

COVID-19 Weekly Insights Update

w/e 29th May 2020
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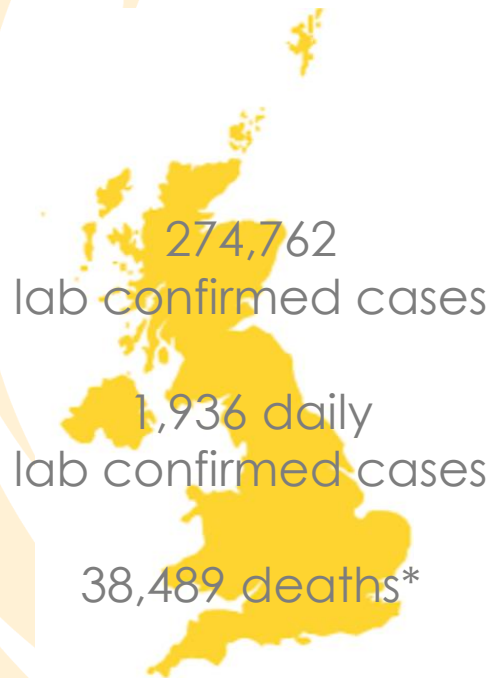


Key take outs

- 1) From this week lockdown starts to lift. Some children are returning to school and up to six people can meet. More opening up measures will continue to be introduced during the month.
- 2) Despite the government providing some support there is a looming crisis in the rental sector. Large number of private tenants are unable to pay their rent having lost their jobs or seen a significant loss of income. Some businesses are refusing to pay rent until they are back in business; others are seeking to renegotiate rents to avoid store closures.
- 3) A lesson from the 2008 crisis is that brands need to prove to consumers their value to successfully compete against PL. Most consumers don't see a significant 'quality gap' between brands and PL and during recessions brand loyalty becomes less important than price sensitivity.
- 4) The lockdown has created new tensions for consumers, who now need to re-frame what success and fulfilment means to them. This is around productivity and work, their role in a community and socializing.
- 5) Take home grocery is accelerating with sales back over £10bn. Shoppers are slowly starting to shop more frequently and promotions are returning.
- 6) The growth trends in Online and Convenience are slightly changing. Whilst both are still in very strong growth, Online growth is accelerating even further than recent levels, whereas Convenience growth seems to have stabilised. Online is set to continue being a growth channel, having converted new buyers into repeaters.
- 7) OOH operators continue to reopen sites across the UK and are looking at ways to improve safety to protect and reassure employees and customers.

UK easing lockdown, schools reopening this week

The infection in the UK



Scientific advisers to the government have warned of the risk of lifting the lockdown in England.

They said the level of cases was still "very high" ; many would rather the number of cases declined before measures were relaxed.

Worldwide >6.2M confirmed cases / >374,000 deaths

Changes in England from Mon 1/6

- Schools will reopen and up to six people can meet
- Vulnerable people will be able to go outdoors again. Those with families will be able to go out once a day with members of their household.

Other nations also easing measures

Source: Gov.uk & Worldometer as per 31/5/2020; BBC news;

* Covid-19 associated deaths, not just in hospitals

Private & commercial renters struggle with pandemic costs

- Private renters more likely to be struggling with payments than those who own their homes
- 1 in 8 private renters have fallen behind with housing costs since the coronavirus crisis began, compared to 1 in 12 mortgaged home owners.
- The government banned evictions for three months and increased the Local Housing Allowance
- However, there is a looming crisis in the private rental sector with thousands of tenants unable to pay their rent having lost their jobs or seen a significant loss of income



- Hospitality businesses are running the campaign 'National Time Out' calling for a nine-month rent holiday (leases extended and payments postponed to the end of the tenancy)
- Large chains such as **Burger King** UK are refusing to pay their rent until they are properly back in business
- **Pret a Manger** is seeking to renegotiate its rents to avoid store closures

