Winning with today's pressured consumers

NielsenIQ

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Sibat is a strategic insight leader with over a decade of analytics and account management experience at NIQ, spanning across Australia and APMEA region with NIQ's leading local and global clients. Her passion and expertise lie in transforming data into meaningful market insights to shape practical growth strategies.

The latest NIQ report shows most Australians continue to be significantly impacted by cost-of-living pressures. However, a resilient labour market and shift in consumer values mean that there are still opportunities for brands and retailers.

Given this unusual mix of factors, the latest consumer data from NIQ can be categorised into two broad categories: the expected and the encouraging. Predictably enough, 8 in 10 Australian households continue monitoring their spending. However, the more encouraging and perhaps surprising news is that Australian consumers are alert but not alarmed. The latest data suggests that consumers are becoming more optimistic. It's also the case that changing consumer behaviours always creates opportunities for agile brands and retailers.

Contents

The State of Australian Consumer

The state of consumers is *Pressured*

This sustained pressure comes from multiple areas. After enduring and surviving years of past disruption, consumers are increasingly resilient, future-focused, and searching for better days ahead. Fragility remains a common factor surrounding any signs of optimism. With the looming prospect of further disruption down the road, consumers remain cautious with all forms of spending, signalling a year of new habit formation and future-focused planning.

Uneasy

Consumers have been tested in more ways than one over the past year and beyond.

Resilient

Emerging through change as consumers shift survival tactics into long-term behavioural shifts.

Future Focused

Continued polarisation between the financially insulated and insecure and a renewed focus on planning for proactive health & retirement.

Rising costs of living remain top of mind

The top four concerns among Australians remain the same: They continue to worry about the rising cost of food, the increasing cost of utilities, the increased cost of housing, and the rising interest rates. Concern over rising fuel/ transportation costs jumped to rank #5 from #6. Concern over global conflict/escalation of crisis moved up by four spots to rank #8.

Straightened circumstances and the lingering effects of Covid appear to have nudged Australians in a more frugal, health-conscious and green direction, with 51% wanting to spend more time at home, 50% wanting to buy only what they'll use, 48% preparing a shopping list before going to the store and 41% stating that building, maintaining or improving health and wellness is important.

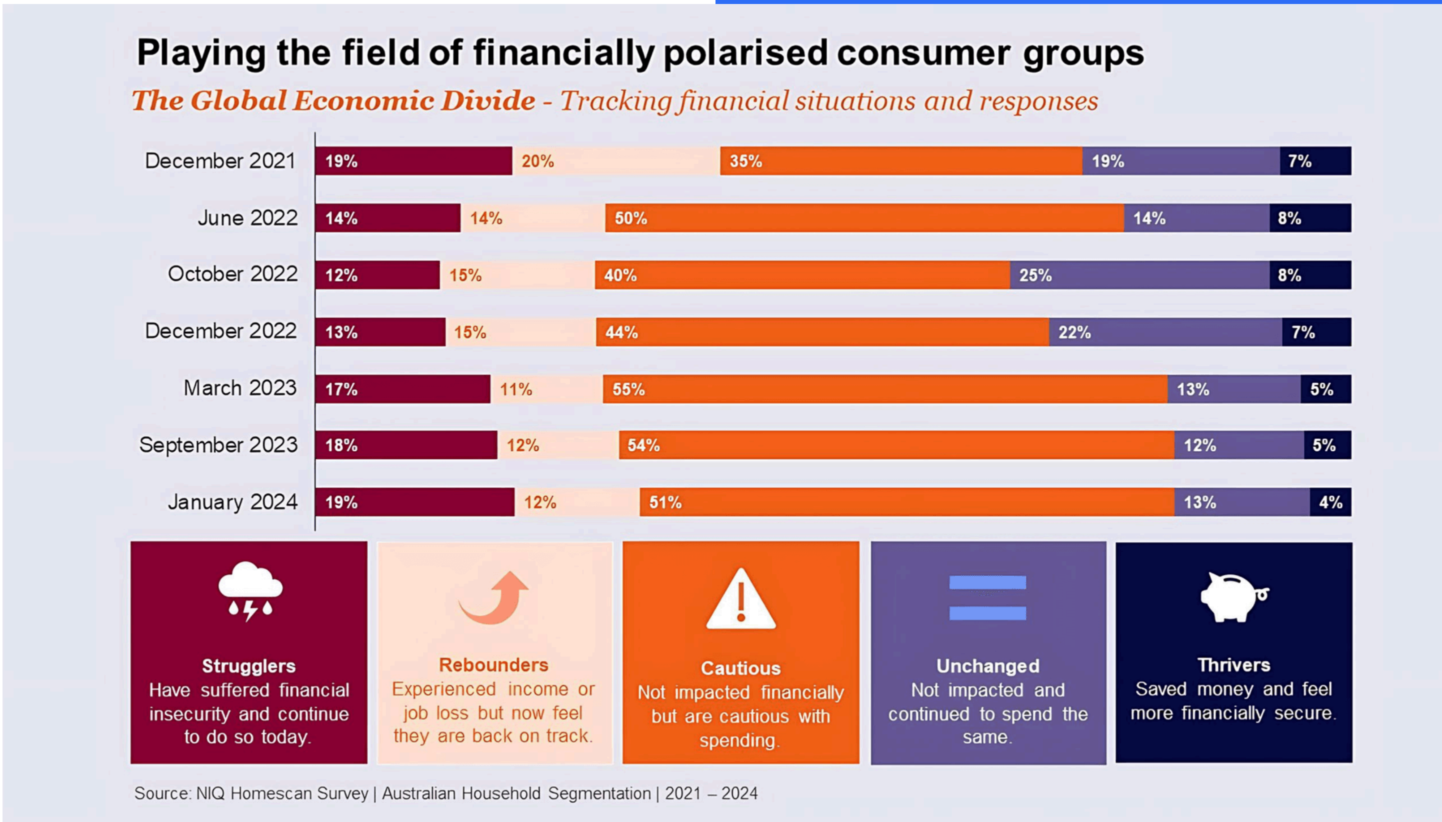
Top 10 concerns among Australian consumers

