NielsenIQ



What Sustainability Means to Consumers

Key Takeaways from the 2023 NIQ and McKinsey & Company Sustainability Report

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Sustainability has been a growing trend for years, what's next?

Introduction

For the better part of a decade, consumers have shown positive sentiment toward sustainability. In turn, there was a prevailing belief that industry would turn toward a green revolution to meet the changing tides.

But that isn't quite what happened.

A combination of climate issues, economic challenges, and government regulation has slowed progress and led to a situation where consumers and companies have not driven the change anticipated.

Still, consumers have not given up. In fact, they are more committed to sustainability than ever before. An increased awareness of climate change and the direct impact it may have on their personal well-being have been driving factors of this change.

Brands that are aligning with sustainable practices are also seeing strong growth and resonance with consumers. We'll take a brief look the current state of the markets and tends uncovered by NIQ and McKinsey& Company in out latest report on sustainability.

Some of the key topics we'll cover in this eBook and Report Summary are:

- The state of sustainability in 2023
- The top 5 key takeaways from the report
- How to act on this information going forward



69%

of consumers say sustainability has become important to them over the last two years.

(Sources: McKinsey and NielsenIQ 2023 Sustainability Report; NielsenIQ 2023 Sustainability Report)

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The State of Sustainability



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The State of the Sustainability in 2023

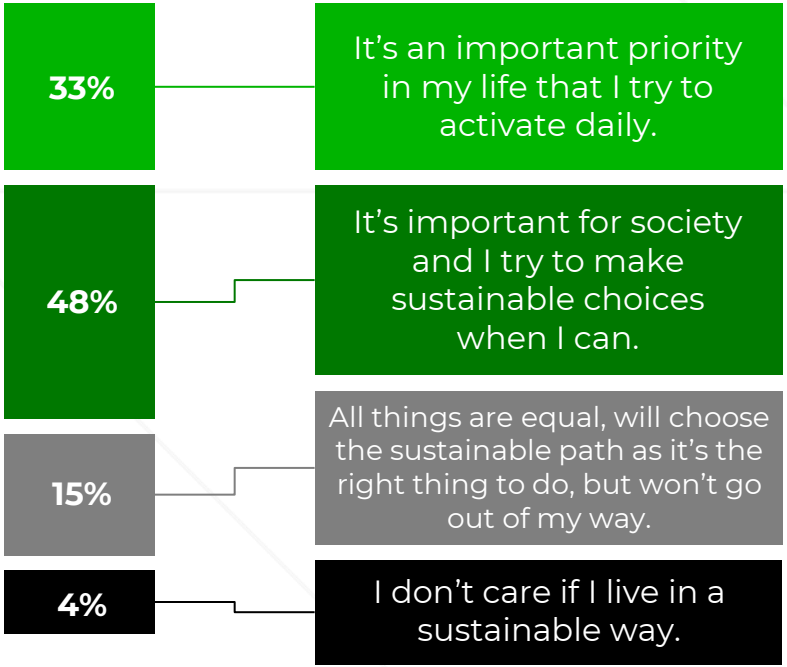
There's no question that sustainability is taking center stage in 2023. In fact, almost all consumers **(95%)** say they are trying to take some action to live sustainably. And they're backing this up with their wallets.

The continued growth of sustainability-minded consumers is causing a few shifts in the market. It's also changing the face of sustainability as a whole.

One major shift we're seeing this year is that consumers' sense of altruism is becoming more important than ever before. This means more consumers are starting to live more sustainably put the needs of the environment front and center.

49% of consumers surveyed now bring reusable bags to the grocery store and **47%** are only buying what they need to avoid waste.

Most consumers want to do the right thing and are making sustainability an important part of their lives



(Sources: McKinsey and NielsenIQ 2023 Sustainability Report; NielsenIQ 2023 Sustainability Report)

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The State of the Sustainability in 2023

Wellness & The Consumer

According to McKinsey & Company, as long as three years ago, more than **60%** of consumers surveyed said they'd pay more for a product with sustainable packaging. But, between the COVID-19 pandemic, major climate disasters, and prevailing cultural changes, consumers are more concerned than ever about their impact on the environment.

