10 Slides to Make You Think about COVID-19

5th Edition

Latam

September 2020

How the 10 slides made us think about COVID-19 in Latam

1.

Many similarities of what has happened in the world in this lockdown have also occurred in Latin America, such as historical levels of growth for FMCG and new habits as Hyper Hygiene - but also with regional particularities, such as not only the development of leading brands, but also a focus on savings to make spending more manageable in this complex environment.

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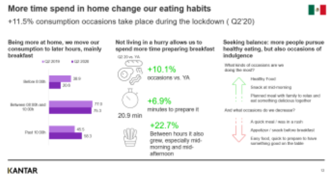

The quarantine has developed new habits, for example in Mexico, where spending more time at home allows passing more time in the kitchen, in addition to delaying meals. Yet, there is a balance between healthy and indulgence.

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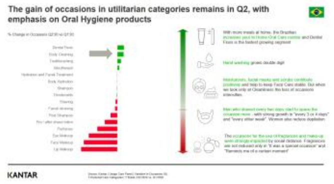

Isolation has even changed our personal care habits. In Brazil, we see how cleaning becomes relevant, with new beauty routines that are more about skin care and less about makeup. New looks: men are shaving less often.

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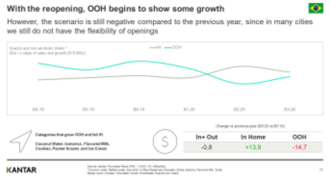

Another change driven by the lockdown is the drop in OOH consumption. In some countries, the restrictions have eased, and people may go out. With the opening of some cities in Brazil, OOH consumption begins to show some growth, but comparing with last year, the scenario is still negative.

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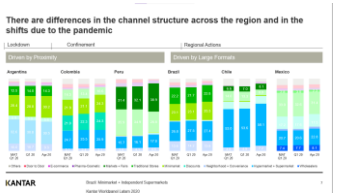

Channel growth in Latam is a complex and varied picture, driven by two particularities: the level of quarantine restrictions in individual countries, and the channel structure that already existed in the market. Two distinct trends have emerged. On the one hand, where restrictions were heaviest, shoppers favoured smaller-format stores; and where restrictions were not as tight, consumers tended to stimulate the modern trade.

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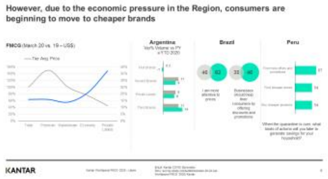


Due to this complex context, Latin American households are searching for cheaper offers to deal with the economic pressure. Not all of them follow the same downtrading path; in Argentina, consumers increased their spending on third-tier brands, while in Peru they will look for offers in the “new normal”.

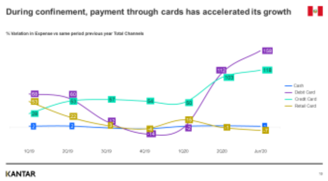
7.

Shoppers in countries where there are higher percentages of informal jobs, are those who are seeing a reduction in their income due to COVID-19. 8 in 10 households in Central America have experienced income reduction during the pandemic.

8.

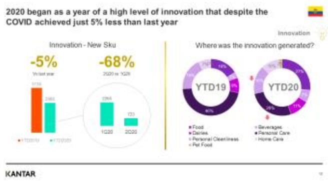
In Colombia, 69% of all households perceived an increase in prices in recent months, and in more than a third, some household member has lost their job. To deal with this situation, they are prioritizing basics and even reducing spending on leisure.

9.



COVID has changed the daily activities greatly, as well as the role of payment methods. This has happened in several countries; an example is Peru, where purchases paid by card grew 50%, which will make it an opportunity not only for the financial sector, but also the Retail.

10.



In times of crisis, in countries such as Spain, we find that both companies and retailers that innovate grow more – even in complex times. We even see in countries like Ecuador that this year innovation has not fallen so much despite the contingency. It is key to continue promoting innovation as a growth generator for brands and channels.

