

KANTAR

Welcome

Jane Bloomfield
Chief Growth Officer
Kantar UK



Your Kantar team today



Jane Bloomfield
Chief Growth Officer, UK



Fraser McKeivitt
Head of Retail & Consumer
Insight



Andrew Walker
Client Knowledge Director



Ray Gaul
SVP Retail Insights



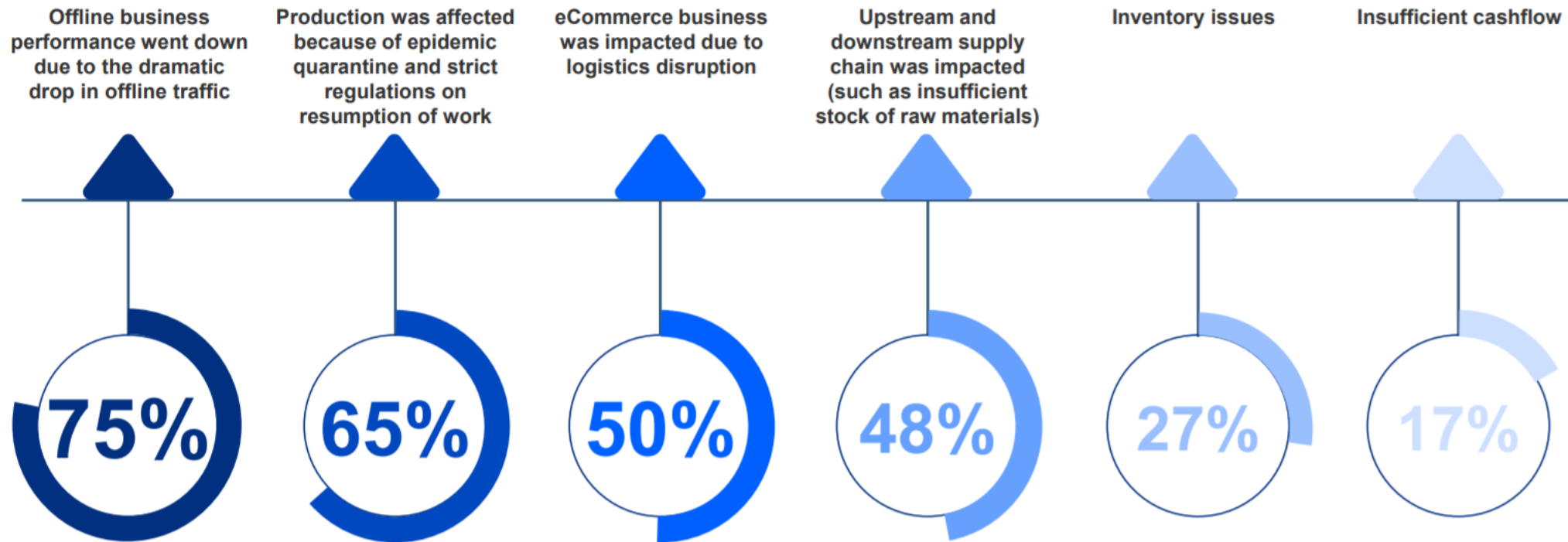
Lloyd Burdett
Global Practice Lead Futures

What you will hear today:
And what can we say
with any certainty
at this relatively
early stage

- This is a disruption. We know how disruptions work. BUT this one has some unique features
- Disruptions usually shape the future by fast-tracking some key emerging trends & putting a brake on others
- The shift to a public role for businesses and brands is likely to accelerate
- The focus on health & hygiene, community action & self sufficiency will continue for some time yet
- The optimisation of on-line experiences will be required to build desire. The e-comm challenge will quickly move from penetration to retention
- The recovery and nature of this disruption will likely contain cycles of containment and outbreak
- The “new normal” will likely take a firmer footing no sooner than 12-18 months from now

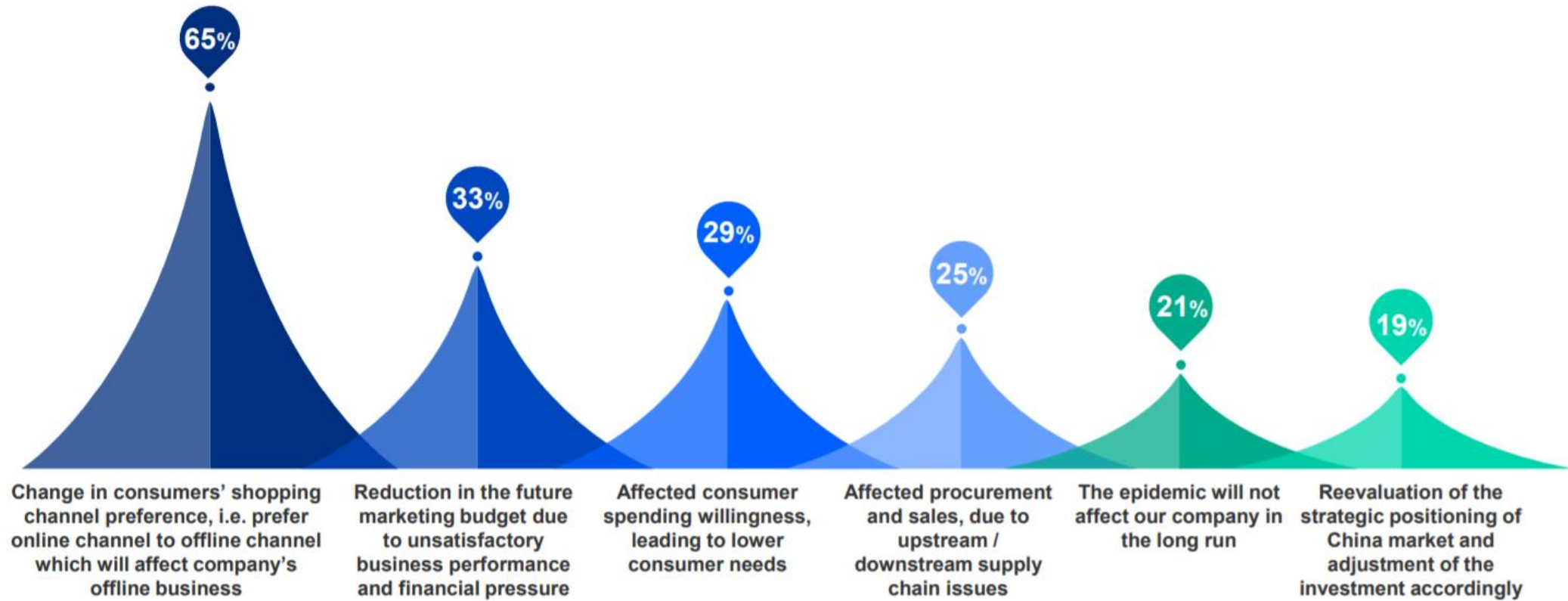
Business face a number of challenges during this 'disruption'

What are the key challenges that your company encountered during the epidemic period?



Consumers and shoppers' behavioural change is the most critical long-term business challenge

What are some long-term challenges brought by this epidemic that you think are relevant to your company?



COVID-19 LEARNING FROM CHINA

What actions has your company taken in reaction to this epidemic?

