Seizing the Opportunity in Sustainability

July 2022

The data included in this report is accurate according to Euromonitor International´s market research database, at time of publication: July 2022

EUROMONITOR INTERNATIONAL

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Sustainability

Where to play | How to win

Consumers are making more sustainable choices, and companies are launching new products to meet this demand. However, quite often companies fail to succeed because they look at information in isolation, and all the data in the world is of little value if it cannot be connected and leveraged.

This report connects the dots between consumer needs, macro-environmental trends, competitor strategies and market trends providing insights that help companies to sharpen cross-departmental sustainability strategies.

To succeed, businesses need to answer two questions “where to play” and “how to win” using the right product claims in the right market, at the right time.

Report closing date: 30 June 2022 - the date the report writing stopped.

Discussions and feedback from our clients are a vital part of all of our research at Euromonitor International. We welcome the chance to continue the conversation - full contact information for the author(s) can be found at the end of this report.

The global pandemic has drawn attention to sustainability, rising awareness and accelerating actions and investments from companies and governments. This report brings together insights from Euromonitor’s Voice of the Industry: Sustainability survey, which tracks how businesses define, manage and communicate sustainability, alongside insights from Euromonitor’s newly launched Sustainable Living Claims Tracker that tracks product claims across categories and countries.

Disclaimer

Much of the information in this briefing is of a statistical nature and, while every attempt has been made to ensure accuracy and reliability, Euromonitor International cannot be held responsible for omissions or errors.

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Key findings

Sustainability post-COVID-19

Corporate sustainability has evolved from a pre-pandemic focus on the environment towards a heightened social interest that is expected to remain high. In 2022, more businesses are embracing Environmental, Social and Governance (ESG) factors when making business decisions to attract investors and consumers, comply with legislation and gain competitive advantage.

Using claims to communicate sustainability

To meet growing consumer demand for sustainability, companies and retailers are growing their sustainable product portfolios and increasingly using sustainability claims to influence purchases. However, product claims are under increasing legal scrutiny, with authorities ramping up regulations to monitor vague or unsubstantiated claims to protect consumers from greenwashing.

Are sustainable products more expensive?

Consumers tend to look at both price and average star rating before purchasing products online. Tracking and monitoring products ratings and prices is key to understanding consumers and market dynamics. There is this idea that sustainable products are always more expensive, but it is not always the case. There is not necessarily a clear and direct correlation between product price and satisfaction.

Sustainability investments

Sustainability is here to stay as reflected by planned corporate investments across all areas, with sustainable products and recycling being top of mind for businesses. Climate investments are expected to move higher up in the agenda with increasing pressure from key stakeholders such as consumers, governments and competitors.

Connecting the dots to succeed

To be successful, businesses need to rebalance their portfolios with the right claims in the right markets at the right time. For that, it is key to connect the dots between ESG trends, consumer demand and market dynamics in product claims and price positioning.

Sustainable businesses

Business priorities in sustainability

Pre-pandemic	2020	2022
Planet top of mind	People first	Embracing ESG
87%	59%	62%
Defined sustainability as protecting the environment in 2019	Prioritised social over environmental issues during the outbreak	Currently prioritising Environmental, Social and Governance (ESG) issues

Source: Euromonitor International Voice of the Industry: Sustainability surveys (fielded in May 2019; n=556, May 2020; n=1,017 and February 2022; n=926)

While pre-pandemic the focus was on environmental problems, during the initial peak of the pandemic, around six in 10 businesses were prioritising social over environmental initiatives, with two thirds of industry professionals defining sustainability as supporting local communities.

While this social momentum is expected to stay, businesses are starting to recognise that environmental and social problems are interrelated and therefore cannot be addressed in isolation. And here is where ESG (Environmental, Social and Governance) comes into play, with 62% of industry professionals in 2022 reporting that their company is prioritising ESG issues when making business decisions.

Good ESG intentions falling short in action

A third of surveyed experts in 2022 report that their company prioritises ESG factors when planning and updating their strategies. Businesses are under increasing pressure and scrutiny from consumers, employees, investors and regulators to improve their ESG practices.

While 41% of professionals say that their company has an ESG dedicated team that plans, articulates and communicates their goals, vision and strategies related to ESG issues, only 14% are currently publishing ESG-specific reports.

Looking at different industries, food and beverages and packaging top the list of those publishing ESG reports, while household essentials is at the bottom of the list, with only 5% of industry professionals reporting that their company publishes reports dedicated to ESG issues.

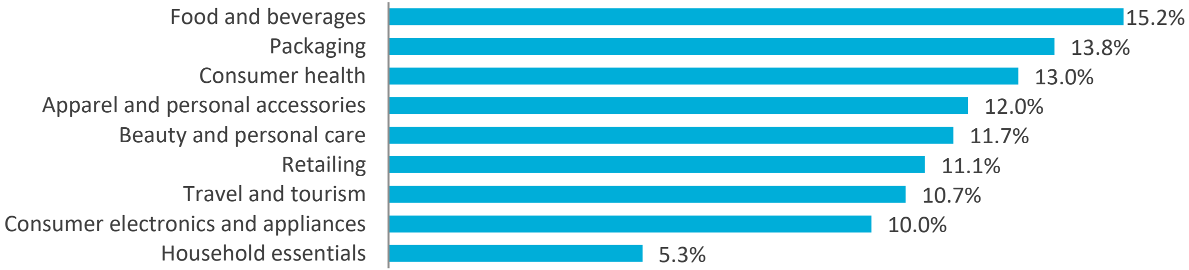
Environmental, Social and Governance Business Trends, 2022

Share of respondents

Source: Euromonitor International Voice of the Industry: Sustainability Survey
Note: Fielded in February 2022; n=792

Companies That Publish ESG Reports by Industry, 2022

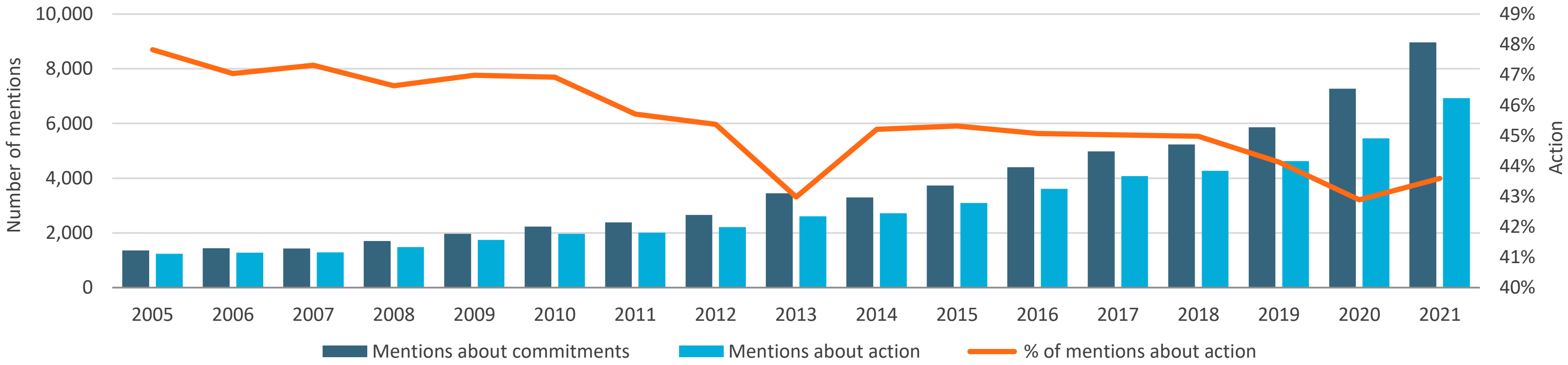
Share of respondents



Source: Euromonitor International Voice of the Industry: Sustainability Survey
Note: Fielded in February 2022; n=471

Increasing “say-do” gap in ESG

ESG Mentions in Company Documents, 2005-2021



Source: Euromonitor International from Alphasense
Note: ESG is the acronym used to refer to Social, Environmental and Governance.

Interest in Social, Environmental and Governance (ESG) issues has increased significantly in recent years, with more businesses launching long-term commitments and targets. While these commitments are a good first step, companies are increasingly struggling to transform the conversation into short-term real action.

As ESG becomes more important to consumers, investors and regulators, the widening gap between what companies say and do with respect to ESG, will pose increasing legal and reputational risks for businesses. To avoid these risks, it is critical that companies take meaningful steps to walk their talk, which in many cases requires not only investments but also changing attitudes and behaviour and transparently measuring and reporting progress.

