COVID-19 "NEW NORMAL" SHOPPER & CONSUMER BEHAVIOR REVEALED

APRIL 29TH 2020

This report has been prepared by NAILBITER in collaboration with RB Shopper Insights

1,000

CONSUMERS AND SHOPPERS
ACROSS TOTAL US

50

RETAILERS IN-STORE AND ONLINE
FOOD, DRUG, MASS, DOLLAR, CLUB AND ONLINE

30

MEASURES
UNIQUE BRAND, CATEGORY AND RETAILER LEVEL MEASURES OBSERVED

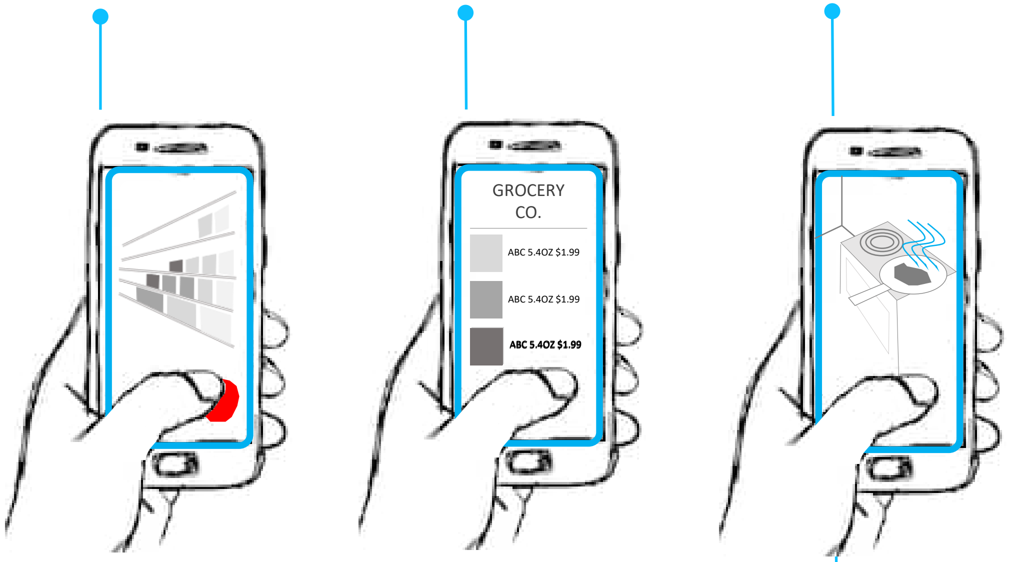
25

CATEGORIES
ACROSS THE CPG SPECTRUM

5

WEEKS

- WEEK 1: March 15th to March 21st
- WEEK 2: March 22nd to March 29th
- WEEK 3: March 30th to April 6th
- WEEK 4: April 7th to April 13th
- WEEK 5: April 14th to April 21ST



IN STORE PURCHASE DECISION

E-COMMERCE PURCHASE DECISION

AT-HOME STORAGE, FULLFILMENT & USAGE

REAL SHOPPERS AND CONSUMERS
LIGHT INSTRUCTIONS, SHORT VIDEOS
ACTUAL PURCHASE AND CONSUMPTION BEHAVIOR

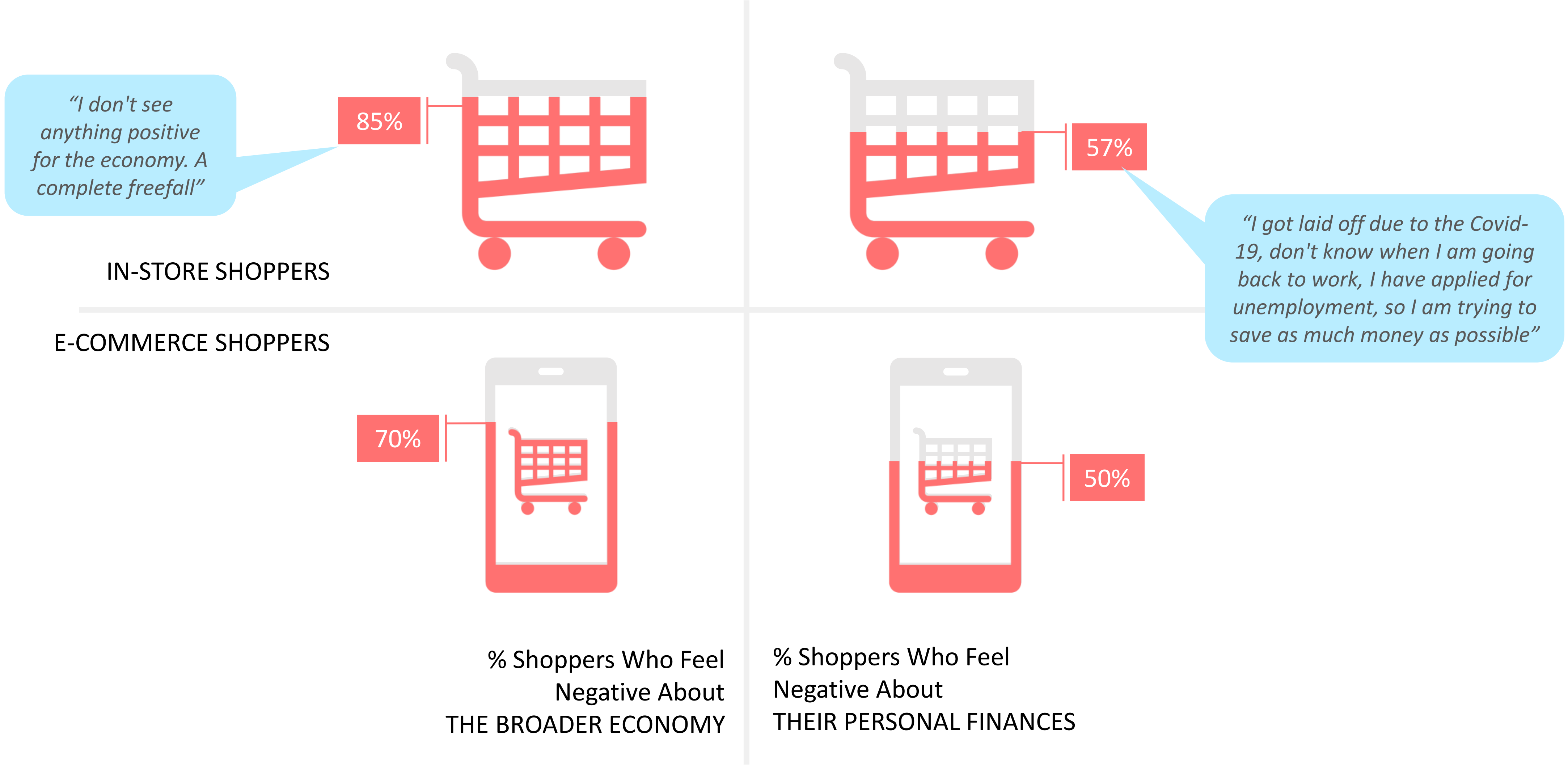
1.

