

Q1 2019 Consumer Connect

Early View 2019: Food & Beverage Trends

Joan Driggs
Vice President, Content and Thought Leadership

June 2019



About the Consumer Connect Index



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.

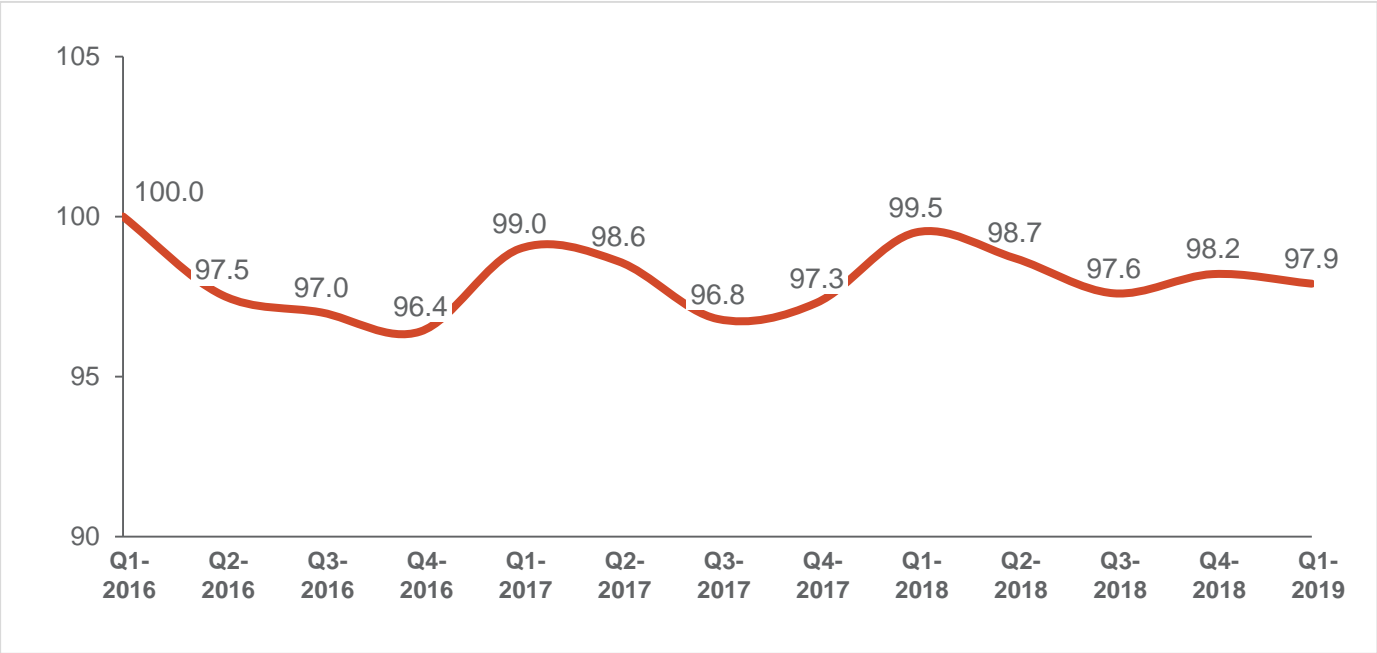
West and Plain regions tops for edible growth in Q1, followed by Southeast and Mid-South.

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

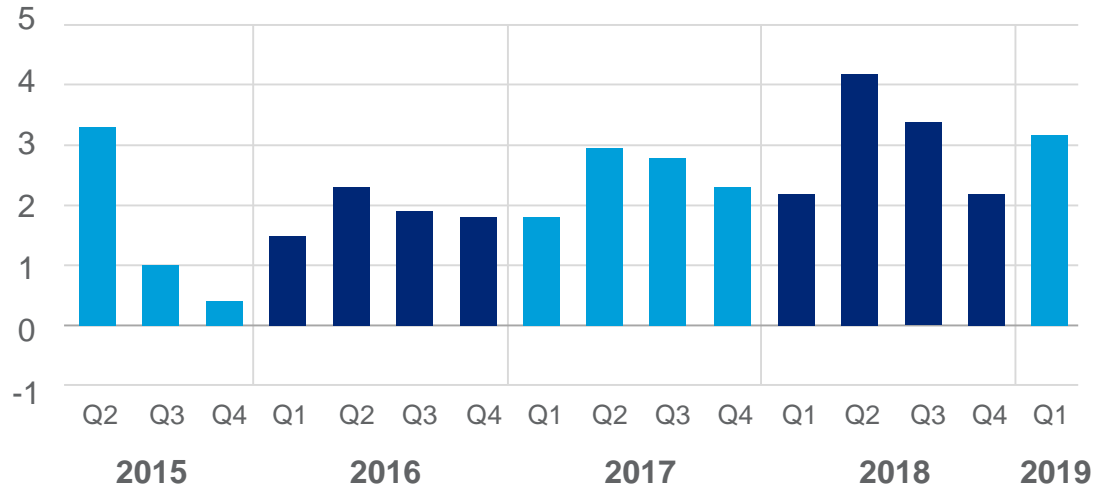
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
ALL ITEMS	2.2%	2.7%	2.6%	2.3%	1.7%
Food at Home	0.6%	0.3%	0.4%	0.4%	1.1%
Cereal and Cereal Products	-1.2%	-0.2%	-0.3%	-0.5%	0.6%
Dairy	-1.2%	-0.2%	-0.4%	0.3%	0.7%
Eggs	9.8%	19.6%	13.8%	1.4%	-5.7%
Fats/Oils	1.1%	0.1%	-0.3%	-0.4%	0.1%
Fruits and Vegetables	3.0%	0.0%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

