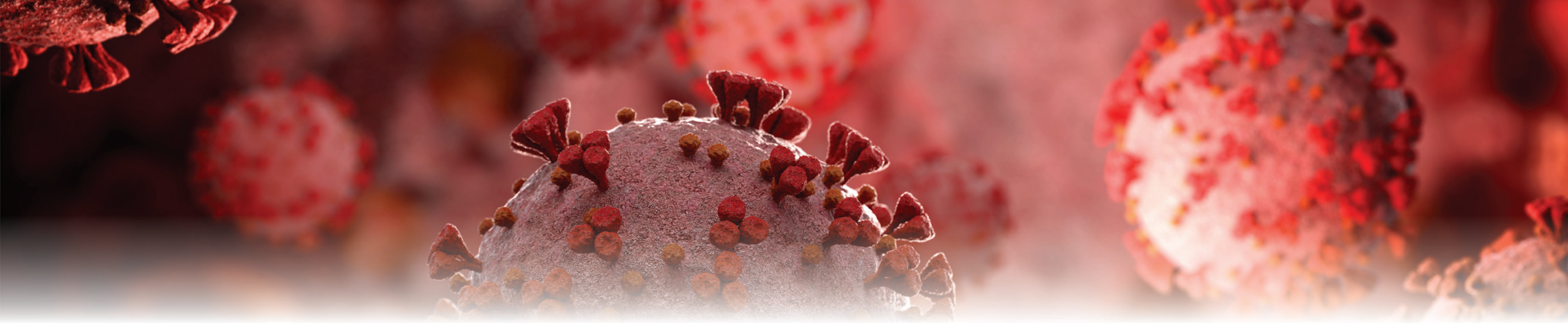
STATE OF THE CONSUMER

FALL 2020

The year 2020 has been transformative and its impact on every corner of our society will be felt for years to come. For many, the year started just like any other, with resolutions for the new year and the hope and promise of a new decade. That quickly changed with the onset of the COVID-19 global pandemic. People experienced disruption in all aspects of their lives and their communities: empty store shelves, fear in the stock market, losing jobs, and concern for the economy. As if that was not enough, other major news headlines in 2020 included a string of natural disasters and protests—all within an election year.

This overview provides a snapshot of how domestic consumers have responded to these unprecedented events and tries to determine which behaviors will be temporary and which will be permanent. What was the impact on the food space? How did it impact consumer media habits? What about beef?



THE CONSUMER LANDSCAPE

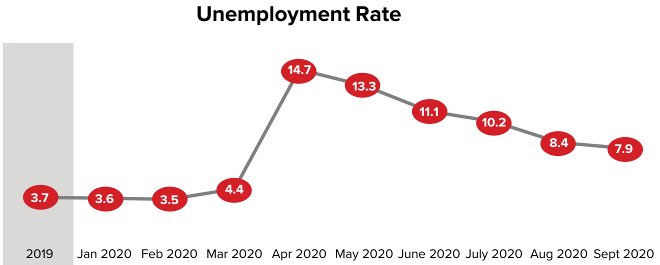
We would be remiss if we did not start with the domestic emergence of COVID-19 and its impact on consumers during that time. As the virus hit and cities and states went into quarantine, a tremendous impact on job security was noted. According to the U.S. Bureau of Labor Statistics, the unemployment rate in April hit nearly 15% and stayed above 10% for multiple months for the first time since 1982-1983. The good news on the labor front is that August was back in the single digits at about 8.7%; however, that is still nearly 5% higher than the 2019 average[16]. Not only were people getting laid off and furloughed, but fear for those who had not yet lost their job was high. In fact, through the month of May, over 50% of people were concerned about their job security[6]. This type of impact has a serious ripple effect on so many different levels.

But how concerned are consumers really about COVID-19? The simple answer is that most show some level of concern. At the peak of the pandemic, 76% of consumers expressed concern about COVID-19, and while we are seeing a downward trend since then, 65% of consumers still claim to be very concerned. The actual reasons for concern differ for many, such as fear of contracting the virus (23%), concern over the economy (70%), or the disruption to children's learning (55%)[6]. Regardless of the motive, the concern is still real and has caused a tremendous emotional toll on consumers. In fact, 30.9% of consumers reported depression or anxiety during the pandemic, which is up nearly 4-fold when compared to 2019. The most impacted groups during this time frame, with numbers over 40%, were adults under 44 and Hispanics [2] with low-income consumers also trending higher.