- 69%** Actively develop new Routes to the Consumer, e.g., O2O/B2B
- 62%** Increase investment in eCommerce channel
- 58%** Adjust marketing and communication strategy
- 48%** Decrease and tightly control the marketing budget
- 42%** Reschedule/rationalise the production plan
- 29%** Develop / extend the portfolio offering to meet the emerging need
- 27%** Suspend or cancel original investment plans or other CapEx

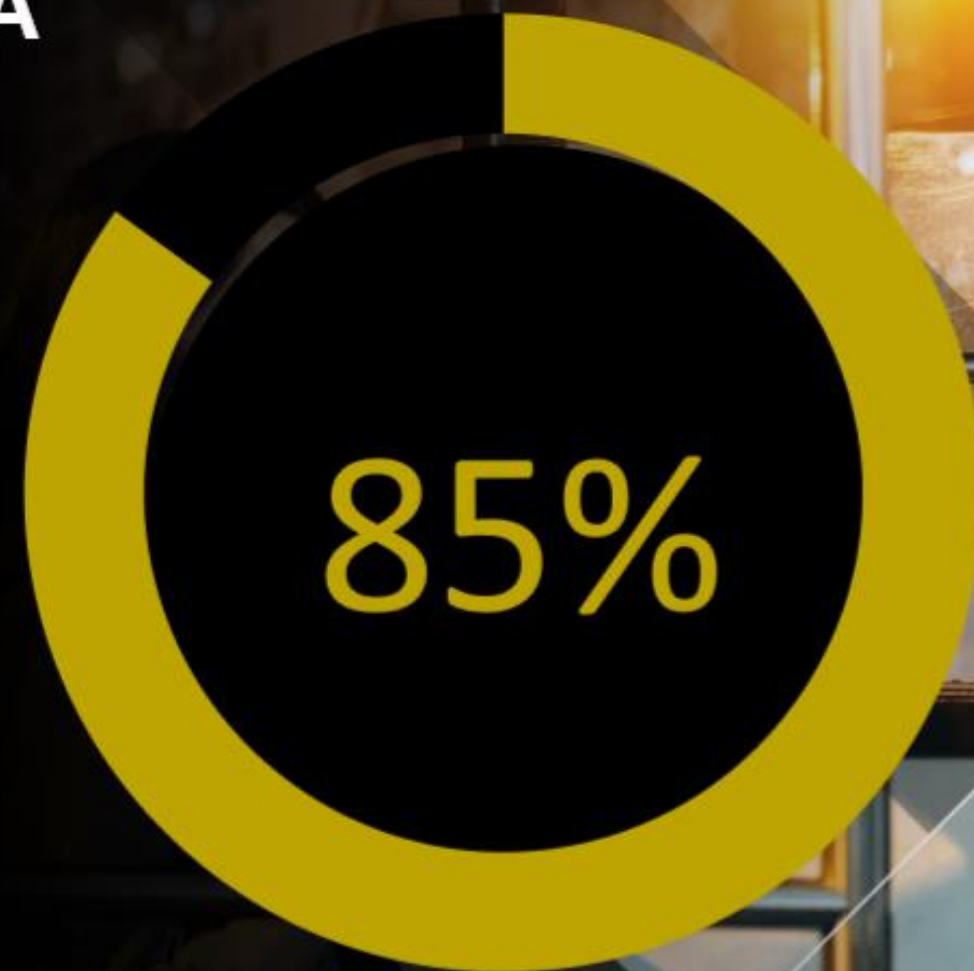


62%

COVID-19 LEARNING FROM CHINA

What are the opportunities you see for your business after the epidemic?

- 85%** More investment in eCommerce and new channels due to consumers' newly formed channel preferences
- 81%** Acceleration of company's digital transformation
- 67%** New product development opportunity driven by consumers' health and safety



COVID-19 WILL ACCELERATE **DIGITAL**

1. The ecommerce challenge is evolving from penetration to retention.
2. Expect a massive impact for online sales of shelf-stable FMCG categories.
3. The crisis has made it a priority for clients to develop ecommerce competencies.
4. There is a short window for businesses to redeploy to fuel ecommerce success.

What we know so far and what we can expect to happen next...?

Fraser and Andrew



Covid-19 and the UK shopper

#1 The headlines behind the biggest month UK grocery has ever seen



#2 Four behavioural lessons from the last four weeks



Covid-19 and the UK shopper

#1 The headlines behind the biggest month UK grocery has ever seen



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The extraordinary times we are in.

The current growth rate of 7.6% is not unprecedented, but it has never changed so quickly

Worldpanel Till Roll grocers, 12we growth





0.8%

4we 26 Jan 2020

1.4%

4we 23 Feb 2020

20.6%

4we 22 March 2020

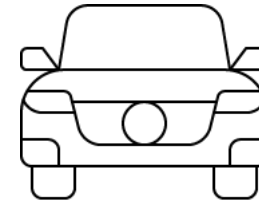
Sales of £10.8 billion

The rush wasn't because stockpilers cleared the shelves



£19.46 basket spend

+5%

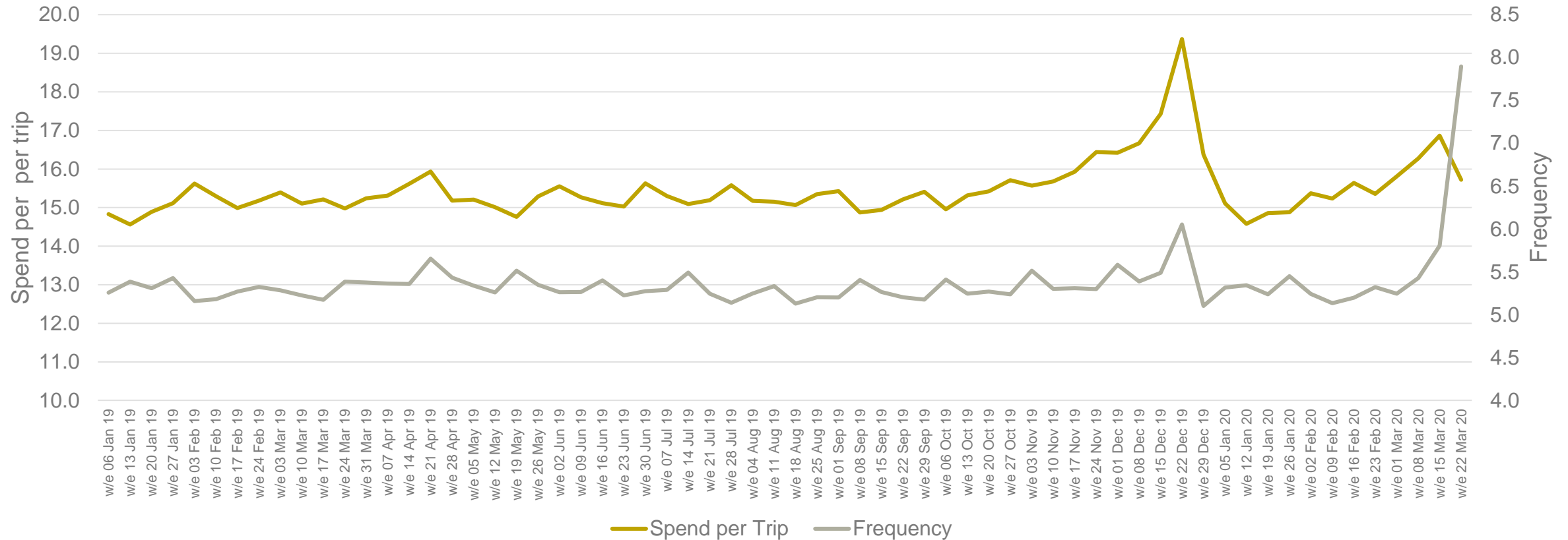


20 trips per household

+15%

Initially we put more in our baskets but the uncertainty of the last week before lockdown drove an unprecedented increase in the number of shopping trips.
 Driven by a combination of a changeable situation and empty shelves.

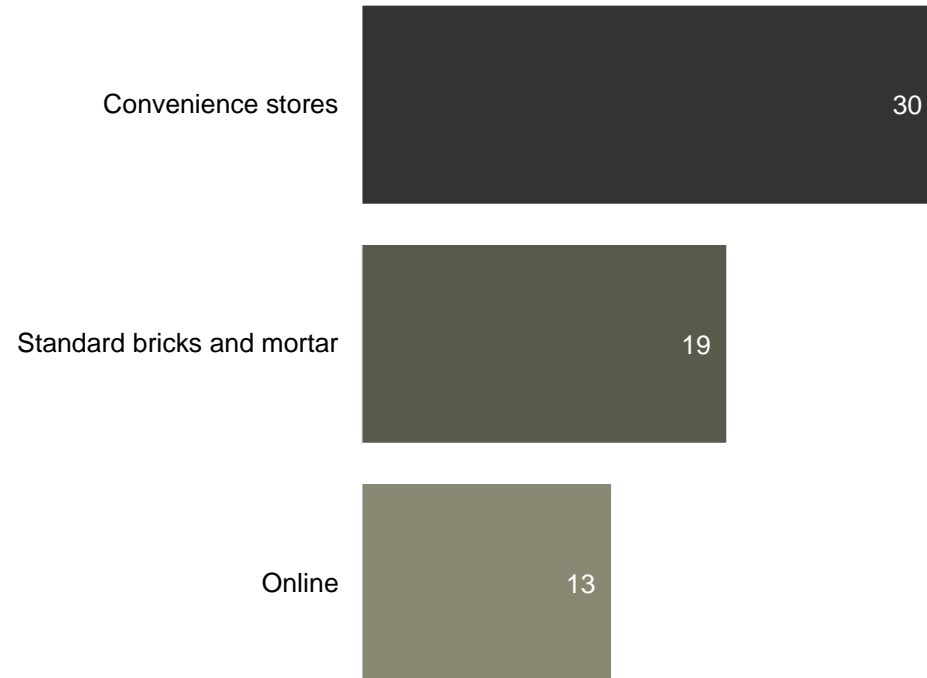
Total FMCG – Weekly Frequency vs. Spend per Trip £



