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KAPITI COAST RETAIL LEAKAGE ANALYSIS

KAPITI COAST DISTRICT COUNCIL



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1. INTRODUCTION

Property Economics has been engaged by Kapiti Coast District Council to quantify the level of retail expenditure leakage from the Kapiti Coast District.

The purpose of this report is to identify and analyse the level of retail leakage from the Kapiti Coast District, and determine where the retail dollars leaving the district are being spent. The retail leakage breakdown for the purpose of this report is at the territorial authority level and by retail sector.

2. BNZ MARKETVIEW DATA

In order to assess the level of retail leakage out of the Kapiti Coast District, Property Economics has utilised BNZ MarketView data as a representation of the proportion of spending by Kapiti Coast residents by sector and territorial authority.

BNZ MarketView data is based on the spending and transactions of BNZ credit and debit (EFTPOS) cardholders. It excludes business and corporate cards. The transaction values include GST, but exclude cash out with purchases. BNZ MarketView does not pick up Hire Purchase, direct debit / credit payments or cash based spending.

The MarketView data has been collected from numerous New Zealand retailers, from national chains to small independent stores, across a range of retail categories.

The data provided by MarketView relates to retail expenditure from Kapiti Coast Residents only during the period of September 2010 – August 2011. A full breakdown of the relevant MarketView retail sectors and their correlating Statistics New Zealand ANZSIC categories has been provided in Appendix 1.

Given the large sample size of BNZ card holders and the prolific use of EFTPOS within NZ, MarketView data is considered to be a robust representation of the Kapiti spending patterns and hence has been used as a basis for this report. A full breakdown of the retail expenditure proportions from Kapiti Coast residents by sector and region has been included in Appendix 2.

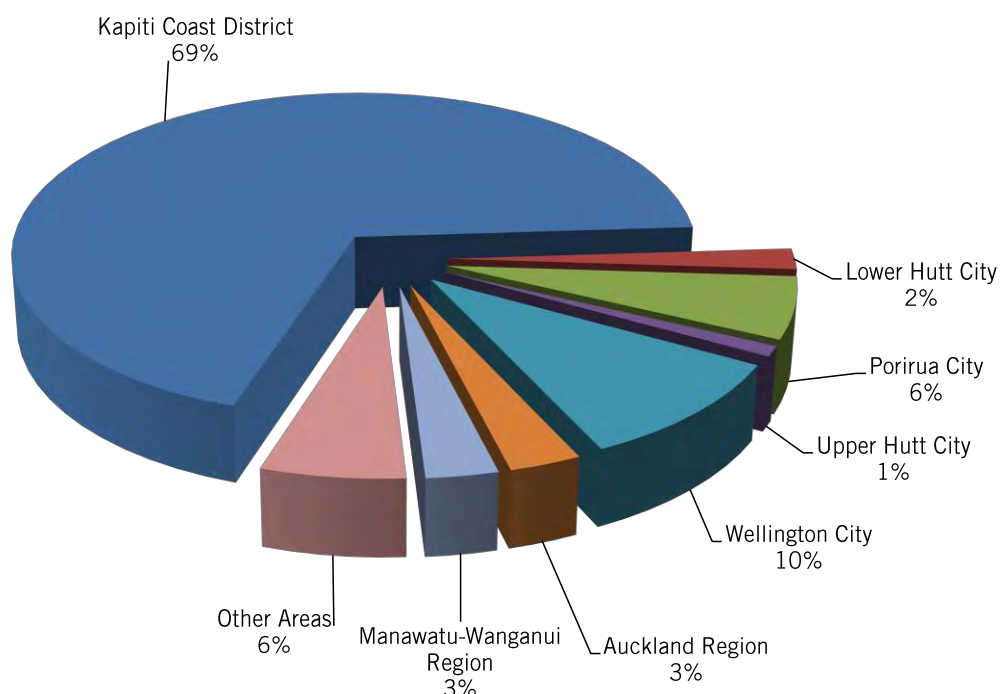
3. RETAIL LEAKAGE

Retail Leakage for the purposes of this report, can be defined as retail expenditure generated by residents in Kapiti Coast District but spent outside of this area. While some leakage out of a market can be classified as ‘normal’ shopping behaviour due to its proximity to Wellington City and its significantly larger retail offer, as indicated in PEL and PAL’s recent Kapiti Employment Areas study, Kapiti Coast District has a significantly higher than ‘normal’ level of leakage (approximately double). A high level of retail leakage indicates that the retail needs of the resident population are not being met by the localised market, hence why residents travel outside of the market to satisfy their retail shopping requirements.