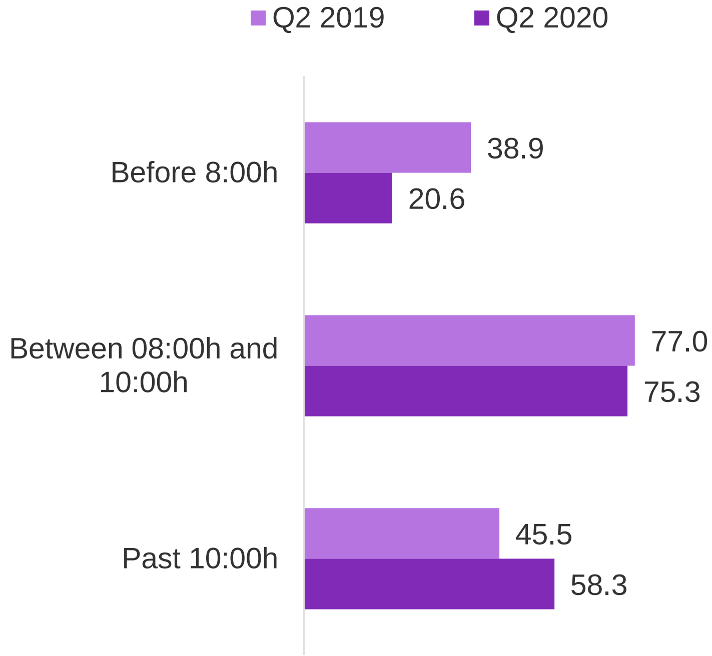
What is happening in the world and in Latin America in times of COVID-19?

		Global Trends	Latam
Consumption	Transfer of OOH consumption to in-home	✓	✓
	FMCG growth	✓	✓
	Stockpiling before lockdown	✓	✓
	Supply purchases, with reduced frequency since confinement	✓	✓
	New product demands: hygiene and health	✓	✓
	Big brands win	✓	▶ Emphasize the search for cheaper brands, and private brands too
Channels	E-commerce accelerated growth	✓	✓
	Supermarket evolution and convenience	✓	▶ Growth focused on bigger formats and down-the-trade
Some moves we anticipate	Promotions will slow down, but economic pressure may generate a new price war	✓	✓
	E-commerce channel is established on a new level, and will continue to develop	✓	✓
	Growth of Private Labels and Discounter Channels	✓	▶ Not only Discounters, but also Wholesalers (value for money)

In this complex context, more time spend at home has changed our eating habits

+11.5% consumption occasions during lockdown (Q2‘20)

Being more at home, we move our consumption to later, mainly breakfast



Not living in a hurry allows us to spend more time preparing breakfast

Q2 20 vs. YA

+10.1%
occasions vs. YA

+6.9%
minutes to prepare it

20.9 min

+22.7%
Snacking between meals has also grown, especially mid-morning and mid-afternoon

Seeking balance: more people pursue healthy eating, but also occasions of indulgence

What kinds of occasions are we doing the most?

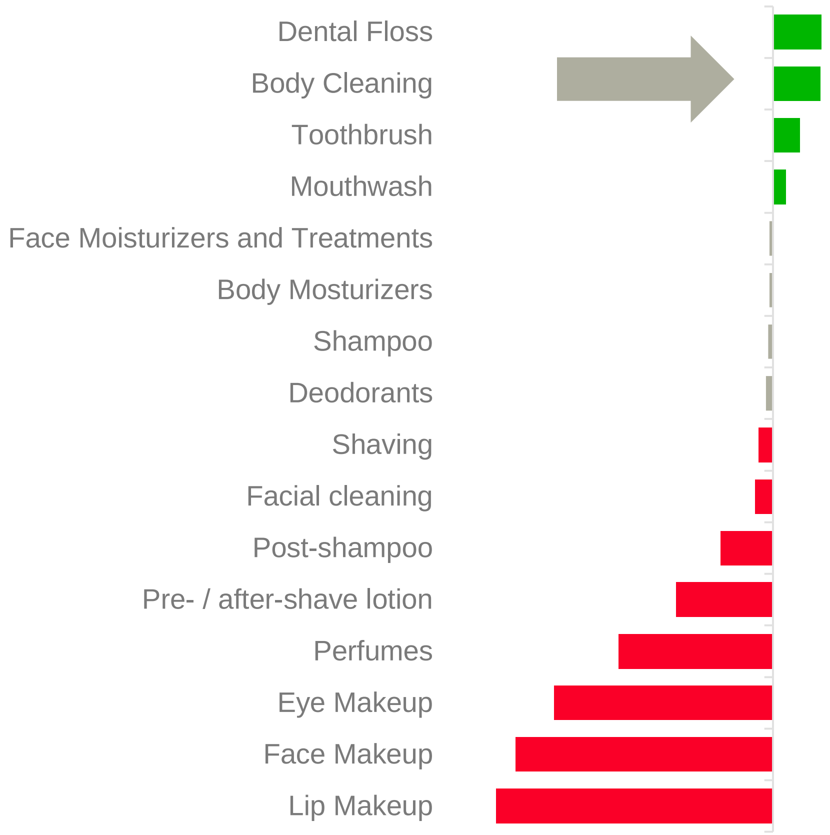
- Healthy foods
- Mid-morning snacks
- Planned meals with family to relax and eat something delicious together

