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company

How to Sustain Sustainability?

Why companies need to engage their
brands in the drive toward more
sustainable living

Future Perspectives

Brands and companies are waking up to a new inconvenient truth

Al Gore introduced us to the Inconvenient Truth half a decade ago, citing the impending challenges faced by the human race (and by most other species on the planet). Since then, there has been some progress.

Many companies and organizations have sought to create change. All bar the short-sighted now understand

“Broad levels of consumer concern and engagement with social and environmental issues remain the same as they were four years ago.”

their impacts better; most have made changes which reduce inputs and make more secure their sources of supply. McKinsey's global survey of companies conducted in July 2011 shows that 73% of companies have sustainability as a top agenda item. The question of sustainability is now inside the boardroom.

However, whatever we judge to be the main motivations to

date, this has largely benefited companies in terms of driving costs down and providing more robust evidence of their push toward better corporate citizenship.


But for mainstream companies, sustainability remains a disappointment: worthwhile thinking on products and services has not translated into increased sales. Change is so much easier for businesses if it comes from the marketplace and is represented by fundamental shifts in consumer values and needs. But broad levels of consumer concern and engagement with social and environmental issues remain the same as they were four years ago. If any movement is notable it is the downward shift in priority witnessed in the economies hit hardest by the global financial crises and their consumers' greater focus on value. Despite this surface-level finding, it would be a mistake to conclude that sustainability matters less

today. The subtleties beneath the surface present both opportunities and risks. There is no broad-brush solution which unlocks the potential for growth in the short term. But in the medium to long term, major changes in the wider business environment could rewrite the rules in some business sectors and categories—or even remove them from the landscape completely. Change is likely to come quickly and disruptively, and growth opportunities will emerge as sustainability becomes a more present issue in all our lives.

Positioning for these changes requires companies to act today to address areas that are likely to become consumer

“The inconvenient truth today is that brands need to lead. The big question is how, and when, to do it in such a way that you gain the rewards of leadership.”

concerns, to build brands that are more resilient to the changes ahead. For those



companies wishing to be in the vanguard there is a clear need to promote behavior change and establish new rules in the marketplace. Brands need to play a bigger role: they are the most powerful tools companies have. But there are risks here. On the one hand, not to use them disempowers a company's capability to create change. On the other, using them means taking a risk with prized assets. The inconvenient truth today is that brands need to lead. The big questions are how and when, to do it in such a way that you gain the rewards of leadership.

Linking the broader corporate intent with the plans and direction of its brands is one of the biggest challenges for many companies. Short-term commercial focus continues to dominate category and brand decisions. But good brand practice today is about building for the future as well as the present. To endure, brands need agility. Those that are building equities on more sus-

For definition:

Dictionaries provide more than 10 meanings for sustain, the main ones being to “maintain,” “support,” or “endure.” However, since the 1980s, sustainability has been used more in the sense of human sustainability on planet Earth. One of the most widely quoted definitions of sustainability and sustainable development is that of the Brundtland Commission of the United Nations on March 20, 1987: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

For humans, sustainability has environmental, economic and social dimensions. It is multifaceted and complex and often subject to varying definitions and interpretations by different organizations.

From a consumer perspective, social and environmental issues are understood by consumers to varying levels, but sustainability is poorly understood as a singular term. As such, for the sake of measurability, many of The Futures Company's tracking study questions focus on key dimensions rather than the broader definition itself.

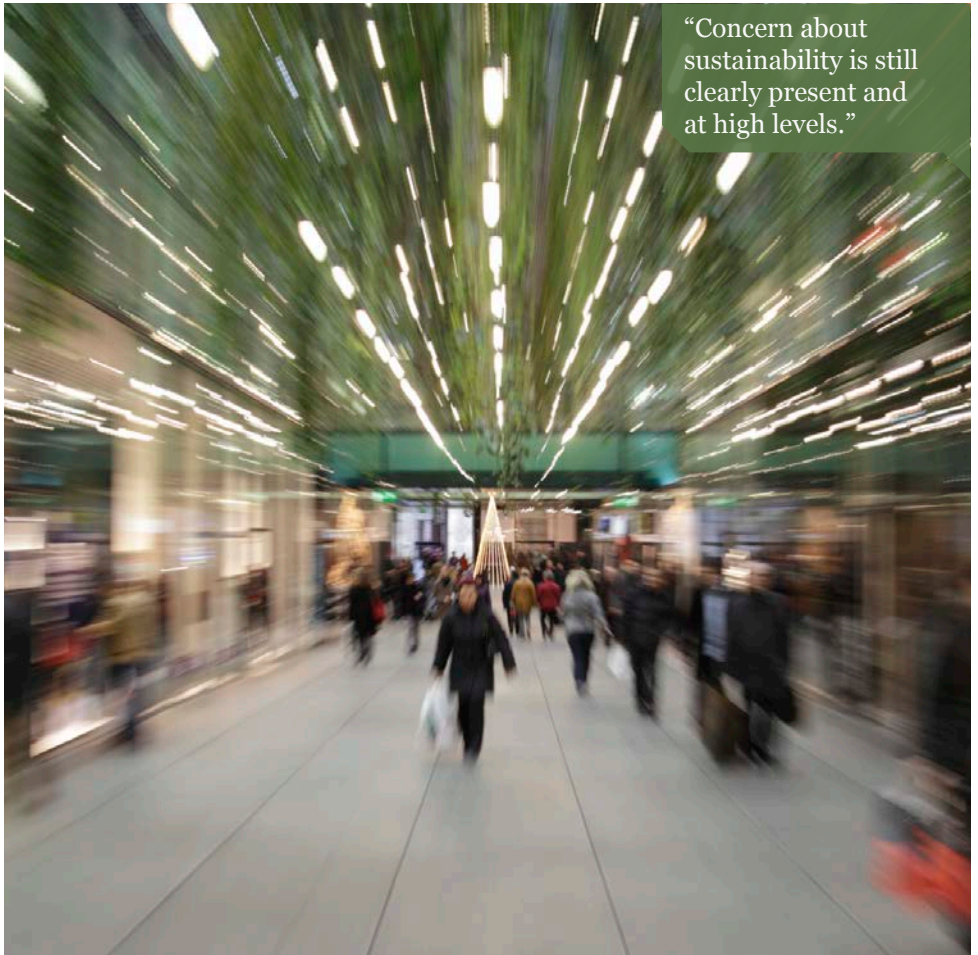
sustainable principles now may just be the ones that thrive and dominate in the future.

