Sustainability and the Consumer

September 2022
Data
- IRI Point of Sale (POS)
- Household Panel
- E-Market Insights data in all measured channels in U.S.
- IRI OmniConsumer™ Survey Solutions

Selection Criteria
- 36 categories examined held the largest dollar volume; in a few cases, smaller categories were included to ensure fair representation of all major CPG segments
- Over 250,000 products reviewed

Sustainability-Marked Products Determination
- Identified all SKUs for each category marketed as sustainable with on-package communication, such as third-party certification (e.g., USDA Organic), containing organic ingredients, no phosphates, no phthalates, etc.
- Sustainability determination focused on the product itself, not the recyclability of the package

Note
- Natural is not considered a sustainable identification
- Packaging recyclability was not considered; only the contents in the package
- Due to lack of visibility into private label product claims, private label was not included as sustainability-marketed, with the exception of organic private label in the food categories
Sustainability Drives Consumer CPG Product Choices

77% Believe Sustainability is IMPORTANT When Selecting Products to Buy

8 ppts Increase from 2021

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=764
Sustainable Products Drive a Third of All CPG Growth, While Representing 17% of Total CPG Sales

**Sustainability $ Sales Trends Across 36 Core Edible and Nonedible Categories, MULO**

**Sustainability-Markedeted Products Have Grown Share Every Year and Accounted for 17% of CPG Sales in 2021**

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual $ Share of Sustainability-Markedeted Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>13.7%</td>
</tr>
<tr>
<td>2019</td>
<td>16.1%</td>
</tr>
<tr>
<td>2020</td>
<td>16.8%</td>
</tr>
<tr>
<td>2021</td>
<td>17.0%</td>
</tr>
</tbody>
</table>

**Sustainable Products Drove a Third of CPG Growth**

- **Sustainability-Markedeted Products**: 17.0%
- **Conventionally Marketed Products**: 67.9%

Source: IRI POS data for MULO across 36 core categories; Analysis by NYU Stern Center for Sustainable Business
Sustainably Marketed Products Grew 2.7x Faster in Their Categories

INDEX (Base Year 2015 = 100)

Sustainability Marketed
6 Year CAGR: 7.34%

Total Market
6 Year CAGR: 3.45%

Conventionally Marketed
6 Year CAGR: 2.76%

Source: IRI POS data for MULO across 36 core categories; Analysis by NYU Stern Center for Sustainable Business
Tissue, Personal Care and Dairy Are Among Categories With Strong Sustainable Share

Medium Penetration Categories
(5-20% Share from Sustainable Products)

High Penetration Categories (>20% Share from Sustainable Products)

Source: IRI POS data for MULO across 36 core categories that represents 40% of total CPG sales; Analysis by NYU Stern Center for Sustainable Business
Most Consumers Have Increased or Maintained Their Level of Sustainable Product Purchases

Have maintained or increased their sustainable purchase habits in the past year

Statistically, a higher percentage of Gen Z and Millennials are purchasing more sustainable products

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=764
Gen Z and Millennials associate the term “sustainability” with environmental factors more than older consumers.

The Consumer Lens: Sustainability is Defined More by Environmental vs. Social Factors

- **Environmental Attributes Associated with Sustainability, % Consumers**
  - Renew, reuse, recycle: 79%
  - Conserve (fuel, water, energy, land): 66%
  - Reduce by-products / waste: 62%
  - Commitment to renewable resources: 58%
  - Minimize carbon footprint / greenhouse gases: 55%
  - Minimize negative environmental impact: 56%
  - Minimize exploitation of natural resources: 51%
  - Reduce / eliminate climate change: 47%
  - Reduce pollution (air, water, greenhouse gas): 47%
  - Organic (no pesticides): 35%

- **Social Attributes Associated with Sustainability, % Consumers**
  - Act in ways that benefit society at large: 47%
  - Come together as a community for greater good: 44%
  - Protect human rights: 44%
  - Fair trade: 36%
  - Reduce poverty: 36%
  - Protect animal rights: 33%

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=1,200
Younger Generations Are More Likely Than Older Generations to Identify with Several Sustainability Attributes

Reduce By-Products / Waste
- Gen Z and Millennials: 66%
- Older Generations: 62%

Minimize Carbon Footprint / Greenhouse Gases
- Gen Z and Millennials: 59%
- Older Generations: 54%

