Consumer Connect Q4 2018

CONSUMER CONFIDENCE REFLECTED IN E-COMMERCE GROWTH

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Content and Thought Leadership

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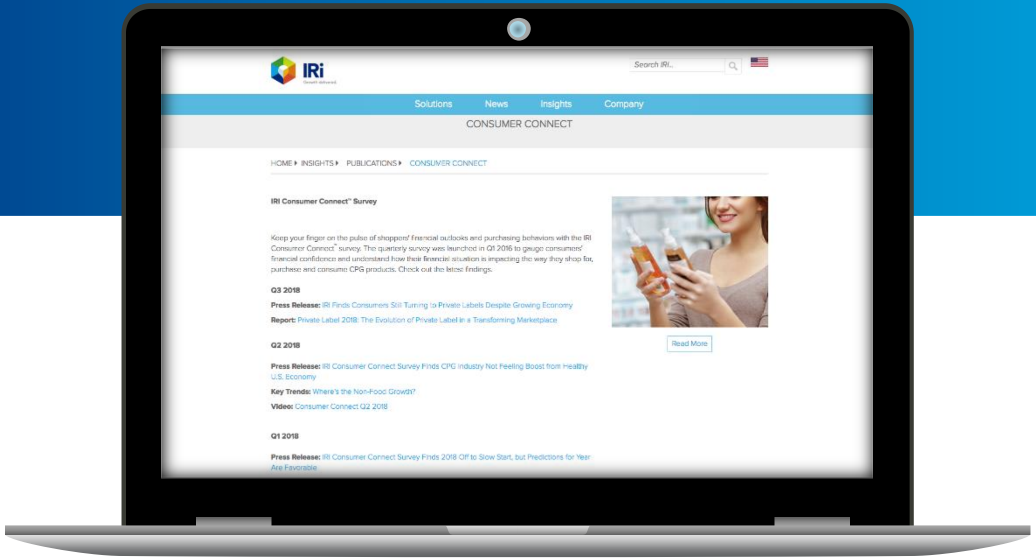
IRi
Growth delivered.

Consumer Connect Q4 2018

IRI's Consumer Connect Survey is published after each calendar quarter and reflects shoppers' reported economic health, as well as behaviors and attitudes toward purchasing and utilizing CPG and health care products.

For the most recent quarter, October – December 2018, we focus on respondents' e-commerce attitudes and behaviors. To review past Consumer Connect reports, click here.



Executive Summary

Consumer confidence has remained favorable over the past several years. Still, 30 percent of respondents to IRI's Consumer Connect Survey report they struggle financially.

Notably, **Gen Xers, followed by Millennials**, are the most likely to report they struggle to afford needed groceries. But these generations are increasingly working their way out of debt and into greater financial stability. Some 55 percent of total Consumer Connect Survey respondents report their households are in good financial shape, up 4 percentage points from Q3 2018.

While **2019 is off to a rocky start**, with a partial government shutdown and trade challenges attributed to tariffs, consumers at the close of 2018 were buoyed by their strong household financial health and were spending accordingly.

Hand-in-hand with consumer confidence is the **growing and evolving e-commerce channel**. Consumers are increasingly comfortable with online purchasing and retailers of all stripes are investing in their online offerings.

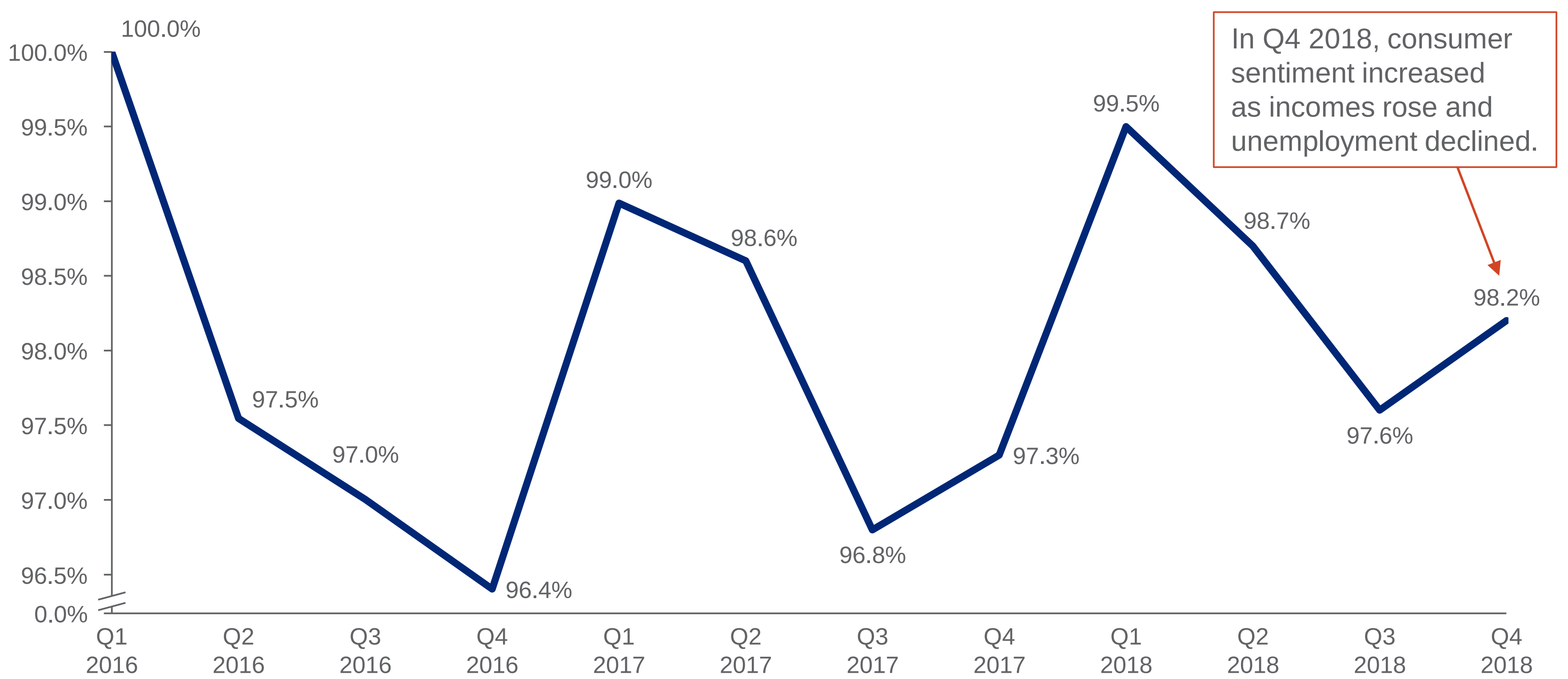
Non-food items, particularly personal care and home care products, are tops in online purchases. IRI E-Market Insights reports that vitamins, pet food and supplies, and skin care products are the top selling items.

