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## POINT OF VIEW

# Collaborating for growth in a brave new world

Delivering retail and FMCG solutions to meet safety,  
sociability and new behaviours - together.

2021 Retail and FMCG Outlook



**IRi**

Growth delivered.

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## Safe shopping, pandemic pantries and intrinsic indulgences

The new decade in Australia rang in with devastating bushfires before a virus permeated the planet and, in an instant, affected every aspect of our society. As we had to rethink how we socialised, shopped, lived and worked, for some the reset was an opportunity and for others, a challenge - but all in, 2020 has been the great leveller. And it bought about some of the biggest changes in business that we've seen in decades. As we moved more of our lives home and online and sought safety in everything we purchased, brands had to reinvent how they engaged and interacted with Australians, from what products and services were sold to how they were supplied. We looked to shop local and support our communities as social distancing overtook physical connection and re-use returned to single use; and we relied on our manufacturers, retailers and brands to find innovative new ways to feed us, keep us safe and entertain us in a brave new world.

## A year where value took on new meaning

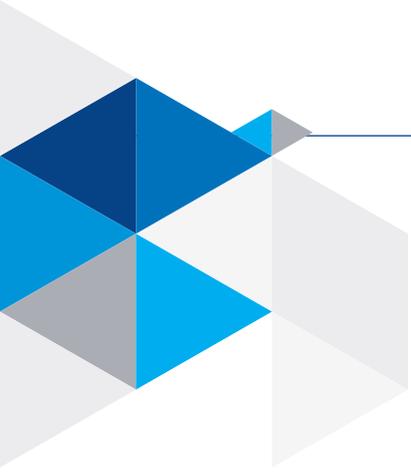
Value was a key driver of our behaviours. 2020 actually fattened the wallets of some Australians as Covid-19 delivered childcare rebates, lower interest rates, travel bans and entertainment closures; yet for those who lost jobs or had hours reduced, the pandemic had a real impact on household budgets. This dichotomy fuelled significant diversion in the meaning of value: for some it is worth paying more for and indulging at home; and for others, value simply means that it is affordable. In fact, affordability augmented the performance of private label over branded products and highlighted a challenge for mainstream brands and products: they were either not cheap, premium or indulgent enough.

## We found new ways of living and treating ourselves

This year we all reevaluated our priorities as social distancing and lockdowns forced behaviour changes and indulgence took on new and different meanings. We shopped, DIY'd, cooked, baked, puzzled, crafted, zoomed and created home bars and gyms. For many, the 'lipstick effect' of inexpensive indulgences and simple treats savoured saw shopping became a bigger part of our entertainment regime, especially as we experimented in the kitchen. As we settled into this new normal of living, we 'covidised' our routines, from making at-home meals an occasion to setting up home offices - many behaviours that will remain long after the virus. As we anxiously await the dawn of 2021, we continued to find ways to make ourselves feel better, by erecting Christmas trees in September and rejoicing in a collective cheer on social media to one less hour in 2020 when daylight savings arrived.



Value was a key driver of our behaviours.



Bushfires and low rainfalls caused supply scarcity and pushed up prices of raw materials.

## We witnessed a digital migration not seen before

As Australians battled the pandemic-led loneliness and isolation, technology became more than a helpful tool - it became our lifeline for connection, work, shopping and entertainment, and will continue its expanded role in our lives. The swift impact of restrictions quickly hit consumer packaged goods and major grocery retailers with many suspending online services as stockpiling affected availability. But as nimble small business owners swiftly migrated to use digital platforms and major retailers ramped up their online offers, by June, one in three of us shopped more online<sup>1</sup>. And brands and retailers continue to invest in and scale up their e-commerce capabilities to keep pace with the increased demand and ever evolving shopper expectations.

### 2020 KEY THEMES



#### Keep it clean

Household products have reached unprecedented highs



#### Cooking from scratch

More time to recreate restaurant quality meals



#### Take care of me

Indulgent behaviours stretching my budget to afford it



#### Tale of two values

Affordability and indulgence collide



#### The pandemic pivot

Manufacturer call to arms to deliver safety and hygiene products



#### Re-use became single use

Hygiene took on the sustainable revolution

## Spotlight on food and beverage

The direct and indirect impact of 2020's natural and health disasters in Australia instantly changed the way we shopped and the products we purchased in supermarkets. Bushfires and low rainfalls caused supply scarcity and pushed up prices of raw materials. This left manufacturers with just two options: absorbing the cost and reducing margins or passing a price increase through the retailers. Then Covid-19 hit and supermarket panic buying headlined by the 'great loo roll grab' tested many supply chains with some categories reaching new sales highs.

## Shopping for entertainment

Initial and stark irrational in-store behaviour eventually gave way to a collective focus on 'simple moments' as we entered and acclimatised to lockdown. We baked. We did puzzles. We googled how to keep the kids entertained. And as we lamented café and restaurant closures, the resurgence of 'lunchtime as an occasion' and all its sensory activations drove incremental grocery shopping expenditure – and this continues even as restrictions ease. By mid-year we were shopping over three times a week, growing our basket value by 11 percent. Even Victorians in an extended lockdown ventured to the supermarket 2.4 times per week as one of their allowed 'leisure' activities<sup>2</sup>.