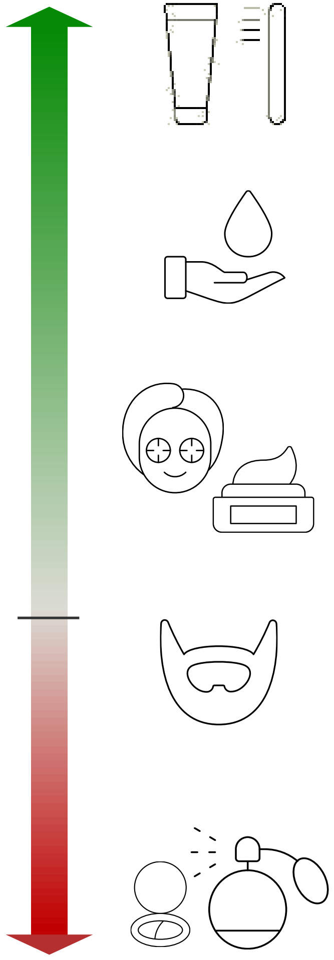
And what occasions have we decreased?

- A quick meal / in a rush
- Appetiser / snack before breakfast
- Easy food, quick to prepare to have something good on the table

The gain of occasions in utilitarian categories remained in Q2, with emphasis on Oral Hygiene products

% Change in Occasions Q2‘20 vs. Q1‘20





With more meals at home, Brazilians have increased their in-home Oral Care routine, and Dental Floss is the fastest-growing segment

Hand-washing has recorded double-digit growth

Moisturizers, face masks and scrubs contribute positively and help to keep Face Care stable. But when we look only at Personal Care, the loss of occasions has intensified.

Men who shaved every two days have started doing it less often - with strong growth in "every 3 or 4 days" and "every other week". Women have also reduced depilation.

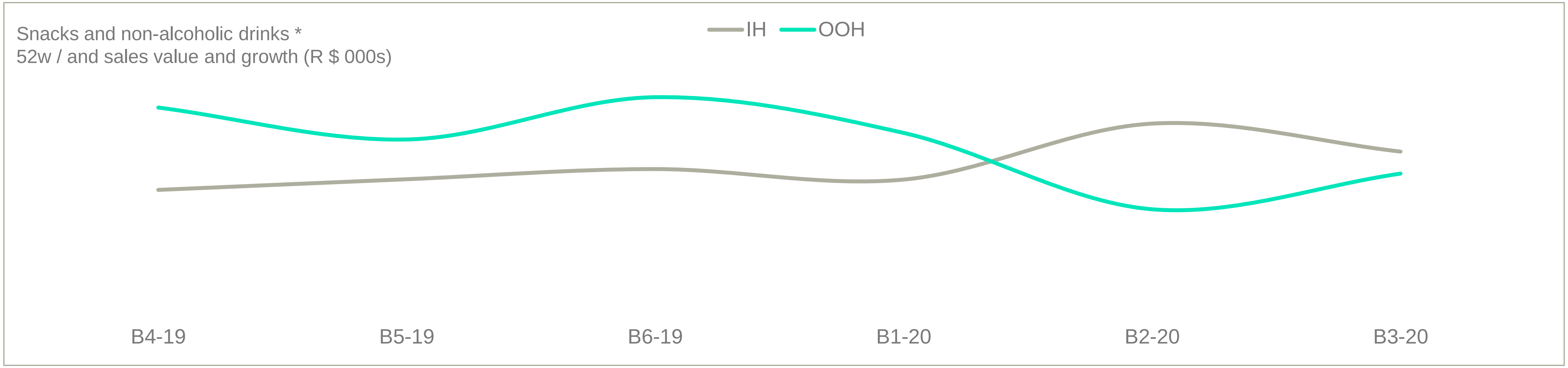
The occasions for use of fragrances and make-up have been strongly impacted by social distancing. Not only have fragrances reduced in “It was a special occasion”, but also in “Reminds me of a certain moment”