Pure-play retailers garner well more than half of all online CPG purchases, but traditional brick-and-mortar retailers continue to invest and win share of the e-commerce pie.

Consumer Sentiment Is Up Nearly One Point Versus Q4 2017

However It Inched Up Marginally Since Q3 2017

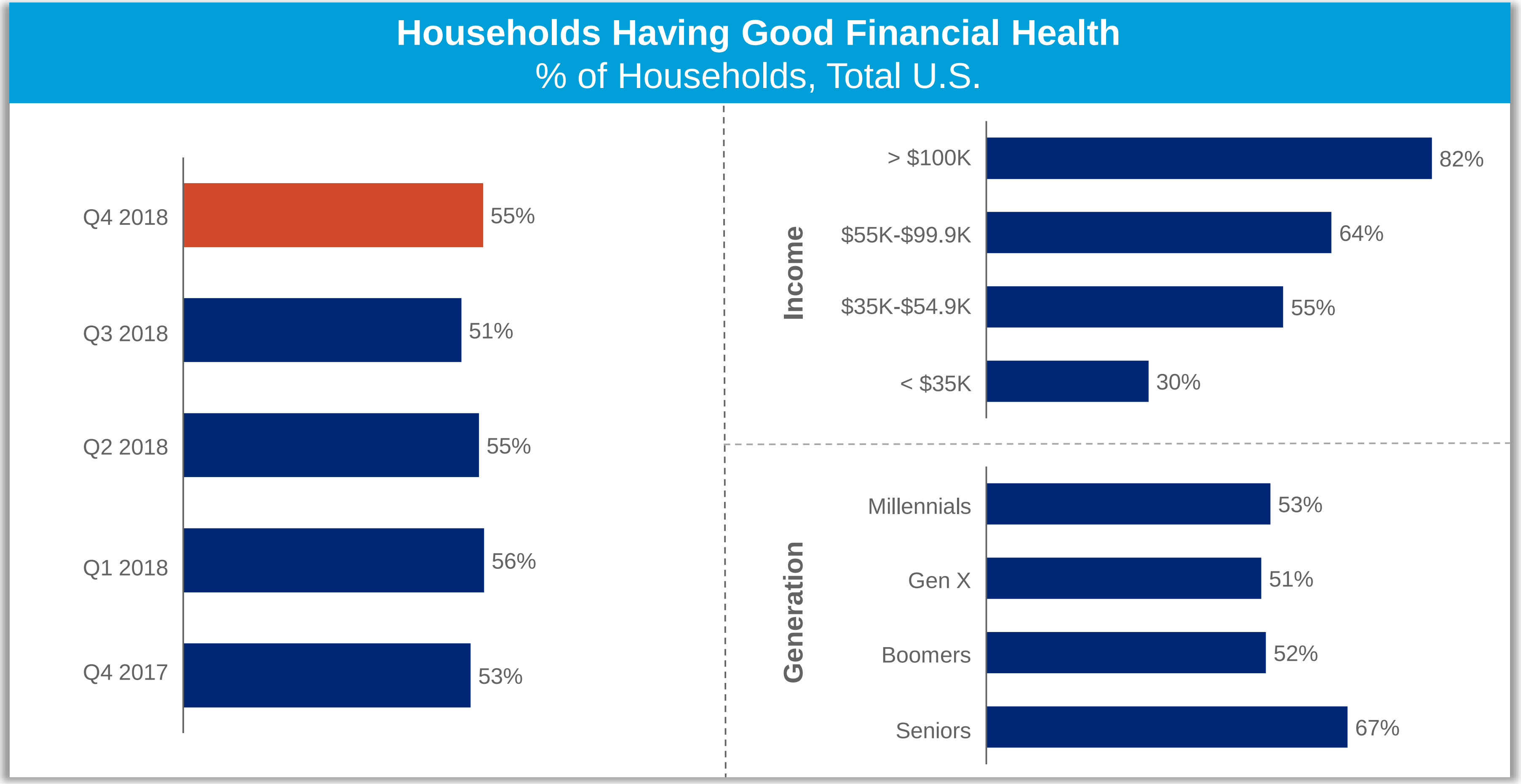
Consumer Sentiment Index
Total U.S.



