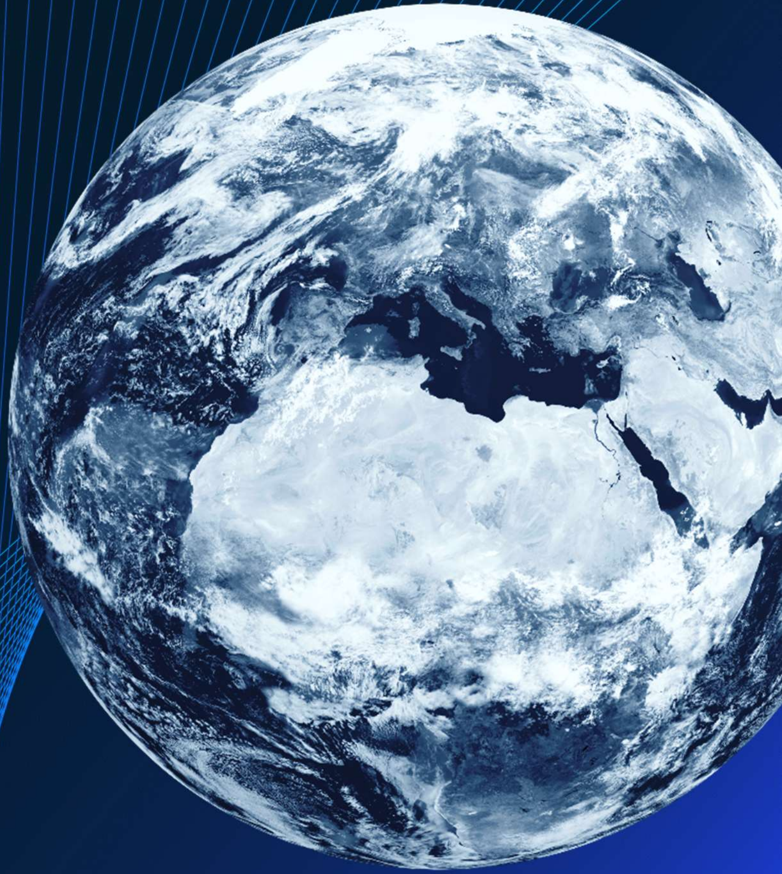
McKinsey
& Company

Consumers' sustainability sentiment and behavior before, during and after the COVID-19 crisis

Consumer research Germany

May 2021



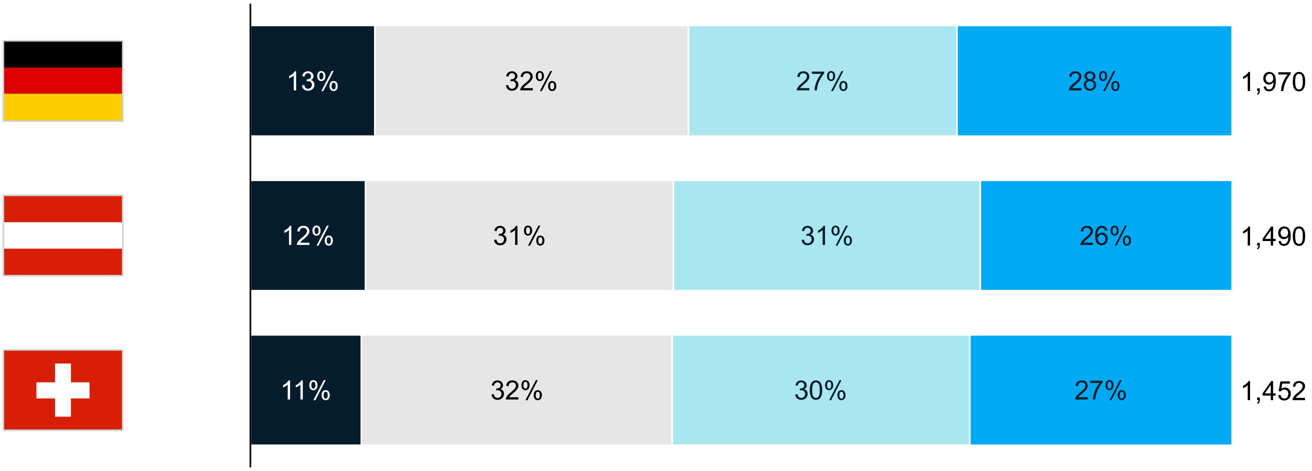
The survey assesses consumer sentiment and behavior regarding sustainability and FMCGs before, during and after COVID-19

■ Gen Z (18-23)
■ Millennials (24-39)
■ Gen X (40-55)
■ Baby boomers and older (>55)

The survey was conducted by McKinsey between November 30 and December 4, 2020, across German, Austrian and Swiss consumers, aged over 18, who have bought groceries, home care, personal care or consumer health products in the last 2 months

Generational representation

Gender representation



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Executive summary: 9 key takeaways for you

1 Half of consumers were willing to pay up to 20% more for sustainable products during COVID-19 compared to before with a further increase to be expected after the pandemic – half of consumers were not willing to pay more

2 During the pandemic consumers consciously aimed to reduce their environmental and societal impact, with around 1/4 of consumers also switching products or brands more often if they are labelled as sustainable

3 In general, women, Gen Z consumers, people with high income and online shoppers are more willing to pay a premium for sustainable products

4 Consumer groups differ in their willingness to pay a price premium for sustainable products, e.g., Gen Z consumers are willing to pay more for sustainable snacks, ready meals and personal care products

5 Overall, consumers are mostly willing to pay a price premium for sustainable fresh food as well as skin care products – not equally as much for sustainable home care products

6 The willingness to pay a price premium for sustainable products is driven primarily by environmental and social aspects rather than personal health aspects

7 Fair pay of employees is the single most important driver of willingness to pay for sustainable products during the COVID-19 crisis; "free from", low GHG emissions, raw material conservation and avoidance of packaging are the top environmental drivers

8 The importance of specific sustainability aspects varies across categories, e.g., the avoidance of packaging is more important in fruit & vegetables, personal care and home care – but not as important for meat & fish as well as dairy products

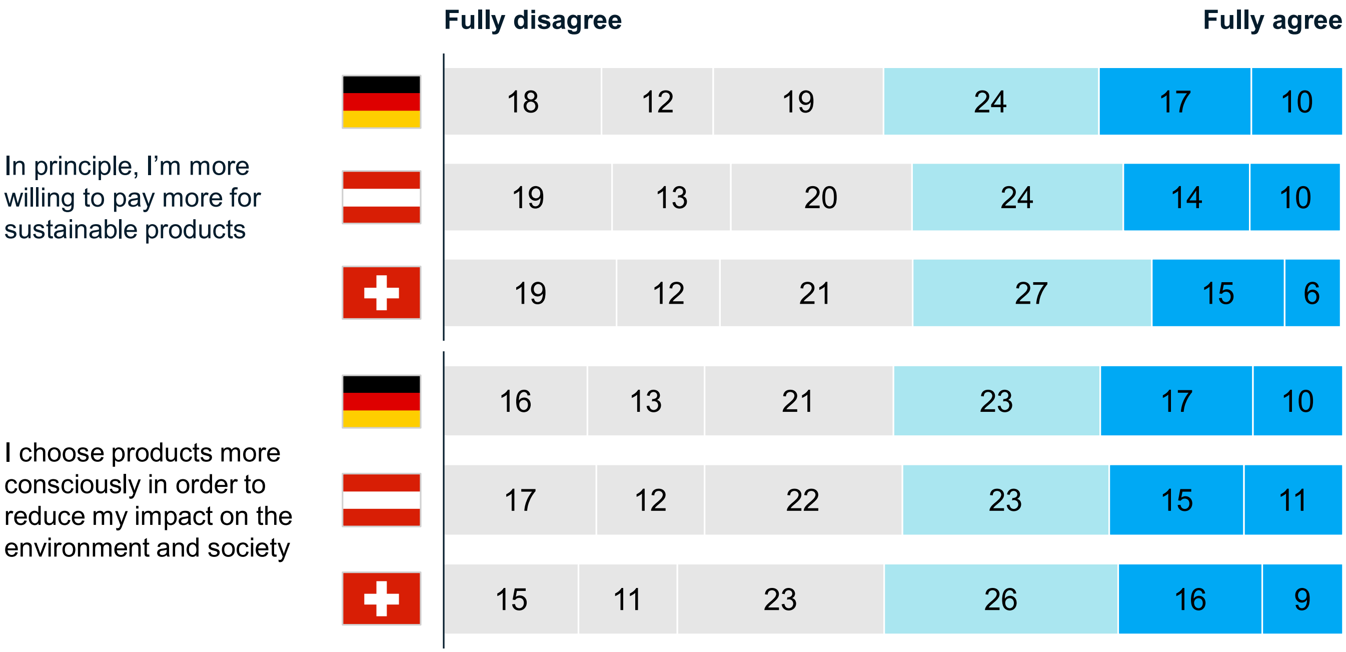
9 CPG companies and retailers should view the COVID-19 crisis as an opportunity to focus even more on sustainability, calling for dedicated strategies and operations incl. bold changes of assortment, pricing, channel, marketing, manufacturing and logistics

Consumers show similar sustainable shopping behaviours across DACH countries

Sustainable shopping behavior

"If you think about your habits and attitudes in the last few weeks compared to before the COVID-19 crisis, to what extent do you agree with the following statements?"