Source: Food Institute



U.S. First Quarter 2019 GDP Ticks Up by 3.2%

Real GDP, % Chg. From Preceding Quarter*
Seasonally Adjusted at Annual Rates



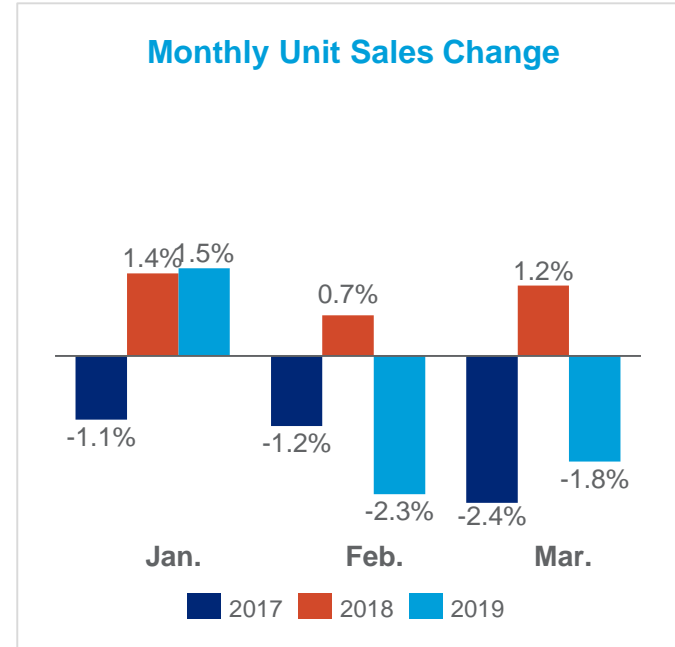
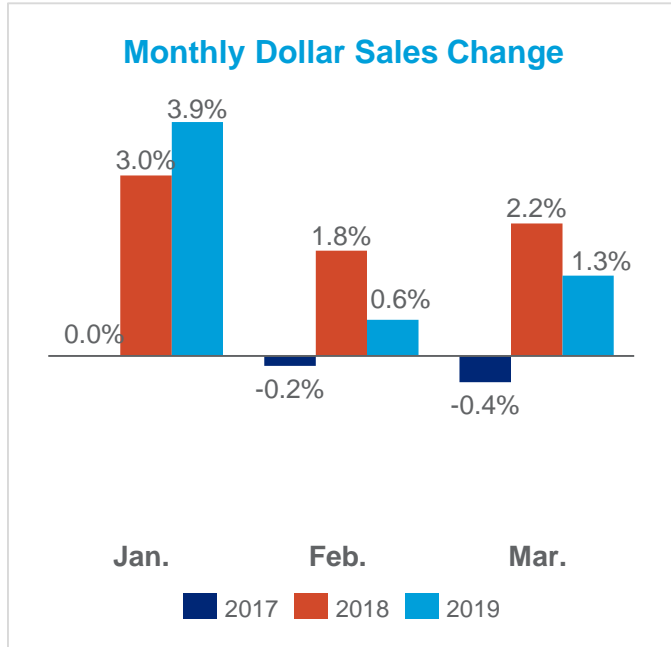
- The U.S. economy grew at a faster pace than expected in the first quarter and posted its best growth to start a year in four years.**
- Exports rose 3.7% in the first quarter, while imports decreased by 3.7%.**
- Economic growth also got a lift from strong investments in intellectual property products. Those investments expanded by 8.6%.**
- The data is the first look at how the economy fared during the longest government shutdown in history.**

*Source: U.S. Bureau of Economic Analysis

**Source: <https://www.cnbc.com/2019/04/26/gdp-q1-2019-first-read.html>

Strong Q1 CPG Sales Start Weakens

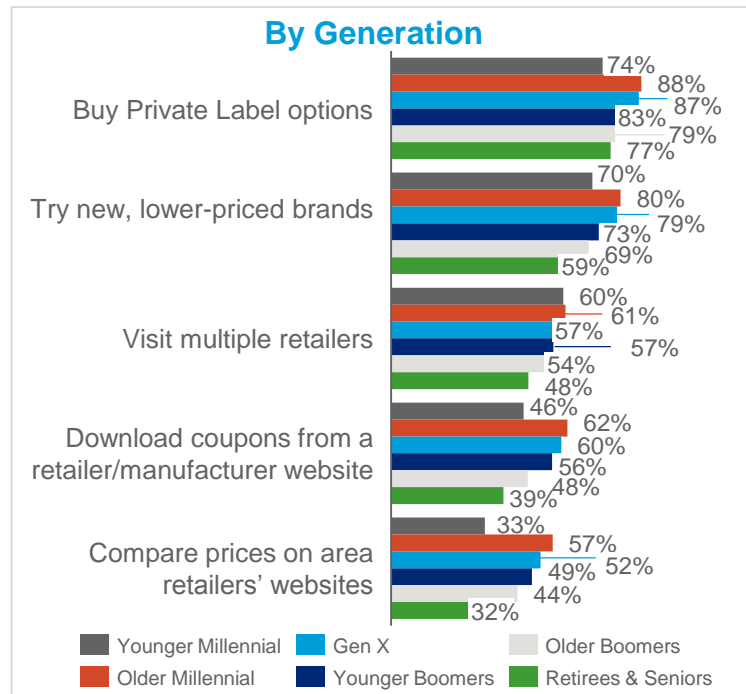
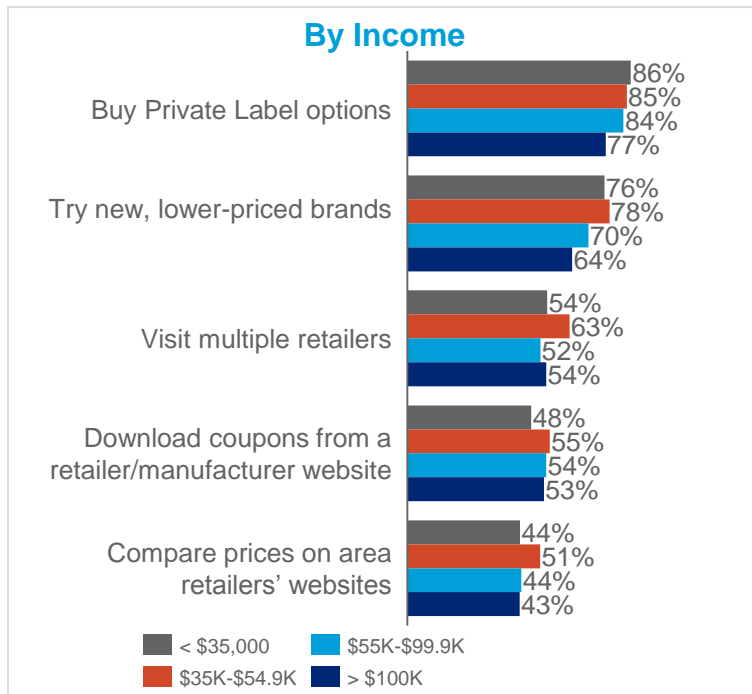
Total CPG



