Who is the new organic shopper?

Everything you need to know about the U.S. organic market right now.

NielsenIQ

Welcome to NielsenIQ's "Who is the new organic shopper?" eBook

This in-depth guide was created to help CPG manufacturers and retailers better understand the U.S. organic market.

The popularity of organic products has been steadily rising over the past decade—it's no longer just the domain of green smoothie and yoga lovers.

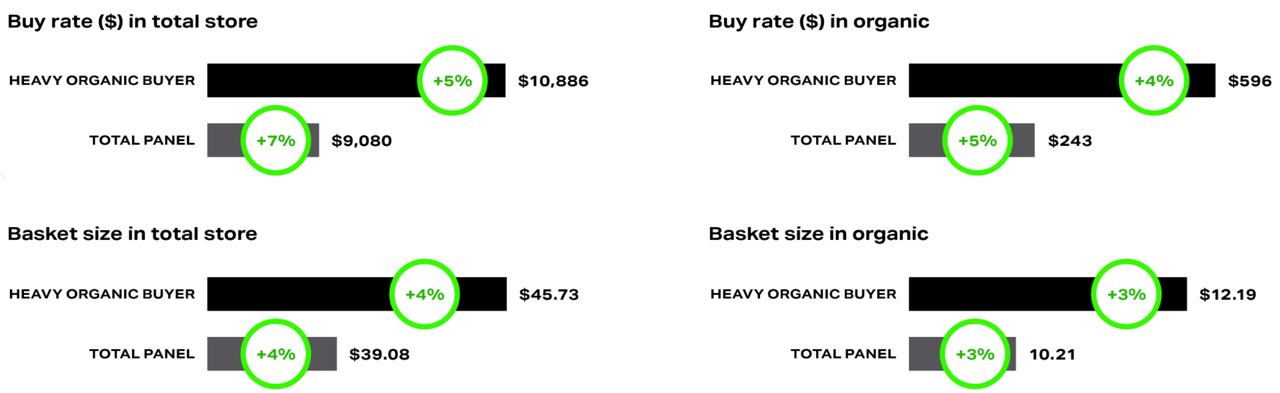
These days, buying organic is interwoven into part of a larger wellness movement in society, which focuses on the health of the planet as well as people. As a result, many organic consumers are also concerned with the sustainability and social responsibility credentials of the brands or retailers they choose to purchase from.

Although organic product sales have been increasing in recent years, the current inflationary climate is impacting sales.

What we cover in this eBook

The big picture: An overview

Between August 2021 and August 2022, 29.2%[1] of U.S. households were considered to be heavy organic buyers. This group of consumers generally buy more products than the average consumer and spend more on each store visit, with an average basket size of $43.73,[2] compared to $39.08 for the total panel. Unsurprisingly, as a general group, they tend to be affluent people who live in urban areas.



Source: NielsenIQ Homescan Panel; Total U.S., All Outlets; Total Panel vs Heavy Organic Buyer; 52 weeks W/E 08/06/22 vs YA

Over the past three years, sales of organic products have grown faster than non-organic ones. While non-organic sales increased by 22%[3] compared to three years ago, sales of organic-stated products have increased by 27% and sales of products with USDA organic certification increased by 28% in this time period.

