IRI Australia Industry Insights

COVID-19: IMPACT ON THE AUSTRALIAN FMCG LANDSCAPE

Daniel Bone, Insights Director

March 19, 2020
The FMCG industry is already playing a leadership role in these unprecedented times of uncertainty and insecurity. Provisional ABS data, as well as POS trends, highlights the industry's resilience and valuable economic contribution against a backdrop of 'survivialist stockpiling' (or Fear Of Running Out, 'FORO') by shoppers. FMCG is sustaining retail sales growth nationally – a reality that will become even more pronounced in March. So, despite the gloomy macro-economic landscape detailed in Part 1 of this report, IRI is optimistic about what has largely proven to be a ‘recession resistant’ industry. That said, the prospect of deeper isolation through lockdowns creates new unknowns.

Part 2 of this report highlights how the FMCG industry also plays a fundamental role in Australian culture by making Australians feel safe and protected by ensuring access to fresh, affordable food and essentials. Consumers will place more value than ever on authentic and transparent reassurances. It is an ideal time to collaborate with industry peers, be empathetic, supportive, helpful and calm. It is an opportunity to showcase brands as trusted partners in helping to keep communities, families and citizens safe and healthy. Doing so will shape brand equity in both the short and long-term. Finding opportunities to implement ‘small acts of kindness’ should be front-of-mind. And the reassessment of the value that we place on everyday commodities gives suppliers and retailers an opportunity to help consumers reengage with the benefits of previously overlooked staples.

Source: IRI analysis; IRI MarketEdge; ABS
IRI have recorded **huge spikes in sales growth across grocery retail**

<table>
<thead>
<tr>
<th>$ growth: Sales growth recorded in</th>
<th>$ growth: Nearly 100 categories recorded</th>
<th>$ growth in &gt;40 categories reached</th>
</tr>
</thead>
<tbody>
<tr>
<td>84% of categories</td>
<td>≥20% vs YA</td>
<td>≥50% vs YA</td>
</tr>
</tbody>
</table>

- Expect double-digit channel growth in Q3
- Customer satisfaction/NPS scores will drop due to low OSA*
- Supply limitations will lead to reduced promotions
- Expect soft comparative Q4 2019-20 & Q3 2020-21 sales

*Source: IRI analysis, IRI MarketEdge 2wks to 10/03/2020; *On Shelf Availability
3 macro level focal points to consider at this stage…

1. Continue to respond to the enduring, long-running trends underpinning changing consumer attitudes and behaviours, and overall preferences. Invest to keep building brands.

2. Be agile and responsive approaches to planning, merchandising, and customer engagement. Prepare to do so up until Xmas 2020 due to ongoing COVID-19 infection and disrupted lives.

3. Access IRI Data Gateways for a single point of access to enhance retailer-supplier collaboration and data-led decision making in times of unprecedented demand cycles.

Source: IRI analysis
Six specific ‘thought starters’:

- Draw inspiration from the solidarity and resolve of the bushfire crisis
- Boost resource allocated to demand planning & supply chains
- Position everyday indulgences as ‘antidotes to reality’
- Help consumers reengage with the benefits of previously overlooked staples
- Act as a trusted and transparent ‘human-like’ brand
- Be prepared to adjust marketing messaging and channel focus

Source: IRI analysis
Part 1 – COVID-19: IMPACT ON AUSTRALIAN FMCG

COVID-19 & THE MACRO ECONOMIC LANDSCAPE
Q1 has been a **turbulent time of uncertainty and fear in Australia**…

### JANUARY
Unprecedented bushfires

### FEBRUARY
Record rainfall & floods

### MARCH
Panic buying, equity crash

**OUTCOMES**

- Loss of income; relocation costs; health costs; reduced consumer confidence; destruction and cost of lost assets; environmental costs
- Stockpiling; supply chain disruption; quarantines; fear of public spaces

*Source: IRI analysis*
...with these events having **exacerbated pre-existing macro challenges**

Australia was already confronting economic headwinds that were going to impinge on consumer spending in the new decade. The coronavirus outbreak has amplified the risk of a recession locally and globally in 2020 because the actions to limit COVOID-19 spread will curb overall spending. Economic growth in 2020 will be lower than in 2019 – both locally and globally

- A backdrop of weak local and global GDP growth
- Heightened exposure to signs of China weakness
- Insipid consumer spending and wage growth
- A new plethora of economic headwinds in high volatility

Source: IRI analysis
Signs of global economic weakness were already apparent in 2019

Since the turn of the century, annual global growth has only failed to surpass 3.1% on 5 instances. Last year was one such instance.

Global growth in 2019 at 2.9% represents the lowest level since 2008-09 and a 0.3 percentage point downgrade from the IMF’s forecast outlook in April 2019. The fall in growth reflects what the IMF called “broad based weakening” as the global economy looks set for its worst year since the GFC.

Calendar year GDP growth (%), 1980-2019

Some economists fear the quarterly fall could be as pronounced as the 3.2% contraction in Q1 2009

Source: IRI analysis; www.imf.org
Chinese economic growth reached a 29 year low in 2019

The world’s most populous nation was already growing at the slowest pace in 29 years before the most recent downgraded economic growth forecast (influenced by COVID-19). In fact, it had been slowing for much of the past decade, albeit gradually.

Domestic issues, the long-running US-led trade war, and swine fever have all contributed to China’s slower growth. That said, the economy still grew by 6.1% in 2019, which is still within the government’s overall target of 6-6.5%.

China GDP annual growth rate (%), 2010-20

Source: IRI analysis; tradingeconomics.com; data.worldbank.com

“When China sneezes, the world catches a cold”

Australia’s links with China have deepened over the decade
Australians recognise that China links are more extensive than ever

Australia is among the top tier of nations most heavily exposed to the Chinese economy. Indeed, China's ongoing above-average growth has supported the Australian economy over the last decade. Many argue that China was a primary buffer in enabling Australia to be among just a handful of advanced economies to avoid a recession during the GFC.

A decade later, Australia’s links to an even larger China economy are more extensive. Australia trade data for 2018-19 showed 20.5% growth in two-way trade with China, accounting for 26.4% of activity.

Private sector wages and inflation - annual growth

Q: How likely or unlikely do you think each of the following are to occur in the longer term as a result of the Coronavirus?

Disruption in trade between my country and China

<table>
<thead>
<tr>
<th>Country</th>
<th>Likely (%)</th>
<th>Unlikely (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>61%</td>
<td>15%</td>
</tr>
<tr>
<td>France</td>
<td>58%</td>
<td>23%</td>
</tr>
<tr>
<td>US</td>
<td>50%</td>
<td>19%</td>
</tr>
<tr>
<td>UK</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>Japan</td>
<td>37%</td>
<td>22%</td>
</tr>
<tr>
<td>Russia</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>Germany</td>
<td>26%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Australia exports to China grew by 23.9% and comprised 32.6% of total exports

Source: IRI analysis; asiatimes.com; ipsos.com
Pharmacy retail had already been inhibited by a China related slowdown

New laws from Jan ‘19 requiring daigou to register as e-commerce operators, and acquire licenses

Has led to rising costs & complexity, and fear of fines for daigou operators

Coexists with a market slowdown in China, which has also been flooded by brands and new channels

Perceived price advantage of daigou over general retail and T-mall flagship stores likely to weaken

Source: IRI OTC Pharmacy MarketEdge, MAT To 02/12/18 and MAT To 01/12/19

© 2020 Information Resources Inc. (IRI). Confidential and Proprietary.
Australians were more likely to expect an economic impact than elsewhere

Even in February – before we saw some of the largest daily equity market losses on record and other COVID-19 related ‘flash crashes’ – Australians were acutely aware that we were facing a health crisis with a multitude of economic consequences.