INSTABILITY IS PART OF THE NEW NORMAL

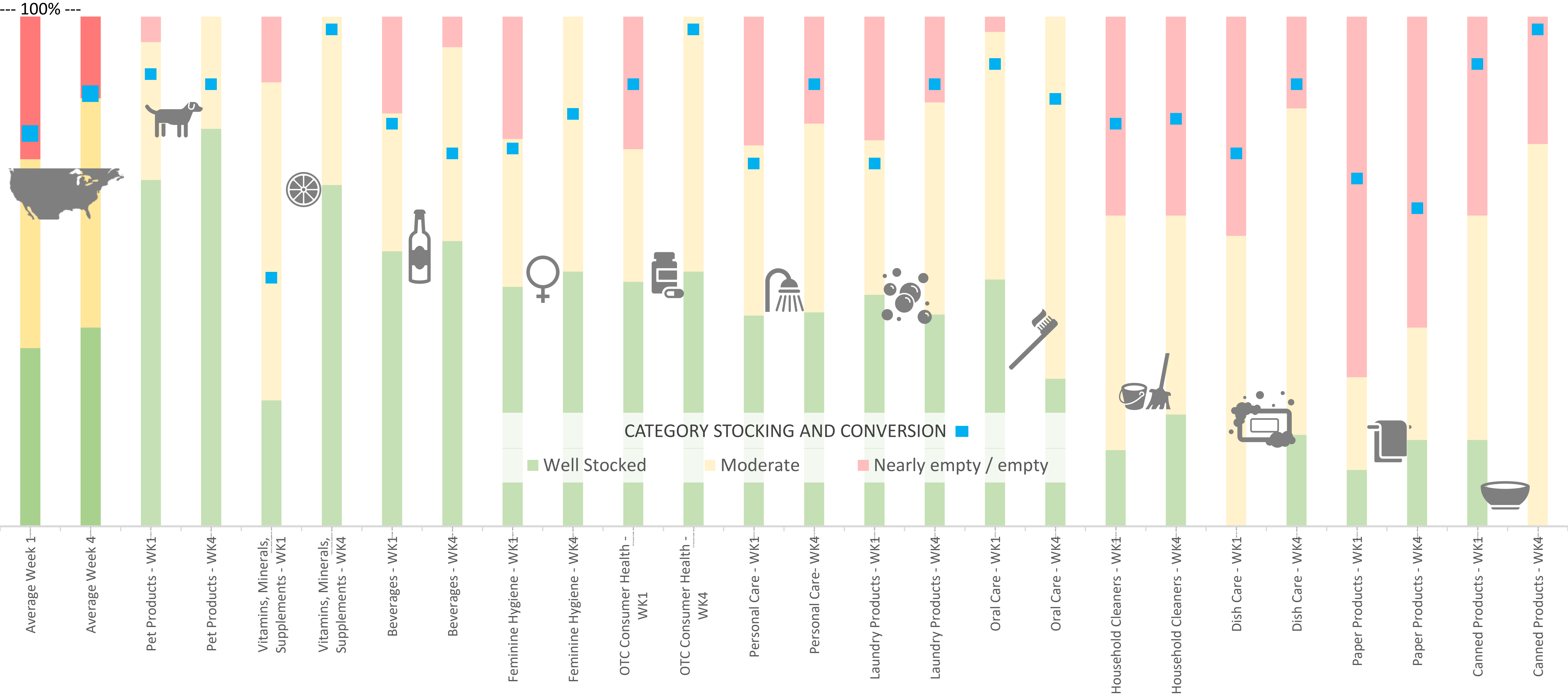
Both the Pandemic and the Economy are likely to see recurring ups and downs as well as some serious shocks. This will disrupt supply chains as well as Consumption and Purchase Behavior.

CPG Brands will need to develop new ways of listening to & communicating with Consumers.
Nimble Teams and Brands are poised to capitalize.

Economic concerns, both broad and personal, may be driving shoppers back into the stores where they feel they can find better deals and value.



The in-store environment is normalization. Out of stocks are steadily declining, driving higher Notice to Cart Conversion rates. Shoppers are increasingly able to make normal shopping decisions without forced substitutions.



Conversion = % of Shoppers who Notice a Category and then Cart something from the Category

2.

