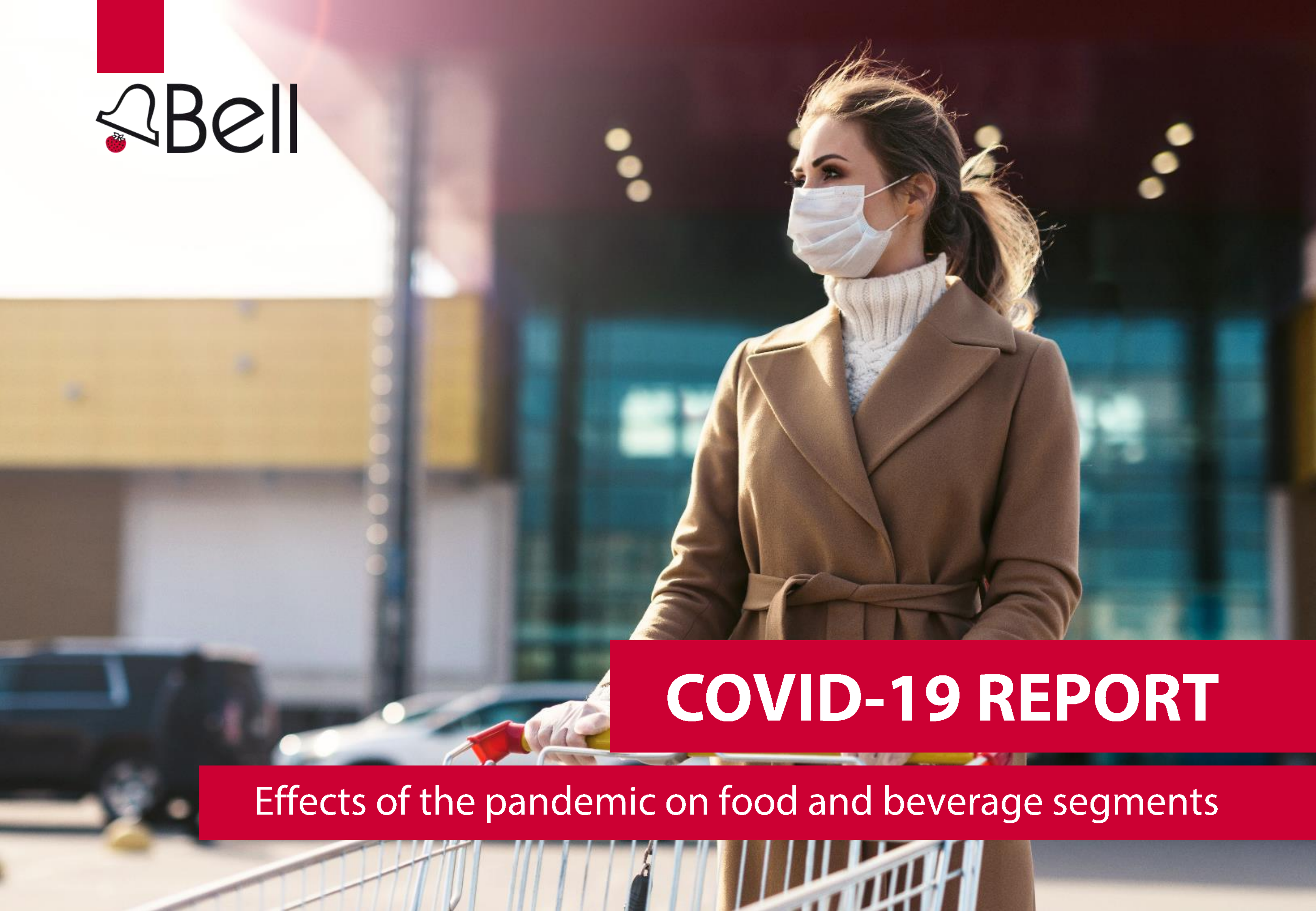


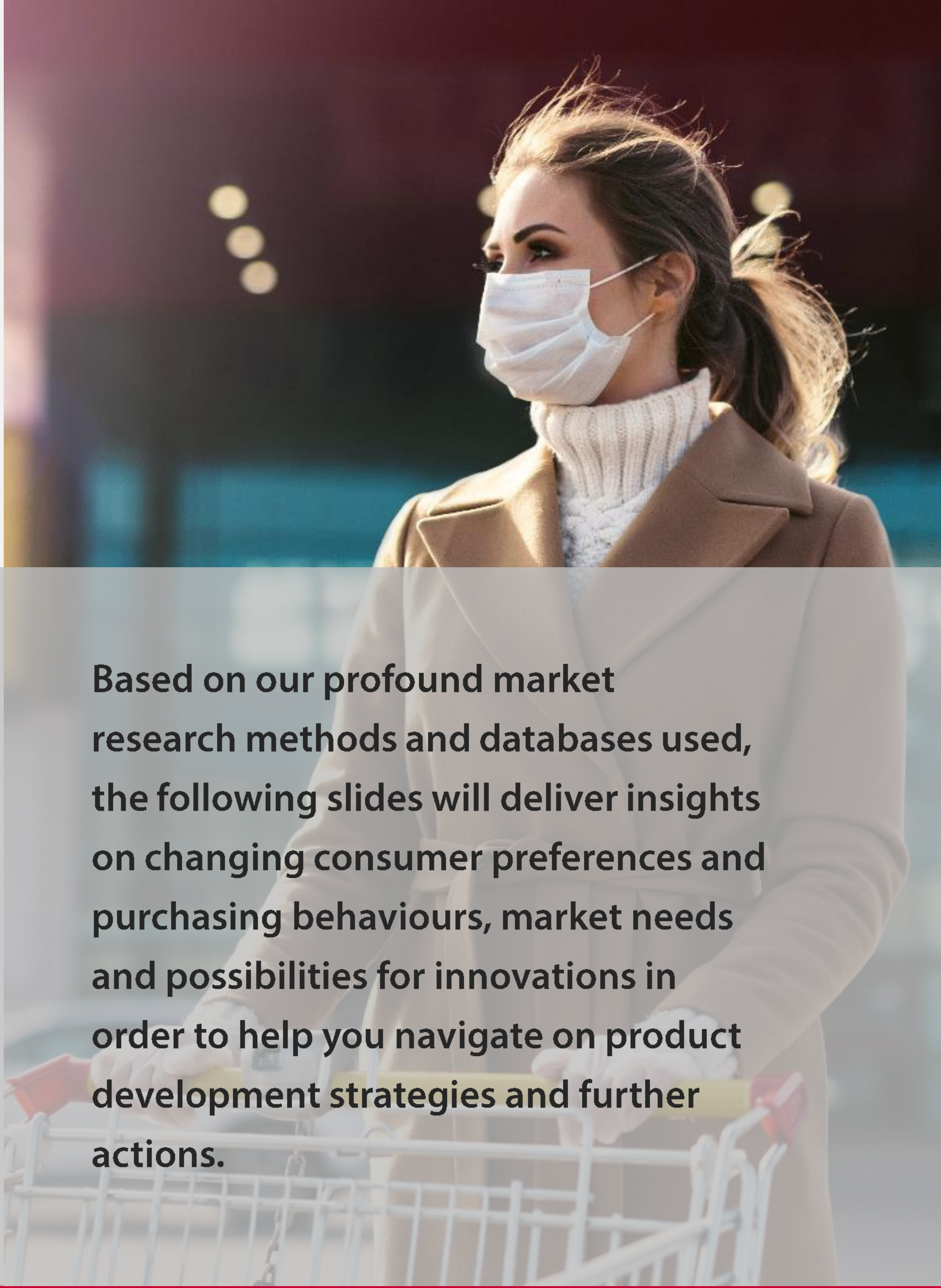
Bell

COVID-19 REPORT

Effects of the pandemic on food and beverage segments

What are the impacts of COVID-19 on the food and beverage sector in Europe?

The outbreak of COVID-19 is having a profound impact on the global economy and consumer markets. With various levels of lockdowns and self-quarantine being executed in most European countries, consumer behaviour needed to adapt, impacting the food and beverage consumption and certain consumer and market trends in response.



Based on our profound market research methods and databases used, the following slides will deliver insights on changing consumer preferences and purchasing behaviours, market needs and possibilities for innovations in order to help you navigate on product development strategies and further actions.

