



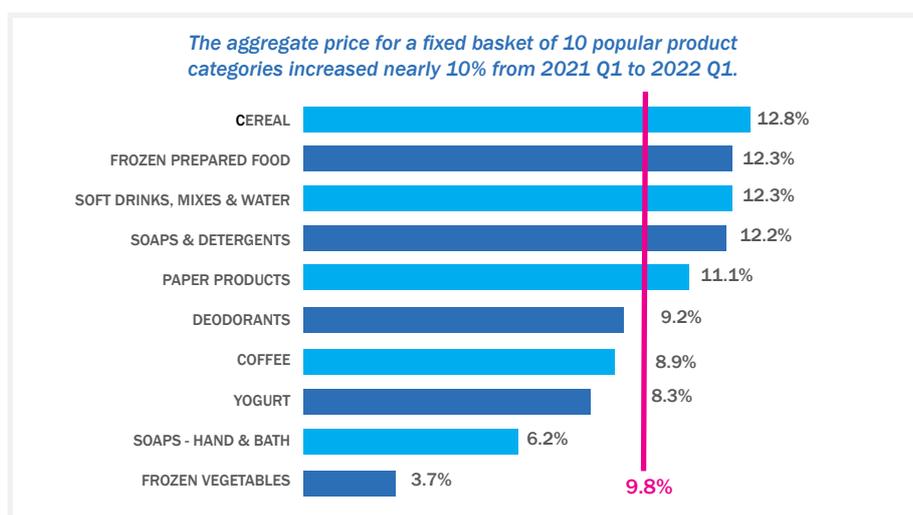
MARKETING SUSTAINABILITY IN AN INFLATION ECONOMY

U.S. inflation rose to 8.6% in May 2022, the highest since December 1981. Food costs alone have risen 10.1% year-on-year. Prices in the euro zone have also increased, with the war in the Ukraine adding pressure on food and energy suppliers. Asia's consumers face a different kind of market shake up as local governments try to curb inflation by limiting the supply and export of goods and commodities.

The combination of demand and limited supply inevitably leads to higher prices at checkout. Bigger bills will shock consumers into changing their buying behavior, which is a major concern for brands looking to maintain sales after two years of pandemic-driven volatility. Brands hoping to offset material and operational costs by getting consumers to spend will need to activate marketing strategies that deliver a strong focus on value.

One approach marketers can consider is to appeal to consumer sentiment around sustainability. Studies have shown that purpose-driven shoppers are open to paying more for ethically sourced goods. By highlighting the people and planet-friendly aspects of products, brands are able to charge premiums for features like recyclable packaging, and organic, fair trade and net-zero production processes.

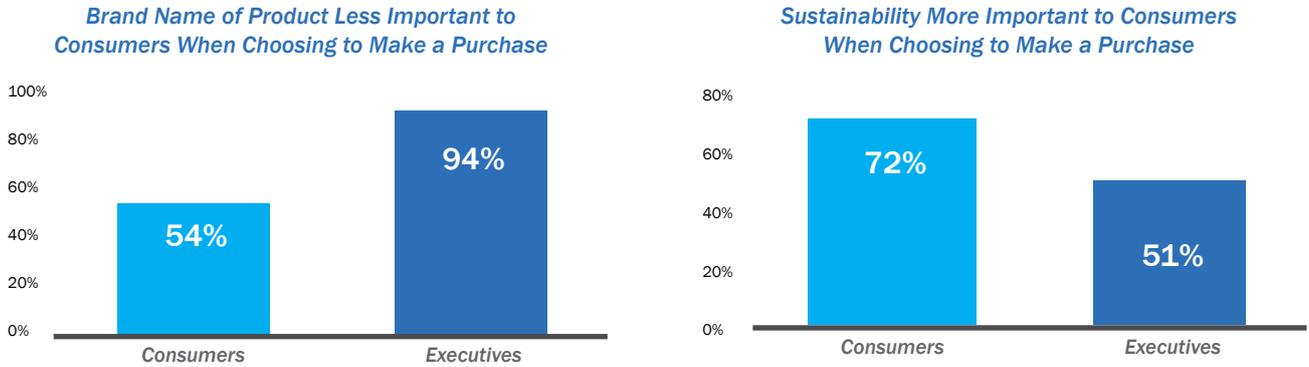
The challenge for brands looking to enhance sustainability in their overall marketing will be to avoid greenwashing and ensure factual and transparent communication.



