SUSTAINABLE SHOPPERS
BUY THE CHANGE THEY WISH TO SEE IN THE WORLD

A STRATEGY GUIDE BY
nielsen
FORCES OF CHANGE ARE DRIVING SUSTAINABILITY’S MOMENTUM
COrPorate sustainability gains steam over last five years

Only 20% of S&P 500® companies, a multi-industry stock group of large capital U.S. based companies, choose to disclose their Environmental, Social & Governance (ESG) information.

A 10 year BASES study shows only 5% of all initiatives tested included sustainable benefits—including natural and organic.

65% of sales represented brands using sustainable marketing.

Winning innovation concepts tested by BASES include: eco-friendly packaging, less packaging, natural ingredients, plant based.

Ninety-nine food manufacturers, retailers and associations have signed the UK Plastics Pact.

85% of S&P 500 companies disclose their ESG status.

Almost a quarter (22%) of 2019 Super Bowl Ads were socially-charged.

GROWTH AT THE INTERSECTION OF HEALTHY FOR ME AND HEALTHY FOR WE
HEALTHY FOR ME & HEALTHY FOR THE WORLD CAN BE LINKED TO TOP PREMIUM FACTORS

How willing are you to pay a premium (more than you consider average price) for products that provide the following attributes or benefits?

- **Has High-Quality / Safety Standards**
  - Organic, Antibiotic Free, Hormone Free, Non-GMO
  - 49%

- **Provides Superior Function or Performance**
  - Sulfate-free, Hormone free, Minerals
  - 46%

- **Contains Organic / All-Natural Ingredients**
  - Organic, All-Natural, No artificial ingredients, Preservative-free, Paraben-Free
  - 41%

- **Contains Environmentally Friendly / Sustainable Materials**
  - BPA-Free, Terracycle certified, Compostable or Plantable packaging, Reusable
  - 38%

- **Offers / Does Something No Other Product On The Market Provides**
  - Upcycled, Made from waste / Recycled products, Edible packaging
  - 37%

- **Delivers On Social Responsibility Claims**
  - Free-range, Pasture-raised, Humane
  - 30%

Source: The Conference Board® Global Consumer Confidence Survey conducted in collaboration with Nielsen Q2 2019
GROWTH AT THE INTERSECTION OF HEALTHY FOR ME AND HEALTHY FOR WE

*innocent*

**our brighter bottle**

We’ve created an extra special bottle for our smoothies. It’s made from 50% recycled plastic and 15% plant plastic. By 2022, we plan to make all of our bottles out of 100% renewable stuff. We’re already well on the way, so watch this space.

**EU PLASTICS STRATEGY**

**THE UK PLASTICS PACT**

**Shop for trusted brands now redesigned to be smarter and waste free**

*Loop*

**your A to Z of all things waste**
WHAT’S THE OPPORTUNITY?

By 2021, we expect sustainably-minded U.S. shoppers to spend up to $150 billion on sustainable FMCG goods. This represents an increase of between $14 billion - $22 billion.

73% of global consumers say they would definitely or probably change their consumption habits to reduce their impact on the environment.

Sources:
Nielsen Product Insider, Powered by Label Insight. Week ending 10/20/2018. Projections based on 3 and 2 year CAGR.
The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017
SUSTAINABILITY CLAIMS OUTPACE TOTAL U.S. FMCG

LEVELS OF CLEAN LABEL AND FOOD & BEVERAGES SALES GROWTH vs YA

CONVENTIONAL

NO ARTIFICIALS
Free from Artificial Colors/ Flavors/ Preservatives/ Sweeteners, Hormones & Antibiotics

CLEAN
Meets ‘No Artificial’ requirements, plus contains none of the "No No" List of Ingredients Defined by Nielsen

SIMPLE <10
Meets ‘Clean’ Requirements plus has less than 10 ingredients, all of which are recognizable

SUSTAINABLE
Meets ‘Simple <10 Requirements’, plus has a Sustainability claim

+0.4%  +2.6%  +4.2%
+1.1%  +5.8%

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 12/29/18
THE SPECTRUM OF SUSTAINABILITY

