

State of the Industry Half Yearly Report 2020





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CEO's Message

We are pleased to provide you with this **AACS State of the Industry 2020 half year performance snapshot**. This will provide an overall sense of how our industry is tracking and also focuses on a few selected categories. The more in depth report on the full year's performance will be released in April of next year – watch for details in our weekly eNewsletters.

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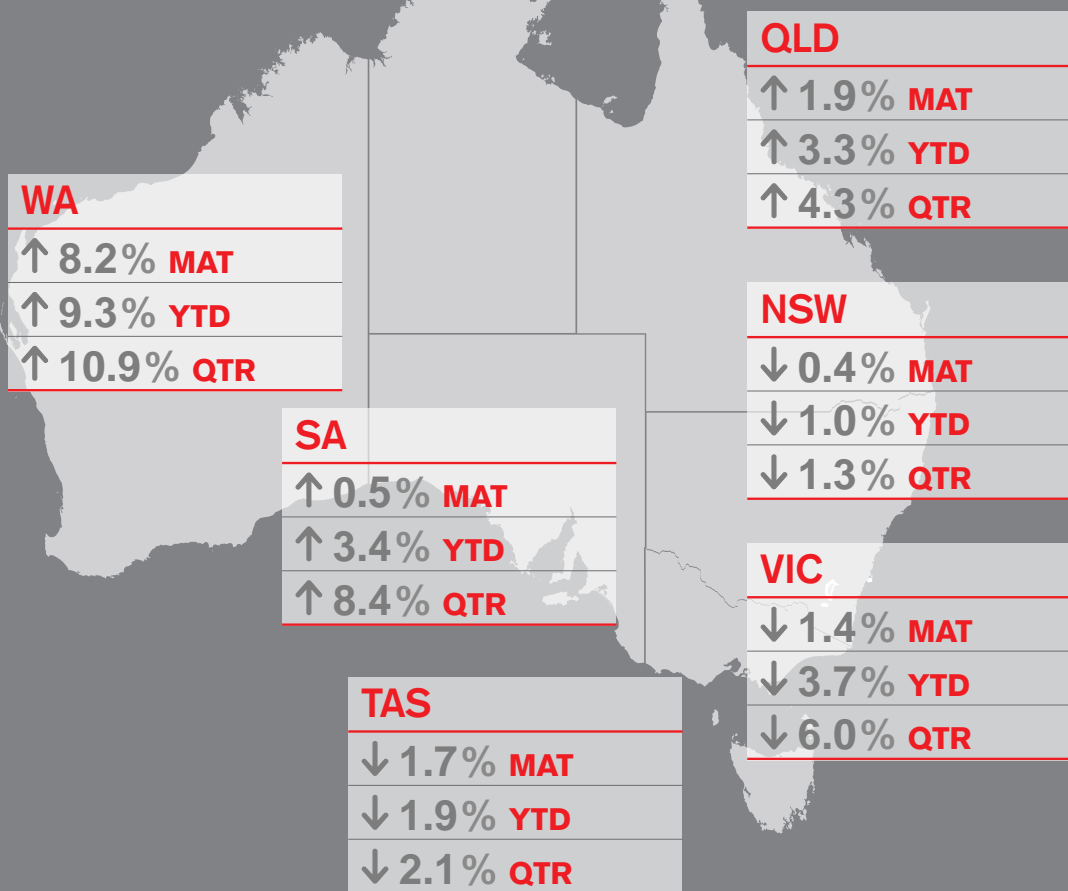
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Channel Performance



National

During the first half of 2020 the Convenience store industry was impacted by the COVID-19 pandemic. Despite a significant drop in fuel sales of between 10-20% the Shop sales have held up well. YTD the Channel is +0.8% up while in the last quarter it has improved by +2%, with the last 8 weeks improving close to +6%.

There is a significant difference however, in state performance YTD with Victoria -3.7% and NSW -1.0%. Meanwhile WA is up +9.3% SA +3.4% and QLD +3.3% all driving the overall positive results.

