

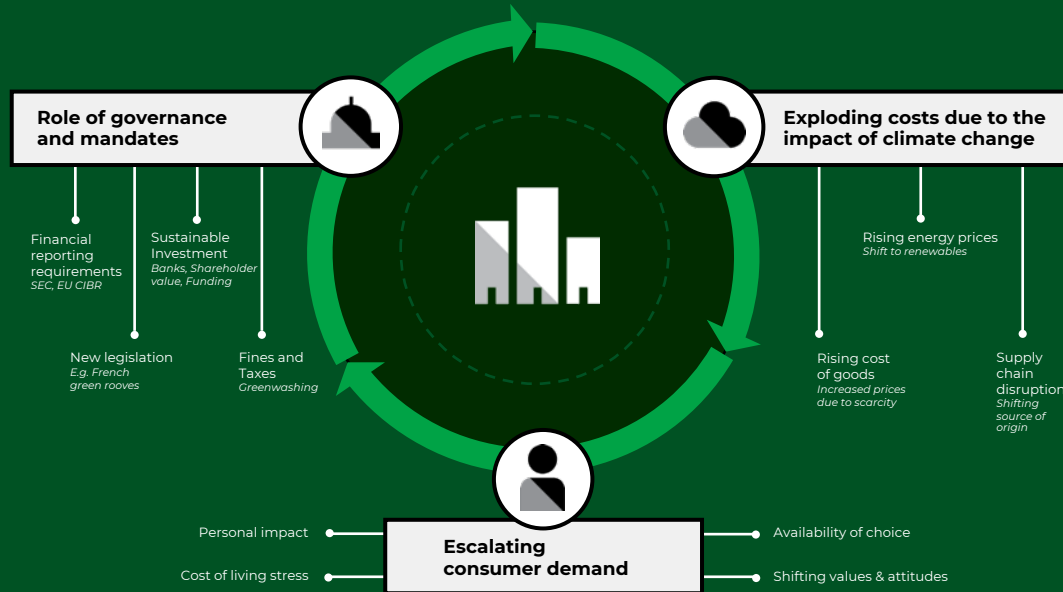
Brand Playbook

# The changing climate of Sustainability

How brands must adapt to the  
accelerating forces of change  
shaping CPG's green revolution



# Prevailing forces of change are forcing brands to adapt today



To succeed, brands will need to balance and react to these drivers with authentic action in an environment of unparalleled scrutiny.

Positive consumer sentiment toward sustainability has been growing for more than a decade, but the impact of purchasing preferences has yet to inspire a green revolution within the retail industry.

Two rapidly emerging drivers of change - governance and cost, are about to change all that.

These drivers will force BRANDS to transform and commit to real sustainable business models within the next five years if they want to mitigate short- and long-term risk.

Extreme weather events and the impact of the changing climate have created a business ecosystem where existing business models will be challenged. Stricter governance and mandates will propel the shift to more sustainable business models more quickly and purposefully than growing consumer sentiment has been able to.

# 10 steps for brands to accelerate their path to sustainable change

In 2023, consumers will be holding brands responsible for progressing the world's state of sustainability. 46% of consumers are looking to brands to take the lead on creating sustainable change. Follow this playbook to lead the charge:

