



THE SUSTAINABILITY IMPERATIVE

NEW INSIGHTS ON CONSUMER EXPECTATIONS
OCTOBER 2015



nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

CONSUMER BRANDS THAT DEMONSTRATE COMMITMENT TO SUSTAINABILITY **OUTPERFORM** THOSE THAT DON'T

- In the past year alone, sales of consumer goods from brands with a demonstrated commitment to sustainability have grown more than 4% globally*, while those without grew less than 1%.
- Sixty-six percent of consumers say they are willing to pay more for sustainable brands—up from 55% in 2014 and 50% in 2013.

It's hard to ignore the siren call to protect the planet. Or to remain unmoved by those facing increasingly poor living conditions across the globe.

As a result, many consumers have adopted more sustainable behaviors. Others are working for or supporting organizations dedicated to social and environmental change.

Consumers are trying to be responsible citizens of the world, and they expect the same from corporations. So when it comes to purchasing, they are doing their homework. Checking labels before buying. Looking at web sites for information on business and manufacturing practices. Paying attention to public opinion on specific brands in the news or on social media.

"Consumer brands that haven't embraced sustainability are at risk on many fronts," says Carol Gstalder, SVP, Reputation & Public Relations Solutions, Nielsen. "Social responsibility is a critical part of proactive reputation management. And companies with strong reputations outperform others when it comes to attracting top talent, investors, community partners, and most of all consumers."

*Across 1300+ brands in 13 categories in an average of 13 countries.

WHAT DOES IT MEAN TO BE A SUSTAINABLE CONSUMER BRAND?

There are a wide range of business practices that brands use to demonstrate commitment to sustainability.

Many companies are using their vast resources to support non-profits and civic organizations dedicated to sustainability. Others are sourcing materials in a manner that is more environmentally safe. Still others are taking smaller steps, such as recycling or installing energy efficient lighting.

By integrating sustainability into their business models and purpose—to whatever degree—companies can both help society and increase goodwill toward their brands.

Consumers are mixed in how they assess a brand's commitment to sustainability. For some, seeing "organic" on a label at the corner store is most important. Others are looking at brands touting a major reduction in global carbon footprint. For others, it's an association with a reputable non-profit that gives back to the communities around them.

Regardless, the data shows a clear link between doing good for the community and doing well with consumers. To get a more nuanced picture, Nielsen's 2015 Global Corporate Sustainability Report leverages insights from the following sources:

- Online survey of 30,000 consumers in 60 countries to assess how sustainability impacts purchasing decisions
- Actual retail sales data to determine if caring and buying truly converge
- Deep dive analysis into which marketing strategies brands use to demonstrate their commitment to sustainability (See page 17 for full methodology.)

Overall, results confirm conventional wisdom that the market for sustainable goods continues to expand. There are of course variations by region, demographics and category. But what's most clear is the opportunity for significant brand growth, on a global scale, for those willing to listen and respond to a new kind of consumer.

ABOUT THE GLOBAL SURVEY METHODOLOGY

The findings in this survey are based on respondents with online access in 60 countries. While an online survey methodology allows for tremendous scale and global reach, it provides a perspective only on the habits of existing Internet users, not total populations. In developing markets where online penetration is still growing, audiences may be younger and more affluent than the general population of that country. In addition, survey responses are based on claimed behavior rather than actual metered data.

"The hierarchy among drivers of consumer loyalty and brand performance is changing," says Grace Farraj, SVP, Public Development & Sustainability, Nielsen. "Commitment to social and environmental responsibility is surpassing some of the more traditional influences for many consumers. Brands that fail to take this into account will likely fall behind."

To rise above the competition, companies should fully understand consumer expectations and learn what it means to position their brand as sustainable in the markets they care about most.

A 2015 Nielsen global report on new product innovation¹ revealed that consumers want more new products on the market that are affordable, healthy, convenient, and environmentally friendly. In fact, a notable gap exists between the percentage of consumers wanting more eco-friendly products (26%) and those who say they purchased them (10%).

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THE FINDINGS SUGGEST A GAP IN PRODUCT AVAILABILITY—A LACK OF INVENTORY (PERCEIVED OR REAL) IS AN OPPORTUNITY FOR GROWTH, SAYS FARRAJ.

