



FUTURE OF FRESH

Transforming the fresh food landscape over the next 20 years

Part of the Woolworths Trolley Trends Series

the fresh food people
Woolworths 

FOREWORD

The Woolworths Barometer



Australians have known Woolworths as the Fresh Food People for more than 90 years. For the 18 million visitors to our stores each week, and our staff and suppliers, this means a long term commitment to providing the best fresh, local and affordable produce at a great price every day of the week.

At the heart of our business are our customers. We constantly listen to them as their needs evolve. We reflect what they want to see on our shelves and in their shopping baskets. It's with this experience that we're able to keep our finger on the pulse to ensure we're changing with them and their needs. This unique ability to look at how Aussies shop has enabled us to track the changing needs and wants of families over the past few decades and look at how this will evolve in the future.

The way Australians will shop in 20 years time, the emergence of Generation Alpha and the supermarket landscape of 2034 is a very different prospect to what we know today. However, we're already seeing signs of these changes in the way we shop and what we purchase and these will impact each and every one of us.

Australians will continue to demand the best, freshest produce with an increased focus on health and convenience. We're already seeing a surge in online shopping and convenient ways to shop will continue to evolve. Over the next two decades there will be a convergence of technology with the in-store experience which will see the next generation purchase new, innovative products in a very different way. In-store today we're seeing the successful roll out of convenient, on the

go foods such as sushi and coffee bars. In the future we'll roll out innovations to meet consumer demand around convenience, as the supermarket of the future becomes a lifestyle destination for communities with the idea of local at its heart.

New technologies, products and experiences will evolve but value for money will remain paramount as the cost of living and financial pressures remain for Aussie families. Providing great value every day is what we do and price will be a focus for many years to come for Woolies and its customers.

These are just some of the findings in the latest report from the Woolworths Trolley Trends series. The Future of Fresh is a first ever look by an Australian supermarket into the next generation of shopping. We've looked at the living, eating and shopping habits of Australians from 20 years ago and today and looked ahead to see what's in store in the future. This has been joined with context and insight from Professor Jan Recker, Woolworths Chair of Innovation at the Queensland University of Technology and social demographer, Mark McCrindle.

I'm sure you'll agree there are exciting times ahead and we're looking forward to being part of this fresh future with our customers.

Tjeerd Jegen

Managing Director of Woolworths Supermarkets

As economic, population and technological growth continues, shopping will be transformed into a vastly different experience.

From an ageing population to changing household structures, from population growth to generational change, and from increased sophistication to growing expectations, Australia has changed significantly over the last 20 years. An additional 8 million people have called our nation home and demographically we are ageing, having added 6.8 years to our median age and 6.3 years to our life expectancy. Our families are changing as marriages and births take place later and more babies are born than ever before.

These changes have striking implications for supermarket shopping. As economic, population and technological growth continues, supermarkets will respond to the demand for new innovations and shopping will be transformed into a vastly different experience than what it is today. By 2034, the transformation of our lives through technology will

have disrupted how we think about shopping, what we buy, and where and how we shop.

The shopping experience of the future will start much earlier than the moment we enter a store. It will begin at the time we make decisions about food. More and more, these decisions will be socially informed by recommendations made by family and friends as well as our digital communities with whom we share common interests – in hobbies, lifestyle or values.

A new era of fresh produce will be introduced by supermarkets that are local and organic. Australians will be quick to respond to these innovations, with two thirds already viewing grocery shopping as an opportunity to try new innovations, enjoying the changes they see when they visit the store and noting that new innovations add to their shopping experience. Supermarkets will respond to shopper demands by creating a truly sophisticated and personalised shopping experience.

Source: McCrindle Research Survey, July 2014; and future projections from Professor Jan Recker, Woolworths Chair of Retail Innovation at the Queensland University of Technology.