Percentage



<5 pp. difference

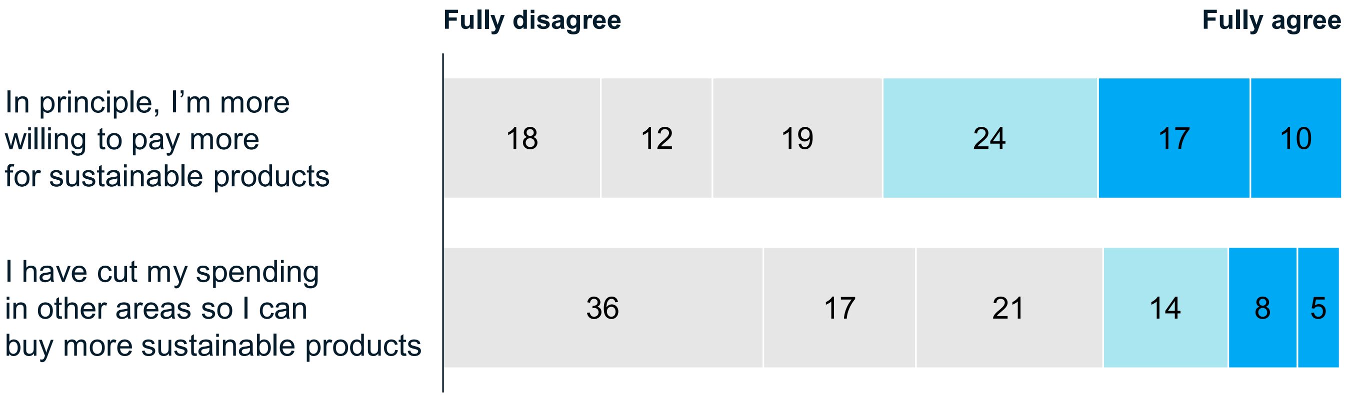
between DACH countries regarding willingness to pay for sustainability and product selection

> 1/4 of consumers are more willing to pay a premium for sustainability

Sustainable shopping behavior

"If you think about your habits and attitudes in the last few weeks compared to before the COVID-19 crisis, to what extent do you agree with the following statements?"

Percentage



27%

of consumers are more willing to pay a premium for sustainable products compared to before COVID-19

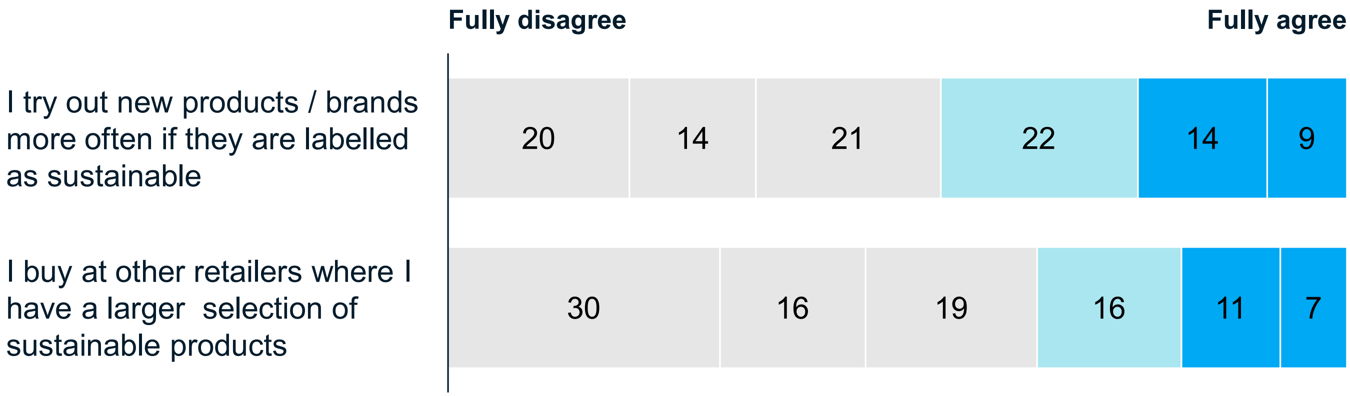
13%

of consumers even cut their spending in other areas to be able to afford more sustainable products

~1/4 of consumers switch products and brands if labelled sustainable

Sustainable shopping behavior

"If you think about your habits and attitudes in the last few weeks compared to before the COVID-19 crisis, to what extent do you agree with the following statements?"
Percentage



23%

of consumers switch products / brands if labelled as sustainable

18%

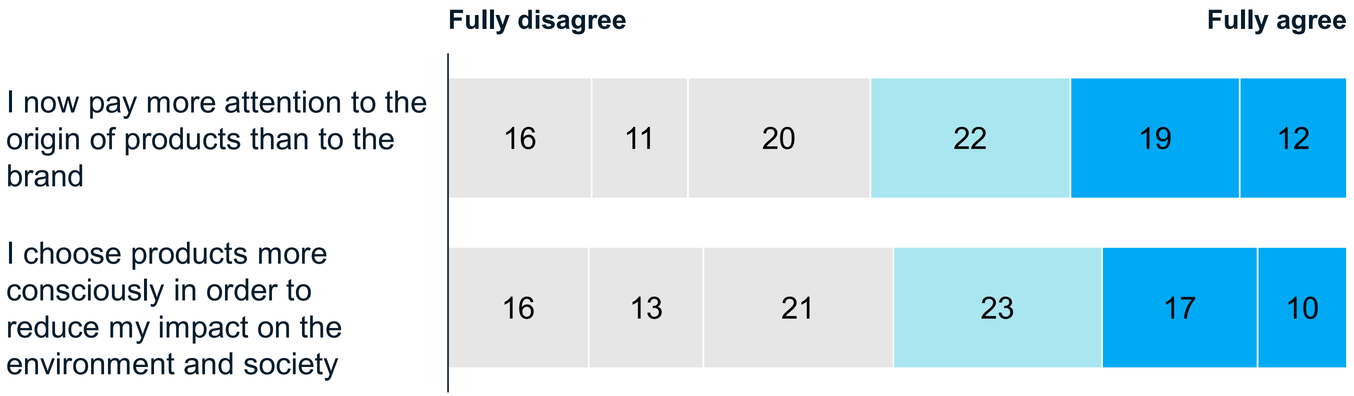
of consumers even switch retailers for a larger selection of sustainable products

> 1/4 of consumers consciously aim to reduce their environmental and societal impact

Sustainable shopping behavior

"If you think about your habits and attitudes in the last few weeks compared to before the COVID-19 crisis, to what extent do you agree with the following statements?"

Percentage



~1/3

of consumers now pay more attention to the origin of products than to the brand

27%

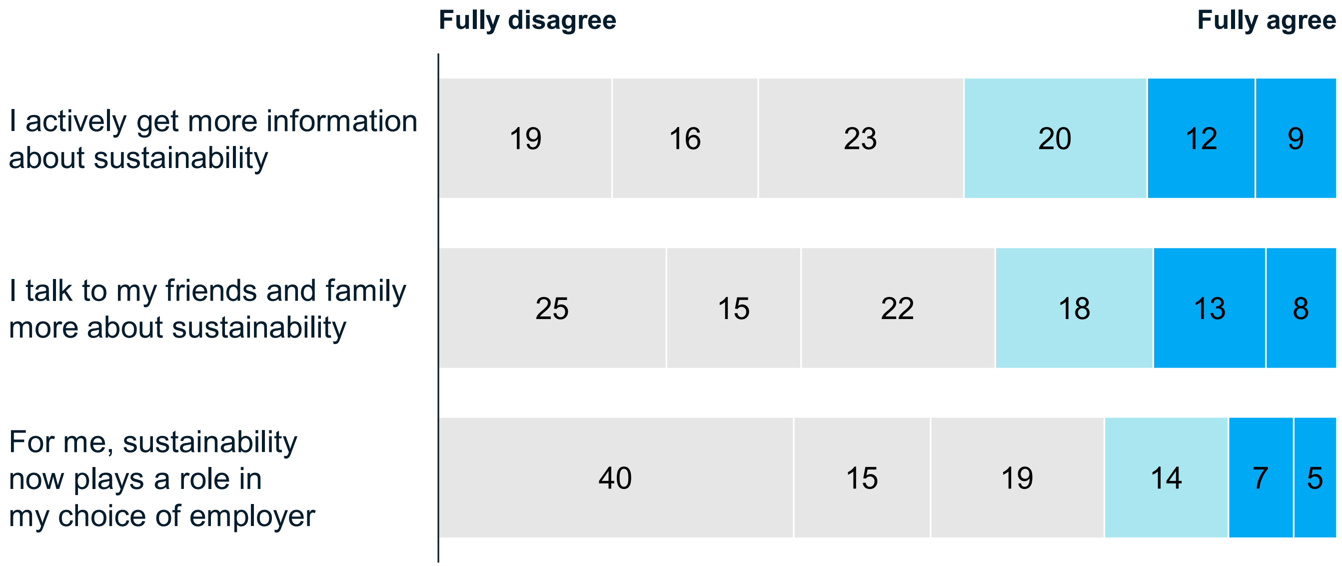
of consumers aim to reduce their impact on the environment and society by consciously choosing products

For ~1/5 of consumers sustainability becomes more relevant for private/professional realms

Sustainable behavior

"If you think about your habits and attitudes in the last few weeks compared to before the COVID-19 crisis, to what extent do you agree with the following statements?"

