The Consumer Connect Index (CCI) is intended to monitor consumers’ financial health and their purchase behavior in terms of brand loyalty, attitudes toward organic/natural food and beverages, perception of national vs. store brands, and frequency of using retailer and manufacturer coupons.

CCI uses the data collected through the Consumer Connect Survey every quarter, which is benchmarked to Q1 2019 (indexed at 100).

Higher CCI index means that consumers have better financial health, are more loyal to certain brands in each category, give higher importance to organic/natural food and beverages, have better perception toward national brands, and use retailer and manufacturer coupons less frequently.
Executive Summary

Despite a healthy start in January, consumer confidence is down slightly in Q1 2019, evidenced by slower sales in February and March.

The U.S. economy grew in Q1 2019, but nearly half the U.S. population experiences financial difficulties and sacrifices to make ends meet.

Edible sales outperformed in January; however, the growth was slower than the industry average. February and March was softer.

Storewide category sales trends are mixed; beverage and liquor were top-performing edible departments in Q1.

West and Plain regions tops for edible growth in Q1, followed by Southeast and Mid-South.

Edible sales for Gen Xers and millennials outperformed compared to other generations. Among income groups, high-income households performed better than others.

Sustainably marketed products demonstrate strong growth; consumer adoption of plant-based foods continues.
Consumer Confidence Dips Slightly in Q1 2019

Consumer Connect Index
(Total)
Q1 Food Inflation Was Softer Compared to Previous Quarters

Nonalcoholic Beverages, Fruits and Vegetables Experienced Significant Increases

Quarterly Inflation Rate vs. Prior Year
2018-2019

<table>
<thead>
<tr>
<th>Item</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
<th>Q4 2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL ITEMS</td>
<td>2.2%</td>
<td>2.7%</td>
<td>2.6%</td>
<td>2.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Food at Home</td>
<td>0.6%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Cereal and Cereal Products</td>
<td>-1.2%</td>
<td>-0.2%</td>
<td>-0.3%</td>
<td>-0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Dairy</td>
<td>-1.2%</td>
<td>-0.2%</td>
<td>-0.4%</td>
<td>0.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Eggs</td>
<td>9.8%</td>
<td>19.6%</td>
<td>13.8%</td>
<td>1.4%</td>
<td>-5.7%</td>
</tr>
<tr>
<td>Fats/Oils</td>
<td>1.1%</td>
<td>0.1%</td>
<td>-0.3%</td>
<td>-0.4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Fruits and Vegetables</td>
<td>3.0%</td>
<td>0.0%</td>
<td>1.0%</td>
<td>0.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Meats</td>
<td>1.8%</td>
<td>1.3%</td>
<td>-0.5%</td>
<td>-0.9%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Nonalcoholic Beverages</td>
<td>-0.3%</td>
<td>-0.8%</td>
<td>-0.2%</td>
<td>1.1%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Sugar/Sweets</td>
<td>1.3%</td>
<td>0.4%</td>
<td>-0.6%</td>
<td>0.3%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: Food Institute
The U.S. economy grew at a faster pace than expected in the first quarter and posted its best growth to start a year in four years.**

Exports rose 3.7% in the first quarter, while imports decreased by 3.7%.**

Economic growth also got a lift from strong investments in intellectual property products. Those investments expanded by 8.6%.**

The data is the first look at how the economy fared during the longest government shutdown in history.**
Strong Q1 CPG Sales Start Weakens

Total CPG

Monthly Dollar Sales Change

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>-0.2%</td>
<td>3.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Feb.</td>
<td>1.8%</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td>-0.4%</td>
<td>2.2%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage™, Jan.–Mar. 2019 and same periods prior two years; MULOC

Monthly Unit Sales Change

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>-1.1%</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Feb.</td>
<td>-1.2%</td>
<td>0.7%</td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td>-2.3%</td>
<td>-2.4%</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage™, Jan.–Mar. 2019 and same periods prior two years; MULOC
Older Millennials, Lower- and Middle-Income Consumers Are Embracing a Wide Variety of Money-Saving Tactics

**Shopping Journey Money-Saving Preparations**

### By Income

- **Buy Private Label options**
  - < $35,000: 85%
  - $35K-$99.9K: 84%
  - > $100K: 77%

- **Try new, lower-priced brands**
  - < $35,000: 78%
  - $35K-$99.9K: 70%
  - > $100K: 64%

- **Visit multiple retailers**
  - < $35,000: 63%
  - $35K-$99.9K: 54%
  - > $100K: 54%

- **Download coupons from a retailer/manufacturer website**
  - < $35,000: 48%
  - $35K-$99.9K: 54%
  - > $100K: 53%

