THE YEAR THAT WAS: KEY LEARNINGS FROM THE CCIM

FEB 2021

fiftyfive5

Hort Innovation

This project is funded through Hort Innovation's risk management reserves, as part of our response to assist the horticulture sector through the effects of COVID-19, drought, floods and bushfires. Hort Innovation is the grower-owned, not-for-profit research and development corporation for Australian horticulture

COVID-19 Consumer Impact Monitor (CCIM)

WHAT IS THE CCIM?

A **comprehensive, dynamic** and **deep** understanding of the Australian community to help organisations adapt and evolve as we move into, through and out of the COVID-19 disruption. The analysis in this report is focused on main grocery buyers in Australia.

The CCIM is purpose built to inform organisations on the current and emergent **implications** of changes in community mindset, attitudes and behaviour.

The CCIM has been underway for **40 weeks**, having started on the 28th March 2020. As part of the subscription, Hort Innovation has access to the core questions on overall impact and responses to COVID-19 and **category behaviour amongst main grocery buyers**. It also includes specific questions that are **tailored to understanding the consumption of fresh produce and other relevant foods**. These enable us to go deeper into insights relevant to Hort Innovation and its stakeholders.

This report is designed to provide a **holistic summary of the key insights and learnings** acquired across the 40 weeks.

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2020: IN A NUTSHELL

EXECUTIVE SUMMARY

A YEAR WHERE EVERYTHING ABOUT HOW WE CONSUME FRESH PRODUCE, CHANGED

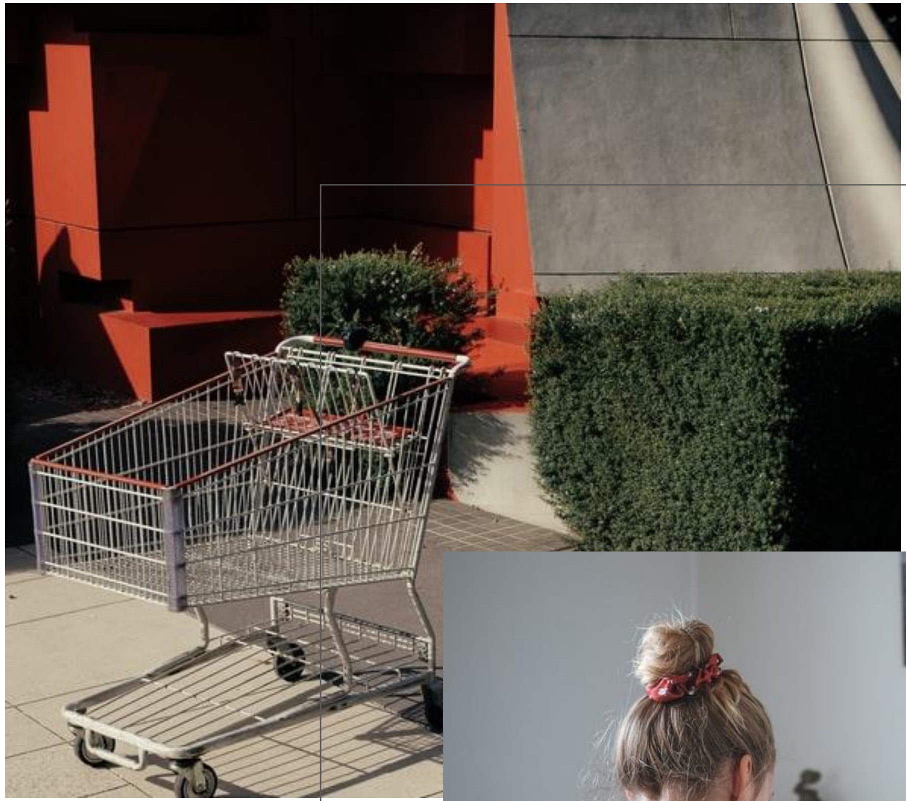
The pandemic resulted in one key event that heavily impacted how we consume: lockdown. Spending more time at home resulted in a sharp increase in things we do at home: gardening, exercise, cleaning and most importantly, cooking.

A rise in cooking from home – especially cooking from 'scratch' – meant that fresh, quality, Australian ingredients instantly became more important.

THERE ARE SIGNIFICANT OPPORTUNITIES FOR THE FRESH PRODUCE CATEGORY

How we choose fresh produce also changed significantly. Concerns about hygiene and quality suggest that effective packaging can significantly drive volume and/ or spend.

The changing nature of how we consume fresh produce also suggests we can grow frequency and penetration of many categories if we can speak to their versatility in different occasions, such as snacking or in more sophisticated meals.