While the economic ramifications of the damage that has occurred will mostly materialise in June qtr. data, Australians were cognisant early on in the lifecycle of how COVID-19 propelled the possibility of a first recession in almost three decades.

Private sector wages and inflation - annual growth

Q: Do you agree or disagree with the following (is that strongly or somewhat)?

The coronavirus outbreak will have an impact on financial markets and the global economy

<table>
<thead>
<tr>
<th>Country</th>
<th>Strongly agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Russia</td>
<td>37%</td>
<td>39%</td>
</tr>
<tr>
<td>Japan</td>
<td>36%</td>
<td>48%</td>
</tr>
<tr>
<td>Italy</td>
<td>29%</td>
<td>49%</td>
</tr>
<tr>
<td>France</td>
<td>28%</td>
<td>46%</td>
</tr>
<tr>
<td>US</td>
<td>23%</td>
<td>39%</td>
</tr>
<tr>
<td>Germany</td>
<td>19%</td>
<td>43%</td>
</tr>
<tr>
<td>UK</td>
<td>16%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: IRI analysis; ipsos.com
Australia began the decade on the back of historically low growth

The Australian economy has continued to grow; but the rate of growth remains well below the long run average. 2019 was the worst performing calendar year of GDP growth since the 1990s recession. While Q4’19 growth (+2.1%) was up versus Q3 (+1.9%), it was partly because it was lapping a prior year low.

It has contributed to a policy pivot whereby the focus on ensuring a budget surplus gives way to economic stimulus. The $17.6B coronavirus stimulus package announced on March 12 reflects this.

Source: IRI analysis; abs.gov.au
COVID-19 has coincided with a new historic low in interest rates

Interest rates were already very low in most advanced economies before COVID-19 hit. The RBA set the interest rate at just 0.5% on Mar. 3, reflecting 4 drops in 10 months; it was only a third of the May 2019 rate.

An “accommodative monetary policy” aims to support long-term growth by reducing borrowing costs and stimulating money flowing through the economy. But one more rate decline (which is expected this week) will likely fuel talk of quantitative easing (QE), which could now happen in Australia for the first time.

Source: IRI analysis; abs.gov.au; theguardian.com
Household consumption growth (+1.2%) was the lowest in a decade

Q4 2019 HH consumption growth in Australia was the lowest observed across the prior decade. And while unemployment remains low, it has been rising, from 4.9% to 5.3%, since Feb. 2019.

The weakness in consumption growth will likely trickle through to the labour market, and will not to able to insulate from the broader (and escalating) burden of the coronavirus.

Household spending % of economy: 56%

Source: IRI analysis; abs.gov.au; theguardian.com
An era of low income growth is impeding willingness to spend

Australia’s YOY wage growth has averaged 3.2% from 1998 until 2019. But from 2014-20 the rate has been well below that, oscillating from a high of 2.7% to a low of 1.8%. In other words, what was average is now seemingly out of reach.

The RBA expects wage growth to stagnate at around 2.2% YOY. It is at least faster than the rate of inflation. But an extended era of low wages is likely to make Australian workers even less confident about their job situation when the consequences of COVID-19 hit more significantly in Q2 2020.

Preventing price gouging from occurring is even more important when recession wary consumers have already faced sustained tepid wage growth

Source: IRI analysis; abs.gov.au; theguardian.com
And then a novel coronavirus (nCoV) struck inducing fear and panic

WHO has warned of “unchartered territory,” declared a Public Health Emergency on 30 Jan., before being classified as a pandemic on 11 March as worldwide cases soared past 100,000.

IMF say “this health crisis will have a significant economic fallout.” The European Central Bank (ECB) president said that it would be a “major shock.”

Australian PM Scott Morrison says the impact of coronavirus for Australia could be bigger than global financial crisis. Many nations have declared “national disasters.”

Source: IRI analysis; ft.com; who.int; afr.com
Most **global citizens** were aware of the situation by early February

Although officially renamed COVID-19, **more people worldwide are searching for “coronavirus,”** including in Australia, according to Google Trends data (see right).

By 7-9th February, **42%** of Australians said a ‘great deal’ about whether they had “seen, read or heard about the coronavirus outbreak.” A further 47% responded a ‘fair amount.’ The response was largely in line with other countries included in the research conducted by Ipsos. The rapid spread, and tragic loss of life that has occurred, is **firmly part of the public’s consciousness.**

**Australia: Interest over time**

**Coronavirus**

**COVID-19**

During times of uncertainty **ongoing transparent dialogue with customers** is all the more important in being perceived as a **trusted and authentic brand or retailer.** We suggest using ‘coronavirus’ as the descriptor, rather than technical COVID-19 moniker.

Source: IRI analysis; trends.google.com; ipsos.com
The intensifying global and local impact is apparent in daily headlines

GLOBAL ECONOMIC IMPACT

9NEWS
Coronavirus' effect on world economy grows more alarming

CREATING UNCERTAINTY AND ANXIETY

OCC NEWS
Coronavirus may be the threat, but the uncertainty it’s creating could really cost the economy

GLOBAL SPOTLIGHT ON ‘PANIC BUYING’

NEW YORK POST
Women fight over toilet paper during coronavirus panic buying in Australia

INFECTION CONTINUES TO SWELL

The Guardian
Coronavirus could hit housing hard as Australia teeters on edge of recession

The Sydney Morning Herald
'Coronavirus has been the beheading of us': Tourism devastated, survey shows

Coronavirus cases in Australia same as Italy’s two weeks ago as doctors warn outbreak ‘cannot be stopped’

Source: 9news.com.au; theguardian.com; smh.com.au; abc.net.au; nypost.com; news.com.au
Until COVID-19 was **finally declared** a ‘pandemic’ on Mar. 11

The term **pandemic** was being **used in the media and public discourse long before COVID-19 was officially declared** as such by the WHO on Mar. 11. It aligns with the ‘stockpiling’ phenomena that has occurred, and since intensified (see part 2 of this presentation report).

The Google Trends graph shows the interest in the term 'pandemic' over time. The term was being used in the media and public discourse long before COVID-19 was officially declared as such by the WHO on Mar. 11. It aligns with the ‘stockpiling’ phenomena that has occurred, and since intensified (see part 2 of this presentation report).

**Source:** IRI analysis; trends.google.com
The scale of the challenge is apparent in the full timeline of events.

- **Dec 31**: China alerts WHO to many *unusual pneumonia cases in Wuhan*, a port city of circa 11M people. Many early cases had visited the Huanan Seafood Wholesale Market.

- **Jan 07**: Confirmation that officials had identified a new virus belonging to the coronavirus family.