Minimize Negative Environmental Impact
- Gen Z and Millennials: 59%
- Older Generations: 55%

Reduce / Eliminate Change
- Gen Z and Millennials: 51%
- Older Generations: 46%

Source: IRI OmniConsumer™ Survey Solutions, June 2022
Increasing Concern About the Environment, More Options and Product Satisfaction Are Driving More Sustainable Product Purchases

Reasons for Choosing More Sustainable Products, % of Consumers

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental impact e.g., climate change</td>
<td>44%</td>
</tr>
<tr>
<td>More sustainable options available</td>
<td>40%</td>
</tr>
<tr>
<td>More sustainable options that work just as well</td>
<td>34%</td>
</tr>
<tr>
<td>More competitively priced nowadays</td>
<td>24%</td>
</tr>
<tr>
<td>More options online</td>
<td>22%</td>
</tr>
<tr>
<td>More concerned about social impact</td>
<td>21%</td>
</tr>
<tr>
<td>On sale / promotion</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=457
What is the price premium of sustainability marketed products?
Sustainably Marketed Products Command Price Premiums

*NYU’s Sustainable Market Share Index™ illustrates price premiums ranging from 8% to 130% compared to conventionally marketed products. Just a few categories show price discounts.*

2021 Sustainability-Marketed Products’ Price Premium / Discount

[Bar chart showing price premiums and discounts across various product categories]
Sustainable Market Share Index™ – Price Premium

*Sustainability-marketed products enjoy a sizeable price premium of 28% over conventionally marketed products, but the price differential has decreased since 2018.*

Sustainability-Marked Products Price Premium vs. Conventionally-Marked Products

![Graph showing price premium over years](image)

Source: IRI POS data for MULO across 35 core categories; Analysis by NYU Stern Center for Sustainable Business
Note: Weighted by $ Sustainable Sales of categories examined; analysis excluded store brand / private label
Conventionally Marketed Products Increase Prices at a Higher Rate than Sustainable Products

Inflationary pressures and supply chain disruptions are driving steeper price hikes of conventionally marketed products, even as sustainably marketed products are often priced at a premium to conventional products.

Sustainable Market Share Index: Year-Over-Year % Change in Price

<table>
<thead>
<tr>
<th>Year</th>
<th>Sustainable</th>
<th>Non-Sustainable</th>
<th>26 Weeks (Feb '22 vs. '20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3.7%</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>2.6%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>3.2%</td>
<td>5.4%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Source: IRI POS data for MULO across 35 core categories; Analysis by NYU Stern Center for Sustainable Business Note: Weighted by $ Sustainable Sales of categories examined; analysis excluded store brand / private label
Laundry Detergent Carries a Price Premium of ~20% Over Conventional Products, Even as the Latter Raise Prices

Price Premium ($/oz.) of Sustainable Laundry Detergent / MULO Channel

Note: Sustainable laundry detergent is at a ~7% price premium to the overall category. Source: IRI POS data ending 7/10/22. IRI Executive Insights.
How important has sustainability become in new product development?
...and Analysis Supports the Increase in New Products with Sustainability Benefits

~50% of all new products in 2021 were sustainable, up 20 percentage points from 2017

Source: IRI POS data for MULO across 32 core cats.; Analysis by NYU Stern Center for Sustainable Business
Shoppers – Especially Younger Generation Shoppers – Are Seeing More New Products with Sustainable Benefits than in the Past…

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=1,153

Gen Z and Millennials: 48%

Older Generations: 37%
Younger Shoppers Are More Likely to Try New Sustainable Products

<table>
<thead>
<tr>
<th></th>
<th>Gen Z &amp; Millennials</th>
<th>Older Generations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, I tried some more sustainable food or beverage brands I haven't purchased before</td>
<td>35.7%</td>
<td>23.9%</td>
</tr>
<tr>
<td>Yes, I tried some more sustainable personal care brands I haven't purchased before</td>
<td>37.6%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Yes, I tried some more sustainable household product brands I haven't purchased before</td>
<td>27.1%</td>
<td>22.3%</td>
</tr>
<tr>
<td>No, I have not tried new sustainable products</td>
<td>33.2%</td>
<td>54.9%</td>
</tr>
</tbody>
</table>

