

*A Better World,
Through Better Business*



Center for
Sustainable Business

Sustainable Share Index™:

Research on IRI Purchasing Data (2013-2018)

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In an environment where consumer packaged goods (CPG) companies are responding to changing generational expectations, including more sustainable product offerings, yet where understanding of consumer purchasing trends is limited, the NYU Stern Center for Sustainable Business partnered with IRI, who provided the data pro bono, to assess the following:

- 1. Have purchases of sustainable products increased over time?**
- 2. Are there specific product categories for which the purchases of more sustainable product options out- or underperform less sustainable alternatives?**

We reviewed consumer purchasing from 2013 to 2018 of Sustainability-Marketed Products in thirty-six CPG categories comprising 40% of the total CPG market in dollars. Our findings are as follows.

Sustainability-Marketed Products Are Driving Growth



Products marketed as sustainable are driving product and category growth.

- Across all categories, delivered \$113.9B in sales in 2018, +29% vs. 2013 (Slide 5)
- Across all categories, account for 16.6% share of market (\$), up from 14.3% in 2013 (Slide 6)
- Overall, delivered 50.1% packaged goods market growth (2013-2018) despite representing only 16.6% of the category (Slide 7)
- Grew 5.6x faster than products not marketed as sustainable (5-yr CAGR) (Slide 8)
 - Over 90% categories examined (33 of 36 categories)* saw Sustainability-Marketed Products outperforming both category and their conventional counterparts (Slide 9).
- The market share of Sustainability-Marketed Products products aligns along a continuum based on perceived category functionality or efficacy. (Slide 11) However, even in categories with low shares, shares have been increasing.

* Cups and plates, toilet tissue and paper napkins lost share to private label. Because we did not have visibility into private label to ascertain if there were claims regarding sustainability, we had to assume they were not marketed as sustainable. So, in fact, if private labels were making claims of sustainability (as we have observed they do on shelf), these categories may not have seen share decline of Sustainability-Marketed Products .



Research Question 1:

Have purchases of sustainable products increased over time?

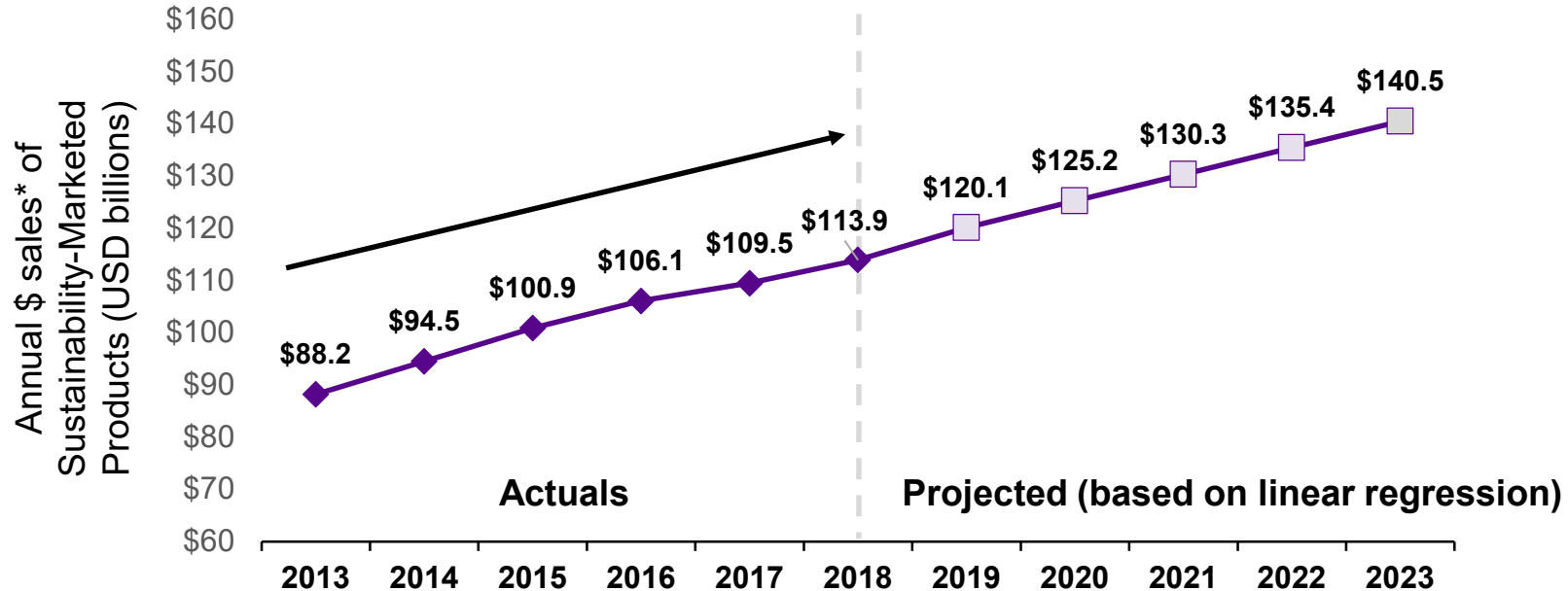
Research Result:

Products marketed as sustainable are driving not only *product* but also *total category/market growth*.

Stern CSB Sustainable Share Index: Key Findings



Across all categories, Sustainability-Marketed Products delivered \$113.9B in Sales in 2018, +29% vs. '13 and are expected to grow to \$140.5B by 2023.

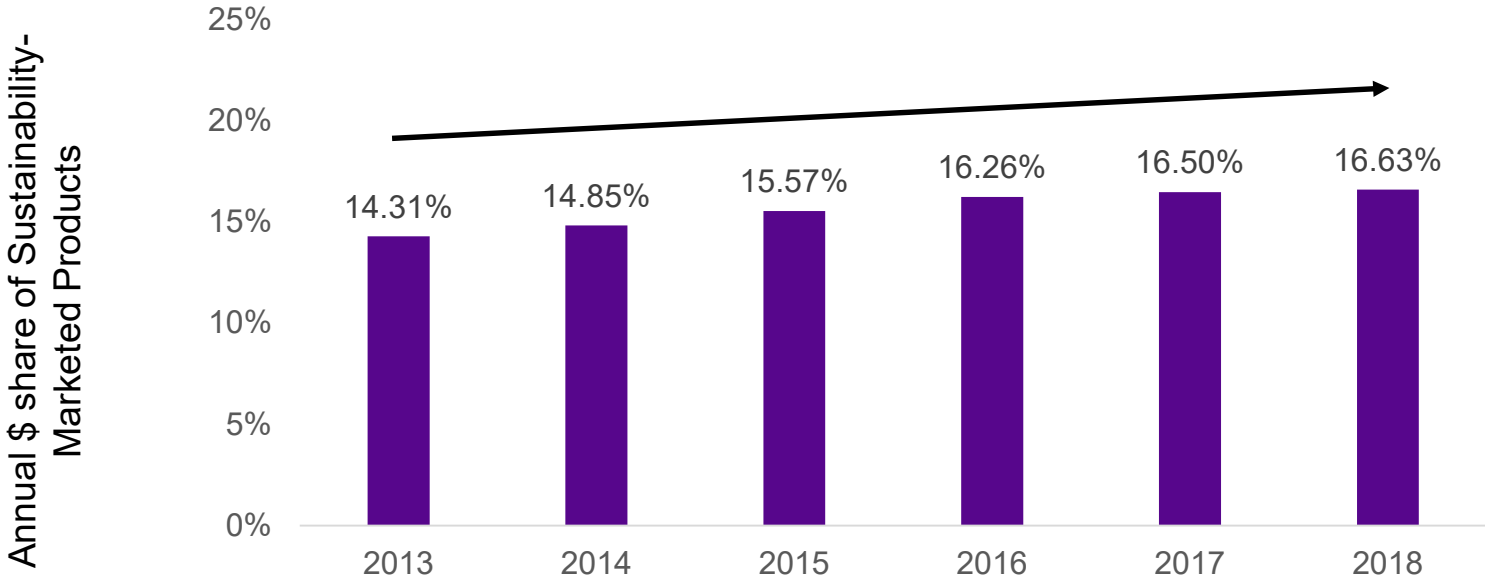


*The total value of Sustainability-Marketed Products is estimated, based on the actual sales of 36 product categories, representing approximately 40% of the total market in measured channels, excluding alcohol and tobacco.

Stern CSB Sustainable Share Index: Key Findings



Across all categories studied, Sustainability-Marketed Products account for 16.6% share of market (\$) in 2018, up from 14.3% in 2013.