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¹ "Looking to Achieve New Product Success? Listen to Your Consumers," June 2015, The Nielsen Company

SUSTAINABILITY INFLUENCES CONSUMER PURCHASE INTENT

In a world of choice, the reasons we purchase one product over another can be driven by a multitude of factors. As concerns about the environment and corporate sustainability continue to build momentum around the world, understanding the connection between sentiment and purchasing actions has never been more important. Are products meeting the needs of consumers? Are marketing efforts reaching the right consumers with messaging that resonates?

To gain better insight, Nielsen polled 30,000 consumers in 60 countries across the globe and asked the following question:

"Thinking about the consumable brands (non-durable) you purchased in the last week, (such as food, drinks, toiletries, over-the-counter drugs, etc.), how much influence did the following factors have on your purchase decision?"

KEY PURCHASING DRIVERS AS WEIGHTED BY ALL SURVEY RESPONDENTS*

The products are made by a brand/company that I trust	62%
The product is known for its health & wellness benefits	59%
The product is made from fresh, natural and/or organic ingredients	57%
The product is from a company known for being environmentally friendly	45%
The product is from a company known for its commitment to social value	43%
The product's packaging is environmentally friendly	41%
The product is from a company known for its commitment to my community	41%
I saw an ad on television about the social and/or environmental good the product's company is doing	34%

* Key sustainability purchasing drivers were categorized as either "Very Heavy Influence" or "Heavy Influence" by the percentage of respondents

BRAND TRUST

Topping the list of sustainability factors that influence purchasing for nearly two-out-of-three (62%) of consumers globally: brand trust.

“Brand trust and reputation are paramount,” says Gstalder. “An excellent reputation makes it far more likely a company will be welcomed into new communities; partner with the most respected non-profits working on issues consumers care about most; and be a go-to source for products and services. And what we know for sure is that sustainability is playing an increasingly significant role in consumer decision making.”

When it comes to sales intent, commitment to the environment has the power to sway product purchase for 45% of consumers surveyed. Commitment to either social value or the consumer’s community are also important (each influencing 43% and 41% of respondents, respectively).

Retail data backs up the importance of these influencers. In 2014, 65% of total sales measured globally were generated by brands whose marketing conveyed commitment to social and/or environmental value.

“This indicates an opportunity for brands that have already built a high level of trust with consumers to evaluate where best to introduce sustainable products into the market to drive growth,” says Gstalder. “On the flip side, large global consumer brands that ignore sustainability increase reputational and business risk. This may give competitors of all sizes, the opportunity to build trust with the predominantly young, socially-conscious consumer looking for products that align with their values.”

HEALTH AND WELLNESS

Consumers are looking for products that are both good for them and good for society. A product’s health and wellness benefits are influential purchase decision drivers for more than half of survey respondents (59%). Products made with fresh, natural, and/or organic ingredients carry similar weight with consumers (57%). Finding opportunities to bridge the two is a powerful and impactful way to connect with consumers.

Nielsen’s Innovation Practices, which conducts pre-market tests on new products and concepts, as well as sales forecasting, has seen a significant increase in evaluations for new products with sustainability related claims, such as organic, all natural, and environmentally-friendly. The demand for evaluating these concepts has more than doubled in the past five years² as consumer priorities have changed.

² Nielsen BASES Line Extension DATABASE Past 10 years (2003-2008 vs. 2009-2013) All Categories and Countries

TV ADS

TV ads highlighting a company's commitment to positive social and/or environmental impact are influential in the path to purchase for 34% of global respondents.

Brands that actively reinforce societal commitment must amplify and socialize their message using multiple sources and distribution channels. Says Gstalder: "While marketing good deeds is critical and expected by consumers, authenticity and credibility are essential. Using multiple communication methods is important, such as third-party validation (news coverage), annual reports, affiliation with a respected non-profit or civic organization, employee volunteerism, advertising, or reporting actual work in the community on a web site."

DEVELOPED VS. DEVELOPING MARKETS

While the relative importance of sustainable factors that influence the path to purchase is consistent across regions, the overall rates were lower in North America and Europe than in the Middle East, Africa, Asia, and Latin America. Consumers in developing markets are often closer to and more aware of the needs in their surrounding communities as they are reminded daily of the challenges around them, which leads to a desire to give back and help others. This suggests a greater likelihood to seek out and pay more for sustainable products.