			Ranking change vs. Mid 2024
1	Rising food prices	45%	same
2	Increasing utilities	23%	same
3	Increased housing costs	22%	same
4	Rising interest rates	18%	same
5	Rising fuel / transportation costs	12%	Was #6
6	Global warming / environment	12%	was #8
7	Economic downturn	10%	was #5
8	Global conflict / escalation of crisis	10%	was #12
9	Ability to provide basics for myself/family	8%	same
10	Threat of COVID-19 resurgence	6%	was #7

ırce: NIQ 2024 Consumer Outlook vs Mid-Year 2024 Survey, AUSTRALIA

Alert but not alarmed

Recent consumer insights from NIQ paint a picture of a cautious yet optimistic Australian market. While a majority of households (80%) remain vigilant about their spending, consumers have a growing sense of optimism, suggesting a potential shift in sentiment. This resilience amidst economic uncertainty signals an opportunity for adaptable brands and retailers to cater to evolving consumer needs and preferences.



8 in 10

Australian households are continuing to monitor their spending.

7 in 10

Australian households are doing ok.

As inequality is rising and the cost-of-living crisis tend to impact people in different ways, we have segmented consumers in terms of how much they have been feeling the impact and their attitudes.

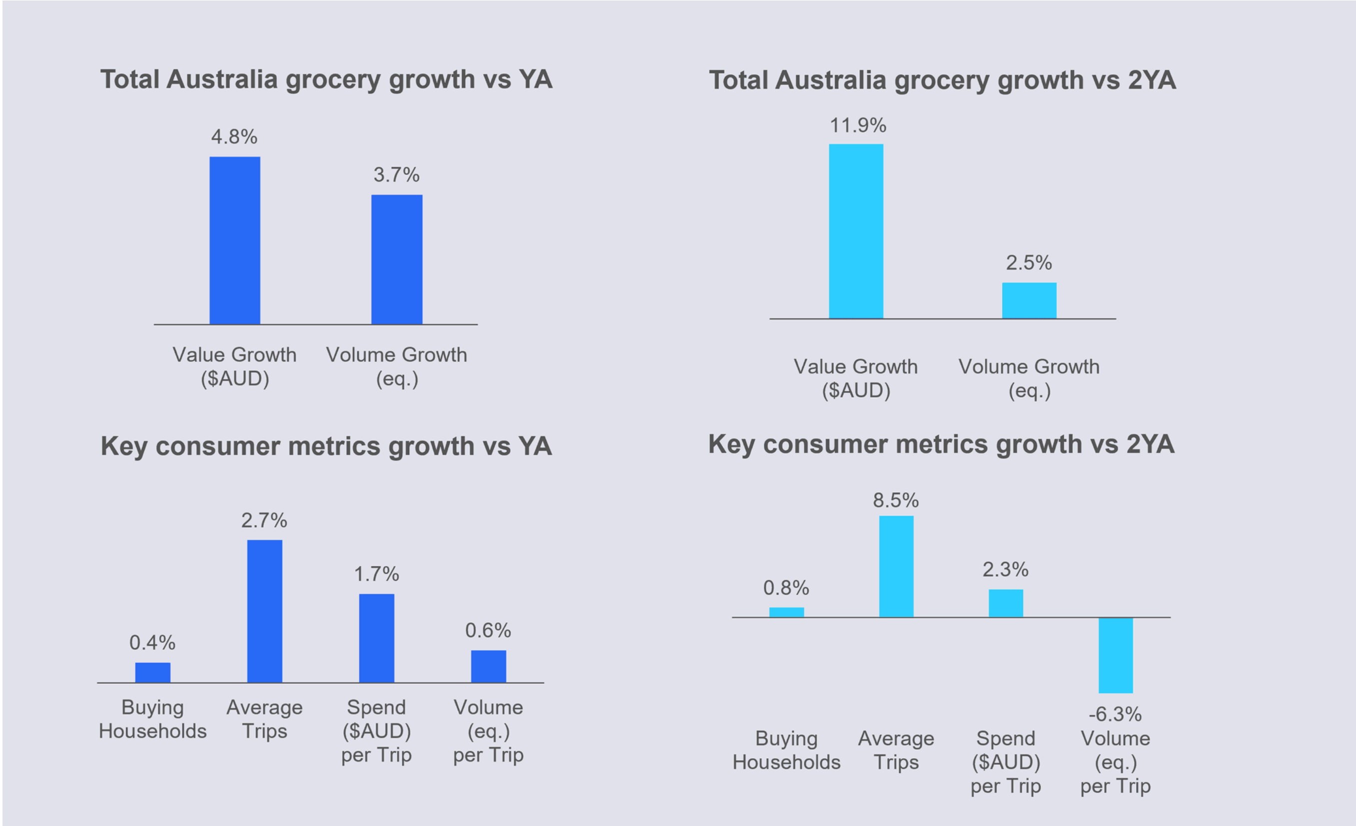
NIQ

The State of Australian Retail

Amid inflation deceleration, shoppers are continuing to buy more frequently with volume basket size in recovery.

Cautious spending continues to be a driving force, prompting a shift in consumer shopping pattern. Australians are now opting for smaller, more targeted shopping trips, replacing the traditional pattern of large, less frequent hauls.

The decline in buying households, both year-on-year and compared to two years ago, adds another layer of complexity. This could indicate budget constraints or a shift towards alternative shopping channels. Overall, the data reveals a resilient consumer base adapting to a changing economic landscape. Retailers must remain agile, catering to value-conscious shoppers and those seeking convenience through more frequent trips.



