

IRI Australia Industry Insights

FMCG IN THE 'COVID-QUARTER' & PREPARING FOR RECESSION PART 2

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IRi

Growth delivered.

About this report

This report combines multiple sources of data and research inputs to provide a **comprehensive view of the behaviour and perceptions of Australian FMCG shoppers from February to May**. It therefore captures changes during an unprecedented timeframe: **the 'COVID-quarter'**

We think it is a crucial time to monitor consumers constantly changing perspectives. Much of the analysis includes the results of **two waves of dedicated COVID-19 themed surveys put to IRI's Shopper Panel**. Wave 1 included **5,799 respondents** surveyed between 1st and 15th April. Wave 2 included **5,566 respondents** between 19th and 24th May

Also included is **select retail POS data across channels**, and ongoing **data collected from our shopper panellists who have been recording their elevated purchase levels throughout**. Because of the mixed sources of data, the specific timeframes vary but are clearly stated on each slide

This is a comprehensive **5 part report**, covering **3 themes**

THEME 1 A headline view of COVID-19	THEME 2 Situational analysis across the FMCG channels in the 'COVID-quarter'		THEME 3 Recessionary macro-economics and dealing with a 'recessionary mindset'	
PART 1	PART 2	PART 3	PART 4	PART 5
COVID-19 Sentiment Update	Quarterly Grocery Update	Quarterly 'Rest of FMCG' Update	A 'Recessionary Mindset' & Looming Recession	What To Do To Survive & Win In A Recession
				

This document includes Parts 4 & 5

FMCG IN THE 'COVID-QUARTER'

COVID-19 Sentiment Update



Australians remain cautious as we unlock the lockdown

1

Australia has had success in curbing COVID-19 infections, which has helped to quell rising anxiety and restore faith in the government's leadership. Even as Australians express slightly less anxiety about COVID-19 (compared to March and early April at least), concerns remain pervasive amid ongoing socio-economic consequences evidenced throughout this report



2

Australians have moved into a 'readjustment' phase (in the COVID-19 lifecycle) as lockdown eases, recovery cases surge upwards, and citizens slowly begin to derive newfound enjoyment and appreciation from simple pleasures previously taken for granted (but unobtainable in lockdown). An unprecedented magnitude of change has occurred throughout the quarter as lifestyle norms (both work and leisure) continually adjust and become 'new norms' for the foreseeable future



3

Prevention, hygiene and immunity are all very much front-of-mind. Anxiety towards the avoidance of germs and other contaminants is driving forceful demand for a safer shopping environment. Elevated expectations of safeguarding measures will drive up operating costs at a time when frugal consumers will become more price conscious. This could be a tension point for the industry



Global COVID-19 infections have now surpassed 6.6M impacted citizens

Global cases:

6,600,692

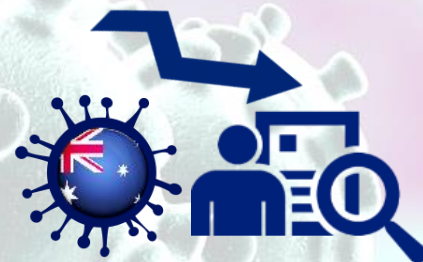
Countries impacted:

188

Global deaths:

389,620

	Country	Infections	Deaths
1	US	1,872,528	108,120
2	Brazil	584,016	32,548
3	Russia	440,538	5,376
4	UK	283,079	39,987
5	Spain	240,660	27,133
6	Italy	234,013	33,689
7	India	226,713	6,363
8	France	189,569	29,068
9	Germany	184,472	8,635
10	Peru	183,198	5,031
64	AUSTRALIA	7,247	102



Australia's global ranking in the COVID-19 case count has dropped significantly since March when it was ranked #20 according to Johns Hopkins University data as of 31/03/2020, 09:39am

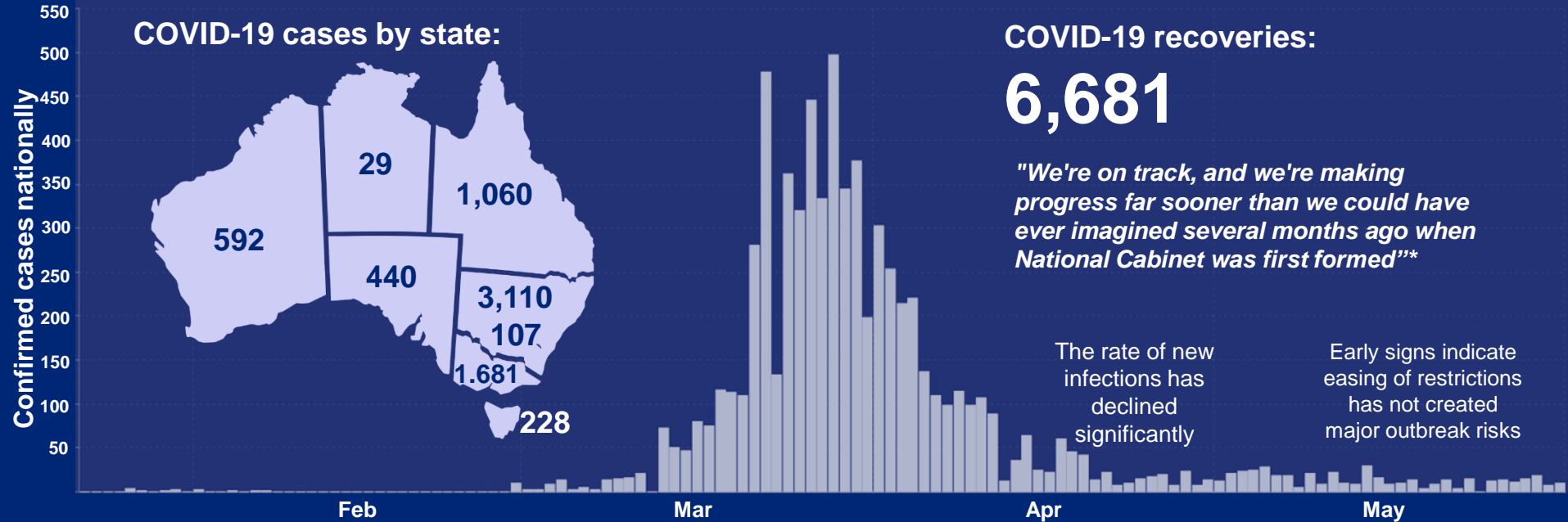


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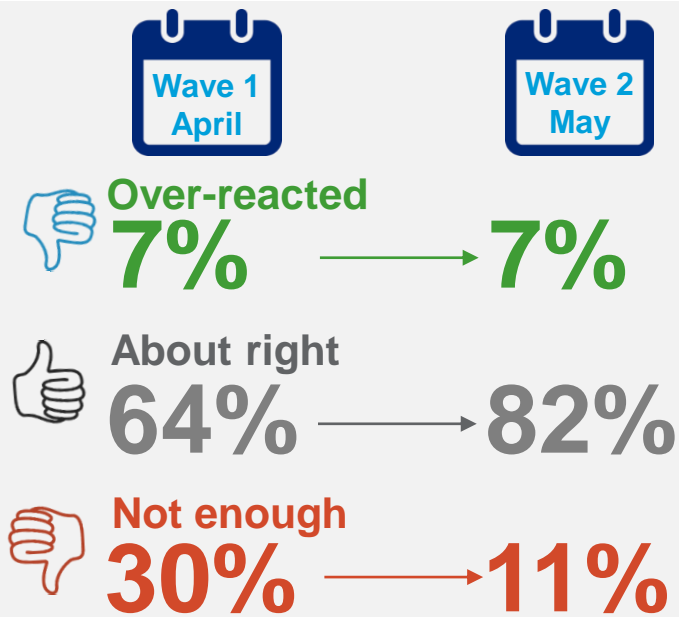
Source: IRI analysis; Johns Hopkins University; Data as of 05/06/2020, 10:33am AEST

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Australia has had comparative **success in curbing COVID-19 infections...**



...with eased restrictions likely adding to the **positivity re: the local response**



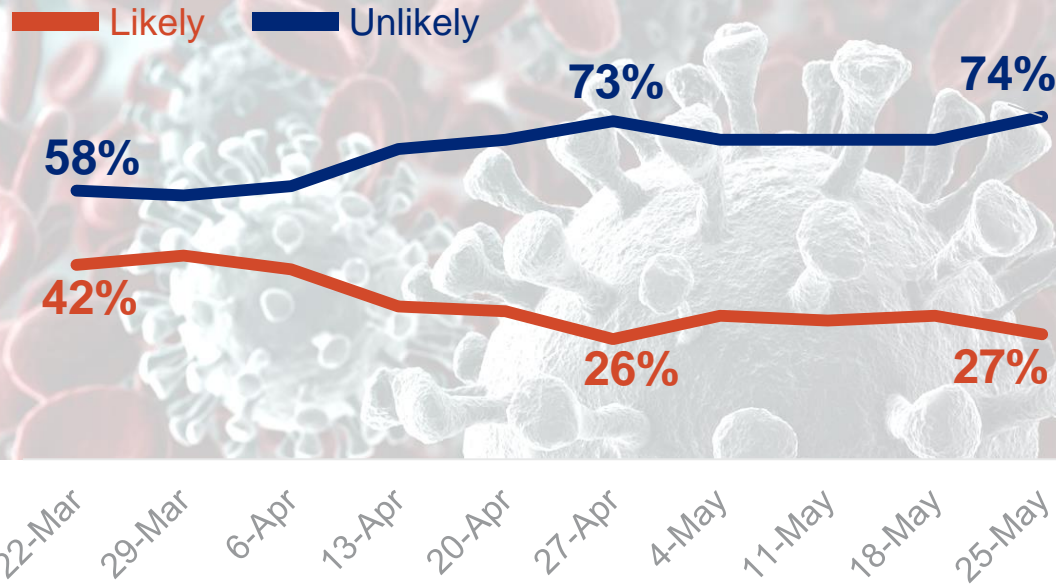
The sentiment among IRI's panellists that the level of response has been apt aligns with other research* indicating **a clear majority of Australians rating the government's response to the COVID-19 outbreak as 'good'**



Regardless of political affiliations, it could be argued that **the successful suppression of the first wave of the pandemic is a source of national pride**

Success in **curbing infection** has coincided with a **lower perceived risk**

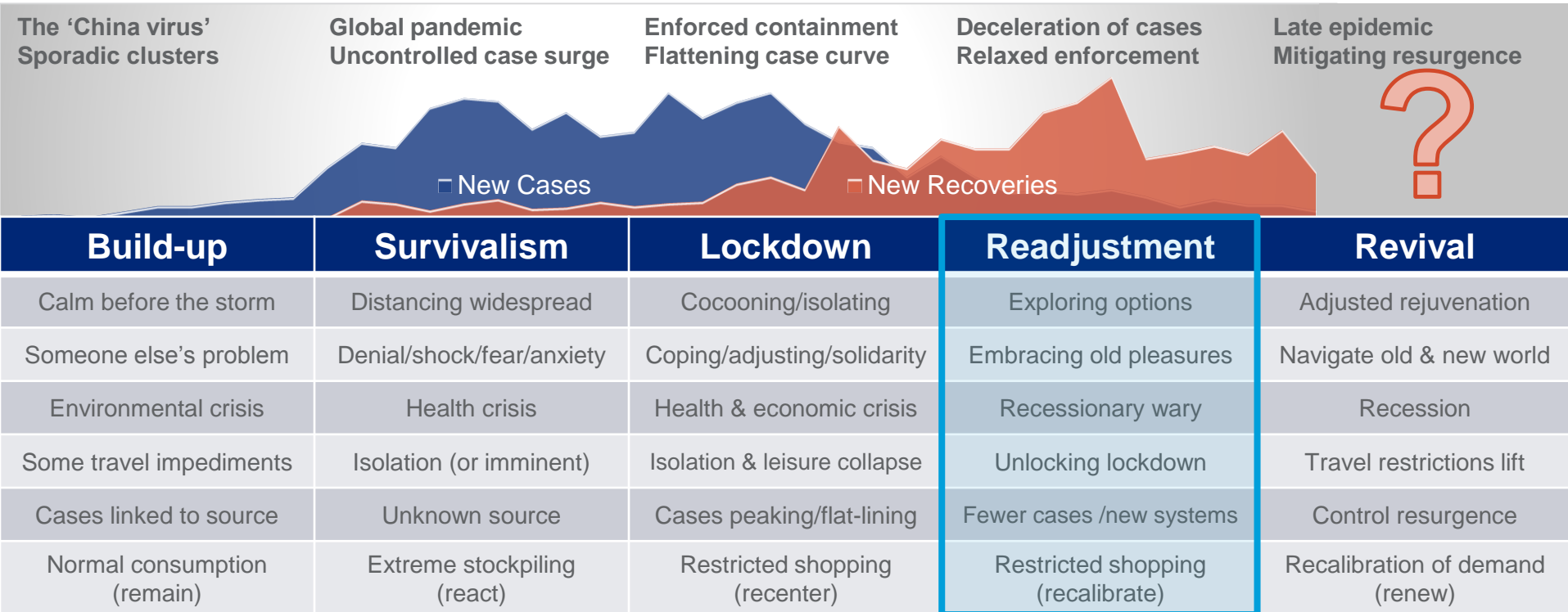
Perceived likeliness of developing Covid-19 among Australians



At no point has a majority share of Australians deemed it likely that they would develop COVID-19.

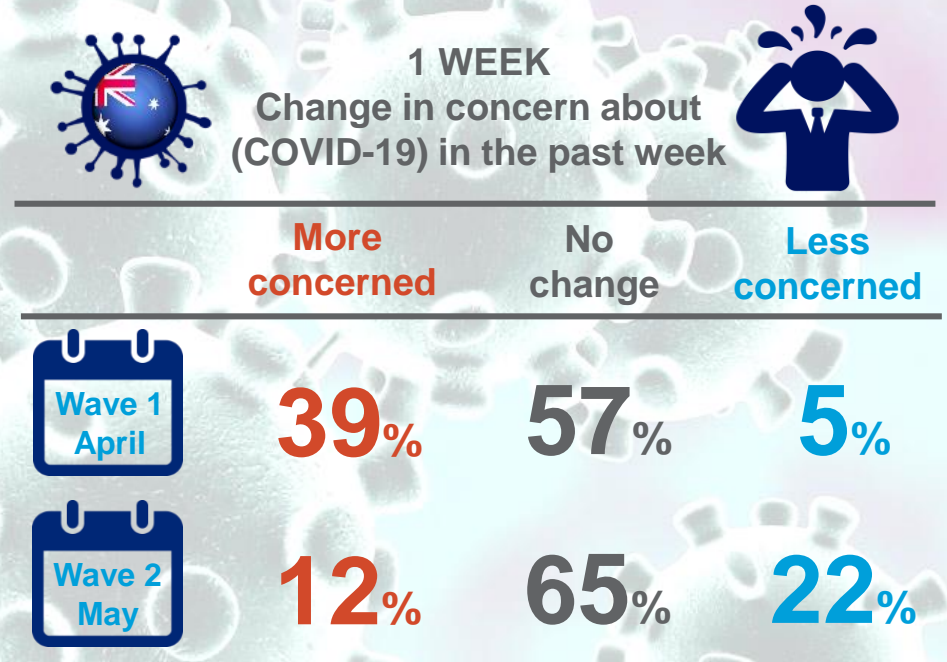
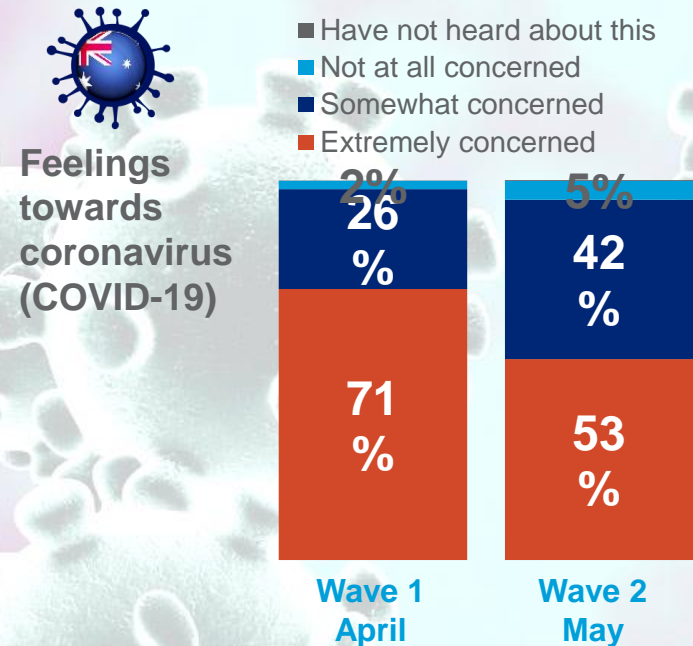
Fear of infection peaked in late March and subsided throughout most of April. Sentiment is stable in the latest 4 wks., which is indicative of a **cautious optimism/hope**

Australians have moved into a 'readjustment' phase as lockdown eases



Overall COVID-19 concerns have eased, but remain pronounced

A majority are still 'extremely concerned'. Concerns have diminished vs. March and April, but have remained consistent in May



Lifestyle choices & shopping habits continue to adjust

COVID-19 is causing Australians to adjust their behaviour in fundamental and perhaps permanent ways. Previous preferences and loyalties cultivated by prior lifestyle habits have been highly disrupted



Have your **shopping choices changed** recently because of the Coronavirus?
(Please select all that apply among 11 listed changes)



Wave 1
April

18%

% of respondents answering **'none of the above'** (and thus indicating no change)



Wave 2
May

26%

74% still indicating a change of habits



Have you been doing **anything differently** during the past week to bring some joy into your day or reduce stress?
(Please select all that apply among 15 listed changes)



Wave 1
April

13%

% of respondents answering **'haven't made any changes'** (and thus indicating no change)



Wave 2
May

16%

84% still indicating a change of habits



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Source: IRI analysis; COVID-19 Shopper Survey, April 2020, n = 5,799; May 2020, n = 5,566
Questions as stated above

Ongoing concern has **elevated expectations of safeguarding measures**

Importance of measures to choose where to shop (top 5): % saying 'very important'



Hand sanitiser & wipes available upon store entry

59%



Limiting the number of shoppers in store

38%



Contact-less credit card option for payment

31%



Presence of plexiglass dividers for cashier

29%



Require customers to bag their own groceries if using a re-usable bag

25%

Anxious/wary consumers will value retailers & products that support their heightened need for safety, cleanliness and trust



Source: IRI analysis; COVID-19 Shopper Survey; May 2020, n = 5,566

Question: Thinking ahead to your shopping plans in the next month, how important are the below in determining your level of comfort in returning to normal store shopping habits? (Please select one answer for each attribute)

PREPARING FOR RECESSION

A 'Recessionary Mindset' & Looming Recession



COVID-19 has propelled Australia onto a recessionary track

1

Plan for a major downward impact on the global & local economy.