3.1. TERRITORIAL AUTHORITY / REGIONAL LEAKAGE

Figure 1 below, illustrates the proportion of retail expenditure made by Kapiti Coast residents according to where it was spent by local TA and region.

FIGURE 1: KAPITI COAST RESIDENTIAL RETAIL SPENDING BY AREA



Source: Property Economics, MarketView

As indicated by Figure 1, a significant 31% of retail expenditure across all retail sectors generated by Kapiti Coast residents is spent outside of the district, with as expected a high proportion of this (20%) going to other territorial authorities within the region. This suggests

that the retail needs of Kapiti Coast residents are not being met by the existing retail offer / centres in Kapiti.

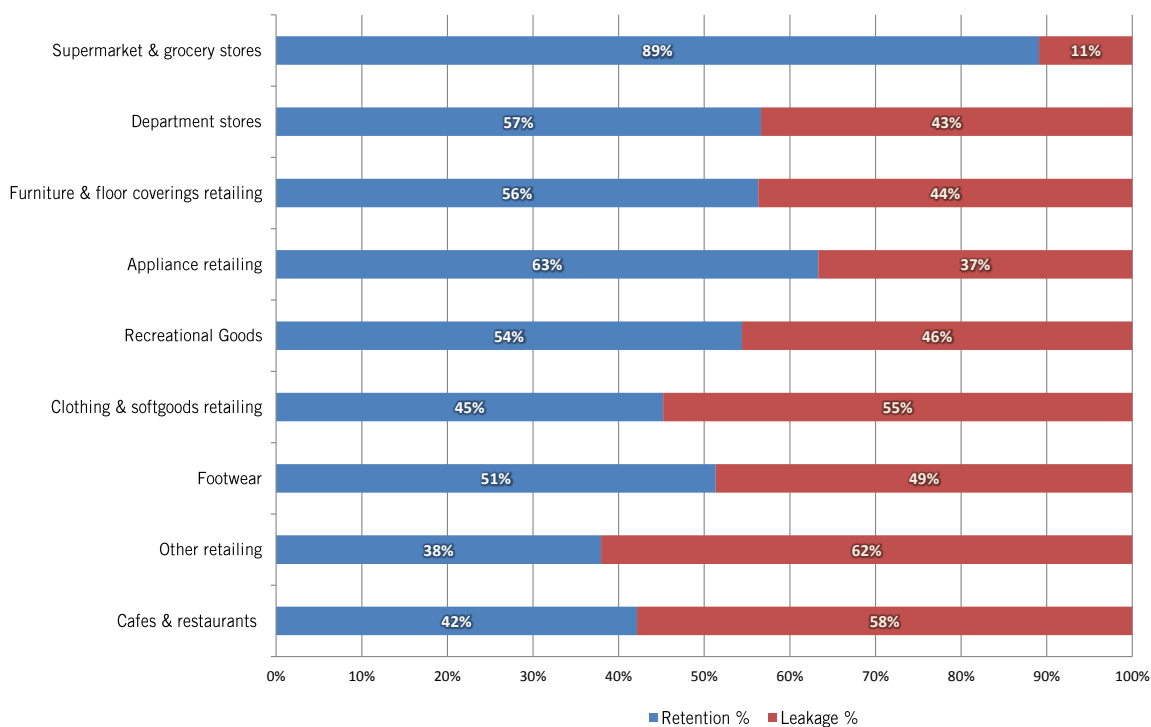
Interestingly, retail leakage is both north and south of the district, with the Manawatu / Wanganui and Auckland regions both attracting 3% of Kapiti's retail expenditure. The bulk of the Manawatu / Wanganui regional spend is likely to be spent in Palmerston North.