Today, most consumers are including sustainability in their shopping habits. And **46%** of consumers are looking to brands to take the lead on creating sustainable change.

Wellness & Brands

One of the biggest area where brands can see an connect with consumers and better align their products with the future is through sustainability claims. These claims take the form of stated or qualified product attributes. That is, claims made on product packaging or web listings.

With consumers actively seeking out sustainable products, these claims give you a better chance of being discovered. In fact, products highlighting different sustainable messaging are seeing growth across the full store. See the chart on the next page for some of the fastest growing claims.

Consumers expect more from the government and brands

40%

of consumers believe their government is MOST responsible for making sustainability progress.

47%

are very likely to choose a brand if it has health benefits for them as well as the planet.

77%

say they would stop buying from a company found guilty of greenwashing.

(Sources: McKinsey and NielsenIQ 2023 Sustainability Report; NielsenIQ 2023 Sustainability Report)

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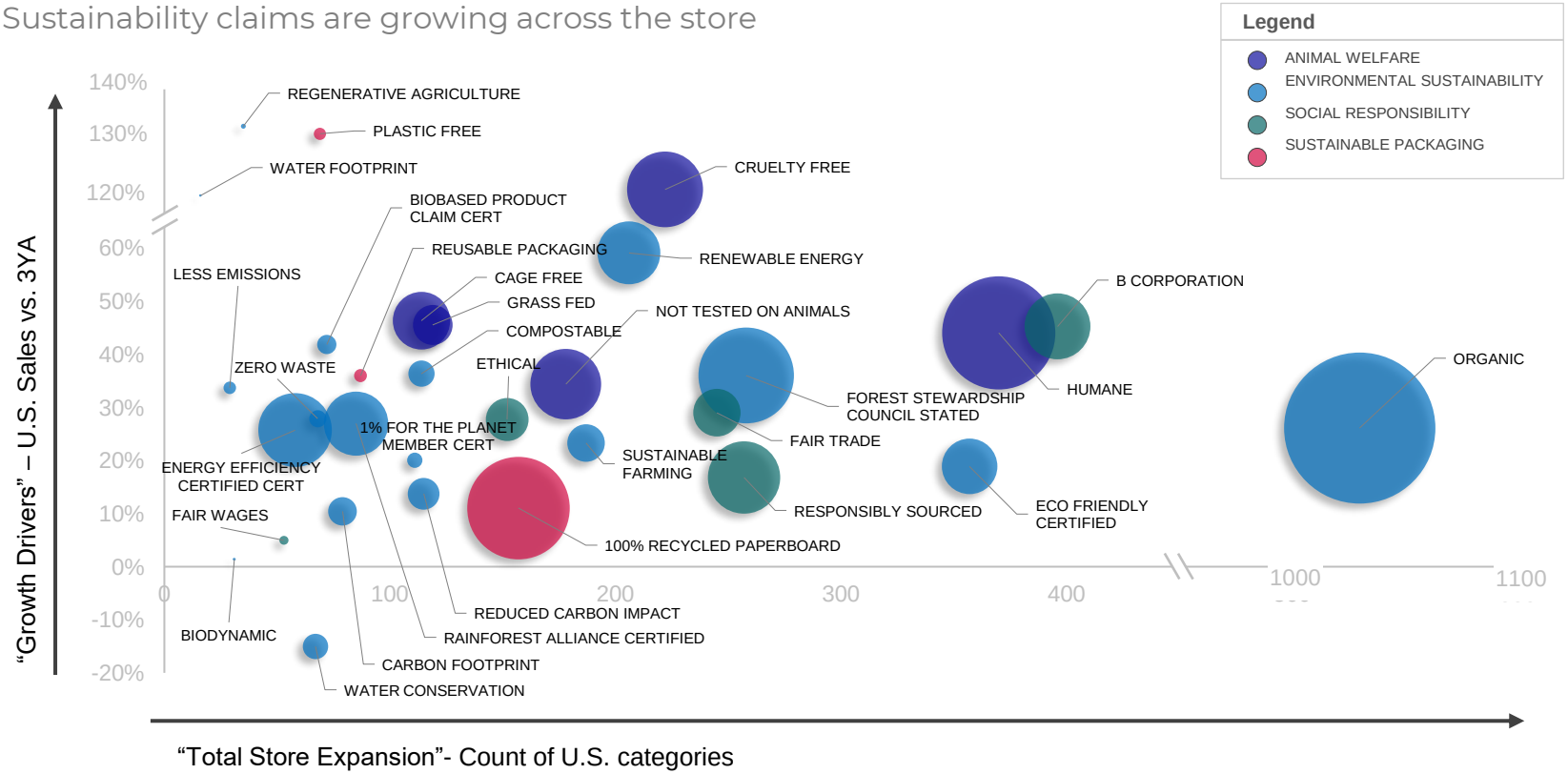
The State of the Sustainability in 2023