**1** Get ahead of the curve. Closely monitor regulatory mandates.

**2** Understand your supply chain intimately.

**3** Be proactive in mitigating risk.

**4** Understand where your business truly is on its sustainable journey.

**5** Remove the barriers to sustainable choice.

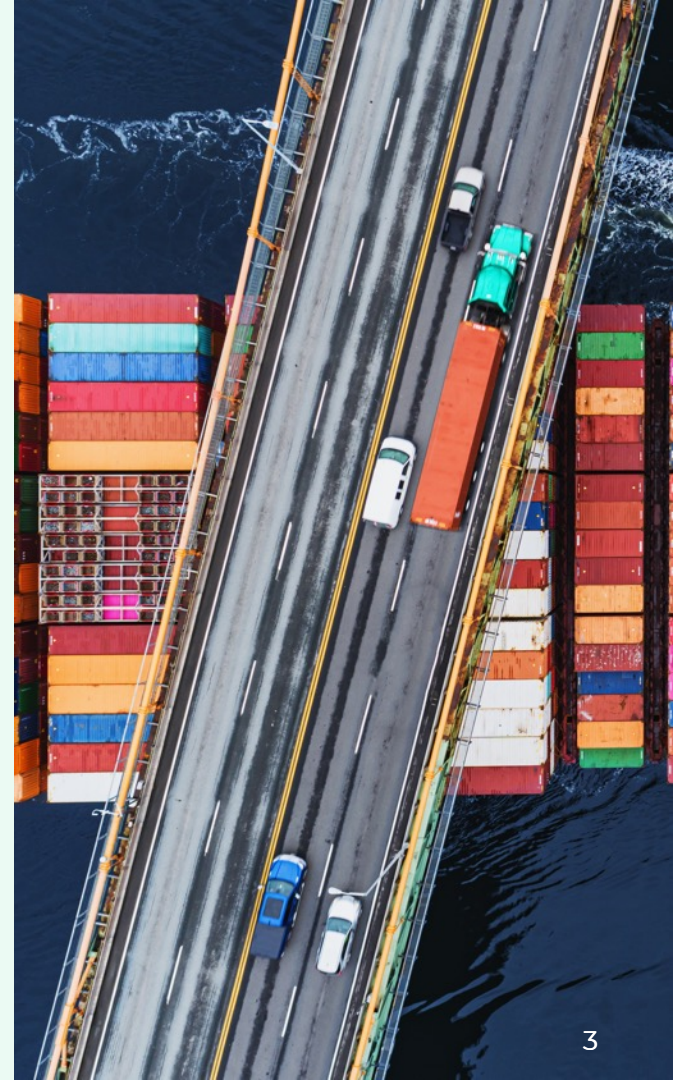
**6** Price premiums no more.

**7** If you can't prove it – don't claim it.

**8** Invest in reputable third-party accreditation.

**9** Embrace collective collaboration.

**10** Start NOW. Don't delay thinking it will get easier, cheaper, and won't be necessary.



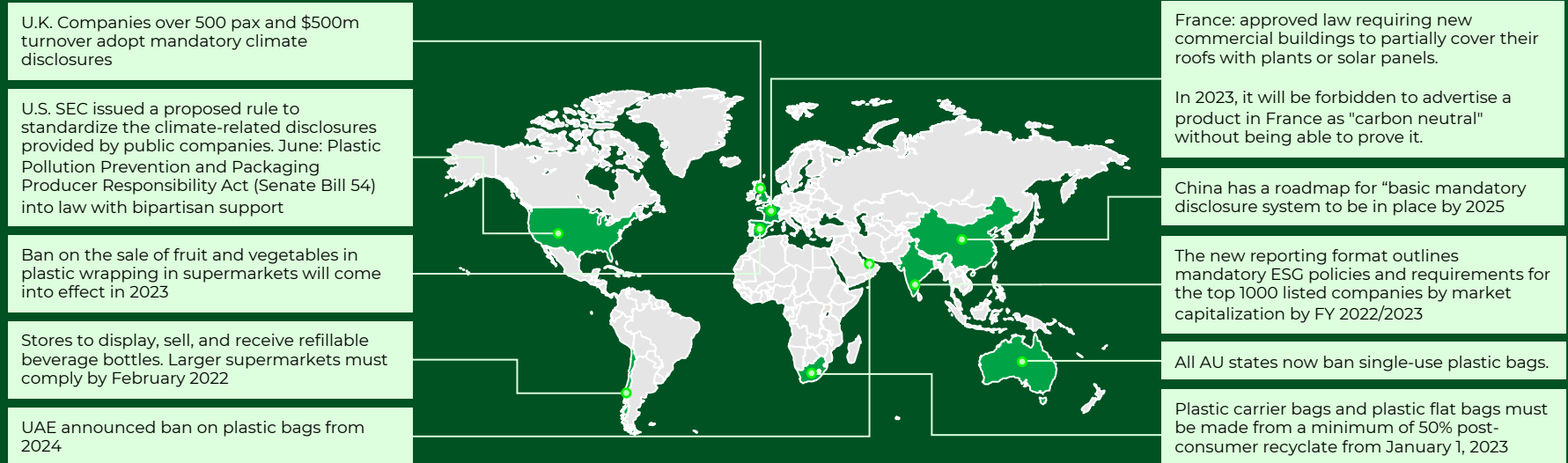
## 1. Get ahead of the curve

**74% of consumers agree governments should increase regulations to enforce business to move more quickly to sustainable practices to meet climate targets.**

**Closely monitor regulatory mandates** as they evolve around the world. Not only will they dictate where you play in 2023, but they will signal what is to come in other markets.