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

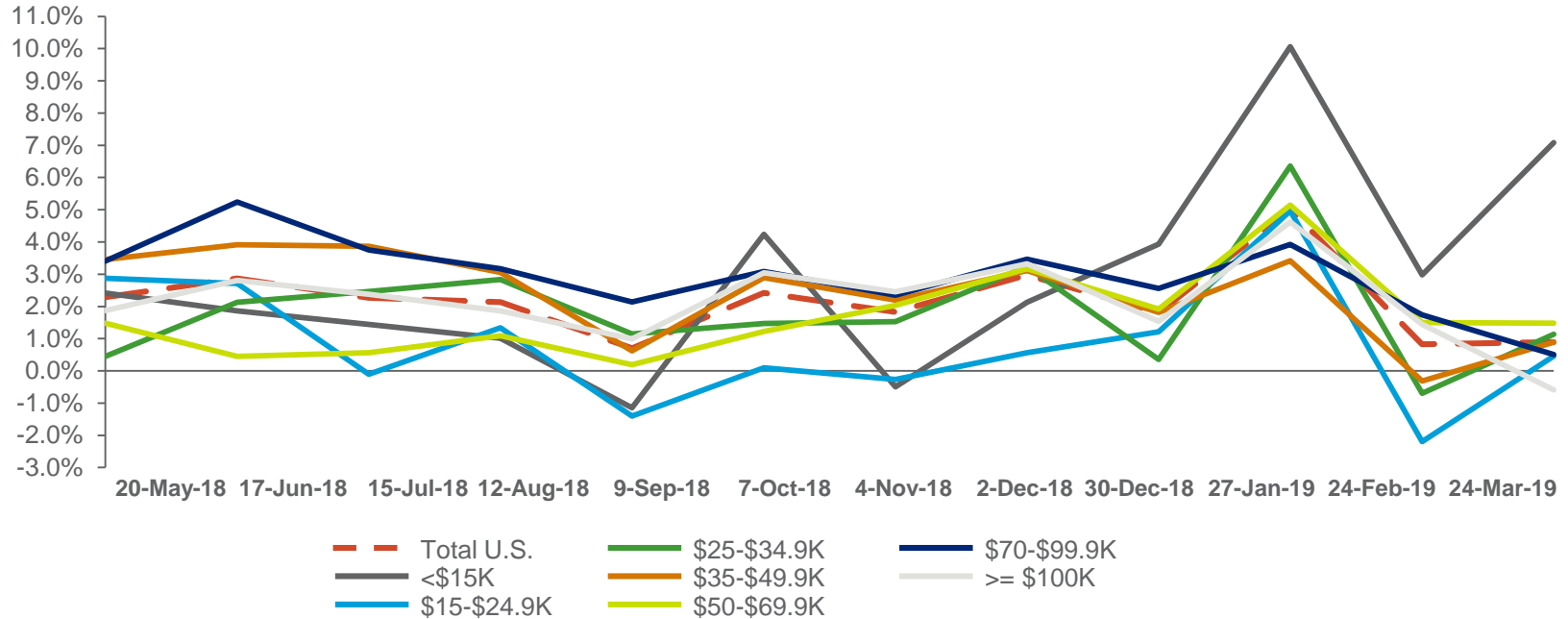
Shopping Journey Money-Saving Preparations



Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q1 2019

Edibles Spending Has Largely Been Positive Across Income Segments

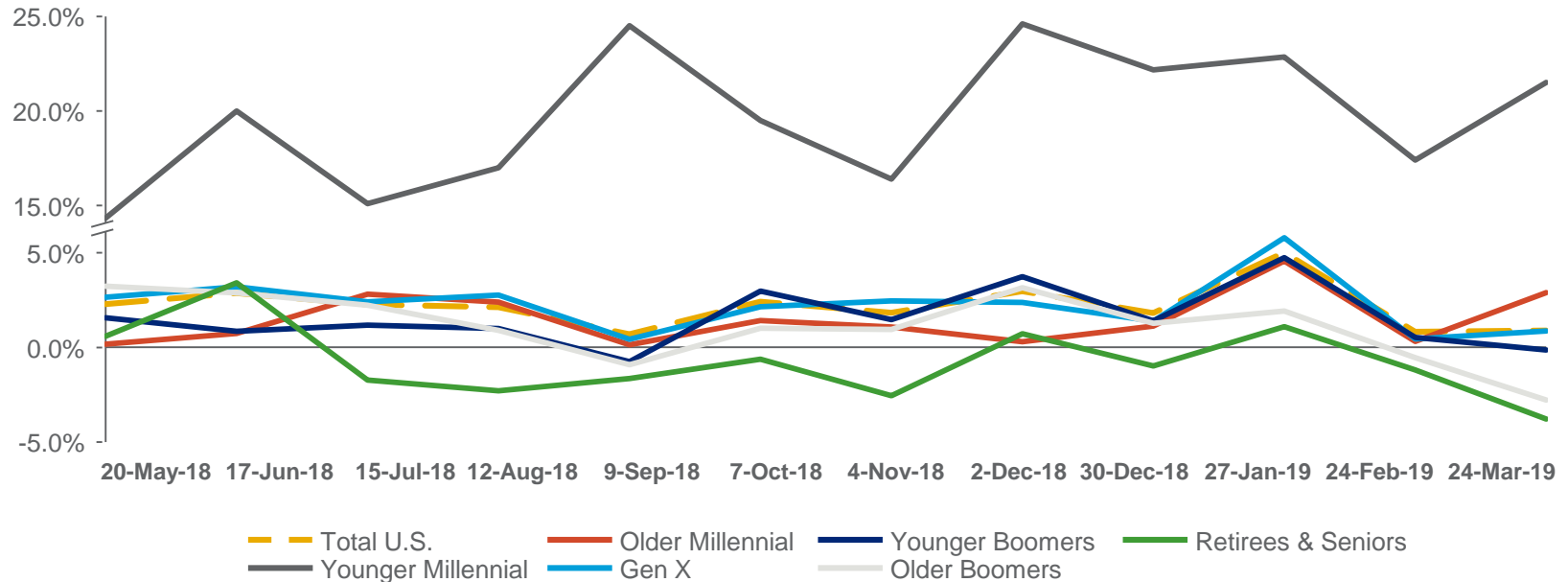
Edible Dollar Sales % Chg. vs. YA By Household Income