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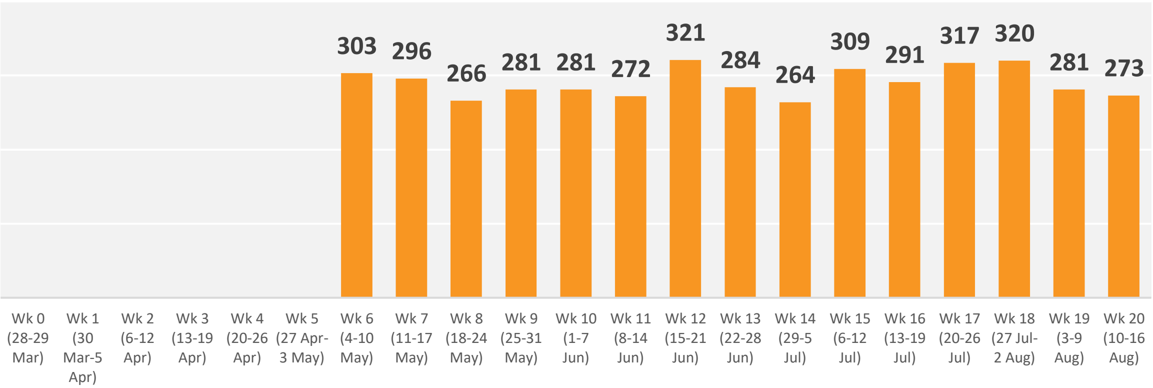
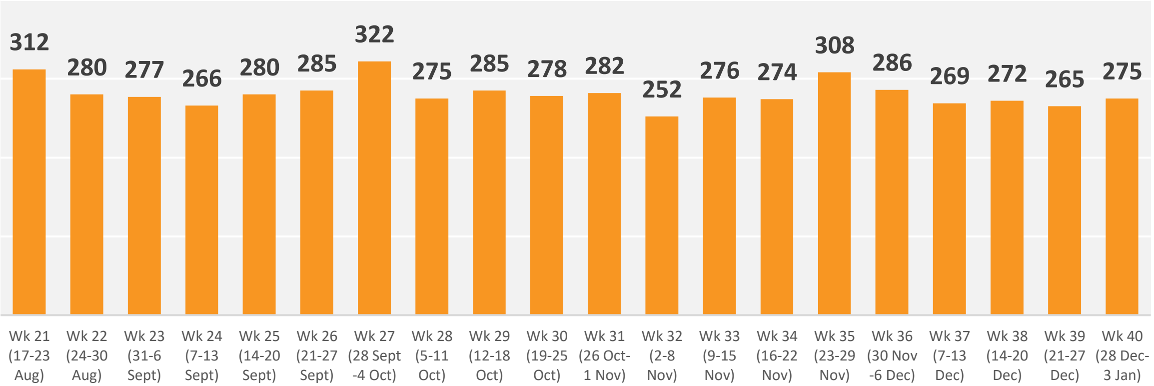
THE RESEARCH APPROACH

INSTRUMENT	• Respondents completed a **25 min** online quantitative survey
MEASURES	• **Key metrics**: overall concern, financial confidence, personal impact, behavioural change • **Emotions**: positive and negative feelings, concern with issues, impact on priorities • **Thoughts**: microenvironmental and macroenvironmental concerns • **Attitudes**: attitudes to fresh produce, important factors when choosing fresh fruit, vegetables, or nuts, drivers and barriers • **Behaviours**: category consumption behaviour, snacking behaviour, general behaviour • **Profiling**: demographics, firmographics, socio-economic status
SAMPLING FRAMEWORK	• Australians **aged 16-79**, **nationally representative** on gender, age, location • Included is a **sub-sample of those who are the main grocery buyers in the household** to capture customer behavioural impact • This report only includes **main grocery buyers**
SAMPLE RESULTS	• **Fieldwork started 28th March 2020**, and data is collected daily ongoing (with wave 2 due to finish at the beginning Jan 2021) • A summary of number of completes is shown in the chart on this slide NOTE: any sums not adding up to 100% throughout this deck are due to rounding decimal places

NUMBER OF RESPONDENTS FOR THE "FRESH PRODUCE" CATEGORY MODULE (n) PER WEEK





*Note: While Hort Innovation's subscription started in March, Hort Innovation's questions on fresh produce did not start until week 6 (4th May).