High risk exists with products reliant on overseas markets where strict regulatory measures are in place - e.g: Europe.

Be forewarned, products that cannot verify sustainability credentials or worse, are exposed as unsustainable, are at risk of losing partnerships such as retail cooperation and potential foreign trading partners.





## 2. Understand your supply chain intimately

**78% of consumers agree that companies should be mandated to show full transparency of their supply chain so shoppers can make informed choices.**

Invest in transparency from farm to fork.

Not only will transparency be required for regulatory reporting requirements but also consumers will want to understand all components of your brand's sustainable journey.

The biggest technological challenge for organizations working to embed sustainability into their operations will be a lack of quality data. Technology via sensors, independent records and ledgers along with industry collaboration will be important enablers to provide visibility and transparency.

### 3. Be proactive in mitigating risk

**69% of consumers state sustainability is more important to them than it was 2 years ago.**

Understand the components of your business model that are at higher risk of climate vulnerability.

The way products have historically been sourced, produced, and sold cannot be relied upon when natural disasters become more frequent. Proactive brands are planning ahead to mitigate climate risk by looking at alternative agricultural practices; renewable energy; lab-grown alternatives; new supply routes and sources of origin to remove risk from their existing business models.

Companies that are unable to insulate themselves from the associated risks will have to combat higher cost of goods, insurance costs, potential retailer delisting and trade restrictions if they are unable to meet growing calls for a more sustainable offering. This has the potential to impact accessibility, supply, and consumer backlash when viewed as unreliable.

Plan, look for alternatives and be ready invest. Some actions will be more viable in the short term while others will take longer to deploy.



#### Sourcing

- Local vs alt. country of origin
- Alternative ingredients
- Regenerative agriculture
- "Smart" farming practices
- Vertical farms



#### Production

- Renewable energy
- Location of production dependent on origin challenges (eg water or electricity scarcity)
- Automation
- Lab grown ingredients
- Sustainable packaging



#### Distribution

- Electric vehicles
- Automation, robotics, warehousing
- Robotics/ drone delivery
- Sustainable logistics from source to store



#### Retail

- Simplified assortment offering
- Delivery alternatives
- Less plastic /waste
- Refillable alternatives
- Transparent retail negotiations
- Clear and easy access via location/labelling/ POS



#### Consumer

- Affordability
- Transparency of origin and sourcing
- Increased sustainable options
- Label simplicity
- Comparable quality