Source: BBC News, 22 & 30/5/2020

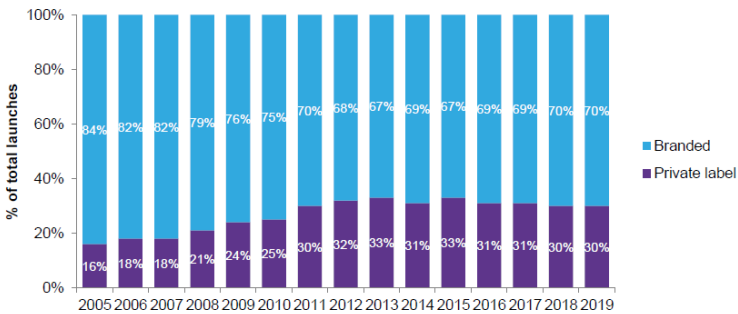


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Lesson from 2008 crisis – Prove value to consumers

Recession helped European PL grow and keep market share

Europe: new food and drink products, private label vs branded, 2005-19



- In much of Europe **shoppers savvier buying habits became permanent**.
- Recession helped 'hard discounters' build momentum across Europe.
- They recruited, and kept, new shoppers surprised by their quality.
- Covid-19 offers **discounters** the **opportunity to consolidate recent growth** and prove they can do fresh as well as mainstream supermarkets.

Brands need to prove they are better value than private label

- In all recessions, brand loyalty becomes less important than price sensitivity.
- Brands in 2020 will need to **convince consumers they are worth the extra money** vs increasingly sophisticated PL alternatives.
- Most consumers no longer perceive a significant 'quality gap' between brands and PL

Successful brand initiatives from 2008 crisis

In Spain, Kellogg's proactively reinforced its value vs PL



Kellogg's launched an ad with the slogan: "We lower our prices. Can others raise the quality?"

Kellogg's took on PL aggressively by claiming its branded cereals were **superior to copycats**. It also communicated price reductions and quality statements.

Nestlé's "popularly positioned products" helped fight off PL

Nestlé launched range of **PPPs**.

In 2012, sales of PPPs grew at more than double the 4% rate of its European business.

Protected brand loyalty against PL threat.



Maggi sold in single units for <€1, not a multi-pack (Spain, 2010)

Nescafé Nes with 25 coffee sticks for <€2 (France, 2012)

Big brands show empathy for customers by creating products for €1 or less

- **Unilever** adjusted product sizes to reduce the face value of products -> launched one-cup Knorr soups for €1 in France.
- **Auchan** promoted 50 organic products priced at under €1 each.
- In Spain, **Bimbo** launched an ad committing to selling sliced bread at a special price of €1 all year-round in 2013 to help Spanish families.

Source: What European food and drink brands can learn from the 2008-09 crisis, Mintel 28/5/2020



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Emergence of new tensions between desires and aspirations, and the new world we are living in

Progress Upended

Lockdown 'switched off' many of the activities we rely upon to drive a sense of progress and fulfilment leaving a 'productivity vacuum'.

This is forcing people to re-frame what 'success and progress' looks like and seek fulfilment in other ways.

We are living a sense of Nostalgia as we are turning to a simpler way of living.



Things that once felt important are no longer relevant. How can we help recalibrate the markers and milestones of progress and success?

Community Redefined

The crisis has pulled people together and strengthened communities.

The sacrifices made by key workers to support the rest of society are recognised and celebrated. Many feel uneasy with our privilege to stay safe at home.



People are using creativity to connect with their community and send messages of solidarity.

With the current crisis fracturing and remaking social divides what role can our brands play in holding our communities together?

Introversion Rising

With the normal outlets to socialise either missing or being enacted only through a screen, life in quarantine can be a challenging time for extroverts, who get their energy from social contact.

Lockdown has forced everyone into exploring new social and more introverted modes.

Introverts are turning more heavily to activities such as drawing, reading or meditation, while extroverts are finding new creative ways to socialize and gain energy from virtual interactions.