Source: NielsenIQ Homescan™ | 52 weeks to 16/06/2024 vs Year Ago (YA) & 2YA

+1.0%

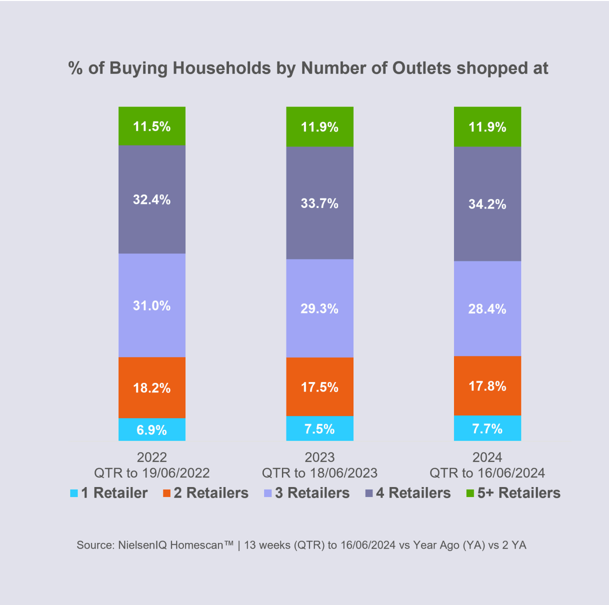
Average price per volume increase vs YA

+9.2%

Average price per volume increase vs 2YA

Australians continue to shop around, with more shopping in 4 Retailers in latest QTR vs YA and 2YA

Data reveals that Australian shoppers are increasingly spreading their spending across multiple retailers. The percentage of households shopping at four different retailers in the latest quarter has risen compared to last year and two years ago. This trend suggests that consumers actively seek out the best deals and product variety, highlighting a continued focus on value and choice.



Cross-channel grocery shopping remains important for most Australian households

In the latest 52 weeks,

56%

Australian households are cross-shopping in both Online and Bricks & Mortar, down -1.4pts vs YA

2X

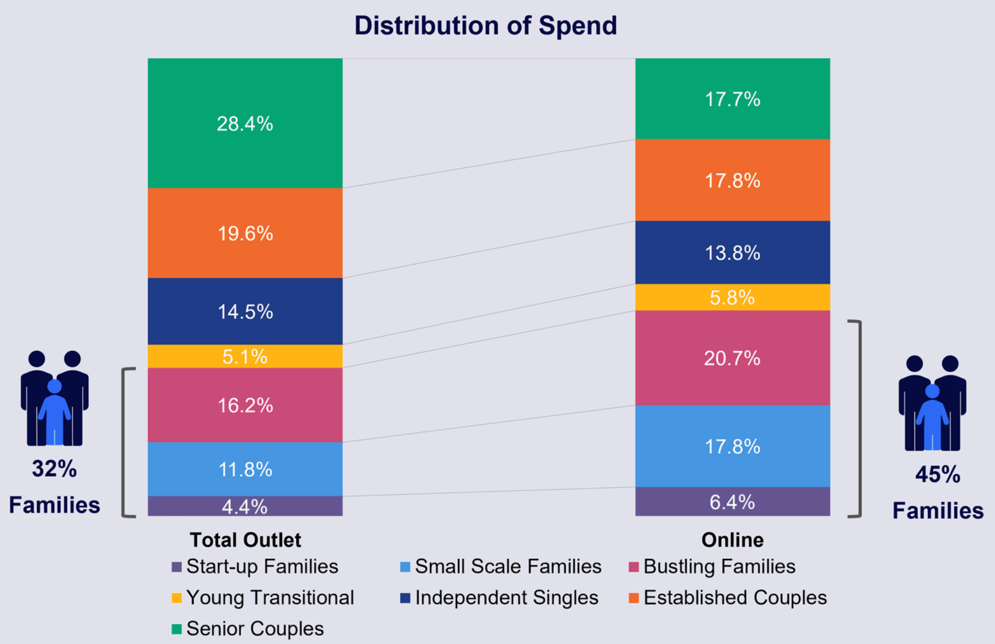
Avg $ spend per trip in Online ($112) vs Bricks & Mortar ($49)

$110M

Reallocation of Bricks & Mortar spend to Online channel

Online is especially appealing for younger households and Families, that seek convenience

The online channel is particularly appealing to younger generations and families seeking convenience. While convenience is the primary motivator (75%), easily seeing promotions and utilising Click and Collect options resonates with budget-conscious shoppers. Families, regardless of life stage, exhibit a higher inclination towards online grocery shopping, further emphasising the importance of convenience and value in this segment.



