

Sevendots Growth Series / Volume 8 / Key Highlights

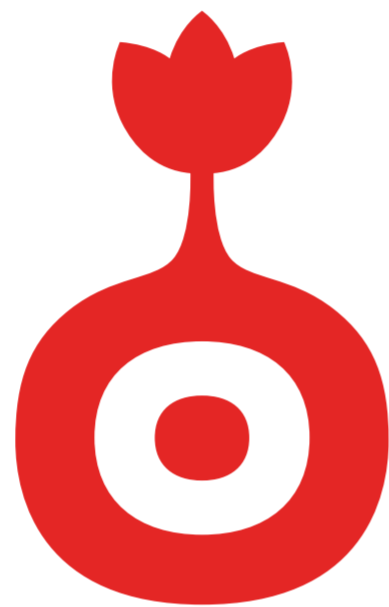
# The New Consumption Model

Sustainability by design

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# The New Consumption Model

Sustainability by design



Providing relevant and actionable insights to Consumer Package Goods brand owners – to support long term growth and drive value – is what inspires the Sevendots Growth Series.

After the success of previous studies, such as Category Growth, Portfolio Management, Brand Purpose and Societal Contribution, we have developed this study on Fostering Sustainable Consumption Models following the same trusted path: leveraging a plethora of existing literature and case studies, mining the extensive knowledge of our senior partners, engaging major brand owners to capture their experience and interviewing a global selection of marketers to provide a well-grounded set of key actionable considerations.

This document is a brief summary of the outcome of the study and outlines the 6 key conclusions we'd like to bring to the Sustainability debate.

**Please contact [opportunities@sevendots.com](mailto:opportunities@sevendots.com) to learn more about the whole outcome of the project outlining more analysis, case studies and a set of final recommendations.**

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# 01

## The big divide

### A problem with Cost

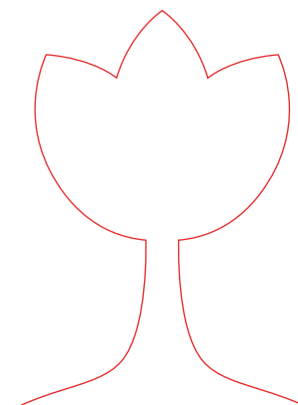
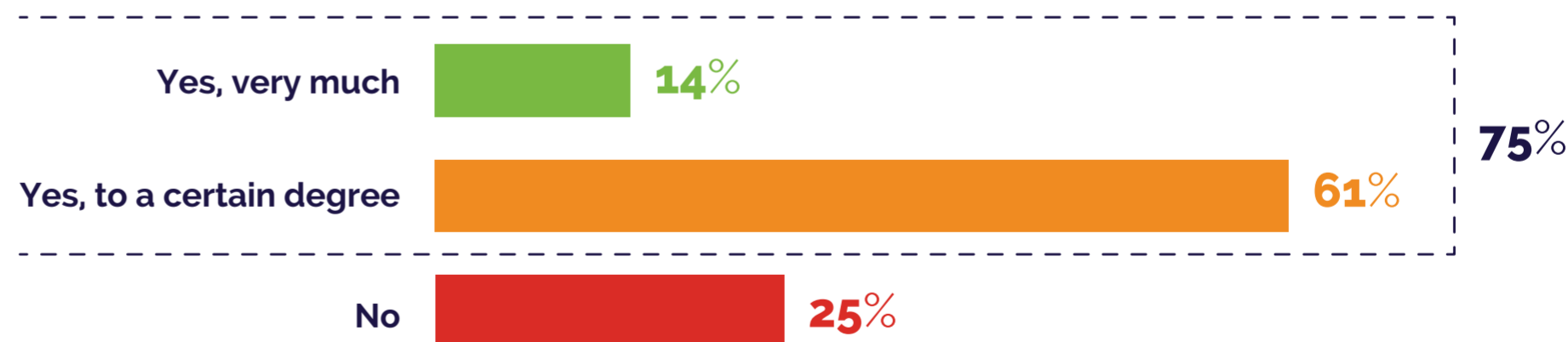
There is still a major gap between brand owners' stated intentions on sustainability and their consequent actions. This gap is mainly linked to the barrier related to the additional cost associated with sustainability.