How can we adapt your brands, their experience and product offerings for a world that is shifting to more introverted modes of social contact?

Opportunity for heritage brands as consumers respond to nostalgia

Rise in Retro hobbies

1. **Sewing**
Mentions up +193% YOY driven by people discussing how to make your own mask and selling their own reusable masks online
2. **Baking**
+175% mentions YOY
3. **Letter writing**
+157% mentions YOY. People are putting pens to paper to help cope with the stress and anxiety caused by the pandemic
4. **Board games** +107% mentions YOY
5. **Art** +103% mentions
6. **Vinyl** +106% mentions YOY as people look at their collections



Will these hobbies stay popular once lockdown is over. Will we see the creativity and love for all things retro last into 2021 and beyond?

Source: Brandwatch, Covid-19 Daily Bulletin 26/05: Quality Content and Retro Pastimes

Tapping into nostalgia

Krispy Kreme launching a nostalgic Classic Desserts range of doughnuts to combine indulgence and comfort.

Cadbury India has re-introduced an old jingle from the '90s to thank people for "not giving up" amidst the current COVID-19 crisis.



Brazilian bank **Bradesco** used The Jetsons, a cartoon series, to present its new services and bring together innovation and nostalgia

Heritage brands have an opportunity to look back into their archives for forgotten favourites or iconic ads to revive. Newer brands can also tap into nostalgia by recreating or reimagining old favourites for a new generation or partnering with heritage brands to leverage their brand equity in unexpected ways.

Source: How brands are tapping into the nostalgia factor to connect with consumers, Mintel 22/5/2020

Leveraging consumers return to comfort food

Adults who feel anxious can turn to savoury foods from more simple times, such as their childhood.

Deliveroo has mapped its homepage to segment user needs by moods or occasions, and these included comfort foods.

What's on the menu?



Classic, comforting dishes that always hit the spot.
[View Comfort food](#)



Sweet delights that are a tasty addition to any day.
[View Desserts and sweet dishes](#)



Whether you're hosting clients, planning a work event or feeding your team, check out our selection of platters created just for the office.
[View Office Catering](#)



[View Healthy](#)



Squeaky bean – No Chicken Nuggets, offer a healthy yet nostalgic, vegan junk food, aiming "to recreate those childhood favourites and give people the choice to eat something more indulgent"

Prepared meals, sides and seasonings brands are perfectly placed to provide comfort for already anxious consumers in an even more worrying world.

Source: Savoury comfort foods for uncertain times, Mintel 14/5/ 2020

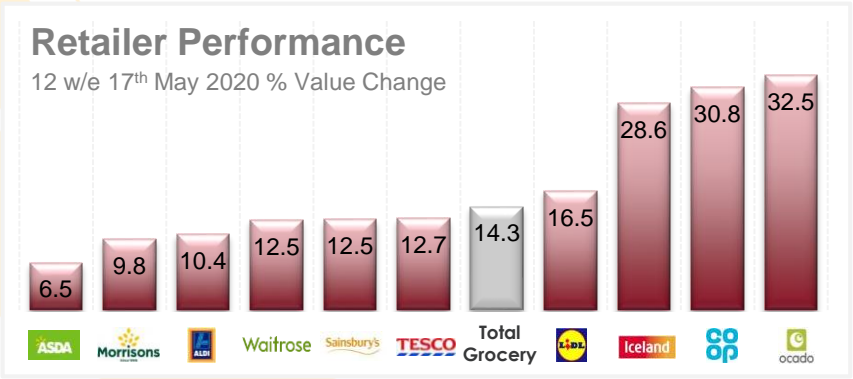


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Online growth has accelerated even further, fuelled by new shoppers, whereas Convenience growth has remained flat vs. last month at c.+45%