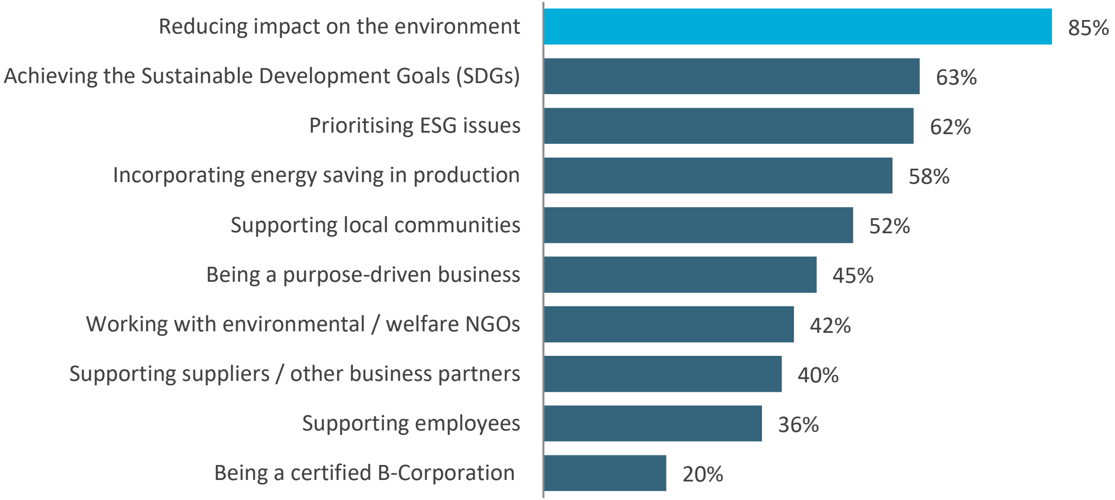
The environment remains high on the agenda

When asking industry professionals about sustainability and ESG priorities, the environment remains top of mind ahead of social issues, sustainable development, or purpose-driven strategies.

Reducing a company's environmental impact is the number one definition for the term sustainability in businesses and the number one ESG priority for businesses in 2022.

What Does Sustainability Mean in 2022?

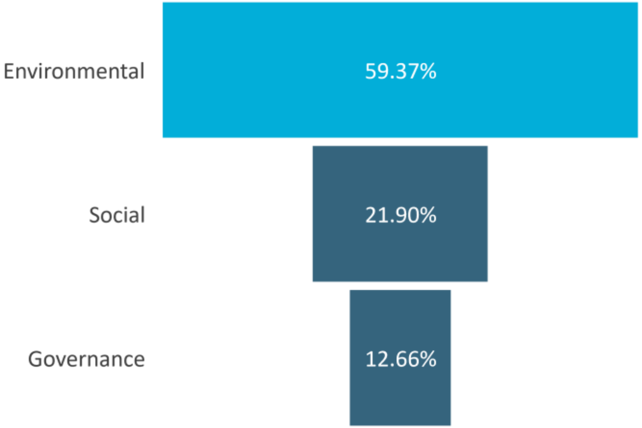
Share of respondents



Source: Euromonitor International Voice of the Industry: Sustainability Survey
Note: Fielded in February 2022; n=792

What are the Environmental, Social and Governance (ESG) Priorities in 2022?

Share of respondents

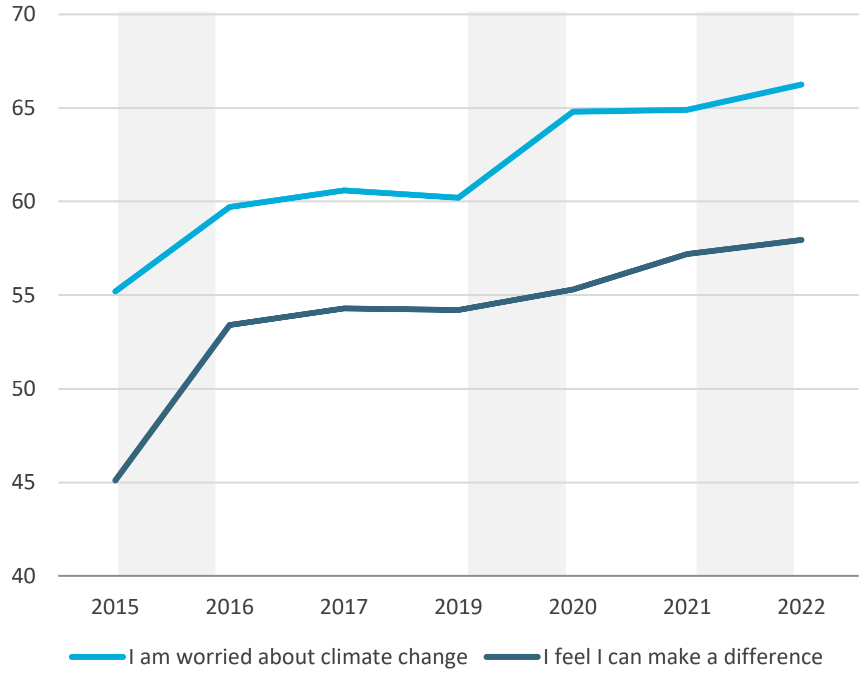


Source: Euromonitor International Voice of the Industry: Sustainability Survey
Note: Fielded in February 2022; n=758

Climate empowerment is growing among consumers

Attitudes Towards Climate Change, 2015-2022

% of respondents



Source: Euromonitor International Voice of the Consumer: Lifestyles Survey, 2022
Note: Fielded in Jan-Feb 2022; n=39,832

When talking about the environment, climate change is a hot topic. Almost all industries are threatened by the effects of climate change, either directly or indirectly. According to the Voice of the Industry: Sustainability Survey, in 2022, 80% of professionals consider climate change an "extremely or very important" issue affecting their business, including consumer demand affecting what products they buy and what brands they support. In 2022, 40% of industry experts report moderate or strong pressure from consumers to act on climate change (Voice of the Industry: Sustainability Survey, 2022).

Between 2015 and 2016, there was a spike in climate awareness and empowerment with more consumers not only feeling worried about the state of the climate but also empowered to make positive choices. Late 2015 was when the Paris agreement was signed, and the United Nations launched the Sustainable Development Goals, two events that positively impacted public climate awareness.

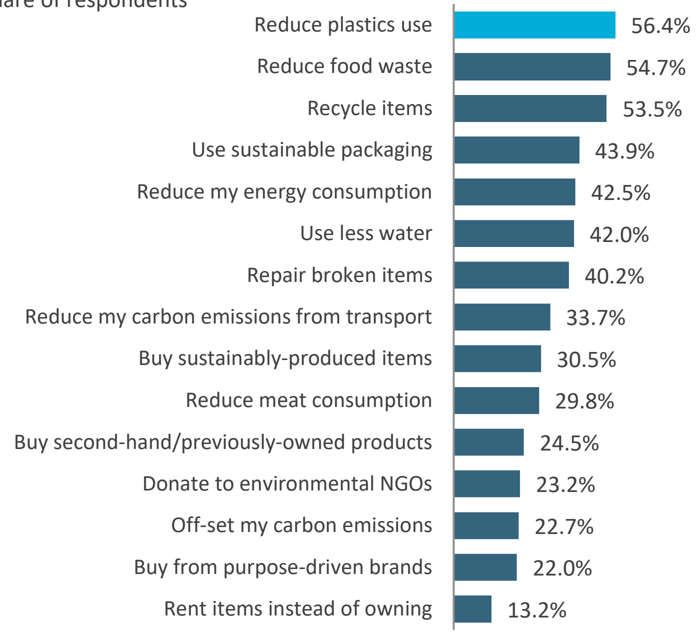
Between 2019 and 2020, pre-pandemic, there was another spike in climate awareness, and there are signs of another surge in climate awareness, just after the 2022 UN Climate Summit (COP 26).

With public climate concerns directly aligned with their willingness to act, there are significant opportunities for businesses to launch the right products to help consumers align their purchases and values.

Consumers are embracing green activities to positively impact the planet

Green Activities That Consumers Undertake To Positively Impact the Environment Or Lead a More Sustainable Life, 2022

Share of respondents



Source: Euromonitor International Voice of the Consumer: Lifestyles Survey, 2022
Note: Fielded in January-February 2022; n=25,556

More environmentally-aware consumers are taking a number of approaches to have a positive impact on the planet with their everyday actions. In February 2022, the most voted actions were reducing plastic use, reducing food waste and recycling, ahead of actions that are perceived as more directly linked to climate change such as reducing energy consumption and offsetting or reducing carbon emissions.

In fourth position is using sustainable packaging. Despite increasing concerns about the environmental impact of packaging waste in the environment, product availability and affordability alongside infrastructural constraints in some parts of the world, still play a huge role in influencing consumer behaviour, limiting the market potential of certain types of sustainable packaging such as recyclable, biodegradable or compostable.

Not surprisingly, at the bottom of the table is renting items, a green activity that is perhaps less driven by sustainability concerns and more linked to economic incentives as it gives consumers access to items that they are not necessarily able to afford.

37%

of industry professionals say that their company plans to invest in education and consumer behavioural change

Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022.
Note Fielded in February 2022; n=617

“Where to play” and “How to win”

Passport

Claims are increasingly used to communicate sustainability

For companies, having a purpose and being sustainable is important, but communicating sustainability effectively is equally necessary.

According to the 2022 Voice of the Industry: Sustainability Survey, only 15% of professionals believe that their company is very efficient at communicating sustainability, indicating that there is room for improvement in this area.

