

**COVID-19 CPG and  
Retail Economic Implications**

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# **CONSUMERS FACE THE REALITY OF COVID-19**

**Rick Stein, Vice President, Fresh, FMI  
Joan Driggs, VP, Thought Leadership IRI**

March 31, 2020





THE FOOD INDUSTRY ASSOCIATION

# CONSUMERS FACE THE REALITY OF COVID-19: IMPLICATIONS FOR CPG AND RETAIL



Hosted with thought leadership from FMI Associate member





THE FOOD INDUSTRY ASSOCIATION

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## Today's Speakers

**Rick Stein, Vice President, Fresh, FMI**

**Joan Driggs, VP, Thought Leadership, IRI**

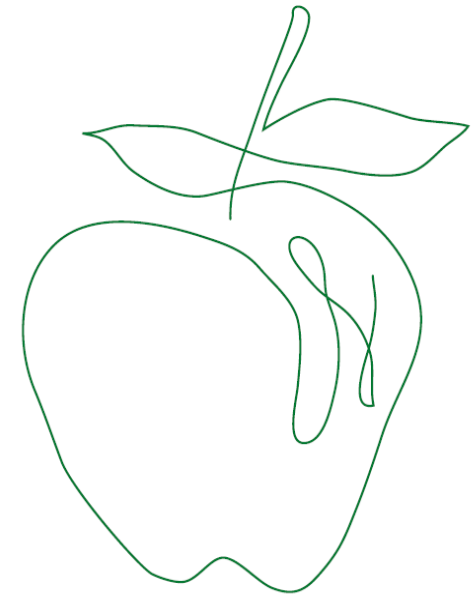
**March 31, 2020**



THE FOOD  
INDUSTRY  
ASSOCIATION

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.



# Supply Chain

- Advocacy for Transportation
- Resource Sharing
- Foodservice Needs Network
- Private Brands
- Manufacturing

# Public Policy

- Federal
- State
- Local
- USDA
- FEMA
- FDA
- CDC

## FMI Efforts

# Safety and Sanitation

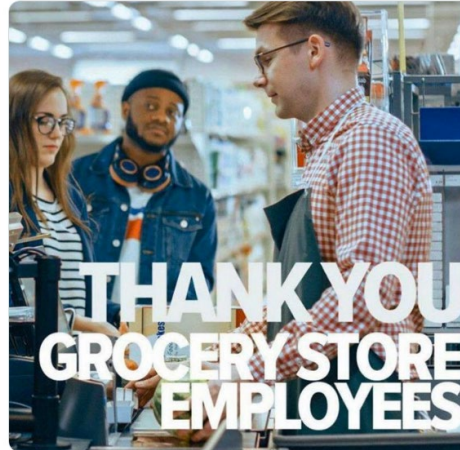
- Standard protocols
- Links to best practices
- Access to PPE for essential tasks
- Information on approved chemicals (EPA-List N)

# Media/Social

- Demand Issue vs. Supply Issue
- Worker Safety
- Food Industry Resilience

## Recognize Industry Efforts

My personal superheroes are all of the grocery store workers who are putting themselves at risk every day to ensure we all have what we need, ESPECIALLY all of our STUDENTS who work at these places. You all are awesome and appreciated. 🥰❤️ #virtualspiritweek #steelmanpride



1:07 PM · Mar 30, 2020 from Illinois, USA · Twitter for iPhone

Just wanted to start off the day saying THANK YOU to every --

grocery store worker, pharmacist, and delivery worker that are helping us get through this together.

9:23 AM · Mar 20, 2020 · Twitter for iPhone

9.3K Retweets 60K Likes

You can social distance and self quarantine all you want but most of our cashiers at the grocery store are not provided with masks.

11:38 AM · Mar 30, 2020 · Twitter for iPhone

Crazy how grocery store workers had no idea they signed up for the draft

11:33 AM · Mar 16, 2020 · Twitter for iPhone

35.7K Retweets 254.9K Likes

# \$2 Trillion Stimulus CARES Act

## *Coronavirus Aid, Relief and Economic Security Act*

### **People Benefits**

- \$1,200 direct payments to taxpayers
- Unemployment benefits
- Student loan payments suspended until September 30
- Protections against foreclosures and evictions

### **Business Benefits**

- Small businesses emergency loans
- Government bailouts
- Hospitals get \$110B

WE  
Accept



## CARE Act to Provide Relief Related to the Food Industry

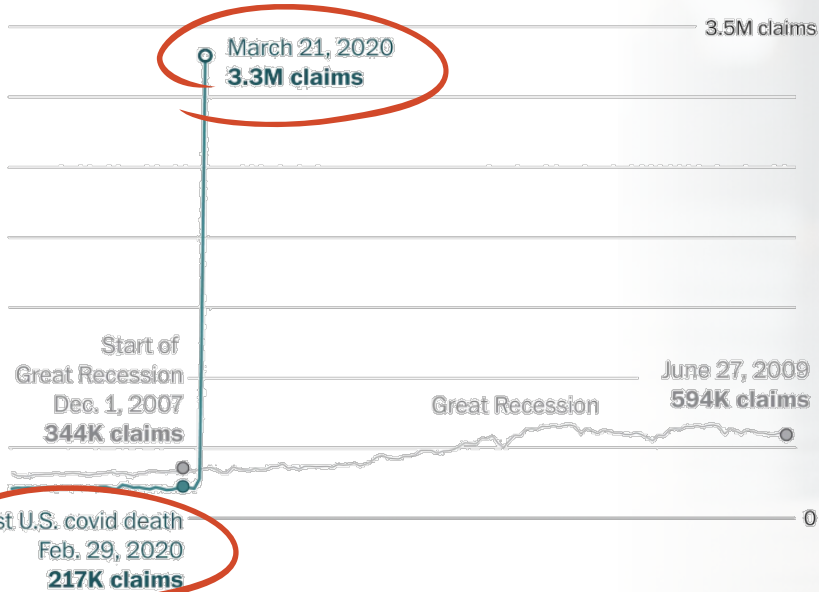
- Additional \$15.5B in funding for **SNAP**  
~\$50 per recipient, or \$200 for a household of four
- The bill extends current **Temporary Assistance for Needy Families (TANF)**
- The **charitable contribution limit for food donations increased** from 15% to 25% of taxable income
- Additional \$3.5B in funding was appropriated for the **Child Care** and Development Block Grant to provide child care assistance for **essential workers**
- Under Title IV, the grocery industry will be eligible for **business loan money**



# A Record 3.3MM Americans Filed for Unemployment Benefits as of March 21

## Covid-19 is driving unprecedented unemployment

Initial unemployment insurance claims at end of week, seasonally adjusted



Source: U.S. Department of Labor

ALYSSA FOWERS/THE WASHINGTON POST

*Biggest jump in new jobless claims in U.S. history. Economists warn more than 40MM Americans could lose their jobs by April.*

# 94% Are Concerned About COVID-19; And Many Indicate Their Levels of Concern Are Increasing

**Extremely  
Concerned  
About  
COVID-19**

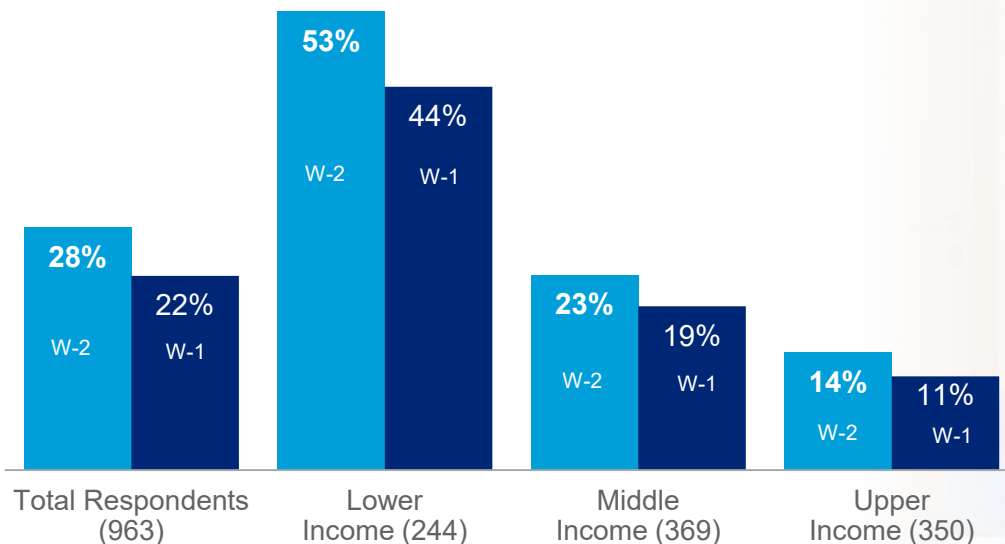
Survey March 15: **38%**

Survey March 22: **58%**



# Lower-Income Consumers Already Feeling Additional Pinch of Economic Downfall

*More than half of lower income households now struggle to afford needed groceries, up 9 percentage points from just a week earlier.*