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

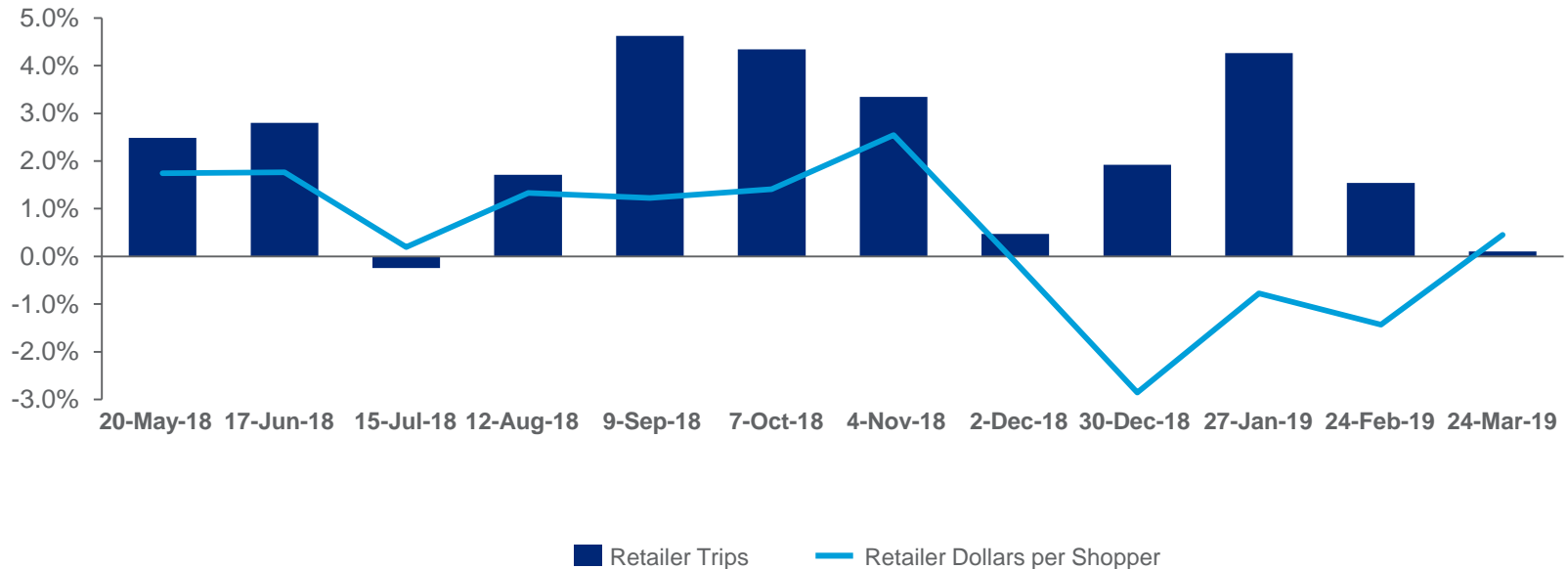
Edible Dollar Sales % Chg. vs. YA By Generation



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

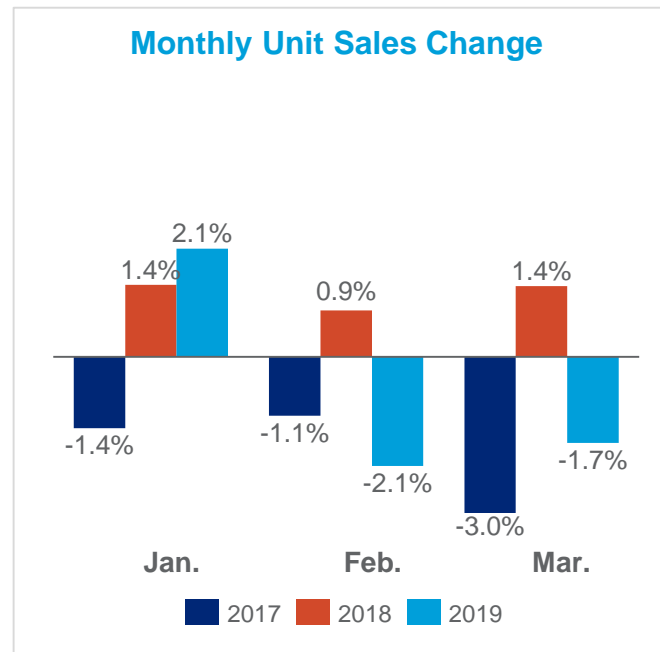
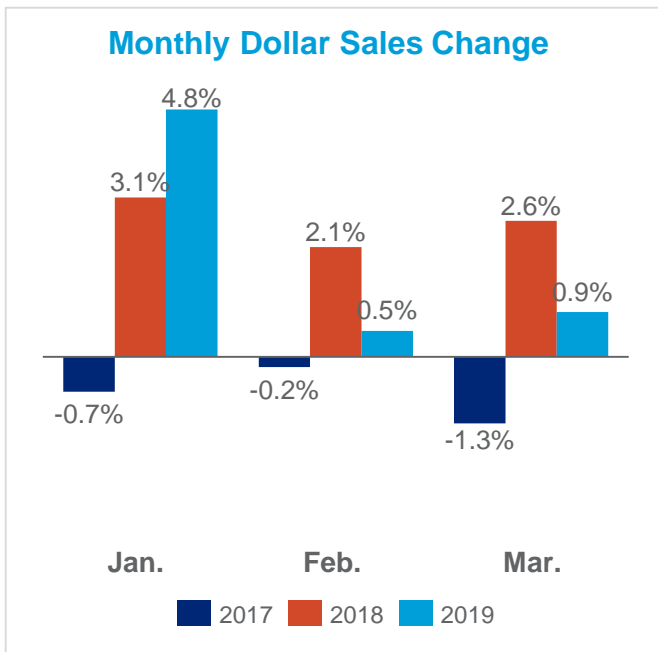
Edible Trips and Spending % Chg. vs. YA



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

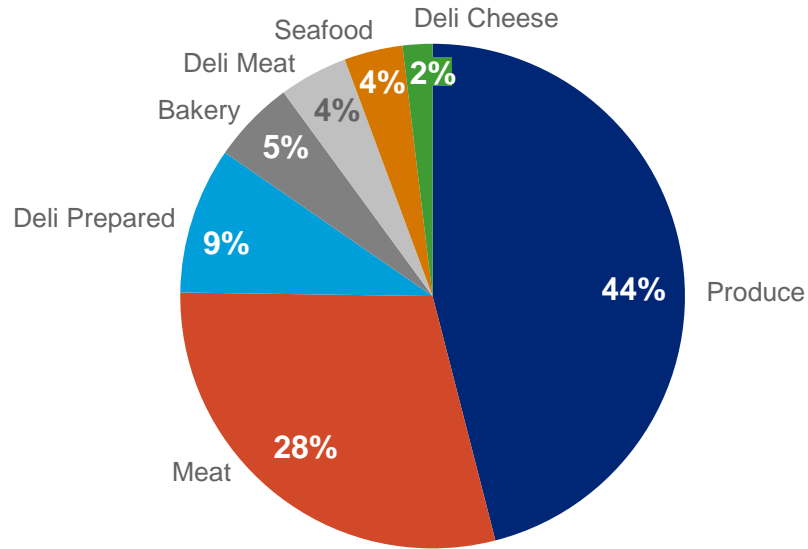


Source: IRI Market Advantage™, Jan.–Mar. 2019 and same periods prior two years; MULOC

Produce and Meat Posted Decline in Pounds, Placing Downward Pressure on the Whole Sector in Q1