Source: Catalina Shopper Intelligence Platform

CHOOSING TO PAY MORE FOR SUSTAINABILITY THAN BRAND

A gap exists between what retailers think consumers will spend on sustainable brands, and what consumers are willing to spend. In a 2021 study by First Insight and the Baker Retailing Center at Wharton School, two-thirds of consumers say that they would pay more for sustainable products, while two-thirds of retailers believe that consumers would not be willing to spend more for sustainable brands.



WHAT COMPELS SHOPPERS TO PAY FOR SUSTAINABLE BRANDS?

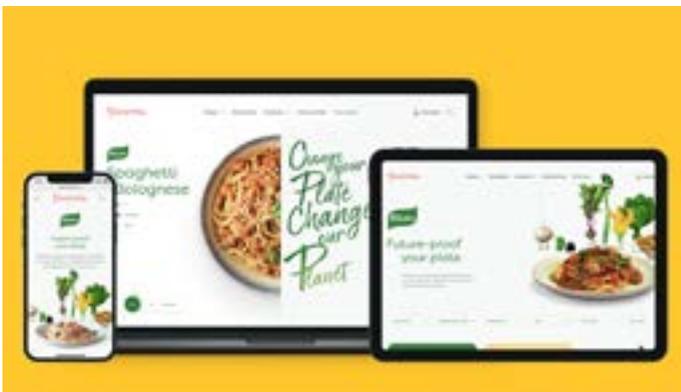
Though 44% of retail executives believe that shoppers make sustainable choices because of their Personal Values, consumers place more emphasis on Quality, Environmental Concern, Value and Brand Authenticity when selecting ethically produced products.



FACTORS CONSUMERS SAY WOULD MAKE THE FOLLOWING PRODUCTS MORE SUSTAINABLE

Product Category	Material	End-of-life	Durability
Interior paint	31%	18%	16%
Sports bottles	33%	18%	16%
Keyboards/mice	35%	20%	15%
Coffee makers	41%	18%	11%
Blenders	42%	23%	15%
Bedsheets	65%	13%	7%

Source: Eastman, 2021



EDGARD & COOPER - PREMIUMIZATION WITH NET ZERO PRODUCTION

Edgard & Cooper is a B-Corp certified pet food company.

To reach zero-carbon emissions, the organization utilized science-based carbon targets calculated by ClimatePartner, who calculated the pet food company's carbon footprint and pinpointed 84% of emissions to raw ingredients in the food.

The large impact of the ingredients was eye-opening for the founders, leading to a continuous journey of recipe changes in order to reduce the carbon footprint. Now, they have a scorecard for each ingredient measuring the nutritional value and carbon impact.

This is communicated to consumers who are aware that more sustainable sourcing and net-zero production processes costs more, thereby justifying the higher price tag on Edgard & Cooper products.



Standard dog food
12kg bags = \$50.50

+26%



12kg bags =
£71.13 (\$87.93)

KNORR - ENGAGING FOOD LOVERS WITH A NEW MESSAGE

How do you get people to grasp that they can, through their food choices, make a collective impact on something as big and intangible as soil erosion or climate change?

Unilever Knorr has 15,000 SKUs and multiple different lead products across 70+ markets. Its products are purchased over 3 billion times a year and are on tables in more than 379 million homes annually.

Through its "Eat for Good" global campaign, Knorr encouraged people to change the world by changing what's on their plates. The company specifically chose to engage Eativists - people who believe food can be a force for change and consciously choose food that is good for themselves and the planet.

Knorr appealed to the gastronomic and sustainable sensibilities of this demographic by introducing a line of premium products that featured more exclusive (and sustainable) ingredients and product mixes.