Average = 100
Source: Consumer Connect™, Q4 2018

Fifty-five Percent of Consumers Report Their Financial Situation Is Healthy

Especially Seniors and High-income Households



Source: IRI Consumer Connect™, Q4 2018

Among Generations, Gen X Report Having the Most Difficulty Affording Needed Groceries, Followed by Millennials

30% of consumers have **difficulty** affording **needed groceries**

34% of Millennials

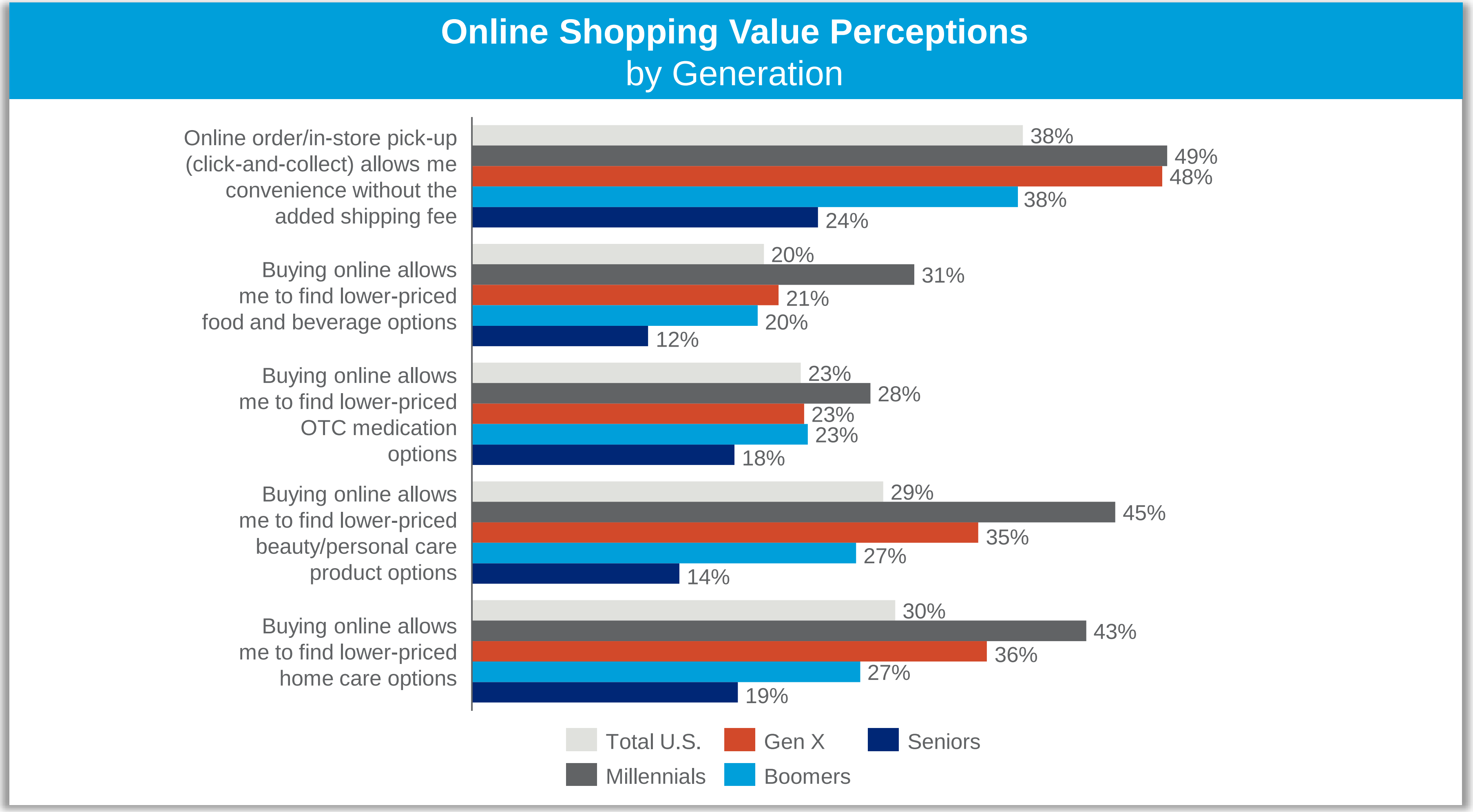
36% of Generation Xers

32% of Boomers

20% of Seniors

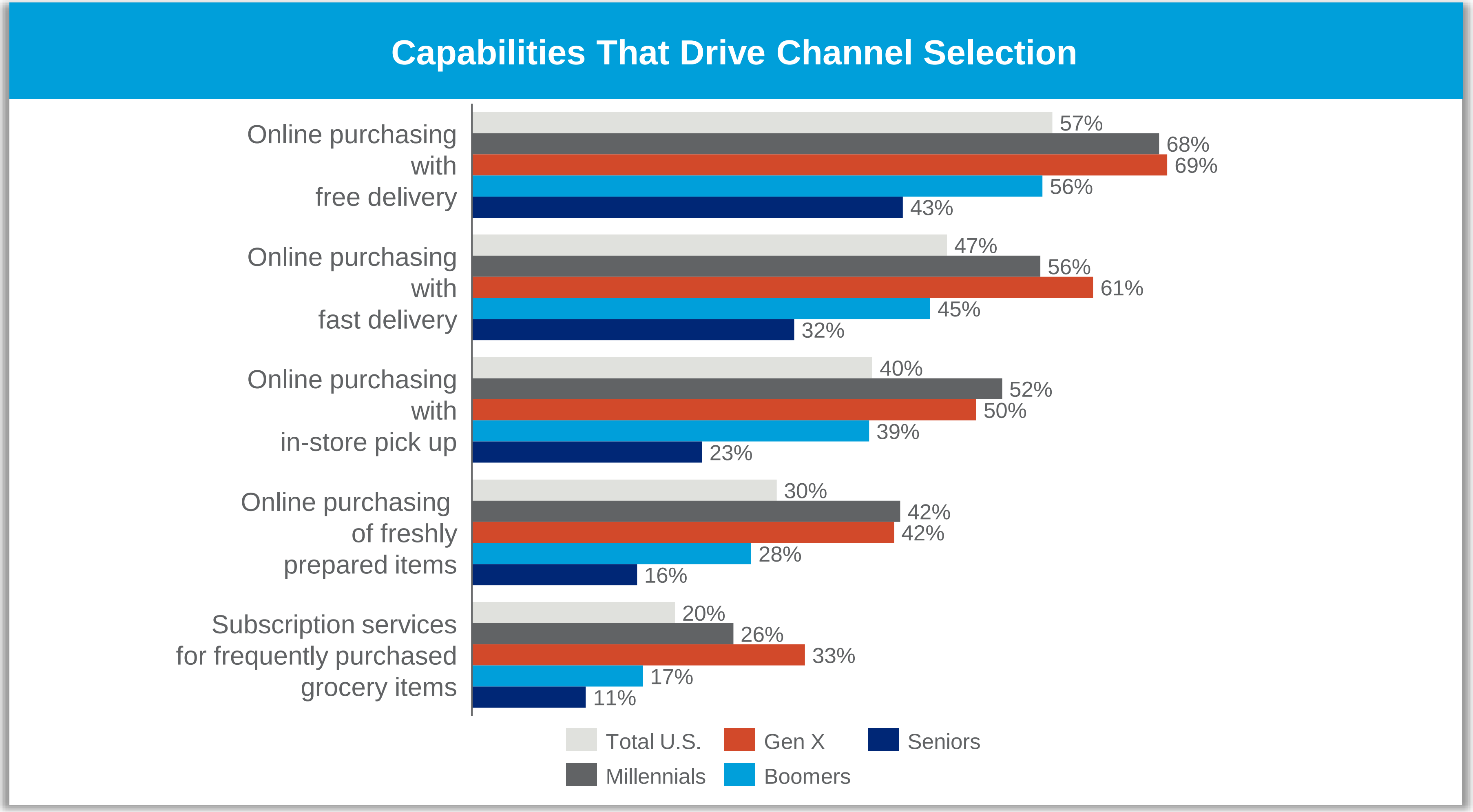
Source: Consumer Connect™, Q4 2018

Online Shopping to Save Money Is Increasingly Popular Among Millennials and Gen X Consumers



% of respondents, Top 2 Box Summary
Source: IRI Consumer Connect™, Q4 2018

In Addition to Convenience, Free and Fast Shipping Are Also Main Drivers for Online Shopping



% of respondents, Very/Important Summary
Source: IRI Consumer Connect™, Q4 2018

E-Commerce Sales Are Shining Star of CPG Omni-Channel Universe

$58.9 Billion E-Commerce CPG Sales
52 Weeks Ending 12/30/2018

35.4%
Increase from year ago

E-Commerce Sales are

11%
of total CPG Sales…

…but represent

64%
of total Omni-Channel Growth

Source: IRI E-Market Insights Dashboard, January 2019; the categories include the 145 releasable E-Commerce categories from IRI E-Market Insights; 52 weeks ending 12/30/2018.

Categories: Top, Bottom, and Growing

TOP

Top 10 E-Commerce Categories