Percentage



21%

of consumers actively get more information about sustainability

21%

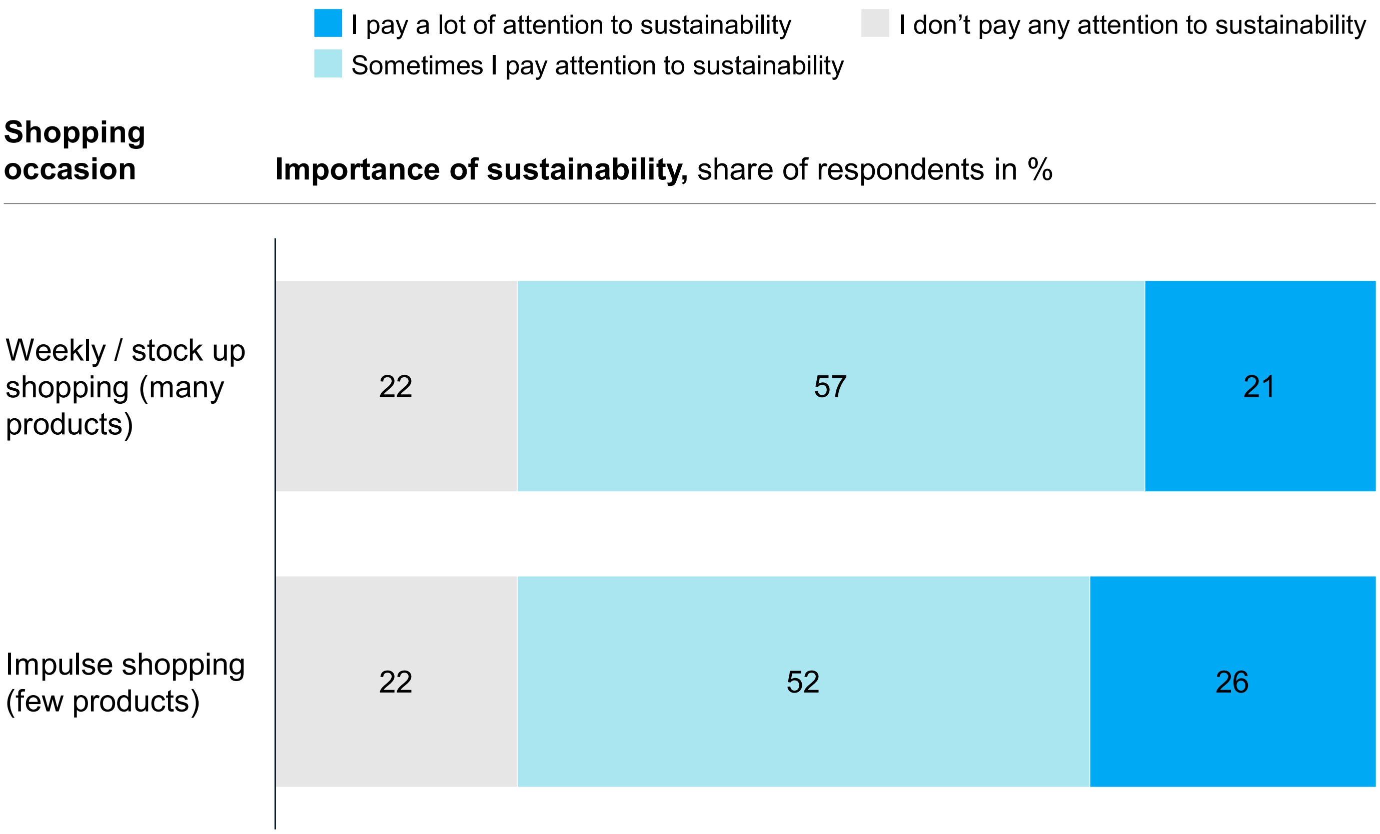
of consumers talk to friends and family more about sustainability

12%

of consumers even make sustainability part of their employer choice

More than 3/4 of consumers pay attention to sustainability across key shopping occasions

Importance of sustainability by shopping occasion



>1/5

of consumers pay a lot of attention to sustainability during impulse shopping

>1/4

of consumers pay a lot of attention to sustainability across shopping occasions

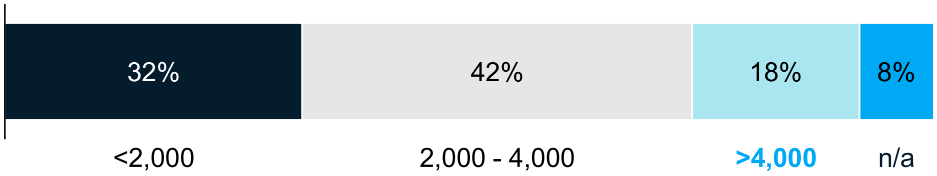
The survey compares data from a divers sample

Demographical and socio-economic distribution

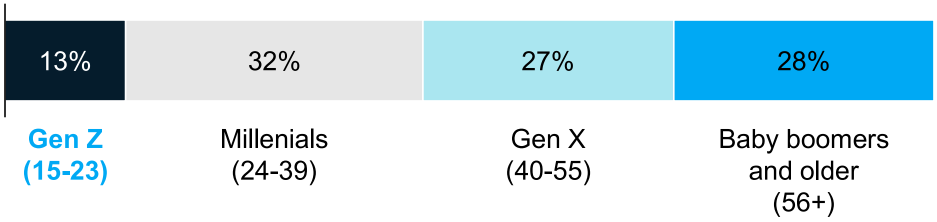
XX focused on next slides

A: Gender

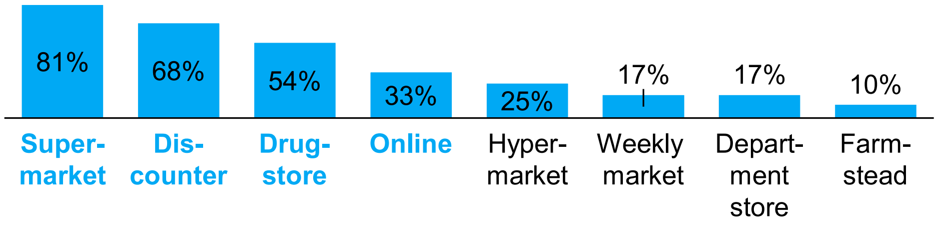
C: Income, EUR



B: Age



D: Shopping type[1]



