



Neilsen IQ

SUSTAINABILITY: THE NEW CONSUMER SPENDING OUTLOOK



PREPARED BY Food Distribution Guy

DECEMBER 2022

This special report summarizes Nielsen IQ's report entitled "Sustainability: The New Consumer spending outlook". This report was created to help CPG manufacturers understand and act on consumers' environmental, social, and governance (ESG) needs and expectations. 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.

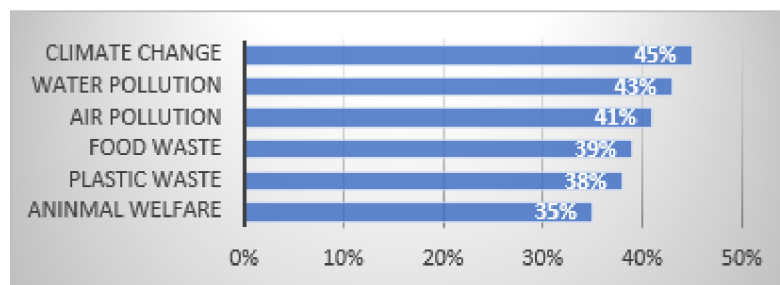
THE BIG PICTURE

- 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.

THE RISE OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY

- Climate change, the # 1 concern of consumers as outlined in Chart1.

Chart 1
Consumers' Top 5 Concerns



- Along with environmental concerns, the wider concern of “social responsibility” is quite common among all consumers.
- Social responsibility is a key trend in consumers purchases:
 - +22% 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.
- NielsenIQ insights revealed 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).
- Products that feature the following on-pack claims related to sustainability and wellness of people and animals have grown over the past 3 years:
 - Social responsibility: up by 22.1%.
 - Women-owned: +83.8%.
 - B Corporation: +46.9%
 - Environmental: up by 24.5%
 - Renewable resource: +84.1%
 - Sustainable packaging: up by 17.5%
 - Plastic free: +156.9%
 - Renewable pkg content: +99.9%.
 - Animal welfare: up by 37.1%
 - Grass-fed: +43.7%.
 - Free range: +37.1%.
- Over the past three years, social responsibility-related on-pack claims have increased in key categories across the store.

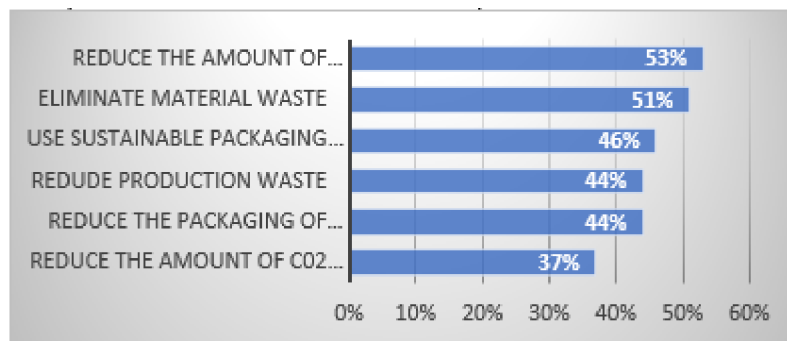
Growth of ESG Claims Across the Store

	Socially Responsible	Environmental Sustainability	Sustainable Packaging	Animal Welfare
TTL Store	+22.1%	+24.5%	+17.5%	+37.1%
TTL F&B	+37.2%	+28.7%	+20.1%	+34.1%

KNOW YOUR BRAND'S ECO FOOTPRINT

- Reduce the amount of plastic utilized – top action consumers wish companies to take action on as outlined in Chart 2.

Chart 2
Top 6 Actions Consumers Want Companies to Take Action On



- Plastic-free and recycled packaging has been a top priority for consumers and corporations.' Going forward, consumers will be even less inclined to excuse companies that don't offer plastic-free or recyclable packaging.
- It's also important to note that 37% of consumers want companies to reduce CO₂ emissions.

ANIMAL WELFARE MATTERS MORE THAN EVER

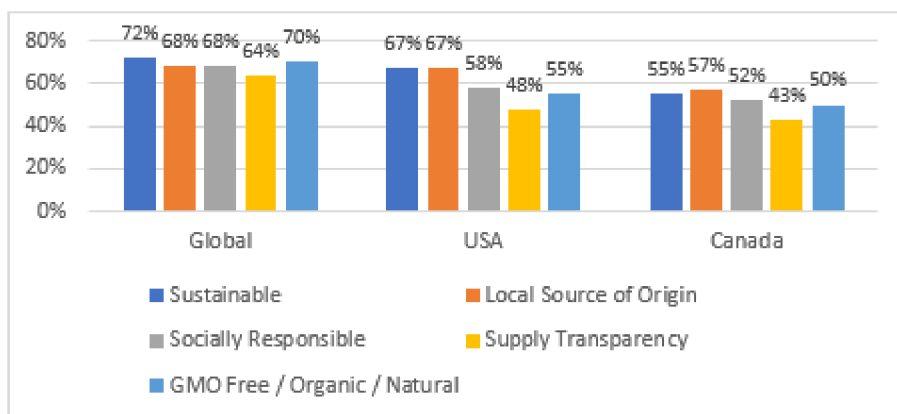
- Animal welfare has become increasingly important to consumers in recent years.
- Grocery:
 - Grown or raised in a sustainable way.
 - Certified humane raised and handled.
 - Free range.
 - Animal welfare certified.
 - Hormone-free.

PREMIUM FOR SUSTAINABILITY / SOCIALLY RESPONSIBLE

- Those between 18-34 are more likely to buy products that make sustainability claims
- Consumers (globally and in the USA) more willing than Canadians to pay a premium for sustainable, socially responsible, and supply transparency as outlined in Chart 3.

Chart 3

% of Respondents Willing to Pay More for Products with the Following Attributes



KEY TAKEAWAYS

1. Wellness is not a niche topic. All of your customers are wellness shoppers but understanding where their wellness priorities lie is key to business growth.
2. 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.
3. 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.
4. 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.
5. Younger consumers are still very concerned about sustainability and their spending power will continue to grow.

FOOD DISTRIBUTION GUY PROFILE



Richard Baker, President

Food Distribution Guy's mandate is to ensure our principles' success is sustainable long-term. Providing our clients with market advice, and industry sights, we champion the sales procurement process in which our principles break through the competitive landscape to "Getting and Staying" listed in Canada's grocery sector.

WE ARE OUR PRINCIPLES' **"ONE-STOP"** RESOURCE.

416-768-7648

www.fooddistributionguy.com

richard@fooddistributionguy.com

 @richardecbaker