4	2.1
Other Electrical & Electrical Goods Retailing	0.4	390	0.2	3.3
Sports & Camping Equipment Retailing	3.4	4,340	2.2	3.8
Toy & Game Retailing	0.6	480	0.2	2.3
Newspaper & Book Retailing	2.2	3,730	1.9	5.0
Stationery Goods Retailing	0.8	1,770	0.9	6.5
Entertainment Media Retailing	0.5	580	0.3	3.6
Marine Equipment Retailing	0.9	760	0.4	2.6
Pharmaceutical, Cosmetic, Toiletries Retailing	3.6	9,350	4.7	7.8
Antique & Used Goods Retailing	2.9	1,660	0.8	1.7
Hardware & Builders Supplies	4.4	15,260	7.7	10.4
Garden Centre Retailing	1.3	1,930	1.0	3.9
Flower Retailing	1.5	860	0.4	1.7
Watch & Jewellery Retailing	1.8	2,560	1.3	4.2
Car Retailing	5.3	9,400	4.7	5.3
Motor Cycle Retailing	0.9	1,430	0.7	4.9
Trailer & Caravan Retailing	0.3	95	0.1	1.0
Motor Vehicle Parts Retailing	0.9	1,440	0.7	4.7
Fuel Retailing	3.9	9,510	4.8	7.4
Tyre Retailing	1.9	2,720	1.4	4.7
Non-store Retailing	4.0	1,600	0.8	1.2
Commission-Based – Buying and / or Selling	0.5	45	*	*
Other Store Brand Retailing, n.e.c.	13.2	9,030	4.6	2.1
Total Number	**100**	**198,000**	**100**	**5.9**

Comments:

Over a quarter of all staff who work in the retail sector do so in the supermarket/grocery store type which numerically accounts for less than 10% of all outlets. The average per store in this store type, at 17.4, is low due to the impact of dairies and small grocery stores.

Department stores account for nearly 10% of all staff but less than 1% of store numbers.

So… what can all of this data tell us? How can we paint a picture of a sector of the market with these numbers?

Set out below is a statistical portrait of the clothing retail sector. In reviewing this it needs to be realised that we are not considering all sales of clothing but rather sales through clothing stores. This does not account for clothing sales through outlets such as department stores, sports stores etc.

2.6 Clothing Stores in New Zealand – A Case Study

2.6.1 Numbers of stores / growth

Year Ending Feb	Number of Clothing Stores	% Change Year on Year
2009	3,938	+0.5
2008	3,901	+5.7
2007	3,690	+4.9
2006	3,518	+5.4
2005	3,338	+8.2
2004	3,086	+9.8
2003	2,811	+5.3
2002	2,669	+4.3
2001	2,558	-0.5
2000	2,570	N/A

From the turn of the century (2000) the number of specialist clothing stores in New Zealand increased from 2,570 to 3,938 – an overall increase of 53%. Over this same period total retail outlets (based on the new ANZSIC 2006 classifications) increased from 30,076 to 33,382 – an increase of only 11%.

2.6.2 Number of Stores / Location

We have seen really significant growth in this store type over the past nine years. Has this growth been uniform across the country or has there been regional concentration?

Clothing Outlets By Region

	% Population 2009 Est	2009		2000		% Growth 2009 v 2000
		No of Stores	% Total	No of stores	% Total	
Northland	3.6	97	2.5	78	3.0	24.4
Auckland	33.3	1,525	38.7	906	35.2	68.3
Waikato	9.4	342	8.7	222	8.6	54.1
BOP	6.3	225	5.7	163	6.3	38.0
Gisborne	1.1	26	0.7	15	0.6	73.3
Hawkes Bay	3.6	138	3.5	99	3.9	39.4
Taranaki	2.5	91	2.3	57	2.2	59.6
Manawatu/Wanganui	5.3	141	3.6	116	4.5	21.6
Wellington	11.1	432	11.0	227	10.8	56.0
Total North Island	**76.2**	**3,017**	**76.6**	**1,933**	**75.1**	**56.0**
West Coast	0.7	17	0.5	20	0.8	(-15.0)
Nelson	1.0	56	1.4	31	1.2	80.6
Tasman	1.1	29	0.7	24	0.9	20.8
Malborough	1.0	29	0.7	18	0.7	61.1
Canterbury	13.0	502	12.8	347	13.6	44.7
Otago	4.8	216	5.5	142	5.5	52.1
Southland	2.2	72	1.8	56	2.2	28.6
Total South Island	**23.8**	**921**	**23.4**	**638**	**24.9**	**44.4**
Total New Zealand	**100**	**3,938**	**100**	**2,571**	**100**	**53.2**

- In terms of percentage growth in the number of clothing stores, Nelson leads the way with an increase in store numbers of over 80% over the period. In a region that accounts for only 1% of the population, the number of clothing stores has increased from 31 to 56.