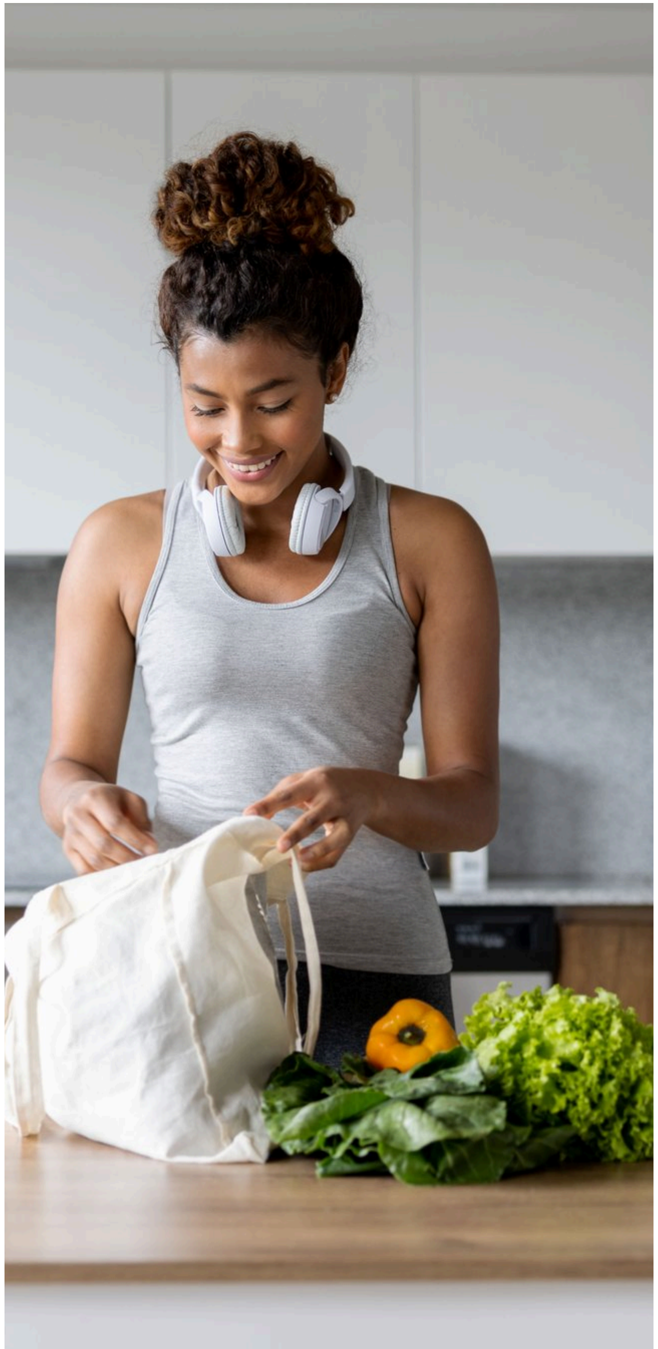
Source: NielsenIQ Homescan | Total FMCG (excl Tobacco & Liquor) | MAT 25/02/24 and Homescan Panel Survey March 2024

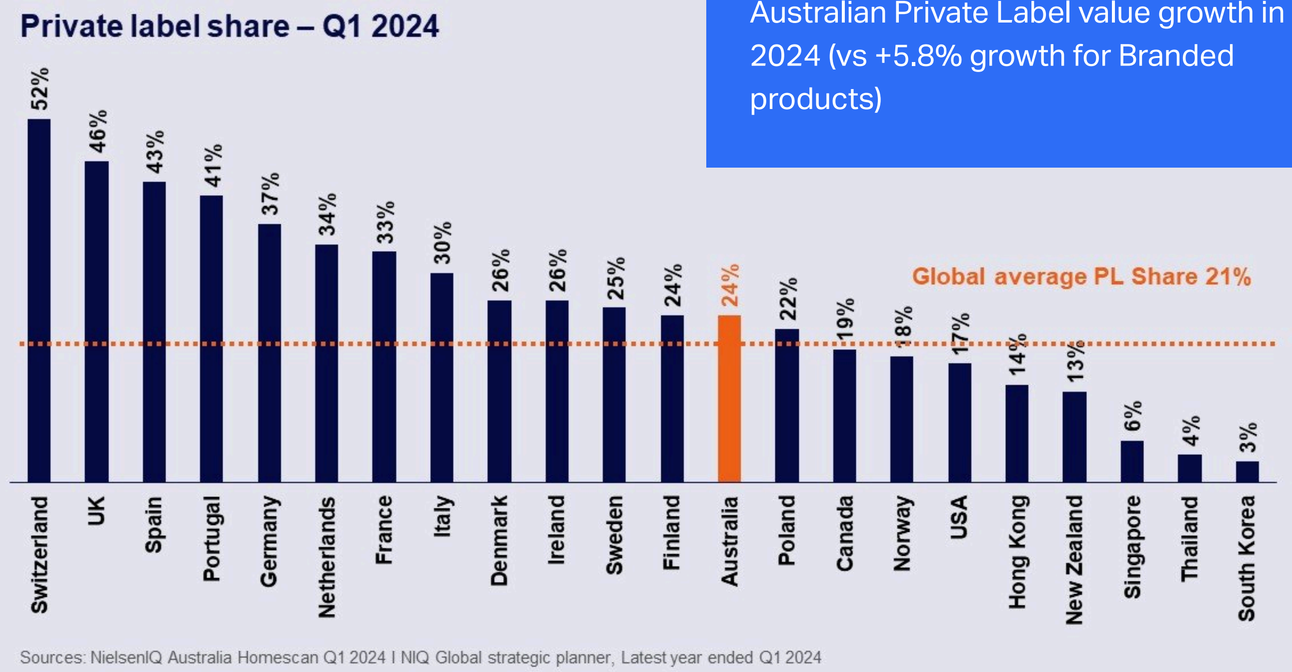
“What motivates you to purchase online?”

- 75% of respondents chose Convenience
- 49% selected the ease of seeing promotions on items they usually buy
- 45% indicated 24/7 access as a motivator
- 45% also liked the ability to Click and Collect without delivery charges

“Which of the following prevents you from buying groceries online?”

- 51% of respondents indicated extra charges as a barrier
- 51% also mentioned enjoying the in-store experience
- 49% stated that the inability to examine products in person prevents them from shopping online
- 44% expressed concerns on product quality (expiry dates, freshness)





+14.6%

Australian Private Label value growth in 2024 (vs +5.8% growth for Branded products)

There's headroom for Private Label to grow further in Australia

Private label products are steadily gaining popularity in Australia, partly due to Aldi's growing presence. While the current market share of 24% matches the global average, there's still a lot of room for growth, especially when compared to countries like the UK. This indicates opportunities for retailers to expand their private-label offerings and for consumers to access more affordable options. Although reaching the levels seen in other developed markets will take time, the positive trend suggests private label products will continue to play a crucial role in the Australian grocery landscape.

Private label is finding way to more baskets across different buyer groups

While Private Label products are particularly attracted to budget-conscious shoppers like Strugglers, their appeal extends beyond this group. Cautious and Unchanged consumers also show an increasing openness to trying store brands. The younger generation, despite facing financial pressures like high housing costs, demonstrate fewer barriers to purchasing Private Label and are actively incorporating it into their shopping habits. High-income households also hold a favourable view of Private Label quality, surpassing the overall population's perception.

