Sustainability: the new consumer spending outlook

The latest environmental, social, and governance (ESG) developments that your business should know about.

NielsenIQ

Welcome to NielsenIQ's "Sustainability: the new consumer spending outlook" eBook

This eBook was created to help CPG manufacturers and retailers understand and act on consumers' environmental, social, and governance (ESG) needs and expectations.

In recent years, many consumers have had their eyes opened to the urgent need to take better care of themselves, each other, and the world around them. This growing awareness, accelerated by the COVID-19 pandemic, resulted in a more holistic concept of "wellness" that includes not only personal wellbeing, but environmental and social wellbeing.

Sustainability and social responsibility are top of mind for many consumers, but there is still a gap between what people say is important to them, and what they are willing to pay more for when they make purchases. In this eBook, we'll examine what's important to consumers right now in terms of ESG, as well as what's likely to happen in the future, so you can prepare your business for what's coming next.

What we cover in this eBook

The big picture: An overview

Today, the hot topics of health and sustainability are often grouped together under the umbrella of "wellness"; the concept of wellbeing for people and wellbeing for the planet.

Sustainability is already a priority for many CPG customers. Nielsen IQ's data reveals that 78%[1] of consumers say a sustainable lifestyle is important to them and 30% are more likely to purchase products with sustainable credentials. And they associate sustainability with wellness—61% of consumers agree that environmental issues are having an adverse impact on their current and future health.

Prioritizing wellness needs

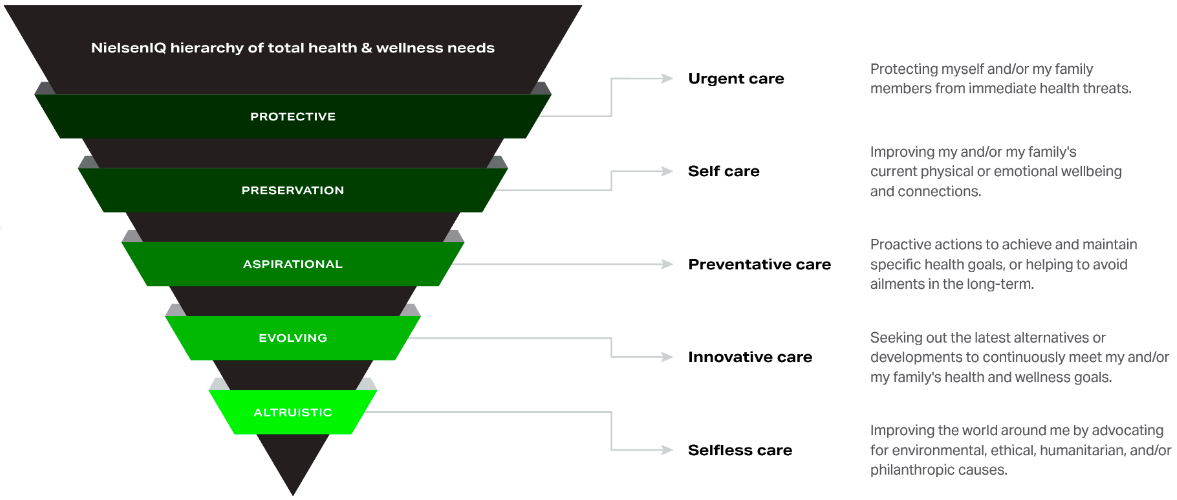
Let's start by examining people's overall wellness needs and expectations. Consumers' wellness needs now stretch beyond the basics of physical wellbeing into a hierarchy:

- **Protective needs**
- **Preservation-focused needs**
- **Aspirational needs**
- **Evolving needs**
- **Altruistic needs**

Although it's important to note that wellness needs can be fluid across consumer segments, geographic regions, key demographics, cultures, and categories. In practice, each consumer's needs will align with their personal health and wellness journeys.

Similar to Maslow's hierarchy, consumers at the largest part of the inverted pyramid are concerned with their personal and urgent wellness needs being met. At the smallest part, they are thinking outside of themselves and their immediate families to society as a whole.