“Change the cost structure to accelerate and not stop projects that are negatively impacting our profitability, at least in the short-term.”

Marketing Director Nutrition and Portfolio Initiatives, Multinational Food Company

### There is a big gap between the stated intentions and the actioning on sustainability

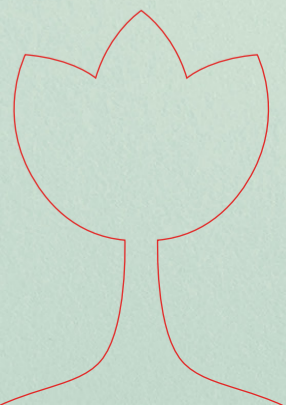
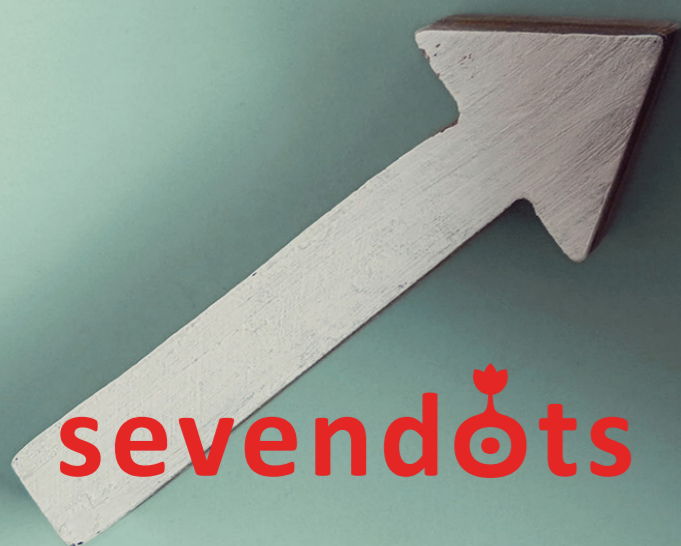
Within your company is there still a gap between the stated intentions and the actioning of sustainability? (single choice)



# 01

## The big divide

**60%** of brand owners interviewed claim that **cost and margin dilution** is the main barrier to making more progress on sustainability



# 02

## The incremental approach

### A problem with Price

Most of the sustainability offer is based on the so called incremental approach: same product but with an increased element of sustainability. This approach is normally translating into a higher price to the consumers. However, only a minority of the consumers are ready to bear a significant price increase.