By Department

Perimeter Sales % of Dollar Sales



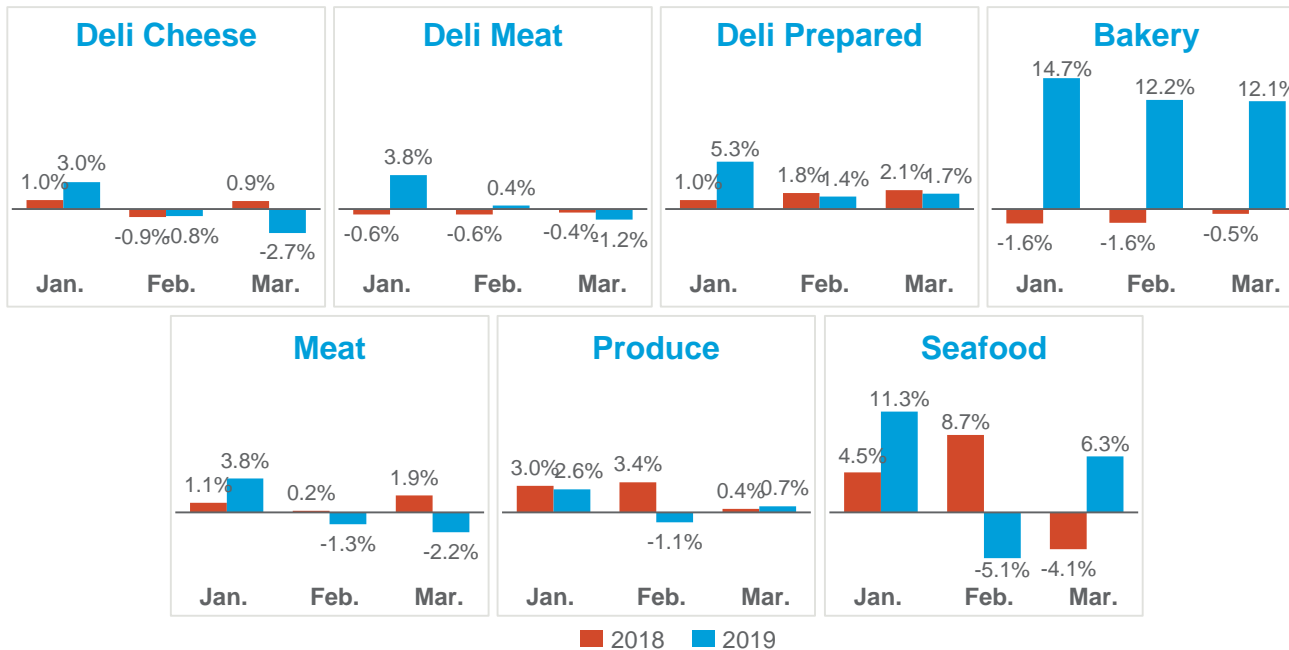
Perimeter Sales Q1 Performance vs. YA

	Dollar Sales % Chg. vs. YA	Pounds % Chg. vs. YA
Perimeter	1.7%	-0.3%
Produce	1.0%	-1.0%
Meat	0.5%	-1.0%
Deli Prepared	3.0%	4.3%
Bakery	13.6%	8.7%
Deli Meat	1.0%	1.2%
Seafood	3.8%	-1.6%
Deli Cheese	0.4%	-2.0%

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

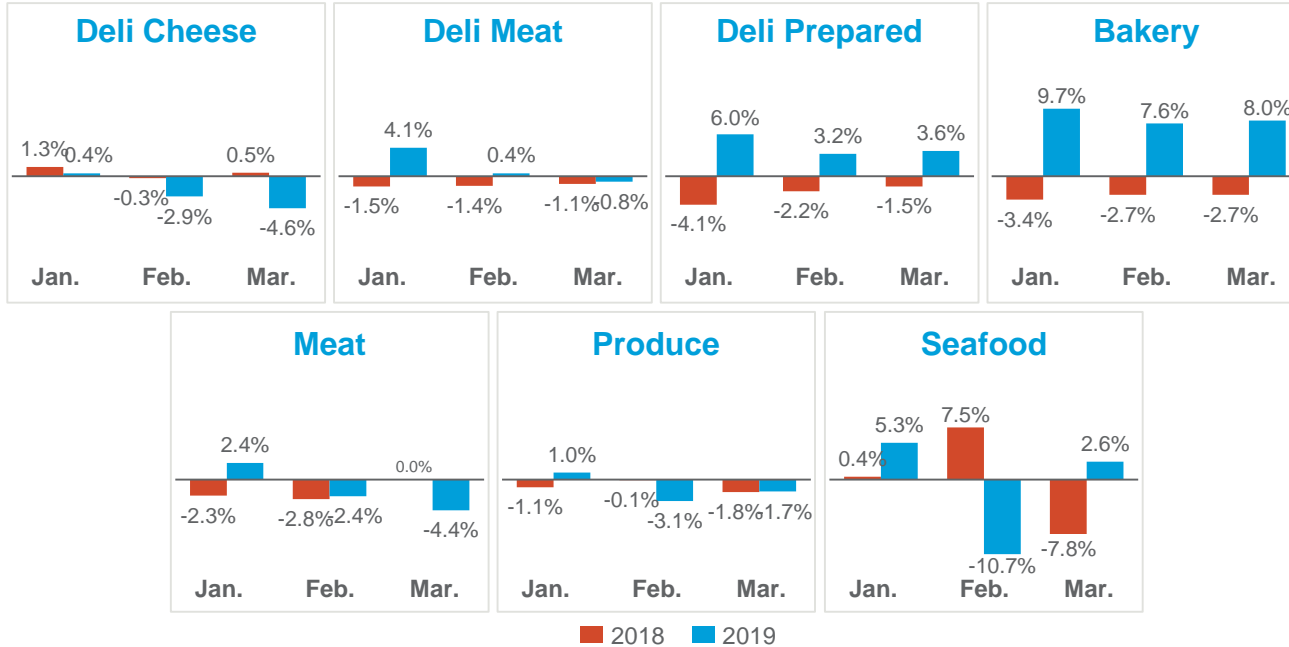
Monthly Dollar Sales Change By Department