Consumers' health and wellness needs have evolved beyond the basics of physical wellbeing

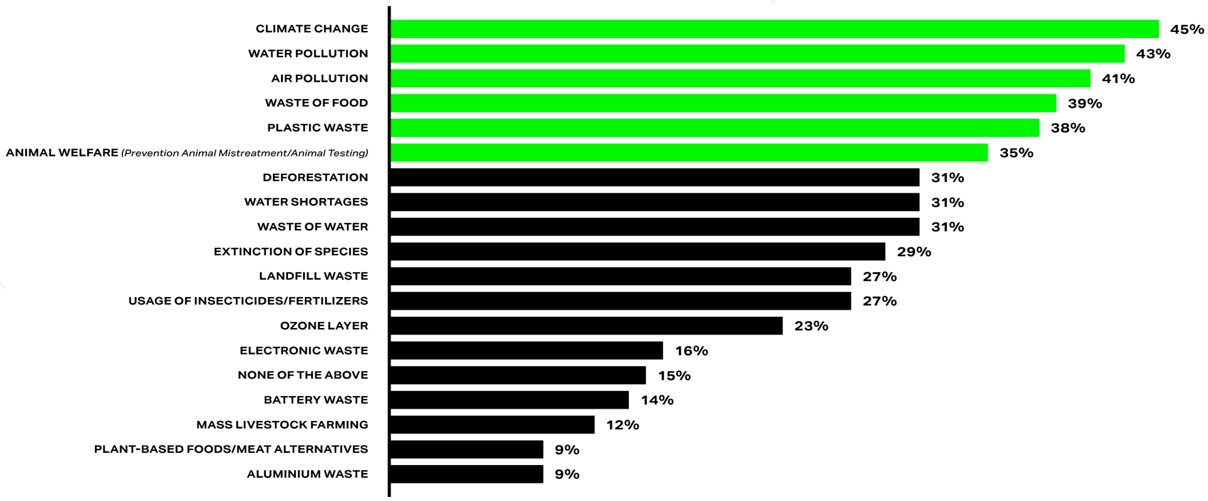


To successfully meet consumers needs and find growth in the processes, businesses need to learn where their brand fits along this path. If many of your customers prioritize more than one of the hierarchy levels, then your company should too.

The rise of sustainability and social responsibility

When consumers were asked about their biggest concerns, climate change topped the list, with 45%[2] of those surveyed citing it as a concern. In fact, many major concerns are related to the environment.

Climate change tops consumer concerns



NielsenIQ Omnibus Survey, Dec 2021, Q1. Which of these topics are you personally most concerned about? Please select all that apply? Q2. Overall speaking, how important is a sustainable lifestyle to you?

Along with environmental concerns, the wider concern of "social responsibility" is common among survey respondents. As a result, over the past two years there has been a change in priorities for many people, with more consumers choosing to buy more socially responsible and sustainable products. NielsenIQ's data reveals that:

- **+22%**[3] of consumers are choosing to buy products from brands that supported customers during COVID-19
- **17%** are choosing to buy products from environmental/sustainable brands
- **16%** are choosing to buy products from socially responsible brands
- **14%** are choosing to buy products from brands that showcase ingredient/supply chain transparency

"Sustainability" itself is a wide term that means many different things. At NielsenIQ, we track more than 90 sustainability-related product attributes, in the categories of social responsibility, sustainable farming, resource management, forestry, packaging, and animal welfare.

NielsenIQ Product Insight data shows that the conversation is now evolving from sustainability (which is about minimizing impact) to regeneration (rebuilding or repairing the damage that has been done). The conversation is now about humanity. How do we care for each other? (social responsibility, social equity and justice). And how do we care for all living things? (animal welfare).

Products that feature the following on-pack claims[4] related to sustainability and wellness of people and animals have grown over the past three years:

- Social responsibility: **up by 22.1%**
- Environmental: **up by 24.5%**
- Sustainable packaging: **up by 17.5%**
- Animal welfare: **up by 37.1%**

These can be broken down into even more specific claims, some of which have seen huge growth within that three year period.

