



# CONSUMER PULSE SURVEY

Food Consumption in the New “Normal”

July 2020

LAZARD

**CH** Consulting  
Advisors

# THE SURVEY

Prior to March, none of us has ever had to navigate our businesses in the uncharted waters of a global pandemic. But, four months later, here we are--still learning as we go. As the COVID-19 pandemic continues to ebb and flow across the country, it has become clear that it is changing consumer behavior.

Lazard's Middle Market Consumer, Food and Retail Group teamed up with CH Consulting Advisors to ask U.S. consumers how they expect their purchasing habits to change in the new "normal." There has been a lot of early industry research on how consumers, retailers, manufacturers, and suppliers have reacted to the pandemic. Our goal is not to look to the past but rather to identify clues for the future. To that end, our first survey asks questions such as – *What comes next? How much of this reaction do we expect to stick? What does this mean to our clients and to the industry?*

## Food Consumption Behavior May Change for the Long-Term

Our first survey focuses on food consumption behavior. It was fielded in the last week of June, a period during which consumers were in the early days of experiencing a reopening of public life but also a resurgence of COVID

cases in many parts of the country. The consumer feedback we received has potential implications for food manufacturers, retailers, restaurants, and investors.

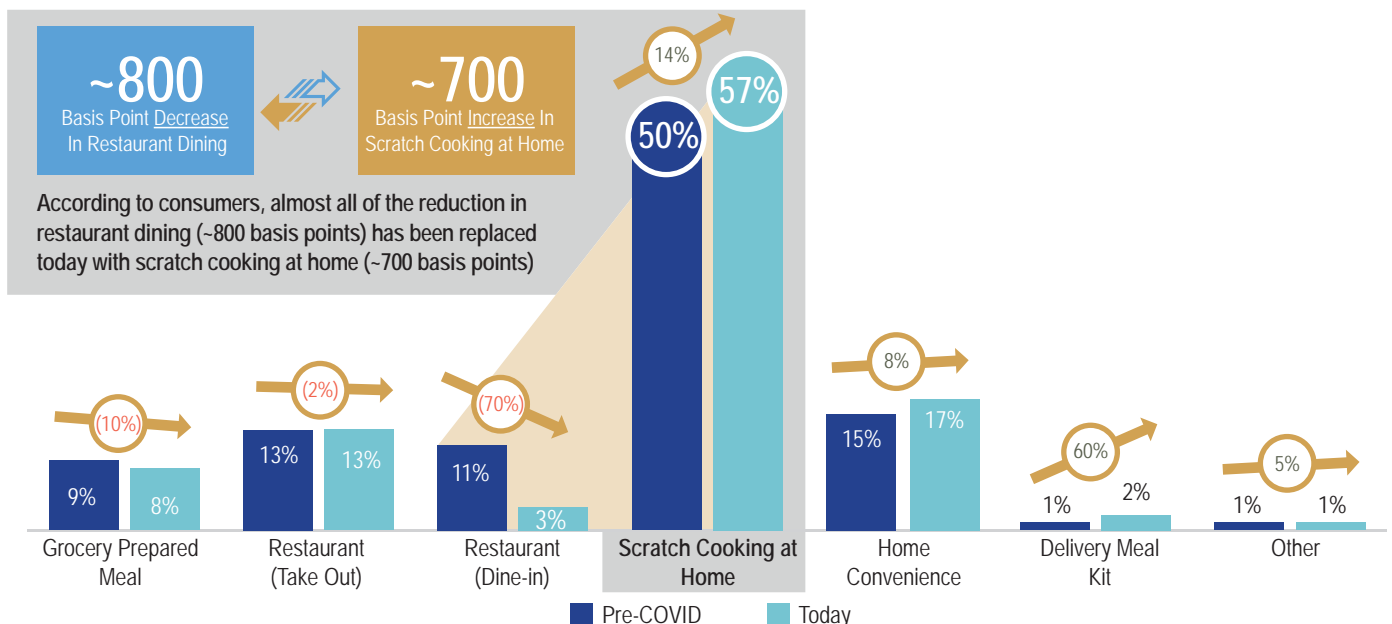
While a significant amount of the survey results confirmed our observations, such as heavily-reduced restaurant dining, a shift to online purchases, and a massive shift away from salad bars, there were also some more surprising results.