3.2. KAPITI COAST RETAIL LEAKAGE BY SECTOR

The type of retail product plays a significant role in consumer shopping behaviour and preferences, with consumers typically less willing to travel for similar / homogenous products (i.e. supermarkets). For products with a wide price spectrum (generally higher priced goods) searching for cheaper prices or superior range / offer becomes more worthwhile and hence a higher proportion of leakage is expected for higher priced retail products. This is usually referred to as comparison goods that are typically less frequently purchased or required, e.g. furniture.

Figure 2, shows the level of net retail expenditure retention and leakage within and out of the Kapiti Coast District for each of the key retail sectors.

FIGURE 2: KAPITI COAST RETAIL LEAKAGE BY RETAIL SECTOR



Source: Property Economics, MarketView

Given the geographic location of the Kapiti Coast District within the wider regional network, the high level of Supermarket & Grocery retention of nearly of 90% is expected with residents undertaking the vast majority of their supermarket and grocery shopping locally. This is a similar trend across the country for this sector where a range of supermarket options are available.

The Department Store sector shows a significant level of leakage out of the district at 43%, which is higher than anticipated given the presence of both Farmers and The Warehouse in Paraparaumu. This maybe a reflection of the quality and scope of these stores' offer. Farmers and The Warehouse represent strong anchor brands with generally similar product ranges at each branch, as such the current level of leakage indicates that Kapiti shoppers are being attracted to centres outside of the district by the wider, better quality retail offer, environment and experience.

What is concerning is the high level of leakage in the key 'finger-grain' specialty town centre sectors of Clothing & Softgoods, Footwear and Recreation Goods (55%, 49% and 46% respectively). It is clear that a significant proportion of Kapiti Coast residents are using retail centres outside of the district on a regular basis to meet these sectors requirements. This is a reflection of Kapiti's comparatively substandard current centre offer and environment, primarily the Paraparaumu Town Centre / Coastlands.

Furniture & Floor coverings and Appliance Retailing also show relatively high levels of leakage at 44% and 37% respectively. These are retail sectors that sell comparatively more expensive items and searching for the 'best deal' is expected. However, on balance taking all the geographic and drive time factors into consideration these are still considerably high levels of leakage, again representing a sector with potential for Kapiti.

