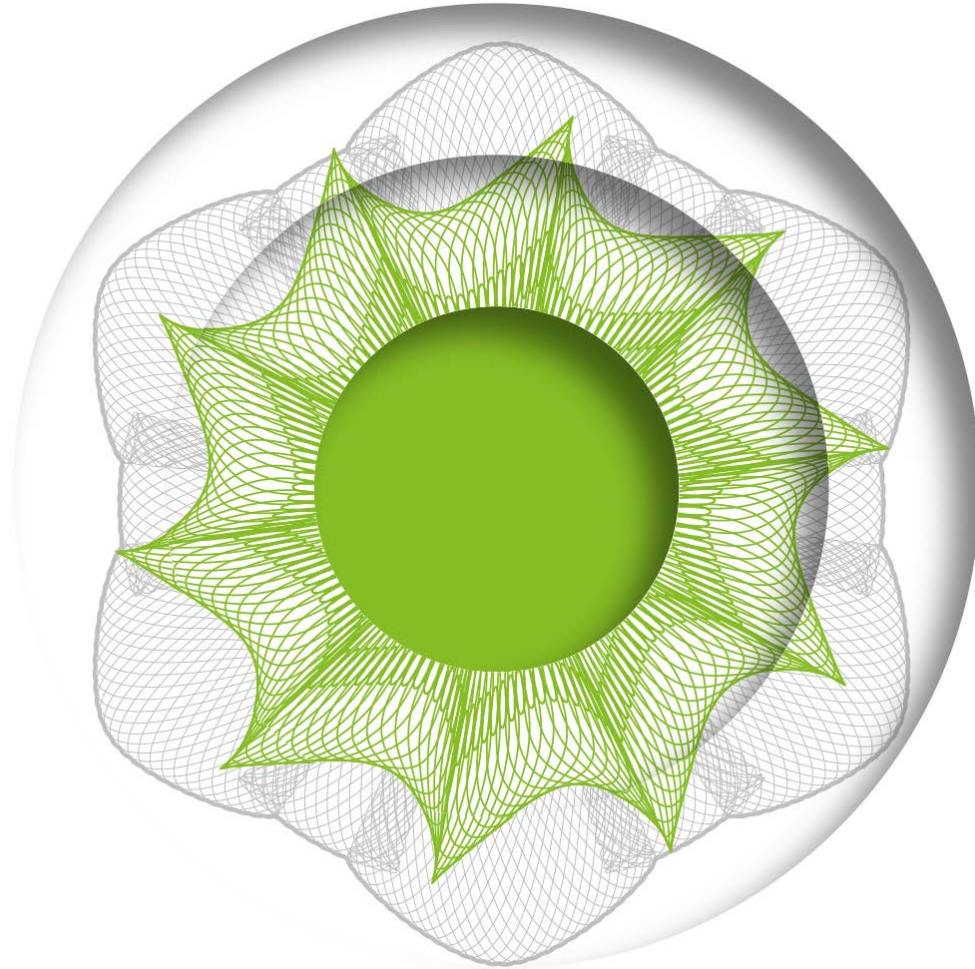


Monitor
Deloitte.



Sustainability trend under pressure
With money tighter than ever, how
can companies make a difference now?



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Introduction



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01 | Introduction

Last year, Monitor Deloitte examined whether consumers value sustainability in products for daily consumption and found that it was indeed becoming a relevant factor in their purchasing decisions. This is a change that the consumer goods and retail industry can leverage as a driver for product innovation, differentiation, and value-based pricing.

Since [the survey](#) was carried out, however, we have had to face new crises that have dampened consumer sentiment and spending. We therefore re-surveyed consumers to shed light on what they now think about sustainability in the FMCG sector. This Monitor Deloitte study examines whether consumers remain willing to pay more for sustainable products than conventional

alternatives despite the current price pressures. In other words: Given the general price mark-up due to inflation, how much do consumers value their green conscience? Our study focuses on key products for daily use in typical food and personal care product range. The following questions were at the center of this year's survey:

- How important is sustainability across different product categories and how has this changed for consumers within the last year?
- What are consumers' reasons for sustainable consumption?
- In which product categories are consumers willing to accept a price mark-up and how has this developed in the light of inflation?
- How high is their willingness to pay a premium for different aspects of sustainability and how has it changed within the last year?

The study was conducted online in August 2022 with 1,500 participants who are representative of the German population in terms of gender, age, and household income. The participants gave insights into their shopping behavior and their willingness to pay higher prices for sustainable products, as well as different aspects¹ of sustainability and how this has changed within the last year. To identify shifts in consumers' perception, respondents were either presented with the same questions as last year or asked to rate the change in sustainable consumption



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¹ Aspects of sustainability relevant for this study are the careful use of resources, regional production, environmentally friendly packaging, fair trade partnerships, and social commitment

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themselves. Although sustainability remains important to most German consumers, charging a green premium is difficult in times of crisis. This year's study reveals an enormous shift in consumers' acceptance: Only 30 percent of respondents are now willing to spend more on sustainable products (across all product categories), compared to 67 percent last year.

In addition, the average gap in the value of sustainability between food and non-food products has widened compared to last year. While a stable average of 50 percent of respondents say that sustainability is important for food product categories, the results suggest that when facing crisis or uncertainty, consumers place higher value on other factors in non-food products.



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Background information



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02 | Background information

The last year brought several crises that affected everyone in their daily lives: Accustomed to having nearly everything delivered in just a few hours, inflation caused consumers to experience empty shelves and restricted quantities due to supply bottlenecks, and high price mark-ups.

On top of acute crises such as the COVID pandemic and the war in Ukraine with its impact on the world economy, the climate crisis was also omnipresent. Europe experienced the hottest summer since records began, while massive rain-fall led to floods, and multiple wildfires right across Europe destroyed 760,000 hectares² of forest. It is not surprising that the climate crisis is consistently rated high among the topics people care about.³

However, multiple recent studies have identified a change in the ranking of topics that occupy people the most – inflation and the associated price increases have moved up to first place and concern most of the German population.⁴ The latest version of the Deloitte State of the Consumer Tracker indicates that financial stress has increased as an anxiety driver globally. In Germany, it is the main reason why people are more worried now than they were just a few weeks ago. Their fear has already led to changes in behavior, for example consuming energy more carefully or travelling by train instead of car to reduce fossil fuel consumption.⁵

The greatest impact has been observed in food retailing: While inflation averaged just under 1.5 percent between 2000 and 2019, prices increased 14.8 percent from July 2021 to July 2022. Such a high price increase results in a decline in consumer spending, with a decrease in food retail sales of 7.6 percent in real terms in June 2022 compared to June 2021.⁶ This is the largest year-on-year decline since the start of the data collection in 1994, with no change in this situation expected in the short term. Since inflation also affects bank deposits, consumers' financial reserves are depleted. Private consumption will therefore unfortunately not be an economic driver for the rest of the year.⁷

² European Forest Fire Information System, 2022

³ Umweltbundesamt, 2022

⁴ Deloitte, 2022

⁵ Verbraucherzentrale, 2022

⁶ Statistisches Bundesamt, 2022

⁷ ifo Institut, 2022



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Findings: Consumer perspective on sustainability and pricing



