

Non-food sales fall amid weak consumer spending, rising competition

Sue Mitchell *Senior Reporter*



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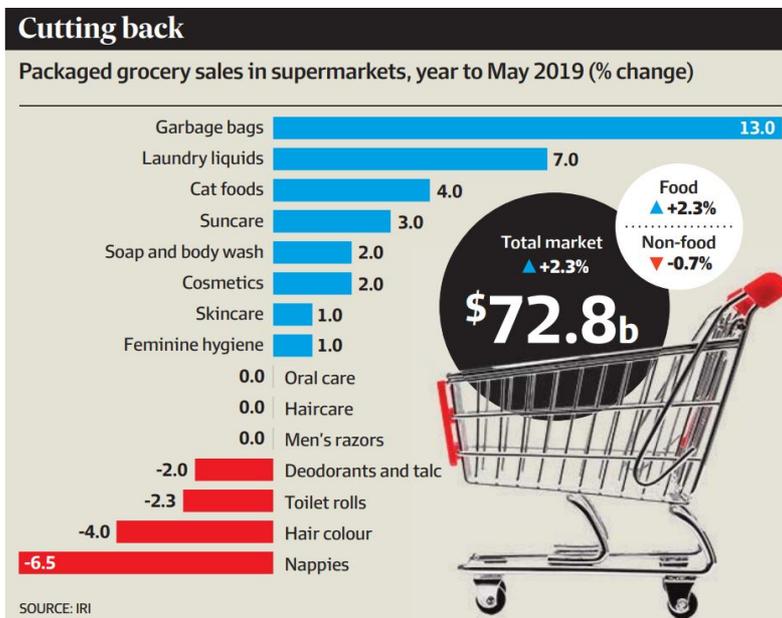
In further signs that consumers are tightening the purse strings, sales of non-food groceries such as toilet paper and nappies are falling in supermarkets as shoppers seek better value elsewhere or cut back consumption.

According to research by IRI, sales of non-food groceries fell by 0.7 per cent to \$15.1 billion in the 12 months ending May while sales of packaged food rose 2.3 per cent to \$47.9 billion, lifting the total packaged groceries sector by more than 2 per cent to \$73 billion.

Woolworths and Coles have been adding non-food merchandise such as homewares and clothing to their shelves to boost margins and have expanded their range of health and beauty products to take market share from pharmacies and specialty retailers.

But IRI's latest industry insights report shows sales growth in non food products has fallen well short of growth in packaged food, which outpaced non-food growth for 47 of the 52 weeks.

Sales of general merchandise products such as stationery, magazines and clothing fell 4.6 per cent, while health and beauty sales in supermarkets slipped 0.1 per cent, according to Alistair Leathwood, IRI's chief commercial officer Asia Pacific.



Sales of non food groceries such as nappies and toilet paper are falling in supermarkets, suggesting consumers are cutting back or buying elsewhere. **Louie Douvis**

Supermarket shoppers appear to be either cutting back on nappies, toilet paper, hair dye and deodorant or shopping online at Amazon and subscription based retailers such as WhoGivesACrap or buying at discounters such as Chemist Warehouse.

Supermarket sales of nappies fell 6.5 per cent in 2019, toilet paper sales fell 2.3 per cent, hair colour by 4 per cent and deodorant and talcum powder by 2 per cent.

Volumes were weaker in most cases, so the drop in sales does not appear to have been driven by price cuts or a shift to house brands.

Mr Leathwood said the growth of dedicated beauty stores contributed to the softness in supermarket health and beauty sales, with the number of Australian households shopping at Chemist Warehouse rising 14 per cent in the June quarter.

"IRI research shows that shoppers are much more active in their buying decisions because of the amount of time they are spending online," he said.

"They are connected to more retailers, apps, loyalty programs and review sites and as a result are more aware of what is selling and for what price and where."

"As a result, they are making more informed buying decisions and often this means

they are able to purchase products elsewhere for a better price than they have been able to purchase while doing their grocery shopping."

Only three non-food categories - garbage bags, laundry liquids and pet food - went against the downward trend.

Garbage bag sales soared 13 per cent, or 23 per cent in volume terms, fuelled by Coles' and Woolworths' decision to remove single use plastic bags last year.

"Many people used single use plastic bags as makeshift garbage bags in the home and now with the removal of these bags from the market, shoppers are having to buy more garbage bags," Mr Leathwood said.

A Woolworths spokesman said the retailer had seen growth across non-food categories as it focused on evolving its offer to meet changing customer needs.

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