"Consumers in developed markets are flooded by choice, often making them more skeptical and therefore harder to influence," says Farraj. "Consumers are starting to consider sustainable practices a basic cost of entry, rather than a market differentiator. Going forward, brands have to define a credible, relevant social purpose, deliver greater social value, and communicate that value effectively to attract and retain consumers."



NUMBER OF CONSUMERS WILLING TO PAY MORE CONTINUES TO RISE

Nielsen also asked its 30,000 survey respondents in 60 countries across the globe:

"How much do you agree with the following statement: I am willing to pay extra for products and services that come from companies who are committed to positive social and environmental impact?"

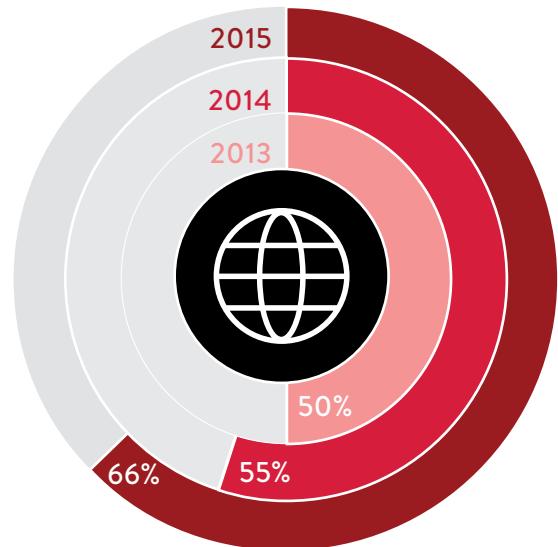
Sixty-six percent of global respondents say they are willing to pay more for sustainable goods, up from 55% in 2014 (and 50% in 2013).

And it's no longer just wealthy suburbanites in major markets willing to open their wallets for sustainable offerings. Consumers across regions, income levels, and categories are willing to pay more if doing so ensures they remain loyal to their values.

Sustainability sentiment is particularly consistent across income levels. Those earning \$20,000 or less are actually 5% more willing than those with incomes greater than \$50,000 to pay more for products and services that come from companies who are committed to positive social and environmental impact (68% vs. 63%).

There are some notable regional differences in willingness to pay more. And when combined with data on purchasing influencers, a meaningful picture starts to emerge.

When it comes to sustainability, the findings show it is generally harder to influence consumers in developed markets to purchase or pay more. Consumers in Latin America, Asia, Middle East, and Africa are 23%-29% more willing to pay a premium for sustainable offerings.



SIXTY-SIX PERCENT OF GLOBAL RESPONDENTS ARE WILLING TO PAY MORE FOR SUSTAINABLE GOODS, UP FROM 55% IN 2014 (AND 50% IN 2013).

"Sustainability is a worldwide concern that continues to gain momentum—especially in countries where growing populations are putting additional stress on the environment," says Farraj. "An increasing number of consumers in developed regions consider sustainability actions more of an imperative than a costly value-add."

Age matters too. Despite the fact that Millennials are coming of age in one of the most difficult economic climates in the past 100 years, they continue to be most willing to pay extra for sustainable offerings—almost three-out-of-four respondents in the latest findings, up from approximately half in 2014.

The rise in the percentage of respondents under 20, also known as Generation Z, who are willing to pay more was equally strong—from 55% of total respondents in 2014 to 72% in 2015. "Brands that establish a reputation for environmental stewardship among today's youngest consumers have an opportunity to not only grow market share but build loyalty among the power-spending Millennials of tomorrow, too," says Farraj.

But don't abandon Baby Boomers in the quest for Millennials. Fifty-one percent of Boomers (50-64) are willing to pay extra, an increase of 7% since last year. This segment remains a substantial and viable market in the coming decade for select products and services from sustainable brands.



KEY INFLUENCERS FOR THOSE WILLING TO PAY MORE

When we look again at the influences on purchase intent (from the chart on page 5), we find that for those who claim they are willing to pay more for sustainable offerings, their level of influence from sustainability factors increases 10 to 13 percentage points.