The spate of bad news, especially around joblessness and speed of economic contraction, is driving household confidence downwards to record lows. Economically sensitive Australians will be looking more closely at price, promotions and value across all retailers. Shoppers will be eliminating, postponing, decreasing, or substituting purchases. Keep close tabs on how the economic impact is affecting specific consumer segments. It will not have an equal impact across all cohorts



2

We see a reduced WTP*, and conditions conducive for private label.

Some consumers will still seek premium products during a recession, but we have seen a reduced WTP* a price premium for better quality in 2020 compared to any of the last 5 years. And additional frugality will propel the embracement of private label; over half of shoppers have already chosen store brand/private label items more often in the last month to save money, or because of brand availability issues



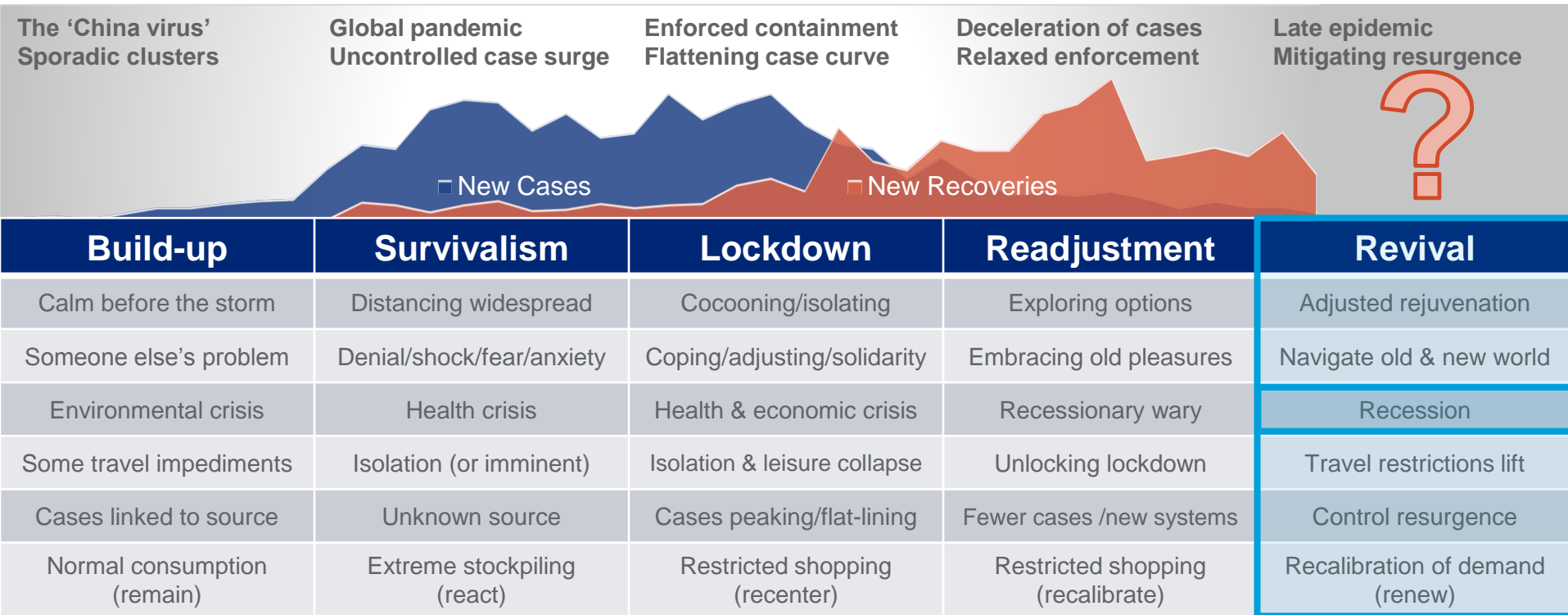
3

In-home consumption will remain elevated, even as COVID-19 recedes.

The FMCG industry faces a true recession for the first time since the early 1990s, and an entrenched recessionary mindset for the first time since the GFC. But we can only learn so much from those events. The COVID-19 recession will illustrate the bifurcation between the hardest hit – around 10% of (eventual) Australians filing for unemployment – and the gainfully employed who are shifting purchases to remain comfortable in their homes (many with the enviable ‘double-win’ of more time and money)



The 5th and final 'revival phase' will be defined by a recession





A **large economic contraction** is coming. The forecast GDP contraction **will end Australia's run of 28 consecutive years of economic growth**

RECESSION-
PROOF
YOUR
BUSINESS

Health intervention aimed at mitigating COVID-19 has come at a heavy economic cost. A public health crisis and has now morphed into a financial pandemic – what could become the ‘Great Crash of 2020’

Fitch Ratings has already revised Australia's Outlook to ‘Negative’ (from ‘Stable’) due to COVID-19's impact on the economy and public finances

*“We're entering a recession that's not going to be like other recessions we've had before”
Coles CEO, Steven Cain – April 2020*

In April, a **near majority** of Australians **felt financially worse off** than YA



Financial situation versus YA, by demographic cohort

Pre Family	Young Family	Middle Family	Older Family	Mature Single	Empty Nesters	Retired Couples
Better off 15%	Better off 16%	Better off 12%	Better off 12%	Better off 10%	Better off 10%	Better off 8%
Worse off 46%	Worse off 47%	Worse off 50%	Worse off 52%	Worse off 45%	Worse off 50%	Worse off 47%

Better off



↑ 12%

Worse off



↓ 48%

64% of **Gen Z** respondents felt worse off

39% of **retirees & seniors** felt worse off

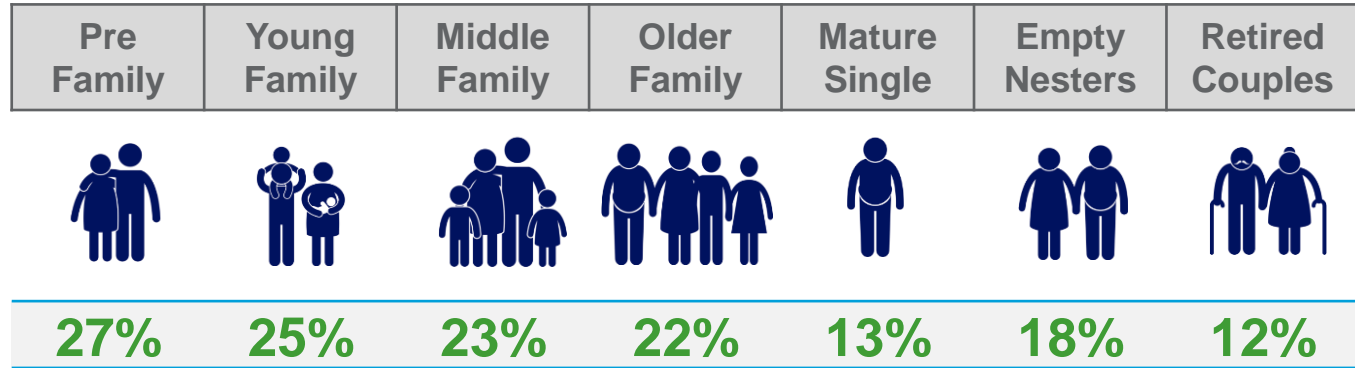
And fewer than 1-in-5 were optimistic about next year...

...but pessimists outnumbered optimists across all cohorts about the future



Financial expectations for next year, by demographic cohort

↑ 20%



Optimism diminishes from Gen Z to Retirees



↓ 41%



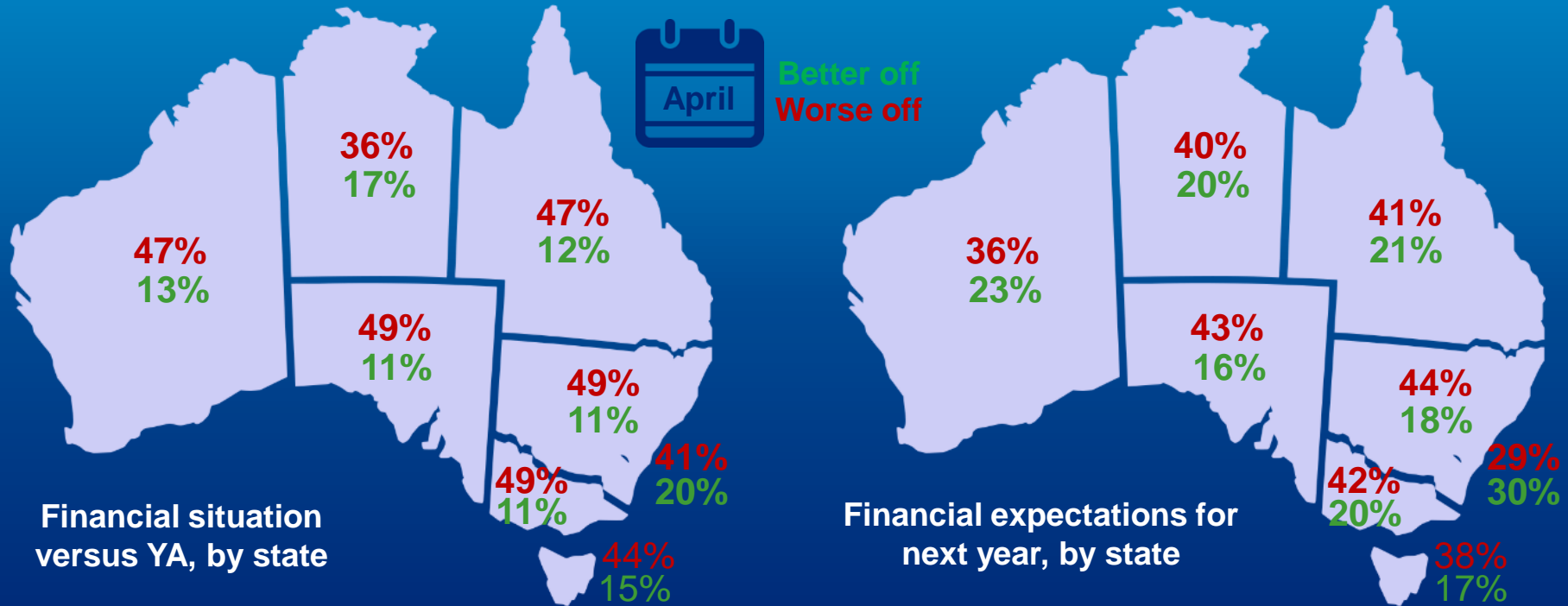
Reflects the future consumption challenges likely to impact the economy at large. After all, economic and **consumption growth is anchored by our confidence in our future optimism**



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Source: IRI analysis; IRI Shopper Panel Econolink Segmentation Surveys; n for 2019 = 4,331, n for 2020 = 5,796
Question: How do you feel your financial situation will look a year from now, vs. today?

Pronounced pessimism existed in NSW, the country's largest state economy



Financial situation versus YA, by state

Financial expectations for next year, by state

The **economic ramifications** of COVID-19 will be **unrivalled**



WORLD BANK GROUP



**RESERVE BANK
OF AUSTRALIA**

“The **outlook is dire**. We expect **global economic activity to decline on a scale we have not seen since the Great Depression**. This year **170 countries will see income per capita go down**—only months ago we were projecting 160 economies to register positive per capita income growth”

“The question now is **not whether there will be a global recession but how deep it will be**—and how quickly countries can overcome the health crisis and pave the way for economic recovery”

“Australian **GDP was expected to contract by around 10% over the first half of 2020**. Most of the contraction was expected to occur in the June quarter...an economic contraction of **such speed and magnitude would be unprecedented** in the 60-year history of Australia's quarterly national accounts”

The **economy & unemployment** have topped our **COVID-19** concerns

Sentiment reflects the sharp rise in unemployment and gloomy economic predictions

Total concerned (very/somewhat)	27/04	20/04	13/04
The Australian economy as a whole	85%	87%	85%
General unemployment if companies are forced out of business	83%	83%	79%
The physical health of close family members	69%	74%	73%
The impact on my superannuation, savings or investments	63%	67%	63%
My close family members' mental health	60%	64%	61%
My physical health and catching the virus	59%	64%	62%
My economic situation if I lose my job or have less work	57%	59%	58%
Children's development by missing out on school	52%	56%	52%
My ability to buy food and essential items if stores run out	50%	58%	58%
My mental health as a result of social distancing	47%	50%	47%

Possible green shoots?

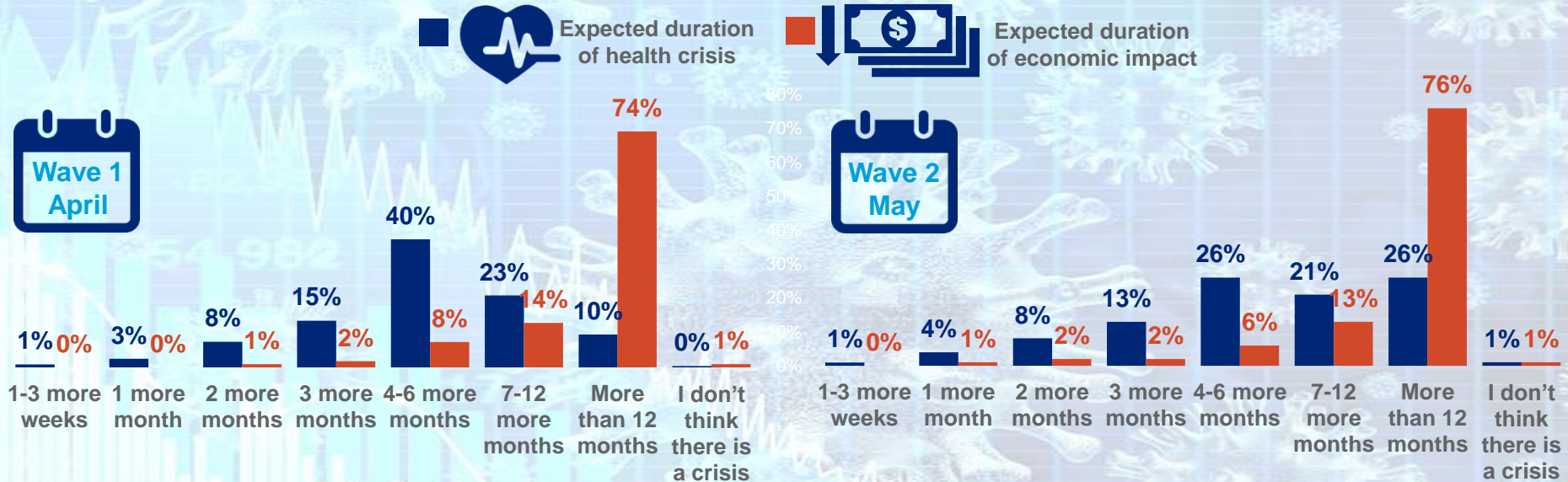


Recorded a strong recovery in consumer confidence in May

Optimism from virus containment and relaxed restrictions

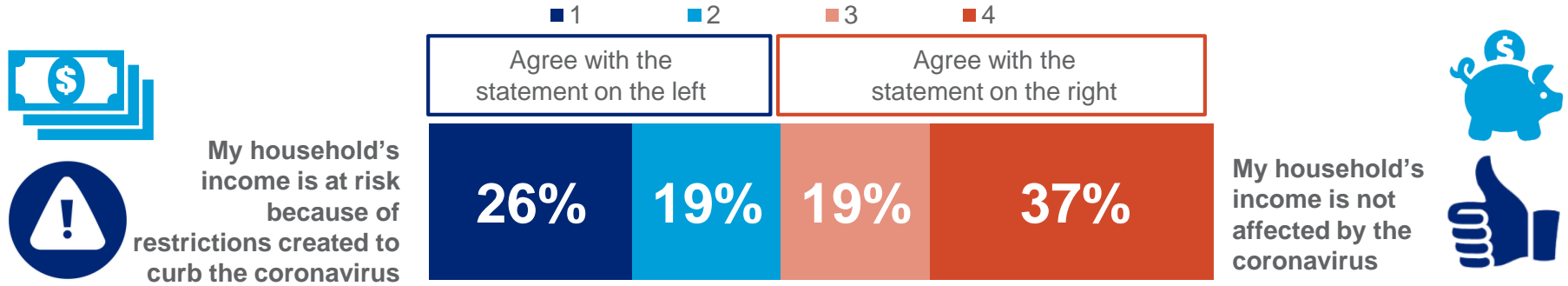
Sentiment indexes remain weak by historical standards**

Most Australians are still bracing for over a year of economic impacts



Three months into the pandemic, **Australians remain mindful that the COVID-19 pandemic poses an unprecedented long-term risk**, especially to the local and global economy. It is for this very reason that the RBA anticipates **“fiscal and monetary support will be required for some time.”** And the speed and magnitude of the economic contraction heighten the sense of **personal financial vulnerability for longer**

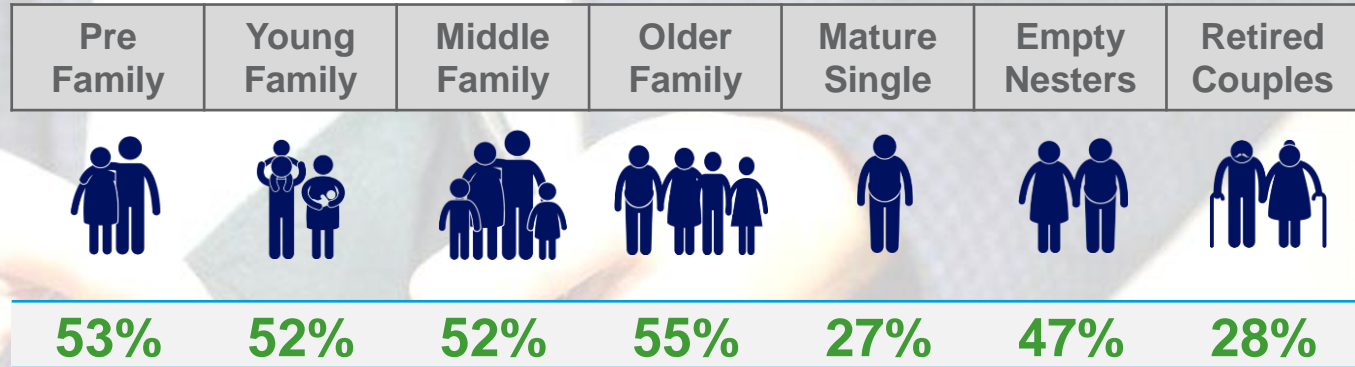
Australians have **lost income**, and **see little hope of a wage rise**



The above reflects expectations in early-to-mid April of a sizeable loss of income in the next six months. And few expect improved wages growth for the foreseeable future (following prolonged wage growth lows)



Families were feeling the most susceptible to income loss in April...