- **Jan 11**: China reports first death caused by the virus.

- **Jan 20/21**: Confirmed cases outside mainland China in Japan, S. Korea, Thailand, and US.

- **Jan 23**: China imposes lockdown in Wuhan.

- **Jan 30**: WHO declares global health emergency.

- **Feb 02**: The first coronavirus death was reported outside China.

- **Feb 05**: Diamond Princess cruise ship quarantined.

- **Feb 09**: China death toll surpasses SARS epidemic.


- **Feb 21 & 23**: Outbreak in Korea and virus appears in Iran. Surge in Italy as officials lock down towns.

- **Feb 21**: Outbreak in Korea and virus appears in Iran. Surge in Italy as officials lock down towns.

- **Mar 07**: Killed nearly 3,500 & infected 102,000 people.

- **Mar 11**: WHO declared the coronavirus outbreak a pandemic.

- **Mar 13**: Europe declared the “epicentre” of the pandemic as celebrities and politicians share that they had become infected.

- **Mar 16**: Global deaths and infections surpass China.

- **Mar 17**: Europe accounting for 75% of new cases amid mass lockdowns.

*Source: IRI analysis; nytimes.com; ft.com; Aljazeera.com*
COVID-19 has peaked in China, but is spreading rapidly elsewhere

Moving from the ‘China period’ to the ‘pandemic period’

Global cases: 214,894
China cases: 81,102
China deaths: 3,241

Countries impacted: 156
Non-China cases: 133,792
Non-China deaths: 5,491

<table>
<thead>
<tr>
<th>Country</th>
<th>Infections</th>
<th>Deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>81,102</td>
</tr>
<tr>
<td>2</td>
<td>Italy</td>
<td>35,713</td>
</tr>
<tr>
<td>3</td>
<td>Iran</td>
<td>17,361</td>
</tr>
<tr>
<td>4</td>
<td>Spain</td>
<td>13,910</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>12,327</td>
</tr>
<tr>
<td>6</td>
<td>France</td>
<td>9,052</td>
</tr>
<tr>
<td>7</td>
<td>S. Korea</td>
<td>8,413</td>
</tr>
<tr>
<td>8</td>
<td>US</td>
<td>7,769</td>
</tr>
<tr>
<td>9</td>
<td>Switzerland</td>
<td>3,028</td>
</tr>
<tr>
<td>10</td>
<td>UK</td>
<td>2,642</td>
</tr>
<tr>
<td>20</td>
<td>AUSTRALIA</td>
<td>568</td>
</tr>
</tbody>
</table>

Source: IRI analysis; ft.com; Johns Hopkins University; Data as of 19/03/2020, 6:33am
Rapid spread creates a belief that COVID-19 will hit them, or loved ones

Australians are worried. Why?
- The virus is a **scary new threat**, and **escalating rapidly**
- We have **no personal experience** of having the **novel coronavirus**
- Fluidity/regularity of information and **disruption to daily life/habits**
- It can cause **serious harm**, and **fatality rates are unclear. A new outbreak could occur**
- The possibility of a **second wave of infections** from imported cases
- **Mixed messages** from experts, and across nations (e.g. need for isolation)
- **No medications** can stop it, but merely **handwashing feels inadequate**
- Still **awaiting the peak**, but timings and **projections remain unclear**
- Doubts about **whether health services are adequately equipped**
- Longer term **implications for jobs/financial wellbeing**
- **Turbulent financial markets** and talk of **QE policy applied across nations**
- **Unprecedented scenes in supermarkets** as people ignore hoarding advice

Source: IRI analysis; ft.com; usatoday.com; abc.net.com.au; mumbrella.com
Underlying fear is also apparent in the polarised view of media coverage.

The coronavirus outbreak is a complex, fast-moving situation. Misinformation, particularly on social media, has become so widespread that is has also been labelled an ‘infodemic’, which the WHO says is “an overabundance of information — some accurate and some not — that makes it hard for people to find trustworthy sources and reliable guidance when they need it.”

Feelings towards media exaggeration of COVID-19

Q: Do you agree or disagree with the following: The media has exaggerated the extent of the coronavirus outbreak?

<table>
<thead>
<tr>
<th>Country</th>
<th>Strongly or somewhat agree</th>
<th>Strongly or somewhat disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>45%</td>
<td>24%</td>
</tr>
<tr>
<td>Australia</td>
<td>43%</td>
<td>36%</td>
</tr>
<tr>
<td>Germany</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>US</td>
<td>30%</td>
<td>42%</td>
</tr>
<tr>
<td>Canada</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>France</td>
<td>28%</td>
<td>39%</td>
</tr>
<tr>
<td>UK</td>
<td>27%</td>
<td>44%</td>
</tr>
<tr>
<td>Japan</td>
<td>23%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: IRI analysis; OECD; lipsos.com

Australians place the most trust in:
- Medical professionals
- Government health officials

Garlic is a healthy food that may have some antimicrobial properties. However, there is no evidence from the current outbreak that eating garlic has protected people from the new coronavirus (2019-nCoV). Can eating garlic help prevent infection with the new coronavirus?
A plethora of *downgraded global economic forecasts* have occurred.

Global 2020 growth forecast:

- **Nov. 2019 (Pre Covid-19)**: 2.9%
- **Mar. 2019 (Post Covid-19)**: 2.4%

But this adjustment was largely before the abrupt stop to global economic activity through quarantines, event cancellations, and social distancing.

Source: IRI analysis; OECD; theguardian.com; cnbc.com
Manufacturing declines reflect lower Chinese economic activity

The outbreak of Covid-19, having originated in the central Chinese city of Wuhan, is having an impact on China’s economy and consumer markets. Initial forecasts are for sub 5% YOY GDP growth.

Falling -28.6% in one month, Chinese manufacturing activity slumped to a record low in February. The official government purchasing manager’s index (PMI) fell to 35.7, down from 50.0.

Supressed Chinese economic activity — including Chinese factories struggling to hit full capacity — has resulted in reduced pollution as evidenced by Nasa satellite images. It also reflects decline in commodity demand from China.

Severe acute respiratory syndrome (SARS) shaved an estimated 0.5-1% off the world’s growth.

China’s 2020 growth forecast:

- Nov. 2019 (Pre Covid-19): 5.7%

2013 SARS: Severe acute respiratory syndrome (SARS) shaved an estimated 0.5-1% off the world’s growth.

Source: IRI analysis; OECD; livescience.com
A downward local growth projection aligns with pre COVID-19 realities

Global economic growth, which was already weakened by trade and political tensions, is expected to slow sharply against a backdrop of coronavirus escalation and uncertainty.

If COVID continues to spread outside China, the OECD anticipates that global economic growth could halve this year, with the possibility of negative growth in the first quarter having escalated due to ongoing uncertainty, fear and a turbulent Q1.

"The coronavirus has clouded the near-term outlook for the global economy and means that global growth in the first half of 2020 will be lower than earlier expected"
There has been a **virus induced sell-off in local and global stocks**

Global equity markets have dropped significantly in March due to the economic **fallout from the coronavirus** (and an oil price war). Drastic measures by national and multinational institutes have failed to arrest markets.