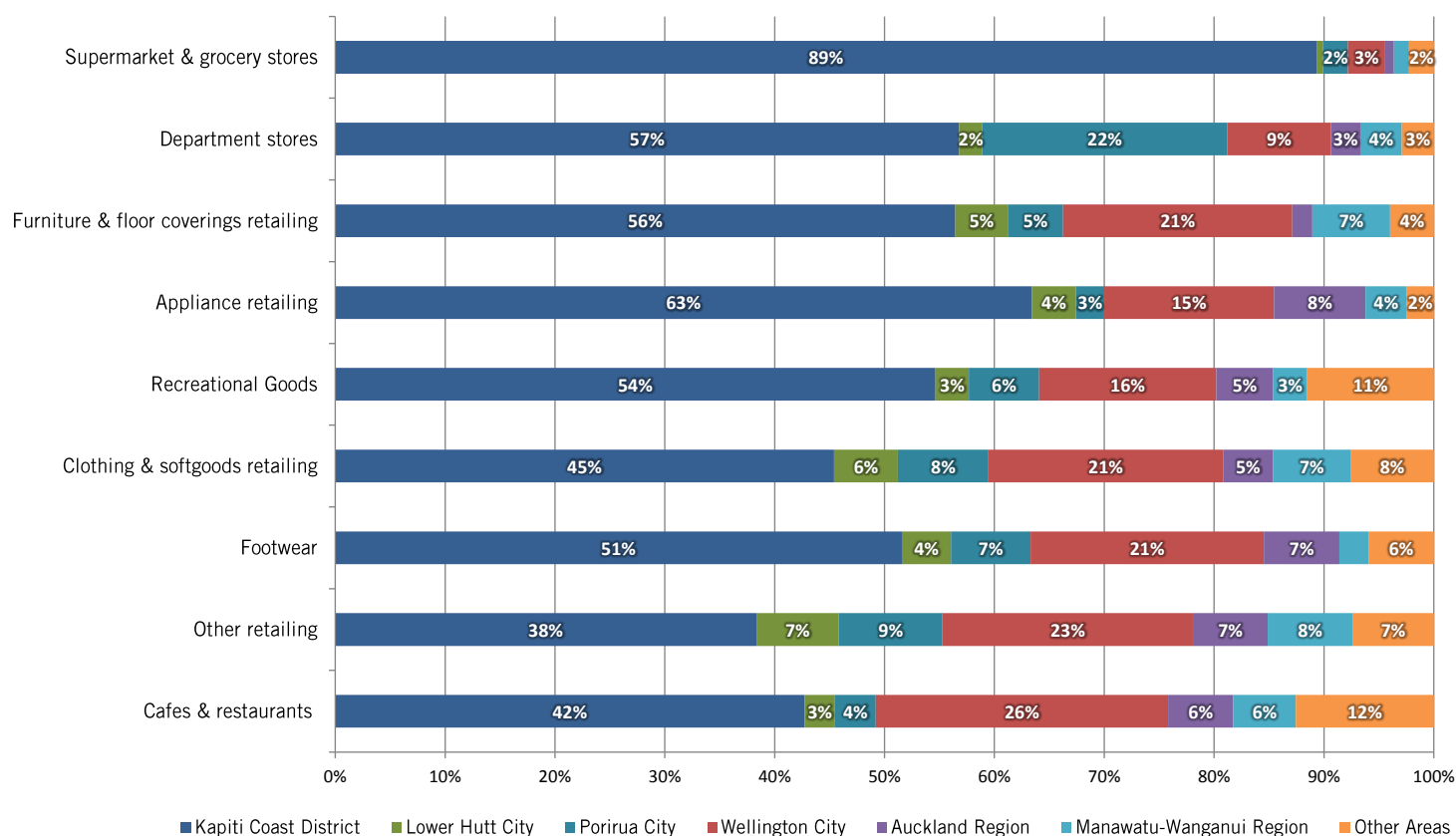
'Other goods' retailing refers to antique and second hand goods stores, garden centres, watch and jewellery and retailing that is not easily classified. While this is a very general category it does indicate significant leakage is also occurring across all retail sectors. This is a reflection of shoppers being attracted to other centres outside Kapiti, and while there they are shopping for other items as well.

The significant level of leakage from Cafés & Restaurants can be attributed to a number of factors such as the commuters eating out for lunch and dinner, a lack of quality offer within the district, and while residents are shopping outside of the district they are eating outside of Kapiti Coast by default. A good quality café / restaurant precinct (offer and environment) in the Paraparaumu Town Centre would assist in improving retention in this sector and is considered an important component of any Paraparaumu Town Centre redevelopment, complementing the café offer existing in the beach centres.

3.3. KAPITI COAST LEAKAGE BY SECTOR AND AREA

Figure 3 breaks down Figure 2 to a more detailed level, illustrating the level of Kapiti Coast retail expenditure of key retail sectors by area.

FIGURE 3: KEY RETAIL SECTOR EXPENDITURE BY KAPITI COAST RESIDENTS BY AREA



Source: Property Economics, MarketView

Figure 3 indicates that 22% of Department Store expenditure generated in Kapiti is going to Porirua City where a significantly better department store offer exists. While only 9% are travelling even further to Wellington City, indicating Porirua is a key competitor in this sector.

In the categories of Clothing & Softgoods, Footwear and Recreational Goods, only around 6-8% of Kapiti's spend in these sectors is made in Porirua, whereas around 20% of this spend is undertaken in Wellington.