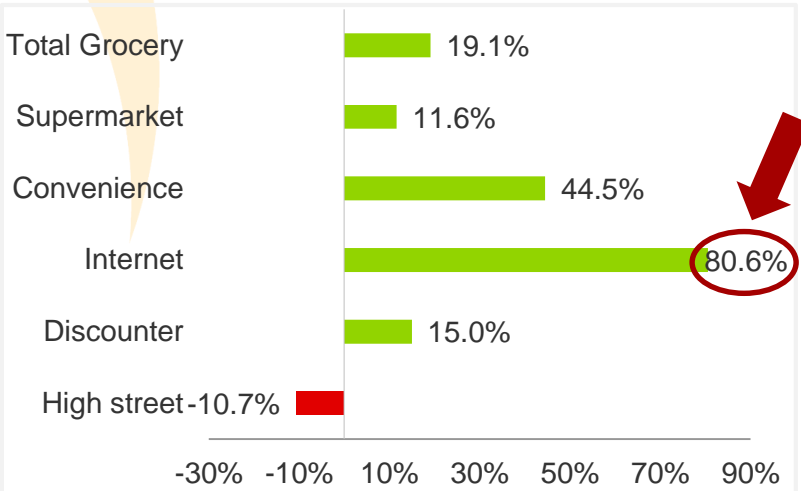
Take-Home Grocery Retailer Performance

All 10 of the UK's largest supermarkets increased sales in the 12 weeks to 17th May, however the overall picture will have been off-set by a considerable reduction in on-the-go spend on meals, drinks and snacks, **categories that usually add up to £1 billion over the course of 12 weeks and are not included in these growth figures.**