This report explores where consumers are today on the journey toward sustainable living, the disruptive forces

that will shape consumers' lives and how brands can build for a more sustainable future.

Understanding today's consumer landscape

“When we talk to people it is clear social issues and the environment are still on the agenda.”





In terms of the importance given to making the world a better place, Chart 1 shows the Global MONITOR 16-country average percentage for people agreeing that it is important in their personal life today to make the world a better place. Little change can be seen in the last three years, although agreement with this statement has grown in both Eastern Europe and in Latin America. The only region which has seen a notable decline is North America, where

the number of those who say making the world a better place is either extremely or very important has fallen from 66% in 2009 to 61% in 2011.

But given the scale of the economic turmoil in most of the developed economies of the world, these shifts in attitudes to sustainability can be seen as modest. In tough economic times, people are always likely to shift their focus towards more primary worries about feeding the family, keep-

ing them warm, and ensuring that they still have a roof over their heads.

Concern about sustainability is still clearly present and at high levels. How it translates into people's lives and what consumers mean by "priority" requires better understanding.



“We can make mistakes by misreading people’s stated concerns in relation to the environment.”



People are both citizens and consumers. But from day to day, most people are largely driven by their consumer side, placing greater emphasis on price, convenience, quality and so on, rather than on more public concerns.

But this duality can lead researchers to be misled. In research, people are more likely to respond favourably to questions which make them feel that they are good citizens. Products with good intentions can receive a glowing response in research groups only to fall foul of underlying consumer needs and the priorities that drive decisions at the point

of sale. Brands have been disappointed in the past by failing to understand how and where sustainability fits in the decision-making hierarchy in their category.

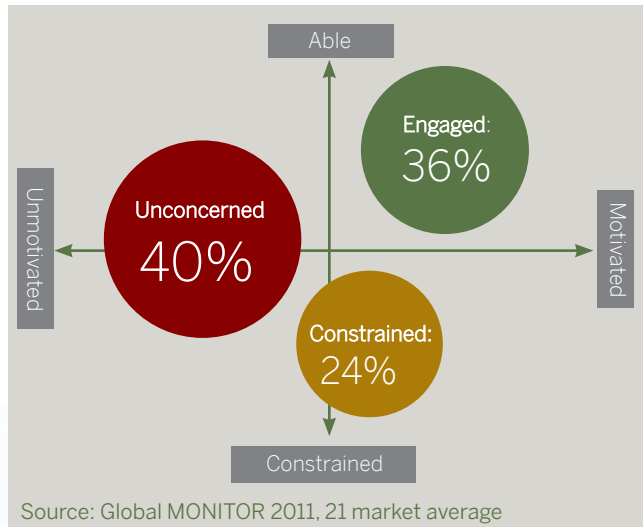
Equally, it is worth reflecting that the solutions that gain traction move beyond the idea of a trade-off between consumer and citizen, by playing equally well to both sides:

- > Cars that save fuel, reduce emissions, and are fun to drive.
- > Beauty creams that are naturally good both for our skin and for the planet.

- > Teas that are healthy and refresh our conscience as much as our bodies
- > Chocolate which tastes good and rewards cocoa farmers more fairly.

But these prerequisites still tend to be found—so far—only at the edge of mainstream markets.

“It is clear that the landscape of engagement is uneven and it is yet to become a dominant characteristic.”



Our environmental engagement segmentation was built using consumer attitudes and values toward the environment from our Global MONITOR survey. Questions around the extent to which consumers are prioritizing an environmentally friendly lifestyle and the motivations and barriers which have led them to this position create this segmentation solution.

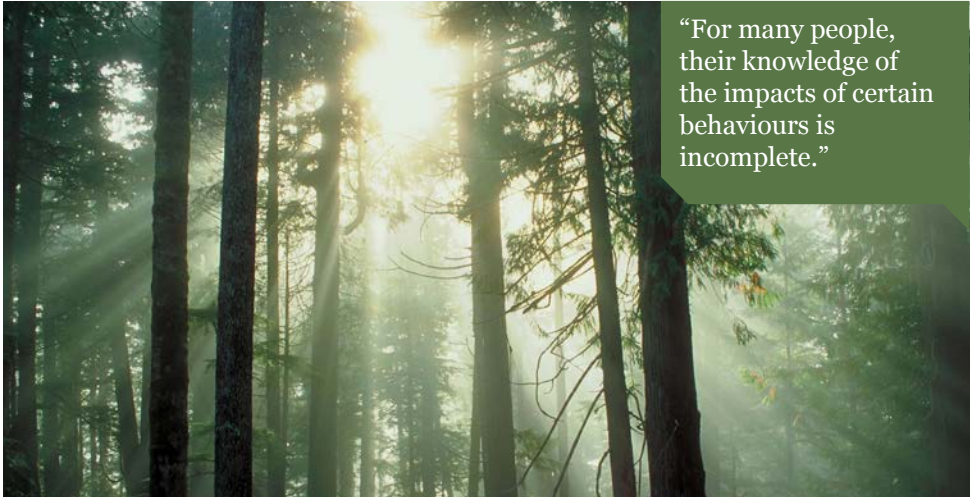
The horizontal axis explains the extent to which people **feel motivated** by environmental concerns and the vertical axis represents the extent to which they **feel able** to take action based on knowledge, choice in

the market, access to services (such as recycling) and perceived financial constraints. Based on this segmentation, we see three broad clusters of attitudes and behaviors (which can be further split into six segments for finer analysis and targeting). The proportions of these segments have hardly changed since we created it in 2008, perhaps indicating that the values that define the segments are more deeply rooted than we first expected.

