Consumer Trends
2021

The New Consumer
The New Consumer

→ Launched in 2019 by longtime business journalist Dan Frommer

→ Focusing on how and why people spend their time and money

→ Analysis, reporting, and commentary for anyone who cares what’s next

→ newconsumer.com
Coefficient Capital

→ Launched 2018 by Franklin Isacson and Andrew Goletka

→ Early investments in digitally powered consumer brands

→ What and how consumers are buying is changing

→ coefficientcap.com
Coefficient Capital Portfolio

NOM NOM - Personalized pet nutrition
JUST SPICES - Cooking solutions for the new consumer
hydrant - Sustainable, functional hydration
Hawthorne - Personalized men’s personal care

Haus - Direct-to-consumer low-alcohol spirits
OATLY - Global plant-based dairy leader
MAGIC SPOON - Low-carb breakfast innovator
Consumer Trends Report

→ For this inaugural report, our goal was to highlight what changed this year and what matters most for the years ahead

→ Special thanks to Earnest Research for consumer spending data

→ View the latest version of this deck: newconsumer.com/trends
Consumer Trends Survey

→ We also conducted a new survey of 3,500+ US consumers

→ Focus on new consumer spending habits, behavior, and post-COVID changes

→ Powered by Toluna — delivering “real-time consumer insights at the speed of the on-demand economy”
2020: This one was different
The COVID-19 pandemic was the story of the year, with profound global effects.

US daily COVID-19 confirmed cases, 7-day average

March 14-15 weekend:
When things got real
Air travel declined sharply and has only gradually recovered in the US

Daily TSA traveler throughput, 7-day avg., same weekday

Data: TSA

April 14: -96%
October avg.: -64%
Quarantine drove the culture — and some memorable consumer fads

US search interest

Data: Google Trends

Sourdough
Puzzles
E-commerce adoption accelerated rapidly as stores closed and pivoted

E-commerce share of US retail sales, seasonally adjusted

~430 bps change in 3 months
~430 bps change in 5 years

Data: US Census Bureau
Grocery, Home, and Pets have been winning categories

Year-over-year sales growth by category — Earnest Research

Data: Earnest Research
Customer acquisition costs declined slightly as DTC revenue increased.

Indexed Coefficient portfolio co. avg. revenue and CAC

Data: Coefficient Capital
Still, COVID-19 remains an economic and societal disaster
Now what?
New habits.
New winners.
New questions.
Food and beverage goes online: A huge shift the size of ridesharing
US grocery *before*: Massive, slow-growing, low e-commerce adoption

US grocery annual sales forecast: ~2% annual growth

Data: Mercatus / Incisiv
Lockdowns shifted food spending from restaurants to grocery

US monthly food sales

Data: USDA
The need for comfort drove outsized growth in essentials — and indulgence

Year-over-year growth in retail sales during COVID-19

<table>
<thead>
<tr>
<th>Product</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oat milk</td>
<td>204%</td>
</tr>
<tr>
<td>Crab</td>
<td>81%</td>
</tr>
<tr>
<td>Dish soap</td>
<td>34%</td>
</tr>
<tr>
<td>Pizza</td>
<td>28%</td>
</tr>
<tr>
<td>Ice cream</td>
<td>19%</td>
</tr>
</tbody>
</table>

Data: Nielsen
Online grocery shifted from convenience to essential infrastructure overnight

Year/year change in grocery spending — Earnest Research

Data: Earnest Research
US grocery *before*: Massive, slow-growing, low e-commerce adoption

E-commerce % of US grocery sales, pre-COVID forecast

- 4.3% in 2020
- Pre-COVID forecast

Data: Mercatus / Incisiv
US grocery now: An inflection point for e-commerce acceleration

E-commerce % of US grocery sales, post-COVID forecast

10.2% in 2020

Current forecast

Pre-COVID forecast

Data: Mercatus / Incisiv
US grocery now: An inflection point for e-commerce acceleration

36% of Gen. Z — and 30% of all consumers — say they’ve been shopping for food and beverage online more during COVID-19

52% of Millennials — and 45% of all consumers — say they prefer it
Walmart, Amazon, and Instacart lead among US online grocery users

Which online grocers have you purchased from in past 30 days?

