SHOPPER VIEWS CAPTURED AT DISRUPTION PEAK

Among revelations from surveys taken in March and April, Australian shoppers and households are shown to be pessimistic about the severity and duration of the COVID-19 pandemic’s economic damage.

By IRI Insights Director Daniel Bone.

IRI’s ‘COVID-19: The Australian Consumer & Shopper Perspective’ report combines multiple sources of data and research inputs to provide a comprehensive view of the behaviour and perceptions of shoppers throughout March and the first half of April. It therefore captures changes during an unprecedented time of travel restrictions and border control measures, the shutting down of non-essential services amid stricter social distancing restrictions, and economic stimulus packages.

Then there was, of course, unprecedented pantry stockpiling as consumers were consumed by the ‘anguish of ambiguity’ and the ‘fear of running out’.

The unique magnitude of the COVID-19 outbreak is apparent from two crises playing out concurrently (unlike the financial crisis in 2008-09). There is the virus itself and the economic downturn it could prompt.

Our research reveals that most Australians are bracing for more than a year of economic impacts and appear to believe the collateral damage economically will be longer lasting than the health crisis. Interestingly, Australians are more pessimistic than Americans about the duration of both facets of the crisis.

Expected length of health and economic crisis
Our Australian panellists were already pessimistic about their financial situation in 2019, influenced by record levels of debt and anemic wage growth. In April 2020, 48 per cent rated themselves as being ‘worse off’ in 2020 versus a year ago. Nearly the same proportion (45 per cent) of households indicate having seen income compromised by COVID-19 control measures. This aligns with those experiencing reduced hours and job losses (46 per cent).

Financial situation changes vs YA and employment situation
Most households are not maintaining regular spending, and just one in seven households expect it to normalise when the economy improves. Less than 20 per cent anticipate their finances improving in a year. Consumers report a stronger focus on finding the best deal at a time when just over a third of households report experiencing grocery affordability challenges.

Now is the time for the FMCG industry, and indeed consumer facing industries countrywide, to begin anticipating what the recessionary world (and country) will look like. Recession-resilient companies must maintain loyalty among high-value customers, optimise advanced analytics, and focus astutely on operating costs.

This ‘recessionary mindset’ provides an ideal backdrop for accelerated private label development given the inherent price advantage such products typically command.

Household situation changes
Lifestyle routines have altered for more than 95 per cent of Australian households surveyed. Arguably the most significant challenge in dealing with the restrictive lifestyle of isolation is the emotional burden and frustration that sets in from a loss of control and choice. Key feelings expressed from more than 5,000 of our shopper panellists were of being stressed, anxious, worried, lonely, depressed, frustrated and even angry. Sixty-three per cent expressed concern regarding the lockdown length. Forty-one per cent are responding by doing more to proactively take care of their physical and emotional health, compared with just six per cent who report doing less.

Lockdown duration
Only 18 per cent of surveyed
Australians report having made no COVID-19 induced changes to their shopping habits.

Behavioural change led to weekly supermarket sales growth soaring above 50 per cent for the week ending March 17. We recorded an additional 30 million grocery transactions through our shopper panelists in the four weeks to March 29 compared with the same period a year before.

Shoppers' frequent experience of stock-outs exacerbated the trend of 'splintered shopping trips' that include a combination of retailers within a single outing/mission. While robust growth metrics were apparent for all banners (including double-digit growth in transactions and basket size), Metcash stores recorded a notable four-weekly share gain as shoppers distributed their spend across more retailers.

Changes in grocery shop visits

On-shelf availability issues have heightened the dilution of store and brand loyalty, with at least half of Australian shoppers surveyed experiencing out of stocks in five fixtures. We found that Australians were more likely than their US counterparts to respond to stock-outs by changing store (30 per cent) or brand preferences (20 per cent). However, there was less proclivity to embrace online as an alternative option as online fulfilment capability in this country became exposed by the soaring demand.

Out-of-stock alternatives, most of which reflect more 'fractured shopping missions'

More recently, a sustained flattening of Australia's COVID-19 infection curve has coincided with a flattening of FMCG sales growth (to single digits) as 'fear of running out' exerts less influence on shopping missions. Increased transactions were a profound influence on March sales gains, but now most shoppers (57 per cent) report an intent to make fewer (larger) trips to limit store visits. Additional waves of the COVID-19 infection will likely prompt further surges in demand (as seen overseas), so supply chains must remain geared to adjust to accelerated demand cycles.

Finishing with an uplifting finding from our proprietary research, the FMCG industry, especially retailers,
has emerged with some credit thus far by being perceived as generally responsive and assuring to a national population struggling to cope with the overall loss of control and choice in daily life.

When faced with unprecedented levels of disruption and uncertainty, leveraging advanced analytics to support decision-making becomes even more important. And that's where IRI continues to be 'part of the solution', as we seek to help optimise the industry’s decision making going forward. IRI is closely tracking developments in our industry using our data sources (point-of-sale, loyalty panel, e-commerce and social media) to help our clients understand the resulting changes in consumer and shopper behaviour across categories, brands, channels and retailers in the areas affected by the virus.

To access our freely accessible global and local insights, please visit iriworldwide.com

About Daniel Bone
Daniel is a recognised thought leader and experienced speaker at conferences in the FMCG industry and senior client engagement. He leverages more than 14 years of industry experience bringing to life insights across drinks, food, beauty and household sectors globally.

About IRI
IRI is a leading provider of big data, predictive analytics and forward-looking insights that help FMCG, OTC healthcare, retailers and media companies to grow their businesses. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI helps to guide its more than 5,000 clients around the world in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver market-leading growth.

For more information on how IRI can provide data and insights to grow your business, visit IRIworldwide.com.au, or phone 02 8789 4000.

Source: IRI analysis; IRI Shopper Panel, Total Till Receipt, 4 weeks to 29/3/20 versus 31/3/19; IRI Store Visits.

Experience of out-of-stock items, Australian and US comparison

Source: IRI analysis; COVID-19 Shopper Survey, April 2020; n = 5809; IRI US COVID-19 Weekly Survey Wave 5, 10-12 Apr; n = 1094. Question: You mentioned that grocery or household essentials were out-of-stock or unavailable when you recently tried to buy them. What did you do most often when something you wanted to buy was recently unavailable at your store/site?

Source: IRI analysis; COVID-19 Shopper Survey, April 2020; n = 5799. Question: Which product brands or retailers or other companies, if any, do you think have responded effectively to coronavirus?