KANTAR

Source: Kantar | Usage Care Panel | Change in Occasions (%)
T. Personal Care Categories | T. Brazil | Q2’2020 vs. Q1’2020

With the reopening, OOH begins to show some growth

However, the scenario is still negative compared to the previous year, since in many cities we still do not have the flexibility of reopening



Categories that grow OOH and fall IH

Coconut Water, Sports Drinks, Flavoured Milk, Cookies, Packaged Snacks and Ice Cream

Change vs. previous year (B3'20 vs. B3'19)

IH+OOH	In-home	OOH
-0.8	+13.9	-14.7

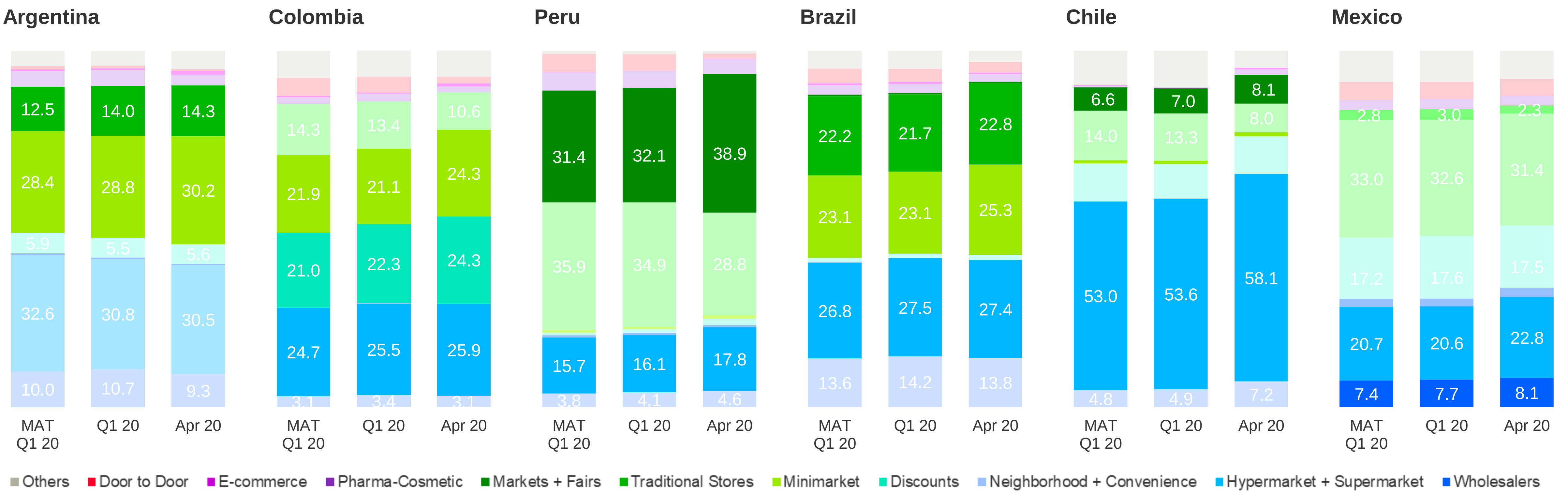
KANTAR

Source: Kantar | Purchase Panel (PNC + OOH) | B = Bimonthly
*Coconut water; Bottled water; Soy-based drink; Coffee; RTD tea; Energy drinks; Sports drinks; Flavoured Milk; Soda; RTD Juice; Cookies; Chocolate; Snack; Homemade Snacks; Ice cream

There are differences in the channel structure across the region and in the shifts due to the pandemic