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=1,200
Analysis of sustainable attributes across IRI New Product Pacesetters, 2016 vs. 2021

% of successful new products that communicate sustainable attributes

Successful New Product Launches Increasingly Incorporate Sustainability

Source: IRI POS data for MULO across 32 core categories; Analysis by NYU Stern Center for Sustainable Business
Among Top Health and Wellness Claims Across Total CPG, Cruelty Free Grew Most in Share and Sales

*Total Store Health and Wellness Claims*

<table>
<thead>
<tr>
<th></th>
<th>$ Sales % Change vs. YA</th>
<th>$ Share Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON GMO</td>
<td>5.9%</td>
<td>6.0</td>
</tr>
<tr>
<td>ORGANIC</td>
<td>4.1%</td>
<td>2.0</td>
</tr>
<tr>
<td>PARABEN FREE</td>
<td>5.8%</td>
<td>6.6</td>
</tr>
<tr>
<td>CRUELTY FREE</td>
<td>12.5%</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Source: IRI Edible Market Advantage™, MULO CY 2021 Ending 12-26-21; MULO L52 Wks Ending 8-7-22, Label Insights
Many Consumers Intentionally Shop at Retailers That Support Sustainability

How Sustainability is Impacting Consumer Retailer Choices

**27%** of shoppers seek out retailers that carry sustainable products

**32%** of Gen Z and Millennials choose retailers that carry sustainable products

**17%** of shoppers seek out retailers that are devoted to sustainable business practices

**20%** of Gen Z and Millennials choose retailers devoted to sustainability

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=1,200
Younger Shoppers Give Select Retailers Higher Marks on Sustainability Efforts

% of Shoppers Who Rate Retailers Do “Great” on Sustainability

- Gen Z + Millennials
- Gen X, Boomers, Retirees

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Gen Z + Millennials</th>
<th>Gen X, Boomers, Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>Trader Joe’s</td>
<td>25%</td>
<td>13%</td>
</tr>
<tr>
<td>Whole Foods</td>
<td>28%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=1,200
For Online Shoppers, Sustainability is Important; Make It Easy to Find Sustainable Products Online

84% believe sustainability of products is important when shopping online.

17% say finding sustainable products when shopping online is typically easy.

69% say finding sustainable products when shopping online is sometimes easy.

22% of Gen Z and Millennials say finding sustainable products shopping online is easy.

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=764
When Shopping Online, Shoppers Want Ingredient Lists, Product Origin and Packaging Recyclability

- **50%** Want a list of ingredients for every item
- **50%** Want to know where the item was made / grown
- **50%** Want information about recyclability of packaging that will be delivered

Source: IRI OmniConsumer™ Survey Solutions, June 2022, n=895. Top Product Information Types Online Shoppers Want to See
Sustainable Market Share Index™
Share Differences Online vs. In-Store

$ Share Difference Between Online Less In-Store

Source: IRI POS data for MULO across 36 core categories; Analysis by NYU Stern Center for Sustainable Business. Note: In 3/4ths of the categories examined, shares of sustainable products are stronger online.
Chocolate and Pet Are Among Categories with Penetration Less than 5% Sustainable Share

*Innovation That Incorporates Sustainable Attributes Can Boost Share*

Source: IRI POS data for MULO across 36 core categories that represents 40% of total CPG sales; Analysis by NYU Stern Center for Sustainable Business
## Top Sustainability Marketing Messages Drive Dollar Sales Volume and Growth, But Different Categories Have Different Messages

### Sustainability-Markedeted Products Share

<table>
<thead>
<tr>
<th>Category</th>
<th>YOGURT</th>
<th>CHOC.</th>
<th>LAUNDRY</th>
<th>SANITARY</th>
<th>COFFEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-GMO</td>
<td>62%</td>
<td>75%</td>
<td>90%</td>
<td>63%</td>
<td>53%</td>
</tr>
<tr>
<td>Organic</td>
<td>44%</td>
<td>18%</td>
<td>37%</td>
<td>18%</td>
<td>62%</td>
</tr>
<tr>
<td>Grass-Fed</td>
<td>25%</td>
<td>16%</td>
<td>14%</td>
<td>14%</td>
<td>37%</td>
</tr>
<tr>
<td>No Growth Hormones</td>
<td>17%</td>
<td>14%</td>
<td>5%</td>
<td>63%</td>
<td>15%</td>
</tr>
<tr>
<td>B-Corp</td>
<td>12%</td>
<td>7%</td>
<td>2%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>Vegan</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>27%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Claims

