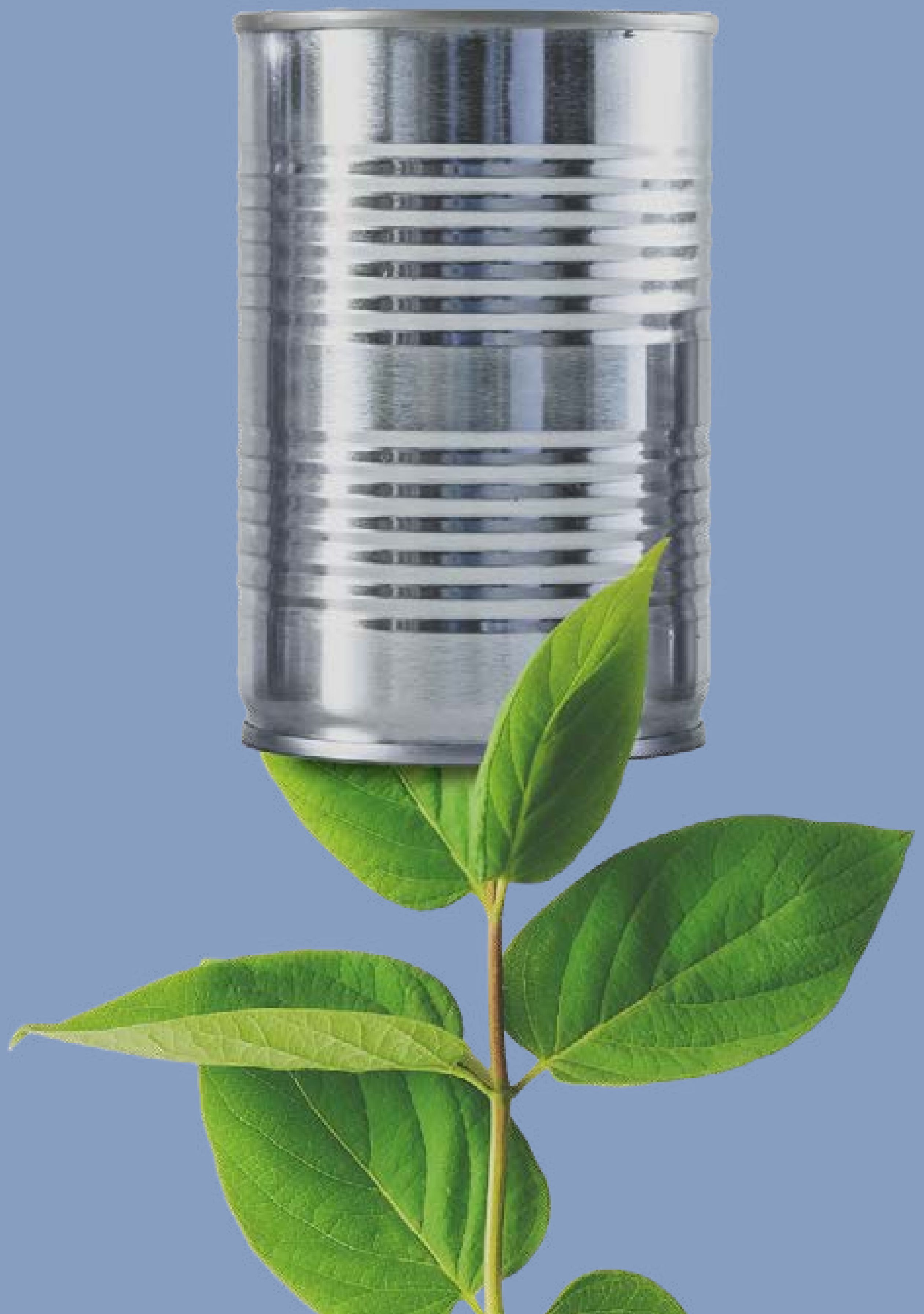
2022 Consumer Trends in Sustainability



quantilope

A Recipe for Food Sustainability: Consumer Expectation + Brand Action

2022 Consumer Trends in Sustainability, in Partnership with KraftHeinz

Table of Contents

Index

Details

This report looks at consumers' perceptions and behaviors around the topic of sustainability. The study was conducted in partnership with Kraft Heinz, using the Segmentation and Price Sensitivity Meter methods on quantilope's Insights Automation Platform. With quantilope's drag+drop survey functionality, state-of-the-art methodologies, and advanced methods, this multi-country sustainability study was conducted in days rather than weeks.