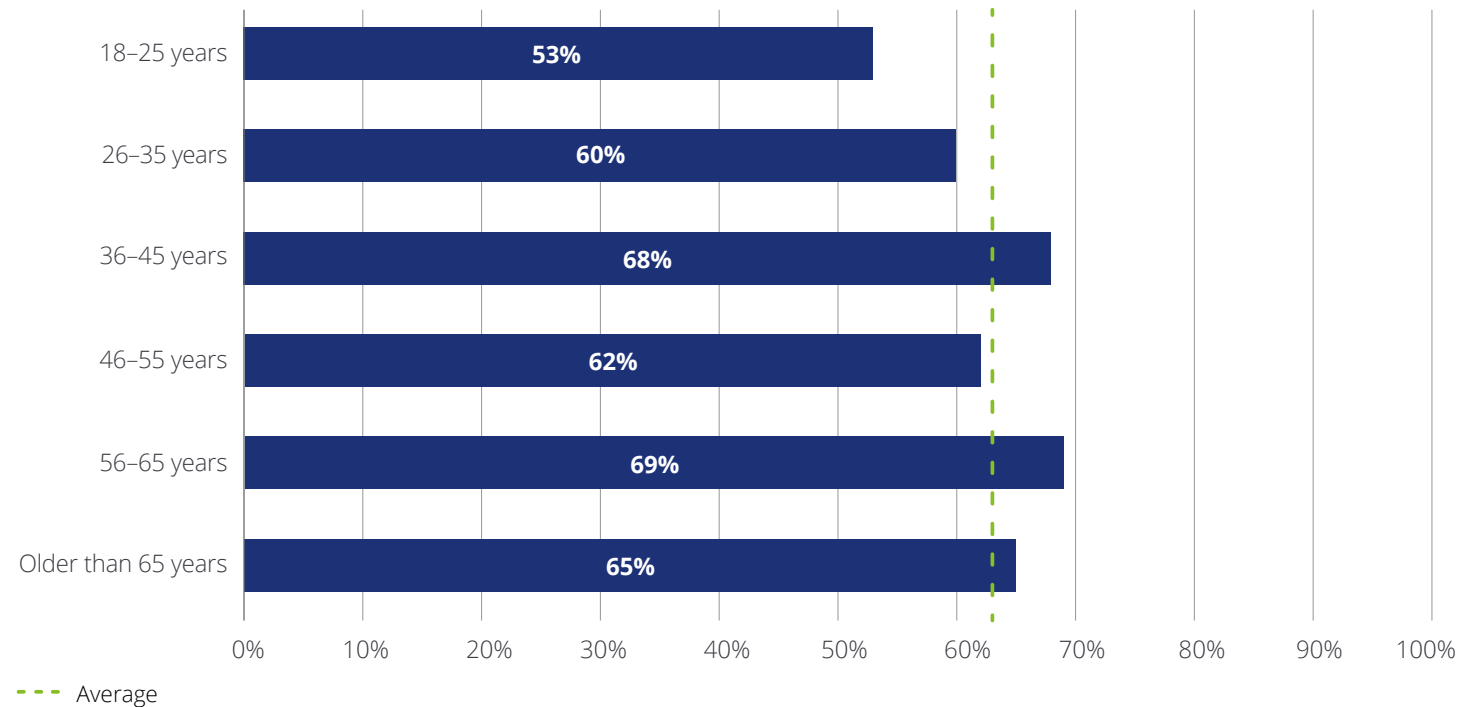
Importance of sustainability

The majority of shoppers would prefer sustainable products

The results of the study confirm that sustainability is an important factor for most German consumers. When asking participants generally on their perceived importance of sustainability for products of daily consumption, 63 percent say that sustainability is a fairly or very important factor when making buying decisions. Middle-aged and older generations strongly agree with this statement (see figure 1). Sustainability continues to represent an opportunity for retailers despite the current political, economic, and social uncertainties. The fact that sustainability is particularly important for older generations is a great finding for retailers: Since these customers have higher income and purchasing power, they can afford the more expensive sustainable products.

Fig. 1 - Importance of sustainability by age group

How important is the sustainability of products of daily consumption for you?/Percentage of respondents claiming sustainability of food products as fairly important or very important



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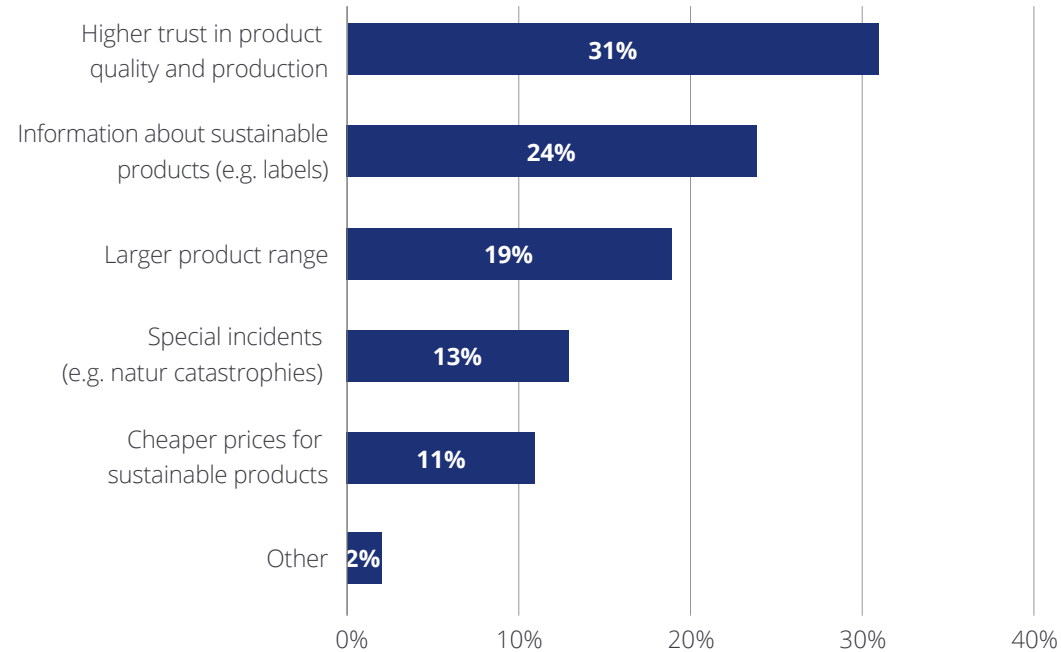
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03 | Findings: Consumer perspective on sustainability and pricing

When asking participants if their consumption of sustainable products had changed compared to last year, 23 percent claimed that they buy more or almost exclusively sustainable products now. Consumers explain that this positive change is mostly due to a greater trust in product quality and production as well as better information about sustainable products, e.g. through seals or labels (see figure 2). It shows that trust and transparency are key factors that drive sustainable choices. Hence, producers and retailers should continue to invest not only in improving product quality, but also in educating and informing consumers by using technology, labelling, and informative messaging. This will build trust and customer loyalty and thus growth. By promoting trust in sustainable products and increasing loyalty, retailers create added value long term to drive the sustainability transformation beyond pricing effects.

Fig. 2 – Reasons for buying sustainable products

What are the reasons why you buy more sustainable products?



03 | Findings: Consumer perspective on sustainability and pricing

While the topic of sustainability remains on the radar overall, when asked about the importance of sustainability in individual product categories, we nevertheless found a decline here, and more pronounced in some categories than others. As shown in figure 3, consumers place high value on sustainability for fresh food products, specifically fruit and vegetables, closely followed by fish, vegan and vegetarian alternatives, and milk and eggs. In contrast, consumers value sustainability the least for sweet and salty snacks, non-alcoholic drinks, and packaged food.

On average, the gap between the importance of sustainability in food and non-food products has widened compared to last year. For food product categories, an average of 50 percent of respondents say that sustainability is important, a reduction of only 3 percent compared to 2021. For non-food product categories, an average of 38 percent of respondents rate sustainability as important, showing a large decline of 11 percentage points from 2021. This suggests that during crisis or uncertainties, consumers place less value on sustainability than other factors when purchasing non-food products.