“My household’s income is at risk because of restrictions created to curb the coronavirus”



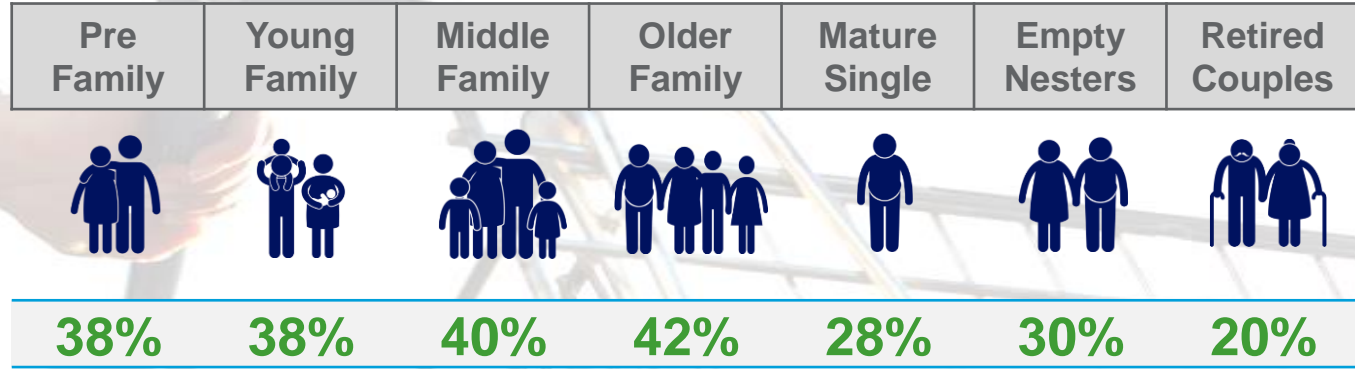
Total with kids
53%



Total without kids
37%

...and also report the **most difficulty with grocery affordability**

“My household is having difficulty affording needed groceries”

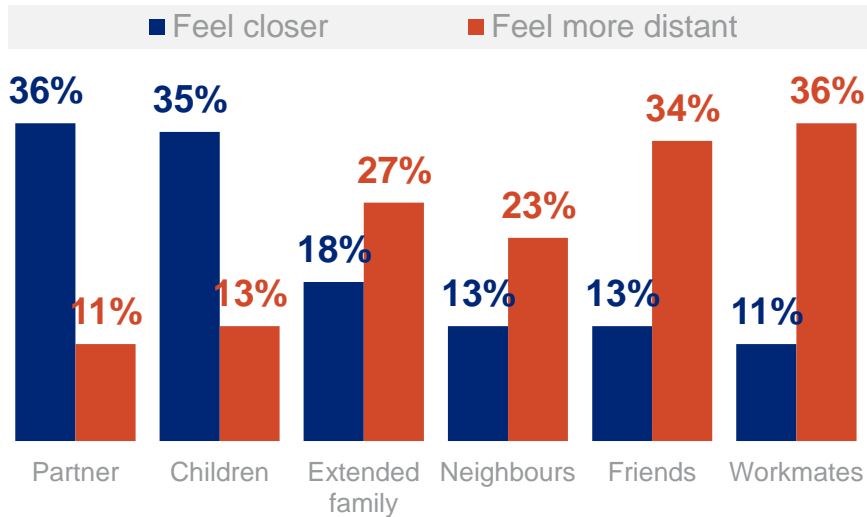


Total with kids
40%



Total without kids
29%

But, as an aside, families are at least feeling closer following lockdown



Feel more distant to those outside household, but closer to immediate family members at home

Feel closer, by age	Total	18-34	35-54	55+
Partner	36%	49%	36%	24%
Children	35%	50%	41%	22%
Extended family	18%	24%	19%	13%
Neighbours	13%	15%	13%	12%
Friends	13%	19%	11%	11%
Workmates	11%	13%	11%	8%

Older aged Australians aged 55+ are materially less likely to feel closer to family members

Differing interpretations aside, the unemployment situation is grim

The speed and scale with which the crisis has resulted in job losses is unprecedented



Unemployment **rose to 6.2% in April** (up from 5.2%), **a record one month rise** amid job losses amounting to 600K

The treasury anticipates **peak unemployment to reach 10%**, and say it would be 15% of not for \$130bn jobkeeper payments. On that note, the **RBA is concerned that fiscal support may be withdrawn too early**

Estimate **2.16M (15.3%) unemployed** and 3.48M (24.7%) either unemployed or under-employed

That's **439,000 fewer** than the **3.92 million unemployed or under-employed** (27.4% of the workforce) during the last **two weeks of March**

Unemployment Expectations Index

136.9

+13.2% vs. YA

-13.4% vs. prior month

The steep decline in hours worked cuts through definitional ambiguities



-9.2%
vs. prior period

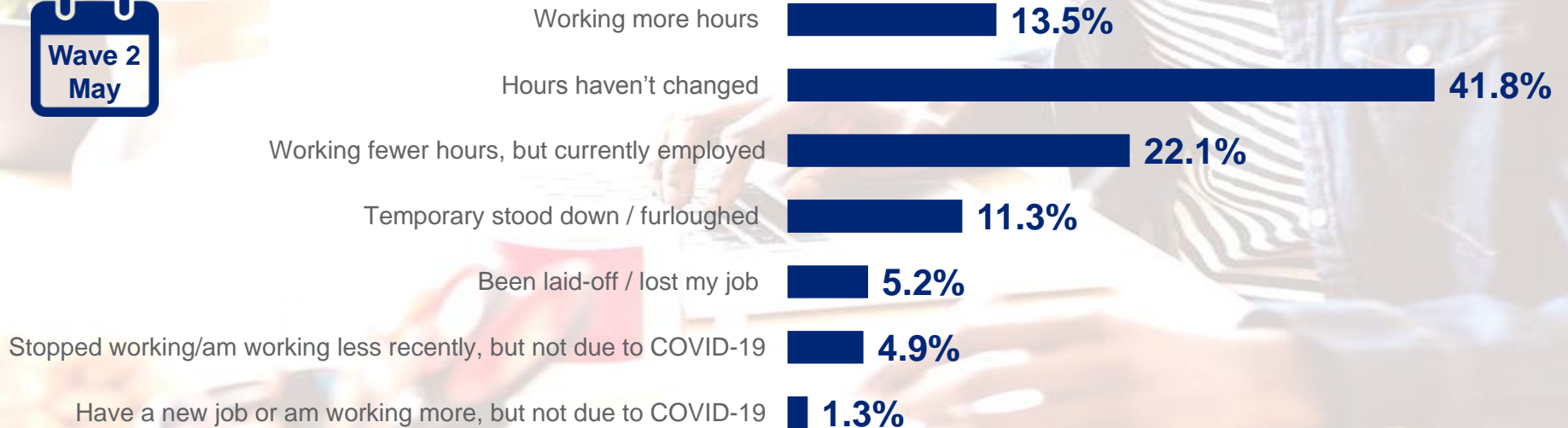
-9.4%
vs. YA

Total monthly hours worked per capita, July 1978-May 2020



Around 55% of employed Aussies have been impacted by COVID-19

Work schedule change influenced by COVID-19



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Source: IRI analysis; COVID-19 Shopper Survey, April 2020, n = 5,799; May 2020, n = 3,374 – those already in employment only
Question: Has your work schedule changed recently because of the Coronavirus? (Select one)

Nearly **half of recently unemployed** Aussies fear a **long-term struggle**

Employment outlook among those new to joblessness

	Total	Male	Female	18-34	35+
I don't think I'll be back straight away but I'm confident I'll find paid work fairly quickly	36%	44%	28%	40%	32%
I think it will take a long time for me to find paid work	36%	35%	36%	31%	40%
I'll be back in paid work straight away	18%	12%	24%	21%	15%
I don't think I'll find paid work again	10%	9%	10%	8%	11%
I won't be looking for paid work	1%	0%	2%	0%	2%



Australian **wealth** will likely be **impacted** by **falling house prices**

Supporting housing prices

Interest rates are at sustained record lows, and will remain that way

Weak correlation between joblessness and lower home values

Limited panic selling expected in the short-term

Stalled migration/
population growth

Rising unemployment/
underutilisation

Sellers withdrawing
properties from market

City's like Sydney turning
into a renter's market

Detracting from house prices



HSBC forecast:

-2% to -12%

but with greater correction in Sydney & Melbourne



CommonwealthBank

CBA forecast:

-11% base case

-34% worst case



ANZ forecast:

-10%

peak to trough declines until late 2021 rebound



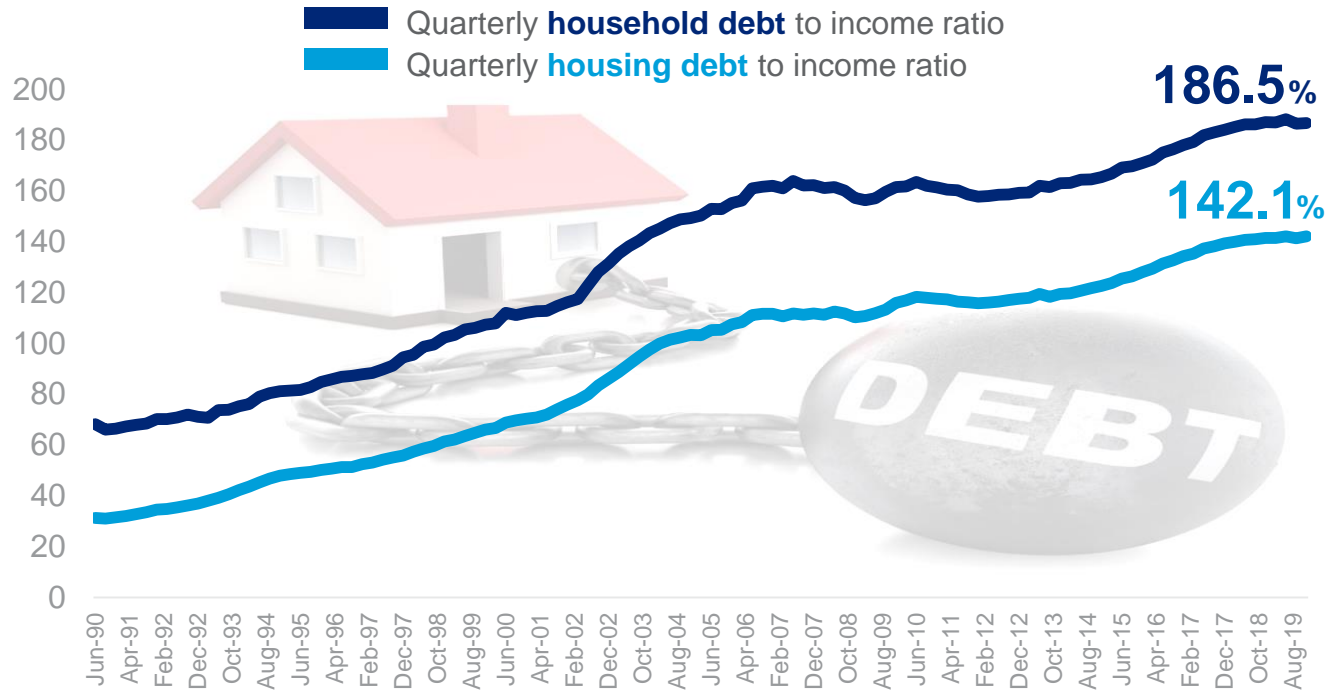
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Source: IRI analysis; abc.net.au; propertyobserver.com.au; news.com.au; businessinsider.com.au

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Record high household debt is a leading ‘recession vulnerability’

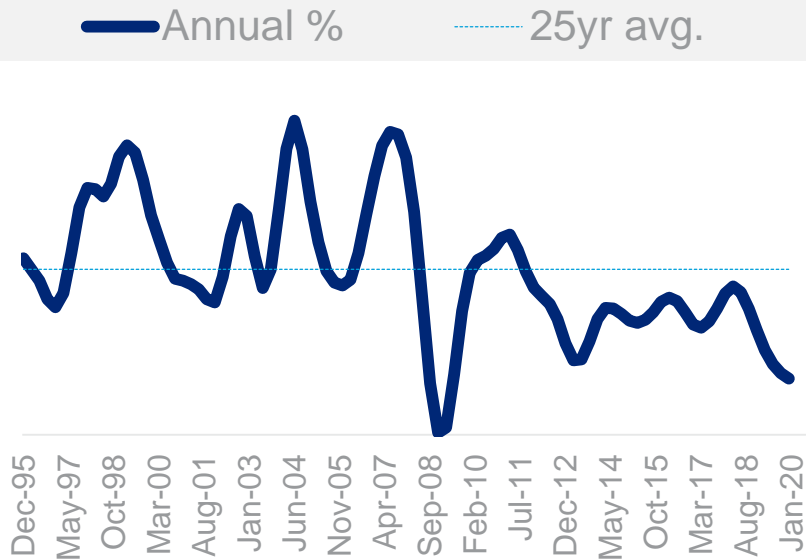


A longstanding house price boom has left many **Australians shackled by costly mortgages**. Rising unemployment could trigger a surge in mortgage defaults

The RBA's rate of **household debt to income is nearing 200%** (i.e. almost double disposable income), **one of the highest levels in the developed world**. High household debt therefore **amplifies the impact of other recession inducing factors**

Highly indebted HHs are expected to heavily cut back on spending

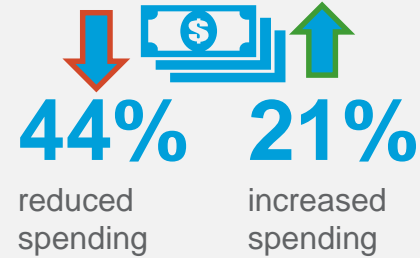
Australian household consumption growth (%), 1995-2019



PreCOVID-19 household consumption growth (+1.2%) was the lowest in a decade. But the forecast decline puts it in **unheralded negative territory**, with the RBA already noting that household spending has already **“weakened very considerably”**

RBA’s H1 2020 forecast:
-12%

Self-reported spending, April & May*



Australians **only expect to spend more*** across in 2 of 30 consumer market categories for H2 of May



Groceries



Entertainment at home

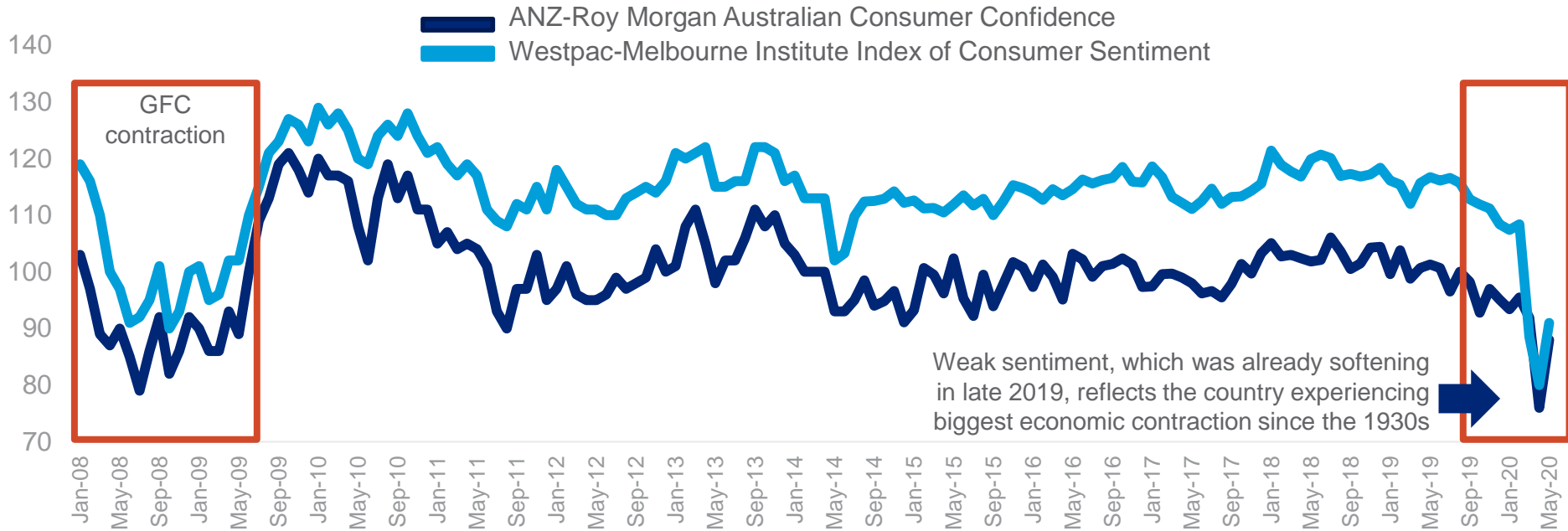


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Source: IRI analysis; rba.gov.au; abc.net.au; *mckinsey.com, compared to usual