At a high level, we can clearly see that interest in environmental issues does not span across mainstream target audiences. It is a

motivation to buy for some and a potential source of annoyance for others. Companies and brands need to tread carefully; whole hearted communication directed at everyone is unlikely to strike an equally appealing tone. However, the proportion of people with high levels of engagement highlights the potential for more sustainable solutions. Overcoming the constrained consumer's barriers can start to create more mainstream opportunities.

“We need to recognise that different levels of engagement exist across even the most engaged people’s lives.”



“For many people, their knowledge of the impacts of certain behaviours is incomplete.”

Even amongst the engaged, sustainability concerns are not a priority in all aspects of their lives. People have multiple priorities, from their health to their family to ensuring they have enough money to enjoy life. Rarely, even amongst the most engaged, do we see sustainable attitudes pervade every choice they make.

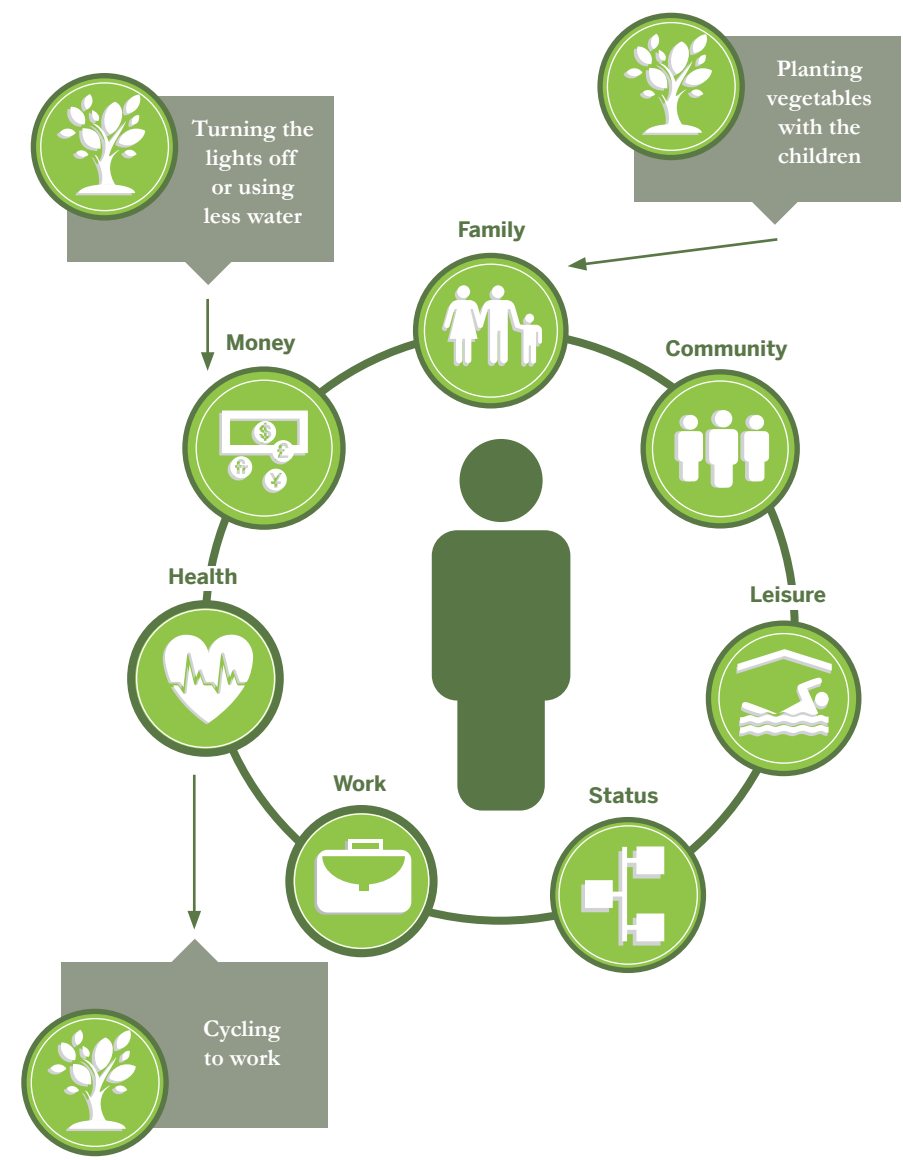
For many, sustainability behaviors intertwine with their core priorities to give them ‘stickiness,’ and in this way they become an ongoing

behavior. Turning the lights off, for instance, is as much about using less energy as it is about saving money; cycling to work can be as much about health as about reducing emissions, and so on.