In one week we have twice seen the **worst days of Australian equity trade since October 2008**. On Mar. 09, the ASX 200 shed 7.3% in value. It then closed down 9.7% on Mar. 16. On the same day, the broader **All Ordinaries** index depreciated by -9.5%, its **largest one-day fall since** the 1987 stock market crash, losing $165B.

Source: IRI analysis; au.spindices.com; asx.com.au
There has been a **virus induced sell-off in local and global stocks**

<table>
<thead>
<tr>
<th>Date</th>
<th>S&amp;P/ASX 200</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 02</td>
<td>6,690.58</td>
<td></td>
</tr>
<tr>
<td>Feb. 20</td>
<td>7162.49</td>
<td>-30%</td>
</tr>
<tr>
<td>Mar. 09</td>
<td>5,760.56</td>
<td>-30.2%</td>
</tr>
<tr>
<td>Mar. 16</td>
<td>5,002.00</td>
<td></td>
</tr>
</tbody>
</table>

**ASX goes from a record high to falling -30% in the space of just 1 months**

The Australian dollar fell to its lowest level since the global financial crisis.
Perception of a financial impact has grown as the crisis has deepened

At the end of Feb – well before the WHO had declared a pandemic on Mar. 11 – a notable spike in perception that the coronavirus will have a financial impact on them/their family was already evident.

In Australia, Ipsos recorded a 13PP lift in the expectation of a personal financial impact between Feb 14-15 and Feb 28-29. A pressing concern is whether downward market pressure will result in widespread job losses. And it becomes a viscous circle because community panic will likely filter down into economic disruption.

Q: Do you agree or disagree with the following:
The coronavirus will have a financial impact on me and my family

<table>
<thead>
<tr>
<th>Country</th>
<th>Feb 14-15</th>
<th>Feb 28-29</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>38%</td>
<td>56%</td>
<td>+18</td>
</tr>
<tr>
<td>Italy</td>
<td>19%</td>
<td>41%</td>
<td>+22</td>
</tr>
<tr>
<td>Australia</td>
<td>27%</td>
<td>40%</td>
<td>+13</td>
</tr>
<tr>
<td>Russia</td>
<td>21%</td>
<td>40%</td>
<td>+19</td>
</tr>
<tr>
<td>US</td>
<td>21%</td>
<td>37%</td>
<td>+16</td>
</tr>
<tr>
<td>Canada</td>
<td>17%</td>
<td>37%</td>
<td>+20</td>
</tr>
<tr>
<td>UK</td>
<td>16%</td>
<td>32%</td>
<td>+16</td>
</tr>
<tr>
<td>Germany</td>
<td>11%</td>
<td>19%</td>
<td>+8</td>
</tr>
</tbody>
</table>

Source: IRI analysis; ipsos.com
Australia’s **consumer confidence has plummeted to a decade low**…

**ANZ-Roy Morgan Index**  
Lowest level since 2009

Declines in both indexes are **fuelled by concerns about the well-being of the economy**, rather than personal finances. But with the unnerving nature of the outbreak, and the counter-measures being implemented, **consumer confidence is going to deteriorate further given that the worst is yet to come**.

**Westpac-Melbourne Institute Index**  
Lowest in more than five years

Source: IRI analysis; roymorgan.com; westpac.com.au
...and there has been sharp decline in business confidence too

Australian business confidence and business conditions declined according to the **NAB business confidence index**, which fell from -1.0 points to -3.6 points in February. The softening in conditions was “broad-based across industries.”

<table>
<thead>
<tr>
<th>Business Conditions Index</th>
<th>Business Confidence Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current: +0.4 pts</td>
<td>Current: -3.6 pts</td>
</tr>
<tr>
<td>Long-term: +5.7pts</td>
<td>Long-term: +5.8pts</td>
</tr>
</tbody>
</table>

Making business more challenging...

50% of Australian firms reporting an impact of the coronavirus in February – well before the peak. We would expect the decline in March to be among the worst on record.

Source: IRI analysis; business.nab.com.au
Part 2 – COVID-19: IMPACT ON AUSTRALIAN FMCG

COVID-19 & CONSUMER BEHAVIOURAL CHANGE
COVID-19 has already caused global upheaval. Now people are bracing for further health and economic consequences of the pandemic. It will continue to drive significant behavioural change as day-to-day life adapts to reduce the risk of infection and/or prepare for a lockdown. One of the most visible examples of that is the rise of ‘survivalist stockpiling’ (or ‘FORO’). Industry players must be agile in supporting the new routines among target customers. And taking a stand against unsocial behaviours may also be valuable.

In times of fear, uncertainty and widespread panic people tend do what they can to feel safer, and in more control

Nearly 90% of IRI’s shopper panellists were taking action on COVID-19 in early March by social distancing and product stockpiling

Coronavirus fears boosted FMCG sales in February, and the impact will be even more significant in a record breaking March

Source: IRI analysis; business.nab.com.au
Australians have been comparatively more concerned about COVID-19

Results of an 8-country study conducted by Ipsos on 7-9 February showed that Australians perceived comparatively high levels of threat from the coronavirus versus respondents from other nations.

Across each of the 5 dimensions (world, country, community, personal, family) Australians respondents over indexed in their propensity to perceive a ‘high’ or ‘very high’ threat to each. This underlying fear again goes someway to rationalise the ‘survivalist stockpiling’ observed locally, including it beginning faster than elsewhere.
The pervasive **fear** is anchored in the unpredictability of the virus

The same Ipsos research found that most citizens across countries deem that the **unpredictability, as opposed to failure of adequate countermeasures**, underpins the spread of COVID-19. That said, sentiment will likely fluctuate here.

Over two-thirds (67%) of Australians felt it being “impossible to forecast how the virus is spreading” as the factor driving the spread of COVID-19. The sentiment was exactly in line with those in Italy and Canada.

### Why COVID-19 has found its way into my country…

- Correct preventative countermeasures were not enforced by my country’s authorities
- It is impossible to forecast how the virus is spreading

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>20%</td>
</tr>
<tr>
<td>Russia</td>
<td>31%</td>
</tr>
<tr>
<td>UK</td>
<td>31%</td>
</tr>
<tr>
<td>Australia</td>
<td>33%</td>
</tr>
<tr>
<td>Italy</td>
<td>33%</td>
</tr>
<tr>
<td>Canada</td>
<td>33%</td>
</tr>
<tr>
<td>US</td>
<td>36%</td>
</tr>
<tr>
<td>France</td>
<td>37%</td>
</tr>
<tr>
<td>Japan</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: IRI analysis; ipsos.com
Fear-induced behavioural change is driving the social impact of COVID-19

"In terms of inducing fear and a psychological toll, pandemics are always right up there with nuclear attacks, chemical, biological and radiological issues and terrorism."

Edith Cowan University disaster response expert Erin Smith

Creates a need for CONTROL and SOCIAL NORMING (doing what others do)
Nearly 90% of IRI’s shopper panellists are taking action on COVID-19

Markers of ‘social distancing’

1. Avoid unnecessary travel
   - 76.6%
2. Avoid crowded areas
   - 73.5%
3. Purchase of health care essentials
   - 49.1%
4. Stockpile on daily essentials
   - 33.3%
5. Stay home from work/school
   - 32.5%
6. None of the above
   - 10.9%

Source: IRI Shopper Panel Survey, March 2-4 2020; *news.com.au poll
‘Social Distancing’ will bring social costs by limiting human contact

As the number of coronavirus cases grows, authorities have been calling upon citizens to embrace ‘social distancing.’ Doing so can slow the spread of disease (or “flattening the curve”) that can be transmitted through human contact, coughing or sneezing.

