

# COVID-19 Weekly Insights Update

w/e 22<sup>nd</sup> May 2020  
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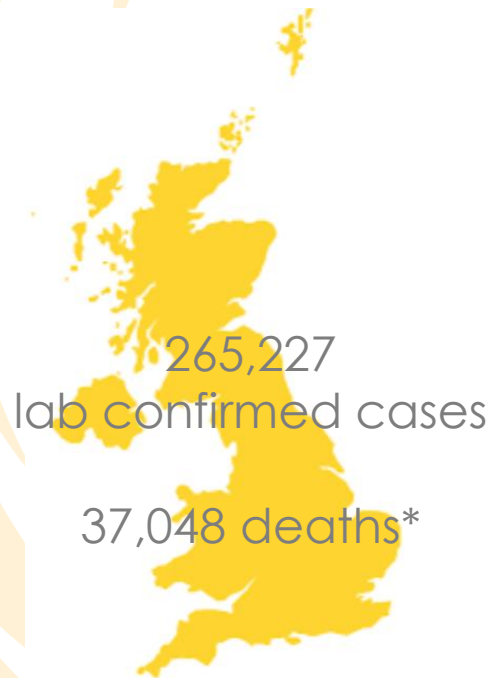


# Key take outs

- 1) The UK economy is smaller. Borrowing in April was the highest monthly figure on record. The deficit last month was larger than the forecast for the whole year at the time of the budget.
- 2) High impact of the crisis on the job market. There are fewer opportunities for those who do lose their jobs and there are real concerns as to what happens when the support starts to be phased away in August.
- 3) Millennials and Gen Z have been the hardest hit. Covid-19 is a generation defining crisis that will accelerate their virtual living and make them more prudent and selective in their spend. It has also impacted their mental health as they deal with uncertainties and fears of job and financial insecurity.
- 4) Increased focus on personal health and wellness, and a drive for 'better for you' products however, affordability may take precedent as the country enters a recession and consumer confidence deteriorates.
- 5) Contrary to the 2008 recession, shoppers are currently more concerned with saving time and choice/availability of products in stores than value. This is likely to change as the deep economic downturn forces their focus back on savvy shopping to save money.
- 6) Major retailers continue to develop initiatives to support local communities and charities struggling to raise money due to the pandemic. Online initiatives are now starting to encourage purchases outside of basics/essentials.
- 7) Foodservice operators continue to expand their services, some looking for creative ways to satisfy new needs.

# UK and some European countries slowly easing lockdowns

## The infection in the UK



The NHS Confederation warned of "severe" consequences to staff and patients if the right test, track and trace system is not established quickly.

Without a clear strategy the UK is at greater risk of a second peak of the virus.

## Worldwide >5.6M confirmed cases / >348,700 deaths

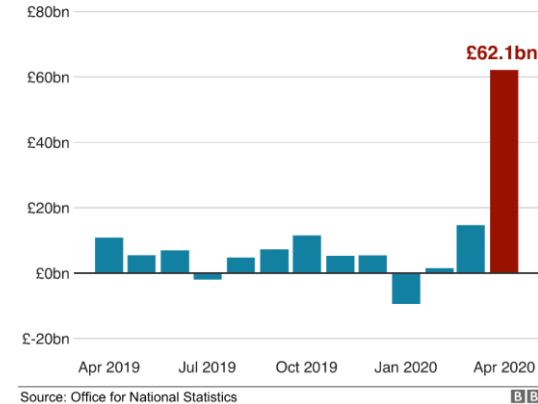
- A widespread testing and tracing system is seen as a necessity if lockdown restrictions are to be further eased, incl reopening schools
- On Wed 20/5 the PM said 25,000 contact tracers, able to track 10,000 new cases a day, would be in place by 1/6

Source: Gov.uk & Worldometer as per 25/5/2020; BBC news;

