

# Consumer Trends

2021

**The New Consumer**

*Coefficient*  
**Capital**



# 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](https://www.newconsumer.com)

Coefficient  
Capital

# 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](https://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

**THE ORIGINAL  
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](https://newconsumer.com/trends)

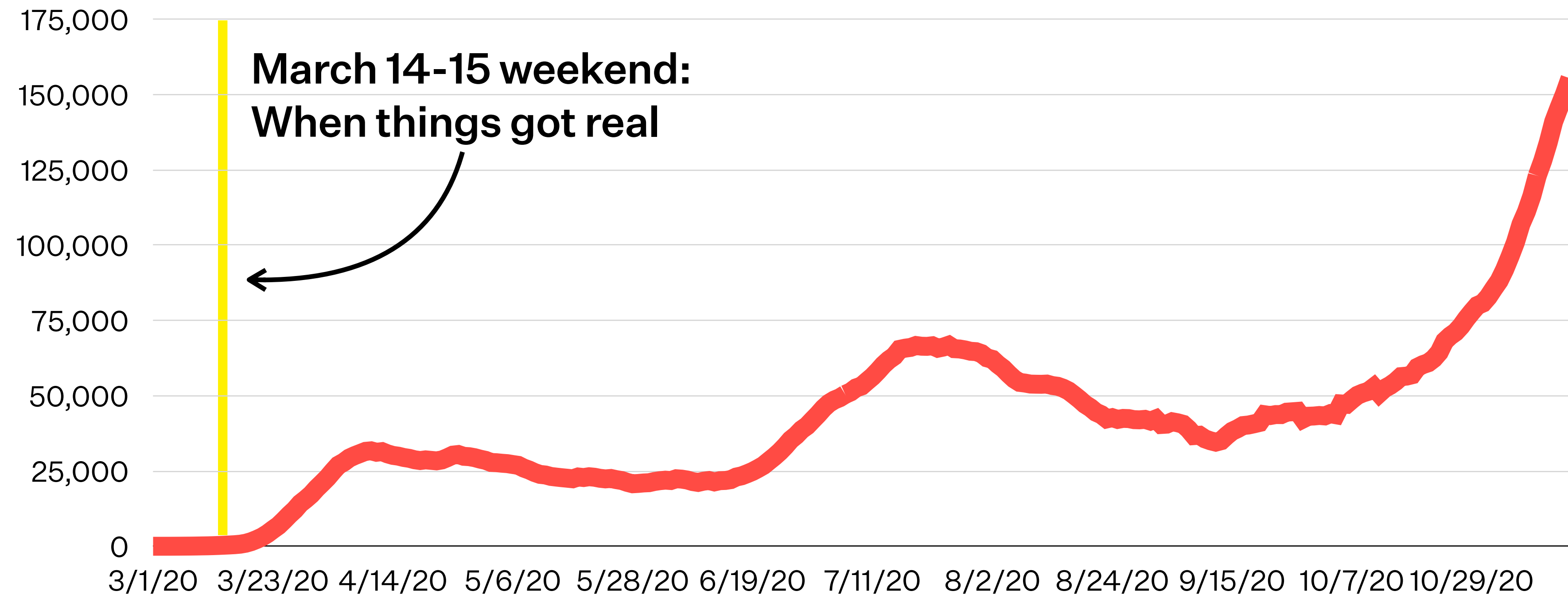
# Consumer Trends Survey

- 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

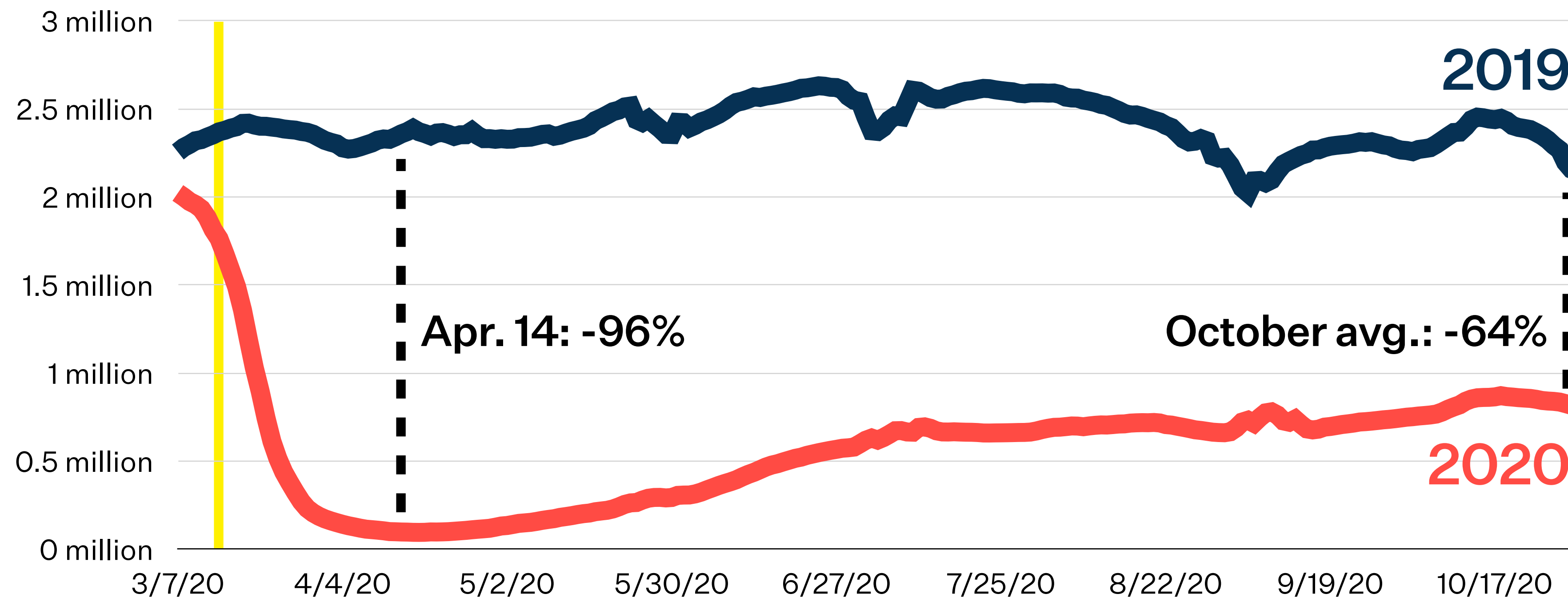
## US daily COVID-19 confirmed cases, 7-day average





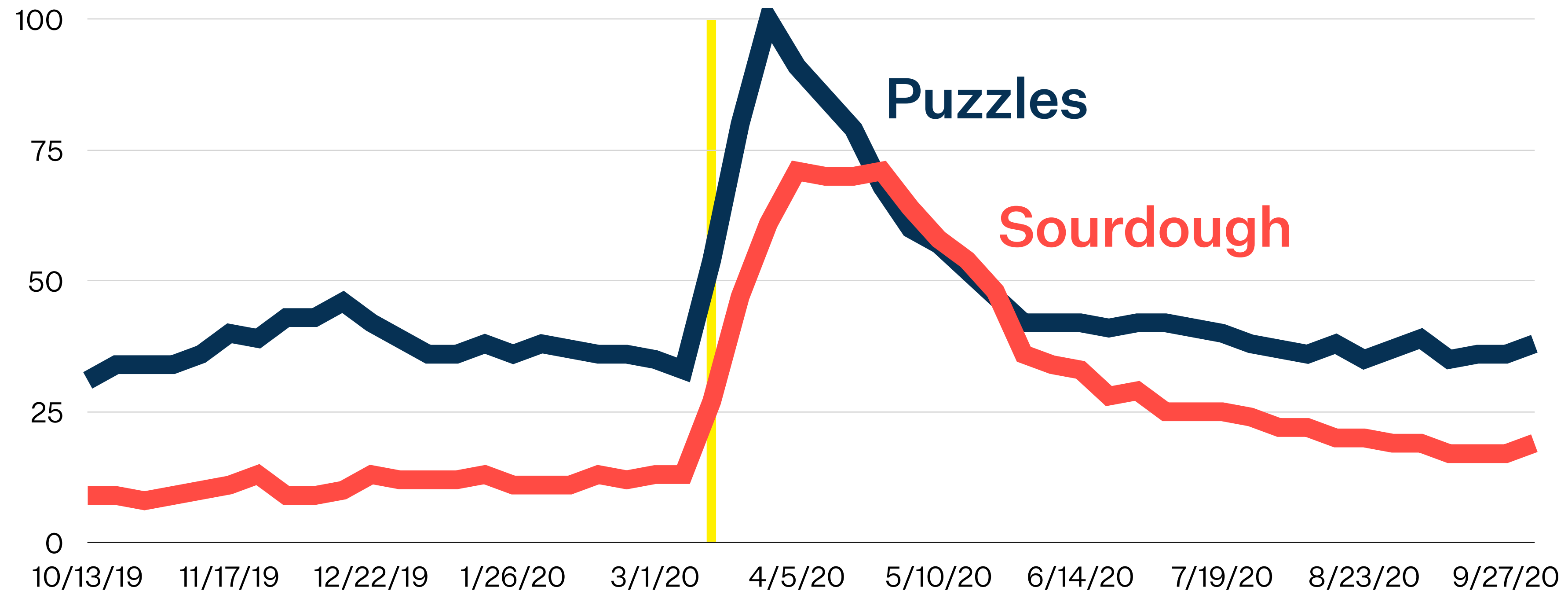
# Air travel declined sharply and has only gradually recovered in the US

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



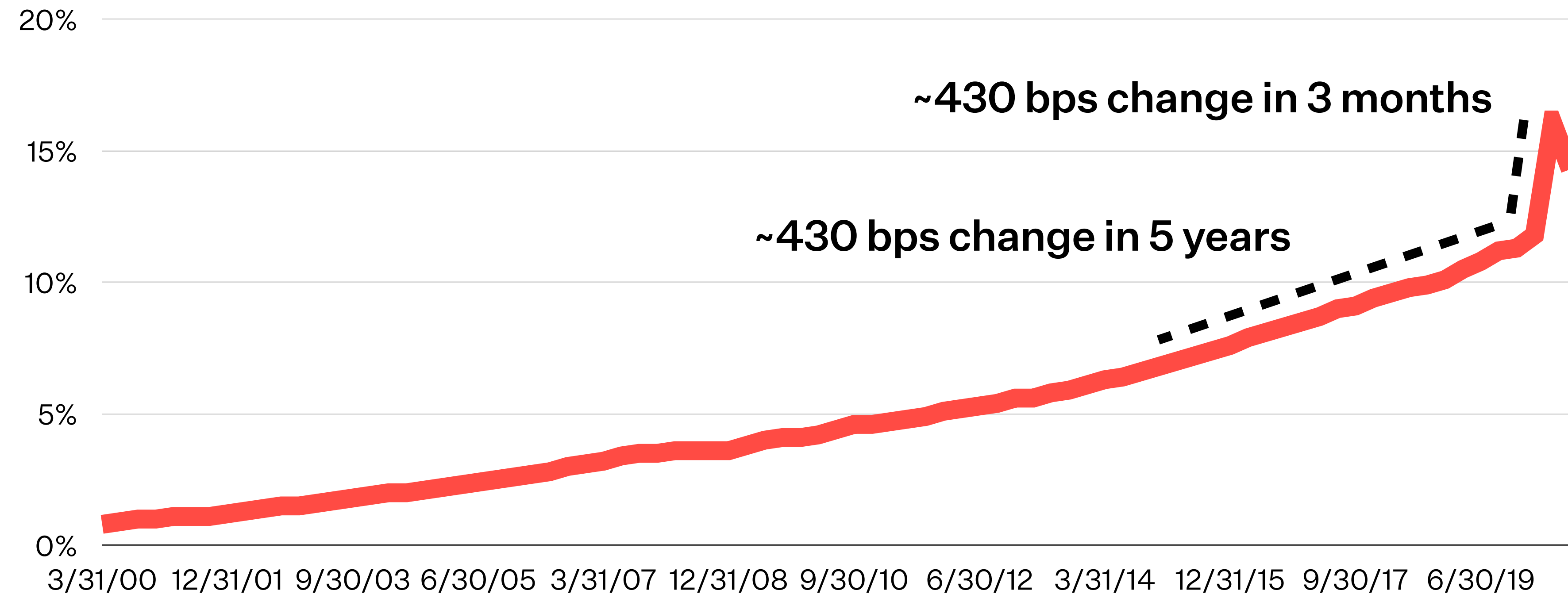
# Quarantine drove the culture — and some memorable consumer fads

## US search interest



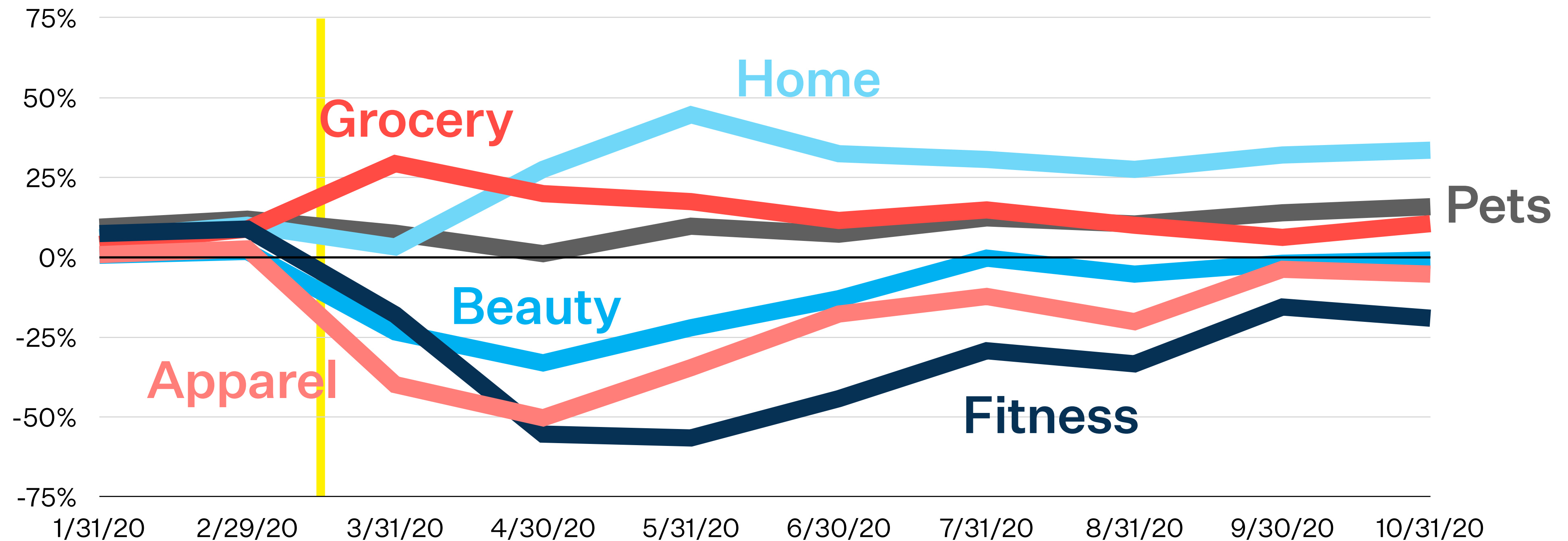
# E-commerce adoption accelerated rapidly as stores closed and pivoted

## E-commerce share of US retail sales, seasonally adjusted



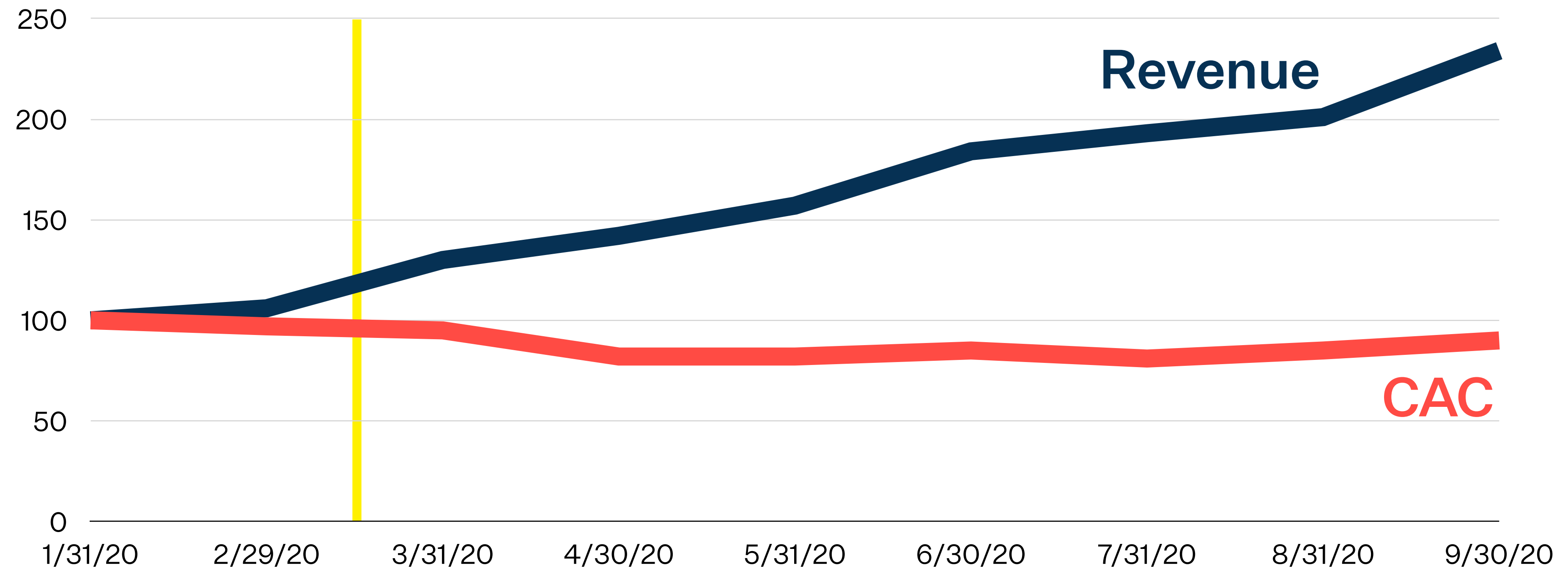
# Grocery, Home, and Pets have been winning categories

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



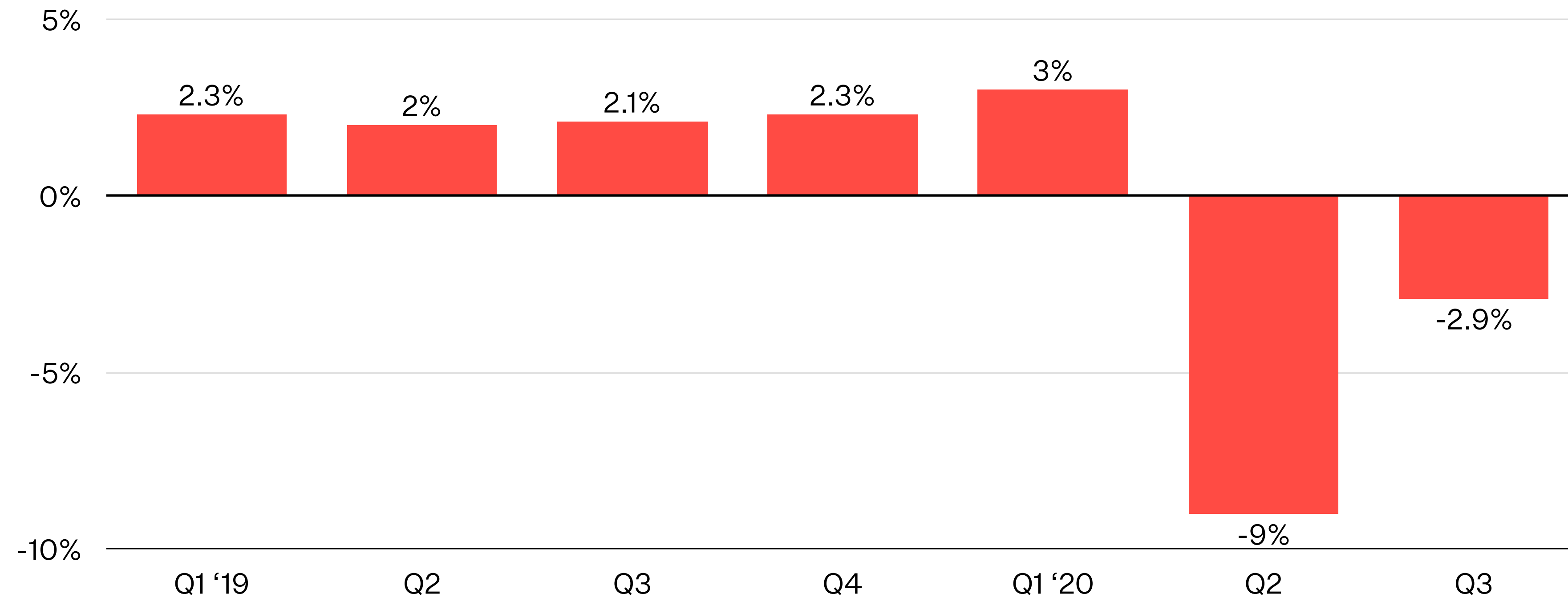
# Customer acquisition costs declined slightly as DTC revenue increased

Indexed Coefficient portfolio co. avg. revenue and CAC



# Still, COVID-19 remains an economic and societal disaster

## Year-over-year change in US real gross domestic product



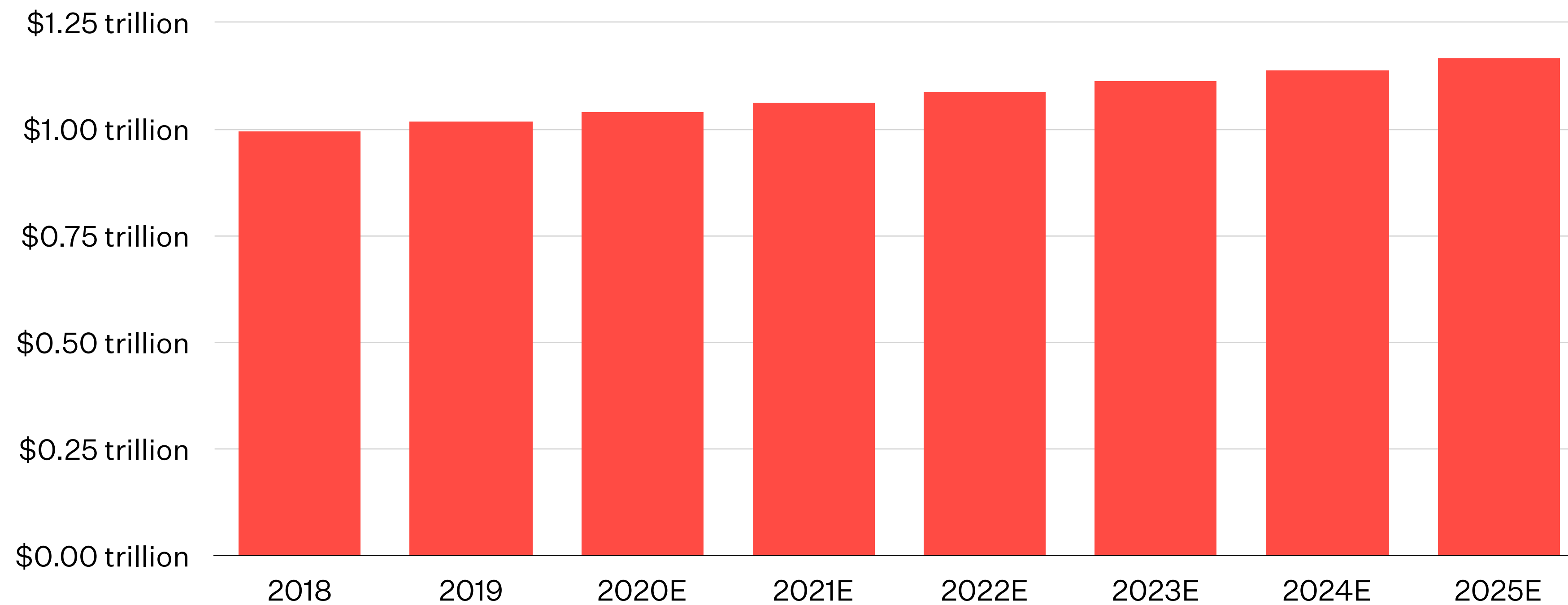
**Now what?**  
New habits.  
New winners.  
New questions.