## The dry revival

While 'fresh', 'chilled' and 'frozen' drove growth in 2019, the new decade saw Australians quickly beeline to the centre of the store, stocking up on 'dry' items to fuel our pandemic-induced at-home cooking adventures and desire for safety and hygiene. Double digit growth in the quarter to July 2020 (12.5 percent)<sup>3</sup> headlined the 'dry' renaissance as wipes and hand sanitisers became a basket staple and manufacturers struggled to flow rice, pasta and flour to shelves.

By mid-year we were shopping over three times a week, growing our basket value by 11 percent.

<sup>1,2,3</sup> IRI COVID 19 Shopper Survey May 2020





## Digital drinks and the home bar

As lockdown curbed on-premise visits, we moved our money to retail liquor, drinking it to beyond \$20 billion<sup>4</sup>. The \$4.7 billion glass spirits category again topped off-premise peaking at 31.3 percent growth<sup>5</sup> with Gin the primary driver. As we made our homes into our entertainment hub, restaurant and bar; we treated ourselves to speciality cheeses and Champagne - the latter popping the cork by 32.5 percent<sup>6</sup>. We also got crafty with cocktails by experimenting with spiced Rums and single malt Scotch, while pre-mixes surged RTD sales by over 19 percent<sup>7</sup>. And no longer a niche, Aussie craft beers soared by 41.9 percent<sup>8</sup> as we barbequed in our backyards and saluted the return of the footy on TV. Our desire to reconnect and savour the summer will help ensure 2020 stands out as an outlier year for off-premise sales with breakthrough product innovations like hard seltzers well placed to capitalise in the key festive summer trading period.

<sup>4,5,6,7,8</sup> IRI MarketEdge Retail Liquor Weighted, MAT 04/10/20

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## Getting vocal about local

Our desire to support homegrown producers and manufacturers was never more evident than during the bushfires. The focus on provenance in 2020 began as a rallying gesture in the aftermath of natural disaster as we bought from the bush; but became more important than ever as we shut our borders and local businesses pivoted during restrictions. Trust in sourcing, origin and our awareness of the impact of our purchasing decisions was heightened and we realised that derived value was so much more than lowest prices. It was in protecting and supporting our neighbours and ensuring a domestic economy survived as we bunkered down. As international borders remain closed, but our domestic economy opens up, our local patriotism for shopping should remain.

## Spotlight on healthcare

Unsurprisingly, the pandemic amplified our focus on health, hygiene, safety and prevention as panic buying and stockpiling saw our supermarkets get major news coverage for all the wrong reasons. Handwashing and hygiene messaging however have provided a clear catalyst for new and lasting safety-driven behaviours. Sales of cold, flu and immunity products soared - March sales increased by 250 percent alone<sup>9</sup> as we stockpiled 'just-in-case'. Personal and hand wash sales increased by over \$50 million in 2020 and the 400 percent increase in hand sanitiser sales shows no signs of slowing down<sup>10</sup>.

## The great pandemic pivot

Pivot was one of the most used words of 2020 for manufacturing and a safety net to address unmet needs for hygiene and healthcare that no-one predicted. Clothing manufacturers created mask fashion, live entertainment producers created desks for the home office, and then there was hand sanitiser - the category grew six-fold this year with 46 percent of 2020 sales through new product launches alone<sup>11</sup>. From boutique gin distillers Four Pillars and Archie Rose to wound care giant Band Aid, manufacturers big and small rallied to meet initial supply shortages and lead the urgent delivery on sanitisers to Australians. As manufacturers continue to pivot to address changes in many areas of consumer demand; agility and flexibility was and remains fundamental to success as Australians are spending consciously yet cautiously on their wellbeing.



<sup>9,10,11</sup> IRI COVID 19 Shopper Survey May 2020



## The pharma fall-out

Over-the-counter (OTC) pharmacy healthcare sales unfortunately did not escape the wrath of the pandemic despite an unprecedented initial sales uplift – pharmacies sell toilet paper too! As we turned our health and beauty shopping to our supermarket ‘leisure visits’, OTC sales suffered and are now in an annual decline of 1.4 percent<sup>12</sup>. The \$77 million drop in the cough and cold sector through pharmacies<sup>13</sup> was also hampered by lockdown restrictions and the consequential drop in cases of colds and flu during the winter. Pharmacy also suffered from the disappearance of the ‘diagou phenomenon’ – where personal shoppers in Australia send products to China – with noticeable sales declines in the armoury of vitamins, infant formula and fragrances.

