



COVID-19: HOW GROCERY IS CONTENDING WITH THE CRISIS



The COVID-19 pandemic has presented Canada's grocery industry with a challenge unlike any it's faced before. In this special report, *Canadian Grocer* looks at the impact, the lessons and the opportunities to emerge from the crisis.

ON THE FRONTLINES OF A PANDEMIC

By Rosalind Stefanac

EVEN A FEW months ago, no one could have imagined the grocery store as a volatile place to work. But today, as employees find themselves on the frontlines of a global pandemic, their workplaces are becoming just that.

"I have spoken to a number of grocery store associates and while they're thankful to have a job, they're also scared about their health because they can't control who is coming into the store and if they're observing the [social distancing] rules," says Amar Singh, principal analyst at Kantar Consulting.

While most grocers have taken measures to protect employees during COVID-19 (e.g., increasing sanitization efforts, installing Plexiglass at checkouts, getting employees to wear gloves and discouraging customers from using cash), Singh says more education is needed for staff and the public. He suggests more training for staff on sanitation protocols that will likely be the norm post pandemic. "Habits take time to set and maybe we need people supervising staff at checkout to make sure they're conforming [to the rules]," he says. While some retailers are doing a great job in explicitly asking the public to keep safe distances within stores, he says others are still struggling on this front.

U.S. grocery chain H-E-B, based in Texas, has been lauded for having had an emergency preparedness

response team in place years before COVID-19 hit. "They already had an idea of how something like this could affect employees and customers so they were ahead of the game in reducing store hours and implementing a hotline for employee concerns," says Natan Reddy, senior analyst at CB Insights. "I see grocery stores right up there with other frontline workers so there needs to be more employee resources for people who need them."

At Vince's Market, an Ontario-based independent grocer, the wellbeing of employees has been a key priority from the start of this pandemic, says managing partner Giancarlo Trimarchi. Staff were told they didn't have to come to work if they didn't feel safe during the COVID-19 outbreak, and there would be no pressure or "bad blood" if they stayed home, says Trimarchi (10% opted to do so). "It's about honesty and transparency; and for those who stayed, I still provide constant updates on how we're protecting them, including screening our customers for symptoms." It's the little things, too, he says, such as giving employees who are working consistently a few extra days off.

Meanwhile, at Ontario's Nature's Emporium, president Joe D'Addario says keeping staff morale up has been a priority, especially as employees are sometimes having to deal with customers who are, themselves, stressed. "Customers sometimes forget that employees are facing thousands of people a day and need to feel appreciated," he says, pointing to wage hikes and initiatives like getting staff to stock shelves at night so they feel safer. "After all, if we lose them now, we won't be able to keep our doors open anyway."

As the crisis continues for the foreseeable future, Sylvain Charlebois, senior director of the Agri-Food Analytics Lab at Dalhousie University in Halifax, says we can expect temporary measures like grocery wage hikes and Plexiglass at checkouts to last for a while, even post-pandemic. "This has really raised the bar for everyone in retail and going forward we're going to have to make sure people feel as safe as possible in the grocery store," he says. How you manage employees is critical to that process.

