



INDUSTRY IMPACT OF COVID-19

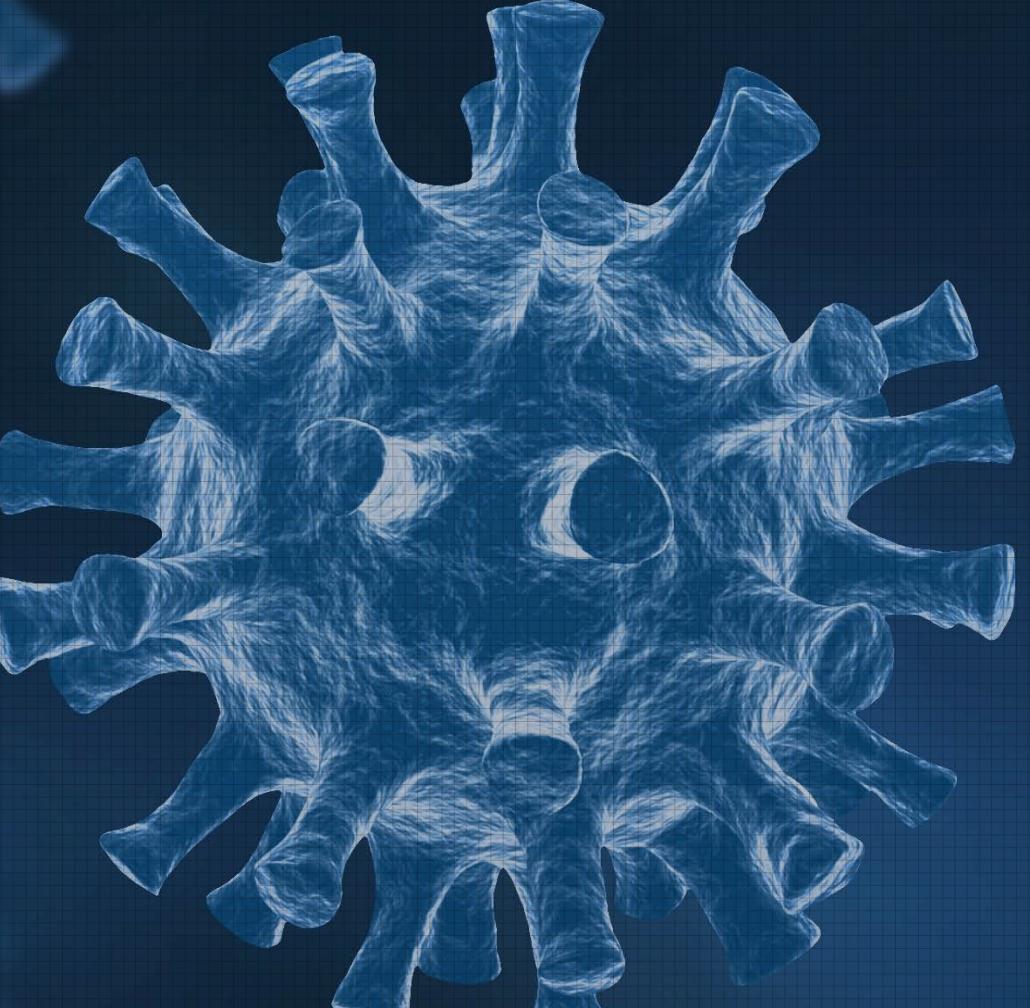
INSIGHTS BASED ON SECONDARY INFORMATION

APRIL 8, 2020

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AS COVID-19 HAS IMPACTED THE U.S. OVER THE PAST MONTH, WE HAVE SEEN A SPIKE IN THE PURCHASE OF CONSUMER PACKAGED GOODS AS CONSUMERS PREPARE TO BE QUARANTINED IN THEIR HOMES FOR AN EXTENDED PERIOD OF TIME. BEING QUARANTINED IN THEIR HOMES, CONSUMERS HAVE HAD TO ADAPT TO THEIR CHANGING CIRCUMSTANCES TO OBTAIN THE PRODUCTS THEY WANT AND NEED. THE QUESTION IS HOW LONG WILL THOSE NEW BEHAVIORS LAST? WHAT IS THE “NEW NORMAL”?

