



COVID-19 Impact on F&B Industry

Innovation, New Product Development & Launches

As an industry we've read lots of published research on *consumer* attitudes and purchase behavior during the COVID-19 crisis. Those who manage existing food and beverage brands have been in the thick of it, dealing with huge swings in demand, closures, new operating procedures, and the like.

As an innovation agency, we were curious to learn about attitudes and perspectives from *leaders inside the industry*. In particular, how they think COVID-19 might impact the future of food innovation, development, launch, and success with retail customers and consumers.

To this end, we executed a survey of Food & Beverage Industry professionals to ask these important questions. We distributed the survey through our Mattson Insights & Innovation Newsletter and partnered with our colleagues at Food Navigator and Prepared Foods to share the survey amongst their widespread networks. The survey fielded April 8-19, 2020 and was completed by 185 professionals. Here's what we learned...

Mattson COVID-19 F&B Industry Study Results, April 2020

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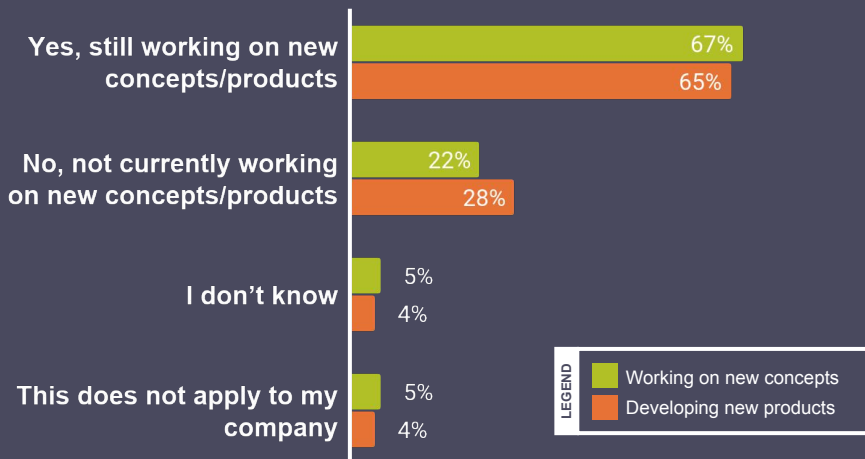
Observation # 1

Innovation continues uninterrupted at most food companies.



Q

Are you currently exploring new areas for innovation?



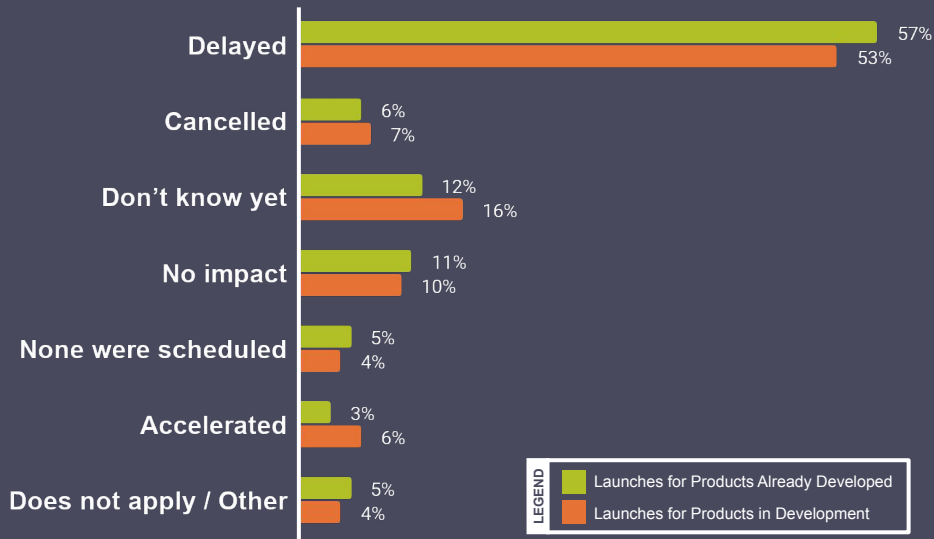
The majority say they are approaching innovation in a new way, with 80% indicating that they've been able to work on innovation from home offices and labs.

The Mattson POV

Necessity is once again proving to be the mother of invention. We have been impressed at how resourceful our clients -- and our own teams -- have been in making food happen even through shelter-in-place orders.

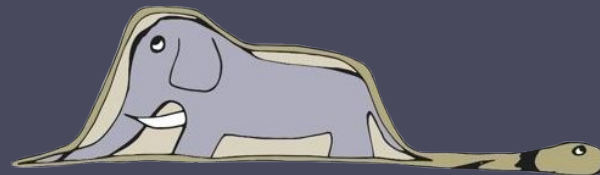
Observation # 2

Many 2020 launches have been delayed or cancelled, so retailers may find themselves considering two years of innovation for 2021 resets.



