

COVID-19 Weekly Insights Update

w/e 19th June 2020
#AlwaysOpenForYou



Key take outs

- 1) The UK debt now is larger than the size of the whole economy. The government borrowed a record amount in May – the highest since records began in 1993 – to fund the emergency support schemes. In addition, VAT collected in May fell by 46%.
- 2) Despite retail sales up by 12% in May, they remain well below pre-Covid levels whilst online sales achieved the highest level on record in May. They accounted for 33.4% of total spending
- 3) OOH consumption is slowly recovering as retail re-opens, more people return to work and friends & family meet outdoors. There were 79M more OOH occasions in May vs April (+22%)
- 4) However, the number of OOH occasions may not return to pre-COVID levels as it's likely that working from home will become a more permanent behaviour for many, which in turn means more meals in-home, particularly lunch and snacks.
- 5) After so many weeks at home cooking fatigue is creeping in resulting in consumers seeking inspiration and practical solutions such as meal kits and ready meals by restaurants and retailers, recipe boxes, deliveries and takeaways. Retailers, operators and D2C businesses are increasingly focusing on this need and competing with each other.

UK's debt now worth more than its economy

The infection in the UK

304,331 lab confirmed cases

1,221 lab confirmed cases per day

42,632 deaths*

There has been a **steady decrease in cases in all four nations**. This does not mean that the pandemic is over. Localized outbreaks are likely to occur.

After 3 months of work, the UK **coronavirus-tracing app** developed so far is being scrapped and a new approach will be tried based on a system created by Apple and Google

Worldwide >9M confirmed cases / >471,000 deaths

- UK's coronavirus **alert level downgraded from four to three**
- Under level three, the virus is considered to be "in general circulation" and there could be a "gradual relaxation of restrictions".

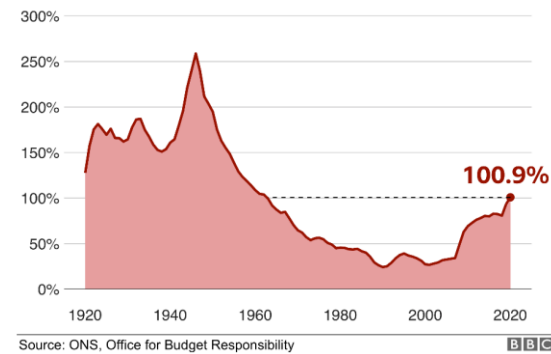
Source: Gov.uk & Worldometer as per 21/6/2020; BBC news 19/6/2020

* Covid-19 associated deaths, not just in hospitals

UK debt now larger than size of whole economy

Debt exceeds GDP for the first time since 1963

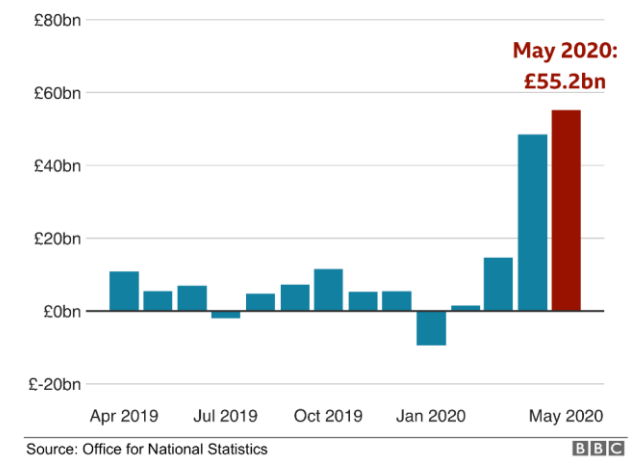
Debt as percentage of GDP



- The deficit for April and May is now estimated to have been £103.7bn, £87bn more than in the same period last year, another record.
- The emergency support measures had placed a "colossal burden" on the public finances.

- Government borrowed a record amount in May - £55.2bn, nine times higher than in May last year and the highest since records began in 1993.
- VAT collected in May fell by 46%. The biggest issue for the government's finances was the £29bn spent on various support schemes for the economy.