- Walmart: 50.5%
- Amazon: 49%
- Instacart: 20.3%
- Target: 18.3%
- Kroger: 12%
- Other grocer’s website: 9.2%
- Costco: 8%
- Other online grocery site: 4.4%
- Fresh Direct: 3.2%
- Peapod: 2.9%

Data: Cowen
Instacart has taken off as the leading US online grocery aggregator

→ Works with 500 retailers
→ Offers delivery and/or pickup from approximately 40,000 stores in more than 5,500 North American cities
→ Covers more than 85% of US households
→ More than 500,000 shoppers, up from 70,000 in mid-2019
Instacart has taken off as the leading US online grocery aggregator

About 1/3 higher than pre-COVID

Data: Sensor Tower
Instacart has taken off as the leading US online grocery aggregator

Year/year change in spending — Earnest Research

Data: Earnest Research
People buy groceries differently online.

And that has major implications for grocers and brands.
A fundamentally different user interface...

Pictured: Erewhon beverage department, Instacart screenshot
...with major implications for brand and product loyalty and discovery

→ 43% of our survey group usually starts an online grocery order with their previous order
→ 55% of Millennials report doing this
→ Will lead to increased digital advertising, including within online grocery interfaces
→ Instacart now has 1,000+ brand advertisers

Data: Consumer Trends Survey, powered by toluna®
Online grocery shoppers spend more money but shop less frequently

\[ \sim \$120 \] average order value at Instacart during COVID-19 months, compared to \sim \$60 for in-store grocery transactions

\[ \sim 3 \] monthly transactions, on average, among Instacart shoppers, vs. \sim 7 for in-store grocery transactions

Data: Earnest Research
Unbundling the shopping cart:
As spending heads online, it’s up for grabs
What’s a grocery store?

Subscriptions and kits
- Allplants
- Freshly
- Blue Apron

Delivery apps
- Uber
- goPuff
- DoorDash

Internet-native grocers
- Thrive Market
- Perfect Foods
- Butcher Box

DTC brands
- Omsom
- Haus
Imperfect Foods started off selling ugly produce — and has since broadened

→ Approx. 400,000 active customers in 40 US states

→ Produce-only boxes now less than 15% of its business, as customers buy more, different items

→ Customers who shop across meat, dairy, and alternative categories have 70% higher retention than produce-only customers

Data: Imperfect Foods
Haus is building a direct-to-consumer apéritif brand for a new kind of drinker

→ Sells low-alcohol apéritif spirits in seasonal flavors

→ Founded in 2019 by Helena Price Hambrecht, a Silicon Valley creative, and her husband Woody, a third-generation winemaker

→ Ships to 39 US states, DTC, without a distributor

→ Sales up 430% YTD (mid-November 2020)

Data: Haus
Kroger shoppers still mostly buy groceries at grocery stores

Data: Earnest Research
Instacart shoppers spend a higher proportion online

Data: Earnest Research
Dan Frommer buys groceries everywhere

- DTC grocery brands
- Internet-native grocers
- Restaurants

Data: The New Consumer
Dan Frommer’s grocery unbundling

→ Almost entirely offline pre-COVID... and then almost entirely online during lockdown

→ Amazon/Whole Foods hasn’t monopolized my spending as it has gone online

→ About 15% of my monthly post-COVID grocery spending is DTC, from spices to seltzer

→ It’s a big potential opportunity for brands if more consumers shop this way: 15% of the US grocery market represents ~$150 billion!
The great unbundling:
Not just food and beverage
Streaming is now 25% of US television usage as live TV viewing declines

Video streaming distribution by brand, Q2 2020

- Netflix: 34%
- Other: 23%
- YouTube: 20%
- Hulu: 11%
- Amazon: 8%
- Disney+: 4%