## 4. Understand where your brand truly is on its' sustainable journey

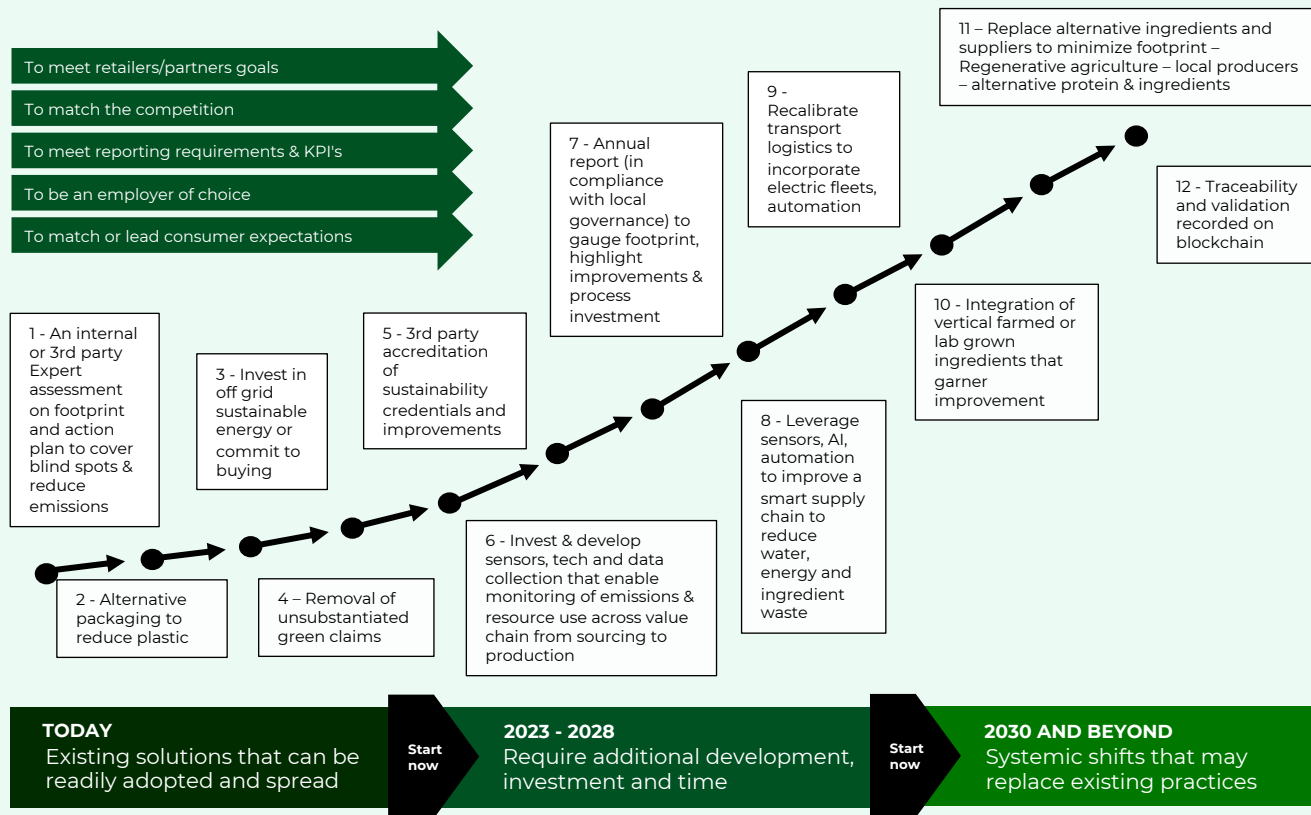
**76% of consumers believe it is important that companies take initiative to reduce their environmental footprint?**

It's not a matter of **if** your brand needs to become sustainable but **when** regulations will be enforced on you to make sustainability mandatory.

Start with the easy wins that you can implement or put in place today such as actions towards reduced food waste, reduce plastic, switching to renewable energy.

What immediate actions can be taking in the short-term vs what are the initiatives that need longer term planning and additional investment.

Be they short or longer-term plans – brands need to plan for the full view on how their sustainability journey will play out and action must start today!



## 5. Remove the barriers to sustainable choices

**Affordability is the biggest barriers to consumers living more sustainably. 41% of consumers state sustainable options are too expensive**

Affordability, availability, accountability

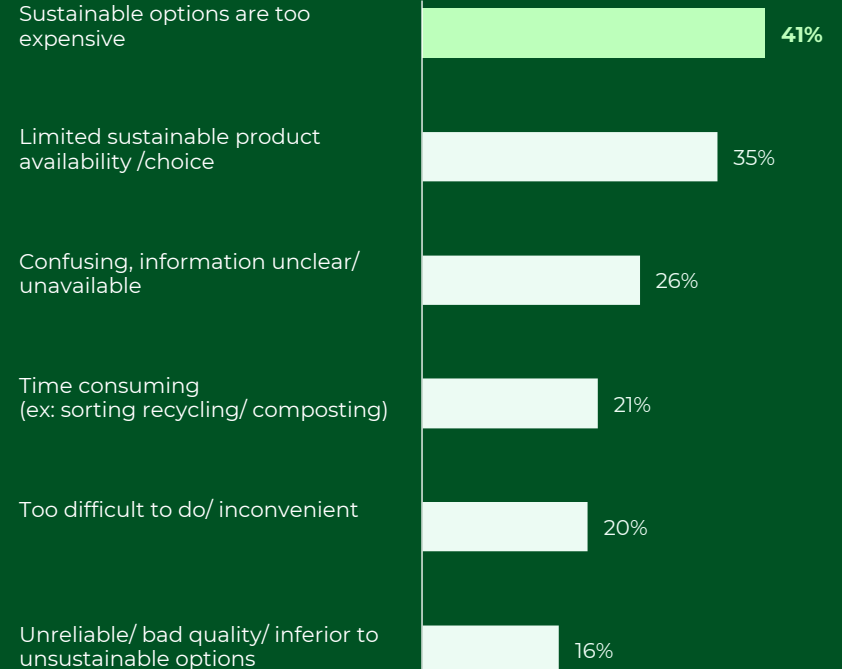
Consumers want to live sustainable lives, but brands need to make it easier for them.

