

NIELSEN INVESTIGATION: “PANDEMIC PANTRIES” PRESSURE SUPPLY CHAIN AMID COVID-19 FEARS

CPG, FMCG & RETAIL 03-02-2020

Consumers around the world are actively stockpiling emergency supplies as concerns grow that the Novel Coronavirus (COVID-19) could become a worldwide pandemic. They're also starting to think beyond emergency items, such as basic foodstuffs, including canned goods, flour, sugar and bottled water. Concerns are having a ripple effect into non-food essentials as well. In the U.S., sales of supplements, fruit snacks and first aid kits, for example, are all on the rise.

Nielsen's initial investigation across major countries around the world has found significant spikes in the hoarding of emergency supplies is occurring in China, the U.S. and Italy, where consumers are rushing to build what are being labelled “pandemic pantries.”

We expect the rush to stock up to have an almost immediate impact on supply chains for manufacturers of the most sought-after goods. Stocks of hand sanitizers and medical face masks have already dried up in some markets, with no clear indication of when supplies will be replenished. In Malaysia, sales of hand sanitizers hit almost RM1 million (US\$237,176) in the week ended Jan. 26, 2020; that's more than 800% above the weekly average. And in the U.S., Department of Health and Human Services (HHS) Secretary Alex Azar told lawmakers last week that America could need up to 300 million protective face masks—that's 270 million more than the current supply. Nielsen measures of San Francisco drug stores indicate that year-to-date sales of medical face masks as of the week ended Feb. 22, 2020 have already exceeded that of the entire 2019 year, demonstrating the strain high demand has put on supply chains.

Comments by the HHS and the U.S. Center for Disease Control and Prevention (CDC) during a press conference led by President Donald Trump on Wednesday, Feb. 26, noted that an escalation of the virus is a real possibility. The news came as the president considered tougher immigration measures to prevent non-U.S. travelers entering from affected countries. Then on Friday, Feb. 28, the World Health Organization (WHO) raised the global coronavirus risk level to “very high.”

In Italy, where the WHO has reported more than 1,120 cases, a Nielsen [consumer survey](#) found that only 17% Italian consumers are concerned about the virus and the possibility of a widespread epidemic. That's not to say the Italian public isn't monitoring the situation, as 94% of consumers say they check for news updates at least once a day. Additionally, there is a high level of confidence that the outbreak will be contained at the national level, largely due to the proactive efforts of consumers to wash their hands and prevent the spread of germs when coughing and sneezing. In Italy, sales of hand soap are up 29% and sales of thermometers are up 24%.

Nielsen is also monitoring how the situation will affect e-commerce. While it's too soon to detect any meaningful shifts in online purchasing in the U.S., we do expect online shopping to rise as people become increasingly interested in reducing their exposure to others, as the virus appears to be spread via coughs and sneezes.

By the end of 2019, U.S. online sales of CPG food products totaled more than \$38 billion. Rounded down, that equates to an average of \$732 million per week. Amid consumer concerns, we'll likely see that figure poised for growth in the coming weeks. E-commerce may also be a factor beyond consumer purchasing. In China, for example small- and medium-size retailers are using e-commerce to keep their stores stocked, which wasn't an option during the SARS (Severe Acute Respiratory Syndrome) outbreak 17 years ago.

“Because shopping behavior is so much different than during the SARS outbreak, and because the government started to control the issue sooner, we think the retail impact cycle will be shorter,” said Ryan Zhou, Vice President, Consumer Packaged Goods, Nielsen China. “Store sourcing is also much different today, and online suppliers have reacted very, very quickly by offering store owners, for example, mobile applications for sourcing orders. So online has really helped suppliers react and adjust their supply systems in ways that didn’t exist during SARS.”

It’s a fluid time, and retailers are balancing between keeping enough of the most sought-after supplies on their shelves while making contingency plans for longer-term gaps in their product portfolios. Fresh foods, for example, will face challenges as shoppers steer away from anything that may have travelled long distances, such as fruit and vegetables, or may have been exposed to the airborne virus. We also expect products that come off factory lines or go through distribution systems in impacted countries to face challenges.