Another area of the economy worth noting during the pandemic is the housing market. While the economy has been impacted negatively through job loss and tough times for small businesses, the housing market in many areas continues to grow. In fact, the National Association of Realtors reported contracts signings were up nearly 9% in July and over 24% in August[5]. Not only that, but anecdotally, suburban communities are seeing a surge. Some consumers are looking to expand the space they have as working from home becomes more of a reality [9]. This is prevalent with the 35% of millennial consumer who express interest in moving out of cities to more suburban or even rural areas. The top reasons consumers mentioned doing this include COVID but more specifically, they are intrigued by the lower cost, safety, and larger indoor and outdoor spaces[19]. Time is the only indicator that can tell whether this is a temporary movement or permeant shift to suburbia, but at least temporarily, consumers appear more inclined to the suburban lifestyle. While there have been several signs and indications that the economy may be on the mend, it is important to remember that we are not out of the woods yet. There is still a lot of uncertainty, which is causing consumers to spend less, particularly discretionary income. The rationale behind spending less is the desire to save more due to job insecurity or concerns about the economy[11].

UNEMPOYMENT

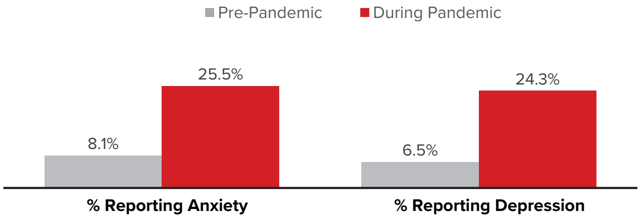
The pandemic led to a spike in American unemployment



Source: U.S. Bureau of Labor Statistics, August 2020

MENTAL HEALTH IMPACT

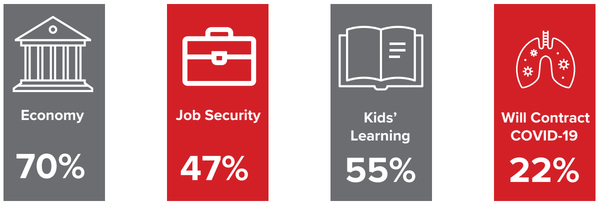
Depression and anxiety disorders experienced a 300-400% increase during the pandemic



Source: "Mental Health, Substance Use, and Suicidal Ideation During the COVID-19 Pandemic — United States, June 24–30, 2020", Center for Disease Control

REASONS FOR CONCERN

The actual reasons for concern may differ for many



Source: Directions COVID19 Tracker, September 2020

DIGITAL MEDIA HABITS

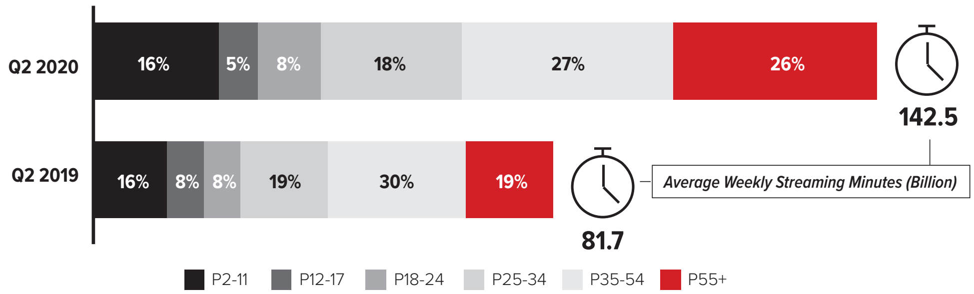
As quarantines and lockdowns continued, consumer's at-home activities began to shift. Things like baking and cooking became commonplace in households. Additionally, Google searches for activities like puzzles and video game consoles also saw a significant increase[8]. And just when you thought consumers could not spend any more time online, online media consumption during the height of the pandemic, continued to grow. According to Nielsen, in Q2 of 2020, 142.5 billion hours were spent streaming video, which is 74% higher than the same quarter in 2019[14]. It wasn't just the staples of YouTube and Netflix they were watching—video views on social media platforms were also prominent with 66% of Gen Z and 53% of Millennials claiming to have watched social media videos in July. Additionally, parents were more likely than non-parents to sign up for subscription services for video streaming like Disney Plus[18]. Outside of streaming, digital website visitation was also up during the pandemic. Total digital website visits increased nearly 50% in mid-April and continue to be above 30% as of the end of July. All in all, consumers are spending nearly 50 more minutes on app or web-based content through their cell phones or tablets[14]. Unsurprisingly, the top retail sites saw a massive increase in traffic as did news-related sites as consumers looked for food to fill their refrigerators and freezers and for the latest information on COVID-19. Government sites had an initial spike with the onset of the pandemic, but levels have normalized. Travel sites, as expected, saw a significant drop during the same time[3].