TOP SUSTAINABILITY PURCHASING DRIVERS FOR GLOBAL RESPONDENTS VS. THOSE WILLING TO PAY MORE

	GLOBAL RESPONDENTS	THOSE WILLING TO PAY MORE
The products are made by a brand/company that I trust	62%	72%
The product is known for its health & wellness benefits	59%	70%
The product is made from fresh, natural and/or organic ingredients	57%	69%
The product is from a company known for being environmentally friendly*	45%	58%
The product is from a company known for its commitment to social value*	43%	56%
The product's packaging is environmentally friendly	41%	53%
The product is from a company known for its commitment to my community	41%	53%
I saw an ad on television about the social and/or environmental good the product's company is doing	34%	45%



*For those willing to pay extra, the importance of these factors increased the most

Among the 66% of global respondents willing to pay more, over 50% of them are influenced by key sustainability factors, such as a product being made from fresh, natural and/or organic ingredients (69%), a company being environmentally friendly (58%), and company being known for its commitment to social value (56%). Sales, and coupons didn't even make the top five. For this group, personal values are more important than personal benefits, such as cost or convenience.

"When it comes down to financial commitment, a sustainable sentiment shifts to one of increased social awareness and responsibility," said Farraj.

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MARKETERS NEED TO CONNECT MESSAGING WITH THE CAUSES THAT MATTER MOST TO CONSUMERS AND THAT ALSO ALIGN WITH THEIR BRAND.

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REACHING CONSUMERS WHO CARE

Demonstrating commitment to sustainability has become a basic cost of entry.

Regardless of their degree of commitment, companies across the globe are finding ways to leverage sustainability as part of their marketing strategy.

We defined “demonstrated commitment” by a brand’s use of one of the following tactics within its overall consumer messaging strategy:

1. **Claim Only:** brand directly indicates a connection to sustainability on a product's label or packaging
2. **Marketing Only:** brand uses web sites, news coverage, and other messaging vehicles to promote positive social and/or environmental impact in the local or global community
3. **Claim + Marketing:** brand uses a product claim and also integrates sustainability into its marketing promotion

MARKETING SUSTAINABILITY INITIATIVES IS A FAR MORE COMMON STRATEGY THAN USING PRODUCT CLAIMS ON LABELS

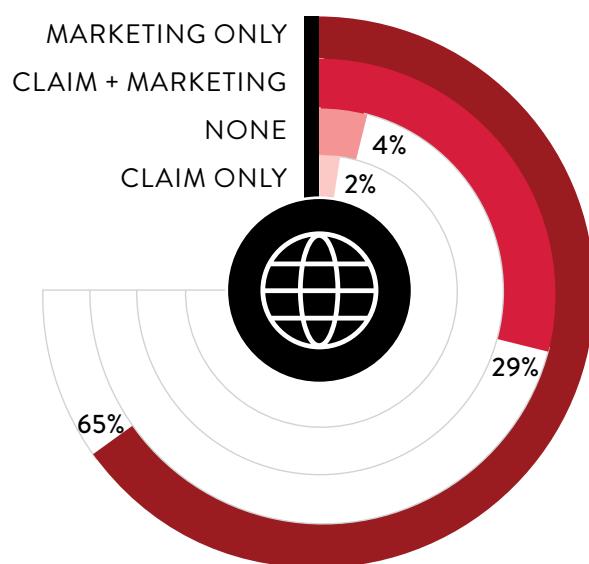
Not all brands offer sustainable products. Marketing social and environmental impact initiatives is the predominant strategy used to reach consumers. In 2014, 65% of total sales measured globally were from brands that used a marketing-only tactic.

While Chart 3 shows that a claim-only tactic correlates with the highest growth in sales (7.2%), brands using this tactic account for only 2% of global sales. This makes a claim-only approach relatively uncommon across all regions and categories. It is likely used by smaller brands with less resources to mount marketing campaigns and/or less media competition. Overall, traditional marketing is a driver of sales growth for brands communicating sustainability. On-pack communication is helpful, but requires marketing to reinforce the messaging and ensure that the message reaches the relevant consumers.