THE UNCERTAINTY SURROUNDING COVID-19 IS DRIVING CONSUMERS TO SEEK CONTROL AND COMFORT IN THEIR EVERYDAY LIVES

These motivations are clearly manifesting in the changes to their shopping behaviors

COVID-19 HAS DRIVEN SHOPPERS TO...

SHOP ONLINE MORE THAN EVER

01.

Shelter in place orders are limiting people's ability to shop freely, and they are turning to **online shopping for convenience**. People are shopping for a broader set of categories online, including food and groceries – many for the first time.

02.

ADJUST THEIR HEALTH MINDSETS

Consumers are **more concerned about the cleanliness of their environments** and are more likely to shop using digital means so as to avoid exposure to the virus.

03.

SEARCH FOR PRODUCTS THAT PROVIDE COMFORT

During such uncertain times, consumers **look for products that provide them with comfort** like Oreos or other childhood staples.

04.

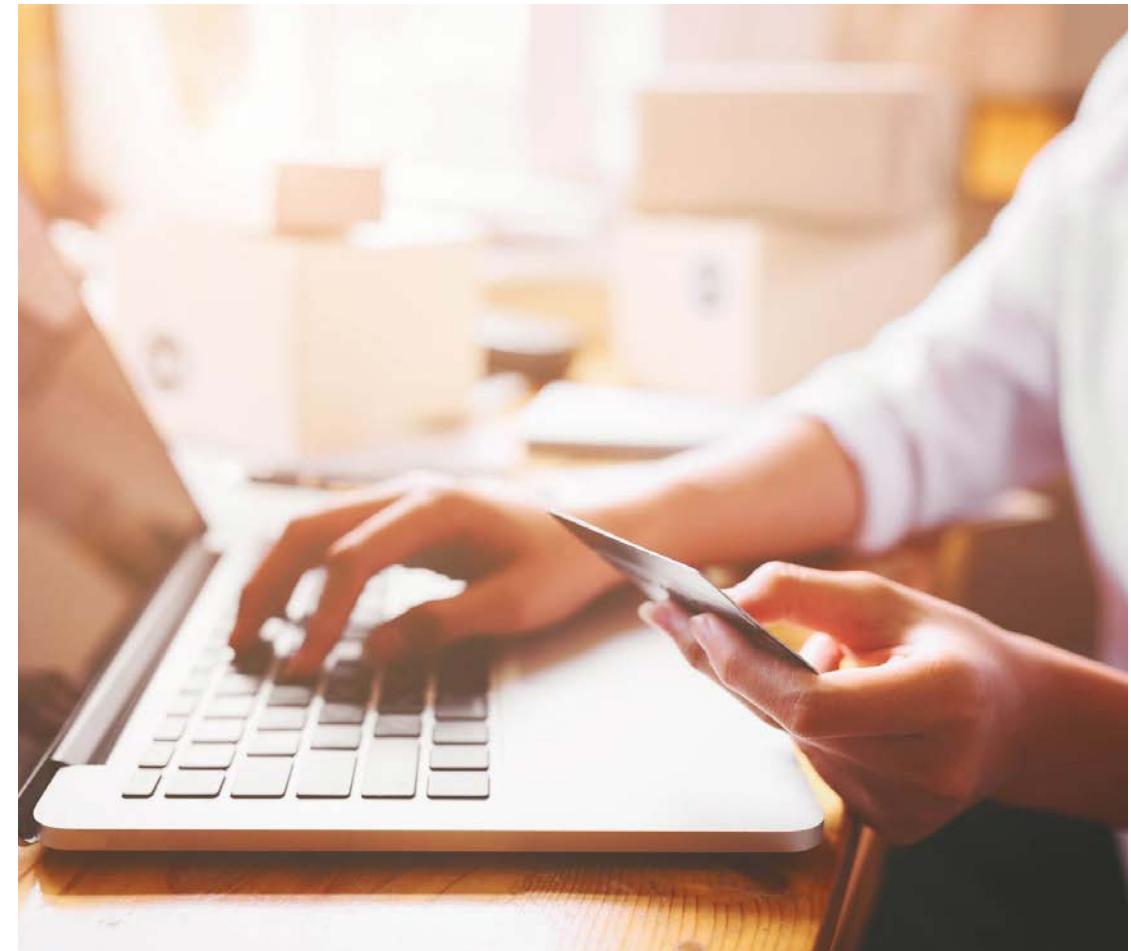
PLACE MORE VALUE ON SHELF-LIFE

As consumers fear store closures and extended periods of time stuck at home, they **stock up on necessities with longer shelf-life** to ensure they maintain control over whether or not they have the products they need.