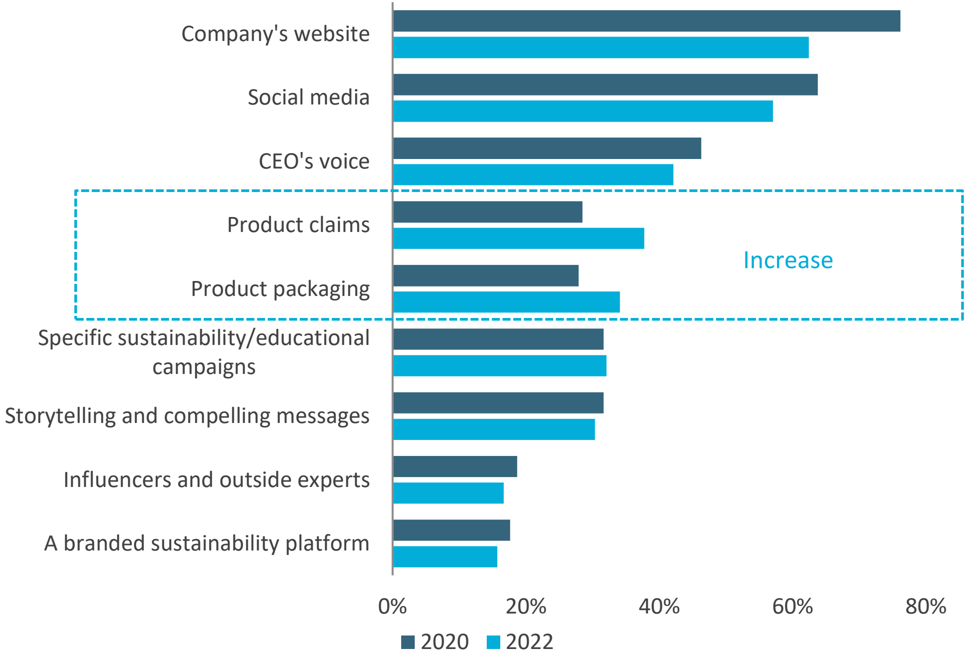
Over the last decade or so, sustainability communication has moved away from generic messages within companies' websites towards more interactive channels such as social media and more personal messages through the voice of the CEO.

In the last couple of years, product claims and packaging are the fastest growing tools used by brands to communicate sustainability messages with consumers.

How products are described either in the packaging or online is an excellent way to share meaningful and compelling messages regarding the sustainability of a product.

How Does Your Company Communicate Sustainability Initiatives? 2020/2022

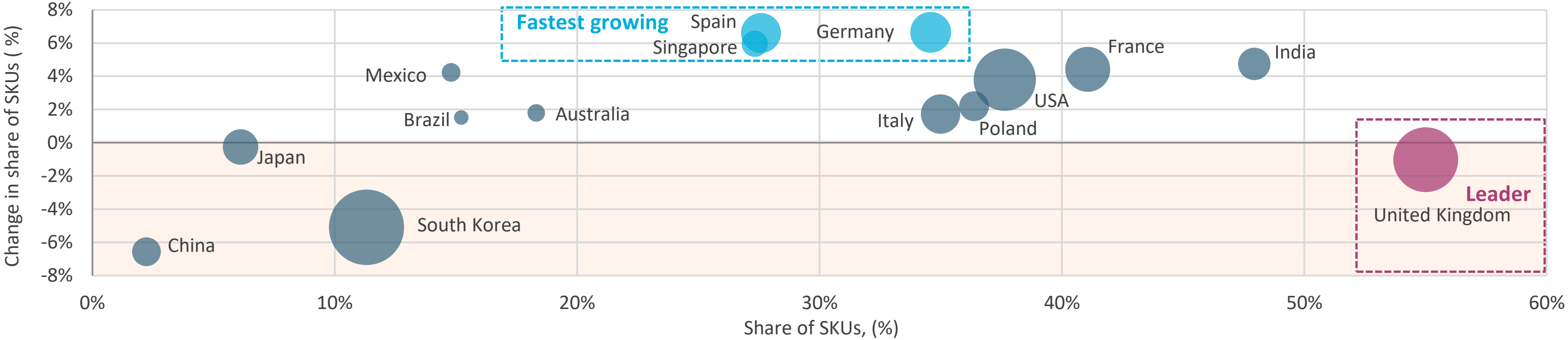
Share of respondents



Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022
Note: Fielded in February 2022; n=626

Sustainability claims in packaged food: where to play

Sustainability Claims in Packaged Food: Share of SKUs and Growth in Share of SKUs (Selected Markets), April 2020-March 2022



Source: Euromonitor International Megatrends Sustainable Living Claims Tracker, April 2020-March 2022
Notes: Bubble size – Number of SKUs with Sustainability claims
Negative growth

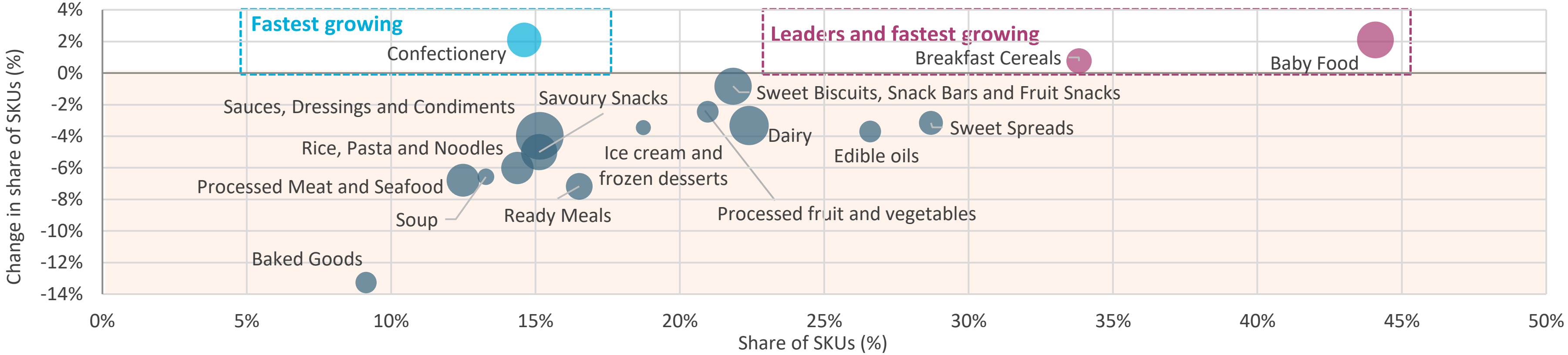
When companies are deciding where to play, it is critical to ensure that they are planning a strategy based not just on where markets are today regarding sustainable products, but also understanding the direction countries are moving in to help keep abreast of key consumer drivers. To assess this, it is essential to track, monitor, and analyse two key metrics, the prevalence of stock-keeping units (SKUs) with sustainability claims across markets and how this changes over time.

With the highest percentage of SKUs with sustainability claims in packaged food, the UK is a well-established market where companies use claims to communicate sustainability (despite its slightly negative growth between April 2020 and March 2022). Over the same period, countries such as Spain, Germany and Singapore witnessed the strongest increase in sustainability claims as a percentage of total products available, meaning that in these markets companies are increasingly launching products to meet the sustainable consumer demand.

Passport

Sustainability claims in packaged food: how to win

Sustainability Claims in Packaged Food: Share of SKUs and Growth in Share of SKUs, April 2020-March 2022



Source: Euromonitor International Megatrends Sustainable Living Claims Tracker, April 2020-March 2022
Notes: Bubble size – Number of SKUs with Sustainability claims
Negative growth

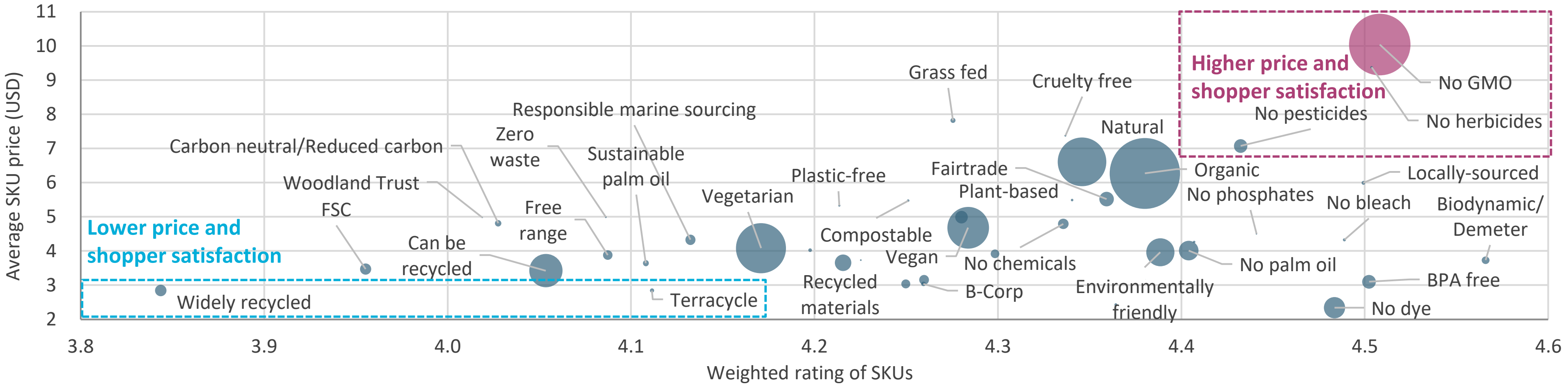
To find further opportunities, in addition to identifying the growing and most prevalent markets, companies must continue to drill down into the specific product categories that are driving these dynamic markets.

