



Impacts of the COVID-19 crisis on consumption in Quebec

Impacts on containers, packaging and printed matter
marketed and recovered via curbside recycling

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Impacts of the COVID-19 crisis on consumption in Quebec: Impact on containers, packaging and printed matter marketed and recovered via curbside recycling

In response to the COVID-19 pandemic, the social distancing measures implemented in Quebec as of March 13 have had a significant effect on consumer habits and, in turn, on containers, packaging and printed matter marketed and recovered through curbside recycling. The following report aims to present a selection of data collected by Éco Entreprises Québec (ÉEQ) and its partners over the past months in order to better understand the impact of these changes in consumption on the quantities of containers, packaging and printed matter generated by companies represented by ÉEQ.

Trends in the food industry

In 2019, retailers and processors in the food industry generated more than half the containers, packaging and printed matter marketed in Quebec, the remainder of contributions being mostly from consumer goods manufacturers and retailers. It is, therefore, interesting to mention that as part of presentations members of the Conseil de la transformation alimentaire du Québec (Quebec Food Processing Council), from April 9 to June 18, 2020, Nielsenⁱ described six phases of changes in Canadian and Quebec consumer behaviour in response to the pandemic:



* Some visual elements originally in French, such as graphs and tables, have been translated by ÉEQ.

Table 1 - Phases of consumer behavioural changes in response to the pandemic

Proactive healthy purchase	Reactive healthy purchase	Stocking the pantry	Preparing for quarantine	Confinement/ Living with constraints	"New Normal"
CHANGES IN CONSUMER BEHAVIOUR					
Increased interest in products that help maintain overall health and well-being	Prioritize products that are essential in controlling viruses, maintaining health and public health (e.g. masks)	Stocking up on long shelf-life foods and a wider selection of health and safety products; increase of in-store visits; shopping cart loads get bigger.	Increase in online purchases, decline of in-store visits, increase in backorder products, supply chain tensions.	Number of in-store visits dramatically restricted, number of online orders limited, prices go up as limited stock availability affects prices in some cases.	People resume daily activities (work, school, etc.) but with renewed prudence. Permanent changes to supply chain, use of e-commerce and hygiene practices.
COVID-19 EVENT MARKERS					
Minimal number of localised cases of COVID-19 generally tied to someone returning from an infected country/region.	The government launches a health and safety campaign. Local transmission and/or first deaths tied to COVID-19.	Small quarantines begin, borders close on a wider scale. Often represented by an acceleration in COVID-19 cases, but not necessarily by deaths.	Urgent localized COVID-19 actions. Restrictions to large gatherings; schools and public places close. Percentage of diagnosed people goes up.	Massive increase in COVID-19 cases. Community confinement/closure. Restaurants close, restrictions on smaller gatherings.	Quarantines and confinement due to COVID-19 are lifted and normal life resumes.

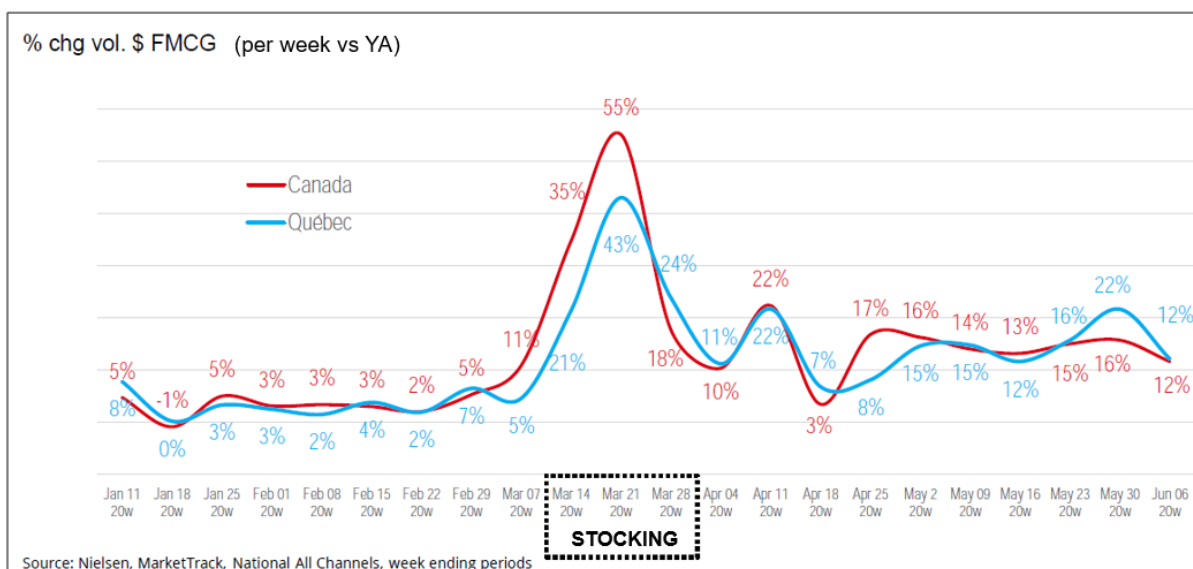
Source: Nielsen presentation to the Conseil de la transformation alimentaire du Québec, April 9, 2020

