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Packaged Food in Australia

Executive Summary

COVID-19 Impact on Packaged Food

Social distancing measures and lockdown protocols to prevent the spread of COVID-19 in 2020 forced some retail stores and foodservice outlets to close temporarily. The pandemic spurred panic buying over a few months in early 2020, with consumers stockpiling non-perishable pantry staples, including rice, pasta, noodles, and baby food, as well as long-life products such as canned fruit and vegetables and even the relatively less popular shelf-stable milk. Due to the intermittent shortage in supply of these products, consumers turned to their local grocery stores or bought directly from farmers.

The closure of on-trade establishments and home seclusion have inevitably significantly impacted foodservice sales in 2020, while retail sales have benefited from more Australians working and therefore snacking, cooking, and baking at home. To replicate the dining-out experience at home, many frozen foods such as pizza and ready meals have gained in popularity, thanks to their affordability, as well as improving quality and wider options, including plant-based and healthier versions. With the arrival of COVID-19, Australians are even more conscious of their diets and the need to eat healthily to avoid illness, benefiting products with a better-for-you positioning.

Company Response

Given the huge impact of the COVID-19 pandemic, the key better-for-you trend has become the point of attention for many players in the market and they are concentrating on consumers' focus on health and preventative measures such as boosting their immune systems. New product developments across multiple

Highlights

- Most of the new product developments from companies are focused on immunity-boosting and gut health products because of the COVID-19 pandemic.
- As e-commerce is becoming the top distribution channel, local groceries and specialty foodshops are now offering delivery services.
- Retail and grocery spending across packaged food is expected to remain high as consumers continue to prefer home-cooked meals because they are extra conscious about their spending due to the economic impact of the pandemic.
- Consumers will continue to be drawn towards organic and natural products, as well as products with added functionality and fortification, including immune-boosting probiotics. Plant-based options are also likely to continue to expand their presence over the forecast period to address consumers' changing lifestyles in terms of veganism or certain food intolerances.

categories are now tapping into this trend, with products such as drinking milk, yogurt, and even mints launching immunity-boosting and gut health products. New product examples in 2020 include Dairy Farmers' probiotic yogurt range with added vitamin D, and Soothers Immune+, which support immune system health with the addition of Zinc and Vitamin C.

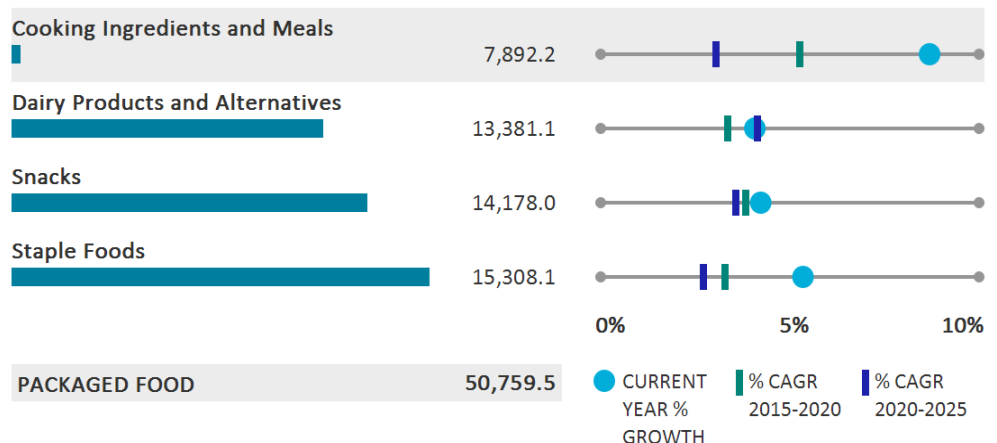
Retailing Shift

E-commerce was slow to take off in Australia before COVID-19. The recent entry into the country of Amazon

Sales of Packaged Food in Australia by Category

Retail Value RSP - AUD million - Current - 2020

Growth Performance



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is a sign that the slow start that Australia’s retailing industry made towards moving into the online arena has given way to a more enthusiastic approach to online shopping. In response, the country’s two leading chains of supermarkets, Woolworths and Coles, each launched their own online delivery subscription services towards the end of 2019.

