

DRIVING GROWTH NATURALLY

Products that are good for the customer and good for the world are fast becoming mainstream.

By IRI Metcash Team Leader Alexey Mironov.



Australian packaged grocery is a \$72.8 billion market that grew 2.3 per cent (IRI MarketEdge, Total Supermarkets Weighted MAT to 28/5/19 vs YA). However, compared with the previous year, the market is still tracking behind combined inflation and population growth of 2.9 per cent (which effectively suggests that the market is in dollar decline). During this period, high cost of living, coupled with elevated levels of household debt in Australia, shook consumer confidence and led to the slowest growth in household spending in a decade.

Despite this, it's not all doom and gloom and there are certain pockets of growth that both retailers and manufacturers have been able to identify and leverage. One of the most prominent of these growth drivers is 'natural goods'.

Kombucha and other natural goods

'Natural goods' is a macro-category that encompasses health and wellness products, products produced without hormones or pesticides and those that are not only good for customers, but also for the world in terms of sustainability.

This macro-category is fast becoming mainstream in Australia as shoppers head back to nature. Fifty-five per cent of surveyed Australian shoppers say they are now trying to buy environmentally friendly products (IRI

Shopper Panel Psychographics).

Last year, the 'natural goods' macro-category reached \$624 million in dollar sales and grew eight per cent compared with the previous year (3.5 times faster than the market) (IRI MarketEdge, MAT to 14/5/19). One of the biggest contributors to growth was kombucha. With the rise in popularity of probiotics over the past few years, kombucha beverages have become a popular drink for the health conscious in Australia, growing almost 200 per cent and adding \$70 million to the category this year.

Another clear stand-out was high-protein healthy yoghurts with no added sugar. Danone's YoPro and Chobani's Fit, when combined, added \$57 million. However, dairy-based products are now facing competition from plant-based alternatives, with plant-based yoghurts and plant-based ice-creams both growing in double digits and adding \$18 million to the category. Healthier snacks, protein pasta and high protein superfood bowls have also been increasingly popular over the past two years.

Retailers responding to market demand

Because of the increased demand for healthy and natural products, retailers are now not only launching increasing numbers of healthy private label products, but also building separate 'natural goods' sections to help health conscious customers more easily

navigate the store and find the products they need. Coles launching a new 'Wellness Road' range of 28 products and creating a separate aisle for both private label and branded products is a great example of this trend.

Modern consumers are now more health conscious and socially responsible, which requires all FMCG brands and retailers to stay on top of this trend and constantly innovate to cater to ever changing consumer needs. Strong partnerships between retailers and suppliers and long-term customer-centric planning is becoming critical to unpack future growth. Those able to deliver products and services perceived as being both good for the customer and good for the world will win and enjoy long term growth and customer advocacy.

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.