Lockdown | Confinement | Regional Actions

Driven by Proximity | **Driven by Large Formats**

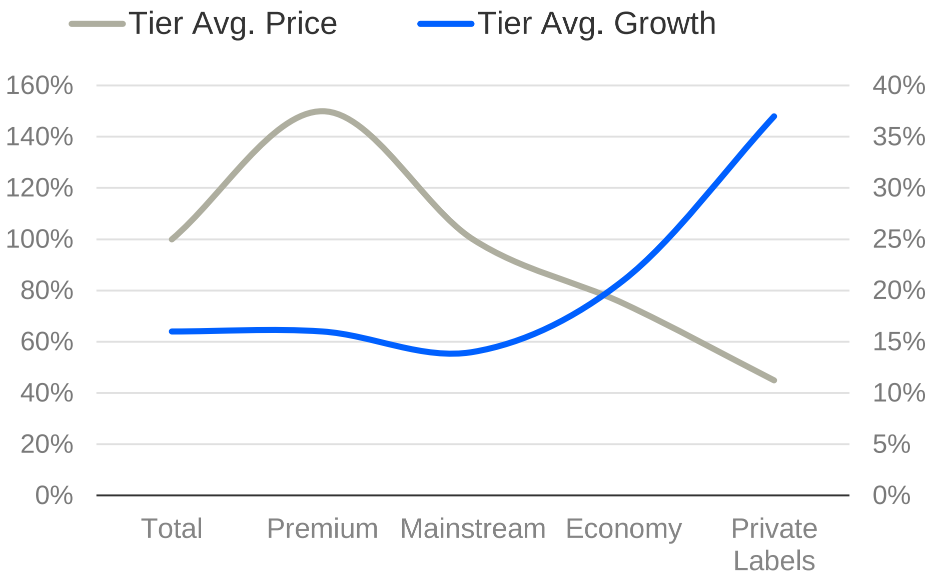


Brazil: Minimarket + Independent Supermarkets

Kantar Worldpanel Latam 2020

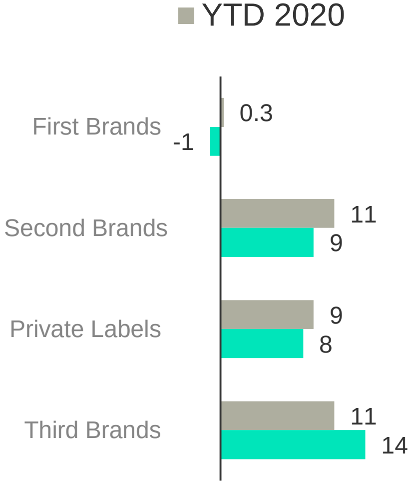
However, due to the economic pressure in the region, consumers are beginning to move to cheaper brands

FMCG (March 20 vs. 19 – US$)

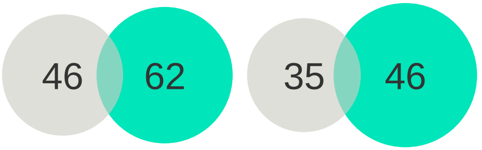


Argentina

% Volume Change vs. YA



Brazil



I am more attentive to prices

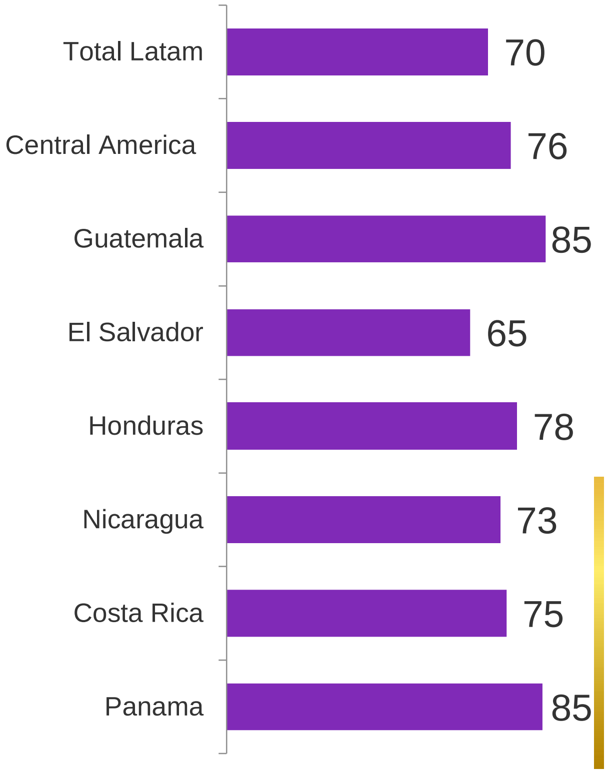
Businesses should help their consumers by offering discounts and promotions