Baby food and breakfast cereals are the two leading categories in packaged food, not only in terms of share of SKUs with sustainability claims but also in terms of growth. These two categories alongside confectionery are the only ones experiencing positive growth between April 2020 and March 2022, mainly driven by an increase in organic and vegetarian claims in these products.

Looking at other claims with significant growth in these categories, no-GMO claims have witnessed a strong grow in both breakfast cereals and baby food products, with the latter also experienced and increase in no palm oil claims.

Understanding price positioning of claims alongside satisfaction levels

Global Average Pre vs Ratings for Packaged Food Products and Number of SKUs With Sustainability Claims, 2021



Source: Euromonitor International Megatrends Sustainable Living Claims Tracker 2021, and Via 2021
Note: Bubble size - Number of SKUs with Sustainability claims

To gain an understanding of how products with sustainability claims are performing in packaged food, this chart triangulates three different SKU-level data points (price, rating and SKU availability) for each individual sustainability claim in the industry. One key takeaway is that there is not a direct relationship between price and shopper satisfaction, as three out of the top five higher rated claims have median price around USD3.

It is very difficult for products to straddle both the high price point alongside high shopper satisfaction as there is only one claim that falls into the upper right-hand section of the chart, corresponding to products with no GMO claims. In contrast, claims such as biodynamic/Demeter, BPA-free or locally-sourced show high shopper satisfaction while also being more affordable.

Sustainability is under threat from soaring inflation prices

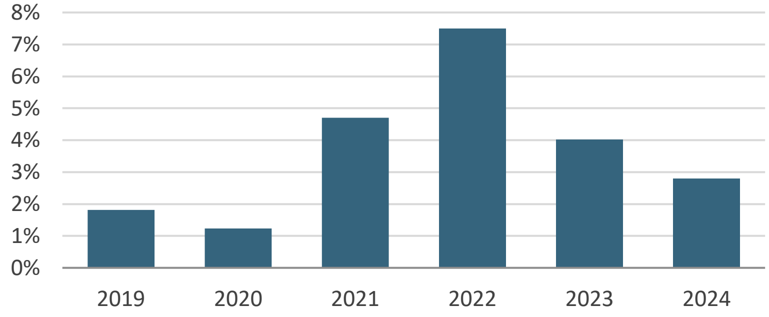
Global inflation witnessed a significant increase in the first four months of 2022 and is expected to remain high throughout the year.

Higher food and energy prices have driven up consumer price inflation in many economies across the globe. In 2022, 116 out of 210 countries in the world are forecast to see inflation rates higher than 5%. With high inflation and rising prices of essential goods, consumers are suffering lower growth in real income and higher costs of living and businesses are operating on thinner profit margins, while also facing the risks of weakening consumer demand.

According to the Voice of the Industry: Sustainability Survey, in 2022 the most significant barrier hindering the effectiveness of corporate sustainability initiatives is the lack of consumers' willingness to pay more for sustainable products.

As products with certain sustainability attributes tend to carry a premium price tag, the surge in inflation is expected to impact the consumer trade-offs between affordability and sustainable shopping, with some products and some markets expected to be more affected than others.

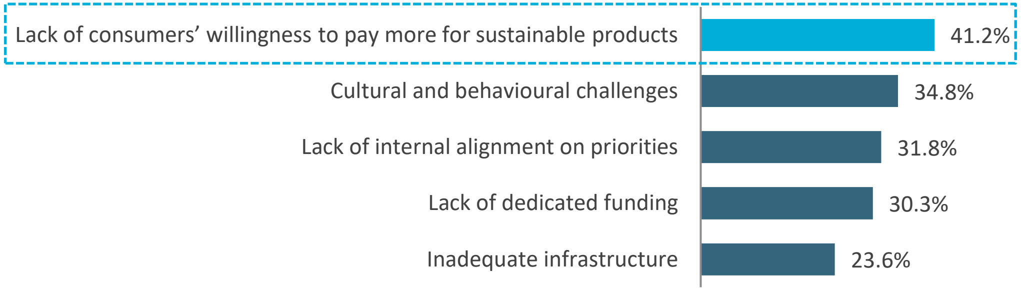
Global Inflation Rate, 2019-2024



Source: Euromonitor International from national statistics, Eurostat, OECD, UN, IMF, International Financial Statistics, International Energy Association

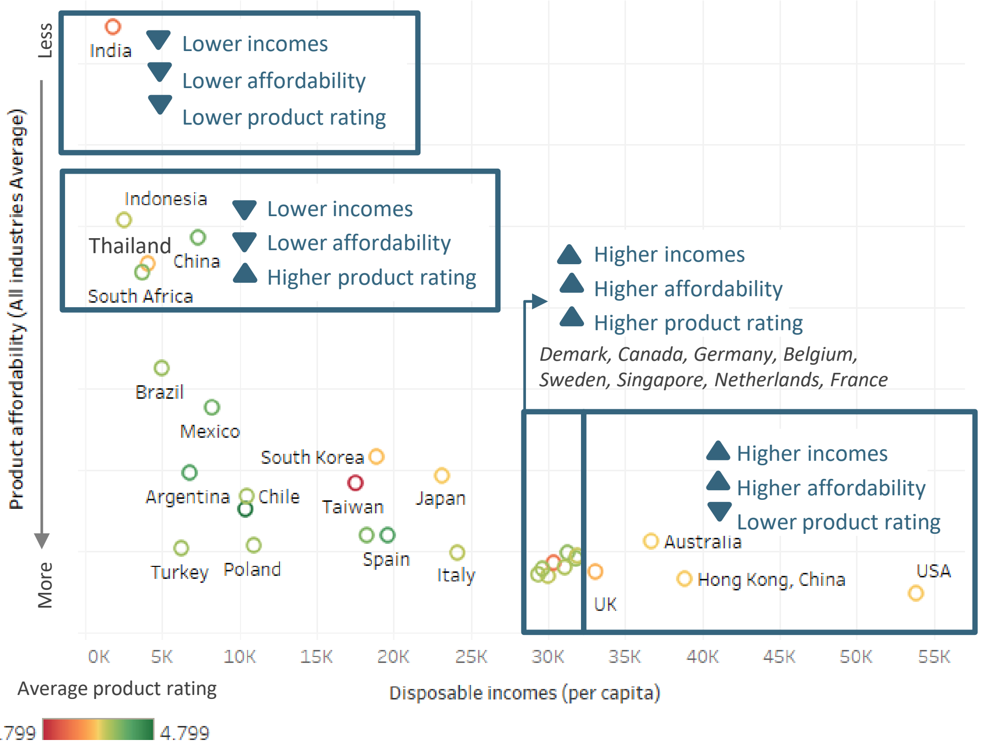
Top Five Barriers Hindering the Effectiveness of Sustainability Initiatives, 2022

Share of professionals



Source: Euromonitor International Voice of the Industry: Sustainability Survey
Note: Fielded in February 2022, n= 673

Impact of product affordability across different markets



Source: Euromonitor International

Note: Product affordability is calculated as the percentage of disposable income required to buy 100 products

This chart shows disposable incomes versus affordability and shopper satisfaction of products across different markets.

In India, a country that falls in the lower incomes, affordability and product rating areas, companies are failing to provide budget-friendly alternatives that meet consumers' tastes and needs.

Indonesia, China and Thailand fall in the lower incomes and affordability but higher product rating areas, meaning that available products are relatively successful, but not affordable for the average consumer, limiting the market potential in these key fast-growing economies.

The US, Australia, the UK and Hong Kong are countries with higher incomes and affordability but lower product rating, meaning that companies need to understand better consumers' needs and preferences to make sure that new products satisfy consumers.

The only markets that fall in higher incomes, affordability and product rating areas, where products are affordable and successful are Canada, the Netherlands, Demark, Sweden, France and Germany.

Plastic free and biodegradable claims among the fastest growing

When looking at performance by individual claim within the packaged food industry, cruelty free claims are in first position. While the cruelty free claim is growing the fastest, it is from a much smaller base compared to more established packaged food claims such as biodynamic/Demeter (with over 3,000 SKUS in April 2020 having this claim, half of them found in products in the baby food category).

Not surprisingly, three out of the five claims with the largest growth (triple-digit percentage growth over a 2-year time period) fall in the claims group "sustainable packaging". Biodegradable, compostable and plastic free are among the five fastest growing sustainability claims post-pandemic.