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COVID-19 AND HOW WE LIVE

AS PEOPLE, WE ARE SENSITIVE TO WHAT WE HEAR

CASES AND CONCERNS

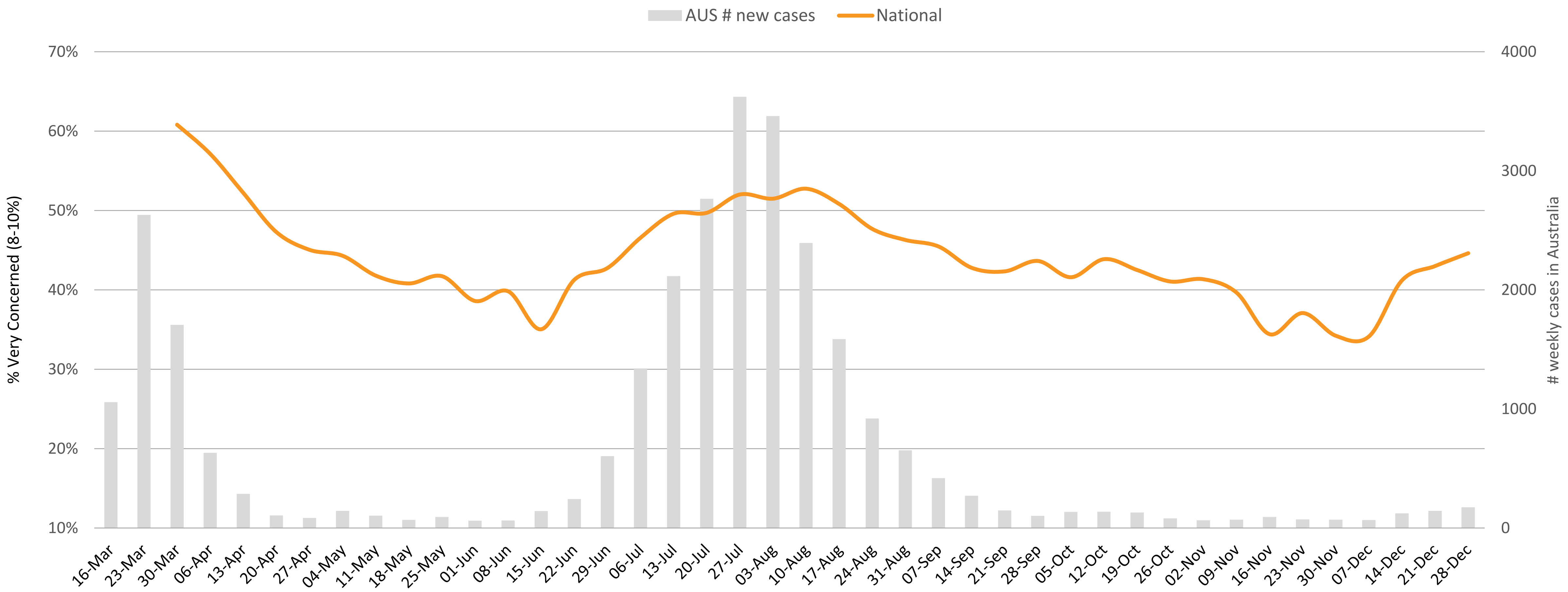
The COVID-19 period was characterized by greater exposure to elected leaders. Premiers, ministers, and even the Prime Minister were giving daily press conferences to report the state of the nation.

Our concerns with the overall state of the nation fluctuated significantly with those reports. Our survey of consumer sentiment reveals that…

- Overall concern peaked at the start of the pandemic, when fear and uncertainty was high (61% concerned)
- Concern was also high during the Victorian outbreak, when national cases were at their highest (53% concerned)
- Across the 9 months of the survey, the majority of Australians don't think they'll be able to resume a normal life until well into 2021 (47% of Australians think the earliest they'll be able to resume a normal life is February 2021)

COVID-19 IS STILL A CONCERN OF TODAY
CONCERN RISES AND FALLS IN LINE WITH COVID-19 CASES IN AUSTRALIA

OVERALL CONCERN ABOUT COVID-19



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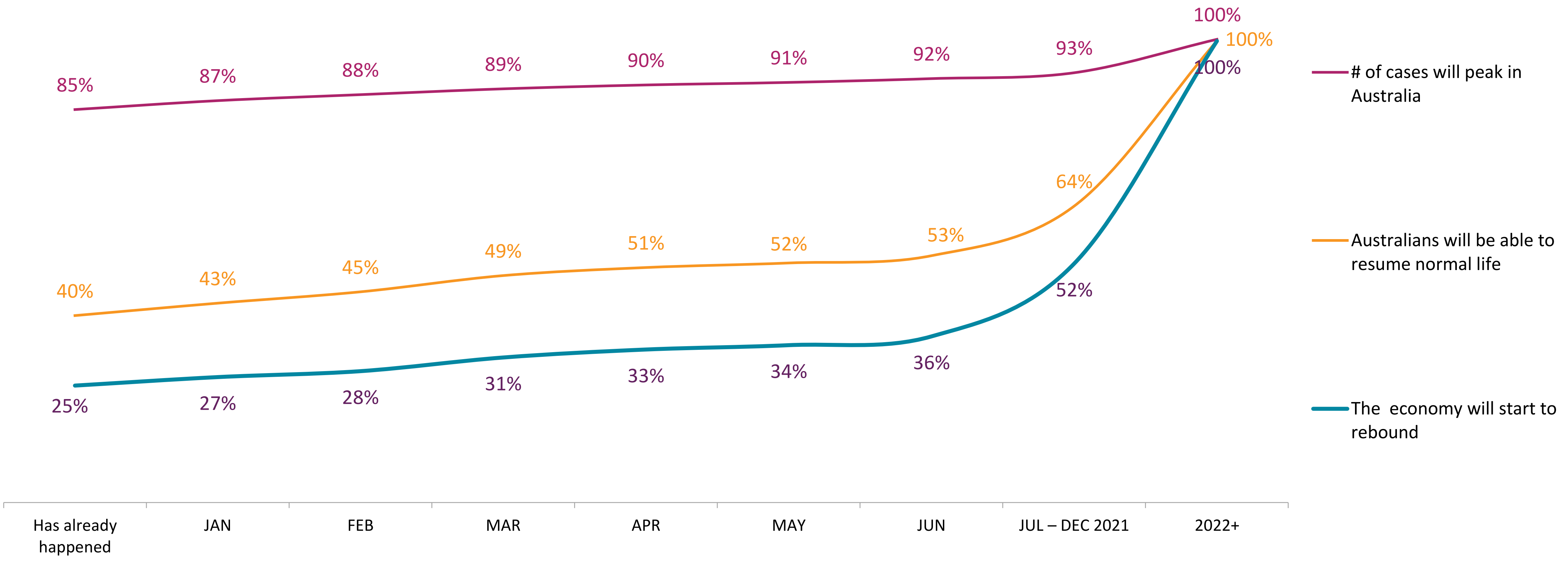
SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: A1 Using the scale below (10-point scale), how would you describe your overall level of concern around the coronavirus?
BASE: nationally representative sample for Sydney Water catchment (ranges from ~n=300 to ~n=500 per week) and National (ranges from ~n=1000 to ~n=3000 per week).
Sources for number of new cases: Aus ABC News