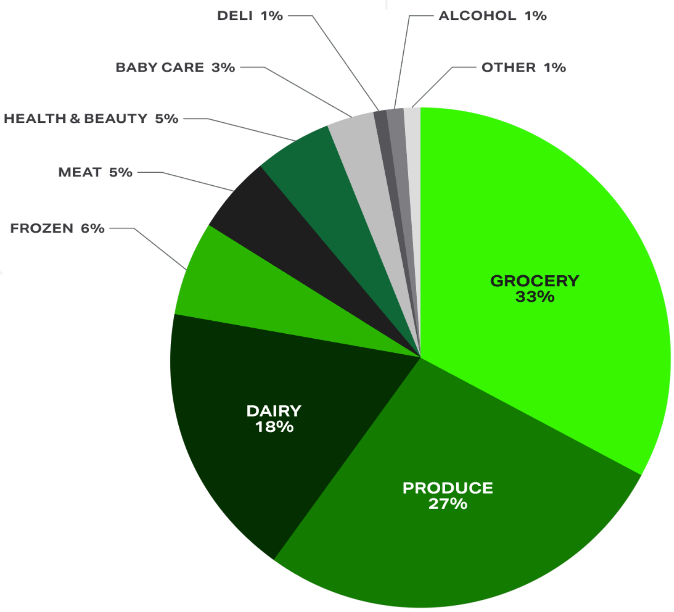
New developments in the organic market

The way organic claims are being communicated to potential customers has become more nuanced than ever. Today, NielsenIQ tracks five different classifications of organic product, and all five claims saw growth between August 2021 and August 2022[4]:

ORGANIC POSITIONING STATED	+5.2%
ORGANIC MARKETING CLAIM STATED *(Marketing Claim; Organic Brand Name; Made with Organic Ingredients)*	+4.8%
ORGANIC CERTIFICATION STATED *(USDA and Other Organic Certification)*	+5.5%
ORGANIC DEGREE STATED *(1-69%; 70-94%; 95-199%)*	+5.9%
EU ORGANIC FARMING STATED	+2.9%

Organic products have the largest share of dollar sales in the food and beverage department and account for significant portions of the grocery, produce and dairy departments. Here's the breakdown of percentage share of sales across each department:

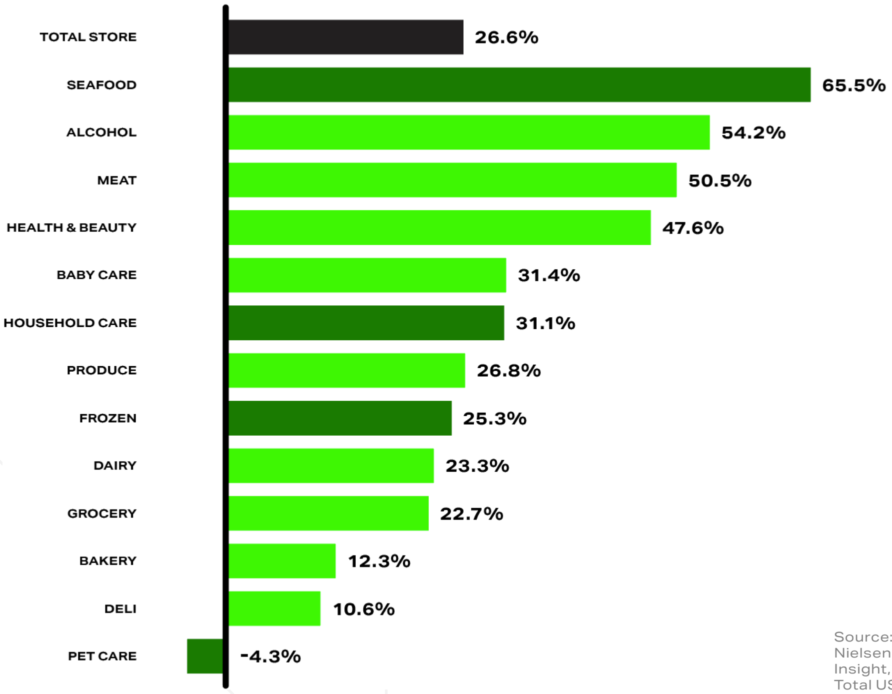
$ share of organic sales



Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; PI Organic Positioning Stated; Total US; 52 weeks W/E 08/06/22 vs YA and 3YA

Meanwhile, organic products within household, frozen, pet care, and particularly seafood have all seen declines in percentage of sales within the past three years[5] in comparison to the total store.