by Dollar Sales

	Dollar Sales ($millions)	Dollar Sales % Change vs YA	E-Commerce Share of Omni-Channel Sales
Vitamins	$7,410.1	35%	49.9
Pet Supplies	$5,652.7	44%	56.3
Pet Food	$3,503.7	42%	23.1
Skin Care	$3,354.5	30%	46.0
Coffee	$2,232.9	26%	18.7
Weight Control	$1,907.1	24%	33.2
Cosmetics—Facial	$1,399.8	15%	39.6
Fragrances—Women's	$1,385.1	21%	67.4
Cosmetics—Eye	$963.9	23%	31.7
Hair Conditioner	$946.3	43%	29.9

Source: IRI E-Market Insights Dashboard, January 2019; sales are the sum of 145 tracked categories
Source: IRI Market Advantage, IRI E-Market Insights, latest 52 weeks ending 12/30/18

Categories: Top, Bottom, and Growing

GROWTH

E-Commerce Categories With the Most Growth
by Dollar Sales % Change

	Dollar Sales ($millions)	Dollar Sales % Change vs YA	E-Commerce Share of Omni-Channel Sales
Gastrointestinal—Liquid	$338.9	310%	23.1
Hot Cereal	$273.3	151%	17.2
Adult Incontinence	$359.1	84%	15.8
Lunches—Rfg.	$48.9	81%	2.0
Cold/Allergy/Sinus Tablets	$469.2	78%	9.1
Appetizers/Snack Rolls—Frozen	$48.5	77%	2.4
Breakfast Food—Frozen	$87.8	74%	2.6
Dough/Biscuit Dough—Rfg.	$31.2	74%	1.7
Baking Mixes	$62.9	72%	4.1
Cream Cheese/Cr Chs Spread	$38.4	70%	2.2

Source: IRI E-Market Insights Dashboard, January; sales are the sum of 145 tracked categories
Source: IRI Market Advantage, IRI E-Market Insights, latest 52 weeks ending 12/30/18

Traditional Brick-and-Mortar Retailers Need to Invest in Customer Experience Both Online and In-Store