***“My Household is Having Difficulty Affording Needed Groceries”***

Source: IRI Survey fielded March 13-15, and March 20-22, 2020, among National Consumer Panel representing Total U.S. Primary Grocery Shoppers

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## Recession-Like Behaviors Likely as COVID-19 Impacts the Economy

### *Consumer Spending Shifts in 2008-2009 Recession*

- Brand switching from mainstream to value brands
- Increase in private label
- Cost valued more than convenience
- Shift to smaller, lower-priced packs
- Shift to value channels (e.g., Mass and Club)
- Greater impact to Convenience and Gas channel
- Decline in foodservice and increased eating at home

# Consumers are Likely to Continue Shifting Spending and Shopping Behavior in Response to COVID-19

## Consumer Spending Shifts Likely With COVID-19

- Decrease in brand loyalty
- Revival of center-store
- Continued stock-up behavior to continue for the next few weeks
- Increased purchases of comfort / indulgent and entertainment categories
- Greater shift to online home shipment and click & collect
- Convenience and Gas channel opportunity
- Opportunity for retailers to fill the void for consumers

# We Are United in This Together

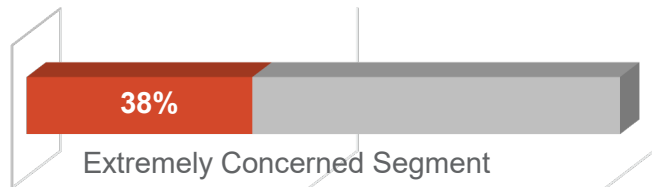
*94% of the total population  
is concerned about  
COVID-19, and concern  
transcends age, generation,  
gender, ethnicity, household  
income and the presence  
of children in the home.*

***On this, we are united.***





# Who Are the Extremely Concerned: Nearly 4 in 10 Americans Are Extremely Concerned



83%

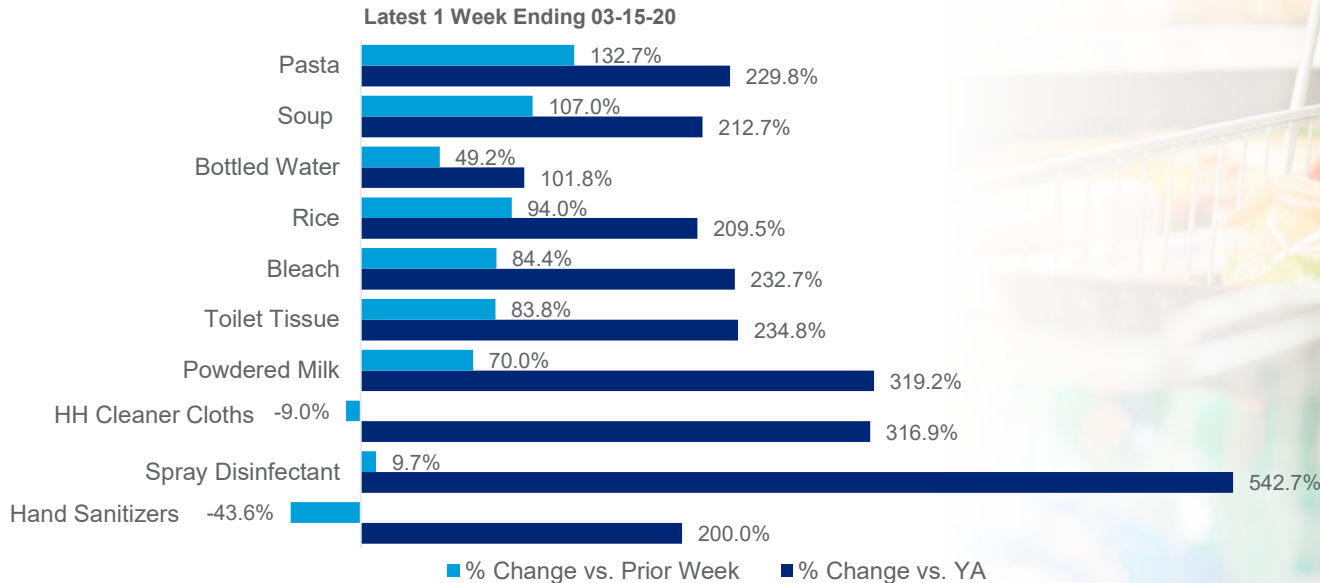
Report being **MORE CONCERNED** about Coronavirus than a week ago

## Shifting Product Selection What the Extremely Concerned are Buying

50%	Stocking up on pantry staples / essentials more than usual
37%	Buying more sanitizing products (e.g., hand sanitizer, sanitizing wipes)
18%	Buying more immune-boosting products, such as vitamins and probiotics, in case they help protect me from the coronavirus

## Stock-Up Remains Top Purchase Driver

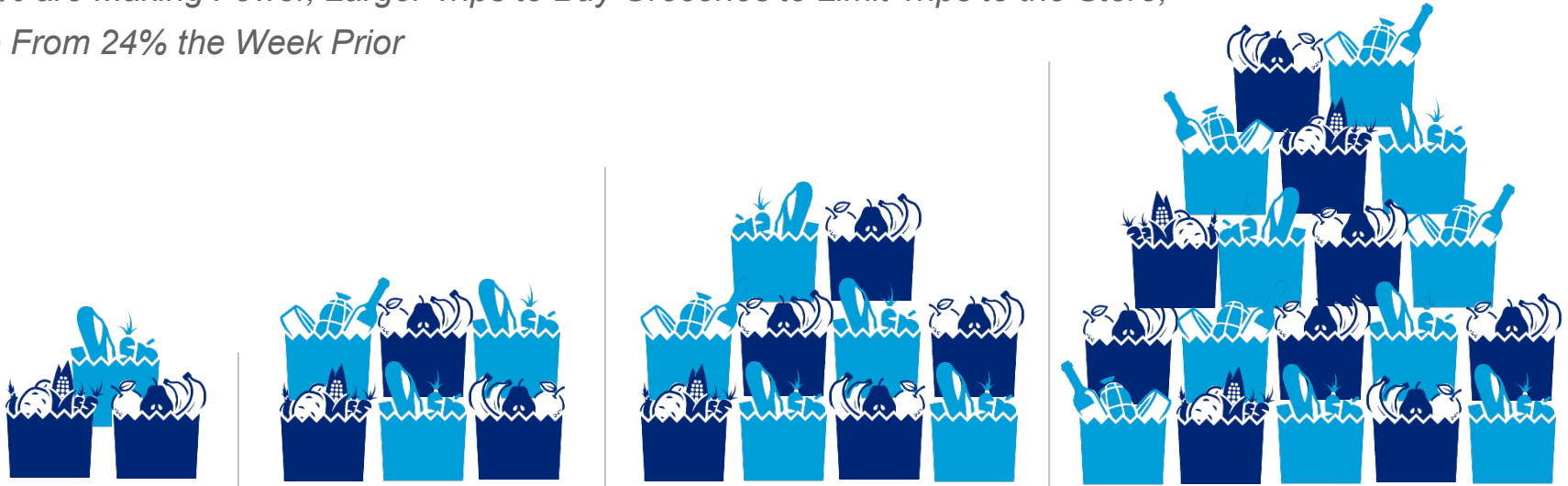
*In addition to cleaning, Americans are showing signs of hunkering down for the long haul, with sales of center-store categories experiencing outsized sales. Categories such as rice, macaroni and cheese, pasta, canned vegetables and canned fruit all drove significant growth as consumers purchased multi-serve products from various categories.*