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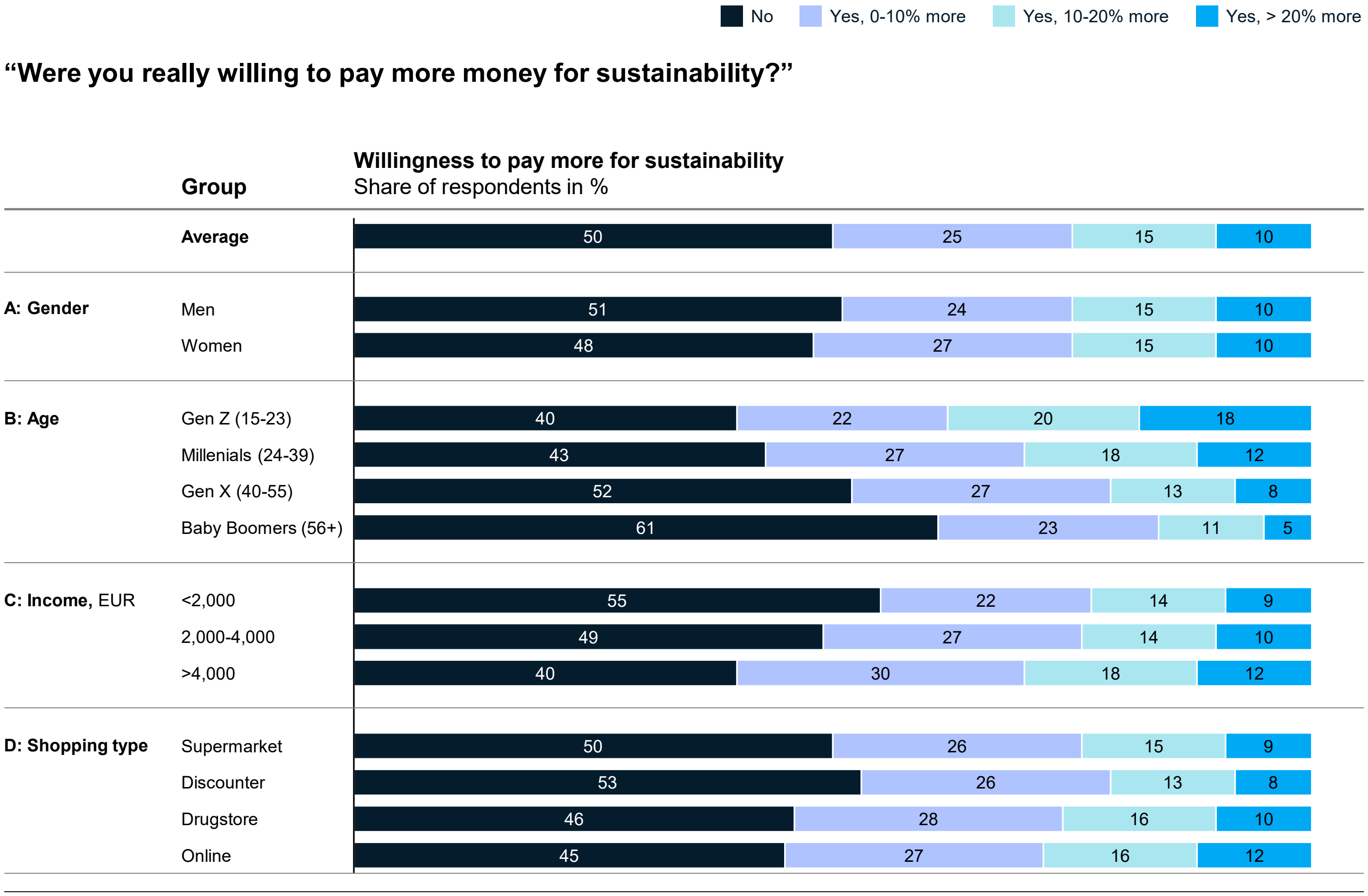
1. percentage of respondents stating to often or always shop in those markets

Women, Gen Z , people with high income and selected shoppingtypes differ from average

Insights into demographical and socio-economic differences

“Were you really willing to pay more money for sustainability?”



1/2

of consumers were willing to pay a premium for sustainable products

52%

of female consumers would be willing to pay a premium for sustainability

60%

of Gen-Z consumers would be willing to pay a premium for sustainable products

50% vs. 47%

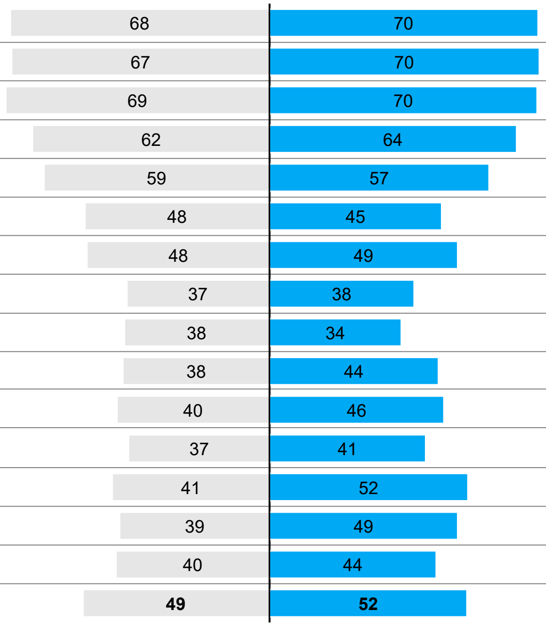
Supermarket and discount shoppers differ from each other

A: Women have a higher willingness to pay, especially for home and personal care products

Insights into gender differences

⬜ Men 🟦 Women

“Were you really willing to pay more money for sustainability in the following product categories?”



	Category	**Willingness to pay more for sustainability** Share of respondents in %		**Difference** in pp.
		Men	Women	
Food	Vegetables	68	70	+2
	Fruit	67	70	+3
	Meat & fish	69	70	+1
	Dairy products	62	64	+2
	Bread & cereals	59	57	-2
	Babyfood	48	45	-3
	Plant based protein products, e.g., Soy-based	48	49	+1
	Sweet and savory snacks	37	38	+1
	Ready meals	38	34	-4
Home care	Detergents	38	44	+6
	Cleaning supplies	40	46	+4
	Dishwashing liquid	37	41	+4
Personal care	Skin care	41	52	+11
	Cosmetics	39	49	+10
Consumer health	Food supplements, e.g., vitamins	40	44	+4
Average		**49**	**52**	+3

52% vs. 49%

Women were more willing to pay a premium for sustainable products compared to men

Home and personal care

Male and female shoppers differ most in those product categories

Ready meals & baby food

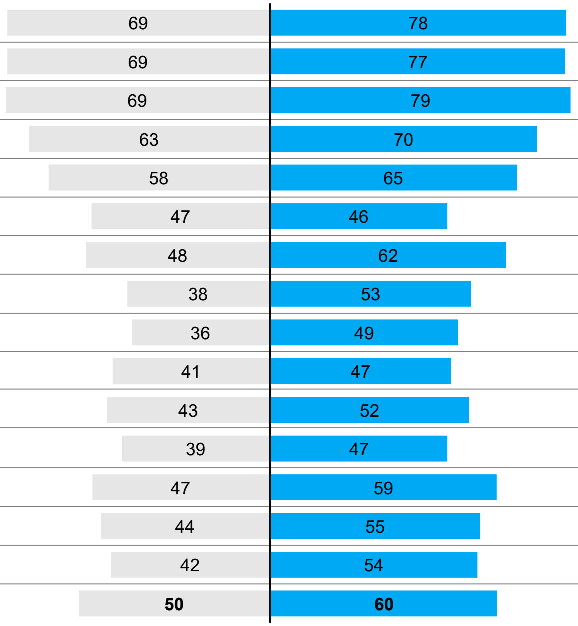
More men than women are willing to pay a premium for sustainable products in those categories

B: Young people have a higher willingness to pay, especially for snacks and ready meals

Insights into age differences

⬜ Average 🟦 Gen Z (15-23)

“Were you really willing to pay more money for sustainability in the following product categories?”



	Category	**Willingness to pay more for sustainability** Share of respondents in % – Average	Gen Z (15-23)	**Difference** in pp.
Food	Vegetables	69	78	+9
	Fruit	69	77	+8
	Meat & fish	69	79	+10
	Dairy products	63	70	+7
	Bread & cereals	58	65	+7
	Babyfood	47	46	+9
	Plant based protein products, e.g., Soy-based	48	62	+14
	Sweet and savory snacks	38	53	+15
	Ready meals	36	49	+13
Home care	Detergents	41	47	+6
	Cleaning supplies	43	52	+9
	Dishwashing liquid	39	47	+8
Personal care	Skin care	47	59	+12
	Cosmetics	44	55	+11
Consumer health	Food supplements, e.g., vitamins	42	54	+12
Average		**50**	**60**	+10

60% vs. 50%

Young people were more willing to pay a premium for sustainable products across categories compared to average