21% of Clothing and Footwear and 16% Recreational Goods spending from Kapiti residents goes to centres Wellington City. This shows that a significant proportion of people are making trips down to Wellington City for retail shopping of more specific items, likely due to the far wider and better quality retail offer and environment available in the Wellington City.

This will also be linked to 'place of work' for many shoppers, underlining the important of local employment growth for Kapiti and the 'flow-on' benefits of this for centre performance.

Like the aforementioned sectors, 26% leakage in Cafes & Restaurants to the district is likely attributed to the combination of this phenomena, commuter purchases and superior offer in Wellington City. Put simply there is a more compelling offer in Wellington that Kapiti residents are prepared to travel for and frequent compared to Kapiti, and again represents a sector with significant potential for Kapiti.

It is also interesting to note that a proportion of expenditure is going to the Auckland Region suggesting possible 'shopping trips' and / or holidays to Auckland with retailing forming an important component of the trip.

4. CONCLUSION

From the analysis made in this report, it can be seen that a significant level of retail expenditure generated in Kapiti is leaving the district on an annualised basis, and at a higher level and rate than anticipated. The high level of leakage is fairly consistent across all of the key retail sectors (excluding supermarkets) indicating that leakage is not for 'one-off' shopping trips, but is occurring at a regular and frequent basis.

It is clear shoppers in Kapiti are voting with their wallets so to speak and turning their backs on the local Kapiti offer at a rate higher than expected. While this does not paint a great picture currently, it does represent a significant level of potential within the existing Kapiti market if the offer, quality and environment is improved in the future. If not, the expressway will enable Kapiti shoppers easier access north and south to better quality centres, amplifying the trends outlined in this report.

APPENDIX : 1 MARKETVIEW / ANZSIC CODES

Storetype definitions

SNZ Category Code	Category Name	ANZSIC	ANZSIC Name
G0111	Supermarket & grocery stores	5110	Supermarket and Grocery Stores
G0121	Fresh meat, poultry, fruit & vegetable retailing	5121	Fresh Meat, Fish and Poultry Retailing
G0121	Fresh meat, poultry, fruit & vegetable retailing	5122	Fruit and Vegetable Retailing
G0122	Liquor Retailing	5123	Liquor Retailing
G0123	Other food retailing	5124	Bread and Cake Retailing
G0123	Other food retailing	5126	Milk Vending
G0123	Other food retailing	5129	Specialised Food Retailing n.e.c.
G0124	Takeaway food retailing	5125	Takeaway food retailing
G0131	Department stores	5210	Department Stores
G0141	Furniture & floor coverings retailing	5231	Furniture Retailing
G0141	Furniture & floor coverings retailing	5232	Floor Covering Retailing
G0142	Hardware retailing	5233	Domestic Hardware and Houseware Retailing
G0143	Appliance retailing	5234	Domestic Appliance Retailing
G0143	Appliance retailing	5235	Recorded Music Retailing
G0144	Recreational Goods	5241	Sport and Camping Equipment Retailing
G0144	Recreational Goods	5242	Toy and Game Retailing
G0144	Recreational Goods	5243	Newspaper, Book and Stationery Retailing
G0144	Recreational Goods	5244	Photographic Equipment Retailing
G0144	Recreational Goods	5245	Marine Equipment Retailing
G0151	Clothing & softgoods retailing	5221	Clothing Retailing
G0151	Clothing & softgoods retailing	5223	Fabric and Other Soft Good Retailing
G0152	Footwear	5222	Footwear Retailing
G0153	Chemist retailing	5251	Pharmaceutical, Cosmetic and Toiletry Retailing
G0154	Household equipment repair services	5261	Household Equipment Repair Services (Electrical)
G0154	Household equipment repair services	5269	Household Equipment Repair Services n.e.c.
G0159	Other retailing	5252	Antique and Used Good Retailing
G0159	Other retailing	5253	Garden Equipment Retailing
G0159	Other retailing	5254	Flower Retailing
G0159	Other retailing	5255	Watch and Jewellery Retailing
G0159	Other retailing	5259	Retailing n.e.c.
G0161	Automotive Vehicle Retailing	5311	Car Retailing
G0161	Automotive Vehicle Retailing	5312	Motor Cycle Dealing
G0161	Automotive Vehicle Retailing	5313	Trailer and Caravan Dealing
G0162	Automotive fuel retailing	5321	Automotive Fuel Retailing
G0163	Automotive electrical, smash repairs & tyres	5322	Automotive Electrical Services
G0163	Automotive electrical, smash repairs & tyres	5323	Smash Repairing
G0163	Automotive electrical, smash repairs & tyres	5324	Tyre Retailing
G0164	Automotive repair & services nec	5329	Automotive Repair and Services n.e.c.
H0111	Accommodation	5710	Accommodation
H0121	Bars & clubs	5720	Pubs, Taverns and Bars
H0121	Bars & clubs	5740	Clubs (Hospitality)
H0122	Cafes & restaurants	5730	Cafes and Restaurants
Q0111	Personal & household goods hiring	9511	Video Hire Outlets
Q0111	Personal & household goods hiring	9519	Personal and Household Goods Hiring n.e.c.
Q0112	Other personal services	9521	Laundries and Dry-Cleaners
Q0112	Other personal services	9522	Photographic Film Processing
Q0112	Other personal services	9523	Photographic Studios
Q0112	Other personal services	9524	Funeral Directors, Crematoria and Cemeteries
Q0112	Other personal services	9525	Gardening Services
Q0112	Other personal services	9526	Hairdressing and Beauty Salons
Q0112	Other personal services	9529	Personal Services n.e.c.