MOST AUSTRALIANS THINK THE PEAK OF CASES HAS BEEN REACHED BUT MANY BELIEVE THAT NORMALCY WON'T RETURN UNTIL LATER THIS YEAR

REBOUNDING



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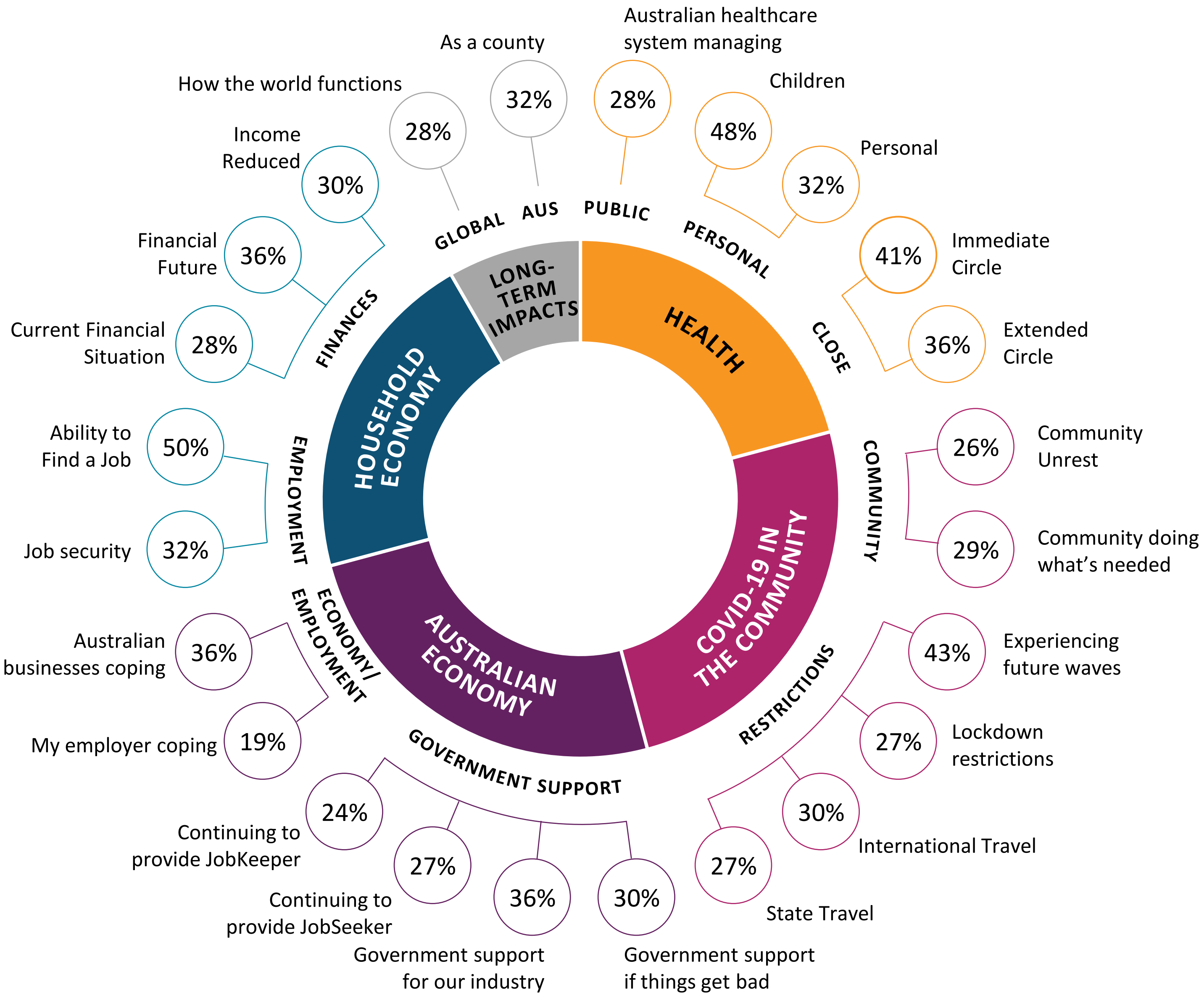
SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: A5 Based on what you have heard and read, when do you think…?
BASE: Main Grocery Buyers

AUSTRALIANS ARE WORRIED ABOUT A WIDE RANGE OF ISSUES, BUT NONE BIGGER THAN EMPLOYMENT AND THEIR FAMILY'S WELLBEING

COVID-19 CONCERNS

Across the 9 months that the monitor was running, we found the biggest concern Australians had was around their ability to find a job (50%). A similar proportion were worried about experiencing future waves and these concerns translated into concerns about health and wellbeing for themselves and their families.