- However, in terms of absolute numbers, Auckland has been the 'big mover'. In 2000 there were 906 specialist clothing outlets in this region. By 2009 that had grown to 1,525 – an increase of over 600 shops or 68.3%.

  Auckland now has a clothing store for every 942 people compared with a national average of 1,096.

- The only area to show negative growth in store numbers was the West Coast, which lost three stores over the period - from 20 down to 17.

2.6.3 Clothing Stores – Retail Sales

In looking at these numbers it needs to be remembered that the retail sales figures are still based on the ANZSIC 1996 categorisations. This should not cause any problems for this particular analysis.

In considering the performance of the clothing sector over recent years we have compared it with what we earlier termed 'regular retail', that is, the retail sector excluding the hospitality and vehicle elements.

So how has the clothing sector performed?

Year ending March	Total 'Regular' Retail Sales	% Change Prior Year	Total clothing /Soft Goods Retail	% Change Prior Year
	$m	%	$m	%
2010	41,332	+2.6	2,662	+4.1
2009	40,294	+1.5	2,556	-1.2
2008	39,697	+5.1	2,587	+4.2
2007	37,769	+6.1	2,482	+2.9
2006	35,611	+5.9	2,413	+11.5
2005	33,616	+6.7	2,165	+8.5

Over the period under review 'total regular retail sales' showed growth of nearly 23% which was matched by the clothing and softgoods sector. However, the profile was different. The clothing category performed well in the first two years of the last six, but over the following three years, the sector has been below the market average (5.9% vs 13.2%). In the latest year we have seen a better performance.

2.6.4 Clothing Stores – Staffing

In the year ending February 2009 there were 16,040 staff employed in the specialty clothing sector of the New Zealand retail market. These people accounted for 8.1% of all staff employed in retail (compared with store numbers at 11.8% of the total).

2.6.5 Clothing Stores – Benchmarks (2007)

Obviously this is a very competitive market, so what are the key indicators showing? What type of performance is the norm in this sector and how does that compare with the total retail sales?

a) **Sales: Closing Stock –** The clothing retail sector ratio was 5.0 – essentially this is a crude measure of annual stock turn. This compared with the footwear sector at 3.9 and watch and jewellery retailing at 2.4. Across the whole of the retail sector (including accommodation) the sales: closing stock ratio was 10.2.

b) **Salaries/Wages % to Sales** – In years past we used to consider a staff cost to sales ratio of 10% was appropriate (before the owners' drawings).

In the 2009 Annual Enterprise Survey clothing stores showed a proportion of sales being spent on wages of 16.7%. This was relatively high compared with the retail sector of around 8%.

c) **Gross Margin** – At 45.7% the gross margin achieved by these stores was very good compared with many other store type categories.

d) **Profitability** – However, in spite of this relatively strong gross margin, the higher staff costs (and higher staff numbers) saw the gross income and surplus per employee fall below market averages. This was reflected further in the net profit to sales achieved.

Income per RME*	$137.7k
Surplus per RME	($0.2k)

(*RME – Rolling Monthly Employee Count)

At the net profit to sales level we see the impact of staff costs and, we suspect, heavy discounting – the level achieved across the sector was a loss of 0.1%. That is, in spite of all the sales by all the staff in all of the outlets, the sector as a whole only just broke even.

The level of discounting evident over recent months serves to highlight just how competitive this sector is. We would have had a fierce battle on our hands with normal market conditions – the impact of the recession has placed an additional challenge on these stores.

Section 3 – The Consumer

Note: *The last census was 2006 and the last time the Household Economic Survey was undertaken was 2007. Therefore, those pages have not been updated.*

3.1 Introduction - The Two Perspectives

We can look at the consumer from two different perspectives:

1. Who they are, where they live, what they do, the shape of their family, how much they earn etc?

   All these kinds of details are available from the 2006 Census of Population (Statistics New Zealand).

