

KANTAR

**S U S T A I N A B L E
T R A N S F O R M A T I O N**



Are brands failing their customers on sustainability?

Key actions for brands that want
to scale sustainable engagement

A moment for transformational change

Environmental challenges are the defining issues of our age and all around the world, it's becoming personal. 86% of respondents in our latest global survey agree, 'there is a need for urgent action to address climate change'. 71% agree with the statement that: 'People like me need to do whatever we can to fight climate change.'

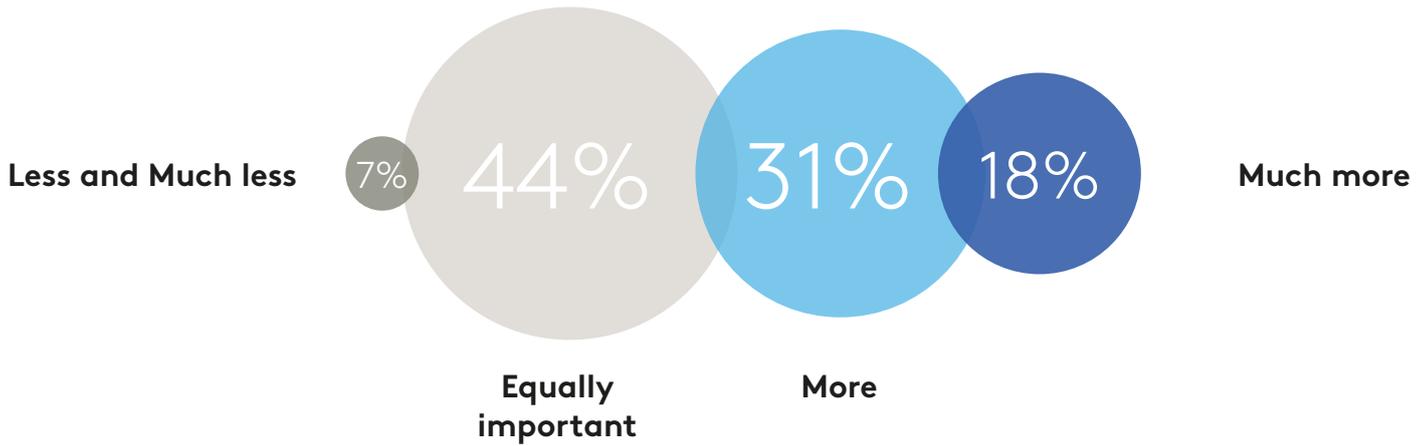
This issue has broken through at scale. Even with many competing things to worry about, the number of people citing climate and environment as one of their three most important concerns rose by 50% across the middle months of 2022, following a host of climate-related emergencies such as the floods in Pakistan, crop failures in India, wildfires in Greece and 40.3°C temperatures in once-temperate England.

Major social challenges sit alongside the environmental ones and are amplified by them, just as various forms of social injustice and inequity were laid bare by the Covid pandemic. We can expect this process to continue to ratchet upwards as one 'unprecedented' event follows another.

The world is on alert; the United Nations has declared 'code red for humanity' but there is still not enough action.

Constant disruption does not erase sustainability concerns; it brings them into sharper relief.

Due to the coronavirus pandemic, sustainability aspects have become more/less important to me.