When we compare the results to CPI which was up +0.3% in the March quarter and then down -1.9% in the June quarter, the Channel has performed particularly well. One of the key drivers to the June CPI quarter drop was the price of Fuel which was down -19.3% versus the corresponding period. The last quarter performance has been a pleasing result however, the challenge will be for this to be maintained through the second half of the year in the face of potential ongoing restrictions.



MAT

↑ 1.0%

YTD

↑ 0.8%

QTR

↑ 2.0%

Source: IRI MAT, YTD and QTR value to 30/6/2020

Category Performance

Tobacco

After a growth of +0.8% in 2019 the Tobacco category is now growing at +1.7% MAT however, the last quarter growth of +10.3% has been a key driver in Channel growth.

The most pleasing aspect for retailers is the improved result in Tobacco over the last 4 weeks, with a +16% growth in the category.

While Roll Your Own (RYO) is only 12% of the total category the growth on a MAT basis of +14.8% and +26.8% in the last quarter has shown a continued shift in habits towards cheaper options.

Cigarettes although down -0.2% on a MAT basis has also shown strong growth in the last quarter up +7%.



MAT

↑ **1.7%**

QTR

↑ **10.3%**

Source: IRI YTD and QTR value to 30/6/2020

Packaged Beverages

After growing at +4.4% the Beverage category has been hit with MAT now at +1.0% growth and the last QTR -0.6%. There has however been growth in the last 4 weeks of the Half year with +4.7% increase in this period. Energy Drinks and Carbonated Beverages

have maintained strong growth on a MAT basis +3.8% and +3.2% respectively. On the flip side Water -4.7% and Juice -7.4% have declined versus 2019 on a MAT basis with Water in particular hit hard in the last quarter, down -18.5%.



MAT

↑ **1.0%**

QTR

↓ **0.6%**

Source: IRI YTD and QTR value to 30/6/2020

Food on the Go

Food on the go was the second highest category in terms of both dollar and percentage growth in 2019. This has meant that on an MAT basis the category remains in strong growth of +6.6% although the concern will be the last quarter where sales have declined -4.4%. The only Food category that has

remained in positive growth is Take Home Food which was up +7.8% in the last quarter. All sub categories remained in growth based on an MAT basis however, some have declined over the last quarter with the biggest impact coming from Hot Food -5.4%, Sandwiches -4.0% and Fresh Cakes -2.2%



MAT

↑ **6.6%**

QTR

↓ **4.4%**

Source: IRI YTD and QTR value to 30/6/2020

Category Performance

Hot Dispensed Beverages

The fastest growing category in 2019 has certainly been impacted by COVID-19 in the first half of 2020. Current MAT has dropped from a growth of +18% in 2019 to +5.9% MAT. While the Channel has improved over the last quarter

Hot Dispensed Beverages has declined -12.8% over this period. With restrictions remaining in place and greater working from home happening at this stage the category looks set for a tough year.



MAT

↑ 5.9%

QTR

↓ 12.8%

Source: IRI YTD and QTR value to 30/6/2020

Confectionery

After a strong 2019 with growth of +2.1% the strongest year since 2016, Confectionery has had a tough start to the year with MAT now -0.9%. While this isn't dramatic the last quarter decline of -10.6% is, with some key categories being significantly impacted. The largest two categories, Chocolate Bars

and Sugar Confectionery, remain in growth of +0.2% and +7.3% MAT however, Chocolate Bars has declined -7.2% over the last quarter. The Category that has been most impacted is Gum & Medicated with a -29.8% decline over the last quarter while Chocolate Blocks grew at +5.8% over the same period.



MAT

↓ 0.9%

QTR

↓ 10.6%

Source: IRI YTD and QTR value to 30/6/2020

Snackfoods

Snackfoods had its strongest growth in a number of years in 2019 at +4.1% however, on an MAT basis is now +0.1%. The largest category, Chips which represents 80% share and remains in growth of +2.7% on a MAT basis.

Like a number of categories the last quarter has been tough for Snackfoods with a decline of -6.9%. Chips declined -3.6% in that period, with Nuts -14.3% and Popcorn -41.9% being impacted significantly.