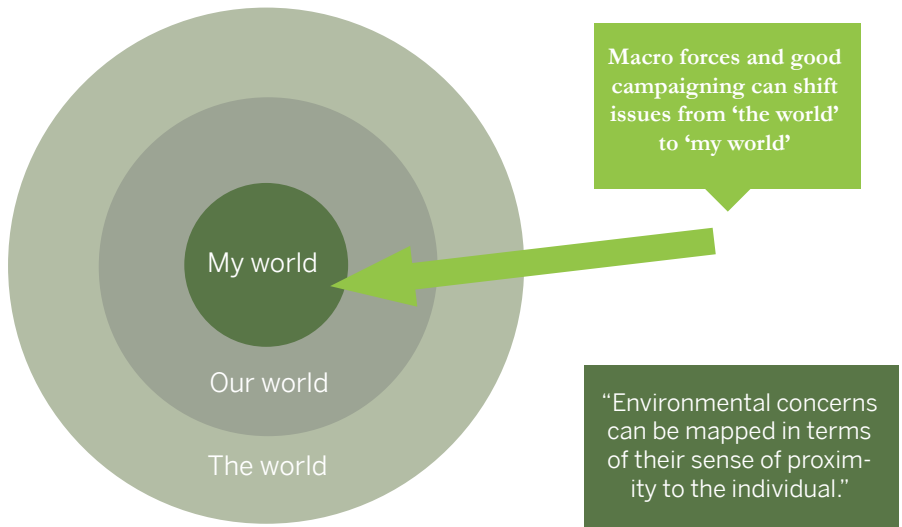
People also make trade-offs, justifying some consumption (often leisure activities) as compensation for better behavior in other parts of their lives. And, for many people, their knowledge of the impacts of certain behaviors is incomplete.

One key area where knowledge is patchy at best or lacking is product life cycles. The nature of impacts at each stage of the value chain is yet to become transparent. (Most companies have only just worked this out.) Therefore, the current “best” choice can mean very different things in different areas of people’s lives and, sometimes, can be out of kilter with actual environmental impacts.

Priorities in people's lives



“Priority is often a function of what is close to home. Issues with ‘My world’ relevance gain closer attention.”



Proximity is also a key factor that determines what is most relevant and pressing for people. Sustainability concerns can be mapped in terms of their sense of proximity to the individual:

- > **My world** issues are those that directly impact the individual or their family
- > **Our world** issues are those that affect the community in which we live or the prosperity of our region/nation
- > **The world** issues are more distant and affect the wider

world but cannot yet be seen in our lives.

Good campaigns can create a sense of ‘My world’ relevance; it is often the factors that directly impact the individual that receive attention and warrant response.

What represents a ‘My world’ issue will vary dramatically across different markets. In Mexico City, pollution, waste, and water availability are far more resonant issues than they are in Paris or New York.

How people judge ‘better’ or ‘worse’ will vary sharply according to local circumstances.

Key takeaways:

- > Environmental concern is shaping people's lives and not defining it.
- > There appears to be significant scope to leverage current levels of interest and a desire to be better citizens as well as better consumers.
- > There is much for people to learn about the impact on the planet of their lives and of the choices they make.

Positioning for the future (and today)

“Social and environmental factors are more secondary or tertiary factors driving consumer choice today. But if leveraged effectively, they can drive growth.”





Sustainability factors can be a powerful lever in the marketplace today; their potential role is influenced by the target audience and the nature of the category. It is rarely the primary driver of choice in any category or for most consumers. Brands which choose to position themselves only around sustainability are unlikely to gain widespread appeal (outside of the smallish minority who place citizen needs ahead of consumer needs).

Consequently, the role of sustainability within brand positioning is often about creating differentiation or underpinning the reason to believe in the primary benefits the brand offers. An example is skin care that preserves natural beauty by being made from organic or natural ingredients.

At a lower level, sustainability can act as a choice editor. Other things being equal between two brands, it becomes a means to influence choice.

Many social campaigns supported by brands have worked in this way and have been strong catalysts for growth.

What, how and when to use these credentials remain the critical challenges. Not to use them may open up opportunities for other brands to gain first-mover benefits, and to shape issues within the category. To help companies work out the right way forward we have developed a simple model.

Which factors strongly affect your decision to select one brand over another when buying?			
Rank from a list of 17	Health & Beauty	Household Products	Food & Beverages
It has little or no negative environmental impact	4 th	2 nd	8 th
It pays a fair price to its suppliers	10 th	8 th	6 th
It gives back to the local communities in which it is located	15 th	10 th	10 th
It works to solve social problems in my country	16 th	12 th	11 th
Rank from a list of 13	Vehicles	Consumer Electronics	
It has little or no negative environmental impact	4 th	3 rd	

Source: Global MONITOR 2011, 21 market average

A model to help you consider the role of sustainability in your categories



> The positioning of categories is determined by two factors: how big an impact the category is perceived to have and how much **sustainability issues** matter in terms of product choice. When combined, these create four quadrants.

> **Feel good:** Categories where the impacts are perceived to be low. Sustainability initiatives are not expected but can create a more positive feeling around choice. These are categories where issues are yet to surface or have low impact.

> **Better choices:** Categories where the impacts are perceived to be high but there is a lack of alternative choice. Products and brands need to show they are responding to the issues, so those that are seen to be better can do well here.

> **Differentiated choices:** Categories where the impacts are perceived to be low but sustainability initiatives can reinforce the core positioning of a brand, i.e., offer a higher perceived benefit to the consumer.

> **Critical to choice:** Categories where the impacts are perceived to be high and addressing sustainability issues created through production or use is essential to choice or participation in the category.

Categories map to these quadrants today, but they can and do shift between quadrants over time, through the strength of emerging sustainability issues or through the actions of brands.

High

The priority given to social and environmental issues as factors determining choice

Low

Different Choices

Impacts are perceived to be low and environmental initiatives can reinforce the core positioning.



Low impact production



Sustainably sourced

Critical to Choice

Impacts are perceived to be high and essential to choice or participation in the category.



Free from



Feel Good

Categories where the impacts are perceived to be low.



For a good cause



Incentivized ways to save water

Better Choices

Impacts are perceived to be high but there is a lack of alternative choice.



Recycled and solar powered



Fair wages

Low

Perceived level of negative social and environmental impact

High

How emerging issues can redefine the rules of the category



The positioning of a category can change.

Many issues to do with sourcing and production remain poorly understood by consumers. Hence, the propensity for issues to emerge can be high.

