CONSUMER CONFIDENCE IMPACTS NON-FOOD SALES

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Vice President, Content and Thought Leadership

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Major Components Impacting Non-Food Sector

- Consumers are confident in Q2 2019
- Fear of recession impacted spending, savings
- Deal seeking behavior remains strong, but down from year ago
- National brand non-edibles growth outpaces private brands; premium brand sales hold potential
- Sustainable, clean label may drive growth of beauty and personal care products
U.S. Consumer Confidence Soars in Q2 2019 Despite Trade and Tariff Tensions

![Consumer Connect Index (Total)](chart)
Consumers Feel Their Household’s Financial Health is Better in Q2 2019; More than Half Make Ends Meet Rather Easily

Source: IRI Consumer Connect™, Q2 2018 & Q2 2019

<table>
<thead>
<tr>
<th>Statement</th>
<th>Q2 2018</th>
<th>Q2 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>My household's financial health is good</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>My household's financial health will improve in the next six months</td>
<td>68%</td>
<td>65%</td>
</tr>
<tr>
<td>My household is making ends meet rather easily</td>
<td>51%</td>
<td>52%</td>
</tr>
<tr>
<td>My household can easily afford needed groceries</td>
<td>73%</td>
<td>71%</td>
</tr>
</tbody>
</table>
Economic Outlook is Encouraging, With Low Unemployment; Steady Inflation Not Rocked by Volatile Gas and Food Prices

<table>
<thead>
<tr>
<th>Economic Measure</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong></td>
<td>4.4%</td>
<td>4.0%</td>
<td>2.7%</td>
<td>4.2%</td>
<td>5.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>(% chg.)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>6.2%</td>
<td>5.3%</td>
<td>4.9%</td>
<td>4.4%</td>
<td>3.9%</td>
<td>3.6%</td>
</tr>
<tr>
<td>(% Seasonally Adjusted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consumer Price Inflation</strong></td>
<td>1.6%</td>
<td>0.1%</td>
<td>1.3%</td>
<td>2.1%</td>
<td>2.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td>(% Chg.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retail Sales</strong></td>
<td>4.2%</td>
<td>2.6%</td>
<td>2.9%</td>
<td>4.7%</td>
<td>4.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>(% Chg.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Residential Permits</strong></td>
<td>4.2</td>
<td>4.7</td>
<td>4.8</td>
<td>5.1</td>
<td>5.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Total (millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Forecast Data
Source: Moody’s
Big picture: Americans resumed spending after sluggish end of 2018 and slow start to 2019. Consumers are buoyed by low unemployment and steady interest rates.

Retail sales
Change from previous month, seasonally adjusted

Sales at U.S. retailers rose solidly in June for the fourth month in a row, pointing to a strong rebound in consumer spending in the second quarter.

Internet retailers led the way in retail sales with a 1.7% increase in sales.

Sales also rose at restaurants, grocers, home-furnishing stores, clothing outlets, home centers and pharmacies.

Department store sales fell 1.1%, continuing to lose sales to internet rivals.

Gas station receipts dropped 2.8% due to lower fuel costs rather than economizing consumers.

CPG Dollar Growth Driven By Price Outperformed in April, but Softened in Subsequent Months; CPG Units Struggling

Monthly Dollar Sales Change
Total CPG, Total Store

Monthly Unit Sales Change
Total CPG, Total Store

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

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Non-Edible Spending Slowed After April with the Concern that U.S. Could Enter Recession in the Coming Year; Unit Sales Down for Quarter

### Monthly Dollar Sales Change
**Total Non-Edible, Total Store**

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr</td>
<td>1.3%</td>
<td>1.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>May</td>
<td>1.2%</td>
<td>0.9%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Jun</td>
<td>0.2%</td>
<td>1.2%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

### Monthly Unit Sales Change
**Total Non-Edible, Total Store**

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr</td>
<td>-0.2%</td>
<td>-1.4%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>May</td>
<td>-0.8%</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Jun</td>
<td>-1.4%</td>
<td>1.2%</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

Source: IRI Market Advantage™, MULOC, Jan.–Jun. 2019 and same periods prior two years
Non-Edible Spending is Volatile but Largely Positive Among Millennials in Q2; Boomer Spending is Down

Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, Quad Week Data Ending Jun. 16, 2019 and preceding, NBD aligned
Spending is Down, But Savings Are Up; Consumers Work to Maintain Financial Stability in the Event of an Economic Downturn

The amount my household puts into savings has grown during the past six months:
- Q2 2018: 39%
- Q2 2019: 42%

During the next six months, I expect my household’s ability to save will increase:
- Q2 2018: 58%
- Q2 2019: 56%

Source: IRI Consumer Connect, Q2 2018 & Q2 2019
60% of High Income Households Increased Savings in Last Six Months; Generations Increase Savings at Similar Rates

**Savings has Grown in Past Six Months, By Income**

- **< $35,000**: 26%
- **$35K-$54.9K**: 39%
- **$55K-$99.9K**: 47%
- **> $100K**: 60%
- **Total Population**: 42%

**Savings has Grown in Past Six Months, By Generation**

- **Millennials**: 44%
- **GenX**: 44%
- **Boomers**: 40%
- **Seniors**: 44%
- **Total Population**: 42%

Source: IRI Consumer Connect, Q2 2019
General Merchandise, Health and Home Care has Shown Dollar Growth; Beauty is Flat and Tobacco Sales are Down in Q2

Monthly Dollar Sales Change by Department

**Beauty**
- April: 0.4% (2017), 2.9% (2018), 0.3% (2019)
- May: 2.0% (2017), -0.8% (2018), -1.5% (2019)
- June: 2.9% (2017), 0.5% (2018)

**General Merchandise**
- April: 2.2% (2017), 1.1% (2018), 4.4% (2019)
- May: 1.3% (2017), 2.2% (2018), 2.5% (2019)
- June: 0.3% (2017), 2.5% (2018), 2.1% (2019)

**Health Care**
- April: 0.2% (2017), 2.1% (2018), 4.8% (2019)
- May: 1.9% (2017), 2.6% (2018), 2.7% (2019)
- June: 0.6% (2017), 2.9% (2018)

**Home Care**
- April: 3.3% (2017), 2.1% (2018), 1.3% (2019)
- May: 1.6% (2017), 1.7% (2018), 1.8% (2019)
- June: 1.6% (2017), 2.4% (2018)

**Tobacco**
- April: 2.0% (2017), 1.1% (2018), 0.6% (2019)
- May: 1.4% (2017), 3.0% (2018), -1.4% (2019)
- June: 0.3% (2017), -0.8% (2018), 2.4% (2019)

Source: IRI Market Advantage™, MULOC, Jan.–Jun. 2019 and same periods prior two years
Spending on Non-edible National Brands Continues to Outpace Spending on Private Label Brands

Non-Edible Spending Dollars per Trip

Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, Quad Week Data Ending Jun. 16, 2019 and preceding, NBD aligned
However, Buying Store Brands Continues to be the Top Money-Saving Strategy

<table>
<thead>
<tr>
<th>Shopping Journey</th>
<th>Money-Saving Preparations (Total Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy Private Label options</td>
<td>Q2 2018: 84%</td>
</tr>
<tr>
<td>Try new, lower priced brands</td>
<td>Q2 2018: 73%</td>
</tr>
<tr>
<td>Visit multiple retailers</td>
<td>Q2 2018: 59%</td>
</tr>
<tr>
<td>Download coupons from a retailer/manufacturer website</td>
<td>Q2 2018: 53%</td>
</tr>
<tr>
<td>Compare prices on area retailers’ websites</td>
<td>Q2 2018: 53%</td>
</tr>
</tbody>
</table>

Source: IRI Consumer Connect™, Q2 2018 & Q2 2019
Consumers are Willing to Pay a Premium for Products Marketed as Sustainable

**Consumer Willingness to Pay a Premium for, Total Population**

- Environmentally friendly packaging: Q2 2018 - 22%, Q2 2019 - 25%
- Buy products from brands/manufacturers that are known to be “green”: Q2 2018 - 34%, Q2 2019 - 36%
- Anti-aging beauty care products: Q2 2018 - 24%, Q2 2019 - 22%
- Order online and receive a home delivery: Q2 2018 - 19%, Q2 2019 - 14%
- Order online and pick up in store: Q2 2018 - 11%, Q2 2019 - 10%

*Source: IRI Consumer Connect, Q2 2018 & Q2 2019*