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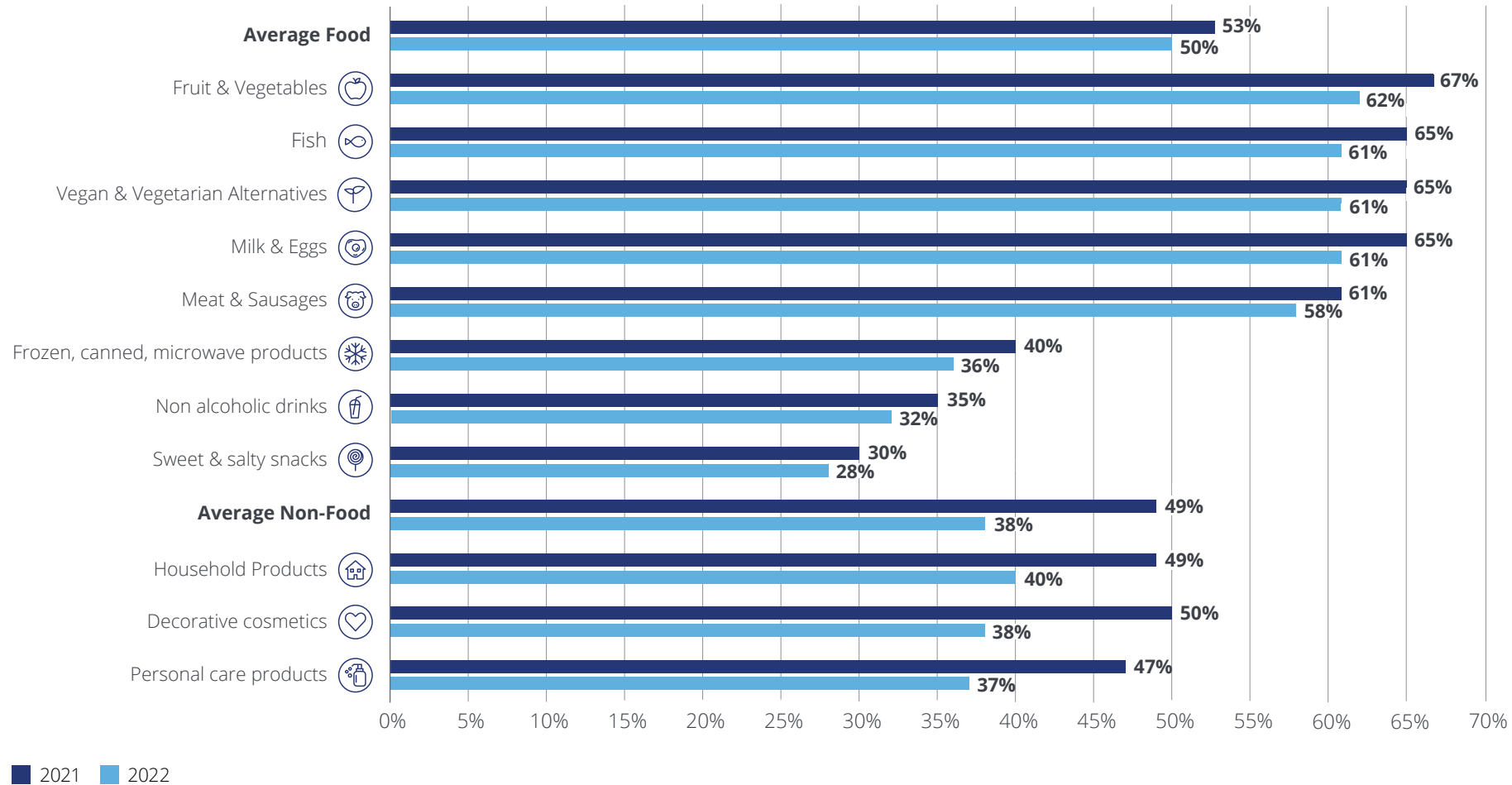
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Fig. 3 - Importance of sustainability in different product categories

How important is sustainability to you in these product categories?

Percentage of respondents claiming sustainability as very important or important in different product categories



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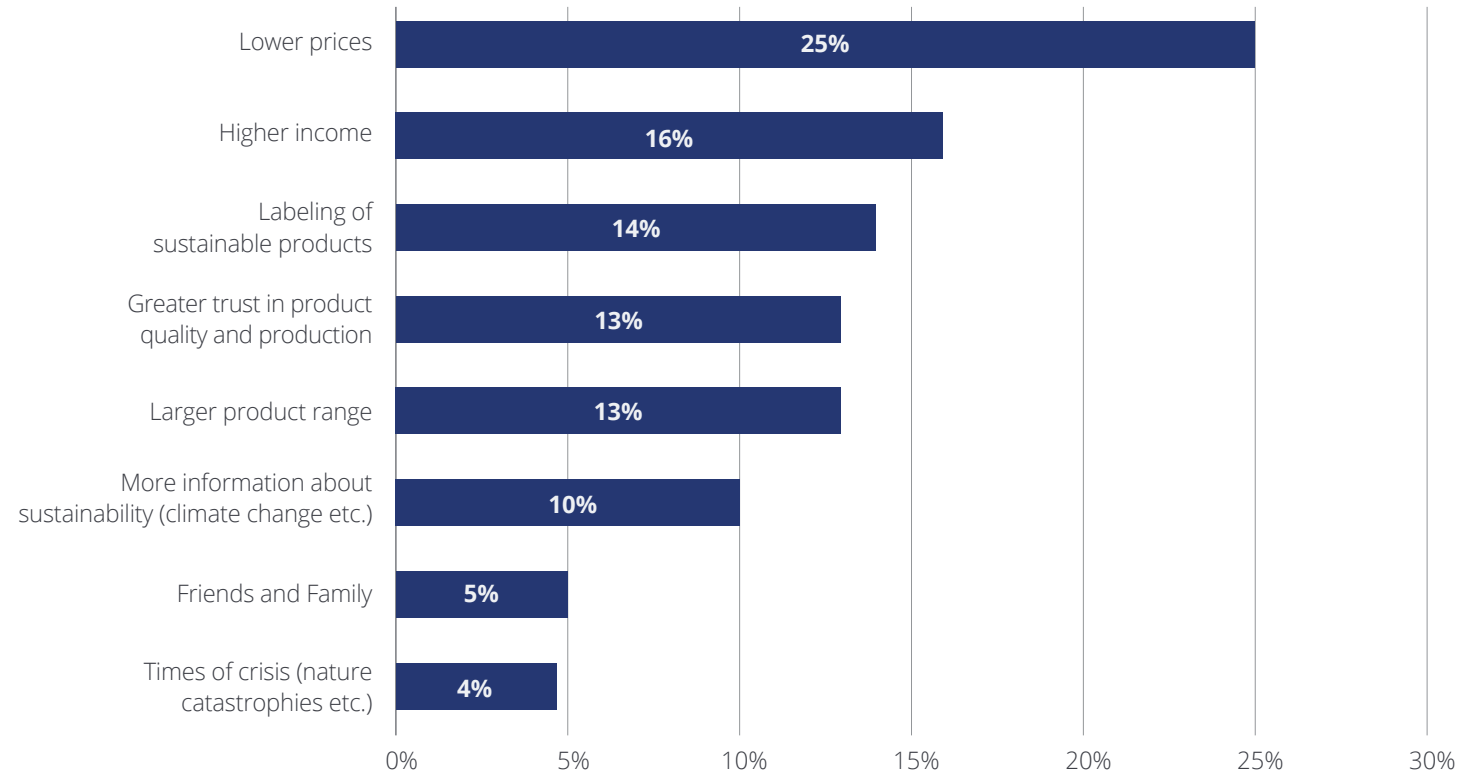
03 | Findings: Consumer perspective on sustainability and pricing

Financial constraints slow down green consumption

The study also explores the reasons that would motivate customers to buy more sustainable products. Respondents indicate that the most decisive factors are economic in origin. Consumers buy more sustainable products when they have higher purchasing power, i.e., either lower product prices or higher income (see figure 4). Considering the current economic challenges with an inflation rate of nearly 8 percent, it can be assumed that fewer German households are willing or able to afford a green premium compared to pre-crisis times. Nonetheless, the long-term trend of perceived importance of sustainability is uninterrupted and it is retailers' task to respond to consumers' demand for sustainability while taking their purchasing power into account.