Food and beverage goes online:  
A huge shift  
the size of ridesharing



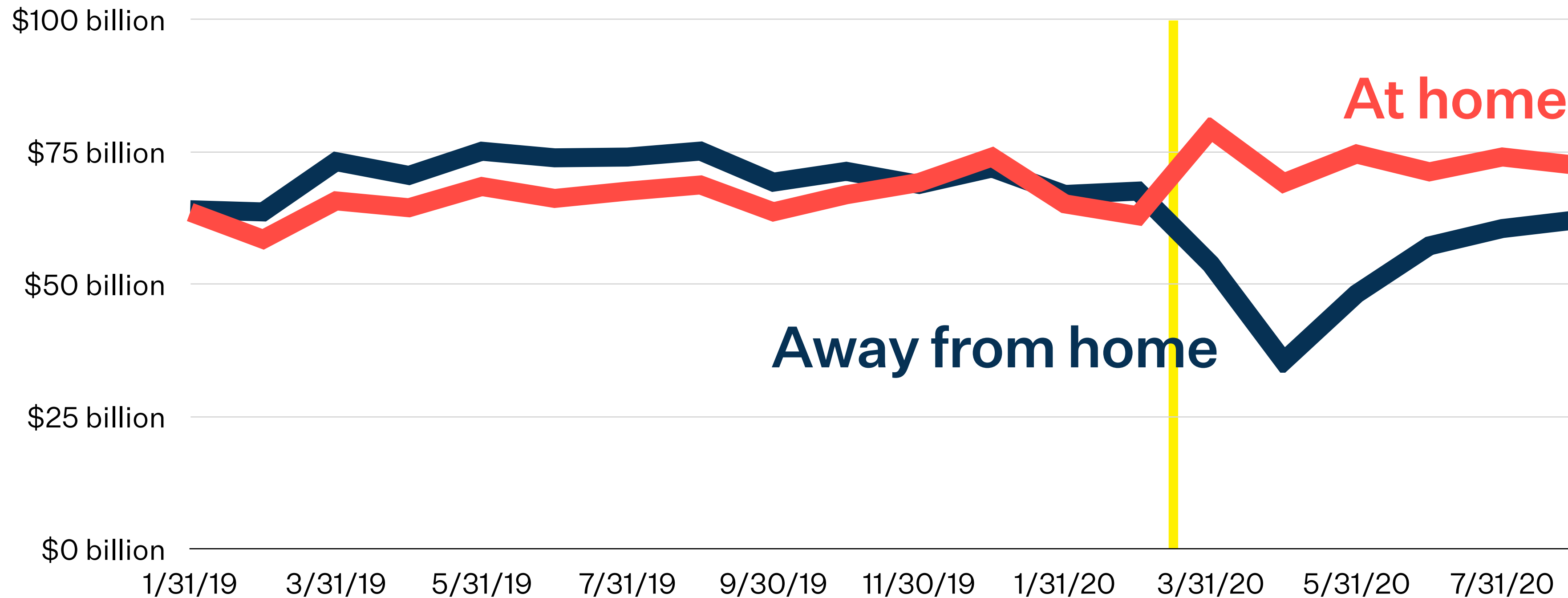
# US grocery *before*: Massive, slow-growing, low e-commerce adoption

## US grocery annual sales forecast: ~2% annual growth



# Lockdowns shifted food spending from restaurants to grocery

## US monthly food sales



# The need for comfort drove outsized growth in essentials — and indulgence

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



**Oat milk**  
204%



**Crab**  
81%



**Dish soap**  
34%



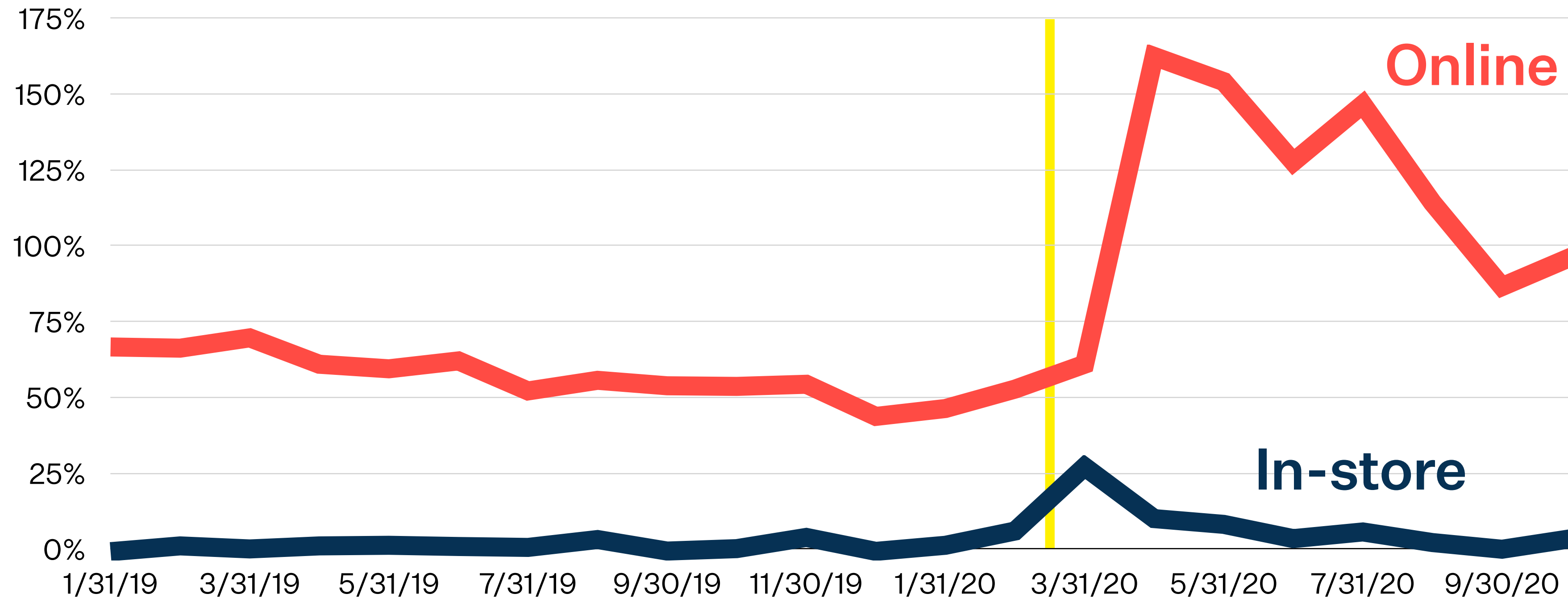
**Pizza**  
28%



**Ice cream**  
19%

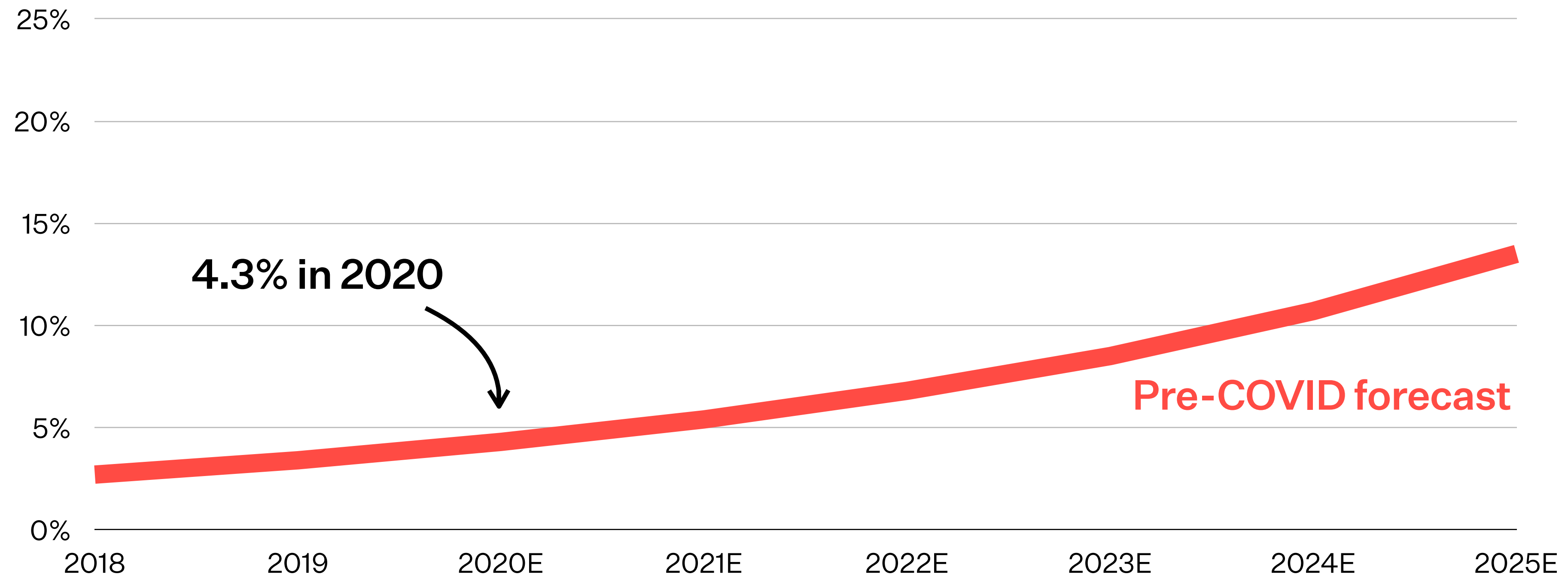
# Online grocery shifted from convenience to essential infrastructure overnight

## Year/year change in grocery spending — Earnest Research



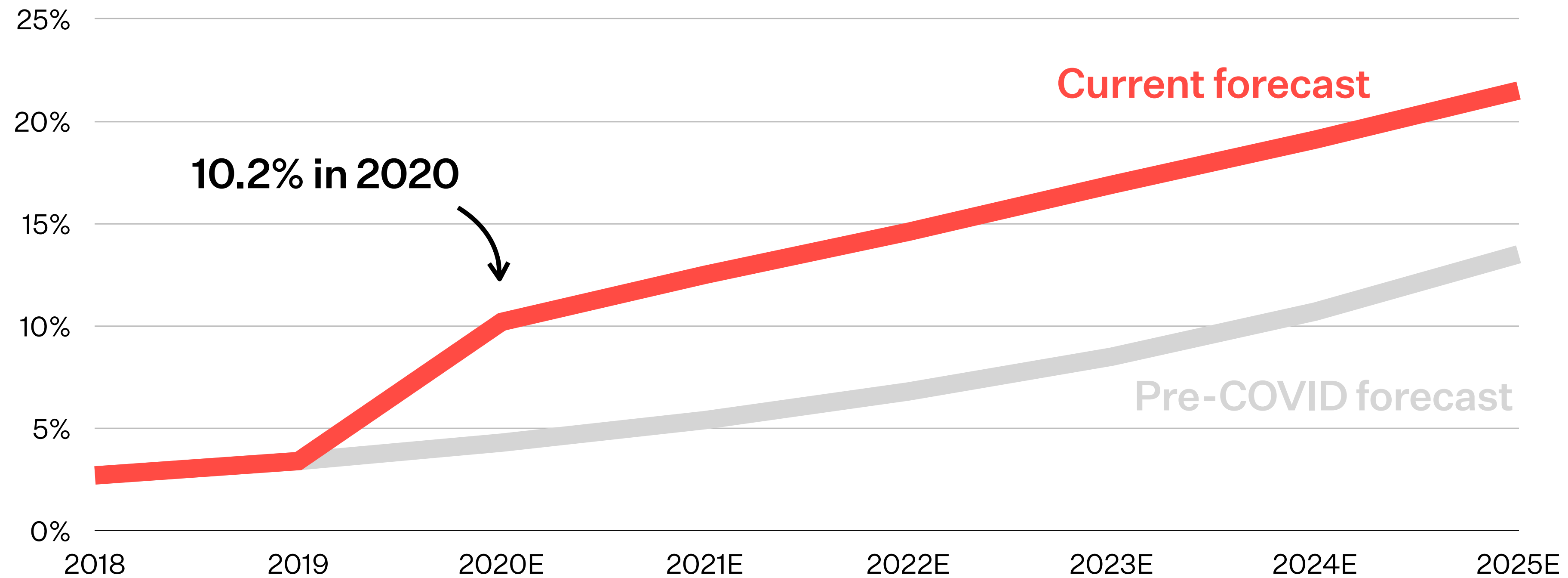
# US grocery *before*: Massive, slow-growing, low e-commerce adoption

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



# US grocery *now*: An inflection point for e-commerce acceleration

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



# US grocery *now*: An inflection point for e-commerce acceleration

36%

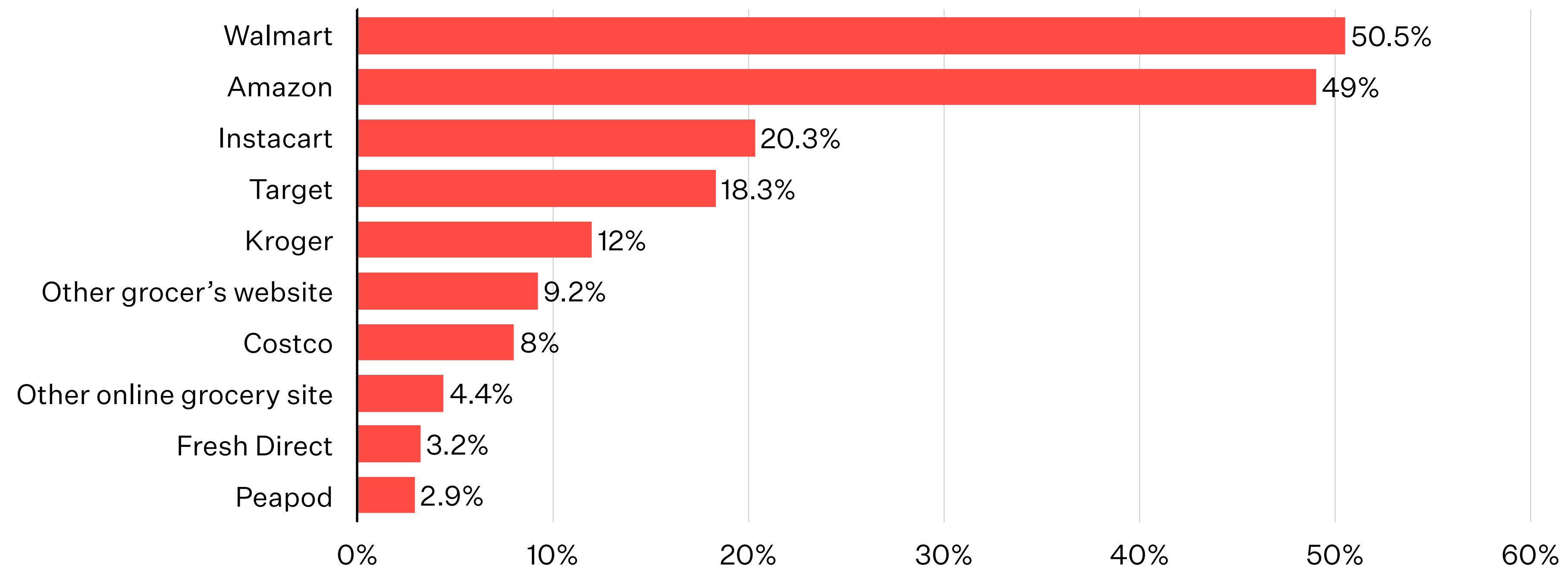
of Gen. Z — and 30% of all consumers — say **they've been shopping for food and beverage online more** during COVID-19

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?



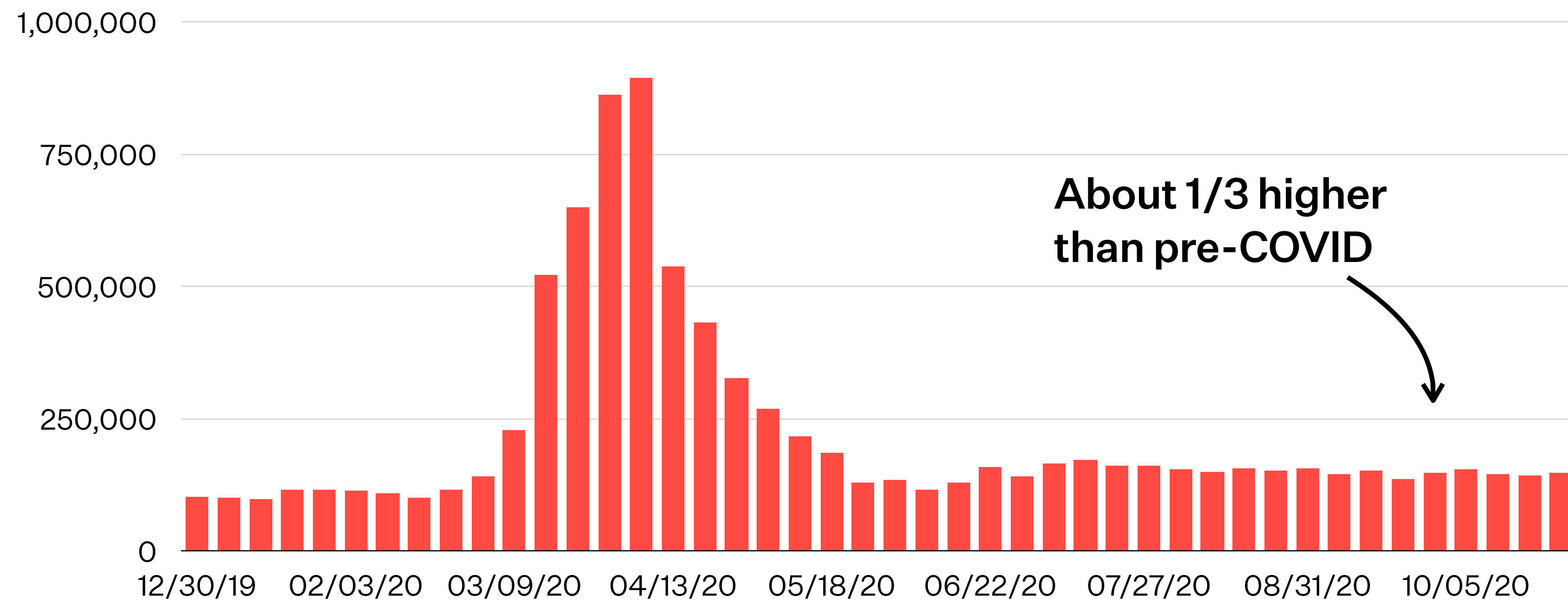


# Instacart has taken off as the leading US online grocery aggregator

- 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

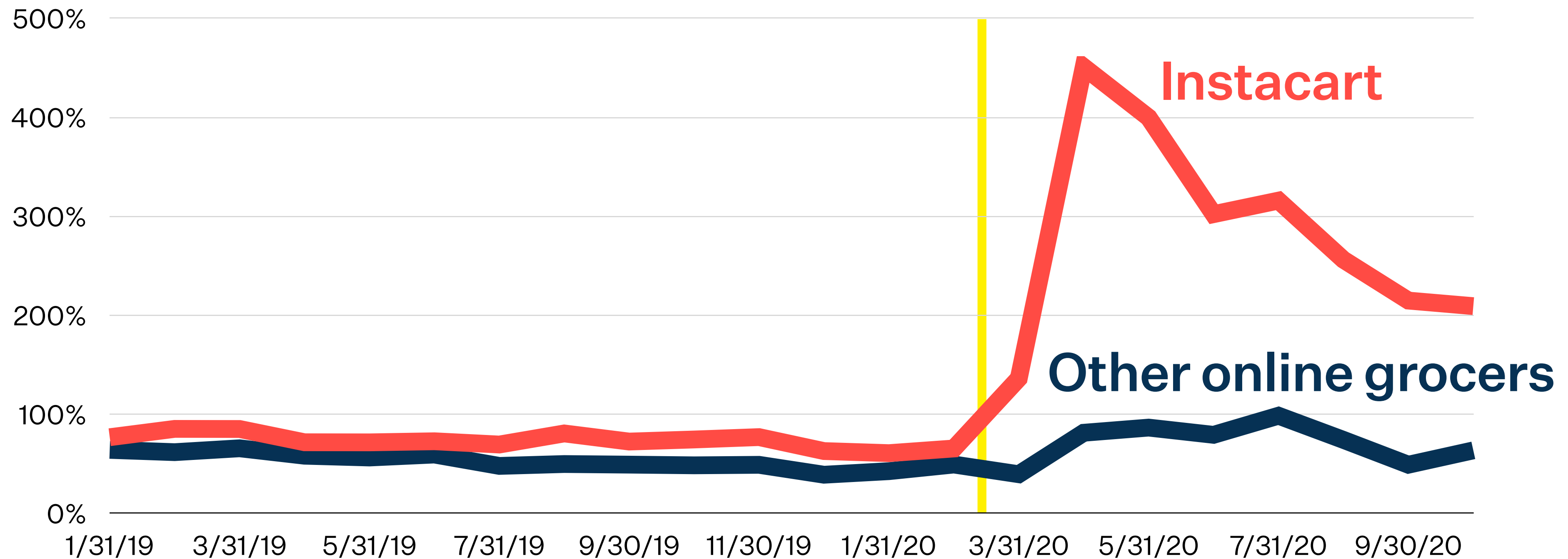
# Instacart has taken off as the leading US online grocery aggregator