AUSTRALIA

A Future Facing Nation

50 YEARS OF CHANGE

1984

2014

2034



NATIONAL POPULATION



15.4 million people

54%



23.7 million people

36%



33.3 million people



TOTAL HOUSEHOLDS



5.4 million households

69%



9.1 million households

31%



11.9 million households



MEDIAN AGE



30.5 years old

+6.8yrs



37.3 years old

+2.8yrs



40.1 years old



LIFE EXPECTANCY AT BIRTH



75.8 years

+6.3yrs



82.1 years

+6.0yrs



88.1 years



ANNUAL BIRTHS



234,034 births

33%



310,600 births

4%



324,288 births



MEDIAN AGE OF PARENTS
(NEW BIRTHS)

MALE



30.2 years old

+2.8yrs



33.0 years old

+1.2yrs



34.2 years old

FEMALE



27.1 years old

+3.6yrs



30.7 years old

+0.6yrs



31.3 years old



TOTAL EMPLOYED



6.4 million people

81%



11.6 million people

55%



18.0 million people



FULL-TIME ANNUAL EARNINGS



\$18,990

290%



\$73,980

58%



\$116,620

GENERATION ALPHA

The Face of the Future Shopper

Today's next generation – Gen Alpha – as the emerging grocery buyers of 2034, will respond to a whole new set of influences and trends to inform their shopping habits.

While today's biggest supermarket spenders are Gen X, the mums and dads of Australia's families who visit the shops every 4.5 days and spend an average of \$88.20 per week, in 20 years the household formers of today, Gen Y, will have the largest spend closely followed by Gen Z, today's emerging employee.

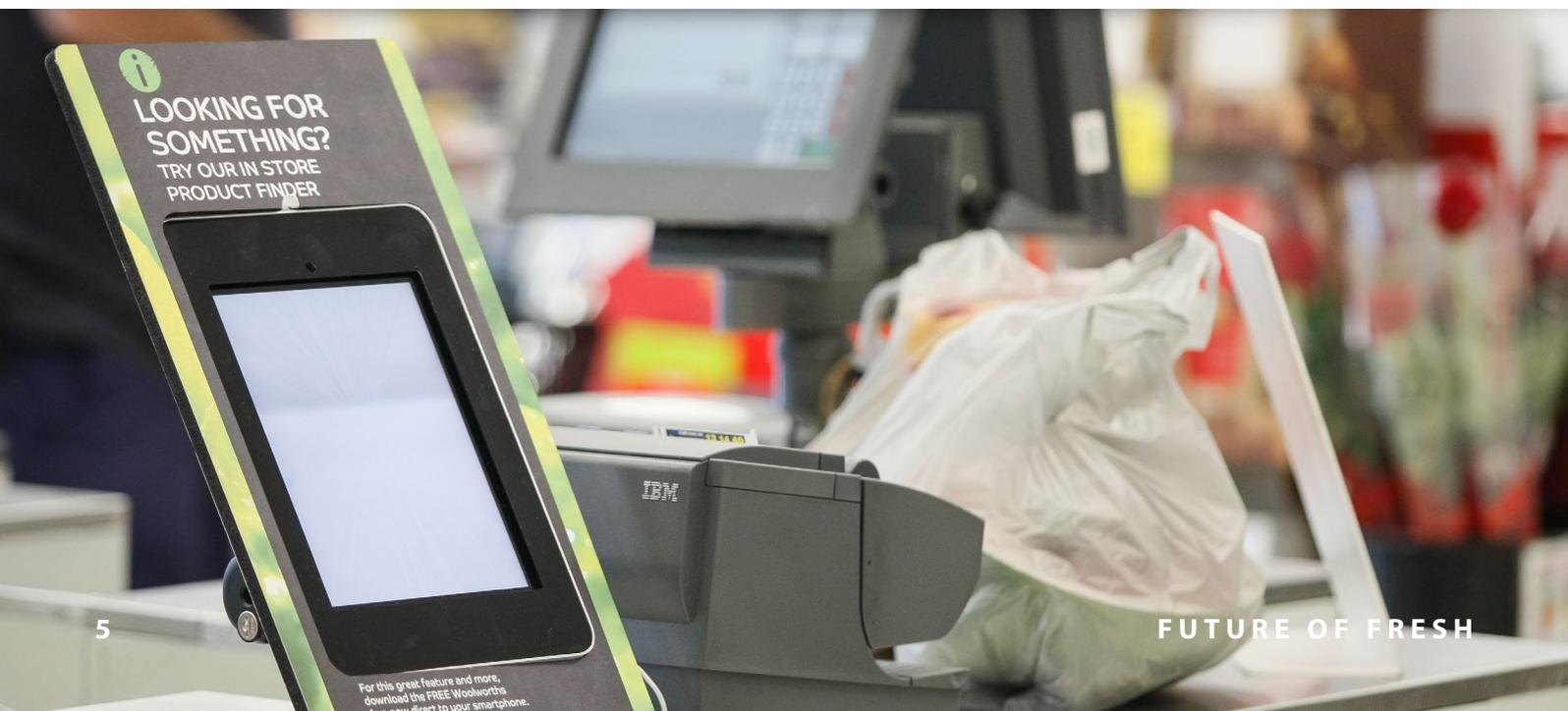
New on the horizon will be Generation Alpha, the preschool and kindergarten generation of today and the 10-24 year olds of 2034. Gen Alpha will be the most educated generation Australia has ever seen with 90% predicted to complete Year 12 (compared to 80% today). They will push back on traditional adult milestones, with 1 in 3 never having children, growing up in a world where the couple-only family has replaced Australia's nuclear family as the most common household type. They will live in an era where the ratio of workers to retirees will be just 3:1 (whereas today it is 5:1) and the structural deficits of an ageing population on health care, pensions, and aged care