Upon the study's completion, the Kraft Heinz team was able to share the final interactive dashboards for each market directly with their stakeholders to continue Kraft Heinz's work toward a more sustainable future.

Main Objectives

Achieve a broad understanding of consumer attitudes and behaviors around food sustainability, including:

- Sustainable food shopping habits
- Perceived impact of an individual's behavior on sustainability
- Barriers to being more sustainable
- Specific ingredients of food products
- Pricing expectations of products with various sustainable
  aspects (packaging, ingredients, etc.)
- Impact of media on perceptions and behaviors around sustainability.

Background: This sustainability study was conducted in partnership with Kraft-Heinz
Sample: n=600 consumers (each) in the UK and in Germany, nationally representative for age and gender, primary household grocery shoppers
Research Methodology: Segmentation, Price Sensitivity Meter (PSM)
Timeframe: March 14th-18th, 2022

Note: Throughout the report, data points may be cited with '(T2B)'; T2B stands for 'Top Two Box' which indicates the two strongest/most positive statements within a 5 point scale

To a Sustainable Future

More and more brands are committing to a sustainable future, recognizing it as a key issue affecting the environment as much as it affects their relationship with consumers. quantilope took this opportunity to partner with **Kraft Heinz** to research evolving consumer trends and growing expectations around sustainability. We based the study around our goal to explore sustainability need preferences, in order to identify actionable consumer segment groups. As a result, this food-focused 2022 Consumer Trends in Sustainability study, fielded in both German and UK markets, explores how consumers feel about the topic of food sustainability, the actions they take in an effort to lead a sustainable diet, and several sustainability-focused consumer segments – from 'Broad Brushers', to 'Waste Warriors', to 'Ingredient Inspectors'.

Small Actions, Big Impact

When it comes to making food selections while shopping, consumers are primarily led by their wallet and their stomachs; price and taste are their top considerations. Beyond price and taste, brand name and promotional offers rank higher than most all sustainability-oriented items (with the exception of German shoppers who care more about a product being locally-sourced than its brand name). Despite sustainability holding lower importance than other factors while shopping, it's still true that more than **half of consumers (53% in Germany; 56% in UK – T2B) check for sustainable ingredients on a package**, and **about half of consumers in each market pay attention to the displays/information shown on shelves**. Being that a majority of shoppers in both markets say health and sustainability are linked, it makes sense they would check ingredients and look for signage that point to sustainable food products.

Further, consumers across markets (Germany/UK) take fairly similar actions to be sustainable as they shop: **over 4-in-5 use reusable grocery bags** (85%/91% – T2B), **about 3-in-4 say they actively reduce waste** (71%/77% – T2B), **a third of shoppers in each market say they are willing to pay more taxes if they're used for environmental protection** (34%/34% – T2B), **and over a quarter say they've donated money to an environmental charity in the last 12 months** (27%/29% -T2B). **In fact, 57% of shoppers in Germany and 62% of shoppers in the UK say that they have an influence on protecting the environment** (T2B). Thus, it's fair to say that consumers do care about sustainability as a topic, even if it's not their utmost priority.

While consumers are doing their part for sustainability on a smaller, individual level (and more than half in each market are satisfied with current efforts), they can't do it alone. Consumers look to brands to really solve sustainability concerns; **72% of German shoppers and 73% of UK shoppers feel environmental problems are in the hands of businesses and manufacturers** (T2B). A similar proportion of shoppers in each market say protecting the environment is one of the most important issues of our time.

Money Where Your Mouth Is

Fifty percent of German shoppers and 52% of UK shoppers cite money as the top barrier to being more sustainable, far surpassing barriers such as lack of availability to sustainable products, lack of information around sustainability, too much effort to be sustainable, and not wanting to forgo current lifestyles. As inflation is a growing concern across the globe, the project team was able to dig deeper into just how price sensitive these German and UK food shoppers are through the use of quantilope's automated price sensitivity meter (PSM) methodology.