Sustainability claims are growing across the store



Bubble size denotes total sales in L52 week All attributes represent claims STATED on package unless indicated by an * symbol

Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 11/05/22 vs 3YA

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Top 5 Key Report Takeaways

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Top 5 Sustainability Takeaways

Every year, US consumers spend more than **$14 trillion**. CPG products are a growing segment of this spending, with more companies vying for a slice of the pie. But not all products are created equally, nor are customers willing to spread their money without a good reason.

So, are sustainable products more likely to pull in some of that money?

That's exactly the type of question NIQ and McKinsey & Company worked on answering with our latest joint study to examine sales growth for products that claim to be environmentally and socially responsible. While a direct causal link between sustainable claims and sales can't be made, there are many interesting correlations we've uncovered.

With that in mind, here are the top 5 takeaways from the report:

1. Growth Exists for Six Types of ESG Claims

Products making ESG-related claims averaged **28%** cumulative growth over the past five-year period, versus **20%** for products that made no such claims. We've identified 93 different ESG-related claims that fall under six main categories.

These claims can be broken out as follows:

- **Animal welfare** ("cage free," "cruelty free," "not tested on animals")
- **Environmental sustainability** ("compostable," "eco-friendly")
- **Organic positioning** (an indication of organic certification)
- **Plant based** ("plant based," "vegan")
- **Social responsibility** ("fair wage," "ethical")
- **Sustainable packaging** ("plastic free," "biodegradable")

(Source: McKinsey and NielsenIQ 2023 Sustainability Report)

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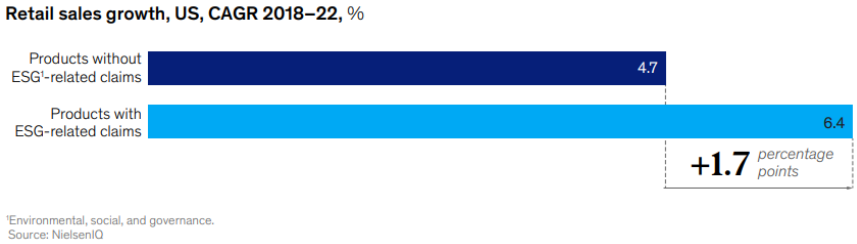
Top 5 Sustainability Takeaways

2. Sales of products with ESG-related claims are seeing outsized growth

NIQ's household panel data showed that some demographic groups—such as higher-income households, urban and suburban residents, and households with children—were more likely to buy products that made one or more ESG-related claims.

Still, the research shows that a wide range of consumers across incomes, life stages, ages, races, and geographies are buying products bearing ESG-related labels. This suggests that the appeal of environmentally and socially responsible products isn't limited to just a small portion of American consumers.



(Source: McKinsey and NielsenIQ 2023 Sustainability Report)

So, what does this mean for sales of these products?

Well, the overall trend was clear: in **two-thirds** of categories, products that made ESG-related claims grew faster than those that didn't. Even better, products with ESG-related claims saw **+1.7%** higher sales growth over 3YA than products without. These products and claims are making genuine headway with the broader market.

But, not every category sees the same benefits.