In all, we took a demographically-proportionate sample of 1,000+ consumers and asked them more than 20 questions about their *past, current, and expected* future food purchase behavior. Our survey respondents spanned a variety of age, income, geographic, ethnic and other relevant demographic characteristics, which resulted in thousands of unique data points.

### The Shift to In-Home Eating May be Long-Term – Consumers are Planning to Stick to Making Food from Scratch

A key industry question is how much of the massive bump in retail volume will smooth back once restaurants can reopen fully. To gain insight, we first asked consumers how they consumed their meals pre-COVID and how they are consuming them now. Unsurprisingly, dining in restaurants dropped dramatically from pre-COVID levels.

## Meal Consumption Pre-COVID vs. Today



Mirroring reports from earlier in the COVID crisis, consumers report having decreased dining in restaurants significantly, down 70% from pre-COVID levels to account for only 3% of weekly meals today. But, a bit surprisingly, consumers reported offsetting that decrease *almost entirely* with scratch cooking at home, which jumped to account for 57% of weekly meals from 50% pre-COVID. Anecdotally, this seems to be driven by three components of a typical day in the life of COVID: working at home (more in-home breakfast and lunch occasions), what we like to call *high-emotion dinners* (which reflect the change from being served at white tablecloth restaurants to creating a similar experience at home with high involvement home-cooked meals), and experiencing cooking as a new form of leisure.

The most significant overall reported decrease in restaurant dining comes from people with an annual income over \$100,000. Consumers with an annual income between \$100,000-\$150,000 reported that they decreased their weekly restaurant meal occasions by 76% to just 4% of weekly meals today. Higher-income households have reported substituting restaurant dining with more scratch cooking at home while lower-income households have reported shifting a little more towards convenience foods. Interestingly, reported levels of take-out dining has held relatively steady at 12-13% of weekly meals across all demographic groups.