A PSM helps to gauge price expectations by understanding the range of acceptable prices in consumers' minds. The output then gives optimal price points consumers are willing to pay, based on the responses they gave (more specifics on how the method works can be found here). For the sake of this study, the PSM tested how far consumers were willing to stretch their budget for three unbranded, medium-sized bottles of ketchup: a regular bottle, a bottle using sustainable packaging, and a bottle using claims focused on natural ingredients. Interestingly, the results of the price sensitivity meter varied a bit between markets.
The PSM found that German shoppers are willing to pay around €2 for any of the three bottles of ketchup. In other words, **they would not expect a sustainably packaged or natural ingredient product to incur a premium price.** These expectations may stem from the fact that Germany is known to be a leader in sustainability and environmental protection, so shoppers in this market might expect sustainable packages and natural ingredients to be the standard.

UK consumers on the other hand are willing to pay £1.50 for a regular bottle of ketchup; they're willing to pay even more for a ketchup with natural ingredients (£1.75), and even more for a bottle using sustainable packaging (£2). This signals that **UK consumers are willing to pay slightly more for sustainable credentials**. However, if we focus on the overall acceptable price range (as is true for German shoppers as well), we find little difference between the sustainable product vs regular product. This, coupled with the previous insight that price is the largest barrier, and wider context of rising inflation, indicates a balance must be found to provide sustainable packaging at a competitive price.

Consumer Sustainability Segments

Beyond the general findings on consumer attitudes and price sensitivity, Kraft Heinz leveraged quantilope's automated, need-based segmentation methodology to identify who these grocery shoppers are in each market and what their specific needs around sustainability are when buying food.

quantilope's segmentation works through an AI-driven clustering of consumers into actionable and approachable groups. For this study, the need-based approach started with asking respondents to make tradeoffs from a list of sustainability factors that they consider most/least important when shopping (such as cruelty-free products, local community support, or lack of artificial ingredients). From these results, quantilope's machine-learning algorithm generates a number of defined segments (or subsections of our total sample) based on commonalities and differences between preferences and needs.

In this case, quantilope's algorithm identified three clear segments, which we have named: the **Broad Brushers**, the **Ingredient Inspectors**, and the **Waste Warriors**. In Germany, 42% of consumers are segmented as Waste Warriors, with the remaining sample split evenly between Broad Brushers and Ingredient Inspectors. In the UK, each of the three segments happen to be roughly the same size.

Broad Brushers

The Broad Brushers have a holistic concern with regards to sustainability, considering a large spread of issues to be equally important – such as reducing plastic, natural ingredients, and the protection of animals and wildlife. In other words, this segment is less concerned with one specific area of sustainability compared to other segment groups.

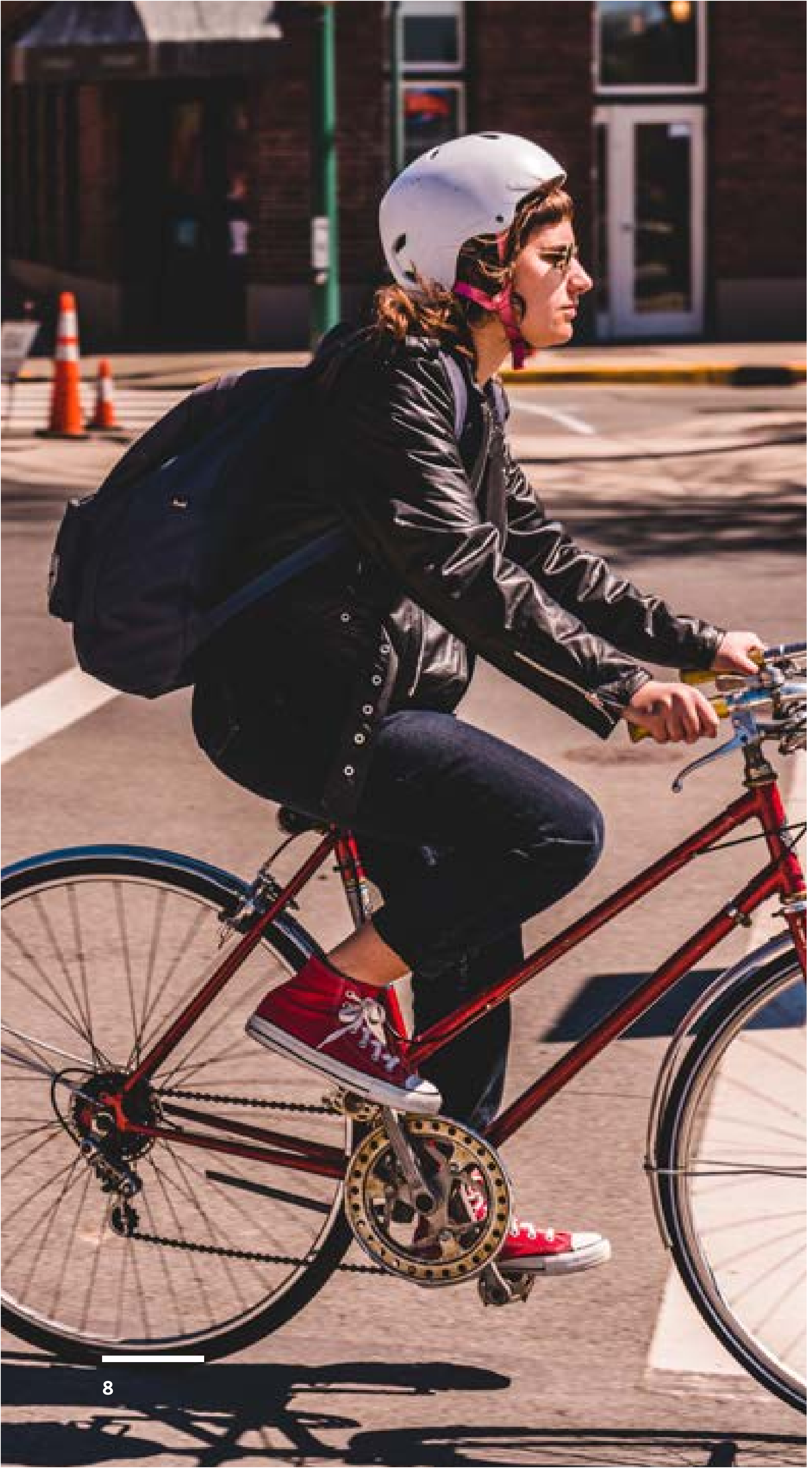
As for who Broad Brushers are demographically:

- In the UK this segment spans fairly equally across most age groups and localities (from big city urban to rural), and income levels are mixed.
- In Germany, this segment skews younger, is more likely to live in urban localities, and fall into fairly equal income levels.

As these demographics show, despite consumers falling into the same segment, they may look different in different markets. **That's what makes need-based segmentation research so impactful, focusing on consumers' true needs and behaviors – not just who they appear to be on the surface.** So what are the needs and behaviors of this segment group?

In Germany, Broad Brushers are least likely to say they will separate waste, use less plastic, reduce waste, shop locally, use less heat, and use reusable shopping bags than the other segments; Broad Brushers in the UK are also less likely to agree with most of these statements compared to Waste Warriors, but can't be said in comparison to Ingredient Inspectors. In either market, this segment doesn't feel strongly either way that their individual influence can protect the environment, that buying local can shape the kinds of products sold in the future, or that protecting the environment is one of the most important issues of our time.

In summary, this segment tries to do "some" of everything, but doesn't commit to one particular route of action.



Waste Warriors

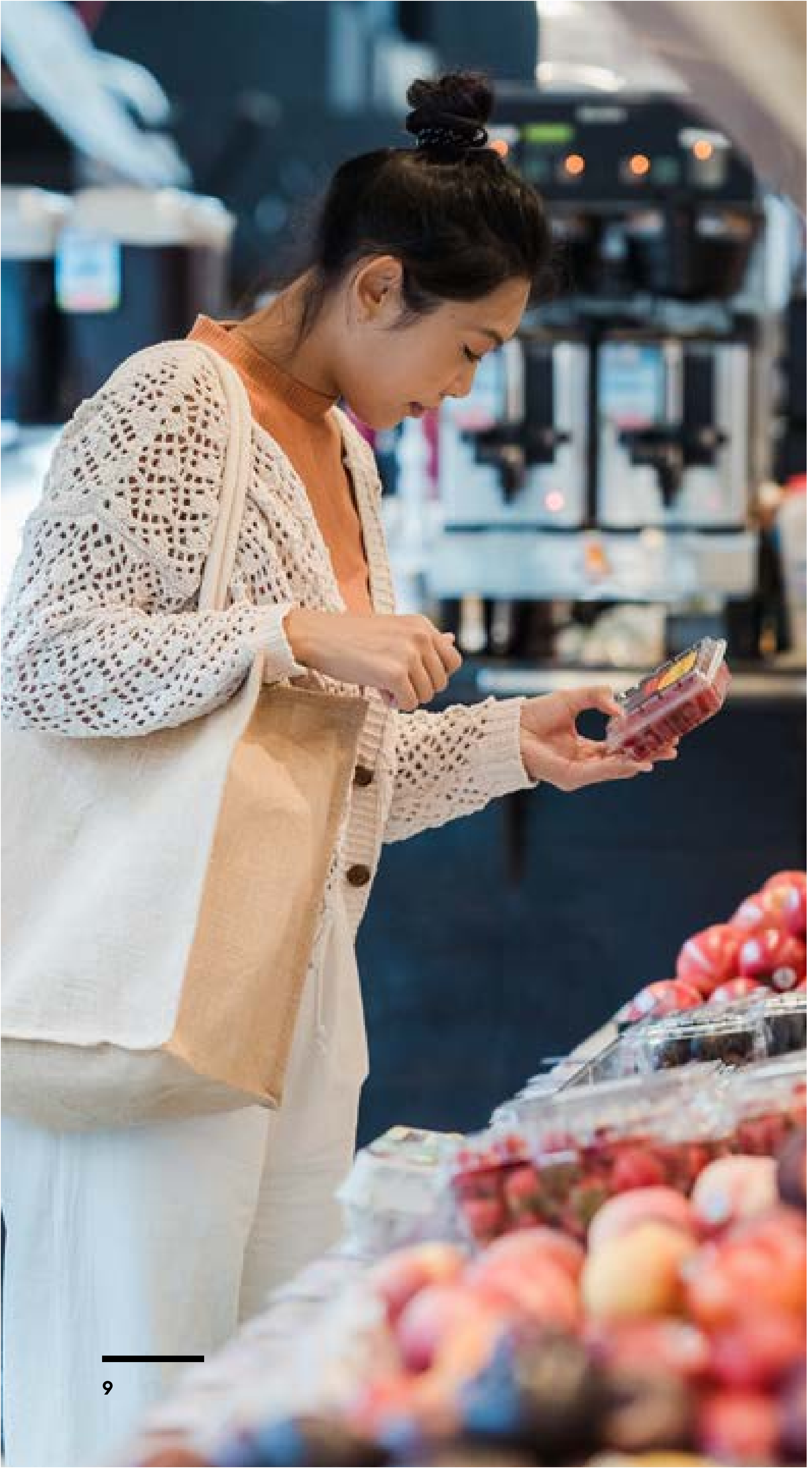
This segment is all about sustainable packaging: recyclable packaging, recycled-material products, zero waste, reusable packaging, reducing plastic in the ocean, zero-plastic alternatives, and biodegradability all score highly amongst this group.

Looking at the Waste Warriors demographically:

- In the UK, this segment is representative of a somewhat older profile of respondents who live further from big-city centers (most likely small suburban cities).
- In Germany, this segment is more likely to be non-university educated and to fall into lower income tiers. They are also more likely to live in urban cities (small or large) than any other locality.

Waste Warriors' actions stem from their beliefs, which are focused on recycling and reducing waste. In both markets, this segment strongly agrees that 'Protecting the environment is one of the most important issues of our time', and one of their most frequent behaviors is to use reusable shopping bags. Each market's Waste Warriors are also more likely than other segments to separate and reduce waste, use less plastic, and use less heat/air conditioning. German Waste Warriors go even further to say they will 'drive less' in comparison to other segments.

To summarize Waste Warriors: they are more focused on sustainability aspects for the environment at large, and much less concerned about topics that affect their own consumption (as we'll see with the Ingredient Inspectors).



Ingredient Inspectors

Ingredient Inspectors look heavily into what goes into the foods they eat. They look for all-natural, cruelty-free products with no artificial ingredients, antibiotics, or harmful chemicals. While this group also finds some importance to environment-related factors, their preferences are clearly skewed toward the actual make-up of what they consume. For this reason, this segment is likely to see a greater link between health and sustainability compared to other segments (more so in the UK than in Germany).

Ingredient Inspectors through a demographic lens:

- In the UK, Ingredient Inspectors tend to be younger, university-educated individuals living in urban locations.
- In Germany, this segment actually skews a bit older and are less likely to be university-educated. Like UK Ingredient Inspectors, this German segment also tends to live in urban areas.

In the UK, this segment is least likely to say that money is a barrier to a more sustainable lifestyle, which is likely why they score higher for most behavior statements such as eating less meat, using clean/green electricity, and buying sustainable products (which are typically more expensive). Despite their means to be sustainable, they are also the most likely segment to cite barriers of 'having no individual impact anyway' and that being sustainable is 'too much effort'.