In addition, internet search dynamics have shifted throughout the pandemic. While 'how to' searches in 2019 often focused on things like taking a screenshot, tying a tie, or drawing, April of 2020 saw a shift to things like how to make a mask and hand sanitizer, file unemployment, cutting your own hair and cooking. In addition to the typical things like measurement conversion, the focal point of 'how many' searches focused on ideas around the pandemic. Even with all the changes, there were still

VIDEO STREAMING

Video streaming has significantly gone up compared to last year.

Streaming Video Share of Time Spend by Age



Source: The Nielsen Total Audience Report; August 2020 universal searches that held true. People want to know how to boil an egg. There was no shortage of people wondering about the weather, what day it is or even wondering where they currently are[17]. Regarding beef specifically, searches that ended with consumers landing on Beefitswhatsfordinner.com also saw changes. The most notable were general increases in the top searches for classics like meatloaf, stuffed peppers and preparing London Broil. Additionally, there was more focus on recipes in general, but specifically oven roasting[7], which also supports the increase in general Google search behavior around roasts[8]. With more focus on roasts, it probably isn't surprising to hear that gravy searches were also on the rise[7].

BEEF. IT'S WHAT'S FOR DINNER LANDING PAGES

Behavior through organic search.

BeefItsWhatsForDinner.com has seen an uptick in search related visits driven by the staples, recipes, and roasts.

Landing Page March - Sept 2020	Avg Month	Landing Page Sept 2019 - Feb 2020	Avg Month
Classic Beef Meatloaf	139,389	Classic Beef Meatloaf	128,416.33
Classic Beef Stuffed Peppers	20,469	Best Beef Cuts For Oven Roasting	16,655.83
Classic London Broil	14,914	Classic Beef Stuffed Peppers	15,646.17
Oven Roasting Time Guidelines	**14,165**	Ground Beef	8,572.33
Recipes	**13,113**	Recipes	8,515.83
Best Beef Cuts For Oven Roasting	**11,193**	Classic London Broil	7,730.83
Classic Beef Gravy	**8,731**	Broiling Basics	7,088.83
Cut Charts	8,206	Eye Of Round Steak	5,036.33
Eye Of Round Steak	7,063	Cut Charts	4,941.50
Ridiculously Tasty Roast Beef	6,002	Bottom Round Roast	4,164.83
Top Round Steak	5,938	Eye Of Round Roast	4,068.33
Five Way Mini Meatloaves	5,070	Top Round Steak	4,055.00

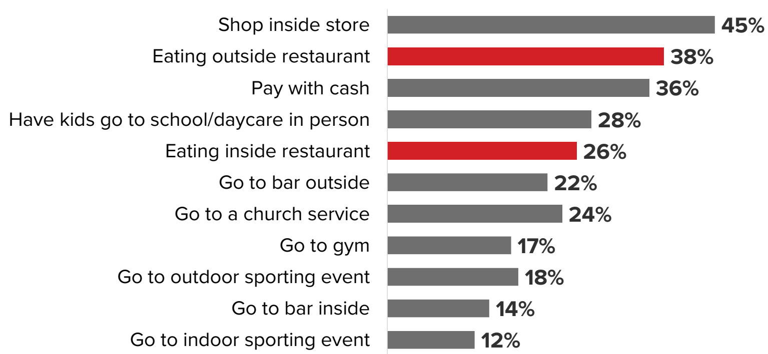
Source: Google Analytics for BeefItsWhatsForDinner.com

CURRENT SITUATION

While the supply chain was disrupted starting in March, from a sales perspective, consumer mindset shifted as well. In fact, many of these changes have proven to be more than a few weeks or even a few months' tendency. Since the end of August, only 26% of consumers claim to be comfortable with eating inside at a restaurant—when you include comfort of eating outside at a restaurant that number is closer to 40%—but still, the majority are still uncomfortable with the in-person dining experience. For context, this is not isolated to food; less than 20% of people show comfort in going to the gym, attending indoor or outdoor sporting events, and just over 20% are comfortable going to activities such as church services[6]. As of right now, travel-related activities are also low in comfort,

COMFORT WITH ACTIVITIES

Most consumers are still uncomfortable dining out at restaurants whether inside or outside.