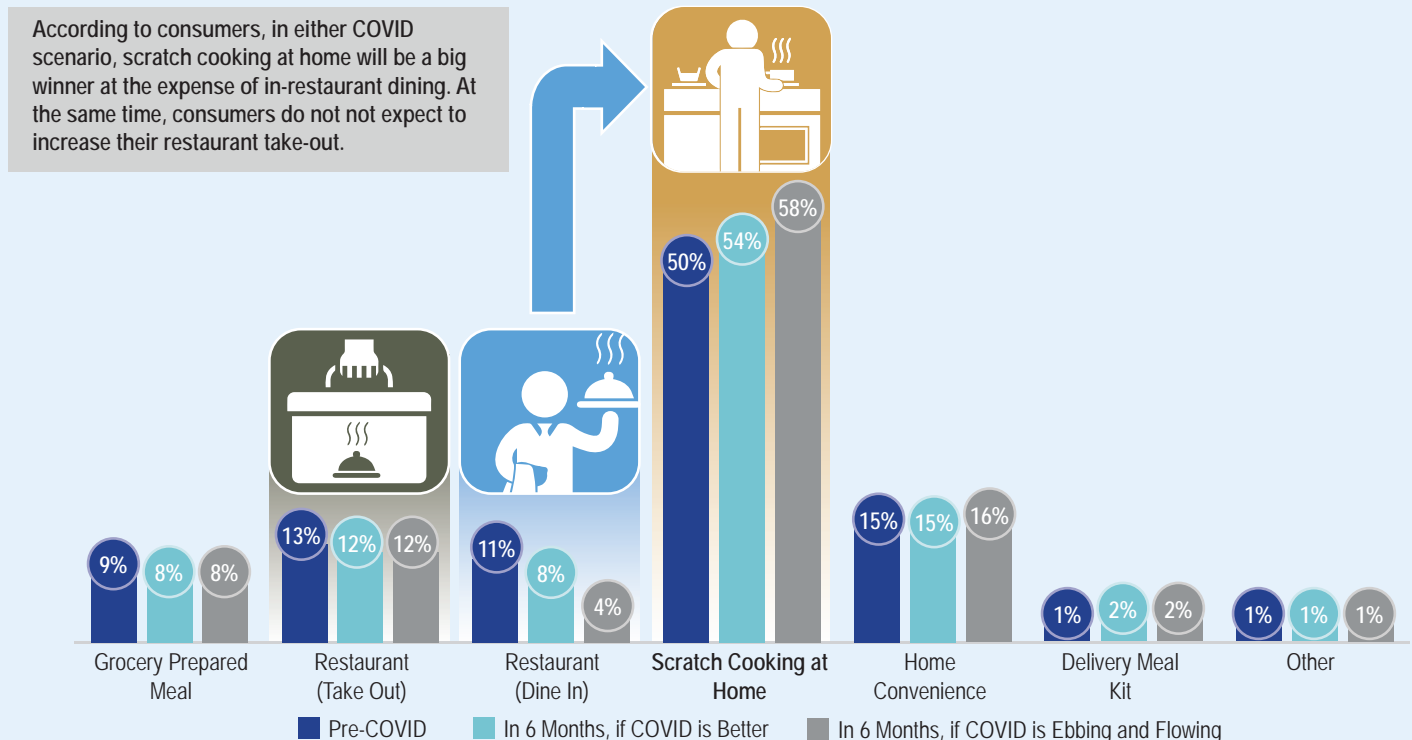


More important than knowing what the consumer is doing today, we wanted to understand their potential future habits in the new “normal” going forward. Given the uncertainty of the future, we asked consumers how they expect their eating patterns to change under two scenarios

- 1) Expectations in six months from now if the COVID crisis is better; and
- 2) Expectations in six months from now if COVID continues to ebb and flow.

Our survey results suggest that in either scenario, consumers **expect to have a long-term shift to in-home dining, driven primarily by increased scratch cooking at home**, and, to a much-lesser degree, from more meal kit delivery.

### Meal Consumption Pre-COVID vs. if COVID is Better in Six Months or Ebbing and Flowing in Six Months



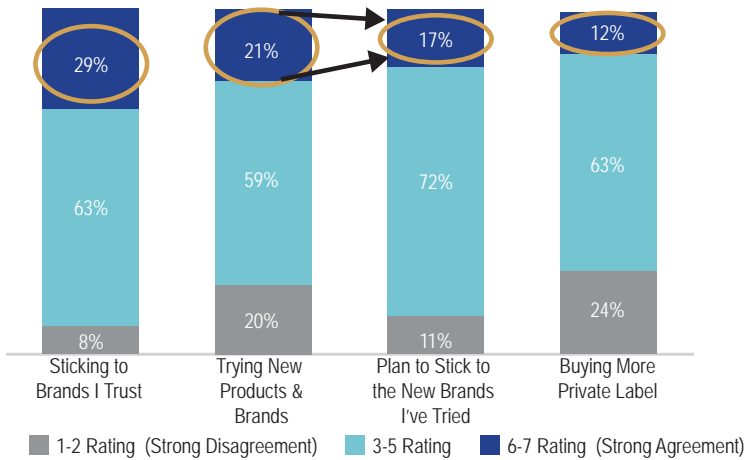
It appears that consumers currently intend to carry forth this with or without an improvement in the pandemic. Those surveyed expect that their future “dining in a restaurant” will be reduced 30% from pre-COVID levels to 8% of meals even if COVID is better in six months and to only 4% of meals if COVID is ebbing and flowing. In other words, **consumers currently expect that their in-restaurant dining will return to only 70% of pre-COVID levels even if the COVID risk is much lower than it is today.** What will replace those meals? Mostly, consumers report that they intend to cook more from-scratch meals at home. Pre-COVID, they report that 50% of their meals were made from scratch at home. If the pandemic is better, their current plans are to consume 54% of their meals made from scratch at home; if COVID ebbs and flows, they report that they expect 58% of their meals to fall into this category. We also found that predicted results vary across various demographic cohorts.