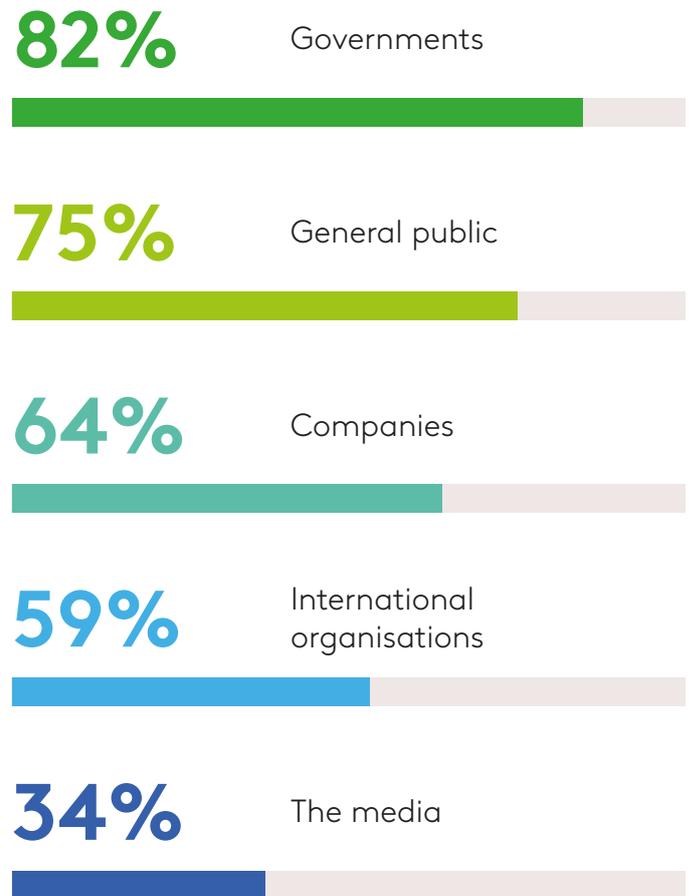
Why business and brands are so implicated

People recognise their own responsibility for solving environmental issues but do not accept that the responsibility is theirs alone.

The much-quoted value-action or intention-action gap seems to lay responsibility at the feet of the general public. But people cannot act without the means to do so – the knowledge, the options and the infrastructure.

So, unsurprisingly, people reject this message. They see that everyone has a role, business included and the brands through which so much business goes to market. In fact, among prominent issues of concern, climate and environment is the one where business is seen to have the greatest responsibility to solve the problem.

Responsibility to solve - climate and environmental issues (%)



Source: Global Issues Barometer 2022



Only 14% of people think that business is ambitious enough and **38% believe that most businesses are making the climate crisis worse.**

As we can see, climate and environment are absolutely imperative but on social issues too, there is an expectation of brands and they have significant permission to take part. 53% of our global audience agreed that 'brands have an important part to play in the social conversation about issues like gender equality and race or immigrant relations.'

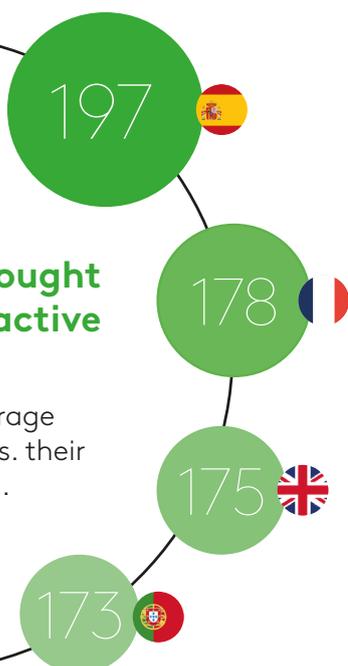
So what can brand owners do?

1 Examine your pricing assumptions

Kantar examined the products most often bought by sustainably minded consumers in four major European markets. We saw that they retail at a significant premium to category averages.

Brands bought by most active shoppers

have an average price index vs. their category of...



Sustainability has been positioned as a premium proposition. People can see this.

68%

of people tell us that products that are better for the environment and society are more expensive

Many are unable or unwilling to pay this kind of premium, especially now when the cost of living is on everyone's lips. People's desire to buy sustainable is frustrated. Seventy per cent agreed that: 'Although I can't afford to buy products that are better for the environment and society, that doesn't mean that I am less concerned about these issues.'

If business and brands do not enable people to make more sustainable choices, we will not close the value-action gap. The strongly expressed desires of people everywhere will be frustrated and some will turn away from the brands and categories that fail them. Brands and their owners in turn will fail to realise a massive opportunity with a mass market audience. Everybody loses.

