

ShopperPANEL

EDITION 9 (January 2024)

Consumer behaviour in Australia

The focus in this edition is the Australian liquor market, looking at consumer behaviour when it comes to purchasing and consuming alcohol.



ShopperPANEL provides in depth analysis of shopper behaviours and predictive insights into the future of the shoppers needs and wants.



ShopperPANEL (Edition 9)

| About this Report

As we embark on the ninth edition of the ShopperPANEL Retail Report, we reflect on the challenging year that was 2023 and its effect on consumer behavior in Australia.

With hopes for a more promising 2024, it is crucial to examine the lasting impact of 2023 on purchasing habits and understand how everyday Australians have adapted to the constant rate hikes and rising cost of living.

In this report, we delve specifically into the Australian liquor market, focusing on alcohol consumption trends and the factors that influence purchasing decisions among Australians aged 18 and above.

SECTION ONE

THE CURRENT LANDSCAPE

In 2023 Australians have continued to contend with a higher cost of living and continued interest rate rises, although spending levels have only recently slowed, including some lower-than-expected spending across the Christmas period. We take a look at how this has affected alcohol consumption and spending across the alcohol category.



THE AUSTRALIAN ECONOMY

Unemployment Rate

Australia's seasonally adjusted unemployment rate edged up to 3.9% in November 2023, exceeding the market forecasts of 3.8% and pointing to the highest level since May 2022.

Household Savings

Household Saving Rate in Australia decreased to 1.10 percent in the third quarter of 2023 from 2.80 percent in the second quarter of 2023. Their lowest levels since the GFC in 2008.

Inflation

After reaching a 30-year peak of 7.8% in Q4 of 2022, inflation has dropped to 4.5% in December 2023 (target is 2-3%)

Cash Rate

The cash rate started the year at 3.10% and finished 2023 at 4.35% (5 rate hikes by the RBA of 0.25% across the year). Fall of 0.75% possible in 2024 (with 3 rate cuts forecast by experts).

Consumer Confidence

The Westpac-Melbourne Institute Consumer Sentiment index in Australia rose 2.7% to 82.1 in December 2023 from 79.9 in November, remaining in pessimistic levels and marking its second worst year on record as a surge in the cost of living and sharply higher interest rates weighed heavily.



BOXING DAY SALES FIGURES – A GLIMPSE OF WHAT’S TO COME?

The Australian Retail Association (ARA) estimates that Australians spent \$24 billion on Boxing Day Sales, an increase of 1.6% from last year.

But what’s hidden within this figure is the fact that the population has increased by about 2.4% and inflation is also around 4.5%. Net effect – real retail sales would have fallen by around 5%.



2023

SAVINGS DIMINISHED

Australian Household Savings Ratio reached a high of 24% during the pandemic but has since declined to be just above 0% as at September 2023 (a 15-year low)*. What does this mean? Discretionary spending gets hit the hardest, with households cutting back on spending as cost-of-living hits hard (Note: 78% of respondents of the ShopperPANEL survey stated that they had cut back on non-essential purchased in 2023).



2024

TOUGH YEAR AHEAD

Real per capita consumption will be negatively affected by the second half of 2023. This spells an even tougher year for discretionary retailers in 2024. So why did the Consumer Confidence Index rise in December 2023? This looks to be based on experts now forecasting up to a 0.75% rate decrease in 2024 – causing some optimism for the second half of 2024.

The Current Market

AUSTRALIAN LIQUOR MARKET

\$17.0B

Revenue (Retail)

Revenue from retail liquor sales is expected to rise at an annualised 3.4% over the five years through 2022-23, to \$17.0 billion.

↓ 2.1%

Expected Fall in 23/24

In 2023-24, as consumers feel the pinch from inflation and rising interest rates, industry revenue is expected to drop 2.1%

54.4%

EGL AND COLES

The four largest liquor retailers account for close to 70.0% of the industry in 2023-24. Endeavour Group and Coles alone are estimated to account for 54.4%.

\$2.1B

Online Revenue

Demand has risen at an average annual rate of 13.4% through the five years to 2022-23, with revenue reaching an estimated \$2.1 billion in 2022-23.



LIQUOR CONSUMPTION



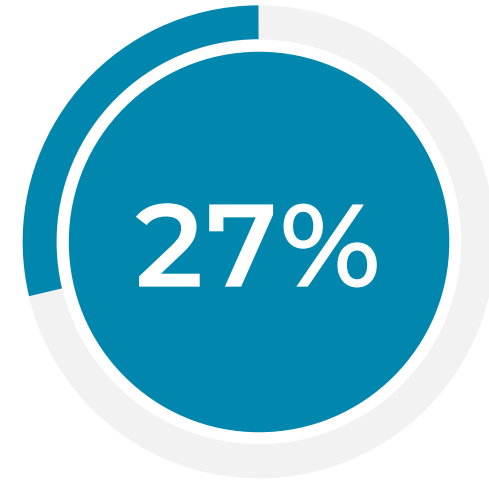
ADULT CONSUMPTION

Latest figures suggest that around 68% of Australians aged 18 and over have consumed alcohol in the last 4 weeks (as of December 2023). This is below the figures reported back in 2014, where 70% of the population had consumed alcohol in the four-week time period.



SOCIAL DRINKERS

Around 60% of Australians have stated that they are either a Social drinker or would only drink on a special occasion. A further 18% stated that they would normally drink only on a weekend.



REDUCED CONSUMPTION

As of December 2023, 27% of all Australians stated they had cut down their alcohol consumption, compared to only 9% who had increased their consumption.

TRENDS IN 2023

WHAT'S CHANGED IN 2023?

Current surveys suggest that young Australians are reducing their alcohol intake over the last 12 months by up to 38%. This also includes another 17% who suggested that were not cutting own but would like to.