However, claims are important to Millennials. In 2014, 51% of Millennials reported checking the product packaging for sustainability claims before making a purchase³. And yet only 31% of total sales measured were from brands that provide those claims (either alone or supplemented with marketing). This indicates an opportunity to increase brand recognition among this key demographic at the point of purchase.

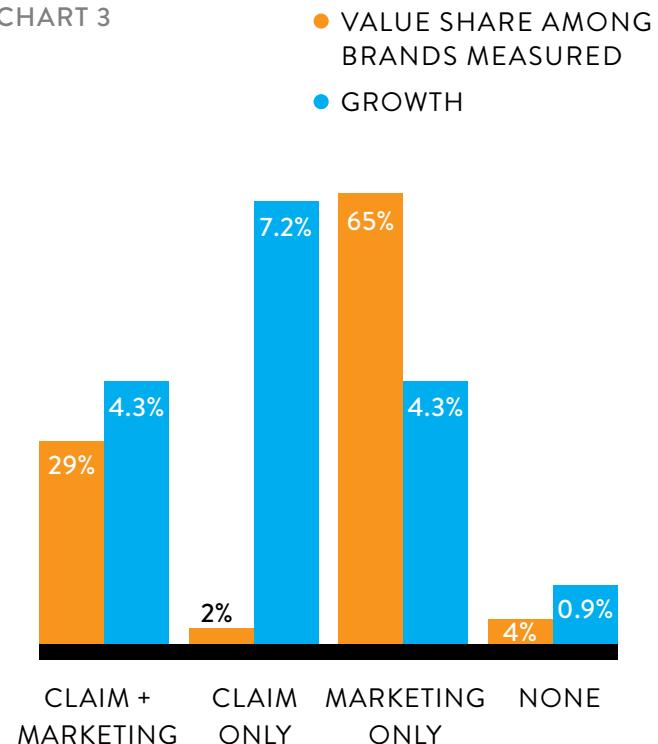
TACTICS USED BY BRANDS GLOBALLY

CHART 2



*As a percentage of total sales measured globally

CHART 3



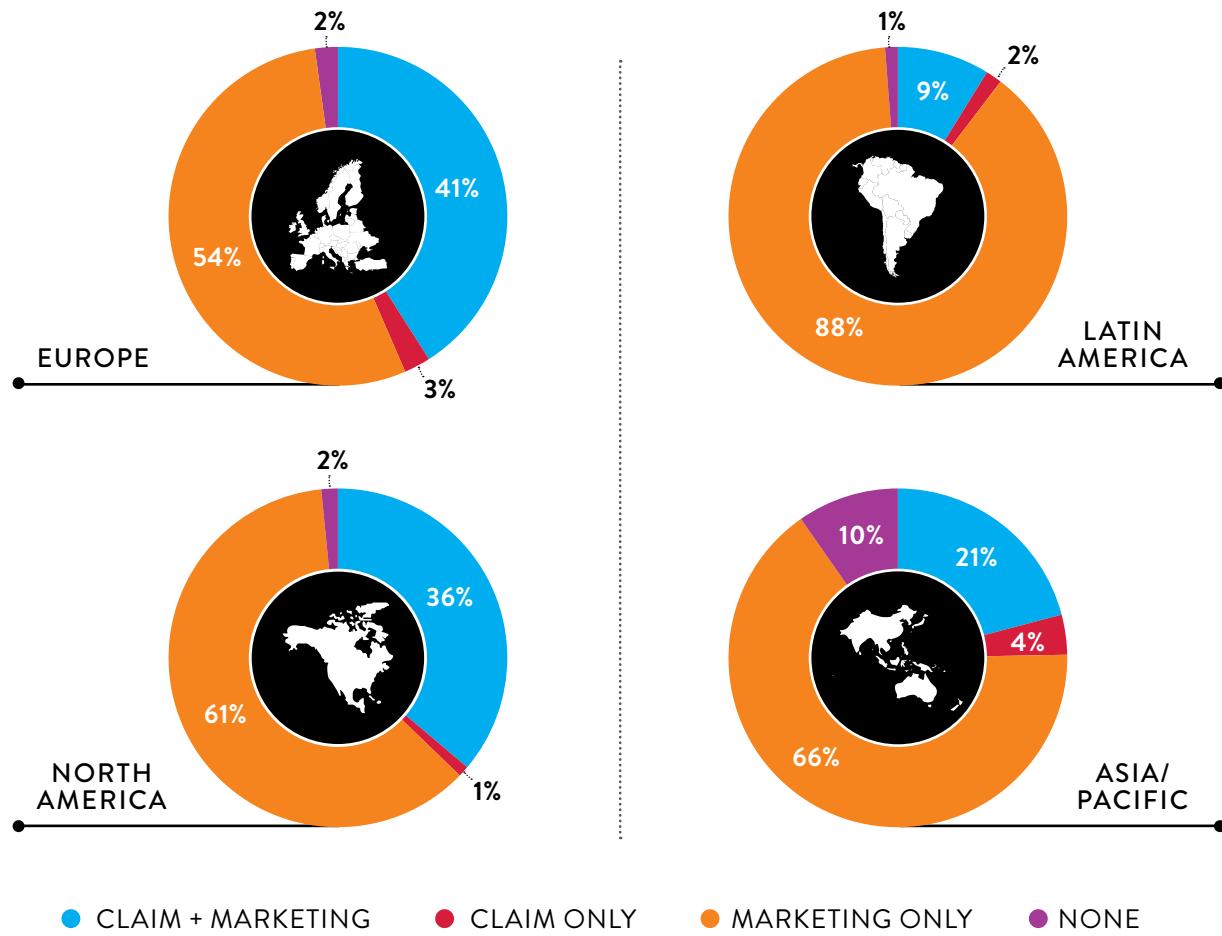
³ Doing Well By Doing Good Sustainability Report 2014, Nielsen