$ % 3Y change organic by department vs total store



Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; PI Organic Positioning Stated; Total US; 52 weeks W/E 08/06/22 vs YA and 3YA

According the *Fair Share Index*, the Top 10 organic-stated[6] categories between August 2021 – 2022 were:

1. Alcoholic Beverages
2. Diet and Nutrition
3. Fully Cooked Meat
4. Packaged Coffee
5. Performance Nutrition
6. Condiments
7. Vegetables
8. Creams and Non-Dairy Creamer
9. Milk/Dairy Alternative
10. Pest Control

And the Top 10 fastest-growing categories in that time period were:

1. Alcoholic Beverage Mixers
2. Cookies and Crackers
3. Diet and Nutrition
4. Frozen Beverages
5. Creams and Non-Dairy Creamer
6. Bagels
7. Feminine Care
8. Sun Care
9. Vitamins and Supplements
10. Diet and Nutrition

However, the organic categories that were most-searched online by consumers were:

1. Vegetables
2. Fresh and Frozen Fruit
3. Milk
4. Herbs and Spices
5. Eggs
6. Poultry
7. Nuts and Seeds
8. Health and Recovery Drinks
9. Cheese
10. Baby Food
11. Plant-Based Water
12. Bath Preparations/Body Wash
13. Hair Care Preparations
14. Dog Food

There was a notable increase in online searches for organic baby food, which grew 37% in the past year, and organic plant-based water (e.g. coconut water) which grew 30%.

What do organic consumers want from brands and retailers?

NielsenIQ's consumer data reveals the top 3 factors consumers consider when making a purchase are:

Source: 7 FMI/NIQ Transparency in an Evolving Omnichannel World Report 2022, NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Food & Beverage; Total US xAOC; 52 weeks W/E 08/06/22 vs 3YA and YA

But it's also worth noting that "how the product was manufactured or grown" was important to nearly half (49%) of survey respondents.

Consumers across every vertical also increasingly expect brands and retailers to be more socially responsible, more concerned with the wellbeing of people and the planet, and as a result, more sustainable in their practices throughout the supply chain. Organic products tend to be grouped together with these modern wellness needs.

Over the past three years, total food and beverage sales increased by 24.7% and sales of products that make claims based on environmental sustainability, social responsibility and animal welfare outpaced this growth:

SOCIAL RESPONSIBILITY CLAIMS	+37.3%
ENVIRONMENTAL SUSTAINABILITY CLAIMS	+28.7%
SUSTAINABLE FARMING CLAIMS	+20.9%
SUSTAINABLE PACKAGING CLAIMS	+20.1%
ANIMAL WELFARE CLAIMS	+34.1%

