
STATE OF THE CONSUMER

U.S. Consumer Economy

Improving Economy

Major economic indicators point to recovery, as consumers are **more confident, income is on the rise, and GDP posts gains**

129 Consumer confidence has **remained high** for the past year

Disposable personal income **reached a new high**

Consumer spending growth is the leading contributor to gains in GDP

Food and Retail Challenges

Cost increases for certain expenditures are **shifting consumer budget priorities, and changing demographics** create headwinds

Healthcare and other spending categories are taking a greater share of our budget

Restaurant prices have risen faster than household income

Our aging population is reshaping household dynamics and influencing consumption patterns

Result

Soft but improving retail spending across a broad range of consumption-oriented categories

Consumers exhibiting an interesting shift in spending to the experiential—**like activities or entertainment**

Can the food industry find a way to tap into this trend?

Canadian Consumer Economy

Slow but Steady Economy

Major economic indicators broadcast a mixed signal

116 Consumer confidence has **remained high** for the past year, but is down this month

Debt to Disposable Income ratio **reached a new high**

Unemployment remains at a **historic lows**

Food and Retail Challenges

Cost increases for certain expenditures are **shifting consumer budget priorities, and changing demographics** create headwinds

Groceries, utilities and the basics are the costs that consumers are most worried about in their household budgets

Restaurant price increases have steadied after a jump in 2018, as grocery prices now begin to rise

Population growth is being driven by immigration, shifting the generational and ethnic landscape

Result

Soft retail spending across a broad range of consumption-oriented categories

The low exchange rate and the recovering US economy are helping to bolster the **tourism industry**

The foodservice industry is slowing, and needs to find new ways to recapture momentum

Committed Consumption

Consumers have greater committed spending today, leaving less money for retail and foodservice purchases.

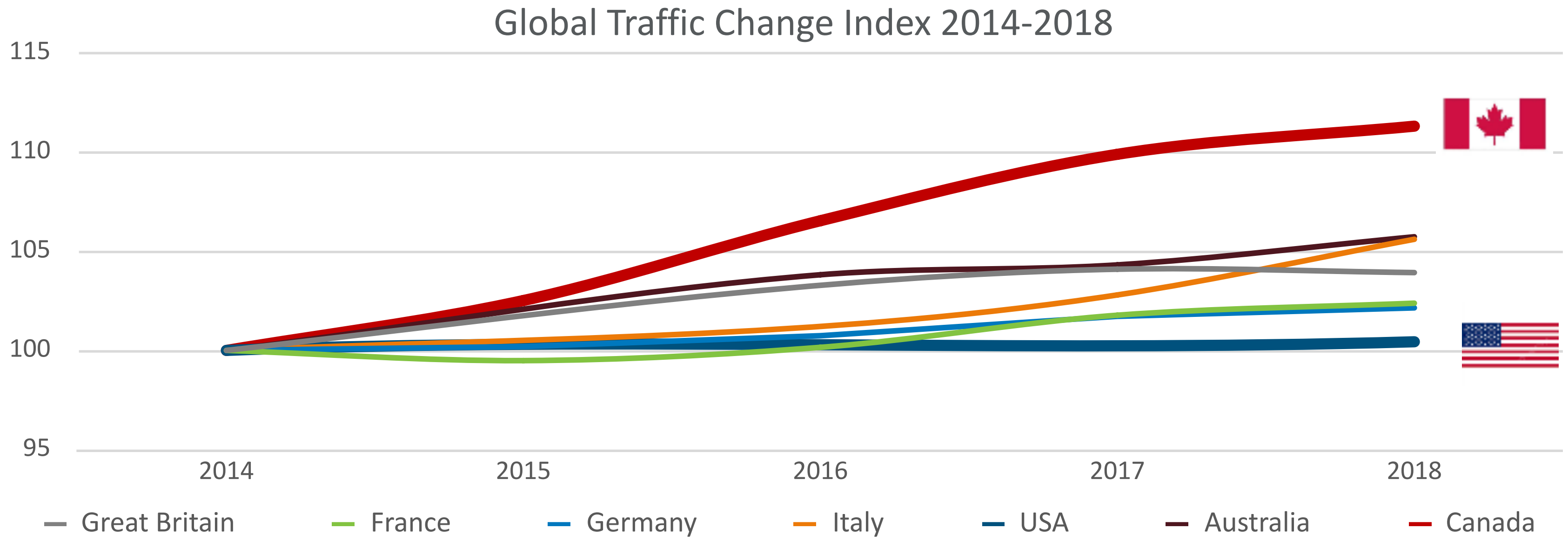
Traditional Monthly Expenses
Auto Payments
Loans
Credit Card Debt
Insurance
Gas
Utilities
Food
Cable/Satellite TV
Phone
Gym
Newspaper/Entertainment

