Talking Points: Annual Readership Survey

Part Two: What Hasn't Changed?

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Summary

Last month, we presented Part One of our readership survey, and this month we turn to the second question: "In the world of food and beverages, what hasn't changed during this crisis?" So, let's share some of the themes on what our readership felt hasn't changed (so far).

1. January's (2020) To-Do List – What we were talking about then is still relevant today.

2. 'Better for You' vs. Indulgence – For some, the pandemic has tipped consumption toward healthier options, while others have chosen the path to greater indulgence.

3. The Fundamentals Haven't Changed – "We actually don't see new developments, but a big increase in trending topics."

4. The System Is Not Broken – A robust defense of our food system.

5. Quick-Fire Round – Quotes on a range of subjects.

1. January's (2020) To-Do List

That's "all the challenges and opportunities" at the beginning of the year 2020, if you can remember that far back. They may not be front of mind and taking up headline space in the newspapers, as all eyes are focused as we lap the start of the pandemic, but "what we were talking about in January is still relevant today," because for the consumer, "many of the underlying trends," such as "plant-based, CBD, health and wellness, ESG, and purpose," haven't changed and "are paramount right now."

While certainly no one was trying to trivialize (or deny) the pressures on the food system caused by the pandemic, there was a thread among some readers calling for a greater sense of perspective (particularly with respect to time horizons) and push back against projecting "what we see now" too far into the future. In short, will the long arc of history look back and see the pandemic as a "temporary phenomenon rather than a radical shift?"

So, what was front of mind in early 2020? For many, it was remaining engaged on climate change. One reader said that from their own surveys, "We are seeing that consumers remain engaged on the climate agenda (ongoing high levels of concern for climate), and we are seeing taste and nutrition as critical elements of food purchases." It remains the case, one argued, "that the food industry is right at the front edge of the sustainability agenda – climate, food, water, and nature nexus – and also that the industry is the window into which consumers experience healthy and sustainable living."

2. 'Better for You' vs. Indulgence

One area that some of you felt hasn't changed is our daily (hourly?) conflict between 'healthy' foods vs. the foods that give us comfort and that we are prone to overindulge in. One reader expressed surprise, "given the economy," that brands positioned as 'better for you' were increasing in market share and interpreted this to mean that consumers are not "trading down but are investing in their health." The same contributor also conceded that consumers are doing so, "while at the same time eating a lot of indulgences." Another called this inconsistency out as the "dumbbell effect between healthy and indulgent." That's just the way we humans were made.

We heard from both sides. For some, the pandemic has tipped consumption toward healthier options, while others have chosen the path to greater indulgence. For the sinners, "I don't see much evidence of people responding to a health crisis by wanting to eat healthier; maybe there is even a trend toward unhealthy." After all, when "needing comforting" or "when the stress of the world seems too much, people then to go to comfort food to feel better." "With all the isolation going on in 2020, this seems like an easy way to cope with the lockdowns." For quite a few recognizing that "the desire to have food and beverage bring us comfort and solace, whether meat and potatoes, alt protein, a favorite sweet treat, or (a lot of) single malt," such indulgences (alcohol too) were "ways to temporarily escape."

Others thought the urge to splurge a temporary phenomenon that will diminish as the vaccines are rolled out and that "the increase in comfort food consumption during the pandemic will revert back to pre-Covid trends." As another put it, "after a few months of indulgence, I expect consumers to regret their weight gain during the pandemic and go back to looking for healthier options – however they define that." One aspired, "the trend toward healthier and nutritious food, now with additional emphasis on sustainability."

3. The Fundamentals Haven't Changed

Some readers referred back to November's note, "like you, I think the industry dynamics… are largely unchanged," with some emphasizing the theme of "acceleration" where "we actually don't see new developments but a big increase in trending topics like digitalization, concentration, sustainability" and plant-based. On the latter, "the momentum toward plant-based foods has "remained intact and in some cases accelerated, as the connection between what we eat and our health has been heightened even further with the pandemic." As another put it, "the channel shift that was underway toward digital has been accelerated, but that's just a fast-forward of a trend we were already following." And again, this "tremendous acceleration of the good, the bad, and the ugly" has made it harder to ignore climatic events (wildfires, hurricanes, etc.) and added a "sense of urgency around these topics," making "the business case for (addressing) climate change" greater than ever. One added, "the sustainability factor may not be the primary reason for selecting a brand, but it will be embedded into the story."