## Weekly US Instacart app downloads — Sensor Tower



# Instacart has taken off as the leading US online grocery aggregator

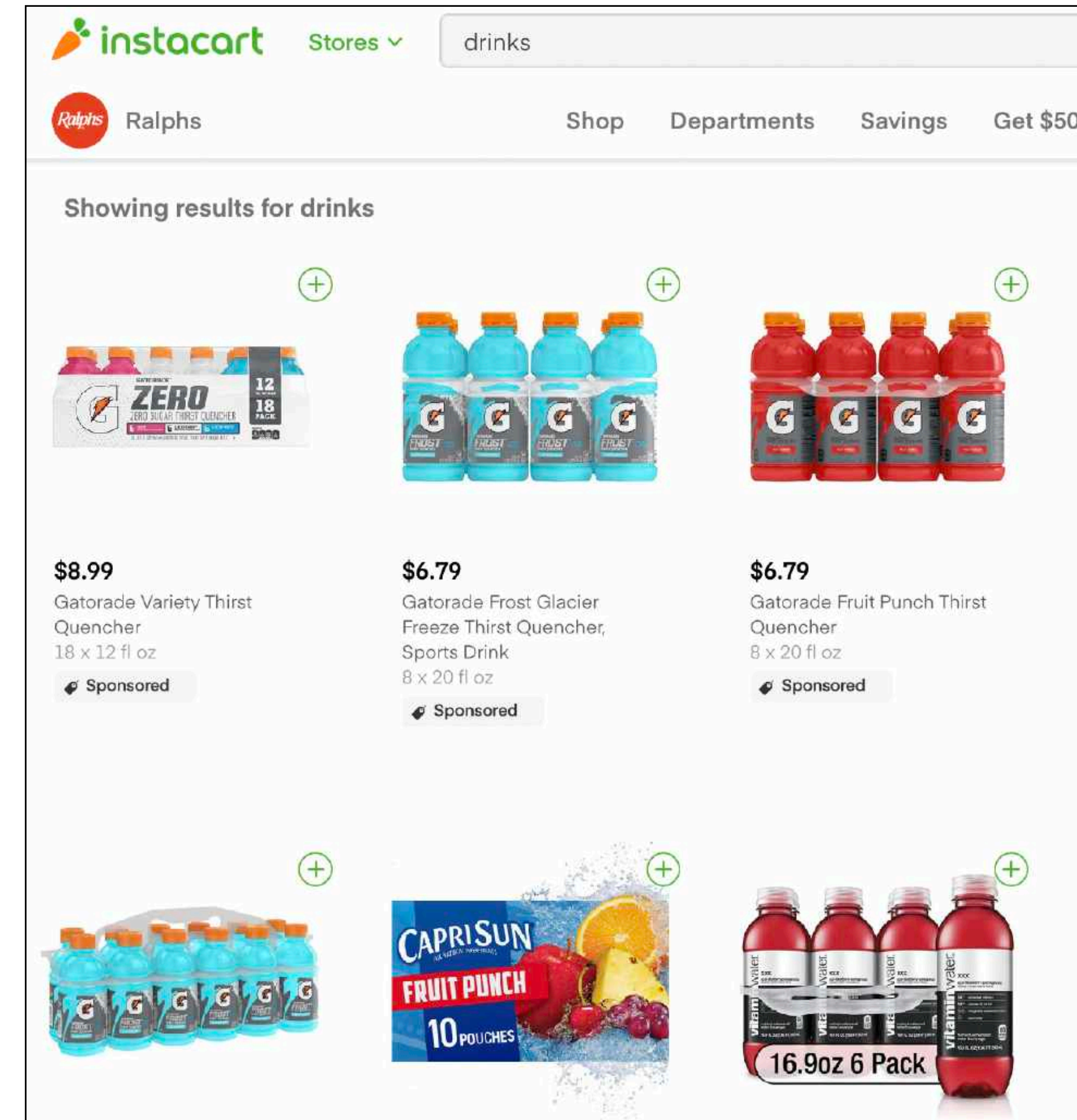
## Year/year change in spending — Earnest Research



**People buy groceries  
differently online.**

And that has major implications  
for grocers and brands.

# A fundamentally different user interface...



# **...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

# Online grocery shoppers spend more money but shop less frequently

~\$120

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

~3

monthly transactions, on average, among Instacart shoppers, vs. ~7 for in-store grocery transactions

Unbundling the shopping cart:  
As spending heads online,  
it's up for grabs



# What's a grocery store?

Subscriptions and kits



Delivery apps



Internet-native grocers



DTC brands



# 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

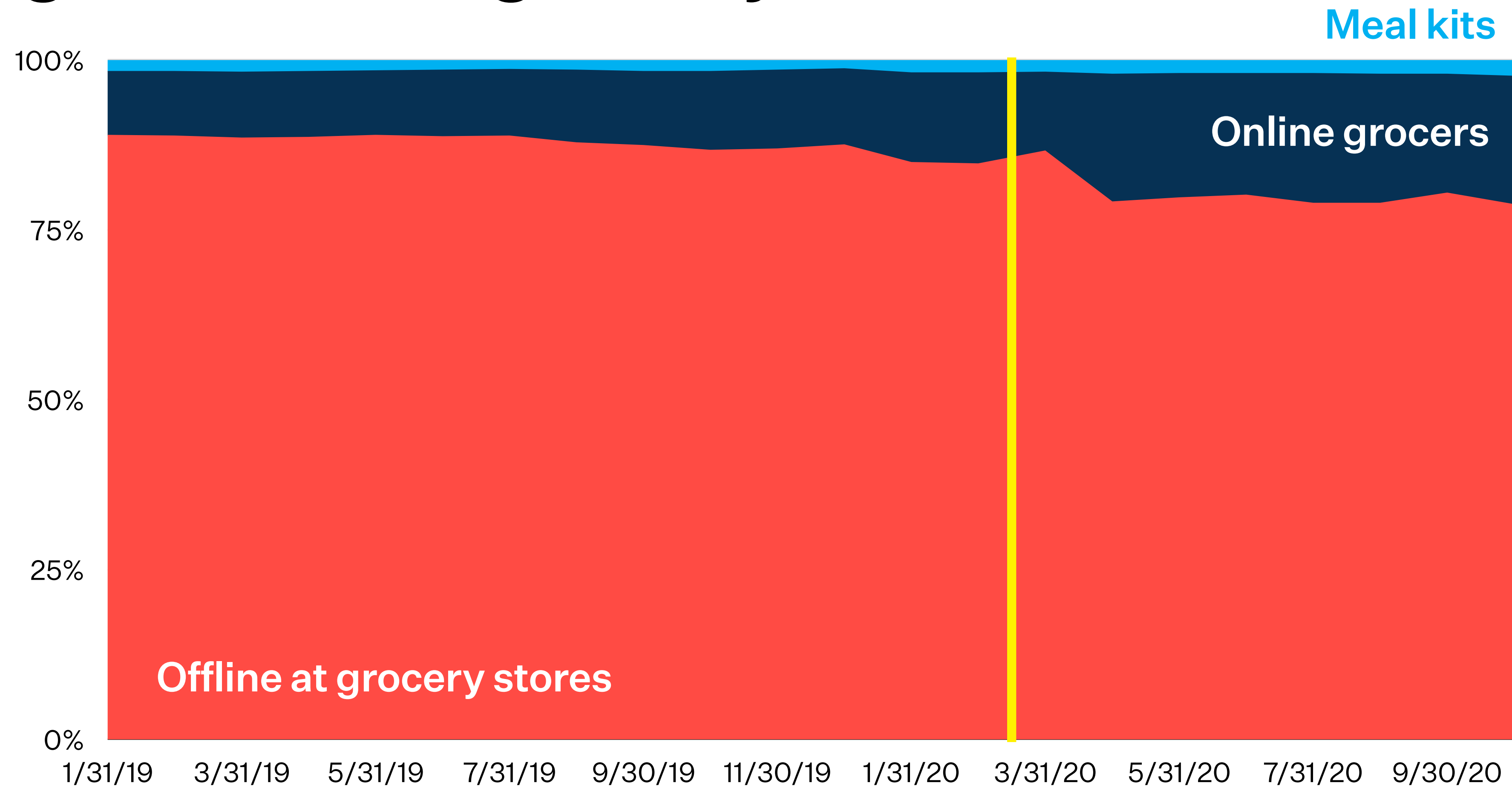


# Haus is building a direct-to-consumer apéritif brand for a new kind of drinker

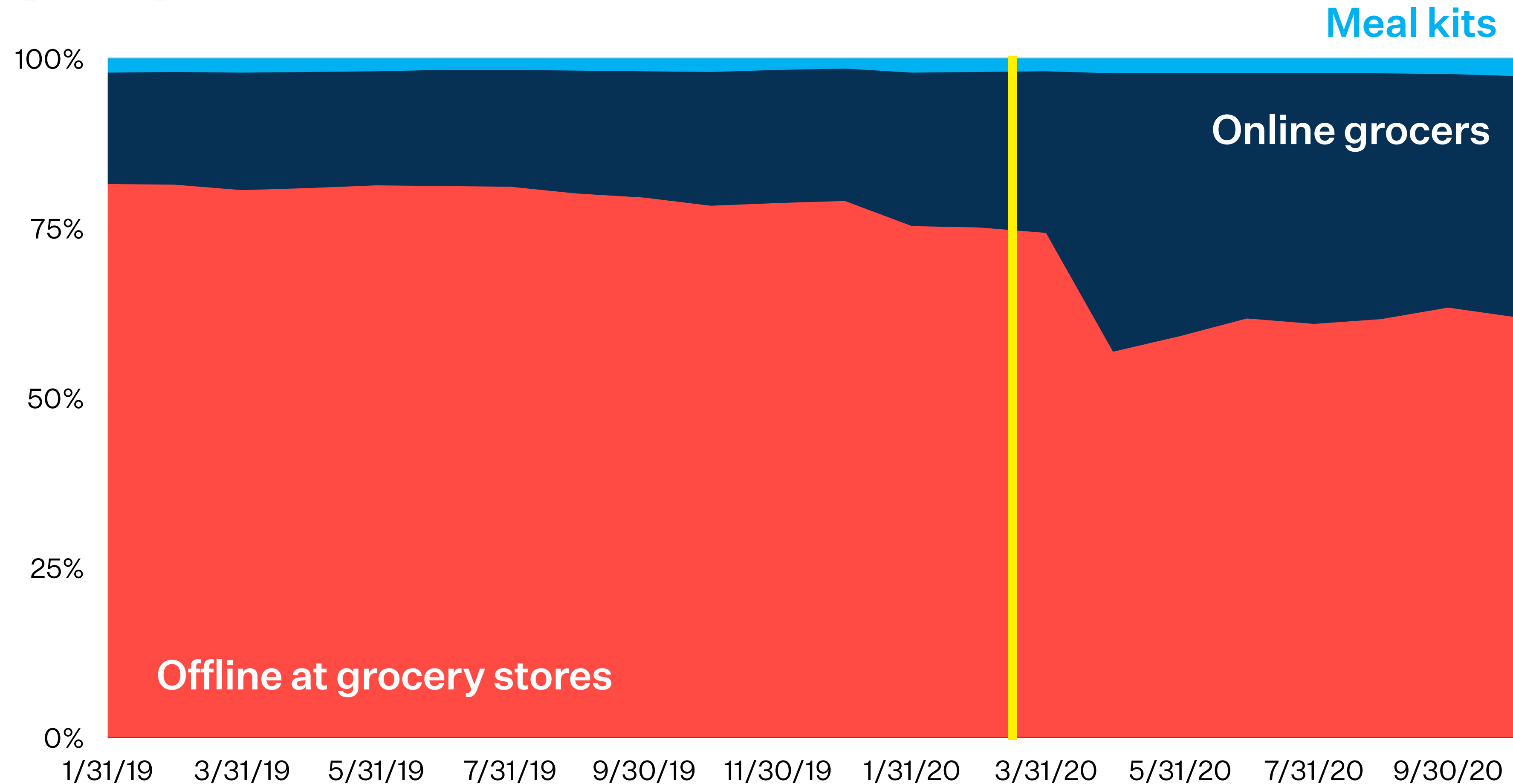
- Sells low-alcohol apéritif spirits in seasonal flavors
- Founded in 2019 by Helena Price Hambrecht, a Silicon Valley creative, and her husband Woody, a third-generation winemaker
- Ships to 39 US states, DTC, without a distributor
- Sales up 430% YTD (mid-November 2020)



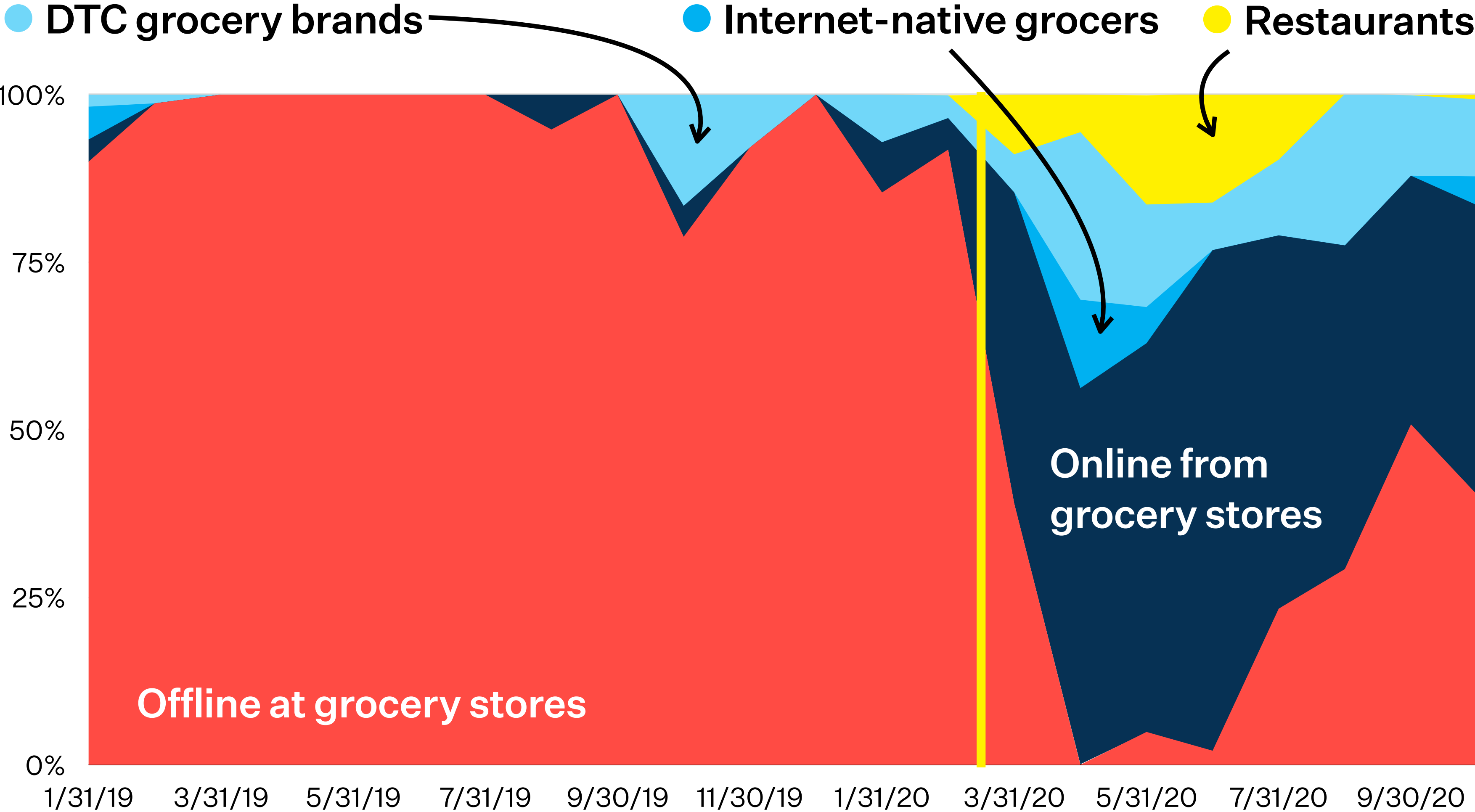
# Kroger shoppers still mostly buy groceries at grocery stores



# Instacart shoppers spend a higher proportion online



# Dan Frommer buys groceries everywhere



# Dan Frommer's grocery unbundling

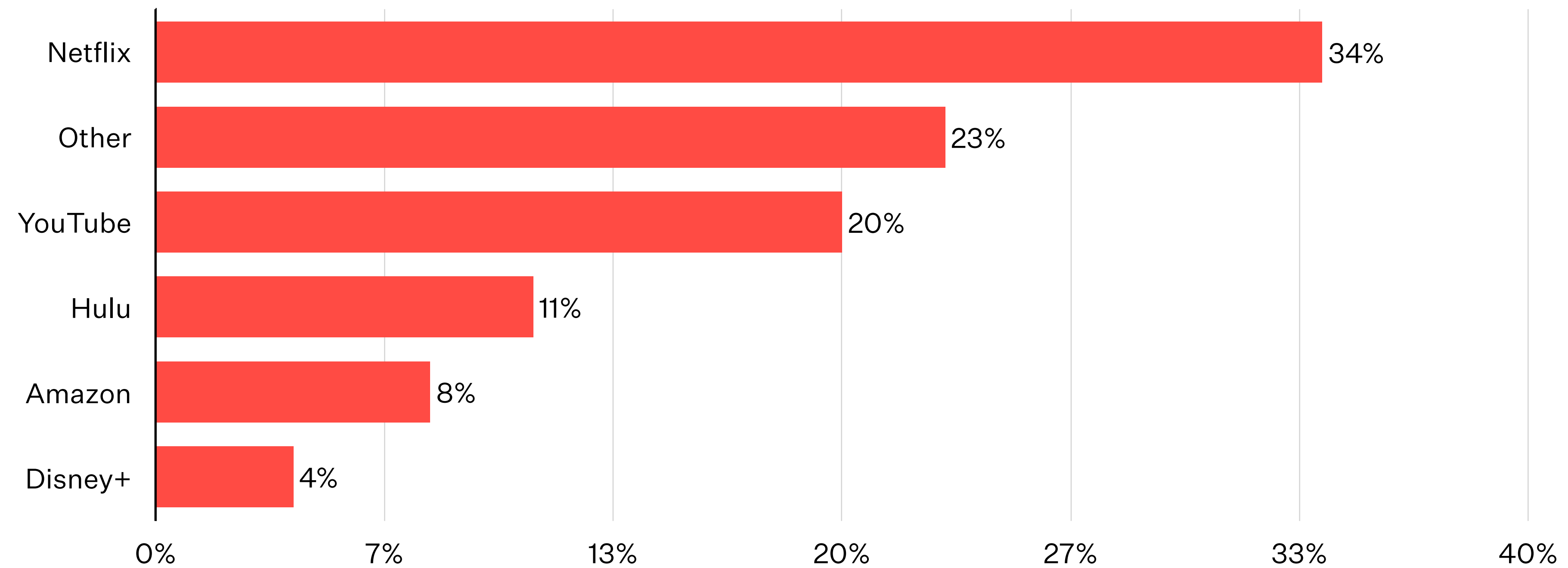
- Almost entirely offline pre-COVID... and then almost entirely online during lockdown
- Amazon/Whole Foods hasn't monopolized my spending as it has gone online
- About 15% of my monthly post-COVID grocery spending is DTC, from spices to seltzer
- It's a big potential opportunity for brands if more consumers shop this way: 15% of the US grocery market represents ~\$150 billion!

