

A Freshlogic foodcast on Australian and international trends, innovations and other insights relevant to the Australian food market

What we're seeing

Losing interest in greening? – The Lowy Institute’s poll results from late June suggests the long, bitter carbon tax debate embroiling Government and Opposition has helped weaken overall support for action on Climate Change. Lowy found only 41% of their 1,000-person survey thought global warming is a serious and pressing problem. People mostly fear the potential cost impost of taxation as a means of taking action, and clearly the messages about compensation are coming late and confused.



The risk is that protracted political debate focused on short-term electoral goals will further weaken the overall community’s interest in doing something positive about environmental sustainability - which in turn may impact on the relevance of significant consumer focused “sustainability” platforms that have been developed by food producers, processors and retailers.

✱ *We may be at a tipping point - a lack of conviction for action may see fewer people support “sustainability” platforms in various forms in their food shopping choices, with differing cost implications.*

✱ *Or ... frustration with inaction by politicians may in fact see a greater uptake of “personal” green agendas.*

Slowing growth in our consumer base – If tight discretionary spending in the Australian market isn’t enough, trends in immigration, tourism and population growth all point to a slowing in growth in the consumer base. Trends in the onshore population show that growth in the number of consumers is slowing, thanks to the winding back of immigration. Migrant forecasts from the Government suggest population growth will keep declining to close to 1.5% for 2011/12. Slower growth isn’t just about people arriving. The rate of natural increase in the population (births less deaths) in the December quarter was the lowest for 5 years!

Tourist numbers are a concern for the food service market. Despite the higher \$ discouraging short-term stays, customs figures for the year to date suggest short-stay arrivals are set to be better than last year, with overseas visitors up 8% on the prior financial year. However, despite some comparatively good news here, outbound tourism remains strong. While some Australians may be shortening their overseas trip due to tightening spending, the strength of the Australian dollar continues to make many international destinations attractive.

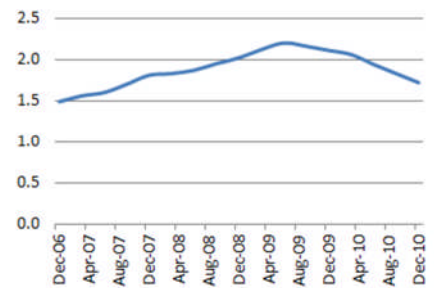
✱ *A decline in growth in the consuming base means volume increases are going to be slightly harder to achieve.*

Woolies cranks up private label promotion – Freshlogic’s tracking of retailer printed promotional activity using [Adwatch](#) showed promotional activity was cranked up by a couple of retailers at different times over the past 4 weeks, with surges in placements by Woolworths and IGA, but overall the big two grocers had similar volumes of lines in their print media promotions. IGA group members have recently lifted their promotional presence after tightening their volumes in the first quarter of the year.

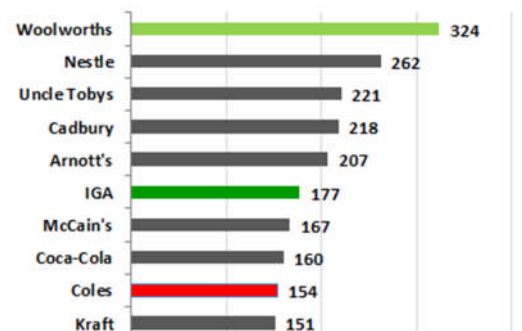
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Quarterly population growth (%)



Top 10 brands promoted in past 4 weeks



When we last shone the torch on the **top 10 brands** promoted in the past 4 weeks, Coles topped the list. Roles have been strongly reversed of late with Woolworths taking its turn to crank up emphasis on its private label promotion. Woolies ran their own brand in 9% of placements, while Coles dropped theirs back to a bit over 4%. The campaigns of the majors appear fairly entrenched – if the visibility and intensity of Coles TV campaign is anything to go by.

✱ *Deeper analysis of the data from Adwatch shows how the change in intensity of promotions affects discount levels, volumes and average unit sales.*

Moving media on-line – On-line marketing channels are gaining greater strength as the media industry responds to the trend towards free online content delivery and the erosion of incomes from convention classified adverts. Real estate and car sales operators have done this particularly well.

The net is here to stay and will continue to pick up share. But the challenge is to create more quality online content that people are willing to pay for. The iPad is like a “new age” newsagent that could provide that platform.