services will be evident. Gen Alpha will be constantly on the move, changing jobs every 3 years and holding 6 careers in a lifetime.

The way Gen Alpha shop will be vastly different to the way we shop today. They will no longer travel to a shop for pantry items or dry goods but will centre their shopping on fresh and local produce. Their commonplace groceries will be made available to them through home delivery, automatically or not, which will allow them to focus their shopping on the enjoyable experience of browsing selected fresh and local foods and groceries, guided by recommendations of what they like to eat, what fits their lifestyle and what matches their dietary requirements making the shopping process a healthier and enjoyable experience.

Gen Alpha will team up with neighbours, friends, and even available nearby shoppers who will make shopping a social experience in which the supermarket becomes a hub for real world living. They will shop for their friends; receive assistance from nearby shoppers and share food, recipes, and grocery lists with those around them – geographically, socially or technologically.

Source: Social analysis by Mark McCrindle from McCrindle Research; ABS; Market Blueprint data provided by Quantum; and future projections from Professor Jan Recker, QUT.



GENERATION ALPHA

The Face of the Future Shopper

THE GENERATIONS TODAY



Fast facts

AGE IN 2034
10 - 24 YEARS OLD



TOTAL NUMBER IN 2034



% OF POPULATION IN 2034

19%



LIKELY TO HAVE JUST 1.7 CHILDREN



↓ DOWN FROM 1.9 TODAY

9 IN 10 WILL COMPLETE YEAR 12



↑ UP FROM 8 IN 10 TODAY

MORE THAN HALF WILL COMPLETE A UNI DEGREE



RATIO OF WORKERS:RETIRES – 3:1



↓ DOWN FROM 5:1 TODAY



18 JOBS, 6 CAREERS, 15 HOMES IN A LIFETIME

Gen Alpha in 2034

The grocery buyers of tomorrow



The Family of 2034



Gen Alpha's parents, Gen Y, will be sophisticated, conscientious, empowered, future-driven, health-cognate, fresh-focused, and locally engaged supermarket shoppers.

Gen Alpha Shopping habits

GLOBAL

Generation Alpha will look for a truly multicultural range of flavours in their shopping experience.

MOBILE

Gen Alpha will be even busier than previous generations. In-store cafés featuring fresh, ready-made items and home deliveries for commonplace groceries will be attractive options for this next-generation consumer.

