

Leading the change: STATE OF THE INDUSTRY 2019

"Change has never happened this fast before, and it will never be this slow again." Wotif founder Graeme Wood's celebrated words formed the theme for IRI's 2019 State of the Industry report, presented to FMCG business leaders in November - and change was very much evident in its findings.



"Retailers are fighting hard to communicate value to the price-conscious Kiwi shopper. 61% of Kiwis say price is still the most important factor when purchasing a product."



Vicky Morgan
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Against a backdrop of solid retail market growth (3.9 percent in the last MAT period), fortunes within the store varied significantly. Pre-packaged grocery grew by \$472m (+3.4 percent), led by cheese, eggs and smallgoods, with growth in GM and non-food (+2.2 percent) coming from reusable bags, toilet paper and prepaid cards.

Such divergent pictures show a sector undergoing transformation: driven by innovation, changing consumer tastes and behaviours, and New Zealand's rapidly-evolving retailer landscape.

Those shifts have seen new retailers emerge in the destination, everyday value or convenience categories, alongside a blurring between the offerings retailers currently provide. As well as diversifying and strengthening their offers to increase growth and drive loyalty, retailers are fighting hard to communicate value to the price-conscious Kiwi shopper. 61 percent of Kiwis say price is still the most important factor when purchasing a product.

Reviewing these performances across the channels IRI measures and thinking about the larger value equation, we at IRI landed on four themes that have resonated with consumers and driven sales.

BE CREATIVE

This is all about being experimental, offering something different and having fun with brands, providing some excitement and giving consumers something to talk about. It helps make the brand an experience, not just a product.

A clever example is the 19 Crimes wine brand, using augmented reality technology to engage with their consumers and create "talkability" about their wines. It's now the third-fastest-growing wine brand in NZ.

Another success story is within the petrol and convenience channel - the Krispy Kreme launch. P&C are now selling 55,000 donuts each week, helping to grow the food-on-the-go category in this channel by \$6.7m.

BE BETTER

Better, in this sense, is all about health and nutrition. While it's no longer a new trend, it continues to grow in importance as consumers seek to take control of their lives and especially their health.

A fast emerging focus has been mental

wellbeing. Notably, Apple announced that "Calm" was their number-one app of the year, while ingredients that support brain function and mental clarity, such as Blackcurrant and Ashwagandha, enjoyed strong growth.

Protein continues to be a growth driver across many food categories, with 49 percent of 18-34 year olds defining healthy food as high in protein. Despite all the news about alternative proteins, animal proteins continue to enjoy strong growth, as does yoghurt, nutritional snacks and milk.

Wanting to 'be better' has also driven the rise of what we term 'permissible indulgence' - a great example being beer. 2019 saw the continued rise of low-carb and low alcohol propositions, while the youngest generations aren't just drinking less: many aren't drinking at all.

BE HELPFUL

Consumers love brands that help them save time, whether that's where and how they purchase or in preparation.

An example is pizza, which is highly convenient and continues to see double digit growth. Consumers, particularly Gen Z and Millennials, increasingly want 'do it for me' products, such as frozen or pre-prepared meals, with this space adding \$6m in the past year.

The same trend applies in health and beauty, with more and more products adding value via time-saving benefits,

such as SPF, 7-in-1 and BB creams.

BE RELEVANT

What's considered everyday food in New Zealand today is very different to 30 years ago, with consumers enjoying a much more diverse repertoire of tastes and cuisines. This creates ever-growing opportunities to satisfy consumers' desires for experimentation and culinary adventure.

Our consumers are also more concerned than ever about the build-up of plastic waste in the environment. Brands like Ethique are responding effectively to this, by removing plastic bottles from their product range altogether.

The NZ Government banned single use plastic bags in July this year. After removing these from stores, retailers are finding new ways of taking further plastic out of their ecosystem, including changing the way shoppers buy fruit and veggies and initiatives like 'BYO containers' in their deli departments.

So don't just hold back, don't just think about playing in your category like you always have and how you cycle last years' activity, be the change that is required to accelerate your growth into 2020.

These are just a few insights from IRI's State of the Industry 2019.

For the full picture email Vicky.Morgan@iriworldwide.co.nz. ■



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