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

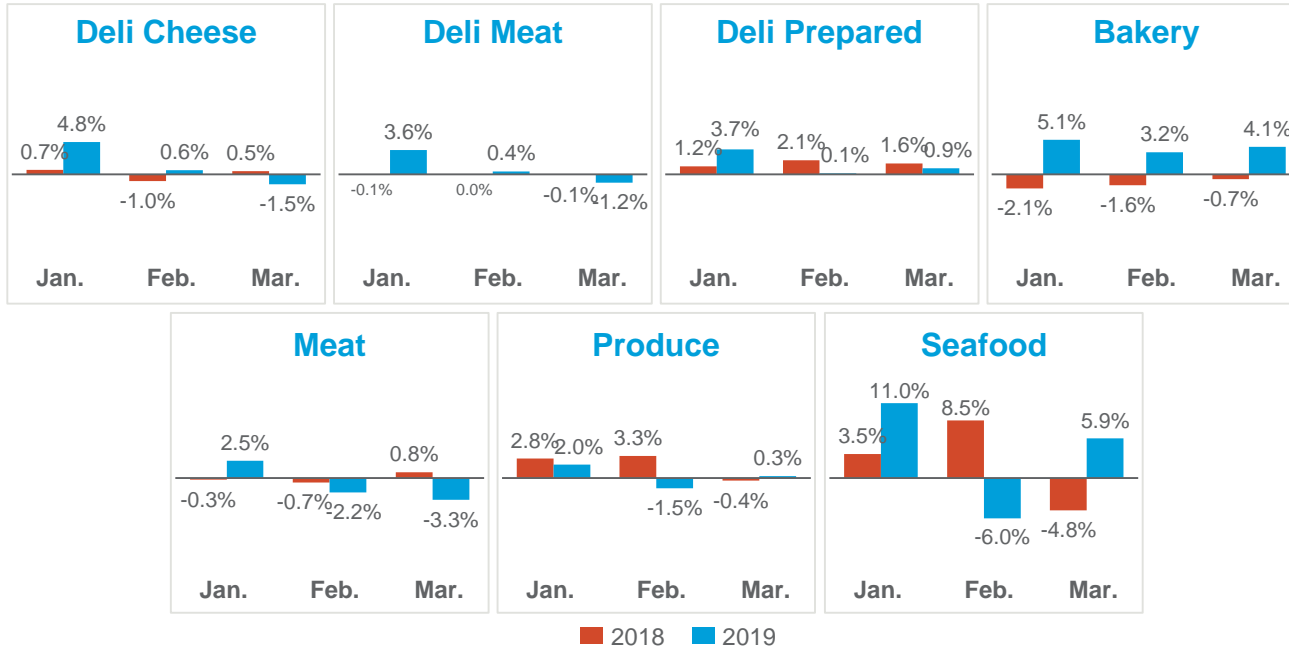
Monthly Pound Sales Change By Department



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

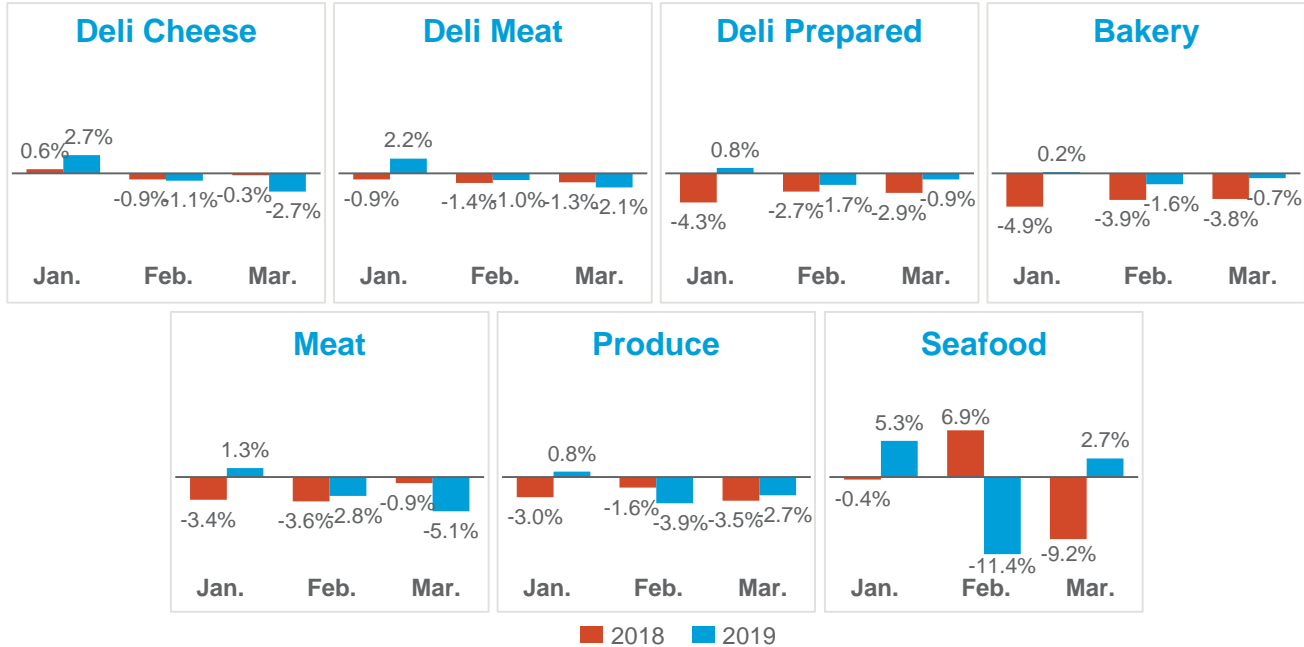
Monthly Dollar Sales Change By Department