Snacks and ready meals

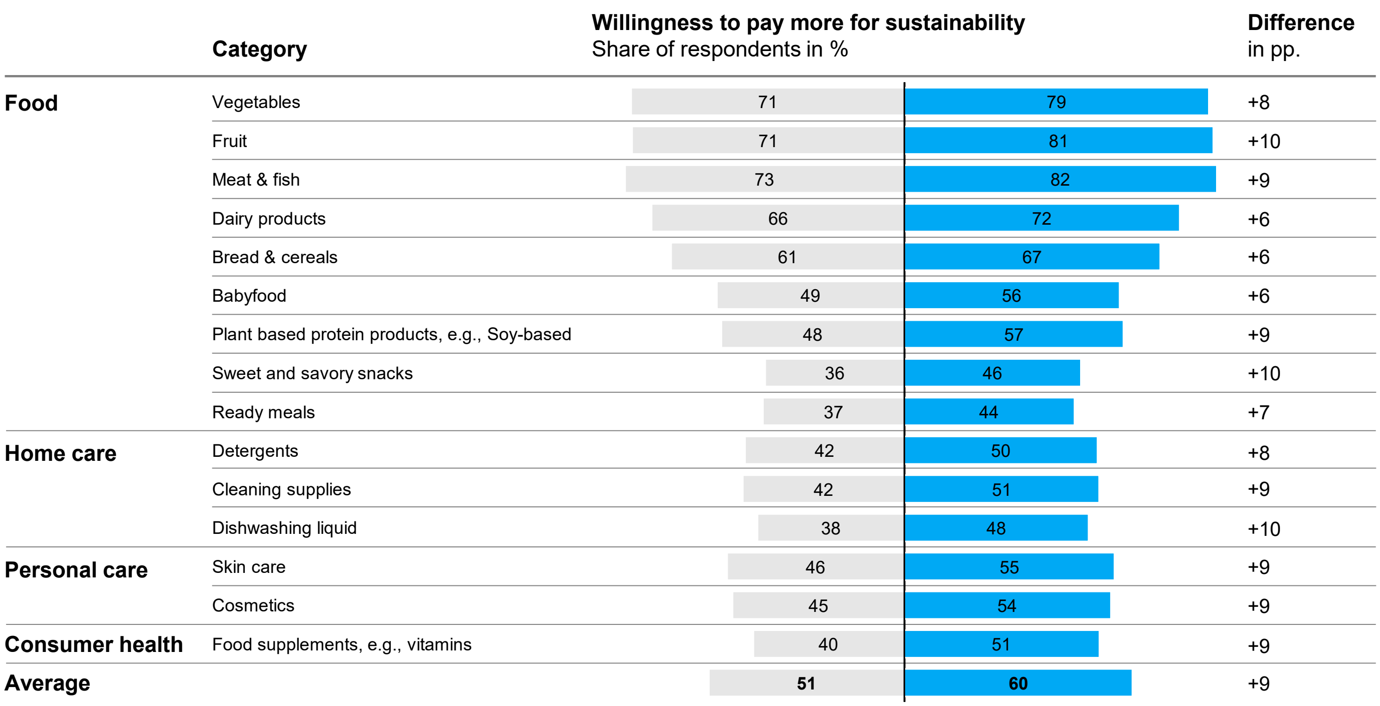
Gen Z shoppers differ most from average in those product categories

C: Consumers with high income have a higher willingness to pay, especially for fresh foods

Insights into income differences

▨ Moderate (2,000 – 4,000 EUR) 🟦 High (>4,000 EUR)

“Were you really willing to pay more money for sustainability in the following product categories?”



	Category	Willingness to pay more for sustainability Share of respondents in %		Difference in pp.
Food	Vegetables	71	79	+8
	Fruit	71	81	+10
	Meat & fish	73	82	+9
	Dairy products	66	72	+6
	Bread & cereals	61	67	+6
	Babyfood	49	56	+6
	Plant based protein products, e.g., Soy-based	48	57	+9
	Sweet and savory snacks	36	46	+10
	Ready meals	37	44	+7
Home care	Detergents	42	50	+8
	Cleaning supplies	42	51	+9
	Dishwashing liquid	38	48	+10
Personal care	Skin care	46	55	+9
	Cosmetics	45	54	+9
Consumer health	Food supplements, e.g., vitamins	40	51	+9
Average		**51**	**60**	+9

60% vs. 51%

Consumers with high income were more willing to pay a premium for sustainable products compared to moderate income

Fresh foods, personal care and health

Consumers with high and moderate income differ most in fresh food product categories like vegetables, fruit, meat & fish, skin care and food supplements

D1: Supermarket vs. discount shoppers have a higher willingness to pay for sustainability

Insights into shopping type differences

▨ Supermarket shoppers 🟦 Discount shoppers

“Were you really willing to pay more money for sustainability in the following product categories?”

	Category	**Willingness to pay more for sustainability** Share of respondents in %		**Difference** in pp.
		Supermarket shoppers	Discount shoppers	
Food	Vegetables	70	66	-4
	Fruit	70	65	-5
	Meat & fish	70	67	-3
	Dairy products	64	60	-4
	Bread & cereals	58	55	-3
	Babyfood	48	44	-4
	Plant based protein products, e.g., Soy-based	47	44	-3
	Sweet and savory snacks	37	34	-3
	Ready meals	37	34	-3
Home care	Detergents	41	38	-3
	Cleaning supplies	43	39	-4
	Dishwashing liquid	38	36	-2
Personal care	Skin care	47	43	-4
	Cosmetics	45	42	-3
Consumer health	Food supplements, e.g., vitamins	41	40	-1
Average		**50**	**47**	-3

50% vs. 47%

Consumers regularly shopping at supermarkets were more willing to pay a premium for sustainable products across categories compared to discount shoppers

Consumer health goods

Supermarket and discount shoppers differ least in their willingness to pay for sustainable consumer health products like food supplements

D2: Drugstore vs. supermarket shoppers have a higher willingness to pay for sustainability

Insights into shopping type differences

Supermarket shoppers　Drugstore shoppers

“Were you really willing to pay more money for sustainability in the following product categories?”

	Category	**Willingness to pay more for sustainability** Share of respondents in % – Supermarket shoppers	Drugstore shoppers	**Difference** in pp.
Food	Vegetables	70	72	+2
	Fruit	70	72	+2
	Meat & fish	70	72	+2
	Dairy products	64	67	+3
	Bread & cereals	58	62	+4
	Babyfood	48	50	+2
	Plant based protein products, e.g., Soy-based	47	51	+4
	Sweet and savory snacks	37	41	+4
	Ready meals	37	40	+3
Home care	Detergents	41	46	+5
	Cleaning supplies	43	48	+5
	Dishwashing liquid	38	43	+5
Personal care	Skin care	47	52	+5
	Cosmetics	45	49	+4
Consumer health	Food supplements, e.g., vitamins	41	45	+4
Average		**50**	**54**	+4

54% vs. 50%

Consumers regularly shopping at drugstores were more willing to pay a premium for sustainable products across categories compared to supermarket shoppers

Home and personal care

Drugstore and supermarket shoppers differ most in their willingness to pay for home and personal care as well as consumer health products

D3: Online vs. supermarket shoppers have a higher willingness to pay for sustainability

Insights into shopping type differences

⬜ Supermarket shoppers 🟦 Online shoppers

“Were you really willing to pay more money for sustainability in the following product categories?”

	Category	**Willingness to pay more for sustainability** Share of respondents in %		**Difference** in pp.
		⬜	🟦	
Food	Vegetables	70	71	+1
	Fruit	70	72	+2
	Meat & fish	70	70	+0
	Dairy products	64	66	+2
	Bread & cereals	58	63	+5
	Babyfood	48	53	+5
	Plant based protein products, e.g., Soy-based	47	52	+5
	Sweet and savory snacks	37	43	+6
	Ready meals	37	41	+4
Home care	Detergents	41	48	+7
	Cleaning supplies	43	49	+6
	Dishwashing liquid	38	44	+6
Personal care	Skin care	47	52	+5
	Cosmetics	45	52	+7
Consumer health	Food supplements, e.g., vitamins	41	50	+9
Average		**50**	**55**	+5

55% vs. 50%

Consumers regularly shopping online were more willing to pay a premium for sustainable products compared to supermarket shoppers, especially for babyfood, snacks, home & personal care as well as consumer health products

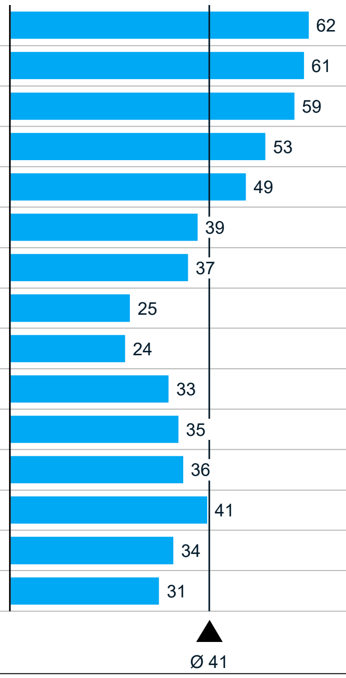
Fresh foods

Online vs. supermarket shoppers differ least in their willingness to pay for sustainability in vegetables, fruit, meat and fish

For ~2/3 of consumers sustainability is important in fresh food categories

Importance of sustainability

"If you are honest, how important was sustainability to you when purchasing the following product categories in the last 2 months?"