From a consumption perspective, we know these concerns had a profound impact on shopping and consumption behaviour.



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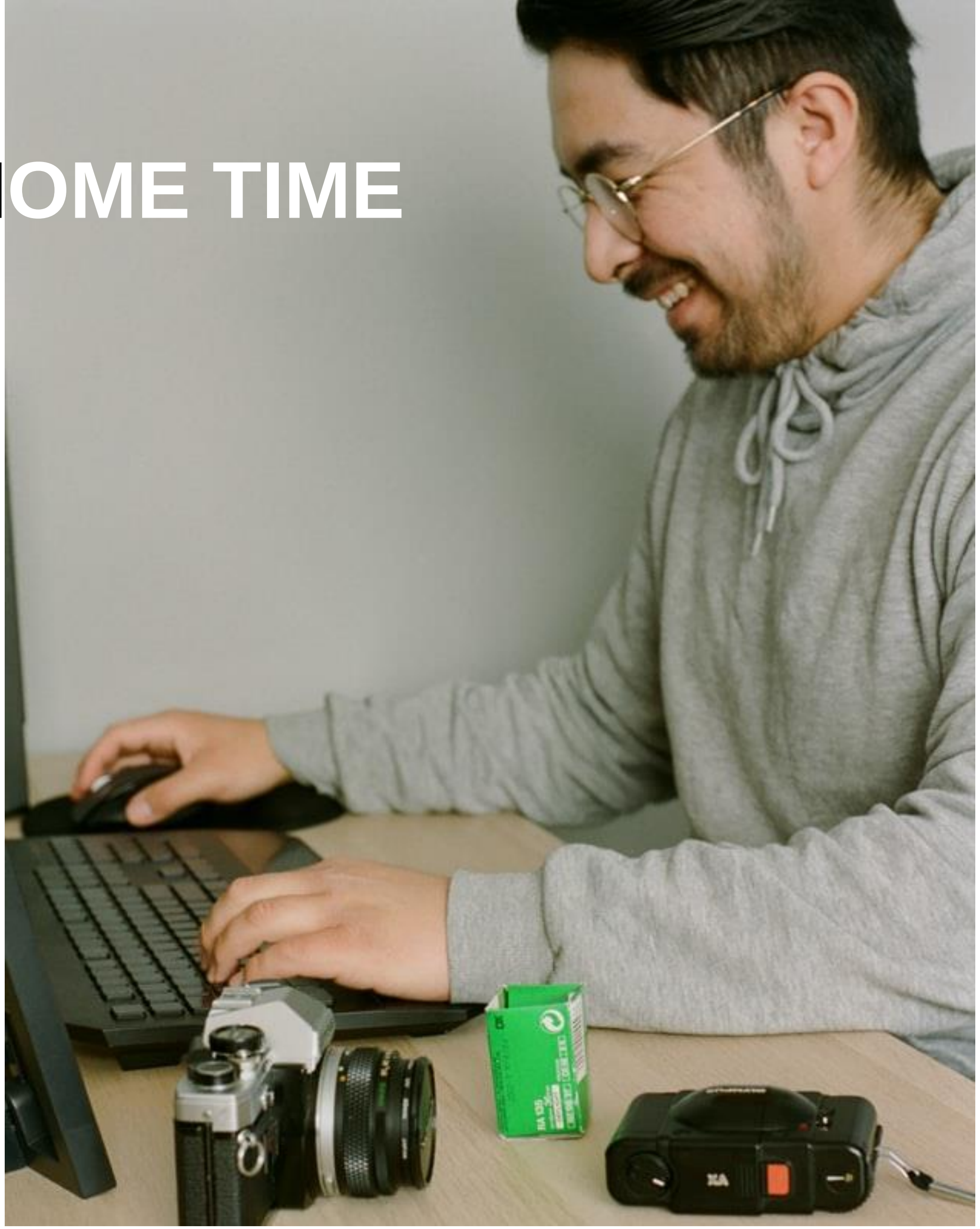
SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
Showing the top concerns from the below questions:
QUESTION: A2 / A3b / A4b How would you describe your level of concern around each of the following due to the coronavirus…?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

A LOT MORE HOME TIME

IMPACT ON LIFESTYLE



Lockdown – whether it was for 3 days or 3 months – immediately resulted in a significant amount of time engaging (or in some cases re-engaging) with activities based at home.

This opened up a whole new "home economy" as Australian started to purchase a wide variety of products to keep them entertained. Hobbies at home encouraged many Australians to go out and buy new fitness equipment, household appliances, and tools for new DIY projects.

It also forced companies to adapt their service offerings. We saw a shift in convenience products and a range of 'at home' consumption experiences, e.g. wine tasting kits, fine food at home.