Growth across 90+ attributes illustrates care for environment, others, and animals all important

+22.1%
Social Responsibility

+330.9%
Minority Owned

+83.8%
Women Owned

+46.9%
B Corporation

+28.9%
Fair Trade

+27.4%
Ethical

+24.5%
Environmental

+127.5%
Regenerative Agriculture

+84.1%
Renewable Resource

+64.9%
Reef Safe

+44.0%
EU Organic Farming

+37.3%
Less Emissions

+17.5%
Sustainable Packaging

+156.9%
Plastic Free

+99.9%
Renewable Pkg Cntnt

+35.5%
Tetra Pak

+34.9%
Terracycle

+37.1%
Animal Welfare

+69.0%
Cruelty Free

+43.7%
Grass Fed

+39.6%
Cage Free

+39.5%
Humane

+37.1%
Free Range

$ Volume | Total Store Chg. vs 3YA
Claims/Certifications that are stated on package

NielsenIQ Omnibus Survey, Dec 2021, Q1. Which of these topics are you personally most concerned about? Please select all that apply? Q2. Overall speaking, how important is a sustainable lifestyle to you?

Over the past three years social responsibility-related on-pack claims have increased in key categories across the store. Sales of these products in the food and beverage category[A] increased 37.2%.[5] In the vitamins/OTC department these claims skyrocketed by 98.4%. In the beauty and personal care category animal welfare claims have grown by 50.5% and in the pet care department, sustainable packaging claims have shot up by 73.7%.

Growth of ESG claims varies across the store

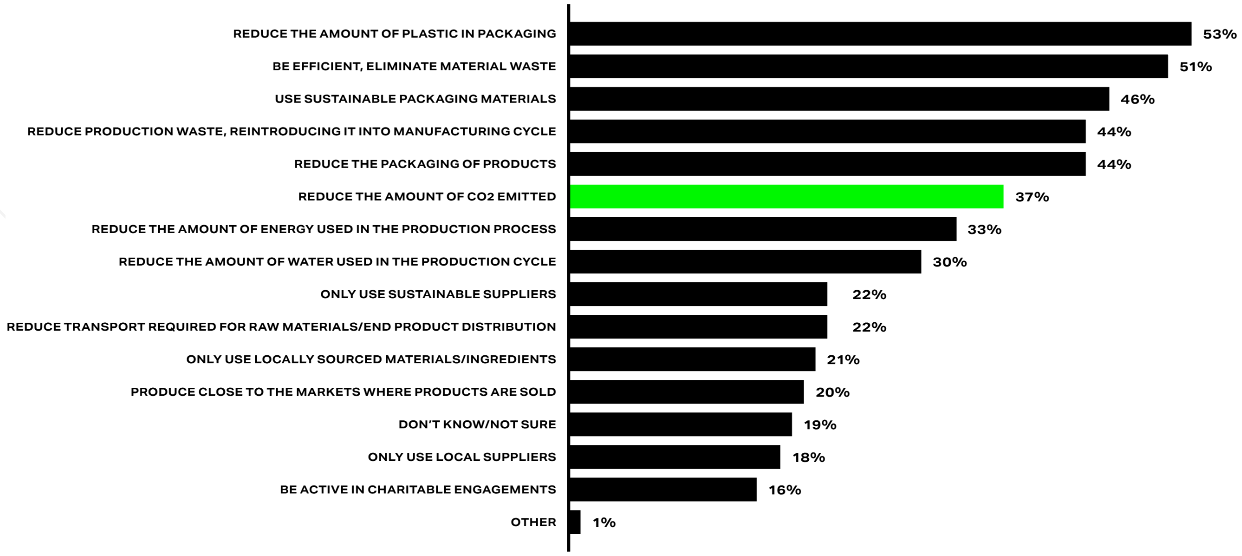
Department	Social Responsibility	Environmental Sustainability	Sustainable Packaging	Animal Welfare
TOTAL STORE	+22.1%	+24.5%	+17.5%	+37.1%
TOTAL FOOD & BEVERAGE	+37.2%	28.7%	+20.1%	+34.1%
BEVAL	+35.5%	+6.2%	+21.1%	+14.7%
VITAMINS/OTC	98.4%	+28.5%	+12.9%	+27.2%
BEAUTY/PERSONAL CARE	26.6%	+28.3%	+18.4%	+50.5%
HOUSEHOLD CARE	-19.1%	+16.2%	+10.4%	+27.2%
PET CARE	-16.0%	+6.9%	+73.7%	+13.0%

Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight,, powered by Label Insight, Total Store; Total US xAOC; Latest 52 weeks W/E 08/06/22 vs 3YA

Know your brand's eco footprint

NielsenIQ's consumer data reveals that 53%[6] of consumers want companies to reduce the amount of plastic in packaging; 51% want them to eliminate waste; and 46% want them to use sustainable packaging materials.