## Refuge in the Familiar: Trusted Brands May Be the Big Winners – But When Might Private Label Surge?

How has the crisis affected consumers’ opinions of food brands? We asked households to rate their agreement to questions on a seven-point scale, with 1 meaning “Do not agree at all” and 7 meaning “Completely agree.” The results are encouraging for traditional brands, but present challenges for new brands going forward.

Rating Scale	
Completely Agree	7
	6
Neither Agree Nor Disagree	5
	4
	3
Do Not Agree at All	2
	1

### Trusted Brands May Be Big Winners



Nearly 30% of consumers told us they strongly agree that they are sticking to brands they trust while just over 20% told us they strongly agree they were trying new ones. However, only 17% told us they strongly agree they will be sticking to those new brands.



### “I’m sticking to brands that I trust.”

Almost 29% of households give this question a 6 or 7, which made it one of the highest scores. Black and Hispanic consumers scored this question higher than Whites and Asians. Households with an annual income over \$150,000 scored this question much lower than other incomes, suggesting higher-income earners might be more comfortable or financially-capable of trying new brands.



### “I plan to stick to the new brands I’ve tried.”

COVID has been an opportunity to try new brands because of out-of-stocks and shopping in new channels. But, survey respondents gave a 6 or 7 to this question less than 17% of the time – one of the lower scores. **So, while COVID has been an opportunity for trial, the stickiness of the volume surge during the COVID crisis may not be as strong as new brands hoped.** They may have to do a lot of work to keep these new users.



### “I’m buying more private label.”

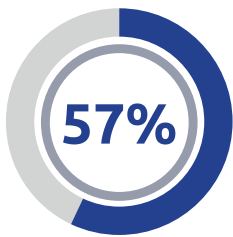
Around 12% gave this question a 6 or 7, while 24% scored it a 1 or 2. The results suggest the crisis may not have yet provided a large market share gain for private label. This may be because recession behavior has not yet been ingrained into consumer’s psyches. If furloughs turn into layoffs and the effects of stimulus checks and expanded unemployment benefits begin to abate, the COVID crisis may see more of a typical recession uptick in private label purchasing.

We also asked questions on the consumption of comfort foods, healthy foods, domestically-produced food, and food retail stores, but, none of these questions had any reported significant shifts from prior consumer behavior.

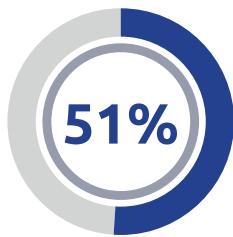
## Safety Precautions are Critical

Consumers tell us they will be demanding robust health and safety practices from their grocery stores and restaurants. Using the same seven-point scale, we asked questions regarding retail safety practices. The results were not surprising in themselves. But we were surprised at the strength of the opinions. They emphasize how vital safety is to the post-COVID-era consumer and provide a clearer picture of what it takes for food retailers to be successful in a post-COVID world.

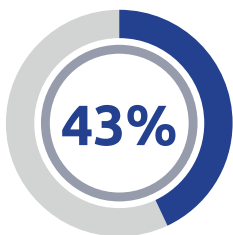
### Safety Is The New Priority



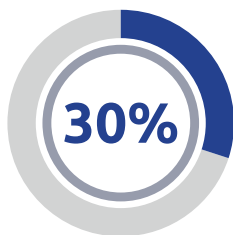
Avoiding The Salad Bar



Avoiding Shopping at Stores Where the Employees Do Not Wear Masks



Avoiding Shopping at Stores Where Customers Do Not Wear Masks



Avoiding Shopping at Stores That Lack Physical Barriers To Cashiers

■ 1-5 Ratings

■ 6-7 Ratings (Strong Agreement)

By far and away the strongest agreement we received from our survey were on questions related to safety. Retailers will skimp on masks and physical barriers at their peril.