CREATING COMPETITIVE ADVANTAGE BY KEEPING CONSUMERS INFORMED

Unlike a traditional marketing plan that is derived by a company's vision, goals, and objectives, a sustainability marketing plan focuses on the ideal marketing mix to achieve maximum profit potential while adhering to sustainable principles. This might involve understanding consumer and key stakeholder drivers and how this balances with a desire for quality, convenience and affordability; providing a voice to consumers; creating alliances with sustainable business partners and industry leaders; and measuring performance against key sustainability metrics.

A key component of this approach is mastering the art of keeping consumers informed. Sustainability does not mean the same thing to everyone. Consumers around the world associate sustainability with different focus areas, and a lack of the right information can stop consumers from purchasing from brands with ethical practices and values. In a 2021 study by Deloitte, 15% of consumers said they don't have enough information to make informed decisions.

Q *We are interested to know how you think about sustainability for all products and services. From the list below, please rank the top 3 issues which you associate with sustainable practices.*

	Global	North America	Asia Pacific	Europe	Latin America	Middle East & Africa
Environment	1	2	1	2	3	4
Recycling	2	1	2	3	2	5
Alternative sources of energy	3	3	3	5	1	6
Fair price	4	5	4	1	4	1
Pollution	5	6	5	6	7	2
Climate change	6	4	6	7	6	8
Fair labor conditions	7	7	7	4	5	3
Community development	8	10	8	8	8	7
GMO (Genetically modified organism)	9	8	9	9	10	10
Charity/donations	10	9	10	10	9	9

(Sample size: 500 per market, 64 markets)

Q *What most keeps you from buying brands with better environmental practices?*

	Global	North America	Asia Pacific	Europe	Latin America	Middle East & Africa
Extra costs	29%	41%	25%	37%	25%	29%
Too much time consuming to research which brands are truly better	15%	12%	14%	16%	22%	20%
I do not trust companies' environmental claims	14%	13%	13%	17%	16%	12%
I find companies' environmental claims confusing	13%	8%	15%	9%	11%	12%
Not applicable	9%	15%	7%	4%	5%	7%
Do not perform as well	9%	4%	12%	3%	5%	8%
Less convenient to buy/get customer service	8%	6%	11%	3%	5%	8%
Other	3%	2%	2%	3%	5%	4%

Source: The Conference Board Global Consumer Confidence Survey, conducted in collaboration with Nielsen



GUIDELINES FOR PROVIDING PRODUCT SUSTAINABILITY INFORMATION

The UN Environment's Consumer Information Programme has made available guidelines for providing product sustainability information. The Guidelines focus on information provided to consumers to encourage more sustainable consumption patterns via the selection, usage, and disposal of consumer products.

FUNDAMENTAL PRINCIPLES

Reliability

Build your claims on a reliable basis

- Accurate and scientifically true
- Robust and consistent
- Substantiated data and assumptions

Relevance

Talk about major improvements, in areas that matter

- Significant aspects ("hotspots") covered
- Not masking poor product performance, no burden shifting
- Genuine benefit which goes beyond legal compliance

Clarity

Make the information useful for the consumer

- Exclusive and direct link between claim and product
- Explicit and easy to understand
- Limits of claim clearly stated

Transparency

Satisfy the consumer's appetite for information, and do not hide

- Developer of the claim and provider of evidence published
- Traceability and generation of claim (methods, sources, etc.) published
- Confidential information open to competent bodies

Accessibility

Let the information get to the consumer, not the other way around

- Clearly visible: claim easily found
- Readily accessible: claim close to the product, and at required time and location

ASPIRATIONAL PRINCIPLES

Three Dimensions of Sustainability

Show the complete picture of product sustainability

- Environmental, social, and economic dimension considered
- Burden shifting between the dimensions avoided
- Complementary certification schemes combined

Behavior Change and Longer-Term Impact

Help move from information to action

- Insights from behavioral science applied
- Consumers actively encouraged to play a role, where appropriate
- Longer-term relationship built with consumer

Multi-channel and Innovation Approach

Engage with consumers in diverse ways

- Various complementing communication channels used
- Different user groups addressed with different channels
- Information complementary and not overloading the consumer

Collaboration

Work with others to increase acceptance and credibility

- Broad range of stakeholders included in claim development and communication
- Joint communication channels employed
- Inclusive language used to make consumers feel part of a movement

Comparability

Work with others to increase acceptance and credibility

- Product comparisons substantiated and helpful for consumers
- Approaches initiated by government or third parties followed
- Specific guidance followed
- Joint communication channels employed
- Inclusive language used to make consumers feel part of a movement



L'OREAL CHINA - ENGAGING YOUNG, ENVIRONMENTALLY AWARE CONSUMERS

The Chinese public are becoming increasingly conscious about sustainability and many young middle-class consumers value brands that highlight their commitment to the environment.