## Beauty in our own hands

As the work-from-home phenomenon turned bedrooms and living rooms into offices virtually overnight, we stopped our beautifying for the office routines. As we Zoomed colleagues and clients in our activewear, there was a big shift in the purchasing of cosmetics, fragrances, hair colouring and skincare from pharmacies and other outlets. Lip and eye makeup sales reduced (partly driven by mask wearing) yet hair colourants showed a significant sales uplift in both grocery and pharmacy channels as Australians took haircare into their own hands as salons closed and they put their game face on for work. Yet, demand for acne treatments rose, as many experienced ‘maskne’ from prolonged mask wearing and this is an area to watch in 2021.

## Our legacy of resilience and adaption leads our path to 2021

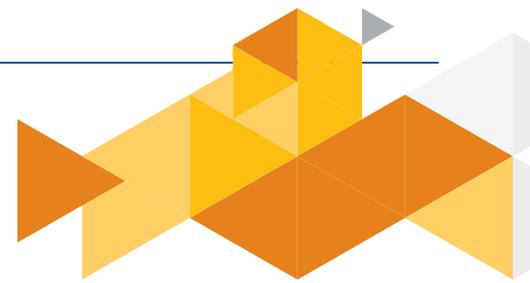
The resilience of Australians in facing the unprecedented changes to our lives, our businesses and our economy is the legacy of 2020 – and many of our new behaviours will last driven by how we slowed down, found new ways to engage and interact with one another, and put purpose at the forefront of our lives. Some trends suffered such as sustainable transformation, which took a back seat as we moved from re-use to single use, but we also learned safer new ways of living in a totally different world – from how we socialise to how we shop. Many of these changes in our behaviour have significant upsides for the way we live and will continue to define how retail and FMCG must respond as we move into 2021.

<sup>12,13</sup> IRI MarketEdge Retail Liquor Weighted, MAT 04/10/20

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## The five defining themes for growth in 2021

As restrictions ease across the country and we allow ourselves a breather, we're re-evaluating what is important and adjusting priorities. Behavioural change and trends instilled in 2020 will spearhead 2021. Our affection for what technology gave us as a pandemic lifeline for connection, working, socialising, entertainment and shopping is likely to continue especially in the e-commerce and shopper solutions space. Safety will still be a key priority but as we re-open for business, the safety of our planet and communities will bring a focus on sustainability back to the fore and will be a key consideration of how and what we shop for - and the brands we choose. Yet brands will face more competition from the private label set, so collaboration is key. Suppliers, manufacturers and retailers must unite on the new and different opportunities (and challenges) that will be presented and come together to make the products that we create and sell, safe, sustainable and available to all.



"Never let a good crisis go to waste."  
Winston Churchill

### 1 The acceleration of e-commerce

As the Covid stimulus and reprieve measures of 2020 wind up, 2021 will be a time of great economic uncertainty forcing us to closely monitor spending and re-consider what value looks like again - now through a post-pandemic lens. While most of us in Australia are not significantly impacted by the health implications, it is safe to say we are living in a new 'Covid normal'. Brands must be mindful of the newfound habits created and those that will persist long after. A confluence of consumer (pull) and industry/retailer (push) drivers mean that Australians are unlikely to go back to their reliance on physical stores.



## Online is the new frontier

The opportunity to capture e-commerce shopper loyalty and market share is now the new frontier of competition between the key retailers. Trading statements for the first quarter of the 2021 financial year reveals 100 percent of growth of Woolworths' grocery e-commerce reaching eight percent of supermarket sales, while Coles reported 57 percent growth in revenue, contributing to six percent of their overall supermarket sales.<sup>14</sup>

### GROWTH OF ONLINE SALES IN AUSTRALIA<sup>15</sup>

**\$27.9 billion**  
Total annual online spend  
by Australians  
(September 2019 - August 2020)

**+\$8.1 billion**  
Online sales growth surpassing  
the prior two years combined  
(September 2019 - August 2020)

**9.4%**  
% Increase of Australian households  
purchasing groceries online  
from Coles and Woolworths  
(August 2019 - July 2020)

## The boomer opportunity

Australian shoppers are using the online space to meet the growing diversity of their everyday needs, however for e-commerce to reach ubiquity, older Australians must become more comfortable shopping online more often. Six in 10 households aged 65 and over<sup>16</sup> do not usually participate in online shopping or spending so engaging with them more frequently through e-commerce proffers growth potential. However, over eight in ten<sup>17</sup> Australians shopped online in March at the outset of the pandemic meaning most of us are now familiar with - and at relative ease of - buying many more products online.

## Obstacles to adoption

For the last four years, Australians have consistently cited the same frustrations and concerns about online grocery shopping. The recurring detractors are delivery costs, not getting products ordered, freshness of food, minimum spend for delivery discounts and delivery timing. Addressing these issues is crucial to optimise online sales. But another larger barrier is the environmental impact. While not overt in grocery e-commerce, online shopping has come under significant scrutiny for the amount of packaging and single use plastic used in the fulfilment and delivery. As we re-focus on the sustainable issues put on ice during the pandemic, this will be back on the table in 2021.

