



 Harris Williams

encore  
consumer capital

# Food & Beverage Retail Market Perspectives

Part Two

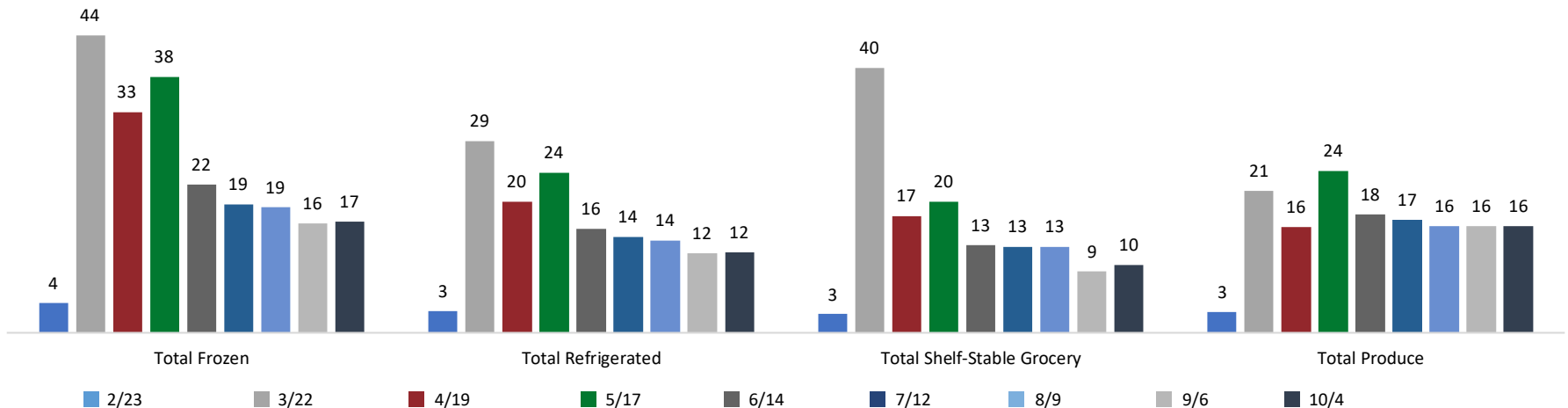


# Food & Beverage Department Insights

- Starting in March amid the COVID-19 pandemic, Harris Williams and Encore Consumer Capital have been closely tracking the impact on the food & beverage landscape and have seen significant shifts in consumer behavior
- The [past publication](#) highlighted trends that emerged during the initial stockpiling that resulted in significant growth across all food & beverage retail departments
- Harris Williams and Encore Consumer Capital have now evaluated the broader sustained impact of the COVID-19 pandemic across food & beverage departments as at-home consumption has become the “new normal” for consumers across the U.S.
- Since the onset of the pandemic, the frozen department has experienced the most growth, continuing to grow at a rate of 15%+ in the most recent period, followed by the produce and refrigerated departments
- The shelf-stable grocery department has experienced the largest decline in growth since the initial spike, with YOY growth of 10% in the most recent period

## YOY Sales Growth by Department (4 Wks Ended)<sup>1</sup>

(Growth in %)