SOCIAL

Gen Alpha will team up with neighbours, friends, and nearby shoppers to make shopping a social experience in which the supermarket becomes a hub for real world living.

VISUAL

Gen Alpha will focus their shopping on the enjoyable experience of browsing selected fresh and local foods presented through in-store farmers' markets.

DIGITAL

Mobile devices and personalised shopping apps will guide Gen Alpha's supermarket choices based on what they like to eat, what fits their lifestyle and what matches their dietary requirements.

Gen Y Shopping traits

Buying fresh is important to 99% Gen Ys



Buying local is important to 94% Gen Ys



78% want nutrient-enriched foods introduced



It is likely these traits will be passed on to Gen Alpha as the emerging grocery buyers

THE EVOLUTION OF FRESH

As we look to the future of food shopping, Australian shoppers will demand a back-to-basics approach – food that is organic, local, fresh and delivered daily.

Fresh, convenient items are on the rise in Australian shopping baskets, with sushi the fastest growing category of items sold in Woolworths in 2014 to date. Shoppers are increasingly wanting fast, fresh options, being more focussed on provenance and health than ever before. In the next 20 years, Australians will look for a 'back-to-basics' approach to fresh produce where food is organic, local, fresh, and delivered daily.

4 in 5 Australians (82%) state that buying fresh is extremely or very important to them, a percentage which has risen from 68% 3-5 years ago. Australians report an increase in the frequency with which they buy, cook, and eat meals that involve cooking from scratch, with nearly half (46%) of Australians indicating that they have decreased the frequency with which they eat out. Australians still prepare most of their meals at home, with the average Australian preparing 5.6 breakfasts, 5.1 lunches, and 5.8 dinners a week at home. Fresh ingredients, price, and local ingredients are the top three most important aspects for Australians in their home cooking, and 99% of Australians indicate that fresh is important to them in their meal preparation.

Over the last 20 years Australia has seen a shift from meals prepared from scratch to the convenience of semi-prepared meals. The decades ahead will see both of these aspects come together with an emphasis on fresh and unprocessed foods, organised to reduce preparation time and increase convenience for increasingly busy households.

The 2034 shopping experience will be divided into common household items delivered to our homes and our own in-store shopping experience to explore fresh and local food based on our dining preferences, daily plans and lifestyle choices. Food will be displayed in a more natural, relaxing environment with fresh produce front and centre of our shopping experience.

Shopping will be influenced by the types of meal preparations we select. When shopping to prepare a chosen meal, ingredients will be adjusted for our meal plans where desired. We will be able to shop for entire recipes and meal plans that we can then create in our homes, right in time for eating. This gives us the best possible definition of 'fresh': consumption straight after production. Our shopping experience will be centred on food that we want to consume, not by the choice of ingredients currently available in any location.

Source: McCrindle Research Survey, July 2014; and future projections from Professor Jan Recker, QUT.



THE EVOLUTION OF FRESH

Costa and Vitamin D Mushrooms

Based in Victoria, Costa is Australia's largest private producer, marketer and exporter of premium quality fresh fruit and vegetables. With over 4,000ha of land across Australia, 20ha protected glasshouse production, more than 40 farming, wholesale market and distribution operations nationally, Costa supply and service to retail, wholesale and export customers and provide employment for over 7,000 people during peak seasonal periods.

In the last year, Woolworths has worked closely with Costa to develop a unique line of **Vitamin D enhanced mushrooms**. The mushrooms are exposed to UV light pulses during the growing process, naturally

stimulating Vitamin D production and resulting in a mushroom that provides 100% of the recommended dietary intake of Vitamin D. The mushrooms were produced exclusively for Woolworths in conjunction with Costa in response to a growing incidence of Vitamin D deficiency amongst Australians.

Vitamin D enhanced mushrooms are now sold in over 700 stores across NSW, VIC, WA, SA and TAS.