<sup>14</sup> Various Retailer Trading Statements H1 2020

<sup>15</sup> Australian Bureau of Statistics Household Impacts of COVID-19 Survey, and IRI COVID 19 Shopper Survey May 2020

<sup>16</sup> Australian Bureau of Statistics Household Impacts of COVID-19 Survey

<sup>17</sup> IRI COVID 19 Shopper Survey May 2020

## 2 Sustainability - a social change

2020 was shaping up as the defining year holding retailers and suppliers to be more acutely accountable for their actions in combating climate change and other sustainable transformation initiatives. But the catastrophic bushfires delivered an unprecedented wake-up call-to-action for the nation at large and for commerce across industry verticals. Then Covid-19 turned Australia's attention away from sustainability, especially in FMCG, as mitigating unparalleled supply chain disruption and keeping stakeholders safe suddenly underpinned what proved to be a mostly inspiring story of solidarity and responsiveness.

### Doing the right thing

If you grew up in Australia in the 80's you'll remember 'Do the right thing' and two decades on, we will bring this mantra to life again albeit with an accentuated focus and appreciation of social and environmental business practices. Brand purpose will be front and centre for consumers. The pandemic spotlighted the link between FMCG and the communities it serves, as well as the fragility of personal and environmental health. Increased at-home consumption means household waste footprints are even more confronting as we wade through over-packaged online orders and single use products such as coffee cups and cutlery. The legacy of 2020 is that doing the right thing has never been more important and sustainable innovation will be at the forefront of FMCG in 2021.

### Australians will shop for climate change

Australians are hugely concerned about climate change - and those that weren't could not help but be swayed by the bushfire impact. Over the last four years, almost six in 10 of us continually expressed our intent to purchase environmentally friendly products. We've long seen this trend in the US where actual measured outcomes based on real purchase behaviours reveals the economic facet of sustainability - creating value through good values. US purchase of sustainably marketed consumer packaged goods contributed 54.7 percent of their overall FMCG market growth between 2015-2019 and a 39 percent price premium over conventionally marketed products during Covid-19 across 35 categories.<sup>18</sup> High performing green brands also exist across a range of both edible and non-edibles here in Australia, further signifying a need to adopt and measure sustainability-led product attribution.

<sup>18</sup> 2020 CSB Sustainable Market Share Index - NYU Stern Center for Sustainable Business and IRI





## Sustainability defines strategy

Brands, manufacturers and retailers must view sustainability as a strategic core pillar underpinning widespread opportunities to generate commercial growth beyond market averages. To that end, stakeholders must ensure that pandemic-induced operational challenges do not compromise sustainability goals and outcomes. Actual market dynamics prove that sustainably marketed products outperform conventional products. Retailers and brands will be held to account and must adopt a multi-faceted approach to sustainability for relevant and meaningful action.

## Personal care is going nowhere

As new hygiene and protection behaviours stick around, manufacturers and suppliers that can tap into both personal care and sustainability will thrive. Innovating with sustainable formats and also recycled/bio-friendly packaging materials is paramount. For example, bar soaps are a sub-category of continuous growth while stainless steel, refillable products to paper packaging are key 'zero-waste' options that consumers seek when considering purchasing. In order to succeed and outlive the pandemic, a lesser reactionary mindset and a more strategic approach to prevention and hygiene are key. With personal hygiene not going anywhere anytime soon, it seems fitting to continue to keep sustainability front of mind.

### THE 9 Rs OF SUSTAINABILITY

#### Reduce

- Lower prices to optimise access/penetration (i.e. private label innovation)
- Minimal packaging (virgin and flexible plastic, single use packs)
- Cut urban last-mile delivery emissions (i.e. electric delivery vehicles)

#### Renew

- Regenerative agriculture (i.e. dirtycleanfood.com.au)
- Bio/plant-based ingredients and materials (i.e. Beyond Meat)
- Reinventing legacy brands (i.e. Persil)

#### Range

- Flagship sustainability-themed stores (i.e. Asda)
- AVIA – availability, visibility, innovation, affordability

#### Reuse

- Implementation of (branded) refill-stations (i.e. Sainsbury's, Ecover)
- Circular (online) shopping (i.e. Woolworths, Tesco, Loop)

#### Recycle

- Fully (100%) recyclable packaging
- In-store recycling hubs
- High-tech (plastics) recycling facility

#### Relationships

- Community welfare
- Coalitions and collaboration
- Sustainability funds

#### Remove

- Eradicate unnecessary packaging
- Carbon capture, carbon neutral, carbon negative (i.e. BrewDog)

#### Reassure

- Certification and renewed commitments (i.e. B Corp)
- Reporting – sustainable basket metric
- Eradicate functional performance trade-off

#### Roles

- Proactive roles (i.e. Activism Manager, Chief Sustainability Officer)
- Cross-functional sustainability departments

### 3 The pull power of private label

Australia's first recession in 30 years will be unlike any other economic downturn we have experienced. The ongoing slowdown will not only impact the performance of various consumer categories but is likely to encourage greater consumption of private label offerings by value-conscious Australians. During the GFC, private label outperformed branded products by 10.8 percent<sup>20</sup> in the second quarter of 2008 alone<sup>21</sup> – and the range, quality and proliferation of private label has changed significantly over the last twelve years.