Peru

When the quarantine is over, what kinds of actions will you take to generate savings for your household?

Shoppers in countries where there are higher percentages of informal jobs are those who are seeing a reduction in their income due to COVID-19

Has your income been reduced due to the contingency caused by COVID-19? % Yes

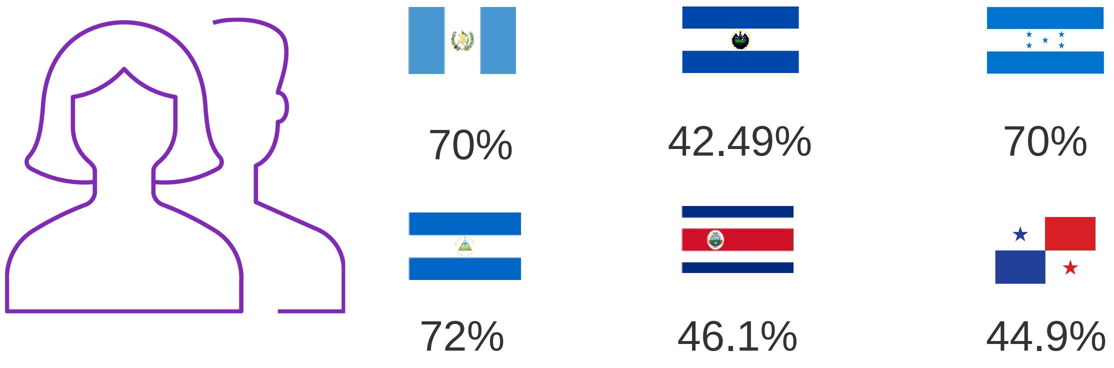


In Panama, many people have been left without their formal jobs, as a result of the suspension of contracts.

Source: Authentic Federation of Workers (FAT)

Source: Kantar LinkQ COVID Latam

Percentage of informal jobs in CAM



Source: Own consolidation with inputs and official statistics available from each nation.

Official figures may have experienced an increase in recent months, as a result of job losses and restrictive measures promoted by governments to curb infections.

For Nicaragua, the most up-to-date data are from 2017, so the figures are probably higher.

Source: *Semanario Universidad*

KANTAR

Colombian households have experienced these situations in recent months

69%

Claim prices of products and services **have increased** in recent months.

Compared to the total, these are shoppers who have gone shopping fewer times this semester and carry fuller trolleys.

49%

Have **cut down spending** on fun activities

Small households of 1-2 people, mainly from Bogotá and from SEL 3 onwards.

36%

At least one person in the household **has lost their job** (40% in Strata 1 and 2)