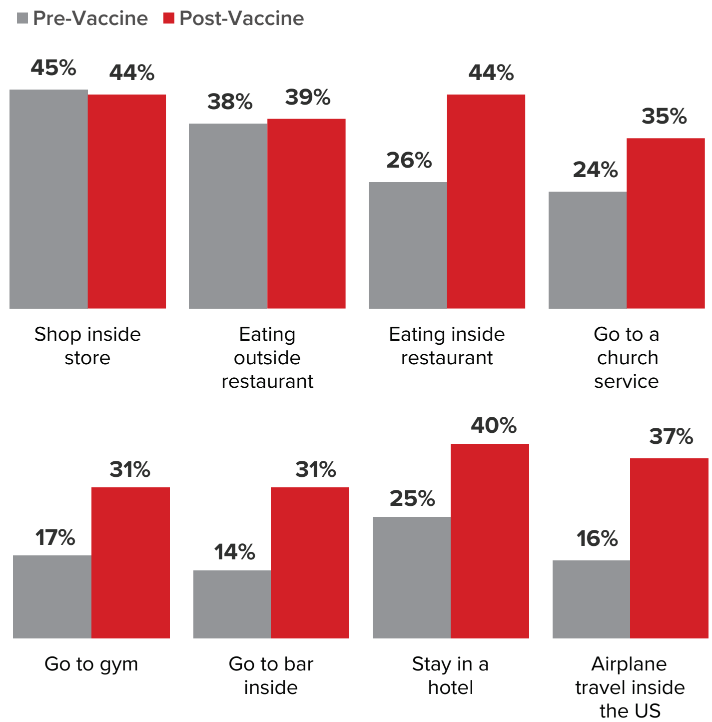
Source: Directions COVID 19 Tracker, AVERAGE August to September 2020

particularly if it includes airplane travel and staying in a rented house or hotel. While the comfort is not there, the desire to get back to a sense of normalcy is. Whether talking about simple daily and weekly activities like going to church, shopping, personal care, working on-site, or their leisure pursuits such as going to movie theaters, vacationing, and other interests, consumers want to get back to what they were doing, it is just a matter of when that will be[6].

Even with a vaccine potentially on the horizon, only 50% of people think life will get back to normal when it becomes available. Similarly, half of people are still unsure or claim they will not get the vaccine when it becomes available, and of the ones who plan to be vaccinated, nearly 50% plan to wait at least three months before getting it[6]. Another question is, will the vaccine make consumers more comfortable returning to those activities they typically partake in? When a vaccine becomes available, consumer comfort will see a notable jump in terms of activities like travel, dining, church, and eating out, but not one of these activities or events will reach a comfort level with the majority of the population. Said another way, most consumers are still going to be hesitant to participate in many activities and events even after the vaccine is available.

COMFORT PRE- AND POST-VACCINE

Most consumers are still going to be hesitant to participate in many activities, even after the vaccine is available.



Source: Directions COVID 19 Tracker, AVERAGE August to September 2020

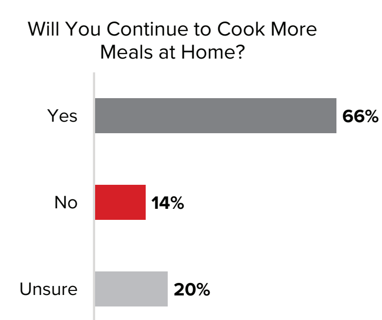
LONG-TERM OUTLOOK

The shock that came from the COVID-19 pandemic impacted the food industry immensely. As the pandemic grew and a sense of unknowns swept the country, consumers' food purchasing behavior shifted. Foodservice saw transactions down nearly 80% at full-service restaurants and over 40% at quick-service restaurants during the peak of the outbreak due to widespread dining room closures and stay-at-home orders. This has steadied, and while transactions are not at the level seen last year, some data shows transactions have not gone below a 20% decline since August[15]. On the flip side, consumers started stocking up at their local grocery store at an unprecedented national level. Though it is not uncommon, of course, to see this happen during natural disasters or in isolated incidences, we saw the entire country exhibiting this stocking up dynamic. At first, over 60% of consumers claimed to be stocking up at least a little more than they typically would have due to the pandemic[1]. While this number has trended down over the summer, well over half of consumers continue to do so[1]. As a result of stocking up, retail sales skyrocketed. Looking at meat specifically, sales in July were 36% higher than a year ago. For context, 1-2% growth in a typical year would be a very positive thing. As a result of this, 91% of consumers experienced out of stocks on meat or poultry during the pandemic[13]. Beef specifically saw a week in March with nearly a 90% growth year over year and continues to maintain levels consistently around 20%[10] higher than last year. In fact, share of dollars for beef grew from 53% pre-pandemic to nearly 58% during the pandemic. At one-point, consumers said that 88% of their meals were being cooked at home, with the majority claiming they are doing so because of the pandemic.