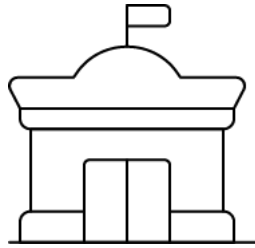
Massive changes in our shopping habits

Every channel grew substantially, but overwhelming winners were convenience stores

Till roll spend growth 4we vs last year



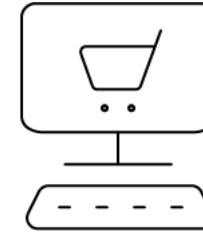
The sometimes maligned bricks and mortar store is feeding the nation



Traditional medium and large retail stores

76% of spending

73% of the £1.8 billion growth



12.6% growth up from 7.7% last month

Only 14.6% penetration

Average basket up to £81.88

Increasing pressure on household budgets



The average household spent **£63** more during March.

The increase is even greater:

In London

Larger households

The affluence question

Covid-19 and the UK shopper

#1 The headlines behind the biggest month UK grocery has ever seen



#2 Four behavioural lessons from the last four weeks



#2 Four behavioural lessons from the last four weeks

1.



This is an ever evolving crisis

2.



Footfall growth is good for all but the reverse is also true

3.



We all respond differently in a crisis

4.

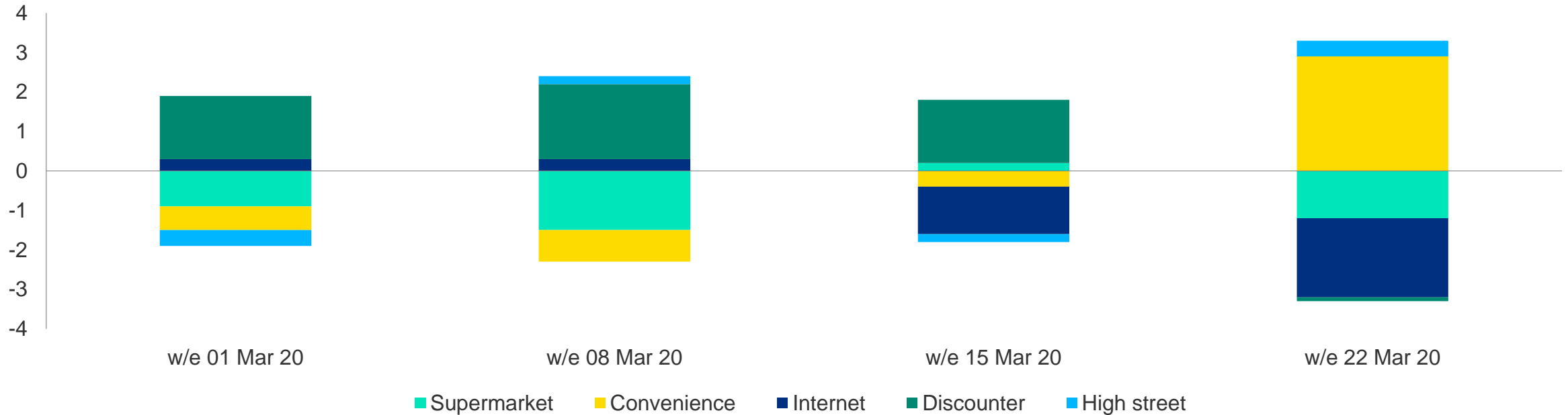


Individual response gives us the best chance to understand what comes next

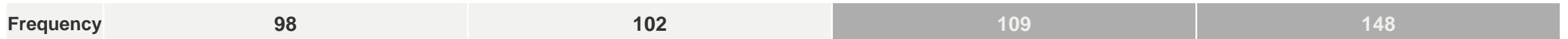
The story is changing on a weekly, and sometimes daily basis.

Government messages and the situation in stores meant w/e 22nd March was incomparable to what had come before.

Total Grocery YoY £ share point change



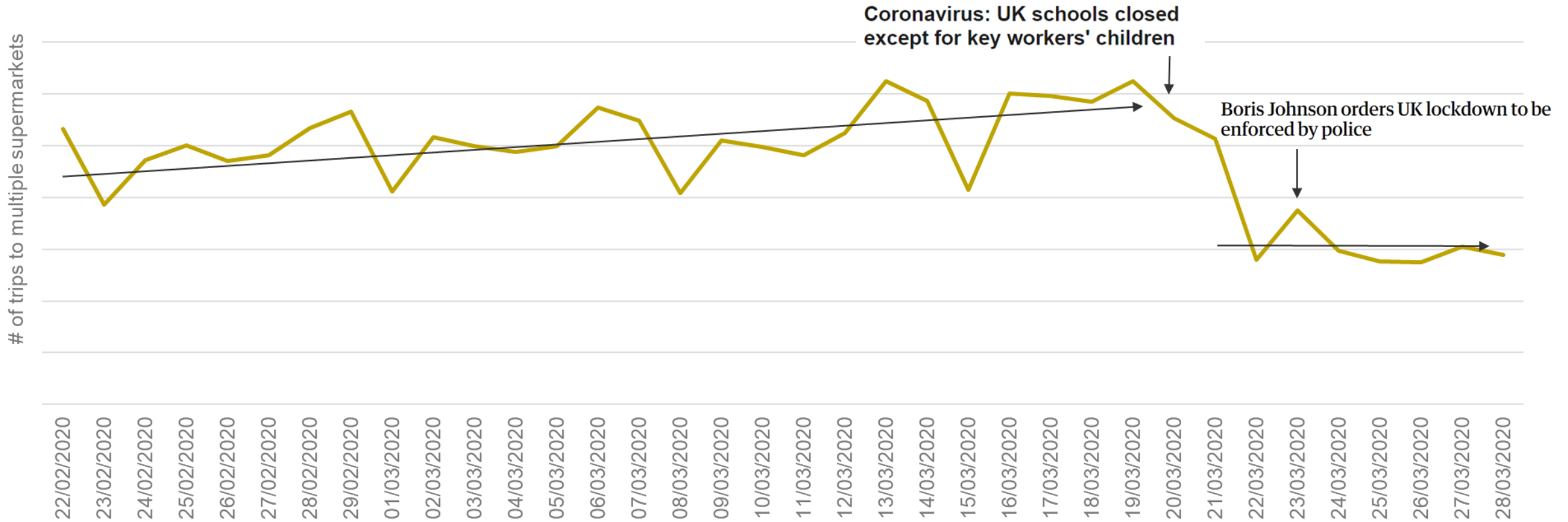
Indices vs. average week in 2019



We have already seen another step change in behaviour post 'lockdown'.

After a record high in footfall in w/c 22 March, we may have experienced a record low.

Worldpanel Plus daily data - # of trips recorded in multiple supermarkets



#2 Four behavioural lessons from the last four weeks

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Individual response gives us the best chance to understand what comes next.

Growth right across the store...

33/34

Store areas in growth vs.
the same period a year ago.

