IRI Thought Leadership

COVID-19: IMPACT ON CPG AND RETAIL

March 12, 2020

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Degree of COVID-19 Incidence Drives Impact by Country / Market

Market Response to COVID-19: Expected Phases

Phase	Gov't / Societal Response	Characteristics	Current Market Examples	Consumer Response	Expected CPG Impact
I	**Monitoring**	Monitoring for potential incidence but no formal restrictions	North Central U.S., Netherlands, South Africa, Greece	**Passive Prevention**	Increased sales of virus prevention items, e.g., hand sanitizer, HH cleaners, vitamins
II	**Containment**	Self-quarantines, social distancing, large group event cancellations, increased work from home	Washington State, New York, California New Zealand, U.K., France, Spain, Australia, Germany	**Active Preparation/ Prevention**	Above + • Stock up on necessities and symptom relief, e.g., frozen and shelf-stable foods, toilet paper, sports drinks, cold medicine, pain relief • Start of declines in away-from-home consumption and small-format sales
III	**Lockdown**	Enforced quarantines and travel restrictions; significantly limited personal interaction outside the home	New Rochelle, NY Italy, China	**Cocooning**	Above + • Increased sales of products enhancing at-home experience, e.g., DVDs, streaming services, salty snacks, ice cream, chocolate • Rapid increase in online purchases and frictionless food delivery; massive declines in away-from-home consumption

Some Consumer Segments, Including 65+, are Likely to Exhibit Behaviors Within the Next Phase Before Their Market Moves into it

Note: Data reflected in report does not include Costco or Total e-Commerce.

Implications for CPG Manufacturers

Demand Planning / Supply Chain

- Adjust production to consumer demand shocks and potential short term and long-term scenarios. Consumers may demand more for health prevention and cleaning in the short term, and may reduce demand for some categories like cosmetics and haircare as consumers work from home and restrict socializing.
- Account for potential of weak Easter season, as social distancing takes hold. Seasonal meals might be off the table, sales of seasonal confectionery treats may suffer.
- Consider role in and demand for “fun” products and engagement strategies as consumers spend more time at home and stress levels increase.
- For impulse categories, determine ways to trigger demand online, as shoppers reduce in-store visits.
- Review and plan for likely supply-chain impacts, especially for raw materials that originate in China and other highly impacted countries. As the impact of shuttered facilities takes hold, shortages and logistical bottlenecks will become an issue.

Marketing

- Consider shifting advertising to social and digital channels (vs. out of home) as consumers shift their entertainment hours to sources they can access from home.
- Keep a close pulse on consumer sentiment and adjust communications accordingly.
- Assess long-term impact to consumer behavior and brand perceptions after crisis, e.g., potential negative perceptions of brands brought during the pandemic, etc.

Channel / Distribution

- Prepare for a dramatic increase in online demand, particularly within pure-play and home delivery, but click & collect will also jump substantially; may have a lasting effect post-crisis.
- Closely monitor impact to the Convenience channel, which will likely be negatively impacted by more consumers working from home and less travel, as well as Foodservice, which will be challenged by “cocooning” but can partially combat with frictionless delivery.

Merchandising

- Determine appropriate promotion and pricing strategy to balance consumer demand changes, perception of brand during the crisis, and impact of increased supply costs.

Implications for CPG Retailers

Inventory Planning

- Closely plan inventory and monitor out-of-stocks in high-demand categories (e.g., cleaning, preventive health, sports drinks) by geography by phase of COVID-19 impact.
- Anticipate drop in sales of stock-up items as replenishment will take time.
- Plan for potential weakness across Easter holiday categories, particularly holiday meal items as shoppers may forgo large family celebrations.