#### Private label matters

Each Australian retailer has clearly communicated the importance of private label brands to their strategy. In 2018, Coles announced plans to lift private label penetration to 40 percent<sup>22</sup>, and in November 2019, they partnered with UK giant Sainsbury's to create more private label goods in a three-year rapid expansion deal. Woolworths also invested heavily in private label; and in an effort to differentiate, its current positioning of Australia's healthiest supermarket-own brands is leveraged by its successful Macro Organic range of health foods and sustainable products such as compostable coffee capsules.

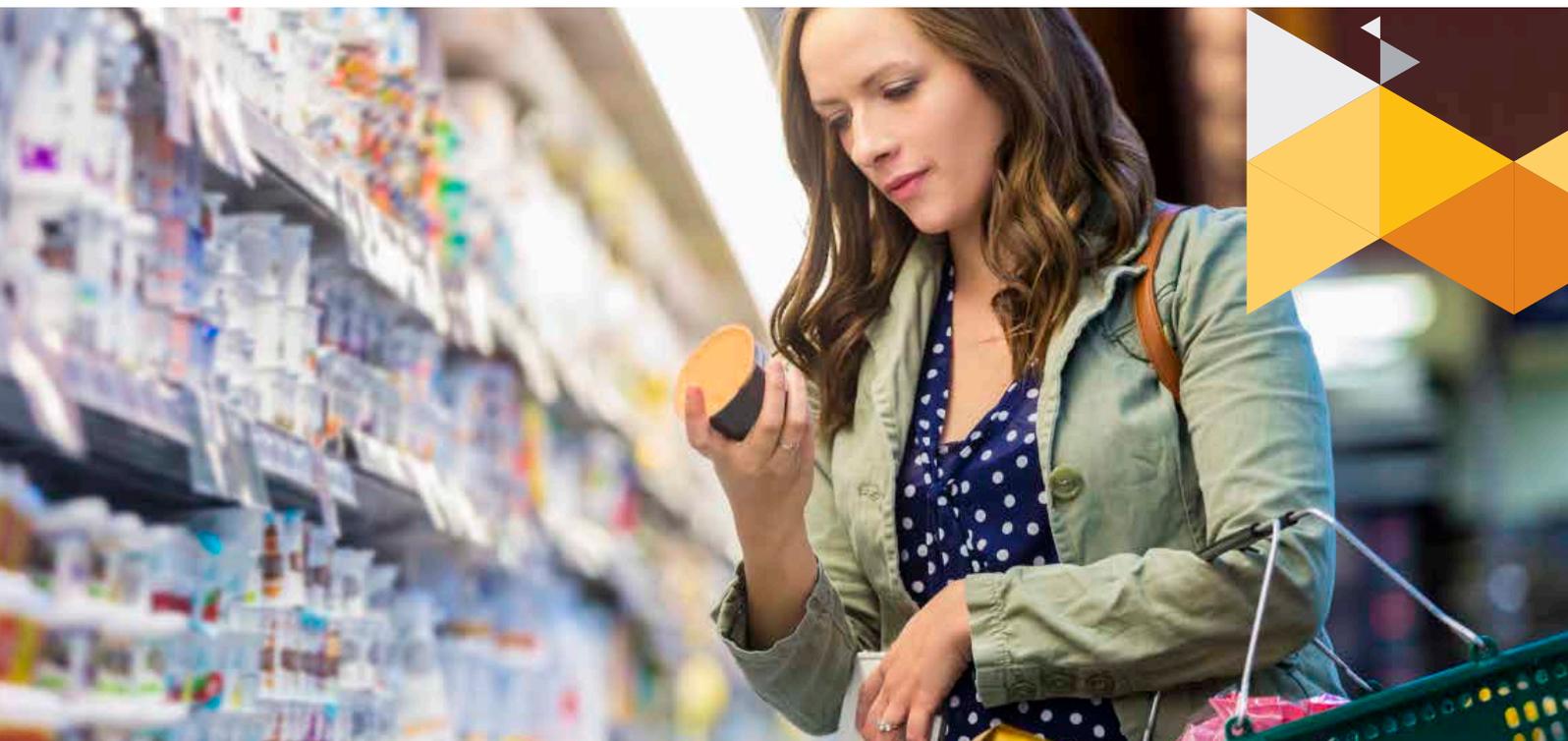
61% of  
Australians  
say private  
label products  
are a good  
alternative  
to branded  
products<sup>19</sup>

<sup>19</sup> IRI analysis; COVID-19 Shopper Survey; May 2020

<sup>20</sup> IRI MarketEdge, Total Grocery AU, QTR to 29/06/2008, Dollar Growth % vs YA

<sup>21</sup> Provide source – Waiting on JustinN

<sup>22</sup> <https://www.afr.com/companies/retail/coles-faces-battle-with-suppliers-over-private-label-plans-20180614-h11drz>





## The rise of the phantom

Beyond the big chains, a reinvigorated Reject Shop has announced an exclusive partnership with UK-based chain Tesco to offer Tesco-branded products across their 354 stores - of significant appeal to the 1.2 million British expats calling Australia home and budget-conscious locals looking for something new. Competition is also on the cards from phantom brands, where only the most observant consumers realise that these high-end, beautifully packaged premium products are in fact also retailer brands.