Make it affordable. With inflationary pressures surrounding consumers at every turn – make it easy for them to be sustainable by offering a viable alternative to existing purchasing – meaning sustainable options must deliver on price and quality

Make sustainable options accessible. Don't restrict options so consumers feel they are sacrificing when making a sustainable choice. Provide a range of choice in assortment offerings – beyond one flavor/fragrance

Make it easy for them to see they are making the RIGHT choice. Ensure labeling and communication is clear, with concise information for consumers to make informed choices that resonate with their values.

## Barriers to sustainable lifestyles





## 6. Price premiums no more

**46% of consumers state that if sustainable brands are comparably priced with other products, it would help them be more sustainable (Ranked top 3).**

Today, most consumers are prepared to pay a price premium for sustainable products. But, it will continue to be more difficult to justify as consumer expectations shift to a new baseline and regulatory mandates dictate transparency – creating a new playing field.

Sustainability will no longer be a “luxury” or differentiated offer in the near future. Pricing will need to adapt as it becomes the norm all products must adhere to.

While sustainable practices may cause margin squeezes in the short term, as old business practices bear the brunt of climate change pressures (eg shortages; delays; litigation) sustainable methods will become the more cost-effective norm in the mid to longer term.

### % who choose sustainable options even at a higher price



■ Very unlikely ■ Quite unlikely ■ No opinion ■ Likely ■ Very likely





## 7. If you can't prove it – don't claim it

**77% of consumers are likely to stop buying if brands found guilty of greenwashing.**

Steer clear of vague, unsubstantiated claims.

The onus will shift to companies to prove sustainability status rather than regulatory bodies to monitor compliance.

Brands are entering a new era of regulatory oversight and consumer skepticism where those claims will be scrutinized and challenged, and if brands are not transparent, or found to have overclaimed sustainability credentials—there will be negative consequences.

Consumer backlash, fines; risk of losing partnerships such as retail cooperation, and potential foreign trading restrictions are very real consequences if sustainability claims can not be authenticated.

## 8. Invest in reputable third-party accreditation

**75% of consumers want governments to mandate that companies must comply with third-party certification of sustainability standards.**

27% of consumers completely trust third-party accredited sources (just behind scientists and farmers).

Third-party accreditation provides reassurance and builds consumer trust knowing there has been rigor and accountability behind accreditation status. It also gives retailers a credible source to differentiate brands on-shelf to fit with their own sustainability agendas.

While some certifications are local, others are international – but importantly accreditation providers must be independent; impartial; transparent and validated.

In the US, products containing certifications like B-Corp or Forest Stewardship are some of the fastest-growing sustainability claims over the last 3 years.



## 9. Embrace collective collaboration

**46% of consumers hold brands most responsible for making progress on sustainability.**

You don't have to go it alone. Big things happen when we work together. Sign up to sustainable foundations and industry groups to move the needle faster. Reach out to sustainability innovators. Learn from the mistakes of others.

There are numerous examples around the world where multinationals, local companies and industry groups are joining forces with governments and Not for Profit organizations to combine efforts to solve environmental challenges.



### Spotlight: World Wildlife Fund

In November 2021, WRAP\*, the WWF and the UK's five leading supermarkets\*\* announced the WWF Basket initiative. Its ambition to halve the environmental impact of UK shopping baskets by 2030.