Fresh, in-store sushi a hit with customers

In response to demand for more range and choice when it comes to healthy, fresh, on the go options Woolies has introduced in-store sushi bars where fresh sushi is made daily in-store by experts. Recently, Woolworths opened its 100th Sushi Izu in-store outlet at Currambine in WA, making Woolworths the largest sushi retailer in Australia. Providing quick and healthy meal options prepared on-site daily, the latest opening continues the trend for fresh, in-store food innovation spearheaded by Woolies over the past few years.



FUTURE OF FRESH



COMMUNITY RE-DEFINED

The Australian supermarket is fast becoming the epicentre of modern communities, shifting from a necessity to a lifestyle destination.

Core to the Australian identity and experience is the local community, and the local shopping centre has become Australia's new village green – the local gathering place. A place of connecting with friends and neighbours, the local shopping centre will increasingly be positioned as much more than just a place to shop.

In 2034 virtually all Australians will be part of connected communities – increasingly sharing their shopping experience and recommendations with others at the local supermarket. Supermarkets will respond by featuring in-store initiatives such as cafés and food bars with fresh options – making the store a true lifestyle destination.

The desire for 'local' is more than a desire for a geographical shopping district. Australians are increasingly looking for 'local' in the products they buy and the foods they eat to connect more closely with

their local communities. 55% of Australians indicate that buying locally sourced foods is extremely or very important to them, up from 45% 3-5 years ago. Australians are looking to maintain a local connection, and 3 in 5 (61%) are extremely or significantly concerned that the next generation of children does not know where their fresh food comes from.

9 in 10 grocery buyers (88%) define 'local food' as food sourced within their region, town or city, and 7 in 10 (73%) define 'local' as food sourced within 100kms from their home region, town or city. Further, 1 in 5 Australians (17%) indicate that it is important their fresh produce, meat, grain and fish are sourced within their region, town or city and 6 in 7 Australians (85%) show a preference for Australian-sourced fresh foods, whether from their region, town or city, their state, or Australia nationally.

In the store of the future, shoppers will be more likely to purchase local food when stores are visibly active in community engagement and the broader benefits of buying local are made clear. Australians will continue to value local to support local farmers and businesses, support the local economy, and minimise environmental impacts.

Source: McCrindle Research Survey, July 2014; and future projections from Professor Jan Recker, QUT.

Keeping it local – Southern Highlands Organic Eggs

In May 2014, NSW Southern Highlands business Southern Highlands Organics struck up a partnership with Woolworths to provide local families organic free-range eggs produced by a local farmer.

The family owned and run farm is now supplying organic free-range eggs to eight stores in the Southern Highlands and south-western Sydney area including Campbelltown and Narellan with strong sales and support from the local community to date.

Edward and Natasha Ross have run their chicken farm in Colo Vale for three years, looking after 1400 organic chickens across 48 acres of farmland. The farm is 100 per cent family owned and run, with their two daughters Layla and Lora helping to collect and pack the eggs for local Woolies stores.

Bowral customers have embraced this fresh, local produce with the highest sales of all eight supplied stores. Southern Highlands Organics free-range eggs are currently selling 235 packs per week – the store's best performing egg range.

Woolies is currently working with the Ross family to help expand the farm and distribution to other stores across NSW.



COMMUNITY RE-DEFINED

The new village green: Australians define the most important gathering place in their community

39%

19%



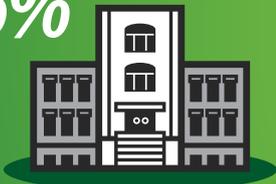
A local pub or club (RSL, local hotel, etc.)

11%



The local community centre

6%



The local school

16%



A community park or sports ground



The local shopping centre

5%



A local church

4%



The facility of a local community group (Scouts, CWA, PCYC, etc.)



