

Market Outlook [December 2009]

“Ethical” Positioning Helps Consumers Spend in Good Conscience

Sustainable, earth-friendly, eco-friendly, fair trade, humane, local, organic. What do these terms have in common? They’re combining into what this column predicts will be the most important product development, retail, and marketing shift of our lifetime, one that can be summed up under one all-encompassing term: Ethical. Just how big is this market so far? Huge, according to Packaged Facts’ October 2009 report, *Ethical Food and Beverage, Personal Care and Household Products in the U.S., 2nd Edition; Conscientious Consumerism and Corporate Responsibility in the New Economy*. In 2008 as in 2007, over 2,100 new products making ethical claims appeared, and that’s just in the U.S., with approximately 3,500 appearing around the world. During 2009, retail sales of products making ethical claims will rise to nearly \$38 billion, reflecting a compound annual growth rate (CAGR) of 14.0 percent since 2005, with food advancing at a slightly faster pace (14.3 percent) than non-food products (13.2 percent).

Already, the ethical trend is transforming product categories from fresh produce (local) and eggs (cage-free) to household cleaners (eco-friendly) and light bulbs (compact fluorescent and LED), and the pet market is no exception. Organic pet food is among the highest growth market segments, and products boasting reduced or recyclable packaging are infiltrating the market. What’s more, manufacturers are heeding the ethical call from the ground up, literally, and we’re not just talking Seattle-based upstarts. In September 2009, Mars Petcare opened what the company has hailed as the first sustainable pet food plant in the world, a 305,000-square-foot manufacturing facility that has received LEED (Leadership in Energy & Environmental Design) Gold certification from the United States Green Building Council. Other big guns getting with the ethical program include Rolf C. Hagen, which in 2008 opened its LEED-certified global headquarters in Canada, with Nestlé Purina taking steps including solar panels to make its plants more energy efficient.

How does this type of activity help to sell product? By giving consumers one more reason to do business with one company versus another, and one way more way to feel good about stepping up to the premium-priced product plate even during a down economy.