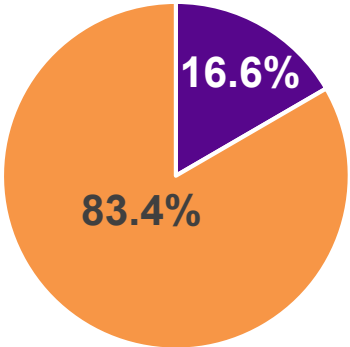
Based on 36 product categories examined

Stern CSB Sustainable Share Index: Key Findings



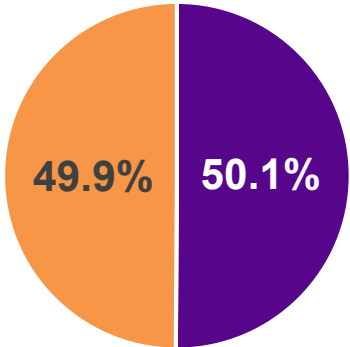
Despite the fact that Sustainability-Marketed Products are 16% of the market, they delivered more than half of the market growth.

\$ Share of Market
(2018)



- Sustainability-Marketed Products
- Conventional Products

\$ Share of Market Growth
(2013-2018)



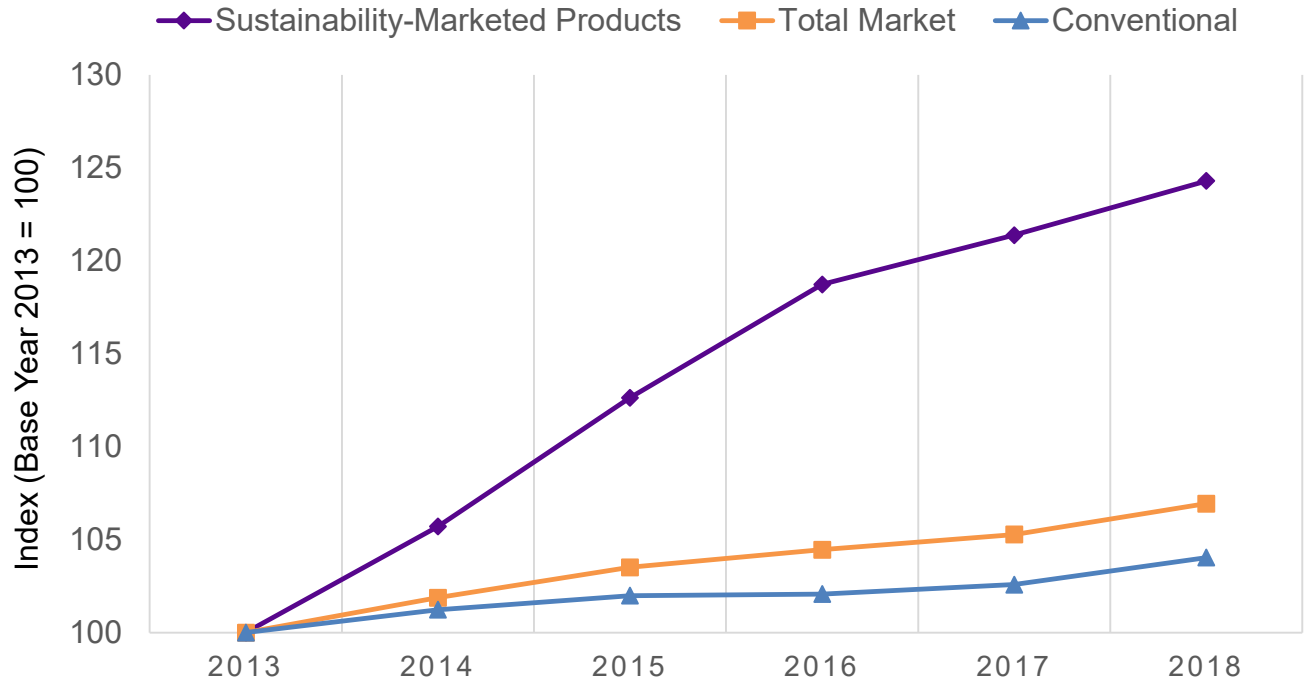
- Sustainability-Marketed Products
- Conventional Products

Based on 36 product categories examined

Stern CSB Sustainable Share Index: Key Findings



Sustainability-Marketed Products grew 5.6x faster than conventionally-marketed products, and 3.3x faster than the CPG market.