2. The second perspective is their shopping habits – what they buy, how many buy it and how often do they buy?

   This data is available from the *Household Economic Survey* conducted every three years by Statistics New Zealand.

We will have a brief look at both of these data sets so that readers gain an understanding of what is available. Both data sets are too big and too comprehensive to enable any detailed analysis here.

3.2 The 2006 Census

The official Census of Population and Dwellings is conducted by Statistics New Zealand every five years.

The most recent data relates to the 2006 census.

The Census is a complete count of population and dwellings and includes such variables as:

Age and sex
Ethnicity
Marital status
Education
Work
Income
Families and households
Access to telephones, internet, fax
Access to motor vehicles

All of this data is available by region – Regional Council area or down to Territorial Authority Area.

This data is tremendously valuable for identifying the make up of an area. - Who are my catchment area customers and what do they look like?

If the target market for a particular store can be clearly stated it is possible to identify how many of these people would live within a reasonable distance from the store location. - How much would each of these people need to spend to make the store viable? Do we need to get 80% of the available customers spending 80% of their expenditure on the category? Unlikely. - The statistics will give us a test of reasonableness for our business objectives.

The Association is happy to work with members on the analysis of census data (visit www.stats.govt.nz).

3.3 Household Economic Survey (June 2007)

In addition to the census, Statistics NZ also conducts a survey every three years which looks at the expenditure habits of New Zealand households. (The earnings measure is now conducted annually). The most recent Household Economic Survey was conducted in 2007 so here is no update since this page was prepared for the last year's NZRA report.

This is a significant base of information as it tells us, on average, how many customers we are likely to have. For example, there might be 20,000 people (say 8,000 households) in our area. The *Household Economic Survey* will tell us the proportion of these likely to be buying in our category each week.

Example:	Area	= 8,000 homes
	% buying each week	= 20% = 1,602 homes
	Average weekly expenditure on category	= $40
∴	Our maximum market is	$(1600 x 40) per week = $64,000 per week

What proportion of this would we need to make our business viable?

Some examples of categories are as follows:

	% Homes Reporting Expenditure	Average Weekly Household Expenditure
	%	$
Fruit & Vegetables	89.2	18.40
Grocery – food	98.2	68.30
Total all food	***99.1***	***155.60***
Beer	31.8	6.50
Clothing	51.1	27.80
Newspapers/magazines	47.4	3.20
Books	17.4	3.30
Electricity	95.6	31.50
Plants, flowers & garden supplies	27.9	4.50
Pharmaceutical products	46.3	5.80
Cleaning products & other household supplies	73.6	6.00

These are just a few examples of the data types available. While some individual categories have relatively high sampling error the data does give some indication of market size.

To project to total market values we calculate as follows:

e.g. Fresh Fruit & Vegetables

Total Homes	1.5 million
% Homes Buying	89.2% = 1.338 million
Average Weekly Expenditure	$18.40
Total Weekly Expenditure	($18.40 x 1.338m) = $24.6m/week

Further details are available on request or go to www.stats.govt.nz/people/work-income/household-economic-survey

Section 4 – Key Retail Chains by Sector

Who Is Who In New Zealand Retail?

Set out below is a listing of the key companies in each on the major sectors of retail. It is not exhaustive but we believe it covers the major players:

Supermarkets	Foodstuffs (Auckland) Foodstuffs (Wellington) Foodstuffs (South Island) Fruit World Moore Wilson Ltd Nosh Food Market Progressive Enterprises	
Department Stores	Arthur Barnett Ballantynes H & J Smith Kirkcaldie and Stains Smith and Caughey	
General Merchandise	Briscoes Farmers K Mart The Warehouse	
Clothing Retailers	3 Wise Men Amazon Annah Stretton Baby City Baby Factory Ballentynes Fashion Central Barkers Bendon Billabong Bras and Things Calvin Klein Jeans Caroline Eve Colorado Group Cotton On Country Road Cue International Daisy T David Lawrence Esprit Ezibuy Glassons Gregory Hallensteins Hartleys J K Kids Gear Jacqui E Jean Jones Jeans West Just Jeans K & K Fashions Karen Walker	Kate Sylvester Kathmandu Keith Matheson Kimberleys Kookai Kooky Fashion Lippy Louis Vuitton Marcs Max Fashions Meccano Menswear Millers Retail Munns Menswear Pagani Clothing Paris Texas Postie Plus Principals Pumpkin Patch Ricochet Rip Curl Rod & Gunn Ruby Shanton Staxs Supre Sussans T & T Untouched World Veronika Maine Witchery Zambesi Zebrano

