



Adapt & Overcome

Food & Drink Businesses Face A New Reality!



Unprecedented times have fundamentally disrupted food and drink sales

The Covid-19 pandemic has presented unprecedented challenges to food and drink businesses across Europe. Food service sales channels have been severed, as premises serving food have been required to close. Retail sales have been disrupted due to erratic and interrupted shopping patterns.

Initial panic buying and stockpiling skewed demand from consumers' selecting their normal preferred brand and product choices, to just purchasing what was available.

For many brands, hard won brand loyalty went out of the window!

Now, with a stash of these stockpiled items in cupboards & freezers, subsequent demand has been suppressed until people work through these supplies! The result is COVID-19 is having a huge impact on the food industry, as consumers stay home, switch to e-commerce and stockpile more of certain product categories. How will these changes evolve, even after the pandemic ends? Euromonitor has produced a useful webinar which can be

[downloaded here](#)

Consumers are facing financial hardships



Against this backdrop also come significant negative financial impacts on consumers.

Incomes for many have been lost, or reduced, due to jobs being laid off and staff furloughed – with a survey of companies across 11 countries noting that 50% of companies have or plan to reduce staff numbers and a 43% decline in UK job vacancies since early March 2020.

Pension funds have been diminished by stock market declines and cuts in interest rates mean that savings are not keeping pace with inflation.

This will have an impact on the spending habits of consumers across all markets. Going forward the market for healthy food will certainly increase but there may be pressure to reduce the cost of such products.



Long term recession anticipated

With a global recession predicted by several central banks and economic commentators – a 6% decline in US GDP and 9% decline in Europe's GDP have been mentioned.

The effects on consumer behaviour are anticipated to extend beyond the possible end of the current restrictions on movement of people and store opening.

Brands being scrutinised by consumers for their response to the crisis

Brands have come under forensic scrutiny from consumers as to their socially responsible stance to the crisis. Transparency in behaviour including fair treatment of staff and a charitable, benevolent response to those worst affected by the crisis is key to brand image.

Consumers are making greater use of social media to pass the time whilst stuck at home. Brands who can seize this opportunity to convey themselves as credible and socially responsible, could build a loyal following through well targeted social engagement and will surely benefit longer term.

Media response from the food retail sectors



All the major UK supermarkets – as well as M&S - have been proactively writing to customers on their databases, explaining their Covid-19 response activities, including updates on availability to book their delivery services.

They are also actively issuing social media updates on a regular basis – and some like Morrisons - on television as well, whilst Lidl have created a thank you to all 25.000 staff, spelling out these words with their employees' names and using this image in print media and billboards

Initiatives range from specially allocated shopping times & discount or even free meals for NHS staff to segregated shopping and delivery priority for vulnerable & self-isolating people.

Opening times have been cut back and strictly supervised queuing and control of the numbers of shoppers in store at any one time have been put in place, with trolley & basket handles sanitised before use.

One-way systems have been implemented in some stores, such as Tesco, who have staff with "lollipop" style paddle boards reminding customers to keep 2 meters apart.

Floor tapes mark out the 2-meter distance for shoppers queuing to pay and Perspex screen ensure staff and shoppers are segregated, with contactless payments the order of the day.



Sales have been significantly affected

Market analysts at both [Global Data](#) and [IRI](#) have observed a number of shifts in consumer spending priorities and behaviour as a consequence of the crisis and so many people being confined to our homes.



IRI are tracking sales by commodity area and by mid-April their data was showing that sales of staple foods remained strong.

Volume sales of dried and canned pasta are both up around 25% on normal sales, with rice up 8%.

In personal and home hygiene products demand for antibacterial & cleaning products has risen – with shortages of handwash for example – as people try to keep the virus at bay. Whereas beauty and grooming products have dropped over 30% - as with no one going out the need to look smart seems to have diminished!

Items deemed less essential - for example ice-cream - and products eaten on the go such as sandwiches have seen purchasing levels drop down 5% and 60% respectively.