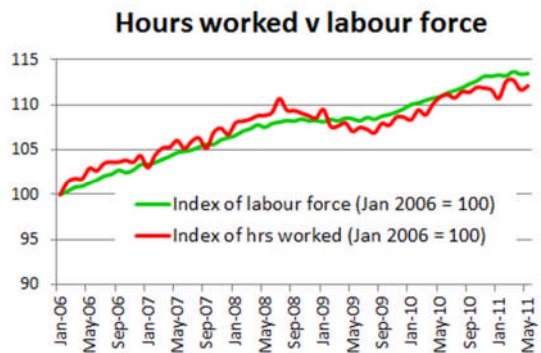


✱ *Traditional print media promotion will soon have to reach its target in different ways. Balancing the investment between media channels in this transition will take some brave calls to optimise the return on investment.*

Beneath the employment spin – There’s been some disbelief about the reality of the situation with employment, and why the country seems to be struggling with a consumer malaise despite “full employment” according to the ABS numbers. Since the worst of the GFC took hold on the Australian economy, there has been a subtle restructuring of the employment market – more people are registered as having jobs but on average are working a little less.

The chart on the right shows this, comparing growth in employment numbers and hours worked, highlighting the dip in hours below the advance in employment has worsened in recent months.

✱ *A little lower income per worker is contributing to tighter household financial situations.*

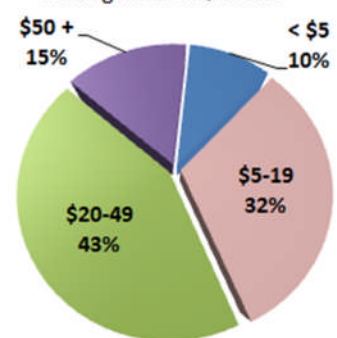


The consumer

Did you know? – Recent results harvested from our [Mealpulse™ Panel](#) highlight a number of trends in consumer behaviour.

- Results over the past year indicate that just over 40% of shoppers who purchase fruit and vegetables weekly, spend less than \$20 on them. At the other end of the scale, around 15% of shoppers spend \$50 or more.
- Understanding the spending dynamics of households is particularly important in the current environment. In recent times, we have noted a decline in the level of produce purchased weekly among the more budget conscious householders. Based on spending patterns and other Panel insights, there is scope for growth in sales to households with higher discretionary income.
- The majority of consumers will tell you they don’t welcome packaging on fresh fruit & vegetables but, when rushed, they often actually buy in this form. This is another example of where care needs to be taken with interpretation of consumer responses. Showing consumers visuals in an online panel and asking for preferences have proved to be effective in reducing bias and guilt on these issues.
- While female shoppers clearly outnumber males, the purchasing habits of males are by no means insignificant. Male shoppers are more consistent in fresh produce purchasing behavior. Females are more strongly swayed by promotional activity and price, among other factors. The more habitual males present a challenge to encourage support for new products, but also an opportunity to capture loyal shoppers.

Weekly F&V spend per household
Average Past 4 Quarters



✱ *Having a comprehensive understanding of the profile of shoppers, including the range of spending across households, can assist retailers develop targeted promotional activity.*

✱ *There may also be some merit in reconsidering the style and approach used in promotional activity, which has traditionally been targeted to female shoppers.*

App wars haven't really started – We've scanned the shopping applications available and found a mixed commitment and user reviews to the use of hand-held assistants before or during the shop. Phone apps for Apple and Android devices are becoming more plentiful. At this stage, Woolies is a stand-out as being virtually app-less – with an application to find stores and report on rewards alone – but that situation is unlikely to remain the case for long.

The big UK players are also included, highlighting some of their developments, which we will possibly see in Australia soon. Some of these are dazzling in comparison providing increased personalisation, and tailoring for meal and trip planning. In particular, Tesco guides you past specials with satnav, while Waitrose suggests complementary wines.

Given that we reported last month that two-thirds of shoppers go armed with a list on a regular occasion, the scope to aid the shopping experience is huge.

	List generator	Store locator	Recipes	Specials	Rewards tracker	Meal planner	Satnav aisle guide	Nutritional guide	Other personalisation
Grocer									
Aldi	✓	✓							
Coles	✓	✓	✓	✓					✓
IGA	✓	✓							
Woolworths		✓			✓				
Tesco	✓	✓					✓		
Sainsbury	✓	✓	✓	✓	✓	✓			
Waitrose	✓	✓	✓	✓		✓✓		✓	✓

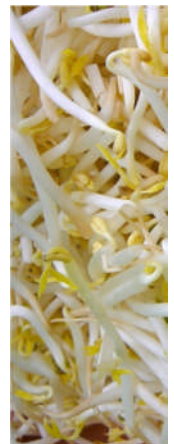
- ✱ *The increasing use of technology tools that allow shoppers to readily identify food purchase needs from the kitchen (including recipe apps) to the store, presents an opportunity to get products into pre-set lists or reminders.*
- ✱ *Apps will gain better traction if Wi-Fi access is enhanced. In-store investments to cater for smoother operations will speed the product development and uptake.*

Making news

Lessons from Europe's food safety tragedy – Some big lessons can be taken out of Europe's current food safety nightmare, which has claimed almost 50 lives and left thousands ill. The complexity of the outbreak made it hard to pin down cause and source. Cases broke over a large geographic area, as the unsafe products were distributed to a number of food service outlets in several countries.