B CORPORATION +15%

ORGANIC FARMING +7%

SOCIAL RESPONSIBILITY +8%

FAIR TRADE +5%

FAIR WAGES -3%

SUSTAINABLE FARMING +5%

SUSTAINABLE RESOURCE MGMT +5%

SUSTAINABLE SEAFOOD +8%

SUSTAINABLE PACKAGING +2%

LESS PACKAGING -7%

GRASS FED +20%

FREE RANGE +16%

ANIMAL WELFARE +6%

PASTURE RAISED +8%

RENEWABLE ENERGY +5%

CARBON FOOTPRINT +12%

DOLPHIN SAFE +5%

TERRACYCLE CERTIFIED +2%

FARMEF SEAFOOD 0%

Source: Nielsen Product Insider, powered by Label Insight, Latest 52 weeks F&B ended 1/5/19
Total store: latest 52 weeks ended 1/21/19
CORPORATE SUSTAINABILITY IN HIGH DEMAND ACROSS GENDER AND GENERATIONS

Percentage of respondents who said that it is “extremely” or “very” important that companies implement programs to improve the environment

81% OF GLOBAL RESPONDENTS

80% OF MEN

81% OF WOMEN

Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017
BUT WHO’S ACTUALLY PURCHASING SUSTAINABLE PRODUCTS?

Source: Nielsen Homescan Panel NMI segmentation 2018
SUSTAINABLE SHOPPERS ARE DIGITALLY ENGAGED

SHOPPERS WITH A LIFESTYLE OF HEALTH & SUSTAINABILITY ARE 67% MORE LIKELY TO BE DIGITALLY ENGAGED

SUSTAINABLE PRODUCT SHOPPERS ARE.....

22% MORE LIKELY TO SHOP ON A HANDHELD DEVICE

11% MORE LIKELY TO SHOP ONLINE THAN IN-STORE

12% MORE LIKELY TO USE HANDHELD DEVICES WHEN THEY ARE IN-STORE

Source: June 2017 Homescan Survey & NMI Segmentations. *LOHAS – Lifestyle of Health and Sustainability
TRANSPARENCY IS BEING EMPHASIZED ACROSS CPG CATEGORIES

ANNUAL DOLLAR GROWTH (%) WITH THESE TRANSPARENCY CLAIMS

- **VITAMINS MINERALS SUPPLEMENTS**
  - Organic: +27%
  - Prebiotics: +15%
  - Natural Presence: +17%

- **PERSONAL CARE**
  - Acceptable Ingredients: +15%
  - Natural Exfoliants: +10%
  - No Artificial Ingredients: +8%

Source: Nielsen H&W, 52 weeks ending 12/29/18; Nielsen Product Insider, powered by Label Insight, 52 weeks ending 1/5/19, US data
EVERY CATEGORY HAS THE OPPORTUNITY TO INNOVATE

ICE CREAM
FDA PROTEIN & HEALTHY
+28% v. YEAR AGO
SUGAR ALCOHOLS
+2% v. YEAR AGO

READY TO DRINK COFFEE
COLD PRESSED
+57% v. YEAR AGO
FDA PROTEIN & ALL NATURAL INGREDIENTS
+19% v. YEAR AGO

FACIAL CLEANSERS
CRUELTY FREE
+84% v. YEAR AGO
ALL NATURAL
+26% v. YEAR AGO

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 1/5/19
WHERE AND HOW SUSTAINABILITY MATTERS THE MOST IS NOT UNIFORM

$ SHARE OF FAIR TRADE BY CATEGORY AND GROWTH

<table>
<thead>
<tr>
<th>Category</th>
<th>Fair Trade</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUTRITION BARS</td>
<td></td>
<td>-1%</td>
</tr>
<tr>
<td>FAIR TRADE: +28%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COCONUT WATER</td>
<td>3%</td>
<td>-5%</td>
</tr>
<tr>
<td>FAIR TRADE: +32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPLEMENTS</td>
<td></td>
<td>+6%</td>
</tr>
<tr>
<td>FAIR TRADE: +28%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICE CREAM</td>
<td>7%</td>
<td>+3%</td>
</tr>
<tr>
<td>FAIR TRADE: +1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen Product Insider, powered by Label Insight, Latest 52 weeks ended 3/31/2018
DEEP DIVE: PACKAGING & PLASTICS
IN IRELAND, BOTH MEN & WOMEN SHARE THE OPINION THAT THERE IS TOO MUCH PLASTIC PACKAGING