Data: Nielsen, among streaming-capable homes
Cash App and Venmo are unbundling traditional banking for millions of users

Cash App quarterly transactions and services revenue

Data: Square
Large consumer packaged goods brands have continued to lose share

**Share of US retail sales by CPG brand trademark size**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Private Label</td>
<td>14.6%</td>
<td>15.3%</td>
<td>15.6%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Extra Small</td>
<td>15.3%</td>
<td>14.5%</td>
<td>14.3%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Small</td>
<td>18.2%</td>
<td>18.8%</td>
<td>18.9%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Medium</td>
<td>12.2%</td>
<td>12.3%</td>
<td>12.3%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Large</td>
<td>39.7%</td>
<td>39%</td>
<td>38.9%</td>
<td>37.8%</td>
</tr>
</tbody>
</table>

Data: IRI
It was a good year to be the bleach company — big CPG posted rare growth

Clorox quarterly year-over-year revenue growth

Data: Clorox
More broadly, COVID-19 is a period of experimentation — and loyalty is up for review.

75% of consumers had tried a new shopping behavior since COVID-19 started, in a June McKinsey survey.

73% of those who had tried a different shopping method or brand intended to continue.
COVID-19 conditions drove commerce online across categories

US e-commerce penetration by category — Earnest Research

Data: Earnest Research
Beauty sales trends have varied as COVID-era lifestyles changed

Year-over-year change in US Q3 sales by category

- Makeup: -31%
- Skincare: -11%
- Fragrance: 1%
- Hair: 11%
- Nail: 13%
- Body: 17%
- Home Scents: 21%

Data: NPD Group
Younger consumers are unbundling makeup brands: 48% of Gen. Z say they use four or more brands

Data: Consumer Trends Survey, powered by toluna®
Beauty brand preferences synced up generationally in our survey

Gen. Z makeup brands
→ Anastasia Beverly Hills (21% of Gen Z. say they use)
→ Fenty (20%)
→ Kylie (19%)
→ Milk (13%)

Millennial makeup brands
→ Glossier (12% of Millennials say they use)
→ Charlotte Tilbury (11%)
→ ILIA (9%)

Data: Consumer Trends Survey, powered by toluna®
Younger consumers are more likely to say they use ‘clean’ skincare brands

Percentage of survey responses

Data: Consumer Trends Survey, powered by toluna®
COVID-19 lockdowns have helped unbundle the gym membership

Year-over-year change in US fitness foot traffic and spending

Data: Earnest Research
Equinox customers have shifted spending

Data: Earnest Research

Equinox customers have shifted spending towards other home fitness and gym services, with a notable increase in Peloton usage.
Peloton experienced a once-in-a-lifetime jolt in subscribers and engagement

Data: Peloton
Online fitness content and community is poised to grow

SensorTower: Weekly US app downloads

Data: SensorTower
Home fitness is the new default — and looks like it’s here to stay

82% of Millennials — and 76% of all consumers — say they’ve switched to exercising more at home during COVID-19

81% of Millennials — and 66% of all consumers — say they prefer it

Data: Consumer Trends Survey, powered by toluna®
Beware the aggregator: Amazon’s share of spending increased during COVID-19

Amazon share of US consumer spending — Earnest Research

Data: Earnest Research
But Shopify now powers 1 million stores where people spend $10 billion a month.
Changing tastes, habits, attention, implications
Some consumers reported using less single-use plastic during COVID-19...

Why are you using single-use plastic less?