It has shown up one of the biggest challenges facing harmonisation in the EU, which wants to leave countries to run their own show as far as possible – yet under (hopefully) aligned laws. Confusion for consumers and food producers was compounded as authorities fumbled, with a glaring lack of effective coordination across regional and national governments. Germany for one has 16 states – each with its own food regulators and communications arms. States started issuing their own (conflicting) warnings and updates. Expect calls from a radical overhaul of food safety and crisis management in Europe as a result.

Communication of accurate and timely information is a bigger challenge facing governments and vulnerable industry sectors in future. New social media channels spread the developments and opinions about the problem across Europe at a pace that easily exceeded the clumsy response from food regulators to inform consumers and industry.



- ✱ *Challenges lie ahead for regulators in embracing new information channels.*

The changing household landscape – The insights into housing preferences of the Australian population were published by the **Grattan Institute** in June. The report compared demand (preferences) and supply of housing types, confined to Melbourne and Sydney, but the findings are relevant for all cities.

Grattan's work is a wake-up call for planners – a large number of people in cities cope with significant compromises, with an unmet demand for more spacious housing closer to city centres, where the convenience of location is clearly stronger than the desire for open space and putting up with long hours on inefficient transport networks. Interestingly the stock being built in greatest numbers closest to cities – multi-level apartments – are the least preferred housing types, based on perceptions people have of the limitations of apartment space, features, and isolation from some key services. The current poor access to food retail in many inner city areas is contributing to that stigma, and remains a major opportunity to change the perceptions and actual convenience of inner-city living.



- ✱ *Implications for servicing households as these trends change – not just grocery but also meals through other channels.*

Global food retail

Bundling “meal value” into the whole week’s shopping – UK grocer Sainsbury has adopted a campaign that may provide a look into the future of what we’ll see next here. Australian consumers have increasingly warmed to cooking more meals at home, and this setting affects how they receive messages about value and quality food. New paradigms have emerged and consumers have warmed to messages about meal packages, particularly when couched to address the desire for value. But rather than focus on single meals, Sainsbury is now packaging a weekly plan aimed at providing not only savings, but also assists families make multiple meal plans.



- ✱ *Big retailers will have to dig deep to exploit this and other forms of reinvention as the economic gloom in the UK gets worse.*
- ✱ *Maybe this is the next level of “meal value” we’ll see in this market?*

Walmart targets global middle classes and goes “express” at home – Walmart has set its sights on the “global consumer of the future” - shoppers in developing markets who are “striving” to join the “emerging global middle class”. It will rely more heavily on emerging consumer markets such as Central and Southern Africa, Brazil, Mexico and China to pick up its rate of expansion in shareholder wealth, to compensate for sluggish sales in the US, UK and Japan.

It has launched another strategy in its home market to spark some life – moving away from the big-bow type outlet and opening its first “express” outlet. It plans to open 350 such outlets a year, going head-to-head with Tesco, which has modified its UK small-store model into fresh express outlets – with limited success.

- ✱ *Global retailers are finding it much easier to gain growth in new markets, while scouring the ground in home territories which suffer from flat consumer spending.*

The UK mulls an ombudsman – The UK’s coalition government has unveiled a draft plan to set up a Groceries Code Adjudicator to oversee the implementation of the code that purports to govern relations between suppliers and retailers. The code is designed to curtail “abuses of power” in the supply chain and protect consumer interests. The draft bill is welcomed by farmers who have demanded an adjudicator for the best part of a decade, thinking this will improve the fairness of bargaining... and farmgate prices. Retailers – who the UK government has dobed in to fund the new office – have unsurprisingly attacked the plans for higher scrutiny, insisting this would push up costs and prices for consumers, without changing anything in substance about the workings of supply chains.



- ✱ *We should watch this development carefully. Governments (and their alternatives) in this country are so bereft of any original ideas about most policy matters, they may borrow from Mother England.*

Other things of interest...

The pyramid becomes a plate – The US government has ditched its 20-year-old “pyramid” model for healthy eating and introduced a new plate symbol, half-filled with fruits and vegetables, to urge better eating habits.

The plate icon is sectioned into four parts, with fruits and vegetables making up one half and grains and proteins filling the other half. A dairy drink is included alongside. The graphic replaces the food pyramid, released in 1992, which showed that fats and oils were located at the upper tip and should be used sparingly, while whole grains made up the base of the diet with six to 11 servings daily. The pyramid design was modified in 2005 to include slices of colour and a figure climbing stairs to suggest the importance of exercise.



- ✱ *The revision reverses a nanny state trend, backing away from an advisory implication.*

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