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

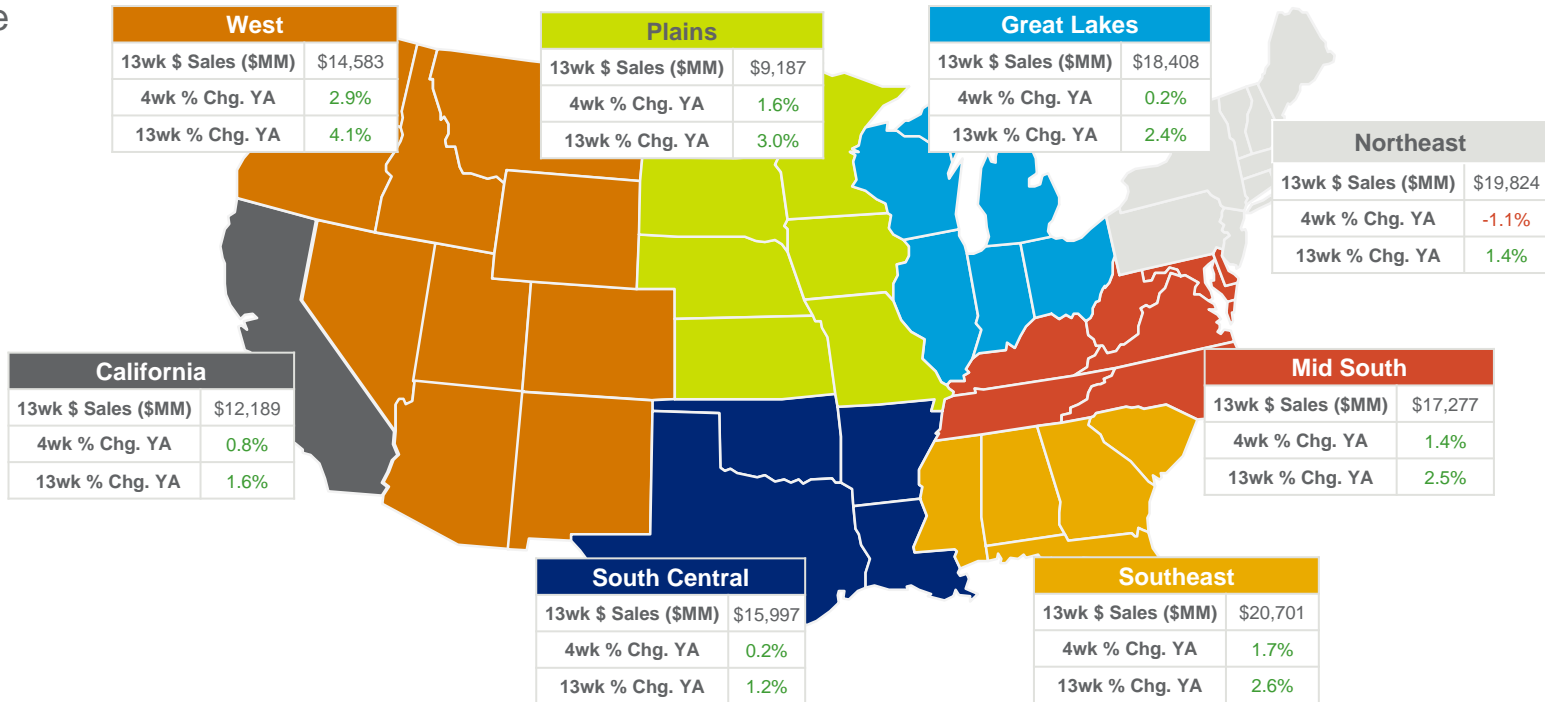


Source: IRI FreshLook™ for Market Advantage™, Food, Jan.–Mar. 2019 and same periods prior year

In the Latest 13 Weeks, West and Plains Displayed Stronger Dollar Growth Compared With Other Regions

Region Trends

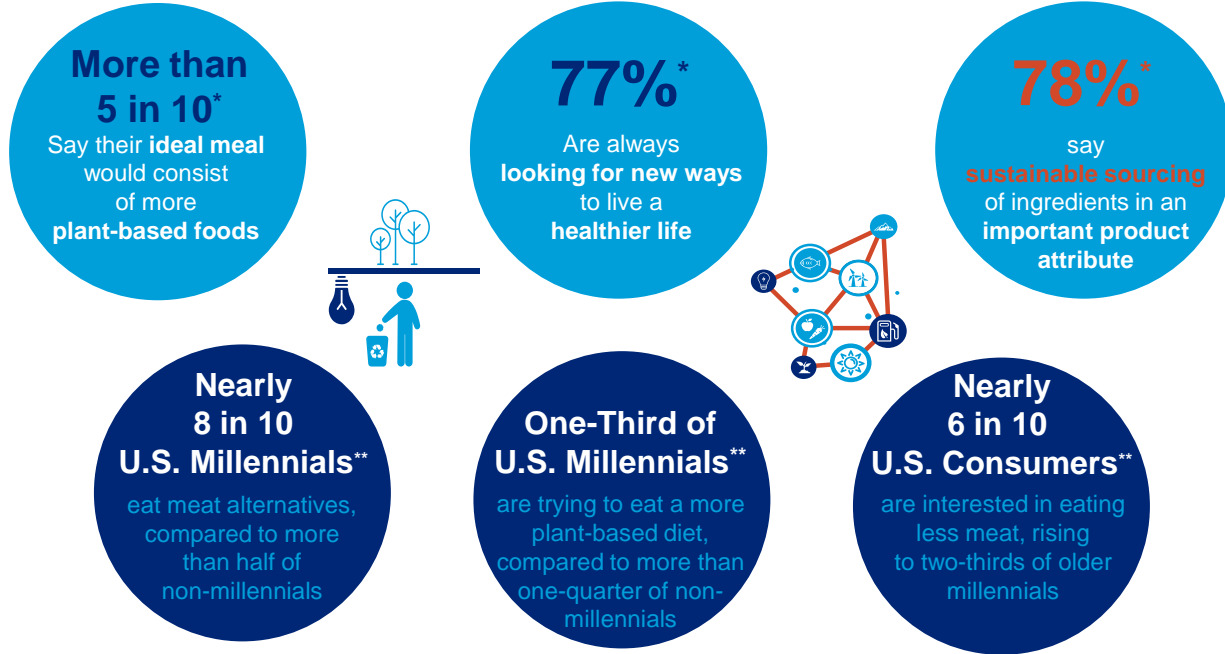
Edible



Source: IRI Market Advantage™, Latest 13 Week & Latest 4 Week Ending Mar 24, 2019, MULOC Regions

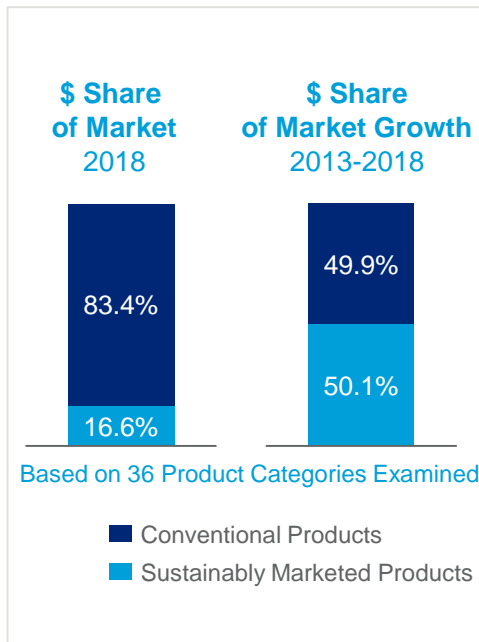
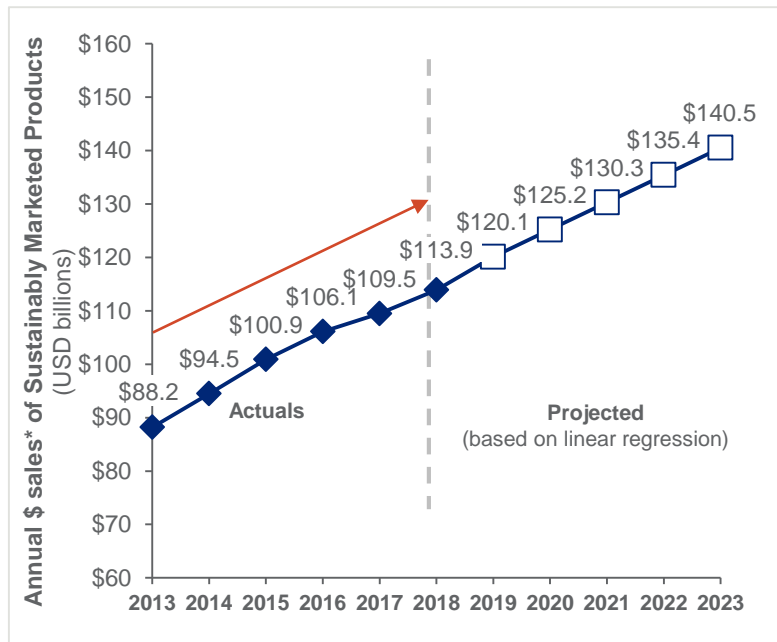
Consumers Look for Cleaner and Healthier Products