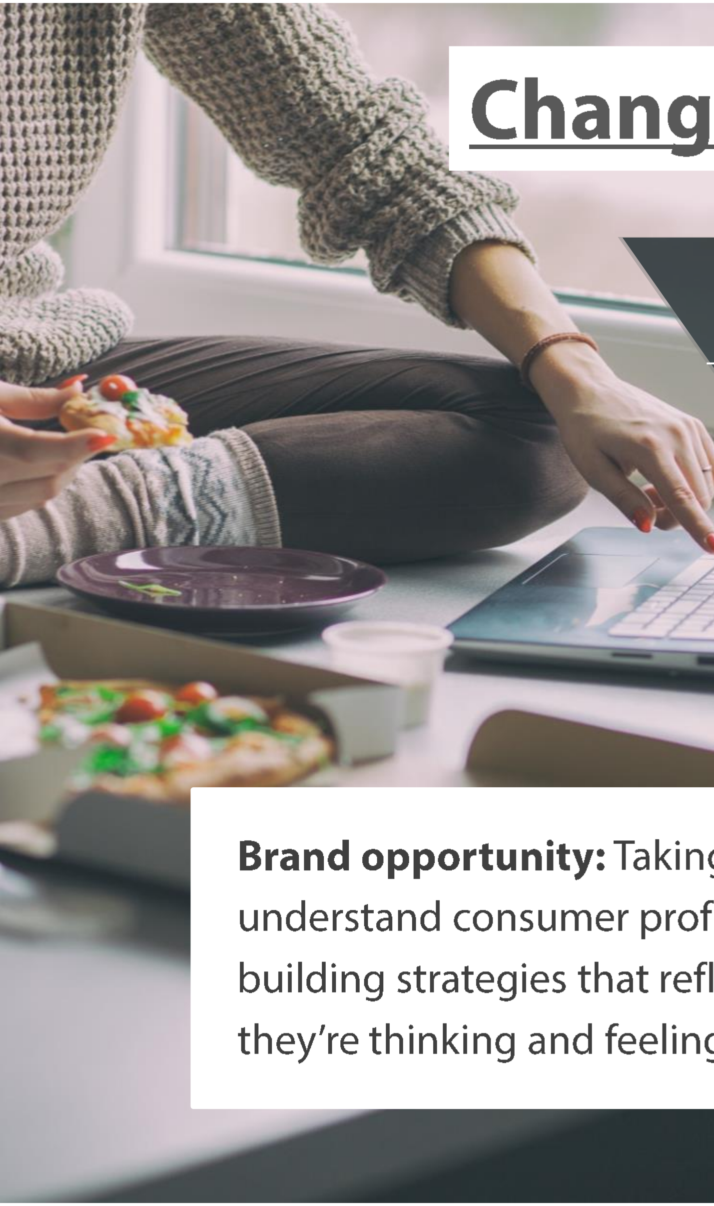
Changing consumer behaviour

In the era of COVID-19, consumers are adjusting to the "new normal". As such, purchasing behaviour has slightly changed and is characterised by lower disposable incomes, stress and anxieties about the future, and concerns over hygiene, health and wellbeing.