	Category	**Importance of sustainability during COVID-19** Share of respondents who answered 5 or 6 = "very important" on scale from 1 to 6 in %	**Lower importance before COVID-19**	**Higher importance after COVID-19**
Food	Vegetables	62	9%	22%
	Fruit	61	10%	22%
	Meat & fish	59	10%	22%
	Dairy products	53	9%	18%
	Bread & cereals	49	8%	16%
	Babyfood	39	20%	16%
	Plant based protein products, e.g., Soy-based	37	16%	15%
	Sweet and savory snacks	25	9%	11%
	Ready meals	24	13%	12%
Home care	Detergents	33	9%	13%
	Cleaning supplies	35	11%	13%
	Dishwashing liquid	36	11%	12%
Personal care	Skin care	41	9%	14%
	Cosmetics	34	11%	13%
Consumer health	Food supplements, e.g., vitamins	31	13%	13%
		Ø 41	**.11%**	**15%**

~2/3

of consumers find sustainability important or very important in fruit, vegetables, meat & fish

>1/5

of consumers also see a higher importance of sustainability in those categories after COVID-19

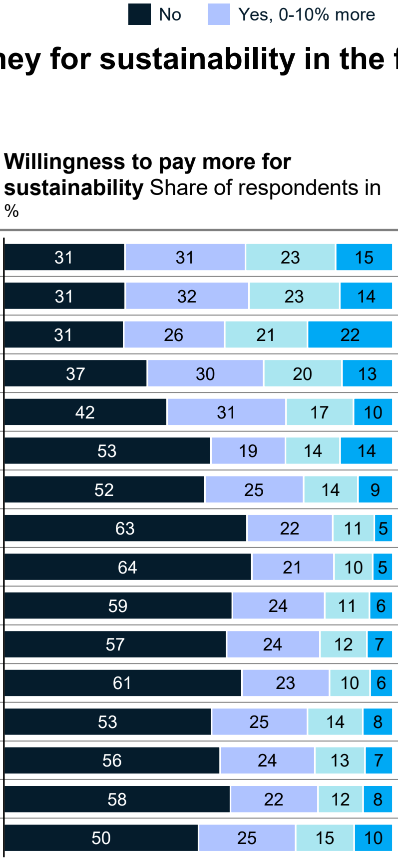
<1/4

of consumers find sustainability important or very important in snacks and ready meals

More than 2/3 of consumers were willing to pay a premium for sustainability in fresh foods

Willingness to pay for sustainability

"Were you really willing to pay more money for sustainability in the following product categories?"



	Category	Willingness to pay more for sustainability Share of respondents in % No	Yes, 0-10% more	Yes, 10-20% more	Yes, > 20% more	Lower willingness before COVID-19	Higher willingness after COVID-19
Food	Vegetables	31	31	23	15	14%	16%
	Fruit	31	32	23	14	13%	16%
	Meat & fish	31	26	21	22	16%	17%
	Dairy products	37	30	20	13	14%	13%
	Bread & cereals	42	31	17	10	13%	12%
	Babyfood	53	19	14	14	19%	10%
	Plant based protein products, e.g., Soy-based	52	25	14	9	17%	9%
	Sweet and savory snacks	63	22	11	5	13%	7%
	Ready meals	64	21	10	5	17%	7%
Home care	Detergents	59	24	11	6	14%	7%
	Cleaning supplies	57	24	12	7	14%	11%
	Dishwashing liquid	61	23	10	6	14%	6%
Personal care	Skin care	53	25	14	8	14%	7%
	Cosmetics	56	24	13	7	15%	7%
Consumer health	Food supplements, e.g., vitamins	58	22	12	8	16%	7%
Average		50	25	15	10	**15%**	**10%**

>2/3

of consumers were willing to pay a premium for sustainable fresh food products

~1/5

of consumers also plan to spend even more on those products in the future

>1/2

of consumers were not willing to pay a premium for home and personal care products

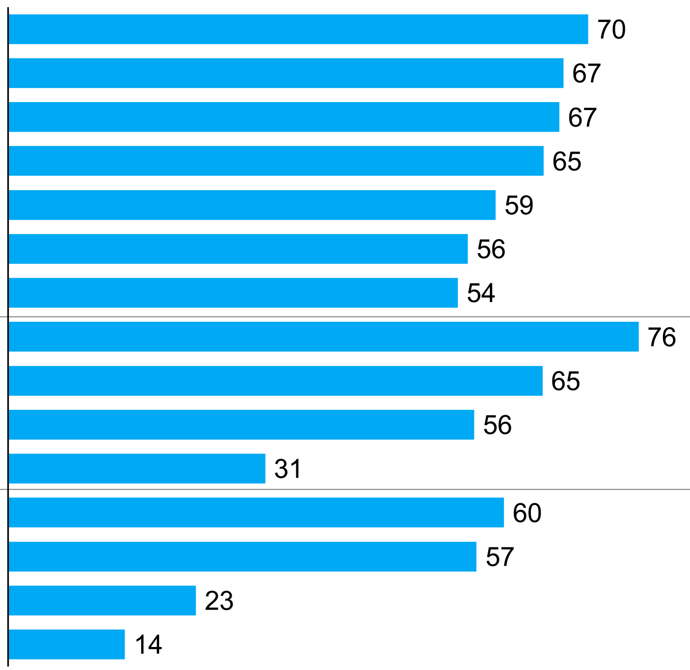
<10%

of consumers plan to spend more on those products in the future

For ~2/3 of consumers environmental sustainability creates a higher willingness to pay for sustainable products

Drivers for willingness to pay for sustainability, in % of respondents

“For which criteria would you be willing to pay more for products in these categories?”



Dimension	**Criteria**	**Share of respondents,** in percent	**Average per dimension**
Environmental sustainability	“Free from” environmentally hazardous ingredients/materials[1]	70	63
	Low CO2/greenhouse gas emissions[2]	67	
	Conservation of natural raw materials	67	
	Use of little packaging material/plastic	65	
	Use of recycled packaging material/plastic	59	
	Local manufacturing/short transport distances	56	
	Low air pollution[3]	54	
Social sustainability	Fair pay for employees	76	57
	No child labor	65	
	Employee health/safety	56	
	Companies promote diversity of employees	31	
Personal health	Organic ingredients	60	38
	“Free from” harmful ingredients[4]	57	
	Vegan/vegetarian	23	
	Lactose free/gluten free	14	

1. E.g., plastic particles, palm oil; 2. In manufacturing & transport; 3. During manufacturing; 4. E.g., sugar, salt

Significant variances across categories

Drivers for willingness to pay for sustainability, in % of respondents

+-x Delta to average, in pp.

„For which criteria would you be willing to pay more for products in these categories?“

Sustainability criteria		**Personal health**				**Social sustainability**				**Environmental sustainability**						
		Organic ingre-dients	**Vegan**/ vege-tarian	**Lactose** free/glu-ten free	“Free from” **harmful in-gredients**[1]	Companies promote **diversity** of employees	Employee **health/ safety**	**Fair pay** for em-ployees	No **child labor**	**Local** manu-facturing/ short trans-port distances	Low CO2 / green-house gas **emissions**[2]	Low **air pollution**[3]	Conserva-tion of na-tural raw materials	Use of **little packaging** material/ plastic	Use of **recycled packaging** material / plastic	"Free from" **environm. hazardous** ingredients/ materials[4]
	Total	60	23	14	57	31	56	76	65	56	67	54	67	65	59	70
	Category															
Groceries	Meat & fish	-5	-	-11	-5	-5	3	7	-7	14	3	-10	-6	-11	-14	-9
	Dairy products	-6	-	4	0	-7	-9	6	-11	15	4	-5	-3	-16	-4	-11
	Plant based protein products	6	17	11	5	6	5	-3	4	-7	5	3	-3	-4	-3	-5
	Fruit	-2	-11	-10	-7	-11	-5	1	-3	18	3	-9	-5	9	-13	-11
	Vegetables	-5	-11	-7	-7	-7	-2	7	1	18	4	-4	-4	6	-11	-11
	Bread & cereals	6	-13	-1	8	-2	-7	1	-5	17	0	-4	-5	2	-9	-1
	Sweet and savory snacks	-2	-4	6	7	6	0	-1	1	-6	1	9	-2	0	3	1
	Babyfood	10	4	14	17	7	-4	-11	-2	-15	-18	-7	-12	-14	-15	-14
	Ready meals	-1	0	5	3	2	5	-4	-6	-7	-1	1	2	-1	-3	-7
Home care	Detergents	-2	3	-3	-10	4	6	-2	5	-15	3	4	5	4	11	10
	Dishwashing liquid	-3	0	-2	-14	7	5	2	7	-14	-5	0	2	1	7	7
	Cleaning supplies	-4	-3	-7	-12	2	3	-3	4	-15	-1	4	6	3	11	6
Personal care	Cosmetics	-2	18	-6	-5	0	-3	-1	6	-11	-4	-2	1	8	5	14
	Skin care	1	9	-4	1	3	2	-1	7	-8	1	4	7	4	4	7
Consumer health	Food supplements	5	11	11	11	4	5	-7	8	-8	0	9	4	0	7	3

1.E.g., sugar, salt | 2. In manufacturing & transport | 3. During manufacturing | 4. E.g., plastic particles, palm oil