I like to buy foods that are locally sourced and know where my food comes from

- THEN -

% Australians who say this was extremely or very important to them 3-5 years ago

45%

- NOW -

% Australians who say this is extremely or very important to them

55%

10%
POINTS

TOP REASONS TO BUY LOCAL

1. Supporting local farms and local businesses
2. Growing local economic development and investment

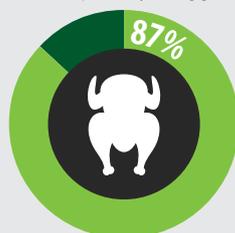
91% see as a benefit

89% perceive as true in buying local food

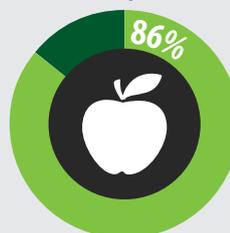


Top foods Australians want to see locally sourced

Meat, poultry & eggs



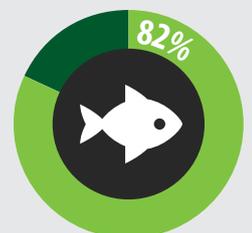
Fruit & vegetables



Bread and grain



Seafood & fish



NEW TECHNOLOGIES AND DIGITAL REALITIES

Over the next two decades, technology will become an integral part of the shopping experience, both in-store and at home.

Just as our private lives are being transformed through technology, both individually and socially, we will see a profound shift in the way that we think about and experience shopping in the next twenty years. Already we have greater access to more information than ever before. The power of information technology is changing how we source information and how we relate to each other. It is also changing how we eat, what we eat, and how we experience shopping.

Australians are shifting towards doing their supermarket shopping online, with 1.2% of all supermarket spend taking place online, up from 0.9% two years ago. New families especially are moving towards online shopping and are 2.6 times more likely to shop online than the average Australian.

The shopping experience will become a hybrid of online shopping through mobile devices and personalised shopping apps, and real world fresh food shopping in-store. In 2034 our in-store shopping will be guided not only by our shopping list but also by applications which facilitate our shopping experience. They will be able to detect when and where a customer is in store and provide recommendations and discounts in real-time based on our lifestyle, our eating habits and our shopping trolley as we fill it.

At home, intelligent appliances and digital homes will monitor our consumption of common basic grocery items, automatically detecting items we are running low on based on our own past consumption, our social networks and clever predictions.

The way we pay will also shift, with the majority of all check-outs being cash-less in 2034 and some retail outlets going completely cash-less and more payments made via chips embedded in mobile phones than stand-alone credit cards. Australians will be quick to respond to these innovations, with 4 in 5 Australians (83%) having adopted self-scanners regularly since their inception across Australian supermarkets in 2008.

The Online Shopper Profile



MODERN VALUES

In 2034, the term 'value' will come to mean much more than just price – incorporating important lifestyle, ethical and wellbeing elements in its definition.

Australians predict that the future of grocery shopping will not just be dictated by new products, new places to shop, new demographics, or new ways of shopping but also new prices which grocery buyers indicate will be the biggest change in supermarket shopping in 20 years' time. Rising living costs are placing pressures on Australian families and in the last 3-5 years, Australians are actively looking to buy items that are on special or discounted – up from 60% 3-5 years ago to 68% today.

However, price is not the only determining factor and only 47% of shoppers buy on price alone. Increasingly as we look towards the future the perception that Australians hold towards 'value' in supermarket shopping means much more than just price. Importantly lifestyle choices, values, beliefs and the recommendations of family and friends will be guiding principles. Australians are increasingly considering their health in their shopping which affects how they see value, with 56% spending more time reading labels, ingredient lists, and scanning for additives than 3-5 years ago.

It is not just nutritional health that will be driving consumer choices of Australians or price bargains, but social health – the value Australians place on communities, growers, local farmers, and the environment. Already more than a third of Australians (36%) are willing to pay at least 5% more for an ethical and fair trade product, with nearly the same proportion (29%) willing to spend 5% more for a product that minimises environmental impact. These percentages are even higher for today's emerging generations.

