



COVID-19 INSIGHTS BRIEFING

AS OF SEPTEMBER 2020

BRIEFING EXECUTIVE SUMMARY

MACRO-ECONOMY

- The rising coronavirus case counts is a cause of concern in Canada. Ontario puts a pause on further loosening of public health measures.
- Canada's economy sees record quarterly slump (-11.5% in Q2) vs. Q1. Yet June sees a surge of 6.5% from May & July sees another 3% growth. Employment continues to rebound in July, however unemployment rate is still at 10.9%

CONSUMER

- In the new normal, snacking behaviors at home remain unchanged for the foreseeable future despite governments easing lockdown restrictions.
- Looking forward at-home snacking looks to be a long-term trend as consumers continue to resist previous habits.
- Three out of 10 Gen Zers are willing to pay extra for eco-friendly packaging while 2 out of 10 millennials are willing to pay extra.

SHOPPER

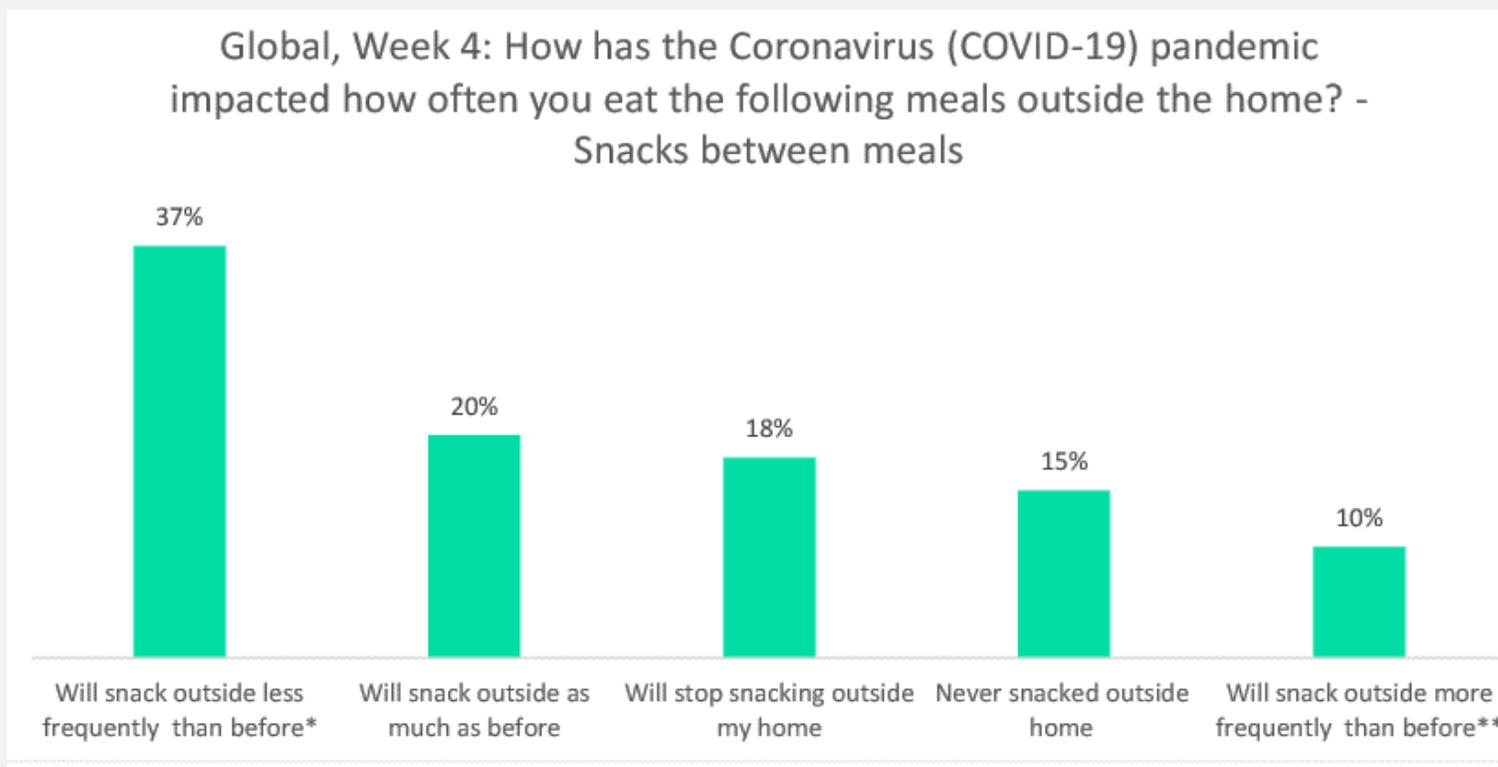
- With the higher unemployment rates, manufacturers have to consider the changing purchasing power & the lower disposable cash. It is likely that there will be a shift to value for money products. Being short on cash, might even implicate that some shoppers won't be able to afford the bulk items which is usually considered by 54% of shoppers in Canada.
- While grocers have made changes to their flyer distribution strategy in recent months, a study finds that weekly readership of the flyer remains high.
- Both, "availability of brands I like" & "quality of private label" as store choice drivers increased for 6 weeks in a row while convenience is going down.

INDUSTRY

- COVID-19 has brought significant changes in customers' expectations, attitudes & behaviors. Yet, CX is still crucial.
- Competitors are prioritizing their resources, focusing on e-commerce & on affordability.
- Within foodservice, the most impactful trends of 2020 are revolving around immunity enhancing, plant based & recycle.
- Restaurants are also supporting local & offering convenience.
- Take & Bake at home, meal kits, retail section in restaurants & nonalcoholic beverage are all growing concepts for restaurants off premise.