(average over the last 12 months = 20/34)

257/285

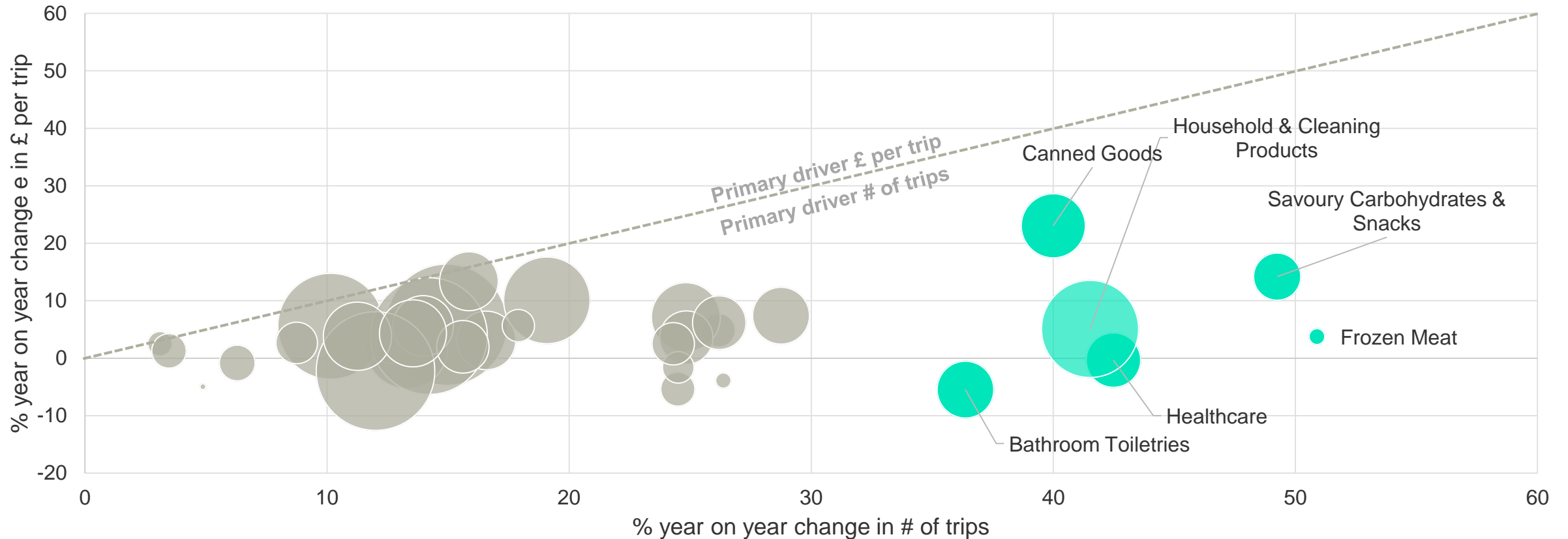
Categories in growth vs. the same
period a year ago.

(average over the last 12 months = 154/285)

Every part of the store benefitted from increased footfall.

Presence in more baskets is the primary growth driver for all market sectors.

Total FMCG – Market Sectors – Year on year growth in # of trips vs. year on year growth in spend per trip



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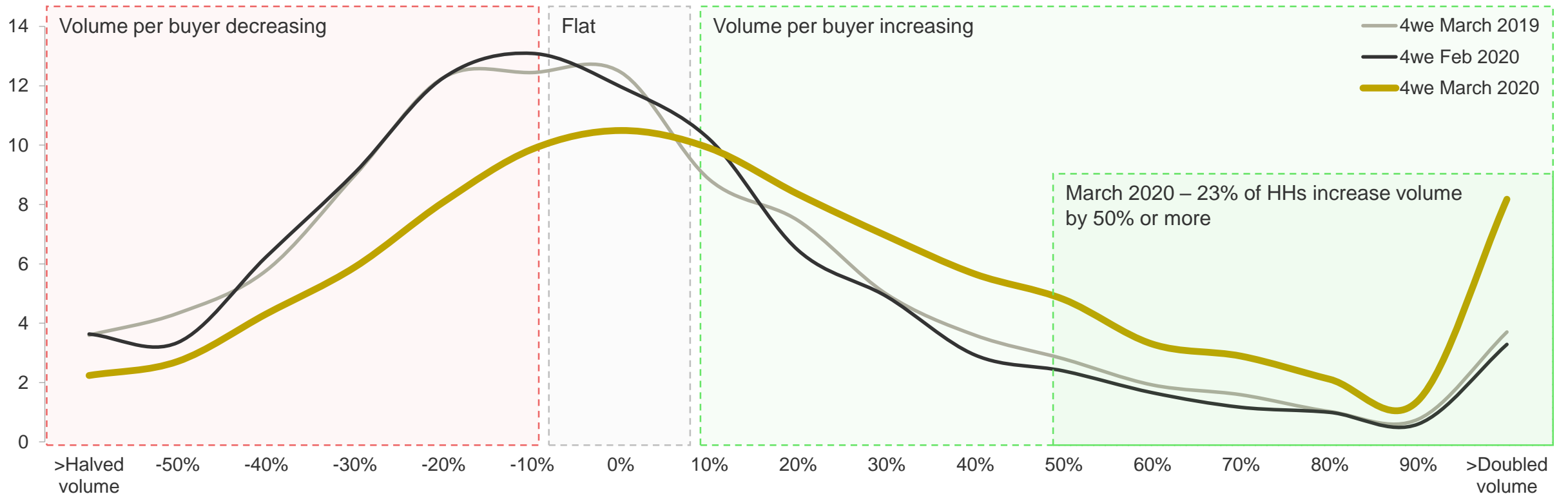


Individual response gives us the best chance to understand what comes next.

In March, more than 1 in 5 GB households increased the total amount of take-home Grocery volume they bought by 50% or more

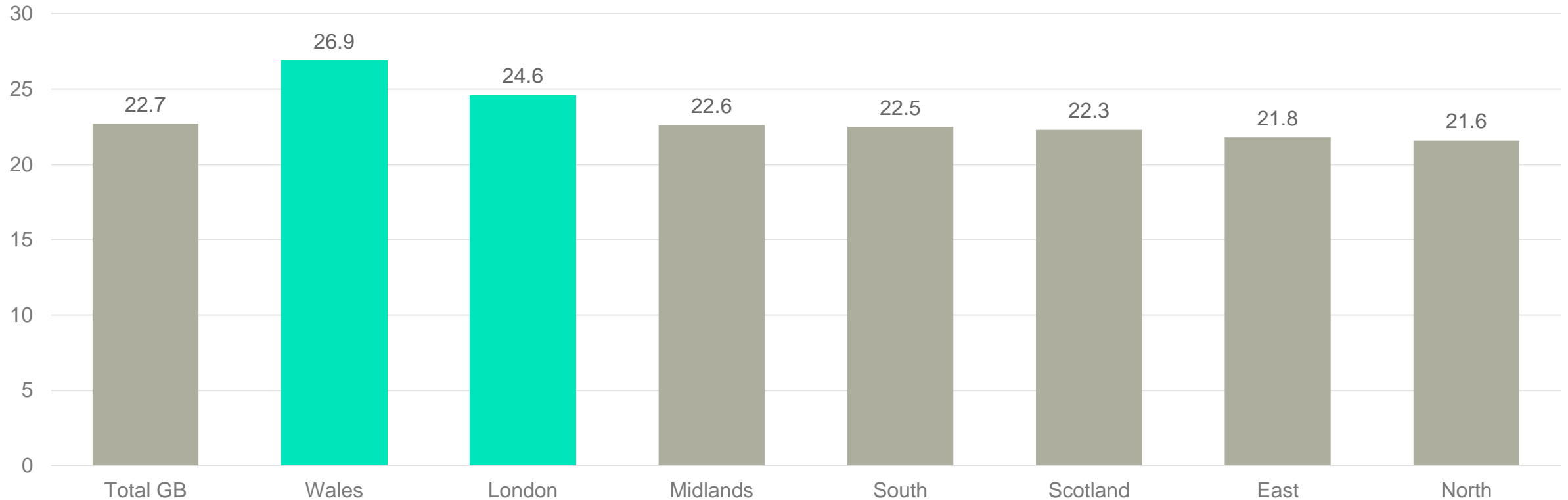
'Stocking up' spectrum – YoY change in volume per HH

Buyer %



Those households can disproportionately be found in our fastest growing regions of Wales and London.