New Committed Monthly Expenses
Amazon Prime
Cell Phone
Netflix
Hulu
Spotify
Costco Membership
Stitch Fix Subscription
Meal Kit
Microsoft Office
Adobe Cloud Suite
Lifelock

COMMERCIAL RESTAURANTS IN NORTH AMERICA

Foodservice Traffic - Globally

Since 2014, Canada has outperformed all other foodservice markets tracked by NPD. Meanwhile, the U.S. and many European countries remain in a +1% growth world.



Change expressed as a percent of 2014 level

Source: NPD CREST 2014-2018

Size of Commercial Restaurants

U.S.

$496 B
USD
+3%

77 B
visits
0%

$6.46
USD
+3%

664,000
stores
0%

Canada

$62B
CAD
+4%

7.5B
visits
+2%

$8.24
CAD
+2%

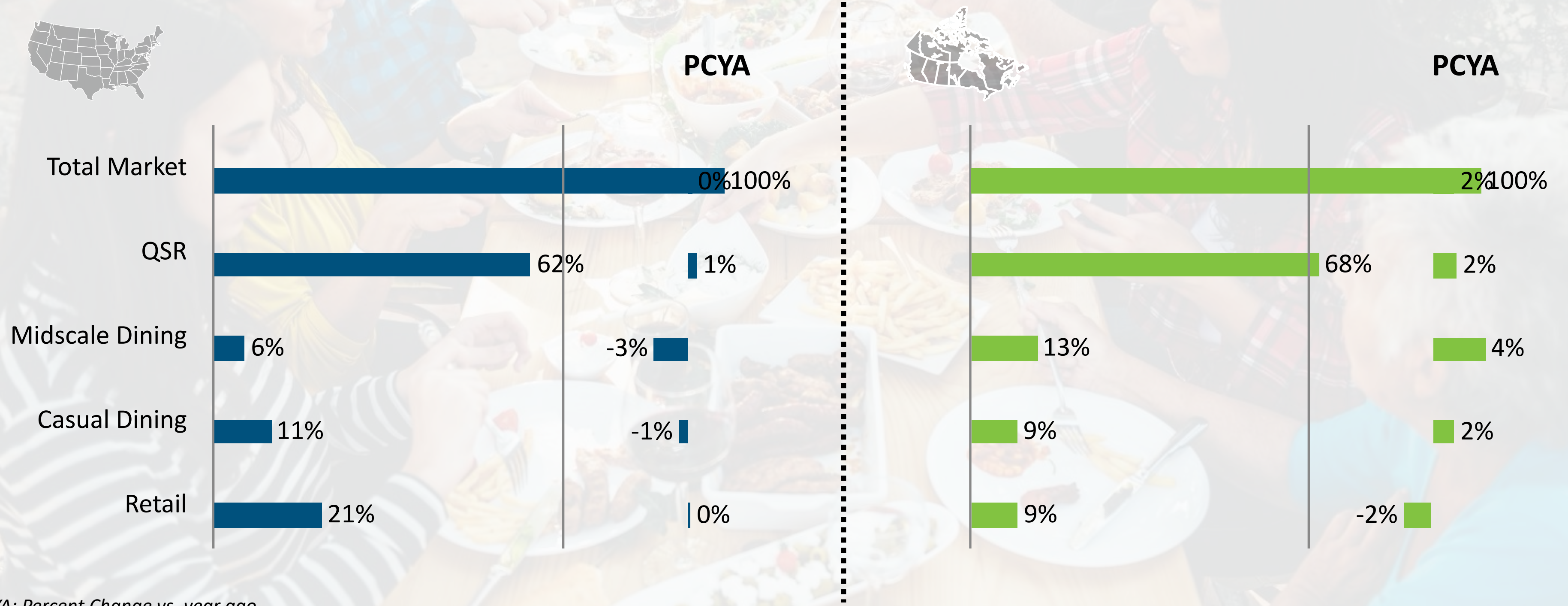
65,000
stores
-1%

Note: Includes commercial restaurants and retail foodservice, except store count data

Source: The NPD Group/CREST®, YE Aug'19; ReCount US Spring '19, ReCount CA Dec'18

Traffic Share by Segment: U.S. & Canada Markets

In Canada, the FSR segment is outpacing the total market; meanwhile, the reverse is happening in the U.S..



PCYA: Percent Change vs. year ago
"++%"= >15%, "--%"= <-15%

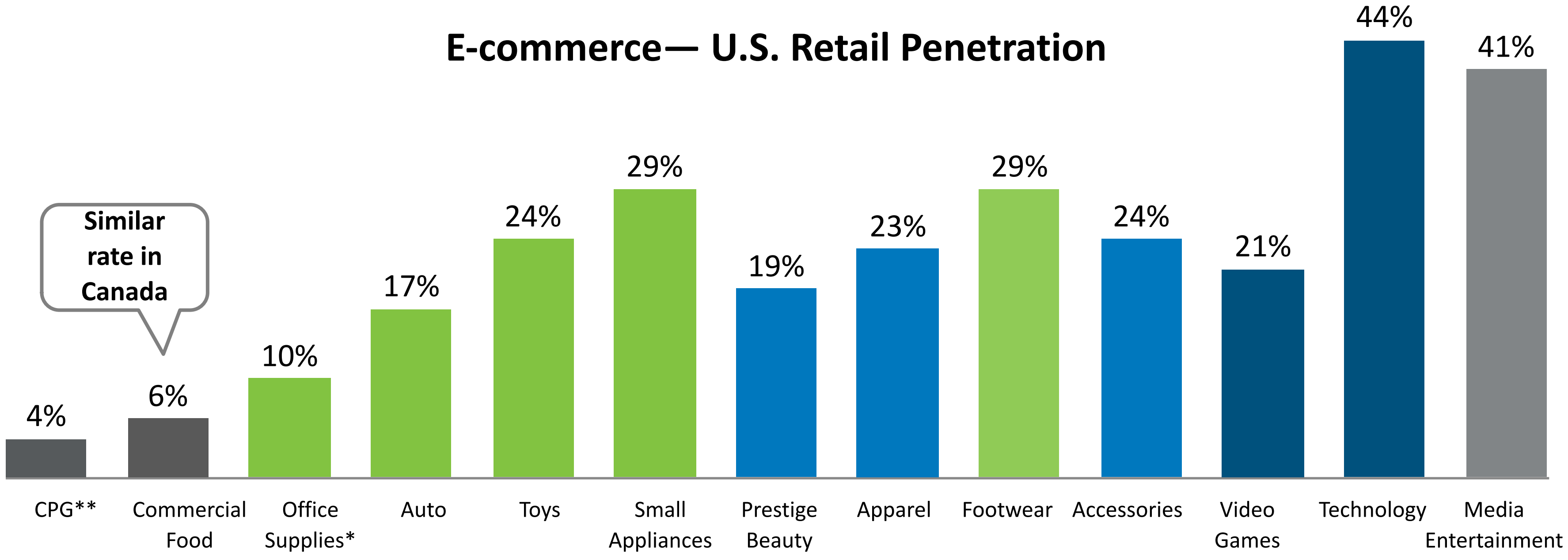
Source: The NPD Group/CREST®, YE Aug'19

Two Hot Industry Topics Across North America

Each are still relatively small in size, but growing trends in both countries.