05.

CLOSELY MONITOR COSTS

As unemployment grows along with anxiety of the current financial situation, consumers **monitor their spending more closely** to prevent finances from being another uncertain aspect of their daily lives.



AS PEOPLE ADAPT THEIR SHOPPING BEHAVIORS, IT IS ESSENTIAL THAT RETAILERS AND MANUFACTURERS ARE READY TO MAKE ADJUSTMENTS

WHAT ARE THE IMPLICATIONS?



ONLINE SHOPPING IS LIKELY TO CONTINUE

- Ensure products are easy to find online as people switch to more digital means of shopping.
- Make sure the online shopping process is easy and efficient as new habits may replace old ones.



CLEANLINESS/HYGIENE COULD BE KEY

- Communicate extra steps your company is taking to ensure that consumers shopping environment remains clean and safe.
- Experts believe cleanliness is the way of the future, brands unable to effectively present themselves as clean/hygienic will fall behind.



SHOPPERS WILL LOOK FOR PRODUCTS THAT PROVIDE COMFORT IN THESE UNCERTAIN TIMES

- Make products that lean into the familiar, connect to childhood memories or are considered “comfort foods” more readily available (i.e., Oreo cookies, peanut butter, macaroni & cheese, etc.).



STOCKING UP ON NECESSITIES AND LOW-COST OPTIONS MAY BE MORE COMMON AS THE PANDEMIC SPREADS

- Monitor inventory to allow for temporary surges of hoarding as people come to grips with such uncertainty.
- Prepare for potential upticks in private label sales as people strive to save money and grab what is available.



WHAT CAN BRANDS DO NOW TO DRIVE BRAND LOYALTY LONG-TERM?

A CAREFULLY CRAFTED STRATEGY FOR COVID-19 COMMUNICATIONS IS PIVOTAL TO A BRAND'S REPUTATION



- As consumers face the challenging times caused by the COVID-19 pandemic, it is **essential that they feel supported by brands** they interact with frequently.
- In times of so much uncertainty, **seeing well-known brands respond is key to providing comfort** for shoppers and in turn leads to a strengthening sense of brand loyalty. Specifically, brands can be seen as a surrogate for help that consumers want to provide, but can't due to social distancing.
- Given the severity of this pandemic, it is essential that brands are very **purposeful in their messaging around COVID-19** to ensure they are sensitive to the situation and that consumers feel comforted and supported by the brands they frequently turn to.

EMPATHY IS KEY TO YOUR BRAND'S REPUTATION AND BUILDING AWARENESS IN THIS NEW LANDSCAPE

STRATEGIC BEST PRACTICES



ISSUE A STATEMENT REGARDING COVID-19

- If your company hasn't already, put out a statement regarding COVID-19 if your customers are in any way impacted by the virus.
- Use this communication as a means to communicate tips and best practices, health advice and critical information if qualified to do so.
- After the Great Recession, some premium brands that fell short on communication lost loyal customers to other brands or off-name brands.



BE EMPATHETIC

- Customers are experiencing a lot of fear and anxiety in their life right now, be sure your brand messaging is empathetic and sensitive to those challenges.
- Gear messaging towards how your company plans to ease these daily challenges and combat COVID-19.



BUILD AWARENESS

- Now is the time to build messaging around trust and support. Focus on building awareness of your brand, not converting sales.
- Tailor messaging to fit customers needs, empathize with their struggles and communicate how your company is helping out.



Source:

<https://www.adroll.com/blog/marketing/COVID-19-messaging-dos-and-donts>

**SHOPPERS ARE GOING ONLINE MORE, CREATING
NEW OPPORTUNITIES...**

PEOPLE ARE ADAPTING TO THEIR NEW ENVIRONMENT BY SHOPPING FOR FOOD ONLINE, ADJUSTING THEIR DIETS, AND OVERALL SPENDING

WHAT IS HAPPENING?