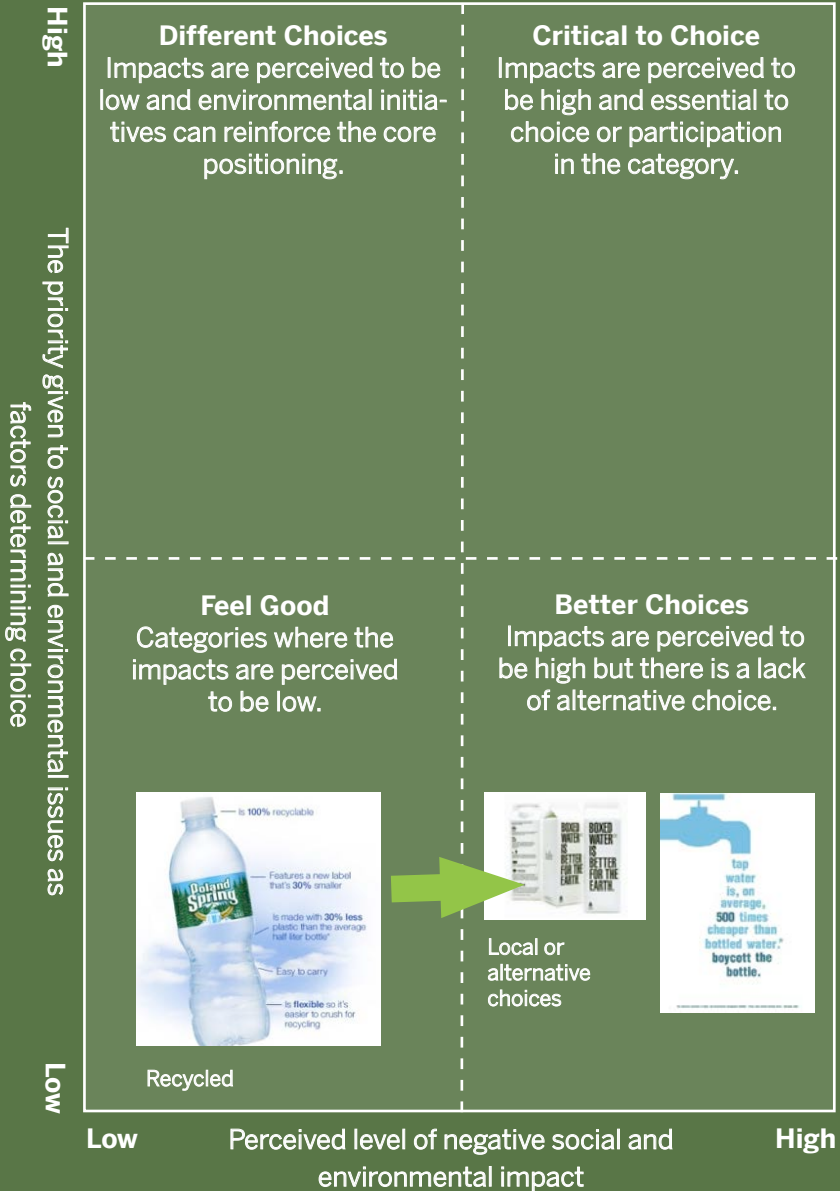
Bottled water is a good example of a category where underlying issues had been hidden from consumers' attention. Historically, positive actions within the category tended to focus on feelgood factors such as recycled bottles, or actions that raise money for good causes such as clean water in poorer communities

in the developing world. The landscape for the category has been fundamentally changed through the rising concern over the environmental impact of shipping water (especially where adequate drinking water exists). Alternative solutions have emerged as a result, including doing without, or using refillable bottles. Where demand has remained for bottled water, consumers have also preferred locally produced water.

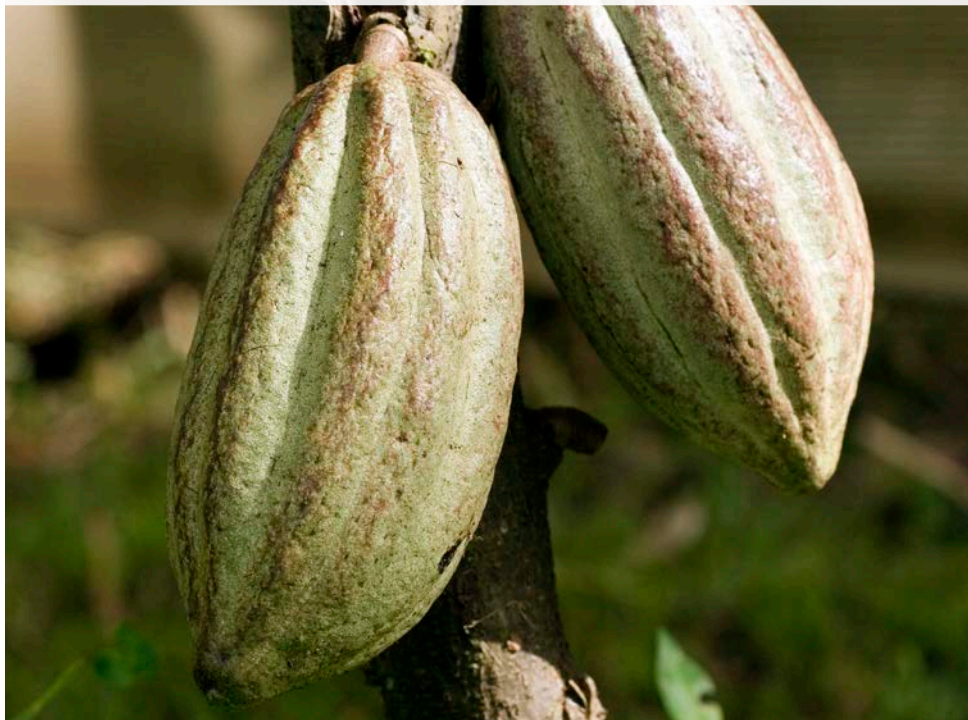
The category has suffered, and it is hard to think that these impacts were avoidable. However, for other categories

with hidden issues they can sometimes be mitigated. Brands need to understand what these issues are and address them to avoid potential disadvantages in the marketplaces of the future.