Footwear Retailers:	Andrea Biani	Footloose
	Athlete's Foot	Hannahs
	Banks Group	Kumfs (now Ziera)
	Bianca Shoes	No 1 Shoe Warehouse
	Colorado	Overland
	Dowsons	Smiths Sports Shoes
	Ecco	Wildpair
	Footlocker	
Furniture Retailing	Bedpost	Harvey Norman
	Beds R Us	Hazelwoods
	Big Save	Hill and Stewart
	Early Settler	McKenzie and Willis
	Freedom Furniture	North & South Group
	Furniture Court	Smith City
	Harvey Furnishings	Target
Floor Covering Retailing	Carpet Court	Flooring First
	Carpert One	Flooring Xtra
Domestic Hardware and Housewear		
	Acquisitons	Mastertrade
	BBQ Factory	Mico
	BM Pacific	Mitre 10
	Briscoes	Nood
	Bunnings	Placemakers
	Carters	Plastic Box
	Colour Plus	Plumbing Plus
	Dogs Breakfast Trading Co	Plumbing World
	Guthrie Bowron	Resene Paints
	ITM	Tile Warehouse
	Lighting Direct	Toolshed
	Lighting Plus	Stevens Bros
	Living and Giving	
Fabrics/ Softgoods		
	Arthur Toye Fabrics	Lewis's
	Curtain Supermarket	Spotlight
	Knit World	The Linen Cupboard
Domestic Appliances/Electronics/Phones		
	Appliance Connexion	L.V. Martin & Sons
	Appliance Network	Newbolds
	Dick Smith	Noel Leeming Group
	Electronics Boutique	Norman Ross
	First Mobile National	Retravision
	Harvey Norman	Smiths City
	J B Hi Fi	Telecom Retail Stores
	Leading Edge Communications	The Good Guys
		Vodafone
Sport and Camping Equipment		
	Avanti Plus	Sportsworld
	Cheapskates Ltd	Stirling Sports
	Champions of the World	The Golf Warehouse
	Rebel Sport	

Toy and Game Retailing Educational Experience Stores		
	Toyworld	
Newspaper, Books and Stationery Retailing		
	Borders Books	Paper Plus
	Dymocks	Warehouse Stationery
	NZ Post	Whitcoulls Group
	Office Max	
Photographic Stores	Camera House	
	Hanafins Photo Store	
	Kodak Express	
Pharmaceutical, Cosmetic and Toiletry Retailing		
	Hardy's Health	Health 2000
	Healtheries	Radius
	Life Pharmacy	The Body Shop
	Lush	Pharmacy Brands
Watch & Jewellery Retailing	Bling Ltd	Nationwide Jewellers
	Christies Jewellers	Pascoes
	Gemtime	Stewart Dawsons
	Michael Hill	
Flower Retailing	Interflora	
	Teleflora	
Automotive Fuel	BP	Mobil
	Caltex	Shell
	Gull	
Tyre Retailing	Beaurepairs	Goodyear
	Bridgestone	Tony's Tyre Service
	Firestone	
Other Food Retailers	Burger King	Retail Food Group
	Dominos	Restaurant Brands
	Foodco NZ	Subway
	McDonalds Restaurants	The Mad Butcher
	Robert Harris	Wendys
Liquor Retailing	Glengarrys	Liquorland
	Lion Nathan	The Mill Liquor Store
	Liquor King	Super Liquor
Vehicle Parts	Repco	Super Cheap Auto
	Mag & Turbo Warehouse	
Optical	OPSM	
	Spec Savers	
	Visique	
Rural	Combined Rural Traders	
	PGG Wrightson	
	RD1	

Section 5 – The Global Players

Source: Deloitte/NRF 2010 Global Powers of Retailing

5.1 Top 10 Global Retailers

The retail world is becoming more and more concentrated as major players continually strive for growth and global expansion.

Who are the major players and how big are they?

Before reviewing these numbers it is worth remembering that the total New Zealand market (if we exclude the auto sector and the hospitality sector) is worth NZ $40b or, at today's rate, around US $29b.