As in any crisis, there will be winners & losers.

50% of consumers, questioned by Global Data across 11 countries, advised that they are spending more time cooking at home, with 55% experimenting with new recipes and 48% buying more frozen products.

The IRI market figures confirm this with volume sales of flour and baking products a hefty 80% as families bake together to pass long hours at home & cheer themselves up.



Sales of convenience foods such as chilled ready meals have dropped around 8% as people that have time on their hands are choosing to cook from scratch now. Whereas [Food Navigator have reported](#) how the online meal kit brands - such as Gousto, Mindful Chef and Pasta Evangelists - have been especially proactive, responding to the opportunities presented by consumers being at home to cook and their desire to try inspiring new and interesting meals in a value for money way.

So brands who can adapt, supply and market themselves effectively in these new areas of opportunities should find a receptive audience.

Market analysis for long term effects on sales patterns



Global Data and IRI, amongst other market commentators are both identifying, what they feel will be the long-term landscape for food businesses through the crisis and beyond.

They predict an ongoing decline in demand for premium and niche products, as consumers, who remain financially disadvantaged from the impacts of the crisis, seek value for money.

Supermarket own-label products are likely to see a boost in demand, with more expensive and “Me-Too” brands suffering as consumers switch to save money.

Review and adapt your product offer

Food and drink producers may wish to review their current status and future development plans in the light of the forecast long-term effects on sales, so here are a few suggestions that might prove beneficial.

Question how your range architecture is constructed and what is the role of each product in you company’s portfolio as well as how you could focus resources in a difficult trading climate.

So maybe ask yourselves

- *Do you need all the products in your range or would rationalisation benefit costs?*
- *How can you reduce business complexity and minimise exposure to sales declines which are predicted in premium sectors?*
- *How can you boost your value for money credentials – can you compete with any own label equivalent products?*
- *Should you take cost out of products and reposition them into more mid-market or value price brackets?*
- *How can you communicate the benefits and credentials of your premium products, to ensure hard pressed consumers keep purchasing?*
- *How do you remain visible in stores? Especially when social distancing measures have shoppers funnelling around stores in one-way systems and there is an increased pressure to make swift purchasing selections because you have the next shopper hovering 2 meters behind you, unable to pass!*
- *What products do you have in your innovation pipeline? Are they still relevant? Should you accelerate some launches and postpone or cancel others to suit the current trading climate?*
- *If your normal marketplace is the food service sector, how could you retarget your product offer direct to consumers?*
- *What new packaging formats might allow you to shift sales to online ordering and home delivery or click & collect?*

Consider new distribution methods and channels

With the estimate that 1/3 of the world's population is currently living in a lockdown situation, have come substantial shifts in shopping behaviour.

Consumers who are self-isolating are unable to venture to the shops and many others are choosing not to do so, in order to minimise risk of exposure to the virus.

This has sparked a spike in demand for the online options offered by the major supermarkets – both home deliveries and click and collect services. In addition, as reported by [The Grocer magazine](#), many local shops and small businesses have increased their online ordering capacity, for both delivery and collection.

Some are doing this direct to consumers whilst others are collaborating, for example [Mighty Small](#), recently launched by Young Foodies, is a new online shopping platform for smaller, challenger brands.

Reaching this home-bound consumer group is the key and developing a credible online offer may present the only viable sales route for food and drink producers in the immediate future. It may also yield dividends longer term, as many commentators are predicting that shoppers, now engaged with online shopping, may well choose to continue this shopping behaviour after the crisis has passed.

So, businesses which can respond by shifting their sales offer online, with ease of ordering, appropriate packaging and effective delivery mechanisms, may well be able to sustain and grow sales in both the short and longer term.

This may well be critical as we move out of lockdown, but early observation suggests that there is a very slow return to anything approaching pre-crisis trading levels and consumer purchasing patterns.

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