Merchandising

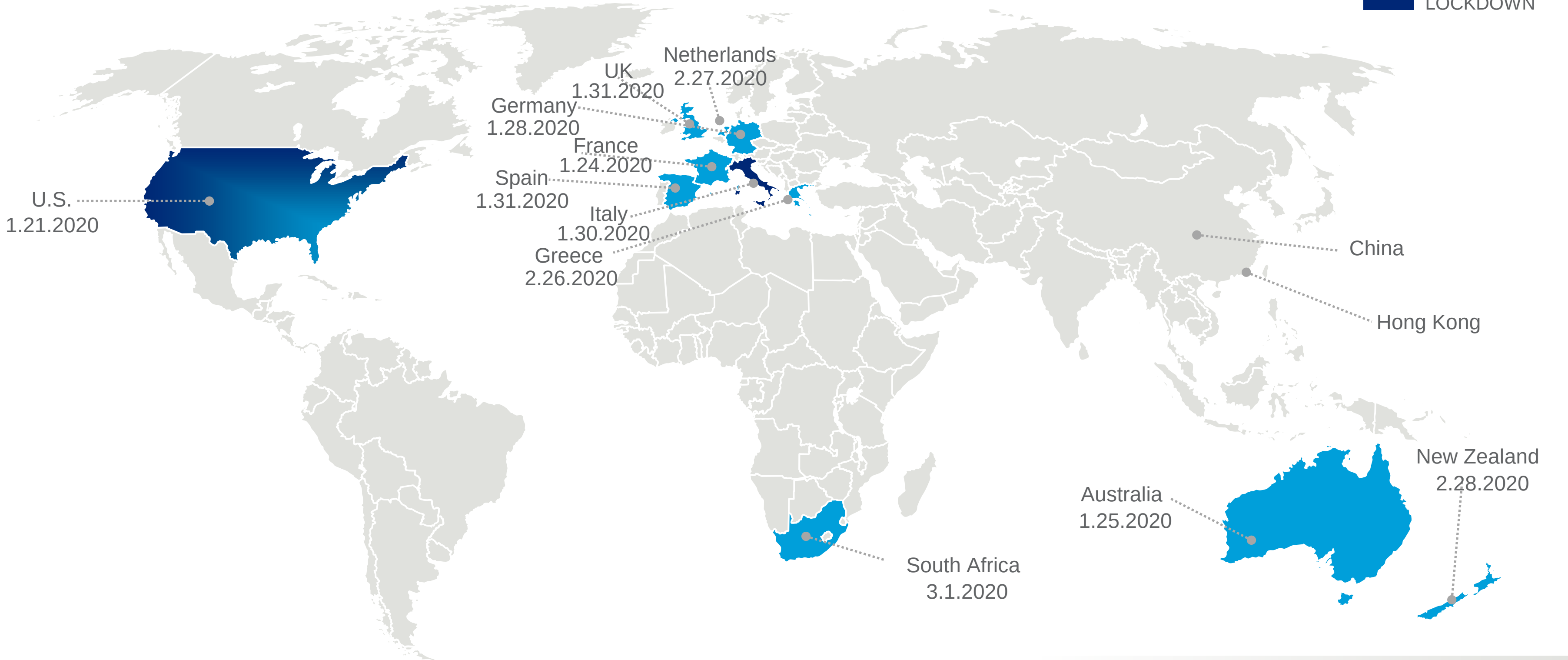
- Assure shoppers that the items they need are available, including placement of high-demand items in front lobby displays and circulars.
- Explore co-promotion and co-display opportunities across high-demand categories.
- Plan for a potential economic downturn by altering promotions (e.g., more at the beginning of the month), stocking more opening price point items, etc.
- Consider value and pricing proposition vs. competition as some retailers may invest more in lower prices to attract customers.

Shopping Experience

- Communicate plans in place to ensure cleanliness of store (e.g., paid leave for sick workers, availability of free hand sanitizer for shoppers etc.) and alleviate customer worries about visiting the store.
- Ensure seamless online experience and ramped-up fulfillment capabilities as home delivery and click & collect rapidly accelerate.

IRI Coverage, by Date of Reported COVID-19 Updates

IRI Coverage, by Date of Reported COVID-19

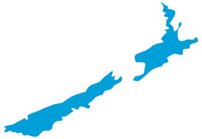


Source: Centers for Disease Control and Prevention, 10 March, 2020

Consumer Response to Containment: Stock-Ups

From “Hamsterkäufe” (“Hamster Buying”) to Pantry Stocking, Consumers Reacted to Increased Threat of COVID-19 by Purchasing Essential Products