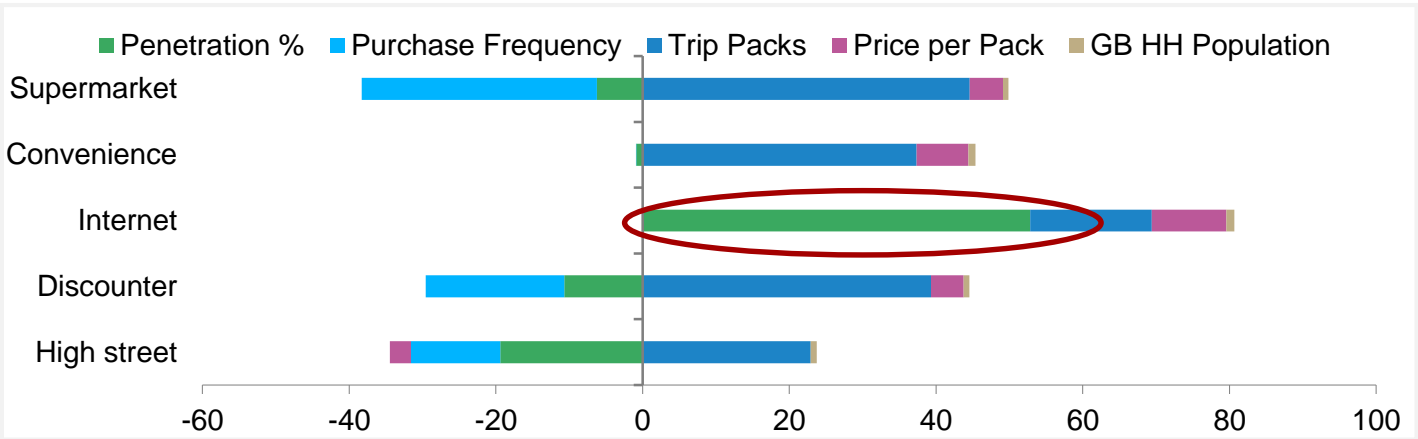


Source: Kantar Grocery Market Share Update, 27.05.2020

Retailer Grocery Sales Growth & KPI drivers (%), 4we YoY £%



Channel Performance

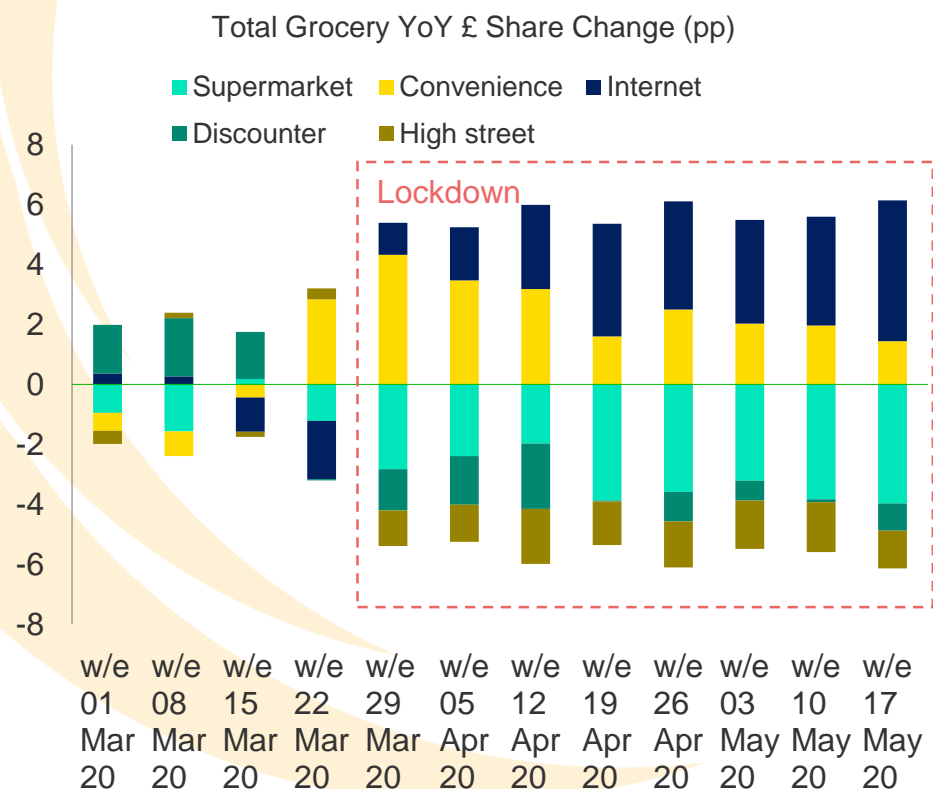


Source: Kantar, FMCG Panel, 4we 17/5/2020

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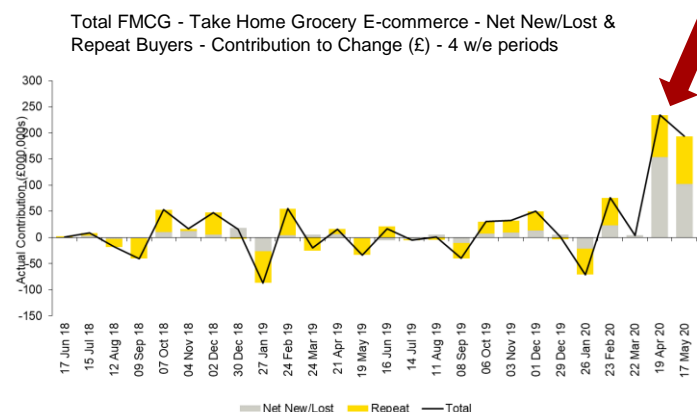
Online share has continued to rise. This growth appears to be sustainable as the channel has managed to convert new buyers into repeaters

Online shopping now accounts for 11.5% of take-home grocery, versus 10.2% last month, and 7.4% in March.



Lockdown has driven a huge influx of shoppers across all life stages into the e-commerce channel

>50% of growth in each of the last 2 months has come from those who didn't buy in the previous month



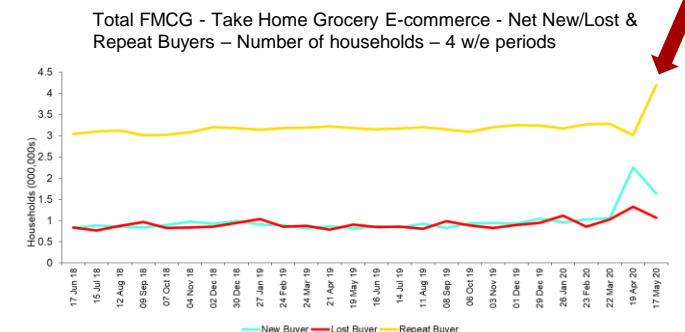
The channel has attracted more new shoppers in 2020 than it has in the previous five years

Nearly 1 in 5 UK households ordered groceries online in the latest 4 weeks, +1.6 million vs. last year.