# Changing Shopping Behavior in the U.S. Due to COVID-19

*43% are Making Fewer, Larger Trips to Buy Groceries to Limit Trips to the Store, Up From 24% the Week Prior*



**Buying Enough Groceries that I / My Household Might Need for...**

**1 week**  
**24%**

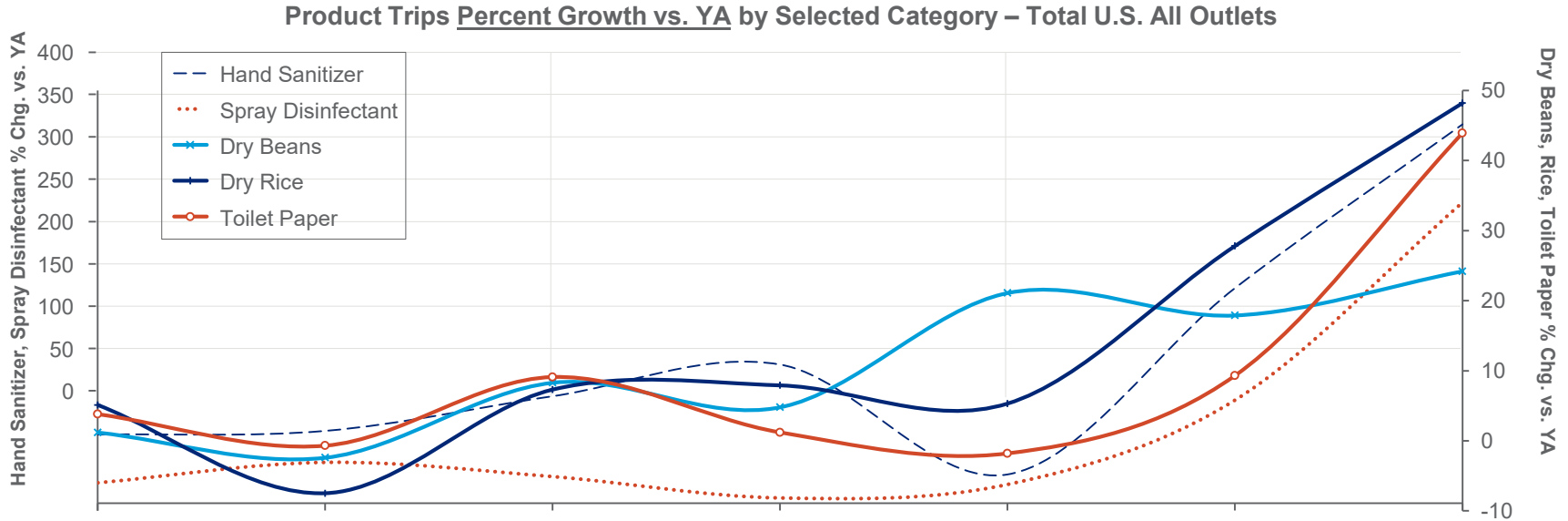
**2 weeks**  
**50%**

**3-4 weeks**  
**20%**

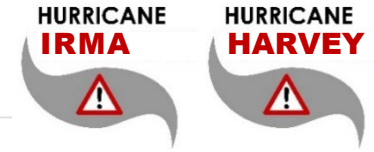
**4+ weeks**  
**7%**

# As COVID-19 Spread Escalated in the U.S., Trips for Essentials Increased

As confirmed cases of COVID-19 increased in the U.S., so did consumers' product trip rates for many items, compared with product trip levels last year.



# Historically, CPG Manufacturers Have Seen a Positive Boon in Sales in Times of Crisis Due to Stockpiling Behavior



## Stockpiling Behaviors Across Key CPG Categories

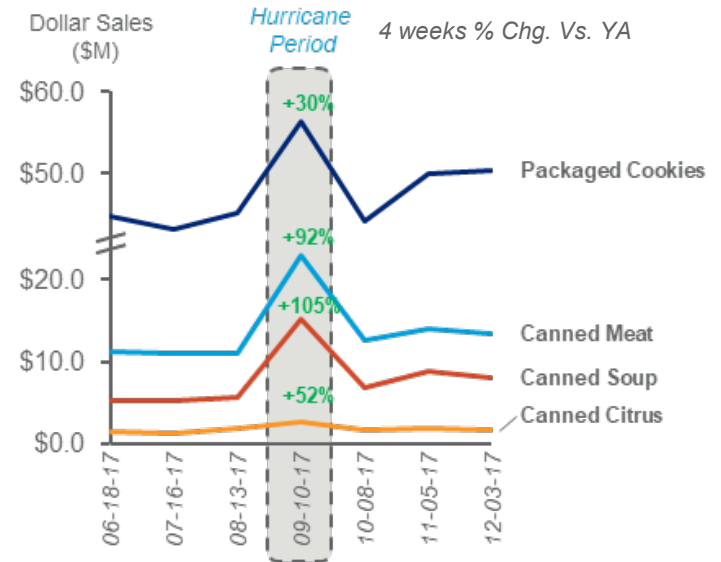
Examples of localized crises include **Hurricane Irma** in Florida and **Hurricane Harvey** in Texas in 2017.

As illustrated by these events, stockpiling occurred across three different types of products:

- **Normal Purchases**  
Lend themselves well to stockpiling – e.g., canned meat, canned vegetables, canned soups, toilet tissue
- **New Purchases**  
Well suited for stockpiling – e.g., canned citrus fruit
- **Longer Shelf-Life Indulgences**  
Maintains variety and enjoyment – e.g., packaged cookies

## Hurricane Irma Impact on Select CPG Categories

*\*similar behavior was observed during Hurricane Harvey*

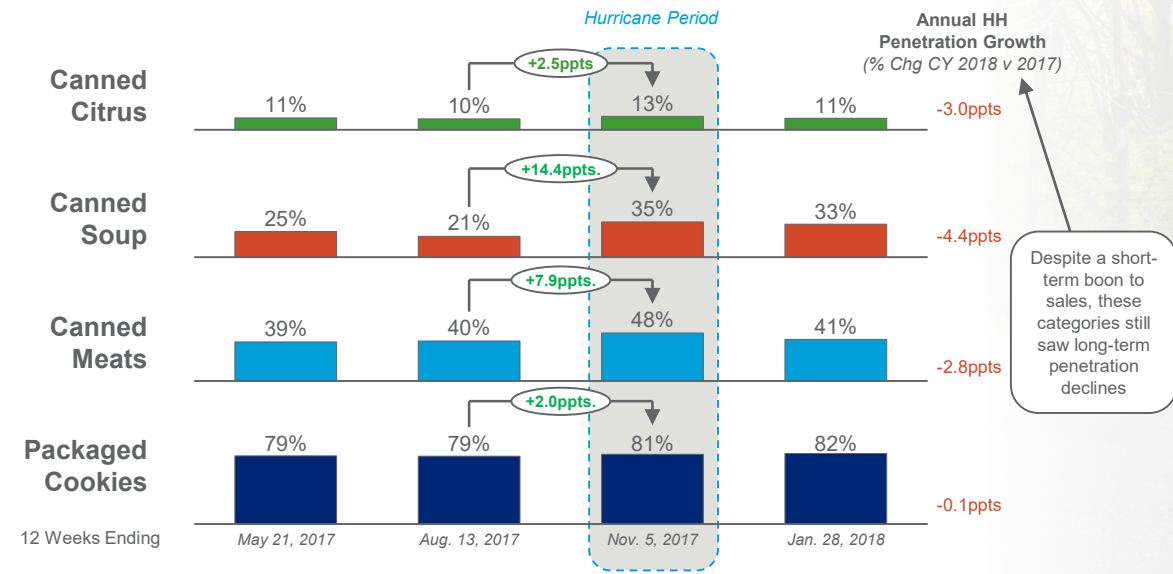


Source: IRI POS Data, 4 Weeks Ending 12-03-17, Florida MULO+C, IRI Growth Consulting