Men & the Millennial generation are less concerned about volume & impact

<table>
<thead>
<tr>
<th>INDEX BY</th>
<th>GENDER</th>
<th>AGE</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>women</td>
<td>men</td>
<td></td>
</tr>
<tr>
<td>Index Vs Total Sample</td>
<td></td>
<td></td>
<td>Border, Midlands &amp; Western</td>
</tr>
<tr>
<td>“There is too much plastic packaging being used unnecessarily”</td>
<td>100</td>
<td>101</td>
<td>Southern &amp; Eastern</td>
</tr>
<tr>
<td>“I worry about the effect all my grocery packaging has on the environment”</td>
<td>103</td>
<td>94</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ireland Nielsen Consumer Survey May 2018, N = 507
Grocery shoppers are changing their habits.

Q. Which of the following types of grocery products do you actively seek to purchase?

- “Actively seek products with minimum package” 48%
- “Actively seek products in recyclable packaging” 46%
- “Actively seek loose products with no packaging” 46%

Source: Ireland Nielsen Consumer Survey May 2018, N = 507
Retailers & manufacturers expected to take action in reducing the amount of plastic

91% - “Retailers should do more to reduce the amount of plastic packaging used on grocery products”

75% - “The government should intervene to introduce fees / restrictions on producers for use of plastics”

Q. Which of the following best describes how you feel about the use of packaging on grocery products?

Source: Ireland Nielsen Consumer Survey May 2018, N = 507
GERMAN ORIGINAL UNVERPACKT SUPERMARKET
TEACHING CUSTOMERS TO REDUCE, REUSE & RECYCLE

Source: https://original-unverpackt.de/supermarkt/
DUTCH SUPERMARKET EKOPLAZA LAUNCHES A PLASTIC FREE AISLE

The food is wrapped in a compostable biomaterial made from trees and leaves

Source: https://www.ekoplaza.nl/pagina/ekoplaza-lab-1
UNPACKT - ZERO-WASTE GROCERY STORE IN SINGAPORE

Goods placed in **self-serving bins**
Customers can bring their **own containers to purchase goods**
**Cheaper products**
First store to generate **zero-waste** in Singapore

GLOBAL MANUFACTURERS’ INITIATIVES ALIGNING TO THE GLOBAL TREND

Unilever commits to 100% recyclable plastic packaging by 2025
Committed to reduce the weight of the packaging by one third by 2020

P&G investing in “revolutionary” plastic recycling technology
Homegrown technology which removes color, odor and contaminants from recycled PP

Coca-Cola joins push to cut plastic waste
Will collect and recycle the equivalent of all its packaging by 2030

PepsiCo plans to triple the recyclability of its bottles by 2030
PepsiCo is funneling millions of dollars into the Recycling Partnership

Diageo launches new plastic targets for 2025 and beyond
100% of plastic used should be widely recyclable by 2025 and plastic bottles should be made of 100% recycled content by 2030.

Source: Corporate Websites
BRANDS ARE EDUCATING CONSUMERS AND ENCOURAGING THEM TO RECYCLE

Source: https://www.adsoftheworld.com/media/print/salvador_city_hall_olives
On average, consumers are deciding at the shelf 58% of the time.

Frequencies vary by category, though food is generally more prone to at-shelf consideration of alternatives 65%+

Even soft drinks, the most brand/product loyal category, is non-deterministic in nearly half of visits.

