

EPiK

THINK BIGGER — MOVE QUICKER

COVID-19 TAKEAWAY

THE FOLLOW UP



Where is the food and drink industry heading now?



IT'S NOT NEW BUT IT'S CERTAINLY NOT NORMAL



We launched our Covid Takeaway report back in the heat of June. It seems an awfully long time ago now. Despite a lot of headlines, huffing and puffing around statistics and raging on social media we're still no closer to being 'normal'. Now we enter a dark winter with no end to the crisis in sight.

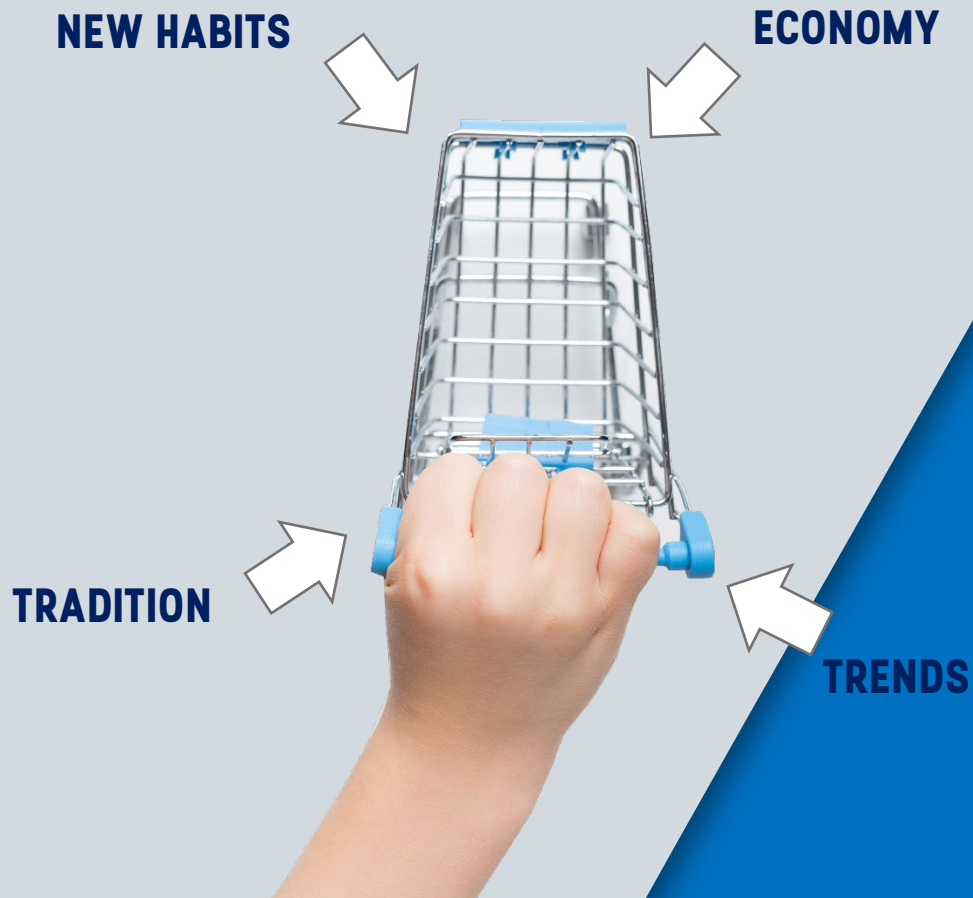
What's certain is that this thing isn't going away quickly. As I write this the highest cases for 3 months have just been announced. Business is still being permanently transformed. **In a global survey by McKinsey over 70% of respondents in a majority of countries don't yet feel comfortable restarting normal out-of-home activities.** Easing of restrictions is not enough. **75% said they would wait for guidance from medical authorities and/or development of treatments and vaccines.**

Here we review some of the trends that were emerging back in the summer and look at some new ones emerging as we head into autumn and winter. The big question is ...where's it all heading?

Epik – October 2020



WHAT'S STEERING THE TROLLEY?



Who would dare to predict the future? Investors have to try. LEK Global Consultants gave their view in Nutrition investor. They see the food and beverage industry shaped by 3 core drivers for the food and beverage industry over the next 3-5 years.

1. **Trends that existed before Covid 19 and will continue** – and have even been strengthened by lockdown – Eg: Healthier ‘better for me’ options, the NO-LO alcohol category.
2. **Habits gained in lockdown** that look set to continue (more Locally focused shopping and supply chains, Home Delivery, Direct to consumer)
3. **Economic downturn** – Here’s somewhere we’ve been before, so we know it kicks into action some predictable consumer behaviours – like curbing spending and switching to private labels

How powerful are all these forces is the big question?

It’s a bit like navigating a yacht – and seeing how vectors like wind and tide work against where you want your brand to sit with shoppers to be.

THE MORNING AFTER



The alcohol trade is waking up to a collective hangover from Covid – 19. Mintel have forecast a **£7 billion headache** in terms of loss of sales.