In a Nielsen roundup of the coronavirus impact, here are five key topics we’re tracking:

TRACKING THE IMPACT OF THE SPREAD

At the start of March, the WHO had identified more than 88,900 [confirmed COVID-19 cases](#) globally, with more than 80,000 in China. The virus has spread to at least 65 countries, with Korea, Italy, Iran and Japan among those with most cases regionally. The impact for FMCG manufacturers and retailers is ongoing and Nielsen will be providing regular updates.

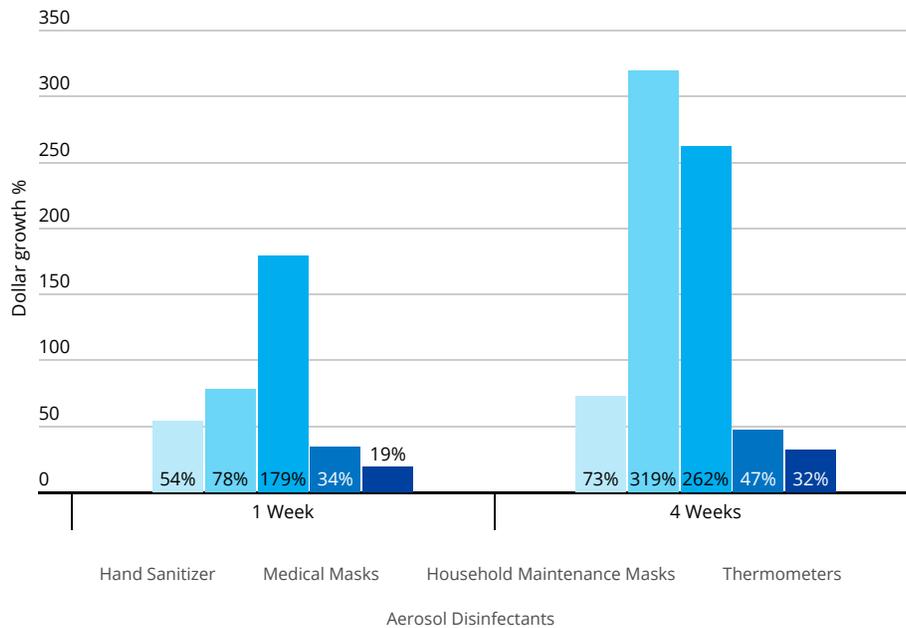
STAYING HEALTHY

Given that the coronavirus is believed to spread like the flu, demand for health-protecting and health-safety items are rising rapidly. Store shelves in Taiwan, China and Japan are void of bleach, hand sanitizer, toilet paper and cleaning pads, while 47% of consumers surveyed in Vietnam say they have changed their eating habits in reaction to the virus.

We’re starting to see similar sales trends in the U.S. During the four weeks ended Feb. 22, 2020, medical mask sales were up significantly (319% dollar growth / 378% unit growth). Hand sanitizer sales are up 73% in the same four weeks, but we can project, based on trends elsewhere, that sanitizer sales won’t peak for some time.

STAYING CLEAN AND HEALTHY

Sales of health-related CPG items are on the rise amid COVID-19 concerns



Source: Nielsen Retail Measurement Services, Total U.S. All Outlets Combined (xAOC), periods ended Feb. 22, 2020 versus same periods a year-ago

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Regionally, the West Coast is definitely leading the growth of medical mask sales. Specifically, drug stores in the Los Angeles and San Francisco metropolitan areas have posted year-to-date dollar growth of 340% and 541%, respectively, compared with this time in 2019. Across mainstream U.S. outlets across the country, medical mask sales are up 239% year-to-date.

PREPARING THE PANDEMIC PANTRY

Beyond health preparedness, U.S. consumers aren't waiting until it's too late to stock up on shelf-stable essentials, which parallels what we've seen in other regions. In Vietnam, 45% of surveyed consumers say they've increased what they're stocking at home, and 25% are buying more items online. And in Taiwan, instant noodles have become a rarity on the shelves at physical stores. The U.S. may experience similar trends if recent sales are an indication of what's to come.