Fig. 4 – Factors positively influencing consumers' sustainable consumption

What would make you buy more sustainable products?



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Importance of sustainability dimensions

Consumers recognize the overall importance of sustainability across product categories, but they perceive differences between various aspects as well. There are seven sustainability dimensions that drive consumers' decisions to consume sustainable products and are particularly relevant to the consumer goods and retail industry.



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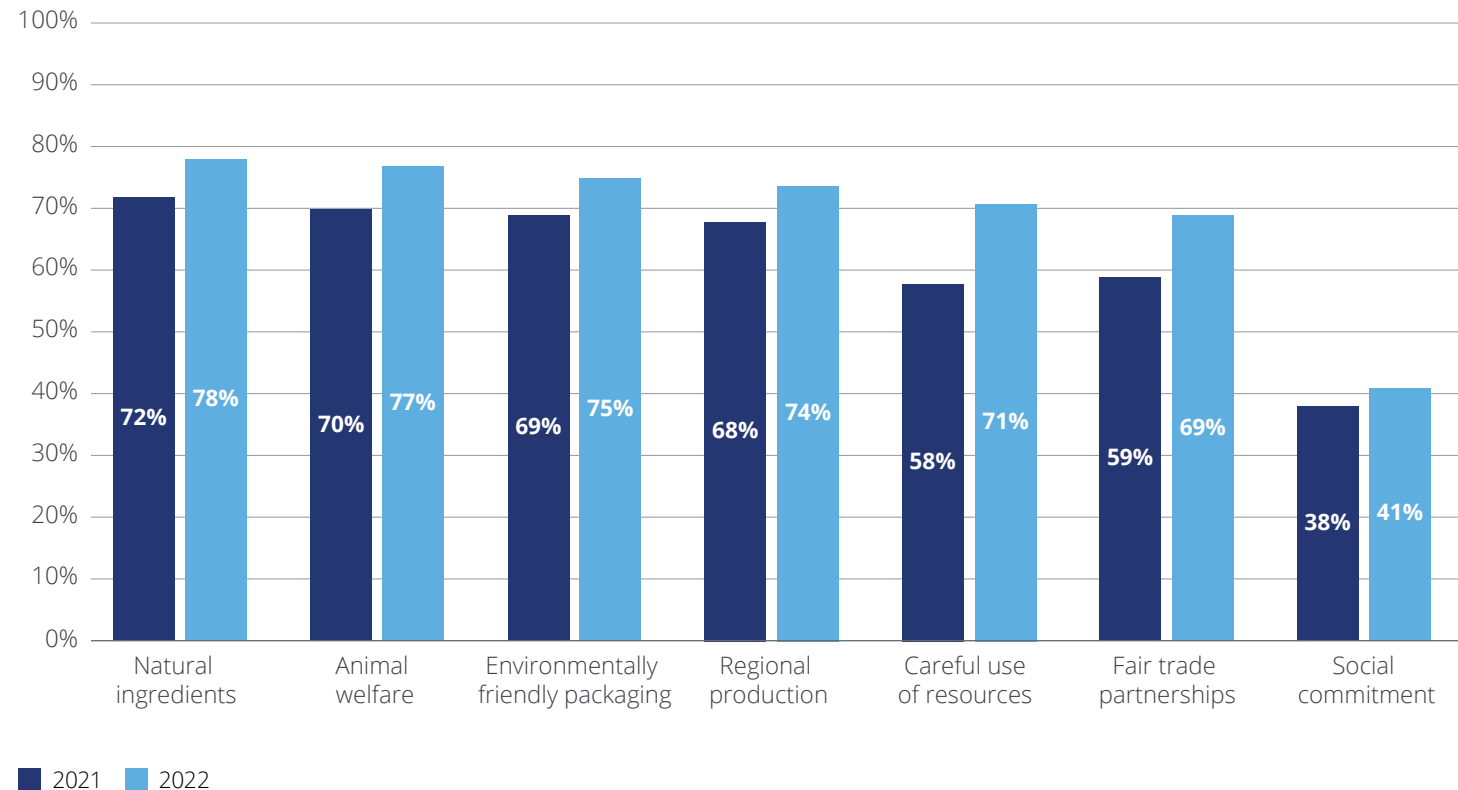
03 | Findings: Consumer perspective on sustainability and pricing

Sustainability dimensions are valued higher across the board

As mentioned above, sustainability remains important for consumers compared to the 2021 survey. When asked about specific sustainability dimensions, we even found an increase for all seven sustainability dimensions (see figure 5), which contrasts with the decrease in individual product categories. This change correlates with a growing awareness of climate change in Germany and an increased sense of responsibility among consumers.

Fig. 5 – Importance of sustainability dimensions

How important are these dimensions to you when shopping?/Percentage of respondents rating the factor as important or very important in their consumption (on a scale from 1 = very unimportant to 5 = very important)



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Purchasing products made of natural ingredients remains the most important factor for consumers, with 78 percent of respondents rating it as important or very important. This is probably due to the increasing health consciousness of consumers and the shift towards healthier diets. Animal welfare and environmentally friendly packaging remain the second and third most important criteria, with 77 percent and 75 percent of the respondents confirming their significance.

Awareness of some dimensions increased strongly over the past year. For example, 13 percent more respondents rated the careful use of resources as important or very important, holding companies accountable for their resource usage during production and operation. Similarly, 10 percent more respondents take closer note of companies' engagement in fair trade partnership and employment practices.

Although sustainability stayed in consumers' minds overall, some dimensions are more likely to be deprioritized than others as a trade-off for economic and supply chain challenges. Among the respondents who reported that social commitment changed for them, 20 percent said that because of uncertainties such as supply shortages, they buy what is available and sustainability is only secondary. A similar result applies to regional production and fair-trade partnerships, with 18 percent of respondents prioritizing availability over sustainability.



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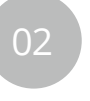
03 | Findings: Consumer perspective on sustainability and pricing

Consumer willingness to pay for sustainable products

The majority have hit the limit for green products

As mentioned, the food retail sector is currently experiencing the highest price increase in 20 years, which has also led to the strongest decline in consumer spending. This year's study reveals an enormous shift in consumers' acceptance of a price premium for sustainable products (see figure 6). Compared to last year's results, the results have swapped over. Only 30 percent of respondents would still accept a general price mark-up for sustainable products (across all product categories), compared to 67 percent last year.

