April 2020 Update on COVID-19: Online and Offline Consumer Behavior and Future Industry Implications

Hosted with thought leadership from FMI Associate member

April 21, 2020
Today’s Speakers

Doug Baker
Vice President, Industry Relations
FMI - The Food Industry Association.

Nicole Collida
Senior Vice President - Brand Effectiveness
Nielsen

Webinar Objectives

Participants should attend this webinar in order to:

• Understand how shopper behavior and purchases changed in the past 2 months - both online and offline - in response to COVID-19

• Evaluate the short term (2-6 month) impacts that we can expect in the industry as a result of this change

• Consider the potential long term implications or outcomes on the industry
As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer, healthier and more efficient** consumer food supply.

FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.
FMI ANTITRUST COMPLIANCE

- It is FMI policy to comply in all respects with the antitrust laws.
- All participants in FMI meetings and events are expected to comply with applicable antitrust and competition laws.
- Avoid discussions of sensitive topics that can create antitrust concerns.
  - Agreements to fix prices, allocate markets, engage in product boycotts and to refuse to deal with third parties are illegal.
  - Discussions of prices (including elements of prices such as allowances and credit terms), quality ratings of suppliers, and discussions that may cause a competitor to cease purchasing from a particular supplier, or selling to a particular customer, should be avoided.
  - No discussion that might be interpreted as a dividing up of territories.
- It is important to avoid even the appearance of unlawful activity.
- Questions or concerns? Please consult with FMI staff team member.
### Supply Chain
- Advocacy for Transportation
- Resource Sharing
- Foodservice Needs Network
- Private Brands
- Manufacturing

### Public Policy
- Federal
- State
- Local
- USDA
- FEMA
- FDA
- CDC

### Safety and Sanitation
- Standard protocols
- Links to best practices
- Access to PPE for essential tasks
- Information on approved chemicals (EPA-List N)

### Media/Social
- Demand Issue vs. Supply Issue
- Worker Safety
- Food Industry Resilience

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**FMI COVID-19 Efforts**
FMI Coronavirus Resources
https://www.fmi.org/food-safety/coronavirus

Coronavirus Resources
CDC is working across the Department of Health and Human Services and across the U.S. government in the public health response to COVID-19, commonly known as coronavirus. FMI has compiled background information, a preparedness checklist, resources and more to support the food industry.

(Right Click On This Page to Print, Page Updated March 27, 2020)
I. Comprehensive: Coronavirus and Pandemic Preparedness for the Food Industry

II. Short-Term Best Practices

III. Suggested Business Practices

https://www.fmi.org/food-safety/coronavirus
More FMI Coronavirus Resources

U.S. Grocery Shopper Trends COVID-19 Tracker
March 28 - April 2

All FMI Member - $0.00
NonMember - $25.00
Electronic (digital download/no shipping)

FMI Jam COVID-19 Community

Member Discussions in key crisis areas
Workforce, Operations, Supply Chain, Worker Safety and more

Request access: register@fmi.org or https://pages.services/fmi.org/fmi-jam-registration
April 2020 Update on COVID-19:
Online and Offline Consumer Behavior and Future Industry Implications
UNPRECEDENTED CHANGE IN BEHAVIOR HAS LEFT YOU WITH MANY QUESTIONS AND UNCERTAINTIES

SOLVING IMMEDIATE SITUATION

PLANNING FOR NEAR FUTURE

PREPARING FOR LONGER TERM

FUTURE DECISIONS IMPACTED

- Financial Forecasts
- Manufacturing Capacity
- Shipment Allocations
- Marketing Spend
- Personnel Needs
QUEUES, EMPTY SHELVES AND PANDEMIC PANTRY SHOPPING ACROSS THE WORLD
SALES BEGAN TO SPIKE ACROSS THE WORLD AS COUNTRIES PREPARED TO ENTER RESTRICTED LIVING

Source: Nielsen 6 Thresholds Framework; Nielsen RMS data by country
INSUFFICIENT INVENTORY AND ILL-PREPARED SUPPLY CHAIN

WHAT ARE THE MAIN CHALLENGES FOR RETAILERS DURING THE EPIDEMIC?