...especially with **consumer confidence** having **plunged** beyond GFC lows

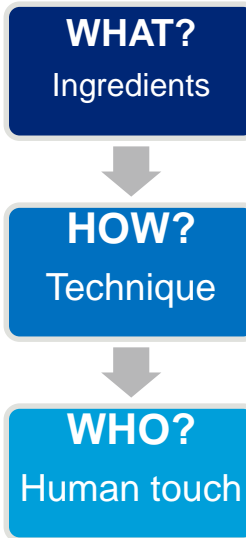
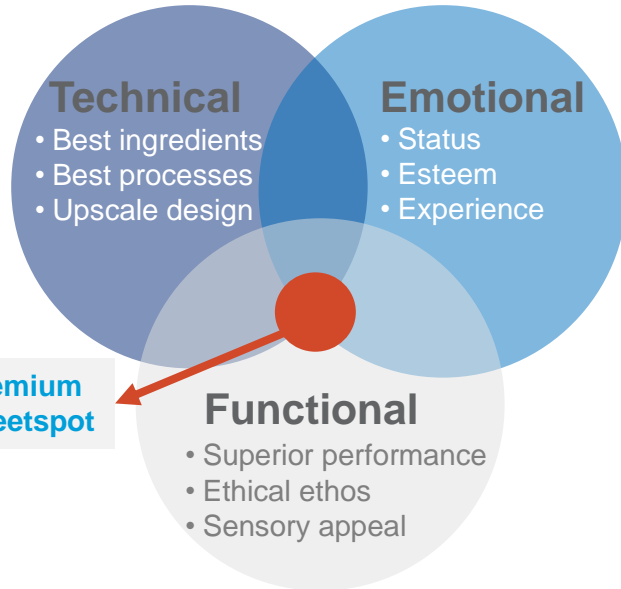
The COVID-19 induced confidence surpassed the lows seen during the GFC



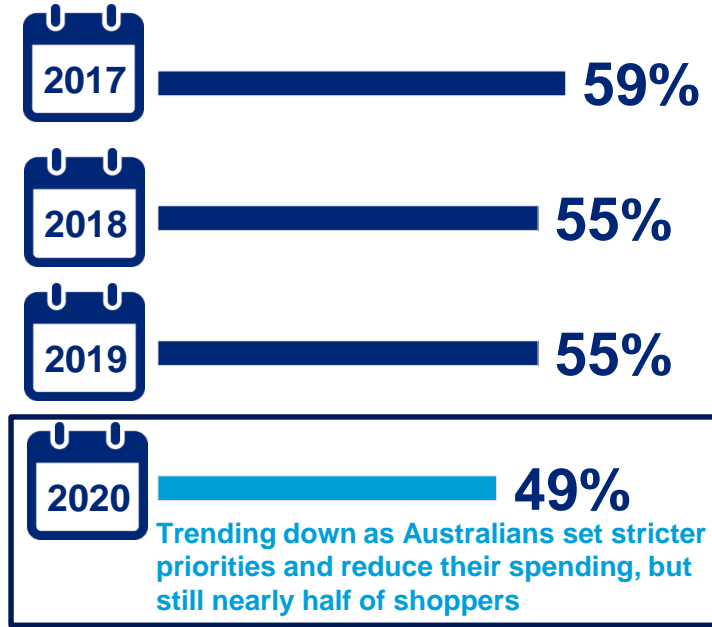
Income loss aligns with a reduced WTP* a price premium for better quality

What underpins a premium proposition?

Technical, functional, and emotional benefits meaning the 'what', 'how' and 'who' product cues matter



“I am willing to pay a premium price for better quality”



And additional frugality will propel the **embracement of private label...**

“Chosen store brand/private label items more often in the past month because the name brand I usually buy was unavailable”**

“Chosen store brand/private label items more often instead of name brands in the past month to save money”**

	Statement 1: “Chosen store brand/private label items more often in the past month because the name brand I usually buy was unavailable”**	Statement 2: “Chosen store brand/private label items more often instead of name brands in the past month to save money”**
Agree completely	15%	18%
Agree somewhat	46%	43%
Do not agree	39%	39%

“Retailers/stores own label products are a good alternative to branded products”***



58%



61%

PRIVATE LABEL

The **impending slowdown of the economy** will not only impact the performance of various categories, but it is also **likely to encourage greater consumption of private label offerings**. The convergence of several factors—including increasingly **value-conscious consumers, retailer differentiation and profit-optimization objectives, and enhanced producer operating capabilities**—will all play a role in propelling the private brand market

...with conditions ripe for further private label share gains

Meh.



Imcl - Indifference; to be used when one simply does not care.

If a brand goes away tomorrow, would people even care?*



23%



77%

Private label risk to brands is high when differentiation and loyalty are low, and when the financial incentive is strong



"The name of the brand I buy is important to me"***



41%



32%



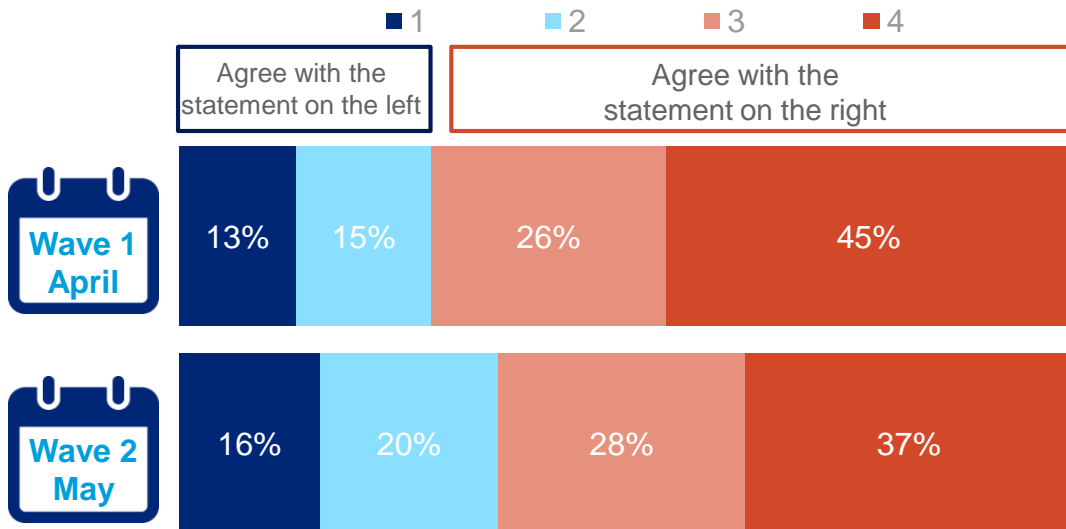
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Source: IRI analysis; *Havas/bandt.com.au
**IRI Shopper Panel Psychographic Survey, 2017-2020; latest year fieldwork: 05 March – 25 March

A majority of shoppers are deal seeking regardless of brand affinity



“Because of coronavirus, I’m only buying brands that I know and trust”



“My household looks for the best deal, regardless of brand name”

While we have recorded **a slight decrease in deal-seeking mentality among our panellists in May vs. April** (possibly reflecting the fact that signs that hours worked stabilised in early May), the expressed **sentiment reflects spending coming under scrutiny among the majority of Australian households**. It is also validation of the prior slide indicating **a high degree of brand indifference exists at a topline level**. Again, it is a **mindset that is highly conducive for the advancement of private label**, especially with the inevitable ‘retailer push’

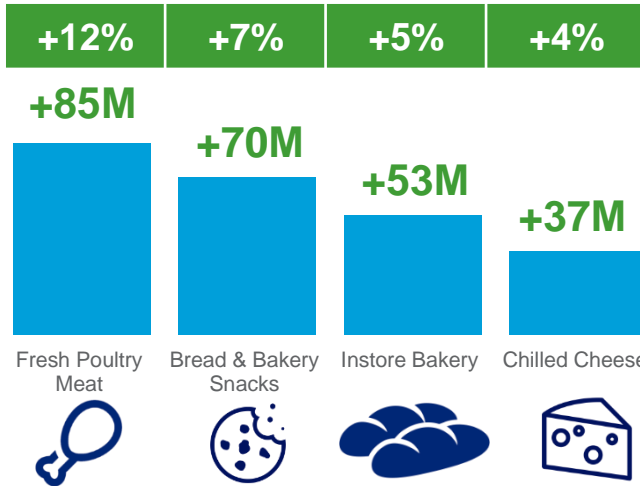
We anticipate most own label gains to be in already developed areas



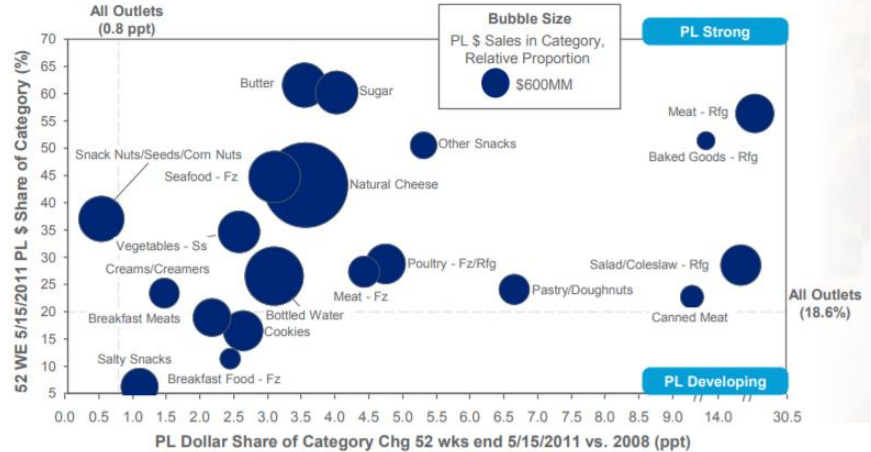
We observed this trend in Australia in 2019. And it was a characteristic of the last recession in the US



Top 4 private label \$ sales gain contribution, 2018-19



Top 20 private label \$ sales gain contribution*, Q2 2011 vs. 2008 – All Outlets



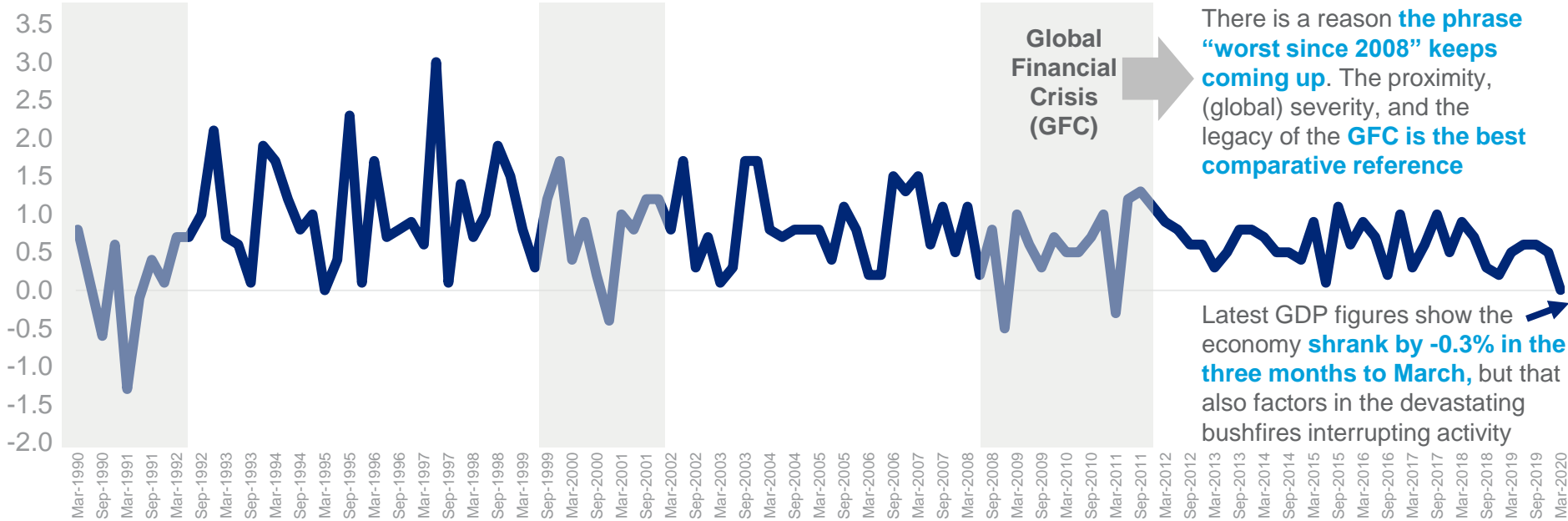
Source: IRI Archived POS Data, FDMx refers to Food-Drug-Mass (excluding Walmart) and Consumer Network Panel 2008-Q2 2011 (includes Walmart, Club and Dollar channels)
 Note: Top 20 categories based on contribution to total F&B PL Dollar sales gain



Source: IRI MarketEdge, Total Supermarkets Weighted MAT To 09/07/19

Just 3 brief economic contractions in 30 years for comparative reference

Australian quarterly GDP growth (%), 1990-2019



So, what can we learn from prior recessions and consumer intent?

3 takeaways from the GFC:

FMCG spend is less discretionary and thus more recessionary resistant

The industry was partially **insulated by a commodity price boom** amid the GFC

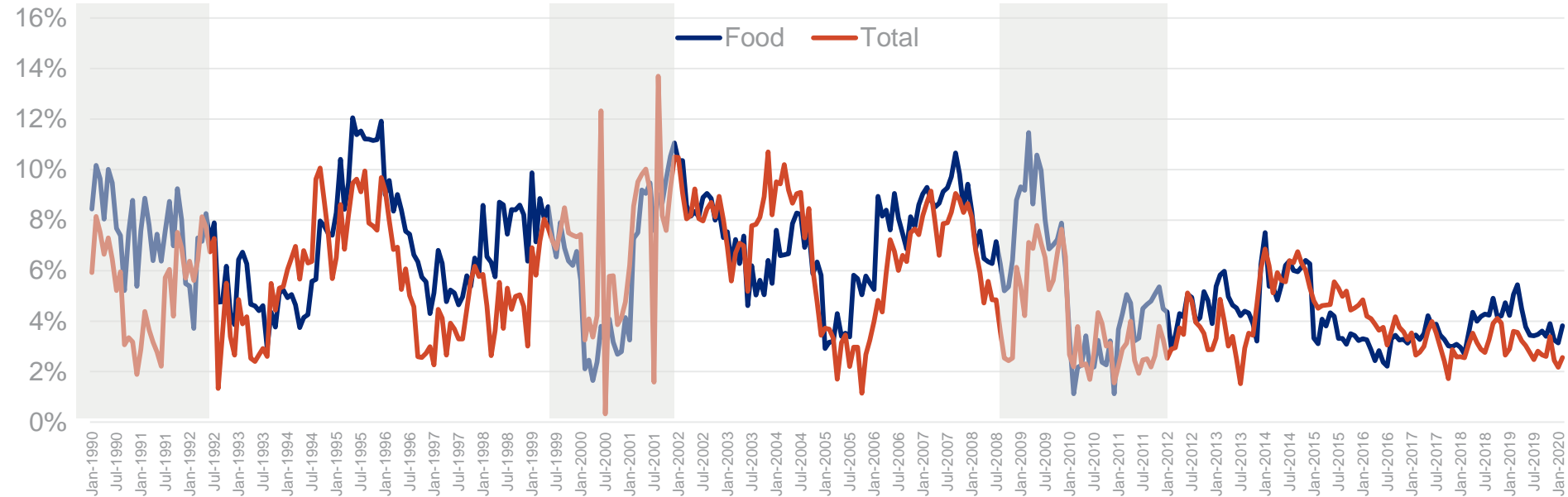
Recession can be a **dangerous precedent to** an industry overtly fixated on value eroding **price one-upmanship**

Reflecting on circumstantial differences:

This **recession will be significantly different to 2008**, in terms of drivers, the people it affects and the industry's ability to respond. The GFC induced downturn was driven by fundamental **financial market instability**, the COVID-19 induced recession is primarily **a healthcare crisis with deep economic ramifications**

Food retail growth outpaced total retail in the 90s and most recently...