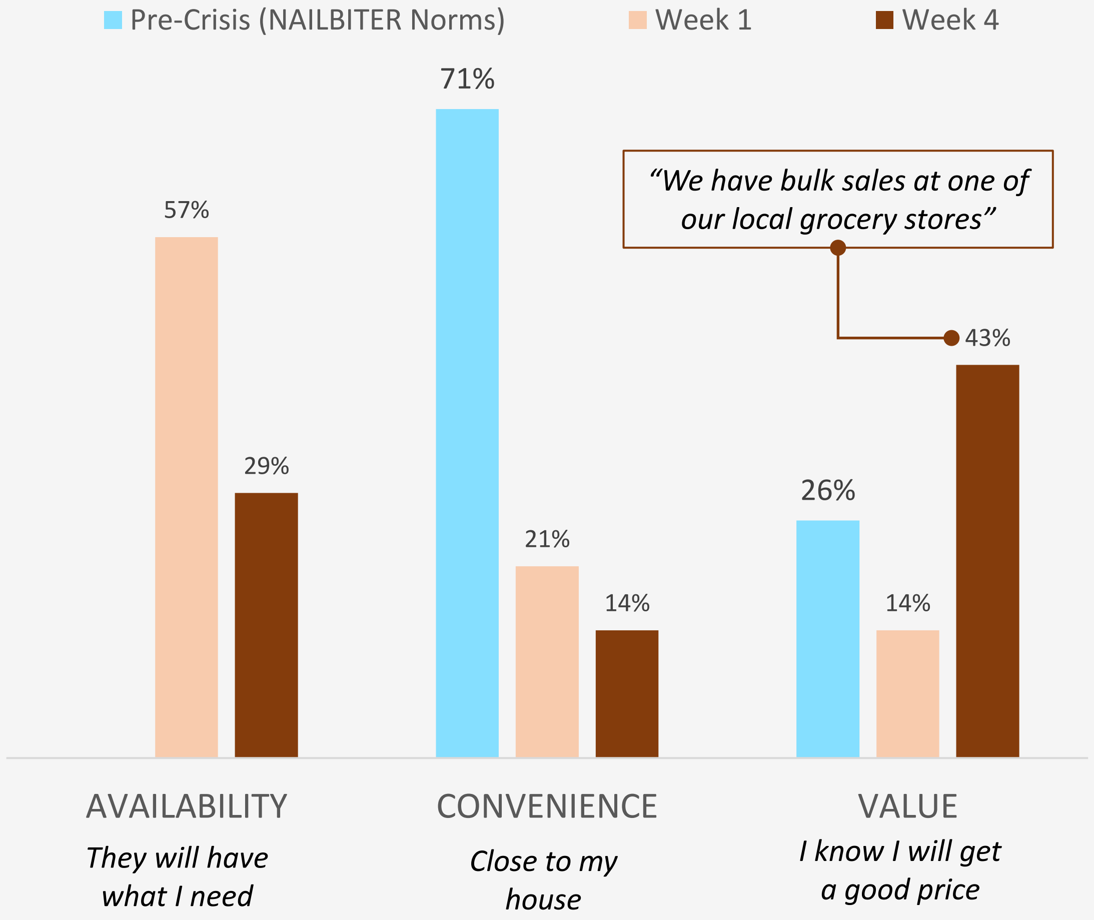
SHOPPERS WANT VALUE, PREFERABLY FROM THEIR BRANDS

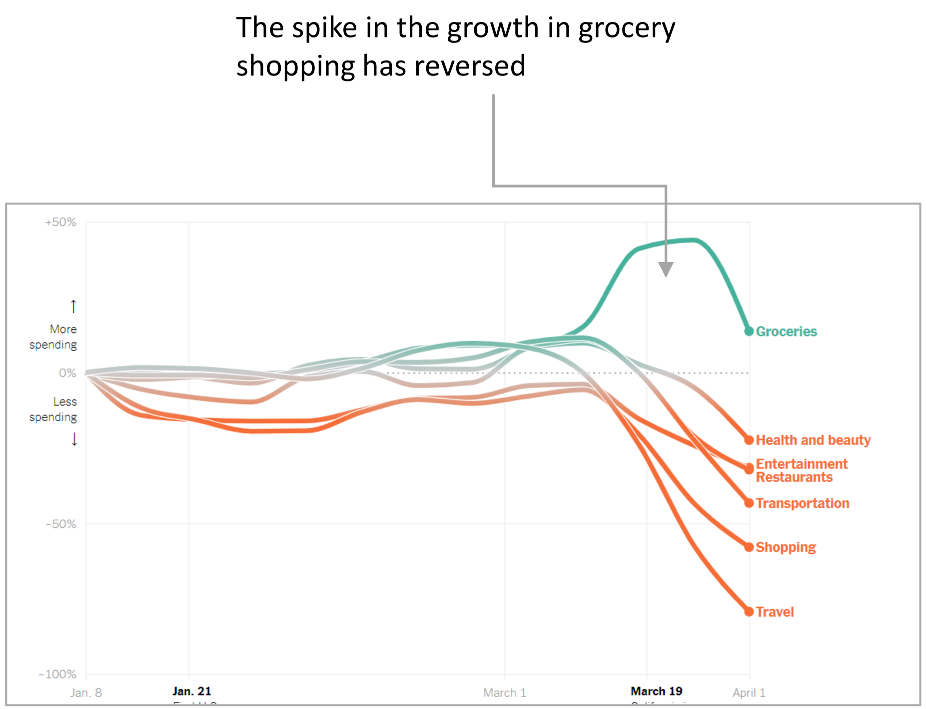
Shoppers are selecting retailers hoping to get value for their dollar. Once in-store, they prefer to stick with their favorite brands and not switch to Private Label or cheaper brands. Value perceptions are not rational and based largely on total Price.

CPG Brands need to dust off the “Basic version,” “Value Pack,” and “Lower Price|Smaller Size” playbooks

In-store shoppers are increasingly looking for value when making retailer selections. This further indicates the psychological state of the "new normal" for the CPG shopper.

DRIVERS OF IN-STORE RETAILER SELECTION
(Top criteria by % of Shoppers)

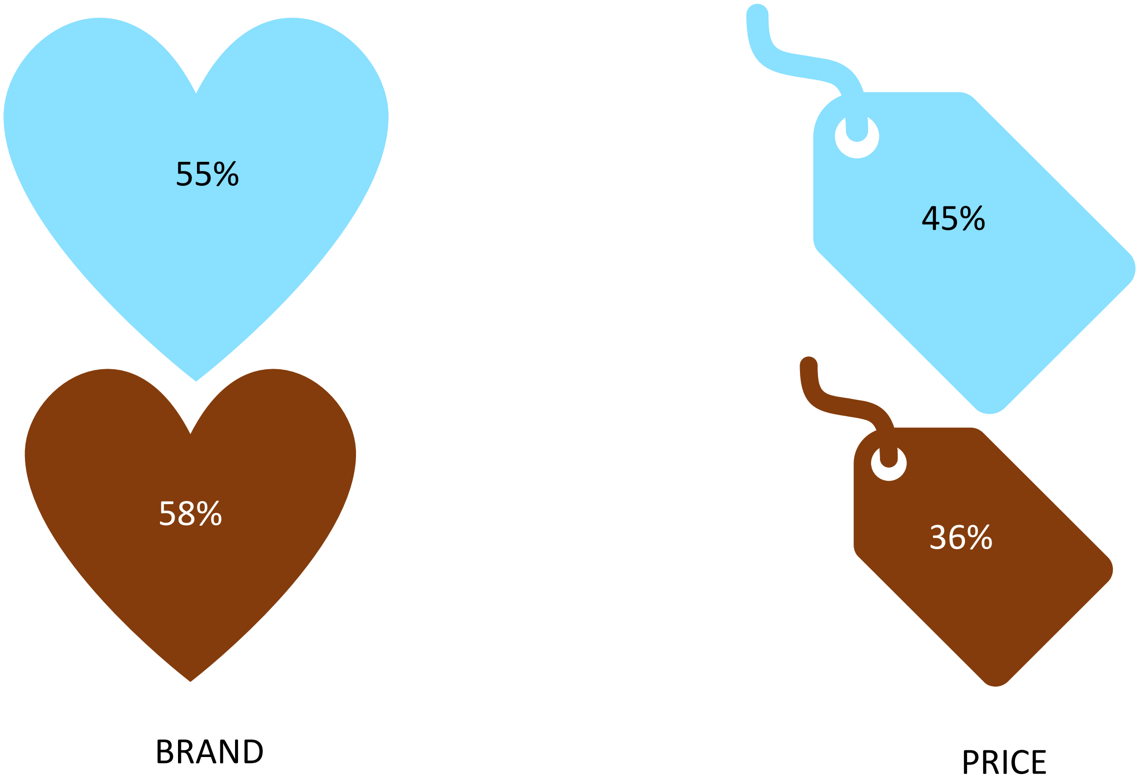




NYTIMES CHANGE IN SPENDING
https://www.nytimes.com/interactive/2020/04/11/business/economy/coronavirus-us-economy-spending.html?action=click&module=Top%20Stories&pgtype=Homepage

Brand is as important a Reason for Purchase as ever.

However, as a result of limited value offers (TPR, sales), price has declined as a driver of purchase.



REASONS FOR PURCHASE

% Shoppers that use Brand or Price when making a brand decision in-store

- PRE-CRISIS (NAILBITER NORMS)
- 4 WEEKS OF COVID-19 TRACKING

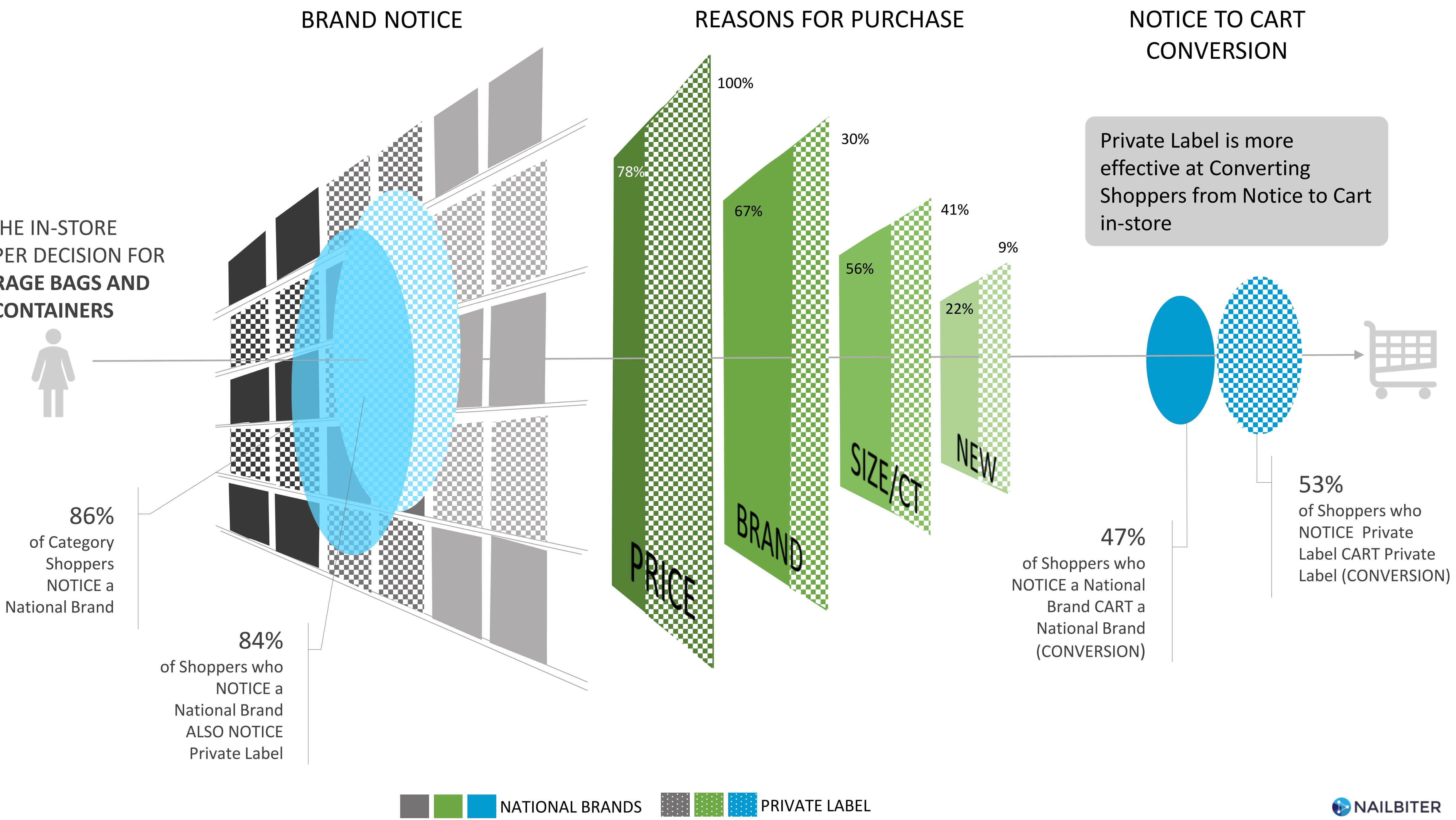
3.

