REPORT

COVID-19 Food Industry Impact

Food industry spending analysis in the face of a pandemic

April 23, 2020
Focused on the food industry, this is the second of a series of reports that will be looking at retail sector spending trends in the face of a pandemic. 1010data, a leader in analytical intelligence and provider of consumer transaction data to hedge funds, other asset managers, retailers & CPG organizations provides an analysis derived from their proprietary data sets surrounding COVID-19 and its impact on retail.
Our prior report, found here, focused on the first wave of industries hit by the outbreak of COVID-19: travel and retail. Travel spending began its decline in February, and retail spending was increasing in early March as stocking up on essentials was still outpacing the decrease in discretionary spend.

Restaurants were conspicuously absent in the report. Two weeks into March, there was no dramatic, national story. Restaurant spend was relatively unchanged from recent trends.
Over the next week, governors began to ban in-restaurant eating, and the response was instant. **Sales were down 30% in the first week. After two weeks, they were down 45%**. The deceleration stopped in the third week, but the damage was done. In less than three weeks, the restaurant industry **bottomed out at almost 50% below prior year levels**. Americans rapidly changed the way they purchased food. In this report, we will dig into the changes happening across restaurants, food delivery, and grocery stores to examine the new food economy.

For further detail on any of the charts in this report, visit [1010data.com/covid-19/](http://1010data.com/covid-19/)
Nationwide Impact

With national sales down almost 50% due to the shutdown, there were not any winners. However, the Northeast was impacted the hardest with seven of the ten worst performing states.
The best performing states were in the Midwest, and they still saw a 30-40% sales decline year over year. Even if their falls have not been as extreme as the Northeast, the cadence has been very similar.
All Restaurant Service Types Impacted

Just like the regional view, winner is now a relative term. The less reliant a restaurant is on the dining-in experience, the more resilient the spend has been. Fast food restaurants have plateaued at a 30% decline, but fine dining is down almost 90%.
Examining the average check size tells a deeper story. **Fast food and fast casual tickets are up around 20%, while casual dining and fine dining tickets are down 10-25%**. There are a few possible explanations. Fast food and fast casual could be seeing an increase in the number of people per ticket if a workday lunch purchase has become a family stay at home lunch. Casual dining and fine dining could be seeing the decreased impact of alcohol on ticket prices. **Tipping and delivery fees, though, seem to play a key part.** The fast food and fast casual dining increases are right around a “standard” delivery fee or tip to the driver of $2 - $5. Casual dining’s 12% fall matches the impact of not tipping somewhat offset by a delivery fee, and fine dining shows the heavier impact of lost alcohol sales and no tipping.
Delivery is Thriving

While restaurants are suffering in their dining rooms, the business of delivering their food is booming. Other than a brief dip in mid-March as shoppers flocked to grocery stores, companies like Grubhub, Uber Eats, and DoorDash have grown thanks to both an increase in frequency from loyal shoppers and a flood of new users.
We looked at food delivery customers who ordered between January 1 and March 21, 2020. On average, they were ordering once every 13 days. That same group of customers has been ordering once every 6 days since then, or more than twice as often.

New customer acquisition has also been rapid. The delivery companies are adding almost twice as many new users per week than they were in January and February.
Cooking at Home is Winning

With restaurant sales dropping, grocery stores have taken back share of Americans’ food budget.
However, people aren’t flocking to stores to make their purchases. Grocery store traffic peaked in the week following President Trump’s Oval Office Address at 10% above January and February levels. **Spending**, however, **spiked up 80% in that same week**. Traffic has now stabilized about 30% below those averages while spend is about 10% above.
What accounts for that gap? Bigger purchases and grocery delivery.

In January and February, grocery baskets using credit and debit cards averaged $48. By the end of March, baskets were up 40% to $66 and continue to creep up.
Some of that basket change is a mix shift due to the growth in online shopping. Throughout 2019, Kroger’s average online order was 40% higher than in-store purchases. However, in-store purchases caught up in March 2020 and were only 10% below online levels.
Just like restaurant food delivery, the companies that deliver groceries are experiencing record growth. The only difference? Grocery delivery is even stronger. The potential for permanent customers is also very real — in 2019, almost half of Instacart’s new customers used the platform again within the next three months, and more than 20% were still active customers within six months.

**WHAT’S NEXT?**

As restaurant declines stabilize, we will be tracking changes to see when consumers start dining out again. Follow 1010data for check-ins on the industries mentioned in this report and others at: [1010data.com/covid-19/](http://1010data.com/covid-19/)
1010DATA METHODOLOGY

This report was built using 1010data’s panel of US consumer transactions that tracks the credit and debit card spending of 5 million US consumers. These findings are not adjusted for cash transactions or store credit spend. All findings presented in this report relate to this panel of consumers and is not an attempt to reflect the behavior of all US consumers.

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