APPENDIX : 2 KAPITI COAST RETAIL EXPENDITURE

	Area Outside Region	Auckland Region	Bay of Plenty Region	Canterbury Region	Gisborne Region	Hawke's Bay Region	Manawatu- Wanganui Region	Marlborough Region	Nelson Region	Northland Region	Otago Region	Southland Region	Taranaki Region	Tasman Region	Waikato Region	Wellington Region	West Coast Region
Supermarket & grocery stores	0.0%	0.8%	0.3%	0.3%	0.0%	0.3%	1.4%	0.1%	0.1%	0.1%	0.3%	0.0%	0.1%	0.1%	0.6%	95.6%	0.0%
Fresh meat, poultry, fruit & vegetable retailing	0.0%	1.4%	0.7%	0.5%	0.0%	0.5%	5.3%	0.0%	0.1%	0.1%	0.7%	0.1%	0.1%	0.1%	0.4%	90.0%	0.0%
Liquor Retailing	0.0%	14.5%	0.5%	0.7%	0.4%	3.8%	2.6%	3.5%	0.1%	0.1%	1.6%	0.1%	0.2%	0.2%	1.5%	69.9%	0.1%
Other food retailing	0.0%	7.5%	2.5%	0.9%	0.0%	0.8%	2.0%	0.5%	0.1%	0.1%	0.4%	0.1%	0.2%	0.1%	1.0%	83.5%	0.2%
Takeaway food retailing	0.0%	3.7%	0.5%	1.6%	0.1%	0.6%	5.6%	0.2%	0.2%	0.1%	0.5%	0.1%	0.4%	0.1%	1.6%	84.7%	0.0%
Department stores	0.0%	2.7%	0.4%	0.6%	0.0%	0.4%	3.8%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.6%	90.6%	0.0%
Furniture & floor coverings retailing	0.0%	1.8%	0.4%	1.2%	0.0%	0.4%	7.1%	0.3%	0.2%	0.0%	0.1%	0.3%	0.0%	0.0%	1.1%	87.1%	0.0%
Hardware retailing	0.0%	1.1%	0.2%	0.3%	0.0%	0.3%	2.8%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.4%	94.3%	0.0%
Appliance retailing	0.0%	8.3%	0.3%	0.6%	0.0%	0.4%	3.7%	0.1%	0.1%	0.0%	0.2%	0.1%	0.0%	0.0%	0.6%	85.5%	0.0%
Recreational Goods	0.0%	5.1%	1.0%	1.3%	0.1%	0.6%	3.1%	0.1%	0.3%	0.1%	0.6%	0.1%	0.6%	0.1%	6.6%	80.3%	0.0%
Clothing & softgoods retailing	0.0%	4.5%	0.9%	1.5%	0.1%	1.2%	7.0%	0.2%	0.3%	0.2%	0.7%	0.1%	0.3%	0.1%	2.1%	80.9%	0.0%