# The great unbundling: Not just food and beverage



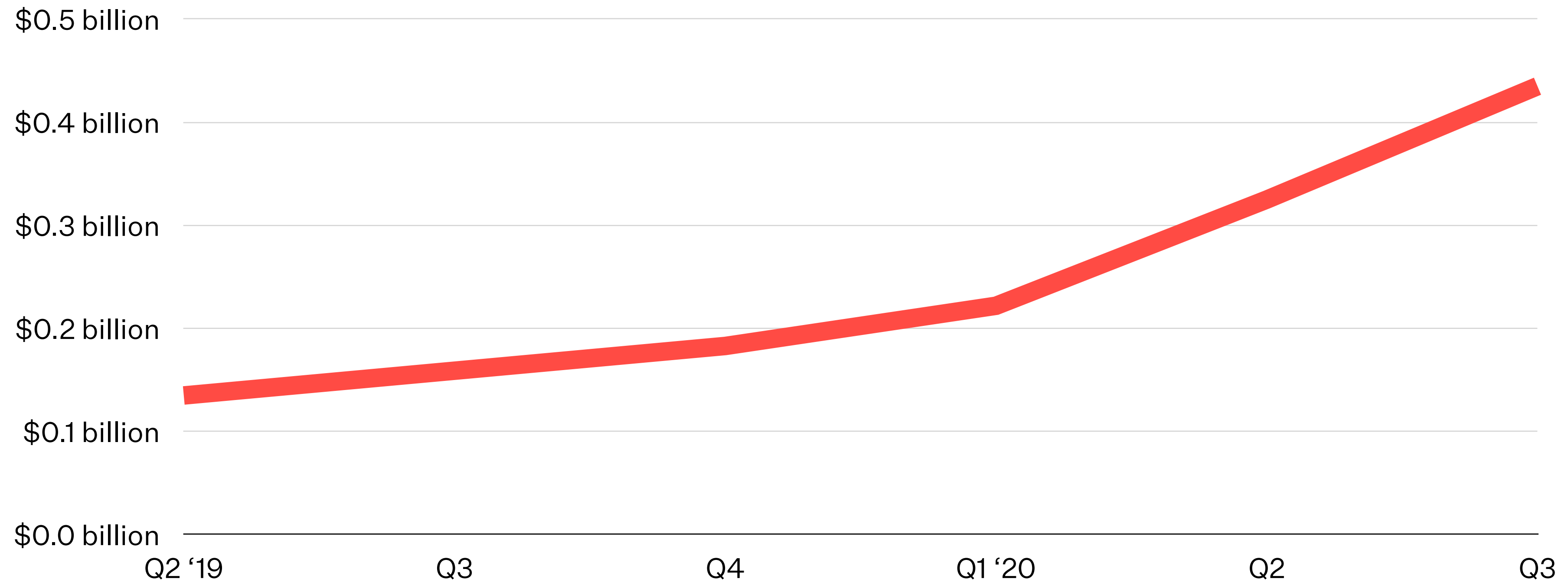
# Streaming is now 25% of US television usage as live TV viewing declines

## Video streaming distribution by brand, Q2 2020



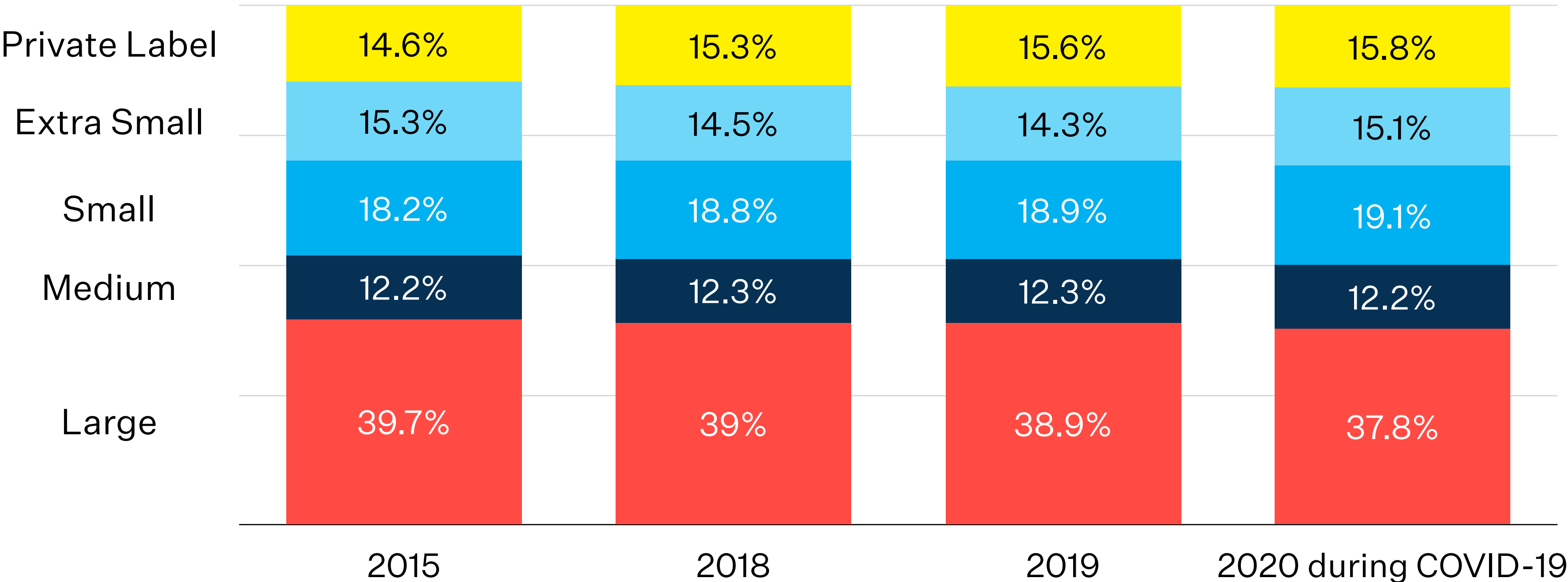
# Cash App and Venmo are unbundling traditional banking for millions of users

## Cash App quarterly transactions and services revenue



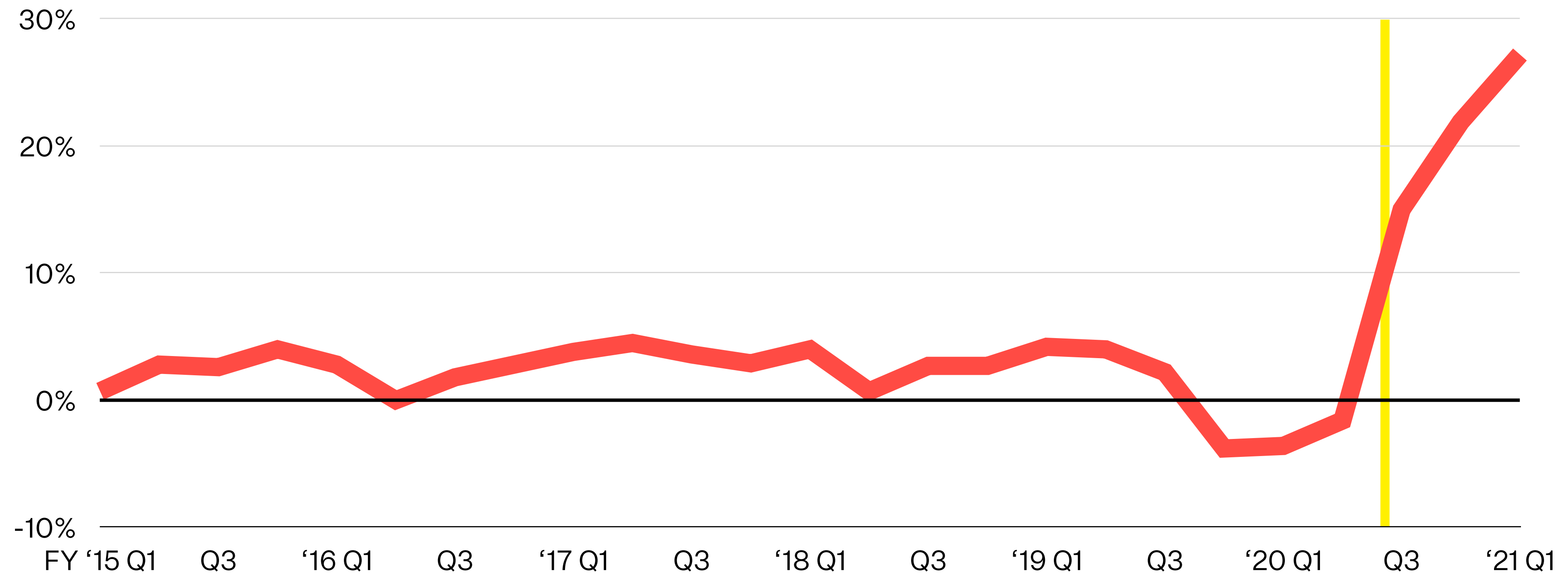
# Large consumer packaged goods brands have continued to lose share

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



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

## Clorox quarterly year-over-year revenue growth



# More broadly, COVID-19 is a period of experimentation — and loyalty is up for review

75%

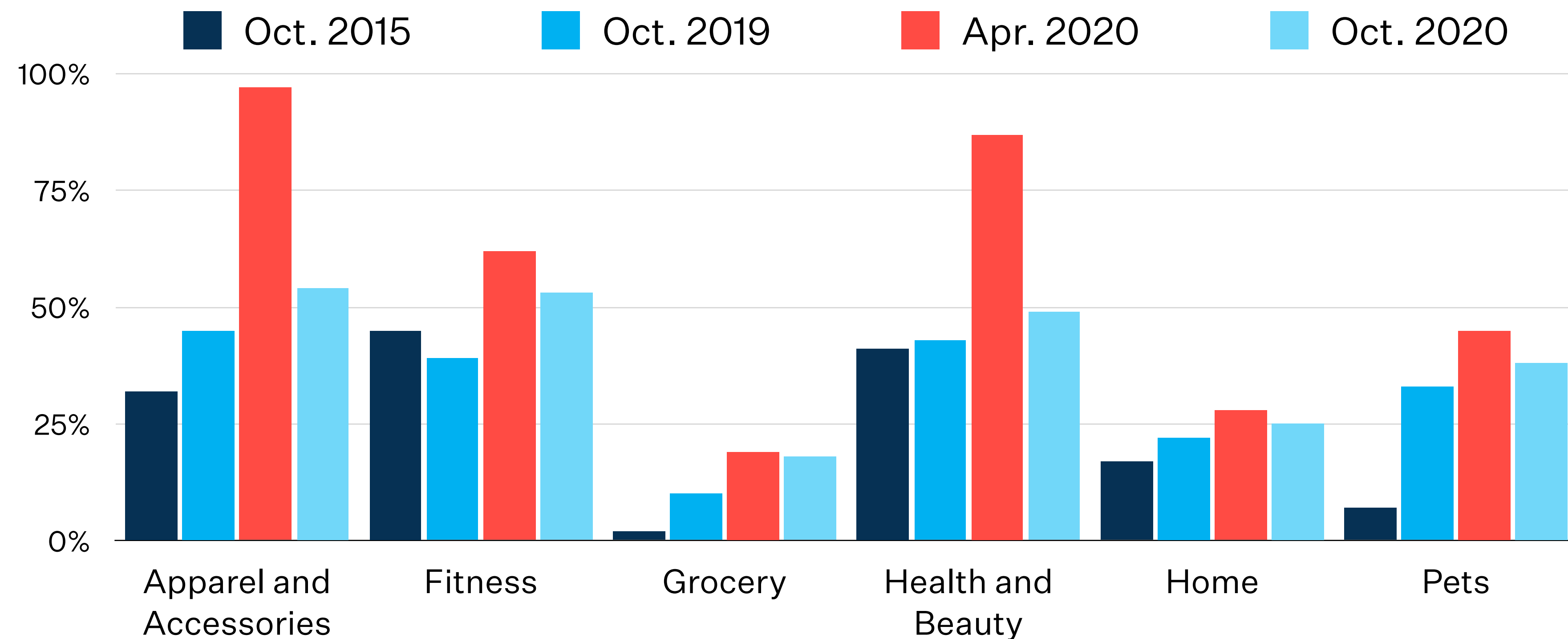
of consumers had **tried a new shopping behavior** since COVID-19 started, in a June McKinsey survey

73%

of those who had tried a different shopping method or brand **intended to continue**

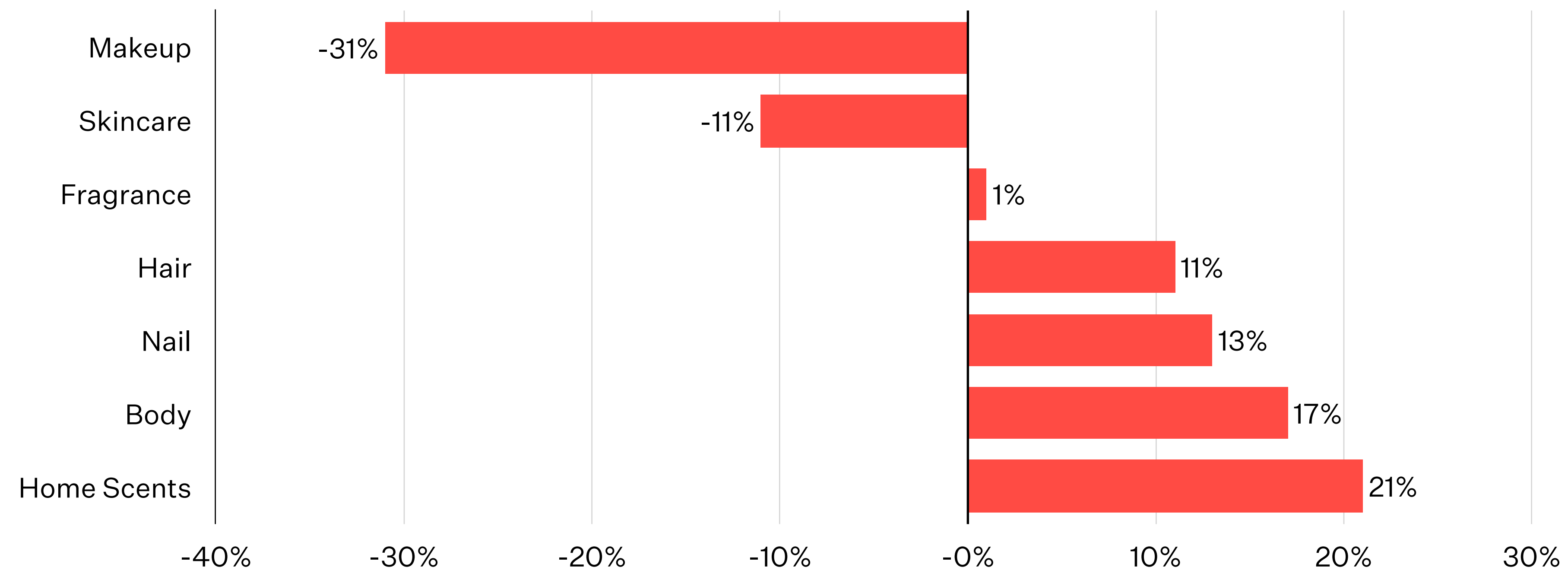
# COVID-19 conditions drove commerce online across categories

## US e-commerce penetration by category — Earnest Research

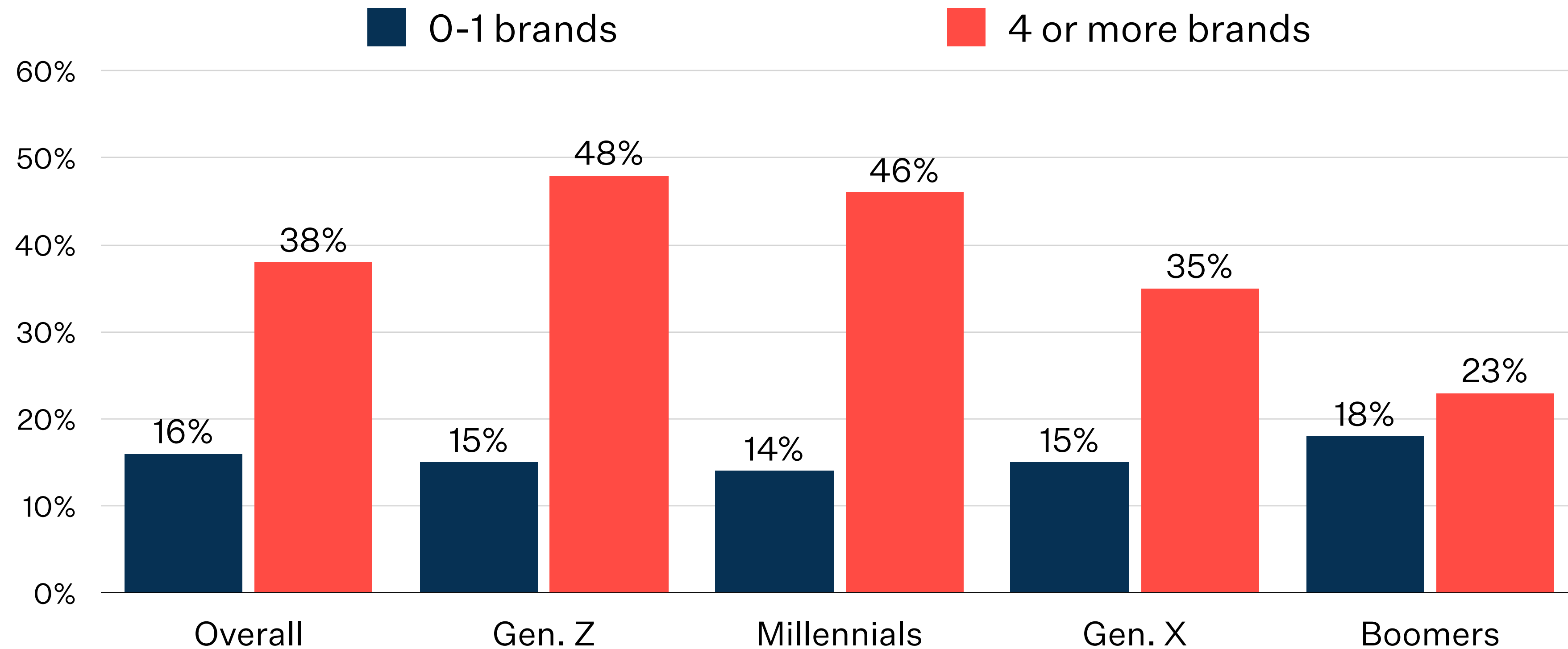


# Beauty sales trends have varied as COVID-era lifestyles changed

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



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





# Beauty brand preferences synced up generationally in our survey

## Gen. Z makeup brands

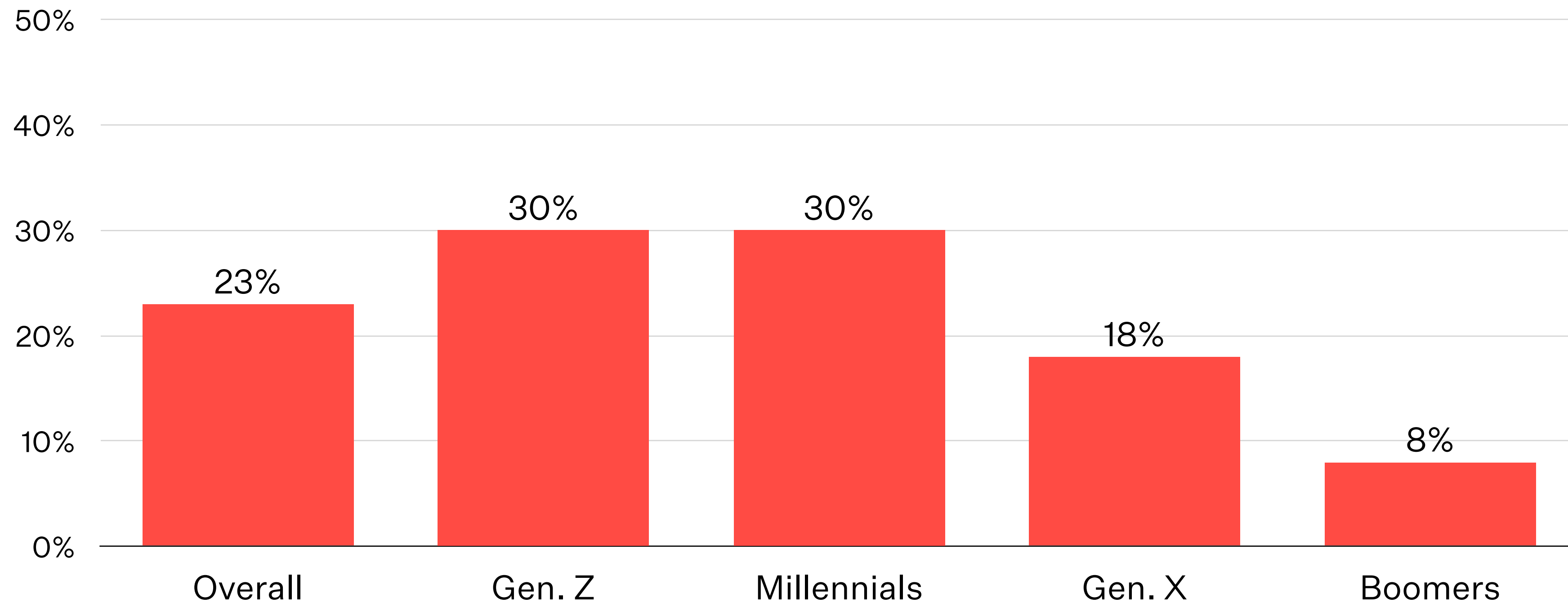
- Anastasia Beverly Hills (21% of Gen Z. say they use)
- Fenty (20%)
- Kylie (19%)
- Milk (13%)

## Millennial makeup brands

- Glossier (12% of Millennials say they use)
- Charlotte Tilbury (11%)
- ILIA (9%)

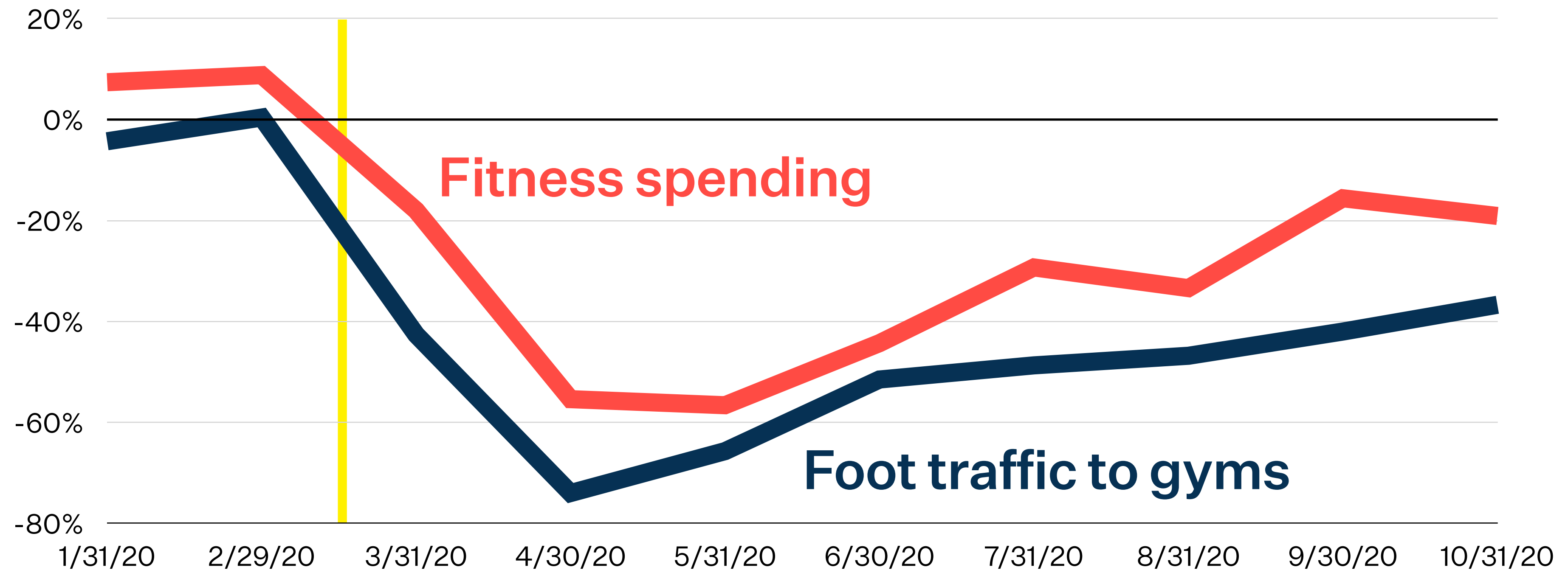
# Younger consumers are more likely to say they use 'clean' skincare brands