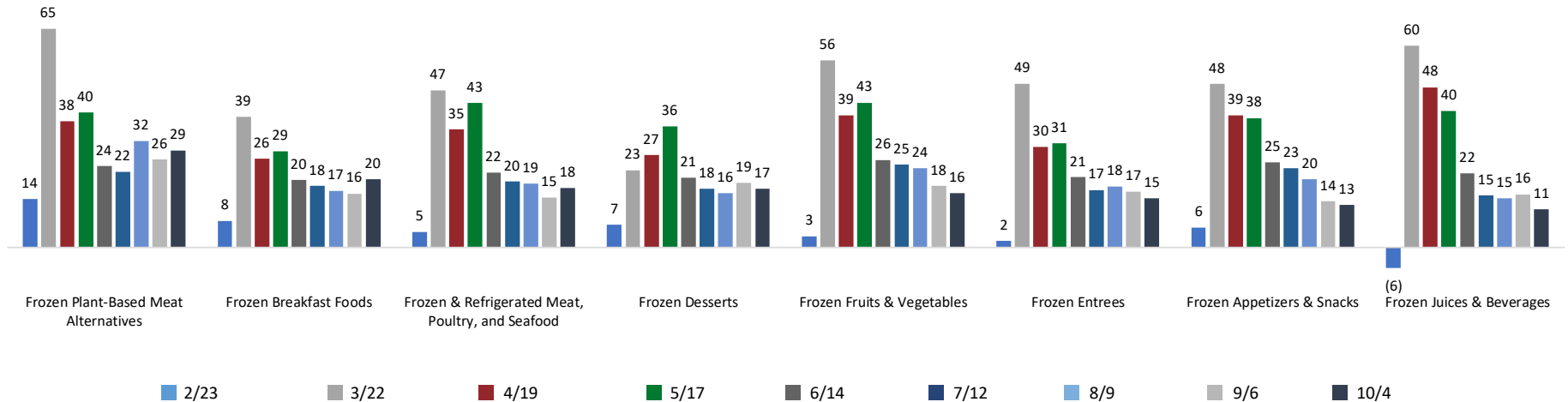
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

# Frozen Department Insights

- The frozen department has experienced the greatest growth relative to other departments as consumers continue to consume a larger portion of meals at-home, with the frozen plant-based meat alternatives (+29%) category driving significant growth in recent periods
- Frozen & refrigerated meat and poultry and seafood and frozen breakfast foods have also continued to experience 15%+ growth over the summer and into the fall
- Frozen desserts did not experience as significant of a spike during the initial stockpile relative to the other frozen categories, but the category has remained at sustained levels and has been a meaningful contributor of department growth, which is highlighted on the next page

## YOY Sales Growth by Frozen Category (4 Wks Ended)<sup>1</sup>

(Growth in %)



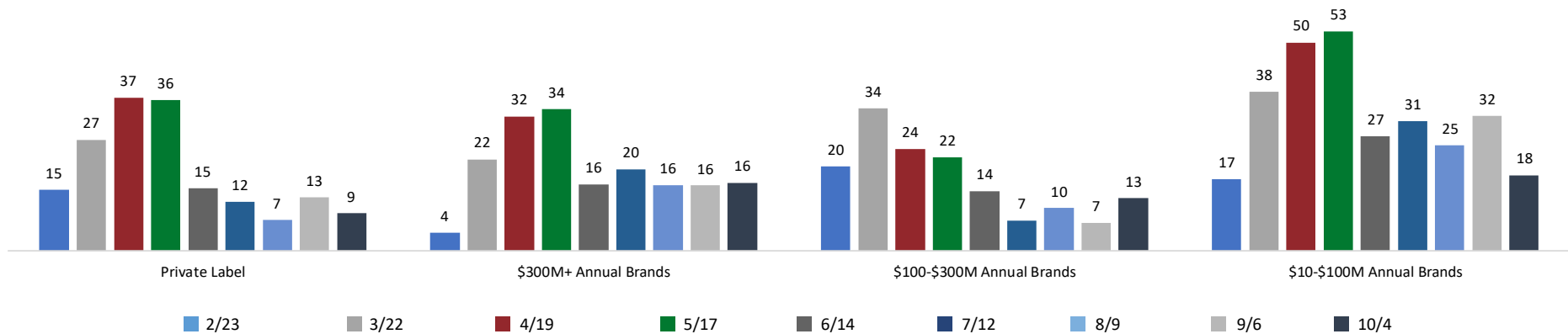
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

# Frozen Desserts Category Insights

- The frozen desserts category has experienced ~17% YOY growth in the most recent period and has benefited from consumers enjoying more indulgent products at home
- In addition to the shift in consumer behavior, the ice cream segment has experienced tailwinds due to increased innovation
  - › Increased launches of new products and category-disrupting innovation have been key drivers of growth
  - › Smaller brands have experienced significant and sustained growth as consumers look for new trends, including increasingly popular demand for better-for-you options