- High Cost of Protection: 36%
- Accumulation of Holiday-related Merchandise: 40%
- Insufficient Delivery Force: 48%
- Supply Chain under Pressure: 59%
- Insufficient Inventory: 62%

Sources: Nielsen Survey of Chinese Retailers, March 2020
U.S. FACED DISRUPTIVE FORCES IN-STORES AND ONLINE

+$8.2B Pantry Loading

$18.8 BILLION Incremental CPG Growth Due To Covid-19

37% New HHs or Increased Online Purchase Frequency

60% GROWTH Online CPG Orders in March

Source: Nielsen analytics, Total US xAOC Week Ending 3/21/2020; Nielsen Total U.S. ecommerce measurement powered by Rakuten Intelligence
SYSTEM LACKED FREE-FLOWING COMMUNICATION TO MEET DEMAND

RETAILERS

I need inventory, but my supplier(s) can’t fulfill my shipment request

SUPPLIERS

I still have inventory, so who needs it?
CONSUMER FEAR CREATED RAMPANT OUT OF STOCK FOR SOME CATEGORIES

ON SHELF AVAILABILITY INDEX

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 30</td>
<td>First U.S. case of person-to-person COVID-19 transmission</td>
<td>99</td>
</tr>
<tr>
<td>FEB. 26</td>
<td>U.S. press conference on COVID-19 by Donald Trump On-shelf Availability Index 189</td>
<td></td>
</tr>
<tr>
<td>MAR. 11</td>
<td>Major sports events &amp; large gatherings canceled / postponed On-shelf Availability Index 122</td>
<td></td>
</tr>
<tr>
<td>MAR. 21</td>
<td>“Shelter in Place” initiated On-shelf Availability Index 198</td>
<td></td>
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Source: Nielsen Total US xAOC Week Ending 3/28/2020
AND ONLINE FULFILLMENT PUSHED TO ITS LIMITS

INCREASE IN ONLINE FULFILLMENT TIME VS. BASE

6%  23%  29%  26%
Week Ending 3/7  Week Ending 3/14  Week Ending 3/21  Week Ending 3/28

10% OF ALL HOUSEHOLDS TRIED TO PLACE AN ORDER ONLINE BEFORE CANCELING IT DUE TO LENGTHY DELIVERY OPTIONS

Right now, all shoppers are busy working hard to get to every order. Please check back later to see if deliveries are available.

Source: Nielsen E-commerce measurement powered by Rakuten Intelligence; Nielsen Homescan Omnibus Survey, April 2020
DESPITE CHALLENGES, INDUSTRY GROWTH UNPRECEDENTED IN PAST FIVE WEEKS

5 Week Sales Growth
Vs. Last Year

$30.1 billion

Source: Nielsen Total US xAOC + Convenience + Pet + E-commerce
5 Weeks Ending 4/11/20 vs. Prior Year
SALES TRENDS CONSISTENT WEEK-TO-WEEK ONLINE AND IN STORE, AND ALIGNED TO CONSUMER BEHAVIOR

TOTAL CPG DOLLAR % CHANGE VS. PRIOR YEAR

TOTAL OUTLETS - % CHANGE VS. 2019

Source: Nielsen Total US xAOC, Nielsen Ecommerce measurement powered by Rakuten Intelligence
Source: Nielsen Homescan Panel
DEPARTMENT PERFORMANCE ONLINE VARIES BY MATURITY, NECESSITY

ONLINE DOLLARS % CHANGE VS. PRIOR YEAR

Source: Nielsen Total Ecommerce measurement powered by Rakuten Intelligence
GROCERY DROVE ABSOLUTE SALES GROWTH

SHARE OF E-COMMERCE ABSOLUTE DOLLAR CHANGE

- 46% Grocery & Gourmet Food
- 12% Health & Beauty
- 26% Home & Kitchen
- 3% Pet Supplies
- 13% Baby Products

5 Weeks Ending 4/11/20 vs. YA

DEPARTMENT | Dollar % Growth vs. 5 Weeks Ending 4/13/19
---|---
Grocery & Gourmet Food | 105%
Health & Beauty | 34%
Home & Kitchen | 100%
Pet Supplies | 72%
Baby Products | 71%

Source: Nielsen Total US E-commerce measurement powered by Rakuten Intelligence
PRIOR TO COVID-19

44% OF US HOUSEHOLDS WERE CPG OMNISHOPPERS

DRIVEN PRIMARILY BY CONVENIENCE
THE ONLINE SHOPPER GROUP HAS EXPANDED DUE TO COVID-19

40% OF HOUSEHOLDS PLANNING TO BUY THEIR CPG PRODUCTS ONLINE FOR THE FIRST TIME DURING THE PANDEMIC WERE 55+
GERM AVOIDANCE, STORE CLOSURES HAVE RESULTED IN INCREASED OMNISHOPPING