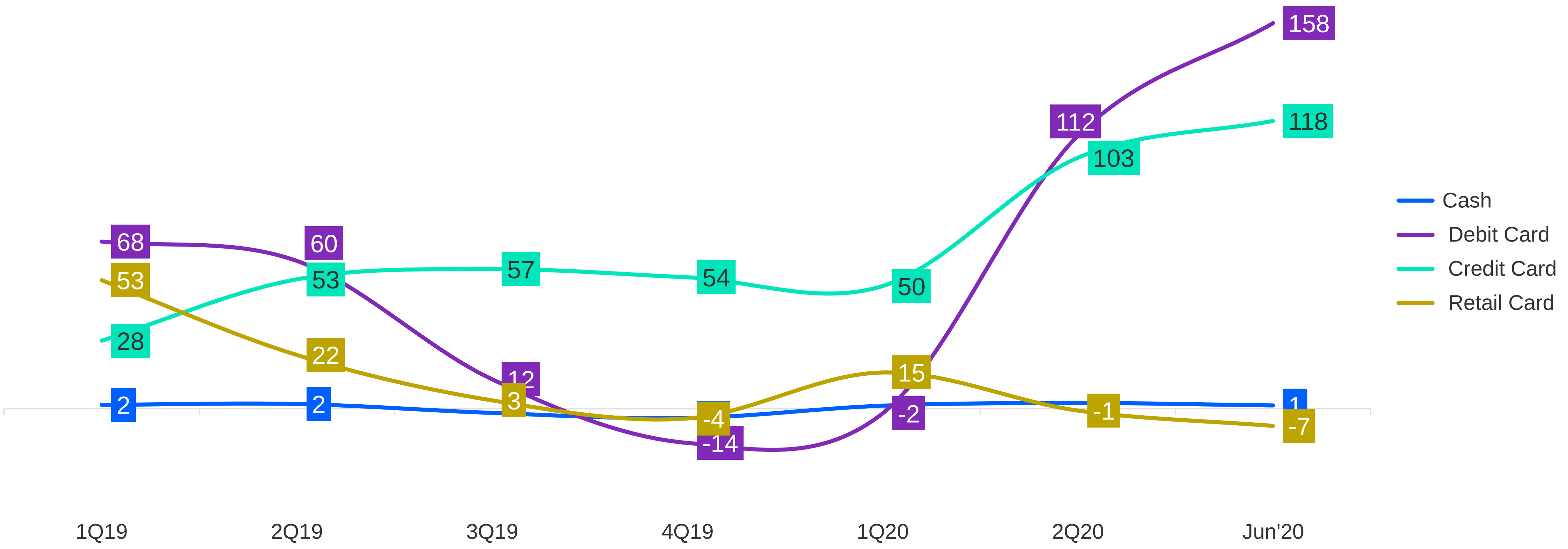
Now, they prioritize the food basket and went from leaving 20% of their spending on Discounters to 28% (YTD 20 vs.19); households of more than 3 people.

KANTAR

n: 582 households | In your home, have you experienced any of these situations in recent months | Question asked in July 2020

During confinement, payment by cards has accelerated its growth

% Change in Expense vs. same period previous year Total Channels



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2020 began as a year with high level of innovation that, despite COVID-19, stands just 5% below last year

Innovation

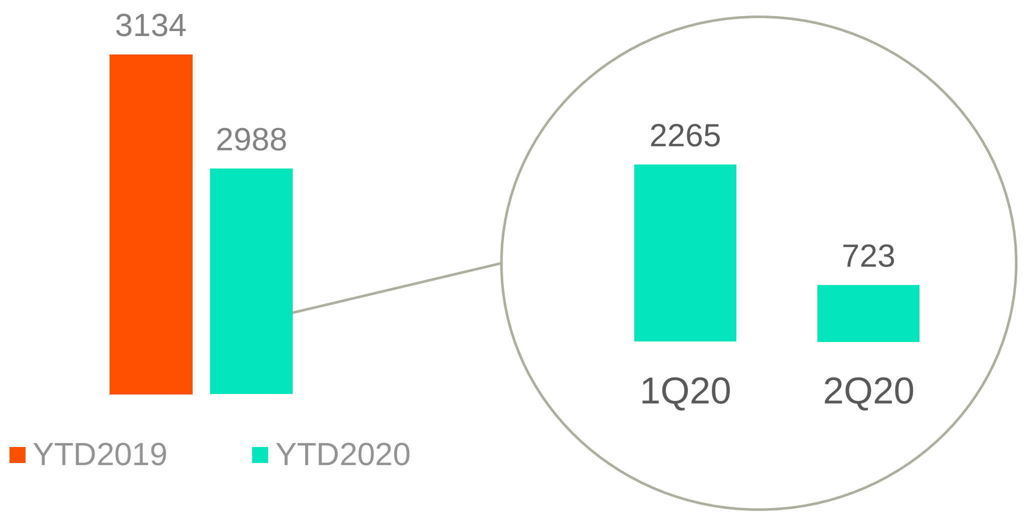
Innovation - New SKUs

-5%

vs. last year

-68%

2Q20 vs. 1Q20



Where was the innovation generated?