- **YOGURT**
  - Non-GMO
  - Organic
  - Grass-Fed
  - No Growth Hormones
  - B-Corp
  - Vegan

- **CHOC.**
  - Rainforest Alliance
  - Fair Trade
  - Organic
  - Vegan
  - B-Corp

- **LAUNDRY**
  - Plant-Based
  - EPA Safer Choice
  - No Animal Testing
  - Paraben Free
  - Biodegradable
  - B-Corp

- **SANITARY**
  - Organic
  - Dye-Free
  - No Animal Testing
  - Paraben Free
  - Biodegradable
  - B-Corp

- **COFFEE**
  - Sustainably Sourced
  - Fair Trade
  - Organic
  - Rainforest Alliance

### Source

IRI POS data for MULO; Analysis by NYU Stern Center for Sustainable Business. Note: Claims with <1% $ sales were omitted. Share of growth with negative sign declined over the period. Individual products may have one or more claims.
Third-Party Certification is a Plus for Sustainably Marketed Products

Growth of Third-Party Certified Sustainably Marketed Products and New Products as Percent of Sustainable Growth

<table>
<thead>
<tr>
<th></th>
<th>Coffee</th>
<th>Chocolate</th>
<th>Laundry Detergent</th>
<th>Sanitary Napkins</th>
<th>Yogurt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018 Total Category Sales ($B)</strong></td>
<td>$9.8B</td>
<td>$14B</td>
<td>$7.4B</td>
<td>$2.8B</td>
<td>$7.1B</td>
</tr>
<tr>
<td><strong>3rd Party Certified Sustainability-Marked Products as a Percentage of Sustainable Growth</strong></td>
<td>99.9%</td>
<td>88%</td>
<td>90%</td>
<td>94%</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Non-Certified Sustainability-Marked Products as a Percentage of Sustainable Growth</strong></td>
<td>0.03%</td>
<td>12%</td>
<td>10%</td>
<td>6%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Source: IRI POS data for MULO; Analysis by NYU Stern Center for Sustainable Business. Note: Claims with <1% $ sales were omitted.
Consider Attributes That Are Rising in Prominence: Sustainable Market Share Index™ – Carbon Labeling

+$3.4B  Up from $1.7B in 2020, Carbon-Labeled Products Delivered 2021 Sales of +$3.4B
Younger Consumers Will Drive Future Demand for Sustainable Products

Younger consumers are pushing for more sustainability, but Boomers and Gen X are driving sales today. Millennials purchased a significantly higher percentage of sustainably marketed products in: Carbonated Beverages, Cookies, Frozen Dinners, HH Cleaners and Detergent, Pet Food, Skin Care and Weight Control.

<table>
<thead>
<tr>
<th>Sustainable Sales Share</th>
<th>Total CPG Sustainable Sales Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>25%</td>
</tr>
<tr>
<td>Generation X</td>
<td>32%</td>
</tr>
<tr>
<td>Boomers</td>
<td>33%</td>
</tr>
<tr>
<td>Seniors &amp; Retirees</td>
<td>10%</td>
</tr>
</tbody>
</table>

Index 120+ · Index 80 – 120 · Index <80

Chart read as: Millennials purchased a significantly higher % (>1.2x) of their Carb. Beverages on sustainability marketed products, than Average HHs. Source IRI Panel Data; Analysis by NYU Stern Center for Sustainable Business
Sustainability is table stakes as more consumers purchase based on sustainable attributes such as recyclable, reusable, and biodegradable; they consciously shop at retailers committed to sustainability.

Implications

Brands that have sustainability at their core, as part of their value proposition are likely to fare better than ones that consider sustainability as risk management or risk avoidance.

The popularity of sustainably marketed products among younger consumers points to an enduring demand.
questions & answers
want to be the first to know...

Registered Users Get New Thought Leadership from IRI’s Research, Data and Analytics Experts

thank you