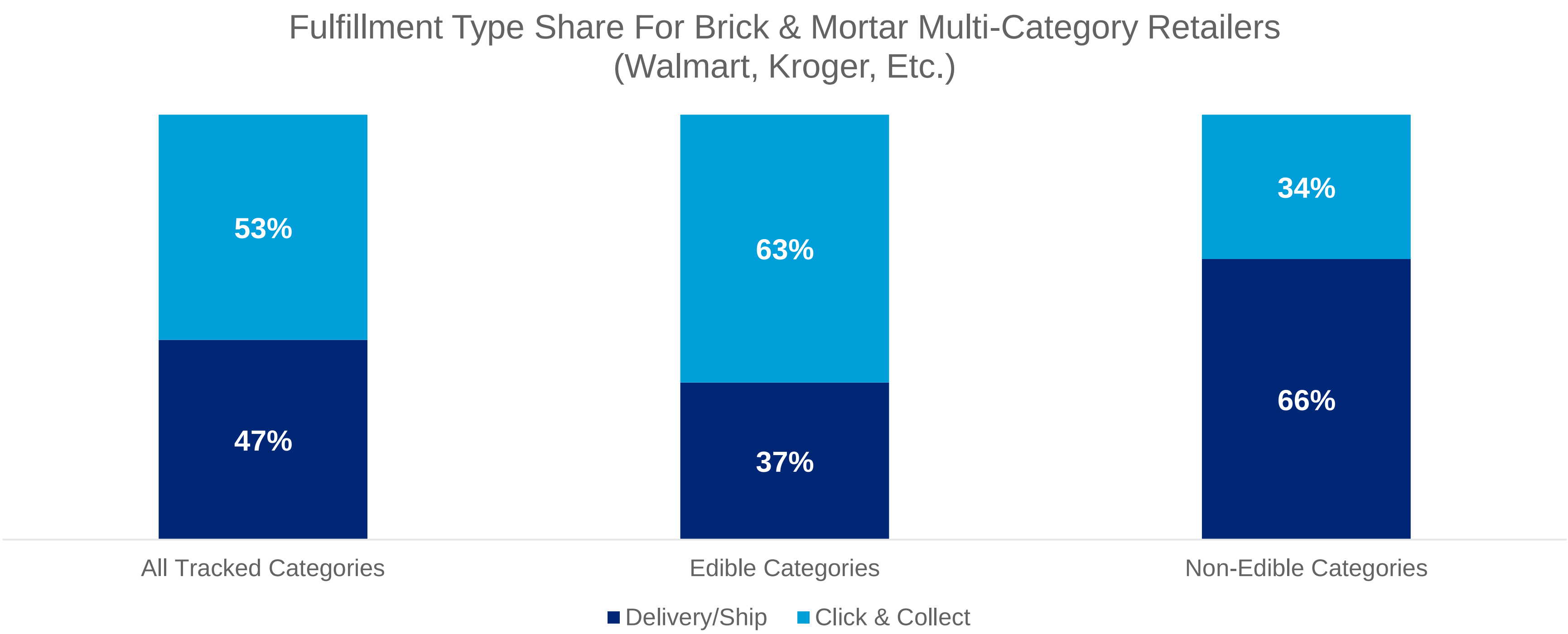
Channel	Dollar Sales ($millions)	% of Total E-Commerce
Total E-Commerce-RMA—E-Commerce	$58,618.3	100%
Online Multi-Category (ex. Amazon, Peapod, FreshDirect)	$32,226.8	55%
B&M Multi-Category (ex. Walmart, Kroger, CVS)	$11,421.0	19%
Online Specialty (ex. Chewy, Birchbox)	$4,965.1	8%
Brand / DTC (ex. Dollar Shave Club, Keurig, Lindt)	$2,439.8	4%
B&M Specialty (ex. Petco, Sephora)	$2,196.2	4%
Pure Marketplace (ex. eBay)	$894.7	2%
Meal Kits	$9.6	0%

Channel	Dollar Sales ($millions)	% of Total E-Commerce	% of B&M Multi-Category
B&M Multi-Category	**$11,421.0**	**19%**	**100%**
Mass	$4,259.4	7%	37%
Grocery	$2,120.5	4%	19%
Drug	$1,919.4	3%	17%
Club	$1,303.4	2%	11%
Dollar	$54.0	0%	0%

2018 CY, Sum of 145 Tracked E-Market Insights Categories

E-Commerce Sales Are Evenly Split Between Click & Collect and Delivery Fulfillment Methods

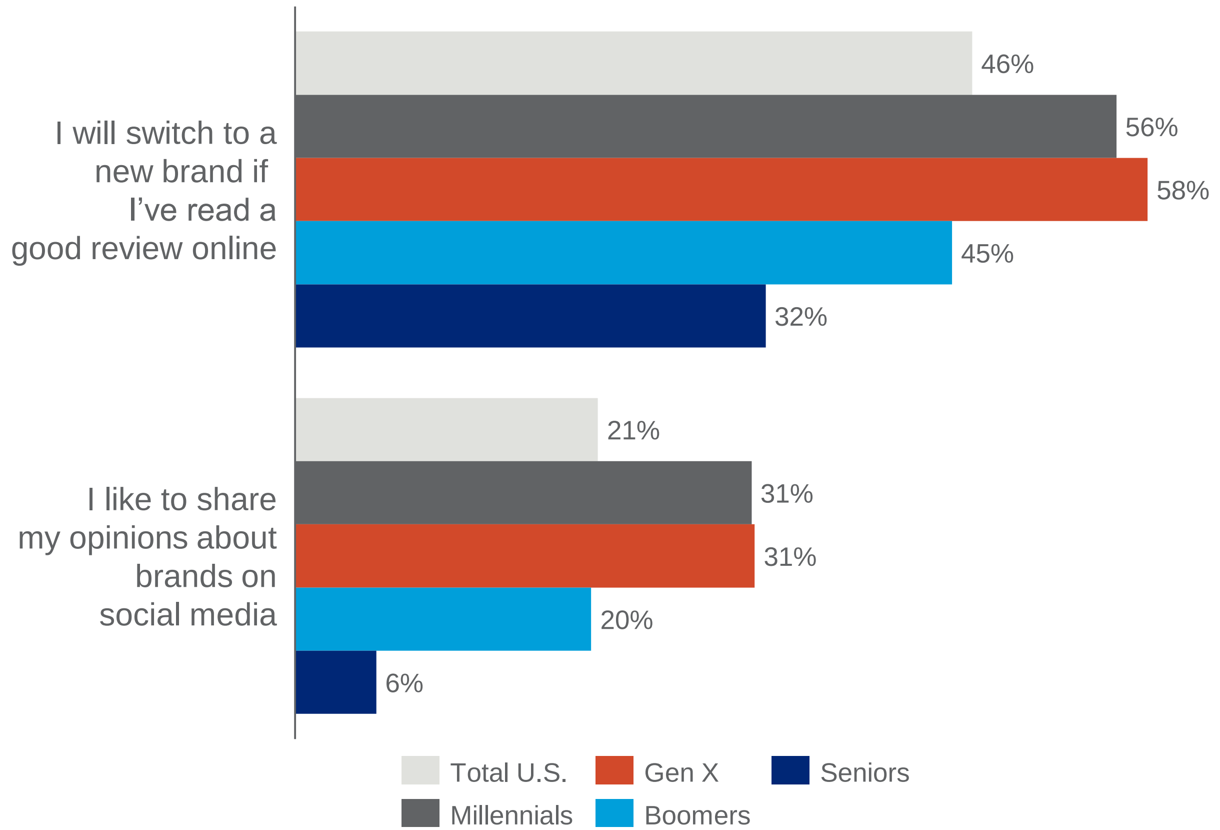
Sales mixes are opposite when comparing edible and non-edible categories, however.