Overall, Australians are also changing what they are drinking. In the 12 months to March 2023, the RTD (Ready to Drink) category rose 10% compared to the 12 months ending March 2020. While Beer fell by just over 5% for the same period, with only 32% consuming beer in an average four-week period.

Source(s): Bupa Pulse Check, Jul 2023;
Roy Morgan Jul 2023



Beer – Long Term Decline

“Roy Morgan will be keeping a close eye on the post-pandemic trends we are already seeing in the alcohol market during 2022-23. The emerging trends suggest consumption of wine and spirits looks set to return to pre-pandemic levels while RTDs such as vodka, gin, bourbon and rum have been on a sharp rise in recent years and that trend could well continue at the expense of beer consumption which has continued its long-term decline.” **Michele Levine, Chief Executive Officer, Roy Morgan (2023)**

This trend has continued over the past 4 years, resulting in the following rank by category* being:

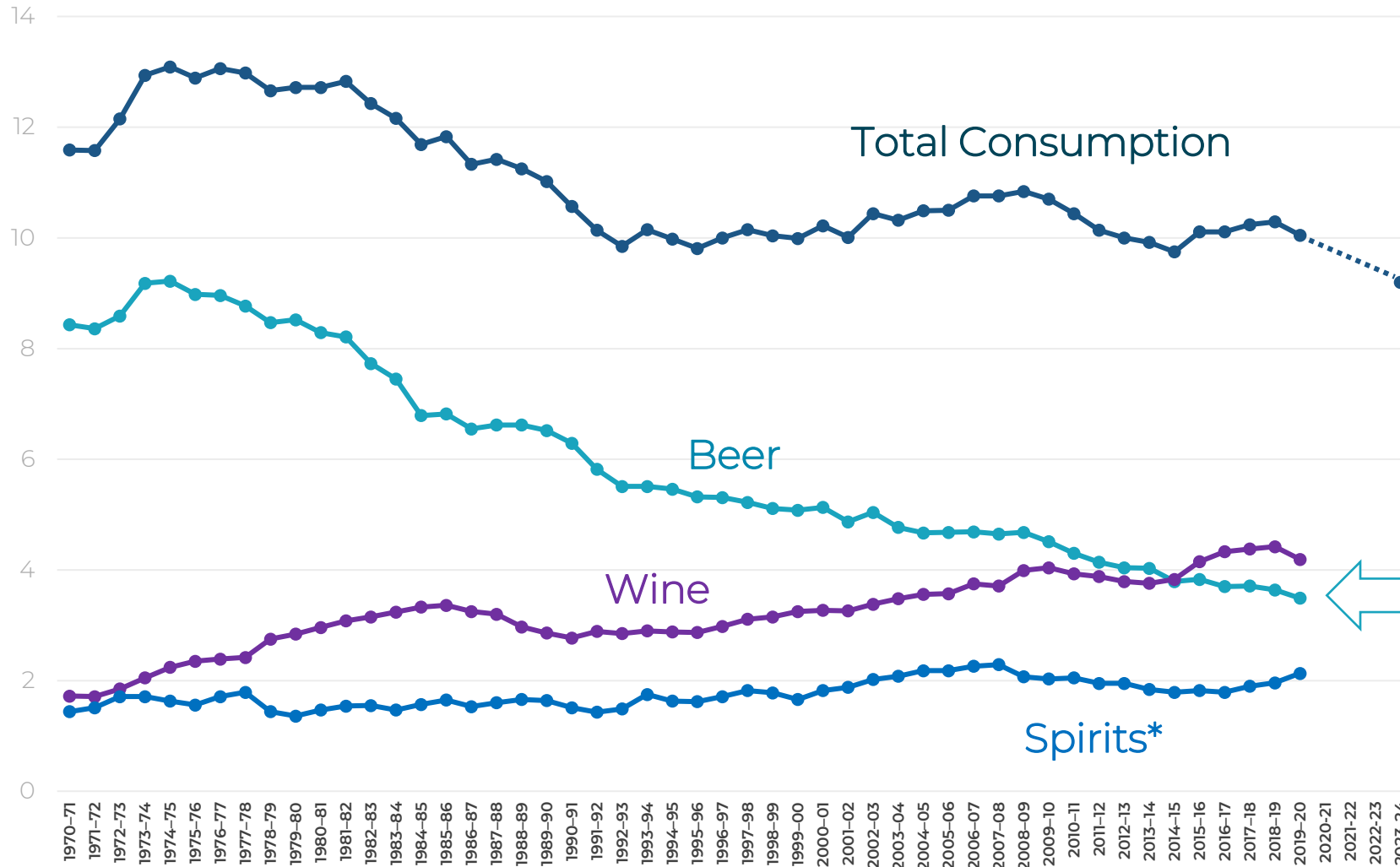
- 1. Wine 43.9%**
- 2. Beer 32.2%**
- 3. Spirits 27.5%**
- 4. RTD's 20.8%**

* Proportion of Australians aged 18+ who consume alcohol in an average four-week period



Per Capita Alcohol Consumption(Litres)

Alcohol Consumption: By Type



9.2 litres
Forecast – 23/24
Annualised growth expected to be -0.6% between 2019 and 2024

3.5 litres
Actual 2019/20
Per capita consumption of beer has fallen from a high of 9.2 litres (1974/75) to a low of 3.5.

* Includes RTD

Source: ABS (1970-2018) / AIHW (2018-2020) / IBIS (Forecast Only)

Are you setup for a successful 2024?

If you need help accelerating your sales and customer experience, please contact us!

The purpose of ShopperPANEL is to provide a detailed shopper lens on the high cost of living situation and the impact it has within retail, on the end customers experience and the economic challenges that may impact Australian retails share of wallet.



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