

Navigating the Australian Consumer

Opportunities and challenges for fresh produce suppliers in the face of shifting consumer spending and priorities



Latest consumer data suggests summer holiday spending will be subdued, with buyers more inclined to seek essential items that offer genuine value for money, presenting opportunities for fresh food suppliers looking to build loyalty to their brands.

The latest snapshot of consumer sentiment has 41 per cent of those surveyed committed to spending less than they did at the same time last year, as the retail sector braces for a possible hit to festive season revenue in what is traditionally the busiest period in the retail calendar.

The data collated by EY Consulting in November showed eight out of 10 consumers were cautious or concerned about their current financial position, and four out of five Australians identifying cost of living pressures as highest on their list of worries.

Nearly half (48 per cent) said they were limiting their purchases to 'essentials' only, while 72 per cent said they would focus purely on items offering 'value for money'.

The latest results reflect 2023's steady decline of consumer sentiment that is showing little sign of recovery moving into 2024 amid rising cost of living, wage growth stagnation in real terms and a succession of interest rate rises putting the squeeze on mortgage holders and household budgets.

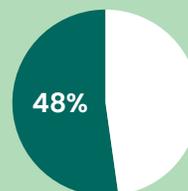
Consumers cautious or concerned about their current financial position:



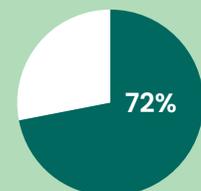
Australians identifying cost of living pressures as highest on their list of worries:



Consumers limiting purchases to 'essentials' only:



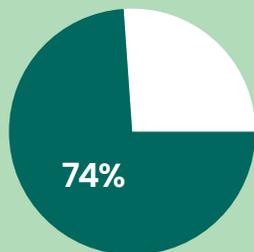
Consumers focusing on items offering 'value for money':



Data collated by EY Consulting in November 2023.

The International Fresh Produce Association (IFPA) in Australia and New Zealand revealed in its Future Trends Report, (released in June from information collated in March-April 2023) that 73 per cent of respondents expected costs of living to worsen in the next six months.

Seventy-four per cent of shoppers surveyed at that time expected prices of fresh and packaged foods to rise over the next three to four months.



As a result, many consumers said they would change their spending habits by substituting goods for cheaper alternatives and purchasing lower volumes.

What's behind the stress?

Why do Australian and New Zealand consumers feel so bad? What is driving their pessimistic outlook when compared to consumers in other countries?

“The resilience of Australian consumers is waning. They are on edge about the escalating cost of living, increasingly worried about what lies ahead and worn down by all the uncertainty that has defined the past few years.”

Marc L’Huillier, Consumer insights leader for Oceania, EY Consulting

When IFPA released its report to members and industry stakeholders in June, the organisation highlighted ongoing geopolitical tensions, particularly the war in Ukraine, along with the legacy of the pandem-

Optimistic signs

Despite what looks like an overwhelmingly bleak outlook for fresh produce sector confidence in the months ahead, there are unfolding developments promising relief and hopes of recovery.

The EY Future Consumer Index, a global study spanning 27 countries and 21,000 interviews, showed in July how heavily the conditions of the 2022-23 financial year were already weighing on the disposition of Australian and New Zealand consumers.

Consumers in both countries put concerns about rising grocery prices and other household items at the top of their list (Australia 65pc; NZ 66pc), higher than the US, UK, Canada, France, and Germany (only Japan was higher at 81 per cent).

Eighty-two per cent of Australian consumers felt concerned or cautious about their financial future, with almost a third (29 per cent) feeling worse from where they were positioned four months prior.

ic, strains on labour force and supply chains that have heightened food security fears, in addition to worries about climate changes leading factors eroding consumer resilience.

“In Australia we’ve seen successive interest rate rises implemented to constrain inflation, putting more pressure on household budgets already under stress from low wages growth, and high fuel and energy costs,” said IFPA CEO Ben Hoodless.

“Since the release of our report and the two EY reports, the war in Ukraine shows little sign of abating, another flashpoint has erupted in the Middle East and closer to home we’ve had an early and deadly start to the bushfire season, intense heatwaves in NSW, unseasonably heavy rain in South Australia and a cyclone and record flooding in North Queensland.