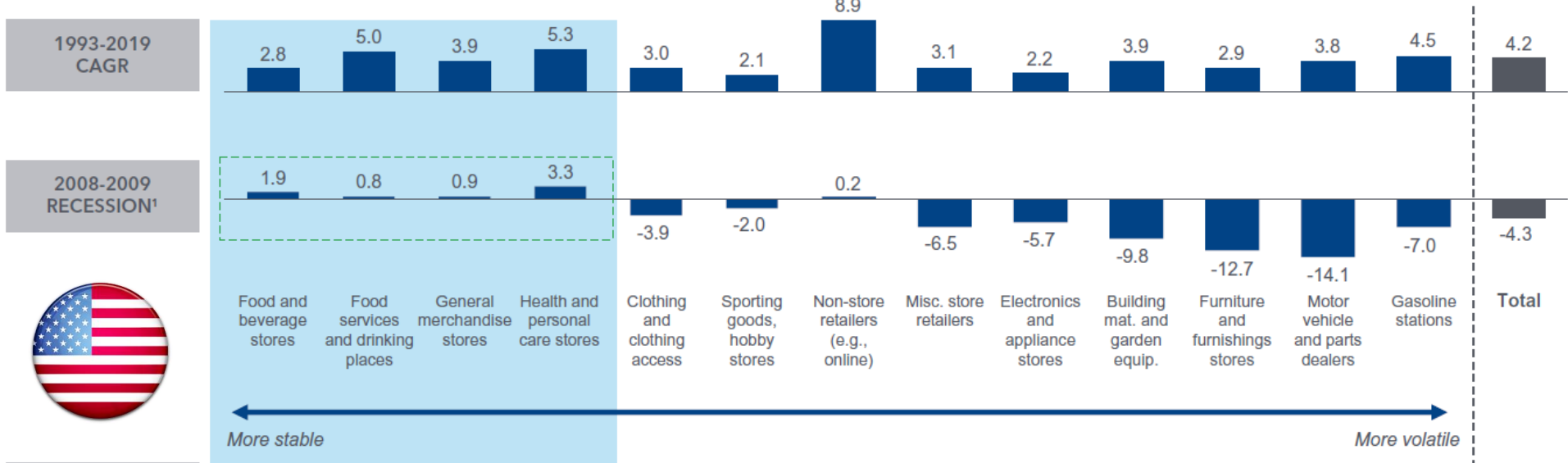
Australian retail growth, food vs. total (%), 1990-2019



And IRI US data presents evidence of FMCG ‘recession resilience’

US retail segments: recession vs. average growth

Unlike in Australia, the ‘Great Recession’ of 2007–2009 was one of the most sustained recessions in US history, and the impact was felt across the retail and CPG industry. In aggregate, the dollar sales growth rate for U.S. retail fell from 4.2% to negative 4.3% – a decline of 8.5%



IRI

Source: US Census Retail Trade, data ending February 2020. IRI Consulting analysis; CAGR 2007-2009.

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...which was also evident in IRI* grocery scan data during the GFC



Unlike the US, where the FMCG demand curve was immediately impacted by the GFC (including negative sales growth), Australian FMCG demand remained largely buoyant in 2008-09. In the same way the resources boom was propelled by 2008 a commodity price surge, so too was FMCG retail

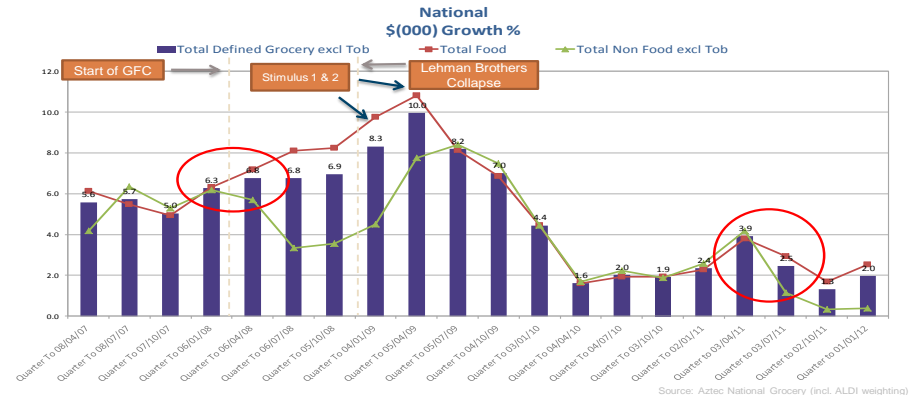
What about the 1990s? Well, the Australian retail landscape, and consumer mindset more generally, has shifted dramatically since the last technical recession of the early 1990s

An extract from Aztec* Australia 'What's Hot' Q4 2011



Historic Value Growth Trend vs. YA | 20 Qtrs to 01/01/12

- During the economic uncertainty of the GFC, Total Food showed strong growth, driving markedly stronger performance in Total Grocery compared to the more economically stable periods before and after where Total Food and Non Food show similar growth.
- The latest 3 Qtrs are showing a similar divergence between Food & Non Food growth.



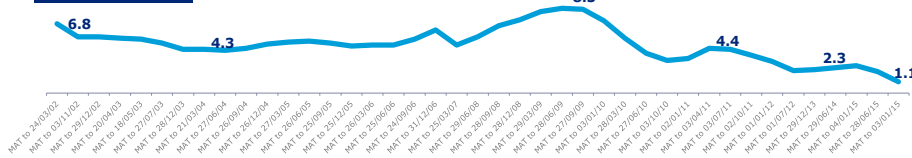
Enabling informed decisions

The GFC is a longer-term cautionary tale for the grocery industry...



LONG TERM GROCERY GROWTH HAS SLOWED TO LOWEST IN OVER A DECADE

Total Grocery



The GFC proved to be a catalyst in sustained price deflation in the aftermath as supermarket retailing arguably became **anchored in a ‘race to the bottom’ in a game of price one-upmanship**. Packaged grocery growth subsided from high single-digits to <1% in 2016

A marker of this cautionary tale was Woolworths erroneously pivoting from its established “fresh food people” position with an **unsuccessful “cheap, cheap” campaign**, which was a poorly executed reactive approach to being outmanoeuvred by both Coles and Aldi

Frequent promotions can erode the reference price shoppers use when evaluating value. And it **can lead to an undesirable price war**

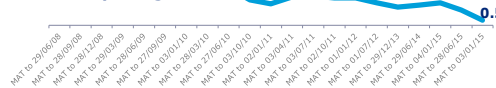
MARKET MOVES 2015 - A REVIEW

MarketEdge data to 03/01/2016
ShopperView data to 10/01/2016



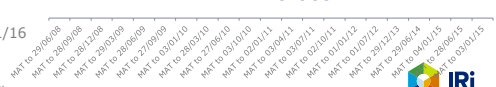
Food

Economic stimulus package



Non-Food

Tobacco excise



monthly to 03/01/16

Confidential and Proprietary.



Changes to eating habits will persist as the lockdown abates

While the global economy will likely take longer to recover fully from the coronavirus induced shock than initially expected (in Feb), **FMCG has proven to be less recession-prone than a lot of other industries**

Consumer **demand for products essential to daily living is less elastic**, and thus retail stores carrying these essential products (like **supermarkets**) typically fare better during times of economic contractions. Furthermore, the lifestyle implications of this unique health and financial crisis will continue to **drive elevated at-home product demand more so than previous downturns**



Anticipated meal preparation change after coronavirus

Will continue to create meals from scratch more	66%
Will return to my usual meal preparation at home	24%
Will switch from creating meals to dining at restaurants more	6%
Will switch from creating meals to getting more take-out	4%

An intent that represents a genuine bright-spot for the industry's future in recessionary times



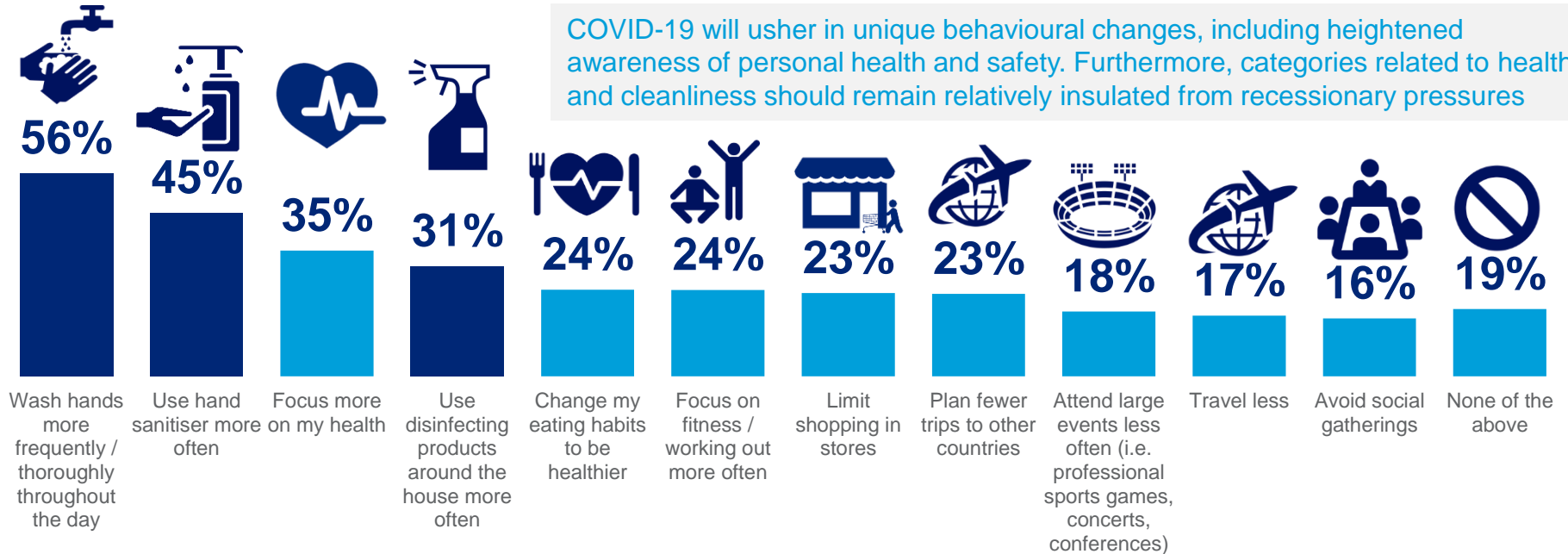
Source: IRI analysis; COVID-19 Shopper Survey; May 2020, n = 5,566

Question: You mentioned you have been creating meals from scratch (from basic ingredients) more often recently due to the Coronavirus. After the stay-at-home restrictions are over, how do you anticipate your meal preparation to change? (Select one, if you're not sure please select your best estimate)

Claimed **future intent** also suggests **additional non-food occasions**

‘Sanitised Society’: 3 of the top 4 anticipated changes of future habits relate to non-food product usage

COVID-19 will usher in unique behavioural changes, including heightened awareness of personal health and safety. Furthermore, categories related to health and cleanliness should remain relatively insulated from recessionary pressures



Source: IRI analysis; COVID-19 Shopper Survey; May 2020, n = 5,566

Question: You mentioned you have been creating meals from scratch (from basic ingredients) more often recently due to the Coronavirus. After the stay-at-home restrictions are over, how do you anticipate your meal preparation to change? (Select one, if you're not sure please select your best estimate)

This **stated intent**, and existing growth segments, **provide initial guidance**

Attractive demand spaces in light of COVID-19 induced recession

Fresh Cooking Ingredients (e.g., Meat, Cheese) 	Non-Perishable Cooking Ingredients (e.g., Spices / Seasonings, Shelf Stable Veg.) 	Premium At-Home Meals (e.g., Fz. Meals) 	Versatile components (e.g. cheese, smallgoods, eggs) 
Comfort Foods (e.g., Salty Snacks) 	Affordable Indulgences (e.g., Cookies, Ice Cream) 	Alcoholic Beverages (e.g. Beer, Wine, Spirits) 	Nurturing Dependents (e.g., Dog Food, Baby Formula) 
Immune Boosting (e.g., Vitamins) 	Household Functionality (e.g., Soap, Paper Towel) 	Pro Quality Beauty (e.g., Hair Coloring) 	Clean Living Space (e.g., Cleaning Spray) 

Reason for attractiveness:

- Support premium at-home indulgence
- Lack of private label encroachment
- Align with 'sanitised society' fixation
- Aligned with self-care/holistic health

Understanding and **anticipating recessionary risk for both categories and brands** is the critical first step in preparing for growth during a recession. And it is **the recessionary response to which analysis now focuses on in Part 5**

PREPARING FOR RECESSION

What To Do To Survive & Win In A Recession



The need to move quickly...

Much of the existing research and advice around recessionary responses leads with the **importance of being prepared and ready to anticipate**, rather than having to react hastily when a crisis has manifest. However, the speed and magnitude of the **COVID-19 pandemic has propelled a recessionary track in record time**



Not only is the lack of recessionary preparation a challenge. **Managing brands in a recession typically requires decision makers to do the opposite of what their instincts urge (withdraw & hunker down)**. During this recession successful businesses must **take counter-intuitive moves decisively**






Eradicate superfluous costs to survive, and **boldly invest** to spur growth

While most executives will instinctively want to retreat and protect cash, the **leading growth companies will take thoughtful, but bold action.** They will:

- Avoid indiscriminate financial streamlining aimed at cutting costs faster and deeper
- Make targeted, well informed investments that support brands when others withdraw
- Shrewdly advertise to boost ESOV* when other companies cut media budgets
- Cultivate positive messages in a show of solidarity and helpfulness when others go silent
- Double-down on innovation when other companies postpone launches and cut R&D budgets
- Redefine and defend value propositions when other companies panic and drop prices
- Be braced to respond to demand fluctuations & the fact that no economic downturns are alike
- Streamline product portfolios to reduce excessive complexity and support priority investment
- Invest to understand how COVID-19 has redefined consumer values, needs and motivations

Decisive actions to position for revenue, operating, and/or shareholder growth. Survive the recession, get on the front foot during the recovery, and be primed to win when consumer confidence is restored

US 'recessionary winners' validate most of these assertions

CPG Brand	Brand Value 2009 (\$M)*	Value Sales Chg. 2008-2009	3.3% Average Brand Value Change for the Top 100 Most Valuable Global Brands During This Period
 **	\$67,625	+16%	
 **	\$22,919	+6%	
 **	\$13,292	+23%	
 **	\$12,396	+17%	
 **	\$6,572	+24%	



Invested in Emotional Connectivity

Coca-Cola continued to invest in advertising and building goodwill with uplifting campaigns, such as the "Open Happiness" campaign, which helped grow volume 4-6% YOY from 2009-2012






Doubled Down on Innovation

After the acquisition of Gillette, P&G continued to invest in the brand with the Champions marketing campaign to increase trial, and gained 40% top-line sales from the Gillette Fusion line, including new innovation Fusion Phenom





Invested in Flagship Brands

Anheuser Busch was acquired by InBev. The Budweiser brand family was considered to have 'indefinite life' and remained a flagship brand of the merged company, with 3% organic growth in NA sales during the Great Recession thanks to continued investment post acquisition





Continued to Invest in Ad Spend

Colgate grew its advertising spend 7% to \$1,650M, an all-time record level, and reorganized / reprioritized product innovation, introducing new product lines such as Colgate Wisp





Hyper-Segmented Consumers

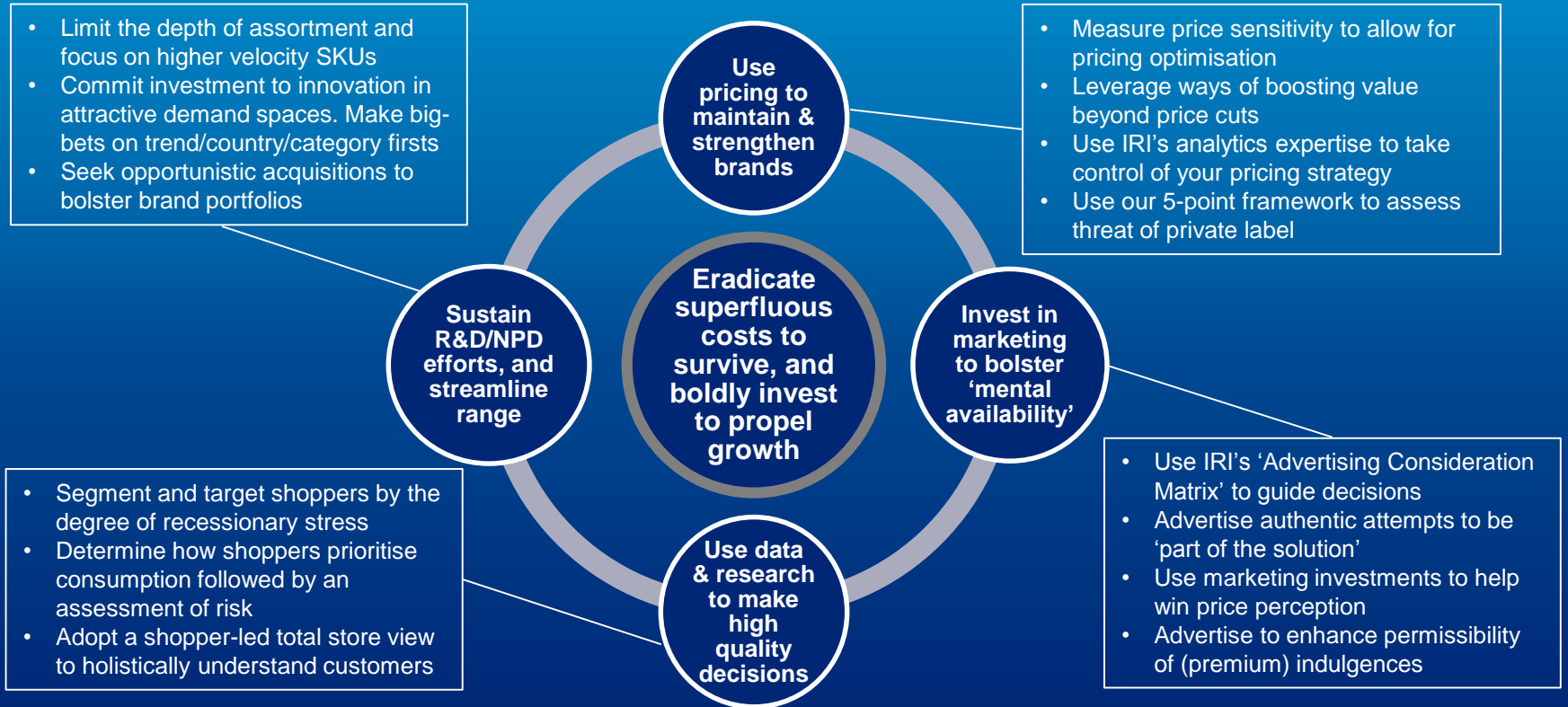
Nivea reorganized its skincare strategy in North America and grew 4% by hyper-focusing on the emerging male consumer with the Nivea for Men offering