In Germany, the Ingredient Inspectors are more likely to say they buy local and seasonal products. About half say that money is their largest barrier to being more sustainable, followed by lack of availability or information on sustainability products.

Overall, this segment is composed of individuals who look for ingredient labels in stores, buy all-natural/non-artificial products, and are willing to shop local, as believers that their health and what they consume can lead to a more sustainable future.

Comparing Segments

For more on all three segments' sepcific needs, attitudes, and behaviors, check out the German and UK insights dashboards.

Broad Brushers		Waste Warriors		Ingredient Inspectors	
Germany	**UK**	**Germany**	**UK**	**Germany**	**UK**
29% of population	35% of population	42% of population	33% of population	29% of populaton	32% of population
Skew younger 58% younger than 40 yrs old	Fairly even range of ages; same % of 18–29 as 40–60	Skew older; 66% are 40+ yrs old	65% are 40+ yrs old	52% are between 40–60 yrs old	Skew younger; 64% younger than 40 yrs old
35% University educated	42% University educated	29% University educated	48% University educated	30% University educated	52% University educated
Over half live in urban cities (62%)	Fairly even spread of localities (~20% each for urban cities, suburbs, rural)	Over half live in urban cities (57%)	More live in surburban small cities than eleswhere (35%)	Over half live in urban cities (63%)	Over half (57%) live in urban cities