#### Incremental approach comes at a high price in a number of categories

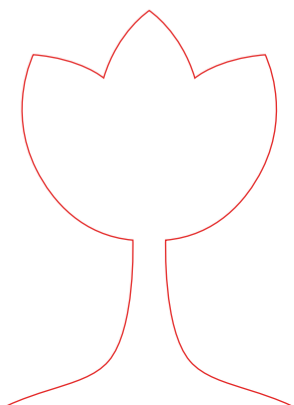
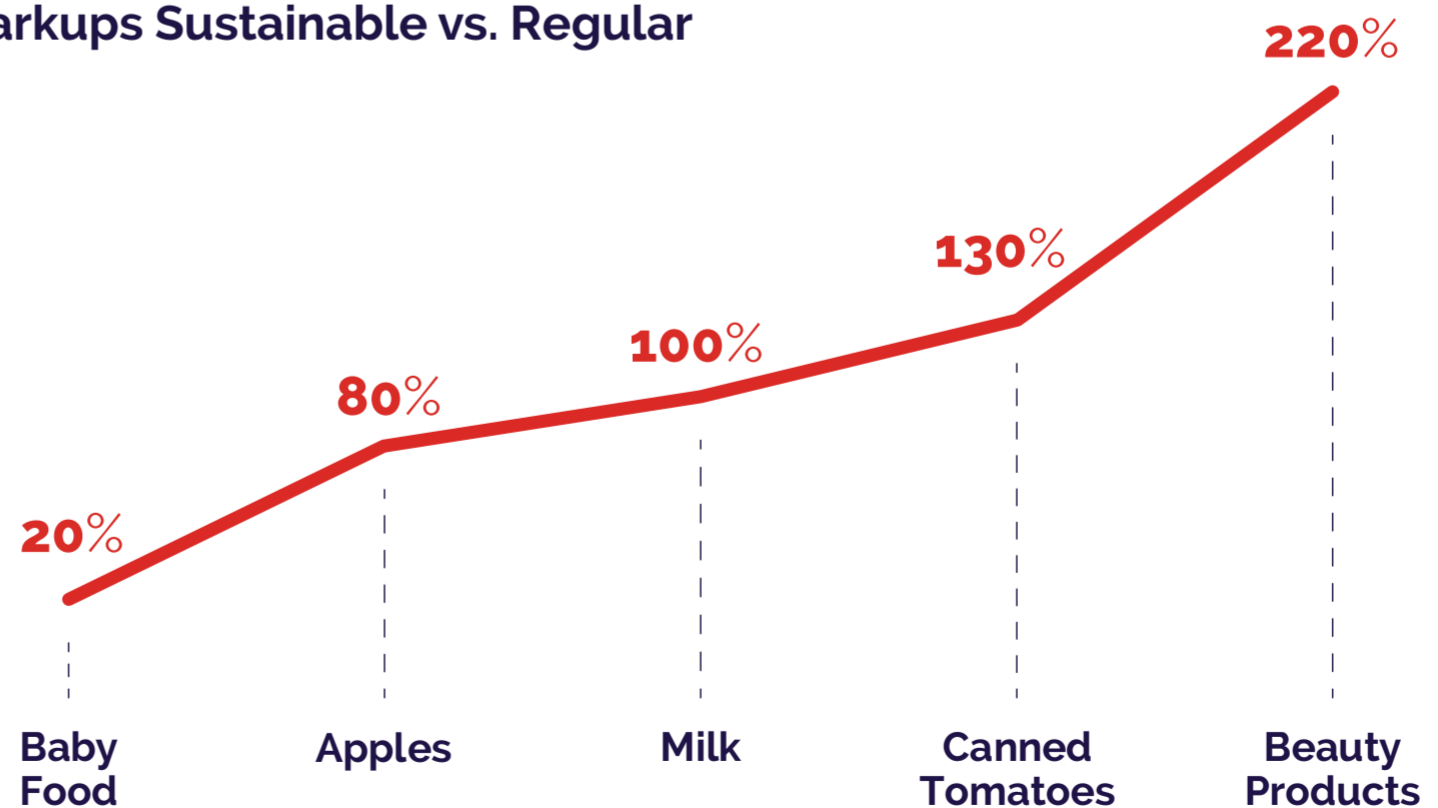
Same product in a more sustainable container