Borrowing by month over the past year



Source: BBC News, 19/6/2020

UK retail sales partly recovered in May

May sales driven by DIY stores and garden centres reopening



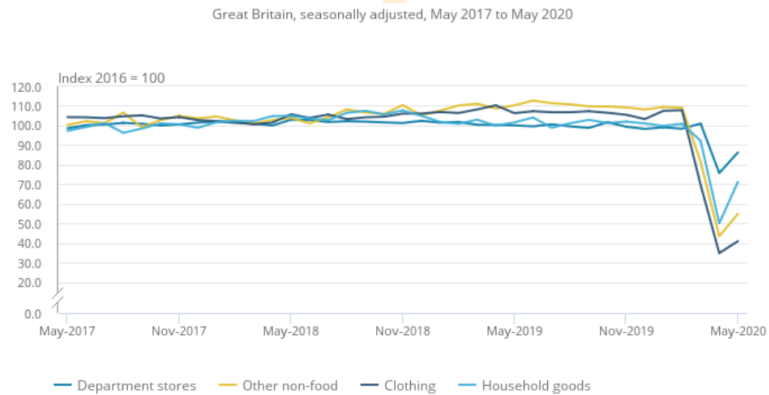
+12% Goods sold in May vs April

+42% Sales by household goods stores incl hardware, furniture and paint shops

Consumers appear to be carrying out home improvements while spending more time than usual in their homes

Despite rebound in May, retail sales remain well below pre-lockdown

Non-food stores vol sales

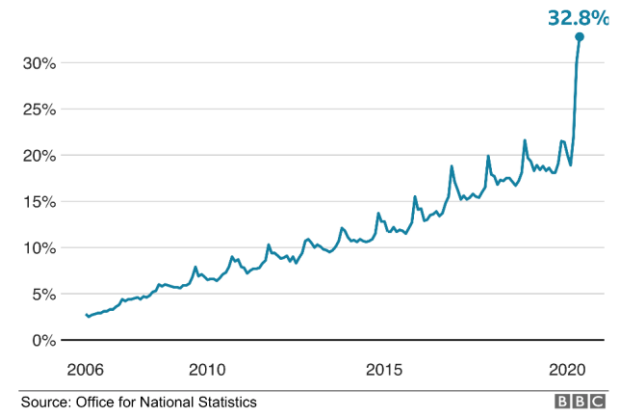


Despite the May boost, **sales overall were still down by 13.1% compared with February**, before the coronavirus lockdown measures were introduced.

Non-essential retailers in England and Northern Ireland were allowed to reopen on 15/6.

Online sales reached record high in May

Online sales as a percentage of total retail sales



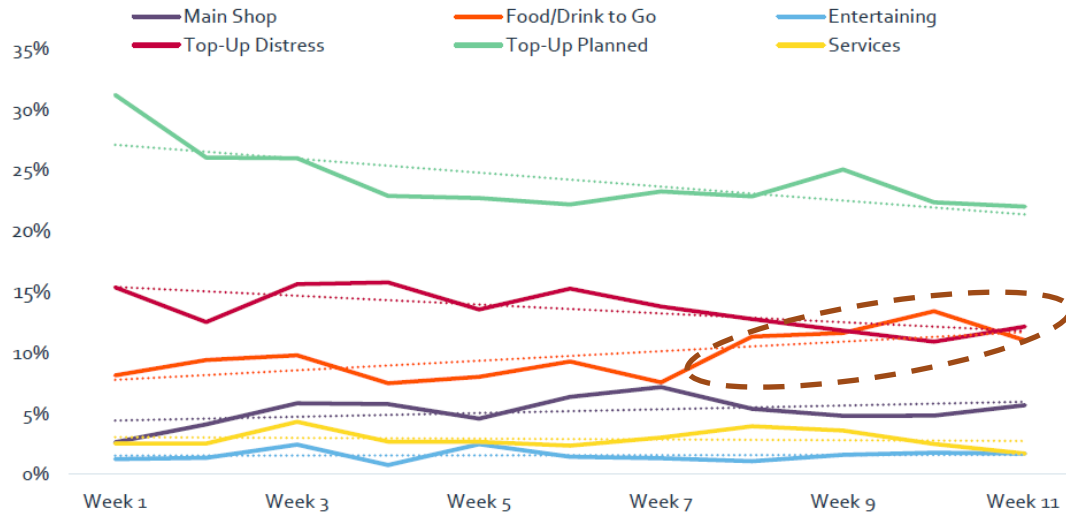
Online sales achieved the highest level on record in May. They **accounted for 33.4% of total spending**, vs 30.8% in April.