## Price elasticity is pivotal

Private label risk to brands is high when differentiation and loyalty are low and financial incentive is strong. To overcome these challenges, it's critical to understand price elasticity within specific segments - you can't price effectively without it. Manufacturers must boost value beyond price to give shoppers a reason to purchase brands with a genuine connection that they feel cannot be replaced by a store-branded product. To win, focus on:

- building connection with authentic, specific and credible claims around the unique aspects of your product
- using price to develop and strengthen brands - price wars only devalue brands and force a longer recovery
- expanding price range architecture to smaller affordable packs or cost-per-serve saving packs.

## 4 More mateship - uniting all industry stakeholders in collaboration

FMCG in the new decade has been headlined by panic buying, disrupted supply chains, economic chaos, 'safe' brands, reduced trade spending and mass migration to online channels. And it's also been about community, safety and solidarity as we discovered that our industry's resilience is much stronger when we work together as 'mates'. To win in the new look marketplace; retailers, suppliers and manufacturers must be open to collaborating on the new and different opportunities (and challenges) that will be presented. Optimising shared growth potential will be augmented if all parties play within the retailer's framework, collaborate on and track joint objectives, and do it all at the pace of change.

### Reinventing the relationship

To truly unlock growth in 2021, retailers, suppliers and manufacturers must reinvigorate and even reinvent their relationships. Closer collaboration and conversation can unlock new trends and the changes they will drive. Defining a shared path to growth beyond standard metrics such as sales and share growth, but through the expanded availability of customer and basket level data, allows an even deeper and more nuanced understanding of market movement. For example, Priceline Pulse and Coles Synergy allow suppliers and retailers to drill deeply into the impact of market changes on sales but also how they are impacting their customers - a win/win for the supplier, retailer and the customer.

### Unite in the retailer's blueprint

Utilising a standard retailer taxonomy, you can analyse products, make recommendations and enjoy the fruits of more productive conversations. Retailer gateways as the Costco Collaborative Retail Exchange (CRX), Priceline Pulse, and the newly launched Coles Synergy synergise the same data, structured in the way the retailer views it. By removing any confusion on the 'what', the conversation can progress to the 'so what' and 'now what'.

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## Doing it all at the pace of change

As Australians quickly shifted their preferences to security and comfort, 2020 clearly showed us that the opportunities for growth were capitalised on by those businesses who had an agile mindset – success was driven by pivoting online or addressing new needs at speed as the pandemic took hold and. And in 2021, consumer expectation will demand that this pace of change be met as quickly as it was in 2020. Expanding the depth and breadth of your available data through collaboration opens up great opportunity to action that real-time change, reallocate spend, and optimise timing and location all in alignment with rapidly evolving strategies.

## Managing change in real-time

The ability to understand what happened yesterday allows retailers and suppliers to be proactive and manage real-time change. Coles Synergy and Costco CRX both deliver next-day daily data ensuring objectives can be adjusted as needed to maximise the opportunities a rapidly shifting market can present. Yesterday's data today provides unprecedented understanding of the market's changing dynamics and as the global market re-orientates at a pace never before seen, real-time change and collaboration has never been more critical.

## 5 Fast-tracking tech and shopper solutions

As more of us shop online, manufacturers must treat and analyse their online channels as a retailer would and become a shopper-led business using data and technology. Putting shoppers at the heart of everything you do is critical. Fast-tracking smart investment in data technology and shopper solutions will provide a clear 360-degree view on who your shoppers really are, and how to satisfy them.

### THE 4W's OF SHOPPER PROFILING

#### Who is shopping?

Differentiating your digital shoppers to understand their unique behaviours and motivations.