Australians will increasingly look for well researched facts behind the products they buy. Despite the increase in health bloggers and social media personalities influencing the shopping trends of today's younger generations, Australians as a whole are significantly more influenced by the established health authorities than celebrities in their shopping habits and nutritional choices. Three in 4 Australians (76%) report that health organisations and their spokespersons affect their shopping and nutritional choices. In the future, in an age of information saturation, reputable messages from credible sources will be at the forefront in shaping consumer choices.

Source: McCrindle Research Survey, July 2014; and future projections from Professor Jan Recker, QUT.

MODERN VALUES

Delivering Exceptional Value

Between 2013 and 2014 Woolworths helped save its customers over \$400 million dollars through deep discounting across a number of national brands and home brand grocery items. A consistent focus on price campaigns has helped deliver real savings to consumers, with the average household saving an average of \$455 a year, the equivalent of two big weekly shops.

DISCOUNT!
save \$400,000,000



=



=

2 weekly shops



Adding Value – Sustainable Seafood

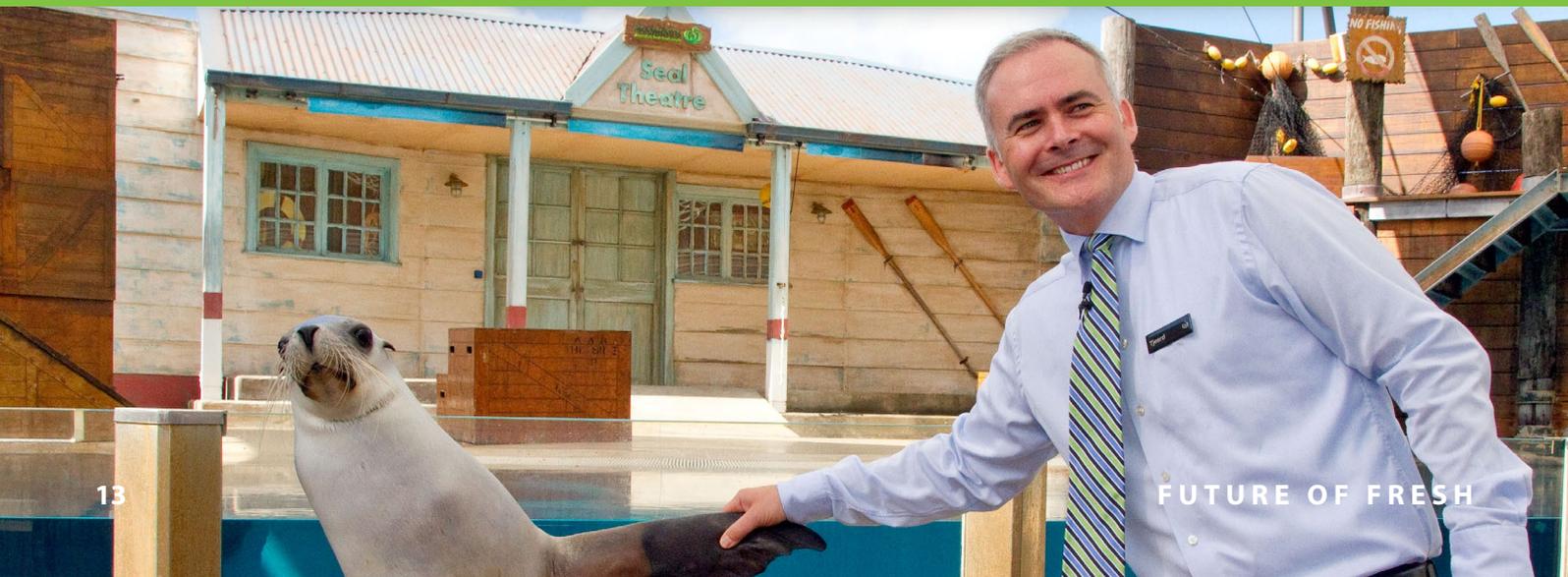
Growing awareness of food provenance and sustainability amongst our customers has led to initiatives like **Fish For Good**, a sustainability program aimed at empowering shoppers to make more informed decisions when buying seafood.