Packaged food claims with the largest growth (April 2020-March 2022)

Rank	Attribute	Group	Growth (%)
1	Cruelty Free	Animal Welfare	314%
2	Plastic Free	Sustainable Packaging	256%
3	Biodegradable	Sustainable Packaging	197%
4	Biodynamic/Demeter	Environmentally Friendly	137%
5	Compostable	Sustainable Packaging	123%

Source: Euromonitor International Megatrends Sustainable Living Claims Tracker
Note: Average growth across 40 markets

Plastic Free Packaging

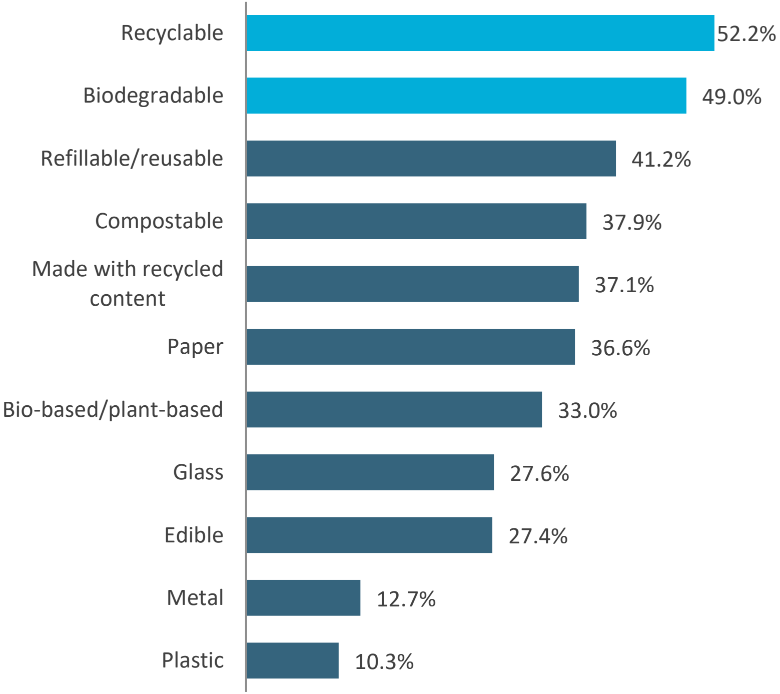
Alce Nero has launched a new 100% paper pasta packaging, made without the use of plastic or chemicals as the inks and glue used are water-based.

Image source: int.alcenero.com

Sustainable packaging is key in the shift to a circular and low-carbon economy

Sustainable Packaging Features, 2022

Share of respondents



Source: Euromonitor International Voice of the Consumer: Lifestyles Survey, 2022
Note: Fielded in January-February 2022; n=31,593

Looking at consumer perceptions, plastic is the least sustainable option. Driven by consumer demand for sustainable alternatives and tightening legislation, over the last five years, companies have been launching new packaging formats that claim to be more sustainable by making packaging materials more recyclable and less dependent on virgin fossil fuels.

However, there is no one-size-fits-all option and companies are following different approaches to make packaging more sustainable either by increasing the amount of recycled content or using packaging materials such as metal, paper or bio-based/plant-based polymers.

Looking at the results from the survey, consumers perceive more sustainable claims related to recyclability, compostability or biodegradability rather than those related to the type of material (paper, metal, glass, etc).

Therefore, it is not surprising to see sustainable packaging claims such as recyclable and biodegradable among the fastest growing claims globally, which confirms that when it comes to packaging companies are meeting consumers' demand.

44%
of consumers use sustainable packaging to positively impact on the planet

Source: Euromonitor International Voice of the Consumer: Lifestyles Survey, 2022
Note: Fielded in Jan-Feb 2022. n=39,832

Collaboration to fight plastic waste and climate change

Today sustainable packaging efforts should not be only centred around decreasing the leakage of packaging waste on the environment and improving materials’ circularity, but also in reducing the carbon footprint.

However, current waste and recycling initiatives do not go far enough when it comes to reducing carbon emissions at the rate needed to limit global warming to 1.5° C.

More collaboration across the packaging industry value chain is required to understand where the synergies are to deliver successful innovation on materials and end-of-life solutions that reduce both waste and carbon emissions.

It is no longer optional to consider recycling initiatives separate from those designed to reduce carbon emissions from raw materials and manufacturing.

75%

of packaging professionals say that their company plans to invest in circular economy business models

69%

of packaging professionals say that their company plans to launch products with low carbon/carbon neutral claims

34%

of packaging professionals say that their company is planning to invest in zero waste claims

Source: Euromonitor International Voice of the Industry: Sustainability Survey; n=60

Fighting Flexible Plastic in Europe

Five multinationals have started a fund and initiative to tackle flexible packaging waste. In collaboration with manufacturers, retailers, local authorities and recyclers, the fund aims to improve flexible plastic recycling in the UK and reduce plastic pollution. Also, they jointly committed to increasing investments and pushing for policies that support expanding recycling infrastructure and technologies.

Flexible Packaging Initiative
Driving a Circular Economy for Flexible Packaging in Europe

Mondelēz International SNACKING MADE RIGHT
MARS
PEPSICO
Nestlé
Unilever

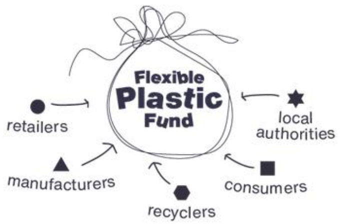


Image sources: flexibleplasticfund.org.uk and flexiblepackag inginitiative.eu

Major supply shortages of recycled plastic hindering sustainability goals

It is just as important to track what claims are growing as it is to identify which ones are not gaining in popularity, as this is an excellent indicator of what matters (or in this case, does not matter) to consumers with their purchasing decisions. Looking at the sustainability claims with the smallest growth provides relevant insights to consider when building and/or reviewing sustainable strategies.

One of the worst-performing sustainable attributes is related to packaging with recycled materials. This is not surprising given the regulatory pressure to increase the packaging recycled content, which has translated into rising demand and skyrocketing prices causing shortages in the supply of post-consumer recycled content.

These shortages have negatively impacted plastic recyclers, capping packaging manufacturers’ capacity to use recycled content, in turn jeopardising brands’ ability to meet their sustainability goals, slowing down the transition towards a more circular plastic economy.

Packaged Food Claims with Negative Growth (April 2020-March 2022)

Rank	Attribute	Group	Growth (%)
1	Widely Recycled	Sustainable Packaging	-8%
2	From Recycled Materials	Sustainable Packaging	-6%
3	Utz Certified	Sustainable Sourcing	-4%

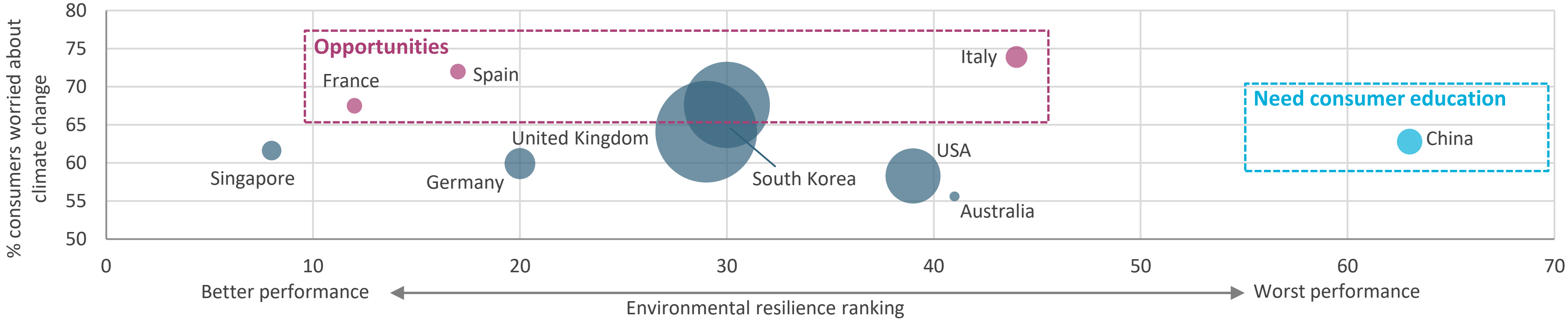
Source: Euromonitor International Megatrends Sustainable Living Claims Tracker
Note: Average growth is calculated across the 40 markets of coverage

Image source: Reuters

The power of choosing the right claim

Packaged food: carbon neutral claims

Environmental Resilience of Countries vs Consumers Worried About Climate Change and Number of SKUs With Low Carbon/Carbon Neutral Claims (Selected Markets)



Source: Euromonitor International Environmental Sustainability Index, 2021, Voice of the Consumer: Lifestyles Survey, 2022; n=40,732 and Megatrends Sustainable Living Claims Tracker, 2022

Note: Bubble size - Number of SKUs with with low carbon/carbon neutral claims

With consumers more worried about climate change and governments increasingly putting pressure to decarbonise the economy, nearly half of food and beverage professionals report investments in innovation for products with "reduced carbon/carbon neutral" claims (Voice of the Industry: Sustainability Survey, 2022). Not surprisingly, these claims have grown by 81% since the beginning of the pandemic (March 2022 vs April 2020), according to Euromonitor's Sustainable Living Claims Tracker.

With the biggest bubble size and therefore the largest number of SKUS with sustainability claims, the UK is a well-established market where companies are meeting consumers' demand for products with reduced carbon footprint. The chart also shows an opportunity area in Italy, Spain and France, available products are still scarce, but consumers' climate awareness is high. In contrast, in China more education is required for these products to succeed in a country with the worst environmental resilience among selected markets.

Quorn: carbon footprint transparency through claims

Processed meat and seafood number of SKUs with reduced carbon/carbon neutral claims grew 78% globally, between April 2020 and March 2022

(Euromonitor International Sustainable Living Claims Tracker, 2022)

Image source: www.quorn.co.uk/carbon-footprint

In 2020, the largest brand in meat and seafood substitutes in the world, Quorn, decided to include carbon footprint data in the packaging of its top 30 selling products using Carbon Trust third-party accreditation that examines the entire product lifecycle including used ingredients, factories energy, transportation and packaging.