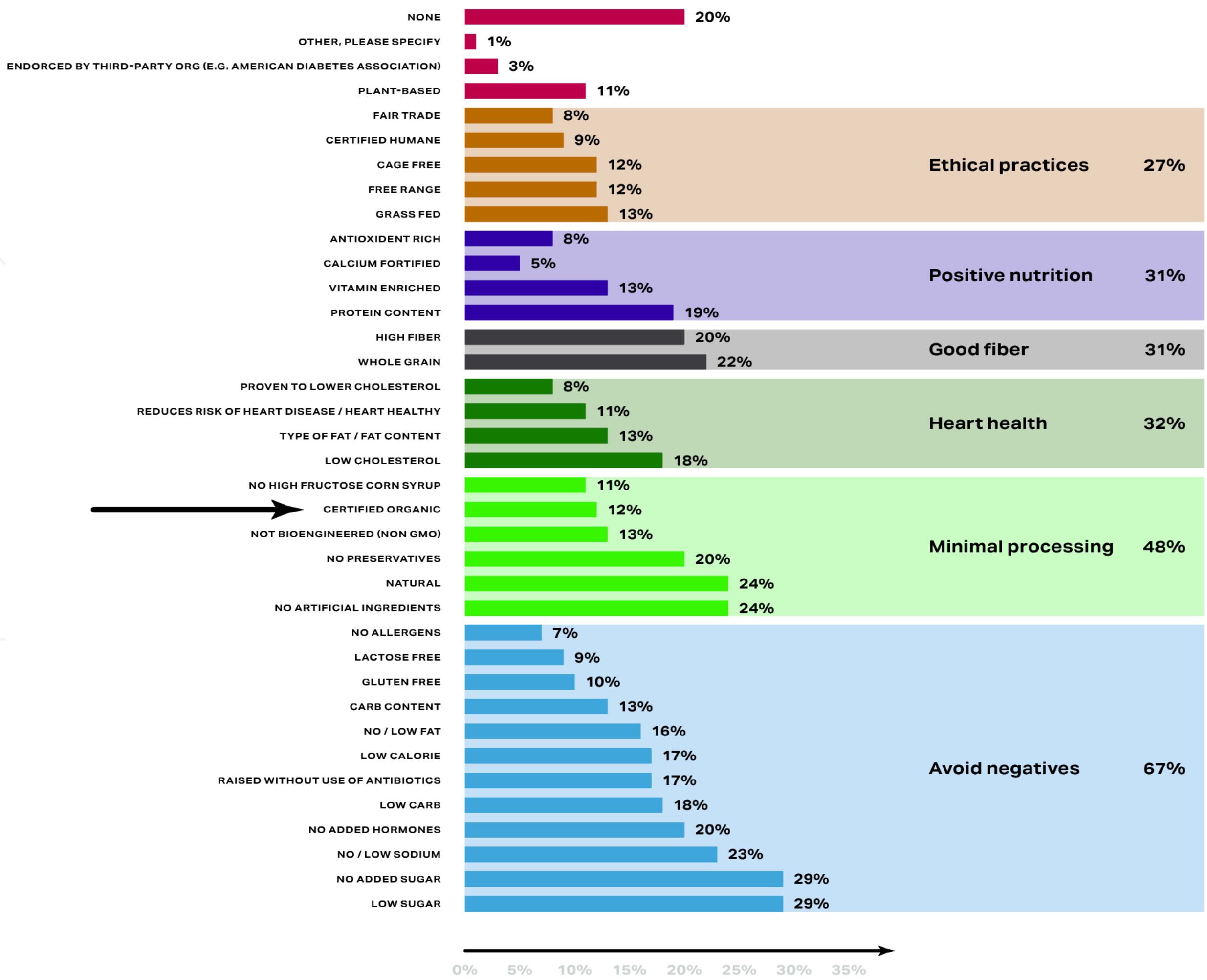
Source: FMI/NIQ Transparency in an Evolving Omnichannel World Report 2022, NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Food & Beverage; Total US xAOC; 52 weeks W/E 08/06/22 vs 3YA and YA

Many potential customers appreciate full transparency from brands and retailers as they seek out product information on ingredients and nutrition, or details on how products are sourced and produced. Some of the most common indictors of this include:

- A complete list of ingredients, which is present in around 59%[8] of products
- A clear description of ingredients (not technical scientific terms), which is present in around 49% of products
- In-depth nutritional information, which is seen in about 45% of products
- Certifications and claims, which are seen in around 37% of products

Nielsen IQ data shows that between August 2021 and 2022[9], 48% of U.S. consumers actively searched for food that had minimal processing. The other claims, labels, or attributes that consumers sought out are varied.