Consumers want companies to take action



NielsenIQ Omnibus Survey, Dec 2021, Q4. To be called sustainable, which of the following actions should companies take? Please select all that apply.

In September 2022, "plastic free" product claims increased by 157%[7] and "sustainable packaging" claims increased by 18% compared to three years prior.

We've monitored sustainable packaging claims over the past three years and have classified sustainable packaging solutions into three categories: proven trends; growing trends; developing trends. "Recyclable" has become a baseline expectation and there are many new opportunities for brands in terms of sustainable packaging claims.

Plastic-free and recycled packaging have been a top priority for companies across verticals and twenty of the largest CPG manufacturers have committed to 100% recyclable packaging by 2030.[8]

Going forward, consumers will be even less inclined to excuse companies who don't offer plastic-free or recyclable packaging. If companies have not done so by choice in the next few years, they are likely to be forced through legislation.

Sustainable packaging has opportunity across store

RECYCLABLE IS BECOMING BASELINE		$ % C3YA	$ VOLUME
	Total Store	**+22%**	
	All Sustainable Packaging	**+21%**	**$65.9 Billion**
PROVEN TRENDS	Recyclable[1]	+27%	$291.1 Billion
	Recycled Packaging	+10%	$35.3 Billion
	Recycled Packaging Content	+10%	$25.6 Billion
GROWING TRENDS	Free from BPA	+31%	$16.0 Billion
	100% Recycled Paperboard	+10%	$15.2 Billion
	Terracycle	+37%	$7.8 Billion
DEVELOPING TRENDS	Tetra Pak Certified	+35%	$2.0 Billion
	Renewable Packaging Content	+99%	$321.7 Million
	Plastic Free	+142%	$219.6 Million

'Stated' claims on package

Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 009/10/22 vs 3YA
1 - Recyclable is not included in the "All Sustainable Packaging" total attribute

It's also important to note that 37%[9] of consumers want companies to reduce CO_2 emissions. And over the past three years sales of "zero waste" products have grown 34%, while products that advertise a "reduced carbon footprint" have grown by 12%.

Brands and retailers should also consider how they are communicating their ESG strategy to consumers. NielsenIQ's Connected Partner Glow's data shows that the majority of consumers (28%[10]) prefer to find this information through news and media, closely followed by the copy written on the product package itself (27%). On this topic, there are two things to consider:

- Product packaging claims give consumers the information they need at the shelf, at the time of purchase.
- You must keep up with the competition. Understand which claims and certifications are table stakes in your category and which claims and certifications will help your brand stand out among the competition.

Animal welfare matters more than ever

Animal welfare has become increasingly important to consumers in recent years. Sales of products with animal welfare claims increased by 37.1%[11] over the last year across the store. Cruelty-free claims grew 69% and grass fed claims increased sales by 43.7%

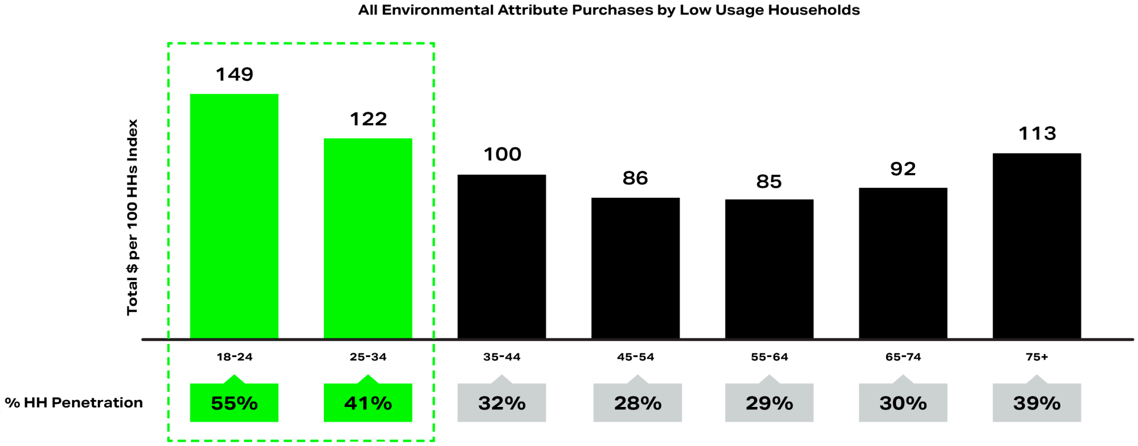
Personal Care		Household Care		Grocery	
1	**ANIMAL WELFARE CERTIFIED**	1	MANUFACTURED IN A SUSTAINABLE WAY	1	GROWN OR RAISED IN A SUSTAINABLE WAY
2	**CRUELTY FREE**	2	**CRUELTY FREE**	2	**CERTIFIED HUMANE RAISED AND HANDLED**
3	MANUFACTURED IN A SUSTAINABLE WAY	3	PLANT-BASED	3	**FREE RANGE**
4	SOURCED FROM PARTNERS OFFERING FAIR WAGES	4	**FREE OF ANIMAL BY-PRODUCTS**	4	ANIMAL WELFARE CERTIFIED
5	**FREE OF ANIMAL BY-PRODUCTS**	5	FOREST STEWARDSHIP COUNCIL (FSC) CERTIFIED	5	**HORMONE FREE**