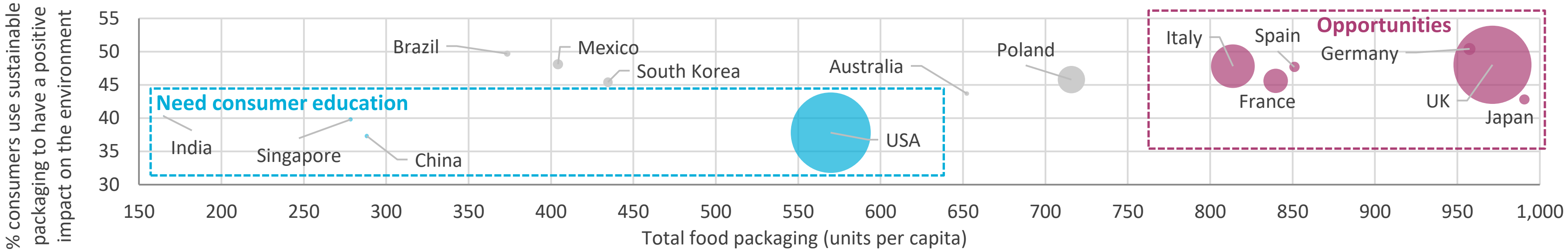
This is a proactive approach to educate and help consumers reduce their carbon footprint and positions the brand as a global sustainability leader in an industry that accounts for a large amount of greenhouse gas emissions.

According to Euromonitor's Voice of the Consumer: Lifestyles Survey, in 2022, 66% of global consumers try to have a positive impact on the environment through everyday actions and almost a quarter eat plant-based meat alternatives for environmental reasons (Euromonitor's Health and Nutrition Survey). With this initiative, Quorn is helping consumers understand the environmental impact of their shopping and make more informed decisions.

In April 2022, Quorn announced a collaboration with Sodexo to expand the carbon neutral initiative to foodservice globally. By including Quorn's carbon reduced products into Sodexo's corporate client's menus, the company claims that it could reduce at least 7,296 tonnes of carbon each year.

Packaged food: sustainable packaging claims

Total Food Packaging vs Consumers That Use Sustainable Packaging and Number of Skus With Sustainable Packaging Claims (Selected Markets), 2022



Source: Euromonitor International Packaging 2022, Voice of the Consumer: Lifestyles Survey, 2022; n=40,732 and Megatrends Sustainable Living Claims Tracker, 2022
Note: Bubble size = Number of SKUs with with low sustainable packaging claims

Packaging is a hot topic among both consumers and companies. In 2022, 44% of global consumers buy sustainable packaging to positively impact the environment (Voice of the Consumer: Lifestyles Survey, 2022) and 66% of companies plan to launch products with sustainable packaging claims (Voice of the Industry: Sustainability Survey, 2022).

With the largest bubble sizes, the UK and the US have the highest number of products with sustainable packaging claims. While in the UK the challenge is to reduce per capita consumption, in the US consumer education is a must. Asian markets such as China, India or Singapore have low consumer demand and very low availability of sustainable packaging claims, markets where consumer education is also required. Between April 2020 and March 2022, there was 23% average growth in sustainable packaging claims in packaged food products. However, opportunities for sustainable packaging claims vary between markets due to differences in the levels of packaging consumption, consumer behaviour and the market penetration of these claims. The best opportunities are in markets at the top right of the chart (Italy, Spain, France, Germany, the UK and Japan), with high per capita packaging consumption and high consumer willingness to use sustainable packaging.

H!P: plastic-free packaging

Confectionery number of SKUs with plastic free packaging claims grew 432% globally, between April 2020-March 2022

(Euromonitor International Sustainable Living Claims Tracker, 2022)

Image source: www.confectioneryproduction.com/

UK-based sustainable oat milk chocolate brand, H!P (Happiness in Plants), is expanding its series launching a new vegan Berry Crunch white chocolate bar that features a plastic free packaging claim on pack.

The packaging is in line with the brand's sustainable ethos, with a home composting compatible inner film made from wood pulp and an outer packaging made from recyclable cardboard.

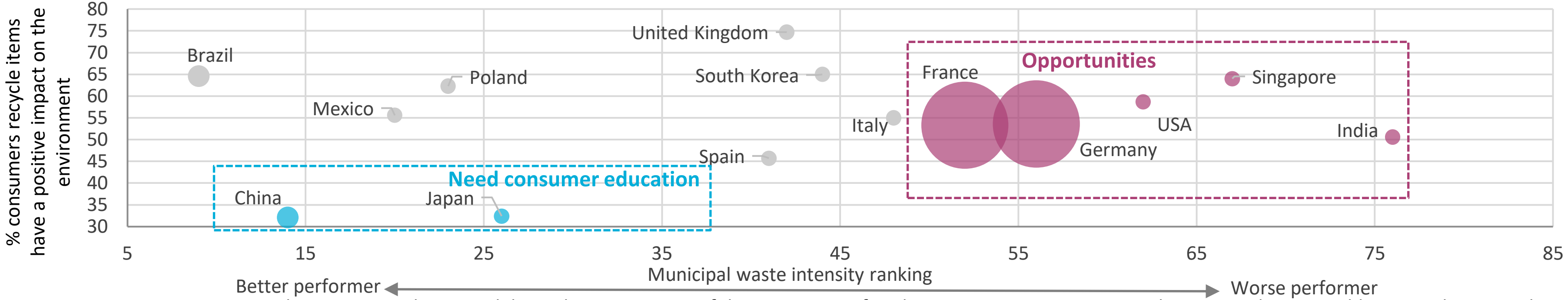
According to Euromonitor's Voice of the Consumer: Lifestyles Survey, plastic packaging is the most unsustainable option for consumers, with only 6% of consumers in the UK considering plastic packaging sustainable.

The product carries three sustainability claims, plant-based, vegan-friendly and plastic free. Highlighting these claims in the packaging provides consumers with the information they need to make more informed choices about the products they buy. Product claims are excellent ways of communicating with consumers.

The brand also claims to have a carbon footprint per kilogramme over 50% lower than dairy chocolate made with cow's milk and states that eating its chocolate can save the same emissions as driving 1.35km in a standard car compared to an equivalent dairy chocolate bar.

Packaged food: zero waste claims

Waste Intensity vs Consumers That Recycle Items and Number of SKUs With Zero Waste Claims (Selected Markets)



Source: Euromonitor International Environmental Sustainability Index, 2021, Voice of the Consumer: Lifestyles Survey, 2022; n=40,732 and Megatrends Sustainable Living Claims Tracker, 2022

Note: Bubble size - Number of SKUs with with zero waste claims

The zero waste claim speaks to businesses' commitment to achieve a circular economy. Zero waste certifications are given to companies that are systematically reducing the use of raw materials while minimising waste by focusing on upstream and downstream policies and practices. Although still a niche in packaged food, it is becoming more used by companies as demonstrated by astonishing post-pandemic growth of 119% (between April 2020 and March 2022). Growth that it is also reflected in companies' investments, with 33% of professionals working in the food and beverages industry reporting that their companies plan to invest in products with zero waste claims (Euromonitor Voice of the Industry: Sustainability Survey, 2022).

Looking at opportunities, France and Germany has the largest bubble size and therefore the biggest number of SKUs with zero waste claims among the selected markets, meaning that in these markets the zero waste claim is more mature. Due to their high waste intensity and consumer willingness to recycle, the US, Singapore and India are other potential markets to target. In contrast, more education is required in China and Japan, where low availability of zero waste products reflects poor consumer willingness to recycle.

Tyson Foods Inc: zero waste

Packaged food´s number of SKUs with zero waste claims grew 119% globally, between April 2020-March 2022

(Euromonitor International Sustainable Living Claims Tracker, 2022)

Image source: www.tyson.com/products/air-fried-chicken-nuggets/

With a portfolio of 34 brands, Tyson Foods is one of the largest staple foods players in the world. The company has a zero waste vision that aims to decouple product manufacturing from waste generation. Reducing waste is a win-win solution for business as it allows companies to streamline costs, sending as few materials to landfills as possible while also contributing to sustainable development.

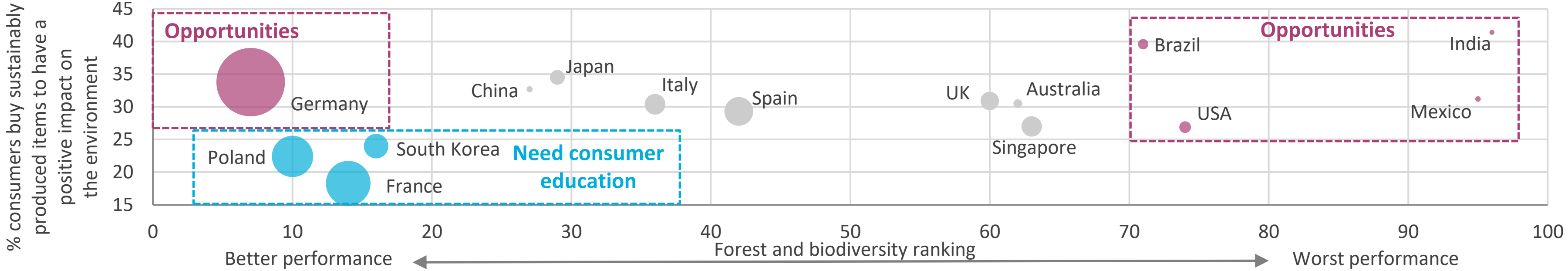
In April 2022, Tyson Foods announced that six of its plants had achieved Zero Waste to Landfill (ZWTL) Gold level validation, after the successful diversion of around 95-99% of its waste from landfills.