Source: IRI eMarket Insights 3.0, IRI Market Advantage, 52 Weeks Ending 12/30/18, Aggregate of 145 Tracked Categories, Based on Aggregate of Retailers with Multiple Fulfillment Types

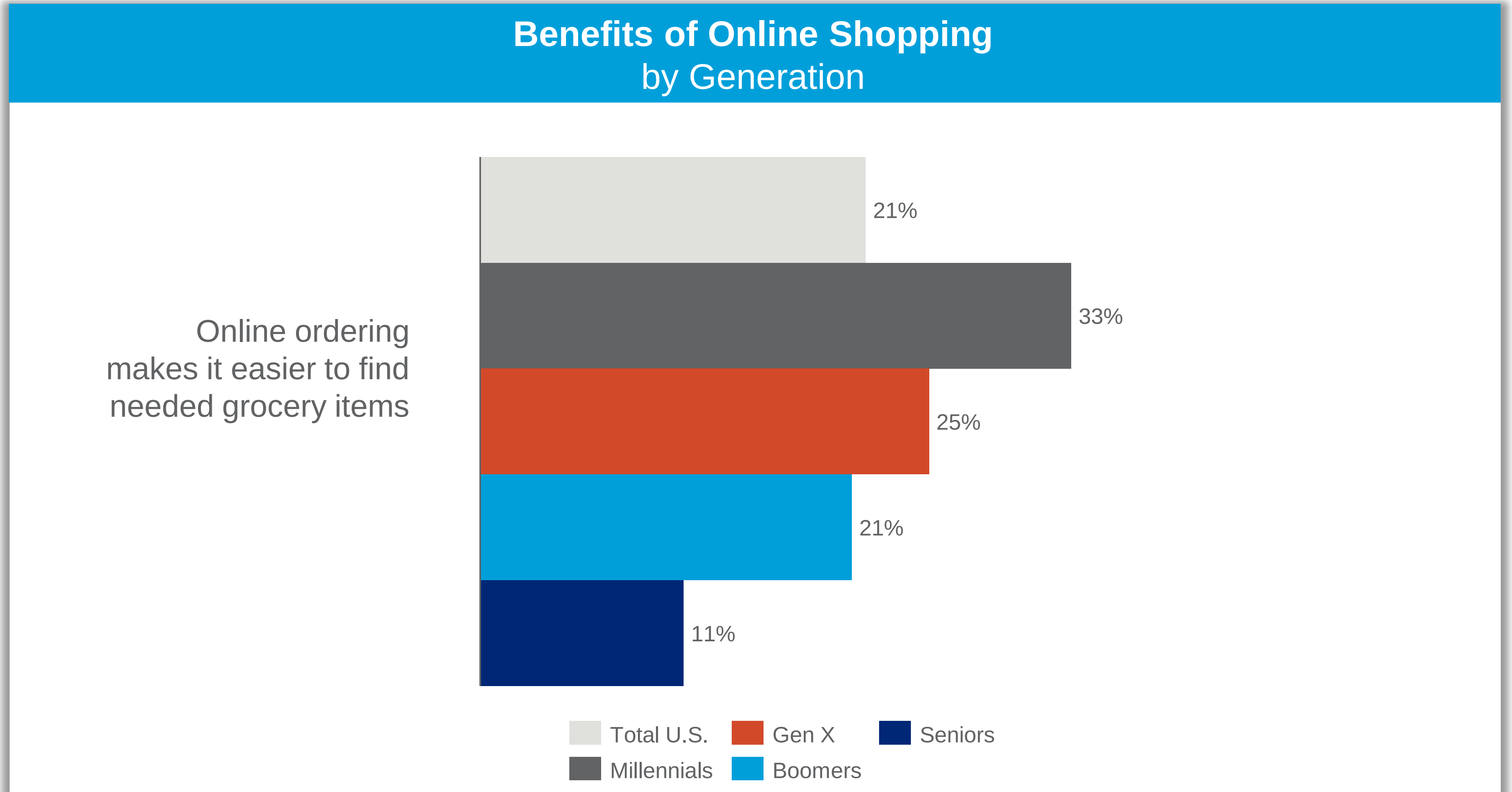
Reviews and Opinions Posted in Social Media Influence Consumers' Purchase Decisions