As leading retailers working with WRAP and WWF, they have developed a consistent set of outcomes that brands should be aiming for and materials to support them to achieve these. This will incorporate but not be limited to:

- Setting science-based targets;
  - Key GHG reduction interventions that should be targeted in hotspot product supply chains;
  - Aligned protocols for requesting and processing supplier GHG data.
- WRAP is a climate action NGO working around the globe to tackle the causes of the climate crisis and give the planet a sustainable future. We were established in the UK in 2000; we now work in 40+ countries
- \*\* Co-op, M&S, Sainsbury's, Tesco, and Waitrose making up 50% of the UK grocery market.

## 10. Start now

### 46% of consumers hold brands most responsible for making progress on sustainability.

In 2023, consumers will be holding brands responsible for progressing the world's state of sustainability.

Some companies in 2023 will see themselves scrambling to drive progress in their organizations as the regulatory and financial implications become evident. Those who are left scrambling will find themselves behind the curve.

The rate of progress toward sustainability will be dependent on several barriers and enablers. Tracking and staying informed of factors like "technology advances" or "sustainable investment" will give a clearer sense of advancement towards our goals whereas examples of "inconsistency in standards" may lead to a slowdown in progress.

It is critical for brands to start that journey today and tune into the change happening, creating a roadmap to coordinate investment and a full view of the action required for sustainable change.

#### Today

- Existing solutions that can be readily adopted and spread.
- Reduced food waste.
- Reduce plastic.
- Transition to renewable energy.

#### 2023 – 2028

- Require additional development.
- Investment and time.
- Invest in sensors and technology to measure sustainability targets throughout the supply chain.

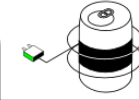
#### 2030 & beyond

- Systemic shifts that may replace existing practices.
- Innovate and transition to new business models built on a foundation of sustainable principles.

# Leader or Laggard - Don't be left behind

Brands leading the sustainable journey are...

Collaborating with farmers/producers to ensure raw ingredients are sustainably sourced/regenerative agriculture - **Read**



Using renewable energy to manufacture products - **Read**

Driving cleaner logistics, optimizing routes, switching to low emission fuels, electric vehicles and more sustainable transport options - Drones, electric delivery - **Read**



Using voice to galvanize action on climate issues with farmers, industry, NGOs and communities - **Read**

Sustainable packaging and innovation to keep waste out of landfill - **Read**

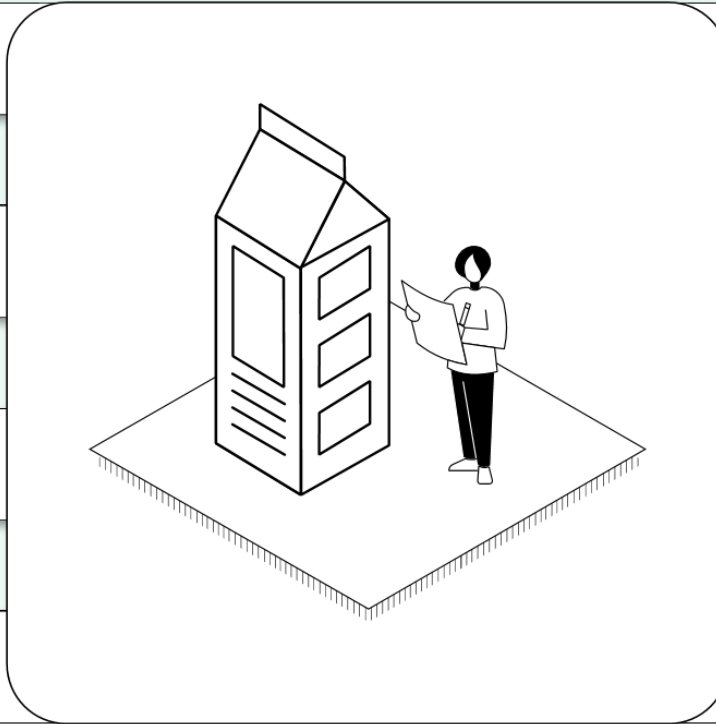


Creating new, low-carbon products and reformulating existing ones using ingredients and processes - **Read**

Reducing food waste / embrace imperfect - **Read**



Shifting focus from animal to plant-based meal options - **Read**



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## About NielsenIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NielsenIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to these ideals and passionate about helping clients achieve success. For more information, visit: [niq.com](https://niq.com)