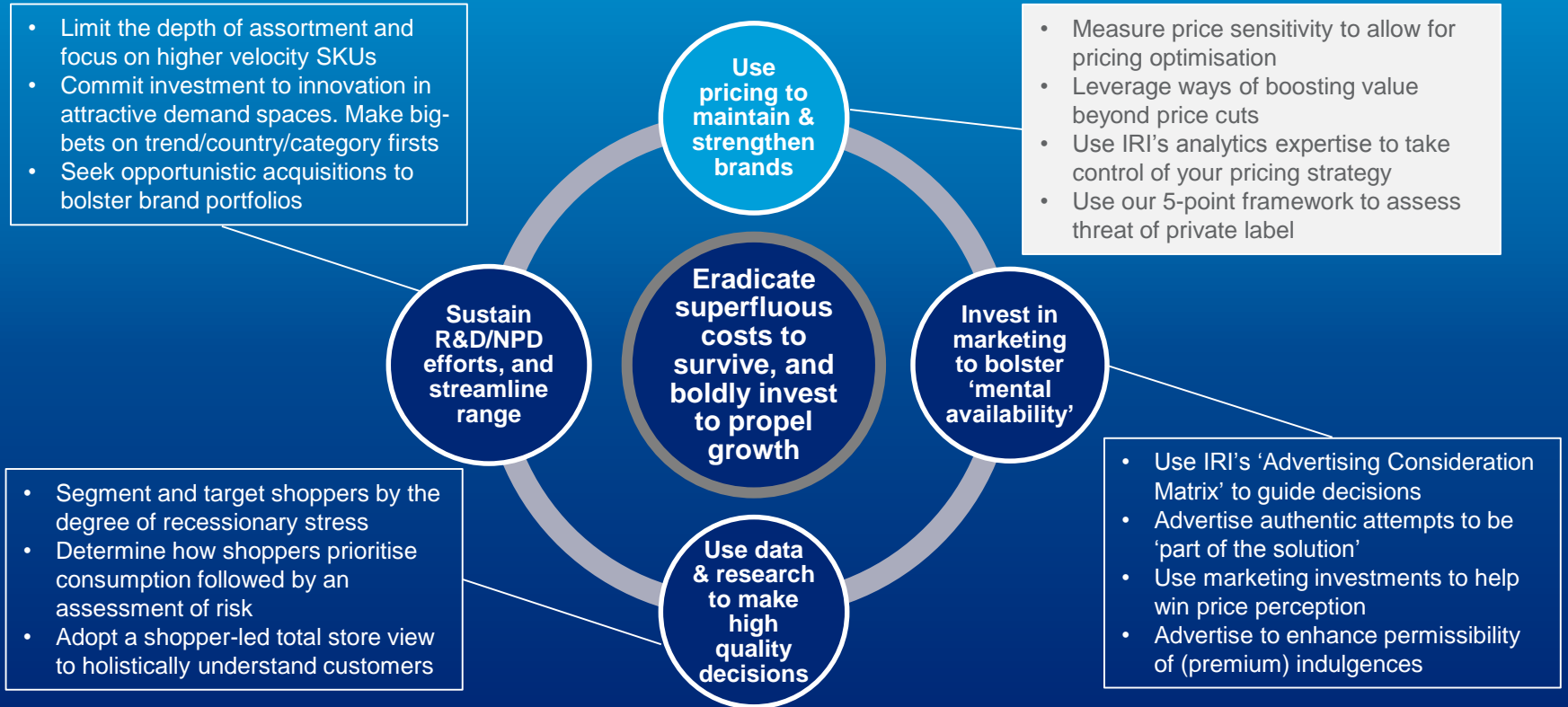


Brands that grew during the US recession in 2008-09, and rebounded strongly, had a number of things in common. Most importantly, they used the recession as an opportunity to double down on advertising and innovation

Focus on 4 pillars for cultivating growth in a recessionary period



Focus on 4 pillars for cultivating growth in a recessionary period



Use **pricing** to help maintain and **strengthen brands**

CONTEXTUAL INSIGHTS

- Pricing is a core part of a brand's fundamental proposition or positioning
- There will be a material contraction in shoppers' wallets in 2020-21, and a deeper fixation on price
- With varying levels of price sensitivity, not every brand will (or should) see true pricing pressure
- A recession impacts each retail aisle, and the categories and brands within it, differently
- Many FMCG in-store fixtures will prove more or less durable to recessionary belt tightening
- The subject of value is nuanced and will look very different across households
- Total value perception includes key benefits sought, not just pricing and discounting

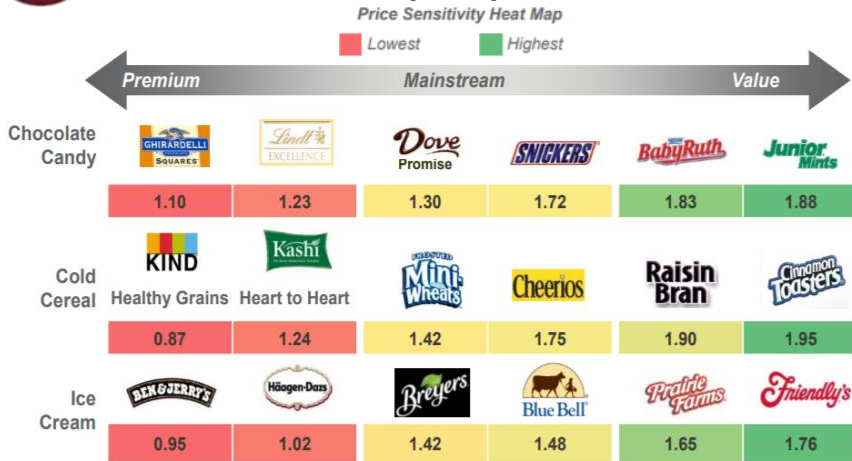
SO WHAT, NOW WHAT?

- Avoid a broad brushed approach to cutting price during a recession. It will weaken a long-term recovery
- Account for inherent brand equity and the ability to maintain pricing levels where possible
- Segment portfolio by level of elasticity (IRI can help measure this) in order to determine where to focus pricing investments & retailer dialogue
- Expand price range architecture focused on value: e.g. smaller affordable packs; larger packs focused on cost per serving; paycheck cycle promotions
- Measure the changes in the importance attached to features and benefits sought from products
- Do not assume shoppers amplified pursuit of seeking value means that they spend less, or buy less

Measure price sensitivity to better enable pricing optimisation...

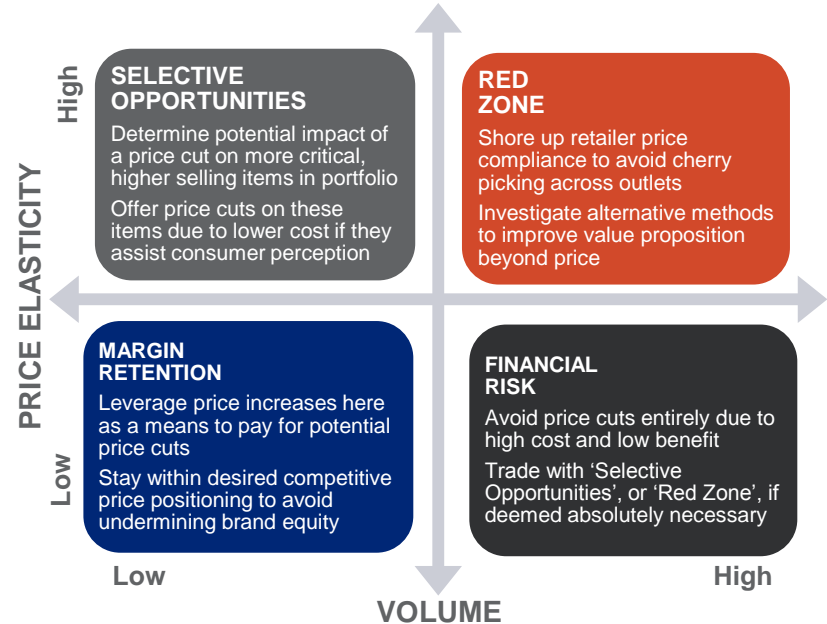


Example of historical price sensitivity measurements among select US grocery food



The first step in maintaining retail price discipline is to segment portfolio by level of elasticity, and then calculate the impact to the supplier and retailer to from cutting price in each segment

Topline framework for determining if price reductions are truly necessary



...as Australians also respond differently to promos across categories



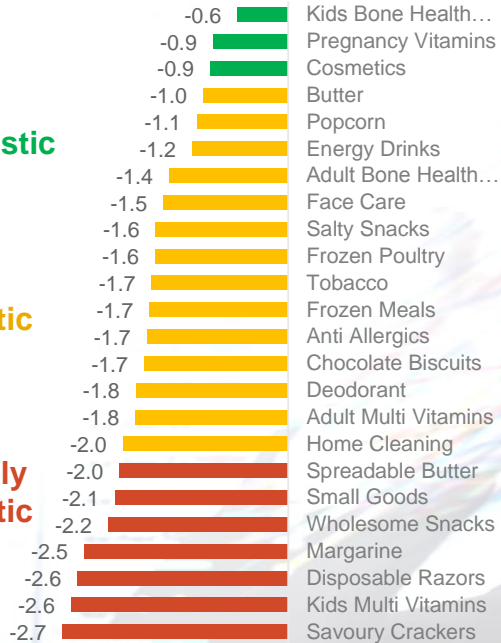
Category Base Price Elasticity Comparison, 2017-2019

For every 1% change in shelf price, sales will change by...

0 to -1 **Inelastic**

-1 to -2 **Elastic**

-2 & Below **Highly Elastic**



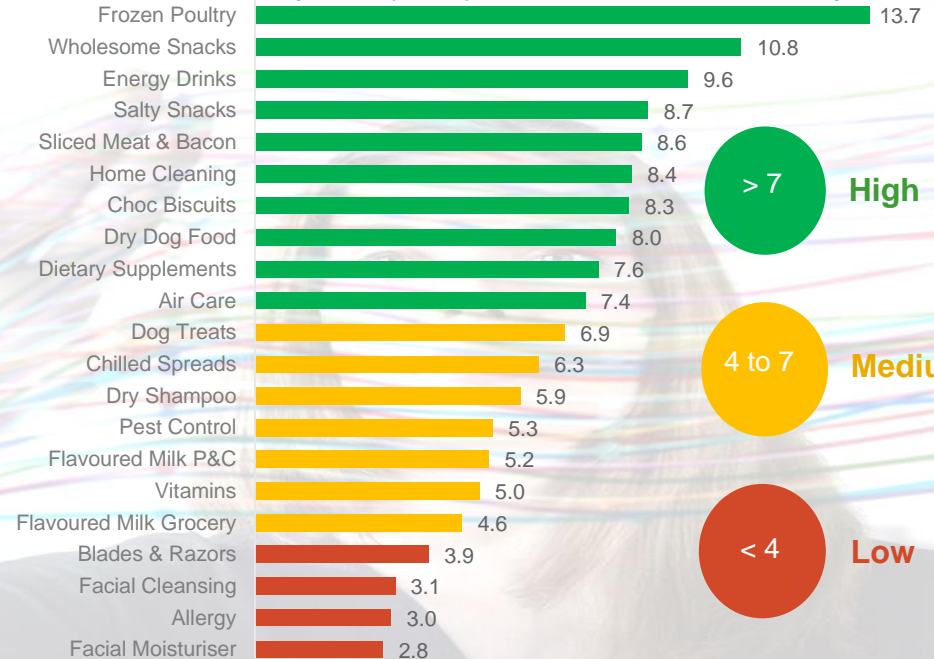
Category Promotional Elasticity, 2017-2019

For every 1% depth of promotion, sales will increase by...

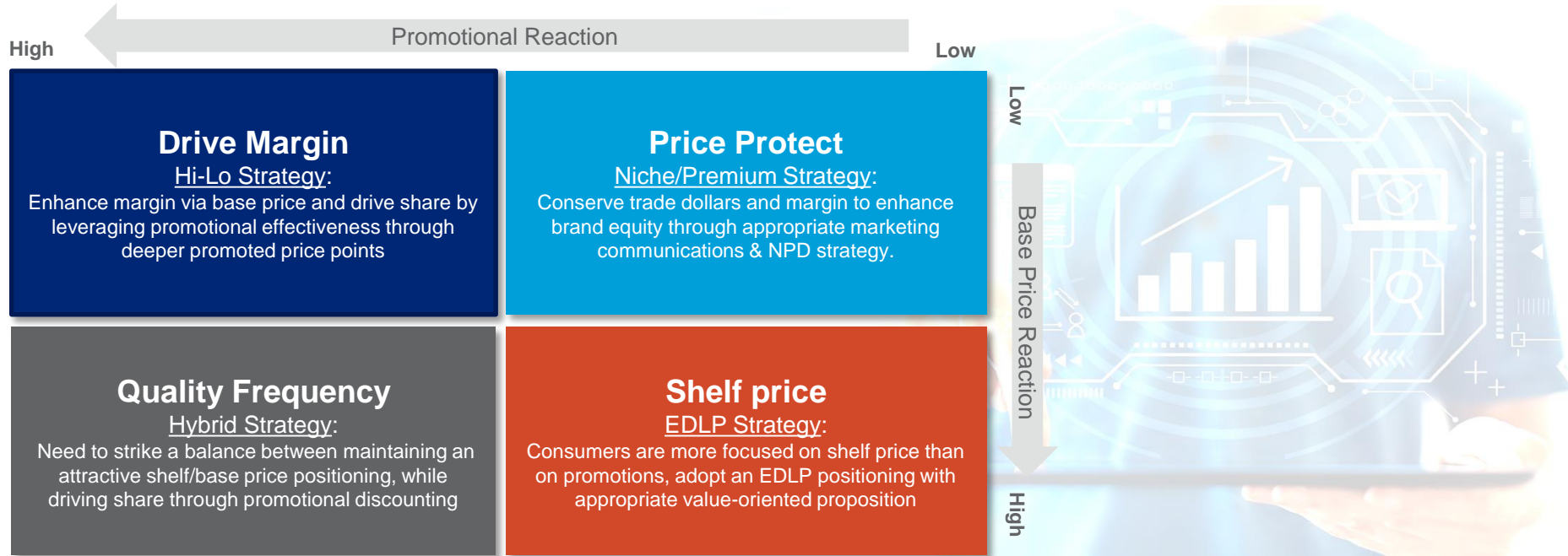
> 7 **High**

4 to 7 **Medium**

< 4 **Low**



A high level strategy across your portfolio should guide you initially



Leverage ways of **boosting value beyond price cuts...**

After determining what products are not truly sensitive to pricing, the next step is to **determine the trade-offs shoppers will make** among those that are

Positioning is a powerful and cost-effective innovation strategy. Investigate **potential product & positioning opportunities to reduce price elasticity**. **Compare** the benefit and effort of these positioning opportunities **against potential cost reduction opportunities**



Weave pricing assessments into early phases of product development and category management

1. Identify potential gaps in category offerings
2. Short-list which features / sizes / claims will fill those gaps, channel by channel
3. Quantify willingness to pay for each of those features, specific to brand and competition
4. Prioritise features with higher willingness consumers will pay for brand to avoid competitor's simply copying
5. Ensure strong margins by comparing willingness to pay vs. cost to include
6. Finalise product design and acceptable price range based on meeting overall financial goals
7. Test final product at different price ranges, along with different messaging, pack size, and copy
8. Build out full package (price, messaging, etc.) based on business case impact across choices
9. Secure retailer support

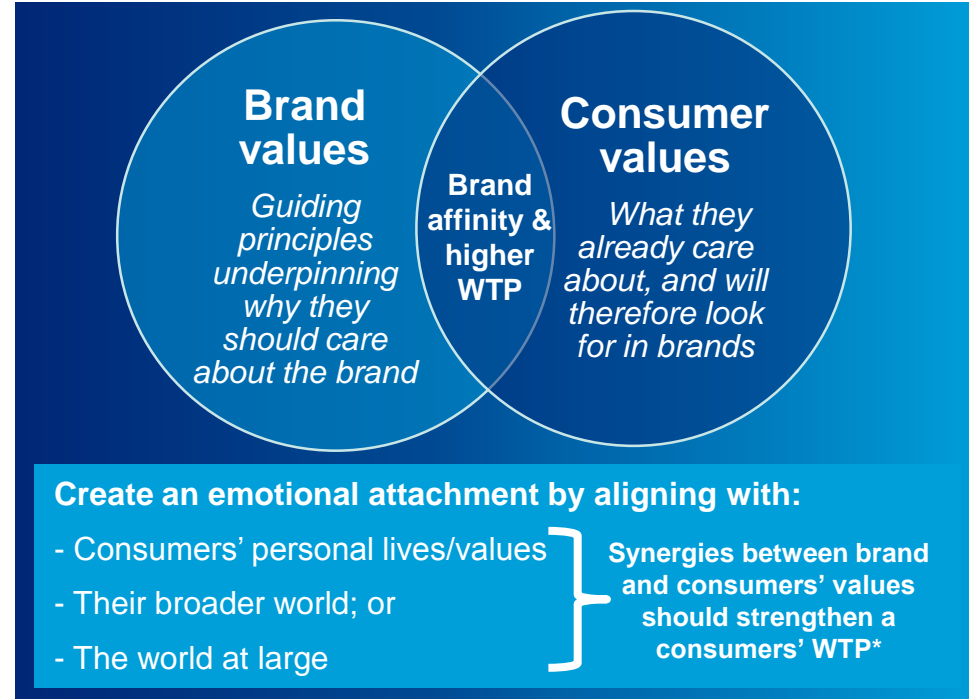
...e.g. **partnerships** that leverage/align with relevant ‘passion points’

