VIEW POINT

A Healthier New Normal

An Australian overview of health and wellness trends

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IRi Growth delivered.

Australians' attitudes towards ‘Health and Wellness’ hasn’t changed as much as we would have expected throughout the pandemic but instead our focus on hygiene became much of the focus for 2020.

As Australians continue to live through the pandemic, with multiple lockdowns and stints of isolation, have their attitudes to health and wellness changed?

Traditionally we have seen Health and Wellness focused around ‘weight-loss’ or ‘fad diets’ but the shift in the attitudes has moved to moderation and avoidance of particular ingredients through to just doing better for themselves in limiting the amount of meat being consumed.

Our latest research report *‘A Healthier New Normal’* explores the shift from ‘Hygiene’ to ‘Holistic Health’. As we navigate the new world, Australians are embracing a new way of life and looking inwards at what that may mean for them.

This report covers:

- **Selfcare and Indulgence:** Balancing fine line between self-care and indulgence, how does this play out?
- **Hygiene:** Hand washing, sanitising was it a moment, or a fundamental change to our behaviour?
- **Plant Proliferation:** The rise of the plant-based boom, is it diet or curiosity driving the growth?
- **Sugar Avoidance:** More and more shoppers are opting for sugar-free alternatives to better look after themselves.

Selfcare and Indulgence

As Australians move to a new normal and the pandemic still impacts much of their traditional way of life, the new focus on the 'at-home-experience' is being seen across food, liquor, health and beauty. As these worlds collide it creates a fine line between self-care and indulgence.

Key overview:

- Shoppers turned to the bottle at home for indulgence, socialisation, relaxation, stress relief.
- Shoppers have spent more on self-care and indulgent items during COVID, supporting the addition of the 'COVID kilos' and we expect to see these same trends continue.
- Research shows that COVID-19 initially prompted an increased focus on self-care, but as always, all is never quite what it seems in the world of wellness. Instead, we saw a fine line between self-care and indulgence, with the eight indulgence-led categories delivering an extra $1.5 billion in sales in the past 12 months.
- No clear evidence was derived to indicate that COVID-19 catapulted a health mindset. In fact, only 59 percent of people stated in 2020 that their diet was important to them – five percent fewer people than results in 2017.
- Australians' focus on hygiene was and continues to be more apparent. But elevated use of hygiene products overall has helped Australians to feel safe and secure, and take back some element of control, in a broader context where so many things have felt beyond their sphere of influence.

The Facts:

Top 6 $ Growth Categories

Chilled Cheese	+19%
Chilled Smallgoods	+14%
Coffee	+24%
Ice Cream	+16%
Soap and Body Wash	+13%
Prop. Bread and Cakes	+39%

Source: IRI MarketEdge Grocery Scan, MAT To 03/01/21

No clear evidence that COVID catapulted a health mindset

My diet is important to me

59% Same as 2020
-5pp vs. 2017

Nutritional information displayed on products affects what I purchase

62% -1pp vs. 2020
-4pp vs 2019

Source: IRI Shopper Panel Psychographics Surveys, n = 4,349 in 2017; n = 5,411 in 2020 and n = 5,044 in 2021

The 8 indulgence led categories delivered $1.5B

$15.9B Combined dollar sales

+$1.5B Incremental dollars

25% of all packaged grocery $ growth

Source: IRI MarketEdge Grocery Scan, MAT To 03/01/21

Indulging at Home: off-premise liquor spend surged $3.2B

Total Australian Retail Liquor **$21.9B**

Annual Dollar growth **$17.3%**

Annual volume (litres) growth **+11.2%**

Source: IRI MarketEdge Retail Liquor Weighted; MAT To 31/01/21

Plant Proliferation

People love plants. With their "naturally functional" halo, people have always wanted to eat more plants, and now that they're available in more convenient forms, in snacks and in supplement powders, they can. In fact, creative product development is propelling the plant-based trend, not vegetarianism and veganism.

Key overview:

- Meat and dairy alternatives simply offer consumers another option. Yes, they can cater to vegans and vegetarians, but now more than ever, consumers are embracing a more balanced approach to food consumption wherein they reduce their intake of animal-based products.
- Plant-based proteins represent an exciting growth opportunity for FMCG as a new frontier in building a more sustainable food system.
- For some, this represents a healthier way to eat; for others, it is more sustainable for the environment. It's notable that the top-selling protein variety in the mainstream multioutlet channel is animal-plant combo as opposed to plant-base protein alone.
- The strong growth we have seen in fresh food sales, and efforts to buy more fresh products, reflect the crucial role of fresh foods in supporting at home food preparation. But an abundance of fresh foods also supports a desire to consume more natural and nutrient dense edibles.

What's next for Plant-Based?