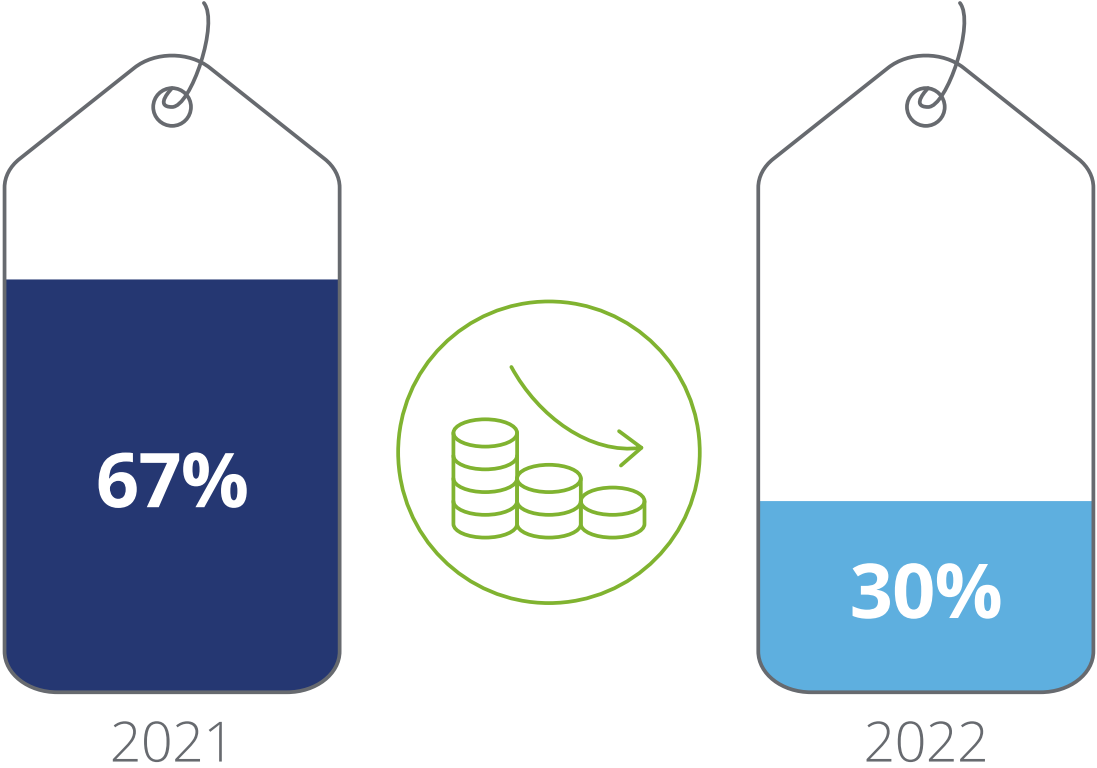
70% of respondents stated in 2022 they would generally not be willing to pay an additional amount for sustainable products. Of these, 20 percent explicitly said that they do not want, or cannot afford, to spend more money on sustainable products. These results indicate that consumers' willingness to pay a green premium is exhausted, likely caused by the unavoidable price inflation already imposed on consumers. It is up to retailers and producers to find new ways of pushing the sustainability transformation without impacting pricing levels too much.



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Fig. 6 - Change in consumers' willingness to pay a price premium

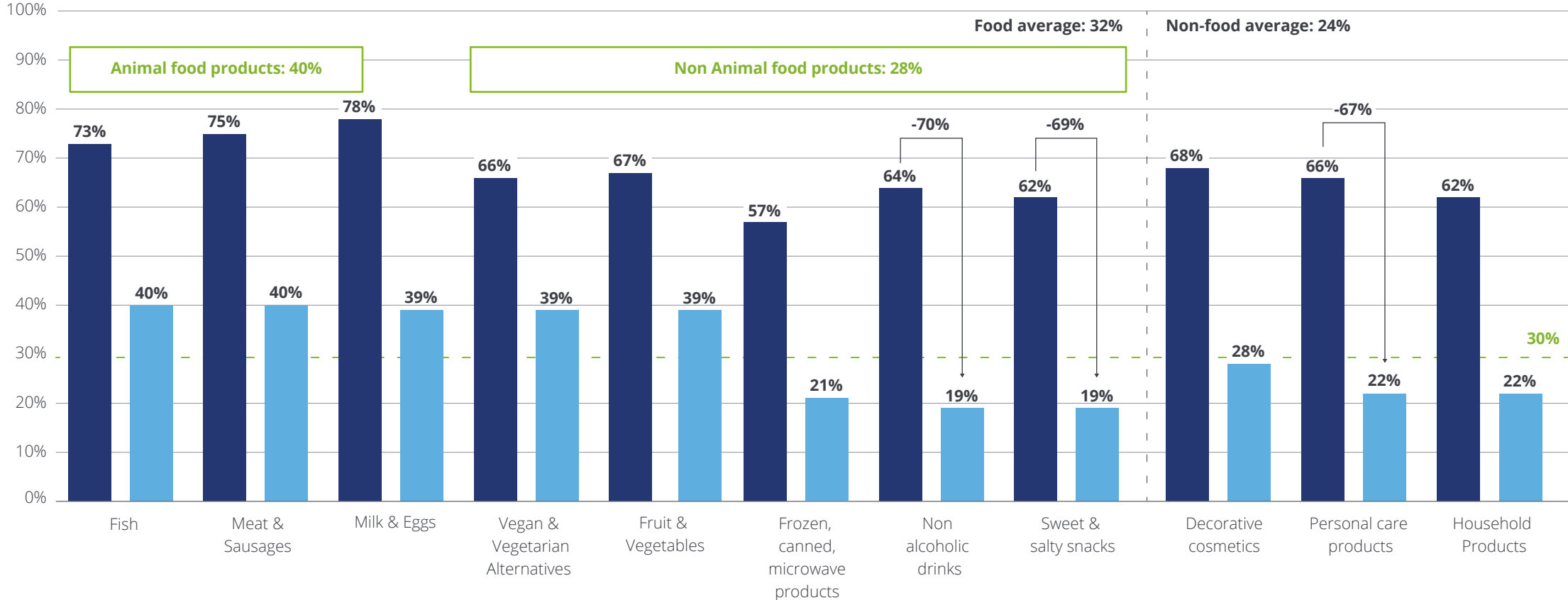
Are you willing to pay a price mark-up for sustainable products?



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Fig. 7 – Acceptance of price mark-up for sustainable products by product category

Has your willingness to pay a price mark-up for a sustainable alternative in this product category changed within the last year?/Percentage of respondents who accept a moderate or high price mark-up, by category.



--- Average amount of respondents accepting a price mark-up in general across all product categories 2022
 ■ % of respondents accepting a price premium 2021 ■ % of respondents accepting a price premium 2022



03 | Findings: Consumer perspective on sustainability and pricing

Looking deeper into the results regarding consumers' willingness to pay a price mark-up for certain product categories reveals large differences (see figure 7). An above-average number of people (32%) would accept a price mark-up for food products. In the non-food segment, on the other hand, it is only 24 percent. On average, 40 percent of respondents would accept a price mark-up for animal food products, but only 28 percent for non-animal food products. This finding aligns with consumers placing high value on animal welfare and shows the potential for retailers to share the associated costs with consumers or capture additional value-adds through a premium.

Comparing this year's acceptance of a price premium for each product category with last year's results, the list of product categories where most respondents would pay more remained unchanged: Fish, meat & sausages, milk & eggs, vegan & vegetarian alternatives, and fruit & vegetables. A tremendous decline from ~40 percent to ~70 percent can be seen across categories, although it is not equally distributed. For example, a drastic decrease of over 60 percent in premium acceptance can be seen for selected food and non-food categories, including non-alcoholic drinks, sweet & salty snacks, personal care products, and household

products. The results are consistent with the findings mentioned in the previous section, as these are also categories rated as low importance by consumers. It shows that consumers prioritize certain products over others in terms of sustainability. This can be a consideration for retailers when defining the overall assortment strategy, specifically the depth, width, and pricing of product ranges.