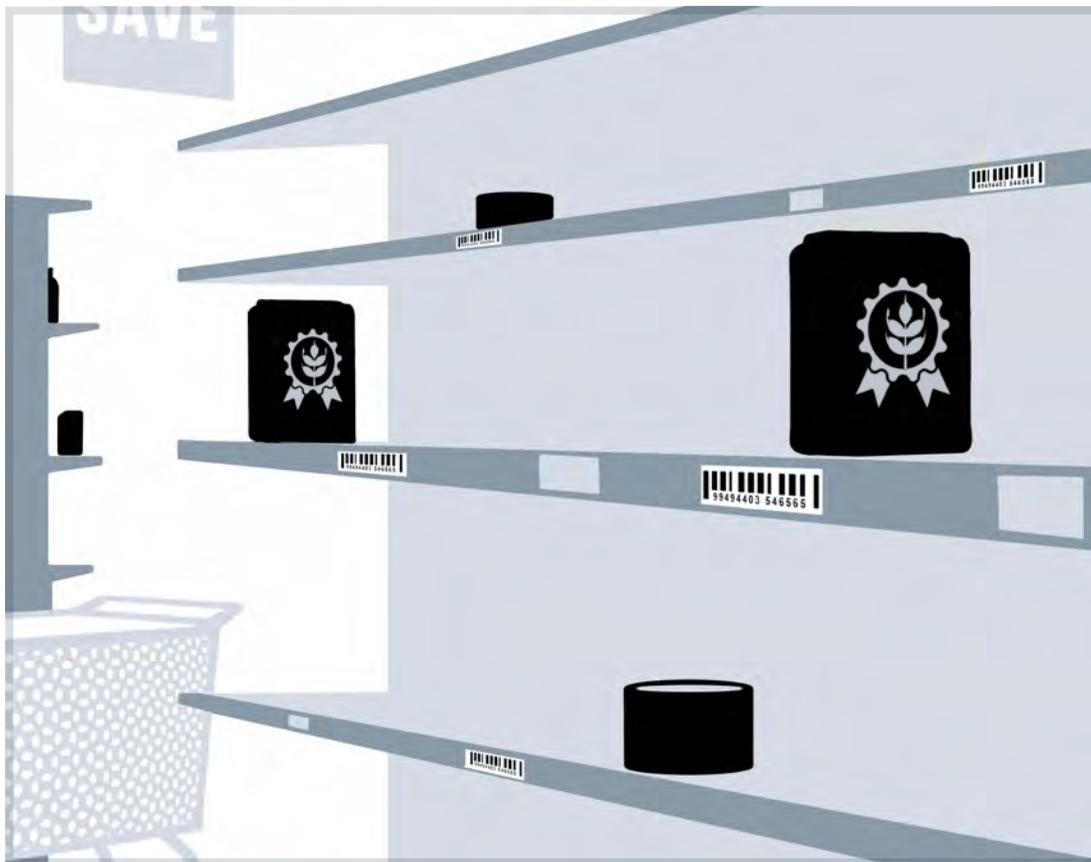
Charlebois commends initiatives like those by the Quebec government, which was the first to temporarily close grocery stores and other essential services on Sundays. "Grocery is under a lot of pressure right now and we have to give some breathing room to the supply chain," he says. "Employees have a personal life, too, and their employers need to think about how this crisis is affecting them."

Having already lived through epidemics like SARS, Al Berman, president of the DRI International Foundation, says managing employee expectations is critical for employers during times like these. "Employees need to know they're going to be cared for, especially if this drags on for a while," he says. "People are much more adaptable than we think, but that means knowing there are standards in place to protect them."



UNDERSTANDING SHOPPERS IN CRISIS MODE

By Rebecca Harris



IN THE DARK TIMES of the global pandemic, toilet paper, of all things, provided some comic relief. As a massive run on rolls left store shelves wiped out, memes and viral videos—like one of violinists re-enacting the famous *Titanic* scene in an empty toilet paper aisle—made people smile during anxious times.

At first flush, it seems toilet paper stands as the ultimate symbol for people's irrational shopping behaviour amid the coronavirus outbreak gripping the globe. (There's another joke in here: "*Unfortunately, the tests came back positive for COVID-19. You have coronavirus.*" "*That can't be correct. I have over 40 cases of Costco water and 200 rolls of toilet paper.*") But all kidding aside, experts say there's a science behind stockpiling in uncertain times.

"Fear and panic are high-activation emotions. People want to do something," says Erica Carranza, vice-president of consumer psychology at Boston-based

market research firm Chadwick Martin Bailey (CMB). "So, they funnel their energy into things they feel they can do and they can control. And one thing you can do is stock up on stuff you might need."

Steve Joordens, a professor of psychology at the University of Toronto Scarborough, says the basic notion of stocking up reflects human cognition under conditions of anxiety, and anxiety triggers a fight or flight response. "We look for something to do, some way to fight the virus or flee from it," says Joordens. "We can't flee from it and we can't fight it directly, unless we're a healthcare provider. So, 'preparing' is about the only thing we can do that feels like we're doing something useful."

It stands to reason, then, that consumers would fill their pantries and fridges with essentials. But the rush on toilet paper, specifically, was fuelled by videos and photos of people stockpiling and fighting over toilet paper, and shoppers seeing it in others' carts. "In situations where there is lots of uncertainty,

people look to other people to figure out what to do," says Carranza. "So, if I see somebody with a grocery cart full of toilet paper, that's a major cue: 'I need this too.' And then it's flying off the shelves, which perpetuates this kind of herd behaviour."