Source: WhoCaresWhoDoes 2022. Europanel/Kantar/GfK

2 Think differently about how you price your offer

Let us be clear.

There will always be premium offers that customers want to pay for. The luxury sector, for example, offers many examples of leading sustainability behaviours. But if this is the only model of sustainable business, if everything sustainable is priced as a kind of luxury, it will never become a mass market. As we have seen, there is now a mass audience for these products and messages.

Brand value is delivered through demand, reflected in volume and penetration and through premium reflected in the ability to command a higher price. So far, sustainable offers have focused on the latter but, as we have shown, there is appetite well beyond that and some excellent examples in practice. Broadening the user group is the other route to brand value and invites many more people in.

Portfolio owners have a built-in advantage. They can serve different segments, different needs and different price points. They can share underlying investments, knowledge and resources, and benefit from production volumes while their brands distinguish one offer from another and give their owners reach across a wider swathe of the market.

Greater access is a decision for any brand owner. In 2022 the Co-op in the UK decided not to price its plant-based range at a premium to meat and dairy. This decision was within its power and was entirely consistent with its long-established position as an ethical retailer and organisation.

In New Zealand, mass-market retailer The Warehouse has made serious sustainability commitments and is taking its customers with it as it sets out to meet those commitments, making the sustainability agenda visible while maintaining affordable pricing and challenging perceptions that sustainability must come at a premium. Customers are responding well in sales and sentiment.

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3 Think differently about cost

Several studies have demonstrated that many people will pay a bit more for sustainable goods – but 10%, 20% more, not the 75% which seems to be common, let alone the 200% that is found in some sectors.

Nor is this necessary. In 2021 a World Economic Forum study conducted with BCG found that decarbonising supply chains, though hard and complex, was not as expensive as often assumed, adding 1-4% to the consumer end price for the six sectors examined.

Those familiar with innovation curves and cost models will know that costs fall predictably but also quite dramatically as volumes increase. And that moving at speed is more economic than moving slowly.



These are not simple things to do, but this suggests there is more than one way of looking at issues of cost and brand owners should examine their assumptions carefully. Some of the conventional models we use are perhaps not serving us well any more, because they are limiting and slowing the growth of a market that we know must one day be the norm. Initial costs may indeed be higher but will reduce with time, knowledge and experience. Meantime we feel trapped in cost models that are not serving businesses or customers well in these permanently disrupted times.

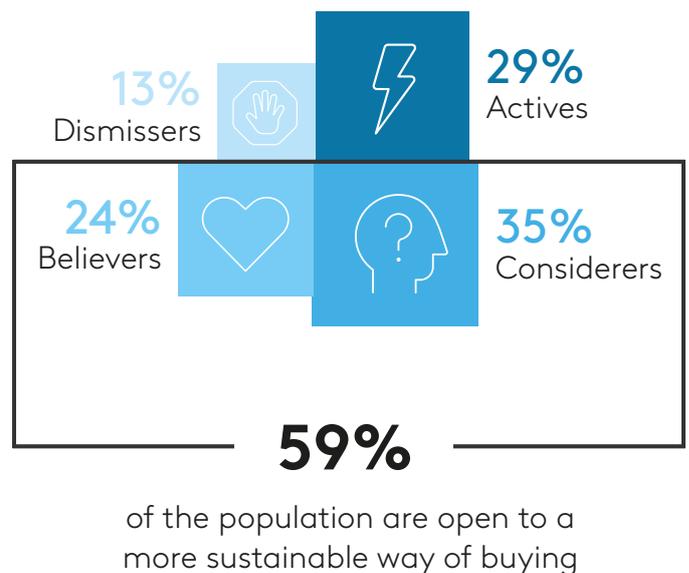
4 Broaden your appeal in two ways

Expand your audience.

For obvious reasons, early movers targeted the audience most interested in sustainability, the greenest segment of all and the most likely to pay for sustainable attributes. (It helps that this segment is more affluent than average).