- More time to wash and reuse dishes and utensils while at home: 48%
- More conscious of conserving the environment due to the pandemic: 41%
- More aware of how much plastic my household uses: 39%
- Easier to purchase products without single-use plastic: 36%
- More time to consider my environmental impact: 34%

Data: Consumer Trends Survey, powered by toluna®
...while others reported using *more* single-use plastic for COVID-19 safety

**Why are you using single-use plastic more?**

- **Prioritizing safety and hygiene**: 58%
- **It’s difficult to purchase products without single-use plastic**: 31%
- **Non-single-use plastic products are less accessible to me**: 21%
- **Non-single-use plastic products are too expensive**: 18%
- **I don’t have time to think about my environmental impact**: 16%

*Data: Consumer Trends Survey, powered by toluna*
Plant-based meat continues to grow in awareness and popularity

51% of consumers have tried plant-based meat, according to a Q3 survey in the US and Europe by UBS.

63% of those are repeat users.

Data: UBS
Beyond Meat consumer sales have accelerated as foodservice reboots.

- 49% retail in Q2 '20
- 87% retail in Q2 '20

Beyond Meat quarterly revenue

Data: Beyond Meat
Oat milk is the fastest-growing food category — up 204% during COVID-19

~30% of Gen Z. and Millennial consumers have tried oat milk in the past 6 months

~2/3 of Gen Z. and Millennial consumers have tried other plant-based milk alternatives

Data: Nielsen, Consumer Trends Survey, powered by tolna®
The alcohol market was hit hard, but Americans love their White Claw

8%

expected 2020 alcohol consumption decline in 19 key global markets measured by IWSR — better than initially feared

43%

growth in ready-to-drink alcoholic beverage volume — led by the US — the only format category to grow in 2020

Data: IWSR
Millennials over-index on hard seltzer and zero-ABV, under-index on beer

What US Millennials say they’re drinking during COVID-19

- Conventional beer: 49%
- Red wine: 47%
- Hard seltzer: 45%
- Craft beer: 42%
- Canned cocktails: 36%
- THC beverages: 28%
- CBD beverages: 26%
- Zero-ABV beer: 24%
- Zero-ABV spirits: 22%
- Apéritifs: 22%
About half of Americans say they’ve been eating healthier during COVID-19

Percentage surveyed who ‘strongly’ or ‘somewhat’ agree

- Cooking more: 67%
- Eating healthier: 52%
- Drinking less alcohol: 45%
- Snacking less: 32%

Data: Consumer Trends Survey, powered by toluna®
Consumers say they prefer to eat healthy — by a wide margin

Percentage who prefer their new behavior over old

- Eating healthier more often: 74%
- Eating healthier less often: 26%
Stress eating, treats, and the economy: Why we’re eating healthy less

Top reasons for eating healthy food less during COVID-19

- I’m stress eating and/or feeling low: 54%
- I want to indulge / treat myself: 43%
- Healthy food is too expensive: 39%
- Healthy food is less accessible: 30%
- I don’t have time to eat healthy: 13%
Wealthier people say they’ve been eating healthier during COVID-19

Percentage by income group

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $25K</td>
<td>41%</td>
</tr>
<tr>
<td>$25-50K</td>
<td>47%</td>
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<tr>
<td>$50-75K</td>
<td>50%</td>
</tr>
<tr>
<td>$75-100K</td>
<td>50%</td>
</tr>
<tr>
<td>$100-150K</td>
<td>65%</td>
</tr>
<tr>
<td>$150-200K</td>
<td>72%</td>
</tr>
<tr>
<td>&gt; $200K</td>
<td>72%</td>
</tr>
</tbody>
</table>

Data: Consumer Trends Survey, powered by toluna®
Mental health is an important area for focus

Sensor Tower: Weekly US app downloads

Data: Sensor Tower
Pet adoption has increased this year, and shelter intake has decreased

5% of US adults adopted a dog during the initial 3-month COVID-19 lockdown period, and 4% adopted a cat, according to research firm Packaged Facts.

23% year-over-year decline in animal shelter intake through October 2020, according to the nonprofit Shelter Animals Count.