"The last time you purchased a product in each category, did you consider more than one product at the shelf before making your selection (versus simply seeking a specific product without considering others)?" (n=2048)
HUGE DIFFERENCES BY GENERATION

**MILLENIALS**

- Considered alternatives: 75%
- Grab 'n go: 77%

- Frozen food: 68%
- Candy: 77%
- Salty snacks: 79%
- Ice cream: 75%
- Snack bars: 71%
- Cereal: 77%
- Alcoholic beverages: 74%
- Baby food: 66%
- Bottled water: 62%
- Shampoo: 66%
- Facial moisturizer: 64%
- Coffee: 69%
- Toothpaste: 63%
- Dishwashing liquid: 68%
- Deodorant: 64%
- Laundry detergent: 63%
- Pet food: 60%
- Toilet paper: 62%
- Soft drinks: 67%
- Pain relievers: 59%

**OLDER GENERATIONS**

- Considered alternatives: 71%
- Grab 'n go: 70%

- Frozen food: 54%
- Candy: 69%
- Salty snacks: 67%
- Ice cream: 66%
- Snack bars: 61%
- Cereal: 66%
- Alcoholic beverages: 57%
- Baby food: 55%
- Bottled water: 55%
- Shampoo: 54%
- Facial moisturizer: 53%
- Coffee: 50%
- Toothpaste: 48%
- Dishwashing liquid: 46%
- Deodorant: 47%
- Laundry detergent: 46%
- Pet food: 45%
- Toilet paper: 44%
- Soft drinks: 41%
- Pain relievers: 43%

"The last time you purchased a product in each category, did you consider more than one product at the shelf before making your selection (versus simply seeking a specific product without considering others)?" (n=500 Millennials; 1548 consumers from older generations)
PRODUCT INTEGRITY BENEFIT RULES

Packaging that preserves freshness is hugely disproportionate in influencing choice.

Relative Influence Index
(General Population)

"We are going to ask you to choose between two hypothetical products. They are the same in every way (including the price) except for what is noted. Please choose the product that you would be most likely to purchase given the highlighted differences." (n=2048)
MILLENNIALS HAVE COMPRESSED RANGE OF INFLUENCE

There is less disparity between most and least influential features

Relative Influence Index
(General Population)

The most influential feature has only **3.2X** the influence of the least

"We are going to ask you to choose between two hypothetical products. They are the same in every way (including the price) except for what is noted. Please choose the product that you would be most likely to purchase given the highlighted differences." (n=2048)
NON-MILLENNIALS REFLECT AN IMBALANCE OF INFLUENCE

Indicate a disproportionate influence from top drivers

Relative Influence Index
(General Population)

"We are going to ask you to choose between two hypothetical products. They are the same in every way (including the price) except for what is noted. Please choose the product that you would be most likely to purchase given the highlighted differences." (n=2048)
MANY HOUSEHOLDS DON’T RECYCLE RELIABLY

41% of consumers indicate lapses in household recycling behavior

“How consistent is your household about separating recyclable packaging for collection?” (n=2048)
SUSTAINABILITY MARKET SOPHISTICATION

GETTING STARTED
New interest in sustainability delivers high growth
Local brands acting fast

New affluence drives sustainability premiumization

Product landscape becomes more cluttered

AS MARKETS ADVANCE
Consumers seek out specific sustainability factors

Be quick to market - keeping in mind quality to maximize growth
Tie sustainability factors to premiumization factors

Invest in innovation testing
Support launches with the right execution
Understand which consumers are driving demand, customize messages for them

EMBED SUSTAINABILITY IN EACH STAGE OF YOUR STRATEGY, TO BE AUTHENTIC AND TRANSPARENT
LEVERAGE GRANULAR ATTRIBUTE UNDERSTANDING IN DAY-TO-DAY ANALYTICS

MARKET SHARE
PRICING
PROMOTION
ASSORTMENT
CONSUMER

OPTIMIZE SUSTAINABILITY INITIATIVES ACROSS YOUR ENTIRE PORTFOLIO

BUILDING A SUSTAINABILITY STRATEGY
CORPORATE/BRAND MESSAGING
PRODUCT IDEAS / SUSTAINABILITY CLAIMS
PACKAGING OPTIMIZATION