Cultivate ‘culturally connected’ brands



In the UK, quick meal provider Batchelors is targeting an ever expanding cohort of at-home gamers with an on-pack promotion with gaming-themed prizes across 24 SKUs. The May 2020 launch reflects the brand “**working collaboratively with the Tesco Group on a shared goal of creating great value for shoppers**”

While consumers may not pay a premium for mass market quick meals, the **themed packaging here aptly taps into target consumer passion points, and provides a positioning platform that can negate the need to reduce prices**. And gaming enthusiasts are an expanding cohort in Australia; there has been a minimum 5 percentage point increase in Australians playing game across consoles, tablets and PCs* since the early phases of the pandemic



Use IRI's analytics expertise to take control of your pricing strategy



- Ensure the most efficient use of their spend to maximise profitability, whilst driving volume and value share
- Use evidence-based insights to lead proactive pricing conversations with retailers
- Harness IRI's advanced price and promo modelling to determine granular, retailer specific impacts

Answers key price & promo questions:

- **How responsive are our products** and brands to shelf price changes?
- To **which products will we lose volume to** if we increase our price?
- **Can we increase our price** without endangering our sales, profit or retailer's margin?
- If we increase base price, **what adjustments** do we need to make to our promotional strategy?
- **EDLP or Hi-Lo?** Are my products suitable? If so, what price point?
- **Which promotional mechanics** and depths are most effective and efficient?
- Is there **any significant cannibalization** in my portfolio?
- How responsive are my brands to **competitor price and promotion activity?**

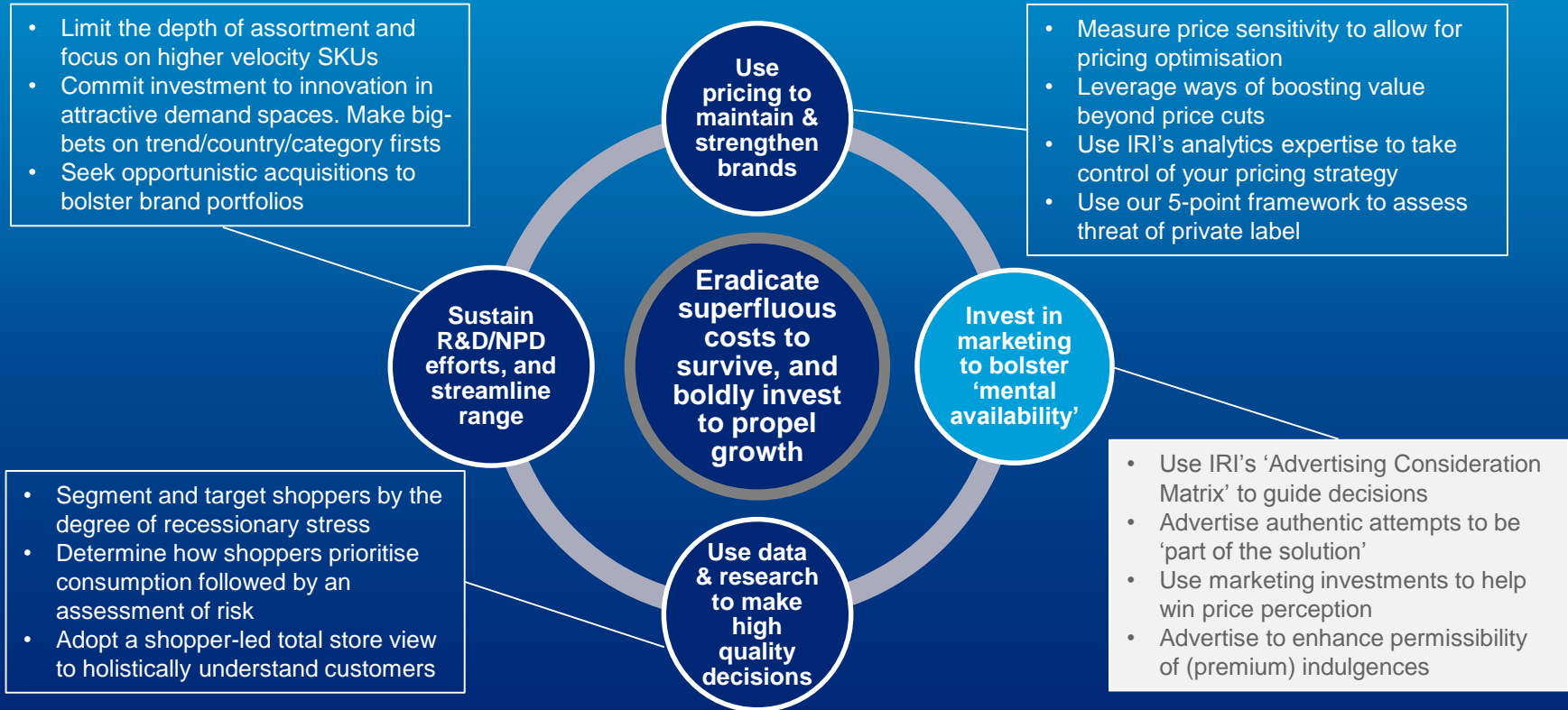
Use our 5-point framework to assess threat of private label

Private Label holds potential for retailers who want to reach consumers across the economic spectrum, both as a **trip-driver and loyalty builder**, and is an increasingly competitive threat to national brands

A higher level of private label presence in a category will **generally exert downward pressure on pricing decisions**



Focus on 4 pillars for cultivating growth in a recessionary period



Invest in marketing to bolster ‘mental availability’

CONTEXTUAL INSIGHTS

- Decision makers are often (wrongly) compelled to cut marketing spend in the face of recession when it is actually more important to remind why a brand matters
- Media tends to be cheaper during recessions, and people are at home more often (especially in COVID-times), so it is an apt time to reach consumers
- Whether through stock outs or desire for alternatives, Australians have adopted many products for the first time (or in a long time) since the pandemic. Marketing investment can help drive loyalty and attachment
- A crisis is not a time for inertia or inaction, and it can be a catalyst for great culturally relevant marketing. Both good and poor responses become more impactful & memorable in times of a crisis
- Overall consumption of media has grown during COVID-19. Working from home will become more frequent, which will lead to amplified/new media use

SO WHAT, NOW WHAT?

- Avoid going dark. Building & maintaining trusted brands with the right marketing support is a key risk mitigation strategy. As others withdraw, make more noise!
- Rather than defaulting to price cuts, use marketing investment (incl. less expensive media!) to reset the value proposition to reduce price elasticity – i.e. support pricing that maintains and strengthens brands
- Target the new/lapsed HHs entering categories /embracing brands with targeted media to assist in converting to long-time repeat buyers
- Be empathic, supportive, considerate, helpful, calm. Build goodwill by providing a tone and stance that exudes reassurance, solidarity and empathy
- Mix it up with positive, optimistic messaging that provide much needed moments of light relief
- Increase messaging focused on value, and winning price perception, over the next year

Use IRI's 'Advertising Consideration Matrix' to guide decisions



IRI's 'Advertising Consideration Matrix' suggests some key considerations to take into account before making any decision regarding advertising

For further details around the application of the decision making matrix, go to:

<https://www.iriworldwide.com/en-GB/Insights/Publications/To-advertise-or-not-to-advertise>



IRI

Source: IRI analysis; IRI Growth Consulting; "Excess Share of Voice" (ESOV) is the principle that when a brand grows its Share of Voice (SOV) relative to its Share of Market (SOM), it's 'market share' grows

Advertise authentic attempts to be ‘part of the solution’

Expectation	Affiliation	Purchase intent	Avoidance
			
8-in-10	78%	70%	66%
think that brands have an important role to play in supporting people through the crisis (just behind NGOs)	think they will have a stronger affiliation to brands and businesses who go ‘above and beyond’	think a brand’s response top to the pandemic will have an impact on my likelihood of buying that brand in the future	think they would abandon brands and businesses that only act in their own self-interest in the current climate

Be cognisant of the merits & watchouts of marketing in a crisis

CASE FOR MARKETING INVESTMENT

Media is cheaper during recessions
A great time to bring fresh messaging
Many consumers stay home more during recessions
Bolster share of voice when overall noise levels are lower
Brand reinforcement now can enable longer term growth
Long-running evidence proving strategic effectiveness
Recessionary consumers receptive to messages that focus on product benefits and solution orientation



NOTABLE WATCHOUTS IN COVID-19

Inauthentic pretence to care (“we're here for you”)
Melancholic music
Seeming self-interested
Me-too generic inspiration
Gimmicky/trivial gestures
Not connected to enduring brand values
Not connected to salient brand benefits



Use marketing investments to help win price perception...



ALDI has launched a new marketing campaign reassuring Australians its low prices will remain. The campaign will run across TV, outdoor, in store, digital, social and in catalogues. Aldi's ads, which often utilise tongue in cheek humour (in this case mocking the ubiquity of the term 'unprecedented'), promises that 'precedented' (low) prices will continue through these 'unprecedented times.' With Australia entering a recession, the German discounter will no doubt ramp up marketing comms calling out the permanency of its lower prices

Coles' promise to help lower the cost of breakfast, lunch and dinner was an aptly timed initiative given that it rolled out in late 2019. Investments were made to enable lower prices, with a specific focus on big value packs and own brand innovation. These are likely to be prominent themes in a recessionary landscape. Importantly, the "Coles value campaign is about more than just price," and reflects ongoing efforts to ensure the "Good things. Great value" promise is matched with solutions helping Australians lower the cost of living

...just as Sainsbury's did successfully in the last recession

As seen on TV

FEED YOUR FAMILY FOR A FIVER

Meatballs 'n' more

James xx

Sainsbury's
Try something new today

- 850g Sainsbury's extra rich mince £1.55
- Loose onion 13p
- Loose garlic bulb 35p
- 300g Sainsbury's spaghetti 2.2p
- 2 x 400g tins of chopped tomatoes 85p
- 500g Tesco garden peas £1.62
- 2 extra virgin olive oil 10p
- 1 beef or vegetable stock cube 50p Cheddar

As seen on TV

FEED YOUR FAMILY FOR A FIVER

Punchy pork chilli

Sainsbury's
Try something new today

- 475g British Freedom Food endorsed pork mince £2
- 1 lime 20p
- 1 onion 19p
- 500g pack easy cook rice 75p
- 390g carton chopped tomatoes 56p
- 420g tin basics red kidney beans 14p
- Hot chilli powder 89p

Total Cost: £4.73

FEED YOUR FAMILY FOR A FIVER

Cheesy tuna pasta bake

Sainsbury's
Try something new today

- 125g pack basics mozzarella cheese ball 47p
- 2 loose red onions 38p
- 300g bag spinach £1.29
- 400g tin tuna chunks in spring water £1.39
- 390g carton chopped tomatoes 56p
- 500g pack fusilli 78p

Total Cost: £4.87

MARKETING EXCELLENCE 2

Sainsbury's

Feed your family for a fiver

MARKETING SOCIETY

AWARDS FOR EXCELLENCE

UK retailer Sainsbury's successfully adapted its 'Try something new today' slogan and developed 'Feed your family for £5 a day.' It resonated with UK shoppers who were belt tightening in a challenging economic climate during the 'credit crunch' (more commonly referred as the GFC in Australia). Overall brand sentiment increased as did the sales of the featured ingredients. It serves a compelling example of using marketing investments to showcase how a brand (or retailer) can be part of the solution in challenging times. It helped shift perception of Sainsbury's as 'nice but expensive' to a brand delivering 'inspiring value for money'

Advertise to enhance permissibility of (premium) indulgences...

L'Oréal delivered a COVID-19 themed spin on the brand's long-running "Because you're worth it" tagline. It also communicates the brand with a 'human authenticity,' which is more important in times of crisis



First of its kind commercial featuring L'Oréal Paris spokesperson Eva Longoria

Longoria "directs" herself in an ad for its Excellence Crème hair range

Champions the idea that self-care is self-worth and more than ever, "we are all worth it"

Shows the importance of creating ads that reflect the reality of what people are going through in a crisis

...or, put another way, that **you cannot/should not live without it**



Everyday treats/indulgences like ice-cream, cookies, alcohol, coffee and savoury snacks can exist as **'antidotes to reality'** at a time of a crisis/recession

Regardless of the overall economic climate, premium and super-premium iterations of these products **remain more permissible vs. other higher ticket prices** associated with, by way of example, consumer durables

Marketing communications should **dial up the permissible indulgence provided by these affordable and necessary luxuries**

Use (social) marketing as a source of inspiration & enablement

More than ever, consumers will be seeking inspiration in their meals prepared and consumed at home



#ATHOMEWITHBARILLA

Their taste for culinary adventure will arguably heighten as they have immediate access to their kitchens



Ashley Alexander
@gatherandfeast

📺 LIVE @BARILLAUS | SATURDAY 9th MAY AT 12PM AEST

Cooking Fusilli with creamy tomato vodka sauce and fresh basil

#ATHOMEWITHBARILLA



Andrea Tranchero
📺 LIVE @BARILLA

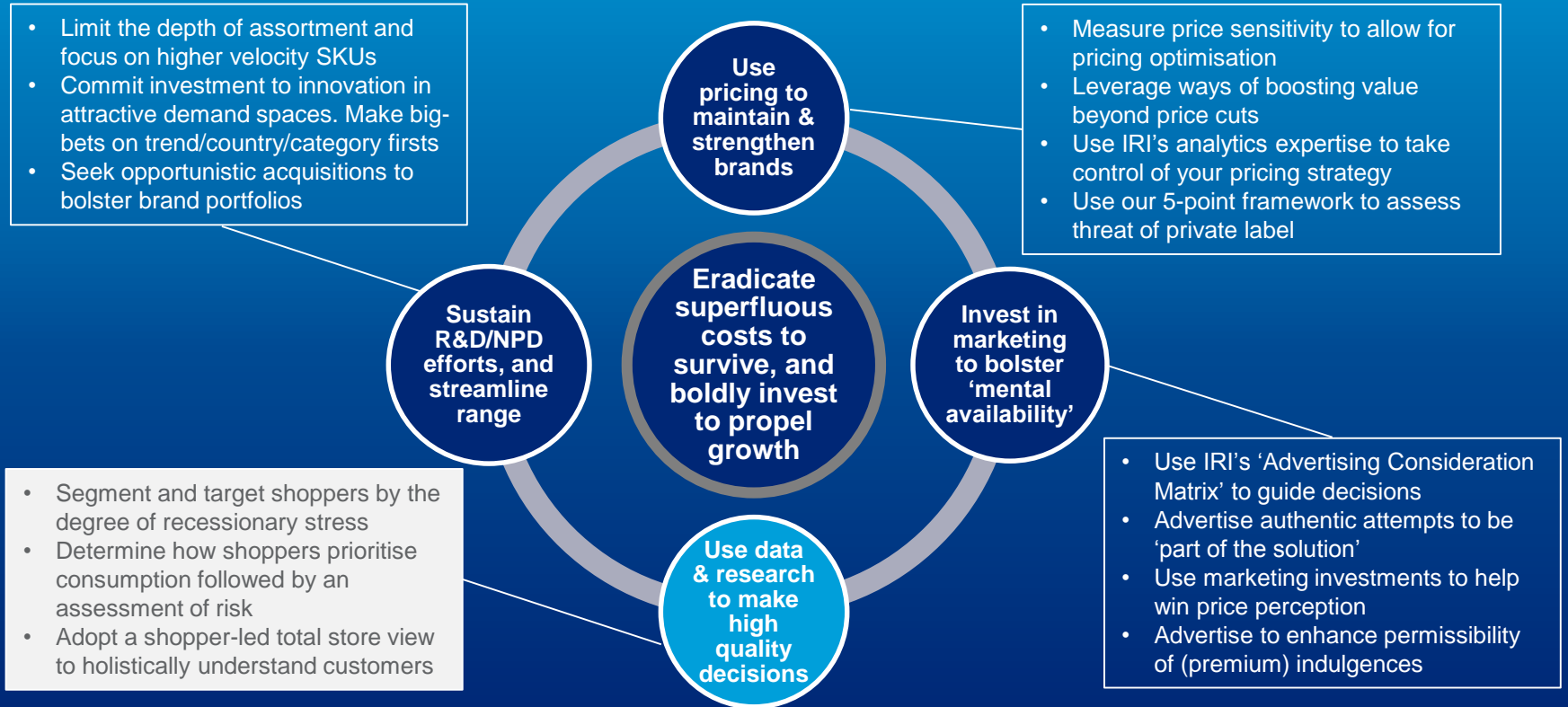
TONIGHT AT 7PM AEST

Cooking Penne Rigate with Tuna, Arrabbiata Sauce and lemon

#ATHOMEWITHBARILLA

With the increase in meals made and eaten at home it is likely that meal-making and clean-up fatigue will set in. Food providers are incentivised to provide recipe ideas and curation like Barilla's #AtHomeWithBarilla activity, and to create/showcase meal solutions that provide relief for those who might be growing fatigued of time spent in the kitchen

Focus on 4 pillars for cultivating growth in a recessionary period



Use data & research to make high quality recessionary decisions

CONTEXTUAL INSIGHTS

- In deciding which marketing tactics to employ, it is a crucial time to monitor consumers' changing perspectives. While the unique backdrop of a pandemic might not be reflective of their true 'status quo' beliefs and attitudes, the magnitude and pace of change makes it all important times to be keeping tabs on consumers' changing attitudes and behaviours
- And while the crisis level characterising the health pandemic is subsiding, the economic pandemic is gathering momentum. In downturns most consumers re-evaluate and modify their consumption priorities
- Data platforms, and the power of real-time analytic insights, can help managing the impact of a recession. IRI platforms improves speed to insights, allowing teams to be more nimble, react quickly to changing market conditions, and drive productivity and growth

SO WHAT, NOW WHAT?