While Striving to Reduce Their Impact on the Planet



*Source: Private Brand Daymon PB Intelligence Report 2019 Whats 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

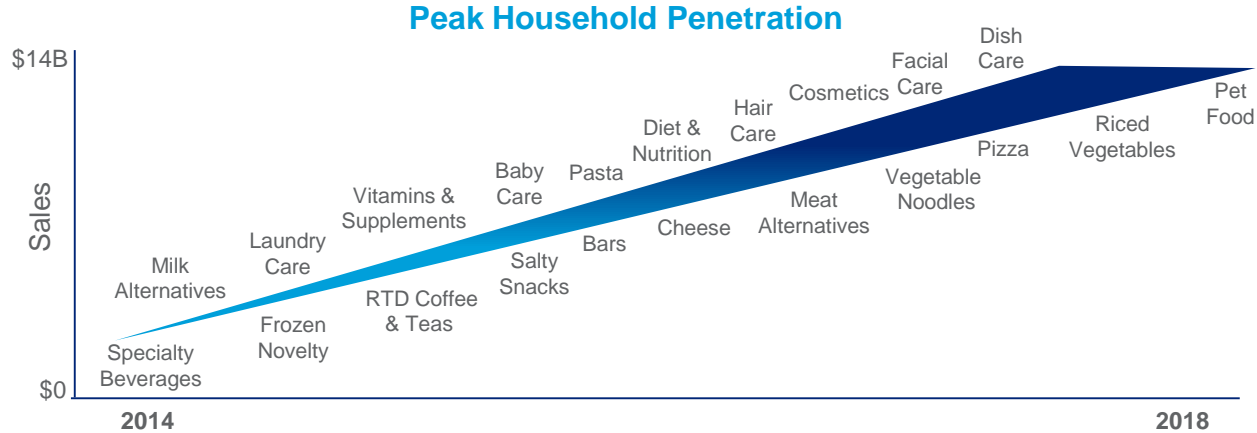


- Across all categories, **sustainably marketed products delivered \$113.9 billion in sales** in 2018, 29% growth vs. 2013, and are expected to grow to \$140.5 billion by 2023.
- Research conducted by IRI and NYU's Stern Center for Sustainable Business found that **sustainably marketed products delivered 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

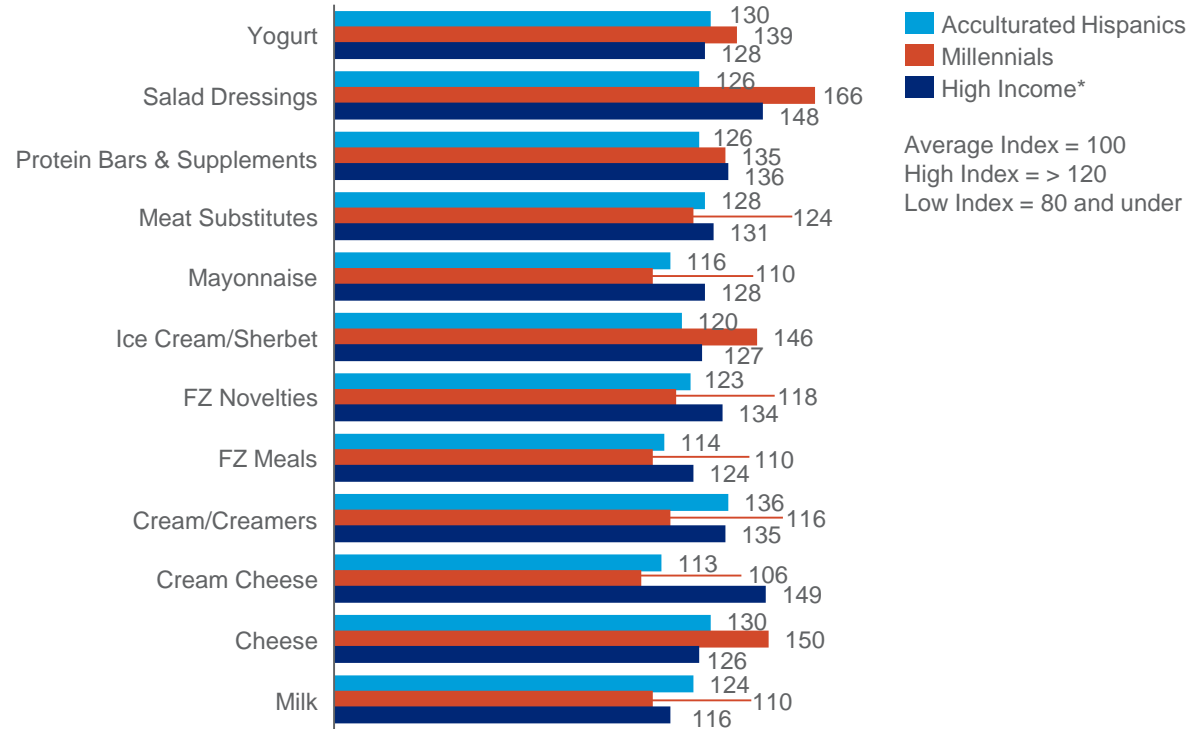


- A new movement is emerging that promises to take the focus on plant power to the next level. Not only are consumers embracing plant-based eating, they are beginning to look to the power of plants for products that do more — for their bodies, their families, the environment and the world. This fundamental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





More Info?

Shelley Hughes

Shelley.Hughes@IRIworldwide.com

Vice President, Public Relations

Joan Driggs

Joan.Driggs@IRIworldwide.com

Vice President, Content and Thought Leadership