Claims/labels/attributes consumers look for when purchasing a food product



FMI/NIQ The Power of Plant-Based Foods and Beverages, 2022

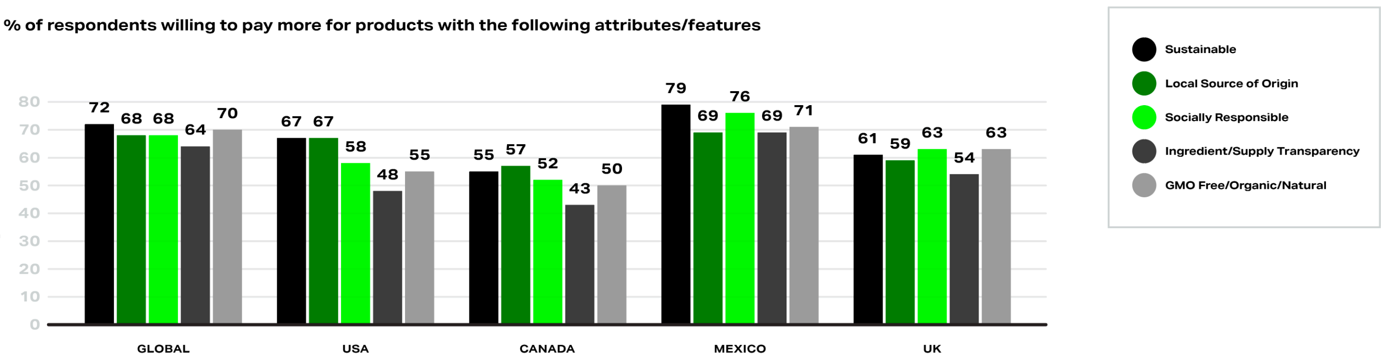
Opportunities and challenges on the horizon

Compared to many other wellness-related claims, organic products generally have high household penetration across all categories in the U.S.

But online, many consumers are searching for the "organic" attribute and are unable to find it. In fact, according to NielsenIQ's "Digital Depth Analysis: The e-commerce experience audit," only 70.6%[10] food retailers' websites enable consumers to filter searches for organic products. There is also an average of 35.8% of sought-after organic products missing and the average missed dollars because of this equated to $11 billion between May 2021 and May 2022.

In terms of international markets where consumers say they are willing to pay premium for sustainable, socially responsible, and supply transparency, Mexico leads the way, whereas consumers in the U.S. and Canada have the lowest interest in paying more for attributes like GMO-free/organic/natural[11].

Consumers most willing to pay premium for sustainable, socially responsible and supply transparency

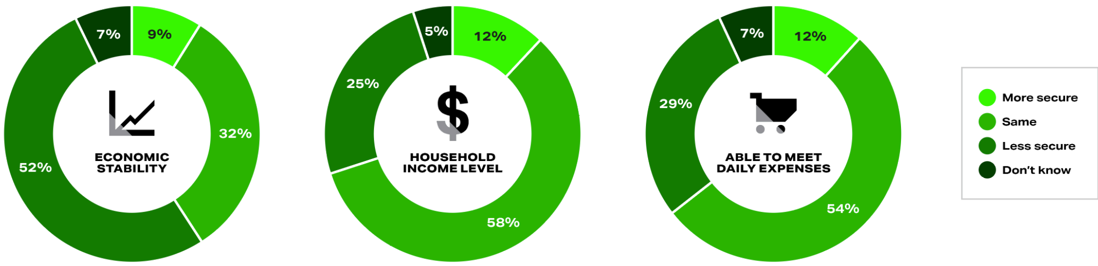


Source: NielsenIQ Global Health & Wellness Study of 17 markets, September 2021

Despite consumers' good intentions to buy more organic products, the current unstable economy is a potential barrier for many people who want to buy organic products. In fact, 53% of U.S. consumers think that the country is already in a recession and plan to reduce future spending. Although dollar sales growth was strong for consumer-packaged goods in Q2 and Q3 2022, unit sales were down by -2%, as consumers bought fewer products. Therefore, the growth was fueled exclusively by higher prices. There have been some notable recent trends in consumer spending:

- Private label sales have picked up momentum in the past two quarters, growing faster than total CPG product sales.
- Shoppers are starting to shift their spending to value retailers, which are growing at a slightly higher rate than the total market.
- Buying on promotion is now a key savings strategy, yet sales growth lags total market.
- Declining confidence to spend is stemming from growing insecurity; people in the U.S. are feeling less secure about the economy, their income and their ability to meet daily expenses.

When NielsenIQ asked consumers the question: "*How secure do you feel in the next six months compared to today?*", more than half of the respondents (52%)[12] said they think the economy will be less stable; 29% think their household income level will be less secure; and 29% think they will be less likely to be able to meet their daily expenses.