Avoiding crowded areas, which nearly 3 in 4 Australians were claiming to be doing in early March, is one such response. Social distancing also involves not shaking hands, standing several feet from other people and staying home when feeling unwell sick. Worse still: Australians do not know how long we have to keep this up for.

Once the need for social distancing has passed an opportune moment exists for brands to 1) remind consumers about the integral role of a given brand in enabling social interaction; and 2) create campaign that celebrates the basic joy of spending time with others.

Source: IRI analysis; IRI Shopper Panel Survey, 2-4 Mar; trends.google.com
The **loss of Sports & Ent. opportunities will dampen public mood**

There are clear economic and **social costs of going into lockdown**. Among them is the reality that only when something is removed from our lives do we truly appreciate how much it is missed, particularly the role in providing a sense of **fulfilment, immersion, escapism, theatre and overall indulgence**.

Citizens worldwide are experiencing a flurry of **sporting, cultural, and business event cancellations**, as well as ongoing **uncertainty about the resumption**. For many, this only serves to compound the sense of **frustration and emptiness, and all round sense that these are unprecedented times**.

FMCG businesses need to **replan marketing activity**. When **sporting calendars properly resume**, it will be one of the most significant ‘feel-good’ celebrations going.

Source: IRI analysis; bbc.com
We are embracing behaviours & products that mitigate risk of infection

Since the coronavirus outbreak, one of the most consistent messages has been diligent handwashing as the most basic form of infection control. Growing concern about contracting or spreading COVID-19 has prompted nearly two-thirds (63%) of Australians to report that they wash hands more frequently. Over a third (38%) also reported using more disinfectants.

Cleaning products and soaps are among the top 10 growth generating grocery products in the first 2 weeks of March, with empty, or near empty shelves in abundance.

That not even two-thirds reported that they are stepping up handwashing represents a potential concern given suboptimal behaviours captured by handwashing studies.

Source: IRI analysis; IRI MarketEdge; ipsos.com
Unprecedented interest exists in products that mitigate infection risk

Google Trends data both locally and globally reveals that (online) interest in hand sanitiser is peaking as the COVID-19 outbreak escalates. Further detail reveals that ‘hand sanitiser online’ is the top trending related search in Australia, followed by interest in self-made hand sanitiser.

Brands such as thankyou and Zoono (which has seen its stick price surge in Q1 2020) also feature in the top 5 related searches. The interest in sanitiser is unlikely to fade given a potential convergence (of fears) around COVID-19 and winter flu.

Amid surging interest, there have been reports of price gouging by sellers in both physical retailing and via online sellers on sites like Amazon.

Source: IRI analysis; trends.google.com; zoono.com
And Australians were among the **quickest globally to stockpile toilet paper**

Frenzied **stockpiling of toilet paper** among fearful shoppers is one of the leading **societal impacts of the virus**. Owing to the more pronounced fear among Australians vs. their global counterparts, the **spike in toilet paper interest (and demand) occurred quicker in this country than the global average**.

**Source:** IRI analysis; trends.google.com; zoono.com
Turning our attention now to ‘Survivalist Stockpiling’ (or ‘FORO’*)…

Avoid unnecessary travel

Avoid crowded areas

Purchase of health care essentials

Stock pile on daily essentials

Stay home from work/school

None of the above

1. Avoid unnecessary travel
   - 76.6%

2. Avoid crowded areas
   - 73.5%

3. Purchase of health care essentials
   - 49.1%

4. Stock pile on daily essentials
   - 33.3%

5. Stay home from work/school
   - 32.5%

6. None of the above
   - 10.9%

Source: IRI Shopper Panel Survey, March 2-4 2020; *Fear Of Running Out
Question: If a major health issue were to strike Australia (i.e. coronavirus) which of the following action/s would you take?
Shoppers have been **stockpiling for a variety of reasons**

- **Sought after products are ‘elevated necessities’** – most FMCG products are low involvement purchases that consumers **often take for granted**. But the COVID-19 outbreak has prompted a **reassessment of the value that we place on commonly available commodities**, making it hard to imagine living without them.

- **Mitigate the risk of infection** – many stockpiled goods in the first phase of the COVID-19 virus lifecycle were **prevention items**: e.g. hand sanitisers and household cleaners and vitamins/medicinal products that **help stave off the risk if infections**.

- **Asserting control** – Australians are **accustomed to an ‘on-demand economy’** where we can pick what we want, when we want, and wherever we want it. The fear, and experienced reality, of enforced quarantines/lockdowns will amplify the need to assert control and that is evident in the rising intensity of stockpiling (and empty shelves in-store).

- **Just-In-Time (JIT) supply chains** – while now adapting, FMCG **supply chains have been unable to respond to sudden demand lifts** with the scale and intensity observed in late Feb. and now into mid-March. Furthermore, large sized toilet paper packs left a **conspicuous ‘visual marker’ that accelerated a ‘herd mentality’**.

*Source: IRI analysis*
Younger cohorts exhibit a higher self-reported propensity to stockpile...

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Purchase of Health Care Essentials</th>
<th>Stockpile of Daily Essentials</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>62%</td>
<td>26%</td>
</tr>
<tr>
<td>30-39</td>
<td>53%</td>
<td>39%</td>
</tr>
<tr>
<td>40-49</td>
<td>49%</td>
<td>35%</td>
</tr>
<tr>
<td>50-59</td>
<td>46%</td>
<td>32%</td>
</tr>
<tr>
<td>60-69</td>
<td>48%</td>
<td>29%</td>
</tr>
<tr>
<td>70+</td>
<td>40%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: IRI Shopper Panel Survey, March 2-4 2020

Question: If a major health issue were to strike Australia (i.e. coronavirus) which of the following action/s would you take? (Please select all that apply)
…which underpins the roll out of prioritised shopping hours

Elderly people and those with disability have been among those missing out in light of intensifying stockpiling as March continues.

Although queueing scenes from this Melbourne store highlight that day 1 prompted mass gatherings of an age cohort deemed most vulnerable, and most in need of ‘social distancing’.