Diversity, equity, and inclusion

In recent years many young people have become champions of sustainable causes. Notably, those between 18-34[12] are more likely to buy products that make sustainability claims. Although many of these consumers are currently on low incomes, they are likely to shift the market within the next decade as their purchasing power grows.

The youngest consumers are powerful force for sustainability in the future

Number of environmentally-conscience low income 18-34 year olds is greater than all other age groups—currently income-limited demographic on the rise with power to shift market in upcoming years.



Source: NielsenIQ Spectra Homescan Panel; Consumer Profile by Demographics; Total US; $ per 100 HHs Index –May 2022 YTD Sales and 2021 Census

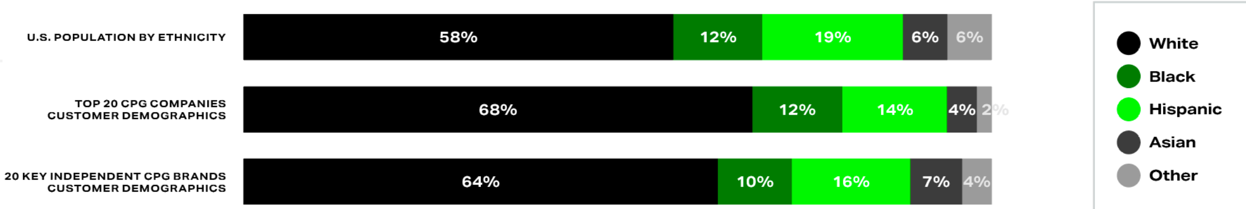
In the past year, sales of products with claims related to social responsibility grew 22%.[13]
64% say they will pay more for products supporting communities and vulnerable groups; and 69% say they want retailer regulation for fresh and healthy food availability/affordability for all.

Brands that show social responsibility have already seen growth over the past three years. Below, you can find a breakdown of the percentage increase in sales[14] in this time period by area of interest:

SOCIAL RESPONSIBILITY QUALIFIED	**+22%**
RESPONSIBILITY SOURCED STATED	**+2%**
B CORP STATED	**+47%**
FAIR TRADE STATED	**+29%**
ETHICAL STATED	**+27%**
WOMEN OWNED	**+84%**
LGBTQ OWNED	**+10%**
FAIR WAGES STATED	**+5%**
MINORITY OWNED	**+331%**