AT HOME EATING INFLUENCED BY COVID-19

Prices going up, food shortages, and concerns at packing plans are the top fears, worries, or concerns for consumers going forward.

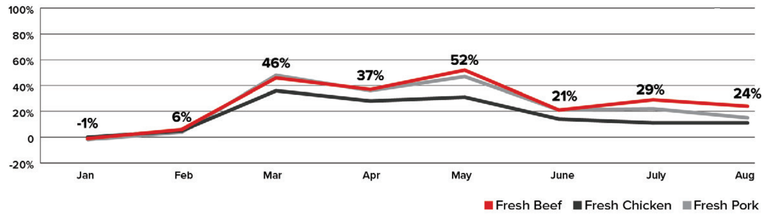
84% Of consumer's meals are currently being cooked at home



Source: Beef Behavior and COVID Report, April - July 2020

COVID-19 RETAIL IMPACT

As consumers “stocked up” their fridges and freezers, all three major proteins saw dramatic YOY growth in retail sales, with beef leading



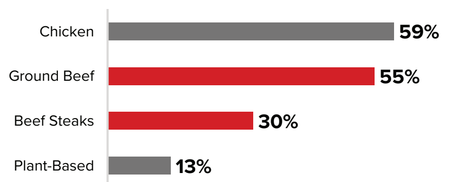
Source: IRI, Total US, MULO, 1 week % gain versus YA, week ending 9/6/2020

STOCKING UP BEHAVIOR

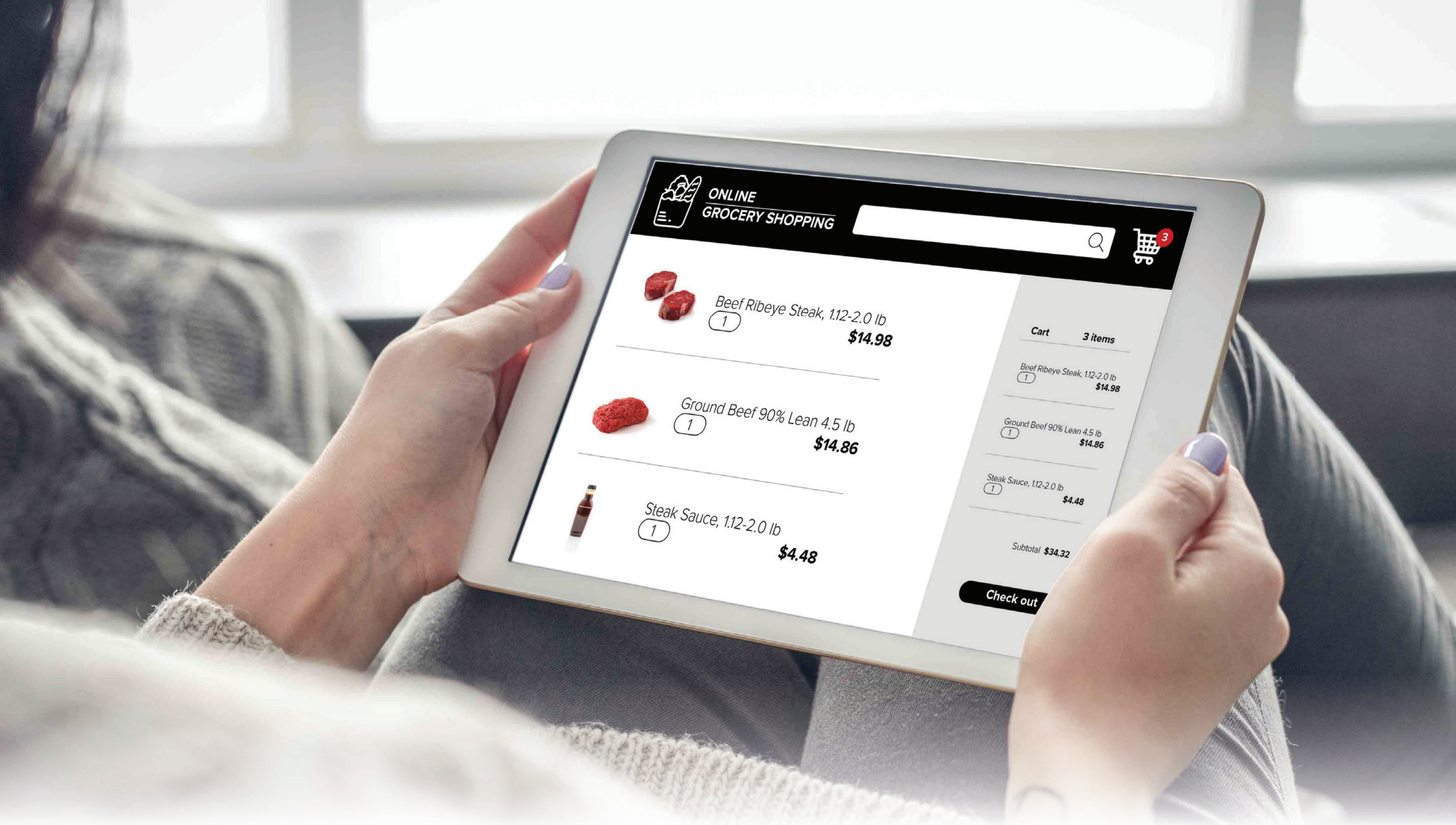
Just over half of consumers have been stocking up on groceries since April, with almost a third stocking up on beef steaks and half on ground beef specifically