Also, although more deconfinement measures are still to come, Quebec is now in a “new normal” phase. For the food industry, this new normal comes after:

- A stocking period that lasted from the week ending March 14 to the week ending March 28 and generated a 43% increase in sales province-wide (particularly of food products, cleaning products and bathroom tissue).
- Followed by sales fluctuations, which have now stabilised approximately 15% higher than average sales for 2019, a situation which is expected to continue until mid-July and gradually fade thereafter.

Thus, the cycle of consumer behaviour changes regarding food expenditures covers the period from March 1 to July 18, for a total of 20 weeks, representing 38.5% of the year 2020.

Illustration 1 - Percentage change of sales volume (in \$) for fast-moving consumer goods (by week vs annual average)

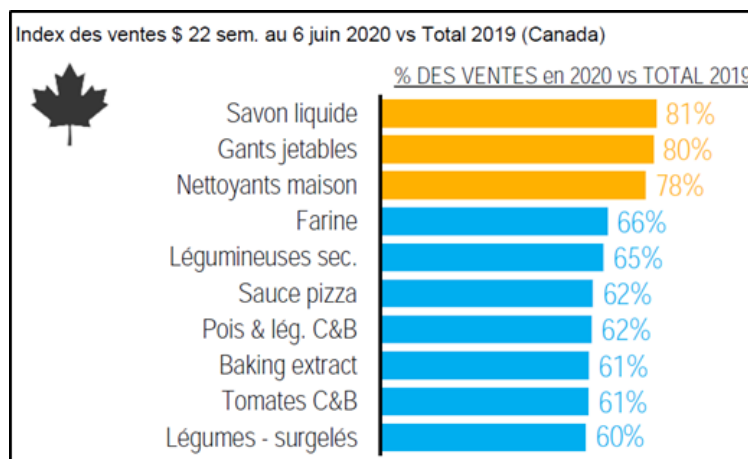


Source: Nielsen presentation to the Conseil de la transformation alimentaire du Québec, June 18, 2020

Result: As of May 23, Nielsen indicated a YTD increase in sales of 11% compared to 2019 for the food industry, citing the pandemic as responsible for 80% of that growth.

Some of the products that saw the sharpest growth were cleaning and certain culinary project products (homemade breads and pizzas, particularly). According to Nielsenⁱⁱ, the sales figures for these products for the first 22 weeks of the year alone represented up to 81% of total sales figures for the 2019.

Illustration 2. Sales of certain products during the first 22 weeks of 2020 compared to sales for 2019



Source: Nielsen presentation to the Conseil de la transformation alimentaire du Québec, June 18, 2020

Moreover, hygiene considerations to minimize the risk of contamination have had significant consequences in food stores:

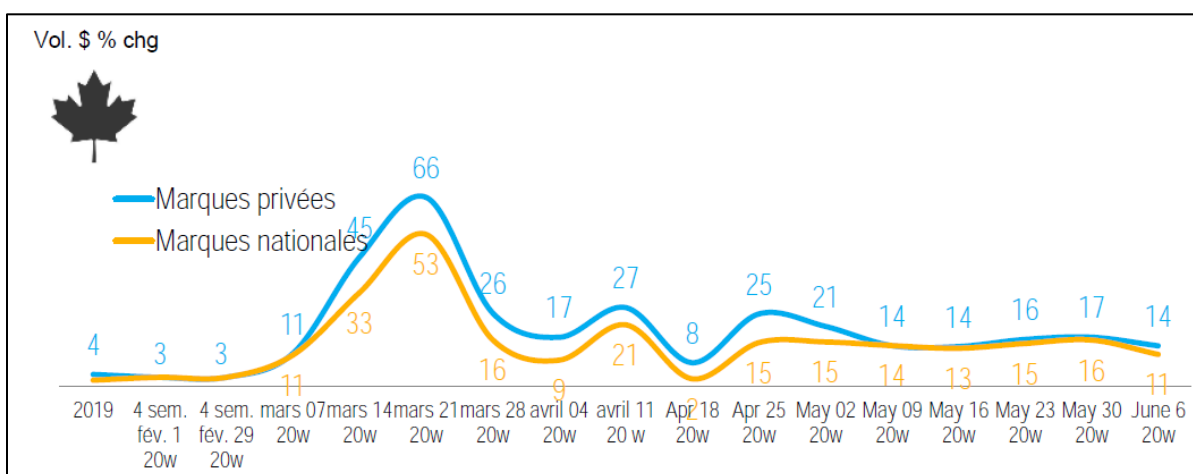
- Increase in packaging – Since the start of the crisis, 28% of Canadians have been choosing portioned or pre-packaged products.ⁱⁱⁱ
- Closure of bulk shelves in supermarkets and heightened hygiene measures and controls in small local “zero-waste” businesses
 - According to the Observatoire de la consommation responsable, more than half of Quebecers who used to purchase bulk products stopped doing so.^{iv}
- Refusal of reusable containers in food departments, of reusable shopping bags and refundable beverage containers
 - According to the Observatoire de la consommation responsable, “the number of supermarket shoppers who used to bring their reusable shopping bags went down more than 40% compared to before the crisis.”^v
- Increase in consumption of single-use products and accessories, including plastic bags.

The increased sales for the food industry, combined with the increase in packaging to minimize contamination risks in that sector, mean that an increase in quantities of containers generated by retailers and food processors can be expected for 2020.

One-stop shopping and money-saving efforts

In an attempt to minimize contacts as part of social distancing, 69% of Canadians said they were one-stop shopping in stores that had everything they needed, that offered a greater diversity of products, at the expense of discounters, according to Nielsen.^{vi} With fewer so-called "supplier requested, money-saving" promotions, consumers turned more to private brands during the confinement, specifically during the storage period, a behaviour trend with our neighbours to the South as well.^{vii}

Illustration 3. Percentage increase of sales for private and national brands in Canada



Source: Nielsen presentation to the Conseil de la transformation alimentaire du Québec, June 18, 2020