- Plant-based infiltrates new categories
- Brand Partnerships for plant-proteins
- Adaptogenic plants that help cope with stress

The Facts:

Plant milks recorded notable sales and HH penetration gains

	Almond	Soy	Oat
Dollar growth	+36%	+26%	+171%
Household Pen.	32% (+2.7pp)	18% (+1.4pp)	8% (+3.9pp)
$/buyer growth	+36%	+1%	+9%

Source: IRI Shopper Panel, MAT To 27/12/20 vs. YA

Plant-based alternative (meat) trial is mostly driven by curiosity

Curious about taste	Animal welfare	Environmental	Vegan/ vegetarian
58%	28%	19%	17%

Source: IRI Shopper Panel Survey, 2020; n = 1,874

The pandemic was a boon to the (plant-led) fresh aisle in 2020

Self reported propensity to buy more/ fewer fresh foods (Aug 2020)

More 27% Less 6%

Crucial role of fresh foods in supporting at-home food preparation supports intent to consume more natural and nutrient-dense edibles.

Fresh Vegetables	Frozen Vegetables	Tropical Fruits
+11.2%	+21.7%	+6.7%

Source: IRI Shopper Panel Market Read, MAT To 27/12/20; IRI Shopper Panel Survey, August 2020 (n = 5,560)

Plant Proliferation cont.

The Stand-outs:

cocobella

Dollar sales

$64M

Incremental dollars

$13M

+$10M
(+35%)

+$3M
(+14%)

COYO Organic

Household penetration

+4.3%

Dollar sales

$14M

Dollar growth

+43%

Source: IRI MarketEdge Grocery Scan, MAT To 03/01/21; IRI Shopper Panel, MAT To 27/12/20

Less is more

Attitudes towards dieting are changing; Australians are no longer wanting to force themselves through "deprivation dieting". Australian are now choosing products on what it features and what is does not contain.

Key overview:

- Consumer demand is forcing food and drink manufacturers to reduce sugar content and focus on developing natural alternatives to artificial sweeteners.
- There is a fear of sugar amongst Australian shoppers with sugar being the ultimate 'bad carb'. With this the management of sugar intake is expected to continue as a key growth trend that extends beyond natural products.
- As a reflection, the grocery market has experienced a 17 percent growth of products with a less, no, or reduced sugar descriptor. Some brands are winning by reinventing low sugar indulgence and 'better for you' bagged snacks have also optimised this trend.

The Facts:

Why 'LESS IS MORE' is hitting the mark?

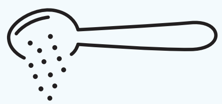
- Conscious shift to alternatives perceived as 'better' or 'less bad'
- Often underpinned by contemporary branding and on-trend flavours
- Moderation mindset impacting all FMCG choices
- Improved affordability of better-for-you options
- Developments in food science alleviating taste/efficacy compromise
- A broad trend: not reliant on a small consumer base

Source: IRI analysis

Concern about sugar, the ultimate "bad carb," is mainstream

Sum of SKUs with a no/less/zero/reduced sugar descriptor

Dollar growth	Unit growth	Active SKU growth	$/unit growth
+17%	+13%	+9%	+3%
1.7x higher than industry	2.5x higher than industry	Industry in marginal decline	20% lower than industry



44% Australians 'concerned about their sugar intake'

Source: IRI MarketEdge Grocery Scan, MAT To 03/01/21; *Roy Morgan, July 2020

Some brands are winning by reinventing low sugar indulgence

The Stand-outs:

Nearly doubled SKU count in 2020

Dollar sales

$20M

Incremental dollars

$14M

- Expanded distribution across core grocery
- Success anchored in founder's personal passion
- "Low on sugary nonsense, high on chompability"

Dollar sales

$20M

- Overt no-sugar positioning
- New pack: shift from 'worthy indulgence'

Four key steps in winning in the new normal of healthy

1

Tapping into multiple trends for fragmented needs. It's about maximizing the chances of being in the consideration set. Remember what a product contains is just as important as what it doesn't contain.

2

Target the right shopper segments. The key to creating added value in health-enhancing foods is to be able to translate the health benefit(s) of your product – or its ingredient -into a motivating message for your target consumer at the point of purchase.

3

Understand the market and what your customer is after, and work with your retailer partners to activate in-store. Remember that multi-million-dollar brands are built on <5% household penetration. Getting the product on the shelf is just one step. Keeping it on the shelf is totally different.

4

Explore partnerships with affinity brands/categories. Collaborations between high growth and 'on-trend' brands are now quite commonplace in the global craft beer scene. Such an approach is also being adopted by brands delivering similar desirable health benefits sought by consumers It has the potential to work well in e-commerce where buyers search on the basis of benefits (rather than categories).

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