PRIVATE LABEL IS POISED TO MAKE NEW INROADS

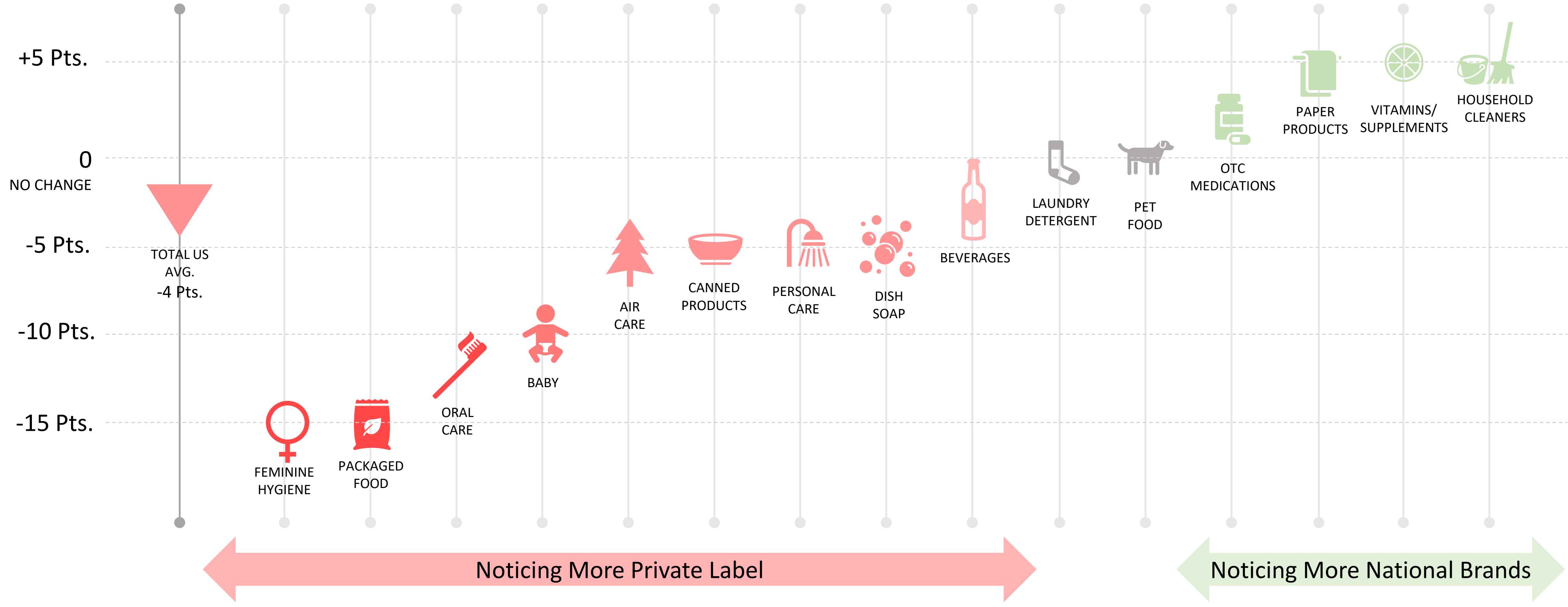
Private Label products are good at driving Notice. Evidence shows that their Notice to Conversion ratio in many categories is exceeding those of National Brands.

CPG Brands need to mount a strong defense, including product innovation as well as consumer and trade promotion activity

THE IN-STORE SHOPPER DECISION FOR **STORAGE BAGS AND CONTAINERS**



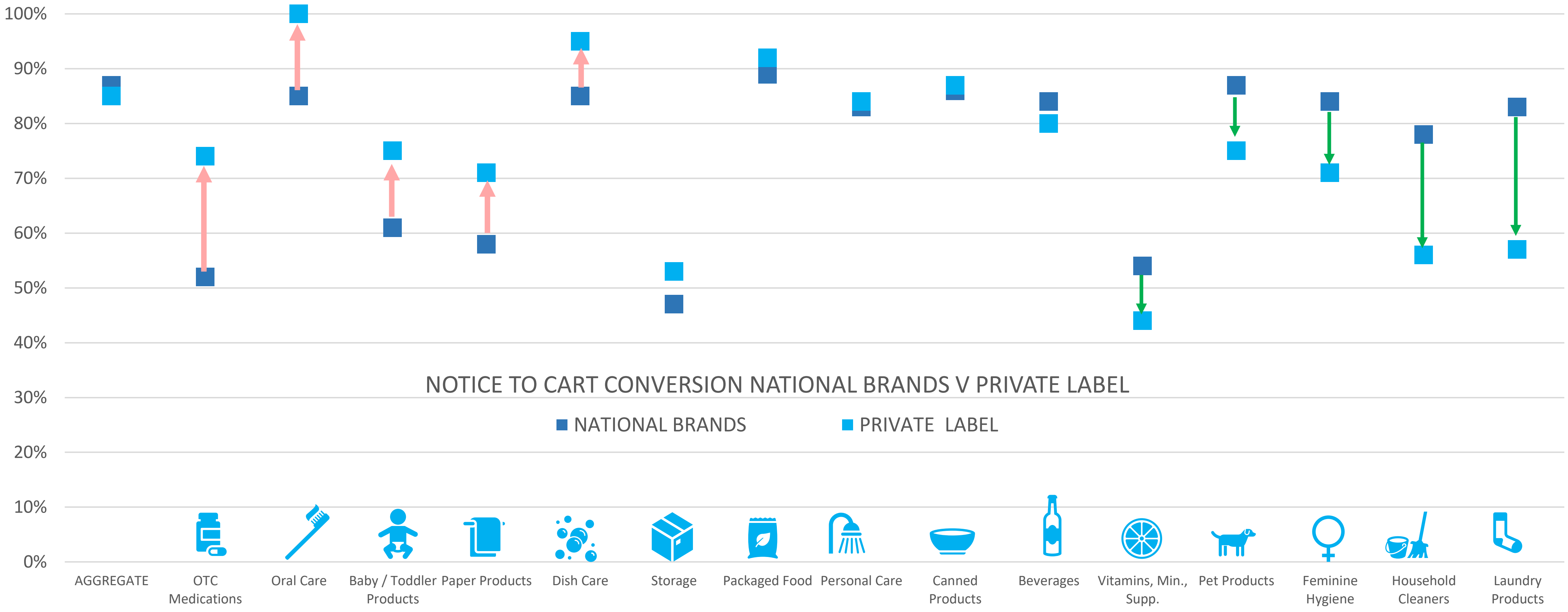
In most categories, shoppers are starting to Notice more Private Label products in Weeks 3 and 4 compared to Weeks 1 and 2. In the absence of TPR and promotional activity, Shoppers are starting to look elsewhere for Value.