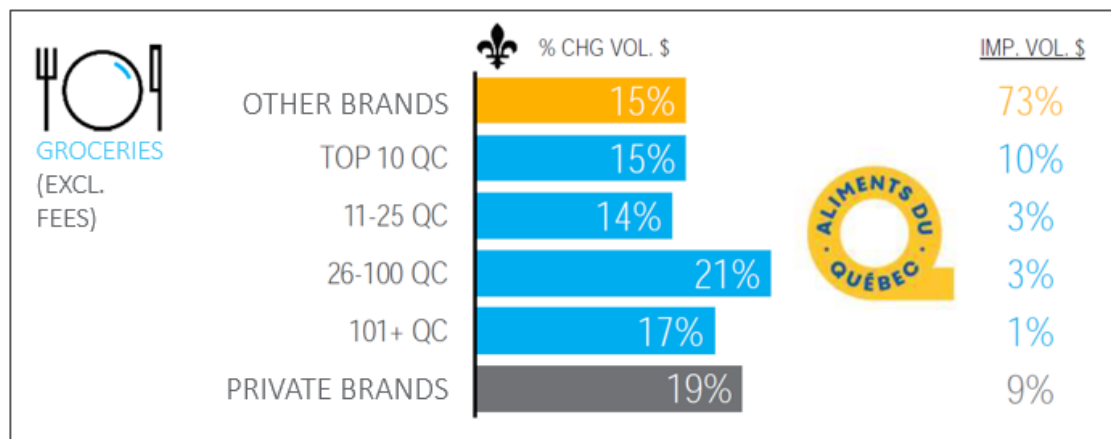
Local purchases

According to an article published by Nielsen at the start of the pandemic^{viii}, the last two years had seen an increase in the popularity of local origin products and brands around the world, as consumers associated them with their "cultural heritage", supporting local businesses, food freshness and safety, as well as respect for the environment.

The pandemic seems to have further strengthened these trends, as consumers seem to want to get away from products that travel long distances, including multiple points of human contact, particularly for dairy products, fruits, vegetables and meats. The "Panier bleu" initiative launched by the Quebec government, as well as other online referencing and purchasing platforms designed to stimulate local purchasing, also contributed to the trend in Quebec.

According to the study titled *Consumer behaviour during and after the pandemic* conducted by Léger in partnership with Ig2, 18% of Canadians bought local products since the beginning of the crisis for the first time or more often, and 99% of them said they intended on continuing to do so. Nielsen's data also show the effort Quebecers made to put local products on their dinner plates, as sales of Quebec brands saw considerable growth since the beginning of the pandemic.

Illustration 2 – Growth rate (in dollars) of local brands in the food sector



Source: Nielsen presentation to the Conseil de la transformation alimentaire du Québec, June 18, 2020

This increase in local purchases, particularly of less well-known local brands or from low-volume producers. On the other hand, a study done by Léger, the results of which were presented during a conference for the Retail Council of Canada on June 18, 2020, shows that Quebecers are only willing to buy a local product if it costs max. 5% more than the non-local equivalent.



*Quebecers are willing to pay on average 5% more for a local product

Increased sales of alcoholic beverages

Consumers also stocked up on alcoholic beverages towards the start of confinement^{ix}. The SAQ indicated that the volume of shoppers for March was comparable to what they see during the Holiday season.

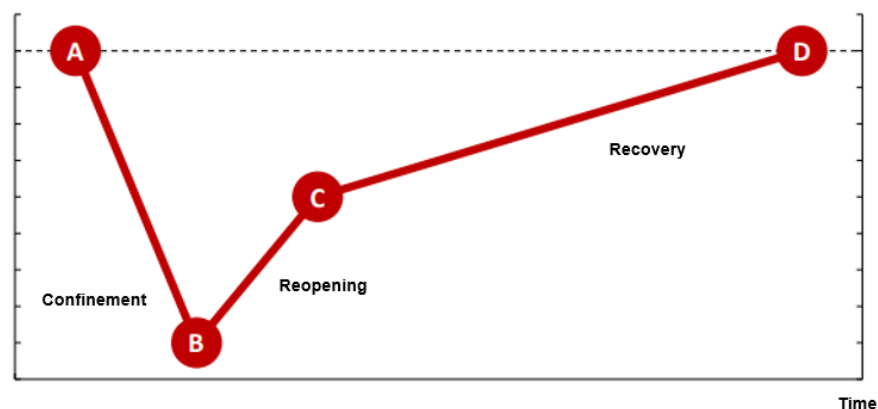
Additionally, the government's call to buy local at the start of the pandemic also affected the SAQ. For April, the SAQ reported that its sales of Quebec wines and spirits went up 60% and 79% respectively, compared to the same period during the previous year^x. The most impressive increase is the figure for the Société's online sales, up 200%.^{xi}

Trends in industries deemed "non-essential" as per the Government of Quebec's Order in Council

Whereas food stores, pharmacies and renovation centres remained open throughout the pandemic, that was not the case for businesses and restaurants, deemed non-essential. Those had to close or continue their activities via online or take-out services only.