Footwear	0.0%	6.8%	0.5%	0.9%	0.0%	1.2%	2.6%	0.0%	0.4%	0.1%	0.4%	0.1%	0.1%	0.0%	2.1%	84.6%	0.1%
Chemist retailing	0.0%	4.3%	0.2%	0.4%	0.0%	0.6%	1.4%	0.2%	0.1%	0.2%	0.3%	0.0%	0.1%	0.1%	0.7%	91.3%	0.0%
Household equipment repair services	0.0%	1.9%	0.6%	0.3%	0.0%	0.1%	3.3%	0.0%	0.0%	0.0%	0.6%	0.0%	0.3%	0.9%	0.1%	92.0%	0.0%
Other retailing	0.0%	6.7%	0.7%	1.5%	0.1%	1.0%	7.6%	0.2%	0.3%	0.3%	0.6%	0.1%	0.3%	1.0%	1.3%	78.3%	0.0%
Automotive fuel retailing	0.0%	0.8%	0.6%	0.5%	0.1%	0.7%	4.4%	0.1%	0.1%	0.1%	0.3%	0.1%	0.3%	0.1%	2.0%	89.8%	0.1%
Automotive electrical, smash repairs & tyres	0.0%	1.1%	0.3%	0.4%	0.0%	0.5%	3.5%	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.0%	0.5%	93.2%	0.0%
Automotive repair & services nec	0.0%	2.2%	0.6%	0.6%	0.0%	0.8%	5.8%	0.1%	0.1%	0.1%	0.0%	0.0%	0.2%	0.1%	0.6%	88.8%	0.0%
Accomodation	0.3%	12.5%	7.1%	7.8%	0.9%	7.9%	6.4%	2.0%	1.7%	2.9%	5.0%	1.1%	3.8%	1.5%	14.2%	23.7%	1.2%
Bars & clubs	0.0%	3.0%	0.7%	1.7%	0.0%	1.6%	1.5%	0.5%	0.4%	0.2%	1.6%	0.2%	0.1%	0.1%	1.5%	87.0%	0.1%
Cafes & restaurants	0.0%	5.8%	1.2%	2.1%	0.1%	2.4%	5.6%	0.4%	0.4%	0.4%	1.5%	0.2%	0.5%	0.3%	2.7%	76.1%	0.1%
Personal & household goods hiring	0.0%	2.2%	0.2%	0.2%	0.0%	0.3%	6.1%	0.1%	0.0%	0.1%	0.5%	0.0%	0.1%	0.0%	0.9%	89.2%	0.0%
Other personal services	0.0%	2.2%	0.3%	1.9%	0.0%	4.9%	2.7%	0.1%	0.1%	0.1%	0.2%	0.0%	0.0%	0.0%	0.4%	87.1%	0.0%
Total	0.0%	2.9%	0.6%	0.9%	0.1%	0.9%	3.4%	0.2%	0.2%	0.2%	0.5%	0.1%	0.3%	0.1%	1.6%	88.0%	0.1%

APPENDIX : 2 KAPITI COAST RETAIL EXPENDITURE (CONTINUED...)