Digital	Health & Wellness: Plant Based
	

Food verticals are in the early stages of e-commerce

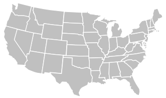


**Excludes Commercial Channels*
***CPG number sourced from Accenture "Winning in the Digital Channel"*
****% of buyers online via NPD 's Car Care Track*

12 months ending Dec'18
Source: The NPD Group/ U.S. Consumer Tracking Service, except office supplies and beauty: Retail Tracking Service (POS) , consumer electronics: Checkout Tracking

Digital Orders Have Been a Source of Outsized Growth

Average annual growth rate 2014 to 2019



-0.8% Total Restaurant Traffic

+24% Digital Orders

+1.8% Total Restaurant Traffic

+34% Digital Orders

Digital Orders = Mobile app, Internet, or text message (all for pick-up or delivery)

Source: The NPD Group/CREST®, YE Aug'19

Digital is Growing Across Service Modes

35% & 55%
(U.S./Canada)
of digital orders are
DELIVERED

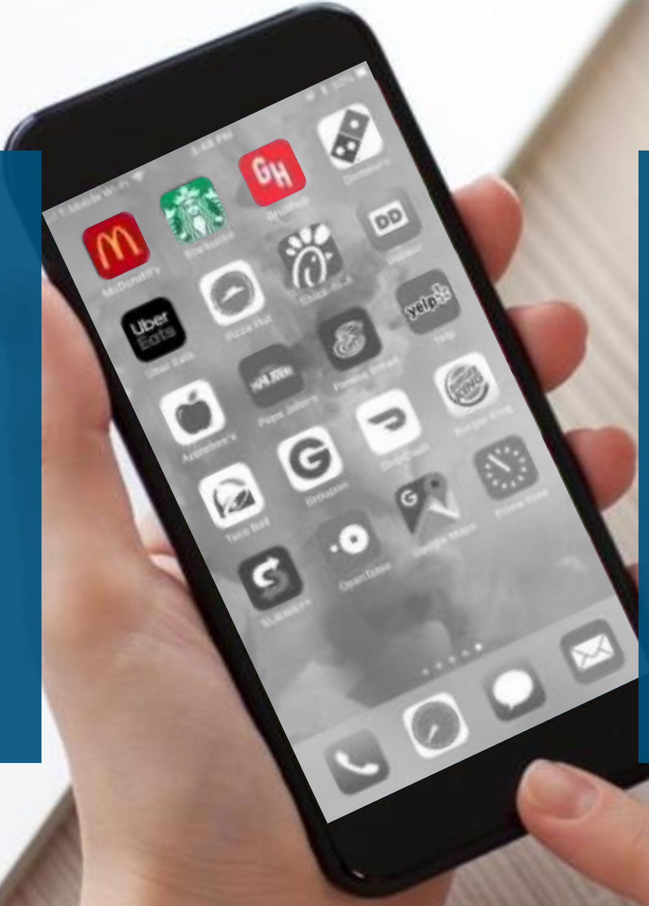
Digital orders are also growing for **ON-PREMISES** and **CARRY-OUT** occasions

Source: The NPD Group/CREST®, YE Aug'19

Millennials and Gen Z are driving digital usage

Growth sourced to Gen X and Boomers, too

Source: The NPD Group / CREST



A majority of restaurant app users keep **three or fewer** restaurant apps on their phone

Apps provide a path to **improved consumer experiences** via 1-1 marketing

Source: The NPD Group/Digital Evolution of Foodservice

Most-Used Restaurant Apps in the U.S.