Where brands set standards in the category, they should consider the potential to leverage these equities to create differentiated choices and disrupt the marketplace.



How brands can reshape the category rules



> Leading brands can rewrite the category rules if the sustainability actions help reinforce the products' primary reasons for being chosen.

Chocolate is a good example. Brands such as Green & Black's have reshaped what consumers expect from the category.

Facets such as Fair Trade and Organic both highlight good social and environmental credentials, and underline the quality of the cocoa used in the chocolate. The actions have enabled the brand to command a premium price in the marketplace.

It is noticeable that the category rules appear to be

changing as a result of Green & Black's success; all the major chocolate producers have announced either Fair Trade or Rainforest Alliance certification. The emerging question is how long will it be before all brands are expected to have one of these certifications?

High

The priority given to social and environmental issues as factors determining choice

Low

Different Choices

Impacts are perceived to be low and environmental initiatives can reinforce the core positioning.



Critical to Choice

Impacts are perceived to be high and essential to choice or participation in the category.



Feel Good

Categories where the impacts are perceived to be low.



Better Choices

Impacts are perceived to be high but there is a lack of alternative choice.

Low

Perceived level of negative social and environmental impact

High


Key takeaways

- > Do you understand the potential emerging issues in your category?
- > Do you have sustainability equities that you can use to start rewriting the category rules?
- > As the world changes, will your brands have the ability to adapt?



The bigger picture: Why the world will change

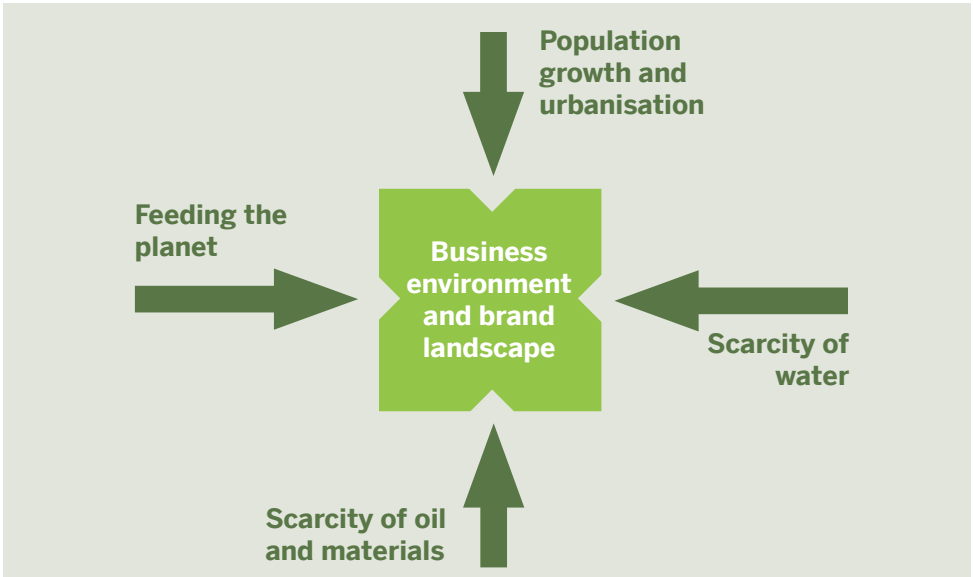
“The brand landscape is set for significant disruption.”



“A ‘perfect storm’ of food shortages, scarce water and insufficient energy resources threaten to unleash public unrest, cross-border conflicts and mass migration ...

Our food reserves are at a 50-year low, but by 2030 we need to be producing 50% more food. At the same time, we will need 50% more energy, and 30% more fresh water!”

Professor John Beddington, Chief Scientific Adviser to the UK Government



> The business environment is not immune to changes in the wider landscape. Over the next decade, these shifts are likely to disrupt radically both business operating environments and individual attitudes towards businesses. (And beyond a decade, climate change will add a further layer of disruption.)

Key issues we will explore are:

- > Population growth and urbanization

- > Rising scarcity of oil and other raw materials
- > The challenges of feeding the planet
- > The growing scarcity of water.

These are not the only big drivers of change, but they all represent shifts which are highly disruptive to consumers, companies and governments alike. Please note that these topics and others have been covered in detail in our Future Perspectives report, 'The World in 2020: the Business Challenges of the Future'.

Climate change, which is a critical challenge, exacerbates many of these issues and presents us with more uncertainty and more volatility.



The Ecological Footprint tracks the area of biologically productive land and water required to provide the renewable resources people use, and includes the space needed for infrastructure and vegetation to absorb waste carbon dioxide (CO₂). It also shows a consistent trend: one of continuous growth. In 2007, the most recent year for which data is available, the Footprint exceeded the Earth's biocapacity by 50 per cent ...

By 2030, humanity will need the capacity of two Earths to absorb CO₂ waste and keep up with natural resource consumption.