During the COVID-19 pandemic in 2020, e-commerce has emerged as the top distribution channel, outperforming supermarkets in terms of growth. Local grocery stores and other food specialty shops that did not deliver have pivoted and started offering delivery services. More consumers are also shopping at discounters such as Aldi, seeking better value for money for their purchases as recession looms. Aldi not only increased its market share of all supermarket spending in 2020, but it also recorded strong growth in customer penetration.

The success of Aldi can be attributed to the retailer’s ability to offer staple foodstuffs at considerably lower prices than either Woolworths or Coles. One specific factor behind Aldi’s recent success is that the traditional perception that private label means inherently low quality is diminishing as increasing numbers of consumers become aware of the reality that private label represents the quality that is commensurate with standard brands despite its lower prices and less glamorous packaging and image.

Foodservice vs Retail Split

The foodservice sector in Australia was heavily impacted by the COVID-19 pandemic in 2020, with many outlets being closed temporarily due to social distancing and lockdown measures. Consequently, this led to consumer spending shifting to retail. Cafés and restaurants were forced to pivot to survive, with many offering delivery options and selling essentials such as drinking milk to consumers. McDonald’s, for instance, started selling pantry staples, including eggs, milk, bread rolls, and English muffins, as part of its ‘essential menu’. The contactless service offered by the company ensured it was a safe way for Australians to get food and drinks, as well as essential items.

As the number of COVID-19 cases declined, takeaway-only restrictions were eased in early May 2020. After experiencing a second wave in July, foodservice outlet restrictions came into force again, with Victoria heavily affected, again causing a shift from food service to retail in terms of packaged food spending.

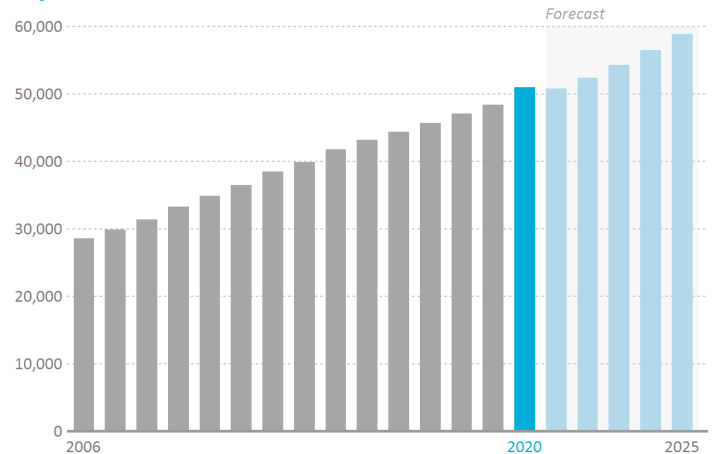
What’s Next for Packaged Food?

Over the forecast period, it is expected that the packaged food spikes seen in 2020 will return to pre-COVID-19 growth levels, especially over 2021-2022. As uncertainties around travel opportunities and economic

Sales of Packaged Food in Australia

Retail Value RSP - AUD million - Current - 2006-2025

50,759



recovery remain, retail and grocery spending across packaged food is expected to remain high as consumers continue to cook more at home as they are likely to be increasingly conscious about their spending due to the economic impact of the pandemic. The interest in home dining innovation spells good news for meal kit companies such as Marley Spoon. Private label is also expected to perform well over the forecast period as financial pressures from the recession continue. Consumers will continue to think more carefully about what they buy, with private label and store-branded products much higher on their shopping lists.

The health trend has been strengthened by the experience of the pandemic, and better for you, alternatives are expected to continue to gain momentum over the forecast period. Consumers will continue to be drawn towards organic and natural products, as well as products with added functionality and fortification, including immune-boosting probiotics. Plant-based options are also likely to continue to expand their presence over the forecast period to address consumers’ changing lifestyles in terms of veganism or certain food intolerances. ■

Check out our previous issue:
Home Care in Indonesia