LOOKING THROUGH A REGIONAL LENS

Marketing-only tactics remain the most commonly used strategy across regions. Again, this may be attributed to the fact that a large percentage of brands have not yet developed sustainable products, yet recognize that demonstrating other ways they are advancing social and environmental causes is imperative.

But we shouldn't ignore the fact that the percentage of sales that come from brands using both product claims and marketing is much higher in developed markets—36% in North America, 41% in Europe, and 48% in the Pacific countries of Australia and New Zealand, compared to only 9% in Latin America and 19% in Asia. Once again, this suggests that marketers must work harder to meet consumer expectations in developed countries.

TACTICS USED BY BRANDS IN EACH REGION



*As a percentage of total sales measured in each region

LOOKING THROUGH A CATEGORY LENS

Sustainable claims are more prevalent among consumable brands in the study than those that are non-consumable.

Brands that use a claim + marketing sustainability approach—including baby food (85%), coffee (78%), snacks (60%), and tea (61%)—comprise the majority of sales measured in these categories, respectively.

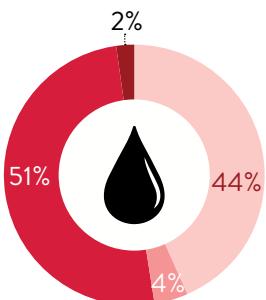
In contrast, many home-goods categories primarily use a marketing-only sustainability approach. Brands using this strategy—such as household cleaners (86%), laundry detergent (82%), paper towels (91%), and bath tissues (69%)—account for the majority of sales measured in their categories.

The heavier use of claims for consumable goods may indicate that customers consider sustainability a higher priority when buying products they personally consume vs. those used around the house. This presents an opportunity for consumable products that focus solely on marketing to add claims to their overall strategy for increasing growth.

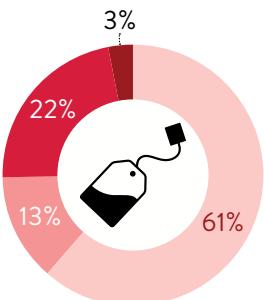
The marketing-only approach used by the majority of companies selling non-consumable goods might reflect different consumer expectations. Sustainability minded shoppers look for non-consumable products made by brands with a reputation for being social-and/or environmentally-friendly. That reputation can be shaped by a marketing-only campaign before consumers even enter a store.

However, it's worth noting that in some non-consumable categories, use of claims can correlate with higher sales growth. When we looked at the laundry detergent category, brands that use marketing-only tactics show a negative value sales growth of 0.1%. By contrast, brands that use a claim tactic (either alone or with marketing) show higher growth (9.6% among claim only and 5.3% among claim + marketing brands). The data shows similar trends among paper towels and bath tissue.