Sustainable
5-YR CAGR:
4.45%

Total Market
5-YR CAGR:
1.35%

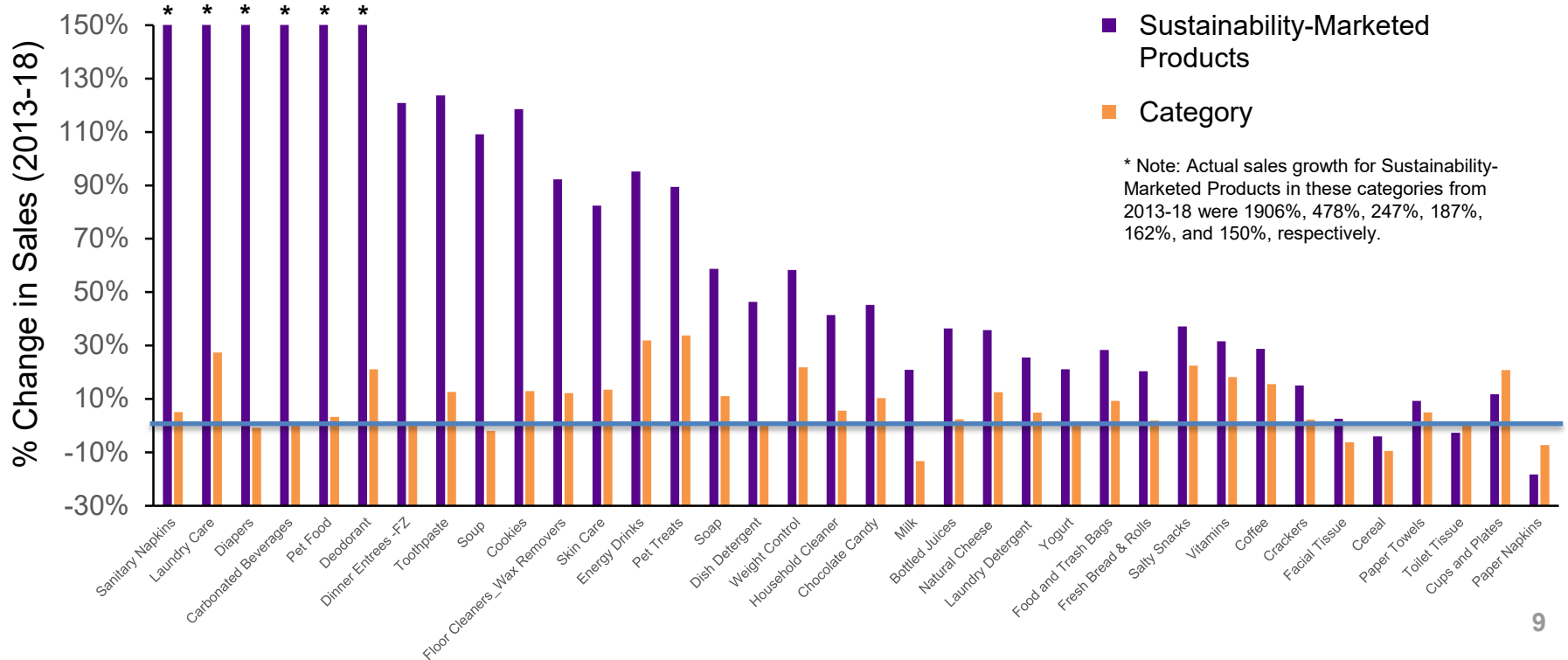
Conventional
5-YR CAGR:
0.80%

Based on 36 product categories examined

Stern CSB Sustainable Share Index: Key Findings



Over 90% of individual product categories, the growth of Sustainability-Marketed Products outpaced the growth of their respective categories.





