PHARMACY SALES BOOM, BUT WHAT NEXT?

Australian retail pharmacy scan sales exceeded $800 million in the four weeks to March 22 (up 26 per cent versus the same period in 2019) as COVID-19-induced anxieties drove a surge in store traffic, transactions and stockpiling of self-care products.

Whether pharmacy retailers and merchandised brands can build on this unprecedented boom in domestic demand is now the key question amid signals of diminishing panic and glimmers of optimism about the (post-isolation) future.

March was an especially turbulent month for Australia, as the COVID-19 pandemic shook already fragile consumer and business confidence. It resulted in unprecedented new social norms and manifested into a health and economic crisis of historic magnitude. Among a plethora of socio-economic outcomes, the FMCG industry played a fundamental role in making Australians feel safer and better protected by ensuring access to affordable essentials (supply chain challenges notwithstanding).

IRI’s shopper panel, derived from more than 13,000 households recording their purchases across channels, revealed the average Australian household spent an additional $17 in OTC pharmacy expenditure versus the same four-week period last year. The increase in spending was underpinned by a 54 per cent increase in store visits (or transactions) across the pharmacy channel, compared with a 27 per cent uplift in grocery (four weeks to March 29).

OTC pharmacy transaction growth was apparent across the range of store formats, with Priceline, My Chemist Group and ‘rest of pharmacy’ all recording transaction growth above 25 per cent. However, My Chemist Group stood out across the entirety of our national shopper panel by recording 0.6 percentage point growth in share of wallet allocated to the retailer among existing banner buyers. My Chemist Group also recorded the largest increase in basket size per trip (up 10.3 per cent).

Underpinned by these core shopper fundamentals, retail pharmacy added $164 million in additional POS sales in the four weeks to March 22. By acting as a ‘first line of defence’, categories aligned to self-care and immunity were the lynchpins of growth. Analgesics (up 87 per cent), which accounted for a 26 per cent share of all pharmacy sales growth, led the channel’s gain. Cough and cold (led by cold and flu remedies) and personal care (led by personal wash) rounded out the top three growth driving categories, which collectively amassed $87 million in additional sales growth in the four-week time frame.

Immunity boosting vitamins and supplements also enabled the overall category to lap strong double-digit category growth (up 19 per cent) recorded a year ago. Gains were not exclusive to pharmacy retail: IRI recorded weekly vitamins growth beyond 50 per cent for three successive weeks in March in the grocery channel, which is a micro-example of how we observed shoppers becoming even more promiscuous towards channels, banners and brands in doing whatever was required to secure their elevated purchase requirements. Highlighting this, 50 per cent of our shopper panelists told us in the first half of April that they’d either visited another store or bought a different brand when faced with out of stocks (which 96 per cent of shoppers experienced).

The robust performance of premium/community pharmacists was mirrored by the strong showing from community embedded IGA stores, whereby Australians were embracing destinations that have largely become secondary choices to the ‘big two’ with far greater regularity. Mature channels, categories and brands acquiring new consumers,
as we observed in March, is a truly rare phenomenon.

COVID-19 has brought into focus how the FMCG industry provides critical value daily for those in need of basic necessities. With the industry so intricately connected to the day-to-day lives of consumers, it’s uniquely placed to play a leadership role. But there’s an argument to say that pharmacy retail could do more to be seen as part of the solution and become a more embedded part of the public consciousness.

After all, the research (across sources) is consistently showing that consumers want companies to be an active part of the COVID-19 solution. Yet from the 75 per cent of our panelists who mentioned a brand/retailer/companies that have responded effectively, half of them mentioned supermarkets, followed by Woolworths taking the lead, followed by Coles and then ALDI and IGA/Drakes/Romeos. Local shops, restaurants and coffee shops are being recognised as well.

In contrast, pharmacy leaders Priceline and Chemist Warehouse are rarely mentioned. In the UK, Boots provides a recent and compelling example of the broader role that pharmacy can play in community care and taking a stand against the many negative ramifications of COVID-19. From May 1, the growing number of domestic abuse victims are now able to access safe spaces at Boots pharmacies’ consultation rooms where they can access critical support from specialist domestic-abuse services.

Australia is on the path to FMCG sales normalisation as ‘fear of running out’ exerts less influence on shopping missions than observed in late February and March. Many drivers underpin this: a slight reduction in the intensity of concern (and panic) as Australia makes headway in ‘flattening the curve’; the expectation for slow resumption to normalcy; overstocking at-home cupboards reducing basket spend per trip; and reduced store visits and shelf dwell time because of social distancing mandates and fear of infection.

While sales will flatten, self-care, hygiene and immunity products will find a more permanent place in shopping baskets. In-home use professional-grade products offering good perceived value will be sought after. With a significant increase in penetration of almost all health-related categories, it’s a major opportunity to retain these new buyers. Stakeholders should help consumers navigate newfound lifestyle realities at a time when they value (and need) support from the brands they appreciate.

Getting close to customers at this unprecedented time will allow industry stakeholders optimally to respond to genuinely new and evolving consumer behaviours during the COVID-19 outbreak and beyond. As we approach a profound recessionary shock, successful companies will fight their instincts to drop prices. Instead, they’ll apply a range of growth strategies – including optimising their brand portfolio and product assortment, and refining their value proposition to emphasise quality, convenience, and differentiation.

Supermarkets have been the more widely appreciated public face of the FMCG industry during the crisis.

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Daniel joined IRI in 2015 as the channel insights manager, driving IRI’s thought leadership by uncovering the current market truths and future directions for the grocery, convenience, liquor and pharmacy channels in Australia. His passion for insights and assisting brands and retailers has seen him become the retail account director for Woolworths at IRI, before moving into his current role of Insights Director.

Daniel maintains a keen enthusiasm for identifying consumer and innovation trends globally, having overseen Distinctor Consumer’s research while based in London, Copenhagen and Sydney.