In the new normal, snacking behaviors at home remain unchanged for the foreseeable future despite governments easing lockdown restrictions.

It is vital for snack brands to continue to focus on snacks positioned to the "at-home" occasion & diversify e-commerce services during 'new normal' conditions to align with consumer demand. Looking forward, at-home snacking shows to be overall a long-term trend as consumers continue to resist previous habits.



Source: Global Data - COVID-19: Snacking in the 'new normal' continues to be at home

Three out of 10 Gen Zers are willing to pay extra for eco-friendly packaging while 2 out of 10 millennials are willing to pay extra.

Off-Premise Packaging Insights

“I’d be willing to pay extra for eco-friendly packaging.”** (Agree and Agree Completely)

Gen Zers **29%**

Millennials **20%**

Gen Xers **10%**

Baby Boomers **4%**

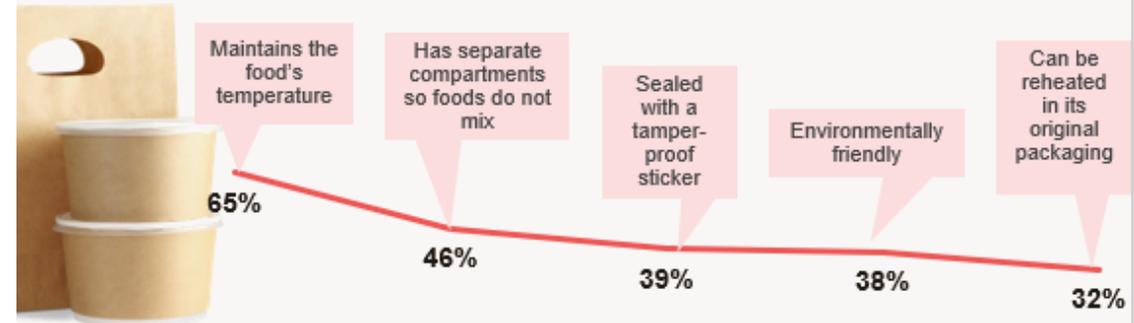
Matures **4%**



Average Amount Willing to Pay Extra for Eco-Friendly Packaging**



Consumers' Top-Rated Packaging Attributes***



Source: Technomic 2020 Canadian Delivery and Takeout Consumer Trend Report
 *754 consumers who ever order for off-premise
 **210 consumers who are willing to pay extra for eco-friendly packaging
 ***Approximately 735 consumers who ever order for off-premise

Source: Canadian Foodservice Digest – Technomic

Even in a pandemic, the printed flyer endures!

While grocers have made changes to their flyer distribution strategy in recent months, a study finds that weekly readership of the flyer remains high.

85% of Canadians claimed they read printed flyers at least some of the time, with more than half saying they always read printed flyers.

Recently, 3% of respondents said there had been no change in their flyer habits in recent months, while 12% indicated that there had only been a temporary change.

While digital is touted as a more environmentally friendly & cost-efficient method of flyer distribution, the study found they don't have the same traction among consumers.

Just 9% of respondents said they only looked at digital flyers, and more than one quarter said they never looked at digital flyers.

Earlier this year, driven by the pandemic, Loblaw Companies stopped distributing flyers in its stores at least partly.

In April, the company went a step further, announcing that it was permanently halting paper flyers for several of its banners, including No Frills, Real Canadian Superstore & Maxi.



Source: *Even in a pandemic, the printed flyer endures* – Canadian Grocer

Within foodservice, the most impactful trends of 2020 are revolving around immunity enhancing, plant based & recycle. Tech-driven, passive paths of purchase including voice ordering will continue to gain traction.

Beauty and Brains: With consumers placing heavier **emphasis on their mental and emotional well-being**, ingredients that provide mental and emotional benefits, such as **improved concentration and stress relief**, are increasingly in demand. Expect the beauty aspect of this trend to pivot to physical health in the form of **immunity-enhancing, superfood-rich drinks and bowls**.

Going Green to the Extreme: Operators paused key sustainability initiatives, such as reusable cups, at the onset of the pandemic while turning their attention to safety protocols. In the coming months, we predict to see operators **shift the emphasis from reuse to recycle and compost** with the eventual swing back to reusing as consumers feel safe again.

Plant-Based Matures: With operators focusing on core offerings, the rapidly paced plant-based momentum we saw earlier in the year was forced to slow down. However, it is **picking back up again** as consumers continue to **prioritize sustainable initiatives** even through COVID-19. Expect operators to diversify their plant-based items with even more unique twists, such as nondairy foams.

Maximizing Labour Efficiencies: With contactless ordering and delivery proving to be a lifeline for many restaurants, **tech-driven, passive paths of purchase, including voice ordering, will continue to gain traction**, as well as **modifying restaurant services to focus on off-premise**.

Take & Bake at home, meal kits, retail section in restaurants & nonalcoholic beverage are all growing concepts for restaurants off premise.

- 32% of consumers would be encouraged to visit restaurants more often if they featured more **grab-and-go options** at fast-food restaurants
- 45% percent of younger consumers, including Gen Zers and millennials, are buying more **meal kits** now from restaurants compared to before the pandemic
- 47% of Gen Zers are buying more **grocery items** now from restaurants compared to before the pandemic
- 48% of consumers would consider ordering **fountain soda** from a restaurant for takeout



Source: Off-Premise Covid-19 Menus – Food & Beverage Q2 2020 – Technomics