NET CHANGE* IN NOTICE RATE FOR NATIONAL BRANDS V. PRIVATE LABEL
Week 1&2 vs. Week 3& 4

*Pt Change in % shoppers to Notice National Brands minus Pt. Change in % shoppers who Notice Private Label brands

Additionally, Private Label is capitalizing on its new inroads, Converting shoppers from Notice to Cart at similar rates than National Brands. Shoppers may be willing to trade Brand for Value as they settle in to a new normal.



4.

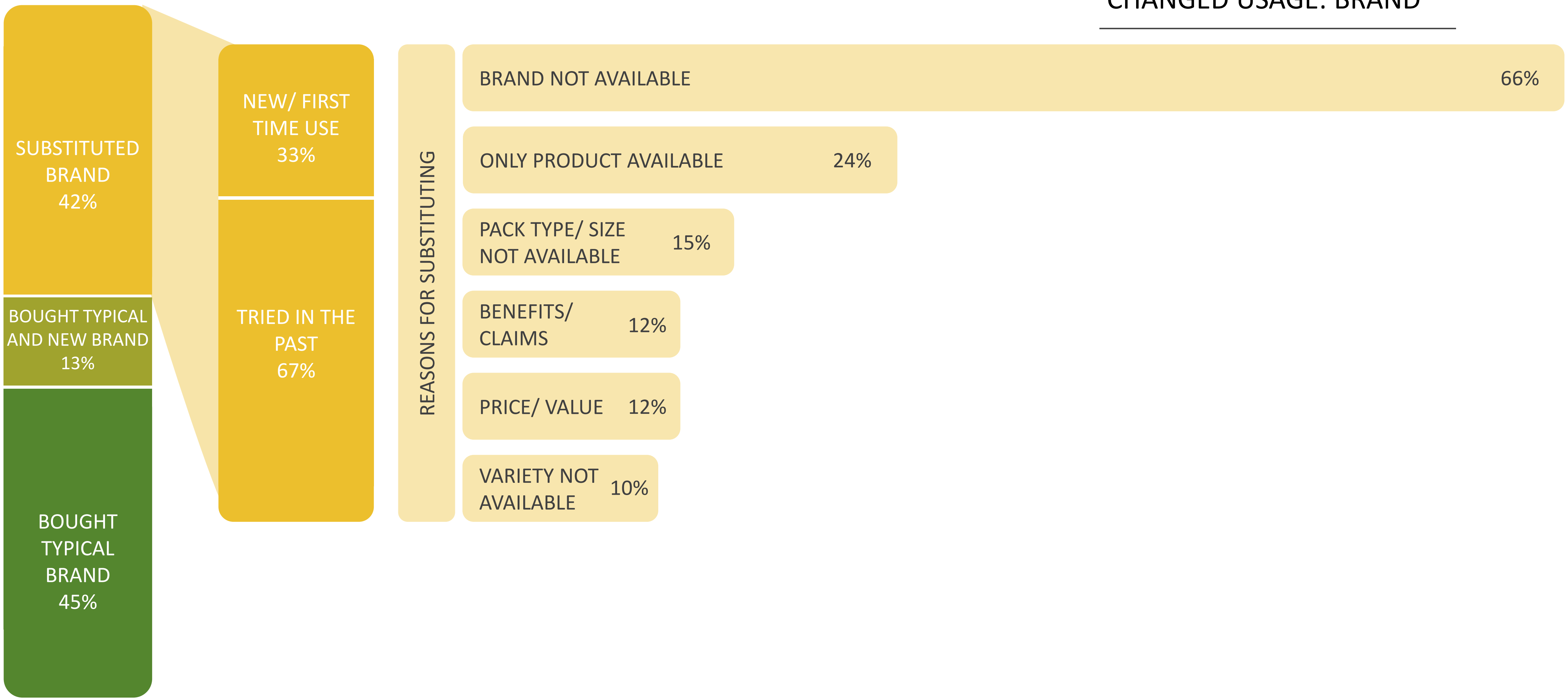
CONSUMERS LOVE THEIR CPG BRANDS… RETAILERS, NOT SO MUCH

Most shoppers who had to switch brands because of out-of-stock issues can't wait to get back to their usual brand but may not come running back to their old retailer in the same way.

E-tailers have an "endless aisle" where leading brands tend to lose share. This "brand love" should be leveraged for more favorable Shopability.

While half of consumers are sticking with their typical brand, out-of-stocks and evolving needs are forcing consumers to try out different brands. This presents a great opportunity for brands to win new users over, but also poses a risk for brands trying to minimize leakage to competition.

CHANGED USAGE: BRAND



Consumers love their CPG brands, but they don't love retailers to the same extent. This is a meaningful inflection point for winning new buyers and building new relationships!

9 in 10

shoppers plan to return to the typical brand after the crisis

*"I **would not purchase these [private label paper towels] again** because they're not nearly as soft as the Viva towels I normally use."*

3 in 10

shoppers plan to return to their original online retailer

*"Prices are **way high**, and the **delivery date is too long**, so I did not get anything on Amazon. So **I switched** to Walgreens."*

*"This **delivery was free**, and my Publix delivery sometimes incur a fee, so **there is a likelihood that I will continue to use this in the future**."*

Value will be a key deciding factor for shoppers going forward for their retailer choices

CLICK TO PLAY VIDEO

5.

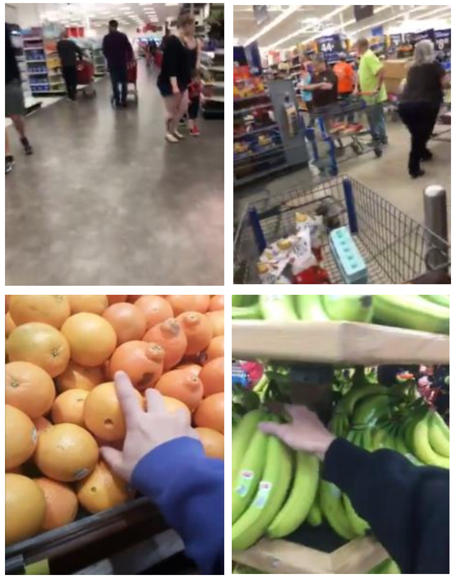
SAFETY CONCERNS & PRECAUTIONS ARE NOT TEMPORARY

Some shoppers are trying e-Commerce for the first time due to the safety concerns of venturing into the store. While Safety is not a universal concern for all shoppers, for many it is a real (and lasting) fear.

Retailers need to enforce safety or risk losing some customers. Brands should investigate Direct to Consumer subscription models.

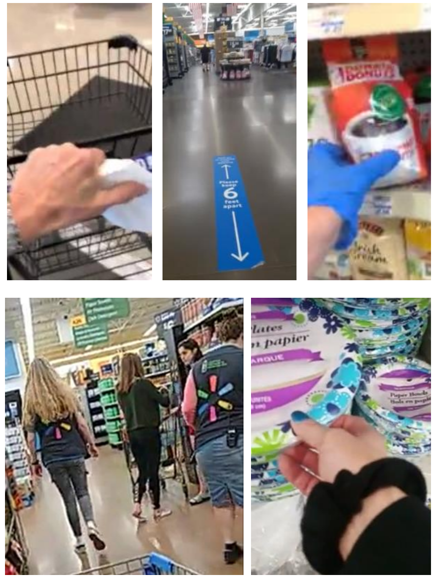
In-store, shoppers are finally practicing good safety protocol.