“It is another devastating reminder of the volatile condition of the Australian environment heading into summer dominated by extreme weather events.”

The continuing thaw in Australia-China diplomatic and trade relations is welcome, a changing dynamic that has seen a relaxation of trade barriers on Australian barley, wine and beef, with promising signs of

an uplift in horticulture exports such as summerfruit and grapes and a possible breakthrough to allow the entry of Australian avocados in 2024.

“As I explained to delegates at Asia Fruit Logistica in Hong Kong in June, the reactivation of the China relationship on a more positive trajectory is likely to reinvigorate export activity for Australian and New Zealand exporters across the broader Southeast Asia region.”

Ben Hoodless, CEO, IFPA

“Moves from the private sector have seemingly been anticipating this development for most of this year, with commercial passenger and airfreight carriers, such as Cathay Pacific, increasing flights between Brisbane and Hong Kong by 50 per cent, equating to an additional 50 tonnes of cargo space a week.

“Australia’s national horticulture R&D and marketing body, Hort Innovation, announced this year it had secured \$130 million to fund its Fresh and Secure Trade Alliance (FASTA), an initiative created to help protect and grow Australia’s horticultural exports, especially in new lucrative markets.

“The funding for that project came as exporters embarked on successful trial shipments of Australian avocados to India in July, stemming from the Australia-India free trade agreement and the desire to diversify export markets as protection against future volatility.”

Prepare for more tech

As identified in the IFPA Future Trends report, digital technology deployed at all links of the supply chain is proving critical to relieving further pressure on food supply systems and helping exporters sharpen their supply chain operations in a bid to deliver higher quality produce more consistently to consumers, whether in Australia or across the world.

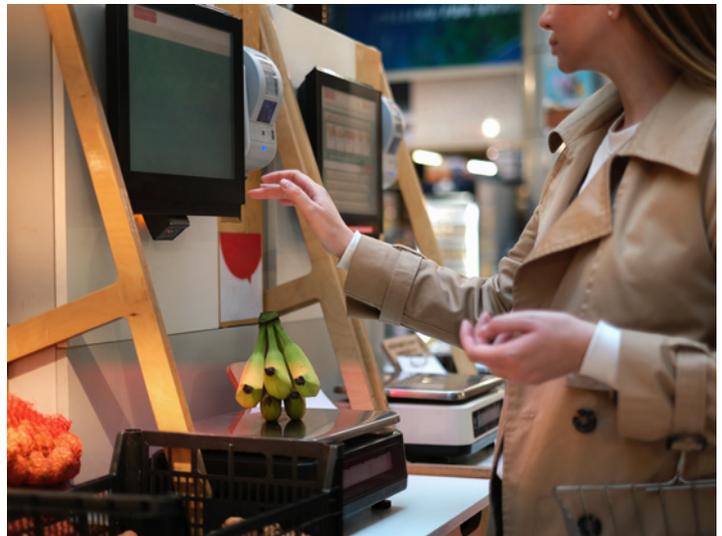
“The omnipresence of technology across every facet of food production, distribution network and point of sale is now so embedded in our thinking and behaviour that we devoted a whole section to technological change and digital adoption to our Future Trends report,” Hoodless said.

“The growing acceptance and uptake of self-service checkouts at supermarkets may be the most obvious example, but there is a growing reliance on technology to make more informed decisions about the food products consumers purchase.

“Whether shopping in-store or online, consumers are using technology to verify their choices align with their health and sustainability expectations.

“Supply chain disruptions may be pushing up costs, but IFPA has argued that automation and AI are helping offset these costs by generating new efficiencies.

“Our research suggests consumers are comfortable with the use of technology but less so with AI.”



As reported in the Future Trends report, consumers in Australia and New Zealand are largely comfortable with the use of virtual platforms (65 per cent comfortable), automation to perform routine or repetitive tasks and processes (55 per cent comfortable), automation to collect or analyse data (52 per cent comfortable) and technology to create more transparency around products and services (50 per cent comfortable).

In contrast, sentiment around the use of AI as a part of everyday operations is low.

