



Australia Consumer and Retail Trends

June 2014

Global trends

Health & wellbeing

Information age

Time pressure

Social responsibility

Demographic changes

Value



Urbanization

Globalization

Value chain power shift

Scientific breakthroughs

Energy crunch

Emerging markets

Consumer Trends

Health and Wellness

Australian consumers are increasingly aware of food intolerance and allergies, gaining weight and eating healthy.

Supermarkets in Australia sell the majority of health and wellness food benefiting from the perception of lower prices, particularly in comparison to other grocery retailers, including health food stores.

Retail value growth in health and wellness outpaced packaged food in 2012 with strong performances of the organic, food intolerance and fortified/functional categories .

Consumer Trends

Local versus Organic

Australians are twice as likely to be influenced by local claims over organic labels.

“Australian Made” products are perceived as fresher, safer and healthier than organic offerings.

Around one-third of Australian consumers are satisfied with the range of organic and socially responsible products available at their grocery store. Organic can potentially be a key point of differentiation as retailers find it increasingly difficult to compete on value and convenience. (PR Newswire)

Consumer Trends

GMO-free labelling

The demand for GMO-free labeling is growing as interest in 'natural' products increases. (Innova Market Insights)

GMO-free labeling is set to grow as a marketing tool, even where GMO foods have to be labelled, there is still apparently demand for easy recognition of GMO-free.

Product launches featuring GMO-free claims and labelling remain relatively limited on a global scale: 1.1 % of new products globally used 'GMO-free' labelling. (Innova Market Insights)

This figure rose slightly in Europe and Australasia, but fell to less than 1 % in North America and Asia.

Consumer Trends

Convenience

Fresh, healthy, ready-to-cook and home-cooked meals delivered to the home are becoming increasingly popular with busy consumers seeking convenient,.

Woolworths reports 30% growth in sales of ready-to-cook products over the past year. (Euromonitor June 2013)

Value sales of ready meals in Australia were worth almost US\$1.3 billion during 2012. (Euromonitor International)

Consumer Trends

Aging Population

In 2020 the median age will be 38.2 - as opposed to 35.4 at the start of the millennium - and there will be more 65-year-olds than one-year-olds.

Packaging is increasingly influenced by the rapid growth in the country's older population, resulting in greater demand for packs that are light weight, easy to open, easy to close, and have clear labeling.

Culturally diverse population

Australia is one of the most cosmopolitan communities in the world, with over six million people from some 200 different countries settling here since 1945. In Australia, people who were born overseas make up nearly one quarter of our population.

Global flavors and flavor enhancers – from Europe, North America, Asia Pacific, Middle East & Africa - are finding their way in supermarkets.

Consumer Trends

Multi-generational living

- Multi-generational living is spurred by immigration and the high cost of housing and childcare. (University of New South Wales) as well as Millennials moving back to the parental home in an effort to save money. (McCrinkle)

Australia has the most expensive housing in the world amid very tight housing and land markets and little prospect of restoring the balance.

Single households

- Increase number of single-person households is the primary reason for the declining household size.

One-person households constituted 24.3% of the total households in 2011, while family households made-up 71.6% and group households have a 4.1% share. (University of New South Wales)

The average number of occupants per household in Australia stood at 2.7 in 2012. (Euromonitor International)

Consumer Trends

Urbanization

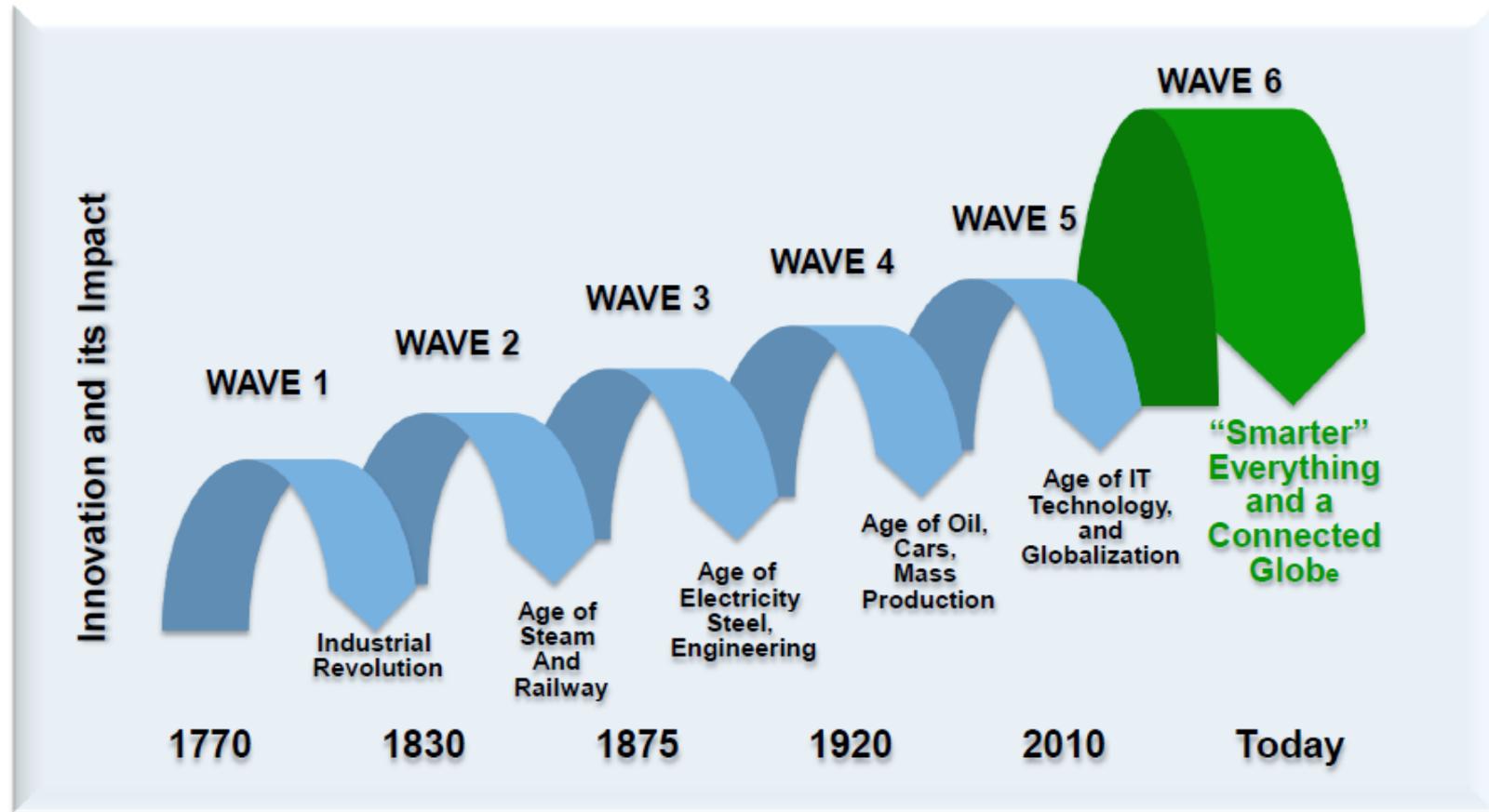
Australia is poised to be the world's fastest growing industrialized nation over the next four decades, with the population hitting above 25 million by 2020.