## YOY Sales Growth by Frozen Ice Cream Brand (4 Wks Ended)<sup>1</sup>

(Median Growth in % of Top Brands in Frozen Ice Cream Subcategory)



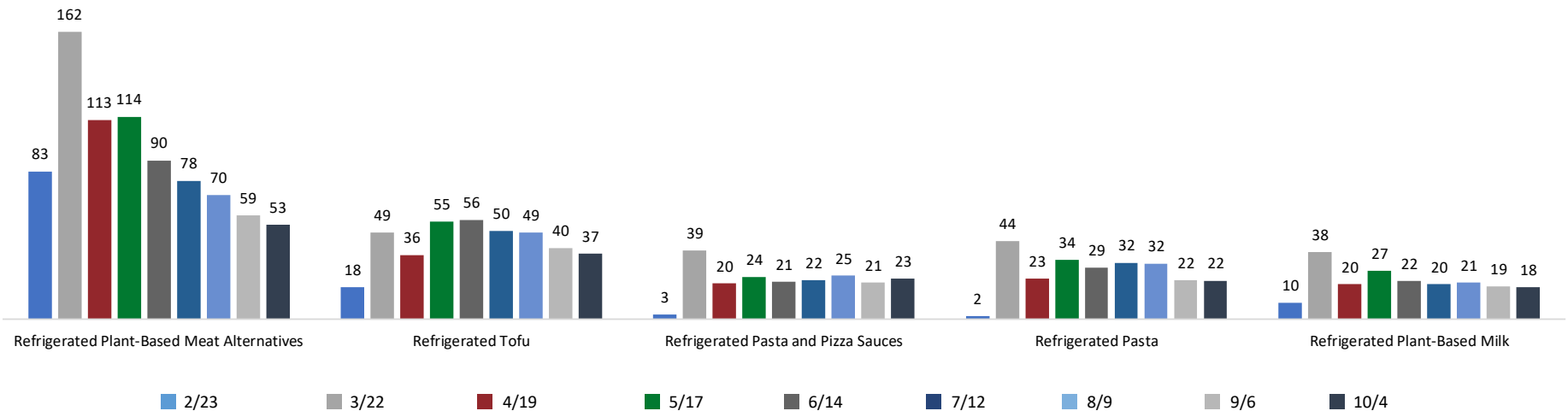
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores  
 2. Representative brands illustrated below

# Refrigerated Department Insights

- The refrigerated department experienced ~12% YOY growth in the most recent period, with a consistent growth deceleration from the initial stock-up in March
- Refrigerated plant-based meat and refrigerated tofu have been two of the fastest growing categories in the department
- Refrigerated pasta and pizza sauces has stayed at relatively similar levels throughout the last six months, while refrigerated pasta has leveled off for the last two periods

## Fastest Growing Categories (4 Wks Ended)<sup>1</sup>

(Growth in %)