76%

of consumers are willing to pay a premium if employees receive fair pay

Local manufacturing

is especially important for groceries and less important for home & personal care products

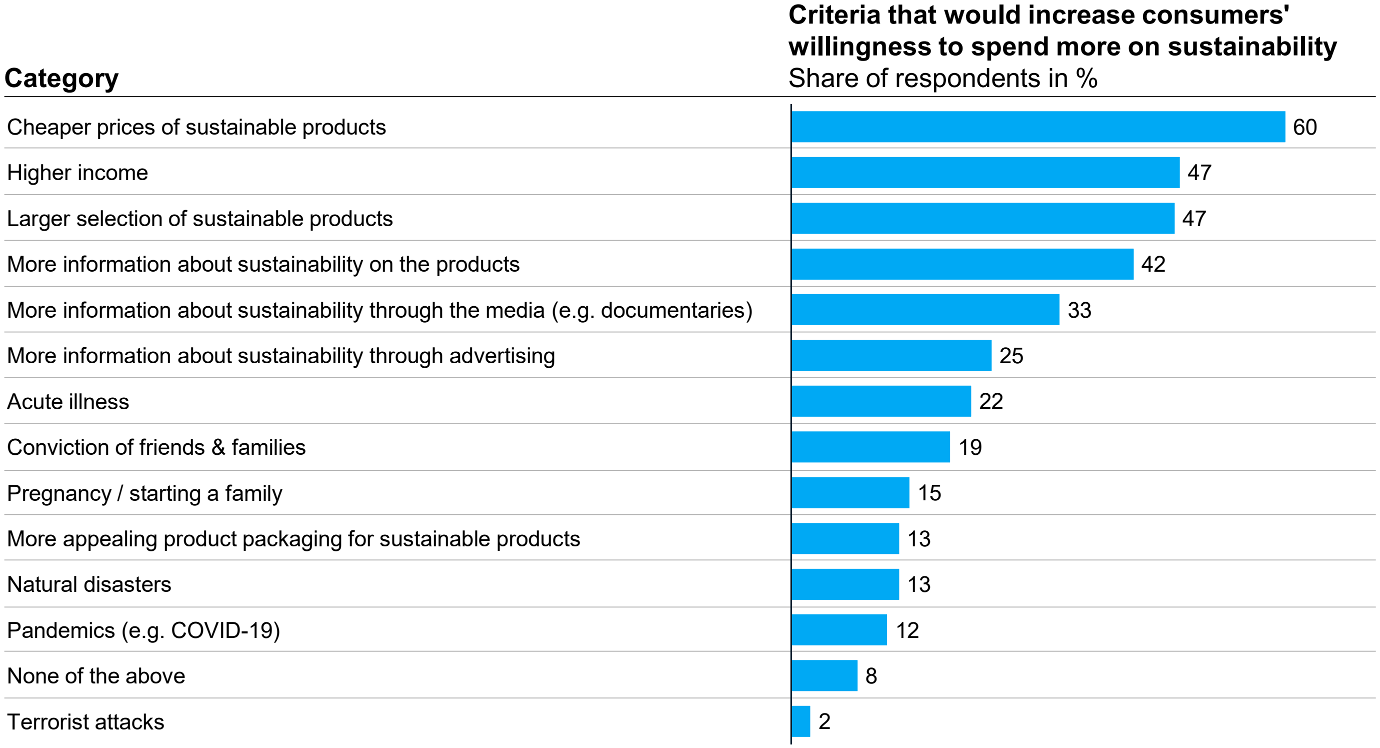
Babyfood

with above average importance for personal health drivers and below average importance of social and environmental drivers

2/3 of consumers would buy more sustainable products if prices were lower

Drivers for higher willingness to pay for sustainability

“What would encourage you to buy more sustainable products?”



Category	Criteria that would increase consumers' willingness to spend more on sustainability Share of respondents in %
Cheaper prices of sustainable products	60
Higher income	47
Larger selection of sustainable products	47
More information about sustainability on the products	42
More information about sustainability through the media (e.g. documentaries)	33
More information about sustainability through advertising	25
Acute illness	22
Conviction of friends & families	19
Pregnancy / starting a family	15
More appealing product packaging for sustainable products	13
Natural disasters	13
Pandemics (e.g. COVID-19)	12
None of the above	8
Terrorist attacks	2

~2/3

of consumers would be willing to buy more sustainable products if prices were lower

~1/2

of consumers would be willing to buy more sustainable products if there were more sustainable products to choose from

>1/3

of consumers are lacking detailed information about sustainability on the product or through the media

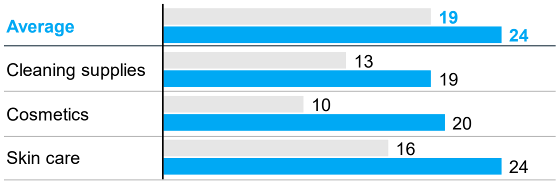
A: Sustainability is more important to women

Insights into gender differences

⬜ Men 🟦 Women

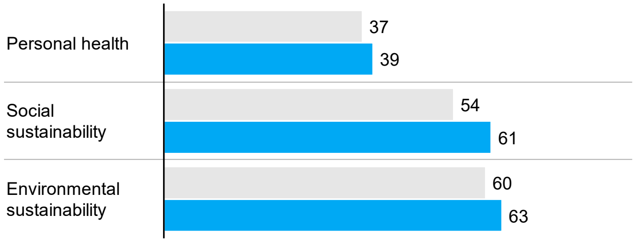
Importance of sustainability during COVID-19[1]

Category | Share of respondents who answered 6 = "very important" on scale from 1 to 6 in %



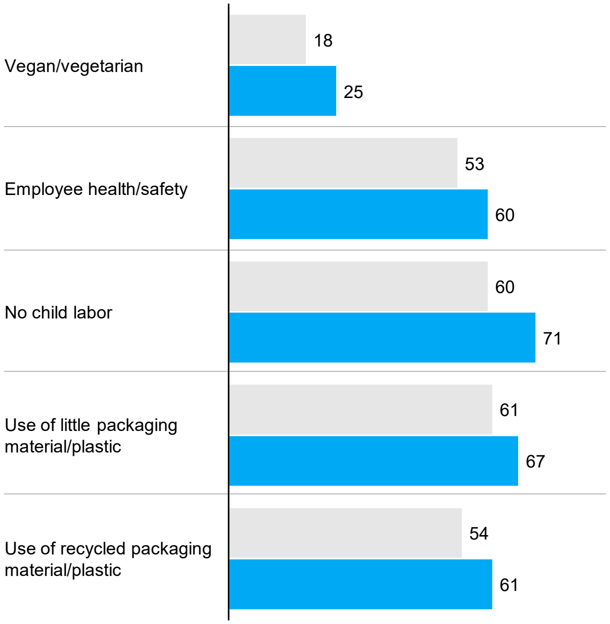
Overarching drivers for willingness to pay for sustainability[2]

Criteria | Share of respondents who selected the respective criteria



Specific drivers for willingness to pay for sustainability[2]

Feature | Share of respondents who selected the specific feature



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1. "If you are honest, how important was sustainability to you when purchasing the following product categories in the last 2 months?"
2. "Based on which aspects of sustainability are you currently willing to spend more money on products in these categories?"

24% vs 19%

Sustainability is more important to women than men, especially for home and personal care products

61% vs 54%

Social sustainability is more important to women than men

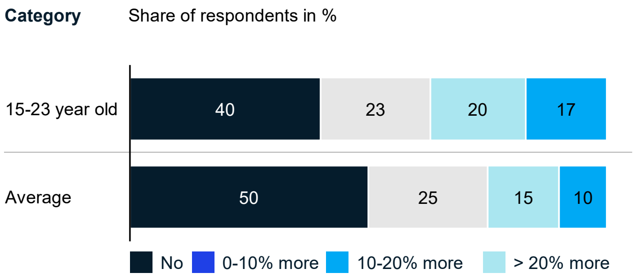
Women

find vegan/vegetarian products, no child labor and use of recycled packaging material/plastic more important than men

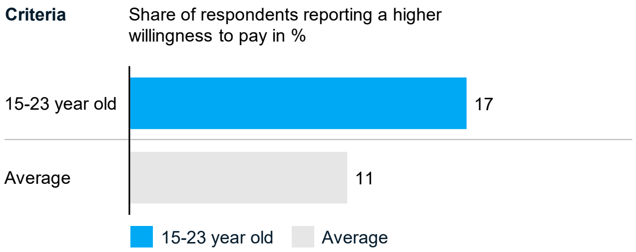
B: Young people have a higher willingness to pay for sustainability

