Consumers demand sustainable goods, but why are so many brands late to the game?

By François Faelli, Jean-Charles van den Branden, Jenny Davis-Peccoud and Magali Deryckere
At a Glance

- Traditional consumer goods companies are missing out on the opportunity to embed sustainability into their brands, an effort that can significantly boost growth.

- Our interviews with 20 senior executives at top consumer goods companies in Europe determined that three obstacles prevent companies from making sustainability part of their brand DNA: delivering consumer value, finding affordable solutions and using operating models that thwart their efforts.

- Nevertheless, some companies have embedded sustainability into their brands and now far outperform competitors. Winners follow a structured playbook that brings sustainability authentically into their brands, engages actively with consumers and aligns functions to deliver it.

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 recently interviewed senior executives at 20 of the largest European 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.

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.

The multiple rewards of building sustainable brands are well-documented. Fully 90% of consumers said they would switch to sustainable brands if price and quality were equal. The power of sustainability to boost a brand’s performance is reflected in the success of insurgent brands, many of which have
The Sustainable Brands in Your Future

If the message is so clear, why are so many traditional brands late to the game? Executives cited three main barriers (see Figure 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 and 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, emo-
The Sustainable Brands in Your Future

Figure 2: The level of a brand’s ambition for sustainability can influence its Elements of Value®

<table>
<thead>
<tr>
<th>Elements of Value framework</th>
<th>Many brands use sustainability efforts in the background to protect their existing Elements of Value</th>
<th>More ambitious brands seek to add elements higher up the pyramid, through their focus on sustainability</th>
<th>Some brands (often insurgents) make sustainability a central element, reaching up to the top of the pyramid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global impact elements</td>
<td>What value does it give to society?</td>
<td>Self-transcendence</td>
<td>Self-transcendence</td>
</tr>
<tr>
<td>Life-changing elements</td>
<td>How does it change my life?</td>
<td>Wellness</td>
<td>Provides hope</td>
</tr>
<tr>
<td>Emotional elements</td>
<td>How does it feel?</td>
<td>Fun/entertainment</td>
<td>Fun/entertainment</td>
</tr>
<tr>
<td>Functional elements</td>
<td>What does it do?</td>
<td>Quality</td>
<td>Quality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sensory appeal</td>
<td>Sensory appeal</td>
</tr>
</tbody>
</table>

Note: Elements of Value® is a registered trademark of Bain & Company, Inc.
©2020 Bain & Company, Inc.

Sustainable, life-changing and global impact (see Figure 2). 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. For example, many brands deliver on the quality element (a functional element) by removing artificial colors and flavors. The most successful brands then push further, using sustainability to bring out higher-level elements. After a decade-long campaign focusing on “real beauty,” Dove’s beauty products score well on wellness (an emotional element) and are now aiming for life-changing as the brand connects with broader social issues.

However, brands that achieve the most from sustainability climb the pyramid to the top—delivering elements at all four levels. For example, Dutch chocolate brand Tony’s Chocolonely’s campaigns for “slave-free chocolate” are at the core of its identity. Its elements of value reach the top of the pyramid. The higher you go, the more benefit to be gained. Our recent analysis of more than 13,000 brands shows that those delivering on global impact elements earn twice the revenue growth, three times the customer loyalty and four times the household penetration growth of average brands.

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 (call them “swords”) and which they want to use as protection (“shields”) against the risk of “greenwashing.” Tony’s Chocolonely,
for example, informs consumers about slavery issues related to chocolate and how the company is working to end child and slave labor. While the company also drives progress in such areas as reducing plastic and CO2 emissions, it does not promote these efforts as actively, in order to avoid diluting the power of its “slave-free” sword. However, it ensures that the shields of the brand are in place.

Based on their ambition and chosen shields and swords, 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 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 its messages—if they want to change consumer perception.

Despite the need to thoughtfully communicate, many companies have so far failed to embed sustainability in a large share of their top brands’ communication, according to our research (see Figure 3).

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 ac-
cept 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.

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. They manage costs within the company. One company used better packaging—thinner containers, improved shapes that are more efficient to produce and easier to stack—to cut costs as much as 11% while substantially re-
ducing materials requirements, including the use of plastic. Leaders also manage costs throughout the industry, by defining higher industrywide minimum standards or forming associations to support activities such as bottle collection and recycling. And they manage costs with innovative approaches along the value chain through such moves as pooling volumes.

**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.
Bold ideas. Bold teams. Extraordinary results.

**Bain & Company is a global consultancy that helps the world’s most ambitious change makers define the future.**

Across 59 offices in 37 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster and more enduring outcomes. Since our founding in 1973, we have measured our success by the success of our clients. We proudly maintain the highest level of client advocacy in the industry, and our clients have outperformed the stock market 4-to-1.