	Carterton District	Kapiti Coast District	Lower Hutt City	Masterton District	Porirua City	South Wairarapa District	Upper Hutt City	Wellington City	Wellington Region	Auckland Region	Manawatu-Wanganui Region	Other Areas
Supermarket & grocery stores	0.0%	89.1%	0.6%	0.1%	2.3%	0.0%	0.1%	3.4%	95.6%	0.8%	1.4%	2.3%
Fresh meat, poultry, fruit & vegetable re	0.0%	72.0%	1.2%	0.0%	11.0%	0.3%	0.2%	5.2%	90.0%	1.4%	5.3%	3.3%
Liquor Retailing	0.2%	58.0%	2.8%	0.3%	2.9%	0.9%	0.2%	4.6%	69.9%	14.5%	2.6%	13.0%
Other food retailing	0.1%	64.1%	5.7%	0.0%	2.2%	0.4%	0.5%	10.6%	83.5%	7.5%	2.0%	7.0%
Takeaway food retailing	0.0%	61.7%	3.0%	0.2%	6.4%	0.0%	1.1%	12.3%	84.7%	3.7%	5.6%	5.9%
Department stores	0.0%	56.6%	2.1%	0.1%	22.2%	0.0%	0.1%	9.4%	90.6%	2.7%	3.8%	2.9%
Furniture & floor coverings retailing	0.0%	56.3%	4.8%	0.2%	5.0%	0.0%	0.0%	20.8%	87.1%	1.8%	7.1%	4.0%
Hardware retailing	0.0%	77.7%	3.2%	0.0%	7.2%	0.3%	0.4%	5.5%	94.3%	1.1%	2.8%	1.8%
Appliance retailing	0.0%	63.3%	4.0%	0.0%	2.6%	0.0%	0.1%	15.4%	85.5%	8.3%	3.7%	2.5%
Recreational Goods	0.0%	54.4%	3.0%	0.1%	6.4%	0.0%	0.3%	16.1%	80.3%	5.1%	3.1%	11.5%
Clothing & softgoods retailing	0.0%	45.2%	5.8%	0.1%	8.2%	0.1%	0.2%	21.3%	80.9%	4.5%	7.0%	7.6%
Footwear	0.0%	51.4%	4.4%	0.1%	7.2%	0.3%	0.1%	21.2%	84.6%	6.8%	2.6%	5.9%
Chemist retailing	0.0%	77.4%	1.9%	0.1%	3.0%	0.0%	0.2%	8.9%	91.3%	4.3%	1.4%	2.9%
Household equipment repair services	0.0%	72.8%	2.5%	0.0%	2.6%	0.0%	0.0%	14.1%	92.0%	1.9%	3.3%	2.9%
Other retailing	0.1%	38.0%	7.4%	0.1%	9.4%	0.4%	0.4%	22.6%	78.3%	6.7%	7.6%	7.3%
Automotive fuel retailing	0.0%	75.5%	1.7%	0.1%	8.0%	0.1%	0.5%	3.7%	89.8%	0.8%	4.4%	5.0%
Automotive electrical, smash repairs & t	0.0%	58.7%	3.7%	0.0%	1.9%	0.0%	17.0%	11.9%	93.2%	1.1%	3.5%	2.2%
Automotive repair & services nec	0.0%	56.2%	2.0%	0.1%	2.1%	0.0%	4.4%	24.1%	88.8%	2.2%	5.8%	3.1%
Accommodation	0.2%	8.7%	0.5%	1.7%	0.2%	1.4%	0.3%	10.7%	23.7%	12.5%	6.4%	57.4%
Bars & clubs	0.1%	51.7%	1.0%	0.2%	2.9%	1.1%	0.2%	29.8%	87.0%	3.0%	1.5%	8.5%
Cafes & restaurants	0.1%	42.2%	2.7%	0.2%	3.7%	0.5%	0.4%	26.3%	76.1%	5.8%	5.6%	12.4%
Personal & household goods hiring	0.0%	76.2%	0.9%	0.1%	0.3%	0.0%	0.3%	11.4%	89.2%	2.2%	6.1%	2.5%
Other personal services	0.0%	62.0%	1.3%	0.0%	3.7%	0.0%	0.3%	19.8%	87.1%	2.2%	2.7%	8.0%
Total	0.0%	69.4%	2.1%	0.1%	5.8%	0.2%	0.5%	9.8%	88.0%	2.9%	3.4%	5.7%