Same product with different sourcing

Same product with socially sustainable sourcing

Working on broader reformulation

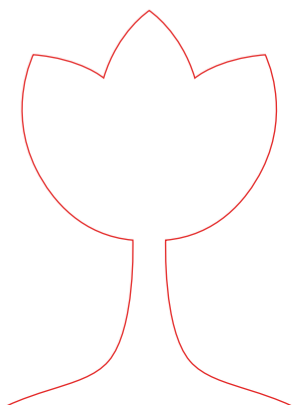
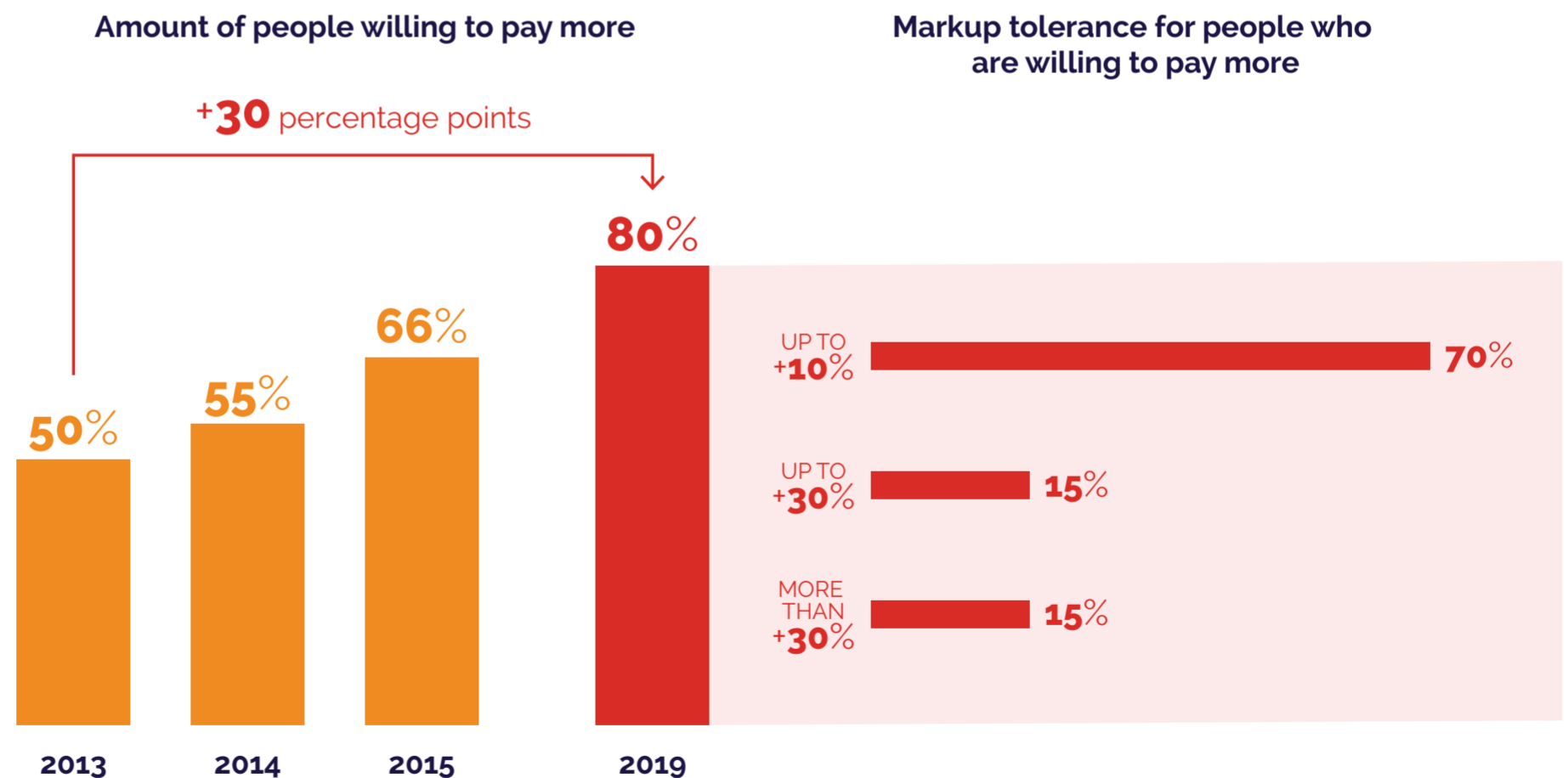
Price Markups Sustainable vs. Regular



# 02

## The incremental approach

Only 30% of consumers are claiming to be willing to pay more than 10% additional for sustainable products