\* Covid-19 associated deaths, not just in hospitals

## Government borrowing surged to £62bn in April

### Borrowing by month over the past year

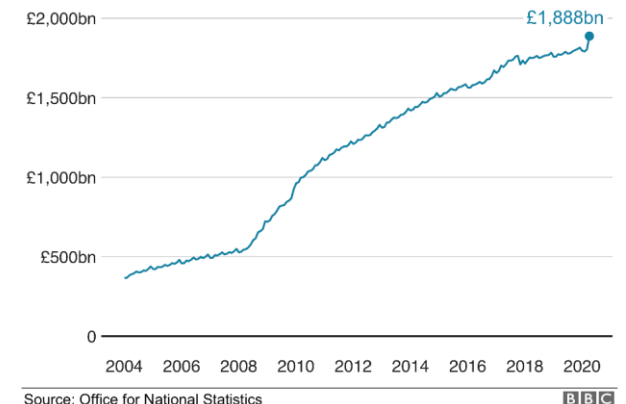


- Borrowing in April the highest monthly figure on record, after heavy spending to ease the coronavirus crisis
- The deficit was larger last month than forecast for the whole year at the time of the Budget.

- Total public debt is currently **£1.9 trillion** - about £28,000 per person in the UK
- It is £118.4bn higher than April 2019
- Britain is poorer and the economy smaller
- Record low interest rates mean the UK's higher debt burden should remain manageable

### UK public sector net debt

Excluding public sector banks



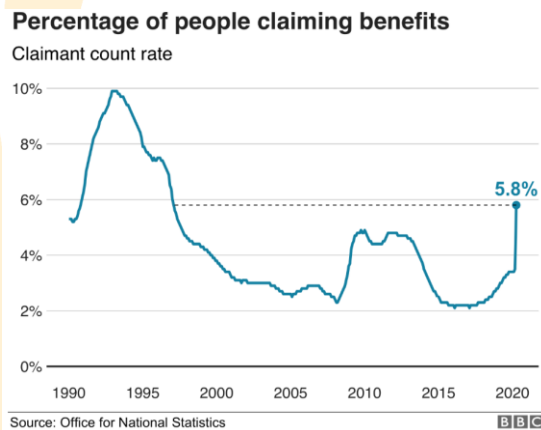
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Source: BBC News, 19 & 22/5/2020

# Impact of Covid-19 on the UK job market

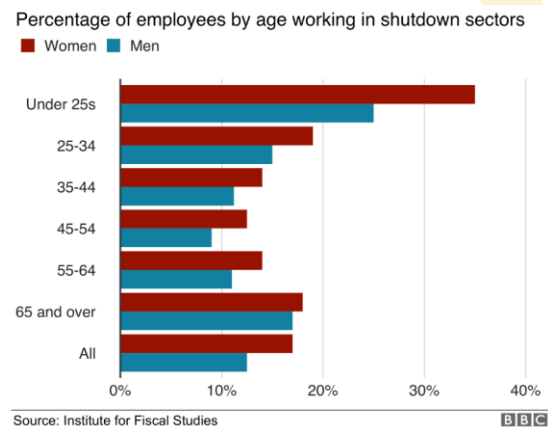
There are fewer jobs for those who do lose work and there are real concerns as to what happens when the support starts to be phased away in August.

## Jump in unemployment benefit claims



- **Claimant count in April went up** by 856,500 to 2.1 million
- The figure doesn't include everyone who is out of work, since not all can claim assistance