ACTIVITIES WE WERE DOING SIGNIFICANTLY MORE OF DURING LOCKDOWN

61% Watching or reading the news

53% Cleaning up the house or the garage

38% Gardening

32% Exercising at home

33% Home improvements and DIY activities

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SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: A6b Thinking about each of the below every-day activities specifically, would you say you are doing more, less or the same of?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

MORE TIME AT HOME MEANT A LOT MORE TIME IN THE KITCHEN

Lockdown had a profound impact on how we prepared food. No commuting and more time at home gave us the freedom to get creative in the kitchen. From sourdough to spaghetti sauce, Australians were getting busy making fresh food.

Almost half (46%) of main grocery buyers reported cooking more meals from scratch and over a third (38%) reported doing more baking. The net result was that the culinary level of Australia seemed to increase, meaning that Australians were now more prepared to tackle a greater variety of meals than ever before.

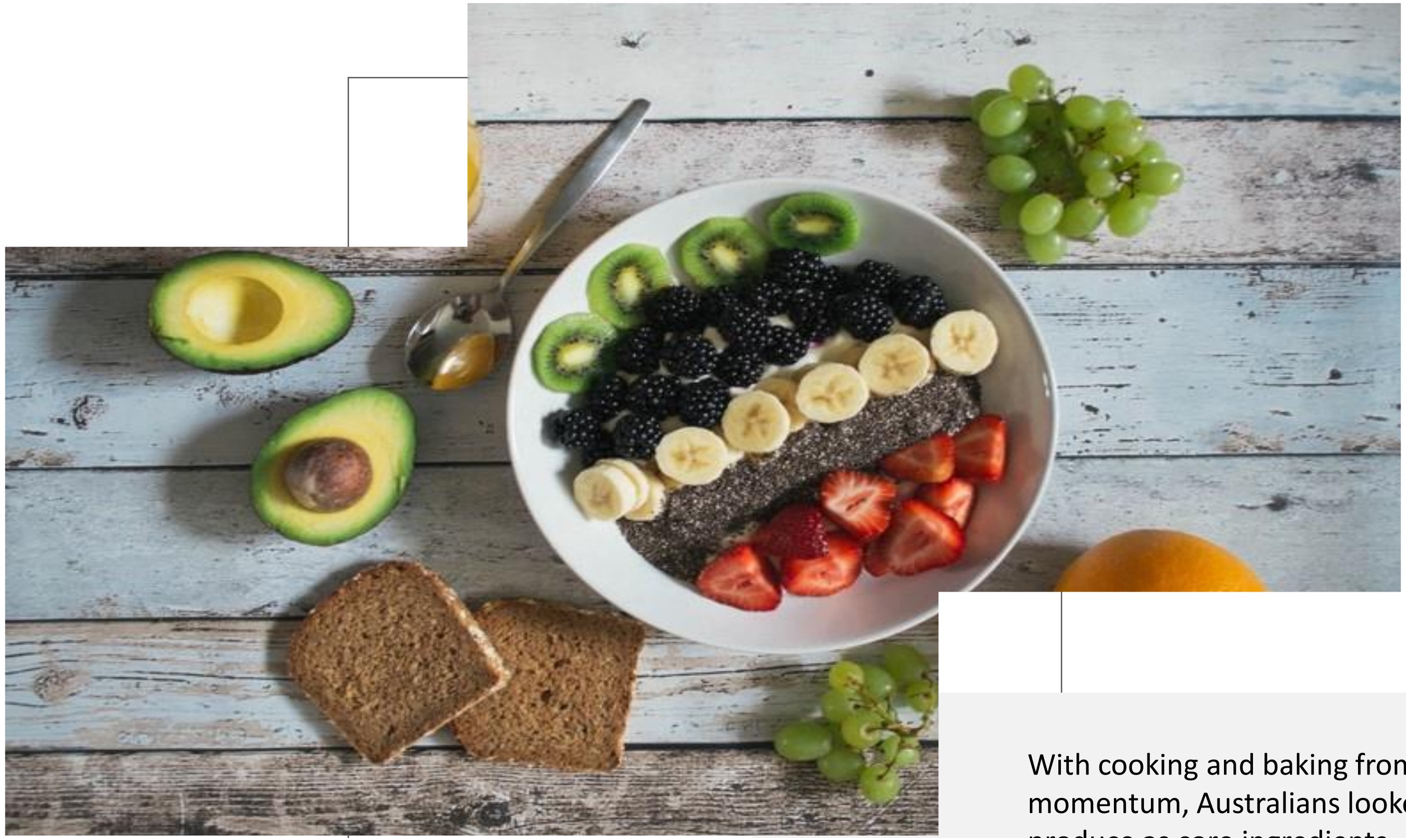
46% Cooking more meals from scratch

45% Trying more new recipes and meal ideas

38% Doing more baking

SECTION 2

IMPACT ON FRESH PRODUCE CONSUMPTION



4 IN 10 BUYING MORE FRESH PRODUCE

FACTORS DRIVING CONSUMPTION

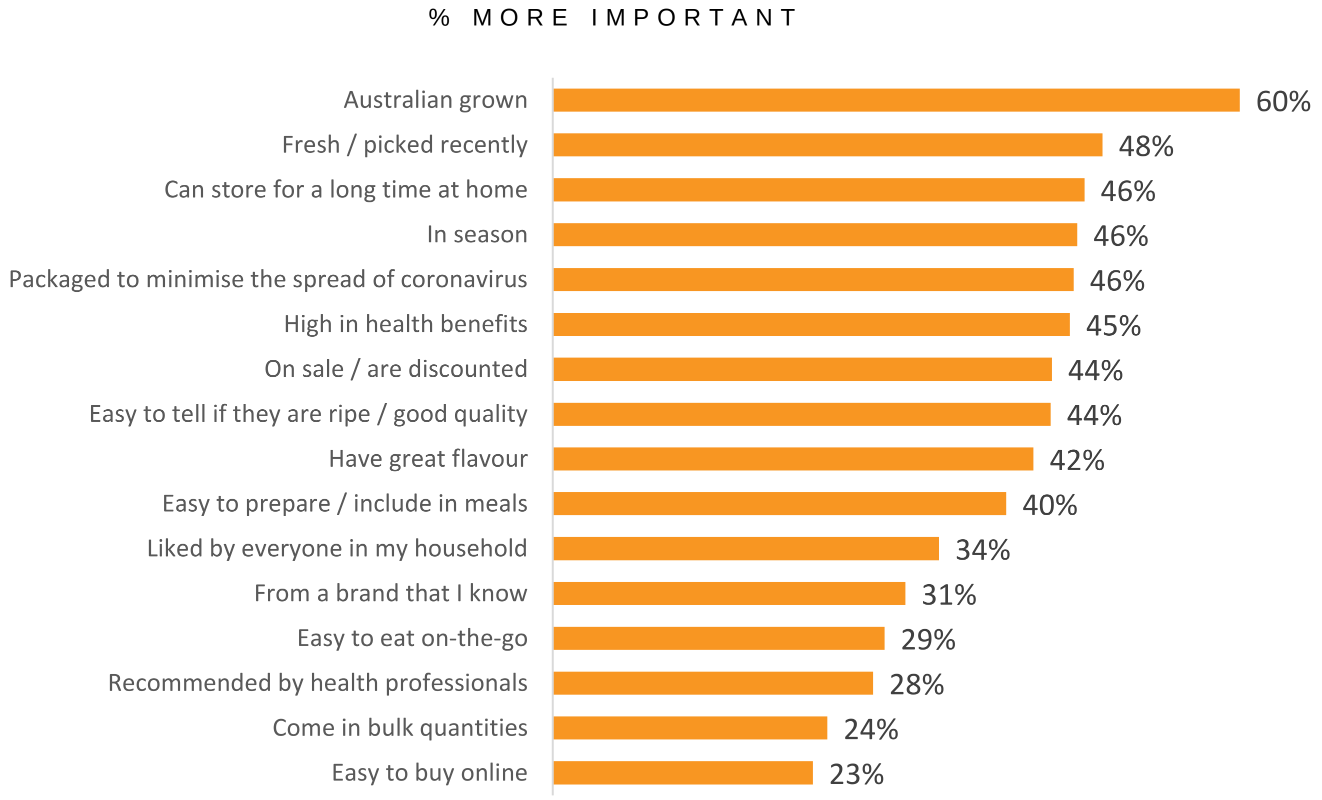
With cooking and baking from home gaining momentum, Australians looked to fresh produce as core ingredients. Between March and December, on average 39% more Australian grocery buyers reported buying more fresh produce as part of their shop.