#### What impacts purchase decisions?

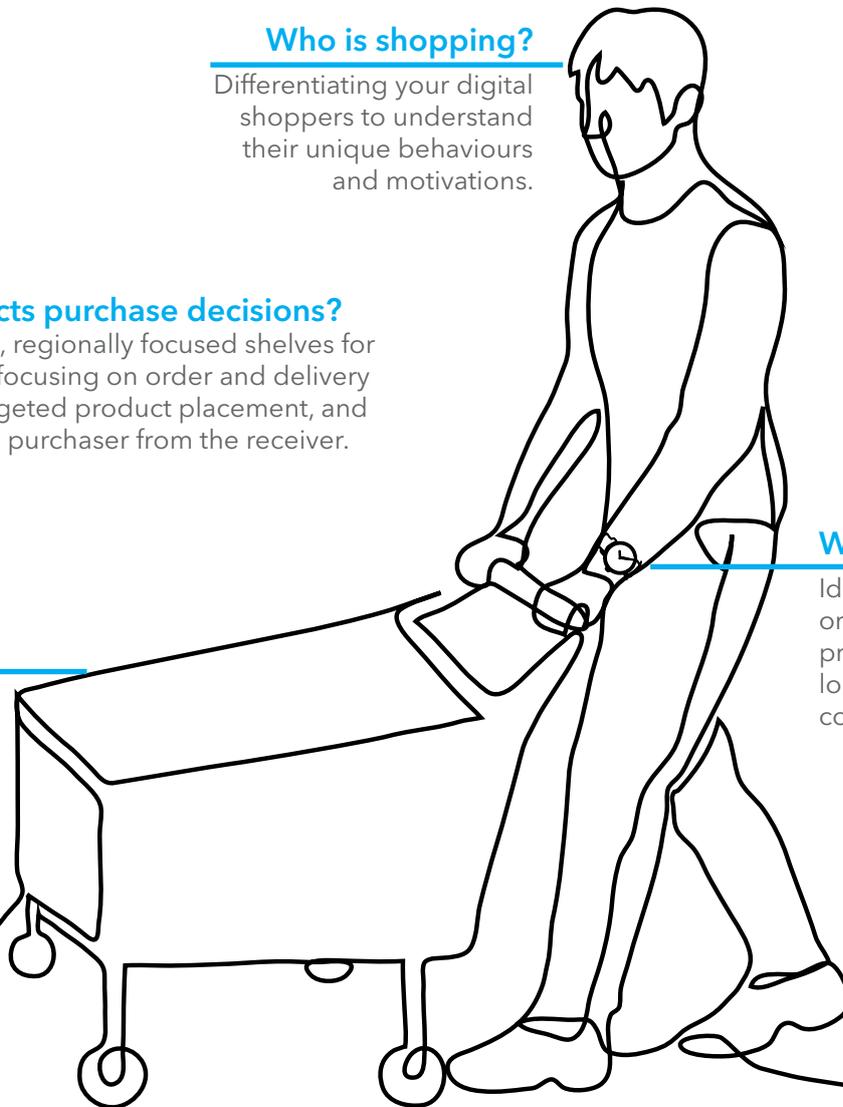
Adjusting digital, regionally focused shelves for loyal shoppers, focusing on order and delivery locations for targeted product placement, and separating the purchaser from the receiver.

#### What's in their cart?

Focusing on bigger and repeated baskets (benchmarked against retailer programs) and identifying targeted assortment and promotion opportunities through retail analyses.

#### When they're shopping?

Identifying exactly when an order is submitted to target promotion timing, speed of logistics and purchase cycle consistency of your shoppers.





## Getting smarter with data investment

Investment in valuable data is not a cost, but a powerful solution to deliver ROI. In order to truly become shopper-led you must harness the power of Customer and Shopper Panel data. Combining the rich data sets reveals a total view of your shoppers today, as you analyse their attitudes and the motivations that will influence their behaviour tomorrow. Those that win will get smarter with their data investment sooner.

### THE BEST OF BOTH WORLDS

#### Unique proposition of shopper behaviour that customer data delivers

Unmatched depth of information available to the store level

Tagged transactions tied to unique customer (basket/behavioural data)

Unique segmenting of shoppers and insight into their baskets

#### Unique proposition that shopper panel data delivers

Unmatched breadth of information available to the retail banner level

Most extensive view of demographic attributes based on actual shopper behaviour

Extensive segmenting of shopper and buyer behaviour, with the distinctive benefit of linking claimed to actual behaviour



#### Combining both customer and shopper panel data is where the magic really happens

Unparalleled breadth and depth of information available on shopper behaviour in multiple channels and retailers across grocery, pharmacy, liquor, petrol, convenience, speciality and e-commerce

Unique segmenting of retailer loyalty cardholders to analyse their cross-channel, cross-retailer banner shopping behaviour

## Defining 2021's key levers for growth

There's no question that every recession is different and forecasts for the Australian economy range widely. Preparing for a K-shaped scenario - one assuming different business segments and the population will recover very rapidly, but others will face economic challenges for longer periods of time - should provide greater agility to pivot as conditions change. As we work to manage costs and adjust to changing consumer demand and revenue mixes; investment in capital expenditure, marketing, research and innovation wanes. Yet, detailed performance analyses of recessions past across multiple markets and sectors reveals that those that viewed a recession as an opportunity were able to successfully gain a competitive advantage and outperform those that didn't. They invested to better their customers and adapt their products and strategies accordingly. This underpins the 2021 levers for growth.

"In a crisis, be aware of the danger - but recognise the opportunity."  
John F. Kennedy

### 1 Prioritise pricing, promotions, assortment and innovation

#### The right range matters

No matter whether physical or digital, pre-store customer touchpoints are ineffective if products aren't available - support your shoppers to quickly find what they want or need.

This increases the opportunity to add additional items through the process of de-selection and allows for collaboration to maximise physical availability, deliver the right range and optimise 'findability' at shelf. Agile retailers and suppliers will drive value growth in a K-shaped recovery by meeting different shopper needs through innovation and premiumisation; and larger, value packs or smaller, lower-priced offerings for budget-conscious shoppers.