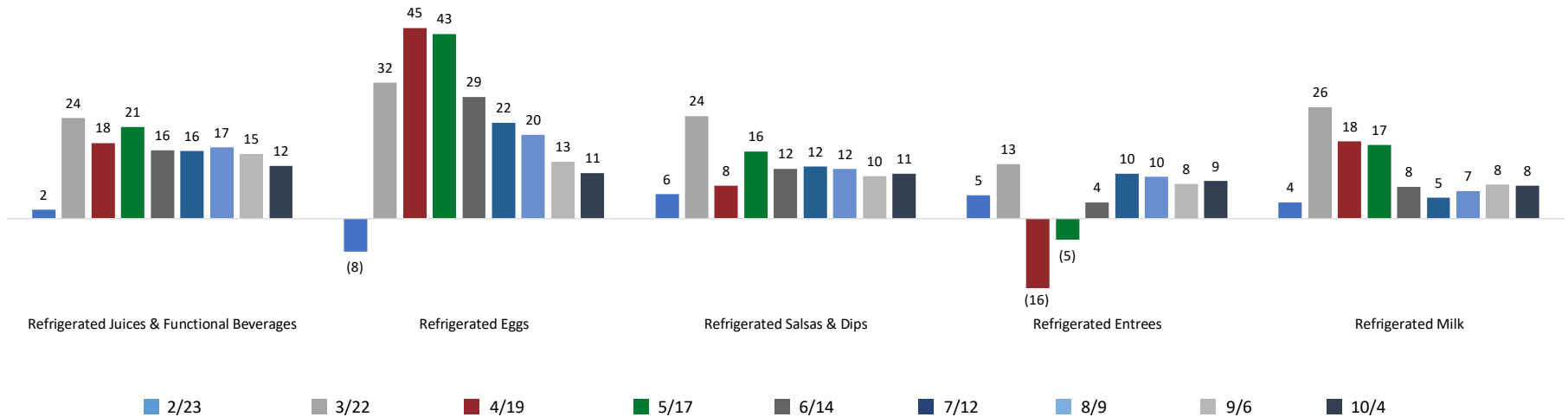
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

# Refrigerated Department Insights

- The refrigerated entrees category has seen limited growth relative to other refrigerated categories as the consumer demand for frozen entrees continues to outpace that of refrigerated due to the longer shelf-life of frozen products
- Having had a significant spike during April and May 2020, the refrigerated eggs category has steadily been declining in growth in recent periods

## Slowest Growing Categories (4 Wks Ended)<sup>1</sup>

(Growth in %)



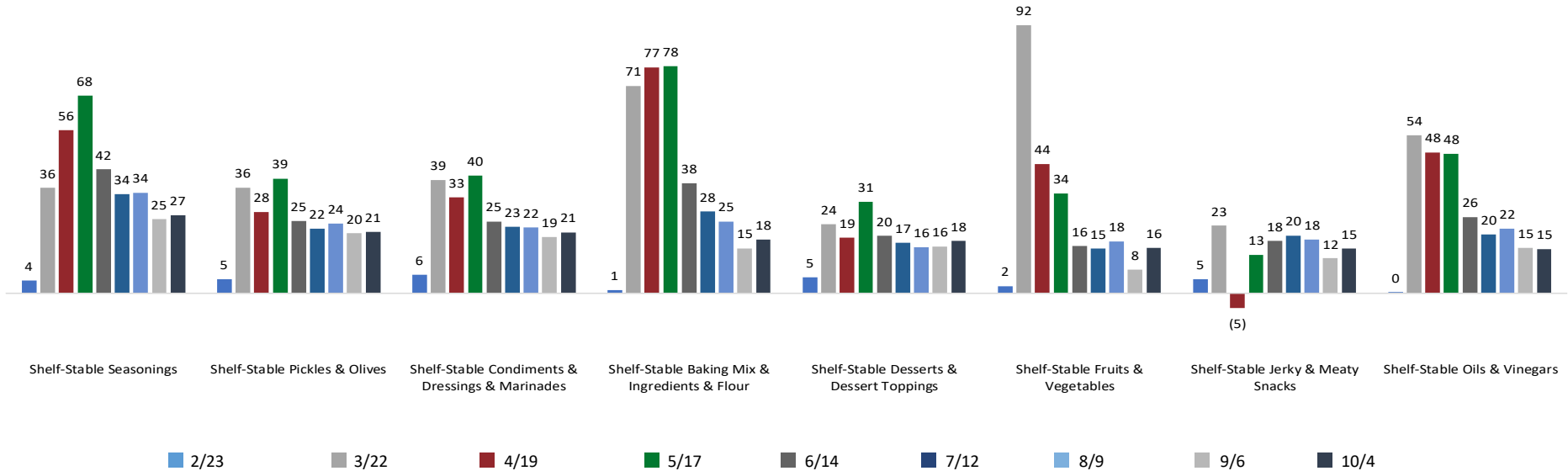
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