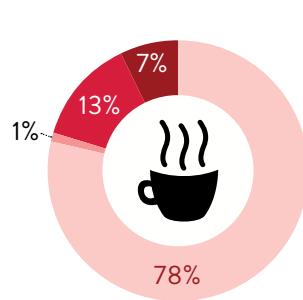
SUSTAINABILITY TACTICS USED BY BRANDS IN EACH CATEGORY



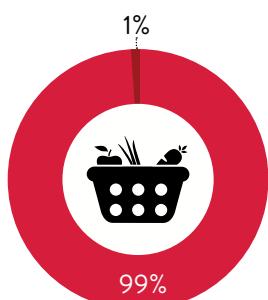
WATER



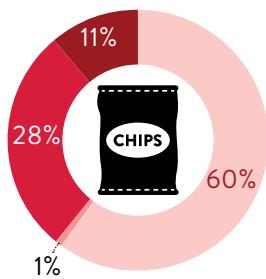
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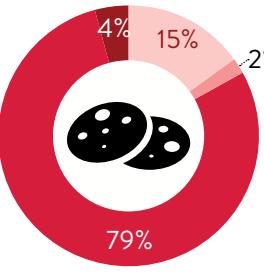
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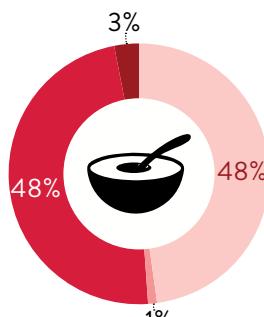
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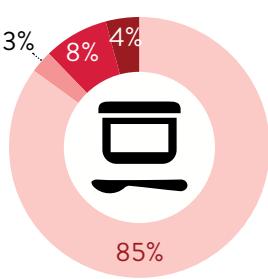
SNACKS



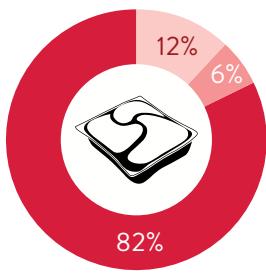
COOKIES



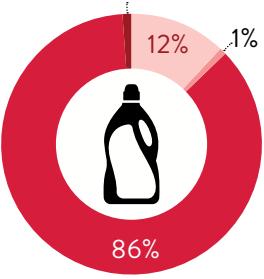
CEREAL



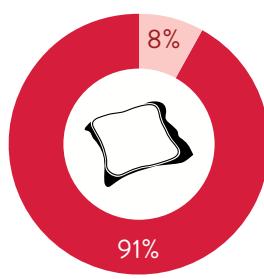
BABY FOOD



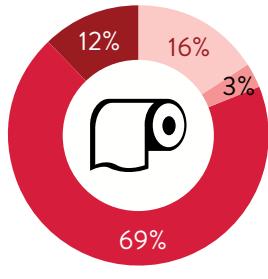
LAUNDRY DET.



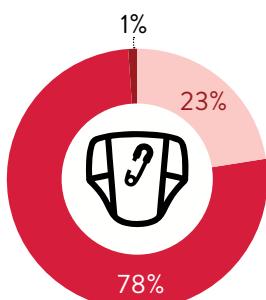
HH CLEANER



PAPER TOWELS



BATH TISSUES



DIAPERS

- CLAIM + MARKETING
- CLAIM ONLY
- MARKETING ONLY
- NONE

*As a percentage of category sales measured globally

FIVE WAYS TO WIN WITH SUSTAINABILITY

**BRANDS THAT DEMONSTRATE
COMMITMENT TO SUSTAINABILITY
OUTPERFORM THOSE THAT DON'T.**



1. FOCUS ON THE GROWING INTEREST FROM MILLENNIALS AND GENERATION Z

Overall, the number of consumers willing to pay more for brands committed to a positive social and environmental impact continues to rise—reaching 66% in 2015. Nearly three-out-of-four consumers ages 34 and under willing to pay more.