Strugglers vs Unchanged

- 54% of Strugglers buy more cheaper store brands than before (38% total population)
- While Cautious and Unchanged over-index in trying out different store brands

Younger generation

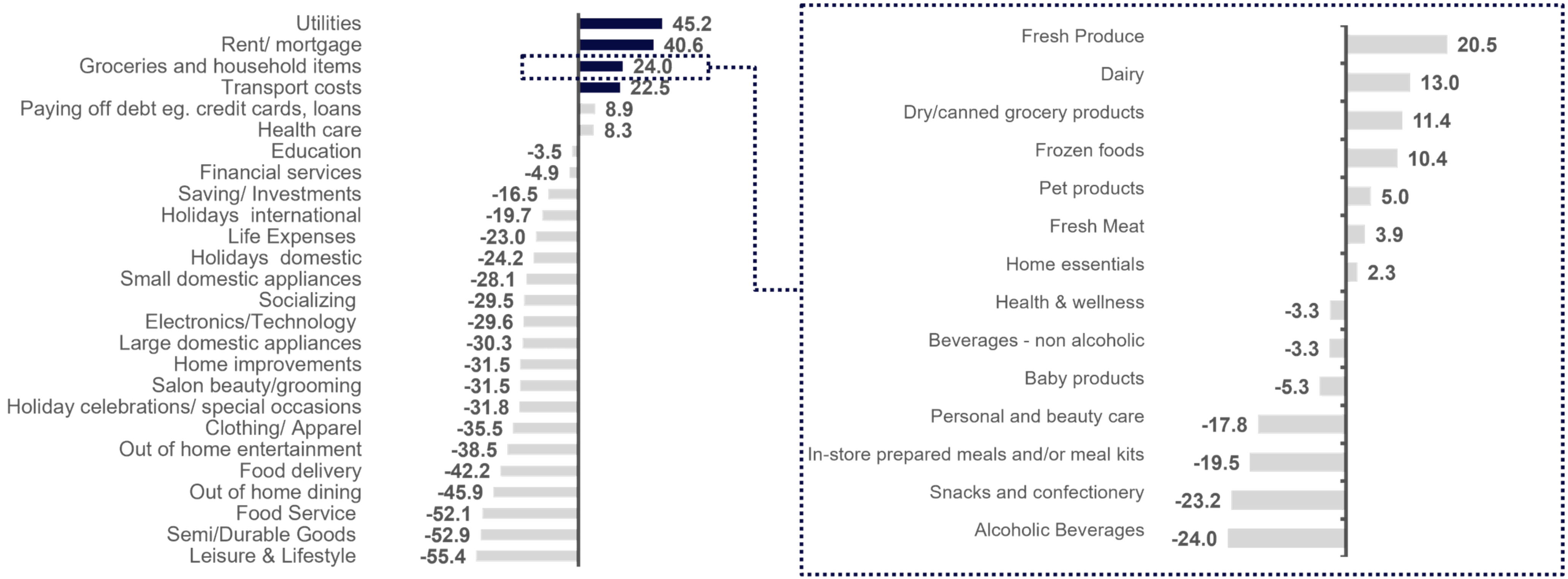
- Only 4% of Young Transitionals and Start up Families do not purchase PL (9% total population)
- Half of these two groups buy more cheaper store brands than before (38% total population)

High Income

- High Income buyers are driving positive PL perception (54% agree PL quality is comparable to most brands vs 51% total population)

Spending intentions for next 12 months

net change in spending (pt. change)



Source: NIQ Consumer Outlook 2024, Australia
Change in spending calculated by subtracting % of respondents who are spending less from % of respondents who are spending more

Looking ahead, Essentials remain strongly positioned within consumers, particularly fresh foods and wellness products.

An analysis of net consumer spending intentions reveals a growing focus on essentials, with discretionary spending under increasing scrutiny. Sectors such as holidays, socialising, and out-of-home activities are particularly vulnerable to cutbacks. Conversely, consumers anticipate increased expenditure on essential categories like utilities, housing, groceries, and transportation. This trend offers a degree of protection to the FMCG industry, a positive sign for many businesses in this sector.

Delving deeper into FMCG spending intentions, specific categories emerge as winners and losers. Health & Wellness, along with fresh produce, are expected to see increased spending, highlighting a continued prioritisation of health and well-being. In contrast, categories such as alcohol, snacks, and candy face potential cutbacks as consumers tighten their belts.

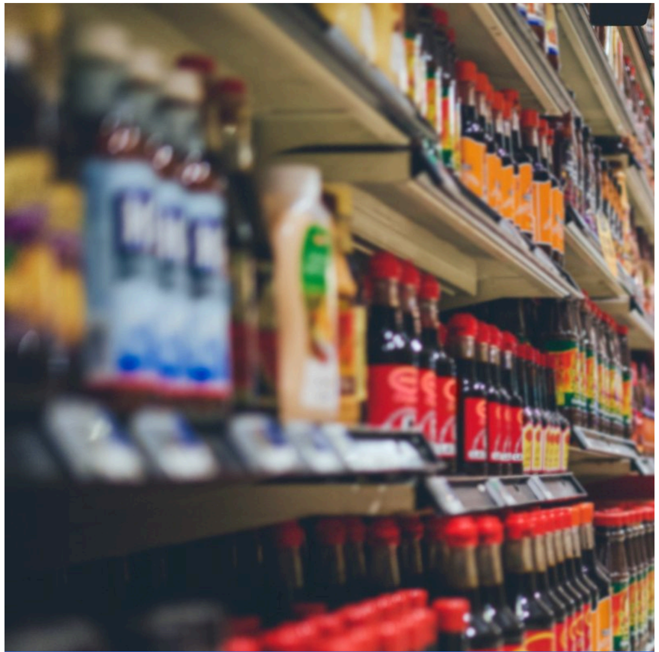
These insights highlight the evolving consumer landscape and the need for businesses to adapt. While the FMCG sector enjoys a degree of resilience, understanding and catering to shifting consumer priorities will be crucial for sustained success.