**“I am avoiding grocery store salad bars.”**

Over 57% of surveyed scored this a 6 or 7, so self-service stations in grocery stores and restaurants may have to evolve to service counters or pre-packaged offerings.

**“I avoid stores where employees do not wear masks.”**

Over 50% of all surveyed rated a six or seven in agreement that they avoid stores where employees are not wearing masks.

**This is a very strong message to food retailers.**

**“I avoid stores where customers do not wear masks.”**

Those that scored this a 6 or 7 totaled 43%. Perhaps more interestingly, 16% of households scored this a 1 or 2, so there is a minority that feels strongly about not wearing masks. **This may make for some tricky decisions for food retailers over the next several months.**

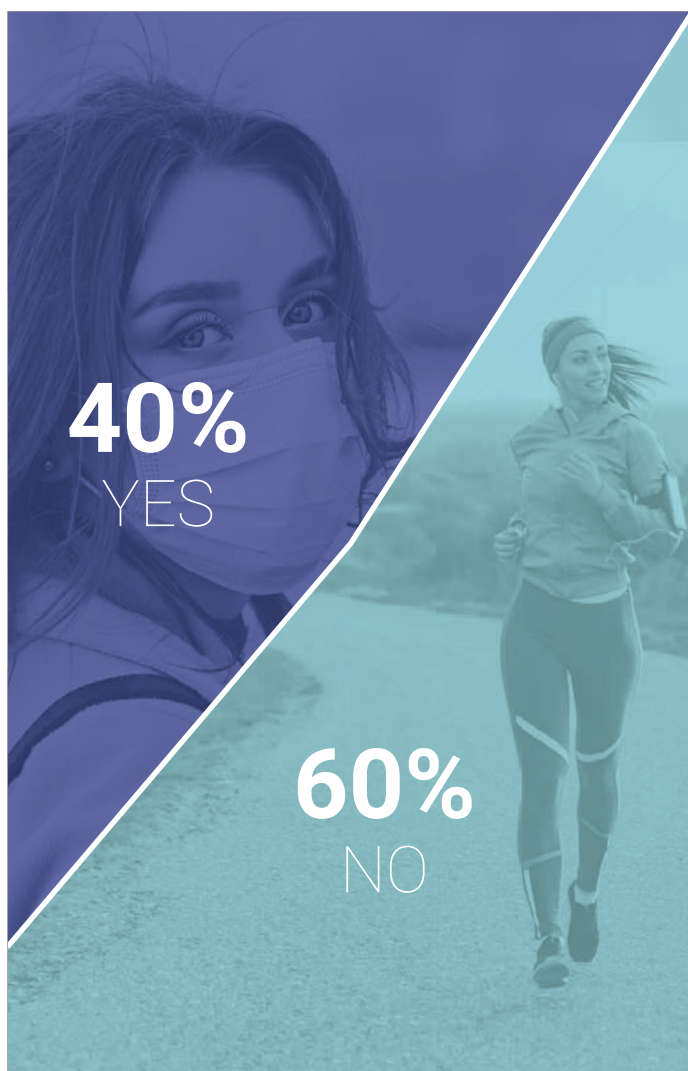
**“I avoid stores without physical barriers to the cashier.”**

Over 31% of households scored this a 6 or 7. This was a strong score relative to many on our survey. But, clearly this is less important to consumers than mask-wearing.