Source: IRI analysis; IRI store visits; express.co.uk
Self-reported ‘FORO’ is evident across income bands

<table>
<thead>
<tr>
<th>Purchase of health care essentials (e.g. hand sanitizers, face masks, cleaning products, cold and flu tablets)</th>
<th>Stockpile of daily essentials (e.g. toilet paper, rice, bottled water, canned or pre-packed food?)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>40K and less</strong></td>
<td>45%</td>
</tr>
<tr>
<td>40-80K</td>
<td>54%</td>
</tr>
<tr>
<td>80-120K</td>
<td>52%</td>
</tr>
<tr>
<td>120-160K</td>
<td>43%</td>
</tr>
<tr>
<td>160-200K</td>
<td>47%</td>
</tr>
<tr>
<td>200K and over</td>
<td>50%</td>
</tr>
</tbody>
</table>

Question: If a major health issue were to strike Australia (i.e. coronavirus) which of the following action/s would you take? (Please select all that apply)

Source: IRI Shopper Panel Survey, March 2-4 2020
Asians & South Americans over-index in their propensity to **stockpile**

### Purchase of health care essentials
(e.g. hand sanitizers, face masks, cleaning products, cold and flu tablets)

<table>
<thead>
<tr>
<th></th>
<th>Asian-born</th>
<th>South American</th>
<th>Total Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian-born</td>
<td>69%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South American</td>
<td></td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Total Australia</td>
<td></td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Australian-born</td>
<td></td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>African-born</td>
<td></td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>European-born</td>
<td></td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

### Stockpile of daily essentials
(e.g. toilet paper, rice, bottled water, canned or pre-packed food?)

<table>
<thead>
<tr>
<th></th>
<th>South American</th>
<th>Asian-born</th>
<th>African-born</th>
<th>Total Australia</th>
<th>European-born</th>
<th>Australian-born</th>
</tr>
</thead>
<tbody>
<tr>
<td>South American</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian-born</td>
<td></td>
<td>51%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African-born</td>
<td></td>
<td></td>
<td>44%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Australia</td>
<td></td>
<td></td>
<td></td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European-born</td>
<td></td>
<td></td>
<td></td>
<td>29%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian-born</td>
<td></td>
<td></td>
<td></td>
<td>29%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** IRI Shopper Panel Survey, March 2-4 2020

**Question:** If a major health issue were to strike Australia (i.e. coronavirus) which of the following action/s would you take? (Please select all that apply)
Across all supermarkets, it resulted in sparse shelves in early March…

Items I want being sold out/unavailable is the 2nd biggest frustration for Australian grocery shoppers, after queues at the checkout.

Source: IRI analysis; IRI store visits; canstarblue.com.au
…while **pharmacy shelves** have also been **cleared of healthcare essentials**

*Source: IRI analysis; IRI store visits smh.com.au*
IRI have recorded huge spikes in sales growth across grocery retail

$ growth:
Sales growth recorded in

84% of categories

$ growth:
Nearly 100 categories recorded

≥20% vs YA

$ growth in
>40 categories reached

≥50% vs YA

Expect double-digit channel growth in Q3

Customer satisfaction/NPS scores will drop due to low OSA*

Supply limitations will lead to reduced promotions

Expect soft comparative Q4 2019-20 & Q3 2020-21 sales

Source: IRI analysis, IRI MarketEdge 2wks to 10/03/2020; *On Shelf Availability
Sparse shelves reflect the many trending pantries in grocery retail

Top 20 growth driving food fixtures

1) MEAT
2) MEALS & BASES
3) PET FOOD
4) GROCERY MILK
5) COFFEE
6) PASTA
7) CHEESE
8) CEREAL
9) VEG PACKS
10) BISCUITS

11) CANNED FISH
12) RICE
13) DY MILK
14) OILS
15) CANNED VEG
16) CANNED MEALS
17) SOUP
18) SEASONAL
19) CONFECTIONERY
20) SNACKS

Top 10 growth driving non-food fixtures

1) TOILET PAPER
2) CLEANING GOODS
3) MEDICINAL PRODUCTS
4) SOAPS & BODY WASH
5) FACIAL TISSUES
6) SANITARY PROTECTION
7) LAUNDRY
8) TOBACCO
9) ORAL CARE
10) PAPER TOWELS

Source: IRI analysis; IRI MarketEdge 2wks to 10/03/2020
Food retailing was already a consistent bright spot for Aussie retail

In 2019, total food retailing sales were up 3.5% YOY, compared to 2.6% growth in foodservice. As the coronavirus crisis escalates the slowdown in Australian foodservice spending growth that occurred in late 2019 is likely to be accentuated in 2020.

After all, people have stockpiled on home essentials and are eager to seize control of the unknown by avoiding busy public places and taking control of their own food preparation. Out of home “discretionary spending destinations” will likely struggle to sustain sales for 6 months minimum.

In a scenario where consumers retreat from public spaces we see foodservice stakeholders are among the most at risk of financial impact. The sustainability of many operators will revolve around frictionless delivery.

Source: IRI analysis; abs.gov.au
February’s initial **stockpiling in bolstered overall Australian retail sales**

IRI tracked double-digit grocery dollar growth in all states (bar NT) in the week ending Mar 03.

This strong sales uplift (evidenced by shelves pictured to the right) has since been captured in **preliminary ABS data** (reported on Mar 17.) showing that grocery stores food sales propelled overall retail sales up in February.

Source: IRI analysis; IRI MarketEdge, Wk. To 03/03/2020; IRI store visits; abs.gov.au; reuters.com
Shoppers from other nations have been routinely stockpiling too…

From “hamsterkäufe” (“hamster buying”) to pantry stocking, consumers worldwide have reacted to increased threat of COVID-19 by purchasing essentials.

<table>
<thead>
<tr>
<th>Country</th>
<th>Hand Sanitizers</th>
<th>Hand Sanitizers</th>
<th>Flour</th>
<th>Disinfectants</th>
<th>Canned Vegetables</th>
<th>Spray Disinfectant</th>
<th>Cheese</th>
<th>Household Cleaning</th>
<th>Canned Meals</th>
<th>Canned Meat</th>
<th>Personal Thermometers</th>
<th>Flour</th>
<th>Rice, Pulses, Cereals</th>
<th>Rice, Pulses, Cereals</th>
<th>Rubber Gloves</th>
<th>Flour</th>
<th>Household Cleaning</th>
<th>Canned Meals</th>
<th>Canned Meat</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>124.5%</td>
<td>123.6%</td>
<td>101.3%</td>
<td>154.5%</td>
<td>73.7%</td>
<td>44.9%</td>
<td>83.8%</td>
<td>100.8%</td>
<td>132.6%</td>
<td>51.4%</td>
<td>42.6%</td>
<td>58.5%</td>
<td>96.6%</td>
<td>47.8%</td>
<td>69.4%</td>
<td>40.6%</td>
<td>100.8%</td>
<td>73.7%</td>
<td>51.4%</td>
</tr>
<tr>
<td>France</td>
<td>123.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.6%</td>
<td></td>
<td></td>
<td>47.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.6%</td>
<td></td>
<td></td>
<td>47.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.6%</td>
<td></td>
<td></td>
<td>47.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.6%</td>
<td></td>
<td></td>
<td>47.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IRI international data; % change vs. year-ago based on local currency.

© 2020 Information Resources Inc. (IRI). Confidential and Proprietary.
It has already factored into some global trading statements

“February sales benefited from an uptick in consumer demand in the fourth week of the reporting period. We attribute this to concerns over the Coronavirus and estimate the positive impact on total and comparable sales to be approximately three percent.”