- **Compare prices on area retailers’ websites**
  - < $35,000: 44%
  - $35K-$99.9K: 51%
  - > $100K: 43%

### By Generation

- **Buy Private Label options**
  - Younger Millennial: 74%
  - Older Millennial: 88%
  - Younger Boomers: 87%
  - Gen X: 79%
  - Older Boomers: 77%

- **Try new, lower-priced brands**
  - Younger Millennial: 80%
  - Older Millennial: 73%
  - Younger Boomers: 79%
  - Gen X: 69%
  - Older Boomers: 70%

- **Visit multiple retailers**
  - Younger Millennial: 59%
  - Older Millennial: 54%
  - Younger Boomers: 46%
  - Gen X: 57%
  - Older Boomers: 57%

- **Download coupons from a retailer/manufacturer website**
  - Younger Millennial: 52%
  - Older Millennial: 56%
  - Younger Boomers: 48%
  - Gen X: 39%
  - Older Boomers: 33%

- **Compare prices on area retailers’ websites**
  - Younger Millennial: 32%
  - Older Millennial: 49%
  - Younger Boomers: 52%
  - Gen X: 44%
  - Older Boomers: 52%

Source: IRI Consumer Connect™, Q1 2019
Edibles Spending Has Largely Been Positive Across Income Segments

Edible Dollar Sales % Chg. vs. YA
By Household Income

Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, Quad Week Data Ending Mar 24, 2019, and preceding, NBD aligned
Younger Millennials Outspending Older Cohorts; Older Boomers and Retirees Struggled in Q1

Edible Dollar Sales % Chg. vs. YA
By Generation

Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, Quad Week Data Ending Mar 24, 2019, and preceding, NBD aligned
Edible Trips and Per-Trip Spending Was Mostly Positive in 2018, Driving Dollar Growth in Latest 52 Weeks

Edible Trips and Spending % Chg. vs. YA

Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, Quad Week Data Ending Mar 24, 2019, and preceding, NBD aligned
Edible Sector Outperformed in January, But Growth Was Softer in Subsequent Months

Total Edible

**Monthly Dollar Sales Change**

- **Jan. 2017:** -0.7%
- **Jan. 2018:** 3.1%
- **Jan. 2019:** 4.8%
- **Feb. 2017:** -0.2%
- **Feb. 2018:** 2.1%
- **Feb. 2019:** 0.5%
- **Mar. 2017:** -1.3%
- **Mar. 2018:** 2.6%
- **Mar. 2019:** 0.9%

**Monthly Unit Sales Change**

- **Jan. 2017:** -1.4%
- **Jan. 2018:** 1.4%
- **Jan. 2019:** 2.1%
- **Feb. 2017:** -1.1%
- **Feb. 2018:** 0.9%
- **Feb. 2019:** -2.1%
- **Mar. 2017:** -3.0%
- **Mar. 2018:** 1.4%
- **Mar. 2019:** -1.7%

Source: IRI Market Advantage™, Jan.–Mar. 2019 and same periods prior two years; MULOC
Produce and Meat Posted Decline in Pounds, Placing Downward Pressure on the Whole Sector in Q1

By Department

Produce and Meat posted decline in pounds, placing downward pressure on the whole sector in Q1.

### Perimeter Sales % of Dollar Sales

- **Produce**: 44%
- **Meat**: 28%
- **Deli Prepared**: 9%
- **Bakery**: 13.6%
- **Deli Cheese**: 2%
- **Seafood**: 5%

### Perimeter Sales Q1 Performance vs. YA

<table>
<thead>
<tr>
<th>Department</th>
<th>Dollar Sales % Chg. vs. YA</th>
<th>Pounds % Chg. vs. YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perimeter</td>
<td>1.7%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Produce</td>
<td>1.0%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Meat</td>
<td>0.5%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>3.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Bakery</td>
<td>13.6%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Deli Meat</td>
<td>1.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Seafood</td>
<td>3.8%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Deli Cheese</td>
<td>0.4%</td>
<td>-2.0%</td>
</tr>
</tbody>
</table>

Source: IRI FreshLook™ for Market Advantage™, MULOC, Q1 2019 and same period prior year
Bakery Department Posted Strong Dollar Growth, Followed by Seafood and Deli Prepared

Monthly Dollar Sales Change By Department

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deli Cheese</td>
<td>1.0%</td>
<td>-0.9%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Deli Meat</td>
<td>3.8%</td>
<td>-0.6%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>1.0%</td>
<td>1.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Bakery</td>
<td>-1.6%</td>
<td>-1.6%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Meat</td>
<td>3.8%</td>
<td>0.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Produce</td>
<td>3.0%</td>
<td>2.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Seafood</td>
<td>11.3%</td>
<td>8.7%</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