CONTAINMENT
LOCKDOWN



United States		France		U.K.		New Zealand		Italy	
Hand Sanitizers	124.5%	Hand Sanitizers	123.6%	Household Cleaning	101.3%	Disinfectants	154.5%	Canned Vegetables	73.7%
Spray Disinfectant	44.9%	Cheese	83.8%	Personal Wash	100.8%	Canned Meals	132.6%	Canned Meat	51.4%
Personal Thermometers	42.6%	Flour	58.5%	Facial Tissues	96.6%	Rubber Gloves	69.4%	Flour	40.6%
Sanitizing Wipes	27.6%	Rice	47.8%	Toilet Tissue	87.5%	Rice	63.1%	Rice	34.0%
Powdered Milk	22.3%	Dried Beans / Pulses	48.2%	Canned Meat	72.5%	Canned Soup	59.8%	Canned Fish	26.4%

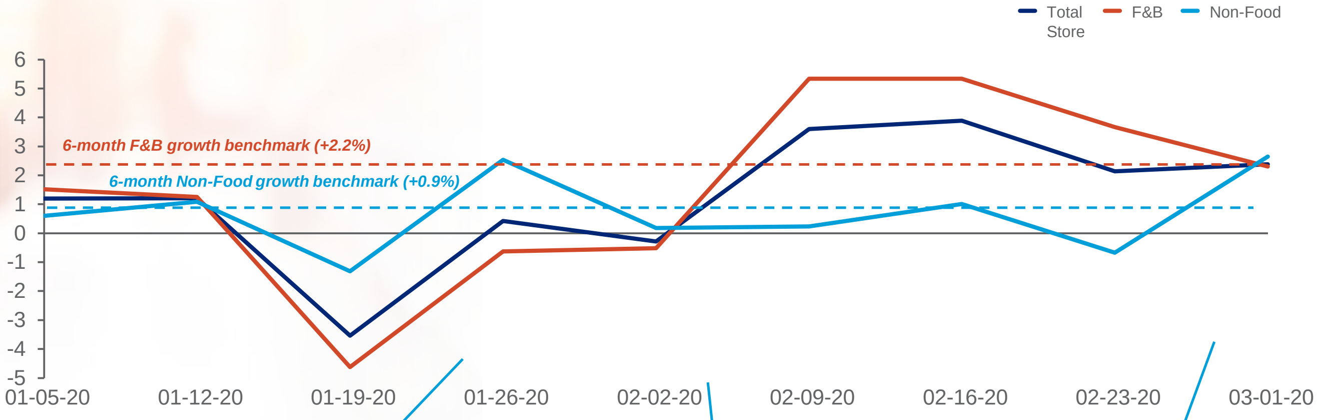
Source: IRI data; % change vs. year-ago based on local currency

Total Store, F&B Growth Accelerated in Large-Format Channels Since the First Reported Case of COVID-19

Containment

Deep Dive: U.S. Migration from Monitoring to Containment

Dollar % Change vs. YA // Total U.S. Multi Outlet // Total Store View Model



January 21
Washington State confirms the first case on U.S. soil

January 30
First confirmed case of person-to-person transmission of virus

February 29
U.S. reports first death in Washington State

Note: Data reflected in report does not include Costco or Total e-Commerce.

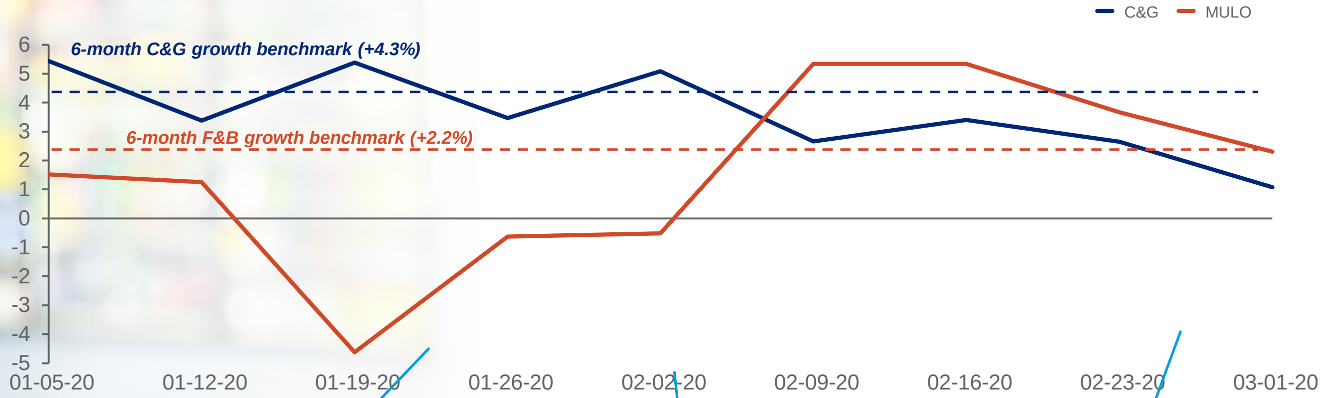
Source: IRI TSV Model

U.S. Convenience and Gas Channel Sales Decelerating as Consumers Start Curtailing Their Out-of-Home Activities