GERM AVOIDANCE

IMMEDIATE NEED

SPECIALTY PRODUCT NEED

CONSISTENT USAGE; AUTO PILOT BUYING

E-Retailer

Delivery

Grocery Store

In-store

Beauty Store

Auto Refill: Subscribe & Save

Click & Collect
CLICK & COLLECT HAS GAINED MOMENTUM IN LAST YEAR, BUT DELIVERY MORE PROMINENT DURING RECENT PERIOD

Ecommerce Dollar Share by Fulfilment Method

Source: Nielsen Total US E-commerce measurement powered by Rakuten Intelligence
DESPITE ONLINE SALES GROWTH, IN STORE STILL PRIMARY DRIVER OF TOTAL COMMERCE SALES

E-commerce CPG Dollar Share

<table>
<thead>
<tr>
<th>Year</th>
<th>E-commerce CPG Dollar Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>7%</td>
</tr>
<tr>
<td>COVID Period</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Nielsen Total US E-commerce measurement powered by Rakuten Intelligence, 52 Weeks Ending 12/31/19, and 3/7/20 – 4/11/20
SO WHEN WILL WE RETURN TO THE OLD NORMAL?

Probably never.
Or at least not anytime soon.
THREE DISTINCT PRODUCT GROUPS EMERGING

DOLLAR % CHANGE VS. PRIOR YEAR

PANTRY LOADING
I want to always have this product at home

INCREASED USE:
Life is different now so my behavior will adjust too

SHORT TERM STOCK UP:
Panic purchased, but my need hasn’t changed

ILLUSTRATIVE EXAMPLE
SALES WILL STABALIZE AT DIFFERENT POINTS IN TIME DEPENDING ON THE CATEGORY

COVID-19 Demand Planning
% Change in Expected $ After Covid19 vs Before

YOU NEED TO UNDERSTAND WHEN YOUR CATEGORY IS EXPECTED TO REACH THIS POINT

Source: Nielsen Demand Planning Solution; Illustrative example as actual deliverable updates weekly based on information on hand
ALL FACETS OF LIFE IMPACTED FOR MAJORITY OF POPULATION, AND EXPECT IT TO CONTINUE

% OF U.S. HOUSEHOLDS SURVEYED

<table>
<thead>
<tr>
<th>Category</th>
<th>Impacted</th>
<th>At least 4+ Months of Impact Left</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Cooking</td>
<td>54%</td>
<td>53%</td>
</tr>
<tr>
<td>Working from Home</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>Travel</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Grocery Shopping</td>
<td>39%</td>
<td>42%</td>
</tr>
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CONSISTENT UPTICK IN ECOMMERCE BUYERS, COVID-19 COULD ACCELERATE SUSTAINED USE

TOTAL CPG MONTHLY ONLINE BUYERS

Source: Nielsen Total U.S. Ecommerce measurement powered by Rakuten Intelligence
WHILE ECONOMIC UNCERTAINTY LOOMS LARGE

WEEKLY U.S. UNEMPLOYMENT CLAIMS PROCESSED

Source: Bureau of Labor Statistics
WE’RE IN A NEW ERA OF BEHAVIOR THAT REQUIRES NEW TOOLS TO IMPROVE SPEED AND ACCURACY OF DECISIONS

Changing Consumer Patterns
Supply Chain Disruption
Unprecedented Demand Planning

ORGANIZATION-WIDE IMPACT
Finance
Operations
Logistics
Marketing
Human Resources
Customer Insights
MEETING CONSUMER DEMANDS WITH CONFIDENCE

SOLVE FOR TODAY
- Move with agility to address evolving consumer patterns
- Invest in new tools to improve speed and confidence in decisions

PLAN FOR TOMORROW
- Understand and plan for how today’s behavior will affect tomorrow’s demand
- Reduce guesswork on organizational impacts from production to personnel to forecasts to marketing allocation

PREPARE FOR THE FUTURE
- Recognize and apply learnings on how changed behavior will impact future commerce
- Keep sight of long term enhancements that strengthen your position of long-term growth
For more information, visit our COVID-19 resource section at Nielsen.com or email EvolvingConsumerPatterns@Nielsen.com
You will receive a link to view this webinar. An e-mail will be sent with the link in 2-3 days.