# Household Penetration Increases in the Moment, but That Growth Tends to Evaporate in the Long Term

*Hurricane Irma Impact on Select CPG Categories | Stockpiling Behaviors Across CPG Categories | Quarterly % HH Penetration*

*Clear Stockpiling Demand Spikes Occurred Across Categories, Followed by a Typical Trail Off of Shoppers*

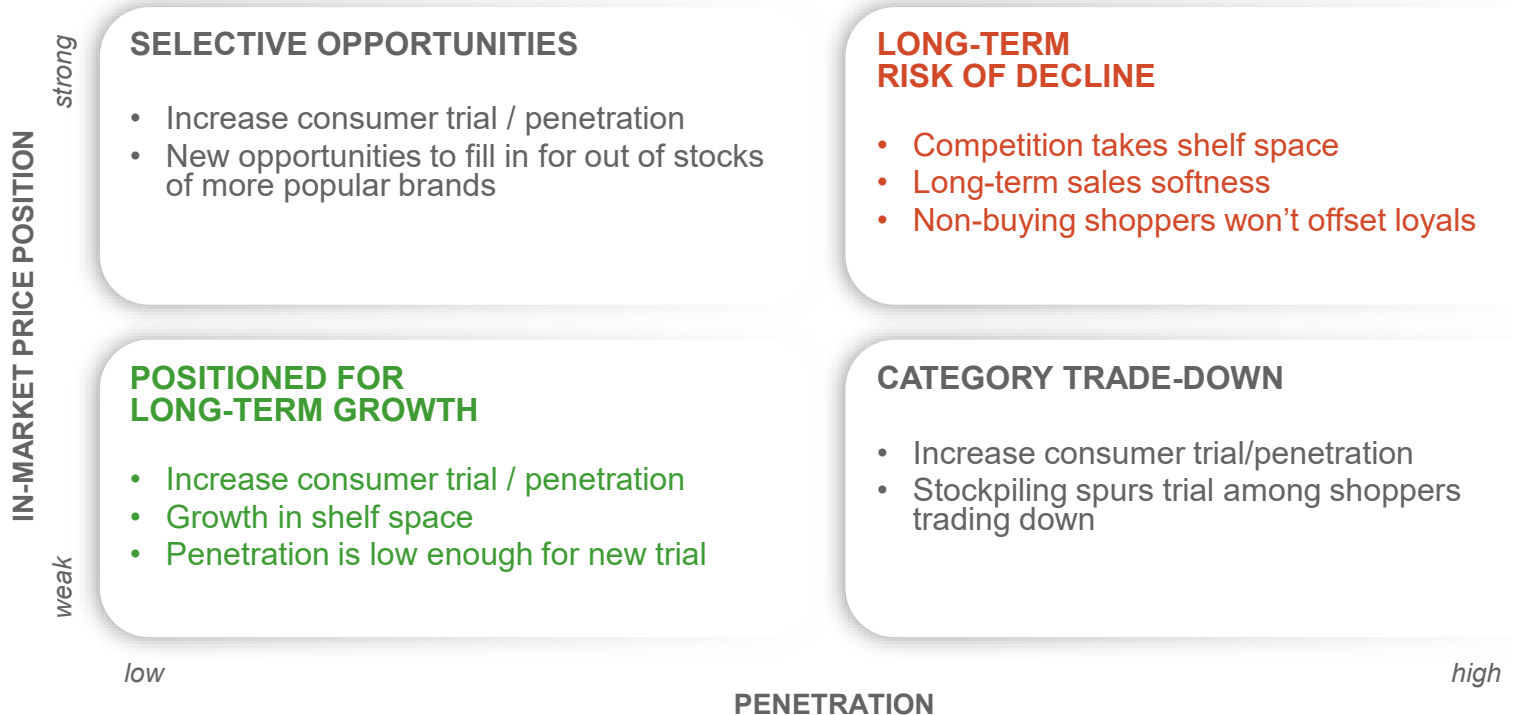


Despite a short-term boon to sales, these categories still saw long-term penetration declines



# Within These Categories, Brands With Low Penetration or Price Position Are Best Suited to See Longer-Term Gains From Stockpiling Behavior

Effects from Stockpiling – Framework of Long-Term Stockpiling Risk After Initial Spike in Demand



# Many Categories are Seeing New Buyers and Growth Relative to a Year Ago

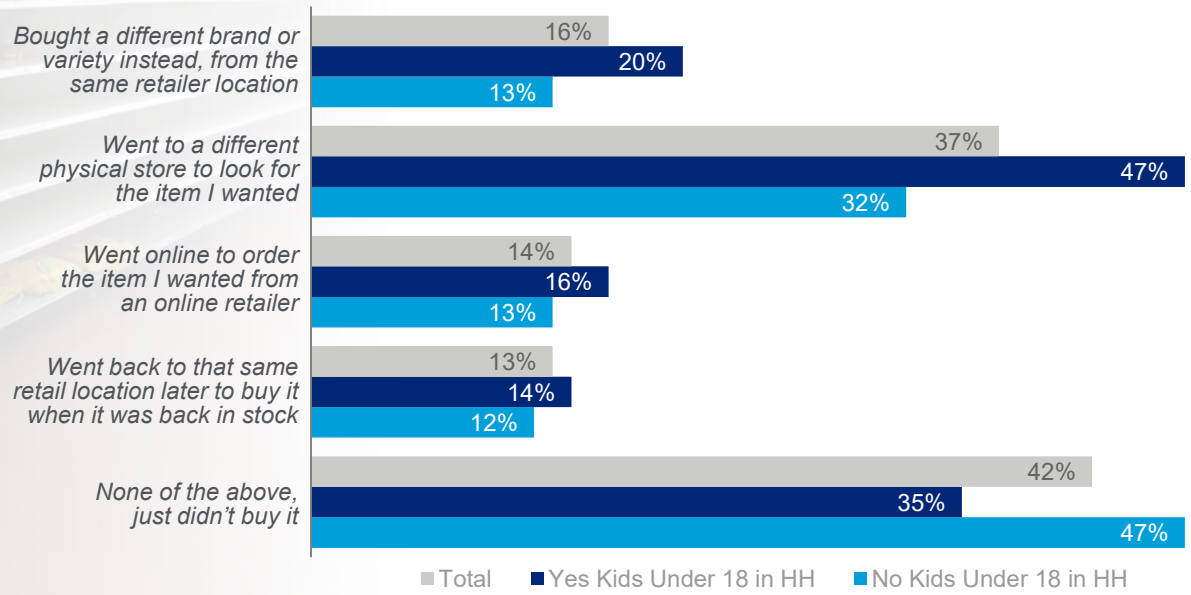
Buyers and Dollar Sales per Buyer Percent Growth vs. YA by Selected Category – Total U.S. All Outlets				
Total U.S. (4-Region Total) – All Outlets	Buyers (MM)		\$ Sales per Buyer Past 12 Weeks	
	Current	% Chg. vs. YA	Current	% Chg. vs. YA
<b>12 Weeks Ending March 8, 2020</b>				
Hand Sanitizers	18.3	62.2	\$6.12	47.0
Dried Beans / Grains	30.9	1.6	\$7.62	29.0
Hair Accessories	42.7	1.3	\$9.40	13.9
Cloth All-Purpose Cleaner	34.5	32.8	\$10.05	12.8
Spray Disinfectant	17.0	46.5	\$9.79	12.3
Sleeping Aid Tablets	13.9	7.6	\$17.68	12.0
Baby Wipes	26.9	2.1	\$14.81	10.1
Dry Rice	53.9	4.4	\$8.70	9.5
Frozen / Rfg Meat Substitutes	10.2	28.7	\$19.38	9.3
Cough Syrup	14.8	3.2	\$15.75	9.3
Toilet Tissue	91.8	1.0	\$30.81	8.6
Shelf-Stable Lunch Meats	30.3	2.3	\$9.59	8.6
First Aid Ointments / Antiseptics	29.7	8.5	\$6.87	7.6
Salty Snacks - Cheese Snacks	50.1	5.6	\$10.04	7.6
Dried Meat Snacks	15.1	6.4	\$13.26	6.9



# When Consumers Don't Find What They Want

Particularly in households with children, shoppers faced with out-of-stocks went to a different store to find a preferred product. Households with no children were most likely to walk away from a purchase altogether.