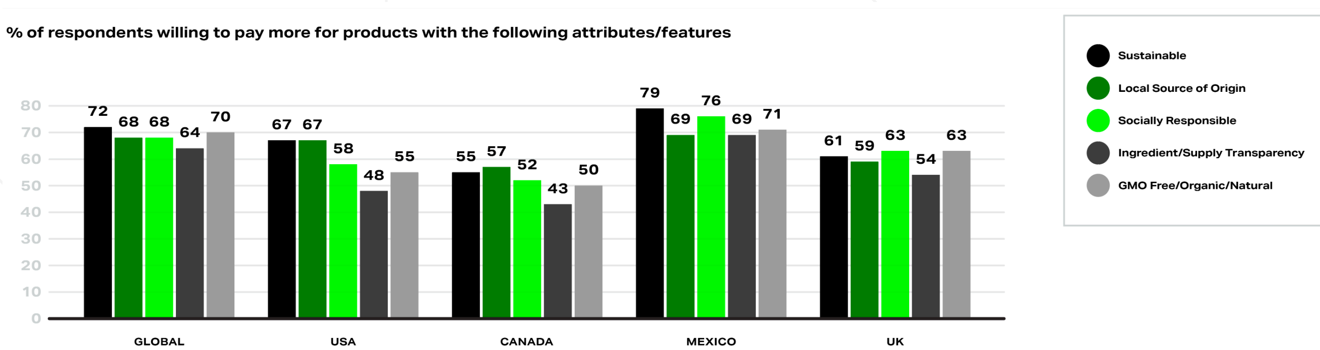
This list indicates that diversity, equity, and inclusion are key to growth. In fact, we are seeing an average of +13 points faster growth[15] for independent CPG companies with stronger consumer diversity. And the natural channel shows the strongest index of socially responsible sales.

Diversity, equity, and inclusion key to growth



And finally, here are the international markets where consumers are willing to pay premiums for sustainable, socially responsible, and supply transparency characteristics. As pictured below, the majority of consumers say they are willing to pay more for socially responsible products, with Mexican consumers being the most willing.

Consumers most willing to pay premium for sustainable, socially responsible, and supply transparency



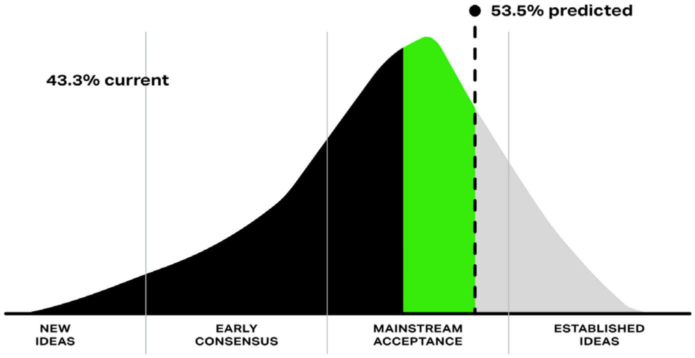
Source: NielsenIQ Global Health & Wellness Study of 17 markets, September 2021

Innovation opportunities in wellness-linked altruism

It's time to dig deeper into consumer wellness needs linked to altruism. To help brands and retailers stay ahead of the curve and innovate in this space, NielsenIQ turned to MotivBase, a valued member of the NielsenIQ Partner Network. By extensively examining hundreds of thousands of anonymized consumer conversations across the U.S. market, MotivBase identified five microcultures to watch. These are:

- **Aging with dignity—trend maturity level 50.6%**
  Consumers strive to help their aging family and neighbors thrive in their golden years with dignity, independence, and good health.
- **Mental health advocacy—trend maturity level 44.4%**
  Consumers want to end the stigma around mental health, turning their focus to workplace culture and health programs in particular.
- **Social bonds—trend maturity level 41.2%**
  Consumers proactively nurture existing social bonds while also creating new ones to boost the health of themselves and others.
- **Healthy eating for all—trend maturity level 37.0%**
  Consumers believe nutrition, education and access are critical barriers to community health.
- **Sustainable wellness—trend maturity level 33.9%**
  Consumers directly connect living a sustainable lifestyle with the mental and physical health of society and that of themselves.

According to MotivBase benchmark studies, the key time to launch a solution into market is when a demand space falls between 33%-55% on the maturity curve.



Within the U.S., MotivBase concludes that there is a longer runway for altruistic innovation tied to the microculture of "eating for optimal health," which has an estimated 37% maturity and expectations of 13% predicted growth among the number of people this topic will be relevant to. Now is an opportune time to innovate and build on current motivations and values, which are centered around social health, obesity, and the disparity in access to healthy and nutritious food in America.

It’s also worth noting that there are high levels of volatility among altruistic microcultures in the U.S. In these volatile instances, consensus and meaning around a topic is pivoting on a dime and regular evaluation and continuous innovation will be necessary for continued relevance, and eventual success, among consumers. In these instances, current messaging and plans around a topic, such as mental health advocacy, should be re-evaluated.