As the proportion of shoppers buying online continues to soar, retailers who best recover will be those who can quickly adapt to the accelerating shift to

Slow shift towards OOH as consumers spend more time away from home

Increased OOH consumption as retail re-opens, more people return to work and friends & family meet outdoors in the sun

Evolution of shopper missions since lockdown



79M

more occasions
away from home in
May vs April **(+22%)**

WORKING FROM HOME

The number of OOH occasions may not return to pre-COVID levels as it's **likely that working from home will become a more permanent behaviour for many** and they **will consume more meals in-home**, particularly lunches and snacks.

Of the 32.6 million working population in the UK nearly 55% worked at home at least once during 2019. Assumption is that up to 70% will be able to work from home in the future.

Consumers working from home **2 days a week** would represent **an additional 68M in-home meal occasions per week** -> **+£90M** spend per week



Source: HIM MCA Convenience Market Report 2020

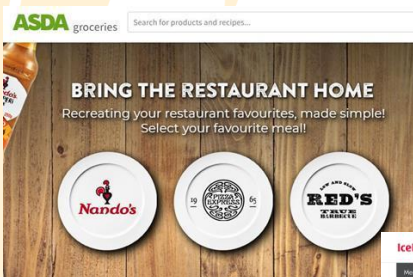
Source: Kantar



ALWAYS OPEN FOR YOU

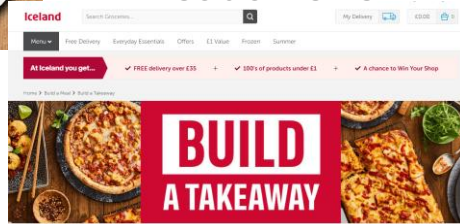
Consumers seeking inspiration as cooking fatigue creeps in

Growth of restaurant-style “finish at home” and ready meals



Asda and Iceland created dedicated sections on their websites to help customers cook their favourite takeaway meals at home

M&S raised awareness of an existing range of home-bake pastry items. The frozen products match the exact in-store bakery recipe enabling customers to recreate the products at home.



"I think we're all so used to eating out and getting takeaways, that cooking every night is too much!! I am starting to understand how my mum felt all her life" Tina, 56. Post-family, South East

Sources: Life Under Lockdown Part two, IGD June 2020; Impact of Covid-19 on UK foodservice - Mintel webinar for NP 17/6/2020

Meal kit inspiration and return to more assisted cooking



Nando's announced that it is teaming up with recipe box brand **Mindful Chef** to launch two limited-edition recipe boxes which will be available from 14-27/6



+5% increase in assisted cooking solutions (sauces/meal kits) in May vs April

Morrisons is offering new range of 'Fakeaway' food boxes, based on meals from well-known restaurants at much cheaper prices



Source: Kantar

Return of OOH favourites

Re-opening of **McDonalds** Drive Thrus have continued to see long queues. Restaurants opened for walk in takeaways on 17/6.



Greggs re-opened 800 stores on 18/6.



Nestlé
PROFESSIONAL

ALWAYS OPEN FOR YOU

Retailer news w/e 19th June

Supermarkets & Discounters:

Morrisons is launching a new hot food-to-go service in all 402 of its cafés. The service, offering breakfast, lunch, afternoon tea or dinner, would effectively make Morrisons the nation's largest fish and chip takeaway, with its cafés already selling two million portions a year.



Asda wrapped vans and lorries in messages of thanks for key workers in latest campaign to express support for the NHS.