89% of the population live in urban areas with most concentrated on the eastern foreshore.

“The future of retail relies on the shifting sands of consumer technologies.”

Simon Banks

The World is “ushering” in a new age of innovation – *a new dimension of thinking is required to compete*



Retail Trends

Technology = Disruption at retail

1. Adoption of mobile smart devices
2. Intelligent use of “Big Data”
3. E-Commerce



Retail Trends

Mobile technology

Australia has one of the highest mobile Internet penetration rates in the world with 3 out of 4 Australians owning a smartphone. (Euromonitor International)

Competition is greater than ever before

- Internet, especially mobile, allows suppliers, manufacturers, buyers and wholesalers to sell direct to the consumer.

Power is in the hands of the consumer

- Mobile accelerated the power of the consumer forcing retailers to deliver tailored shopping, bridging retailers and consumers at every stage of the shopping cycle.

Retail Trends

E-commerce

2.3 Billion people purchasing food and alcohol online worldwide.

There are more than 5.5million active Australian PayPal account holders

More than one in 10 online Australian shoppers used their smartphone to make a purchase and the same proportion purchased using a tablet (13 per cent).

Retail Trends

E-commerce

2D images. QR codes. No staff.



Woolworths' virtual stores were more of an attention-grabbing interactive advertisement, but they prove point about mobile shopping apps on the horizon.

Australian retail

The recent retail changes and trends: (Australian Bureau of Statistics)

- Longer sales hours
- Category killers located in outlying areas with lower real estate prices
- Fewer individually-owned boutiques, more retail specialty chains
- More consumer self-service, and less direct customer service assistance
- Labor-saving technological advancements
- Increased productivity due to better and more timely data
- Increased number of hypermarkets
- High street renovations and renaissance
- Increase in private label brands to increase profits
- International expansion of Australian-based retailers

Australian retail

Mature market

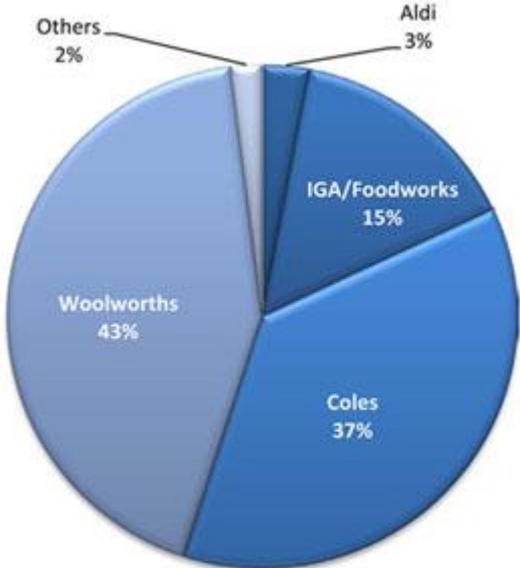
One of the most concentrated grocery sectors in the world.

Supermarket revenues for 2011-12 posted modest growth of 2.5% to A\$83.7 billion. 2016-17 forecasted to be \$94 billion. (Stuart Alexander)

- ***Woolworths and Coles dominate with 80% market share***
- ***2001 Aldi entered the market***
- ***2009 Costco entered the market***
- ***Approximately 10,000 small and independent retailers across Australia.***

Australian retail

Australian Grocery Market Share



Source: Ferrier Hodgson - Ferriers Focus May 2011
from Wesfarmers and Woolworths annual reports 2010, NARGA
November 2010 Report, Master Grocers Australia December