Containment

Deep Dive: U.S. Migration from Monitoring to Containment

F&B Dollar % Change vs. YA // Total U.S. Multi Outlet vs. C&G // Total Store View Model



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Social Chatter is Increasingly Focused on Self-Care with a 438% Surge (vs. Avg.) in Mentions as U.S. Confirmed Cases Increase

Containment

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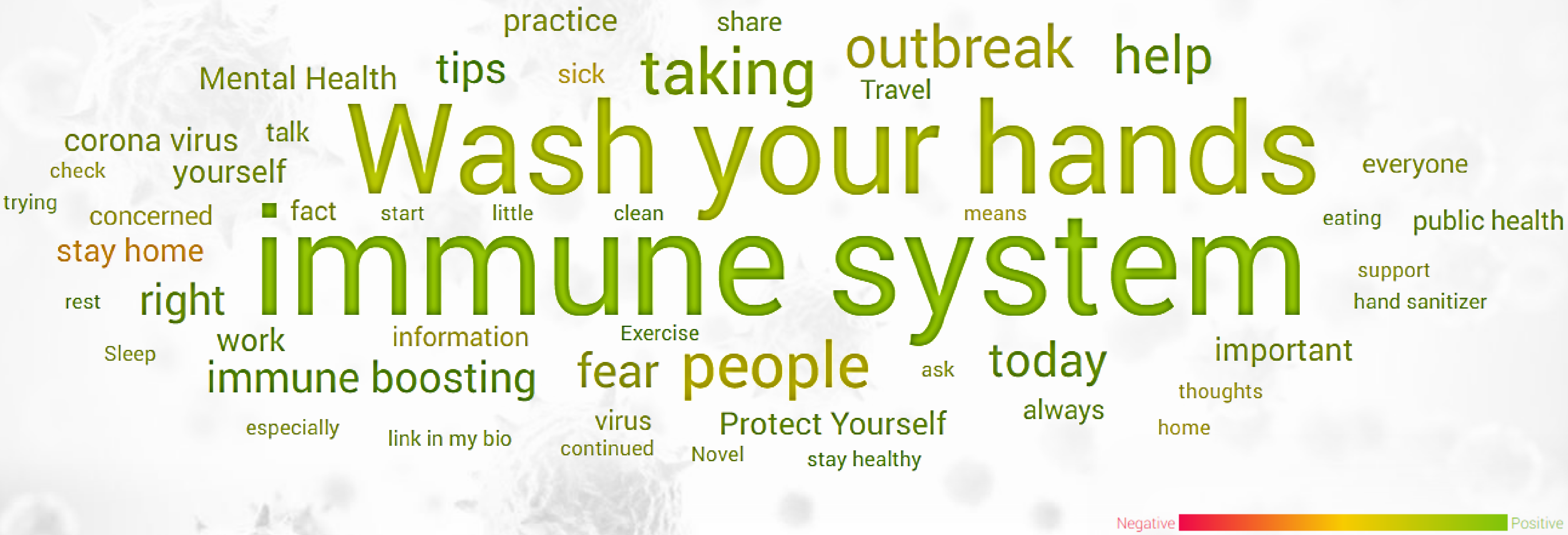

Buyer Growth and Trips Accelerated Across Many Health-Related and Shelf-Stable Products