55%
Are stocking up on groceries in general

Percent Stocking Up On



Source: Beef Behaviors and COVID Report, April-September 2020; Average of results



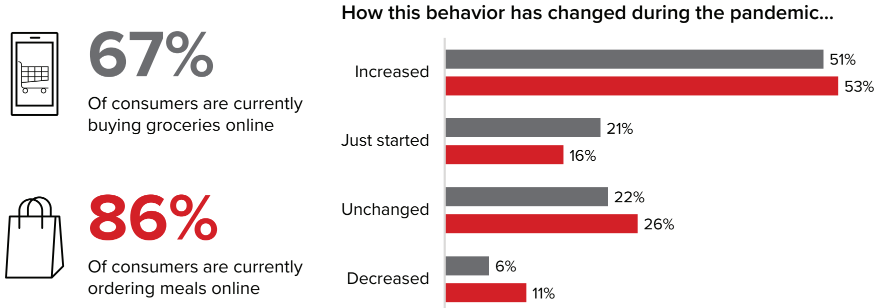
FOOD BEHAVIOR SHIFTS

While many things have been negatively impacted, an area that saw tremendous promise during the pandemic was e-commerce, specifically, online meal and grocery ordering. During the pandemic, 67% of consumers claimed they had ordered groceries online at some point and 86% claimed to have ordered a meal online. It would be remiss not to recognize that this space was already in high-speed acceleration; but the pandemic may have sped up earlier adoption of this space. In fact, according to the midyear Power of Meat report, less than 1% of shoppers identified online shopping as their primary way to purchase groceries before the pandemic[13]. Of those engaged in online ordering for meals/groceries nearly 70% mentioned doing it more or just started due to COVID-19[12]. Regarding meat, 73% of online baskets contained meat during this time[13]. Even search behavior behind online grocery and meal ordering jumped as the pandemic took off in the Spring and consumers were looking for solutions to limiting exposure to others. While the rationale has switched from things like convenience to COVID-19 related, the fact remains that during this time consumers were satisfied with the experience they were getting. When asked directly about beef, only 5% of consumers, whether discussing grocery or meal ordering, indicated they were unsatisfied with their beef experience. All these points together support the accelerated adoption as more people have been ordering through these avenues and are happy with the experience they are getting.

As the current environment continues through 2020, and likely has at least some lingering effects into 2021, it is important to look at some opportunities that may be on the horizon. Consumers are cooking more at home than they ever have before. They are looking for meal preparation ideas and recipes to eat some of the food they have on hand or to help change up what they may be looking for[1]. Searches for things like "how can I make" saw significant jumps during the peak of the pandemic and continue to be prominent. Additionally, we have seen confidence in cooking increase, with 62% of consumers claiming they

ONLINE GROCERY & MEAL ORDERING

Many consumers are shopping online for groceries and meat; many are increasing the frequency of this behavior