Decoding the Value Equation of Today’s Consumers

Winning with today's *pressured consumers*

Understanding the nuanced impact of consumer spending shifts across different categories necessitates a deeper dive into the underlying behaviours and values that shape consumer choices. Winning in today's environment requires aligning with a specific set of consumer values. While price remains a crucial factor, it is not the sole determinant of consumer consideration and purchase decisions.

Spoiler alert:
It's not just about price



Value is ~~rational~~ relative.

- Memories and associations
- Promotions
- Emotional affinity
- Sensory cues
- Functional qualities
- Absolute price

Mapping what matters most to Australians

Source: NIQ 2024 Consumer Outlook - Australia, Sentiment ranking of Choice Drivers among consumers

1st Affordability/ Price

Undeniably, affordability is a top priority for Australian consumers. However, it is key to note the similarities and differences in their strategies to manage expenses by the different generational cohorts.

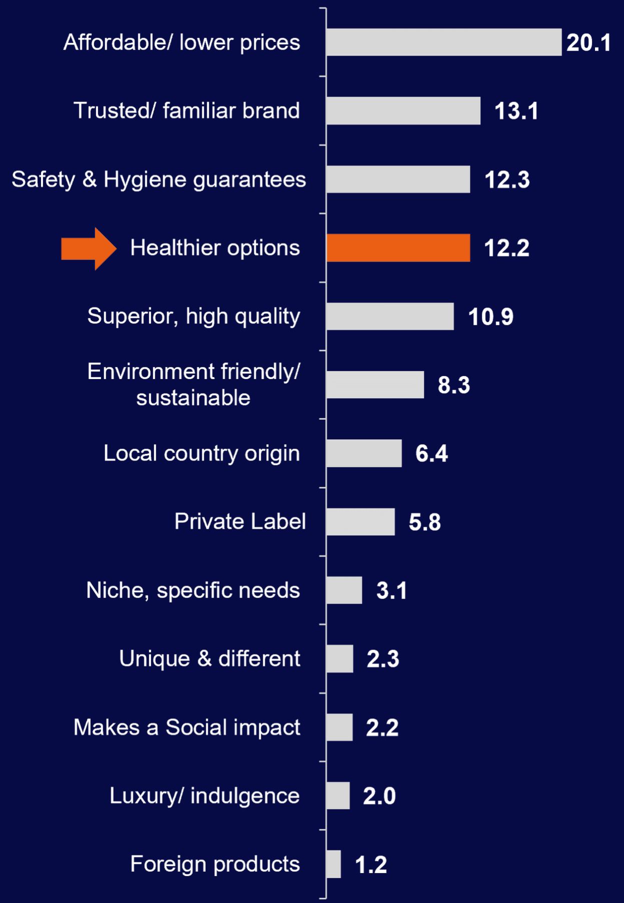
Top 3 strategies to manage expenses

“Thinking about your behaviour in the last 3 months, please indicate how often you typically do any of the following actions to manage expenses?” Source: NIQ Australia Consumer Outlook 2024 Survey

Switch to a lower priced option	Switch to a lower priced option	Buy whatever brand is on promotion	Switch to a lower priced option
Stocking up or buying in bulk when my preferred brand goes on sale or promotion	Stop buying certain products to focus just on essentials	Switch to a lower priced option	Shop more often at discount/value/lower-priced stores
Buy whatever brand is on promotion	Monitor the cost of my overall basket of goods	Stocking up or buying in bulk when my preferred brand goes on sale or promotion	Buy whatever brand is on promotion

4th Health/Natural

% importance of product attributes



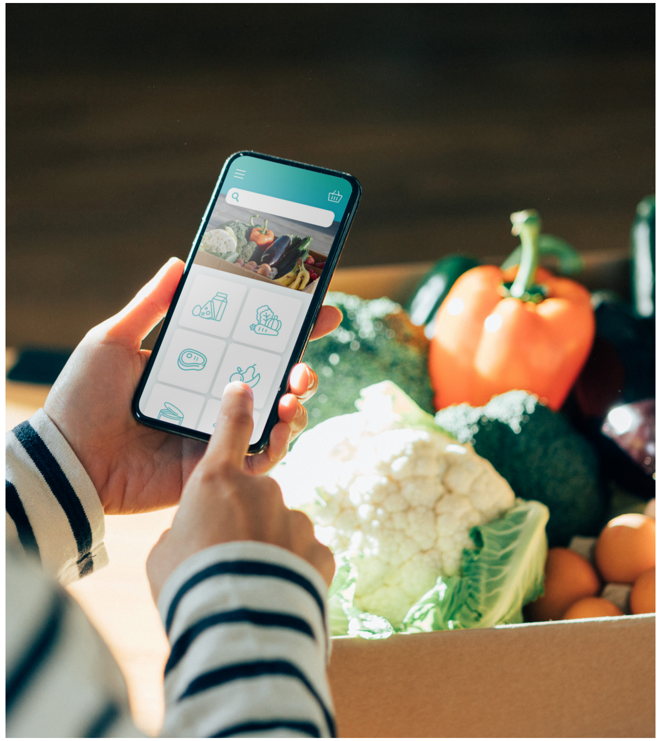
Health remains among top priorities, according to consumers

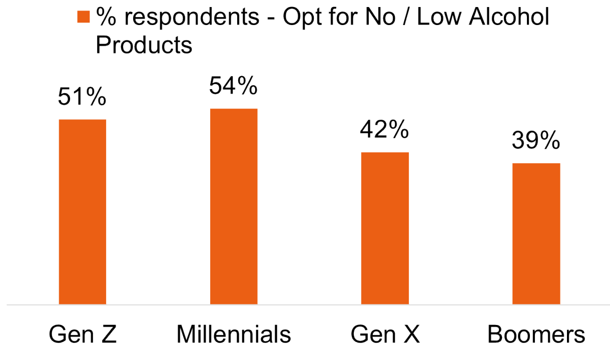
Not far behind affordability & safety, consumers are prioritising their search for healthier product options. It's perhaps not surprising to see that, among a list of over 20 different factors, consumers say their #1 influencer is building, maintaining, or improving their health & wellness.

