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Why are so Many Brands Late to the Sustainability Game?

Many consumer goods companies have made solid gains to promote sustainability through such moves as reducing their carbon footprint and water usage. However, relatively few have made sustainability a big part of their brands. To understand the obstacles keeping them from developing sustainable brands, Bain & Company interviewed senior executives at 20 of the largest consumer goods companies. In those interviews, 100% of participants said they made sustainability a priority and are devoting more time to it. But only 5% said they had successfully embedded sustainability in their brands. The multiple rewards of building sustainable brands are well documented. When we surveyed 8,000 consumers on their views, nearly 75% said they are willing to pay more for sustainable products. Sustainable incumbent brands are growing two times faster than nonsustainable brands, according to our research, with sustainable insurgent brands growing ten times faster. Incumbent brands can use sustainability to reignite their relevance.

If the message is so clear, why are so many traditional brands late to the game? Executives cited three main barriers:

1. Consumers want it all
On the one hand, consumers want sustainable products. Yet consumers also demonstrate an unwillingness to compromise on taste, convenience, quality, or price for sustainability—and often perceive a trade-off. Consumer goods companies can overcome this obstacle by authentically making sustainability one of the reasons consumers love their brand. That starts by establishing a sustainability ambition and asking a fundamental question: How strongly do we want to tie our brand purpose and proposition to sustainability?

There is a science that can help brands address this choice. To understand what underpins a consumer's perception of brand value, we identified 30 Elements of Value® in four categories: functional, emotional, life-changing, and global impact. When making sustainability part of the value proposition, a common route is to start at the bottom of the Elements of Value pyramid with threshold-level sustainability elements. However, brands that achieve the most from sustainability climb the pyramid to the top—delivering elements at all four levels.

After determining how ambitiously to embed sustainability into their DNA, winning brands decide which specific sustainability topics they want to use to actively engage with consumers—which they want them to care about and love their brand for (call them "swords") and which they want to be important to their broad stakeholders, where the brands want to set objectives and achieve a range of benefits (call them "shields").

Based on their ambition and chosen swords and shields, brands need to make well-thought-out changes within and beyond their product offerings. The moves within an offering include portfolio adaptations to deliver more sustainable products, such as renovations to best-selling SKUs, core extensions, adjacencies, and even new business models. Changes inside the offering should represent the bulk of the effort as much as 90%. Any remaining energy may be devoted to additional community

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or philanthropic activities to reinforce the brand's contributions to the global sustainability agenda.

To bring sustainability messages authentically to consumers, the best brands develop a sensitive consumer-engagement strategy. Our research found that brands must devote a higher share of voice to sustainability in both the volume and percentage of their messages if they want to change consumer perception. Markets test and learn to identify the best way of bringing sustainability messages to life for their target consumers, and how to balance this with core performance messages.

Despite the need to thoughtfully communicate, many companies have so far failed to embed sustainability in a large share of their top brands' communications, according to our research. In fact, about 90% of incumbent brands do not embed sustainability frequently in their communications.

Finally, there is the issue of pricing. Some brands have overcome the tough situation in which consumers will not pay more for what they perceive as the same product and retailers will not readily accept price increases, even for sustainable goods. Some winning brands price below the elasticity barrier, but with modest increases as they make continuous improvements. Others have found that retailers and consumers are more willing to accept higher prices if, say, the proceeds go directly to farmers or help fund sustainability causes. Other brands have raised prices with major product changes, including sustainability, or with the introduction of new sustainable product lines. Of course, not all the value will result from increased prices; greater volume growth, market share gain, and repeat purchases, even at the same price, are all benefits sustainable brands can garner.

2. Where are the solutions?

The second hurdle involves the difficulty of finding the right solutions at the right cost. Half of the executives interviewed said solutions are not available, and 75% said that added costs hurt the business case for sustainability.

The reality is that companies can position themselves to overcome these issues. For example, to mitigate the cost impact from sustainability, the best companies explore three areas. First, they manage costs within the company. One company used better packaging—thinner containers and improved shapes that are more efficient to produce and easier to stack—to cut costs as much as 11% while substantially reducing materials requirements, including the use of plastic. Second, leaders manage costs throughout the industry, by defining higher industrywide minimum standards or forming associations to support activities such as bottle collection and recycling. And third, they manage costs with innovative approaches along the value chain through such moves as pooling volumes.

3. Uncooperative operating models

Our executive interviews underscored a final major hurdle to embedding sustainability into brands: existing operating models hold them back. Managers cling to a financial value mindset, or sustainability feels like the private domain of a separate team. Moreover, time horizons and incentives are not in line with sustainability targets.