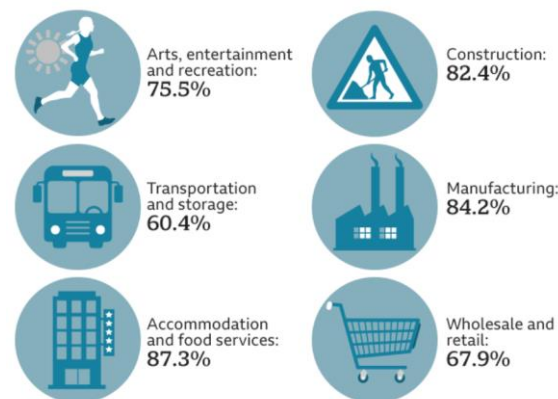
## Younger workers hardest hit



- **9% of 18 to 24s have lost their jobs altogether**, the highest of any age group.
- Sectors that are now shut down employed nearly one-third of all workers under the age of 25, or 25% of young men and 36% of young women
- That compares to just one in eight workers aged 25 and over

## Hospitality sees most workers furloughed

For period 23 Mar – 5 Apr 2020



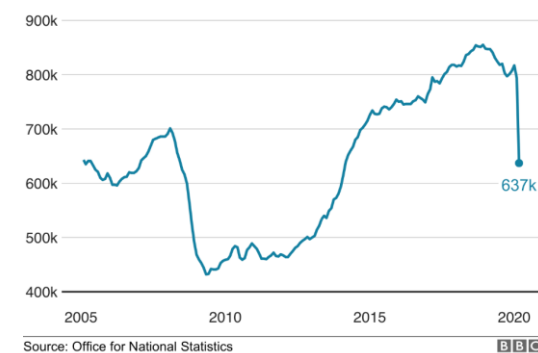
Source: ONS Business Impact of Coronavirus (COVID-19) Survey

- **Furloughs in retail, leisure and hospitality affect women in higher proportion**
- Largest proportion of workforce furloughed was in accommodation and food service activities, which includes hotels and restaurants.
- That was followed by those working in the administrative services and manufacturing

## Job vacancies dip

### Drop in number of jobs on offer

Total number of vacancies in the UK



- After vacancies fell sharply during the 2008 financial crisis, since 2012, they've generally been on the up, reaching a record high between Nov 2018 and Jan 2019
- **By lockdown time, firms stopped posting new vacancies almost entirely**
- New postings on 25/3 were 8% of their 2019 levels

# Impact of COVID-19 on Millennials and Gen Z

**Gen Z & Millennials account for a combined 46% of the global population.**

They have been **shaped by global challenges** such as global warming, unaffordable housing, political instability and the financial crisis of 2008. **Covid-19** is expected to become **another generation-defining crisis** for them.

Often **hit harder by economic recession**, with youth unemployment rates rising faster than the overall rates - often less established in their careers, normally face higher layoffs and reduced hours, difficult for graduates to find jobs.

Many **millennials** were slower to enter the job market during or after the 2008 crisis. Often took jobs that may not have paid well, making them **lag on key life milestones**, such as marriage, wealth accumulation and home ownership, compared with older generations.

The pandemic will create another difficult challenge for millennials and the resulting **recession will affect their wealth prospects further.**

Link to video 'A day of lockdown for young people in the UK'  
<https://www.bbc.co.uk/news/av/uk-52780259/coronavirus-a-day-of-lockdown-for-young-people-in-the-uk>

Recession-led financial difficulties will make people under 40 **more prudent and selective in their spending.**

The uncertainties and fears of job and financial insecurity can affect Gen Z and millennials' mental health, as they may experience **more stress and anxiety.**

Similar to other age groups, millennials and Gen Zers will gear their **spending towards necessities such as food and housing**, as well as **healthcare and education.**

Already tech experts, millennials and Gen Zers now move in greater numbers towards **virtual living.**

How to reach Millennials and Gen Z in a COVID-19 era:

- **Deliver value** in products and services
- **Help them stay connected** with friends and family
- Maximise their future financial planning
- Strengthen digital capabilities and presence
- **Focus on purpose over profits** – show support for vulnerable groups and mental health

Source: Impact of Coronavirus on Millennials and Generation Z, Euromonitor, May 2020





# Supporting physical and mental health will be a priority

## Immune Health

Consumer are looking to keep their immune systems strong



Emerging trend for immunity booster ingredients in beverages, such as Turmeric, ginger, carrot, elderberry and green tea

Shoppers seek help via multivitamins and immunity claims. E.g. Vitamin C sales in Superdrug tripled YOY



Consumers will look for food & beverages that are linked to immunity, such as probiotic yogurts, and vitamin C rich juices

## Mental Health

Mental wellness is a huge concern throughout lockdown periods, and beyond, due to the stress of COVID-19.