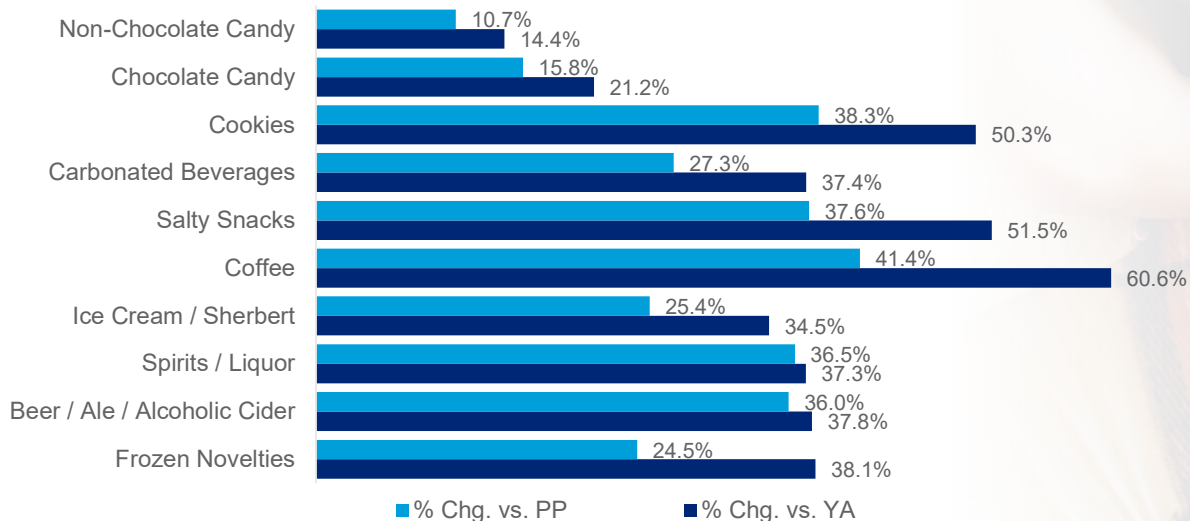
Q: You mentioned grocery or household essentials were out of stock or unavailable when you recently tried to buy them. What did you do most often when something you wanted to buy was recently unavailable at your store/site? (Select all that apply.)



## Seeking Comfort

As consumers settle into the new normal of social distancing or sheltering in place, they will be seeking products that bring comfort and joy. Look for these products to increase in sales week to week. Essentially, where half the American food dollar was spent outside the home, it will now be consumed in-home. Consumers will need help to satisfy their continuous desire for new experiences and tastes.

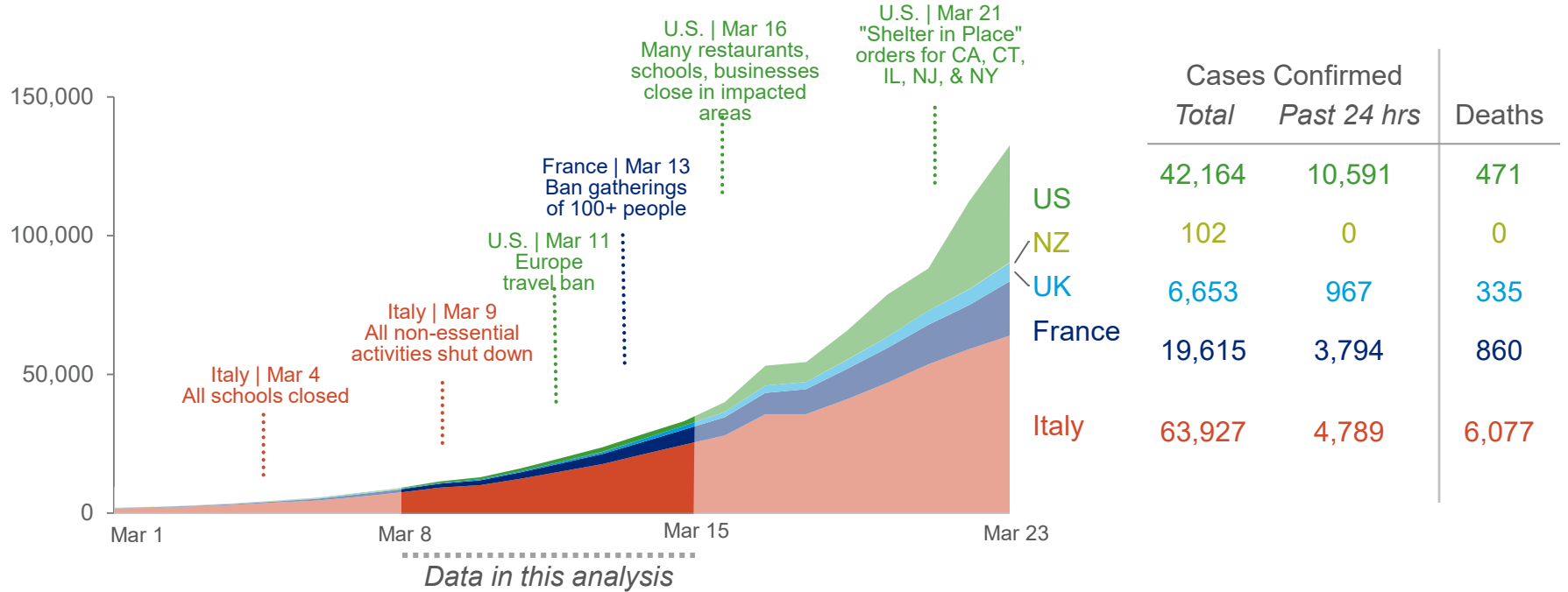
Geography: Total U.S. - Multi Outlet w/C-Store (Grocery, Drug, Mass, Conv., Military, Select Club & Dollar) Latest 1 Week Ending 03-15-20





# Countries are at Different Points in the Crisis, with Italy About ~3 Weeks Ahead and France About 2 Weeks Ahead of the U.S., NZ and UK

Cumulative # of Confirmed Cases; Data as of 3.23.2020



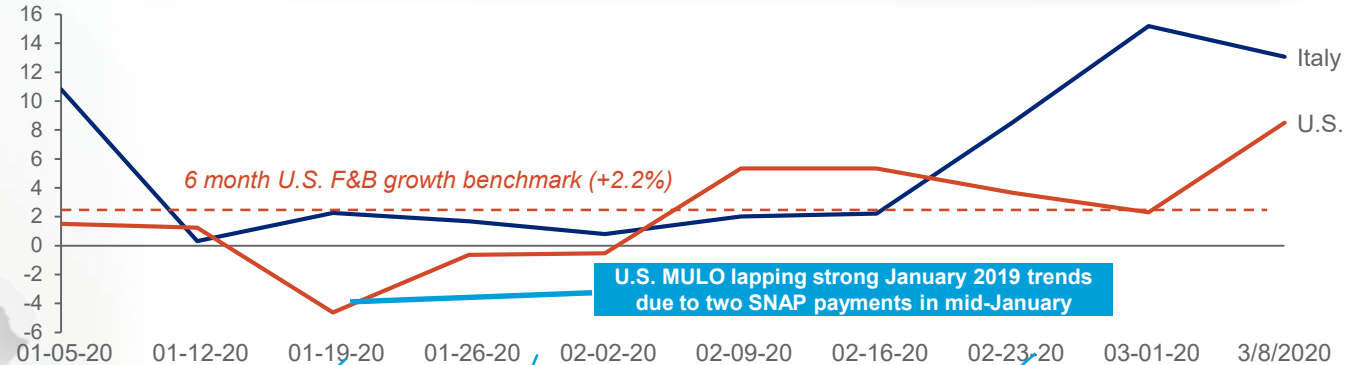
# Is Italy the Example Other Markets Will Follow?



Market Performance, F&B, Italy vs. U.S.