84%

say presenting
new products
has been
more challenging



The Mattson POV

Given finite space on shelves, sell-in may be especially challenging for manufacturers. Innovative products that demonstrably deliver new benefits will be even more advantaged than usual.

Observation # 3

Half of CPG Professionals believe that the long-term impacts of COVID-19 will be **POSITIVE** for the industry.



Many cite that consumers are **learning to enjoy cooking and family meals...**

“ People were forced to return to eating at home and some will find that a more positive bonding experience with their families and want to maintain those ties. ”

Respondent to Mattson Survey

“ Supply channels, with a focus on local, will be a priority... **resulting in more efficient routes to market [and] improved environmental footprints.** ”

Respondent to Mattson Survey

... and they expect manufacturers will **improve their supply chain practices**

The Mattson POV

Anytime we're pushed beyond our comfort zones we seem to come out with new skills. We're finding this to be true at Mattson, and believe that our industry will indeed come out even stronger.

Observation # 4

About half of those polled expect that retailers will be eager to bring in new products after the crisis subsides... and half expect them to be more tentative.



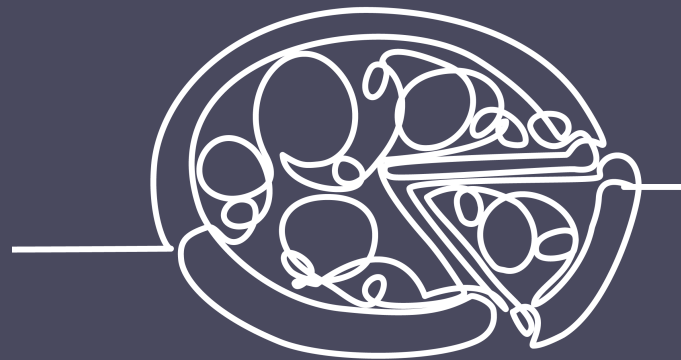
Q

After the health crisis is under control, and F&B shoppers return to their normal lifestyles, how will retailers react?



The Mattson POV

Retailers will face an important strategic decision to either lead with innovation or to lean into the familiar. This will create a real opportunity for differentiation within the retail sector.



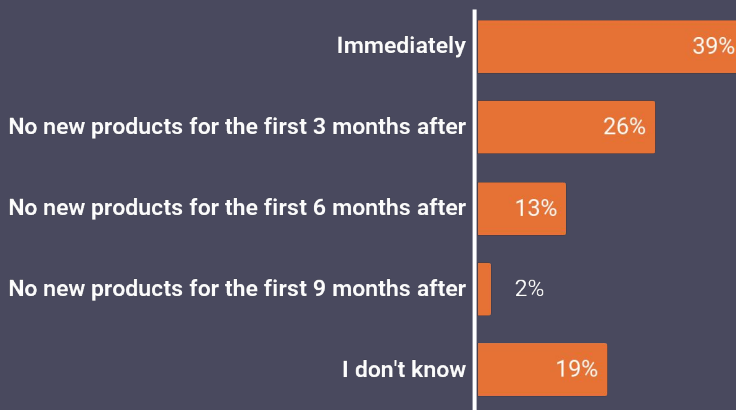
Observation #5

Respondents were divided on consumer appetite for new products post-COVID



Q

After the health crisis is under control, and consumers return to their previous lifestyle, when will consumers look for new products?



Many of those who expect immediate demand cite a consumer desire to celebrate the end of months of monotony. Retailers would need to act quickly to meet this latent demand.

“

[Consumers] are bored with the limited choices they had during the pandemic, want to celebrate life.

[Consumers] will be tired of what they already have and ready to celebrate being turned loose in society.

Consumers may look to food to meet new needs of comfort or excitement amidst an environment that has been so mundane for so long.

”

The Mattson POV

Our own research reveals that 58% of consumers will want new products immediately, providing ample demand for pent-up innovation. This should provide reassurance to both manufacturers and retailers.

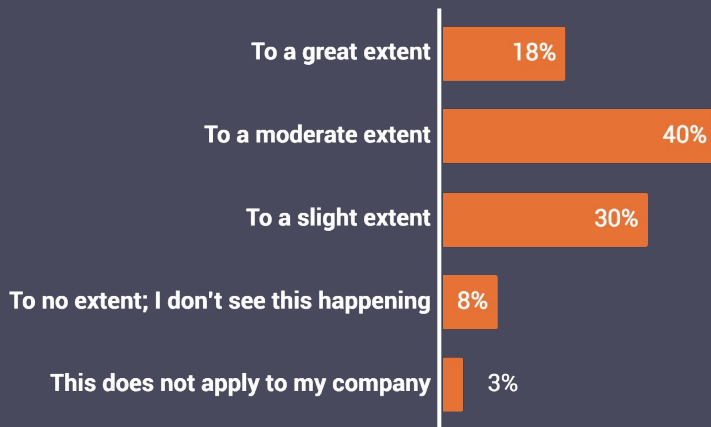
Observation #6

In 88% of respondents believe that emerging or infrequently purchased brands and products have benefited from new trial.