Emerging trend for ingredients that focus on brain health. A connection between the gut and the brain, particularly when it comes to **mood, memory, anxiety, depression, attention, and degenerative diseases like Alzheimer's.**

Use of mental health apps has increased with NHS making its app 'My possible self' free



Consumer may look for comfort foods, food and drink for relaxation, and creating fun and a social scene through cooking and baking at home, and family mealtimes.

## Preventative Health

Consumers desire to take extra steps to keep themselves in good health, to help protect themselves against COVID-19, may drive a 'health kick'.

63% of adults say it's more important to be active now, compared to before the coronavirus crisis



Hygiene will become more of a focus, with personal and home hygiene becoming associated with health.

Consumers may look for foods that help them to maintain a healthy weight, protect their heart health and help to prevent the onset of diabetes.

Online offers a space for inspiration and with more time spent at home, shoppers have time to explore these options

# Spending more time out of home has seen an increase in carried out occasions

In home occasions rose sharply during lockdown, but didn't fully offset the losses from OOH and carried out combined (-1.6%)

Eating in Home



+33%  
+1.76bn occasions

Carried Out of Home



-79%  
-262m occasions

Ate Out



-79%  
-1.6bn occasions

4 weeks ending 19/4/2020 vs year ago

Signs that the easing of lockdown is starting to shift the balance

**+31%** in carried out occasions  
in w/e 17/5 vs 2 weeks ago

Source: Kantar Usage panel, 4 w/e 19/4/2020 vs YA  
Total in home and carried out occasions and sourced from OOH

Source: Kantar Usage panel w/e 17/5/ 2020  
Uplift in consumption occasions per individual vs.  
average week for 2019, vs. 2 weeks ago, total food &  
drink carried out occasions



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# Shopper behaviours and attitudes 2020 so far vs 2008

## Key Differences

### Price less important in driving store choice

**2008** - High inflation in key commodities like oil and food. Price increased as a driver of store choice.

**2020** - No corresponding spike in inflation. Social distancing and product restrictions due to COVID-19 mean shoppers are more focused on ease of shop and availability rather than price.

### Promotions are less important

**2008** - change most claimed by shoppers was buying more products on promotion. Retailers competing with deep cut price promotions; shoppers increasingly requesting more promos.

**2020** - retailers and manufacturers cancelled some promotions, focused on maintaining stock availability. Strong preference among shoppers in 2020 is for fewer offers and a move EDLP approach.

### Saving time is more important

**2008** - credit crunch resulted in shoppers prepared to invest more time to be smarter with their money.

**2020** - with stores changing their opening hours and social distancing guidelines, shoppers are prioritising time saving when choosing where to shop.

### Shopping around less

**2008** - shoppers had a growing appreciation that they could save money and find the best deals by shopping around more.

**2020** - as shoppers adhered to the lockdown measures and shopped less frequently, there was a decrease in the number of stores and channels used.

### Choice is more important

**2008/09** - decline in 'big store, lots of choice' and 'non-foods and services' as driving store choice. As shoppers reduced spend on less essential items, a wide range of categories was not considered advantageous.

**2020** - initial shortages of supply to cope with the elevated demand resulted in choice and availability becoming more important in driving store choice.

### Changing channel dynamics

**2008** - when shopping around more to find the best deals, shoppers used food discounters more. Appeal of shopping in supermarkets grew; little net change in usage of online and convenience stores.