So, for more than a few, "the fundamental drivers are still there" for some of the things that died down in 2020. Let's break this down into a few points:

a) The Triumvirate: Taste, Price, & Convenience – "People want to enjoy their food, and as they cook more at home, they are focusing on cooking and baking things that they love to eat because they taste great." "Taste, price, and convenience are still king, queen, and prince(ss)," and, for example, "sustainable protein producers are going to have to compete on those factors if we want alt protein to be no longer alt."

b) "The fierce competitive fight for growth" – Readers reminded us it is still a jungle out there. "After a year like this, the imperative for growth will only increase as we all try to lap the huge comparable from 2020." One predicted that, "Media budgets will be high, promotional activity will be intense, and M&A opportunities will be competitive and draw high multiples." One way to stand above the crowd is to remember "the importance of purpose and authenticity." "Even in a year where just being in stock was enough to drive sales, we saw brands with purpose grow ahead of the market." One example cited was Ben & Jerry's, which had "huge visibility from its forceful and authentic response to a range of social issues, and enjoyed huge sales growth in parallel." Others were cautious on the ability of the large CPGs to maintain their momentum. "They've had a nice run with Covid, but we are all realizing that the nostalgia of Honey Nut Cheerios may feel comforting in a time of stress, but as soon as our safety and security is re-established, we will revert back to more sophisticated consumption of 'better-for-you' foods, and the big guys will be left behind again." In other words, there is still a need for Big Food companies to "pivot their portfolios and renovate core offerings."

c) Creatures of habit – Among the responses, there was an expectation (or aspiration) that "a lot of the pre-corona behavior will return, as consumers want to make up for all the lost social interaction and fun." Similarly, because "we are creatures of habit," "the bulk of what we bought, buy, and will buy remains the same," and "when we are back to normal, a large quantity of products that we bought in 2019 will be bought again." One argued, "out-of-home eating and insurgent brand growth" are likely to return post-crisis because drivers, such as convenience (for dining out), contract manufacturing, and digital marketing (for emerging brands), will again come to the fore. And this nailed it. "Despite Covid, WFH, etc.... plants still emerge in the spring, need to be cared for in the summer, and harvested in the fall! Mother Nature doesn't want to hear your excuses. Figure out how to make it work!"

4. The System Is Not Broken

One reader vigorously defended the robustness of the supply chain. "Contrary to the usual assumptions that food systems are fragile, the pandemic showed just how resilient they are. No supply manager can ignore risk, even in the most optimized of chains. If the usual range of foods are not on the shelves by 07:00 hours tomorrow morning, then you're not long for the world of food retail. Given how rarely I've even seen a stock-out first thing in the morning in supermarkets I visit, and given how often something goes wrong, the supply managers must be masters of improvisation. Heaven only knows what they think when reading that some egghead has accused them of running 'broken' and 'fragile' food chains."

5. Quick-Fire Round

Let's end by highlighting a number of comments on what hasn't changed:

• **A good steak** – "Beef is still the No. 1 aspirational protein in US consumers' eyes. The most popular item people want to eat at a restaurant, when emerging from quarantine, is a steak."

• **Accessibility** – "Low-income Americans at risk of not being able to afford healthy food, even as they are more likely to work in jobs that put them at higher risk of exposure to the coronavirus."

• **Brand appeal** – "The power of brands is greater than ever. Brands = trust = relationship." "Consumers remain loyal to their preferred brands, which they see as comforting during the pandemic."

• **Brash** – "Large packaged food companies still confident they can get back onto their long-term earnings growth algorithm."

• **Everything!** – "I have to say it's harder to answer what hasn't changed this year!"

• **Mindset** – "The sector hasn't come to grips with the transformation that is required of it."

• **Policy environment** – "US ag policy has not changed since the 1990s and [is] still steering us toward corn and soy production."

• **Repertoire** – "The 'short list' of meals that are repeated regularly in every household."

• **Social contract** – "The social contract that US ag has with the American consumer."

Imprint

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