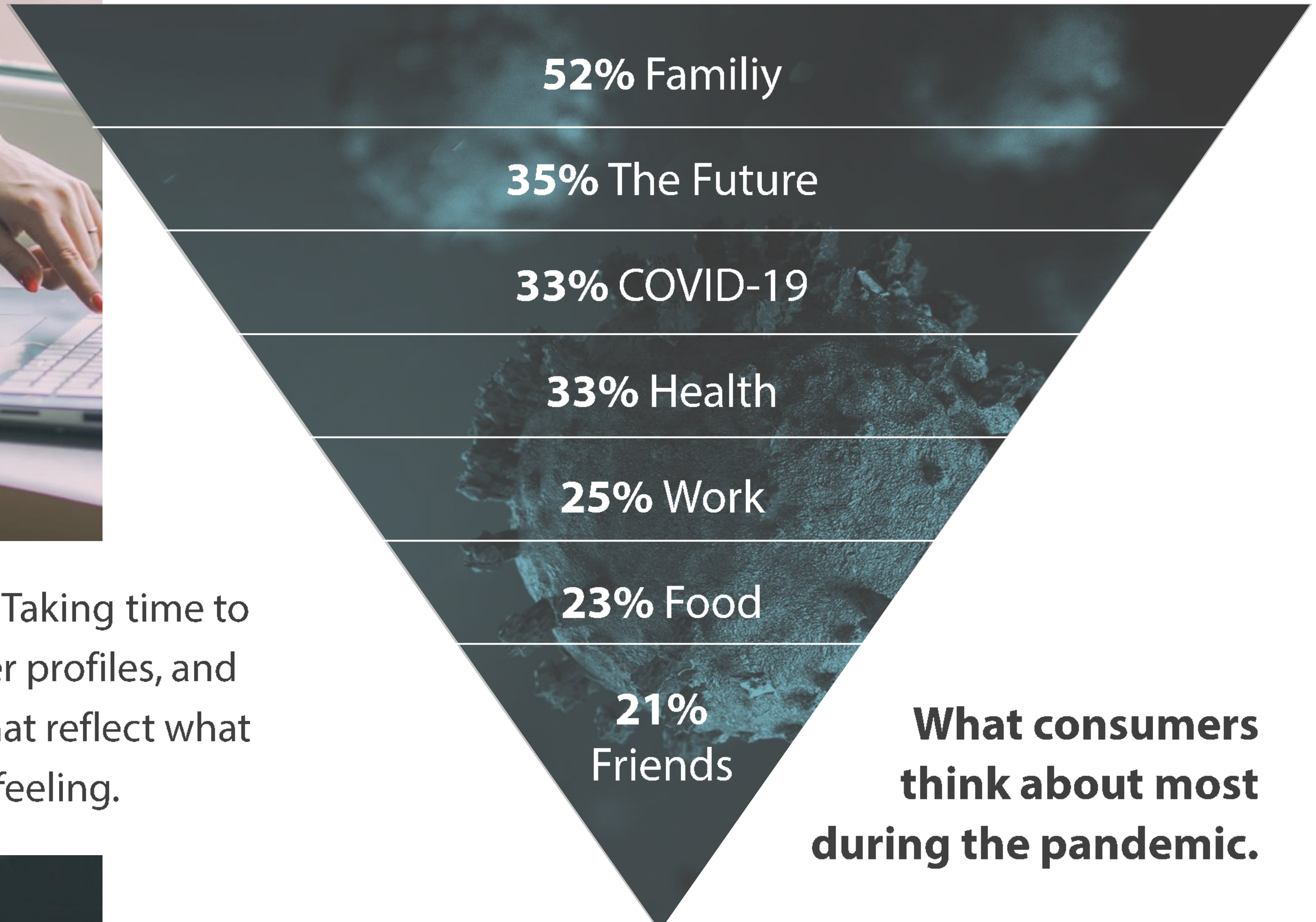
At the same time, an increased level of digitalisation has brought online shopping to a new height and social distancing has evoked new levels of meeting digitally.

Being more conscious and selective in their purchasing decisions and consumption habits, people are more willing to buy products to improve life at home. While they are reassessing their needs, values and priorities, consumers further try to reduce their overall spending – focusing on quality over quantity.

Changing consumer behaviour



Brand opportunity: Taking time to understand consumer profiles, and building strategies that reflect what they're thinking and feeling.



What consumers think about most during the pandemic.

Changing consumer behaviour

Increased focus on health & wellbeing

Consumers are now, more than ever, seeking physical and mental health and wellness.

This kind of self-protection is reflected in growing needs for products with added nutrients such as vitamins or other supplements, but further in increased consumption of fresh foods, especially when those are marketed or known for boosting immunity, such as certain superfoods.

At the same time, consumers are turning to stress relieving, calming and comforting products amid COVID-19 fears, with ingredients and products that help consumers relax and cope with stress coming in the fore.

Changing consumer behaviour

Comfort foods on the rise

In times of uncertainty, consumers are looking for products that reflect a good mood or memory. Snacks, such as confectionery or ice cream are showing a rapid growth and are predicted to keep rising on a long-term.

In-home consumption plays a crucial part in this snackification scenario. Likewise, foods that are providing some kind of functional attributes, i.e. in form of added nutrients or proteins, or can be associated with relaxation, are gaining interest.

While wanting their food to deliver a peaceful memory, products that cater on the nostalgia trend have proven to be a consumer favourite. It is therefore likely that product attributes in combination with a classic taste profile will benfit from this trend.

Changing consumer behaviour

Home cooking & dining

During the past months, scratch cooking and baking has seen a significant rise. As a result, stockpiling with kitchen staples, convenience foods, dry and frozen food has seen a rapid growth. Although this trend has already slowed down, it will influence many buying decisions for the months to come.