Poundland restarted the rollout of frozen and chilled ranges to more stores after halting the plans during lockdown. The roll-out is set to accelerate further over the summer.



Convenience



Central England Co-op purchased a stock of umbrellas for all its stores, to keep customers waiting outside dry during wet weather; the latest in a range of measures put in place to support its communities during the coronavirus pandemic.

Online:

Booths partnered with Deliveroo to offer 400,000 households more than 300 essential lines for on-demand home delivery in as little as 30 mins. From 23 June, customers will also be able to order from Booths' hot lunchtime and evening range via the app.



Waitrose announced it processed 150,000 online orders a week for the first time; more than double the amount of weekly orders at the start of this year. The retailer intends to add 150 new delivery vans to its existing fleet which would offer 19% more delivery capacity.

Amazon's shipping service in the UK, previously only available to sellers on the Amazon platform, is now available for all online retailers who ship more than 20 parcels a day. It can be used for orders made on retailers' own websites as well as 3rd party ecommerce channels



ALWAYS OPEN FOR YOU

Foodservice sector reopening but OOH life likely to resume slowly

48% of consumers are worried about catching COVID-19 from fast food venues

Hygiene

- Important to adopt **effective cleaning methods**.
- Also to show and tell consumers about efforts taken.
- Cleaning becomes a key marketing message to assuage fears.

Technology

- 82% agree that **cashless payment is more hygienic** than paying with cash

Grab & pay
Pay directly

Booking
apps

Adapted table
reservation to e-
commerce

Take away

- **More takeaway formats with no seats** can be expected as a result of safe distancing measures



Hatches

Food trucks



Kiosks

Meal kits by restaurants

- 37% of consumers plan to **cook at home more**.
- The meal kit market was already growing steadily before the pandemic and it looks set to grow even further as a result of restaurants launching their own branded meal kits.



Pizza Pilgrims' "Pizza in the Post"



Ready meal by restaurants

- Some **restaurants are pushing into the ready-meal space** with their own range of "supermarket" products



Côte at home

Waso's frozen cooked meals



Spring-to-go range of ready-meals

Foodservice operators continue to focus on hygiene & safety



- All Greene King's 1,700 managed pubs will follow guidelines designed to look after team members and ensure customers can socialise safely.
- Guidelines are based around hygiene and safety, and cover safe socialising and layout, care of its teams, minimising contact, hand sanitising and hygiene.
- Tables will be spaced out further in-line with any government guidelines and customers will be encouraged to pre-book a table rather than stand at the bar.
- The bar service area will have Perspex screens and screening will be positioned between booths where necessary.



- Launched a click & collect service at five London outlets to get customers back to its stores.
- The trial is being run exclusively by Deliveroo, with customers able to order and pay remotely through the app and collecting from a designated point in store ahead of any queue



- Re-opened 800 stores with safety measures: floor markings to maintain social distancing, protective screens, PPE for staff, a reduced menu, additional cleaning and cashless payment



- Dessert parlour Creams is introducing QR codes at its cafés as part of safeguarding and social distancing measures for dine-in customers.
- Customers will be encouraged to scan a unique on-table code to view the Creams menu on their mobile device, which will also enable them to order and pay.
- Each individual code links its specific table to Creams' POS system and sends orders to the kitchen, relieving customers from ordering at the till.



- Artisan Cornish Cheese Co teamed up with food waste app Too Good To Go to sell off its excess cheese supply.
- CC Co was facing ditching more than 10 tones of Cornish Blue by mid July following the loss of 90% of its business at the start of the lockdown in March.
- Too Good To Go is now offering 50 1kg bags of Cornish Blue to its users (worth more than £20 each) for just £8 every day for the next six weeks.



ALWAYS OPEN FOR YOU



Always open for you

Our food, beverage and nutrition experts and the entire Nestlé Professional team are available to help and support you during this extraordinarily difficult time.

Please get in touch by phone: UK: 0800 745 845, ROI: 00800 6378 5385
(9am - 5pm Mon-Fri) or email us at: learn.more@uk.nestle.com



ALWAYS OPEN FOR YOU