SHOPPERS ARE...

GOING ONLINE

- People are electing to purchase their food and beverages online to avoid going into stores.
- Instacart, Walmart's grocery app, and Shipt increased their downloads 218%, 160%, and 124% compared to last year. With around 41% having used these apps for the first time.

CHANGE IN DOWNLOADS SINCE ONSET OF PANDEMIC

Compared to last year



ADJUSTING THEIR DIETS

- People are turning to comfort foods and childhood favorites as a source of reassurance.

Sources:

Bloomberg, "Americans Drop Kale and Quinoa to Lock Down with Chips and Oreos" <https://www.bloomberg.com/news/articles/2020-03-21/americans-drop-kale-and-quinoa-to-lock-down-with-chips-and-oreos>

Retail Dive, "Grocery Apps See Record Downloads During Coronavirus Outbreak", <https://www.retaildive.com/news/grocery-apps-see-record-downloads-during-coronavirus-outbreak/574283/>

CSA, "Survey: Consumers Shop Differently During COVID-19 Pandemic" <https://chainstoreage.com/survey-consumers-shop-differently-during-covid-19-pandemic>

OPTING FOR LONGER SHELF-LIFE PRODUCTS

- Center of store packaged goods and frozen products are seeing a resurgence as fresh fruits and vegetables don't have the longer shelf life needed for stocking up.
- Consumers are loading up on shelf-stable products from canned meat and soup to pretzels and macaroni and cheese.

MORE COST-SENSITIVE

- As finances become more of a concern, people may need to start making category decisions (rice and beans vs. cell phone)
- People are prioritizing basics and multi-use foods.

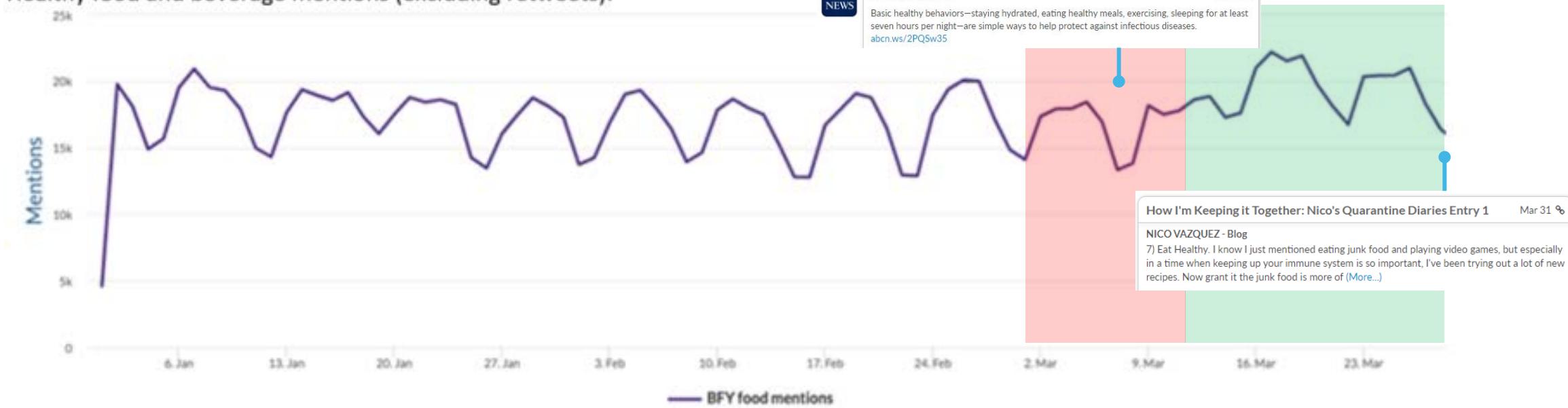
TRYING NEW BRANDS

- Brand loyalty during the pandemic is largely dependent on the product, but in the grocery realm, consumers are looking for the cheapest or most convenient route with the longest shelf life.
- Scarcity of preferred brands may also necessitate consumers trying new brands. This gives consumers an opportunity to switch to new brands they historically would not have tried

WHILE MANY ARE PURCHASING MORE COMFORT FOODS, CONSUMERS ARE STILL TRYING TO BALANCE HEALTH WITH REALITY AND ITS LIMITATIONS

WHAT IS HAPPENING?