The best brands take a cross-functional approach, embedding sustainability within divisions and business units while linking incentives to sustainability targets. These companies treat sustainability as if it were any other business process. Perhaps most important, top leadership inspires a culture that fosters sustainability in brands.

It all may sound daunting, but when consumer products executives work to overcome sustainability's three biggest hurdles, they typically watch the benefits multiply. Their brands outpace competitors in growth, older brands gain new relevance in consumers' eyes, and their passion reignites employee engagement. Helping the planet helps these companies thrive.

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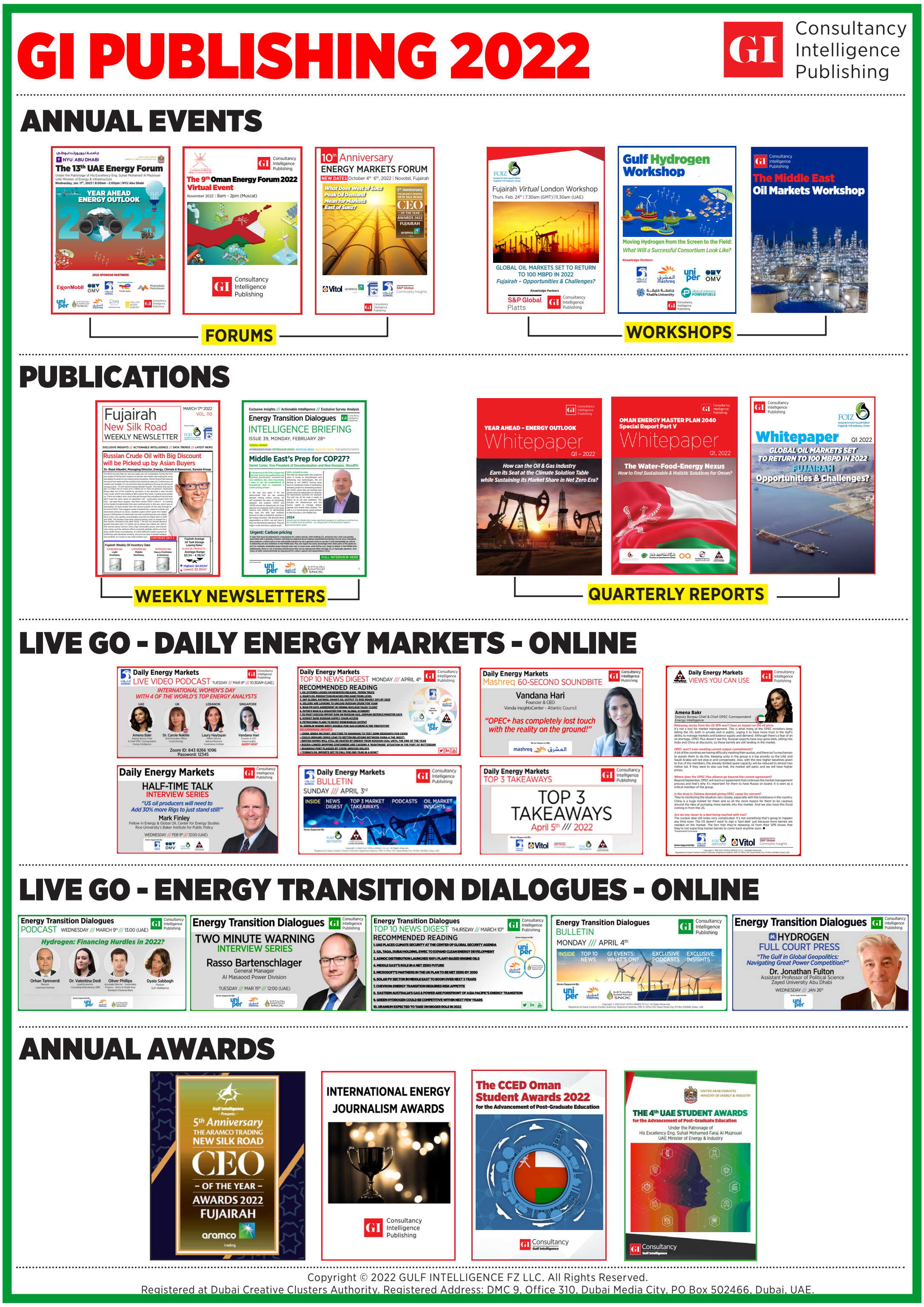

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