# Shelf-Stable Grocery Department Insights

- The shelf-stable grocery department experienced ~10% YOY growth in the most recent period
- Food ingredients used in at-home meal preparation have experienced the most sustained growth during the COVID-19 pandemic, including seasonings, condiments/dressings/marinades, baking mixes/ingredients/flour and oils/vinegars

## Fastest Growing Categories (4 Wks Ended)<sup>1</sup>

(Growth in %)



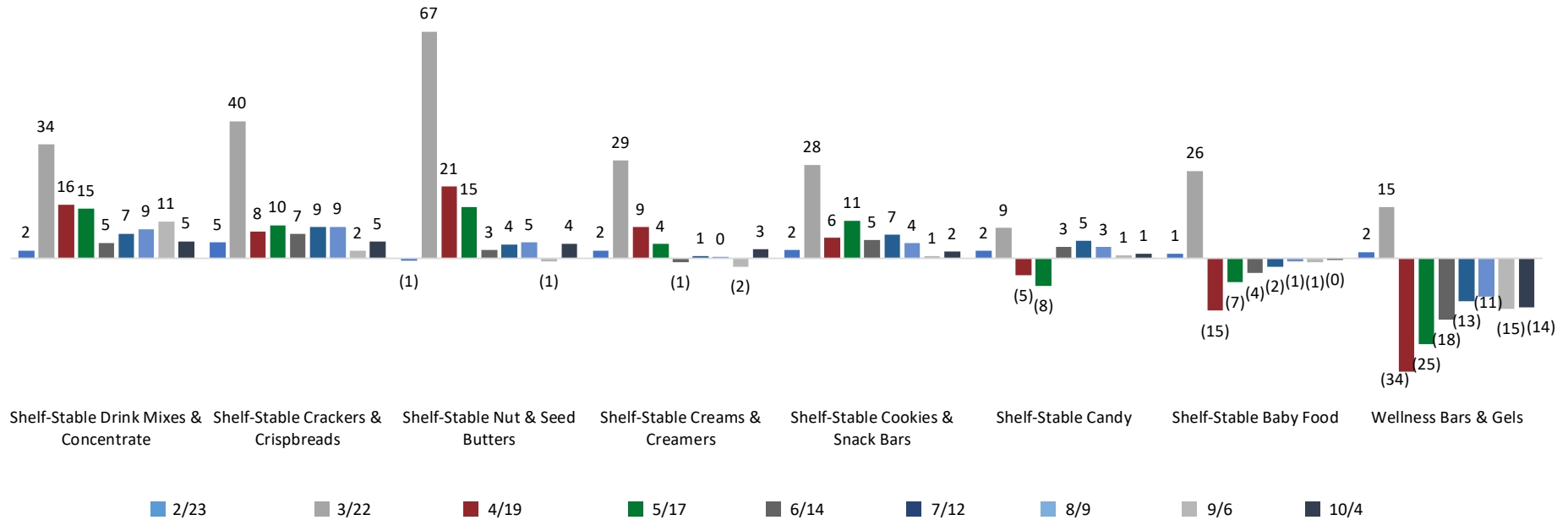
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

# Shelf-Stable Grocery Department Insights

- Snack foods, including crackers, cookies, and snack bars, have returned to growth levels in line with pre-COVID-19 levels
- Impulse items such as candy continue to experience tepid YOY growth as consumers continue to change their shopping and eating habits

## Slowest Growing Categories (4 Wks Ended)<sup>1</sup>

(Growth in %)