Healthy food and beverage mentions (excluding retweets):



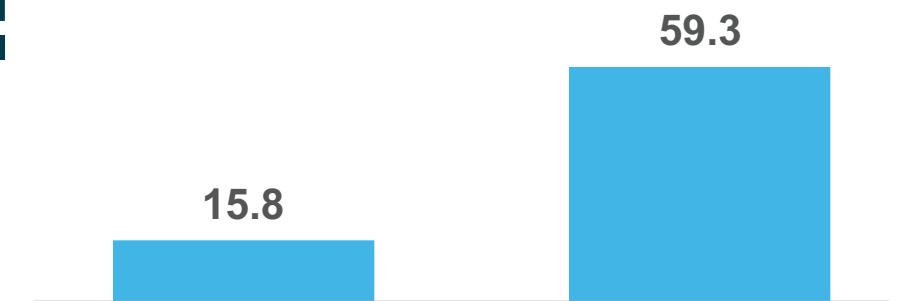
- Consumers on social media are **mentioning healthy food and beverage options more often** at the end of March than we saw for most of the year prior.
- Interestingly, we are also **seeing “weekend” dips in mentions of healthy food and beverages fall** as the Monday-Friday routine isn't as relevant during this time with most restaurants and stores closed on the weekends.
- After a **slight dip in healthy food and beverage mentions at the beginning of March**, it appears that as people adjust to a new normal where health and abundance of time collide, we're seeing the exploration of healthy food and beverage as a bright, positive light during this time.

STOCK-UP BEHAVIORS ARE IN PART MOTIVATED BY SHOPPERS' CONCERN ABOUT POTENTIAL GROCERY STORE CLOSURES

WHAT IS TRENDING?



INTEREST OVER TIME* “GROCERY STORES”



Social Media
Mentions

Positive Sentiment

Pre-COVID 19
March 1-11

74,857

34%

COVID - 19
March 12-31

385,339

60%

*Interest over time represents search interest relative to highest point for a given region and time.
A value of 100 is peak popularity

Source:

Google Trends (captured for March 1, 2020 – March 31, 2020,, looking at searches related to Grocery Stores in the US

NetBase Social Media Software (captured for March 1, 2020 – March 31, 2020, looking at conversations related to Grocery Stores)

COMMON SEARCH TOPICS “GROCERY STORES”

- 1 ARE GROCERY STORES CLOSING
- 2 GROCERY STORE CLOSURES – COVID -19
- 3 GROCERY STORE SENIOR HOURS
- 4 WILL GROCERY STORES RESTOCK
- 5 GROCERY STORES RUNNING OUT OF FOOD

GROCERY STORES NEED TO ADAPT AS CONSUMER PREFERENCES CHANGE DURING THE PANDEMIC

WHAT ARE THE IMPLICATIONS?

- Information online about products should **be clear and easily available** to aid shoppers as they have more time to do research online to find products.
- **Managing inventories is important** as stock-ups will likely not last at the current rate as consumers increasingly see no need for more.
 - Though some experts believe that the longer the pandemic lasts, hoarding products could be a new status symbol.
- Assortment and stocks of **shelf-stable products are important** as fear of closures continue.
- Assortment strategies should adjust to provide options to shoppers that place higher importance on **cost effective options and availability over brand variety**.
- **Ensure availability of comfort foods and childhood favorites** are effectively placed to drive more shopping as consumers seek out opportunities to find comfort and familiarity in such uncertain times.
- Communicating steps and visual cues regarding **store cleanliness** will be important as shoppers fear contracting the virus and may choose retailers based on their safety measures.