Stockpiling before a crisis isn't new—people have long stocked up on food supplies before a major weather event. However, the pandemic is new territory. As Joordens notes, disasters like hurricanes are short-lived and relatively understood—we've seen them happen before, which makes planning more concrete. COVID-19 is nothing like that. "It's going on for what seems like forever, we have no idea when it will end," he says. "That makes it all a more scary threat, which makes us all the more anxious. When we're anxious, our emotions will tend to steer our behaviour more than our rational thought does."

Grocers, of course, aren't psychologists, but it's important for retailers to anticipate and respond to consumer behaviour—rational or not. There are a few key lessons retailers can take from the pandemic experience and apply to the next crisis.

Since panic-buying is driven by fear, a good first step would be to communicate that there is enough food and toilet paper to go around. In the early days of COVID-19, retailers such as Loblaw did just that. "Do not worry," executive chairman Galen G. Weston assured customers in a statement. "We are not running out of food or essential supplies ... There are a few items, like hand sanitizer, that may take longer to get back, but otherwise we are in good shape."

A second critical step would be to place limits on certain items earlier on. "I was expecting grocers to discipline demand and implement rationing much earlier," says Sylvain Charlebois, senior director, Agri-Food Analytics Lab Faculty of Agriculture, Dalhousie University. "I think it would have made the situation a little less hectic for everyone." He also thinks retailers should have moved to limit access to stores earlier. Despite that, "I do believe that the sector is doing a decent job," says Charlebois. "No industry was ready for this."

On the psychological front, Carranza says grocers need to think about how to help people emotionally, personally, socially and functionally in a retail context. For example, realizing there are no curbside pickup spots available only after you've added all your items to your cart is a breakdown in functional benefits. "But that also makes me feel like an idiot for spending my time trying, which is a threat to my identity and it's frustrating," she says. "And when I can't get help from anyone, and there's no phone number or email, the social connectivity is also broken."

That kind of situation will lead to many customers taking their business elsewhere in the long term. "[Grocers] are playing a unique role in this crazy time and so it is an opportunity for them to shine and make customers for life," says Carranza. "It's also an opportunity to break down relationships with people if they do it wrong."

Taking stock of stocking up

What did people buy during the pandemic? At the onset of the outbreak in Canada, 41% of Canadians said they had made food provisions, according to a survey by Dalhousie University conducted March 13 to 15. Of Canadians who bought provisions, 30% purchased dry and canned goods, followed by non-food items like sanitary products, tissues and toilet paper at 24%. Frozen foods were also at 24%.

Nielsen data shows that the week of March 21, 2020 was record setting in Canada with almost \$3 billion in retail sales (an increase of +54% versus the previous year or, put another way, an additional \$1 billion in sales). According to the market research firm, food departments were the primary driver of growth, accounting for 80% of the increases with centre of store departments outperforming the perimeter as consumers pantry loaded on essential goods.

While consumers' pantries may be full now, it remains to be seen if they'll change their shopping behaviours in the long term. "It's too early to know how the pandemic will impact consumers and retailers in the future," says Carman Allison, vice-president of consumer insights at Nielsen Canada. "We may see consumers keep their pantries and freezer stocked with more items; we may see consumers continue shopping online; or we may see consumers revert to their previous shopping behaviour and be in the same position if and when the next crisis hits Canada."

In the near term, Allison expects to see product quality and efficacy become key purchase drivers across many CPG categories. "Consumers may reprioritize health, safety and availability in their consideration of a product," he says. "[Brands] and retailers can deliver these assurances by communicating the steps that were taken to ensure the healthy, hygienic and safe provision of products—especially fresh ones." —Rebecca Harris

COULD COVID-19 BE THE SPARK THAT IGNITES ONLINE GROCERY IN CANADA?

By Chris Powell

LONG CONSIDERED under-developed, compared to the U.S. and the U.K., Canada's online grocery industry has exploded during the COVID-19 crisis, leaving grocers scrambling to address a sharp increase in orders and forcing them to accelerate their efforts around online initiatives.