The switch from on trade to off trade would never make up for loss in revenue. Only 20% of adults according to Mintel spent more for home consumption despite stockpiling at the beginning of the pandemic and despite fears that 22% of people have been drinking more with the pressures of lockdown.

However there is a glass half full . Mintel see an upturn that will offset losses rising over the next 2 years. Good news is that the return of the on-trade has been performing at 70% capacity even with their current restrictions . Beer, cider, white spirits and RTD will drive the upturn while wine and dark spirits may fare less well.

While some drank more , others looked to take a more sober view of lockdown. Rather than work against the alcohol industry the rise of Low and No alcohol drinks has offered opportunities to brewers and distillers to adapt their offerings for a new era of drinker.



DRY, DRY, DRY AND DRY AGAIN



Issues around alcohol continue to dominate the trends of the pandemic state. A survey for Alcohol Change UK found while 18% said they are drinking more one in three are taking steps to manage their drinking and 6% have stopped drinking altogether.

Despite the current gloom The **NoLo category** is still a bright new world full of promise and many entrants from big distillers to craft brewing entrepreneurs are seeking to stake a claim to some of it. Our innovation arm, Taste Pilots production facility has been flat out all through lockdown formulating and producing no-lo products.

There is a genuine thirst for these drinks. Sober October is a traditional boost, and we know the market is already gearing up for Christmas. However there is still plenty of room for innovation with few genuinely sophisticated products. And traditional drink brands should be looking at how they can adapt, evolve and market their current ranges to take advantage of this trend. Sometimes it's not all about something new

We've launched a fun but informative guide to NPD and positioning for just these needs and occasions...email greg@thinkepik.com for a copy.

SHELVING CHOICE

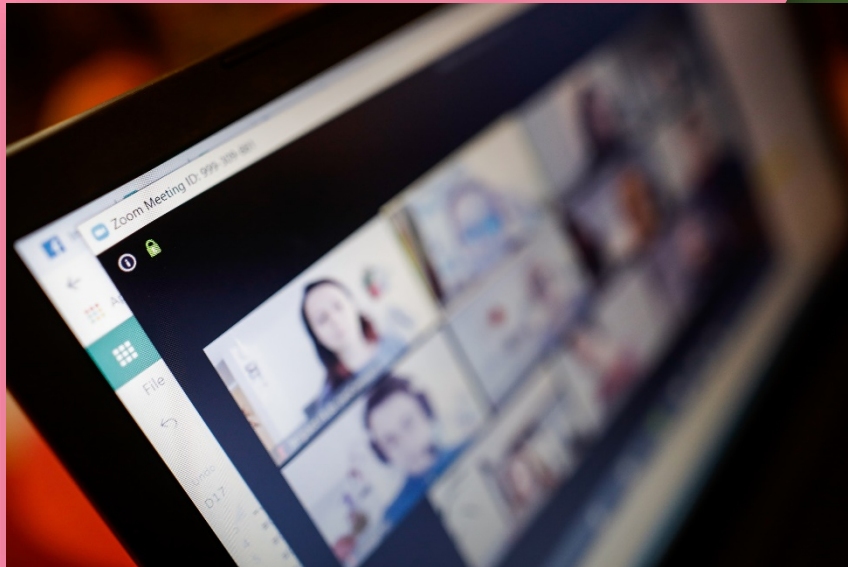


At the start of the pandemic when shortages occurred manufacturers and retailers were forced to reduce product lines to boost efficiency because of shortages. **There are now 9% fewer product lines in supermarkets since March – which amounts to more than 13,000 products.** It remains to be seen whether this solution is a short-term issue. With a recession looking likely and the ‘B’ word looming supermarket buyers could respond by slashing the number of skews if not brands. It’s not great news for consumers looking For more choice. Or for new products looking to break into the market.

The answer for new brands or extensions may be more through innovative distribution channels. **Home delivery** has boomed through the pandemic and **Direct To Consumer** initiatives are beginning to take off.

(Supermarkets may get tough on facings and skews. But when a surging trend appears almost out of nowhere like No-Lo beverages or plant-based meals they find room on the aisle pretty quickly)

YOUR HOME WORK ISN'T FINISHED



Remember when working from home felt like a privilege? Few of us would have thought it was a serious permanent option back in the spring. Businesses and individuals have adapted remarkably quickly, and both employees and company decision-makers are seeing the advantages.

In April a Gartner survey of HR managers showed that 50% of businesses reported 81% or more of their employees were working from home. **Post pandemic 41% are planning to continue to work remotely** at least some of time. **Over 74% of CFOs will move at least 5% of staff to permanent home working.** This will have many implications for city centre businesses, office rental and consumption patterns of consumers. As we noted in our first report, lunch and after work socializing all takes on a much more local flavour. Local restaurants, takeaway and delivery can also step up for home workers.