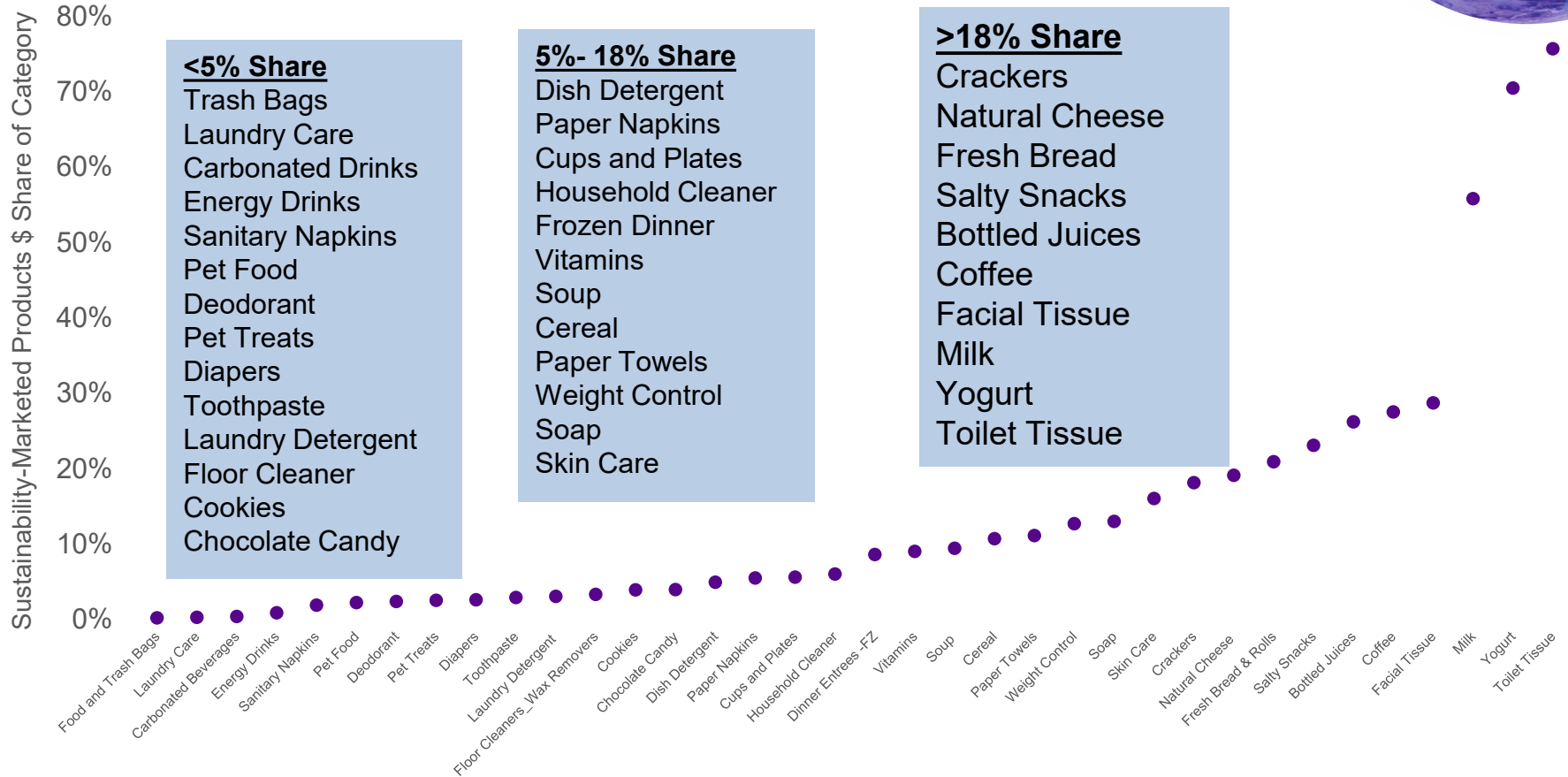
Research Question 2:

Are there specific product categories where the purchases of more sustainable product options out or underperform less sustainable alternatives?

Research Result:

- Yes. Categories that demand high functionality (e.g. detergent) do not have a large percentage of sustainable purchases, but nevertheless experienced share growth.
- Conversely, categories with low functionality demands (e.g. salty snacks) have higher category consumption.

Sustainability-Marketed Products as a % of the Category





The NYU Stern Center for Sustainable Business plans to further explore the data, tackling research questions such as:

- Are there demographic and/or psychographic differences in purchasing behavior?
- Are there geographical differences in purchasing?
- Does price affect the purchase behavior? Are there differences between price brands and premium brands?
- Are there differences among retail outlets?

About the NYU Stern Center for Sustainable Business



The NYU Stern Center for Sustainable Business was founded on the principle that sustainable business is good business; delivering better financial results while protecting the planet and its people. We aim to help current and future business leaders embrace proactive and innovative mainstreaming of sustainability, resulting in competitive advantage and resiliency for their companies as well as a positive impact for society.

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Appendix



Data:

- IRI Point of Sale data in all measured channels in U.S. 2013-2018 excluding alcohol and tobacco

Selection Criteria:

- 36 categories examined held the largest dollar volume.
- 71,283 products reviewed; products with 0.00 dollar share of category were not considered unless identified as organic.
- 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 edibles category where IRI had the data.

Sustainability-Marketed Products Determination:

- Identified all skus for each category marketed as sustainable with on-package communication, e.g. 3rd 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.
- A very conservative approach was adopted. For example, the following was not considered sustainable:
 - Natural with no other sustainable identification
 - Recyclable packaging

Other Assumptions/Information:

- Products that were deemed sustainability-marketed in 2018 were considered sustainability-marketed in 2013. This likely depressed the growth numbers.
- 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 purchase.