- Invest in market research to track how Australians are reassessing priorities, reallocating budgets, switching between brands and product categories, and redefining what represents 'good value'
- Harness technology and analytics to make better strategic and day-to-day decisions by understanding what shoppers are buying now and will likely buy next. Arm decision makers with the right information to optimise growth opportunities and mitigate threats
- Identify and reclaim loyal buyers who are at risk due to forced trial of a competitor brand. Use research to rethink offerings and to help refocus on targeting heavy/best customers
- Pressure-test the attributes your products currently have against the products that are selling well in order to provide direction for innovation. Understand different buyers group to cater to their different requirements



Segment shoppers by the degree of recessionary stress

A key step in responding to a recessionary environment is to understand the new and evolving customer segments that emerge. **IRI's EconoLink segmentation** views six groups of consumers to understand the varying attitudes and beliefs through an economic/financial lens. The segmentation enables businesses to **better respond to the economic needs of shoppers, providing a method of identifying key shopper segments and tracking behaviour over time**

Utilise segmentation to account for the economic environment

Financial situations are markedly worse vs. YA, and their response is to try and cut back on everything

DOWNTRODDEN

Financial situations are markedly worse vs. YA, and hold little hope for things to get better

CAUTIOUS & WORRIED

Financial situations are largely the same, but focused on cutting back, but with positive future outlook

START-UPS

Financial situations are better vs. YAG, and they are optimistic about their financial future

OPTIMISTIC

Financial situations are improving vs. YA, but they still look for value beyond lowest price

SAVVY SHOPPERS

Financial situations stable and willing to splurge on Premium items. Brand preference is key driver

CAREFREE

Opportunities and threat during the downturn will be shaped by which of the six segments a brand's core customers belong to

MINDSET = CAUTIOUS/NEGATIVE

Economically fragile & cautious/negative

MINDSET = POSITIVE/OPTIMISTIC

Economically stable & positive

Determine the changing dispensability of a category/brand

Recessionary consumers more actively reevaluate their consumption priorities. Research that sorts products into four buckets (see below) can help **determine how shoppers prioritise consumption of categories and brands**. IRI also recommend an assessment of category and brand risk (see right):

- ✓ **Essentials:** indispensable necessities for survival, or perceived as central to day-to-day wellbeing
- ✓ **Permissible treats:** justifiable indulgences validated by either a functional or emotional hook
- ✗ **Postponables:** moving from 'needs' to 'wants'; desired items but can be justifiably put off/delayed
- ✗ **Expendables:** perceived as unnecessary or unjustifiable

Category risk factors

- Percent of current consumers with high economic stress exposure
- Percent category sales comprised of discretionary vs. planned purchases
- Size of premium segment balanced with size of the value segment
- Percent share held by private label
- Category promotional dependency

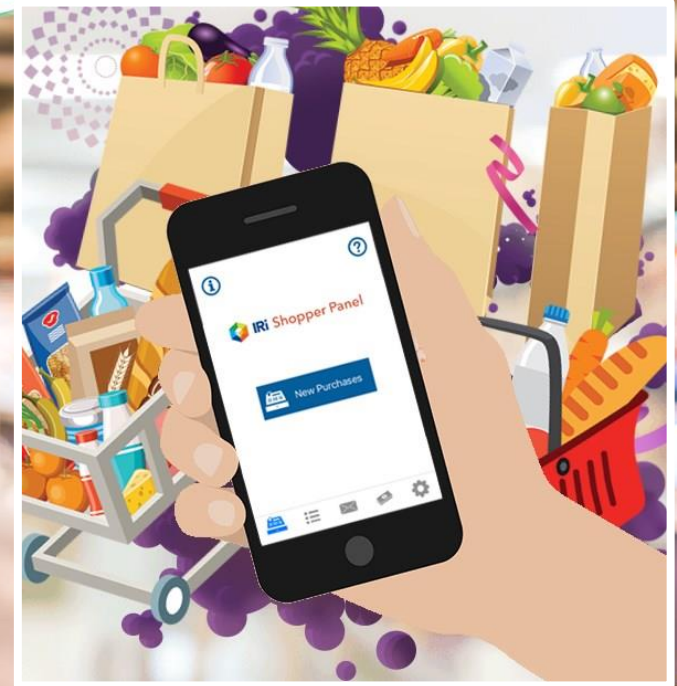
Brand risk factors

- Brand share and concentration held by non-private label competitors
- Brand share of economically impacted segments (i.e., premium, value)
- Brand pricing power
- Unique brand claims (functional, emotive, social impact)

Adopt a **shopper-led total store view** to holistically understand customers

Downturns elevate the importance of obtaining an understanding of the dynamics across the total store – i.e. **seeing the store in the same holistic and/or mission specific way shoppers do**

IRI's shopper panel data provides a proven way of **tracking category and brand sales across all outlets** and specific classes of trade. At a time when some FMCG retailers are limiting supplier access to data beyond their own categories, it is a cost-effective and accessible way of obtaining that all-important total store view



Use our COVID-19 content hub for ongoing data-led insights

All reports and insights available in IRI's COVID-19 portal:

COVID-19:
IMPLICATIONS FOR
CPG AND
RETAIL
BUSINESS

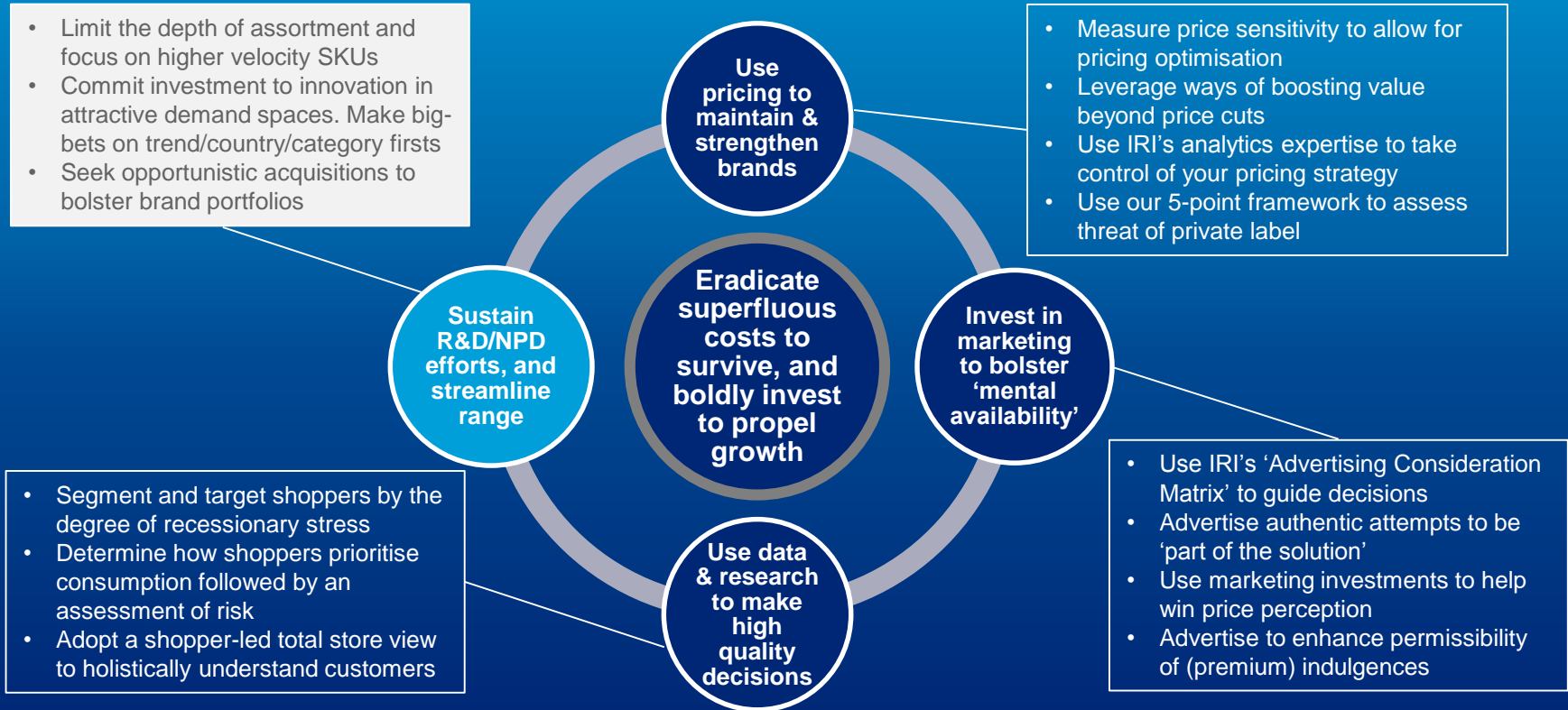


<https://www.iriworldwide.com/en-au/insights/publications/coronavirus>

Industry Insights, Impact and Implications



Focus on 4 pillars for cultivating growth in a recessionary period



Prepare to rationalise product ranges (by choice or coercion)...

CONTEXTUAL INSIGHTS

- Recessionary times amplify the importance of having an optimised assortment: the right brands in the right pack sizes at the right prices
- Many flavour and size extensions erode core brands. Cutting back on the SKU's drives supply chain efficiencies and aids efforts get stock on the shelves for consumers (important if second wave)
- Recessions are an opportune time to curate the overall assortment to mitigate a plethora of extensions and niche brands that do not create incremental growth, and which can take up needed trade/marketing spend
- Lightening the product/brand portfolio, and allowing marketers and the sales team to focus on the higher-potential brands, should pay dividends post-recession

SO WHAT, NOW WHAT?

- Rationalise ranges and maximise availability of higher-demand brands. Prepare to rely on the core range/ higher velocity SKUs to work (even) harder. Ensure that SKU efficiency measures are built into reporting
- Identify candidates for potential divestiture by segmenting brands on two dimensions: (1) category attractiveness; and (2) brand strength. Optimise brand portfolio to focus on the strongest brands in the most attractive categories
- Limit depth of assortment to larger, multi-use sizes, as well as smaller, lower-priced packs for economically pinched consumers
- As consumers and retailers adjust to limited assortment, suppliers will face greater hurdles getting new items and new varieties into stores

...and invest in innovation through periods of market decline

CONTEXTUAL INSIGHTS

- Overall we are likely to see many suppliers delay, or permanently cancel, new product development (NPD) in favour of optimising core ranges. But during a recession, new products have a vital role
- Because new product activity typically slows in recessions, well-executed NPDs have a higher chance of gaining visibility (and ultimately paying off) as competitors streamline the NPD funnel
- More buoyant consumer segments (and there are some with more time and cash rich due to COVID-19) will appreciate the novelty and experiential qualities of affordable luxuries. In fact, many Australians will want to alleviate the monotony of buying the same things throughout their extended period at home
- The rapid pace of change associated with COVID-19 induced lifestyle and behavioural change creates impetus to 'pivot-at-pace'

SO WHAT, NOW WHAT?

- Use extra trade dollars to support innovation and take advantage of less well-capitalized companies that are forced to hunker down during recessions
- The continued backing of innovations will help propel these products both during as well as post- recession
- Identify short-term innovation opportunities to take advantage of categories that perform particularly well in times of economic contraction
- Explore opportunities to rethink processes, product applications and develop innovate solutions (e.g. emergence of quick-fire DTC responses from suppliers across the globe)
- Dissect the unique needs of specific consumer segments to focus innovation (e.g. flavours to align with an occasion, larger pack size for heavy buyers, new ingredients for health conscious buyers/health focused occasions)

Streamlining range will support responsive to ongoing demand shocks

Likely Scenarios for CPG Measured Channel Growth

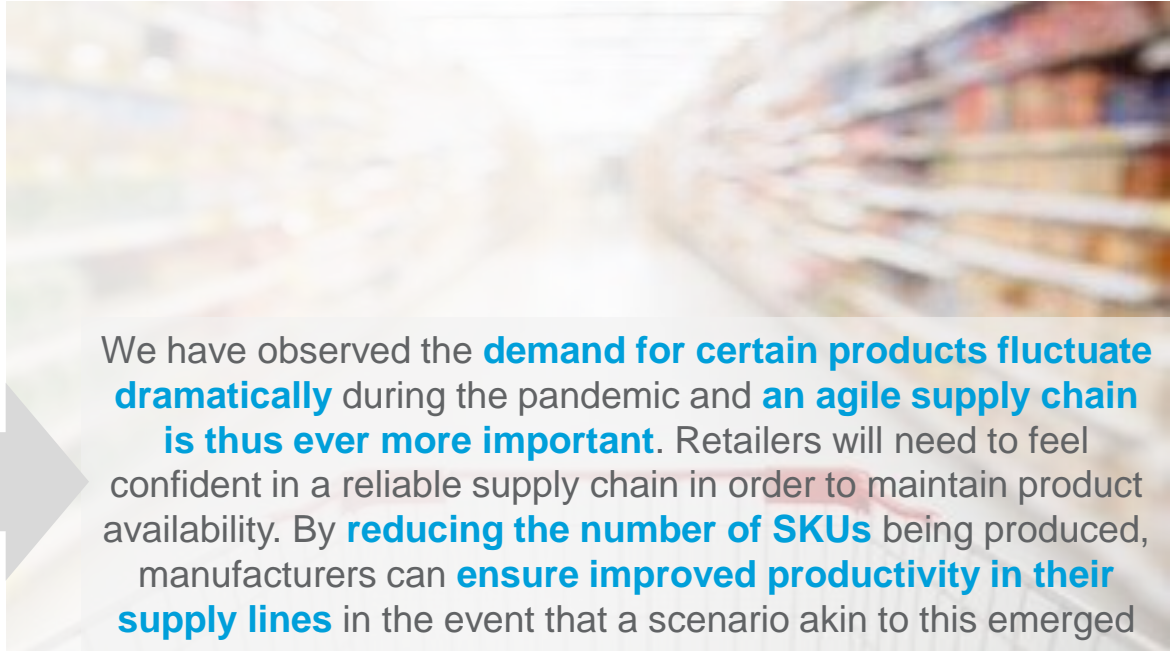
Virus Effectively Contained

Significant stockpiling drawdown in Q2; potential reversion to new normal consumption trends by Q4



Another Virus Spike in the Fall

Stockpiling drawdown in the Summer before another major stockpiling run in the Fall



We have observed the **demand for certain products fluctuate dramatically** during the pandemic and **an agile supply chain is thus ever more important**. Retailers will need to feel confident in a reliable supply chain in order to maintain product availability. By **reducing the number of SKUs** being produced, manufacturers can **ensure improved productivity in their supply lines** in the event that a scenario akin to this emerged

Recessionary times can be ripe for trend/country/category firsts

Maintain commitment to innovations underpinned by enduring trends



In our two waves of COVID-19 shopper research, **we have NOT seen COVID-19 taper Australians' expressed concerns about climate change. Sustainability themed innovation is especially important in Australia given the environmental (bushfire) crisis that preceded the health crisis.** Nestle rolled out paper-based packaging globally for Nesquik this year, and will launch paper packs for Yes!, Smarties and Milo brands

Prioritise 'big bets': pursue category and country firsts



In the UK, Müller has expanded its iconic Corner yoghurt portfolio with its first-ever skyr product – a **format/style that has been trending** in the market for some time. Elsewhere, US alcoholic low-calorie sparkling water brand White Claw, major driver of liquor sales for well over a year, is coming to Australia in H2. It is an example of aptly **investing in the growth potential of consumer & attribute trends** around lower-calorie and lower-sugar alcoholic beverages products

Consider the merits of a ‘fighter/flanker’ brand



DRINK FISCALLY RESPONSIBLY.

18 CANS OF CRAFT
\$40 DELIVERED
PRE-SALES AVAILABLE NOW
OTHERSIDE BREWING.COM.AU



**40 BUCKS.
18 CANS.
DELIVERED.
SIMPLE.**

PRE-SALES AVAILABLE NOW
OTHERSIDE BREWING.COM.AU



Bring affordable personal indulgence to economically stressed consumer segments

Otherside Brewing Co. recognised that paying the premium for craft is hard to justify. In response, the Australian brewer **created a craft brew “at a price as reasonable as we could possibly make it”**. It was made available from Liquor Barons stores across WA in mid-April



Mainstream Personal Indulgence Brand

→ **WILD OPHELIA** ←
BY VOSGES HAUT-CHOCOLAT

41% Cacao Milk Chocolate
Size: 2 oz.
Price / Unit: \$1.95



Premium Personal Indulgence Brand



Super Dark 72% Cacao
Size: 3 oz.
Price / Unit: \$5.89

Vosges Chocolate, a premium confectionery company in the US, used the last recession as an opportunity to **introduce a lower-priced fighter brand chocolate, called Wild Ophelia, for the mass channel**. Vosges invested a significant amount in discrete choice research to gather more economically impacted consumers’ perceptions of functional and emotive features and willingness to pay

Dial up 'value attributes' likely to have elevated recessionary appeal



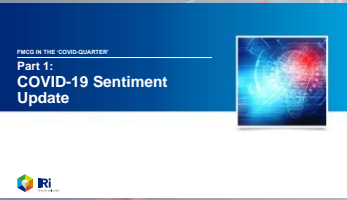




Seek opportunistic acquisitions to bolster brand portfolios

A **recession**, especially one as unpredictable and deep as the COVID-19 recession, **provides opportunities for longer-term growth supporting acquisitions**. Many insurgent brands will run into capital issues as investors get cold feet and debt covenants are blown

This recession could be a perfect opportunity for larger, well-secured companies to **consider making acquisitions of the insurgent brands that have been nipping at their heels for years**



Please refer to the other parts of this overarching report

THEME 1 A headline view of COVID-19	THEME 2 Situational analysis across the FMCG channels in the 'COVID-quarter'		THEME 3 Recessionary macro-economics and dealing with a 'recessionary mindset'	
PART 1	PART 2	PART 3	PART 4	PART 5
COVID-19 Sentiment Update	Quarterly Grocery Update	Quarterly 'Rest of FMCG' Update	A 'Recessionary Mindset' & Looming Recession	What To Do To Survive & Win In A Recession
				



**THANK YOU
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