While staying at home is a necessity, European consumers are looking for ways to spice up their recipes, e.g. via looking into new cooking techniques, foreign cuisines and ingredients or new BBQ varieties. At the same time, regional and seasonal products gain importance.

Based on GlobalData statistics, 12% of European consumers say they are drinking more alcohol. Especially younger consumer groups are also engaging in socialising online.

Changing consumer behaviour

Evolution of E-commerce

There is literally no sector that has not embraced digital technology. And with home-cooking being part of the "new normal", online grocery shopping and online delivery has seen dramatic increase in Europe. It not only provides consumers a safe environment for shopping their daily needs, it is also a good way for brands to market their products and create awareness.

According to Mintel data, 23% of French consumers have increased the amount of online shopping as a result of the COVID-19 outbreak. This trend has similarly increased in most other European countries across all age groups.

Engaging with consumers via Social Media equally has become key. Consumers have been more likely to engage with brands or foodservice outlets via Facebook, Instagram or tiktok.

Changing consumer behaviour

Naturalness & environmental impact in the spotlight

Naturalness, transparency and environmental as well as ethical concerns have been a major impact for the consumers' purchasing decision, even before the global pandemic. This trend therefore is set to continue, with even more speed.

Sustainability across the whole supply chain, ethical production (i.e. in terms of meat processing), transparency and regionality of ingredients as well as food safety will therefore play a significant role. Thus, a new-found appreciation of product quality and awareness for gentle processing methods and conservation of natural resources takes centre stage.

Likewise, clean labeling will further evolutionise, emphasising innovations based on organic products and ingredients.

Impacts on the F&B industry

Consumers are still limiting their shopping excursions to one stop only, leading to a further need for retailers to position themselves as a place to satisfy all general lifestyle needs.

Despite the fact that consumers cut back their spendings and become more price conscious, the food & non-alcoholic beverages category in Europe will record positive spending growth in 2020.

While foodservice is severely affected, new business and operating models have been installed in order to adapt, i.e. in the form of home delivery.

Brands and store brands have to adapt too, using virtual ways to engage with consumers and launch new products.

Impacts on the F&B industry

Non-alcoholic beverages

- Based on comprehensive food-service closures, the whole category is affected by a sharp drop in volume sales. 3-4% long-term declines in off-trade non-alcoholic drinks are possible as recessionary effects take hold.
- In contrast, stockpiling effects are generating volume increases in packaged bottled water, juice, coffee and tea in the long-term.
- Consumers are likely shifting to private label options, discounter channels and multipack formats, negatively impacting sales of high priced refreshment categories and single serve products.
- Tailoring product assortments to changed demand patterns of home-comsumption is key in the medium-term.
- Producers have to prepare for more value-focused consumers and a long-term shift in evolving health demands as consumers can be expected to reprioritise their nutrition and wellness routine.
- Categories such as hydration beverages, packaged coffee and coffee pods, shelf stable and protein rich supplement drinks as well as vitamin-containing juices will see a stronger demand.

Impacts on the F&B industry

Alcoholic beverages

- Across the segment, the market value of alcoholic drinks in 2020 will fall by 3-6% compared to baseline predictions. However, a recovery is predicted by 2023.
- COVID-19 will lead to a paradigm shift for the alcoholic drinks industry, while already facing demographic and saturation induced pressure in most mature markets.
- Social distancing effects and a recessionary new normal will lead to extensive shifts in drinking rituals, positioning and occasions and creates a strong demand to move the business online.
- A transition from premiumisation to trading down and polarisation, as well as "hometainment" led solutions will reshape the industry.
- Consumer groups such as Millennials and GenZ are further seeking for a mindful alcohol consumption; directing their attention towards low alcoholic beverages in the long-term.
- Staying on top of the consumers mind is essential for alcoholic brands. Innovation in NPD, range extensions and marketing activities in-store and online are vital to keep consumers engaged.

Impacts on the F&B industry

Dairy & plant-based alternatives

- While spending more time at home and preparing meals from scratch, the consumption of dairy products such as yoghurt, butter and kefir has grown compared to the pre-Corona period.

- According to Nielsen data, particularly sales of cheese and fresh milk have been increasing (+5%) in Germany being suitable as an ingredient for meals and for immediate consumption at the same time.

- Health has become the centre of consumers' concerns with individual dietary needs shifting into focus.

- Numerous consumers realized feeling unwell after consuming dairy products and seek for substitutes, resulting in a currently growing demand for plant-based dairy alternatives in the yoghurt, ice cream and dessert segment.