## Percentage of survey responses

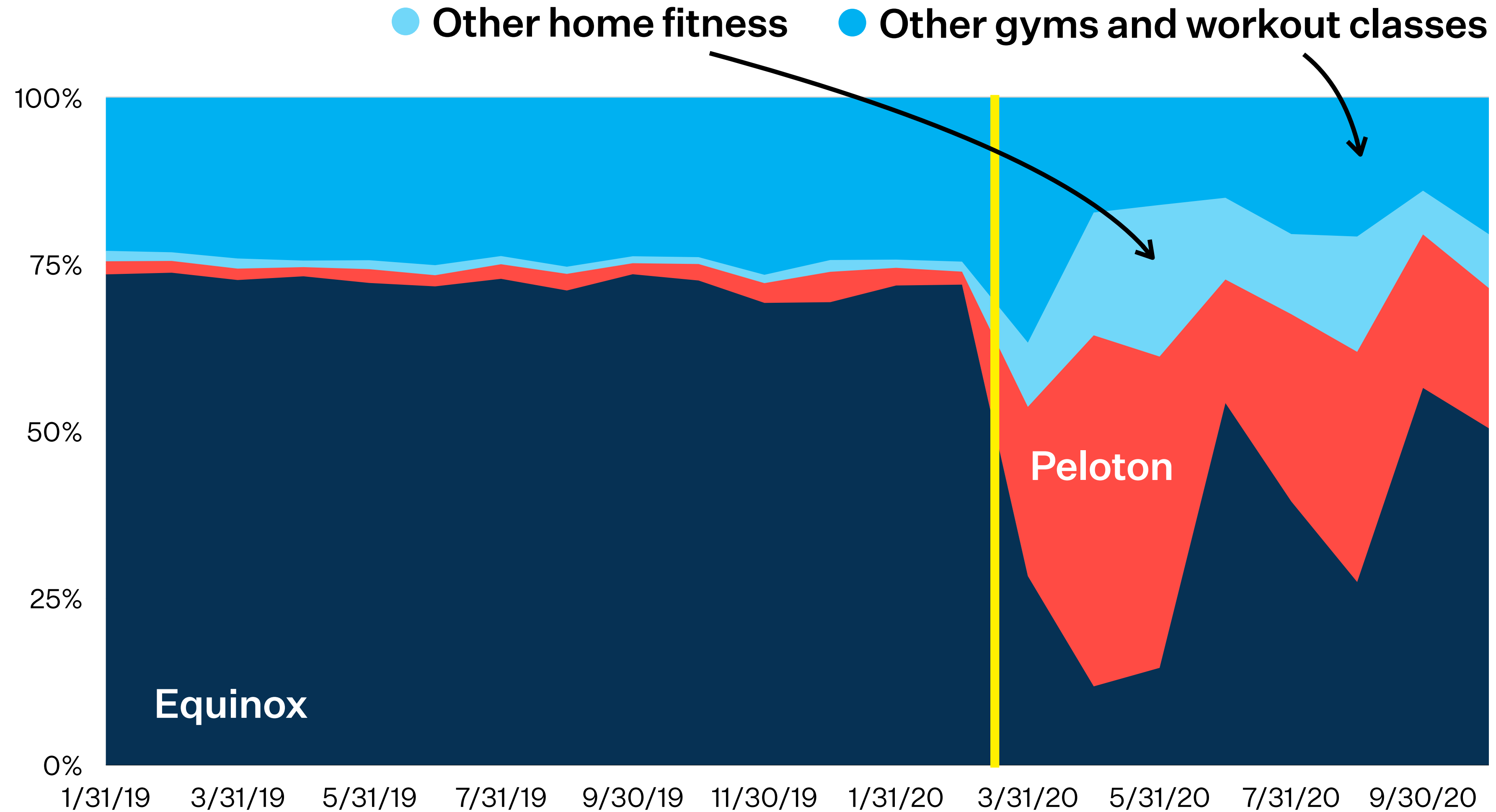


# COVID-19 lockdowns have helped unbundle the gym membership

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

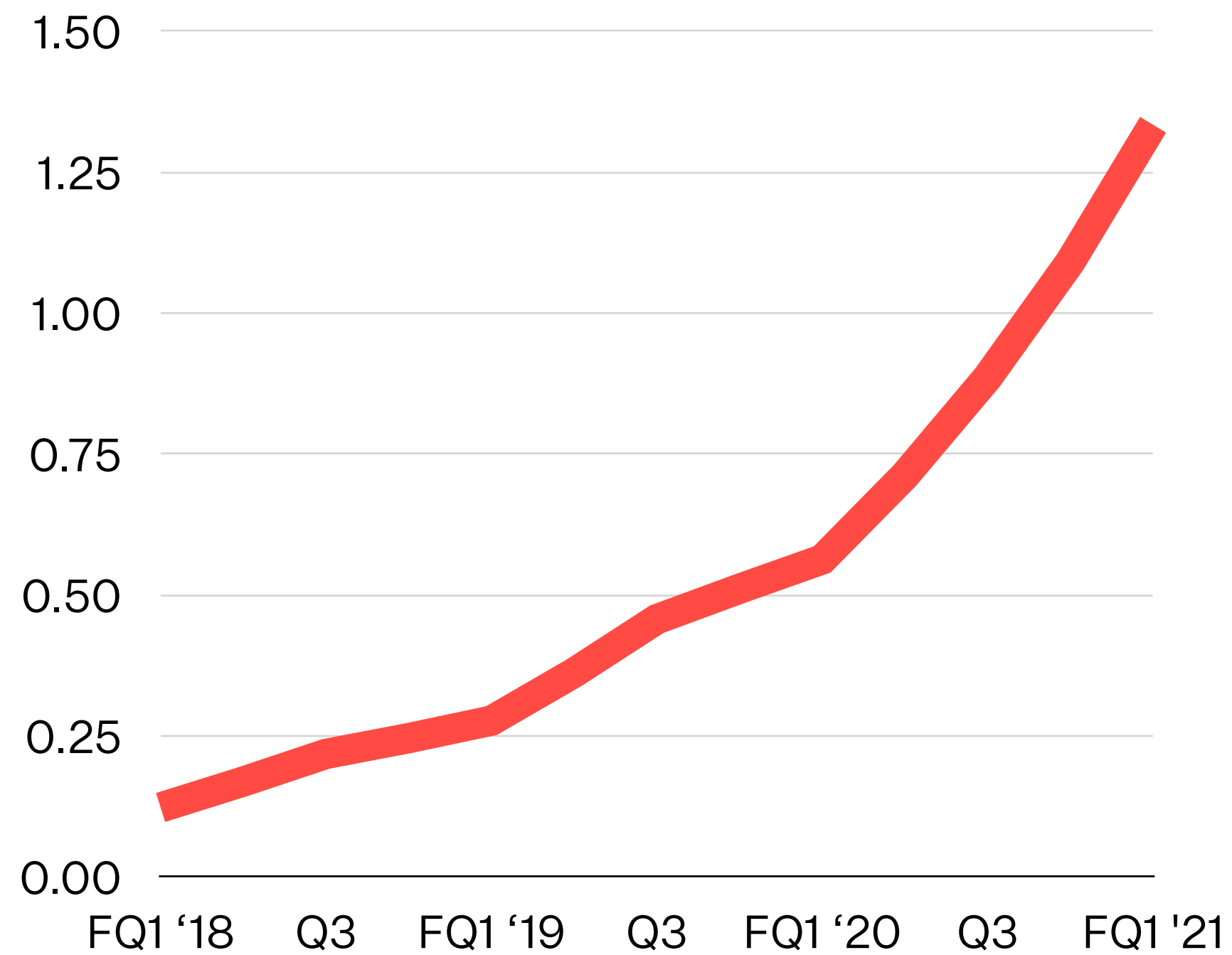


# Equinox customers have shifted spending

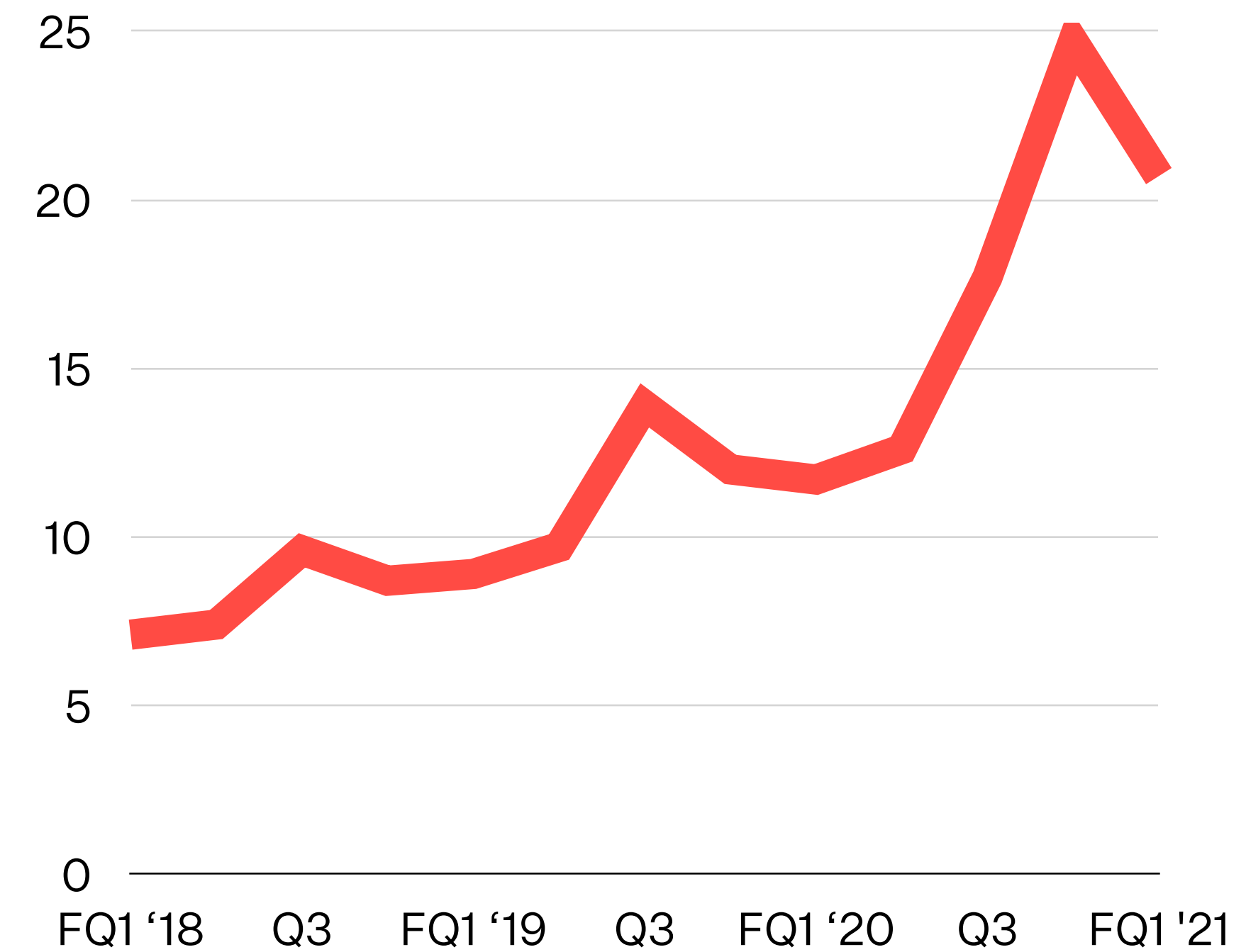


# Peloton experienced a once-in-a-lifetime jolt in subscribers and engagement

## Millions of subscriptions

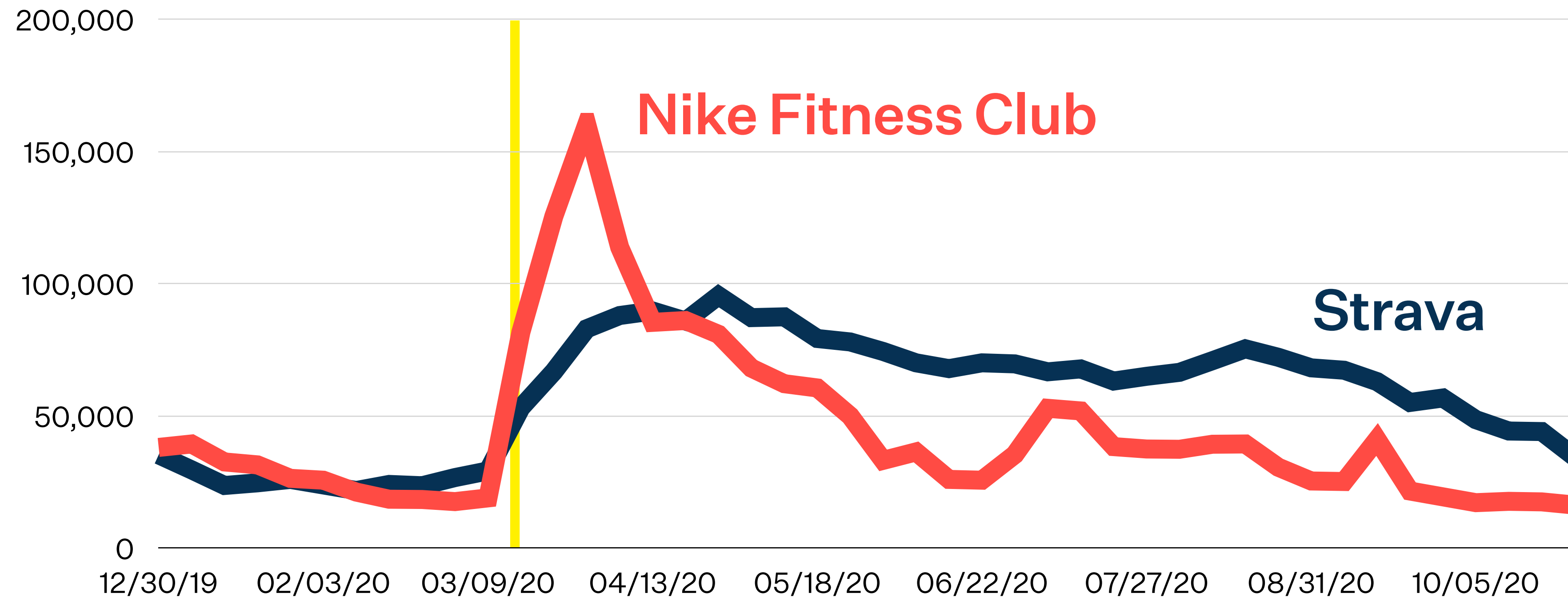


## Monthly workouts per sub.



# Online fitness content and community is poised to grow

## SensorTower: Weekly US app downloads



# Home fitness is the new default — and looks like it's here to stay

82%

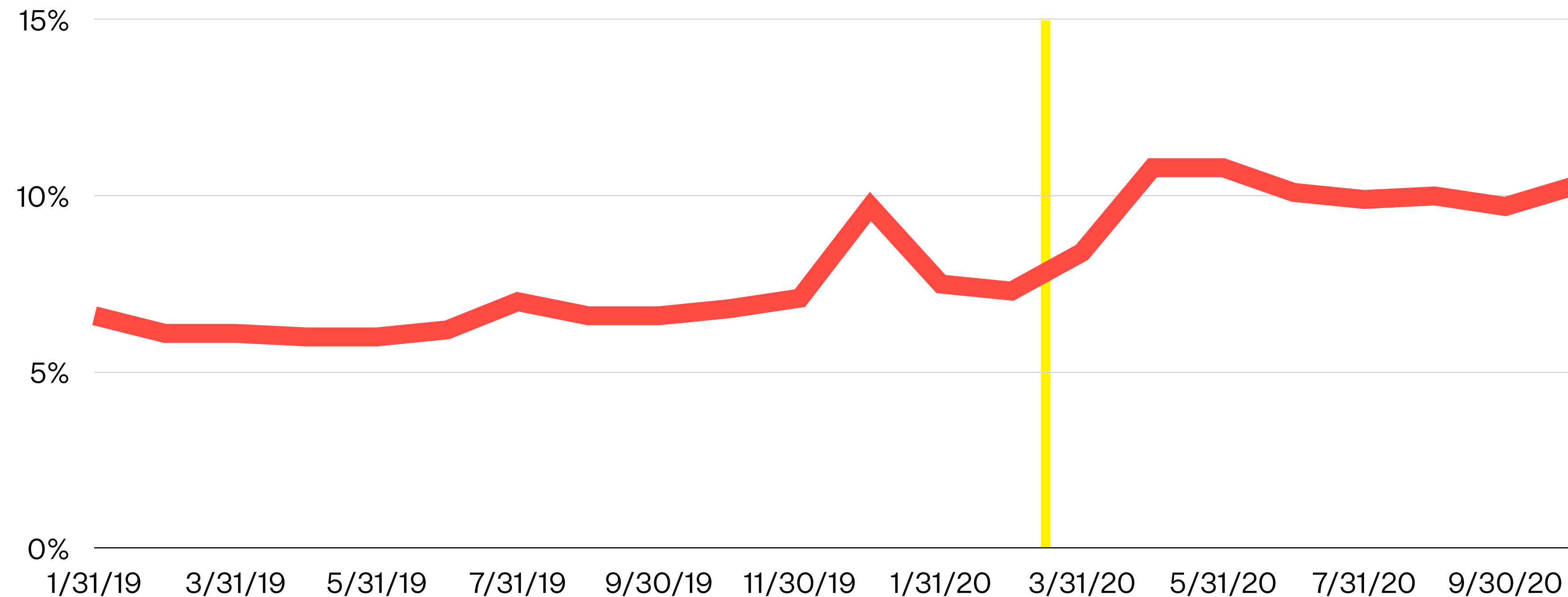
of Millennials — and 76% of all consumers — say **they've switched to exercising more at home** during COVID-19

81%

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

# Beware the aggregator: Amazon's share of spending increased during COVID-19

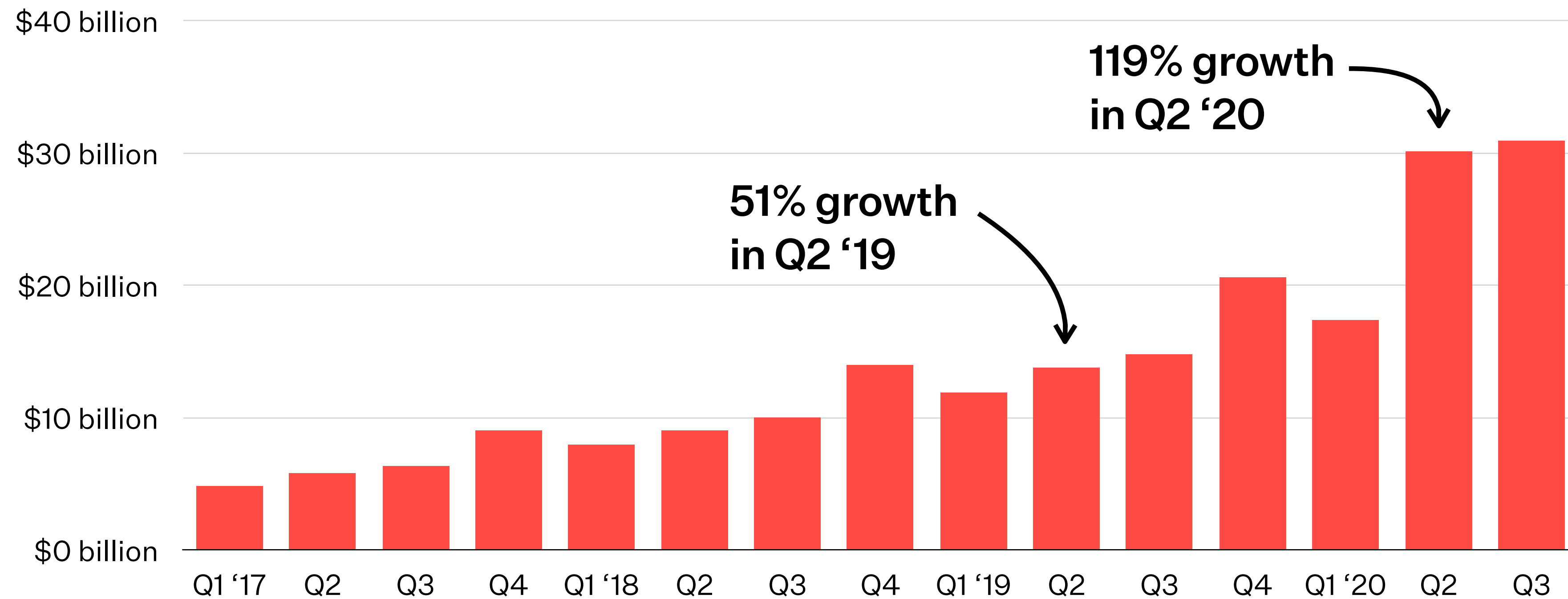
## Amazon share of US consumer spending — Earnest Research