PANDEMIC PANTRY PREPARATIONS

Sales of shelf-stable CPG items are on the rise amid COVID-19 concerns

Category	Dollar Growth (%)	Unit Growth (%)
Oat Milk	305.5%	280.5%
Fruit Snacks	12.6%	4.7%
Pet Medicine	11.0%	8.6%
Dried Beans	10.1%	2.5%
Energy Beverages	10.1%	14.9%
Bath & Shower Wipes	9.5%	12.5%
Pretzels	9.0%	5.5%
Supplements	7.8%	9.7%
First Aid Kits	6.2%	0.2%
Water	5.1%	4.9%

Source: Nielsen Retail Measurement Services, Total U.S. All Outlets Combined (xAOC), one-week period ended Feb. 22, 2020

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PASSING ON PRODUCE

As consumers assess their purchasing decisions around what can be stored for long periods and what cannot, there's little doubt that buying will shift toward shelf-stable and frozen options. In January 2020, produce departments in the U.S. garnered average weekly sales of \$1.18 billion. Those sales are clearly at risk in the coming weeks, but "pantry produce" (frozen and shelf stable) could fill the gap if positioned to consumers properly. For example, frozen fruit sales were up 7% in the week ended Feb. 22, 2020.

THINKING BEYOND THE BUG

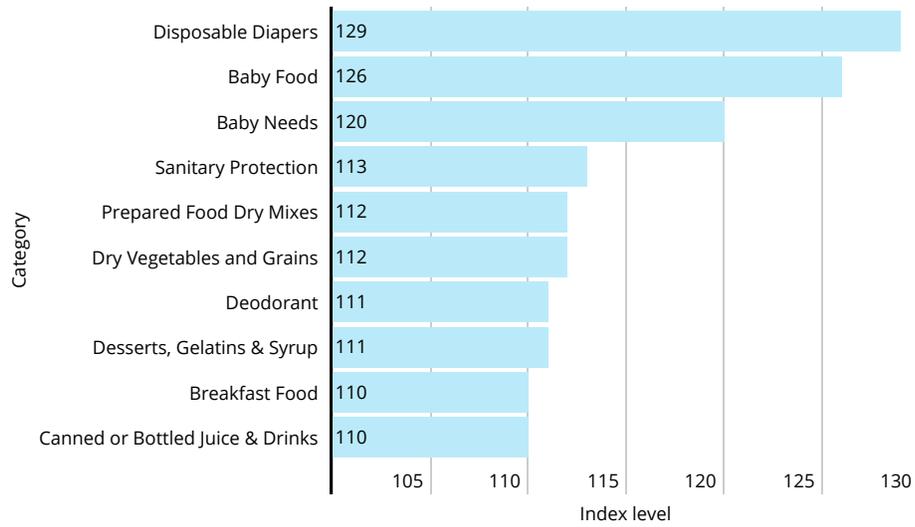
In the immediate term, it's not surprising that manufacturers and retailers are keeping a close watch on products aimed at keeping consumers healthy, including sanitizers, vitamins and medical masks—or that sales of these items are on the rise. Through the lens of consumer packaged goods (CPG), concerns about the coronavirus will lead to increased sales across an array of adjacent categories.

In the U.S., sales of aerosol disinfectants, for example, were up 19%, while air cleaners and purifier sales were up nearly 3% in the week ended Feb. 22, 2020. Longer term, we expect similar ripple sales in hand and body lotion—simply because an increased focus on hand washing and disinfecting will have a negative effect on skin.

There are also less-obvious categories to look at that will see sales spikes in the coming weeks. Based on Nielsen Spectra demographic matching, we can assess how likely consumers who buy hand sanitizers/cleaners are to buy an array of other categories. Top potential cross-merchandising products include disposable diapers, baby food and baby needs. Here are the top complementary CPG categories to consumers who buy hand sanitizers/cleaners.

FINDING HEALTH-ADJACENT CATEGORIES

Top complementary categories to buyers of hand sanitizer



Read as: Consumers of hand sanitizer are 29% more likely than the average American to purchase disposable diapers.

Source: Nielsen Spectra, January 2020

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