While there are many ways by which they intend to do so, 46% of consumers indicate a willingness to opt for low- or no-alcohol-containing adult beverages for both social and at-home scenarios. Alcohol-moderation is of particular interest to younger cohorts.

46%

of Australian consumers say they're likely to opt for low- or no-alcohol options at social events and at home





6th Environmentally friendly /Sustainability

In a recent survey, **83% of global consumers said sustainability is important to them**. For most people, it's a combination of many smaller actions that are driving their green intentions and impact. Minimisation tactics at home and in the marketplace are becoming more common and showing a broader interest in adopting realistic behaviours to help the planet. From only buying what they need to avoid waste to being more strict and conscious of properly separating different household waste types. Consumers are feeling the impact of the environmental crisis, and it's making a difference in the broad swath of consumer behaviours.

In market

61%

Consciously separate garbage for recycling

57%

Consciously separate garbage for recycling

At home

49%

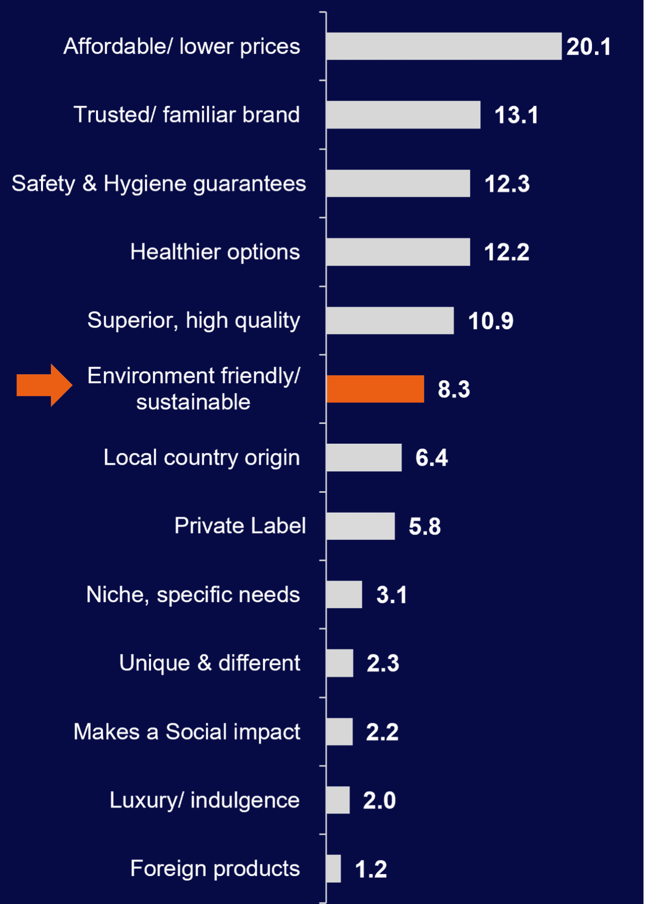
Minimize electricity usage

55%

Consciously separate garbage for recycling

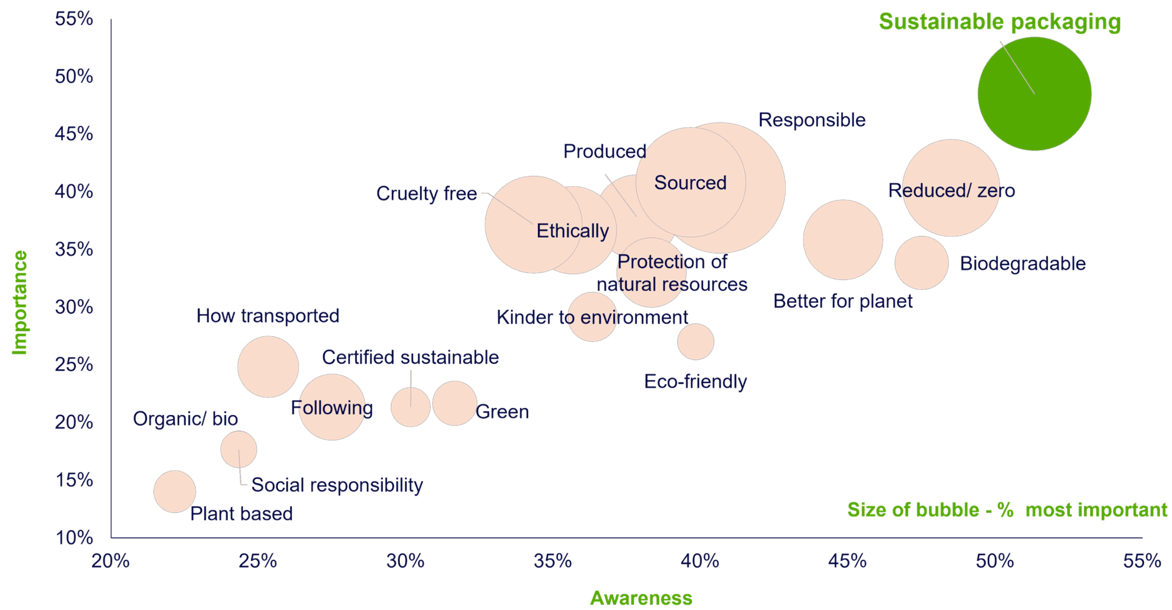
6th Environmentally friendly /Sustainability

% importance of product attributes



Yet when asked to rank its importance, sustainability fell into sixth place behind other attributes like affordability, hygiene, and quality. That might be expected, given the economic pressures we're all under, but it could also because sustainability, as a whole, has become so broad and holistic in context.