# But Shopify now powers 1 million stores where people spend \$10 billion a month

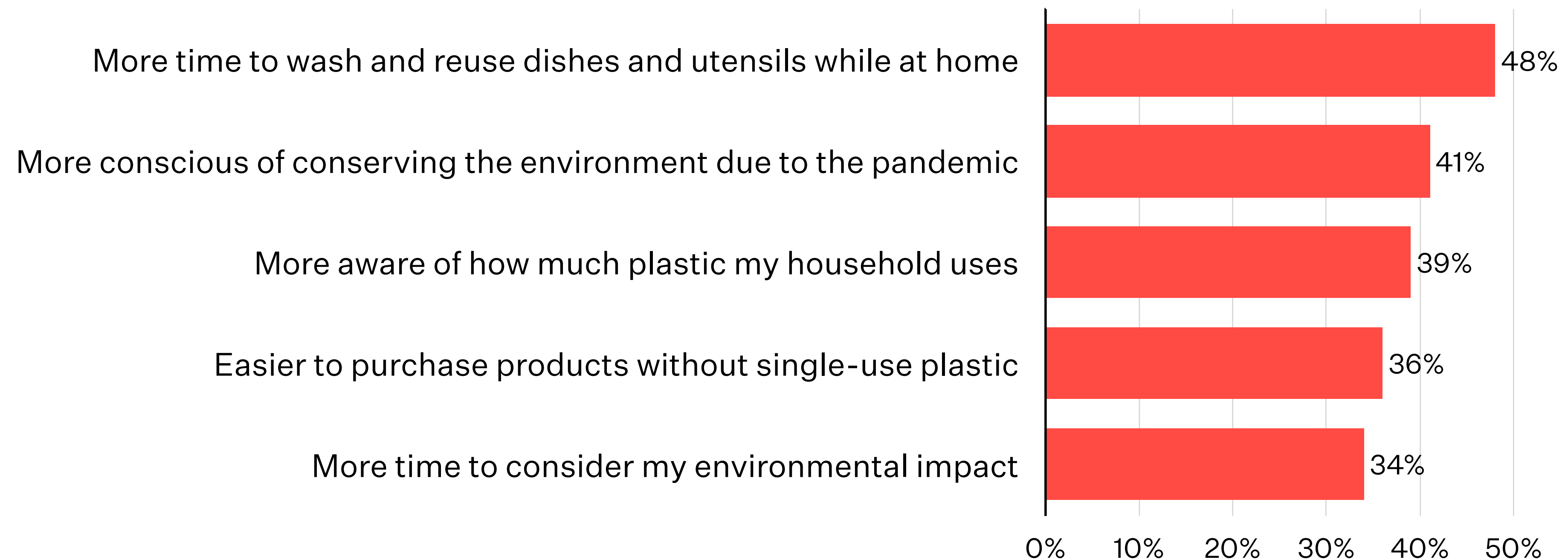
## Shopify quarterly gross merchandise volume



# Changing tastes, habits, attention, implications

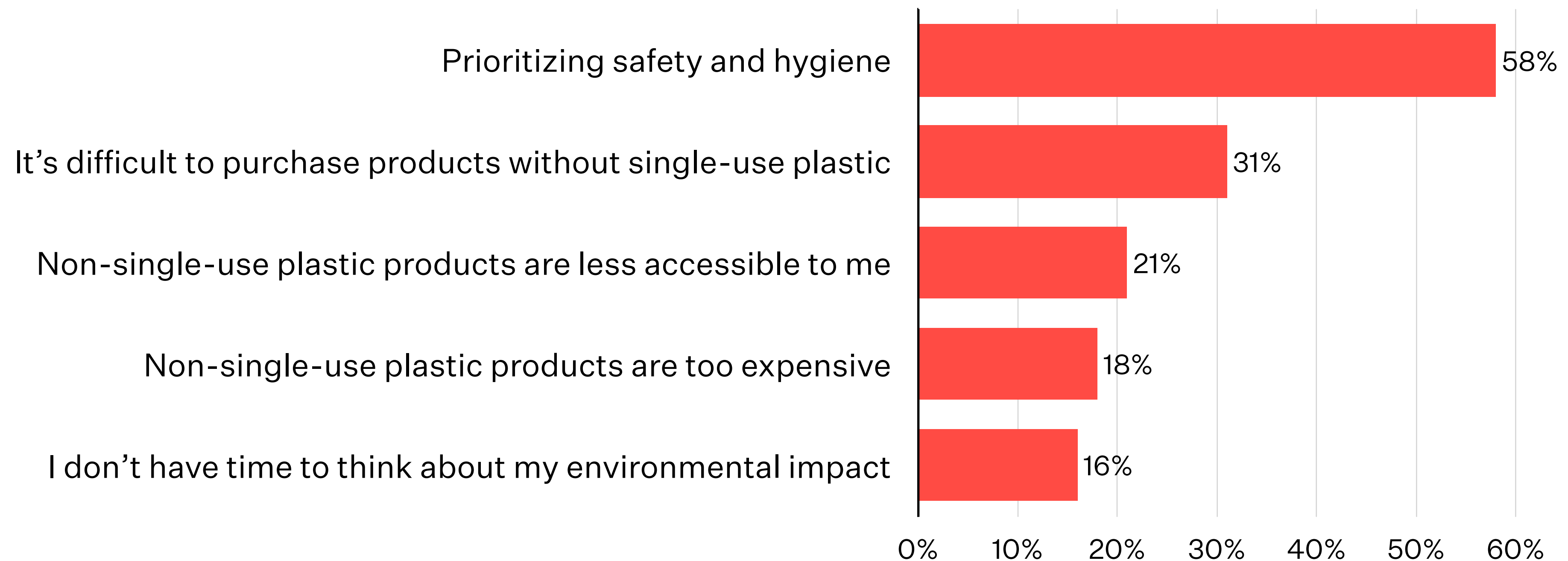
# Some consumers reported using *less* single-use plastic during COVID-19...

## Why are you using single-use plastic less?



# ...while others reported using *more* single-use plastic for COVID-19 safety

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



# Plant-based meat continues to grow in awareness and popularity

51%

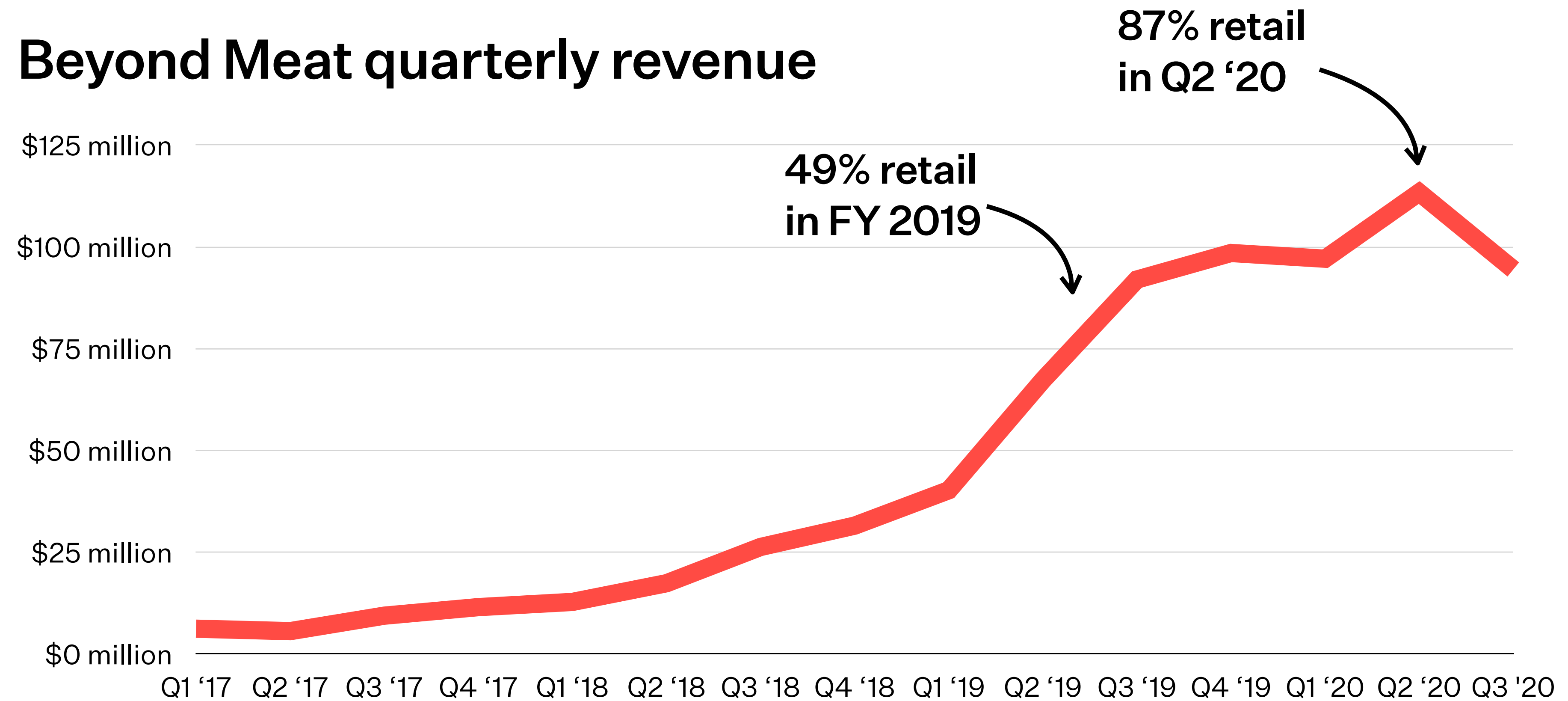
of consumers have **tried plant-based meat**, according to a Q3 survey in the US and Europe by UBS

63%

of those are **repeat users**

# Beyond Meat consumer sales have accelerated as foodservice reboots

## Beyond Meat quarterly revenue



# 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**

# 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

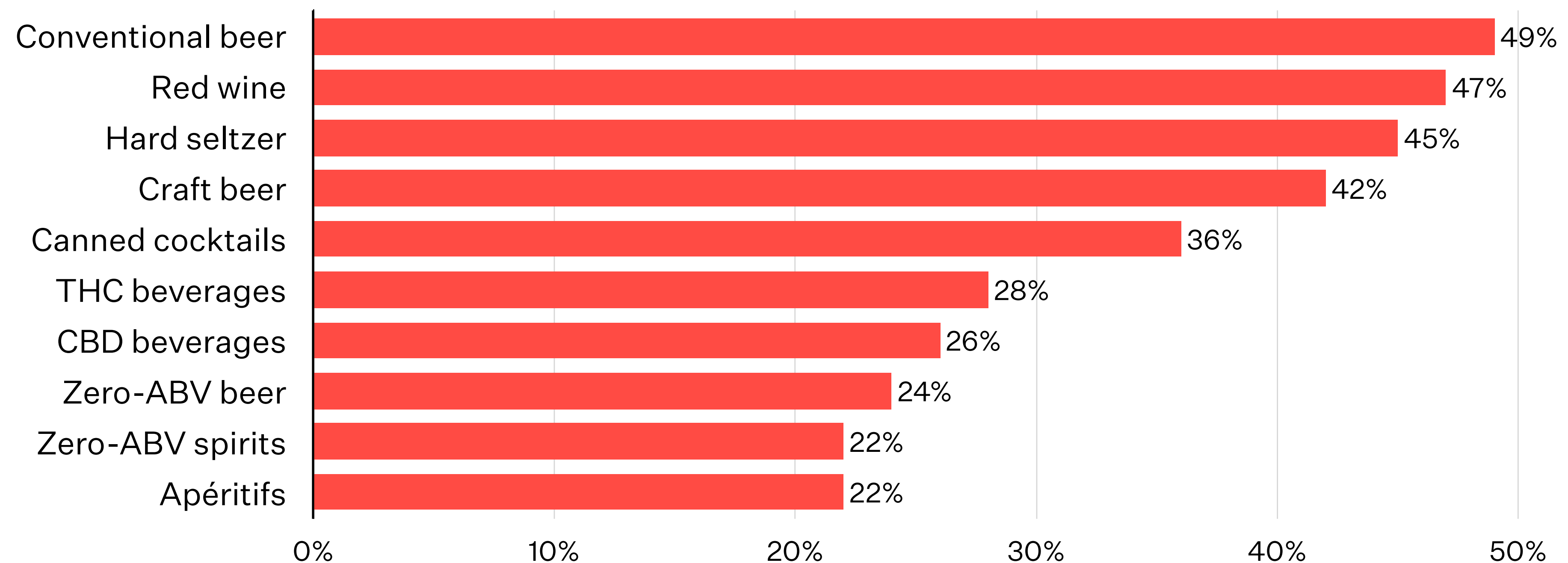
43%

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



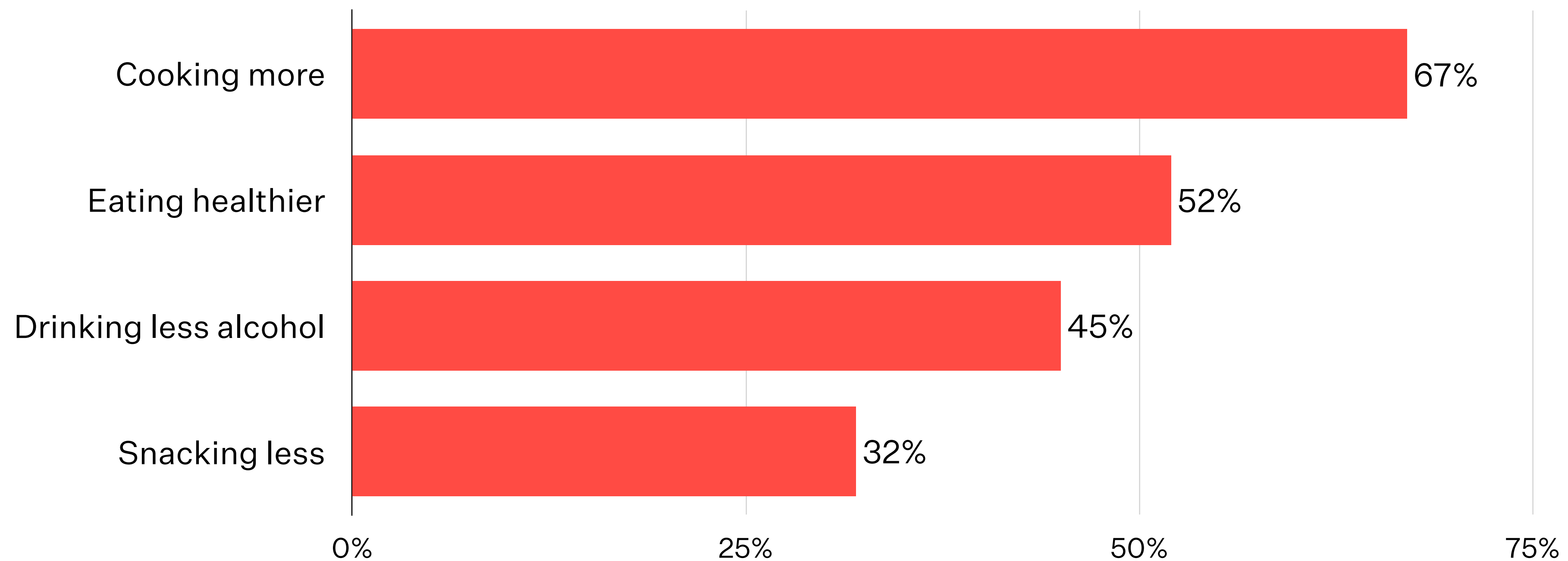
# Millennials over-index on hard seltzer and zero-ABV, under-index on beer

## What US Millennials say they're drinking during COVID-19



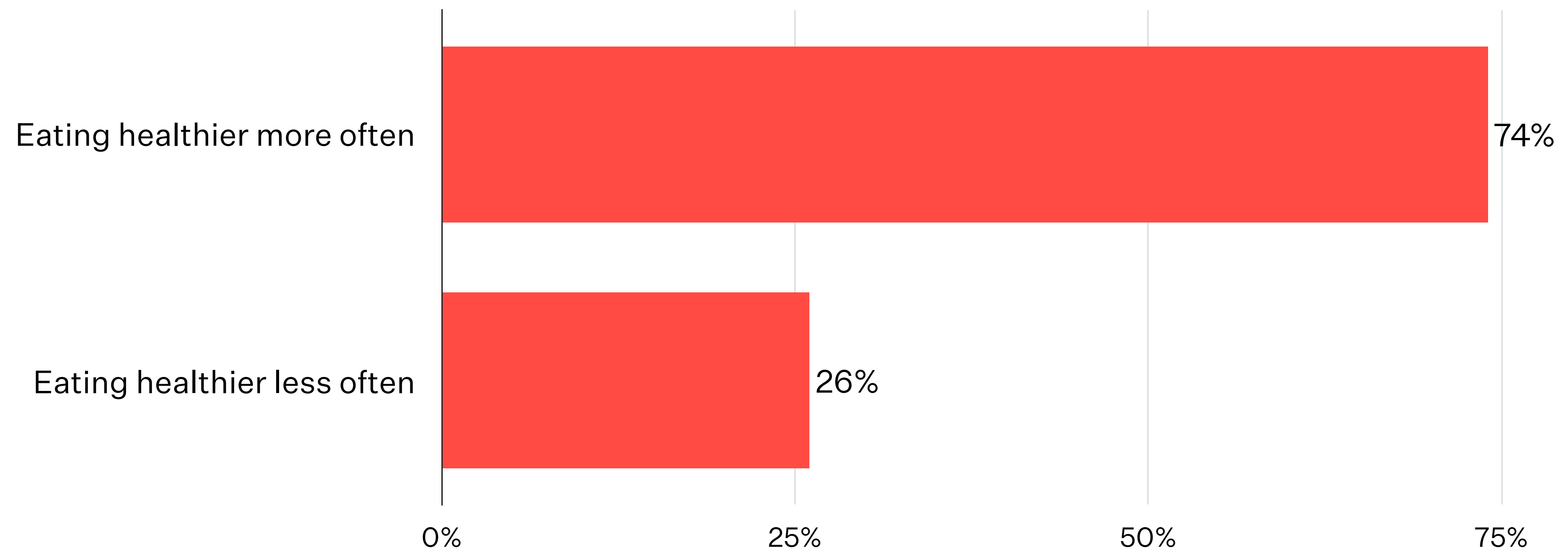
# About half of Americans say they've been eating healthier during COVID-19

Percentage surveyed who 'strongly' or 'somewhat' agree



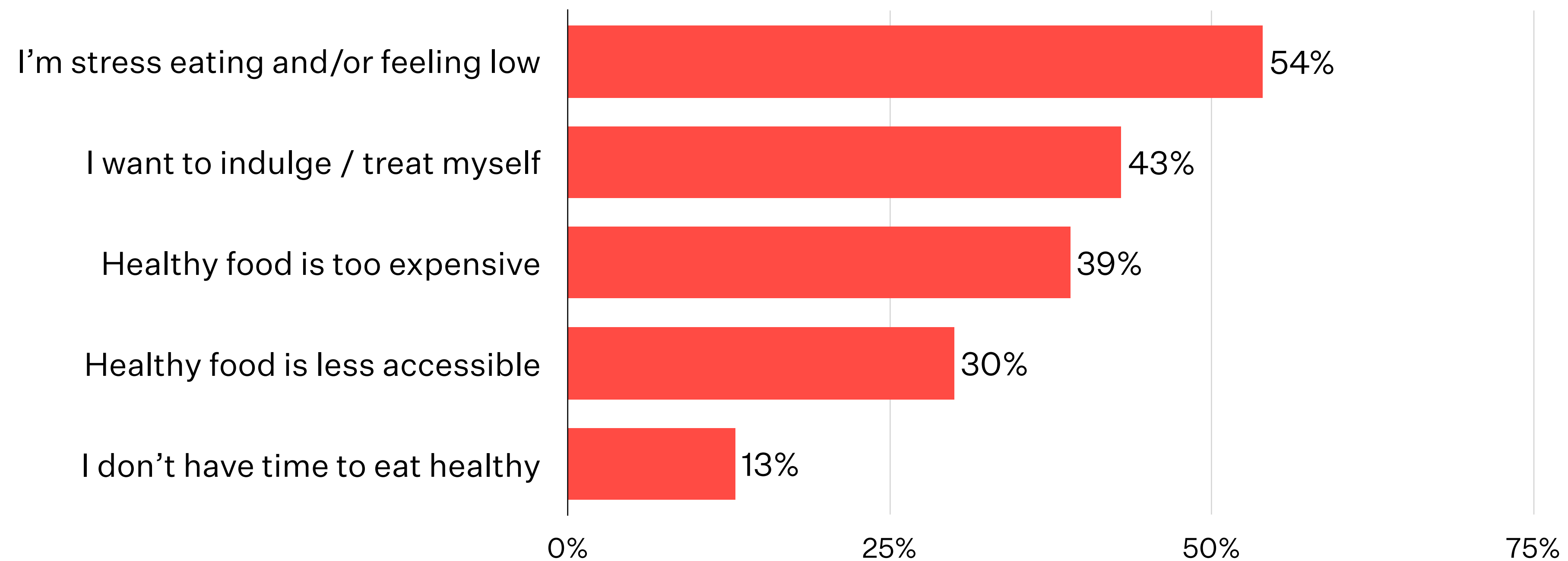
# Consumers say they prefer to eat healthy — by a wide margin