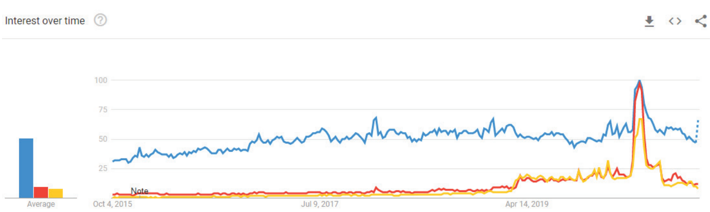


Source: Online Grocery and Meal Ordering, April 2020 are more knowledgeable about selecting and preparing meat compared to pre-pandemic[13]. NCBA's Consumer Beef Tracker, a continuous tracker of consumer perceptions related to the protein landscape, funded by the Beef Checkoff, also shows a shift in what is driving consumption during the pandemic. Yes, taste and the eating experience still dominate the decision process, along with value aspects, but versatility and convenience pop up as a primary driver of consumption during this time[4]. These dynamics brought together, all make sense and speak to a great 2020 for beef—particularly knowing ground beef makes up a large portion of the growth beef has experienced through the pandemic[10]. Consumers (55%) have ground beef in their freezers as a primary item they have stocked up on[1].

SEARCH BEHAVIOR

Search Terms:

Food Delivery Grocery Delivery Grocery Pickup

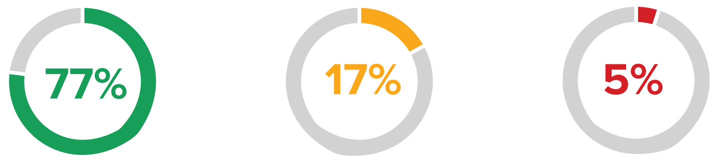


Source: Google Trends

BEEF ORDERING EXPERIENCE SATISFACTION

A large majority of consumer are satisfied with ordering their beef online, with very few unsatisfied

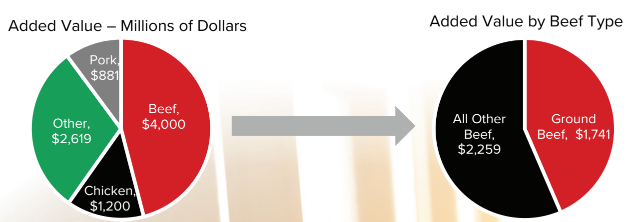
Satisfied **Neutral** **Unsatisfied**



Online Grocery & Meal Delivery: You mentioned you purchase the following protein(s) online. How satisfied over all have you been with ordering them?

PROTEIN - ADDED VALUE

From March to August, due to price inflation and higher demand, retail meat departments have added $8.7 billion in total dollars sold



Source: IRI, Total US, MULO, 1 week % gain versus YA, week ending 8/30/2020

OUTLOOK FOR BEEF

What does all of this mean? The current environment and confusion regarding food—or the world and life in general—is probably not going to change any time in the near future. Given the lack of comfort and so many questions across the consumer population, it is hard to say when consumers will feel comfortable enough to get back to a sense of normalcy. All that said, beef is in a good position and consumer perception on the beef industry has positively shifted. From January to September 2020 the percentage of consumers claiming to eat beef at least weekly has increased from 67% to 72% compared to 2019. In addition, the number of people with a positive perception of beef has increased, resulting in positive perceptions reaching 70% for the first time. Furthermore, positive production perceptions regarding how cattle are raised have increased 18% compared to 2019[4]. A lot of things are on consumers' minds right now... from the pandemic, to the economy, from protests to the election, not to mention children going back to school. At least temporarily, it may just be that consumers do not have enough bandwidth to worry about some of the things they were previously worried about when it comes to food—like health or production-related issues with beef. ■

KEY TAKE-AWAYS

- Online ordering for both groceries and meal ordering is likely here to stay. It is expected online ordering and delivery will grow and at a more rapid pace than originally projected due to COVID-19. Beef. It's What's For Dinner., managed by NCBA, a contractor to the Beef Checkoff, will continue to complete first-of-its-kind exploratory e-commerce marketing campaigns to help the supply chain accelerate the sales of fresh beef in this rapidly changing environment.

- Consumers are cooking more meals at home now than prior to COVID-19. This means they are searching for information to help them cook meals at home. Though expected to continue for the short term, a long-term shift is difficult to assess. Beef. It's What's For Dinner., managed by NCBA, a contractor to the Beef Checkoff, will continue to utilize a variety of techniques by pushing out cooking information and recipe inspiration through digital, social media and traditional media platforms and leveraging impactful, high-profile influencers or thought leaders to teach consumers how to cook.

- Consumers are spending more time at home and online than prior to COVID-19. Along with that comes the rise of more TV and moving-streaming platforms and the decline of in-person movie theater watching experience, which could signal a long-term shift in consumers using more media "inside of the home" compared to "out-of-home." Beef. It's What's For Dinner., managed by NCBA, a contractor to the Beef Checkoff, will continue to utilize a variety of marketing platforms to continuously reach the consumer through paid, earned and owned digital, social and traditional media platforms.