IN ADDITION TO ADAPTING WITH SHOPPER BEHAVIORS, THE FOOD AND BEVERAGE INDUSTRY IS COMMITTED TO HELPING FIGHT COVID-19

INDUSTRY RESPONSE

- Grocery retailers including **Kroger, Walmart, Target, Aldi**, etc. are taking steps to minimize the spread of the virus and are in tune with the safety of consumers...
 - Senior-only shopping hour
 - Priority access to stores for emergency workers
 - Reducing hours to ensure time for restocking shelves and cleaning
 - Waiving DoorDash delivery fees for older customers
- **Walmart, Kellogg's, and Unilever** are all donating funds to help with COVID-19 relief efforts.
- **Tyson Foods** commit \$13 million in COVID-19 Hunger Relief and Community Support.
- **Kroger** is collaborating with other industries to bolster employment, food supply
- **Constellation Brands** have committed \$2.5 million to COVID-19 relief efforts

Sources:

The Consumer Goods Forum, "Industry Actions to Tackle COVID-19 and Support People",
https://www.theconsumergoodsforum.com/news_updates/special-edition-industry-actions-to-tackle-covid-19-and-support-people/



**PET OWNERS ARE STOCKING UP IN PREPARATION
FOR EXTENDED TIME AT HOME...**

PET OWNERS ARE ADAPTING TO THEIR NEW ENVIRONMENT BY STOCKING UP AND SHOPPING ONLINE

WHAT IS HAPPENING?

PET OWNERS ARE...



STOCKING UP

- Consumers are stocking up on pet food and other products for their pets during these uncertain times.
- Consumers want to ensure they are in control as to whether or not their pet is fed during these uncertain times.



SHIFTING TO ONLINE

- Online sales are growing as people are forced to stay home.
- The surge in online sales has spurred some companies to invest in ecommerce logistics



ADAPTABLE

- When it comes to taking care of pets, pet owners will seek alternatives to their preferred brand/product if it is unavailable.
- This includes turning to more private label options that have historically seen sales growths during tough financial times.



SOURCE:

Petfoodindustry.com, "COVID-19 and pet food consumers' new purchasing normal"

<https://www.petfoodindustry.com/blogs/9-trending-pet-food/post/9051-covid-19-and-pet-food-consumers-new-purchasing-normal>

IN SOCIAL MEDIA, CONCERNS OF PET FOOD AVAILABILITY DOMINATE CONVERSATIONS RELATED TO PETS AND COVID-19

In the last month, there were 441,117 posts related to pets and COVID-19. Concern for pets and availability of pet food dominate the conversation. Fear of pet food availability has led pet owners to stock up on pet food essentials in order to maintain **control**.

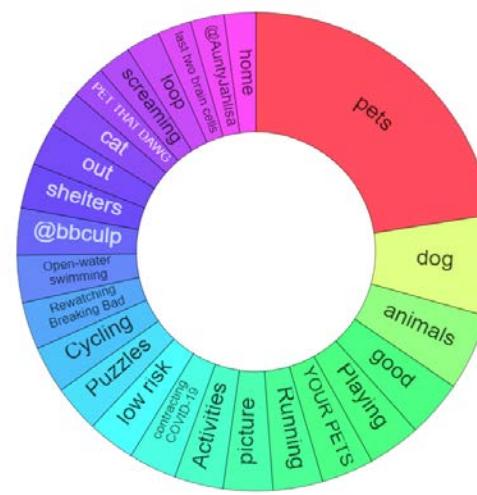


“Ordered some foodstuffs for this little guy and his brother yesterday from @Chewy, got an email this morning that they’re a little backed up. No worries. Arlo says, ‘Stay safe and healthy, guys!’” **J.C. Walsh (@SuitableJinx), March 17**