WEEK 1



*"My shopping process really hasn't changed… I am buying a few extra maybe because of the availability but **I am not that concerned as of yet**."*

WEEK 2-3



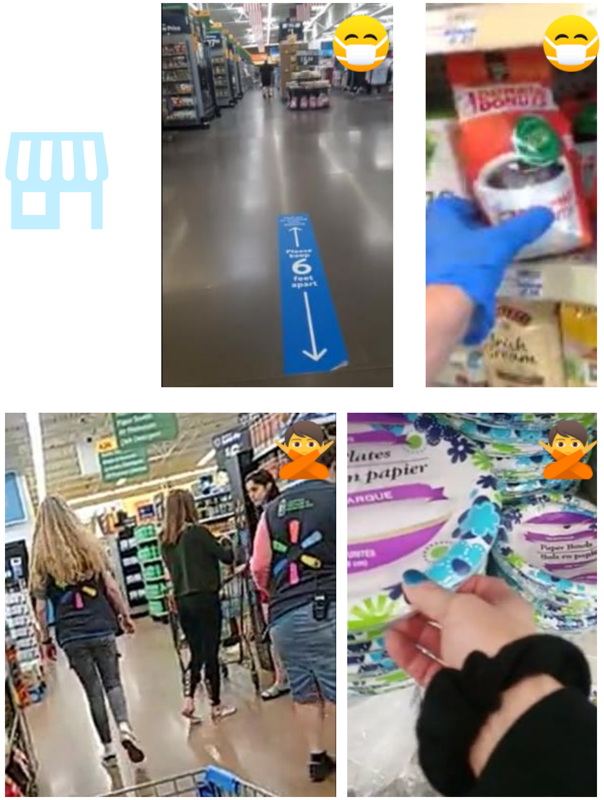
*"I **don't have a face mask or anything or gloves,** so I am not really doing anything to keep myself healthy or to avoid germs except for like **wiping the cart.**"*

WEEK 4

*"I have not been to the store for over a week because I am trying to stay out of the stores… It is definitely different because I look like this (wearing a mask) compared to **last time I was not wearing a mask or anything like that**."*

In-Store, shoppers are less in control of the environment. Even though retailers are making an effort, other shoppers are still touching products and not maintaining a social distance. With home delivery, shoppers can minimize contact with others and proactively sanitize and disinfect their products.

While stores are trying to create a safe environment, like marking 6’ distances on the floor or encouraging the use of gloves, some shoppers are still touching products without gloves or failing to maintain distance



“I don't really want to go outside to get the groceries, just going to be doing Instacart, amazon, stuff like that in the future.”

Almost half of eComm shoppers are using safety measures, like gloves, immediate sanitization, or contactless delivery

CLICK TO PLAY VIDEO

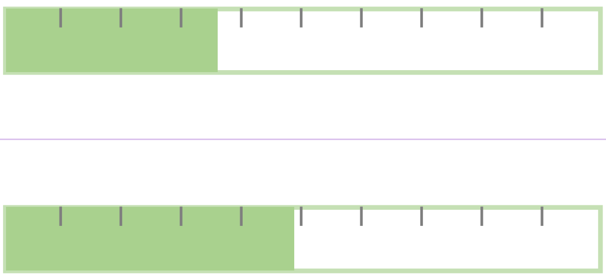
6.

E-TAILERS ARE GAINING, HOWEVER NOT ALL GAINS WILL BE PERMANENT

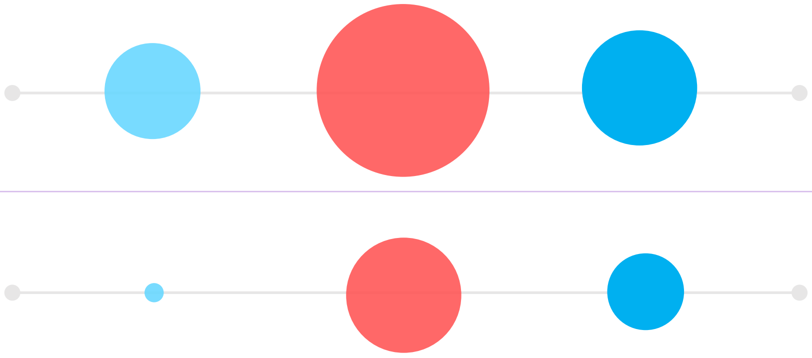
Value shoppers prefer going in-store and perceive greater value there.
Purchase and fulfillment have not been a great experiences for e-Commerce shoppers

E-tailers need to improve their delivery supply chain and improve value perceptions

Overall satisfaction with the e-Commerce shopping and fulfillment process is low, especially among shoppers who have shopped for groceries online pre-crisis. Despite the dissatisfaction, however, online grocery shopping is still expected to grow post-crisis as many shoppers plan on continuing to use e-Commerce options.



% OF SHOPPER SATISFIED WITH ONLINE SHOPPING EXPERIENCE

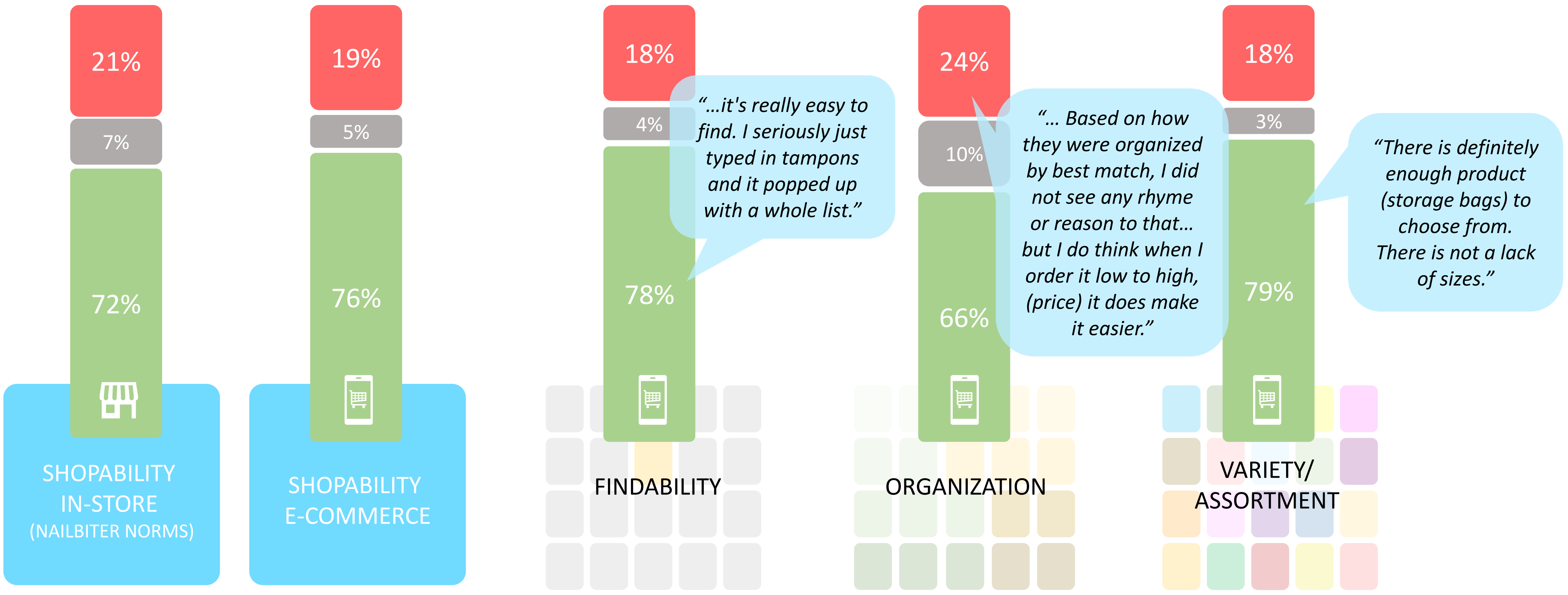


USE OF ONLINE GROCERY SHOPPING

*"We **weren't able to find everything we were looking for today.** There were a **lot of substitutions** and there was **some stuff that just didn't make it in**."*

*"That has really made me **think about if I should just subscribe and really save the time and money**, because it is a **bit unnecessary to go to the store** just for stuff we always get. I **definitely will continue to buy from them**."*

Overall Shopability online is at par with In-Store. Poor Organization is the biggest drag on online Shopability Perceptions. Shoppers are used to In-Store Organization and find the online search results confusing.