Percentage who prefer their new behavior over old



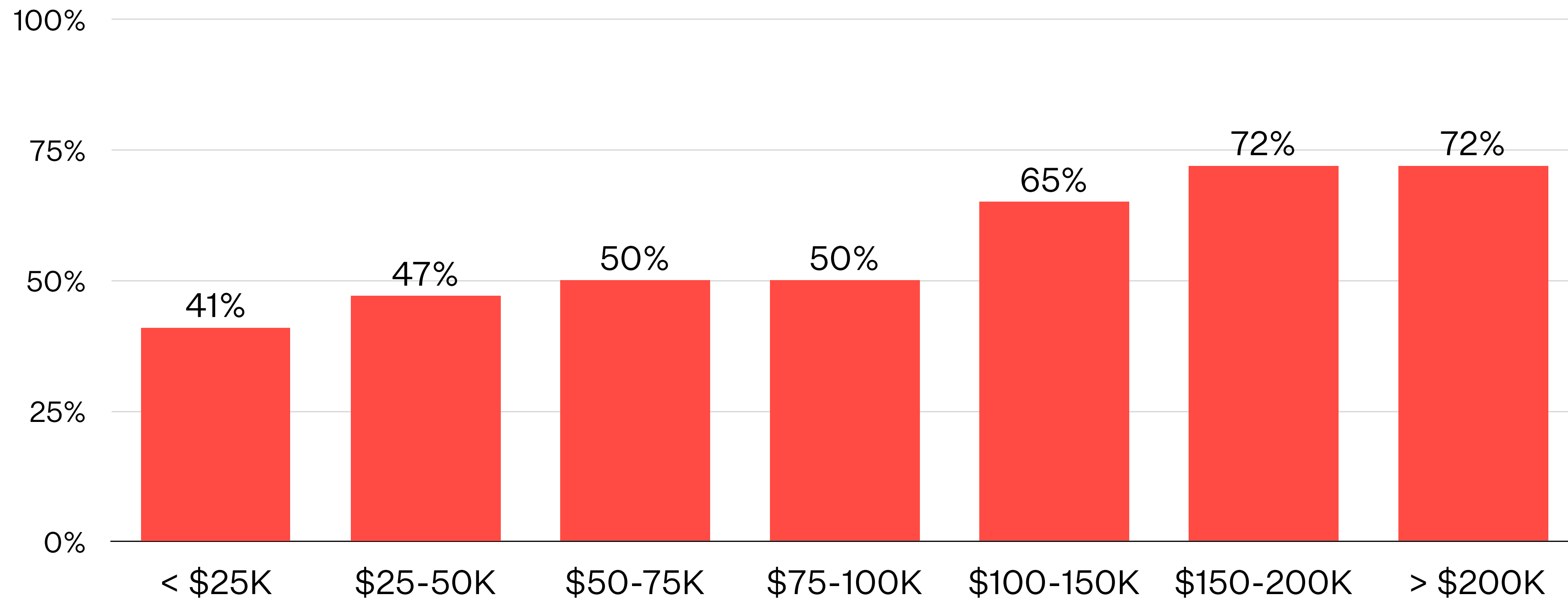
# Stress eating, treats, and the economy: Why we're eating healthy less

## Top reasons for eating healthy food less during COVID-19



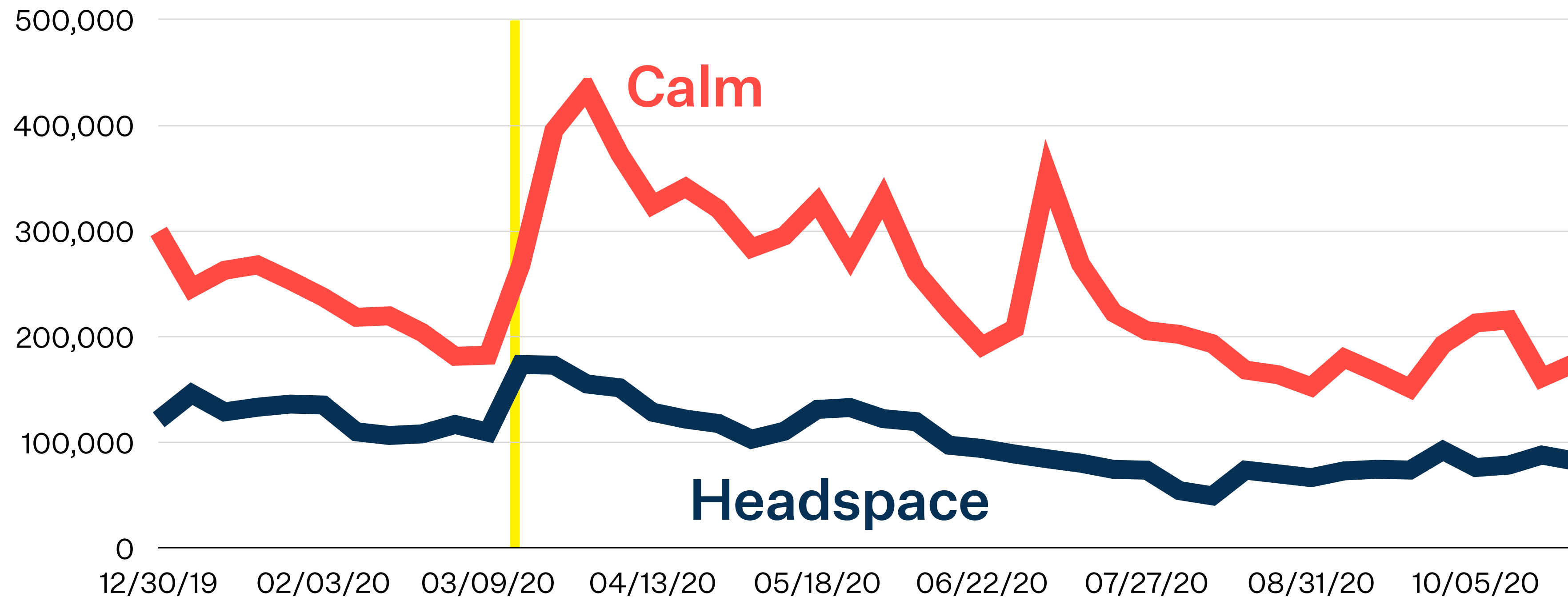
# Wealthier people say they've been eating healthier during COVID-19

## Percentage by income group



# Mental health is an important area for focus

## Sensor Tower: Weekly US app downloads



# Pet adoption has increased this year, and shelter intake has decreased

5%

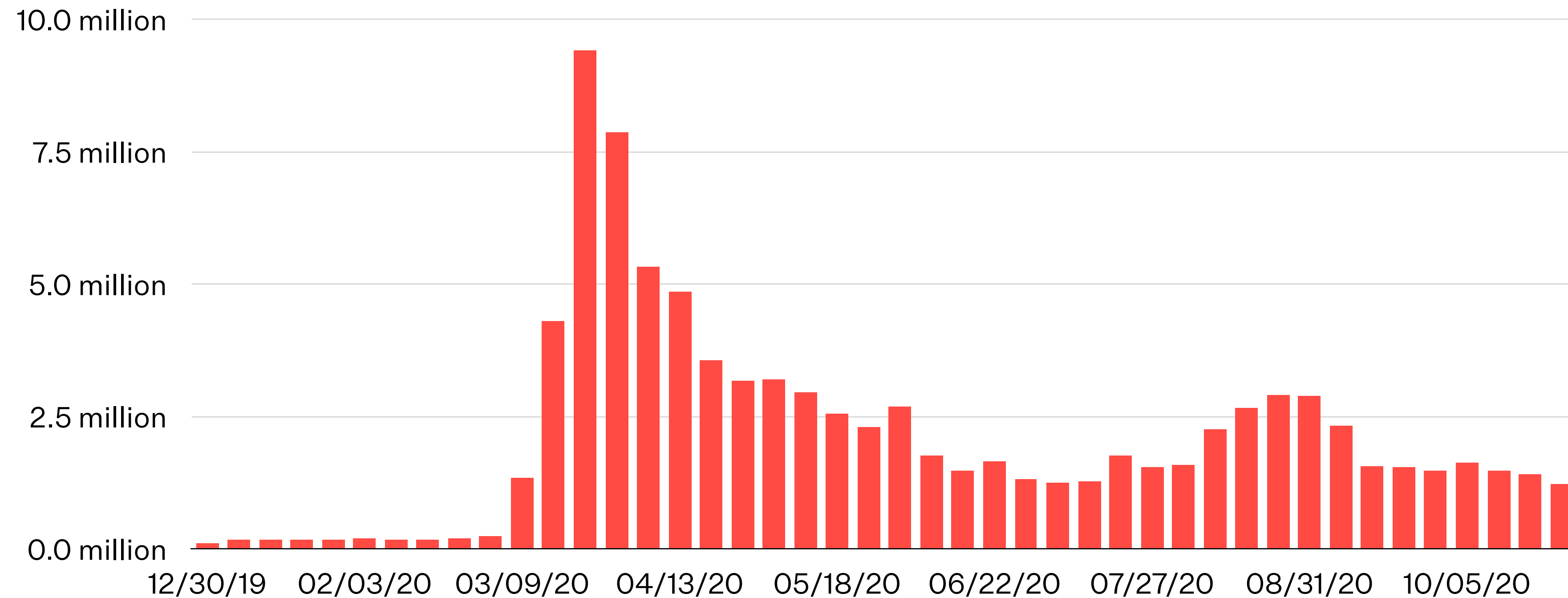
**of US adults adopted a dog**  
during the initial 3-month  
COVID-19 lockdown period, and  
4% adopted a cat, according to  
research firm Packaged Facts

23%

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

# Zoom quickly became a household name and remains a top app

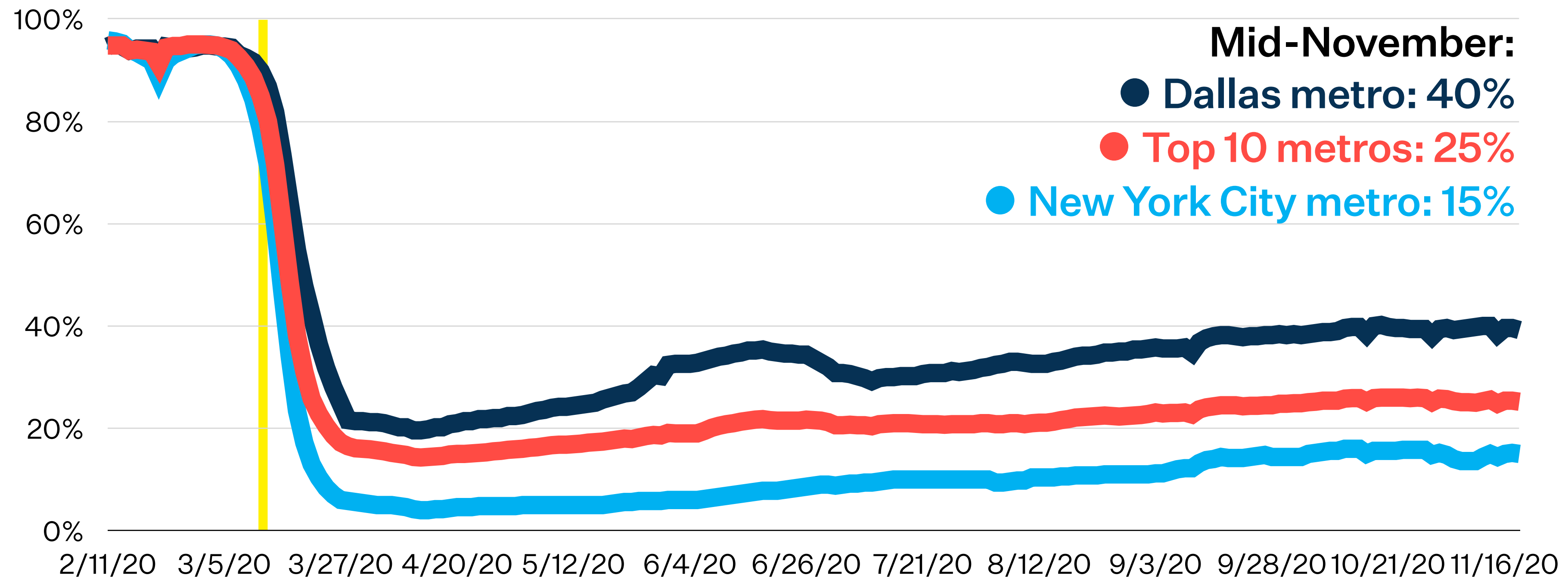
## Sensor Tower: Weekly US Zoom app downloads





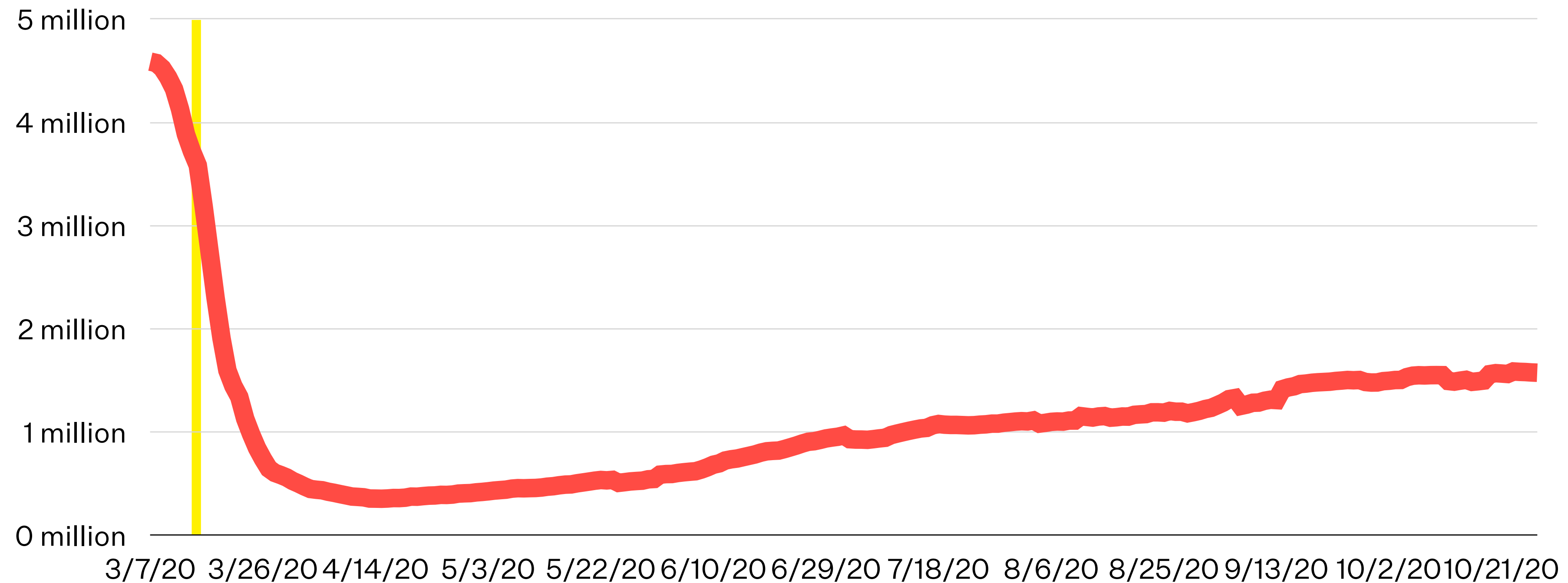
# Office workers mostly haven't returned to the office — but it varies by city

## Office occupancy in major US cities, 5-weekday average



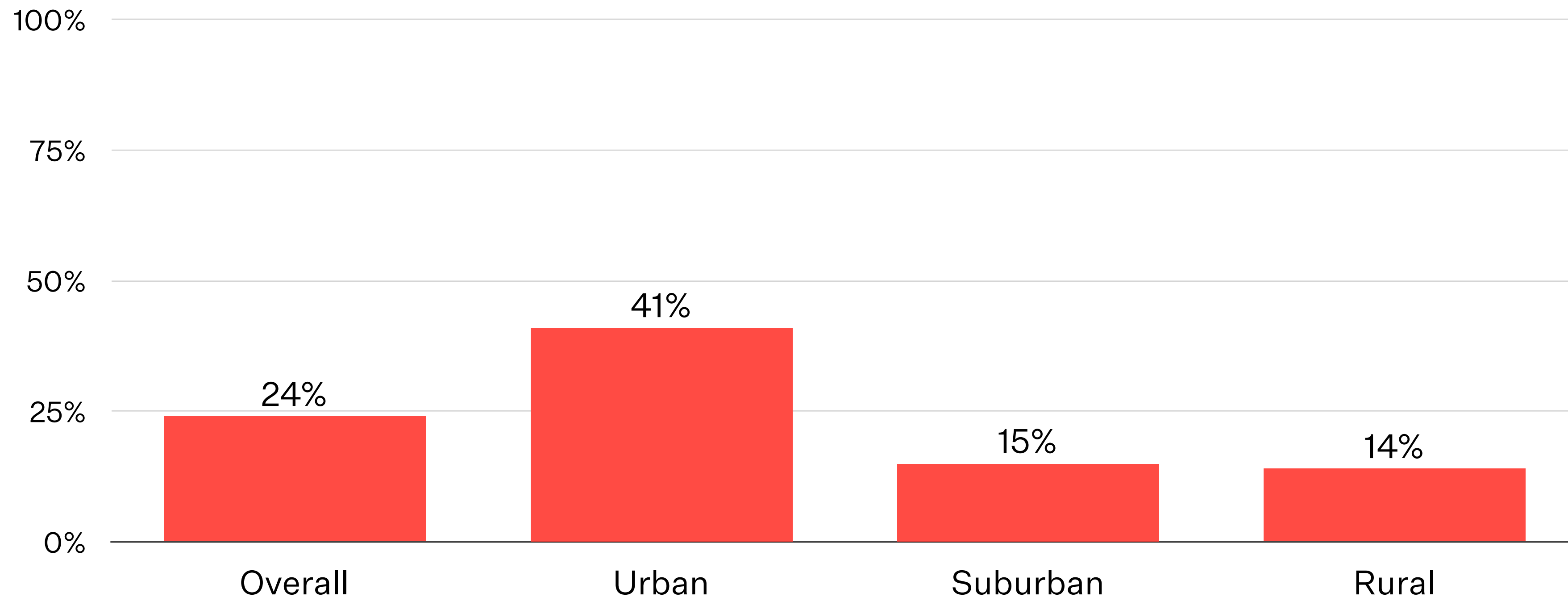
# New York City Subway ridership is still less than one third of last year's level

## New York City Subway daily ridership, 7-day average



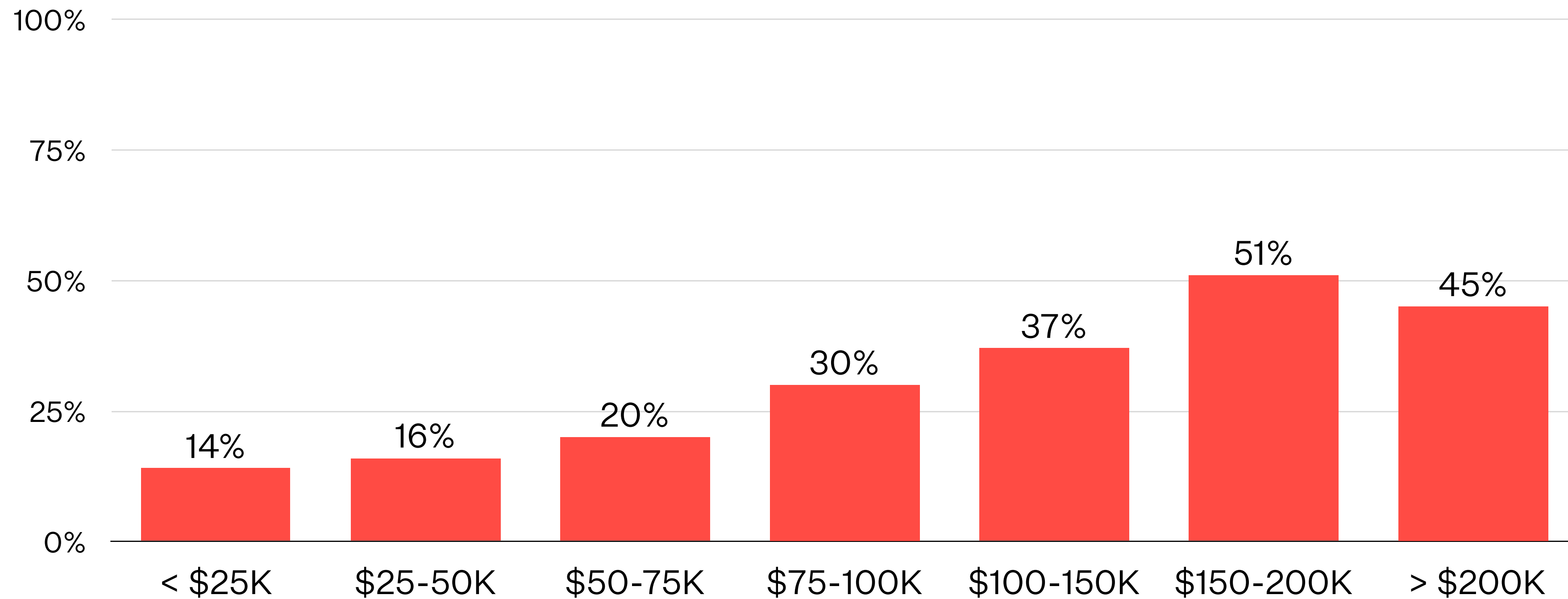
# 24% of Americans say they left home to live elsewhere during COVID-19

