

Plant Based: Time in the COVID-19 Spotlight

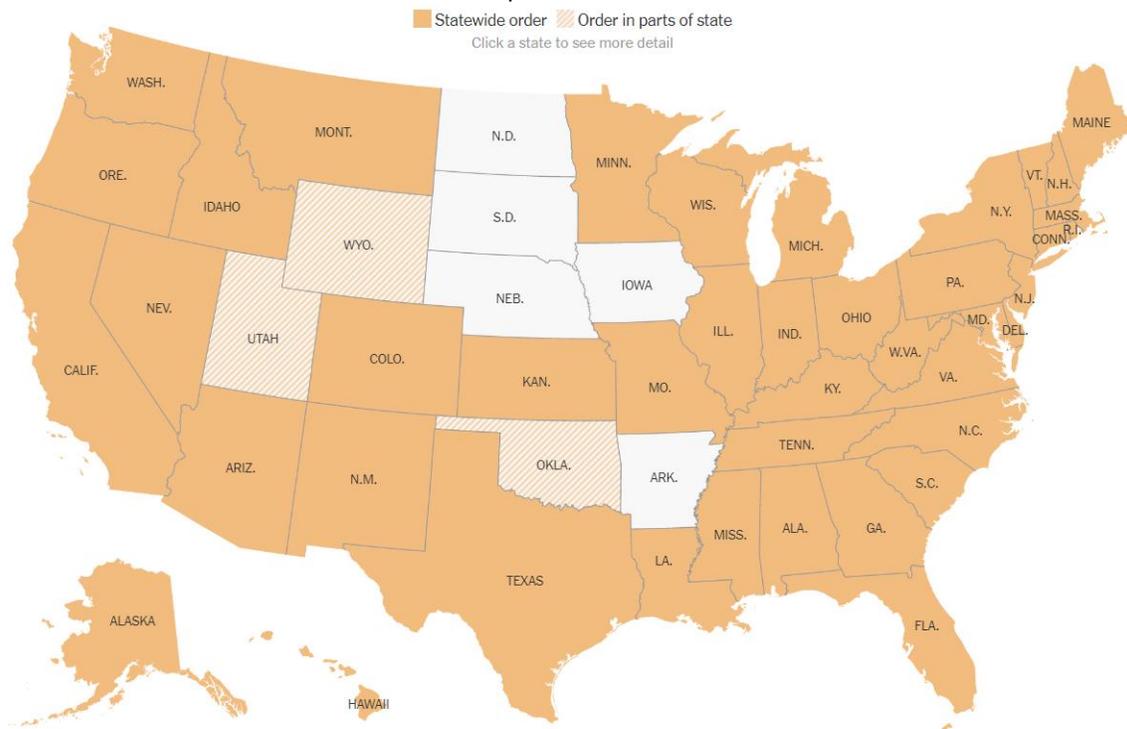
Even before COVID-19 became the focus of American life, plant-based foods were growing at an impressive rate. Plant-based was being adopted as an easier alternative to vegan diets, which feel restrictive and hard to achieve. The benefits of eating more plant-based foods also touch on several key consumer hot buttons, including healthier diets/better nutrition, sustainability (reduced CO2 emissions vs. meat production) and animal welfare.

But the spread of the coronavirus across the US has amped up the trajectory of plant-based sales, particularly for plant-based meat. The sudden transition to eating meals at home as restaurants closed due to shelter-in-place orders has caused shortages on grocery store shelves. Toilet paper, of course, received the most attention for being out-of-stock, but categories across the store experienced significant spikes in demand, wiping out grocery inventory and leaving shoppers looking for substitutes for the products that they typically rely on. The knowledge that supply chains are strained and the desire to minimize the number of trips to stock up their pantries have created a new willingness to switch to something unfamiliar. This openness to substitute for old favorites has hit plant-based foods at just the right time. To keep these shoppers coming back, retailers and manufacturers should partner to get the presentation of plant-based right in-store.

The shelter-in-place orders came on quickly in late March and Early April. By mid-April all but five states had executed some type of stay-at-home order¹. The result has been a sudden shift from eating 67% of meals away from home pre-Covid-19² to eating most meals at home. By March 21st the change in seated restaurant diners had declined 100%!³ As Americans made this transition, food retailers were not able to move quickly enough to stock their stores to meet this huge increase in demand. By early March, out-of-stocks had become an issue for shoppers, who reported that 40%⁴ of the items on their shopping list were not available. Difficult to find categories included more than paper products, disinfectant and canned goods. 75% of survey respondents reported difficulty finding chicken and other meats. 29% said eggs were hard to find and 25% said finding milk was difficult⁴.