Our everyday seafood choices, from shopping at the supermarket to eating out – are important not just for today but for tomorrow. Woolworths is committed to making a positive difference to our oceans and marine life to help ensure an ocean friendly future.

In 2012, Woolworths partnered with Taronga Zoo to help Australians learn more about their oceans and make sustainable seafood choices. In partnership

with Taronga, Woolies developed **Fish For Good**, a program for marine conservation in Australia aimed at empowering customers to make informed choices when they buy seafood for their family so they not only enjoy a nutritious meal but help protect our oceans at the same time. As a major supplier of seafood to customers, Woolworths recognises its role in safeguarding oceans in a sustainable way. Seafood is an integral part of our fresh food offer so healthy oceans, sustainable fish stocks and a thriving fishing industry are all-essential to our business.

Woolworths is currently the largest retailer of MSC (Marine Stewardship Council) certified seafood and Pole & Line caught tuna, ensuring shoppers can make informed decisions when buying their seafood in-store.



TROLLEY TRENDS

Research Methodology

In July 2014, Woolworths commissioned research into the world of yesterday, today, and tomorrow's supermarket shopping trends. Looking back 30 years, this research includes a demographic analysis of Australian Bureau of Statistics data – painting a comparative picture of Australian households then versus now. The research unravels generational trends and Australia's changing families – and their demands for more fresh, local, and convenient foods than ever before. Completing the 50 year window, we look 20 years ahead – to how we will shop in 2034, which may be entirely different to the way we shop today.

For this latest report from the Woolworths Trolley Trends series, we consulted with leading social demographer Mark McCrindle and his research firm, McCrindle Research, to conduct research on the realities facing today's grocery shopper.

We consulted Jan Recker, PhD, Woolworths Chair of Retail Innovation at the Queensland University of Technology to paint a picture of tomorrow's grocery shopping trends, which form the basis of the big-picture shopping realities we will see in 2034.

This report combines Australian Bureau of Statistics data, the latest research conducted by McCrindle Research, Quantum data on supermarket spend, and research conducted by the Queensland University of Technology.

About the McCrindle Research Survey, July 2014

Current data on shopping trends and shopping sentiment is derived from the McCrindle Research Survey which was a nationally representative survey of 2,016 Australian grocery buyers (18+) in field from 14 July 2014 to 18 July 2014.

About Quantum data

The Woolworths Trolley Trends report utilised Quantum's provision of Market Blueprint data, containing the actual purchase behaviour of over 2.5 million consumers, encompassing half a billion electronic transactions per annum. Incorporated was analysis of Woolworths Everyday Rewards data and supermarket spending including Aldi, Aussie Farmers Direct, Bi-Lo, Coles, Costco, Foodworks, IGA, Thomas Dux, Woolworths, and smaller brands across Australia.

Queensland University of Technology

Professor Jan Recker, PhD, Woolworths Chair of Retail Innovation at the Queensland University of Technology was consulted to provide commentary on the future of Australian shopping, and data was utilised from QUT Business School from the July 2013 report, Leaders in Local: Exploring Consumers' Purchase Intentions of Locally Produced Foods.

Generations Defined

Reference to the generations throughout this report refers to the following age categories as defined by McCrindle Research:

Generation Alpha: <5 year olds (born 2010-today)

Generation Z: 5-19 year olds (born 1995-2009)

Generation Y: 20-34 year olds (born 1980-1994)

Generation X: 35-49 year olds (born 1965-1979)

Baby Boomers: 50-68 year olds (born 1946-1964)

Builders: 69+ (born before 1946)

MEDIA

Contact details

For more information about the Future of Fresh Report please contact:

Woolworths Press Office

Phone - 02 8885 1033

Email - media@woolworths.com.au





Published by Woolworths Limited August 2014

© Woolworths Limited 2014

Care is taken to ensure the accuracy of the information contained in this publication.
Please contact Woolworths Limited if you have any concerns.

For more information on the Woolworths Trolley Trends Report or Woolworths Supermarkets go to
www.woolworths.com.au