A big driver of this behaviour was the growing need to feel healthy. Maintaining a healthy diet became even more important as gyms and restaurants temporarily closed, with 39% of Australians wanting to cook more healthy and nutritious meals. We saw considerable momentum for staple fruits, e.g. bananas (34% reporting buying more bananas), apples (28%), and oranges (23%). The purchase frequency for staple vegetables such as carrots (28%), broccoli (25%), and mushrooms (24%) also increased.

SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: FAV1 – Thinking about fruit and vegetables, how are your attitudes and behaviours changing?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

EVERYONE WANTS TO BUY AUSTRALIAN

KEY DRIVERS OF PURCHASING FRESH PRODUCE



We asked main grocery buyers about the factors have become more or less important when it comes to buying fresh fruit, vegetables, and nuts.

The results (shown in the chart opposite) show that provenance, notably being grown in Australia, has become significantly more important (compared to before the start of the pandemic). 60% of main grocery buyers in Australia reported that being Australian grown had become more important when choosing fresh produce. That 48% felt that being fresh, or picked recently, underlines the importance of fresh, locally grown produce in cooking.

Other factors known to been critical in driving purchase have also increased in importance, namely health benefits (45%), value / price (44%), and flavour (42%).

SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: FAV6 – For each of the below, how is their importance changing as a result of the coronavirus?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

BUYING AUSTRALIAN ISN'T JUST ABOUT FRESHNESS

REASONS WHY PROVENANCE HAS BECOME MORE IMPORTANT

SUPPORTING LOCAL FARMERS

Close to half (42%) of all main grocery buyers want to buy Australian fresh produce to support local farmers. It's a message that resonates strongly given the very public struggles that Aussie farmers have endured, along with the bushfire crisis at the start of 2020.