Social Media Influence on Brand Behavior
by Generation



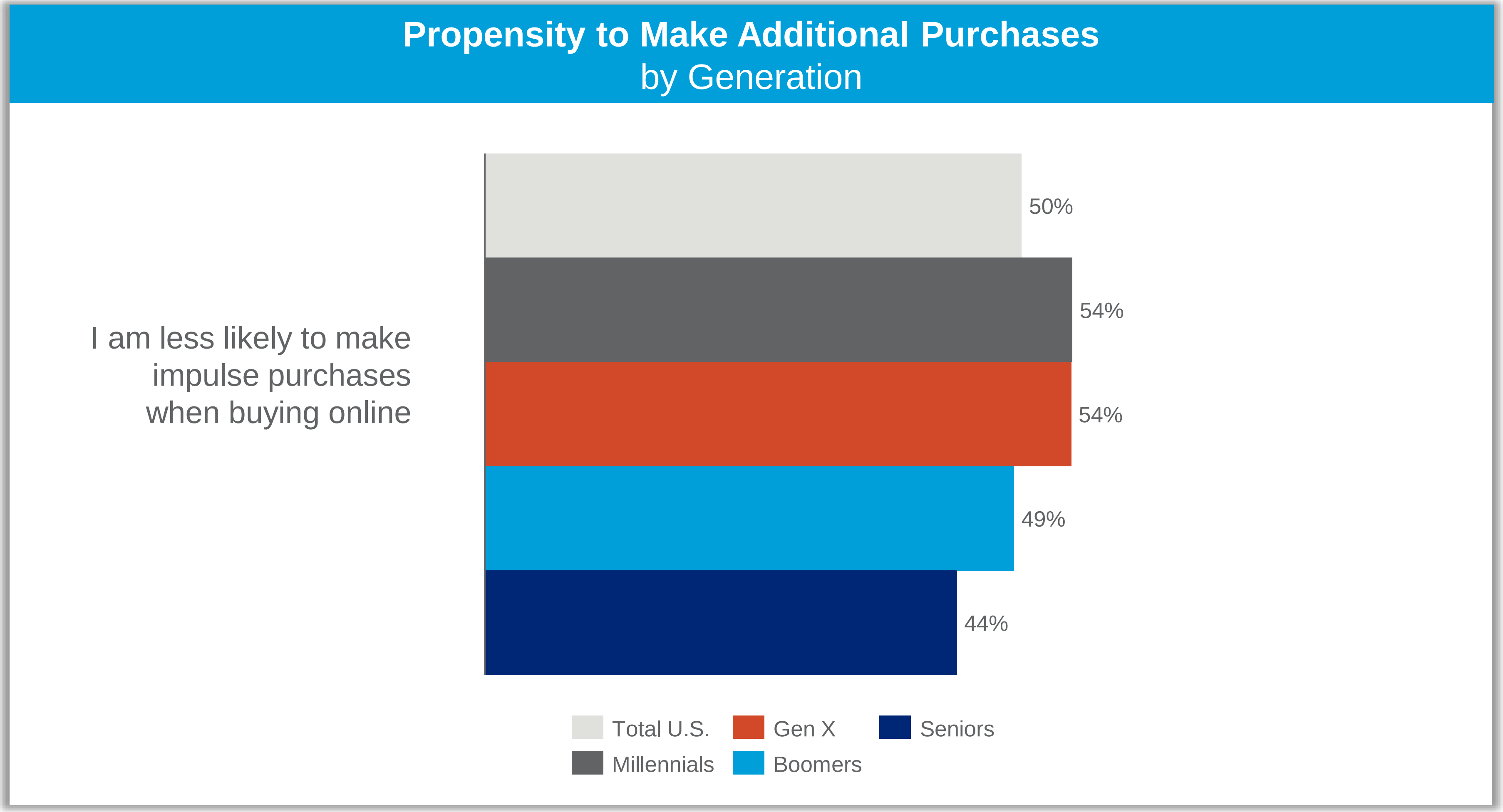
% of respondents, Top 2 Box Summary
Source: IRI Consumer Connect™, Q4 2018

