

BABY NEEDS TO BE *nurtured*



Manufacturers and retailers need to rethink established strategies to make the most of the baby category in Australian grocery.

By IRI Client Growth Associate Lachlan Cameron.

The \$2.1 billion baby category is facing significant challenges in the midst of Australia's declining fertility rate, which has steadily fallen since 2013. This has been reflected by a three per cent drop in baby category value growth over the latest MAT.

In this piece, we explore other key trends affecting the baby category in Australian grocery.

Daigou shifting to pharmacy

We are seeing declines in grocery channel sales in the largest baby category, infant formula, and this has been driven by daigou. Daigou shoppers may be turning away from grocery as a result of retailer sanctioned limits on the number of units bought per person.

These shoppers are taking their spend to the pharmacy channel, with major player Chemist Warehouse reaping the benefits. In addition, the rise of daigou-focused retailers, such as AuMake and Australia Post's China Direct is also shaking up retail for the daigou market. Thus, it's important for brands to have multi-faceted distribution strategies in place to insulate themselves against declines within particular channels.

Health and wellness

Australian consumers are placing increased priority on health and wellness and this has seen shoppers move away from processed foods and toward locally sourced and fresh products. This is no

doubt contributing to growth in free-from and organic products (up 14 per cent). While the baby food vertical as a whole is down three per cent, Organic Baby Food is thriving (up 18 per cent) off the back of the success of brands such as Little Bellies and Only Organic. It's key for brands to establish and promote product credentials such as freshness, local and organic as a priority.

Nappies unable to grow price

Nappies is one category which has struggled to grow price over the past five years. A key barrier to price growth has been growing pressure on household spend, which has seen private label flourish and Aldi gain a healthy share of the category.

In addition, the majors have seen the category as a key battleground, prioritising competitive pricing to generate foot traffic with a view to capturing more family baskets. There may be an opportunity for brands to experiment with non-traditional pack sizes to blur the lines for shoppers seeking to compare prices.

Mums online

While online sales in grocery are growing at a rapid rate, online sales among young mums continue to out-pace the market, presenting a key opportunity for retailers; young mums have typically been early adopters of online shopping out of necessity.

Brands need to partner with the right online retailers to increase availability

and ensure they have a strong digital communications strategy in place to promote awareness and drive traffic to online retail partners.

Summary

Declining birth rates and increased cost of living pressures, along with retailers using some baby-related categories to drive foot traffic are all contributing to a challenging market environment for baby brands. Brands which differentiate themselves by calling out key attributes, play-up Australian provenance and ingredients, experiment with pack sizes and have the right online strategies will be best placed to help grow the baby category in Australia.

Sources:

- IRI Market Edge 19/5/19.
- Kidspot.com.au.

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