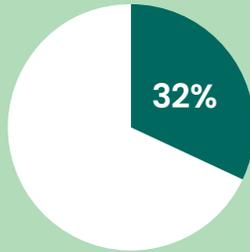
Hoodless said the growing adoption of new digital tools presented opportunities for companies to

expand their channel presence and develop new branded experiences.

“These will enable them to capture more consumer data, research, and test products digitally and personalise consumer engagement,” he said.

Environmental values vs value for money

Interest in sustainability is continuing to accelerate, with 32 per cent of consumers believe combating climate change and its impacts is the greatest sustainability issue.



Given this, consumers are altering their behaviours and consumption patterns to consume “better” rather than “more”.

Ethical, environmentally sound production and a commitment to reduce emissions in the supply chain and lower food waste are important considerations for customers.

All businesses may be compelled to articulate their carbon fighting measures from 2024 if an Australian federal government proposal to make ESG (Environmental, Sustainability, Governance) financial reporting mandatory gets the green light.

The framework is still to be finalised, but the minimum standard is likely to require the performance of supply chains verified by data.

Industries and businesses who embed sustainability in their operations and marketing to meet the expectations and requirements of consumers, (as well as regulators, investors, and stakeholders) will be well positioned in the pursuit of attracting their purchase.

Despite the desire of consumers to buy with an environmentally conscious lens, the data suggests that consumers are ‘downshifting’ their spend where value takes priority.

“There is a flight to value, with consumers showing restraint and more assertively managing the household budget. Increased price sensitivity sees them trading down in many areas and our data is showing

“This interaction between supplier and consumer through connecting technology will increasingly close the knowledge gap, bringing transparency to traceability and the origin story of the product on the shelf.”



that the proportion of people intending to ‘spend less’ across 24 categories we track is at the highest level in 15 months and higher than we are seeing in some comparable markets,” says the July 2023 release of the EY Future Consumer Index.

“Fifty-one per cent of shoppers are now only purchasing what they see as the essentials. Thirty-five per cent are trying new brands to reduce costs and 34 per cent plan to shop less for non-essential items in the future.”

EY’s assessment based on the data predicts “the march towards more constrained and clinical spend behaviour will not slow”.

The latest FY 24 Q1 results from Coles and Woolworths are confirming the trend, with the latter reporting own brand sales up 7.8 per cent, while Coles stated its own brand portfolio of products had an increase of 9.4 per cent.

With both figures ahead of their respective company’s overall sales growth, the figures highlight customers are seeking out greater “value”.

Conclusion

In summary, global tension and economic stress domestically is weighing heavily on the Australian consumer, with little sign of the pressure easing as we close out 2023 and head into the new calendar year.

Consumers are also worried about climate change and sustainability to support food systems, fears that will only heighten if Australia is to experience more natural disasters like severe drought, destructive storms, floods and bushfires this summer.

However, cost of living pressure is also applying the squeeze, perhaps overriding climate concerns in favour of preferencing lower-cost products that consumers perceive as offering better value.

Increased automation and digital technology have a large part to play in improving supply chain efficiency to lower operational costs and provide a conduit for consumers to access information about products and to gain confidence in their sustainability credentials and value proposition.

Fresh produce suppliers who can meet these expectations with the digital tools at their disposal and place the concerns and anxieties of customers at the forefront of their strategic thinking in these challenging times will find a receptive audience willing to reward when they emotionally connect with well-crafted brand stories with the promise of longer-term brand loyalty, whether adversity endures, or conditions improve over the horizon.

For more information contact:

Ben Hoodless

+61 408 114 971

BHoodless@freshproduce.com

The International Fresh Produce Association (IFPA A-NZ) makes no representations and expressly disclaims all warranties (to the extent permitted by law) about the accuracy, completeness, or currency of information in this report.

This report (in part or as whole) cannot be reproduced, published, communicated, or adapted without the prior written consent of IFPA A-NZ (except as may be permitted under the Commonwealth Copyright Act 1968). Any request or enquiry to use this report should be addressed to the Managing Director, IFPA A-NZ, 201/838 Collins Street, Docklands VICTORIA 3008 Australia.

© 2024 International Fresh Produce Association (Australia + New Zealand) Limited.