For instance, food products making ESG-related claims generated outsize growth in **11 out of 15** categories and personal care products outsize in **3 out of 4** categories. But, this was only the case in **2 out of 9** beverage categories. Shopping data alone can't explain the gaps between the categories, it comes down to consumer behavior and preferences.

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Top 5 Sustainability Takeaways

3. Private label and small brands are the biggest beneficiaries

Through brands of all sizes saw growth in products making ESG-related claims, private label and small brands are the biggest beneficiaries. In **59%** of all categories studied, the smallest brands that made such claims achieved disproportionate growth. Private label similarly saw growth in **88%** of categories.

This seems to suggest that consumers aren't just seeking out the cheapest products during times of inflationary pressure. They're still factoring in various ESG claims that resonate with their views and need.

Still, there is quite a bit of category variance:

In sports drinks and hair care, smaller brands grew more quickly. Meanwhile in fruit juice and sweet snacks, the larger brands did. So, consumers are behaving differently depending on category.

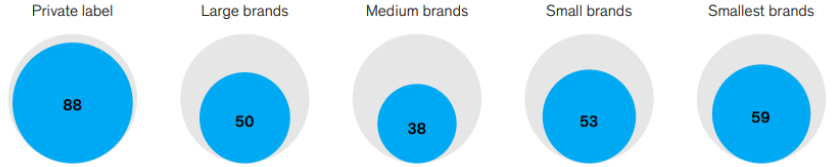
What about newer versus established products?

Newer products making claims outperformed newer, non-claiming counterparts in only **32%** of categories.

But, in **68%** of categories, established products making ESG-related claims outperformed established products without them.

Again, the data isn't enough to explain these gaps.

Share of categories with outsize growth for products with ESG[1]-related claims by brand type, US,[2] %



(Source: McKinsey and NielsenIQ 2023 Sustainability Report)

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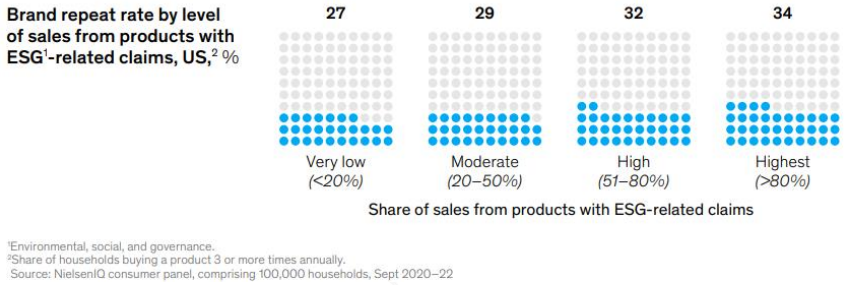
Top 5 Sustainability Takeaways

4. Sustainability claims are building brand loyalty… sometimes

Interestingly, one finding was that consumers don't seem to consistently reward any specific claims across all categories. In fact, we found no evidence that a particular claim was consistently associated with outsize growth.

However, we did find that less-common claims were associated with higher growth than more prevalent claims. This *might* show that claims can be a means of differentiation, especially if they also have a disproportionate impact on a company's ESG goals and impact commitments.



(Source: McKinsey and NielsenIQ 2023 Sustainability Report)

For example, products that made the least prevalent claims (such as "vegan" or "carbon zero") grew **8.5%** more than peers that didn't make them.

Products making medium-prevalence claim (such as "sustainable packaging" or "plant-based") had a **4.7%** growth differential over their peers.

Meanwhile, the most prevalent claims (such as "environmentally sustainable") corresponded with the smallest growth differential. Yet even products making these widespread claims still enjoyed roughly **2%** higher growth than products that didn't make them, suggesting that commonplace claims can be differentiating.