Living Planet Report, 2010

Population growth and population shifts

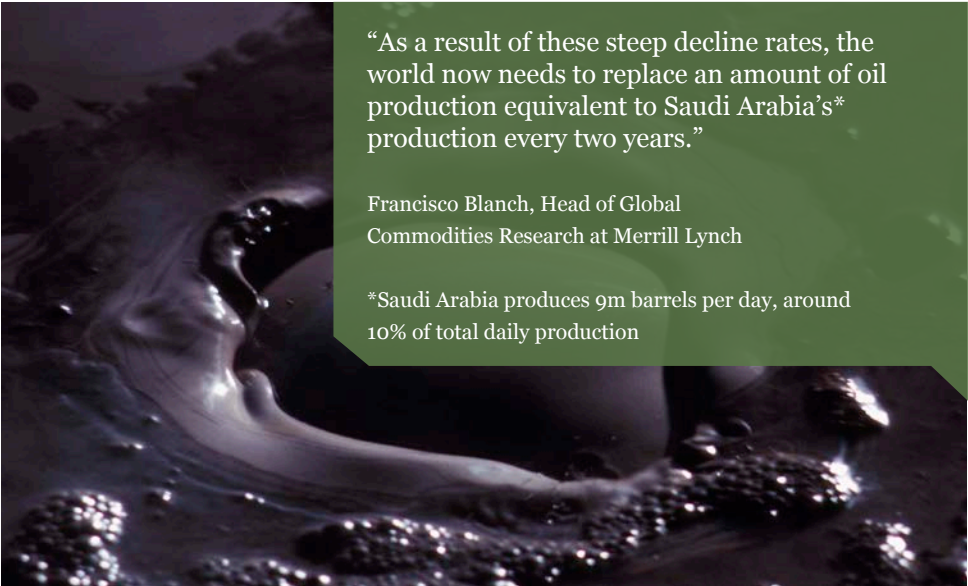


The global population is growing at a rate of around 200,000 people a day, and people's lifestyles are shifting too.

Those people are increasingly concentrated into cities, which are growing rapidly, especially in Asia.

Economic development, urbanization and rising affluence are creating new larger footprints of demand that the planet cannot sustain indefinitely.

The population and its continued growth means that the Earth is being pushed beyond its sustainable limits. It is simply not environmentally feasible for everyone on the planet to live the lives we currently enjoy in the developed economies of the world.



“As a result of these steep decline rates, the world now needs to replace an amount of oil production equivalent to Saudi Arabia’s* production every two years.”

Francisco Blanch, Head of Global
Commodities Research at Merrill Lynch

*Saudi Arabia produces 9m barrels per day, around
10% of total daily production

Rising scarcity of oil and other raw materials

“As each year passes without clear signals to drive investment in clean energy, the ‘lock-in’ of high-carbon infrastructure is making it harder and more expensive to meet our energy security and climate goals.”

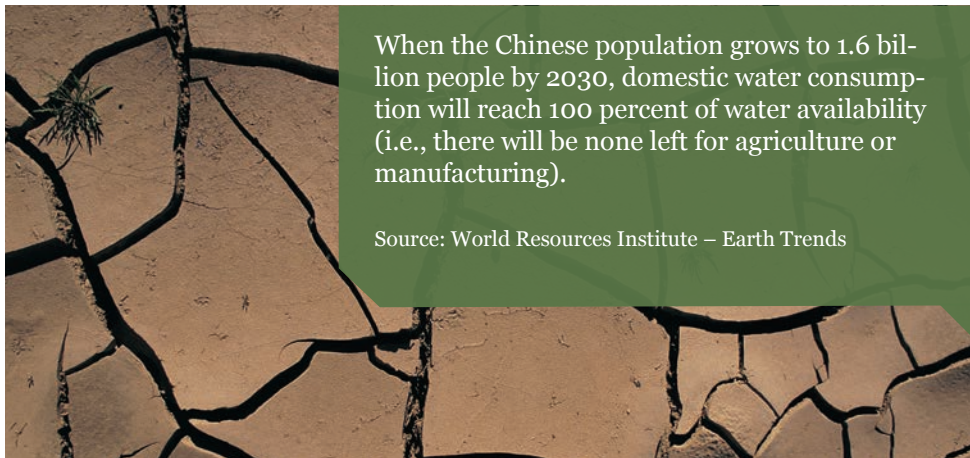
Fatih Birol, IEA Chief Economist, 2011

> Globally, our societies are hugely dependent on oil, but production of known supplies is close to or past its peak. Supply is likely to fall even as demand continues to rise.

While this is likely to create significant price pressure on energy markets, the impact will be far wider. Oil is used in many of the plastics that make everyday consumer goods, from phones to the packaging that contains the products we buy from a supermarket. Oil is often the active ingredient that washes our clothes. Oil is used to fertilize our food and to ship

it across the world. Simply, the rising price of oil will affect more aspects of our lives than we dare to imagine, and there are few scalable replacements that can fill the likely gap in the short term.

But it is not just oil where these challenges are growing. Demand is rising swiftly for rare earth metals that are vital to many of the next generation of energy and auto technologies. Currently China produces 97% of the world’s supply and has already proved willing to restrict exports, to benefit domestic industry and for diplomatic leverage.



When the Chinese population grows to 1.6 billion people by 2030, domestic water consumption will reach 100 percent of water availability (i.e., there will be none left for agriculture or manufacturing).

Source: World Resources Institute – Earth Trends

The growing scarcity of fresh water



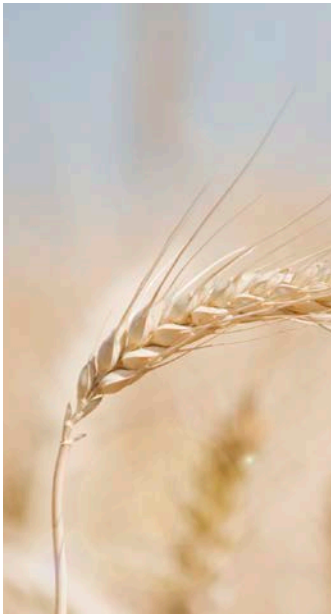
Water is the prime essence of life. The functioning of the planet is dependent upon massive reservoirs of water and the complex ecosystems of which water is an intrinsic part.

Access to water is critical to sourcing and production for companies, and is also both an enabler of, and barrier to, consumers' quality of life. Rising scarcity and the challenges of balancing water for agricultural, industrial and domestic consumption are issues for both the developed and the developing world.