Containment

Deep Dive: U.S. Migration from Monitoring to Containment

Product Trip and Buyer Growth past 4 weeks vs. YAG through 23 February 2020			
Categories		% Change in Product Trips	% Change in Buyers
	TOTAL STORE	**4.1%**	**1.0%**
1	Hand Sanitizers	64.1%	41.7%
2	Spray Disinfectant	29.1%	21.6%
3	Refrigerated Milk Substitutes - All Other	91.6%	102.7%
4	Ear Care Products	40.8%	43.4%
5	Canned Fruit Juice	27.8%	21.2%
6	Frozen Other Breakfast Food	46.0%	53.1%
7	Ready To Serve Rice	16.7%	13.5%
8	Liquid Fruit Drink Mixes	31.0%	32.9%
9	Cloth All Purpose Cleaner	19.9%	17.0%
10	Personal Thermometers	26.8%	33.3%
11	SS Energy Drinks Non-aseptic	33.3%	33.2%
12	Convenience / Pet Still Water	13.2%	12.6%
13	Internal Analgesic Liquids	14.6%	11.7%
14	Cornmeal / Baking Oat Bran	13.0%	17.0%
15	SS Bottled Tomato / Veg Juice / Cocktail	15.2%	12.7%

Source: IRI National Consumer Network

Italy: A View of Containment to Lockdown

Lockdown

Before all of Italy was placed into lockdown, most attention was on the Lombardy region, Italy's epicenter for COVID-19. A snapshot of FMCG sales in Lombardy and the rest of the country for one weekend provides an example of what it looks like to go from Containment to Lockdown.

% Sales Increase Across Categories for February 23-24, 2020, Compared Previous Four Weekends

	Canned Meat	Canned Tuna	Mozzarella	Pasta	Flours / Mixture
Lombardy	+406%	+217%	+188%	+174%	+163%
Rest of Italy	+196%	+111%	+60%	+107%	+85%

	Toilet Paper	Tomato Sauce	Bottled Still Water	White Bread
Lombardy	+146%	+129%	+107%	+89%
Rest of Italy	+129%	+103%	+74%	+52%

Source: IRI processing of daily sales data. Base top 200 products for value sales. LCC categories Yellow Zone: Lombardy, Veneto and Emilia-Romagna and the provinces of Pesaro, Urbino and Savona

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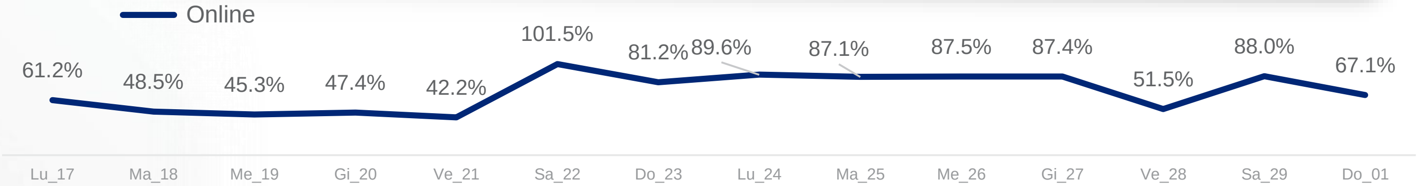
Italy: Consumers in Containment Phase Already Seeking Longer-Term Solutions

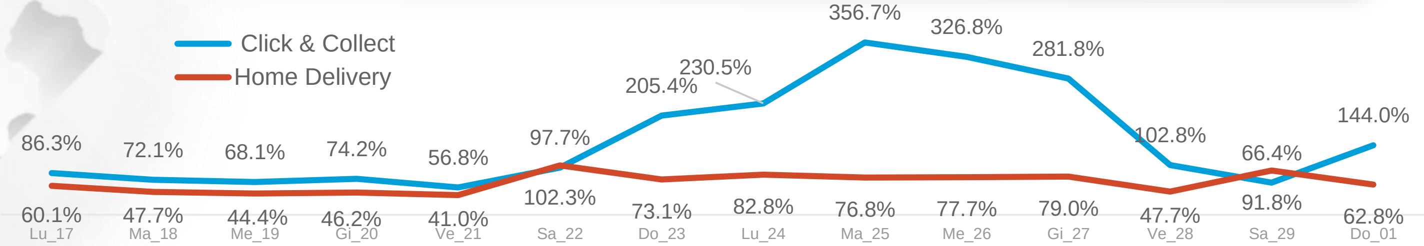
Lockdown

CPG Sales % Change vs. Year Ago

Online Channel Sales in Italy Doubled in the First Days of COVID-19 Exposure in Italy



Where Delivery is Not Available, Consumers are Adopting Click & Collect; Incidence of Using Click & Collect is Up Threefold from the Same Period in 2019



Source: IRI Panel online, Dates reflect Monday, 17 February through Sunday, 1 March, 2020

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