MAT

↓ 0.1%

QTR

↓ 6.9%

Source: IRI YTD and QTR value to 30/6/2020

Category Performance

Ice Cream

The Ice Cream category has continued to grow off the back of a strong 2019 of +5.2% although has slowed slightly to +3.6% MAT. In the last quarter however, the growth rate has lifted to +8.2% to be the strongest performer of the Impulse Snacking categories. The make up of the category continues to evolve with the strongest growth coming from Take Home and

Multi Packs, with the later coming off a low base. Single Serve Ice Cream, the largest category, is flat on an MAT basis while Icy Poles is up +4.1% although in the last quarter they are both in decline. Take Home which now represents just over 20% of Total Ice Cream Sales, is up +18.7% on an MAT basis and an amazing +41.4% in the last quarter.



MAT

↑ **3.6%**

QTR

↑ **8.2%**

Source: IRI YTD and QTR value to 30/6/2020

Communications

The Telecommunications Category has improved slightly on the 2019 decline of -16.2% to be -14.2% on an MAT basis. The last quarter however, has seen the category down -20%, with the biggest drop coming from Transport Tickets -63.4%. The mix of the Telecommunications category

has changed though with Gift Cards up +10.2% on an MAT basis and +24.2% in the last quarter. During that period Gift Cards became the largest sub category. The other category to show growth was Connection Devices which over the last quarter has jumped +28.7% off a low base.



MAT

↓ **14.2%**

QTR

↓ **20.0%**

Source: IRI YTD and QTR value to 30/6/2020

Summary

When the Bush fires hit Australia causing significant disruption at the start of 2020 we didn't realise that the worse was to come. COVID-19 has certainly tested the country however, the Convenience Channel has provided some resistance in Shop sales driven by a trust in the offer and a swift reaction by retailers to meet safety guidelines. While Fuel sales

remain down for the half year and expected not to rebound to growth for the 2020 calendar year, Shop sales only slightly dropped from +2.0% growth in 2019 to +0.8% YTD in 2020 and the last quarter has seen an increase almost back to the levels of 2019 at +2.0%. What is clearly evident is the significant differences in state performance with WA the best at +9.3% while Victoria is -3.7% YTD. We have also seen very

different results in category growth with Hot Dispensed Beverages swing from +18% growth in 2019 to +5.9% on an MAT basis and -12.8% in the last quarter. This is the opposite to Tobacco which while only moving the growth rate slightly MAT to +1.7% from +0.8% in 2019 the last quarter has seen growth of +10.3%. Lets hope that we get on top of everything in the back half of 2020 and that the Convenience Channel finishes the year off strongly.

COVID-19 Shopper Insights



In 2020 AACS commissioned two COVID-19 studies through Convenience Measures Australia the first at the end of March and the second at the end of May. The reports highlighted significant changes in shopper behavior around frequency and also the type of products purchased. The first wave highlighted that 47% of Shoppers were looking for alternatives to Supermarkets as certain products became harder to get but also as they could be in and out quickly and around less people. During this time just over 50% of Shoppers were visiting Convenience stores either the same or more driven by Males. Categories like Milk, Bread, Paper Goods and Groceries were being bought more from Convenience

Stores, mainly driven by Supermarket shoppers. The great news is the majority of both Convenience and Supermarket shoppers felt safer in store and most stores were meeting the needs of more hand sanitiser/ wipes and Social distancing policies. In May as things were getting back to some form of normality we did see a decline in Supermarket shoppers using Convenience stores however, this was still 1 in 4 shoppers using it more than before. This did drive some of the decline in Visit frequency although the Convenience shopper was also dropping with 51% visit less versus 45% in March. What was evident was that behaviours towards online shopping had changed increasing from 20% in March to 26% in May;

while people not going out as much increased from 69% to 74%. 51% of Shoppers were also changing habits of the time of day they were going out with 64% of shoppers doing this to avoid crowds. The reality is COVID-19 has changed Shopper behaviours and we never know whether they will return to what we know. The great news is Convenience Stores have adapted and benefited from being trusted and this should help with a strong result in the second half of the year (fingers crossed).

Corporate information

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