'Stocking up' spectrum – % households who increased volume by >50% in March



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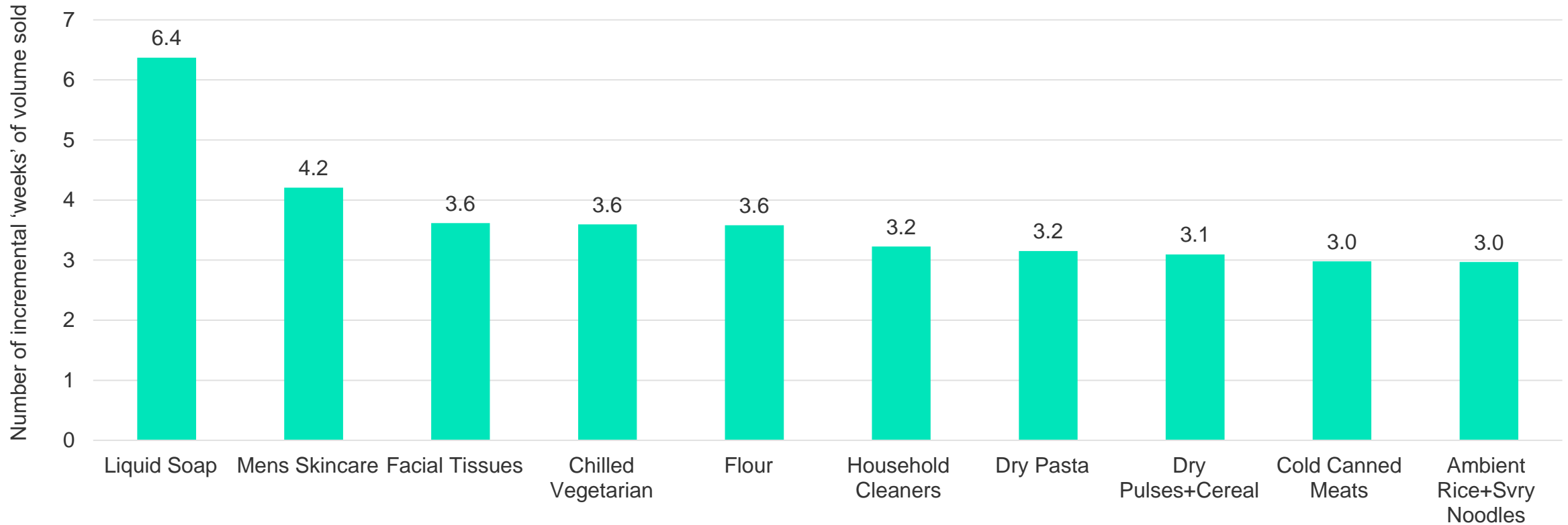


Individual response gives us the best chance to understand what comes next

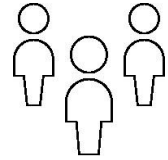
Many categories have sold almost a month's worth of incremental volume.

The question now becomes; is this cupboard stock or expanded consumption?

Total FMCG – Categories over £100m annual sales – Top 10 in terms of number of weeks of incremental volume sold (where average weekly sales are based on 2019)



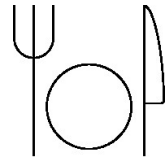
A number of factors will dictate which of those scenarios comes true for each category



Who?

(is driving the up-lift and are their habits changeable?)

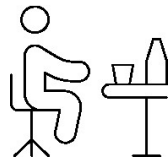
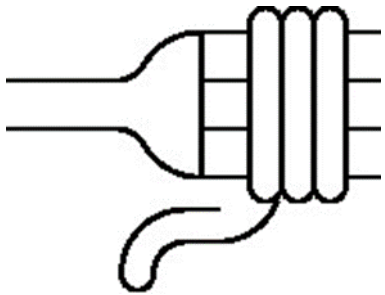
900k households have bought at least 4kg more pasta in the first 12 weeks of 2020 than 2019



More time at home?

(how far will this benefit each category?)

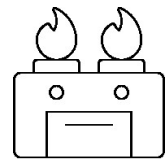
22% of evening meals are out of home. A potential £200m more per week for in home products



Expandability?

(if there is more in my cupboard do I use more?)

Expandability can exceed 80% for the most impulsive categories



Changing priorities?

(how might these affect relevance)

Healthy eating typically drops down the priority list during an economic shock. Can we expect the same now?

#2 Four behavioural lessons from the last four weeks

1.



This is an ever evolving crisis

There are many more phases to navigate and ability to adapt will be crucial

2.



Footfall growth is good for all but the reverse is also true

Expect a short term slowdown; regardless of cupboard stocks

3.



We all respond differently in a crisis


Don't generalize the consumer need even when lifestyles have become more homogenous than ever.

4.



Individual response gives us the best chance to understand what comes next

The category level impact will vary enormously but there is scope to influence it if it is well understood.

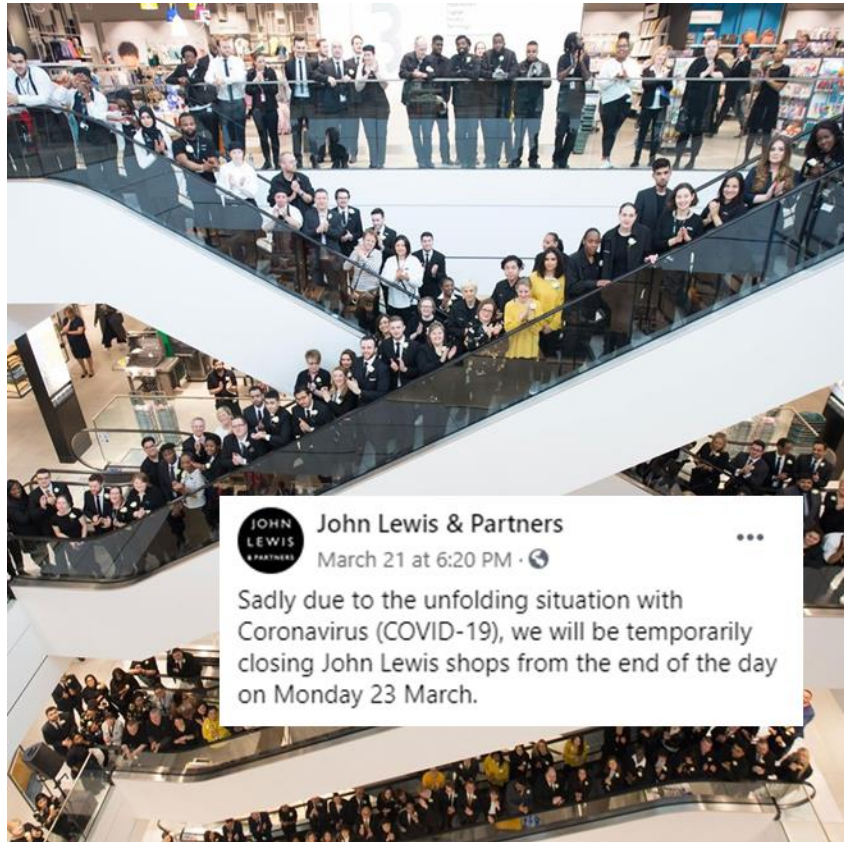


What's next for food and medicine retailers?

Ray

Just over one week ago...

Retailers were happy to have crowded spaces



The big question remains: What comes next?

Four areas of concern for food & medicine retailers in the weeks ahead

1. Social distancing @Store

NOW

Instore protective measures



NEXT

No store required

2. Staff policies

Hazard pay & spot bonuses



Harmonized rules on staff

3. Government cooperation

Coordination on reaching most vulnerable



Council by council supply-chain & "kits"

4. Supply chain

Essential items fast-tracked (national)



Global coordination on migrant workers & shipping

1. Social distancing @Store

The problem - Number of shoppers per hour of operation



Shoppers at Heaton Park in Manchester showing how it's done

E News ▶ UK & World News

Man arrested after allegedly jumping social distancing queue at supermarket

Supermarkets have set up queues with two-metre gaps to enforce the new rules

2. Staff policies

The problem – staff shortages and concerns for health raising OPEX

UK companies now hiring



£9.48 / hour



£9.50 / hour



£10 / hour



£9.10 / hour



£120 / day



£9.30 / hour



£10.60 / hour



£9.30 / hour



£9.00 / hour



£9.35 / hour



£11.148 / hour

What we are seeing retailers doing:

- Protective measures in stores (such as PPE and screens at cashiers)
- Sick and holiday pay for the most vulnerable employees
- Redeploying staff from companies that can no longer work in current climate – Ocado & Morrisons
- Bonus and recognition – retailers increasing pay, adding hazard pay bonuses, providing spot bonuses to motivate
- Hiring process simplified i.e. telephone interview, some walking in to jobs the next day

Pls RT for anyone in the UK who has lost a job due to Coronavirus

3. Government cooperation

The problem: Social distancing slows everything down & self-isolation strains delivery

We've set a 3 item limit on most products*
Due to high demand, you may not get everything you order

*2 item limit on some products. 80 items max


ASDA



Please wait. Lots of customers are shopping with us right now.