2. HIGHLIGHT BRAND TRUST AND COMMITMENT TO SOCIAL AND ENVIRONMENTAL IMPACT TO DRIVE PURCHASES

For more than half of consumers (62%), brand trust tops the list of factors that influences purchasing. Brands may have an opportunity to increase trust by demonstrating commitment to social and environmental sustainability, which is even more important for consumers who are willing to pay more.



3. HAVE A DISCERNING SUSTAINABILITY STRATEGY

Consumers in developed markets are harder to influence and many consider sustainability a basic cost of entry. Brands have to define a credible, relevant social purpose and deliver greater value. Conversely, consumers in developing markets display the highest priority for buying sustainably and giving back to the community.



4. SUPPORT YOUR EFFORTS WITH MARKETING

Marketing good deeds is just as important as offering a sustainable product and is key to attracting and retaining consumers. Across categories measured globally, 65% of total sales come from brands that use marketing-only tactics to communicate sustainability efforts.



5. KEEP REGIONAL, CATEGORY AND DEMOGRAPHICS IN MIND

To rise above the competition, you must define the social purpose of your brand and fully understand consumer expectations. Different marketing tactics will have various rates of effectiveness based on the region, category and age group.

ABOUT THE NIELSEN GLOBAL STUDY

NIELSEN GLOBAL SURVEY

The Nielsen Global Survey of Corporate Social Responsibility and Sustainability was conducted between Feb. 23-March 13, 2015, and polled more than 30,000 consumers in 60 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa, and North America. The sample has quotas based on age and sex for each country based on its Internet users, and is weighted to be representative of Internet consumers. It has a margin of error of ± 0.6 percent. This Nielsen survey is based only on the behavior of respondents with online access. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60 percent Internet penetration or an online population of 10 million for survey inclusion. The Nielsen Global Survey, which includes the Global Consumer Confidence Index, was established in 2005.

RETAIL SALES ANALYSIS

The findings from the retail sales information included in this report are collected from stores using electronic point-of-sale technology and/or teams of local field auditors. The data represents a cross-section of 1,319 brands among 13 categories (both consumable and non-consumable categories) across an average of 13 countries* for the 12-month period ending December 2014. On average, the brands measured in this study represent 73% of 2014 value sales (USD) in each country-category analyzed (private label brands were not included). Stores within Nielsen's worldwide retail network include grocery, drug, convenience and discount retailers, who, through various cooperation arrangements, share their sales data with Nielsen.

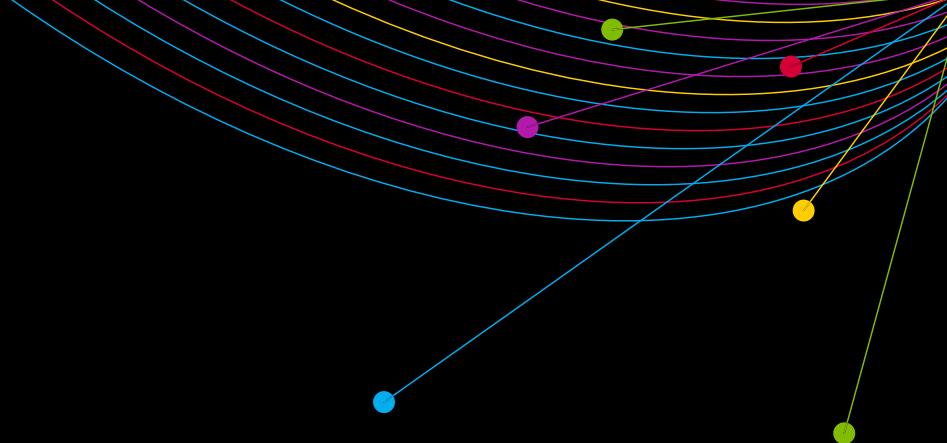
*Argentina, Australia, Brazil, Chile, China, Colombia, Germany, India, Italy, Philippines, Russia, Singapore, South Korea, Thailand, UK, U.S. [1]

ABOUT NIELSEN

Nielsen N.V. (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers Watch and Buy. Nielsen's Watch segment provides media and advertising clients with Total Audience measurement services across all devices where content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen provides its clients with both world-class measurement as well as analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries that cover more than 90 percent of the world's population.

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