Source: IRI FreshLook™ for Market Advantage™, MULOC, Jan.–Mar. 2019 and same periods prior year
Pound Growth Trends Are Also More Favorable in Deli Prepared and Bakery Departments Versus Year Ago

Monthly Pound Sales Change
By Department

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deli Cheese</td>
<td>1.3%</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Deli Meat</td>
<td>-1.5%</td>
<td>-1.4%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>6.0%</td>
<td>3.2%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Bakery</td>
<td>-3.4%</td>
<td>-2.7%</td>
<td>-2.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deli Cheese</td>
<td>2.4%</td>
<td>-2.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Deli Meat</td>
<td>-1.1%</td>
<td>-0.1%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>5.3%</td>
<td>7.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Bakery</td>
<td>-10.7%</td>
<td>-7.8%</td>
<td></td>
</tr>
</tbody>
</table>

Source: IRI FreshLook™ for Market Advantage™, MULOC, Jan.–Mar. 2019 and same periods prior year
Bakery Department in Particular Has Steady Dollar Growth Within Grocery Channel Driven by Price

Monthly Dollar Sales Change by Department

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deli Cheese</td>
<td>4.8%</td>
<td>0.6%</td>
<td>0.5%</td>
<td>-1.0%</td>
<td>-1.5%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Deli Meat</td>
<td>3.6%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>-0.1%</td>
<td>-1.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>1.2%</td>
<td>3.7%</td>
<td>2.1%</td>
<td>1.6%</td>
<td>1.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Bakery</td>
<td>5.1%</td>
<td>3.2%</td>
<td>4.1%</td>
<td>-2.1%</td>
<td>-1.6%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Meat</td>
<td>2.5%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>-0.3%</td>
<td>-2.2%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Produce</td>
<td>2.8%</td>
<td>2.0%</td>
<td>3.3%</td>
<td>-1.5%</td>
<td>-0.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Seafood</td>
<td>3.5%</td>
<td>11.0%</td>
<td>8.5%</td>
<td>-6.0%</td>
<td>-4.8%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Source: IRI FreshLook™ for Market Advantage™, Food, Jan.–Mar. 2019 and same periods prior year
Perimeter Pound Growth Has Slowed Versus Year Ago Across Most Sectors

Monthly Pound Sales Change
By Department

**Deli Cheese**
- Jan. 2019: -0.9%
- Feb. 2019: 1.1%
- Mar. 2019: 0.3%
- Jan. 2018: -2.7%
- Feb. 2018: -2.7%
- Mar. 2018: -2.7%

**Deli Meat**
- Jan. 2019: -0.9%
- Feb. 2019: -1.4%
- Mar. 2019: 1.3%
- Jan. 2018: 2.1%
- Feb. 2018: 1.0%
- Mar. 2018: -0.3%

**Deli Prepared**
- Jan. 2019: -4.3%
- Feb. 2019: 2.9%
- Mar. 2019: 0.9%
- Jan. 2018: 2.7%
- Feb. 2018: 1.7%
- Mar. 2018: -0.9%

**Bakery**
- Jan. 2019: -4.9%
- Feb. 2019: -3.9%
- Mar. 2019: -3.8%
- Jan. 2018: 0.2%
- Feb. 2018: 1.6%
- Mar. 2018: 0.7%

**Meat**
- Jan. 2019: -3.4%
- Feb. 2019: -3.6%
- Mar. 2019: -0.9%
- Jan. 2018: -5.1%
- Feb. 2018: -3.0%
- Mar. 2018: -1.0%

**Produce**
- Jan. 2019: -3.0%
- Feb. 2019: -1.6%
- Mar. 2019: -3.3%
- Jan. 2018: -3.5%
- Feb. 2018: -2.7%
- Mar. 2018: -0.4%

**Seafood**
- Jan. 2019: 5.3%
- Feb. 2019: 6.9%
- Mar. 2019: 2.7%
- Jan. 2018: 11.4%
- Feb. 2018: 9.2%
- Mar. 2018: 0.4%

*Source: IRI FreshLook™ for Market Advantage™, Food, Jan.–Mar. 2019 and same periods prior year*
In the Latest 13 Weeks, West and Plains Displayed Stronger Dollar Growth Compared With Other Regions

Region Trends
Edible

<table>
<thead>
<tr>
<th>Region</th>
<th>13wk $ Sales ($MM)</th>
<th>4wk % Chg. YA</th>
<th>13wk % Chg. YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>$14,583</td>
<td>2.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Plains</td>
<td>$9,187</td>
<td>1.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>$18,408</td>
<td>0.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Midwest</td>
<td>$17,277</td>
<td>1.4%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Southeast</td>
<td>$20,701</td>
<td>1.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Northeast</td>
<td>$19,824</td>
<td>-1.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Midwest</td>
<td>$15,997</td>
<td>0.2%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage™, Latest 13 Week & Latest 4 Week Ending Mar 24, 2019, MULOC Regions
Consumers Look for Cleaner and Healthier Products