The pressure of scarcity will be uneven across regions and countries. By 2025, the United Nation's Food and Agricultural

Organization predicts that two-thirds of the world's population could be living in areas of water stress. This has profound implications for the ecosystem of health, food production and human well-being, and is likely to be exacerbated by climate change.

The quantities of water used by agriculture and manufacturing, and the effect this has on overall water availability and quality, is likely to become a significant concern, especially as it impacts domestic usage. Equally, the embedded water in products sourced from water-stressed regions will rise up the social and political agenda.



“It is hard for me to comprehend that in the next 50 years we will need to produce as much food as has been consumed over our entire human history. That means in the working life of my children, more grain than ever produced since the Egyptians, more fish than eaten to date, more milk than from all the cows that have ever been milked on every frosty morning humankind has ever known.”

Megan Clark, the head of Australia’s national science agency, the Commonwealth Scientific and Industrial Research Organisation

The challenges of feeding the planet

> The demand for food is growing and will reach unprecedented peaks as the population grows and affluence drives an appetite for richer and more intensive diets. Increasing water scarcity is one issue here, which is already causing changes in food production patterns, but there are others.

Land degradation has accelerated during the 20th century due to increasing and combined pressures of agricultural and livestock production (over-cultivation, overgrazing, forest conversion), urban-

ization, deforestation, and extreme weather events such as droughts and coastal surges which salinate land and make it unproductive.

The growing scarcity of arable land and water resources is highlighted by many nations’ desire to buy or lease arable land in other countries. The largest agreement to date is between South Korea’s Daewoo Logistics and the government of Madagascar. Daewoo will lease 1.3 million hectares (half of Madagascar’s arable land) for the next 99 years.

Key takeaways

- Macro forces of change are set to disrupt consumers' lives and lead to new needs, or to radical new solutions for existing needs.
- Rising prices, volatility of supply and emerging concerns over sourcing are likely to create new demands from the marketplace, at the same time as they are disrupting patterns and sources of supply.



Reshaping the marketplace

What to look for in positioning for sustainability

“We need to stop trying to argue consumers into agreeing that sustainability is important. Instead, we must immediately shift our attention to identifying the behaviors with the greatest potential impact and to understanding the best ways to get consumers to embrace them. Sustainability is the outcome, not the communications strategy.”

Graceann Bennett & Freya Williams
Mainstream Green Report, Ogilvy & Mather



It is clear that people care about social issues and the environment, but we should not lose sight of the fact that people are more driven by their consumer needs, rather than their public concerns. Many initiatives to date have focused more on the citizen concern, only to find the message lacks resonance with the mainstream consumer. Sustainability initiatives have to play more directly to consumer benefits, providing reward for the consumer first and society and the environment second to reach beyond the engaged niche to the mainstream.

Sustainability clearly has power in the marketplace today if used appropriately, providing the means for differentiation or to give greater reason to believe in a product's benefits. While brands can get better at unleashing the potential of sustainability today, the real rewards are likely to materialize in the shorts to medium term future.

Too many brands seem comfortable resting in the context of today's marketplace, unwilling to be the ones to shake the foundations on which their current success is built.

This route is unlikely to lead to a sustainable future for the brand, let alone the planet.

Brands can, and arguably, should, lead change—if not out of altruistic motivation then to build competitive advantage. But doing so requires being honest about the issues and bringing them to the fore, and it requires finding genuinely better solutions for the planet while improving the outcome for the consumers.

VeeV : a better way to drink



VeeV is a spirit based on the açai berry, which grows naturally in the Brazilian rainforests. The company supports its safe harvest and for every bottle sold donates \$1 towards tropical rainforest conservation in Brazil.

The unique positioning of the brand raises the issue of sustainable and ethical sourcing in the spirits industry, a factor rarely considered by consumers today.

Earthkeepers: nature needs its heroes



Timberland measures, tracks, and drives progress on its sustainability with a Green Index® environmental rating system. The company has made significant progress on using recycled materials such as PET bottles. The index measures and communicates critical aspects of environmental performance in

a simple format that informs both product design and consumer choice. Their hope is that this will lead to an industry-wide rating system for comparing environmental impacts.

Hitachi: lasting goodness



A breakthrough in refrigerator technology, Hitachi's Made In Japan Intelligent Fridge redefines freshness by emitting anti-oxidants and vitamins to keep food fresher and more nutrient-rich for longer.

The fridge also offers up to 43% energy saving versus other models through its unique combination of Eco Intelligent Control and Advance Frost Recycling Cooling Technology. Its only issue is its price tag which keeps it from the mainstream masses.

Pepsi: positive water balance



The Indian arm of PepsiCo has become the first of its global units to put more water back into the environment than it consumes. The goal has been achieved by reducing water usage in its

manufacturing plants by over 60 percent, and employing rainwater harvesting initiatives within its manufacturing locations. In some locations, it has employed roof-water harvesting to recharge water. In others, the company has been harvesting and collecting rainwater in excavated ponds.

How The Futures Company can help:

-  Deepen your understanding of the latest consumer trends around sustainability and what they mean for your category
-  Get to the true heart of the opportunities and challenges within your industry or category today
-  Help you better understand how sustainability will shape the future of your marketplace in the next 5 to 10 years

Written by Fran Walton and Andrew Curry

The Futures Company is the leading global foresight and futures consultancy, formed in 2008 from the coming together of The Henley Centre, HeadlightVision and Yankelovich. Through a combination of subscription foresight services and custom research and consultancy, we create commercial advantage for our clients by helping them to take control of their futures.

By exploring the future needs, motivations and behaviors of consumers, and the broader dynamics shaping the marketplace, we unlock the future of consumers, brands, categories and companies.

We are a Kantar company within WPP with teams in the UK, US, Mexico, Brazil, Argentina and India.







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