Please do not refresh your browser -
you are now in a queue.

We apologise for the inconvenience and thank you for your
patience. We will get you shopping as as soon as possible.



Vegetarian Food Box £35.00

A selection of food suitable for vegetarians, plus essential household items. Image for illustration purposes only.



Meat Eaters Food Box £35.00

A selection of food including fresh meat, plus essential household items. Image for illustration purposes only.

Sainsbury's

Groceries ▾ Favourites Offers Discover Recipes Delivery Pass Easter Eggs

Supporting elderly and vulnerable customers:

- We are doing our best to offer online delivery slots to elderly, disabled and vulnerable customers and these customers have priority over all slots, and have proactively contacted 270,000 customers who we identified as elderly or vulnerable based on the information we had
- This week we will receive the government database that tells us which people in England the government considers to be most vulnerable, to offer those registered with us a delivery slot. You can [register as vulnerable to coronavirus on GOV.UK](#) to get added to our list in the coming days.
- We are also working hard to secure details for vulnerable people living in Wales, Scotland and Northern Ireland

4. Seasonal workers

The problem – restricted movement

Tonnes of crops left to rot as farms struggle to recruit EU workers

Brexit fears and fall in sterling causing pickers to stay away, says National Farmers' Union

● [Latest Brexit news - live updates](#)

Sarah Butler

🐦 @whatbutlersaw

Fri 11 Oct 2019 17:58 BST



10,540



▲ British gala apples at an orchard in Kent. Photograph: Rod Kirkpatrick/F Stop Press

Thousands of tonnes of fruit and vegetables are being left to rot in UK fields because of a shortage of pickers and packers in the face of continuing [Brexit](#) uncertainty.

“ In 2016 shortly after the [Brexit] referendum, British Growers conducted a survey which indicated that the requirement for seasonal labour was in the region of 70,000 workers.

As things stand following this announcement, we face going into the 2021 season with just 10,000 permits for non-UK workers, a shortfall of around 60,000.”

Jack Ward, CEO British Growers, February 2020

Medicine – the situation today



Which? Survey December 2019



German study

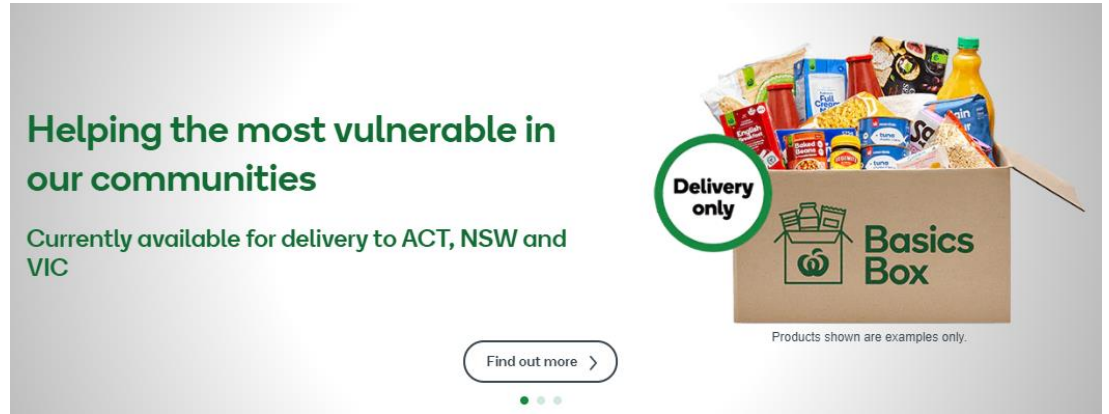
Examples of what comes next

Social distancing @store



Carrefour is mobilizing to help our nursing staff do their shopping quickly and calmly

Government cooperation



Staff policies



BILD.DE

Spanier wird erfinderisch: Gestern Restaurant, heute Supermarkt
Corona legt die Gastronomie lahm. Carlos Martinez (28) vom Restaurant...

Supply chain



Deliveroo has teamed up with BP and M&S for households isolating

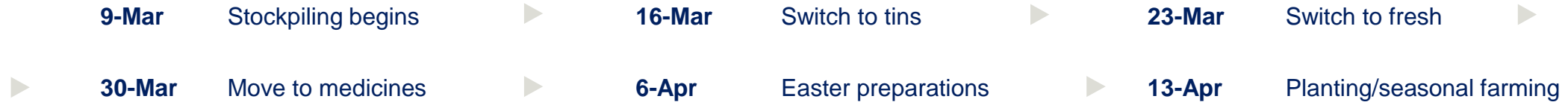
Conclusions on what comes next for grocery & medicine retail

The financial model

$$\text{Weekly gross margin} - \text{Staffing, warehousing, and delivery costs} = \text{Weekly operating profit}$$

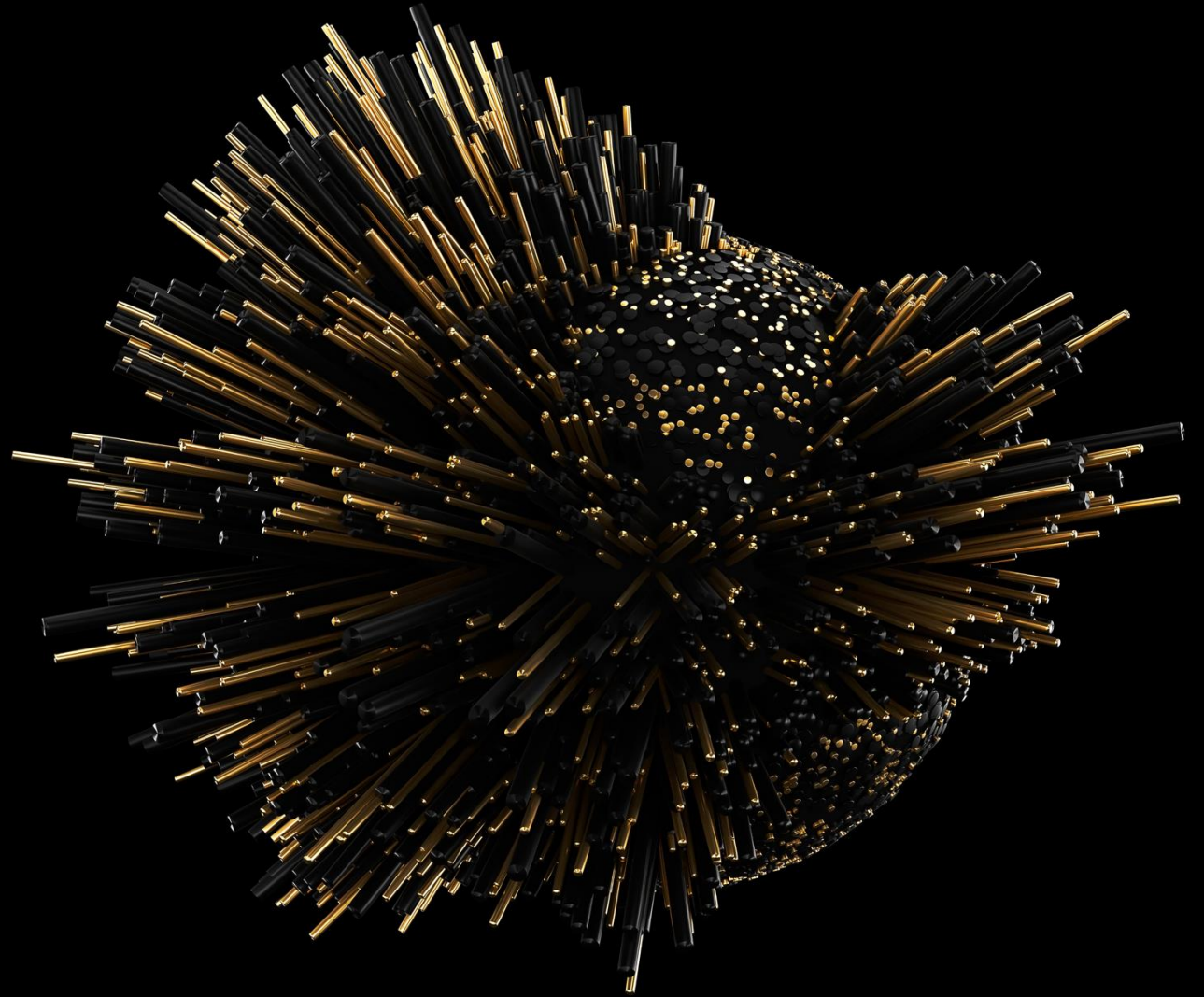
shoppers x transactions x # items x margin % per item (# staff x hours worked x hourly pay) + equipment & energy costs