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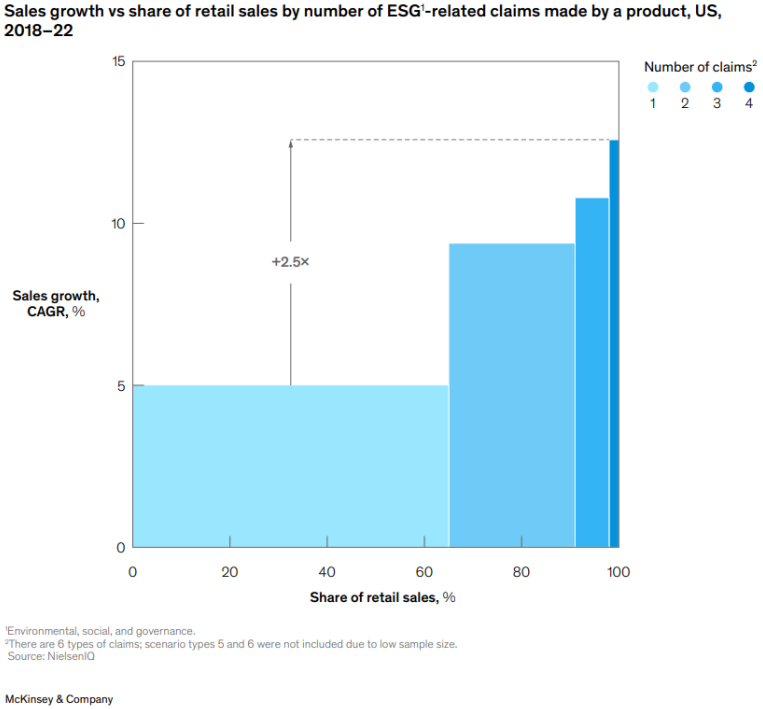
Top 5 Sustainability Takeaways

5. Products with multiple claims own more market share

On average, products with multiple claims across the six ESG classification grew more quickly than other products. In nearly **80%** of the categories, the data showed a positive correlation between the growth rate and the number of distinct types of ESG-related claims a product made. Products making multiple types of claims grew about **2x** as fast as products that made only one.

This may be that they are being found by a wider array of consumers seeking different ESG-related claims or that they appear more aligned with the movement as a whole.

With that in mind, companies *should not* simply add more claims and certifications on their products and expect to be rewarded. These claims must be backed by genuine actions that have a meaningful ESG impact. Greenwashing benefits no one.



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What Does This Mean to You?

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With such strong support behind the movement, one thing is clear: If you don't meet shifting sustainability needs, you'll be scrambling to catch up to consumer sentiment and regulatory requirements. The data shows that there are many areas of opportunity available for brands of all sizes to align with consumers and become more sustainable in 2023 and beyond.

But data is only good if you know how to act on it.

With that in mind, here are two ways you can incorporate this information into your 2023 growth plans:

1. Highlight relevant claims and attributes

Products with relevant ESG claims are on the rise. If you aren't highlighting such claims on your product packaging or web listings, you're leaving money on the table. Not only will your products have a positive impact on the world, but consumer sentiment will also rise, and you can see a positive impact on your bottom line.

Note, today's consumers are very wary of greenwashing, so make sure any claims you make are verifiable and accurate.

2. Adapt to your changing consumer base

Since every brand and industry is different, getting better insight into your market can make all the difference. Some ESG claims may resonate more than others and thus have a better impact. The more you understand your market, the easier it will be to align your products and marketing strategies.

The best way to do this is with feedback from actual consumers via omnishopper and panel data.

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What Does This Mean to You?

Let NIQ help you get a Full View in 2023

Getting access to consumer insights and getting ahead of sustainability trends has never been easier thanks to NIQ.

But, why NIQ?

NIQ is committed to helping brands adapt to the market and meet shifting consumer needs. With us, it's not just about data, its about *business insights*.

Our industry experts and reporting options give you insights and actions, not just numbers. Helping you act swiftly and intelligently is our main priority.

Whether your brand is just getting started or a well-known staple, NIQ has experts who can help.

Some industries we serve are:

- Beauty
- BevAl
- Groceries
- Pet
- Perishables
- Non-food
- And more

Schedule a call with an expert to get the full report and greater insight into sustainability claims today.



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This report was created with the support of these NIQ experts:



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