Map of States with Stay at Home Orders¹

April 20, 2020



Importantly, many of these categories now have plant-based alternatives that can meet the demands of consumers while supplies of traditional products are low. Plant-based meat is experiencing the biggest gain from the current environment. The confluence of events has created an unforeseen opportunity for plant-based meat to drive trial. While products such as Impossible Foods' burgers and Beyond Meat were already expanding distribution and attracting new buyers interested in the environmental benefits of the plant-based proposition, the pandemic-driven meat shortages are driving consumers who may not have sought out plant-

based alternatives without a shove to consider the products. There are three key factors that are pushing consumers to make this move.



Demand for meat is growing as more people eat meals at home during pandemic

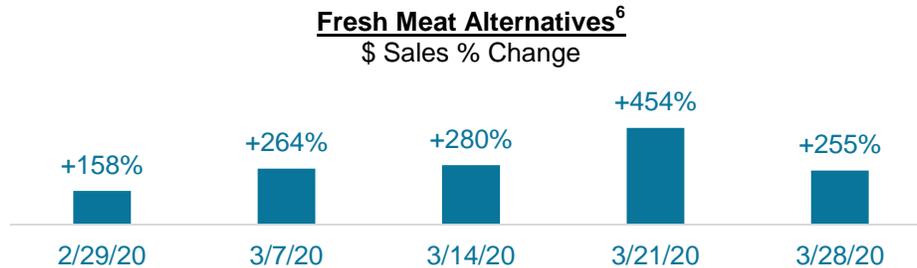


20 major meat packing plants closed due to Covid-19 breakouts in facilities and close working conditions, leading to -35% decline in Beef and Pork production⁵



The wholesale price of beef has doubled in the past two months and will continue to drive the retail price of beef higher as supply remains tight⁵

With supply of meat down significantly, causing empty shelves and high prices, plant-based alternatives are readily available and manufacturers are working to be price competitive. This allows retailers to offer shoppers an alternative to shopping around at other outlets for meat—a scary prospect during the pandemic.



The long-term prospects for meat alternatives are promising. There is no quick resolution to closed meat processing facilities. As some plants begin to re-open, still others have closed due to COVID-19 outbreaks among workers. As of May 15, over 40 meat plants remain closed, or have limited operations⁷. The pricing effect of limited supply has not yet been fully realized at retail. While the wholesale price of beef has doubled over the past few months⁸, the retail price of meat has only increased 8.1% vs. year ago⁹. This means retailers should act now to create space and communicate plant-based benefits to capture and retain shoppers in their stores for the long haul. By creating a plant-based section integrated into the fresh meat case, shoppers will be able to find alternative meat products when beef, pork or poultry are out-of-stock. By having the section clearly market with signage will ensure shoppers understand their selection. Importantly, use signage to reinforce the benefits of plant-based options. By focusing on environmental benefits--minimal CO2 emissions, nutritional benefits—less saturated fat than meat, and animal welfare, shoppers can feel that they are making a good choice, rather than a trade-off, when substituting plant-base products. At the same time, retailers and manufacturers should work together to minimize the price premium of plant-based options vs traditional meat, especially during the post-pandemic recession.

Proactively creating a dedicated plant-based section, with enough space and assortment to meet the growing demand during this unique time, will allow retailers and manufacturers to maximize sales in the meat case now and in the post-COVID world.



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Sources:

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²Simon-Kucher & Partners, "The New Normal for Restaurants: Consumer Behavior in a World After Covid-19," May, 2020

³Statista, Year-over year daily change in seated restaurant diners due to the coronavirus (Covid-19) pandemic worldwide

⁴Redman, Russell, "How the Coronavirus Crisis is Changing Grocery Shopping." Supermarket News, April 3, 2020

⁵Kang, Jaewon and Bunge, Jacob. "A smart guide to the US meat shortage." The Wall Street Journal, May 6, 2020

⁶Nielsen Fresh Meat Alternatives \$ Sales % Change vs. YAG

⁷McCarthy, Ryan and Danley, Sam. "Map: Covid-19 Meat Plant Closures." Meat & Poultry, May 15, 2020

⁸Sternlicht, Alexandra. "Alternative Meat Sales Soar Amid Pandemic." Forbes, May 5, 2020

⁹Nielsen Bungee, Jacob and Haddon, Heather. "Coronavirus Meal Shortages have Plant-Based Food Makers' Mouths Watering." The Wall Street Journal, May 13, 2020