Dollar % Chg. Vs. YA // Total Italy + Discount and U.S. MULO // F&B

F&B sales in Italy accelerated two weeks earlier than in the U.S. Italy's growth decelerated slightly for the week ended March 8, but sales are still more than 10% above year ago



**Jan. 21**  
Washington state confirms the first case on U.S. soil

**Jan. 30**  
First U.S. confirmed case of person-to-person transmission of virus  
Italy: 1<sup>st</sup> confirmed case

**Feb. 29**  
U.S. reports first death in Washington state

**March 8**  
Reported cases in 35 states

# In Italy, Consumers Go From Stock-up to Meal Maintenance



As reported cases of COVID-19 increased during the week ending 2.23.2020, Italy experienced the same panic stock-up as in many global markets. Moving into the week ending 3.8.2020, consumers are still purchasing these staple goods at high growth rates, indicating they're concerned about both stockpiling and adjusting to preparing daily meals.

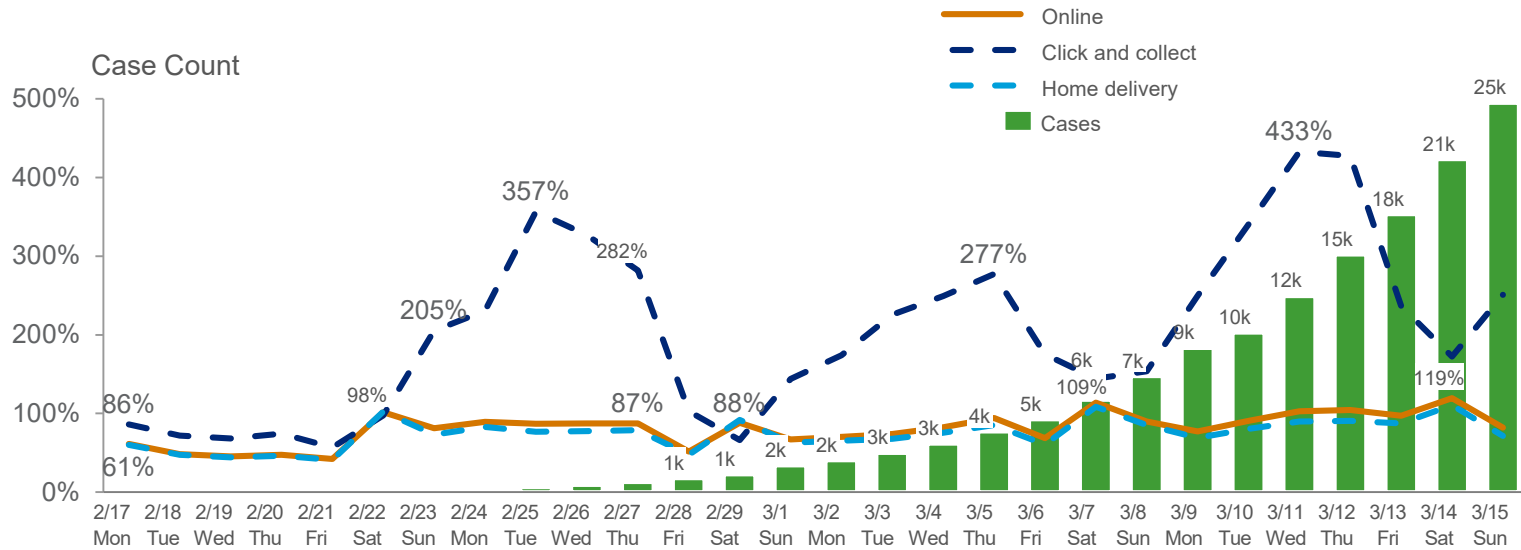
Dollar % Chg. vs. YA // Total Italy + Discount // F&B

Week Ending 02/09/20		Week Ending 02/16/20		Week Ending 02/23/20		Week Ending 03/01/20		Week Ending 03/08/20	
Sector		Sector		Sector		Sector		Sector	
Champagne	10.3%	Champagne	16.9%	Rice & Cereals	26.7%	Rice & Cereals	56.6%	Basic ingredients	38.1%
Aperitifs	9.8%	Fixed Weight Meat	9.5%	Fish/animal canned fd	25.1%	Fish/animal canned fd	46.4%	Tomato derivatives	30.6%
Fixed-Weight Meat	9.4%	Fruits - Packaged	7.0%	Pasta	19.2%	Basic ingredients	45.3%	Ethnic food	28.4%
Ice Creams	9.2%	Aperitifs	6.8%	Cereal	17.5%	Pasta	44.5%	Rice & Cereals	26.6%
Fruits - Packaged	6.4%	Fresh beverage	6.7%	Tomato derivatives	17.1%	Tomato derivatives	42.9%	Fixed-Weight Meat	24.1%
Fresh beverage	6.4%	Dressing & sauces	5.6%	Fixed-Weight Meat	16.8%	Cereal	38.3%	Dressing & sauces	22.8%
Still Drinks	6.3%	Ice Creams	5.5%	Dressing & sauces	16.1%	Canned vegetables	32.7%	Pasta	22.1%
Snacks - Salted	6.0%	Still Drinks	5.3%	Canned vegetables	15.9%	Prepared mix for meals	32.4%	Fresh dressing	21.7%
Salami	5.6%	Ethnic food	5.2%	Prepared mix for meals	15.8%	Dressing & sauces	28.7%	Canned vegetables	21.7%
Yogurt	5.4%	Fish/animal canned fd	4.9%	Diet products	15.7%	Milk & milk derivatives	26.0%	Spices	20.2%
Dressing & sauces	5.3%	Salami	4.9%	Basic ingredients	15.5%	Ethnic food	25.6%	Prepared mix for meals	20.0%
Cereals & bakery	5.1%	Snacks - Salted	4.9%	Champagne	12.8%	Spices	24.9%	Cooked pork	19.8%
Carbonated Drinks	4.9%	Dried Fruits and Veg	4.4%	Fresh beverage	12.2%	Other Drinks / preps	24.2%	Cheese	19.2%
Beers	4.8%	Yogurt	4.3%	Salami	11.0%	Frozen Foods	21.7%	Fish/animal canned fd	18.5%
Fish/animal canned fd	4.2%	Carbonated Drinks	3.7%	Milk & milk derivatives	10.8%	Fixed-Weight Meat	21.0%	Eggs	18.1%

# Online Channel Sales Doubled in the First Days of COVID-19 Exposure; Click and Collect Up 3-4x from Same Period in 2019



## CPG Sales % Change vs. Year Ago



11 cities in Lombardia and Veneto are declared "Red zones" and locked down

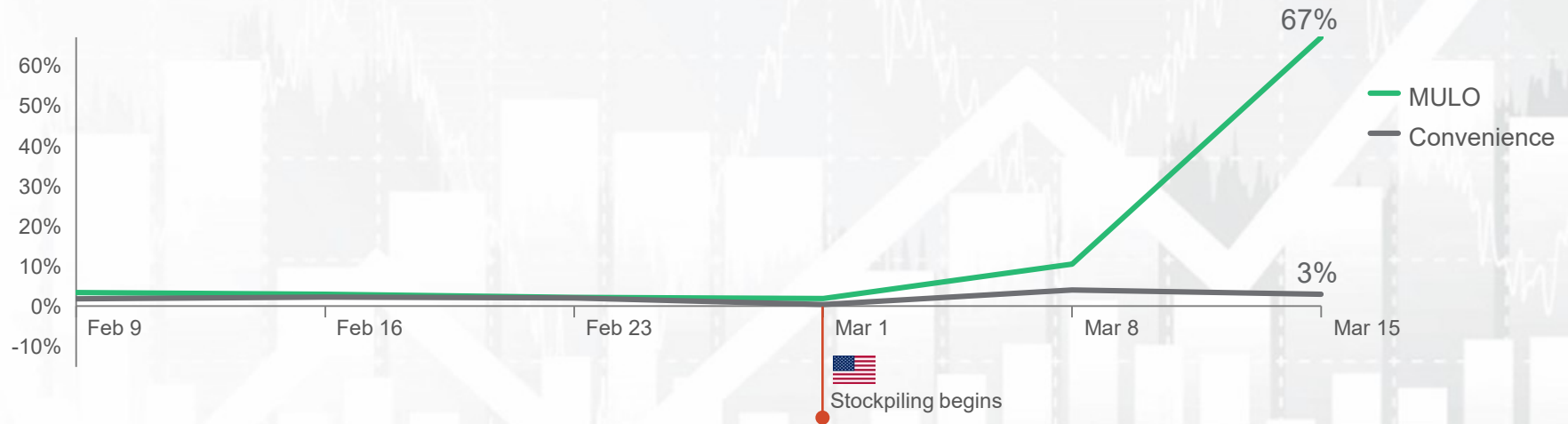
All schools and universities across Italy are closed down