To achieve this goal, the company has reduced the production of all by-products such as animal fats, hides and inedible proteins, and reuses or recycles the remaining animal by-products. With this initiative, the company ensures that its animal by-products are upcycled into valuable sources of nutrients (ie proteins) that are used by the aquaculture, animal feed and pet food industries.

In addition, Tyson Foods is developing and testing in its packaging innovation labs and pilot plants, sustainable packaging solutions that use less plastic packaging using recyclable and renewable materials. The company is also seeking out opportunities to eliminate or minimise food waste in its direct operations and supply chain.

Packaged food: biodynamic/demeter claims

Forest and Biodiversity vs Consumers That Buy Sustainably Produced Items and Number of SKUs With Biodynamic/Demeter Claims (Selected Markets)



Source: Euromonitor International Environmental Sustainability Index, 2021, Voice of the Consumer: Lifestyles Survey, 2022; n=40,732 and Megatrends Sustainable Living Claims Tracker, 2022

Note: Bubble size - Number of SKUs with with biodynamic/Demeter claims

It is estimated that over half of global GDP is potentially threatened by nature loss. While this fact should make investments in forest and biodiversity a priority for companies and governments, only 30% of professionals in the food and beverages industry report that their company is planning to invest in forest and biodiversity initiatives in the next five years (Voice of the Industry: Sustainability Survey, 2022).

However, according to Euromonitor's Sustainable Living Claims Tracker, biodynamic agriculture is gaining traction. Between April 2020 and March 2022, "Biodynamic/Demeter claims" have experienced 136% growth. With the largest bubble size, Germany is the leading market for biodynamic/Demeter claims, with baby food products being responsible for 9% of all SKUs with these claims.

Also in the opportunities area, there are countries such as the US, China, India, Mexico and Brazil, with poor performance in forest and biodiversity and high number of consumers buying sustainable products, but still very low availability of products with biodynamic/Demeter claims. Meanwhile, at the bottom left of the chart are countries where consumer education is crucial to successfully market these claims.

Holle Baby Food GmbH: biodynamic/demeter

The number of SKUs with biodynamic/Demeter claims in baby food grew by 77% globally, between April 2020-March 2022

(Euromonitor International Sustainable Living Claims Tracker, 2022)

Image sources: holle.shop/bio-anfangsmilch-1-von-geburt-an-400g.html#&gid=false&pid=1; holle.shop/bio-blueberry-bear-pouchy-heidelbeere-apfel-banane-mit-joghurt-ab-dem-8-monat-85g.html#&gid=false&pid=1

Holle Baby Food GmbH is a pioneer of organic and biodynamic food. It was one of the first organic baby food manufacturers and it also became the first certified Demeter company in Europe.

Today, Holle has one of the largest biodynamic/Demeter product offers globally, including milk formulas, grain porridges, junior mueslis and organic pouches, with excellent nutritional and environmental profile.

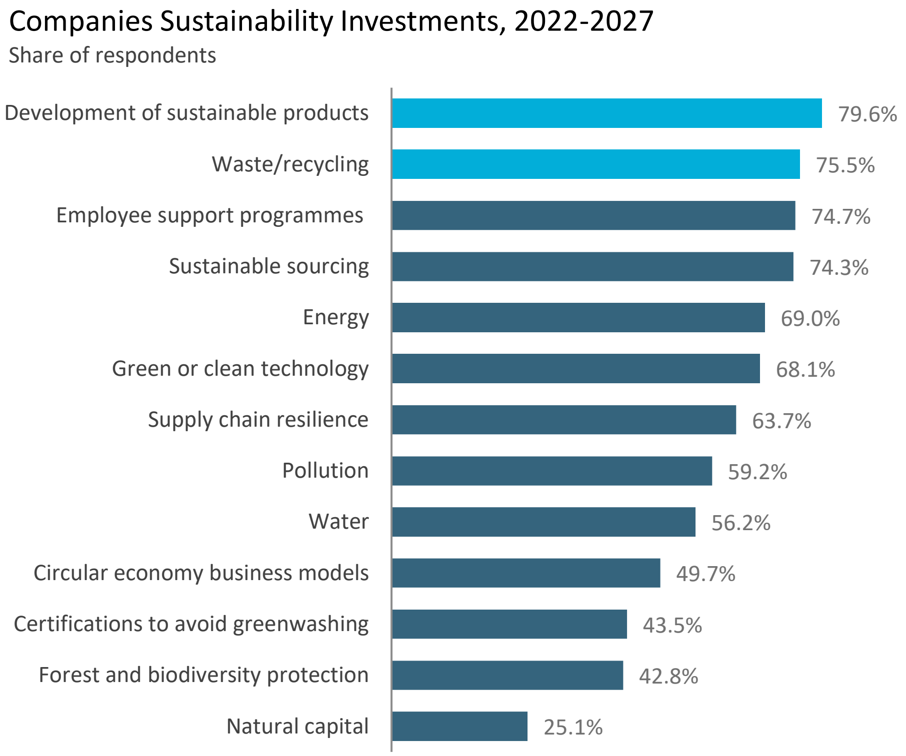
All these products are grown following strict biodynamic standards to ensure that production methods are in harmony with nature. To achieve this, the company only selects ingredients suppliers that use biodynamic or organic standards, avoiding the use of chemical processing materials, preservatives, flavouring and colouring agents, added salt or granulated sugar.

Under the motto “Making soil good”, the company compensates for the carbon emissions generated from farm to production by supporting sustainable farming projects that convert organic waste such as crop residues, green cuttings and manure into high-quality compost through an aerobic, oxygen-enriched composting process.

Its milk formulas have gone one step further shifting from carbon neutral certifications to being climate positive, which means that the company is compensating for more greenhouse gases than it generates.

Looking ahead

Top sustainability investment areas: sustainable products



Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022.
Note: Fielded in February 2022; n=661

When asking industry experts regarding future sustainability investments, the "Development of sustainable products" alongside "Waste/Recycling" initiatives stand out, with over 75% of respondents saying that their company is planning to invest in these areas.

While companies are placing big bets on recycling and material innovation, other important areas for investments are "Employee support programmes" and "Sustainable sourcing", in third and fourth positions, respectively, in the table.

At the same time, the survey shows that other key important themes such as sustainable energy and clean technologies are also high in the investment pipelines of companies, accounting for around 70% of responses.

Finally, another relevant area is product certifications to avoid greenwashing, which accounts for 44% of global responses.

Greenwashing is a topic that has gained traction lately, especially in European markets where substantiating claims with credentials and certifications is becoming more important not only for reputational purposes but increasingly to avoid fines and litigation.

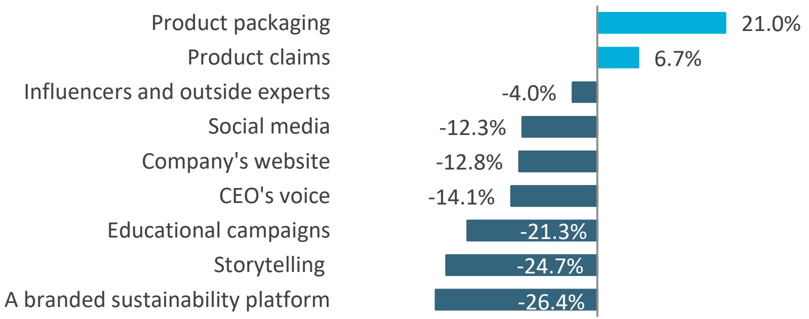
The launch of products with sustainability claims is on the rise

The fact that companies are increasingly using claims to communicate sustainability responds to a growing number of well-informed consumers that are evaluating products not only in terms of quality, innovation, price, convenience, or efficiency, but also on how sustainable the product is perceived by them.

According to Euromonitor's Voice of the Industry: Sustainability Survey, in 2022, 80% of professionals report that their company plans to invest in the development and launch of products with sustainability claims. Interestingly, the vaguer and more generic claim "environmentally friendly" is getting the most traction among surveyed professionals. However, as authorities ramp up regulations to protect consumers from greenwashing, generic claims such as "environmentally friendly", "green" or "sustainable" will be required to be substantiated to avoid potential fines.

Change in the Way Companies Communicate Sustainability, 2021-2022

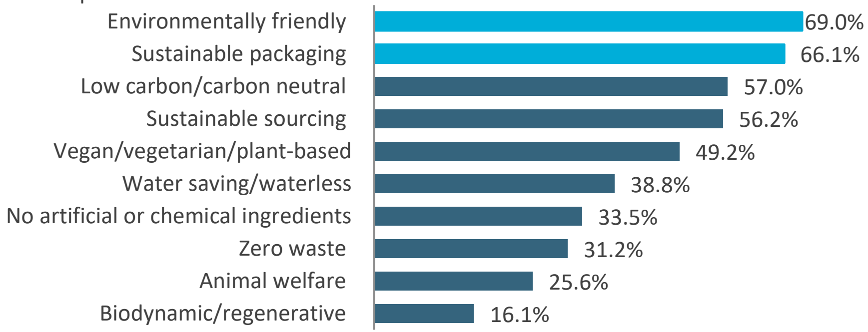
Share of respondents



Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022
Note: Fielded in February 2022; n=626

Products With Sustainability Claims That Companies Plan To Launch, 2022

Share of respondents

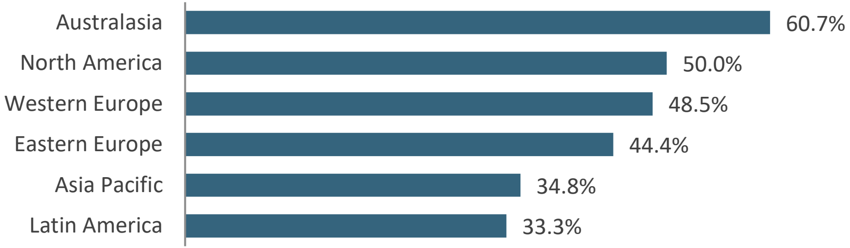


Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022
Note: Fielded in February 2022; n=516

Does product certification matters?