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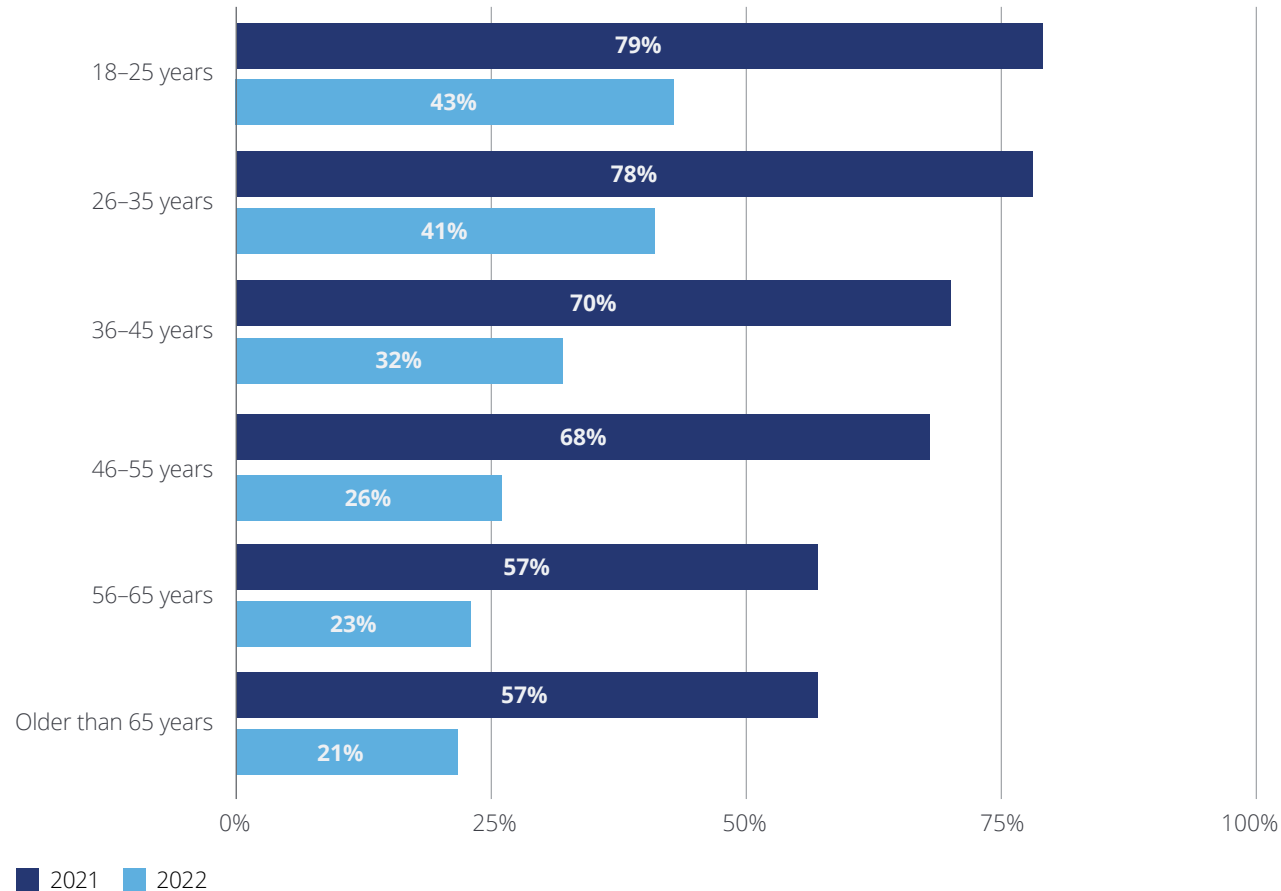
Young consumers are most likely to accept a green premium

In last year's study, large differences in willingness to pay were found between demographic groups. Examining this year's results confirms the same tendencies: The highest proportion of respondents who would accept a price surcharge is in the youngest consumer group, with 40 percent of the 18–35 year old customer segment willing to pay a price premium. Figure 8 shows the percentage of respondents who say they are willing to pay a price premium and compares this year's results with the 2021 survey.

Higher willingness to pay decreases with increasing age. However, it should be noted that within these segments, the willingness to pay a premium has also declined dramatically (see figure 8). Last year nearly 80 percent of consumers between the ages of 18 and 25 claimed they would be willing to a pay price premium – this year that number has halved.

Fig. 8 – Respondents accepting price mark-up by age group

Has your willingness to pay a price mark-up for a sustainable alternative in this product category changed within the last year?/
Percentage of respondents answering they would accept a price mark-up.



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Comparing the acceptance of higher price mark-ups for sustainable products with the importance of sustainability by age group reveals a gap especially within the younger customer group (under 25 years old). Although this consumer group is most ready to accept higher prices, all other age groups rate sustainability higher (see figure 1), and even though sustainability is important to the majority of consumers in the older age group, only 21 percent of them are willing to accept higher prices.

Considering that the group aged above 35 usually has higher purchasing power overall, the high importance they place on sustainable products needs to be converted into improved acceptance of a green premium. Additionally, due to the demographic dynamic, the consumer group older than 65 also makes for a reliable growth market in the future as they profited most from

previous economic booms. Keeping in mind that purchasing power is shifting towards the Silver Economy⁸, retailers need to find ways of translating this group's goodwill, as evidenced by the high importance of sustainability for 65 percent of consumers in this group, into action when it comes to purchasing decisions. For example, retailers can deliver personalized offers that match products with automated pricing based on willingness to pay by using data analytics and target marketing.

Consumers spend extra on animal welfare and regional production

This year's study puts an additional focus on understanding whether consumers' willingness to pay a green premium, and the extent of such a premium, differs depending on which sustainability dimensions contribute to a product's sustainability. Although the change in readiness to pay differs across dimensions, sustainability dimen-

sions receive high acceptance rates in terms of price premiums. Compared to last year's results, an increase can be observed for animal welfare, regional production, careful use of resources, and social commitment. Although the increase is marginal, it is still a positive change compared to the drastic drops when the same question is posed in relationship only to product category or overall willingness. It can be assumed that consumers are more open to the idea of a green premium if the cause and its impacts are communicated and made transparent.

Large differences concerning the willingness to pay emerge depending on the level of detail consumers are asked to provide about their consumption. This difference was already present when surveying participants about the importance of sustainability in their general daily consumption, compared to asking them about different product categories.



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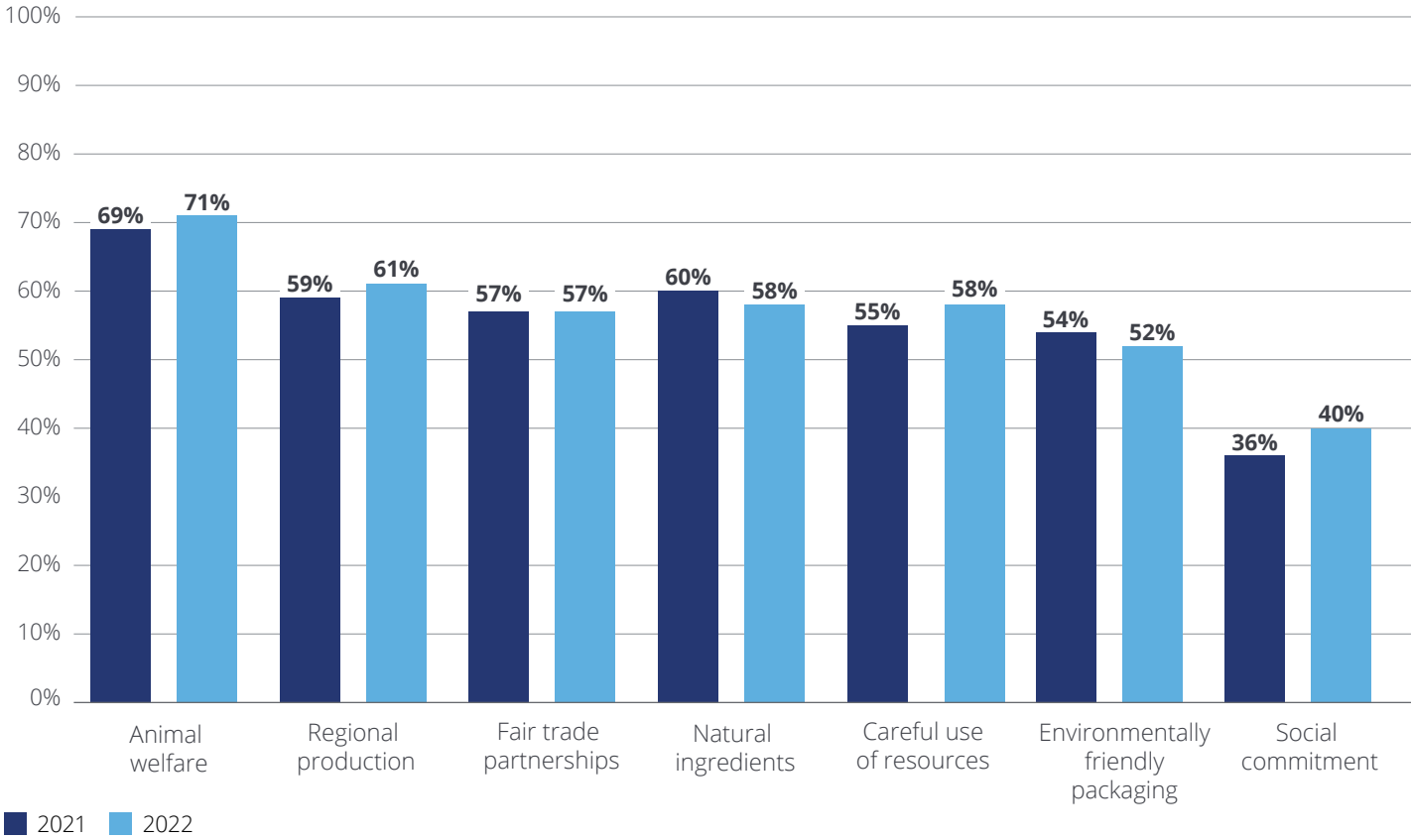
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⁸ See Deloitte's "The new realities of the 2020s in labor and consumption markets"