# 03

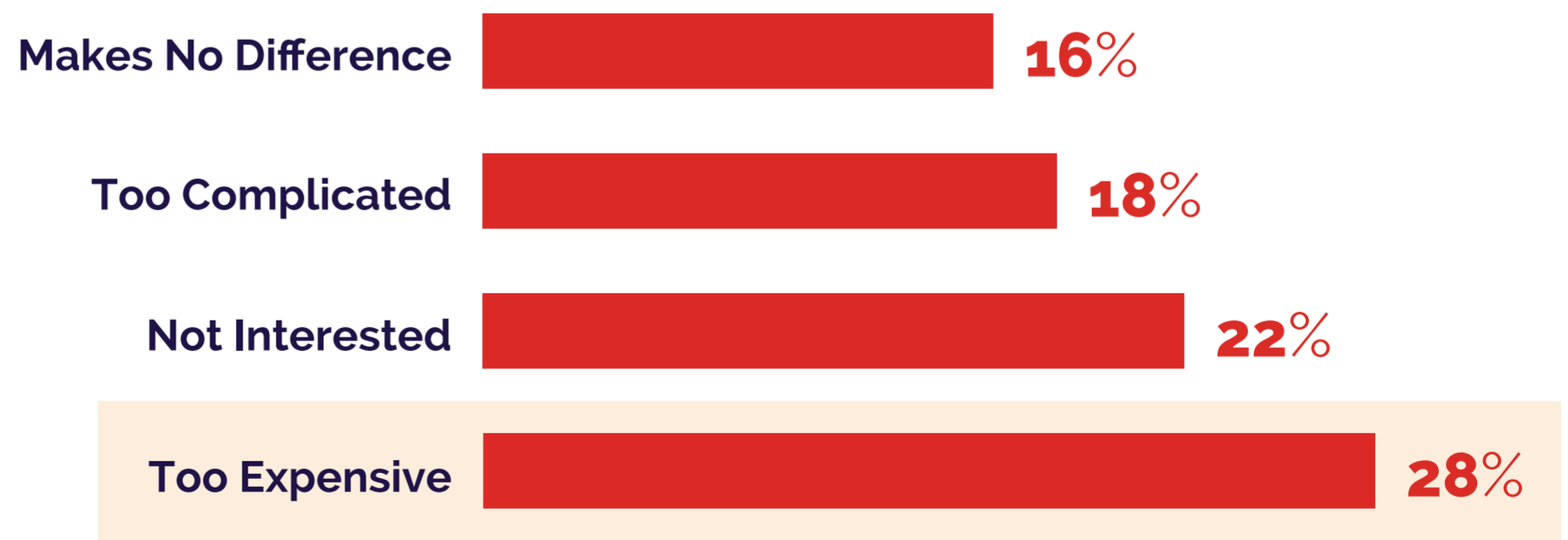
## The need for engagement

### A problem with Value

Consumers are still struggling in evaluating the sustainability profile of the offer and associating a value to it. There is a strong need for correct information and education aimed at increasing sensitivity to the topic.

Value perception is a major barrier to sustainable consumption, but certainly not the only one: effort involved and lack of engagement also have a role to play

#### Top 4 Barriers



# 03

## The need for engagement

Communication and education are must have levers to be activated



Define a proper measurement

ESTABLISHING THE TRUTH

**PENNY in Germany showing what true prices should be**

PENNY labels its first products with "true prices" adding the costs related to the planet.