SHOPABILITY IN-STORE AND ONLINE

When a shopper's order is entirely fulfilled, packaged well, and safely delivered, satisfaction is highest.

However, frequent out of stocks, poor communication, and long wait times for delivery cause frequent disappointment.

Enhanced communication options, especially around substitutions and delivery ETA can help resolve many pain points.

WHAT'S WORKING

- Complete Order
- Safety
- Notifications
- Well-Packaged

*"These products were **packaged very nicely**. Stacked, secured, had bubble wrap on it. It is **great I get a text notification, a picture**, the delivery guy with the picture of it at my door, **within seconds, I know it arrived**."*

WHAT'S NOT WORKING

- Incomplete Order / Substitution
- Poor Communication
- Longer Delivery Times

*"I ordered fresh bananas and blueberries. They were supposed to be part of my order. I also ordered 5 of these Georgia peach drinks and received one, **so I did not get everything that I asked for**."*

HOW SHOULD RETAILERS FIX IT

*"I **wish there was a little more consistency with the substitution** And the **communication**. They had bad communication today with the shopper."*

- Better Communication
- Retailer Branding for Deliveries
- Delivery Estimates

CLICK TO PLAY VIDEO

7.

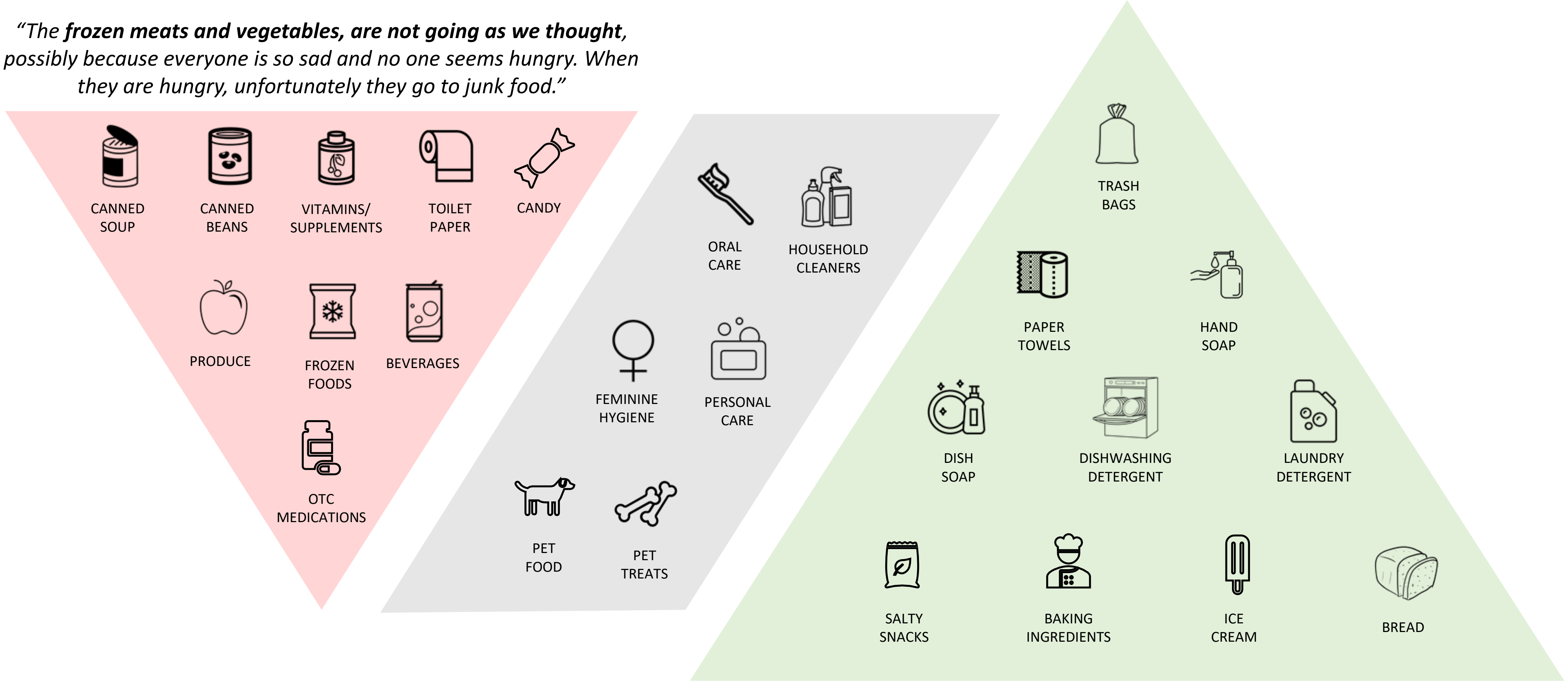
CONSUMPTION & SHOPPING HAVE FUNDAMENTALLY CHANGED

The Pandemic and the resulting economic shock has changed the US CPG space and the "new normal" will look very different from the pre-crisis period

CPG Brands and Retailers will adapt or lose substantial market share

Consumption of most categories is at or above consumers' own expectations.

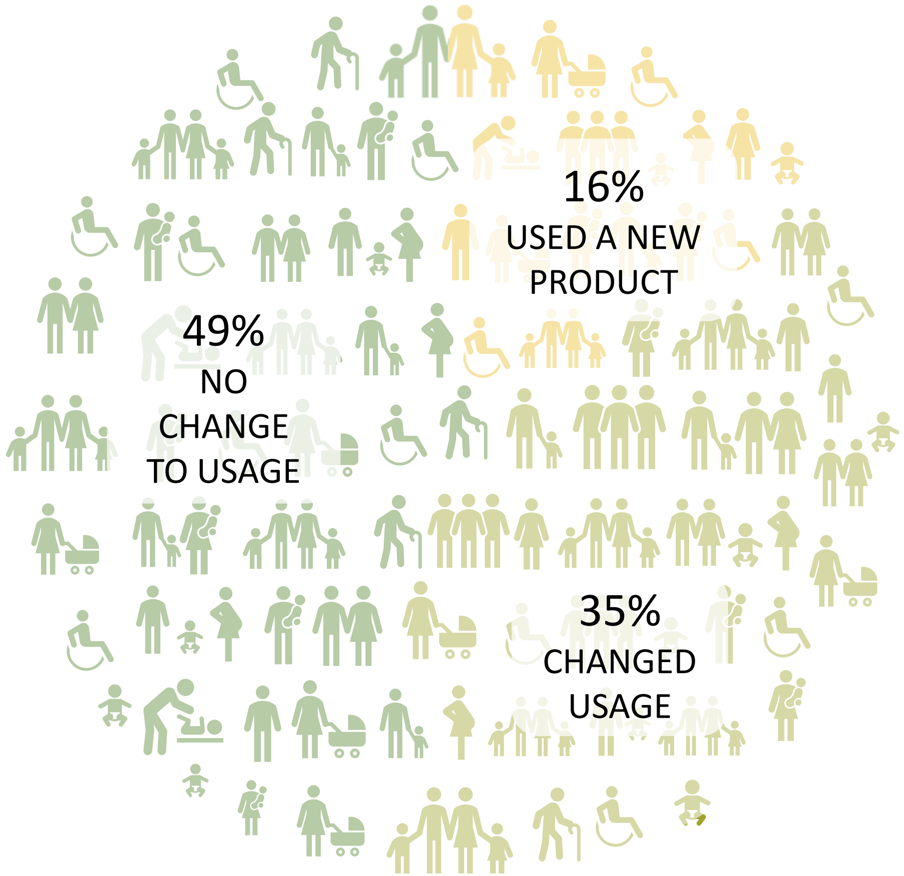
*"The **frozen meats and vegetables, are not going as we thought**, possibly because everyone is so sad and no one seems hungry. When they are hungry, unfortunately they go to junk food."*



USING LESS THAN EXPECTED | USING AS EXPECTED | USING MORE THAN EXPECTED

*"The disinfectant is definitely what I use the most, that is why it is so low right now. I have **used more of the disinfecting items than I had expected**, just because I am cleaning everything super good to avoid getting this virus."*

Consumers are changing their consumption behavior, at least in some categories like Paper Products, Laundry Products, and Household Cleaners. When change does occur, it is most frequently a change in actual category usage (frequency, quantity) or completely new entrance into a category.