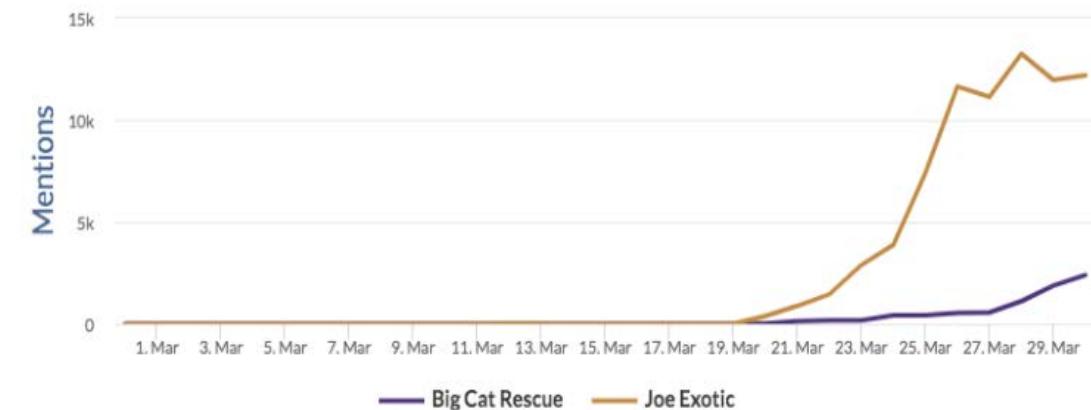
However, with more time on their hands, pet owners are talking about fun activities they can do with their pets with all their new-found time at home.



“Play with your pets. Engage your dog in some doggie enrichment activities. Workout at home.”
—nifty-swifty, March 16



Interestingly, the mentions of the Netflix show, “Tiger King” dominated much of the pet-related social media conversation in March.



Source:

NetBase Social Media Software (captured for January 1, 2020 – March 31, 2020, looking at conversations related to both COVID-19 and “pets” “pet food” “online pet food” “pet toys”)

AS SHOPPER BEHAVIOR CHANGES, IT IS ESSENTIAL THAT MANUFACTURERS AND RETAILERS SHOULD REMAINS AGILE

WHAT ARE THE IMPLICATIONS?

- Ensure **inventories are managed** appropriately.
 - While this hoarding behavior may last for a period of time, it is not likely to last.
 - Consumers may resort to private label products if preferred brand is not readily in stock for purchase.
- **Invest in ecommerce logistics** as online sales begin to rise.
 - Online retailers will be well-positioned as consumers remain at home with their pets and need food/treats.
 - The ability to set up online recurring purchases poses a threat and an opportunity for brands to engage with pet owners.
- **Prepare** for a scenario in which the supply of China – sourced goods and ingredients falls.
- Communicating steps about **store cleanliness** will be important as shoppers fear contracting the virus and may choose retailers based on their safety measures once lockdowns end.

Sources:

Petfoodindstry.com, "COVID-19 and pet food consumers' new purchasing normal"
<https://www.petfoodindustry.com/blogs/9-trending-pet-food/post/9051-covid-19-and-pet-food-consumers-new-purchasing-normal>



PET CARE MANUFACTURERS ARE TAKING EXTRA PRECAUTIONS DURING COVID-19 TO ENSURE SAFETY FOR ITS EMPLOYEES AND CUSTOMERS

INDUSTRY RESPONSE

- **Purina** (Nestlé) posted a statement to consumers ensuring that manufacturing facilities are practicing social distancing and that they will continue to produce pet food and treat products.
- **Purina** is also donating pet food and cat litter to support shelters across the country.
- **Mars Incorporated** is providing extra flexibility to manage quarantine situations, supporting the mental and physical health and wellbeing of employees, restricting travel and large meetings, and following leading health organizations.
- **Mars Incorporated** also issued a statement saying it should not be eligible for assistance or recovery packages and that those should be focused on small and medium-sized businesses.
- The **J.M. Smucker Company** is taking precautions for employees, operational and supply chain measures, and mitigating impact for each of its business segments including pet food.
- **PetSmart and Petco** have increased the frequency of store cleaning and provided supplemental cleaning supplies to store teams.

Source:

Pet Food Processing, "Pet food manufacturers, suppliers and retailers respond to COVID-19 concerns",
<https://www.petfoodprocessing.net/articles/13701-pet-food-manufacturers-suppliers-respond-to-covid-19-concerns>



**“TOUCHLESS” BEAUTY CARE PRODUCTS WITH
LONGER SHELF-LIFE ARE GROWING IN POPULARITY...**

SHELF-STABLE AND “TOUCHLESS” BEAUTY PRODUCTS GROW IN IMPORTANCE AS PEOPLE HUNKER DOWN AT HOME

WHAT IS HAPPENING?

COVID-19 is impacting the way consumers approach beauty and personal care products, especially when they consider ingredient safety, cleanliness, and shelf life...