Timeline



Anticipating the Balance of 2020

Lloyd



Consumer Point of View

Four Possible Futures

These scenarios were developed by examining two key uncertainties:

- How the virus behaves in the form of the frequency of the outbreak i.e. a one-time outbreak or repeated / seasonal cycles of outbreak
- How people behave in the form of consumers' emotional reaction i.e. controlled response or panicked response

The scenarios should be read as a set exploring the boundaries of possibilities—they are like the “tent pegs” at the corners of the future. It is likely that the future will actually contain elements of each of these scenarios.



SCENARIO 1

Close Call

One-Time Outbreak, Controlled Consumer Reaction

- The public health system is strained by COVID-19 but doesn't break
- Lockdown measures heeded by public combined with testing control disease outbreak
- Public / Private sector partnership and innovation allow healthcare / food systems to largely cope
- Moderate recession takes hold but worst avoided by intense Govt action
- Consumer confidence rebounds relatively quickly with splurging once worst of outbreak is over in late summer due to pent up demand
- This is particularly the case where Governments intervened quickly devised plans that allowed the majority of workers to get paid and keep their source of income during the peak of the crisis.



Scenario Details

Close Call

One-Time Outbreak,
Controlled Consumer Reaction



Business

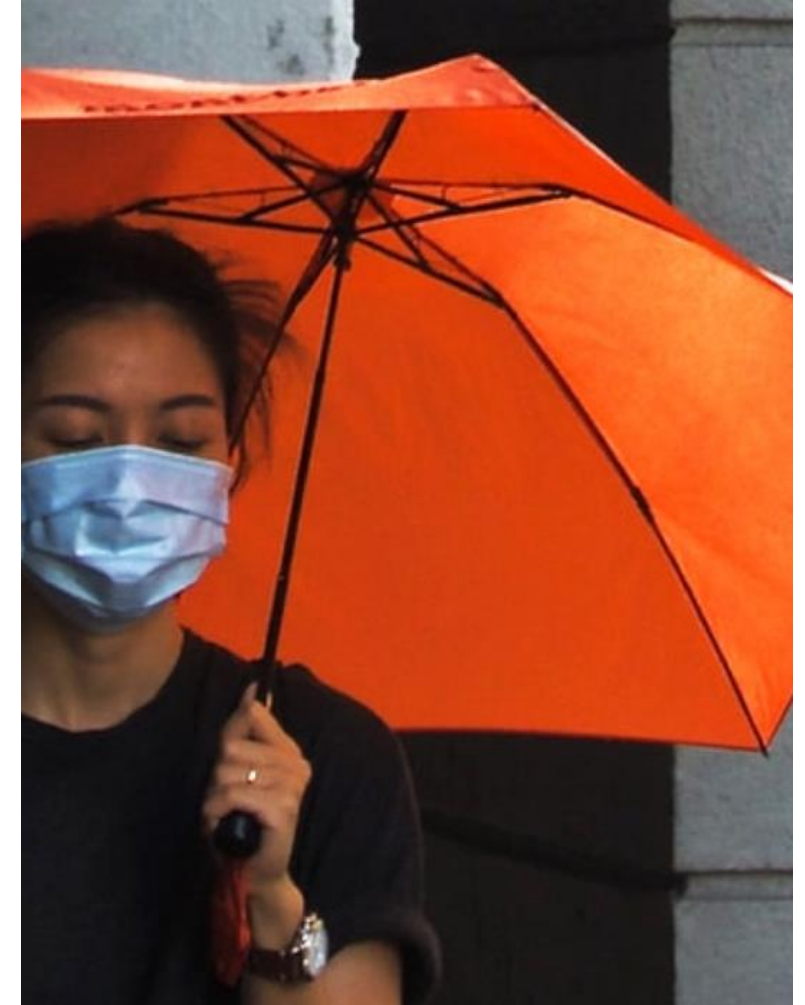
- Employees take extreme social distancing measures & leaders rapidly develop ways of working centered around remote working
- Productivity dips initially but rebounds as employees adjust and find efficiencies
- Business and Government co-operate to ensure that workers receive wages and keep jobs through the peak of the crisis.
- Blue-collar workers are given the protective equipment necessary to continue to perform critical economic functions.

Retail & Consumer

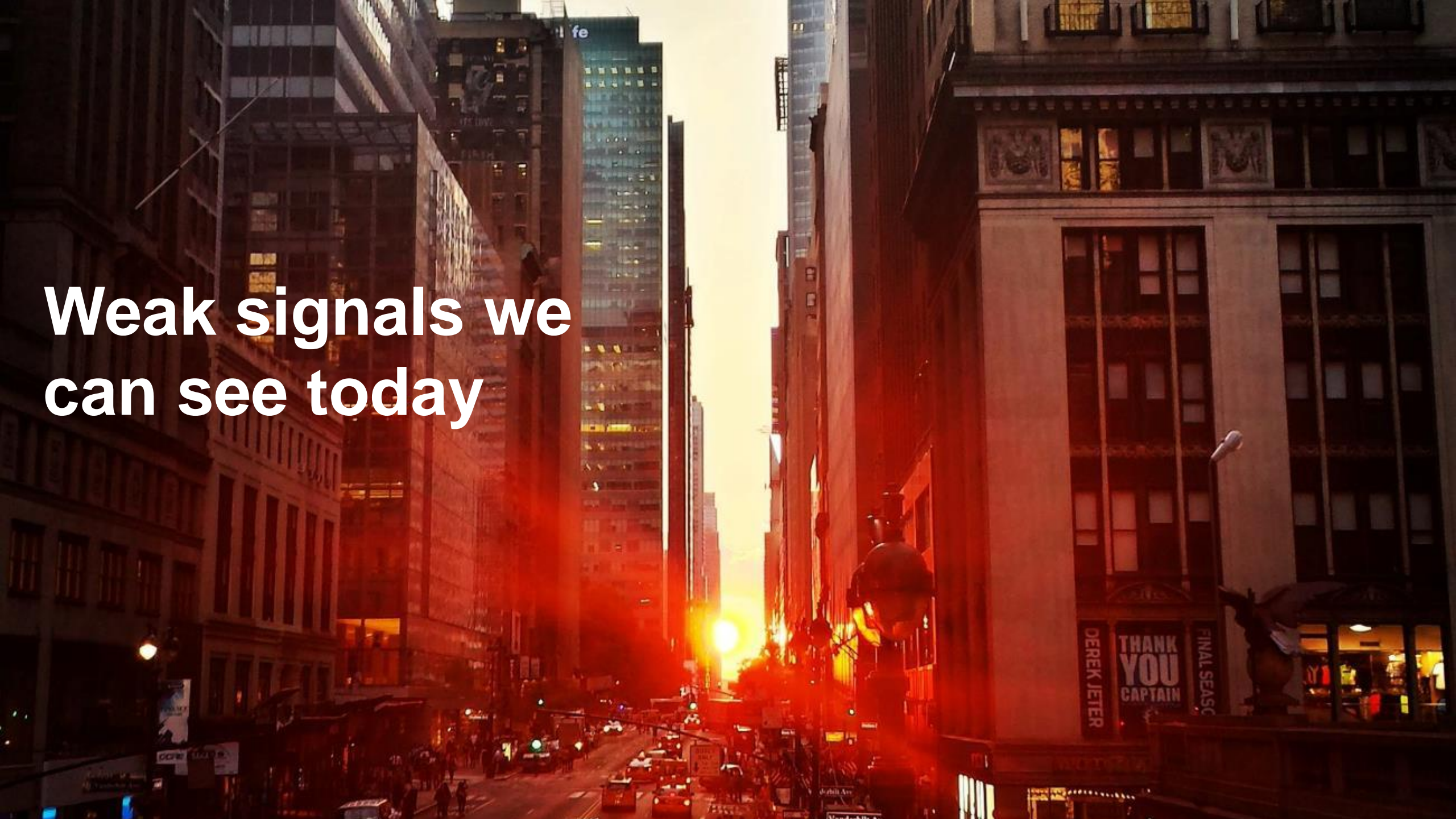
- Spike in demand for key cleaning supplies and food staples. On and off-line retail environments adapt offering to ensure fulfillment accordingly
- Mixture between physical retail & e-commerce adjusts quickly to suit a reality where "social distancing" is the new normal—for a few months.
- Delivery systems & businesses innovate to reflect a sudden shift in demand & phase back into normal by Q4 2020, making up for some earlier losses through fulfillment of pent-up demand