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The same difference can be seen in figure 9: Approval rates for paying green premiums are higher when talking generally about different sustainability factors compared to asking about consumers' willingness to pay for different product categories (see figure 7). The results show 70 percent of respondents would accept a price mark-up of up to 30 percent if the animal welfare factor is in play (see figure 9). These results correspond to previously stated findings that show animal food products have the highest approval rating for a price premium. The least popular dimension is social commitment, e.g. support for social projects or donation of profits, where only 40 percent of respondents say they would be willing to pay a price premium.

Fig. 9 – Accepted price premium by sustainability dimension
 Would you pay a price mark-up for this sustainability dimension?/
 Percentage of respondents who accept moderate (<30%) or high (>30%) price mark-ups.



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Comparing the perceived importance and willingness to pay for different sustainability dimensions shows a mismatch between results in some categories. Last year, respondents' stated values matched the dimensions for which people would also accept a price mark-up. This year's results say otherwise. For example, use of natural ingredients and eco-friendly packaging are given as the most important dimensions that drive sustainable consumption. However, people would rather accept a price mark-up for products promoting animal welfare or originating from regional production. This shows that as consumers are becoming more educated and sustainability is increasingly integrated in companies' operations, certain sustainable practices are considered the norm and industry standard. Eco-friendly packaging is an example: More and more brands are switching to packaging with less plastic and more biodegradable materials. Consumers perceive it as important, but it is not a

differentiator when it comes to pricing. This means that retailers should distinguish between sustainability dimensions used for pricing mechanics (e.g. animal welfare) that justify an additional price premium even in times of crisis, and ones used for marketing reasons to influence brand perception, such as natural ingredients and packaging.



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Key take aways



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The results show that the trend of sustainable consumption continues uninterrupted. Although the importance of sustainability cannot be directly translated to consumers' willingness to pay in times of crisis, the value of sustainability remains unbroken in consumers' minds. Nearly one third of German consumers are still willing to pay a price premium. Overall, consumers continue to see sustainability as a key purchasing criterion across all product categories, yet only a minority is willing to pay a premium for better quality and more environmental and social contribution. Consumers prioritize food products over non-food products for extra spending, specifically animal products and fresh foods. Nevertheless, there is an obvious decline in this willingness over the past year, partially due to the economic turmoil with inflation and economic uncertainty.

Among the sustainability dimensions, the use of natural ingredients, animal welfare, and environmentally friendly packaging are key factors for consideration in consumers' purchasing decisions. However, not all factors merit a price premium in the eyes of consumers. Alongside animal welfare, consumers prefer a mark-up for regional production and fair trade partnerships. Retailers should distinguish between sustainability factors used for pricing mechanics to capture the full value-adding potential of products, and ones used for marketing to build trust and customer loyalty.

While the desire to consume sustainably is high, there are obvious hurdles that prevent consumers from translating this belief into action. Examples of this include the economics around sustainable consumption, lacking product and supply chain

transparency, as well as mistrust in the environmental impact communicated by companies. It is up to the German consumer goods and retail industry to address these concerns and empower consumers to make sustainable choices.



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Action steps



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We have identified four action steps that consumer goods players and retailers can take to bridge the gap between consumers' stated values and their willingness to pay for sustainability.



Know your customers:

Different consumer groups show variations in attitude, rationale, and willingness to pay towards sustainable consumption. For instance, while the older generations (above the age of 36) claim to place more importance in the topic of sustainability, the younger generations (younger than 35) show higher readiness to invest in green products. Similarly, there are discrepancies between perceived importance and willingness to pay for different sustainability dimensions. It is therefore even more vital for companies to understand the differentiating needs and expectations of their target groups, as well as translate this understanding in their strategy and operations.

A key step in getting to know consumers is through customer segmentation, which allows companies to learn about the main characteristics and

preferences of key target groups and deliver more targeted messaging. Retailers can take a data-driven approach to continuously enhance their understanding of each segment and identify any evolving behavioral changes. This generates objective insights to help formulate consumer-centric pricing and promotions as well as tailoring sustainable products to the needs of the corresponding target group. With current advances in technology and data analytics, this can even be done for individual consumers with personalized offerings and messages.



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Create a value-based narrative:

Sustainability dimensions provide additional value to a product or service beyond its face value. Consumers recognize its positive social and environmental impact as well as superior product characteristics and are ready to participate in this change financially, such as supporting better animal welfare and regional products. By addressing and emphasizing these values in their corporate and product narratives, companies can educate and empower consumers to make sustainable purchasing decisions. The focus on sustainability also gives companies a key price differentiator from their competitors.

Consumers are increasingly well-informed and educated about the impact and implications of sustainability. While they are more willing to

contribute to the good cause, they also have higher expectations towards the participation of consumer goods companies and retailers. Certain sustainability dimensions are gradually becoming standard in law (e.g. carbon emission reduction) and industry (e.g. eco-friendly packaging). As consumers perceive these dimensions as norms rather than value-adds, it also leaves little room as a rationale for premium pricing. Retailers must carefully create and communicate the right narrative with relevant values to achieve the desired results in growth, branding, and more.



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Create a new level of transparency:

We learned that a green premium is no longer a topline guarantee for green products. Meanwhile, inflation and the economic slowdown put pressure on the bottom line of producers and retailers, as well as the purchasing power of consumers. Both parties have important trade-offs to make. Companies must decide in which areas of sustainability to invest and which costs can be passed on to consumers. Consumers meanwhile must choose between making short-term savings with cheaper yet less sustainable products and paying a premium for sustainability. Creating full transparency around the costs and investment along the value chain can encourage both parties to share

this responsibility and co-invest in a sustainable future. Clothing company “ATTIRE THE STUDIO” is an example from the fashion industry that has innovated a new level of financial transparency between consumers and retailers. In their web-store, consumers can see a detailed breakdown of each product’s price, including costs and margins.



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Challenge the green premium:

In times of crisis, when customer money is tight, price premiums must be well-justified to be accepted. At the same time, the urgency of sustainable retailing increases as the pressure to act sustainably remains high for producers and retailers. To initiate a long-lasting change and benefit from long-term advantages, retailers and producers need to challenge to apply a green premium in principle. Sustainable products could also have a lower cost structure, for example through regional sourcing. These products have lower CO₂ emissions and cheaper logistics costs. Retailers need to emphasize this and steer towards win-win-win offerings that also use price to incentivize consumers. For customers, the key will be to understand what the price mark-up pays for and why it is in place.

In general, the survey shows that improved trust and transparency are among the top reasons for consumers to buy more sustainable products. Consumers are eager to learn about product quality (e.g. ingredients, nutrition) and supply chains (e.g. origins, fair trade practice), and to better understand the environmental impact. Companies can utilize technology (e.g. blockchain) and labels (e.g. Nutri-Score) to inform and educate consumers on their purchases, which builds trust and creates transparency.