Source: NielsenIQ 2022 Consumer Outlook Survey, June 2022 - US

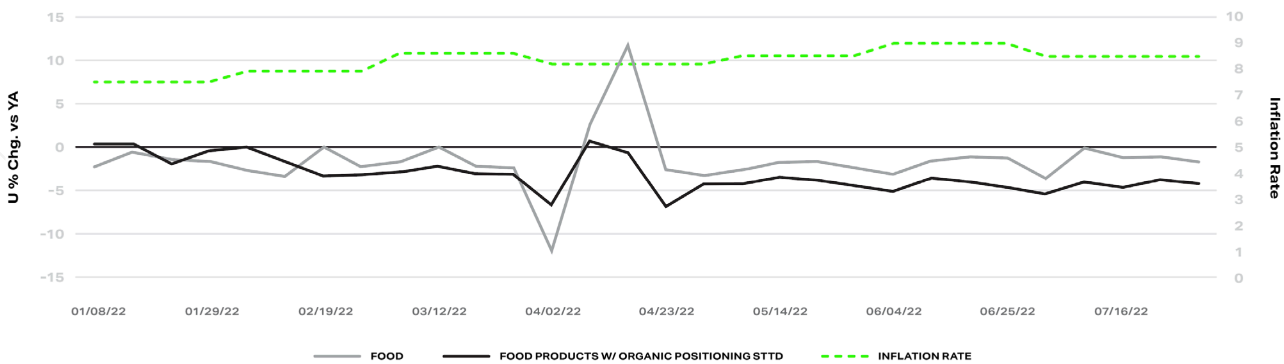
In fact, 81%[13] of U.S. consumers said they have already changed the way they shop to manage their grocery spend and are seeking out lower prices. Their top five money-saving strategies were:

Select lowest price from a preferred repertoire	**29%**
Select the lowest price, irrespective of brand	**29%**
Monitor cost of the overall basket of goods	**29%**
Choose to purchase private label/store brands	**29%**
Buy whatever brand is on promotion	**26%**

Between August 2021 and 2022[14], organic product sales declined with the rise of inflation. But while growth in this category has softened, it is still strong compared to pre-pandemic growth.

At the end of July 2022, total food and beverage unit sales had declined by 1.6%[15] when compared to a year ago, but when compared to three years ago unit sales are up by +2.7%. Unit sales of food and beverage with organic positioning declined by 3.2% compared to a year ago, but increased 9.5% when compared to three years ago.

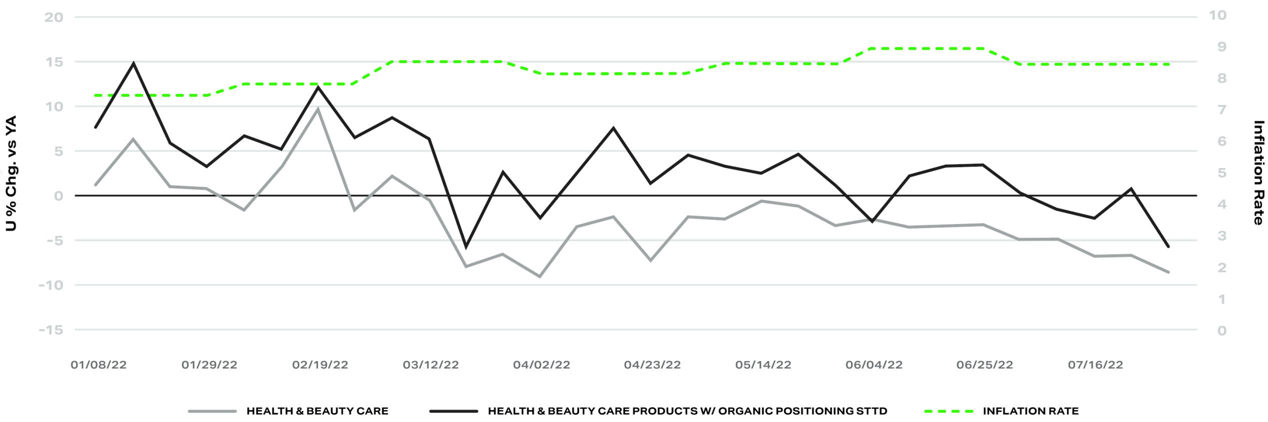
Grocery YTD unit trends in xAOC



Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US; 52 weeks W/E 7/30/22; U.S. Bureau of Labor Statistics

