P&C GROWTH REVIVED

The convenience channel has clawed its way back to almost pre-Covid growth levels.

By IRI Lead Consultant Justin Nel.

Fast adaption and a willingness to meet consumers' shifting needs have stimulated convenience channel growth despite the significant impacts over the past year.

In October last year, the channel was worth $5.84 billion annually and in value growth of 1.9 per cent.

The bushfires, Covid-19 restrictions and at one point more than 60 per cent of Australians working from home brought two successive quarters of decline for P&C. But the channel has reacted quickly and is now worth $6 billion and back in growth of 1.7 per cent for the MAT ending 6/9/20, which is no small feat as it offers new solutions to cautious consumers.

Late in 2019, IRI reviewed the biggest channel trends:

- **Good for me, good for the planet.** Mindful consumers wanting healthy choices that provide benefits for them and the environment.
- **Functional benefits.** Consumers demanding more from food, particularly through snacks.
- **Formats and convenience.** Lack of time to plan meals drives growth and adoption of on-the-go options.

These trends, while important at the time, have evolved and been reshaped.

The well-intentioned 'good for me, good for the planet' trend has fallen to the wayside and been replaced by a more self-concerned and protectionist view. Justifiably, consumers were worried about infections, with the convenience channel quickly responding to provide reassurance regarding their safety. Most retailers effected a complete reversal on single-use plastics. Keep cups, once incentivised, were banned. The impact of this shift away from reusable coffee cups is hard to measure, but the decision was rewarded, and after dropping to value decline of 11.9 per cent for the quarter ending 7/6/20, the total ready-to-drink hot beverages sector is back in growth for the MAT ending 6/9/20 of 1.7 per cent.

The consumer demand for 'functional benefits' is a trend that has been reshaped and amplified since the outbreak of the virus. Previously, consumers sought protein for satiety, caffeine or taurine for a boost, and more niche nootropics to help them focus. Now, this has shifted to functional foods becoming the first line of defence against infections: food that helps support or strengthen the immune system. And we can expect to see the convenience channel cater to this new functional demand with immune boosting drinks, cereals and snacks very soon.

Late last year, the average Australian would pay $68 for an extra hour in their day. We relied heavily on fast on-the-go food options and were snacking frequently. This has shifted significantly, with more time at home, forced or not, and we've seen resurgence in scratch cooking. This realignment of values can be seen in the performance of P&C channel on-the-go food: modest growth for the MAT ending 6/9/20 of just 4.2 per cent compared with take-home food growing at 15 per cent for the same period.

It's reassuring to see the convenience channel back in growth and a testament to the hard work by all retailers and manufacturers in this space. The channel quickly became a place for consumers to safely shop for the things they needed, from everyday staples such as bread and milk to personal hygiene and cleaning products.

These new essentials were offered without the crowds of traditional grocery and at a time convenient to the consumer. It will be interesting to see how many of the consumers who were forced to the convenience channel due to out-of-stocks elsewhere, or smaller crowds, continue to support the channel in the post-Covid world.

Source: IRI MarketEdge, Total Petrol & Convenience Scan, MAT to 6/9/20.

About Justin Nel

Justin Nel is a lead consultant for IRI and brings with him extensive experience in the food and beverage industry. His focus is aligning clients' business objectives with relevant insights and information, using IRI services to deliver unique strategic views of consumer trends and products that will deliver growth.

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