60%

restaurants

40%

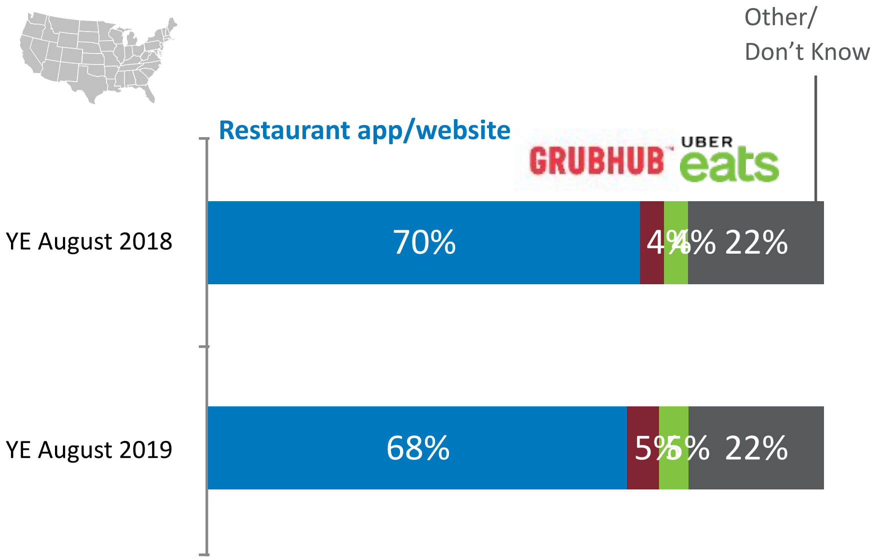
third-party

Top 20 most-used apps for restaurants shown top to bottom and left to right
Source: The NPD Group/Delivering Digital Convenience

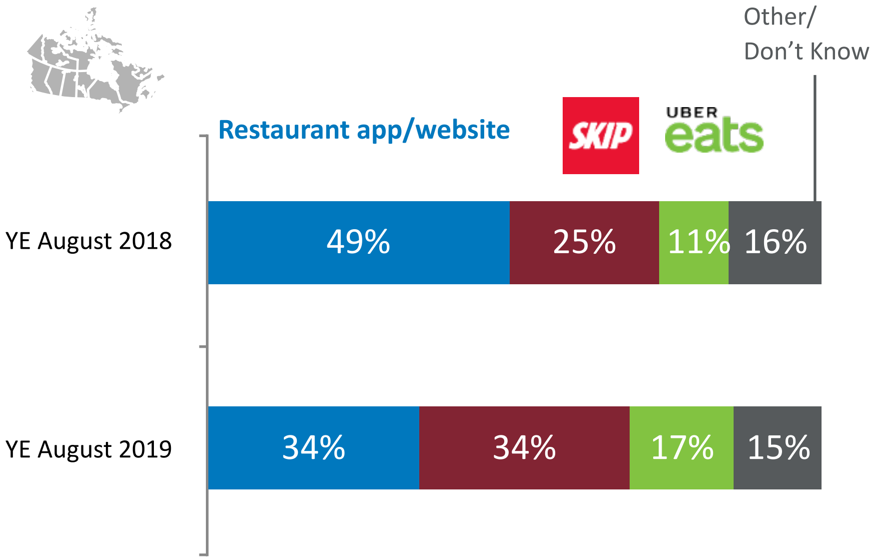
Delivery aggregators are making an impact

Aggregators are growing at the expense of restaurants' own digital delivery platforms and helping operators connect with younger generations.

Share of Digital Delivery Orders: Total Commercial FS



Share of Digital Delivery Orders: Total Commercial FS



Source: The NPD Group/CREST®/YE Aug'19

What are consumers pairing with French Fries?

TRADITIONAL FRIES

Most Commonly Paired With:

This holds true for both countries!

SWEET POTATO FRIES

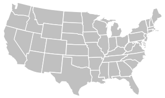
Most Commonly Paired With:

This holds true for both countries!

SPECIALTY FRIES

Most Commonly Paired With:

In the U.S., CSDs, Chicken Sandwiches, Nuggets, and Roast Beef Sandwiches are the top 4 items



Total French Fries = Traditional (Traditional + Poutine), Sweet Potato Fries, Specialty Fries (Curly/Waffle/Wedges)

Source: The NPD Group/CREST® YE Aug'19

CANADIAN OPPORTUNITIES

Areas of Opportunity:

DIVERSITY AS A GROWTH ENGINE

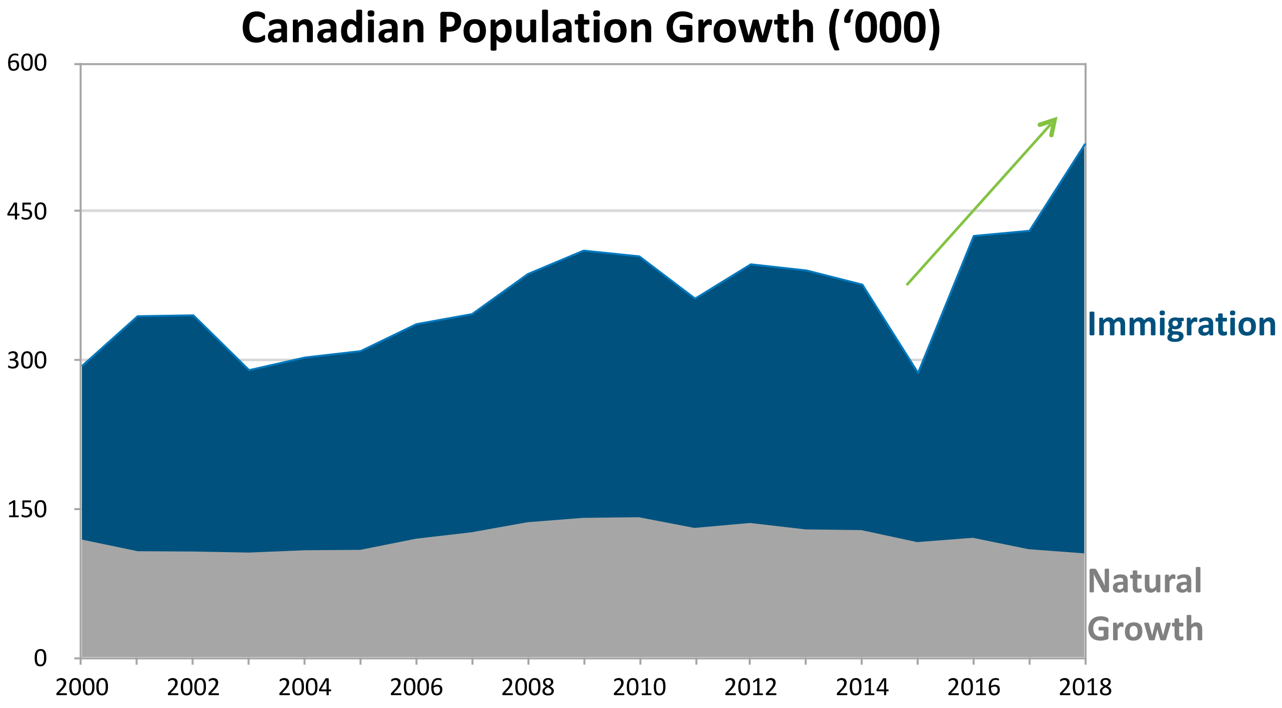
BREAKFAST AT FSR

THE GENERATIONAL SHIFT

Areas of Opportunity:

DIVERSITY AS A GROWTH ENGINE	BREAKFAST AT FSR	THE GENERATIONAL SHIFT
		

Immigration is accelerating, driving population growth at 4x the rate of natural growth this past year