Overall, the pursuit of sustainability is a marathon rather than a sprint. The consumer goods industry needs to stay focused and consistent in its commitment to a sustainable future and continue to put sustainability at the forefront of their strategic agenda. By taking a customer-centric and insight-

driven approach, retailers can define offerings and pricing that best align with the needs and expectations of consumers and communicate effectively across differentiated target groups. It will help retailers to leverage sustainability as a competitive advantage that enables long-term operational and financial success, while setting the foundation for a more sustainable future for the planet. This is a win-win-win situation – for consumers, companies, and the environment.



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Appendix



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Appendix: Sustainability dimensions



1. Careful use of resources means protecting natural resources through sustainable land use, reducing raw materials, and decreasing emissions.



2. Natural ingredients means reducing synthetic ingredients and chemical additives and avoiding genetic engineering.



3. Animal welfare is about ensuring the health and well-being of animals, for example by adopting species-appropriate husbandry and ending animal testing. In Germany, animal welfare is indicated on its own label.



4. Environmentally friendly packaging reduces the use of plastic and favors recyclable or reusable packaging.



5. Regional production is a term commonly used for products that are produced and consumed in the same region.



6. Fair-trade partnerships designate agreements that ensure fair working conditions and wages as well as standards for supplier selection.



7. Social commitment includes initiatives such as support for social projects and donations.



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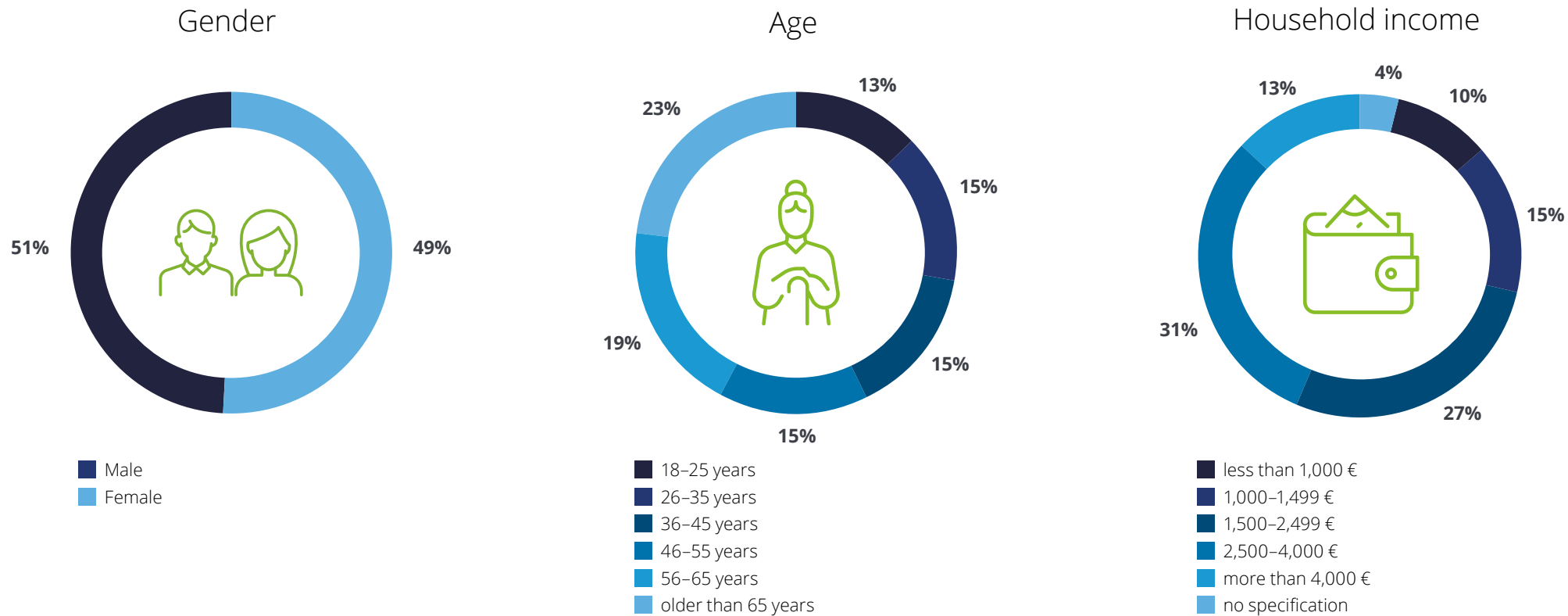
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Appendix: Study participants

The study is based on a representative sample of 1,500 participants aged 18 and over across Germany in August 2022.

Fig. 10 – Composition of the panel



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Appendix: Key findings from last year's study

The initial study was conducted in summer 2021 and examined the importance of sustainability across different product categories and consumers' willingness to accept a certain price mark-up in these categories. On average, 67 percent of German consumers said they would be willing to pay a price mark-up for sustainable products.

The 2021 study's findings confirmed that sustainability was a relevant factor in purchasing decisions for half of German consumers. However, the importance of sustainability differed depending on product categories. Consumers placed more importance on sustainable food products, especially fruit, vegetables, and animal products, than on sustainable non-food products.

The responses showed that the demand for sustainable products has increased, even if these products are more expensive than their non-sus-

tainable alternatives. Almost two out of three German consumers stated that they were willing to pay a premium for sustainable products. 67 percent of the respondents claimed that they would be willing to pay an average price premium of 41 percent across categories in supermarkets and drugstores. Differences between certain customer segments were observable: Women as well as younger participants (aged 18 to 25) were willing to pay an even higher price mark-up for sustainable products. In the younger generation, 79 percent of respondents were willing to pay a price mark-up of 47 percent across categories. The highest price mark-up of 66 percent was accepted by women who follow a vegan diet – 82 percent of them were ready to pay a premium of 66 percent.

Looking at the different product categories, consumers were willing to pay the highest premium for sustainable animal products such as fish, milk,

and eggs. Ready-made products were at the bottom of the list. In the non-food segment, respondents would accept the highest price premiums for personal care products and makeup. Household and cleaning products come second.

Considering different aspects of sustainability, most consumers indicated that natural ingredients (72% selection rate) and animal welfare (70% selection rate) were the most important sustainability aspects for them. On average, consumers were most willing to pay a premium for these aspects. As social engagement was the least important sustainability aspect for consumers, we can conclude that consumers are more interested in the contents of products and less in external impacts.



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The previous study also examined the effect of transparent labeling. Clear certifications were important or very important to 60 percent of respondents in their buying decision, whereas nearly the same number of participants (57%) stated that their trust in certifications is low or very low. Nevertheless, 59 percent of consumers say they are willing to pay more for sustainable products with a certification or label.

Even though the starting point of the last study was very different, it is valuable to look at the barriers to sustainable product purchases, which were also examined last time. The results showed that the main reason why consumers were not willing to pay a premium for sustainable products is because they simply cannot afford it (36%). Considering the current circumstances, it will be interesting to see if and how these numbers change.

Based on the quantitative insights from our last study, Monitor Deloitte identified two key actions producers and retailers should implement to create value for their companies and consumers:

1. Focus on the relevant sustainability drivers for each product category and integrate sustainability aspects into the innovation process
2. Adapt the pricing strategy to reflect a value-based, sustainability-oriented approach across consumer segments

Incorporating sustainability aspects into the company's product portfolio management and expanding the range of sustainable products to include entry-level and premium products enables producers and retailers to improve the overall pricing architecture and achieve an average price premium of 28 percent across the whole sustainable product range.

To summarize, it is clear that sustainability is becoming a relevant factor in consumers' purchasing decisions, so that players in the consumer goods and retail industry should leverage this change as a value driver for product innovation and pricing. It is important to bear in mind that the willingness to pay more for sustainable products is not evenly distributed across the various sustainability aspects, product categories, or consumer segments. The differences between these categories may have even been augmented by the current pricing situation.



Take a look at the previous study here



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