Q

To what extent do you think your brand/products might benefit from NEW CONSUMERS trying them for the first time, and then continuing to purchase after the crisis subsides?



The Mattson POV

Mattson employee owners have experienced this phenomenon ourselves, discovering -- because our usual brands were not available -- delicious new pasta sauces, chicken sausages, and more. This reinforces our long-standing belief that delivering great tasting, cravable products is job 1.



Observation # 7

COVID may have provided the boost that Big Food needed, with consumers rediscovering established “comfort” brands they’d stopped buying



Q

To what extent do you think **YOUR** brand/products might benefit from **LAPSED CONSUMERS** repurchasing them, realizing they missed them, and then continuing to purchase after the crisis subsides?



 **43%**

list **NOSTALGIC** foods as among the **top 2 products** that will experience the **most growth**

 **34%**

list **INDULGENT** foods as among the **top 3 products** that will experience the **most growth**

The Mattson POV

Select Big Food companies that have quietly, and impressively, invested in improving their formulations for better flavor and cleaner ingredients will particularly benefit. But those that haven't will face accelerated declines.

Observation #8

Many believe consumers will want products that deliver value.



Expect consumers to seek
Value Products



Expect consumers to seek
Super Premium



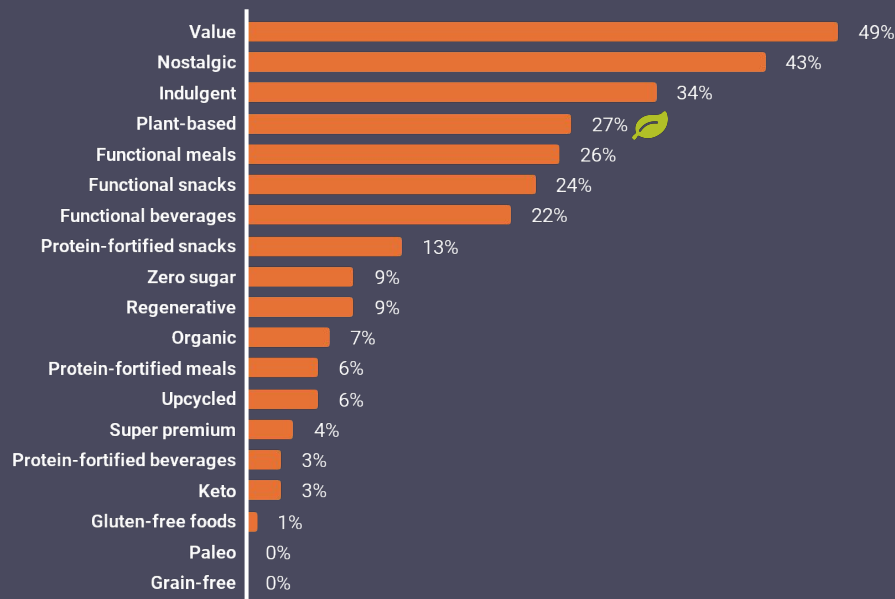
The Mattson POV

COVID-related job losses and furloughs are clearly being felt in American pocketbooks. While value will continue to be sought, we know that value can be delivered in more ways than price: reduced waste; higher nutrient density, more convenience, etc.



Observation # 9

While value, nostalgia, and indulgence stand out, it's noteworthy that respondents expect demand to be strong for plant-based products.



The Mattson POV

We're struck by the strength of plant-based in comparison to choices lower on the list, and it suggests that desire for plant-based is a sustained shift rather than a fleeting trend. It's even possible that COVID-19 -- which originated in animals -- will accelerate consumers to shift to plant-based foods.



INSIGHTS, STRATEGY, INNOVATION, AND DEVELOPMENT

North America's premier
**food & beverage
innovation company**



For the past 40+ years
we have been working
with clients at every stage —
**from entrepreneurs to
Fortune 500 companies**



We Make Food Happen

- + From brand and product strategy
- + To new product concepting
- + To product formulation and process development
- + To brand development and design
- + To co-man identification
- + To factory scale-up
- + Informed by consumer research along the way
— exploratory and/or evaluative



We are a team of 60+

**Food Scientists
Culinary Experts
Strategists
Commercialization Specialists
Brand Marketers
Designers**

We take you from
where you are now
to launch



We have helped
our clients launch
**2,500+ CPG SKUs
100s of foodservice
offerings**



What We Believe

- Prototype Prolifically:** get to the food as fast as possible
- Stand Out:** create a powerful point of difference
- Create Crave:** trial is easy; repeat is what drives success
- Solve a Need:** nutritional, sensory, emotional, or otherwise
- Build for Scale:** formulate with a clear line-of-sight to scale

mattsonco.com

contact@mattsonco.com | 650.574.8824