According to a study by Statistics Canada quoted by the Bank of Canada, "75% of Canadians said they were spending less than before the pandemic. Canadians left their homes to go shopping once a week, and 93% said they no longer went out at all, except to make first-necessity purchases."^{xii}

Illustration 4 – COVID-19 Pandemic: Evolution of economic activity and consumer spending



Source: Bank of Canada

According to TD Economics aggregate data regarding consumer spending, the decrease in spending observed in Canada had fallen 40% by April 1st compared to the same period last year, then climbed back up to varying levels according to provinces.^{xiii} In Quebec, consumer spending was 20% lower than last year at May 1st, and returned to normal levels around May 22nd.^{xiv}

Result: The extended confinement period forced several retailers to seek protection under the Companies' Creditors Arrangement Act (CCAA), including Reitmans, Aldo and Sail Plein Air (Sail, Sportium)^{xv} and Tristan.^{xvi} According to certain analyses, Hudson's Bay Company is probably among the worst hit chains^{xvii}, but large chains like Zara, H&M and Gap are not spared.^{xviii} Certains chains saw Covid-19 as a reason to restructure without necessarily having to file under the CCAA. This was the case for Victoria's Secret, among others, who announced it will be closing 13 stores in Canada.^{xix}

Also, based on a survey conducted between April 15 and 21, Restaurants Canada reported that nearly one out of ten independent restaurants had already closed for good and that among those still running, one out of two didn't expect to survive if conditions didn't improve.^{xx}

According to a survey conducted between June 30 and July 5 among members of the Association Restauration Québec (ARQ):

- **16%** of businesses surveyed said their sales were less than 20% of what they usually earn for the comparable period last year.
- For **33%** of businesses surveyed, the figure is between 21 and 40% of usual sales.
- For **29%**, between 41 and 60% less.
- Only **22%** of businesses surveyed said their sales were over 60% of those for the same period last year.^{xxi}

Major fast-food chains were not spared by the pandemic. McDonald's announced a decline of close to 30% of its world sales for the first two months of the second quarter for 2020.^{xxii} Tim Hortons saw its sales decline by 10.8% for the first quarter, and 15% of its branches closed during the quarantine period.^{xxiii}

Conversely, restaurant chains that already had well-oiled delivery systems, like Au Coq, Rôtisseries Benny, Benny & Co. and St-Hubert, recorded a sharp decline in sales at the beginning of the pandemic, followed by significant increases for several weeks now and are even planning to open new branches.^{xxiv} The situation also seems to hold true for restaurants who have a takeout counter.

For example, in June 2020, Burger King announced that thanks to good takeout sales performance, their overall sales figure was back to its pre-pandemic level, in spite of the fact that most of its North American dining rooms are closed.^{xxv}

In short, we can expect that companies whose activities have been declared “non-essential” by government Order in Council (including big box stores, clothing retailers or restaurant chains, for example) will report a lesser volume of containers and packaging marketed in 2020, with the exception of restaurant chains that saw their deliveries increase sharply.

Online purchases

With limited access to stores and confinement measures issued by public health authorities, e-commerce has become the best alternative for Quebec consumers. A study conducted by Adviso on the impact of the COVID-19 crisis on the online behaviour of Quebec consumers shows a 118% increase in e-commerce transactions compared to the same period in 2019.^{xxvi}

Indeed, according to the study titled *Consumer behaviour during and after the pandemic* conducted by Léger in partnership with Ig2:

- **50%** of Canadians bought a new category of products online for the first time during the crisis.
- **59%** of Canadians adopted at least one new online behaviour for the first time or more often than before, with the intention of maintaining it regularly or occasionally once the crisis is over.
- **82%** of Canadians say they want to continue using the online services they used during the crisis.

According to Nielsen, online food sales went up 44% (dollar value) during the pandemic. The spike is apparently due in part to an increase in the number of consumers buying online and to the higher value of shopping carts per transaction. Although the increase seems sharp in absolute terms, Nielsen indicates that it in fact only represents a market share increase of 2% of purchases in that sector.

Also according to Nielsen, 37% of Canadians made online food purchases, i.e. nearly double the proportion recorded for the same period (April-June) in 2018. Consumers indicated several reasons for purchasing online. Among the Canadians surveyed:

- 46% did not want to risk going out.
- 31% didn't want to wait in line outside stores.
- 29% didn't want to have contacts with other consumers.
- 27% wanted to save time.