Data: Packaged Facts, Shelter Animals Count
Zoom quickly became a household name and remains a top app.
Office workers mostly haven’t returned to the office — but it varies by city

Office occupancy in major US cities, 5-weekday average

Data: Kastle
New York City Subway ridership is still less than one third of last year’s level

New York City Subway daily ridership, 7-day average

Data: MTA
24% of Americans say they left home to live elsewhere during COVID-19

Percentage who left home to live elsewhere for 60+ days

- Overall: 24%
- Urban: 41%
- Suburban: 15%
- Rural: 14%

Data: Consumer Trends Survey, powered by toluna®
A larger percentage of people with higher income say they left home

Percentage who left home to live elsewhere for 60+ days

Data: Consumer Trends Survey, powered by toluna®
Among those who left, most say they have returned

Percentage surveyed who returned home after leaving

- Overall: 81%
- Urban: 85%
- Suburban: 75%
- Rural: 78%

Data: Consumer Trends Survey, powered by tolna®
Looking ahead:
What sticks?
1

Most of the shifts toward e-commerce this year are here to stay over the long run. And in food and beverage, a trillion-dollar market, these shifts are underestimated.
2020 was an inflection point, but adoption forecasts are conservative

E-commerce % of US grocery sales, post-COVID forecast

10.2% in 2020

Data: Mercatus / Incisiv
The opportunity: What if food and beverage e-commerce adoption follows other sectors?
Reminder: 10% movement in the grocery market is ~$100 billion. Per year. Just in the US.
Direct-to-consumer is here to stay and will continue to grow across categories.

Large strategics will accelerate their acquisitions of DTC brands, at higher multiples.
Already, about 20% prefer to buy food and beverages DTC

Why US consumers say they shopped from a brand website

- Better quality: 44%
- Better selection: 38%
- Better customer service: 33%
- Personalization: 30%
- Feeling as part of a brand community: 24%
This will drive a new wave of incumbent-DTC deals... which have already started

→ Nestle, the world’s largest food company, is buying online meal delivery service Freshly for $950 million

→ Grocery giant Ahold Delhaize is buying online grocery delivery service FreshDirect

→ Online convenience/alcohol delivery startup GoPuff is buying liquor store chain BevMo for $350 million
The future of consumer starts with small, niche brands that know how to build community and relationships.
In consumer, niche communities can still drive meaningful scale

12% of Americans said they had tried the keto diet in the past two years, according to a previous Coefficient Capital survey.

~30% of Gen Z. and Millennial consumers have tried oat milk in the past 6 months.

Data: Consumer Trends Survey, powered by toluna®
The winners will be the ones that can use technology to tell their stories online.
It’s virtually impossible for there to be too many beauty startups. Younger consumers demand more brands!
Younger consumers are unbundling makeup brands: 48% of Gen. Z say they use four or more brands

Data: Consumer Trends Survey, powered by toluna®
Consumer behavior in beauty has fundamentally changed. Small brands with hero products will continue to succeed.
Home fitness is the story for at least another year — and maybe for good.
Home fitness is the new default — and most Millennials prefer it.

- 82% of Millennials — and 76% of all consumers — say they’ve switched to exercising more at home during COVID-19.
- 81% of Millennials — and 66% of all consumers — say they prefer it.

Data: Consumer Trends Survey, powered by toluna®
Equinox customers have shifted spending

Data: Earnest Research

Other home fitness
Other gyms and workout classes

Equinox
Peloton

The New Consumer | Coefficient
~$100 billion in global health club spending is now up for grabs.
6

Brands will increasingly need to stand for something and participate in culture, society, and politics.
Just being a profitable business is no longer a viable option

85% of US. Gen. Z consumers believe brands should be about something more than profit, according to a recent Wunderman Thompson survey

80% believe brands should help make people’s lives better
The grocery store will need radical reinvention as spending increasingly shifts online.
Other retail categories are already more mature online — now it’s grocery’s turn

US e-commerce penetration by category — Earnest Research

Data: Earnest Research
Start designing for a post-vaccine future of what’s still done best offline: Discovery, rich experiences, and community.
Special Thanks:
Arpon Ray
Natalie Borowski
Andrew Goletka
Franklin Isacson

Toluna
Earnest Research
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