Cultural & Consumer

- People are much more focused on health and hygiene concerns in the short term
- People have a sense of having narrowly skirted disaster, which leads to a sense of optimism and resiliency and new found belief in community
- People reassess their values and how they spend their time. Former distractions, now revealed as superfluous, lose their appeal as positive civic participation rises amongst the younger generations
- Massive upsurge in use of virtual experiences and connection, although desire for face to face contact and experiences picks up immediately after Government controls are lifted.
- Millennials in particular are hit by the economic decline, as it impacts their ability to make payments on debt, home loans etc
- Younger generations like Gen Z are infused with a sense of can-do spirit & additional resilience driven by their ability to get by in a crisis
- Some new behaviors stick beyond the crisis, e.g. greater use of e-commerce and virtual experiences / sources of connection, but no other major shifts in consumer and shopper behavior



**Weak signals we
can see today**



Panicked CONSUMER REACTION,
as systems struggle to absorb impact

SCENARIO 2

Panic
Attack

SCENARIO 3

Recurring
Nightmare

FREQUENCY

One-Time
Outbreak

SCENARIO 1

Close
Call

FREQUENCY

Recurring or
Seasonal
Outbreaks

SCENARIO 4

Brave New
Reality

Controlled CONSUMER REACTION
as systems manage to absorb impact

Panicked CONSUMER REACTION,
as systems struggle to absorb impact

Riots and resistance in South Africa Kenya
& India as lockdown style measures are put
in place

Much of Europe and Asia showed signs of
panic buying in the early stages of
lockdown

US Federal & State Government clashes. US
sales of firearms increase

Indian migrant workers leaving the cities to head
home due to lack of basic food / shelter or
economic support

Social unrest in Wuhan as some but not all travel
restrictions lifted

Talk that some Govt leaders may use this as an
excuse to keep emergency powers intact well
beyond the immediate crisis

FREQUENCY

One-Time
Outbreak

China & South Korea slowing releasing social
movement restrictions

Italy looks to be reaching peak cases after a
few weeks of lockdown

Private & Public Sector collaboration in UK
to develop new ventilators and similar
devices

New cases coming into South Korea, Hong
Kong etc

12-18 month estimated wait for a vaccine

Discussions in UK about turning restrictions
on & off in line with demands on NHS
infrastructure

FREQUENCY

Recurring or
Seasonal
Outbreaks

Controlled CONSUMER REACTION
as systems manage to absorb impact

Panic so far seems to be a temporary phase...

If Italy's journey into Covid-19 is a few weeks in front of the UK's, there are clues about the road ahead.

Cighetti says panic buying was one of the first social symptoms of the epidemic.

"It's difficult to behave well under pressure," he says. What stopped people hoarding food was when the supermarkets demonstrated there was no shortage - by constantly and visibly re-stocking shops.

Once people were confident there were no problems with the food supply, the "panicking behaviour" stopped.

BBC News Article: Lessons from Italy's lockdown

Panic buying in most European markets stopped after the first few weeks...

But unease remains about restrictions in places as far flung as Kenya, China, Peru, USA

While Americans queue up outside gun stores in California and other states



But things change fast... A week or two ago this was the outlook...

Coronavirus: Global growth 'could halve' if outbreak intensifies

2 March 2020 1678

Coronavirus pandemic



GETTY IMAGES


G20 believes economy will have a V-shaped recovery

OECD forecasts Global GDP growth rate to halve (to 1.5% from 2.9%) if there is an intensive outbreak

PM: We can 'turn the tide' on coronavirus crisis


19 March 2020

Coronavirus pandemic



Trump Sets Easter Goal For Reopening American Economy

By PHILIP EWING · MAR 24, 2020



UK Prime Minister says UK can turn the tide on C-19 in 12 weeks

US President says he wants US back at work & churches "full for Easter"

China is lifting travel restrictions and life is returning to normal



China lifting travel restrictions, "life getting back to normal" after 2 months

No new cases for consecutive days

More recent headlines give a different picture

Global economy will suffer for years to come, says OECD

By Szu Ping Chan
BBC News

23 March 2020 | 688

Share

Coronavirus pandemic



OECD reports there is little chance of a V-shaped or “snap-back” economic recovery.


Earlier projections look “way too optimistic already”. World will take years to recover...

Coronavirus: Six months before UK 'returns to normal' - deputy chief medical officer

3 hours ago


Share

Coronavirus pandemic



Trump extends social distancing guidelines until April 30

Posted: 11:20 AM, Mar 29, 2020 Updated: 12:15 AM, Mar 30, 2020
By: Scripps National, Associated Press



UK Deputy CMO says realistically it will be 6 months or so before UK life gets back to normal

US President extends social distancing measures until April 30th

Do not relax Covid-19 measures in Wuhan too soon, scientists warn

Lifting restrictions in March could lead to new peak of cases in August, study suggests

China risks second wave of coronavirus infection from patients coming back from abroad

In the last seven days, China has reported 313 imported cases of coronavirus but only 6 confirmed cases of domestic transmission.

Scientists warns that lifting lockdown & social distancing measures in Wuhan too soon may lead to new peak in August.

Asian countries are also guarding against second wave of cases coming from people coming back from abroad

Two important contexts remain

1 Timeline for a vaccine still 12-18 months earliest

2 Without a vaccine no Govt has a clear “exit” strategy

"Coronavirus Vaccine Still 12 To 18 Months Away," Says WHO As Covid-19 Global Count Soars

GENERAL NEWS

In a massive and worrying statement, the World Health Organisation (WHO) on Saturday has said that the vaccine for coronavirus will still take at least 12 to 18

Written By [Navashree Nandini](#) | Mumbai | Updated On: March 28, 2020 10:08 IST

NEWS

Coronavirus ‘exit strategy’ could be months — or years — away

By [Mary Kay Linge](#)

March 21, 2020 | 10:00am | Updated



So what can we say with any certainty at this relatively early stage

- This is a disruption. We know how disruptions work. BUT this one has some unique features
- Disruptions usually shape the future by fast-tracking some key emerging trends & putting a brake on others
- The shift to a public role for businesses and brands is likely to accelerate
- The focus on health & hygiene, community action & self sufficiency will continue for some time yet
- The optimisation of on-line experiences will be required to build desire. The e-comm challenge will quickly move from penetration to retention
- The recovery and nature of this disruption will likely contain cycles of containment and outbreak
- The “new normal” will likely take a firmer footing no sooner than 12-18 months from now

KANTAR

Q&A



We are here to help – additional resources and further content

There is a huge amount of content on [Kantar.com/inspiration/coronavirus](https://www.kantar.com/inspiration/coronavirus)

Our **C19 Barometer** understanding the impact for brands is running in over 50 markets

Access our **Covid-19 daily news alert**, you can sign up here

<https://www.kantarmedia.com/uk/campaigns/covid-19-sector-news-report>

Weekly webinars – our next ‘State of the Nation’ is this Friday at 9.30am, look out for invitations