- Being a new staple in consumers' diets, alternative proteins are also seen as a source of comfort and nutrition.

- With consumers maintaining the healthier lifestyle even after the global pandemic, the market for dairy alternatives is expected to grow in the years to come.

Impacts on the F&B industry

Meat products & meat substitutes

- Increasing at-home consumption has currently pushed the market for plant-based meat alternatives, as mainstream consumers value the practicality and shelf stability of those products.
- As the pandemic has put the meat industry in the international spotlight, increased scrutinity for food safety and sustainability by consumers is accelerating a shift towards plant-based meat substitutes, too.
- The European Commission has echoed some of these concerns in its Farm to Fork Strategy, as part of its roadmap for the continent-wide Green Deal.
- According to Mintel data, 41% of UK processed meat eaters said health concerns led them to reduce consumption (before COVID-19).
- Manufacturers can take on this momentum by outlining that plant based supply chains are more efficient, more resilient, and more responsive to consumer demand.
- Although the protein industry is still in its early days, the future of meat is plant-based and cultivated.

Impacts on the F&B industry

Sweet & salty snacks

- Consumer snacking habits have increased, mirroring the needs of those working from home and in isolation. As a result, baked snacks, bars, confectionery as well as salty snacks and ice cream sales have elevated during the pandemic.
- So-called „guilty pleasure“ snacks are a common copying mechanism being deployed during these unprecedented times. This also strengthens the need for indulgent assortments and emotional branding of snacking products.
- Impact of seasonality (e.g. Easter) has decreased due to disruption of distribution channels.
- Greater emphasises on naturalness (incl. organic), high energy or protein levels of snacks can further leverage consumption.
- As nutrition becomes a need during the pandemic, more consumers are leaning towards sugar-reduced and low-carb options or healthy snacking varieties including added nutrients such as fibre, vitamins or minerals. At the same time, digestion-focused and plant-based varieties are rising in consumer interest.
- Boosted online interest in snacks presents an opening for supplier sales strategies in the mid-term.