## Put your shopper at the centre

Robust POS datasets combined with rich product level attributes can put the shopper at the centre of your strategy. IRI Shopper Decision Hierarchies optimise granular household/customer datasets and product level attributes to decode conscious and unconscious behaviours and inform more shopper-centric planograms. IRI's Assortment Optimisation Solutions determines the importance of product attributes, product substitutability and SKU incrementality to optimise ranging decisions. Retailers and suppliers must collaborate to mine and leverage complementary datasets to improve the shopping experience as single sources alone will not suffice in tailoring category ranges and optimising shelf layouts to meet shopper expectations in store or online.

## Leverage price and promotion to activate shoppers at shelf

Australians are more value conscious and price sensitive than ever but also highly loyal; yet three in four<sup>23</sup> are actively looking for promotions to make additional and planned purchases. It is critical to formulate the right trade strategy to reinforce marketing and ranging strategies, support shared objectives and enhance the value proposition. While some decisions are unconscious, those about brand and price generally are not. Value-seeking behaviours will likely increase as will the temptation to discount more frequently and at lower price points. The right price and promotion strategy should benefit the shopper, retailer, supplier and the category. Detailed analyses continue to illustrate how shoppers respond differently to price across categories and brand, and to item price changes within categories.

## Know shopper reactions

Planning for a K-shape recovery requires intimate and detailed understanding of shopper reactions to price to drive brand and category growth through:

- the right price points on key value items
- effectively managing price gaps and discount depths to drive trade-up and trade-down
- the right offer of premium-priced products for shoppers willing to redirect discretionary income.

With the right trade plan in place, consistent ongoing tracking of promotional execution and effectiveness will enable retailer and supplier agility to adapt better direct investments and revenue management as the market continues to shift and change to meet evolving shopper needs.

<sup>23</sup> COVID-19 Shopper Survey; May 2020, n = 5,566

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## 2 Amplify your brand with increased marketing investment

### Keep the lights on

It is critical to resist the temptation to go dark in this period of uncertainty. To authentically communicate with shoppers, leverage your understanding of the product attributes that are most important to key shopper groups. Remember, what's important to potential new brand buyers might not be the same as what's important to those who recently stopped buying.

### Get to really know your customers

The most successful brands and retailers invest in understanding their customers to segment and prioritise initiatives. Utilising granular POS information, shopper panel and retailer customer data provides multiple ways to segment shoppers, understand what's most important to them for effective communication and deliver the right product, in the right place, at the right price and at the right time.

### Balance short-term sales activation messaging with longer-term brand building

Although a challenge, it's critical to provide shoppers with relevant information and tone the appropriate reassurance. But remember, the impact of media investments will continue to change across channels as we saw at the height of the pandemic, but don't always translate into greater media effectiveness.

### Have clear insight on media spend optimisation

Although a challenge, it's critical to provide shoppers with relevant information and tone the appropriate reassurance. But remember, the impact of media investments will continue to change across channels as we saw at the height of the pandemic, but don't always translate into greater media effectiveness.





## Leading in a brave new world

The pandemic has profoundly impacted the global economy and consumer markets, but as we look to 2021 it is clear that Australia's harsh strategy has paid off. We're a nation aware that a new year doesn't always mean uplifting new beginnings as we learned just 12-months ago as the bushfire crisis escalated. Thankfully, at the time of writing, a sustained sense of optimism is driving the surge towards Christmas and the green shoots of growth are beginning to show. A likely bumper Christmas trading period will reflect a surge in feel-good choices that signify a welcome end to a year that no one wanted.

## Resilience and community will thrive

Challenging as it has been, 2020 nonetheless fostered widespread resilience and a sense of community that has changed our behaviours, society and nation forever. We fought for each other, we fought for our environment, fought for our producers and suppliers - and we came through. Pride in provenance, commitment to making our products safer and easier to obtain and innovating to ensure delivery, availability, connection and entertainment all came to the fore. And they will carry through 2021.

## Collaborate and invest for growth

We are living in the most uncertain of economic times and facing a new financial crisis, but the fair-go attitude of Australians driving resilience and adaptability to change, and sense of community and purpose will hold us in good stead. Manufacturers and retailers that take the same approach with a digital and sustainable lens will lead in the brave new world. To win, collaborating along every link in our supply chain and investing in the understanding and delivery of the needs of every Australian shopper will be the lynchpin of success.

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### IRI Insights Team - Contributor Thanks

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### MOVE AT MARKET SPEED WITH IRI

Whether it's analysing how to make your assortment, pricing and promotions more profitable, tailoring your shopper engagement strategies to target likely purchasers of your brand, or guiding you through new product or market planning, we ensure that your business can better leverage data and insights to help you grow.

IRI are the leading market intelligence firm for FMCG retailers and manufacturers. We partner with our clients unlock insights using data and our industry leading technology, to access deeper shopper insights and identify opportunities to support business growth.

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