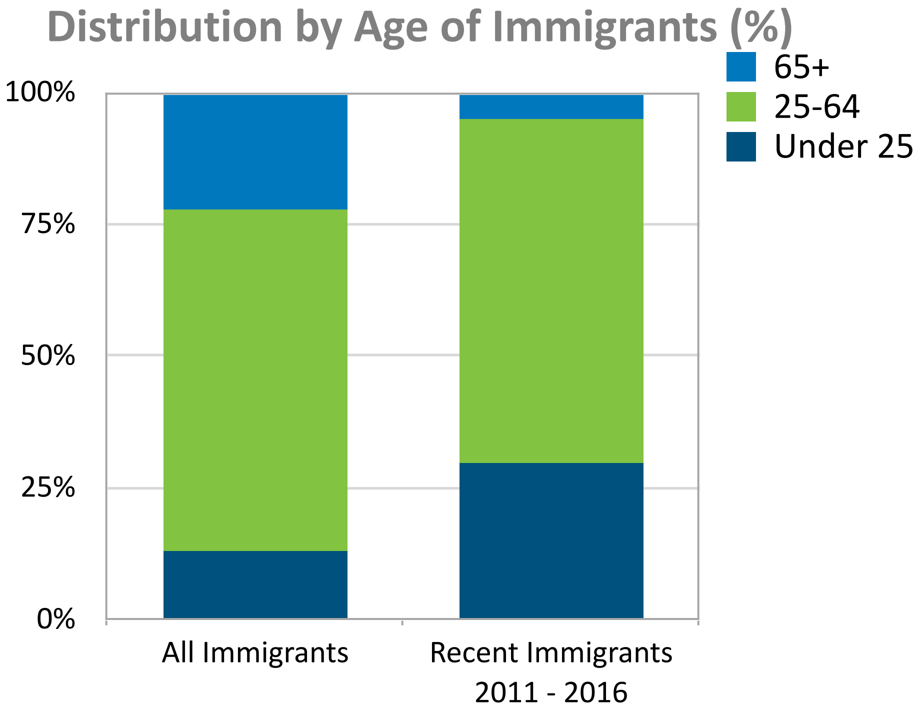


Canada's Immigration Plan:

+1 Million over 3 years

Source: Statistics Canada

The composition of the immigrant population is changing with 30% of all recent immigrants under the age of 25



Source: Statistics Canada

The Asian Population continues to be a stronger portion of foodservice traffic, especially in the 18-34 cohort

Source: The NPD Group Canada/CREST® YE August '19

Menu preferences reflect ethnic diversity

Top Commercial Foodservice

Top Food Items

Asian Demo	Non-Asian Demo
1. French Fries	1. French Fries
2. Burgers	2. Burgers
3. Breakfast Sandwiches	3. Breakfast Sandwiches
4. Donut	4. Chicken/Turkey
5. Chicken/Turkey	5. Donut
6. Chicken Sandwich	6. Pizza
7. Pizza	7. Chicken Sandwich
8. Thai/Korean/Viet/Other	**8. Side Salad**
9. Non-Fried Vegetables	**9. Muffin**
10. Rice	**10. Hash Browns/Home Fries**

Source: The NPD Group Canada/CREST® YE August '19

Areas of Opportunity:

DIVERSITY AS A GROWTH ENGINE	BREAKFAST AT FSR	THE GENERATIONAL SHIFT
		

The 45-54 cohort now represents the greatest foodservice traffic

Commercial FS Traffic By Cohort (MM)

Age

25-34

35-44

65+

18-24

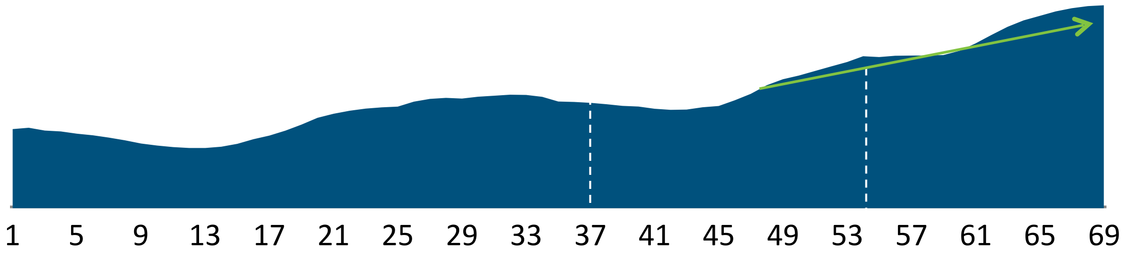
Source: *The NPD Group Canada/CREST® YE August '19*

This cohort has higher disposable income and will more often bring children

- **Household income** is the highest of any other cohort
- Still has **teenagers** living at home
- Over **1 in 5 visits** to an FSR includes the kids
- The FSR restaurant choice is more likely **influenced by a kid** more than any other cohort

Source: The NPD Group FSR Report/July '19

They will be particularly valuable in FSR as their per capita visits are projected to grow over the next 10+ years



Per Capita Aging Curve of FSR Foodservice Visits

Source: Statistics Canada
The NPD Group Canada/CREST® YE August '19