INCREASED ONLINE ACTIVITY

- As consumers remain at home, they are likely to turn to online means of getting the beauty and personal care products that they need.

NEW EMPHASIS ON SHELF STABILITY

- Prior to COVID-19, natural consumers avoided ingredients such as preservatives and artificial ingredients in their beauty products due to the perceived health risks.
- But now shelf-stability and sanitation are growing in importance.
- Consumers will be more willing to accept these ingredients as long as brands provide evidence of efficacy and safety from a health and environmental perspective.

EMERGENCE OF “TOUCHLESS” BEAUTY PRODUCTS

- “Touchless” beauty products as well as disposables (applicators, etc.) will see an increase in demand as consumers will look for products that will not require them to touch their faces and risk contracting COVID-19.

Source:
Mintel Blog, “COVID-19 Increases Demand for Safe and Reliable Beauty and Personal Care Products”,
<https://www.mintel.com/blog/beauty-market-news/covid-19-increases-demand-for-safe-and-reliable-bpc-products>



SAFETY, LONGEVITY, AND EFFICACY ARE KEY FOR BEAUTY PRODUCTS TO SURVIVE IN THE AGE OF THE CORONAVIRUS



WHAT ARE THE IMPLICATIONS?

- Monitor the importance of **shelf stability** to consumers as time goes on to potentially make adjustments to point of sale and on pack communication about ingredients.
- Strive to convey **safety, longevity, and efficacy** in products as consumers values shift due to the coronavirus.
- Consider educating consumers about the **benefits and stability of synthetic ingredients**, while providing evidence and certification/seals of approval that denotes safety.
- Consider innovation in other forms of “**Touchless**” beauty products as experts believe this trend will stick.

BEAUTY CARE MANUFACTURERS ARE STAYING ACTIVE IN HELPING FIGHT THE CORONAVIRUS

INDUSTRY RESPONSE

- Beauty makers like **Avon** are donating soap to help countries around the world limit the spread of COVID-19.
- **P&G** just released a new disinfectant called Microban 24, initially developed to kill cold and flu viruses.
- **Unilever** will donate more than \$8 million to help those affected by the pandemic, providing food, personal hygiene, and home cleaning products.
- **Unilever** is also partnering with Feeding America to donate more than 200,000 masks to local hospitals in NJ.
- **Estée Lauder** donated a \$2 million grant to Doctors with Borders to support its efforts in countries that lack substantial resources to combat the virus.
- **L'Oréal** will launch a corporate donation and employee match campaign for Feeding America with a \$250,000 donation to support food-insecure families.



SOURCES:

Cosmeticsdesign.com, "19 Ways the Beauty Industry is Responding to Coronavirus",
<https://www.cosmeticsdesign.com/Article/2020/03/18/19-ways-the-beauty-industry-is-responding-to-Coronavirus/>
"How Beauty and Fashion Brands Are Responding To COVID-19",
<https://www.elle.com/beauty/a31477276/beauty-brands-respond-coronavirus/>
Drug Store News, "L'Oréal USA's COVID-19 initiatives include donations, hand sanitizer production",
<https://drugstorenews.com/loreal-usas-covid-19-initiatives-include-donations-hand-sanitizer-production>

SO, WHAT DOES TODAY TELL US ABOUT A “NEW NORMAL”?

01.

Online shopping is likely to become a more standard option for more categories of product going forward. Companies who reduce the friction for shoppers and make the experience seamless, will win.

02.

People will likely stock up more than usual going forward, fearing waves of the pandemic. It will be a challenge to forecast production and to sort out assortment based on a changing demand.

03.

Cleanliness and hygiene are likely to be sought after benefits for a while after the pandemic. Retailers who focus on **making shoppers feel safe** while shopping stand to gain. Products that highlight those benefits will capture consumers' attention. Innovation will be aimed at providing new solutions.

04.

Many **communities will need support** and it may take time to recover from the effects of the pandemic. Brands can shine by helping communities in need and helping people contribute through their efforts.

05.

The **financial impact may be felt for a while** and could have implications for discretionary spending, similar to the 2008 recession. As shoppers look for more value, **low-cost alternatives, coupons and sales will be more attractive**.

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