## Consumers Believe Many of Them Live With Someone Who is “At-Risk”

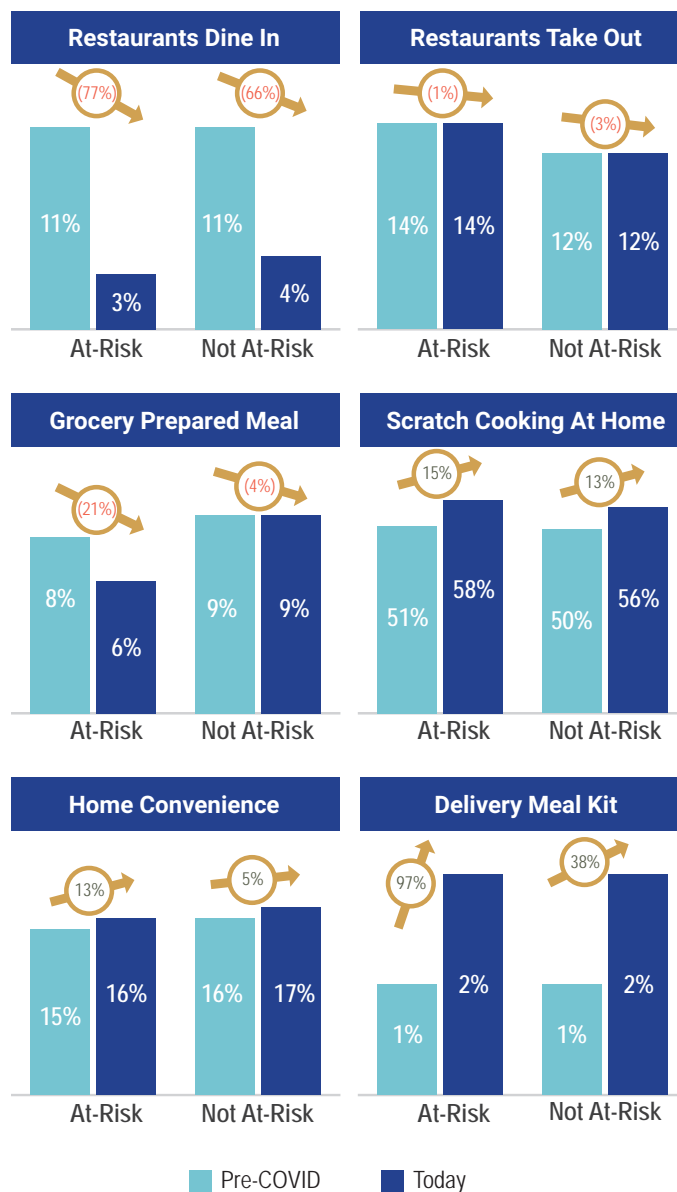
We suspected that households with an at-risk member might behave differently from other households, so we asked our consumers whether they had any at-risk members in their household. **40% of households reported an at-risk member**, indicating the at-risk consumer group is a significant part of the market.

### At-Risk Person in Household?



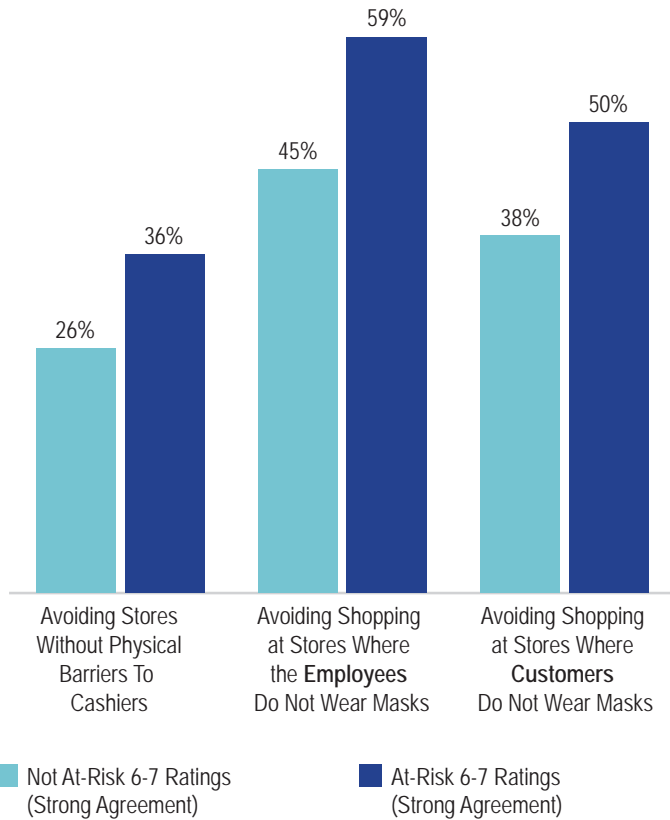
At-risk households were slightly above average dine-in restaurant users pre-COVID, but have decreased to below-average dine-in users today. While the primary replacement of dining at restaurants for at-risk households is scratch cooking at home, the use of convenience foods and meal kit delivery has also increased more than it has for the not at-risk households.