QUALITY EQUALS NUTRITION

There's a strong correlation between those who value Australian grown produce and those who value the health benefits of Australian produce. Furthermore, we found that consumption of canned fruits and vegetables was lower during the year.

SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: FAV7 – Which of the following messages would motivate you to buy fresh fruit and vegetables more?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

HYGIENE FEARS PUSHED PACKAGING TO THE FORE

THE IMPORTANCE OF FRESH PRODUCE PACKAGING

As Australians embraced hand sanitisers and hygiene instructions, we found that this had a profound impact on how Australians shopped for fresh produce. A traditionally tactile shopping experience, almost half (46%) of main grocery buyers reported that the packaging of fresh fruit, vegetables, and nuts, was more important when making decisions. However, only 17% of main grocery buyers reported actually buying more pre-packaged fruit or vegetables. This disconnect illustrates the room for improvement in packaging to ensure it delivers tangible benefits. Our research identifies two key benefits to deliver on…

BALANCING VISIBILITY WITH INFORMATION

3 out of 4 (72%) main grocery buyers felt it was very important that packaging allows you to inspect the produce for quality. However, 2 out of 3 buyers (65%) felt that clear labels with product information is also very important. This suggests that packaging needs to facilitate closer inspection while also providing enough information to help customers make decisions.

BALANCING FRESHNESS WITH THE ENVIRONMENT

The majority of shoppers surveyed (77%) felt that the primary role of packaging was to ensure freshness. Yet, we found that many (64%) also feel it's important for packaging to be biodegradable or easily recyclable. As packaging innovation continues, suppliers who are able to deliver these two benefits will be successful in a post-COVID environment.

SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: FAV11 – How important is each of the following to you when it comes to fruit and vegetable packaging?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

STARTING TO WIN IN THE SNACKING BATTLEGROUND

IMPACT ON SNACKING CONSUMPTION

We investigated snacking behaviours from July and found that 27% of Australians were eating more snacks. Compared to consumption before the pandemic began, many fresh produce categories were consumed more regularly (as snacks), including berries, bananas, and nuts.

While some packaged foods also were consumed more regularly, for example chocolate (23% reported consuming them more often), chips (21%), and cheese / yoghurt (18%), we actually found that the biggest shifts came from "healthy packaged snacks." Many packaged goods that are positioned as healthier alternatives, such as protein snacks (22% reported consuming them less often), muesli bars (27%), and trail mix (27%), are evidently suffering from a shift in momentum.

While packaged snacks will seemingly always be a popular choice, the shift from healthy packaged snacks to fresh produce suggests that in a post-COVID environment, the benefit of convenience may give way to the freshness and superior health benefits of fresh snacks.

% OF AUSTRALIANS SNACKING MORE ON...

23%	23%	21%	18%
Berries	Bananas	Nuts	Oranges / Mandarins

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SOURCE: Fiftyfive5 COVID-19 Consumer Impact Monitor (CCIM), 28th Mar to 3rd Jan 2021
QUESTION: FAV10 – What snacks, if any, are you enjoying more or less of?
BASE: Main Grocery Buyers (ranges from ~n=300 to ~n=500 per week).

SECTION 3

OPPORTUNITIES FOR THE INDUSTRY

5 EVIDENCE SUGGESTS THERE ARE FIVE KEY OPPORTUNITIES FOR THE INDUSTRY

ONE

THE RISE OF THE HOME ECONOMY

We found that Australians engaged in a lot more activities during the pandemic, spurring a range of consumer purchases. As Australians cook more at home, there is an opportunity to drive frequency in various categories – particularly staples that are the foundation of many common meals, for example mushrooms, carrots, and onions.

TWO

COOKS WILL LOOK FOR DIVERSITY AND INSPIRATION

As Australians level up their cooking ability, they are likely to seek out new recipe ideas and inspiration. This represents an opportunity to bring categories with lower penetration into consumer repertoires. Categories like berries, corn, or kale will benefit from recipes that educate cooks on how to best use them in different meals.

THREE

BRAND "AUSTRALIA" IS SOMETHING TO SHOUT ABOUT

Provenance was a major driver of consideration during the pandemic as many sought greater assurances of quality and wanted to support local farmers. Elevating the provenance of produce at a country or regional level will not only create an emotional connection but buffer against any price premiums.

FOUR

PACKAGING CAN HAVE A BIG IMPACT ON VALUE

Many main grocery buyers felt that packaging of fresh produce was important, despite few buying fresh pre-packaged fruits or vegetables. This suggests a clear opportunity to drive category spend by offering packaging that meets customer needs. Packaging must reassure product quality whilst being environmentally sustainable.

FIVE

FRESH PRODUCE CAN GAIN GROUND IN SNACKS

With Australians spending more time at home, snacking was on the rise during the pandemic. The shift from healthy packaged snacks to fresh produce points to the importance of freshness and nutrition. Communicating freshness, quality, and convenience, particularly compared to packaged snacks may help to maintain this momentum.

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