Brand owners may also want to take a fresh look at the needs of workers from home. **Can we create a remote Friday Feeling?**

POTTY ABOUT PLANTS



As we pointed out in our original report, plant-based food sales were already surging before the pandemic. A desire for healthier diets in lockdown – plus an early shortage of meat products has boosted the category even further. A survey conducted by Mintel showed that **a vegan diet is now attractive to over 12% of the population and to 25% of Millennials One in 5 brits have cut down on meat during the pandemic.** In the heart of lockdown Kantar showed that **sales of tofu climbed by 80%.** Kantar's World Panel also showed that **vegan mince sales increased by 50.1 percent, plant-based sausages spiked by 21.3%, and animal-free burgers shot up by 37%.** More importantly **50% of those who tried the vegan alternatives said they intend to keep on purchasing the meat alternatives even after the lockdown ends.**

If it ticks the boxes of health and sustainability AND tastes good what's the downside?

The trend has been encouraged by supermarkets with special facings, more skewers and own label offerings. **Tesco added 30 new lines to their Wicked Kitchen and Plant Chef lines in June.** Waitrose saw **searches for their vegan bacon surge by 759% in lockdown.**

NOSHTALGIA BITES BACK



The legendary Chopped Pork and Ham is one of our clients . So we know all about the persuasive power of heritage. Lockdown saw some retailers **increase orders over 400%**. And it's not all about its versatility or long shelf-life. In times of crisis people turn to the brands they have known all their life. They crave comfort and food and drink is a prime source for that reassurance. Memories Served to order. **The Co-op reported a 700% rise in the sales of trifle, a 336% rise in custard powder. And boosted sales of instant mashed potato and canned soup.**

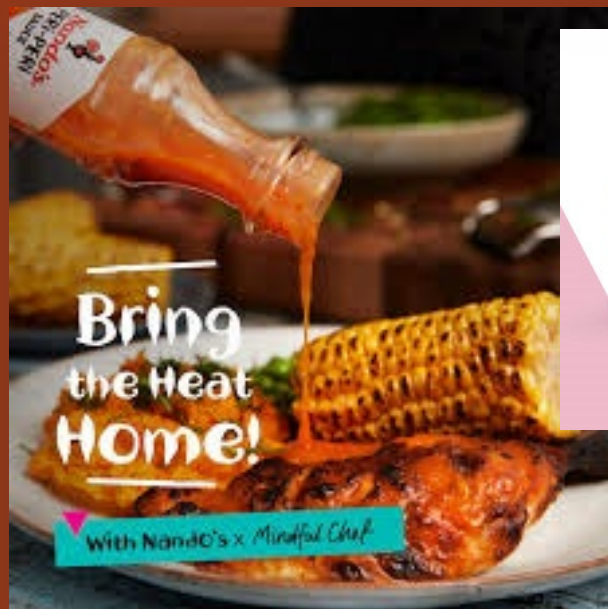
As the Co-op's Commercial Director Matt Hood says: **'It looks like some consumers adopted habits similar to those of the 70's'**

With the SPAM® brand we have learned to make the most of these opportunities. We relaunched 'SPAM® Fritters during lockdown in Iceland. We are back on TV with positive reassuring comfort food messages.

It's a phenomenon you don't have to be a heritage brand to tap into. Almost any food and drink offering can be positioned with a heart felt down-to-earth appeal. At times like these people aren't interested in reasoned marketing. They are open to genuine emotions and authenticity.



RESTAURANT CHAINS BRING THEIR BRAND HOME



As we noted in our first report, Restaurants were some of the earliest businesses to suffer during the first lockdown measures but also some of the first enterprises to adapt. Many restaurants quickly turned to takeaway offerings and joined services like Just Eat to offer easy ordering and delivery.

Now some of the bigger restaurant brands have gone one step further – using their brand clout to extend beyond the dining room into the home and kitchen cupboard.

Nando's has long offered their sauces in the retail arena but has now teamed with Mindful Chef to create meal kits to provide a branded health and wellness offering. Leon is turning up in the aisles of major supermarkets like Sainsbury's with popular ranges of dips sauces and chips.

It's like the city worker's favourite lunch spots have been brought right into their home. For restaurants with brand equity and expensive property investments this could help offset some of the loss of earnings in their city chains.

The bad news for emerging brands is that well-known names are now competing for shelf space with relative newcomers.

NEW HABITS DIE HARD



While we may revert back to pre-lockdown behaviour as soon as we are able, some things we have picked up during the pandemic are here to stay. According to a report from Mckinsey there will be a long-term impact on our shopping behaviours. **30% of consumers have stated an intent to spend more online** even after the pandemic as ended. While many consumers are retreating to best-known brands, brand loyalty has been disrupted by poor supply chains or shortages early in the pandemic. **63% have changed stores, brands or their normal shopping behaviours.** If the experience has been a good one, will they be tempted back? Grocery Delivery has perhaps benefitted the most from the new regimes. 22% of people used online more than before, and 8% were new users. The biggest effect has been among the Boomer demographic. Originally reluctant to engage in online shopping an amazing **94% intend to do as much or more holiday and seasonal shopping online.** Over 60% Intend to continue. **Home cooking, home fitness and wellness** are all set to find a more permanent place in our home. What's clear for the moment is that some behaviours look like being long-term changes and food and beverage markets may have to adapt quickly to the new regime.



**FOR MORE
INFORMATION
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