Insights into age differences

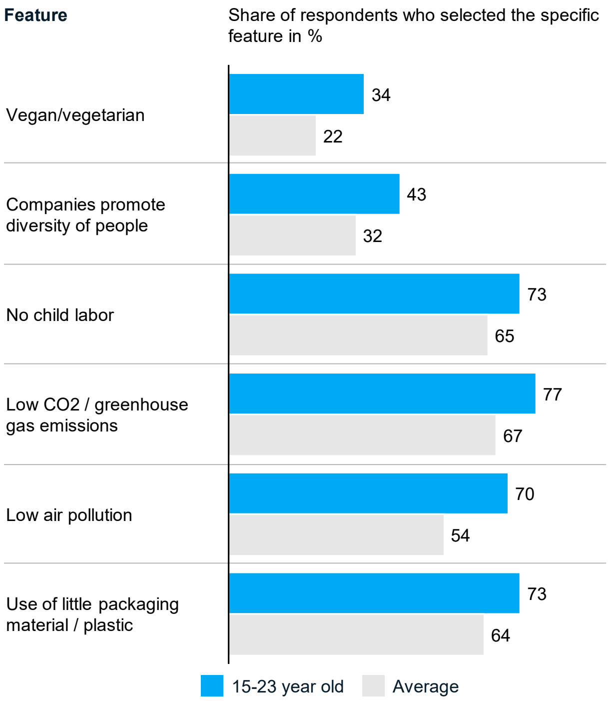
Willingness to pay during COVID-19



Higher willingness to pay after COVID-19



Specific drivers for willingness to pay for sustainability[2]



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1. "Were you really willing to pay more money for sustainability in the following product categories?"
2. "Based on which aspects of sustainability are you currently willing to spend more money on products in these categories?"

37% vs 25%

Young people would be willing to pay a premium for sustainability than average

17% vs 11%

Young people would pay even more for sustain-ability after COVID-19

Young people

would be especially willing to pay a premium for vegan/ vegetarian products, companies that promote diversity of people and products with low air pollution

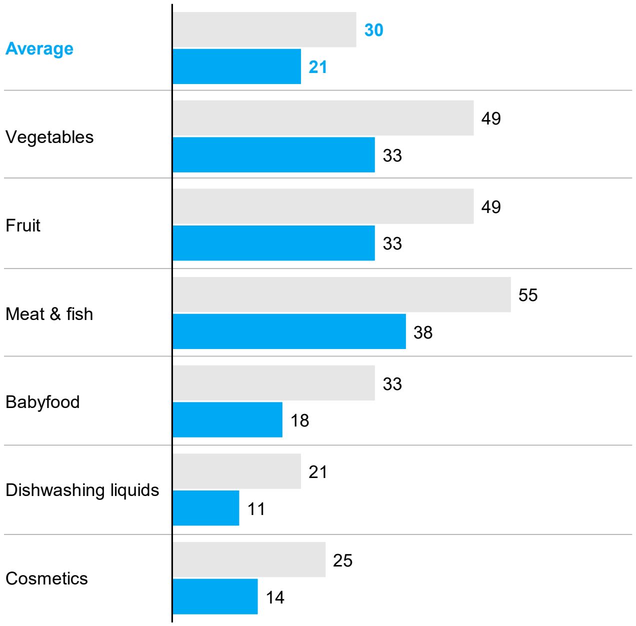
C: Consumers with highest income have a lower willingness to pay for sustainability

Insights into income differences

🟨 3,000-4,000 🟦 >4,000

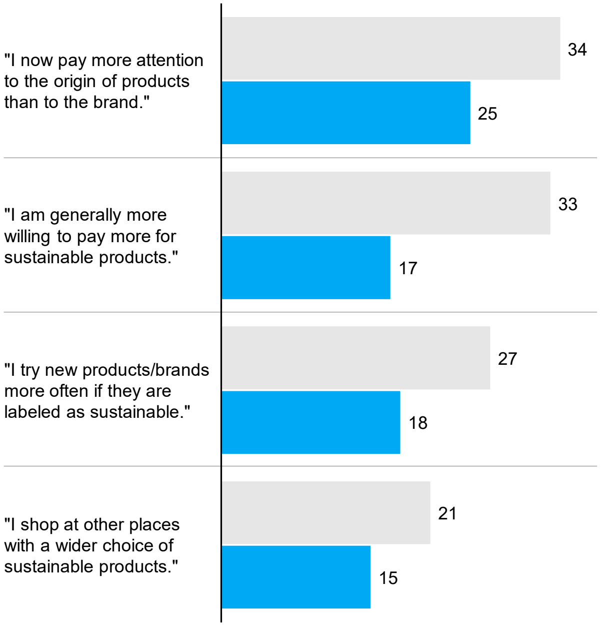
Willingness to pay for sustainability[1]

Category — Share of respondents reporting a willingness to pay >10% more for sustainable products, in %



Sustainability in purchasing behavior[2]

Category — Share of respondents who answered 5 or 6 = "I completely agree" on scale from 1 to 6 in %



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1. "Were you really willing to pay more money for sustainability in the following product categories?"
2. "To what extent do you agree with the following statements when you think about your habits and attitudes in recent weeks compared to before the COVID-19 crisis?"

30% vs 21%

Consumers with high income are willing to pay more for sustainable products than consumers with very high income

34% vs 25%

Consumers who earn EUR 3,000-4,000 now pay more attention to the origin of products

27% vs 18%

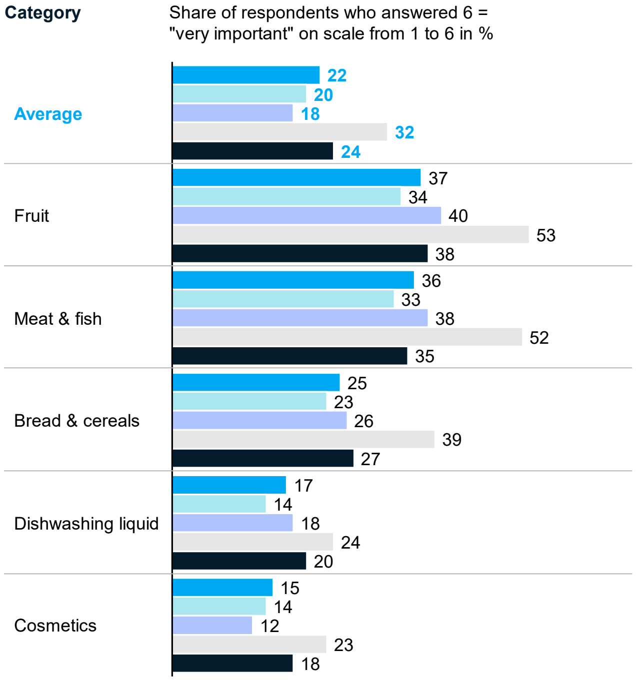
Consumers with high income are generally more willing to try new products/brands labelled as sustainable

D: Sustainability is more important to consumers regularly shopping at weekly markets

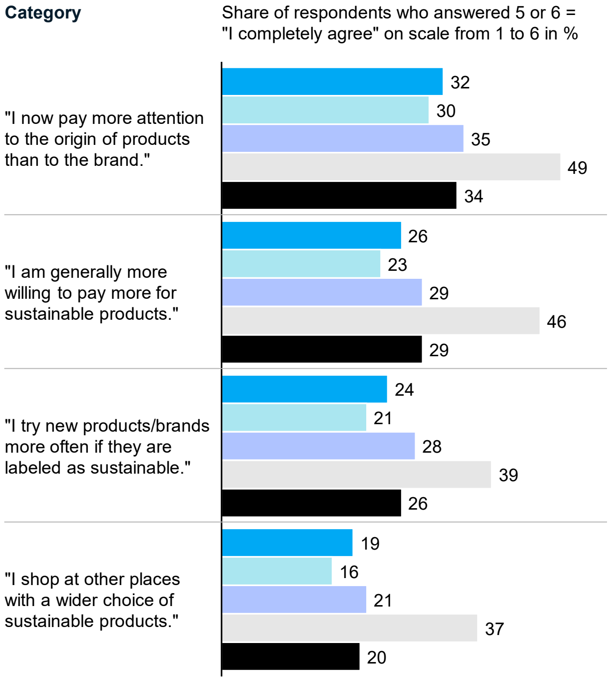
Insights into differences in shopping types

🟦 Supermarket 🟦 Discounter 🟦 Drugstore ⬜ Weekly market ⬛ Online

Importance of sustainability during COVID-19[1]



Sustainability in purchasing behavior[2]



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1. "If you are honest, how important was sustainability to you when purchasing the following product categories in the last 2 months?"
2. "To what extent do you agree with the following statements when you think about your habits and attitudes in recent weeks compared to before the COVID-19 crisis?"

32% vs 22%

Sustainability is more important to consumers regularly shopping at weekly markets, especially for fresh foods, whilst there is no longer a difference between supermarket and discount shoppers

46% vs 26%

Consumers regularly shopping at weekly markets are now willing to pay a premium for sustainable products