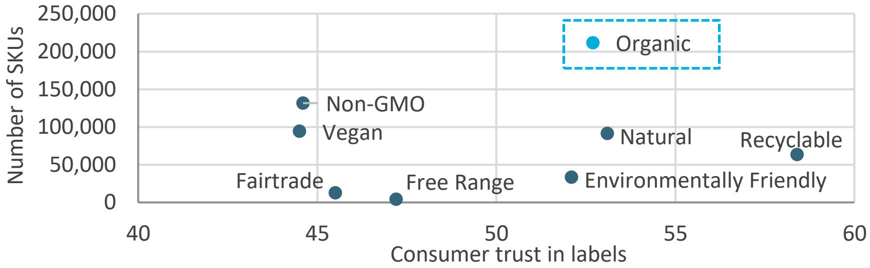
Companies Investing in Certifications to Avoid Greenwashing, 2022

Share of business professionals



Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022
Note: Fielded in February 2022; n=593

Consumer Trust in Selected Green Labels and Availability of Packaged Food Products With These Claims, 2022



Source: Euromonitor International Voice of the Consumer: Lifestyles Survey 2022 and Megatrends Sustainable Living Claims Tracker, 2022*
*Note: *Fielded in January-February 2022; n=38,910)*

The use of certifications to combat greenwashing

Greenwashing via product claims is under increasing scrutiny with consumer protection agencies tightening guidance to combat greenwashing. For example, the International Consumer Protection and Enforcement Network is a global network of consumer protection authorities from over 65 countries, that works to coordinate cross-border enforcement of greenwashing guidance. The problem is that while many claims are legitimate, others can feature unsubstantiated claims that can mislead consumers.

Are certified claims the most trusted?

Not necessarily, according to Euromonitor's Voice of the Consumer: Lifestyles Survey, vague claims such as "environmentally friendly" are better trusted by consumers than certification labels such as Fairtrade.

Organic is the only product claim with relatively high consumer trust and high availability of products in the global market. In contrast, recyclable labels, with the highest consumer trust among the green labels, are less prevalent/available at global level than other less trusted claims such as non-GMO or vegan.

Product claims to watch by industry

Sustainable claims that companies plan to launch	Apparel and personal accessories	Beauty and personal care	Food and beverages	Household essentials	Packaging	Retailing
	Result	Result	Result	Result	Result	Result
Sustainable packaging claims	62.9%	77.2%	75.8%	80.0%	87.5%	91.7%
Environmentally friendly claims	62.9%	77.2%	68.7%	80.0%	71.9%	91.7%
Vegan/vegetarian/plant-based claims	45.7%	74.6%	66.7%	45.0%	15.6%	66.7%
Low carbon/carbon neutral claims	51.4%	49.1%	63.6%	55.0%	68.8%	58.3%
Sustainable sourcing claims	65.7%	65.8%	60.6%	55.0%	50.0%	50.0%
No artificial or chemical ingredients claims	17.1%	43.9%	48.5%	45.0%	15.6%	41.7%
Zero waste claims	34.3%	35.1%	33.3%	30.0%	34.4%	25.0%
Water saving/waterless claims	48.6%	49.1%	26.3%	55.0%	40.6%	41.7%
Animal welfare claims	25.7%	48.3%	23.2%	40.0%	6.3%	41.7%
Biodynamic claims or regenerative farming/agriculture	11.4%	16.7%	29.3%	10.0%	0.0%	25.0%

Source: Euromonitor International Voice of the Industry: Sustainability Survey, 2022
Note: Fielded in February 2022; n=516

Product claims need to be strategically selected depending on the industry and region where the product is set to be launched, taking in consumers' concerns and behaviours alongside macroenvironmental factors, market dynamics and competitor strategies.

Investment priorities in sustainability differ from industry to industry, which has a knock-on effect on the type of claims that companies prioritise. Given the high water footprint of their products, investments in products with waterless and water saving claims are more important for beauty and personal care, household essentials and apparel players, while animal welfare claims are more relevant for food, beverages and beauty and personal care players. In contrast, compared to other industries, packaging plans to allocate the largest budget to low carbon/carbon neutral claims, and food and beverage companies plan the biggest investments in biodynamic/Demeter claims.

Takeaways

Takeaways

Consumer information and education is required

While consumers are more concerned about social and environmental problems, they do not necessarily know which products are more sustainable. Educational campaigns that provide clear and easy-to-digest information are required to amplify the positive impact that the company can have on the planet via its product portfolio.

Greenwashing and affordability are key challenges to overcome

Be aware that some countries are scrutinising online claims, warning companies that some claims could potentially be in breach of consumer laws.

While there is this idea that sustainable products are more expensive, this is not always the case. In fact, there is no clear and direct correlation between price and consumer satisfaction with these products.

The key questions you need to answer to succeed with sustainable products

For any given topic, there are two essential decisions that businesses need to make "Where to play" (where the opportunities are) and "How to win" (how to capture them), and sustainability is not an exception. Companies need to answer these key questions to win in markets where the shift from traditional to sustainable purchases is occurring and capitalise on these opportunities while contributing to sustainable development.

There is no one-size-fits-all solution

To seize the opportunity in sustainability, companies need to monitor and track which sustainable claims are catching on and proliferating in different markets and incorporate this information in their decision making across all business units, from procurement, research and development to consumer insights, marketing and communication teams.

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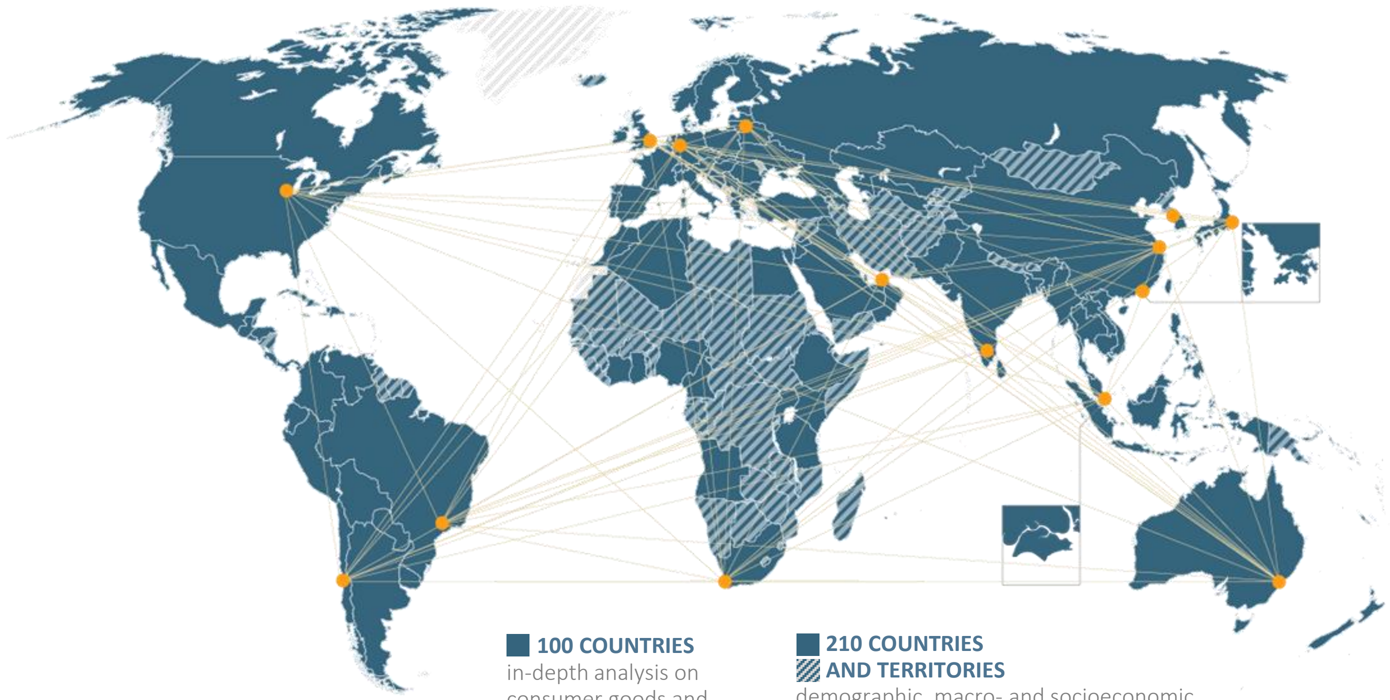

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