Yet, even with all the additional strain on their supply chain, it appears Canada's grocers have generally been doing a fairly good job of meeting unprecedented consumer demand, at least in terms of product availability. In an early April survey conducted by Field Agent Canada that asked shoppers about online product availability, 21% said all the products they ordered were available, while 38% said just one to three items were unavailable (and only 8% said more than 10 items were unavailable).

Asked what products they wanted to buy but were unavailable, 36% said fresh produce, 28% said fresh meat/seafood, and 11% said frozen meat/seafood. Consumers also indicated shortages of paper products and cleaning supplies.

According to pre-COVID data, only about 1.5% to 1.7% of groceries in Canada were purchased online (compared with 7% in the United States and 10% in the United Kingdom). But online orders have skyrocketed during the pandemic. Research conducted by Angus Reid for PayPal in early April found nearly one-third (30%) of Canadians are now shopping online for groceries, up from 19% in a survey conducted just four weeks earlier.

More notably, the study suggests online shopping

could become a permanently engrained behaviour, with 81% of respondents indicating they expect to continue shopping online either the same amount or more once the immediate crisis is over, and 44% indicating they expect to increase their online shopping activity.

"This situation may last long enough to leave a legacy of changed [customer] habits," explains Sylvain Charlebois, senior director of the Agri-Food Analytics Lab at Halifax's Dalhousie University. "My guess is that things will loosen up in June, but not before that ... and three months is long enough to change habits."

Meanwhile, the unrelenting consumer demand for online grocery is leading both pure-play and established brick-and-mortar retailers to adapt their business, from implementing more online capabilities to accelerating existing plans around e-commerce. Metro, for instance, recently added to its online grocery options with a new partnership with Cornershop, an online grocery delivery service where customers can have their grocery orders delivered to their homes in as little as an hour.

Meanwhile Empire, parent to Sobeys, pushed up the launch date of its Voilà online home delivery service in the Greater Toronto Area to April 26. Speaking to analysts last December, Empire president and CEO Michael Medline said Voilà, which operates from an automated distribution facility powered by the U.K.-based Ocado Group's grocery technology, was on track for a soft launch in late spring 2020. But with demand for home delivery of groceries surging since the start of the COVID-19 pandemic, Empire moved up the launch, announcing a phased rollout to customers across the Toronto area once testing is complete. Empire also noted its e-commerce businesses in Quebec through IGA.net and in British Columbia through Thrifty Foods had seen a significant jump in orders and predicted that demand would remain "elevated" in the long-term as customers become more comfortable with online ordering and fulfillment.

While calling the acceleration of such a major initiative "risky," Stewart Samuel, program director, Canada with IGD Retail Analysis, notes that increased demand for online represents "an opportunity that is hard to resist" for Sobeys. The benefit of making such a move now, he says, is that Sobeys' competitors will be too focused on their own business during the COVID-19 crisis to attempt to disrupt Voilà's launch.

Fresh City CEO and founder Ran Goel offers a different perspective, since his Toronto-based grocery business spent seven years as a strictly online business prior to opening its first brick-and-mortar location in August 2018. Goel says the health crisis has created "unlimited demand" for groceries that even online behemoths such as Amazon have struggled to keep pace with.

Fresh City's online sales have been three to four

times greater than they were prior to the COVID-19 outbreak, and Goel said in mid-April that “several thousand people” were on a wait list for the service. “There’s been some spottiness where we’ve had supplier shortages, but we’ve been able to scale fairly quickly,” he says.