## Percentage who left home to live elsewhere for 60+ days



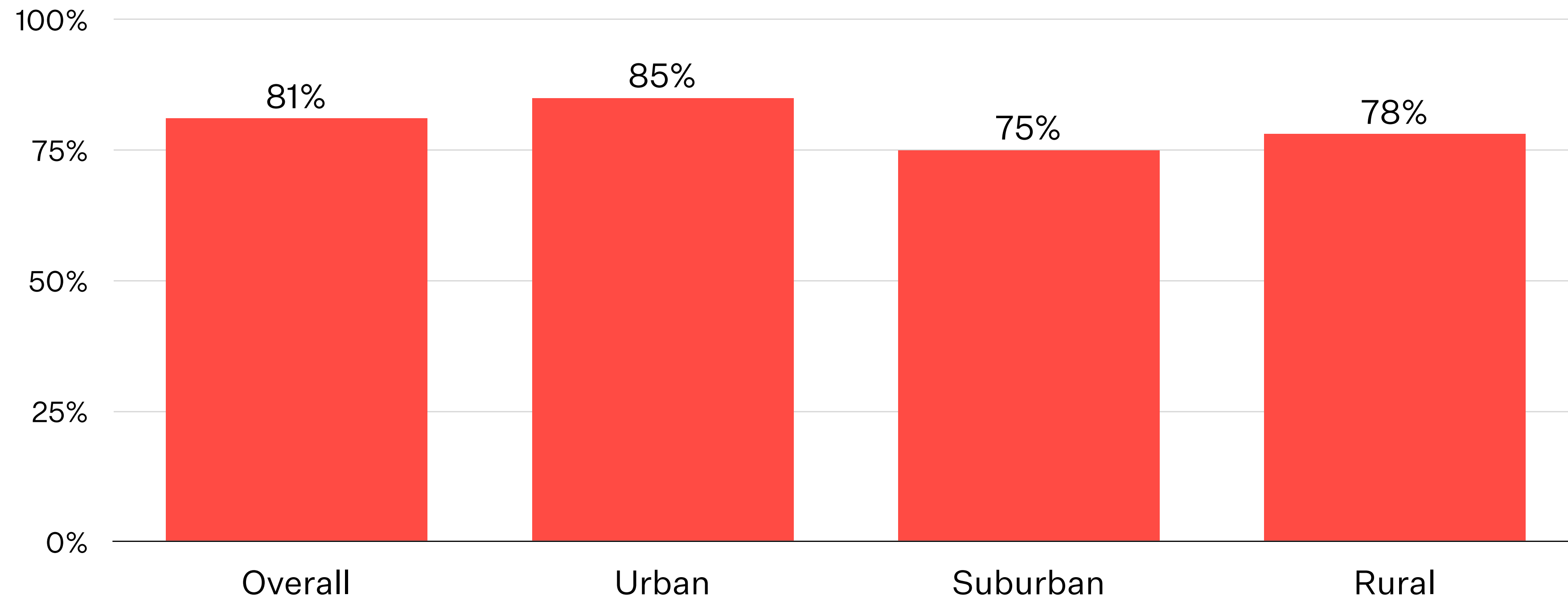
# A larger percentage of people with higher income say they left home

## Percentage who left home to live elsewhere for 60+ days



# Among those who left, most say they have returned

## Percentage surveyed who returned home after leaving



# Looking ahead: What sticks?

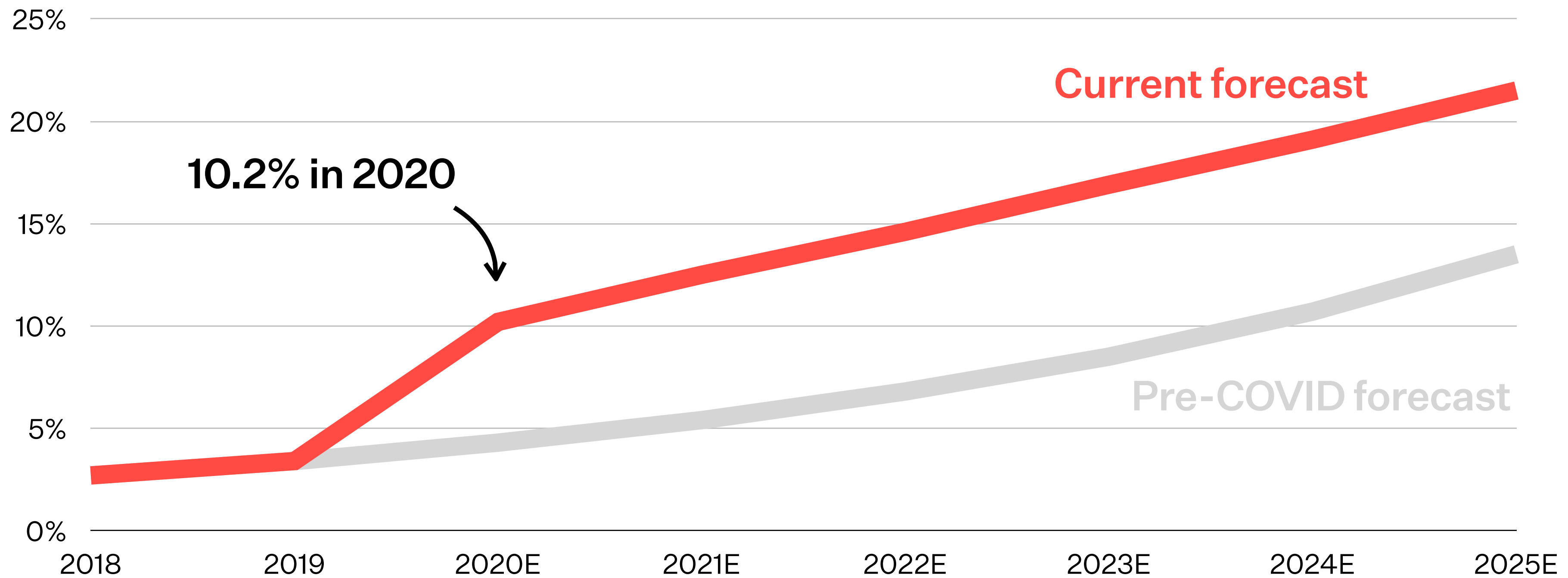
1

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*.

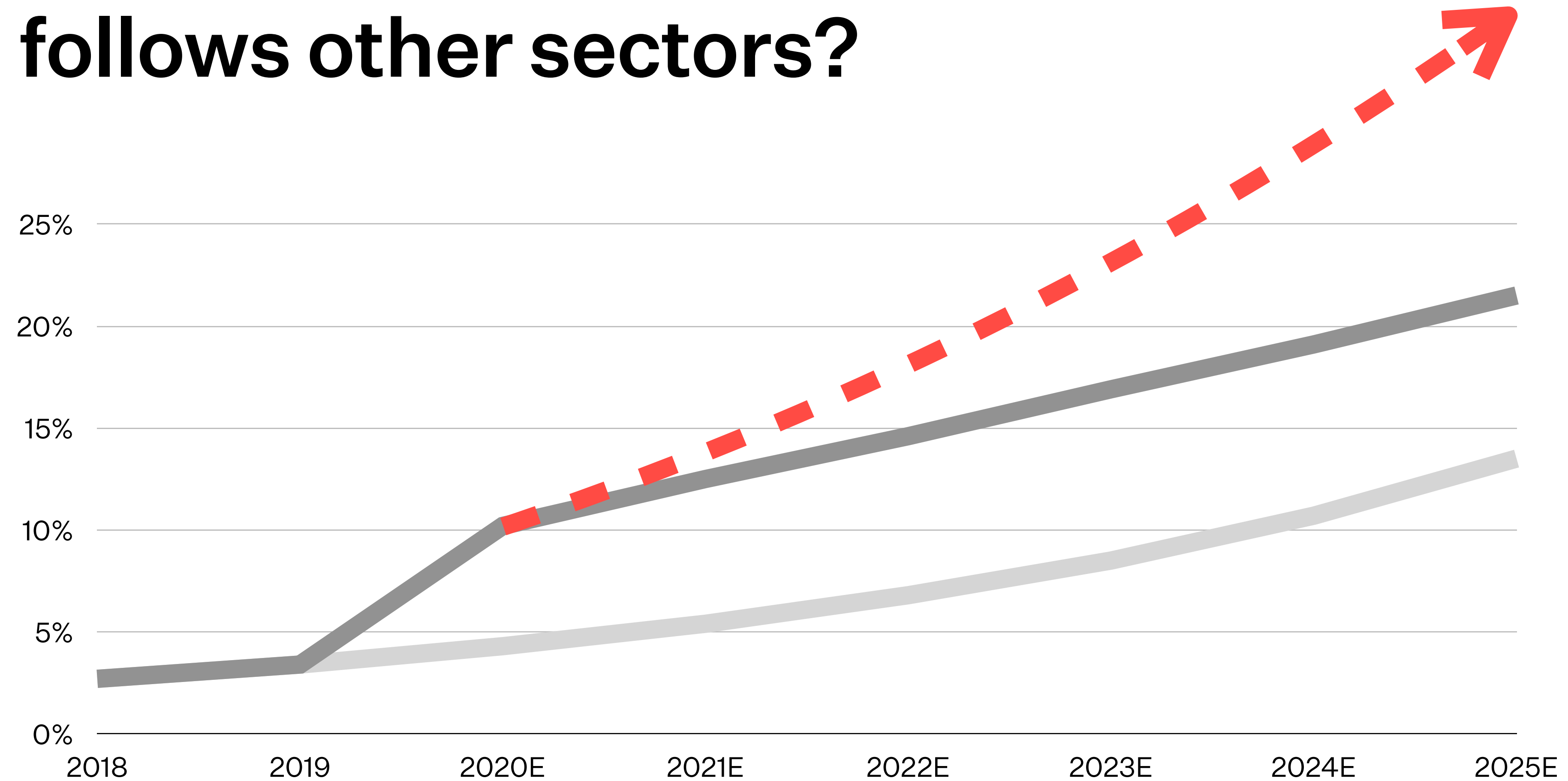
# 2020 was an inflection point, but adoption forecasts are conservative

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





# 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.

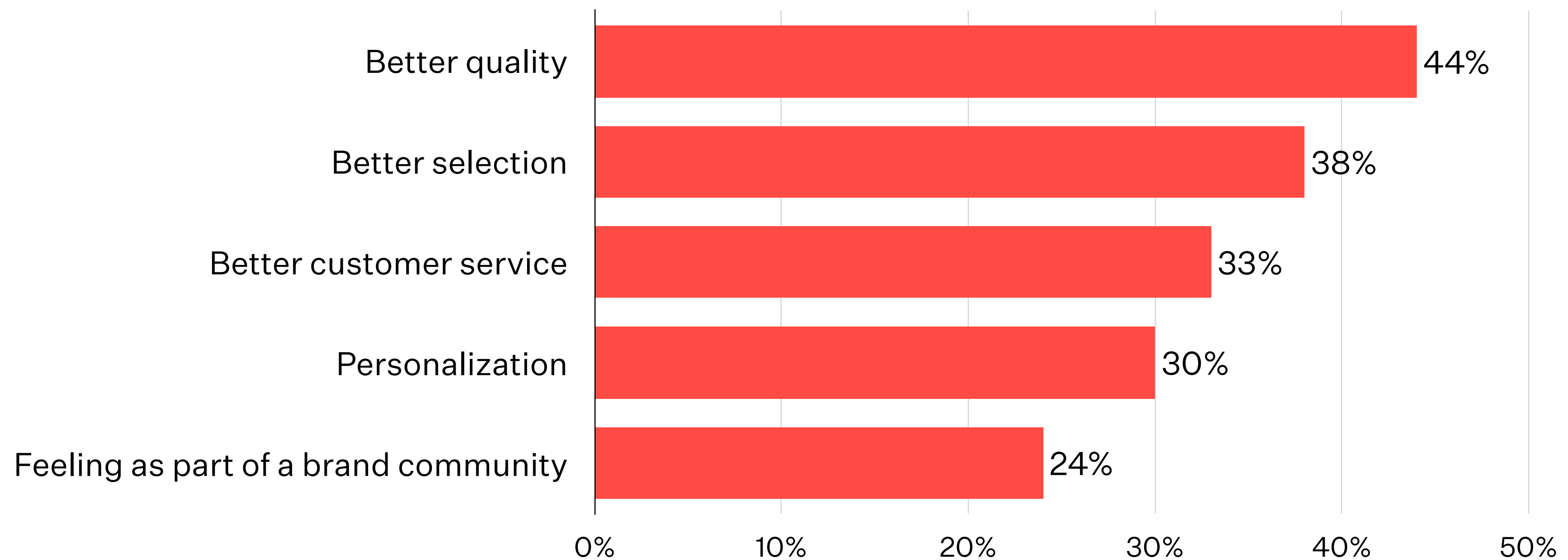
## 2

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



# **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

3

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

The winners will be the ones that can use technology to tell their stories online.

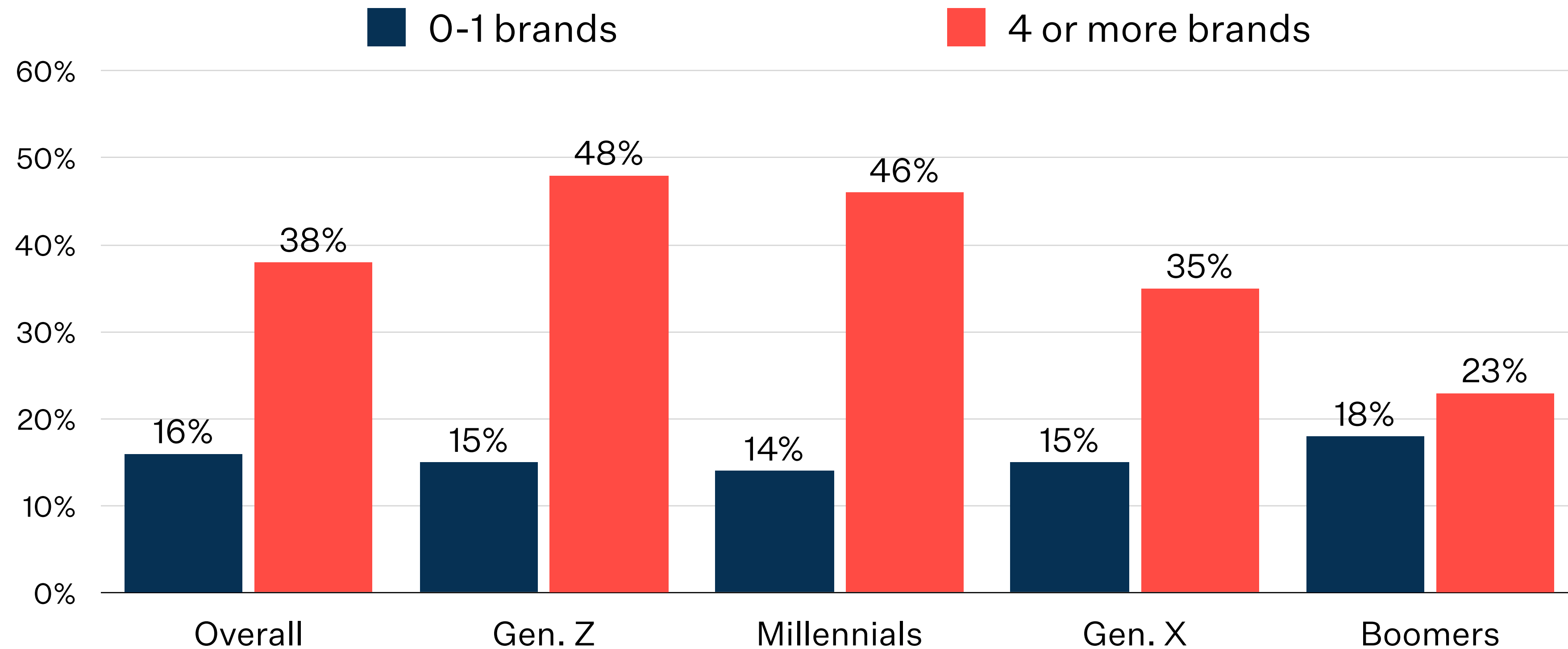


# 4

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



Consumer behavior in beauty has fundamentally changed. Small brands with hero products will continue to succeed.

5

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

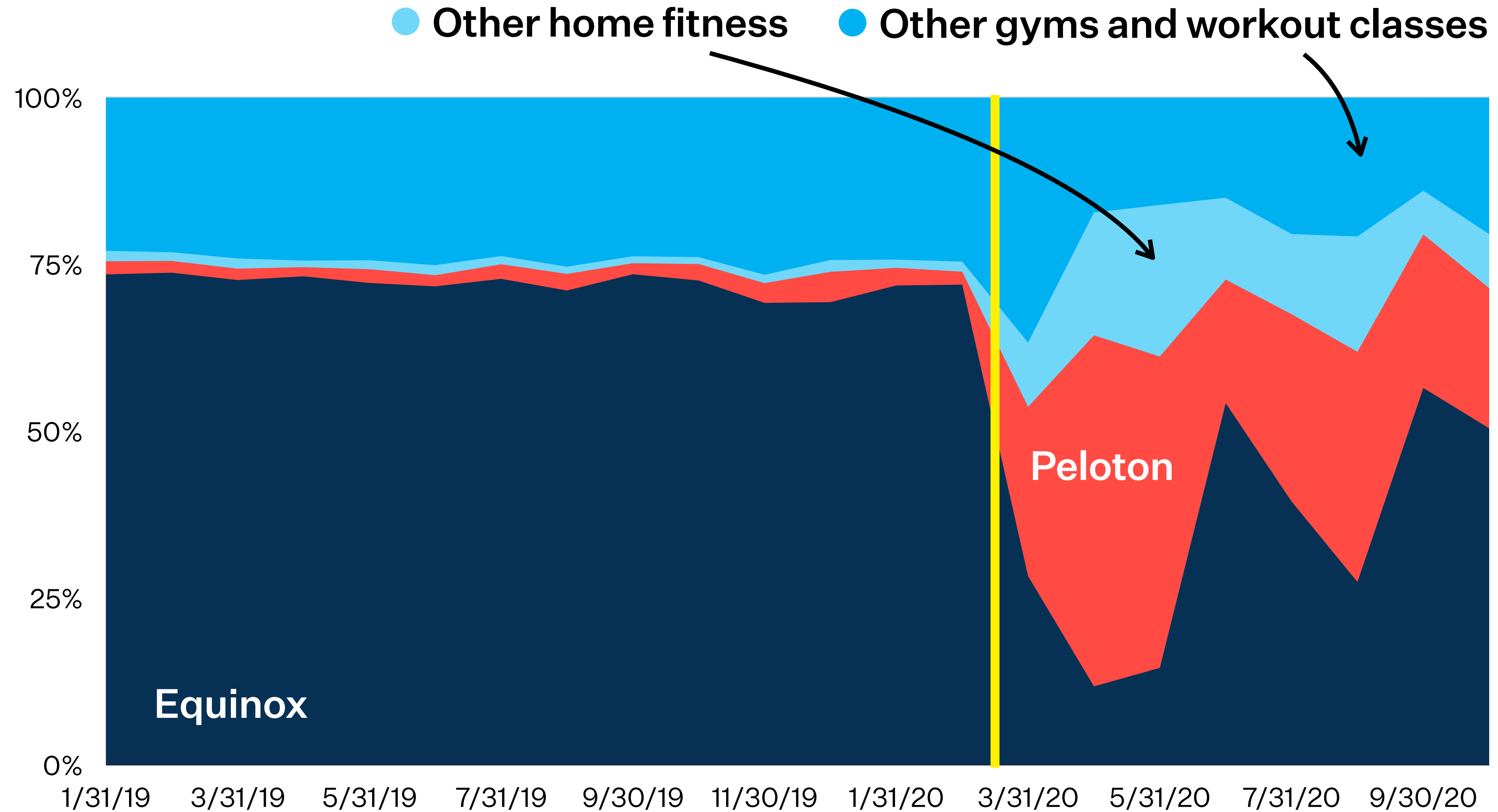
82%

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**

# Equinox customers have shifted spending



~\$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%

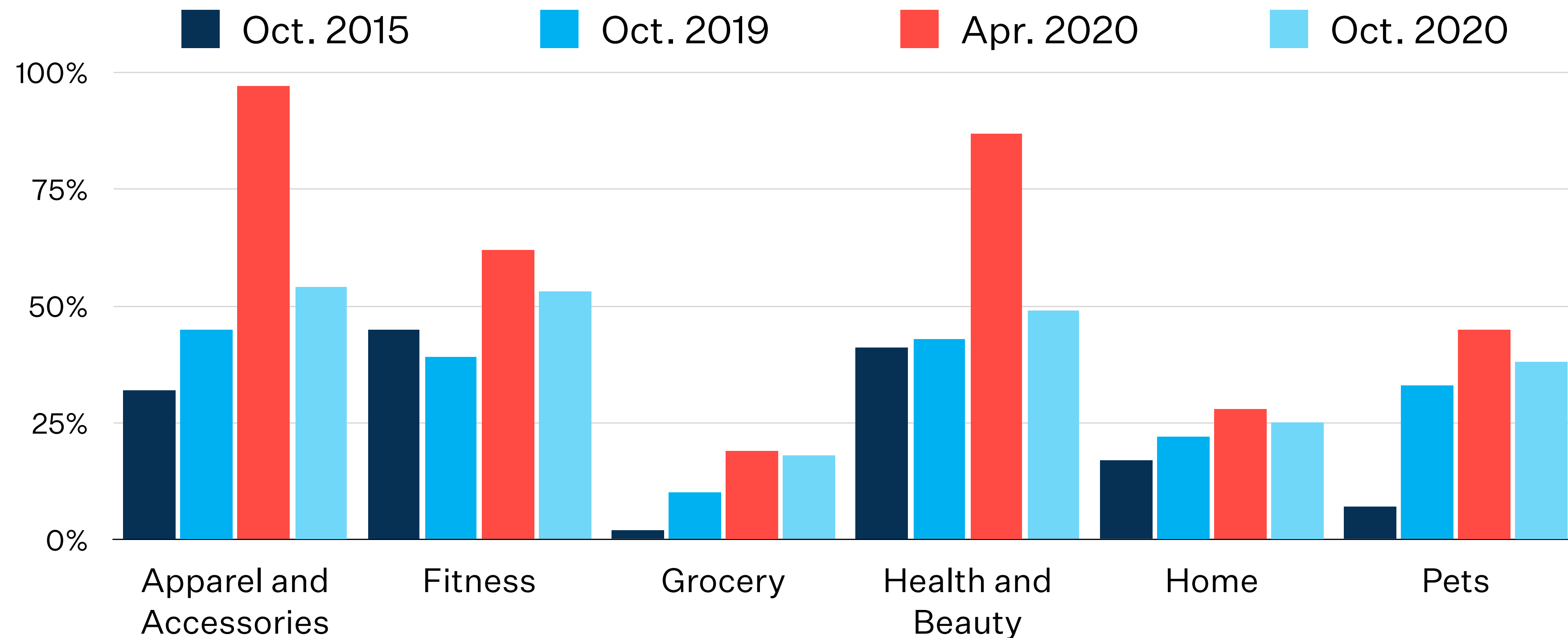
believe **brands should help make people's lives better**

7

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



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

**Consumer Trends  
Expanded Edition:**  
[newconsumer.com/trends](http://newconsumer.com/trends)

**Questions or feedback:**  
[dan@newconsumer.com](mailto:dan@newconsumer.com)