**2020** - despite supermarkets remaining the most used channel, slight decrease in proportion of shoppers mainly using larger stores, as well as food discounters recently. More are mainly using convenience stores and online.

## Similarities



### The big "shop" mission

### Increased interest in cooking from scratch



### Reducing food waste and better planning



### Nutrition remains important



Source: IGD Shopper Trends – How 2020 compares to 2008; May 2020



# Emerging trends

## How We Shop

Smart Homes  
Shop for You



Voice Command



Virtual & Augmented  
Experience



Social Media's  
Shoppable Content



## How We Pay

Mobile Facial Recognition



Wave Pay



## Last Mile Delivery

Walgreens, CVS Have Drone Pilots



Walmart, Amazon Test Driverless Delivery



# Retailer news w/e 22<sup>nd</sup> May

## Multiples:

**M&S** likely to accelerate its move away from city centres and high streets towards retail parks after the coronavirus crisis

**Asda** now trialling a virtual queuing system at a Leeds supermarket to allow customers to log into the queue remotely and wait in their car to enter the store.



**QUEUE SMART,  
STAY SAFE**



To join our virtual queue:

1. Scan QR code or text 4386 to 07520 649560
2. We'll keep your place as you wait in your car.
3. When it's time to go, we'll let you know.
4. Show the text to a colleague at the entrance.

*No phone? No problem, join the main queue and a colleague will check you in*



## Convenience:

**Spar** joined forces with the **FWD** for a fresh call for suppliers to allocate stock to the wholesale and convenience sector. Average weekly basket spend up +62% YoY in the 6 weeks to end of April, and it is not receiving the levels of stock it needs.



## Online:

**Asda.com** launched a page for customers to “bring the restaurant home” and buy all the ingredients needed to recreate meals from Nando’s, Pizza Express and Red’s True Barbecue



**Buymie**, the grocery courier business that delivers for Lidl and Tesco in Ireland, is arriving in the UK in partnership with **Co-op**. Over 200k households in Bristol will be able to use the app to order 4,000 Co-op SKUs, with delivery in as little as an hour

**Deliveroo** partnered with **CBD brand Trip** to deliver its portfolio of CBD-infused drinks and oils to shoppers across the UK. This is the first time Deliveroo has listed a specialist CBD supplier.



**Midcounties Co-operative** launched a £75k fund to support community groups and charities struggling to raise money due to the pandemic.

**Nisa Retail** signed a deal with growing forecourt operator **Ascona Group** to supply its 37 sites with grocery products and the Co-op own label range.



# Foodservice sector continues to gradually open up



- Is set to reopen a number of sites before the end of May and planning to phase delivery option ahead of full dine-in later in the year.
- Continuing its exclusive partnership with Deliveroo



- After expanding its delivery offering from 20 to 100 sites and opened drive-thru lanes in 55 of them, 16 sites are now open for walk-in and take away
- Since last week it has over 500 stores open for contactless delivery



- Is set to open 67 more sites for delivery and collection by the end of June
- 24 sites reopened on 21/5 and a further 20 sites are expected to reopen on 28/5



- Launched click and collect service, allowing it to reintroduce its cake offering
- From 19/5 consumers can choose from 32 products on the website available to purchase ahead of time for collection at one of its 13 open stores



- The East London brewer has launched a "tactical beer response unit"
- Is loading kegs into a van and pulling pints on people's doorsteps



- Offered their tenants a 90% reduction in rent from 11/6
- Benefit will last until four weeks after sites are able to legally reopen



- Will launch a delivery service this month in an exclusive partnership with Uber Eats
- From the end of May will operate delivery from the 40 UK stores currently open for takeaway, offering a limited menu including coffee, hot drinks and a selection of food



- Partnered with Visa to provide financial support packages for SME businesses
- They will offer £500 cash relief payments to 200 small and independent businesses







# 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](mailto:learn.more@uk.nestle.com)



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