1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

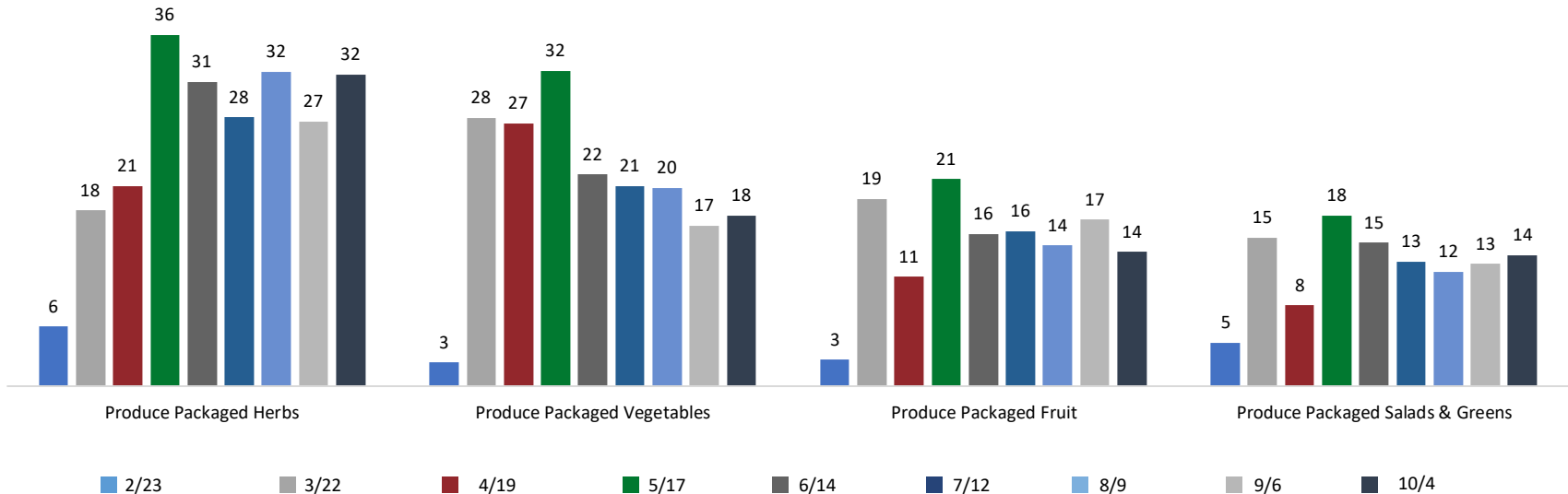


# Produce Department Insights

- The produce department experienced significant growth during the first few months of the pandemic (March to May 2020), growing at an average of 20%, and the department continues to maintain 16% growth in the most recent period
- Due to the short shelf life of produce products, the double-digit growth in the produce department is indicative of the growth we would expect to see in the grocery channel over the next three to four months
- YOY growth in the packaged herbs category has remained strong and is one of the many categories that has benefited from the increase of at-home meal preparation

## YOY Sales Growth in the Produce Category (4 Wks Ended)<sup>1</sup>

(Growth in %)



1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

# About Us

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## About Harris Williams

[Harris Williams](#), an investment bank specializing in M&A advisory services, advocates for sellers and buyers of companies worldwide through critical milestones and provides thoughtful advice during the lives of their businesses. By collaborating as one firm across Industry Groups and geographies, the firm helps its clients achieve outcomes that support their objectives and strategically create value. Harris Williams is committed to execution excellence and to building enduring, valued relationships that are based on mutual trust. Harris Williams is a subsidiary of the PNC Financial Services Group, Inc. (NYSE: PNC).

## About Encore Consumer Capital

[Encore Consumer Capital](#) is a private equity firm focused on investing in food and consumer products manufacturing, marketing and distribution companies with greater than \$10 million in revenue. Encore has raised over \$600 million in committed equity capital and is a partnership between experienced principal investors and veteran industry executives. Encore works closely with its operating executives to identify new investment opportunities and drive portfolio company performance.

## About SPINS

For this study we partnered with [SPINS](#), the leading retail data company for investors and brands in the Natural Products Industry. SPINS retail data coverage includes Natural Enhanced Channel, which is a hotbed for new innovation and emerging brands, as well as Multi-Outlet Channel (Powered by IRI), which covers the major Food, Drug, Mass, Club, and Convenience retailers. SPINS solutions enable brands to win at retail. SPINS also offers unique solutions to enable investors to find, analyze, and invest in winning brands.

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