In the beauty and personal care department, at the end of July 2022, total unit sales had declined by 2.6% compared to a year ago and were down 3.0% compared to three years ago. Unit sales of beauty and personal care products with organic positioning had grown by 2.8% compared to a year ago and spiked 36% compared to three years ago. So it seems that consumers in both department increasingly consider organic products to be important to their wellness needs.

Health & Beauty YTD unit trends in xAOC



Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US; 52 weeks W/E 7/30/22; U.S. Bureau of Labor Statistics

Key takeaways

- The number of organic items on shelves is growing across the store, with some slowing of growth in the past year due to inflation and reduced items.
- Consumer interest in purchasing organic products is strong and closely related to other trends such as clean label, sustainability, and food-as-medicine wellness.
- Brands and retailers should watch consumer trading behavior vs. loyalty in organic categories. Keep a long-term view of the overall trend, but understand it in relation to other emerging consumer trends.

Eager to learn more?

Schedule time with our leading industry experts to learn more about the organic market and gain tailored insights to grow your business.

Find out more

Sources

1 Source: NielsenIQ Homescan Panel; Total U.S., All Outlets; Total Panel vs Heavy Organic Buyer; 52 weeks W/E 08/06/22 vs YA

2 Source: NielsenIQ Homescan Panel; Total U.S., All Outlets; Total Panel vs Heavy Organic Buyer; 52 weeks W/E 08/06/22 vs YA

3 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store, Total US; 52 weeks W/E 08/06/22 vs 3YA

4 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store, Total US; 52 weeks W/E 08/06/22 vs 3YA

5 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; PI Organic Positioning Stated; Total US; 52 weeks W/E 08/06/22 vs YA and 3YA

6 Categories chosen had strongest growth and were above 100 Fair Share | Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; PI Organic Positioning Stated; Total US; 52 weeks W/E 08/06/22 vs YA

7 FMI/NIQ Transparency in an Evolving Omnichannel World Report 2022, NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Food & Beverage; Total US xAOC; 52 weeks W/E 08/06/22 vs 3YA and YA

8 FMI/NIQ Transparency in an Evolving Omnichannel World Report 2022

9 FMI/NIQ The Power of Plant-Based Foods and Beverages, 2022

10 NielsenIQ's Digital Depth Analysis: The e-commerce experience audit; May 2022; NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Food & Beverage; Total US xAOC; L52 weeks W/E 05/21/22

11 Source: NielsenIQ Global Health & Wellness Study of 17 markets, September 2021

12 Source: NielsenIQ 2022 Consumer Outlook Survey, June 2022 – US

13 Source: NielsenIQ 2022 Consumer Outlook Survey, June 2022 – U.S.

14 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US; 52 weeks W/E 7/30/22; U.S. Bureau of Labor Statistics

15 Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US; 52 weeks W/E 7/30/22; U.S. Bureau of Labor Statistics

Who is NielsenIQ?

NielsenIQ is the leader in providing the most complete, unbiased view of consumer behavior, globally. Powered by a groundbreaking consumer data platform and fueled by rich analytic capabilities, NielsenIQ enables bold, confident decision-making for the world's leading consumer goods companies and retailers.

Using comprehensive data sets and measuring all transactions equally, NielsenIQ gives clients a forward-looking view into consumer behavior in order to optimize performance across all retail platforms. Our open philosophy on data integration enables the most influential consumer data sets on the planet. NielsenIQ delivers the complete truth.

NielsenIQ, an Advent International portfolio company, has operations in nearly 100 markets, covering more than 90% of the world's population. For more information, visit **nielseniq.com**.