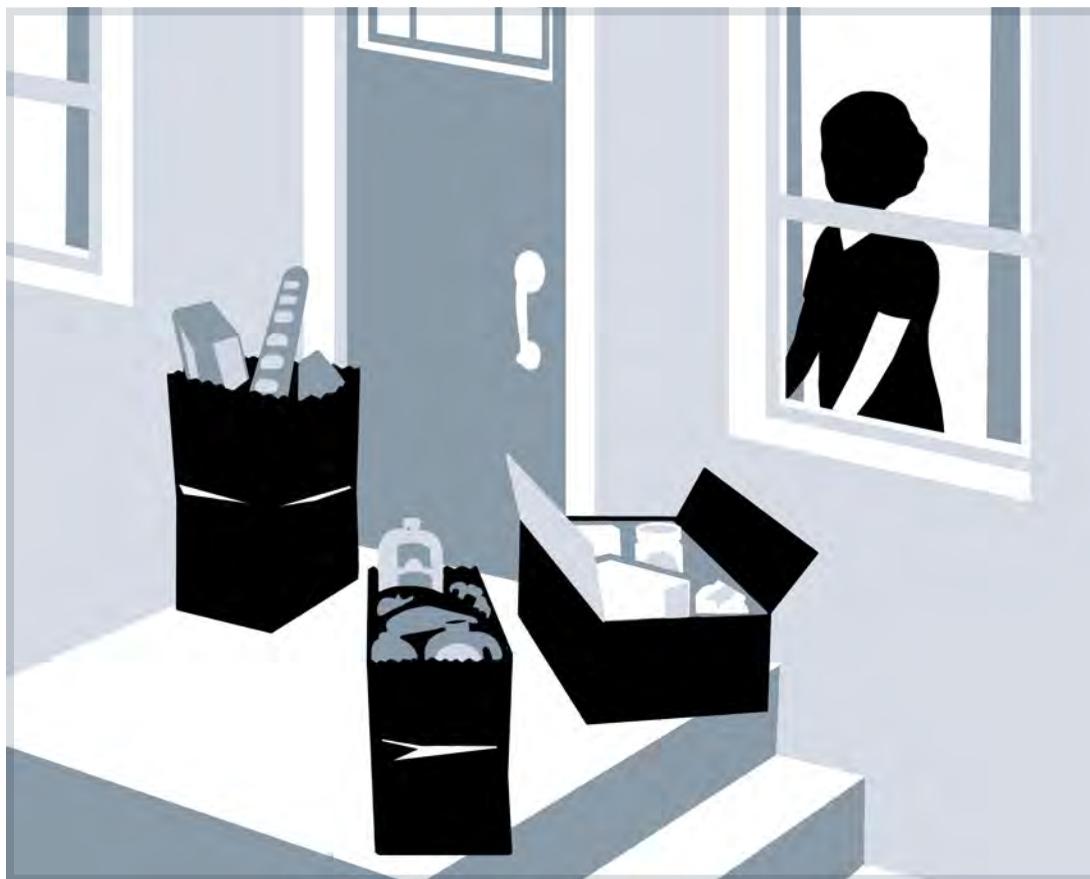
Goel believes the current situation could accelerate the penetration of online by as much as three to five years, although that’s dependent on grocers working through current issues such as a lack of delivery slots and longer wait times—which has been one of the primary complaints of online during the crisis. “The standard that is being provided to customers right now, whether it’s delays in deliveries or product shortages, is not what people are going to stand for,” says Goel, who says Fresh City is currently processing about 1,000 online orders each day. “But if we can get to a place where we’re providing a gold standard—delivery on time, most of your order intact and good quality—you’ll see the penetration increase.”

While Toronto-area grocery chain Organic Garage prides itself on being a brick-and-mortar store first, it did begin offering online grocery through a partnership with Cornershop earlier this year. “It’s really quite advantageous that we had it in place,” says director of marketing Randee Glassman. “If we were starting from zero, I don’t know what we would do. It would be an overwhelming process.”

In response to consumer unease about COVID-19, Organic Garage also began offering curbside pickup, with orders ready within 48 hours, at its Thornhill store. “Just like everybody, we’re trying to do our best to mitigate the spread, and that’s one of the things we thought would help,” says Glassman.

The situation has also been a major boon for pure-play online grocery delivery services such as Instacart, which reported that its order volume during a single week in early April was up more than 300% over the same period last year. Instacart has responded with a hiring spree, adding to its army of grocery shoppers across North America. Recently, it announced it will add another 250,000 full-service shoppers in key markets, including Toronto, to cater to COVID-19 demand. Instacart had already hired 300,000 workers across the United States and Canada earlier in the crisis, doubling its workforce. “In my 38 years in the customer support industry, I’ve never seen anything quite like this,” said the company’s vice-president, care, Mark Killick.

Charlebois, meanwhile, says one interesting by-product of a rise in e-commerce could be a “democratization” of the food chain, affording even smaller food companies and/or producers the opportunity to sell direct to consumers. “Those are the types of things that people are thinking about,” he says. “There are gaps in the marketplace, and there are companies out there trying to fill them.”



JASON SCHNEIDER