The Top 10 Retailers By Sales For The Year Ending 2008

			US $ million	**Compound Annual Growth Rate 2003 - 2008**
1	Walmart	(US)	401,244	9.4
2	Carrefour	(FR)	127,958	4.3
3	Metro	(DE)	99,004	4.8
4	Tesco	(UK)	96,210	12.0
5	Schwarz	(DE)	79,924	12.3
6	Kroger (AG)	(DE)	76,000	7.2
7	The Home Depot	(US)	71,288	1.9
8	Costco	(US)	70,977	11.2
9	Aldi	(DE)	66,063	5.1
10	Target	(US)	62,884	6.1

Notes

1. To put Walmart in perspective, they are over 14 times bigger than the total New Zealand market as defined above.
2. At US $36b, Woolworths Australia comes in at position number 26.
3. The top 10 now account for just over 30% of the total turnover of the top 250. This is slightly up on the 2007 position.
4. With sales of over US $3.8 trillion, the top 250 account for over a third of the estimated world retail market of US $9 trillion.
5. 34% of the top 250 are based out of the US.
6. While sales growth has slowed as recession-weary consumers pulled back (6.3% growth vs 7.6% growth in 2007), profitability plunged. The composite net margin fell from 3.7% in 2007 to 2.4% in 2008.

The top 250 listing welcomed 24 newcomers based on 2008 sales. These included:

9 from Japan
2 from UK
5 from USA
1 each from Denmark, Sweden, Norway, Brazil, Chile, Lithuania, Turkey and China.

5.2 Top Retail Trends 2010

1 Resetting Consumer Behaviour

- Global recession changed behaviour and consumers became more value conscious, more attracted to private labels, less likely to buy large discretionary items and less likely to eat outside the home.
- Will the pattern hold as economic conditions improve?
- Exclusivity of brands will become more important. Brand management will be the key tool to convey their value proposition.
- Improvements to the customer experience will become a differentiating factor.
- The key is to have uniqueness – unique brands, unique value proposition etc. Reduce the chance of comparison across a range of competitors.

2 Luxury Reset

- There are two classes of luxury market. One where there is real wealth … this won't change. Even if personal wealth falls from say $100m to $75m – there are still plenty of dollars to go around.
- The second luxury market is the aspirational luxury market (the wine aspiration of a beer income). This market will stay depressed for some time.

3 World Class Emerging Retailers

- The global playing field of retailing is becoming more level. Many emerging markets now have sufficiently large middle classes to support the efficient operations of a large, sophisticated, home-based retailer. These players are able to be world class competitors to the larger global players.

4 Globalisation of US Retailers Accelerators

- US based retailers now face an economic environment at home far more challenging than anything they have faced previously. They now have a very real incentive to look beyond the shores of the US.
- The most likely candidates are felt to be specialty retailers rather than supermarkets/ mass merchandise/department stores.

5 Social Networking and Retailing

- Many retailers are lagging behind their customers' adoption of new technologies.
- Consumers will demand greater transparency – they want greater access to information about the retailer, his products and pricing – comparative shopping will be simplified. The risk is that the business goes to the most desperate seller. Uniqueness of offer becomes all important.
- We are seeing the development of 'shared shopping' – consumers are sharing their shopping experiences with friends. The personal referral is making a come back in the virtual world (both good and bad).
- Retailers and consumers now have more touch points and can build more stable relationships. Personalised marketing is now possible.
- Networking shifts the balance of power – the consumer now has all the knowledge. Retail staff need to shift to a whole new level of knowledge.

6 Rationalising Assortments

- The greatest compliment a retailer can pay their customer is to stock what they (the customer) wants and not what they (the retailer) likes.
- It is critical for the future that the retailer really understands the needs of his/her customers.
- Information technology will play a huge role in this – not only monitoring customer behaviour but also using networked communications to understand consumer preferences and lifestyles.

7 Increased Polarisation

- In the future there will be a hard position at the lower end of the market (the value customer) and at the top end (the wealthy and the aspirational).
- Don't get caught in the middle. You can't be all things to all people.

Source:

Deloitte/NRF "Emerging From the Downturn – Global Powers of Retailing 2010"

Appendix I – Retail Classification

Retail Outlets

ANZSIC 2006 vs ANZIC 1996

Reconciliation

Categories in 1996 but not 2006

Bakeries & cake kitchens
Take-a-way food outlets
Automotive repairs
Household appliance repairs
Footwear repairs
Panel beaters
Milk vending

Categories not in 1996 but now in 2006

Hardware stores	Those previously classified as wholesalers are now included as retailers.

Non-store retailing
Commission-based buying and/or selling