Key takeaways

- Wellness is not a niche topic. All of your customers are wellness shoppers but understanding where their wellness priorities lie is key to your business growth.
- Social responsibility on the part of CPG companies is increasingly expected and if they haven’t already, brands and retailers need to decide exactly what they stand for and tell their customers.
- If companies have not already implemented more eco-friendly changes in their packaging and supply chain, they are likely to be forced through legislation. “Recyclable” packaging has now become the baseline and there are many new opportunities for brands in terms of sustainable packaging claims.
- Animal welfare has grown in importance in recent years: cruelty-free claims have gained high importance in the beauty industry, while food produced by ethical farming practices is increasingly in demand in the food and beverage category.
- Younger consumers are still very concerned about sustainability and their spending power will continue to grow.
- Diversity, equity, and inclusion are increasingly important to many consumer groups and these concerns will continue to grow as the U.S. becomes more ethnically diverse.
- Now is the ideal time for innovation opportunities in wellness-linked altruism.

Ready to learn more?

Schedule time with our leading industry experts for full access to this report and tailored insights to grow your business.

Find out more

For more Wellness trends, visit **nielseniq.com/wellness**.

Sources

1 Source: NielsenIQ Global Health & Wellness Study of 17 markets, September 2021, US results; NielsenIQ Omnibus Survey, Dec 2021

2 Source: NielsenIQ 2022 Consumer Outlook Survey, Dec 2021, US, Q. How have your brand and product purchasing preferences changed over the last 2 years (since COVID-19)?

3 Source: NielsenIQ 2022 Consumer Outlook Survey, Dec 2021, US, Q. How have your brand and product purchasing preferences changed over the last 2 years (since COVID-19)?

4 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; Latest 52 weeks W/E 08/06/22 vs 3YA, $ Volume | Total Store Chg. vs 3YAClaims/Certifications that are stated on package

5 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight,, powered by Label In sight, Total Store; Total US xAOC; Latest 52 weeks W/E 08/06/22 vs 3YA

6 NielsenIQ Omnibus Survey, Dec 2021, Q4. To be called sustainable, which of the following actions should companies take? Please select all that apply.

7 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 09/10/22 vs 3YA, Recyclable is not included in the "All Sustainable Packaging" total attribute

8 Consumer Brands Association, 20

9 Source: NielsenIQ Leading Edge Report; Scores have been assigned from 1 to 5, where 1 = very unlikely and 5 = very likely, NielsenIQ Omnibus Survey 2021, NielsenIQ Retail Measurement Services, NielsenIQ Product Insight; Total Store; Total US xAOC; Latest 52 weeks 08/06/22 vs 3YA

10 Source: Glow; Sample size n=11,507 US Adults, nat rep

11 Based on relative appeal of claims gathered during optimization among global consumers. BASES Optimizer Study on Sustainability Claims and Consumer Motivations (2021); data based on relative appeal of claims gathered during optimization within the United States, United Kingdom, Germany, Brazil and China

12 Source: NielsenIQ Spectra Homescan Panel; Consumer Profile by Demographics; Total US; $ per 100 HHs Index –May 2022 YTD Sales and 2021 Census

13 Source: New Hope on Democratizing Wellness/Feeding America/ReFed

14 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 08/06/22 vs 3YA

15 Source:NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 08/27/22 vs 2YA

Methodology

A The "food and beverage" category is a custom sum of eight departments or super categories. Both vitamins/OTC and beauty/personal care are also comprised of different super categories within the health and beauty department. For more information, please confer with your account manager.

Who is NielsenIQ?

NielsenIQ is the leader in providing the most complete, unbiased view of consumer behavior, globally. Powered by a groundbreaking consumer data platform and fueled by rich analytic capabilities, NielsenIQ enables bold, confident decision-making for the world's leading consumer goods companies and retailers.

Using comprehensive data sets and measuring all transactions equally, NielsenIQ gives clients a forward-looking view into consumer behavior in order to optimize performance across all retail platforms. Our open philosophy on data integration enables the most influential consumer data sets on the planet. NielsenIQ delivers the complete truth.

NielsenIQ, an Advent International portfolio company, has operations in nearly 100 markets, covering more than 90% of the world's population. For more information, visit **nielseniq.com**.