% SHOPPERS THAT CHANGED USAGE ACROSS CATEGORIES

CATEGORIES WITH MORE CHANGE

- PAPER PRODUCTS
- LAUNDRY PRODUCTS
- HOUSEHOLD CLEANERS
- BEVERAGES
- CANNED PRODUCTS
- VITAMINS & SUPPL.
- BABY / TODDLER FOOD
- OTC MEDS.

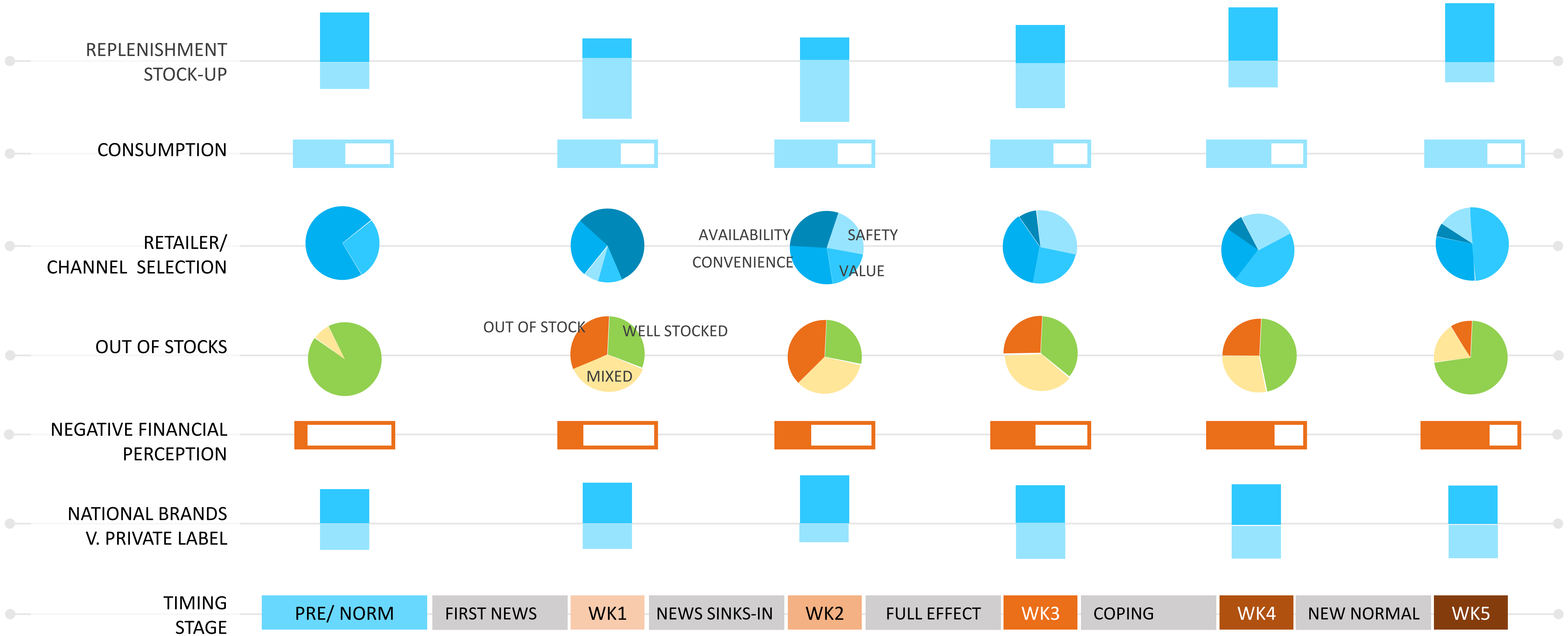
*"I **would try to use it sparingly until after the virus craze** is kind of over then I would probably get back to using it as I would usually do."*
– Paper Towels User

*"I use it pretty much 3-4 times a day. I am **cleaning dishes more often**; I am not leaving them sitting due to viruses or bacteria."*
–Liquid Dish Soap User

*"We will probably be **consuming these more than we have in the past since the family is home** and we will **be eating more snacks**."*
–Chips User

*"I probably **would not use them quite as often if it wasn't for the whole coronavirus thing**. I mean, I would still disinfect, but not quite as much as I do now."*
–Disinfectant Spray/ Wipes User

As shoppers settle in to a new normal, meaningful shifts in their behavior will change the way they shop for and consume CPG brands. As financial uncertainty grows, so too may the role of private label brands, different retailers, and replenishment trips.



SEEING & DECODING CRISIS SHOPPING AND CONSUMPTION BEHAVIOR

1. INSTABILITY IS PART OF THE NEW NORMAL → CPG Brands will need to develop new ways of listening to & communicating with Consumers. Nimble Teams and Brands are poised to capitalize.

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5 WEEK RECAP OF LEARNINGS

SEEING & DECODING CRISIS SHOPPING AND CONSUMPTION BEHAVIOR

This report has been prepared by NAILBITER in collaboration with RB Shopper Insights

The COVID-19 Pandemic is an unprecedented event in the modern era. However, as individuals, families, and countries we have experienced worse and have survived and thrived. ***It's time to move forward with hope*** *and restart the industry – safely.*

As lifelong CPG data scientists, we are proud of our industry globally and ***give thanks to all the farmers, factory workers, truck drivers, and retailer workers****. Without them, we literally could not eat! Market Research is witnessing truly turbulent times but we should feel lucky that our work can be done from home.*

Amishi Takalkar
Co-founder,
CEO
NAILBITER

Now, we must get back to conducting research. Observing 1,000+ shoppers for our COVID-19 Videometrics tracker, reviewing ongoing client projects, reading industry reports, and speaking with experts has brought us to the conclusion that we need a ***2 Phase "Back to Normal" Approach*** *for CPG Market Research.*

Phase 1*: Starting May 1 and onwards, across most CPG categories and most research objectives, research should resume. If we truly believe in the new normal, let's not hesitate to understand these consumers and shoppers. The consumer is ready to show us how they plan to shop and use products for the future, and we should be ready to learn.*

Phase 2*: There will be exceptions. We do not recommend research in categories suffering extreme product availability challenges or unusual consumption dynamics. For example, categories like Hand Sanitizers, Antibacterial Soap, Home Disinfectants, Toilet Paper, Disposable Gloves and a few others are not ready for research yet. It is unclear how long it will take to reach a new normal for these categories and when research can truly restart. We will continue to monitor weekly.*

Amit Dhand
Co-founder,
EVP of Client Services
NAILBITER

To be clear, we accept that ***that the new normal is an unstable environment****. COVID-19 will continue to create havoc in consumers' lives and supply chains, and the recession may rage on. These challenges should be viewed as semi-permanent, multi-year phenomena that need to be researched and understood.*

We believe that Behavioral Science will play a strong role in developing the best understanding of current market dynamics. Behavioral methodologies should continue to take the lead in building the foundation of what is to come. We hope you have seen value from our reports in starting to build that foundation.

We want to thank our partners at RB Shoppers Insights and the Category Management Association for their support, guidance, and voice during these times.