+4.5m deliveries this May compared to last year

The conversion of those new buyers into repeaters suggests that the growth in e-commerce share is sustainable

The spike in lost buyers in April has been brought under control by improved availability



Source: Kantar, FMCG Panel, 4we 17/5/2020

Retailer news w/e 29th May

Supermarkets & Discounters:

Aldi is putting traffic lights at store entrances as a new way of limiting shoppers based on the store's capacity. Aldi has also entered a 2 year partnership with Mental Health UK to provide extra support for its staff



Tesco & Sainsbury's now looking into virtual queuing and automated customer counting systems as part of options to reduce queuing and costs.

Poundland has started to re-open some of its stores, after announcing the closure of 100 stores in April.



Waitrose has launched a special British cheese selection box to support struggling artisan suppliers in danger of going out of business

Morrisons has confirmed it is launching its first standalone clothes and homeware store, as part of trial for the future expansion of its Nutmeg range



Asda is collaborating with protein breakfast brand Fuel10K to help tackle shortages of home cooking products caused by the coronavirus outbreak, launching Arise Bakery, a new range of baking mixes.

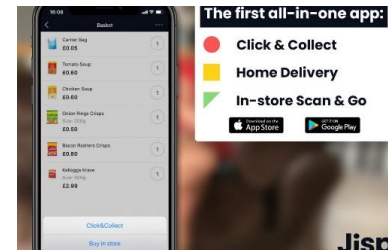
Online:

Home Bargains is the latest retailer to expand its online food box offering; with four options now available to shoppers including a personal care, baking and confectionery box.



Convenience & Wholesale:

Confectionery wholesaler Hancocks is reopening its sites following the temporary closure of all 19 depots in March. However it confirmed this week that its branches in Coventry, Stoke, Croydon and Reading will not feature in this programme, in response to an acceleration in demand for its online offer, which has doubled during lockdown.



The Federation of Independent Retailers (NFRN) has signed an agreement with mobile app Jiso which will see a number of independent retailers trialing a suite of digital sales solutions over the coming weeks.



Sources: The Grocer; IGD; HIM/MCA Trade Response; Various Retailers



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Foodservice sector update



- Is set to reopen 800 stores across the UK next month.
- All the reopened sites will offer a reduced menu including the original and vegan sausage roll and a selection of hot drinks



- Reopening further 204 stores for takeaway and delivery.
- From 1/6 will reopen in cities including Bath, Exeter, Bournemouth, Liverpool and Newcastle, taking its total open stores to 300



- Planning to reopen as soon as possible.
- To maximise its outside spaces, the 47-strong group will set up temporary bars in beer gardens and terraces.
- Staff will take orders outside using contactless payments, and customers will collect orders from an outside collection point.



- Announced safety measures to safeguard employees and customers when it reopens its pubs on 4/7.
- Costing ~£11m the chain will employ two full time cleaners for every pub who will constantly clean surfaces and touch points.
- Screens will be installed at tills and in seating areas, and staff will be provided with gloves, masks and protective eyewear.



- Is planning a phased dine-in reopening in July.
- Its large sites are well suited to operate according to social distancing, although it will see its on-site capacity reduced by ~ 45%



- Reopened a further 40 sites for delivery and collection, taking its total open estate to 94



- Will re-open all its 975 UK drive thrus from 2-4/6



- Invested in a dozen smaller vehicles to better service its growing Direct to Consumer business in London.



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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



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