Source: Retail Detail September 2020



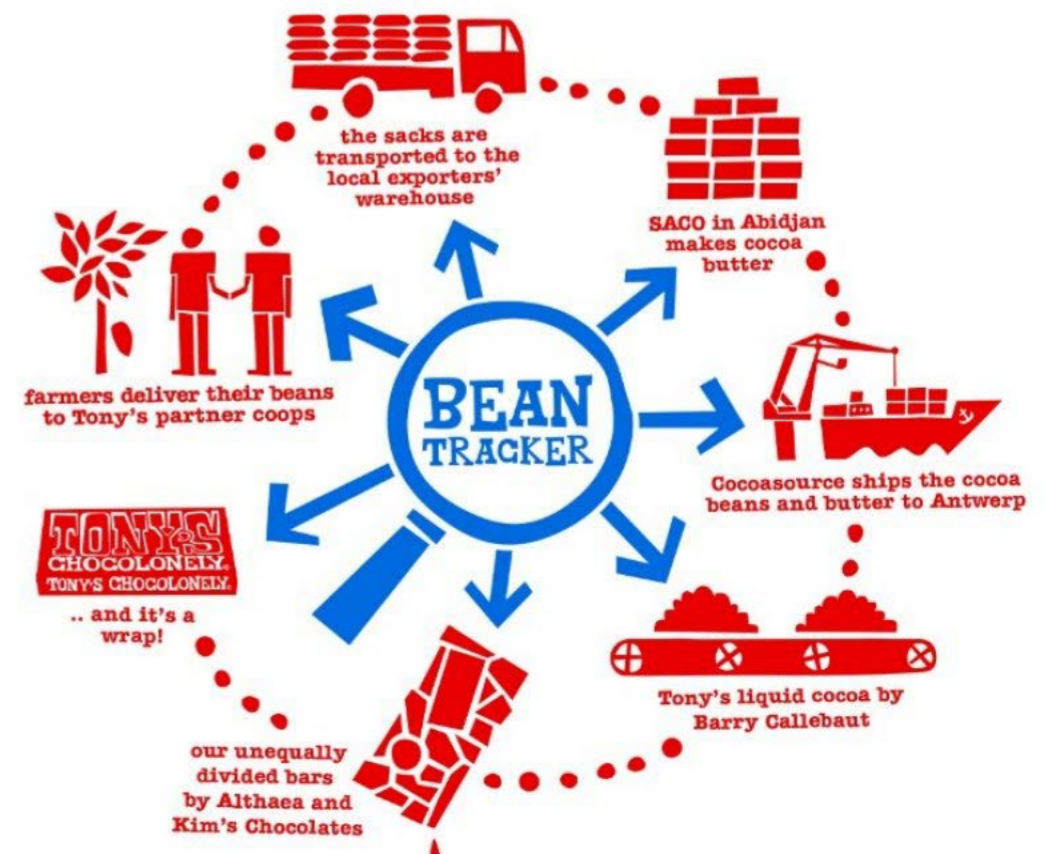
Elevate communication

INCREASING SENSITIVITY

**Resetting priorities**

Tony Chocolonely provides broad information on the whole production cycle and measures success by impact with a sustainability-first strategy.

Source: Forbes December 2019





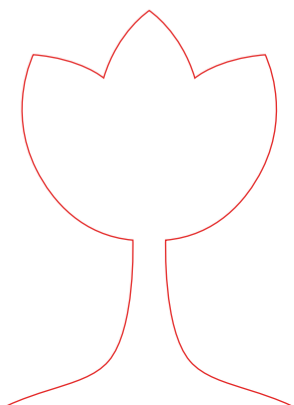
# 04

## The opportunity for disruption

### Redefining the Cost-Price-Value Equation

A more disruptive approach allows for improved sustainability and improved performance. This can better cope with the cost-price-value equation and allow a more sustainable offer to be appealing for the majority of the consumers.

The disruptive approach is re-inventing the offer starting from sustainability

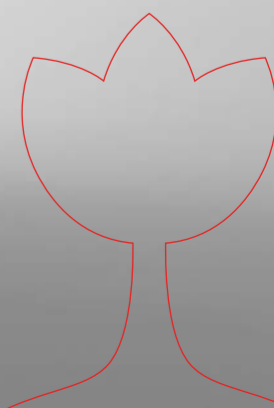


# 04

## The opportunity for disruption

“Sustainability is not driving a higher price, but it has to be coped with increased performance. Only in this way it is possible to charge more – linking sustainability to enhanced benefit.”

SVP, Multinational Food Company



# 05

## Where the Money Flows!

Most companies expect sustainability to be a major long term driver for business growth. It will also define increasingly access to capital.

**86%** of companies expect their sales to grow from a greater focus on sustainability



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Source: HSBC Navigator/Kantar October 2020; 10368 businesses in 39 geographies.



# 05

## Where the Money Flows!

Companies envisage benefits of improved sustainability performance extending to multiple areas

% Companies who expect to see benefits from improved sustainability in...



IMPACT INVESTING

**‘Sustainable investing’ is surging, accounting for 33% of total U.S. assets under management**

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# 06

## A possible roadmap for acceleration

Sustainability has to connect the environmental, social and economic aspects in order to be effective in the long term. It also has to be proactive in defining higher ambitions instead of just following compliance.

Portfolio management is an essential part of the strategy where the incidence of incremental and disruptive innovation has to be carefully managed.