### At-Risk vs. Not At-Risk Meal Consumption Pre-COVID and Today



If the COVID situation improves, at-risk households are expected to return to dine-in meals at a rate higher than the general population (although still slightly below pre-COVID levels) and **seek to return to their old eating habits, just like everyone else**. Do at-risk households act any differently? Of course, the answer is “yes.” Not surprisingly, at-risk households score higher on safety precautions such as wearing masks and are using grocery salad bars and delis significantly less. ~59% of at-risk households agree strongly (6-7 ratings) about avoiding shopping at stores where the employees do not wear masks and 50% avoid shopping in stores where customers don’t wear masks, versus 45% and 38% for not at-risk households, respectively.

## At-Risk Households Feel More Strongly About Safety Precautions



## Potential Implications for the Future

As expected, the new normal will depend partly on how the COVID pandemic evolves. If it gets better, eating habits may return more closely to historic levels than if it does not.

**However, our survey suggests that consumers currently intend to permanently shift more of their consumption from dining-in at restaurants to scratch cooking at home.**

If the pandemic continues to ebb and flow, the medium-term new normal may look a lot like the consumer behavior we see today. The COVID pandemic has been a massive trial opportunity for new brands and buying channels.

Our data suggest that the new normal is likely to vary depending on income level, ethnicity, age group, and region, which would affect brands based on their specific positioning. This report has only scratched the surface of the data we collected, and we would be happy to tailor the results to your unique needs. We would be delighted to explore how the new normal may affect your business and the potential implications for your strategy, financing, valuation, and M&A activity in the future.



# ABOUT LAZARD

## LAZARD

Lazard Middle Market LLC, a subsidiary of Lazard Ltd (NYSE: LAZ), is a leading middle market investment bank that provides customized advice on mergers and acquisitions, debt and equity recapitalizations, and financial restructurings to mid-sized companies across a broad range of industries. Lazard, one of the world's preeminent financial advisory and asset management firms, with origins dating back to 1848, operates in 40 offices across 25 countries in North America, Europe, Asia, Australia, Central and South America.

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Lazard has financial advisory specialists throughout the world with experience and relationships in the consumer, food/ agriculture, and e-commerce/ retail industries. These bankers have played key advisory roles in some of the most important, complex, and industry-defining transactions. Our middle market Consumer, Food & Retail team has senior bankers in Charlotte, Minneapolis, and New York with long, deep roots at Lazard. Since 2000, we have completed more than 300 transactions and acted as financial advisor to clients on mergers and acquisitions (both buy-side and sell-side), capital raises, refinancings, and restructurings. Our transactions are award-winning, strategic, and often, cross-border.



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# ABOUT CH CONSULTING ADVISORS

## **CH** Consulting Advisors

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50+ years of experience conducting buy-side and sell-side diligence, corporate strategy and portfolio support with PE funds, companies, and banks in diverse set of sectors across the consumer landscape

### **VALUE:**

Provide expertise and budgets that fit

### **FLEXIBLE:**

Customized assessment approach for targeted or expansive efforts that helps lead to shareholder, board, executive, and investor confidence

### **EXPANDABLE:**

Network of functional experts



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