To engage Chinese consumers in its sustainable messaging, L'Oréal teamed up with nine well-known brands to launch its "Do Make-up for the Planet" campaign as part of "L'Oréal for the Future." Nine beauty Key Opinion Leaders (KOLs) were invited to apply L'Oréal's sustainable cosmetics in nature-inspired styles.

The campaign was shared by L'Oréal on Weibo and Xiaohongshu, as well as being promoted by the KOLs and celebrities involved.

Consumers were invited to participate in the campaign by engaging with relevant Weibo topics. Those who added the hashtag "#L'Oréal For the Future" and "#Do Make-up for the Planet" to their Weibo post were entered into a prize lottery to win a limited-edition L'Oréal biodiversity gift set. This boosted views of the campaign and resulted in "#L'Oréal For the Future" gaining 1.7 million views on Weibo.

KITKAT - ENCOURAGING RECYCLING WITH LIMITED EDITION PRODUCTS

As shoppers increasingly prioritize sustainability in their purchasing decisions, KITKAT Australia wanted to land its new recycling initiative.

Playing on their well-known tagline, KITKAT wanted to encourage Aussies to "Give the Planet a Break" by recycling right through the use of dedicated collections bins, something that 48% of Australians aren't doing despite their best intentions.

The limited-edition bars featured a KITKAT-inspired recycling symbol and an explicit call to drop off soft plastic wrappers at REDcycle collection bins, located in most major supermarkets.

To ensure the public received the message about this important topic, KITKAT used a tailored approach to effectively broadcast and tap into more 'leaned in' moments and go deeper with the audience by using longer-form content. KITKAT also added In-stream ads to the usual placement mix of Facebook Feed and Stories.



HOW R3 CAN HELP

FIND A SUSTAINABILITY PARTNER

Like an executive recruitment consultant helping you find new staff, R3's Review process helps you reduce risk and maximize the value of your new agency hire. We leverage our latest agency market insights and benchmarks for fees to conduct a thorough and efficient search process.

Our objective is to create a long-term, mutually profitable partnership of talent that will drive brand and business growth.

How our Review process is different:

- We have agency knowledge and understand how to drive a clear process.
- Our recommendations are objective and independent; our only goal in this process is to find the very best long-term partner for you.
- We negotiate hundreds of agency fees a year, giving us rich benchmarks to ensure client get optimum value.

SET KPIS WITH ANY AGENCY PARTNER WORKING ON SUSTAINABILITY

Aside from standard KPIs, work with your sustainability agency to decide what can be measured during the partnership that could contribute to your brand's sustainability metric. Some things to look at include: carbon footprint, energy consumption, supply chain miles, water footprint, waste reduction rate, waste recycling rate.

AUDIT/BENCHMARK THE SUSTAINABILITY CAPABILITIES OF YOUR AGENCY PARTNERS

A Marketing Effectiveness Audit involves a thorough and disciplined review of your current approach to marketing insights, metrics and output – with the goal of improving them. Our objective is to benchmark how well the entire organization is aligned with achieving business goals and objectives, and to offer an independent assessment of next actions.

ABOUT R3

In a word, we are about transformation. R3 was established in 2002 in response to an increasing need from marketers to enhance their return on marketing, media and agency investments, and to improve efficiency and effectiveness. We want to help CMOs make marketing accountable.

We've worked with more than one hundred companies on global, regional and local assignments to drive efficiency and effectiveness. We have talent based in the US, Asia Pacific and Europe and partners in LATAM and Africa. Through global work for Unilever, Samsung, Colgate-Palmolive, and others, we have developed robust benchmarks and process targets for more than 70 countries.

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