Italy is declared Red zone – the next day all non-essential activities are shut down

# Not Surprisingly, Shoppers are Going to Large-Format Retailers to Stock Up



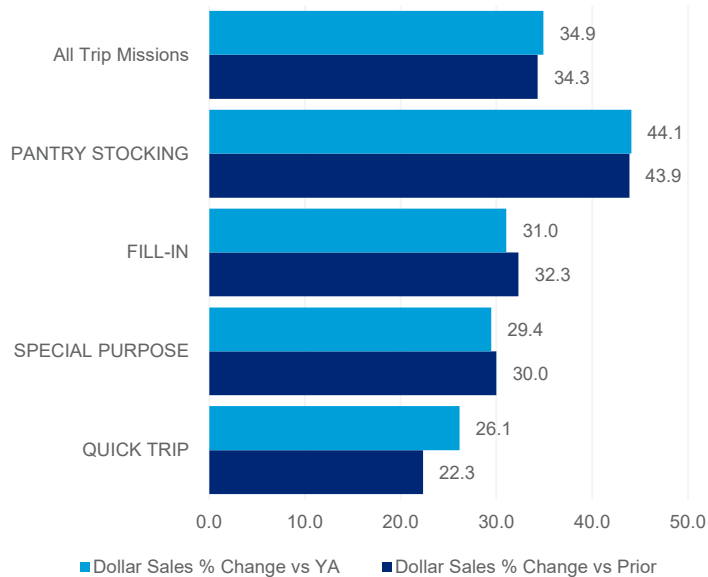
Week Ending Feb 9 – March 15, 2020  
\$ Sales % Change vs. Year Ago



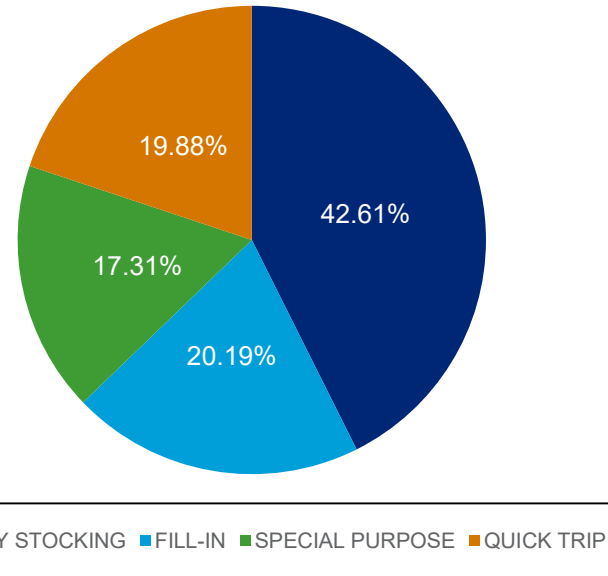
# Growth Trip by Mission

Product: TOTAL STORE Geography: Total U.S. - All Outlets Time: Latest 4 Weeks Ending Mar-22-2020  
NBD Adjustment: NBD\_Dollars Projection Fit: Total Fit 52 Sample Size: 30

Dollar Sales % Change vs YA Growth by Trip Mission  
- Ttl US - All Outlets - Latest 4W Thru Mar-22-2020

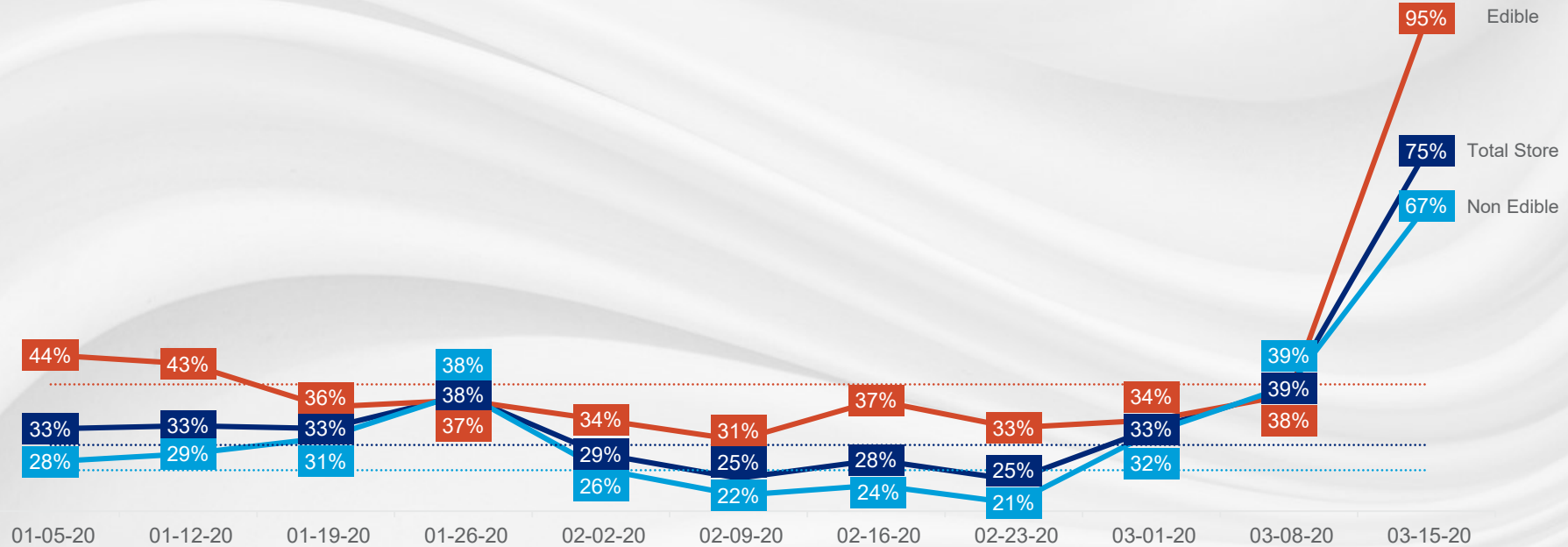


Dollar Sales by Trip Mission - Ttl US - All Outlets - Latest 4W Thru Mar-22-2020



# E-Commerce Growth Rates Have Been Accelerating Significantly in the Past 3 Weeks; Edible Categories Are Experiencing the Steepest Growth

Dollar % Change vs YA, Total E-Commerce



# Accelerated Growth Across Health Care, Cleaning, F&B Stock-Ups Highlight Continued E-Commerce Shifts in Response to Virus Fears



United States

% Chg vs. YAG // Health Care, Cleaning, Stock Up Categories // Total E-Commerce // eMarket Insights Model Ranked by \$ Delta

Categories	Dollars			Units		
	Highest Accelerating Categories	Pre-Period*	Post-Period**	Delta	Pre-Period*	Post-Period**
<b>Total Store</b>	23.5%	30.7%	■ 7.3	39.6%	41.2%	■ 1.7
CANNED JUICES - SS	43.3%	100.9%	■ 57.7	47.6%	54.7%	■ 7.1
SLEEPING REMEDIES	13.7%	49.2%	■ 35.5	37.2%	51.5%	■ 14.4
BAKING MIXES	15.3%	48.9%	■ 33.6	51.3%	67.7%	■ 16.4
NASAL PRODUCTS	11.1%	43.9%	■ 32.8	18.5%	49.9%	■ 31.3
HOUSEHOLD CLEANER CLOTHS	41.0%	73.3%	■ 32.3	37.5%	75.6%	■ 38.1
BABY NEEDS	26.2%	57.9%	■ 31.7	30.6%	59.0%	■ 28.4
INTERNAL ANALGESICS	9.0%	38.7%	■ 29.6	16.1%	53.8%	■ 37.7
BABY FORMULA/ELECTROLYTES	25.0%	53.2%	■ 28.1	15.4%	38.7%	■ 23.3
ASEPTIC JUICES	75.0%	100.3%	■ 25.3	102.3%	104.7%	■ 2.5
BOTTLED WATER	41.3%	66.1%	■ 24.8	62.1%	71.4%	■ 9.3
RICE	33.7%	58.2%	■ 24.5	46.6%	64.9%	■ 18.4
HOME HEALTH CARE/KITS	6.8%	29.2%	■ 22.4	6.6%	28.9%	■ 22.3
DRY PACKAGED DINNER MIXES	36.9%	59.3%	■ 22.4	63.0%	64.9%	■ 1.9
COLD/ALLERGY/SINUS TABLETS	36.9%	59.3%	■ 22.4	54.0%	76.9%	■ 22.9
DIAPERS	23.3%	45.0%	■ 21.6	32.1%	55.9%	■ 23.8