We probed consumers a little further on this topic. The chart shows how differentiated and nuanced consumer expectations of sustainability have become. Packaging emerges at the top in consumer awareness and importance ranking among those popular sustainable attributes.



Source: NIQ 2023 Sustainability Report - Q: Coming back to grocery brands, which of these claims do you believe make a brand "sustainable"?

Let data lead the way

Uncover Unexpressed Needs

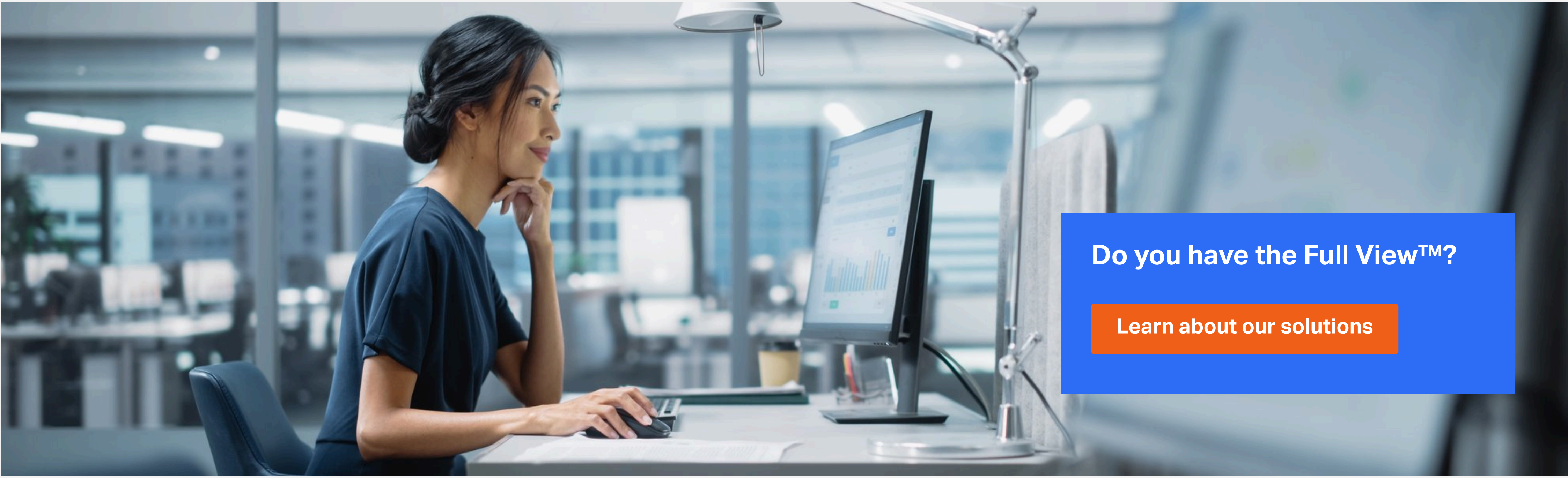
True growth is achieved by looking beyond what consumers explicitly state, and understanding their underlying motivations and desires. Look for deeper insight allows brands to create products and experiences that truly resonate.

Deliver Multifaceted Value

Successful brands go beyond single attributes. True growth is unlocked in what they are sub-consciously seeking by understanding the key product attributes inside and outside your categories.

Surprise and Delight

Sustainable growth comes from anticipating and fulfilling unmet needs. By going beyond the obvious and delivering unexpected value, brands can foster stronger connections and long-term loyalty with their consumers.



Get in touch: connect with us for your tailored solution

In today's dynamic and challenging market, understanding consumer behaviour and market trends is crucial for success. NIQ is here to empower your business with the insights and strategies needed to thrive.

Our expert consultants leverage a **Fullview** approach, combining global, regional, and local insights to provide a comprehensive understanding of your market landscape.

Our tailored solutions delve into the most granular details to inspire big-picture ideas, empowering business leaders to envision the future and take decisive action.

Ready to unlock your growth potential? Connect with NIQ today and discover how our full view consultancy and tailored solutions can help your business thrive.

Connect with us here

Discover more NIQ solutions →

Solution for *Every Need*

Our Solutions uncover the most granular details to inspire the big picture ideas, helping business leaders envision the future and take decisive action.

Omnishopper

Capture consumer purchases across online and offline channels for a complete view of changing omnichannel behaviors.

30K+ Australian omnishoppers, tracking 35 million transaction a year.

Learn more

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Be a market expert with dependable data.

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Whether it's brand strategy, packaging, pricing or advertising, NIQ BASES is positioned to deliver the insights you need to ensure your next innovation or renovation launch delivers growth, with solutions that account for all aspects of consumer decision-making.

Learn more

Solution for *Every Need*

Our Solutions uncover the most granular details to inspire the big picture ideas, helping business leaders envision the future and take decisive action.

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A powerful, collaborative analytics platform that helps brands interpret and master their omnichannel data. Real-time e-store data and advanced A.I. algorithms offer actionable insights and clear strategic guidance for optimised execution across an organisation.

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Get actionable insights with easy-to-use advanced analytics solutions designed for your needs. Maximise profitability, eliminate wasteful trade spend and ensure the right price and promotion strategy with more granular data and precise recommendations.

Learn more

Marketing Mix Modeling

Do you know which marketing investments deliver the highest ROI? NIQ Marketing Mix Modeling enables you to demonstrate the strength of your commercial impact. obtain the breadth, depth and balance you need to measure and optimise impact.

Learn more

About NIQ

NielsenIQ (NIQ) is the world's leading consumer intelligence company, delivering the most complete understanding of consumer buying behavior and revealing new pathways to growth. NIQ combined with GfK in 2023, bringing together the two industry leaders with unparalleled global reach. Today NIQ has operations in more than 95 countries covering 97% of GDP. With a holistic retail read and the most comprehensive consumer insights—delivered with advanced analytics through state-of-the-art platforms—NIQ delivers the Full View™.

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We deliver the Full View™

Connect with us to unlock your growth potential