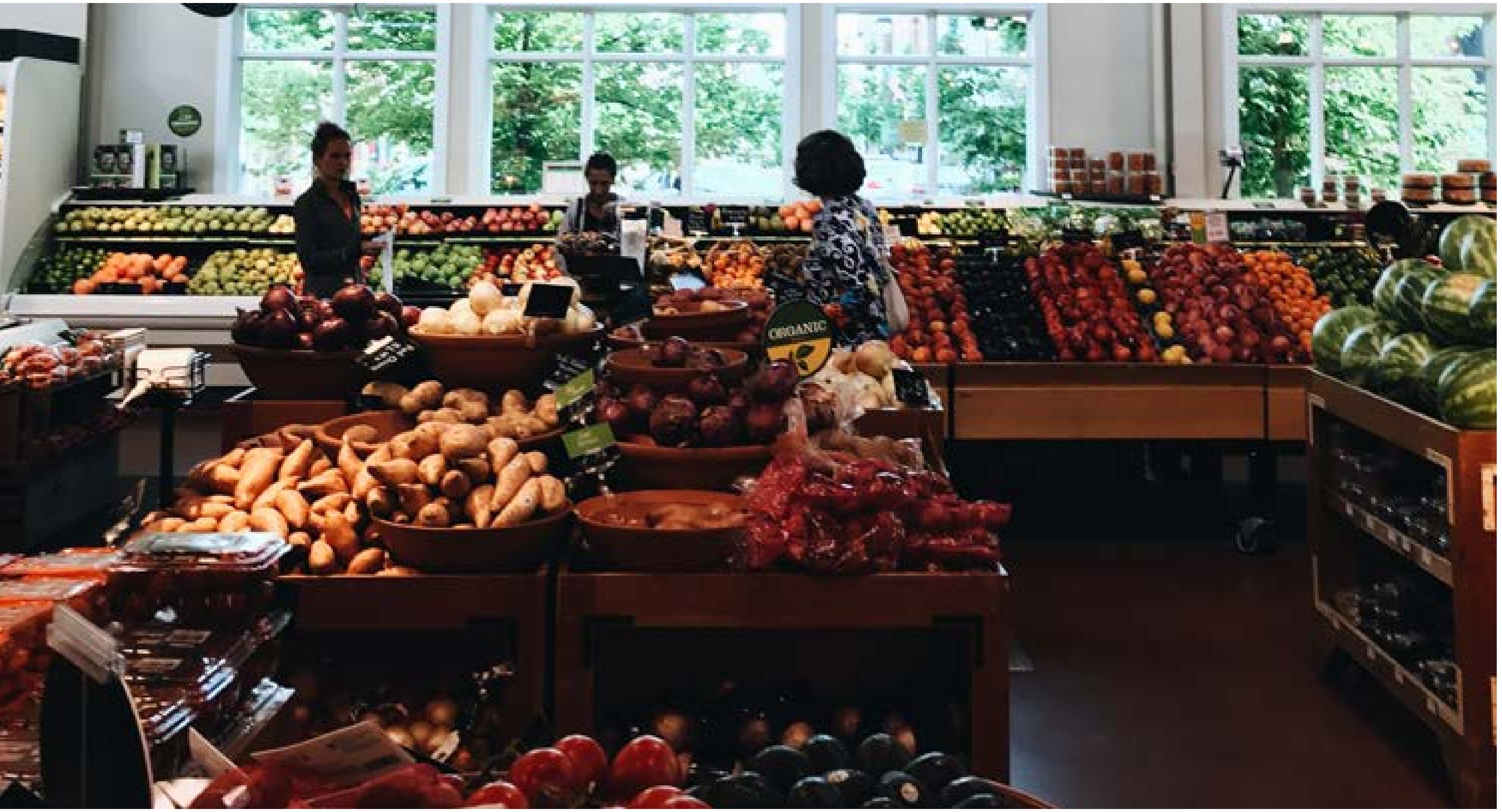
Business Implications

Knowing that a majority of consumers are taking actions in various ways to protect the environment, and that different consumers have different needs regarding sustainability, brands can consider how to tailor their marketing or product mix to appeal to the range of needs that exist in the market. For example, brands can cater to Waste Warriors by charging for shopping bags, or to Ingredient Inspectors with sustainable claims clearly labeled on packaging. As a dual-benefit, brands who implement these kinds of changes are stepping up to consumer expectations in working toward a more sustainable future, while also building trust and loyalty among their customers.

As businesses take steps to be more sustainable for their customers, one important area to keep in mind is money. Consumers cite money as their top barrier to living more sustainably, and price is a top factor they consider while shopping. Time, effort, and knowledge are other commonly cited barriers for consumers to live more sustainably. Brands can take action on these barriers by educating consumers through mediums they currently rely on for sustainability information – most notably, television and news channels (**51% in Germany and 39% in UK**). More German than UK consumers read about sustainability in newspapers, magazines or other publications, while documentaries are another popular source for both markets.

In contrast to these popular sources for information around sustainability, only about a quarter of consumers in each market are getting sustainability information from social media. This leaves a huge opportunity for brands to provide transparency into their sustainability efforts and promote sustainable products through their social channels. Using environmentally friendly packaging materials, including clear information about sustainable benefits on packaging, and crafting messaging (both in-store and in the media) around sustainability are all ways brands can educate their customers and make it easy for them to make sustainable product choices.