Note: \*Pre-Period is 8/5/2019-1/19/2020

\*\*Post-Period is 1/20/2020-3/8/2020



# Thought Starters for CPG and Retail

## COVID-19 Response Opportunities

- Consumer survey results reflect mounting anxiety. **Retailers** should prepare for more indulgent assortments. **Manufacturers** should be aware of the emotional toll prolonged home confinement will have on consumers.
- **Offer products that help keep daily routines stable**, including products that promote sleep (both food and OTC); products with vitamin D for those who are really locked inside; and products with more fiber/roughage. Retail dietitians can take on a bigger role here.
- Data from Italy emphasizes the value shoppers place on **click and collect**.
- **Revival of center-store** as quarantine reintroduces consumers to shelf-stable categories and brands. Help shoppers make the most of these products.
- **People are getting into more scratch cooking**. Retailers and CPG manufacturers can encourage social posts and “gamification.” Examples include “The cheapest healthy meal you’ll eat all week”; “What to do with pulses/beans”; and “Meals prepared from canned goods.”
- As professional services, such as hair, nail and skincare services are suspended, retailers and manufacturers can **encourage consumers to do more of this in-home** by providing DIY tutorials, kits or supplies, etc.

# Helping Consumers Through Uncertain Times

## Leverage Lessons

Leverage lessons from other crises, including hurricanes, recessions

HURRICANE  
**IRMA**



HURRICANE  
**HARVEY**



## Pantry Stock-Up

Italy is ahead of the U.S.: people will continue to stock up, but with slight shifts to complement pantry items

## Comfort & Joy

Shoppers will be looking for comfort and joy: Stock up on snacks and sweet treats



## E-Commerce

E-commerce will likely be a big winner post-COVID-19

# IRI COVID-19 Thought Leadership Helping You Stay Informed

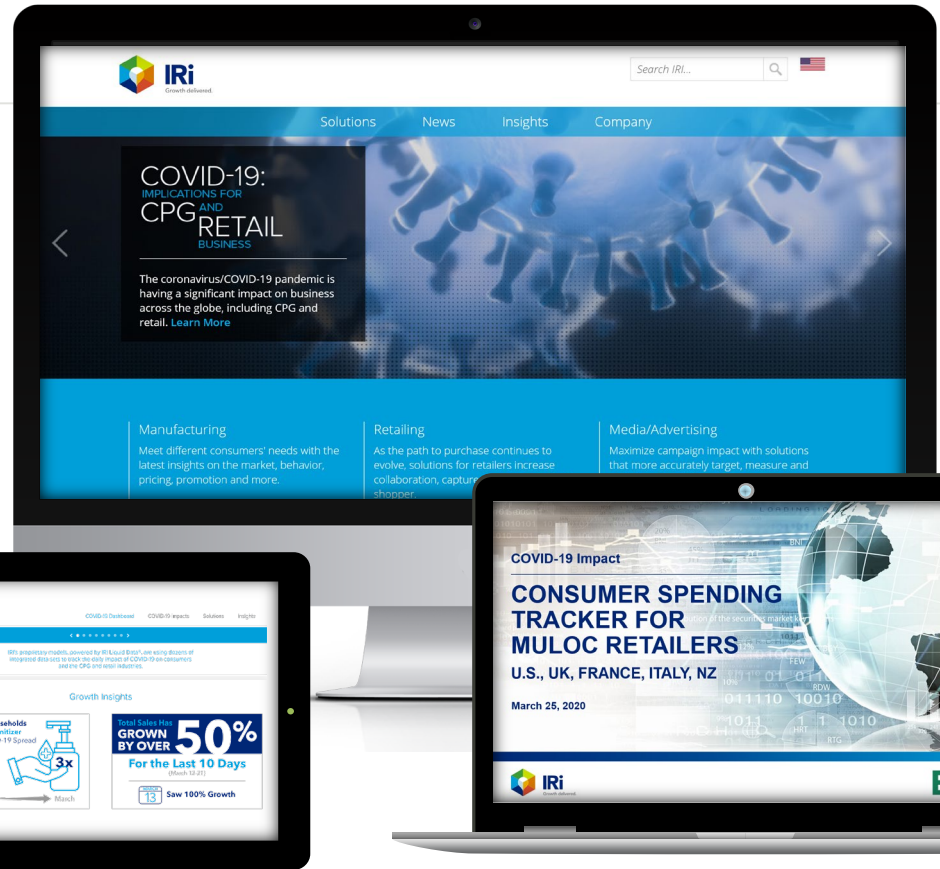
*IRI's Online Insights Offers Real-Time Updates and Weekly Reports of the Impact of the Virus on CPG and Retail*

## The IRI COVID-19 Info Portal

Includes COVID-19 impact analyses, dashboards and the latest thought leadership on supply chain, consumer behavior, channel shifts for the U.S. AND international markets

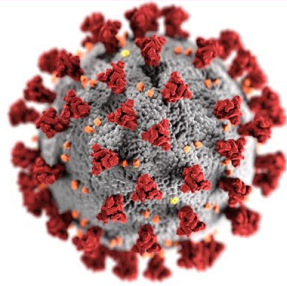
## The COVID-19 Dashboard

Accessible through the insights portal and tracks the daily impact of COVID-19. This includes the top categories across countries, out-of-stocks and consumer sentiment on social media.



# 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)

### FMI Foodservice Partnership for Resource Availability



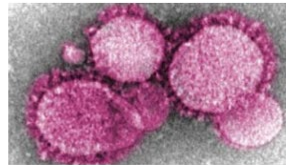
FMI has created a process for connecting foodservice distributors that have excess capacity with food retailers and wholesalers in need. [Learn More](#)

### Pandemic Preparedness Checklist



To achieve maximum benefit, develop and implement a plan to promote beneficial personal protective measures, environmental protective measures and community distancing measures. [Learn More](#)

### Coronavirus (COVID-19) FAQ



Answers to your questions on coronavirus (COVID-19) including background details, coronavirus and food, employee and customer health and safety and social distancing. [Learn More](#)

### Families First Coronavirus: Summary of SNAP Provisions



A brief description of the provisions and the potential impact of The Families First Coronavirus response bill and impact for your SNAP shoppers. [Learn More](#)

### FMI Coronavirus Business Solutions and Resources



FMI has curated important business solutions during this ongoing crisis to support the food industry. [Learn More](#)



## II. Short-Term Best Practices

This document provides best practices and operational guidance for the food industry in the short term as we face new situations resulting from the coronavirus outbreak.

[PDF VERSION](#)

## I. Best Practices and Planning for the Immediate Situation

This document provides best practices and operational guidance for the food industry on the scenarios and issues that are occurring today, just days after the president declared a national emergency.

[PDF VERSION](#)

# FMI Best Practices Documents



Guidance for the Food Industry:  
Coronavirus Outbreak  
*II. Short-Term Best Practices*

March 26, 2020



Guidance for the Food Industry:  
Coronavirus Outbreak  
*I. Best Practices and Planning for  
the Immediate Situation*

March 17, 2020

<https://www.fmi.org/food-safety/coronavirus>

# FMI Coronavirus Resources

<https://www.fmi.org/food-safety/coronavirus>

You will receive a link to view this webinar.  
An e-mail will be sent with the link and  
the Q&A in 2-3 days.

# How Did We Do?

*Your Feedback is Important.  
Please Complete a Brief Survey*

