

Research: Actually, Consumers Do Buy Sustainable Products

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For years, brand managers have grouched that while consumers say they intend to buy sustainable products, in store they don't actually purchase them. This conventional wisdom has been used by many brands as justification for not making their products more sustainable.

NYU Stern's Center for Sustainable Business just completed extensive research into U.S. consumers' actual purchasing of consumer packaged goods (CPG), using data contributed by IRI, and found that 50% of CPG growth from 2013 to 2018 came from sustainability-marketed products. IRI's data comes from bar scan codes at retail checkout in food, drug, dollar, and mass merchandisers. We examined over 36 categories and more than 71,000 SKUs, which accounted for 40% of CPG dollar sales over the five-year period.

Products that had a sustainability claim on-pack accounted for 16.6% of the market in 2018, up from 14.3% in 2013, and delivered nearly \$114 billion in sales, up 29% from 2013. Most important, products marketed as sustainable grew 5.6 times faster than those that were not. In more than 90% of the CPG categories, sustainability-marketed products grew faster than their conventional counterparts.

We also reviewed which categories had the largest share of sustainability-marketed products. Toilet tissue, facial tissue, milk, yogurt, coffee, salty snacks, and bottled juices were among those with the highest share in their category (more than 18%), while laundry care, floor cleaner, and chocolate candy had less than a 5% share.

Methodology

Our analysis looked at products' on-pack communication about their sustainability. We assessed third-party certification, such as USDA organic and Fair Trade, and the packaging's claims about undesirable traits (such as genetically modified, BPA, parabens, antibiotics, growth hormones) and positive characteristics (local, grass-fed, compostable, animal cruelty-free).

Given that sustainability issues vary by category, we also assessed whether a claim concerned a material environmental or social issue for that category. For example, "plant-based" is not a material issue in cereals, as most are plant-based; it is in detergents, where it means toxic chemicals are not used. Our analysis did

To a certain degree, products that need to have a higher degree of efficacy (such as laundry care and sanitary napkins) were more likely to have a lower share of sustainability-marketed products, perhaps because consumers are concerned about performance trade-offs. That said, some of those categories saw high growth in sustainability-marketed products – sanitary napkins and laundry care were among the highest, at 150%. So it appears that some categories that are behind in sustainability-marketed product share are making up for lost time.

What do these findings mean for corporate managers and investors?

not include the term “natural” (which is ubiquitous but means nothing) or marketing claims related to social causes or charities.

Products that we deemed sustainability-marketed in 2018 were considered sustainability-marketed in 2013 too, as we were unable to examine 2013 packaging for all products. This likely depressed the growth numbers, as many brands have become more sustainable over time. We made no attempt to assess if products marketed as sustainable were, in fact, sustainable. Instead, we focused on whether the marketing of a product as sustainable would drive purchases.

Consumers are voting with their dollars – against unsustainable brands. The legacy companies that will thrive are those that accept this shift and are willing to pivot, such as PepsiCo and Unilever. Notably, those two companies are doing so despite the strident objections of investors who criticized Indra Nooyi and Paul Polman, the former CEOs of PepsiCo and Unilever, respectively, for moving away from their traditional brands. CPGs that are not making the pivot will lose – Kraft Heinz, whose investors have encouraged a cost-cutting approach that is backfiring, is a case in point. Given the evidence that consumer tastes are changing, an attitude of “Why mess with a recipe that has worked well over the last 40 years?” is the wrong one to take.

Some of the necessary transformation can be accomplished by reinventing legacy products, as Unilever has shown with its “sustainable living” brands, now delivering 70% of its turnover growth. These brands speak to consumers’ interest in aligning their shopping with their values: Hellmann’s uses 100% cage-free eggs in its U.S. products, for example. Small brands in this space are also attracting the bigger players’ attention – Unilever has purchased brands with loyal followings such as Seventh Generation, Sundial Brands, and Pukka Herbs.

Corporate leadership should no longer give brand managers a pass when they claim that there is no demand for sustainable products. And investors should support companies in making the investments needed for the pivot. The future for CPG, and increasingly for other categories such as apparel, is sustainable.

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