Convenience and Choice Are Key Drivers Towards Online Grocery Shopping



% of respondents, Top 2 Box Summary
Source: IRI Consumer Connect™, Q4 2018

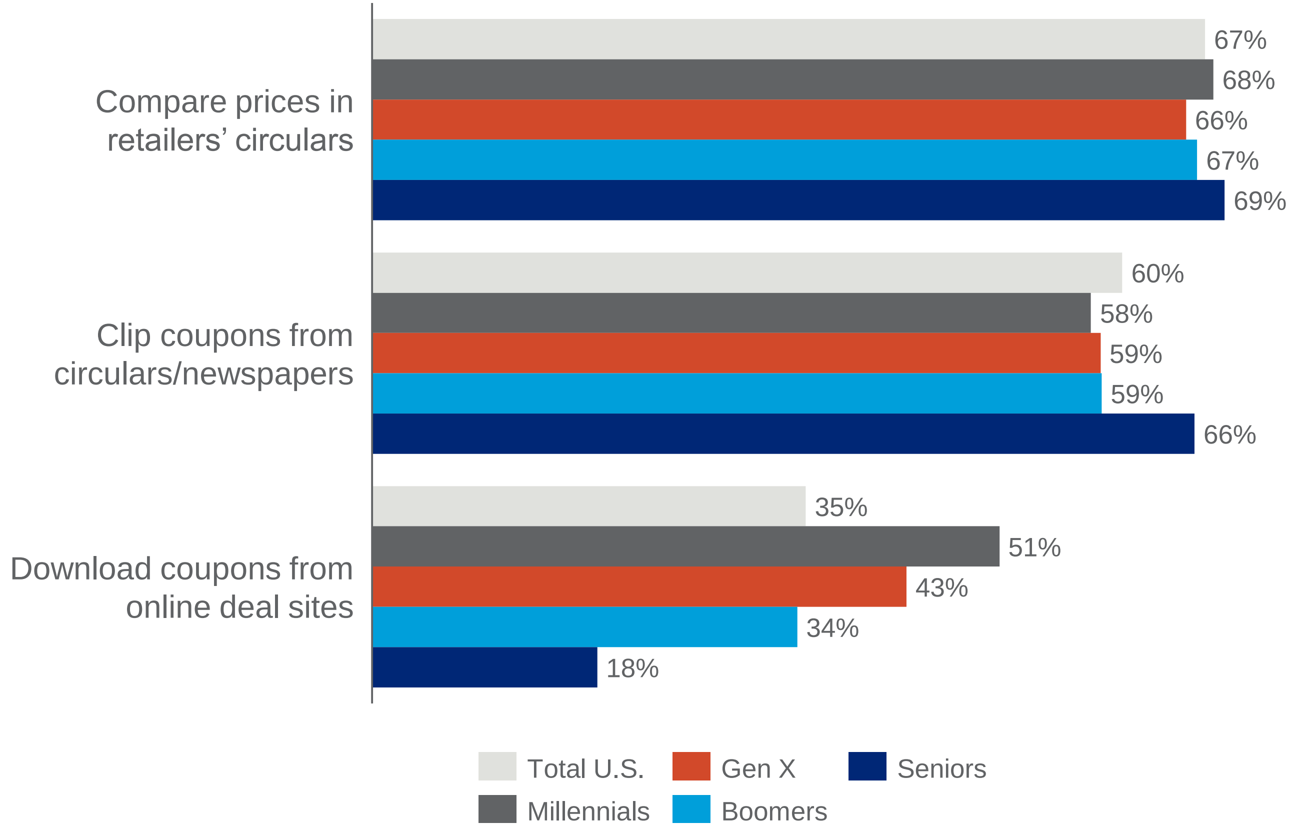
Nearly 54% of the Younger Generations Feel They Are Less Likely to Make Impulsive Purchases Online



% of respondents, Top 2 Box Summary
Source: IRI Consumer Connect™, Q4 2018

Many Consumers, Especially Seniors Clip Coupons and Look to Retailers' Circulars During Their Shopping Trips

Circulars/Coupons Behavior
by Generation



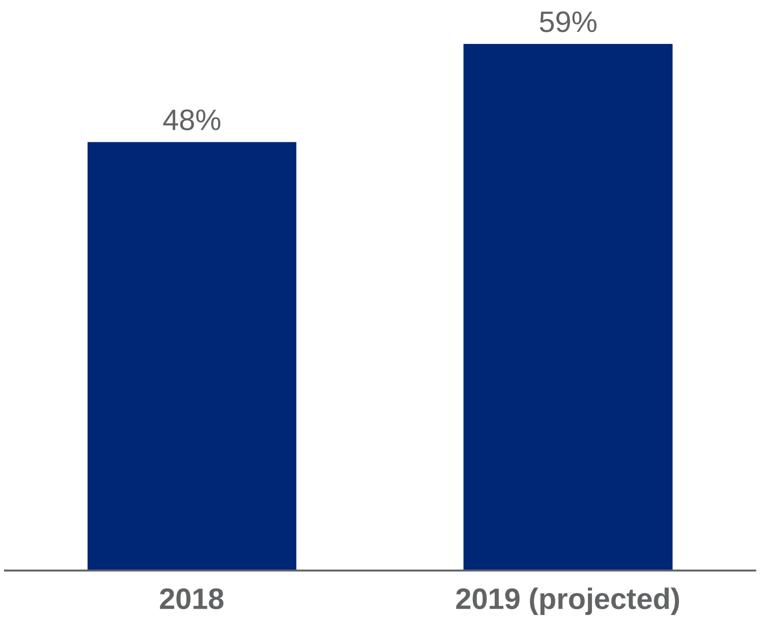
% of respondents, Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q4 2018

Download of Coupons and Price Comparison on Retailer Websites Tops Among the Money-Saving Opportunities

% of respondents, Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q4 2018

In 2019, More Grocery Spending Will Happen Online

U.S. Grocery Consumers Who Shop Online (%)



2018 Grocery Retail Consumer Perception Survey

- While online shopping still represents a small part of the overall grocery market, KPMG reports a growing number of consumers plan to shift more of their food buying online in 2019.
- In an effort to remain relevant with shoppers, more traditional brick-and-mortar retailers, including grocery chains, mass merchants and drug chains, are investing heavily in their online shopping offerings. These retailers face the double challenge of improving the shopper experience both online and in-store.
- Look for more retailer investments in mobile interfaces, such as payments and endless aisle assortment, as they work to catch up with consumers already comfortable using their mobile devices to manage routine tasks.

Source: https://www.digitalcommerce360.com/2018/10/26/more-grocery-purchases-will-move-online-in-2019/

Highlights: E-Commerce Sales Benefit From Consumer Comfort With Technology and Financial Health

- Even shoppers working to stay within budgets are turning to online shopping; they leverage ability to make price comparisons and download coupons.
- An increasing number of consumers look for reviews and recommendations from online sources to help them make buying decisions.
- Home care items top the list of online purchase categories, followed by beauty/personal care products. However, vitamins rank as most purchased item.
- Fifty percent of consumers report they are less likely to make impulse purchases when shopping online; highest among high-income groups and millennials.
- Online orders with free/fast delivery are gaining traction among high-income consumers and those with kids.
- Online shoppers appreciate delivery options, easy ordering, and lower-priced options.

MORE INFO AVAILABLE

IRI Consumer Connect Analysis since 2016:
https://www.iriworldwide.com/en-US/Insights/Publications/Consumer-Connect

E-Market Insights 3.0 Press Release:
https://www.iriworldwide.com/en-US/News/Press-Releases/IRI-Announces-Enhancements-to-Industry-Leading-E-Commerce-Measurement-and-Insights-Solution

THANK YOU

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