Our most recent measure of this group shows it standing at 29% of the population. But interest has gone well beyond that segment, even if access and behaviour have yet to follow.

59% of people fall into the categories of Considerers and Believers. These are people open to sustainability with slightly different drivers and mechanisms – one is more likely to act on sustainability but lacks conviction that it really makes a difference; the other believes it makes a difference but is more likely to act if other people are also doing it. This tells us that evidence of impact and social norming are important. It also suggests that communicating genuine sustainable features as well as providing more accessible price points is important.



Source: Sustainability Sector Index 2022.

Align your benefits

Almost no one is primarily driven by sustainability. Even if they are highly sustainable in their way of life, they are buying your product because they have a category need. Then they require that need to be met in the most sustainable way possible. Many category needs are well aligned with sustainability needs – think about health, quality, provenance, effectiveness, proximity to nature, taste, free from; these properties can reinforce each other, making the product and brand more attractive.

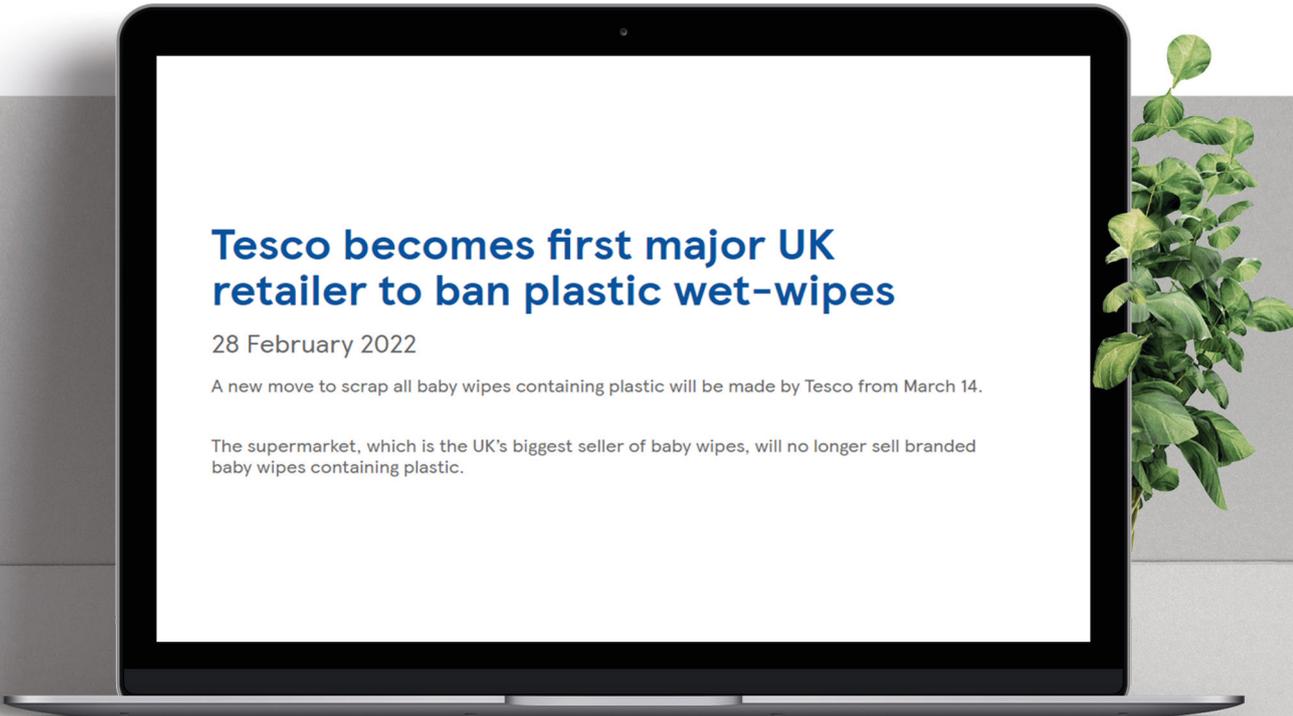


5 Innovate with sustainability as standard

Things are moving fast, and they need to.