Of this number, only 2% do all their purchasing online, whereas 77% of Canadians say they still prefer shopping in stores.

With regard to online purchases, three trends stand out:

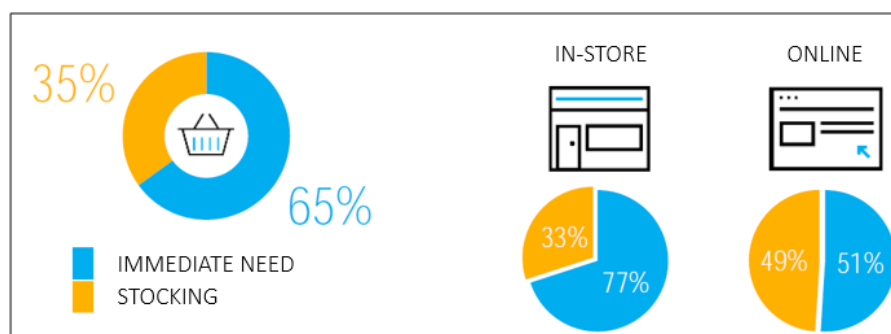
1. **According to Nielsen, 22% of Canadians now use online flyers only.** Whereas several retailers stopped producing printed flyers at the beginning of the pandemic, “in order to not attract high numbers of shoppers, to limit the handling of paper or to avoid announcing out-of-stock products”, Maxi announced in May that its flyers would be 100% online^{xxvii}^{xxviii}, just as other Loblaw banners such as No Frills and Real Canadian Superstore.^{xxix} The Reebee platform, which consumers can use to see all digital flyers, saw a 13.6% increase in the number of active daily users during the first week of April.^{xxx}

Nielsen^{xxxi} points out, however, that Canadians are great consumers when it comes to flyers, indicating that 83% of Canadians regularly check and use flyers for food purchases.



2. According to Nielsen^{xxxii}, for stocking up, online purchasing is used more than in-store purchasing.

Illustration 3 – Proportions of food product purchases by need and by means of consumption



Source: Nielsen presentation to the Conseil de la transformation alimentaire du Québec, June 18, 2020

3. Meal boxes sold online generate significant growth in clientele

Along with recommendations from health and government authorities for people to practice social isolation, food stores and third-party services [the ready-to-cook meal industry, for example] have seen an increase in delivery requests.^{xxxiii} For example, Goodfood registered 26,000 new subscribers for the quarter ending May 31, 2020, which represents a 44% increase over the previous year.^{xxxiv}

This explosion of online purchases has several implications regarding containers, packaging and printed matter in Quebec:

- A sharp increase in quantities of cardboard boxes and other secondary packaging used to ship merchandise.
- A certain reduction in printed matter, due to the drop/suspension of flyer distribution.



Conclusion

The confinement period enforced to slow the progression of the COVID-19 pandemic prompted significant and, in some cases, lasting, changes in Quebec consumer behaviour. Some of the implications these changes mean for containers, packaging and printed matter marketed and recovered via curbside recycling can already be felt:

1. An increase in quantities reported by retailers and processors from the food sector, who represent the majority of companies financing curbside recycling in Quebec.
2. The creation of new local brands and companies due to the “buy local” trend.
3. A reduction in quantities reported by companies whose activities have been declared “non-essential” by government Order in Council (including big box stores, clothing retailers or restaurant chains, for example), except certain restaurant chains that saw their deliveries increase sharply.
4. A marked increase in quantities of cardboard boxes and other secondary packaging used to ship merchandise purchased online.
5. A certain reduction in printed matter, due to the drop/suspension of flyer distribution.



Sources

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- ^{vi} Nielsen, 2^e Analyse hebdomadaire des effets de la COVID-19, conférence de Nielsen pour le Conseil de la transformation alimentaire du Québec, 23 avril 2020
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^{xxvi} Mayoral Villa, Margarita and Kamena, Roger, « La COVID-19 fait bondir le commerce électronique de 118% au Québec » (*"COVID-19 prompts 118% increase in e-commerce in Quebec"*), Adviso, March 31, 2020, <https://www.adviso.ca/blog/affaires/covid19-ecommerce-qc/>

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