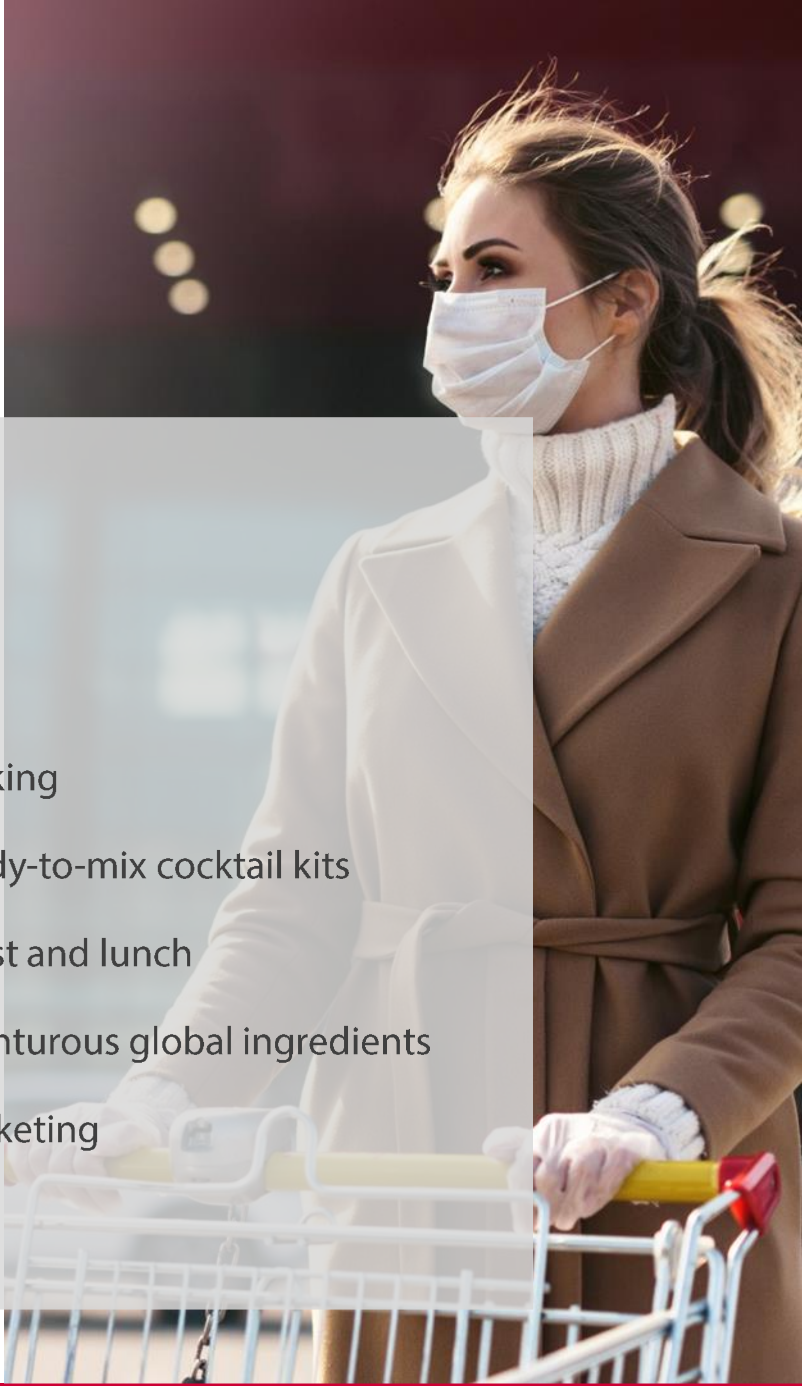
Impacts on the F&B industry

Foodservice

- As a result of the social distancing measures the foodservice industry is one of the sectors most heavily impacted by the pandemic.
- COVID-19 has forced restaurants to focus more on delivery. As more consumers become familiar with ordering takeaway, this will boost demand for home delivery in the longer-term.
- While COVID-19 requires a shift in focus in the short-term, sustainable practices should remain at the forefront of longer-term strategies, being of great concern to consumers (e.g. plastic usage, food waste, etc.)
- Consumers are expected to spend less on eating out over the next months, further pressurising sales in the medium-term.
- To address the drop in sales, many chains and restaurants have responded to off-premise dining by investing in online ordering and delivery or by expanding their ranges to groceries.
- COVID-19 offers takeaway brands a window of opportunity to demonstrate how ordering in food/drinks can boost wellbeing, keeping consumers engaged with delivery in the long run.

Impacts on the F&B industry

Further innovation opportunities and segment-ideas:



- ❑ Creating excitement with little touches of luxury
- ❑ Craft and artisanal products for justifying value
- ❑ More entry-level products and price points/special offers
- ❑ In-home healthy snacking & opportunities for cross day part snacking
- ❑ Ready to bake and ready to eat lunch and breakfast solutions, ready-to-mix cocktail kits
- ❑ Frozen convenience, non-traditional frozen occasions e.g. breakfast and lunch
- ❑ Virtual 'travel fix' through international cuisine exploration & adventurous global ingredients
- ❑ Regional and seasonal recipes incorporated into packaging & marketing
- ❑ Waste-reducing meal kits and food-solutions

Key take aways

ADDRESSING THE NEW NORMAL

Being prepared for, and adapting to the "new normal" of digital consumer engagement, e-commerce and at-home consumption will likely influence market success in the months to come. Thus, encouraging new business models and supply chain systems.

FOCUSING ON BRAND PURPOSE

Based on a reassurance of quality, company vision and social orientation, consumers are looking for the WHY behind a brand – making values, company culture and sustainability a key factor for their purchasing decisions.

HEALTH & WELLNESS 2.0

Understanding the health and safety concerns of consumers (and employees) is key in this new market place. Emphasising and creating values by focusing on hygiene, health, and wellbeing need to be the centre of attention for any business.

DEVELOPING DIGITALLY

The shift in digitalisation has led to a change in product development, too. As travel restrictions remain in place, virtual development processes and phases have to be put in place in order to adapt to a fast-pacing change in consumer habits.

Adding value through partnership

At Bell, we believe in being successful together. Our market insights and trend observations help you discover key target areas and dynamics, aiming to build up a holistic business and product strategy.

With COVID-19 further influencing the food and beverage industry, Bell has installed a business contingency strategy in order to provide our customers with the usual quality and support. Thus, protecting the health and safety of our employees, partners and customers is our key concern. We therefore guarantee increased hygiene measures to ensure a reliable manufacturing of our products.

Our team is at your disposal, helping you with regulatory needs, documentation and technical support and ensuring to deliver continuous service.

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