Increasing regulation sets the scene for further change – think of France banning short-haul flights, the many specific moves against single use plastics taking place and new packaging regulations. But the pressure on brands comes from many quarters.

Moving on from their own ranges, retailers are exerting increasing pressure on suppliers to remove unsustainable elements from their brands or be delisted, changing entire categories in the process.



Tesco becomes first major UK retailer to ban plastic wet-wipes

28 February 2022

A new move to scrap all baby wipes containing plastic will be made by Tesco from March 14.

The supermarket, which is the UK's biggest seller of baby wipes, will no longer sell branded baby wipes containing plastic.

Sustainable innovation means designing with sustainable principles built in from the very outset, from the circularity of materials and resources to the behaviour changes that you need to encourage, as well as new business models and ways to go to market.

Our fuels and frictions model enables innovators to identify the problems that must be overcome and the opportunities that can make behaviour change easy, meaningful and rewarding and leads to success.



Source: Kantar Fuels & Frictions Framework

Algramo is an interesting example of a successful business that hits numerous sustainability requirements. Algramo started in 2013 to address the observed 'poverty tax' where poor people couldn't afford to benefit from economies of scale. Algramo - Spanish for 'by the gram' as its name suggests, sold the exact amount that people wanted, in refillable packaging, passing on the cost saving to the customer. In the pandemic, Algramo took its vans to customers and more recently has been partnering with large companies such as Unilever to expand its offer, going international and raising capital for expansion on the markets.



Conclusion

Many forms of value

Brands have many benefits and deliver value in many different ways. For their owners, strong brands drive demand, they support price, they attract talent, they make a business a desirable partner and they make it easier to raise money.

They do this by meeting needs, which creates value for the end user. Originally those needs were quite simple – reliable, repeatable quality and experience every time; at some point they moved on to emotional needs, social needs and identify needs. And now those needs embrace sustainability but they are not yet being met at the scale and depth that is required.



Sustainability enhances the properties of brands – it also creates demand, supports price, attracts talent, partners and funding. It delivers numerous other forms of value too, up and down the value chain and into the future.

The demand for more sustainable ways to live, and more sustainable products and services to buy is huge. So is the opportunity for brands which rise to meet it. The risk to brands that fail to do so is also high. It is time to make sustainable choices easy to find, afford and adopt. It is time to make the sustainable choice business as usual.



An aerial photograph of a river meandering through a dense, vibrant green forest. The river's path is highly irregular, with many sharp turns and loops, creating a complex, organic pattern. The water appears a deep blue-green color, contrasting with the surrounding foliage. The overall scene is one of natural beauty and tranquility.

How can Kantar help

We have a specialised Sustainable Transformation Practice to guide your brand through the shaping of strong ambitions and actions.

Our approach to sustainable brand-building stretches from strategic framing through innovation and comms activation to measurement programmes.

STRATEGIC FRAMING

Develop your 'Sword & Shield' strategy focusing on concerns that fit your category and brand purpose. Understand and prioritise different audiences, including under-represented populations. And define how your brand can deliver it in an authentic, unique and consistent way.

SUSTAINABLE INNOVATION

Put sustainability and underserved high-growth populations at the heart of your innovation development to anticipate disruptive change and develop a relevant portfolio that will enable behaviour change, closing the value-action gap.



MEASURING IMPACT

Ensure your brands' initiatives are making an impact and driving ROI. Benchmarking and brand value metrics provide a strategic feedback loop needed to drive progress across stakeholder audiences.

ENGAGING ACTIVATION

Create engaging communications and executions that will grab people's attention, resonate with people through the right 'human story', convey the right emotions and empower people to act.



Kantar's Sustainable Transformation Practice works at the intersection of consumers, brands and environmental & social sustainability. In 2022 we worked with over 400 brands to catalyse action across multiple sectors and across the world.

Get in touch

To know more about how we can help you in your sustainability journey contact us.

And visit www.kantar.com/sustainability



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