Overall comparable sales rose 8.9% in the second quarter, reflecting increases of:
- 9.1% in the US
- 8.9% in Canada
- 7.9% internationally

Why Costco Stock Jumped

Given that it is only factoring in a sales spike until the end of February, the tone of the Costco sentiment does not reflect the meteoric rise in sales that FMCG retailers (global and Australian) will report in the coming months.
The wknd of 14-15 Mar saw unprecedented stockpiling/store traffic

Coronavirus quarantine rule prompts WA threat of $50,000 penalty as panic buying intensifies

Panic-buying nightmare: Hundreds of desperate customers queue for hours outside a Costco as supermarket shelves are left bare across Australia and stores run out of MEAT for the first time

50-metre lines at Woolworths as coronavirus shopping panic escalates

Source: IRI analysis; IRI store visits; 7news.com.au; dailymail.co.uk; abc.net.au
Reports of **stores running out of meat** are evident in IRI store visits

Little sign that people are concerned about these types of products being exposed to the virus. Consumers are stockpiling staples in anticipation of state, or self-imposed, quarantines

Source: IRI analysis; IRI store visits
Empty SRP* boxes gave an aura of stores having been ransacked.

Source: IRI analysis; IRI store visits; *Shelf Ready Packaging.
A plethora of shelves were emptied across a range of grocery staples…

Source: IRI analysis; IRI store visits
…with similar unprecedented sights evident across the banners

Source: IRI analysis; IRI store visits
‘FORO’ will intensify as more nations move from Phase 2 to 3

<table>
<thead>
<tr>
<th>Phase</th>
<th>Gov’t / Societal Response</th>
<th>Characteristics</th>
<th>Consumer Response</th>
<th>Expected CPG Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Monitoring</td>
<td>Monitoring for potential incidence but no formal restrictions</td>
<td>Passive Prevention</td>
<td>Increased sales of virus prevention items, e.g., hand sanitizer, HH cleaners, vitamins</td>
</tr>
</tbody>
</table>
| 2.    | Containment                | Self-quarantines, social distancing, large group event cancellations, increased work from home | Active Preparation/Prevention | Above +  
- Stock up on necessities and symptom relief, e.g., frozen and shelf-stable foods, toilet paper, sports drinks, cold medicine, pain relief  
- Start of declines in away-from-home consumption and small-format sales |
| 3.    | Lockdown                   | Enforced quarantines and travel restrictions; significantly limited personal interaction outside the home | Cocooning | Above +  
- Increased sales of products enhancing at-home experience, e.g., DVDs, streaming services, salty snacks, ice cream, chocolate  
- Rapid increase in online purchases (where possible) and frictionless food delivery; significant declines in away-from-home consumption  
- Curtail outdoor activity, including trips to FMCG retailers |

People may need to work from home and limit socialising for more than a year until a coronavirus vaccine is available. It is making our physical and social environments more fluid as new lifestyle patterns emerge.

Source: IRI analysis
This was evident from the **ubiquity of empty shelves** apparent on Mar. 17.

Source: IRI analysis; IRI store visits, 17 Mar
Large parts of this store were **empty in the key buy-for-tonight timeslot**

Source: IRI analysis; IRI store visits, 17 Mar
Aldi can use this period as a way to prove its fresh credentials to sceptics

Fresh food retailing has been a weak spot for Aldi, which has prompted the retailer to openly call out the need to “up its fresh game”

The limited OSA in March has provided Aldi with a timely opportunity to lift fresh food penetration and bring its marketing messaging to life

Source: IRI analysis; IRI store visits, Mar
Frustration in-store & self isolation have led to a surge in online sales...

Sephora, Ulta and other beauty brands shutter stores and shift online as coronavirus changes consumer habits.

Coronavirus: Amazon to hire 100,000 staff as pandemic causes surge in online shopping demand.

Online grocers struggle to meet the surge in demand.

Source: cnbc.com; independent.co.uk; thenewdaily.com.au; fortune.com
…but grocery providers are struggling to keep up with demand

After two decades, only a minority share of IRI’s shopper panellists either ‘frequently’ (15%) or ‘occasionally’ (24%) purchase from established retailer websites (like Coles, Woolworths or Priceline). The most pronounced response was that they ‘never’ do so (39%). In another longitudinal IRI shopper panel study (conducted pre COVID-19), just 11% of respondents indicated that they intend to shop more online for their groceries.

However, COVID-19 will play an important role by getting more people to try online shopping. Coles has had put a halt on all online orders due to “unprecedented demand,” while Woolworths has paused its click-and-collect service.

“We’re continuing to see a surge in demand across the Instacart platform as consumers increasingly turn to our service to get the fresh groceries and household essentials they need. As part of that growth, consumers are also using the product in new ways to meet their needs — buying and searching for new health and household products, building bigger longer-lasting baskets, and opting into new ways to receive their orders, whether in-person or left at their door. Over the last week, we’ve observed increased consumer adoption for a new “Leave at My Door Delivery” feature”

Source: IRI analysis; IRI Shopper Panel; news.instacart.com
Consumers will exhibit **more demand for health prevention and cleaning in the short term**, and the demand for canned, frozen, and dried pantry products will likely remain strong.

**BUT…**

we may **reduce demand for** some categories like cosmetics and haircare as more time is spent at home and socialising is restricted. As a result, beauty products potentially **become less important to our ‘social identity’,** and there become **more discretionary**. This is the **key difference between the potential impact of COVID-19 and** the largely resilient beauty industry observed during the global financial crisis. That said, one key difference this time around is the **breadth and intensity of social media as an effective ‘engagement bridge’** amid social distancing.

Source: IRI analysis; IRI store visits
Longer term impacts on P&C retail are also likely to be negative.

**Petrol & Convenience** dollar growth slowed in 2019 amid challenges in non-food (including tobacco). In 2020, stakeholders will need to negate the likely be negative impact of more consumers working from home and less travel.

Source: IRI MarketEdge, Total Petrol & Convenience Scan, MAT To 12/01/2020

**Petrol & Convenience**

- **MAT Dollars**: $5.93B
- **QTR Dollars**: 1.2% increase
- **QTR Dollars**: 0.1% increase
Modern, dynamic brands consistently tap into, and influence, social and cultural trends to impart much needed "cultural currency." To **build trust and show positive values**, a time of crisis is an apt moment to **be part of cultural conversation** – including taking **a stand against unsocial behaviours**.

*Source: IRI analysis; cnn.com; independent.co.uk*
The coronavirus outbreak has fuelled discrimination and xenophobia…

Many countries have reported on instances of discrimination and xenophobia in lieu of the coronavirus outbreak in China. It is a telling example of how fear and panic can be a catalyst for unearthing (rather than actually creating) latent racism and discrimination that is pervasive across nations. Media reports range from explicit racial targeting to intensifying public scrutiny.

A comparatively high proportion of Australian respondents (20%) – compared to their Anglo-Saxon counterparts in Canada, the US and UK – told Ipsos in February that they would consider avoiding contact with people of Chinese origin or appearance in order to protect themselves from the coronavirus.
…in a country where nearly 1-in-3 deem immigrants to be ‘a burden’

Australia is a destination country for migrants, with its current 1.5% population growth recorded during the 2019 financial year comparatively high among advanced western economies, and heavily influenced by healthy fertility rates and comparatively high migration. Net Overseas Migration (NOM) contributed 62.5% to total population growth for the time period.