### Towards a more holistic and proactive role for sustainability

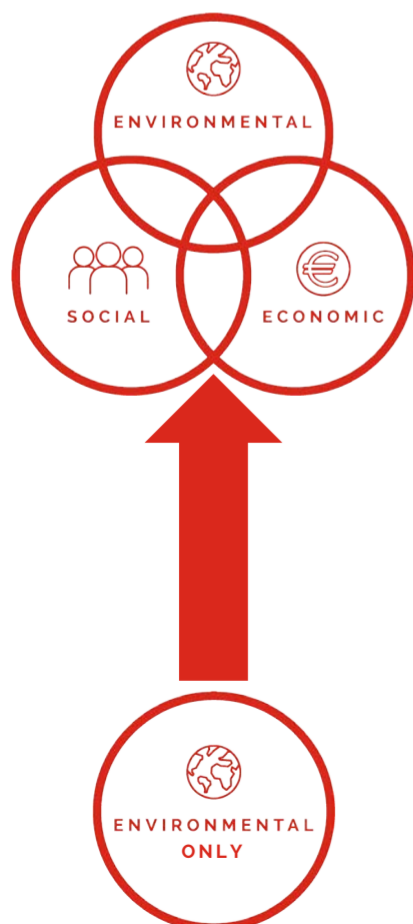
Need to enlarge the view and move from 'reducing the negative impact' to 'generating a better impact' on society.

**'ETHICAL' APPROACH**  
Closing the gaps

**'CONSCIOUS' APPROACH**  
Reconsidering the value chain

**'FUNCTIONAL' APPROACH**  
Reducing the impact/  
preserving sourcing

**'SURVIVAL' APPROACH**  
Keeping going



**MINIMIZING NEGATIVE**  
(Lower ambition)

**MAXIMIZING POSITIVE**  
(Higher ambition)

# 06

## A possible roadmap for acceleration

Two sequential steps for invigorating sustainability from an innovation perspective

Accelerate the incremental approach



More structured and consistent renovation

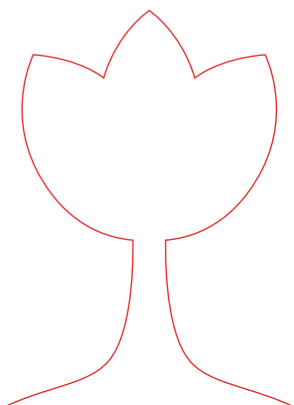
Develop a disruptive approach



New competences and radical innovation

“Sustainability is the model that can create a straight line between the benefits for consumers, communities and the planet. It’s the concept of sustainability by design that delivers these triple wins.”

Regional CEO Multinational Food Company

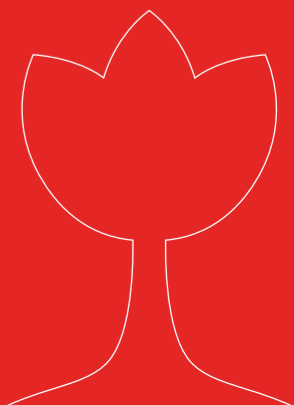


# So

## What did we base these insights on?

Sevendots insights are always based on a robust platform of knowledge and, dissatisfied with just one source, we always want to cross-check our conclusions with other sources of information. This exercise was no exception. **5 key stages of learning fueled our final conclusions.**

- 1** A detailed search and review of all relevant information sources and cases about Sustainability from academics, consulting firms and practitioners
- 2** An internal survey among 20 Sevendots partners from 10 countries– with strong background in brand and general management or in consulting and consumer research – collecting, structuring and distilling all their experience.
- 3** Qualitative interviews with 40 senior professionals in large CPG companies, including Unilever, P&G, Heineken, Reckitt Benckiser, Mars, Danone, Ferrero, Henkel, Pernod Ricard among others, from functions such as global and regional CMO's and CEO's, International Marketers and Global CMI.
- 4** A quantitative survey of 125 brand owners around the globe, all from leading multinational CPG companies.
- 5** And finally, an extensive search and review of case studies providing vivid support to our findings.



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For a presentation of the  
whole outcome of the project  
please contact

**[opportunities@sevendots.com](mailto:opportunities@sevendots.com)**

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