Of course, our segmentation results show us that different consumer types will need to be targeted in different ways when it comes to marketing and communicating around sustainability. Brands may be interested in targeting one segment over the other, depending on their needs, their locality, what they earn, etc. Regardless of who the target group is, businesses should be aligning their strategy with that segment's needs, attitudes, and behaviors:



Targeting

Broad Brusher

These consumers are less engaged on specific sustainability issues, so a more general message around contributing in their everyday lives would resonate well. Businesses need to make sure that choosing the sustainable route is easy for consumers while shopping.

Waste Warrior

Any effort around reducing waste or recycling products will go over well with this segment. Minimal, plastic-free, and biodegradable packaging is the way to reach this segment.

Ingredient Inspector

Products need to contain natural ingredients and be free from chemicals – and this information needs to be clearly communicated on packaging, advertising, and all other communications.

Summary

In summary, while price and taste remain top considerations for food shopping, consumers are taking their own steps toward a more sustainable future but ultimately look to brands and manufacturers to solve the issue at large. For brands to meet consumer expectations, they first need to understand each of their core segments and their differing needs (need-based segmentation) as well as develop an understanding of each segment's pricing sensitivity.

This study was produced in partnership with Kraft Heinz, with results delivered within one week from questionnaire approval. To help explore the issues specific to your business, quantilope offers a suite of advanced, customizable research tools and methodologies to quickly reach your target market and drive actionable, strategic results. For further information on quantilope's end-to-end Insights Automation Platform and business solutions, contact us at sustainability@quantilope.com.

UNITED STATES

40 Exchange Pl Suite 410
New York, NY 10005

quantilope Inc.

UNITED KINGDOM

1 Ropemaker Street, London
EC2Y 9HT, United Kingdom

quantilope

GERMANY

Charlottenstraße 26
20257 Hamburg

quantilope GmbH

www.quantilope.com
sustainability@quantilope.com