Nevertheless, a significant plurality (31%) of Australians view immigrants as a burden on the country according to a global study by the Pew Research Center. Such sentiment is lower than that expressed by citizens in other advanced economies.

<table>
<thead>
<tr>
<th>Country</th>
<th>% who say immigrants “are a burden on our country”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>54%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>42%</td>
</tr>
<tr>
<td>France</td>
<td>39%</td>
</tr>
<tr>
<td>Spain</td>
<td>37%</td>
</tr>
<tr>
<td>Germany</td>
<td>35%</td>
</tr>
<tr>
<td>US</td>
<td>34%</td>
</tr>
<tr>
<td>UK</td>
<td>29%</td>
</tr>
<tr>
<td>Australia</td>
<td>31%</td>
</tr>
<tr>
<td>Canada</td>
<td>27%</td>
</tr>
</tbody>
</table>

Inclusive marketing campaigns that spotlight unsocial behaviour, or seek to protect the vulnerable, are arguably more important during times of a health/economic crisis. As well as celebrating the mateship of multicultural Australia, show empathy for marginalised and/or vulnerable population cohorts.

Source: IRI analysis; pewresearch.org
3 macro level focal points to consider at this stage…

1. Continue to **respond to the enduring, long-running trends** underpinning changing consumer attitudes and behaviours, and overall preferences. **Invest to keep building brands**

2. Be **agile and responsive** approaches to **planning, merchandising, and customer engagement**. Prepare to do so up **until Xmas 2020** due to ongoing COVID-19 infection and **disrupted lives**

3. Access IRI Data Gateways for a single point of access to **enhance retailer-supplier collaboration and data-led decision making** in times of unprecedented demand cycles

Source: IRI analysis
Six specific ‘thought starters’:

- Draw inspiration from the solidarity and resolve of the bushfire crisis
- Boost resource allocated to demand planning & supply chains
- Position everyday indulgences as ‘antidotes to reality’
- Help consumers reengage with the benefits of previously overlooked staples
- Act as a trusted and transparent ‘human-like’ brand
- Be prepared to adjust marketing messaging and channel focus

Source: IRI analysis
Draw inspiration from the solidarity and resolve of the bushfire crisis

Many Australians were inspired and galvanised amid ubiquitous examples of community spirit, humanity and overall solidarity during the bushfire crisis. It was a source of pride in an otherwise devastating scenario in late 2019, and into the new year.

FMCG providers can take inspiration. It is an opportunity to showcase brands as trusted partners in helping to keep communities, families and citizens safe and healthy. Finding opportunities to implement ‘small acts of kindness’ should be front-of-mind.

Australians have always taken pride in their ‘mateship’. Showcasing the solidarity of the collective supply chain response will be impactful at a time when consumers will value authentic and transparent reassurances. It is an ideal time to collaborate with industry peers, be empathetic, supportive, helpful and calm.

Thank you to Colgate People around the globe for your amazing agility and resilience, and to our retail and supply chain partners for your incredible efforts during this challenging time. #Caring #GlobalTeamwork #BuildAMature

Source: IRI analysis; linkedin.com
Australian grocery retailers displayed impressive unity on Mar 18

Woolworths, Coles, ALDI and IGA collectively aligned on March 17 in a message of gratitude and reassurance to all Australians in The Daily Telegraph (see right). The second page of the news publication is titled, “Working together to provide for all Australians”. The letter to all customers reminds them to think about others during this challenging time. It came as PM Scott Morrison delivered a blunt condemnation of hoarding by denouncing it as 'un-Australian' and something that “must stop.”

One thing arguably lacking from the comms was a reassurance of plans in place to ensure cleanliness of store to alleviate customer worries about visiting the store. A focus should be on cleaning commonly used areas more often – including cashier and self-checkout stations, credit card terminals, conveyor belts and foodservice counters. Ramping up the availability of free hand sanitiser for shoppers etc. would also be a valued touch.

Source: IRI analysis; kiis1065.com.au
Boost resource allocated to demand planning & supply chains

Adjust production to demand shocks and potential short term and long-term scenarios

Review and plan for likely supply-chain impacts, especially China derived raw materials, to mitigate imports sourcing exposure

Continuously review need for per-transaction purchase limits on high-demand products

Ramp up supply chain communication and release frequent updates about in-stock position – especially on the key essentials customers are fixating on

Determine ways to trigger demand online, as shoppers reduce in-store visits amid lockdowns

Account for potential of weak Easter season (and beyond), as social distancing takes hold

Plan for a potential economic downturn with stronger promotion plans in H2, and more opening price items

Prepare for a dramatic increase in online demand

Get ready for the explosion of plant based foods

Ramp up customer service and brand comms on social media

Source: IRI analysis
Position everyday indulgences as ‘antidotes to reality’

Suppliers and retailers alike are encouraged to **proactively help consumers build new routines at home**. For example, Disney initiated a coronavirus-coping surprise for its burgeoning base of ‘Plus’ subscribers by streaming Frozen 2 three months earlier than schedules to enable *some fun and joy during this challenging period.*

We expect to see strong sales of **affordable FMCG luxuries such as premium drinks, snacks and confectionery** as consumers seek antidotes to reality when **reluctantly spending more time at home**, and stress/boredom levels escalate.

“What’s all the fuss about the lack of stock in the supermarkets? I got wine ... and crisps”

Source: IRI analysis; facebook.com user comment
Because we are making more decisions in a more fluid manner making, we are potentially more open to brands than we would otherwise be. Center-store brand owners have arguably never had a more opportune moment to drive engagement.

The reassessment of the value that we place on commonly available commodities gives suppliers and retailers an opportunity to help consumers reengage with the benefits of previously overlooked staples.

Brands that were previously not even in the consideration set are now suddenly featuring prominently in baskets (albeit as a ‘forced choice’ due to lack of availability).

Source: IRI analysis; image sourced from theguardian.com
Strive to operate as a trusted and transparent ‘human-era’ brand

Consumers will be seeking greater assurance that the products they buy are free of risk. Marketing teams must clearly communicate why their products and supply chains are trustworthy. This means being mindful of a brand’s persona and cultivating the right tone of voice. Dynamic brands become immersed in culturally salient conversations (like COVID-19). Key brand metrics will focus on perceived authenticity, sincerity and transparency. They are commonly cited markers of so-called ‘human era’ brands. Show how you’re providing resources, education and support to your employees and customers.
Be prepared to **adjust marketing messaging and channel focus**

Consider **shifting advertising to social and digital channels (vs. out of home)** as consumers shift their entertainment hours to sources they can access from home. And use **social media as an effective ‘engagement bridge’** amid social distancing.

Another consideration is replacing planned national advertisements with a newly **crafted campaign anchored around the company/brand’s coronavirus response**. In the US market, Ford did exactly this when pulling all national ads promoting its vehicles with newly devised campaign describing how it is responding to the coronavirus, including giving Ford Credit customers some payment relief. After all, the coronavirus pandemic is at the forefront of most Australians' life.

With **callouts to the company’s long-running heritage** and taglines like “Built to Lend a Hand” and “Built for Right Now,” the new ad **aims to reflect the brand’s status a durable lifestyle supporting brand**

**Source:** IRI analysis; fastcompany.com; adage.com