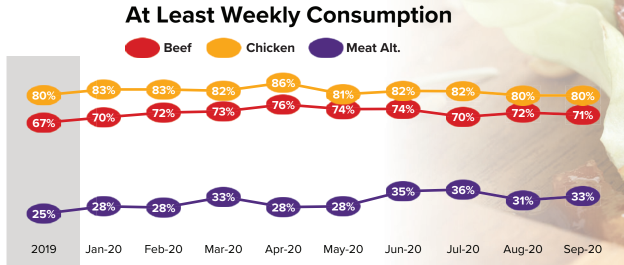
- Currently, consumers are more focused on spending their money on essential needs, such as groceries, household supplies and personal care and cleaning products. This will likely adjust back at some point; it is just a matter of when. Beef. It's What's For Dinner., managed by NCBA, a contractor to the Beef Checkoff, will continue to look for opportunities to remind consumers that beef is the classic comfort food that they want as the centerpiece of their dinner, especially as we move into the holiday season.

- Positive consumer perceptions of beef and beef production increased during the pandemic and will likely remain higher for the next several months. Consumers may return to expressing concerns about food production when focus evolves from current concerns. NCBA, a contractor to the Beef Checkoff, will continue programs that educate consumers about beef and beef production.

- Beef demand has remained strong to-date. Consumers increased weekly beef eatings and were willing to pay more for the product. With strong domestic consumer demand-building programs Beef. It's What's For Dinner., and other demand building programs managed by NCBA, a contractor to the Beef Checkoff, is focused on keeping this strong demand going.

TREDING WEEKLY CONSUMPTION

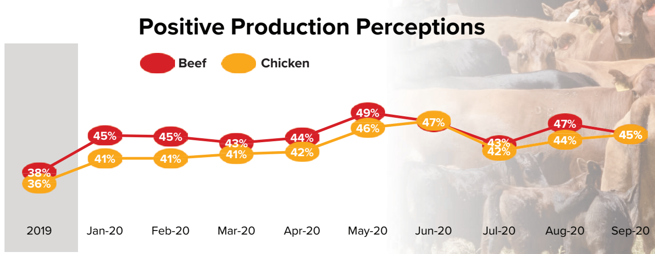
Beef and chicken are consumed by most, with consumption reaching its highest ever in April



Source: Consumer Beef Tracker 2019 – Sep 2020

TRENDING PRODUCTION PERCEPTIONS

Production perceptions are on the rise in 2020



Source: Consumer Beef Tracker 2019 – Sep 2020

SOURCES

1 *Beef Behaviors and COVID Report, April-September 2020*

2 *Center for Disease Control and Prevention; Morbidity and Mortality Weekly Report, August 14, 2020; "Mental Health, Substance Use, and Suicidal Ideation During the COVID-19 Pandemic"*

3 *Comscore Media Metrix Custom Reporting, 2020*

4 *Consumer Beef Tracker; Jan 2019-September 2020*

5 *Deloitte Insights – Weekly Global Economic Update October 2020*

6 *Directions Research; COVID-19 Consumer Response Tracker*

7 *Google Analytics for BeefItsWhatsForDinner.com*

8 *Google Trends*

9 *Housing - Bloomberg Business - Urban Exiles Are Fueling a Suburban Housing Boom Across the U.S. August 2020 & Forbes - People Fleeing Big Cities May Spur Economic Growth In Smaller Metros September 2020*

10 *IRI Total US, MULO, 1 week % change vs. YA – August 2020*

11 *McKinsey & Company. US consumer Sentiment During the Coronavirus Crisis – October 2020*

12 *Online Grocery and Meal Ordering Reports, April 2020*

13 *The Midyear Power of Meat 2020*

14 *The Nielsen Total Audience Report; August 2020*

15 *The NPD group COVID-19 Situation Analysis and Crest Performance Alerts*

16 *U.S. Bureau of Labor Statistics; August 2020*

17 *Washington Post - Last year, we searched Google for how to tie a tie. Now we're using it to find toilet paper, By Alyssa Fowers, April 17*

18 *Ypulse, Media Consumption Report, July 2020*

19 *Ypulse, YPulse-Trend-No-Place-Like-Home-8-6-20-3*

For more information, contact:
Data & Methodology Inquiries: Shawn Darcy, *sdarcy@beef.org*
Media Inquires: Hillary Makens, *hmakens@beef.org*

Funded by Beef Farmers and Ranchers

 #111220-36