While Striving to Reduce Their Impact on the Planet

More than 5 in 10*
Say their ideal meal would consist of more plant-based foods

Nearly 8 in 10 U.S. Millennials**
Eat meat alternatives, compared to more than half of non-millennials

77%*
Are always looking for new ways to live a healthier life

One-Third of U.S. Millennials**
Are trying to eat a more plant-based diet, compared to more than one-quarter of non-millennials

Nearly 6 in 10 U.S. Consumers**
Are interested in eating less meat, rising to two-thirds of older millennials

78%*
Say sustainable sourcing of ingredients in an important product attribute

---

*Source: Private Brand Daymon PB Intelligence Report 2019 What’s Next in Innovation April-2019 Report
**Source: https://www.mintel.com/blog/consumer-market-news/what-consumers-really-think-about-meat-alternatives
Products Marketed as Sustainable Are Driving Not Only Product Growth but Also Total Category Growth

$ Share of Market 2018
- 83.4% Conventional Products
- 16.6% Sustainably Marketed Products

$ Share of Market Growth 2013-2018
- 49.9%
- 50.1%

Based on 36 Product Categories Examined

• Across all categories, sustainably marketed products delivered $113.9 billion in sales in 2018, 29% growth vs. 2013, and are expected to grow to $140.5 billion by 2023.

• Research conducted by IRI and NYU’s Stern Center for Sustainable Business found that sustainably marketed products delivered 50.1% of market growth from 2013-2018 while representing 16.6% of the CPG market in dollar sales in 2018.

*The total value of sustainably marketed products is estimated, based on the actual sales of 36 product categories, representing approximately 40% of the total market in measured channels, excluding alcohol and tobacco.

Source: IRI and NYU Stern Center for Sustainable Business
New Movement Emerging: Plant-Based Eating

Plant-Centric Category Adoption Rate

• A new movement is emerging that promises to take the focus on plant power to the next level. Not only are consumers embracing plant-based eating, they are beginning to look to the power of plants for products that do more — for their bodies, their families, the environment and the world. This fundamental shift can be attributed to the new mindful mindset of the shopper.

• The rate of consumer acceptance of plant-centric products across the store is increasing rapidly, going from just a handful of categories in 2014 to more than 90 categories, well on the path toward reaching peak household penetration, and more than $13 billion in cumulative sales in 2018.

Source: Private Brand Daymon PB Intelligence Report 2019 What’s Next in Innovation April-2019 Report
Plant-Based Buyers Tend to Skew Toward Millennials, Upper Income and Acculturated Hispanic Households

### Buyer Index by Demographic Group

<table>
<thead>
<tr>
<th>Category</th>
<th>Acculturated Hispanics</th>
<th>Millennials</th>
<th>High Income*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yogurt</td>
<td>130</td>
<td>128</td>
<td>166</td>
</tr>
<tr>
<td>Salad Dressings</td>
<td>126</td>
<td>135</td>
<td>136</td>
</tr>
<tr>
<td>Protein Bars &amp; Supplements</td>
<td>128</td>
<td>124</td>
<td></td>
</tr>
<tr>
<td>Meat Substitutes</td>
<td>116</td>
<td>120</td>
<td>146</td>
</tr>
<tr>
<td>Mayonnaise</td>
<td>120</td>
<td>127</td>
<td>134</td>
</tr>
<tr>
<td>Ice Cream/Sherbet</td>
<td>123</td>
<td>123</td>
<td>118</td>
</tr>
<tr>
<td>FZ Novelties</td>
<td>114</td>
<td>122</td>
<td>135</td>
</tr>
<tr>
<td>FZ Meals</td>
<td>120</td>
<td>110</td>
<td>136</td>
</tr>
<tr>
<td>Cream/Creamers</td>
<td>113</td>
<td>106</td>
<td>116</td>
</tr>
<tr>
<td>Cheese</td>
<td>130</td>
<td>130</td>
<td>150</td>
</tr>
<tr>
<td>Milk</td>
<td>116</td>
<td>124</td>
<td>110</td>
</tr>
</tbody>
</table>

Average Index = 100  
High Index = > 120  
Low Index = 80 and under

Note: Plant-based categories without sufficient sample size were omitted.  
*Upper Income (>=$70K 1P + $30K all others)  
Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, 52 Weeks ending Sept. 09, 2018
More Info?

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