

RILA Issue Brief:

The Value of Sustainability in Retail Marketing



A company's sustainability program helps ensure its products have a positive impact on people and the environment—from the raw materials it uses, practices at its suppliers' sites, modes of transportation, use by consumers, and eventual disposal. Sustainability programs echo with consumers' demand as well. Ninety-three percent of [global consumers expect](#) more of the brands they use to support social and environmental issues. Marketers have the power to unleash consumer demand by helping to link benefits for consumers with the sustainability topics their

Marketing & Sustainability

Brands with purpose, or brands that offer functional benefits, personal well-being, and collective well-being, [perform better](#) on marketing KPIs—such as impression, brand familiarity, premium pricing, and purchase and repurchase intent—than brands that are not purpose-led (KPI outcomes are twice as high and share-of-wallet is forty-six percent higher). Corporate sustainability commitments and achievements provide a valuable opportunity to connect with consumers and achieve marketing goals.

Benefits of Sustainability for Marketing

Today's consumers are knowledgeable, and to reach them, [retailers need](#) "a deep understanding of how customers are living their lives." An estimated [68 million](#) adult Americans base purchasing decisions on their values—personal, social, and environmental—and say they will spend up to 20% more on environmentally sound products. At the register, the sale of products "that contribute positively to environmental sustainability and societal health" generated between

ten and fifteen percent of [revenue for U.S. retailers](#) in 2015.

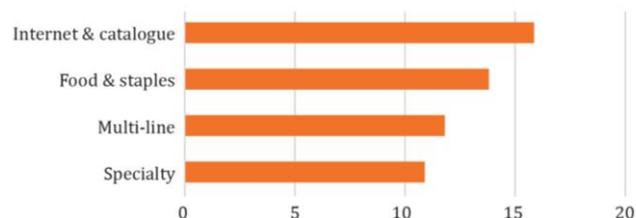


Figure 1. Revenue from products and services that contribute positively to environmental sustainability and societal health, as percentage of total revenue, by retail segment in the U.S. Source: Newsweek Green Rankings 2015.

And U.S. consumers say sustainability marketing influences their purchases. [Forty percent](#) of U.S. consumers purchased one or more products from a socially responsible company in the past six months, and thirty percent say they look at product labels for evidence of the company's commitments. These consumer statements translated into [sales growth](#) of two percent for products with sustainability labelling

and five percent for products with sustainability marketing programs, according to sales data between 2013 and 2014. This compares with growth of one percent for products without sustainability labels or marketing programs over the same period.

Keys to Success

Retailers are moving away from ad hoc sustainability marketing campaigns and abandoning minor themes that are not integral to the business. Instead, companies are making meaningful sustainability commitments on [a small number of topics](#) where they can make a significant difference and that align closely with the values of the company, its brands, and its target audiences. For example, a series of roundtables convene on the premise that the sustainability commitments of [100 large brands can shift global markets](#), fuel innovation and growth, and preserve the planet.

FEWER BARRIERS + MORE BENEFITS = VALUE

Barriers can be lack of skills, motivation, infrastructure or beliefs (to list a few). For example, a barrier to purchasing an electric car might be the belief that the driving experience will suffer from inferior performance.

Benefits can be functional, emotional or social. Driving an electric car can come with functional benefits, in that you can refuel at home. It also has social benefits - automakers connect drivers to a community of 'believers' through apps and online forums.

Remove the barriers and shine a light on the benefits. This is how you deliver better consumer value from sustainability

Table 1. Consumers need a business case too.
Source: BSR Sustainable Lifestyles Frontier Group.

It is critical that marketing professionals, with the support of colleagues in the sustainability department, answer the question “[how can sustainability give my consumer more?](#)” Building a value equation that offers consumers more benefits and few barriers is essential to engaging them, and has traditionally been overlooked by companies that offer more sustainable options but ask consumers to make a sacrifice. Examples of consumer benefits include:

- **Promoting women.** [Eileen Fisher's](#) Green Eileen stores engage with consumers by selling used company-brand clothing, and aligns with consumers' values by donating proceeds to programs for women and girls.

- **Promoting health.** [REI](#) closed its doors on Black Friday and launched its #OptOutside campaign to engage with consumers by inviting them to spend time in the outdoors with friends and family. REI reports that 1.4 million people participated.
- **Saving materials.** H&M, North Face, and Patagonia with its [Worn Wear](#) campaign, connect with consumer values by helping them repair and reuse, or recycle, clothing.
- **Saving energy.** "You pay for the washer. It pays for the dryer," is Sears' promise to consumers who purchase its Kenmore HE5t Steam washer. Compared with an older model, the washer saves money for consumers by using seventy percent less water and eighty percent less energy. Tide invites consumers to use half the energy per load of laundry by washing with cold water.
- **Saving water.** Levi Strauss appeals to specific consumer segments with its [Water<Less products](#), which are manufactured with less water than conventional products.

How Do Retailers Market Sustainability?

Retailer marketing campaigns, such as [Target's](#) Made to Matter, [Marks and Spencer's](#) Plan A, [IKEA's](#) Sustainable Life at Home, and [Office Depot's](#) Greener Office aim to inform and engage customers. But how are marketing and sustainability professionals teaming up in retail? RILA benchmarking finds that retailers are building their sustainability function into the marketing group—ten percent of members' sustainability teams report to the marketing department (with another ten percent reporting to the public relations department). In other organizations, retailers dedicate one marketing professional to sustainability, allocate significant budgets to market sustainable products and services, and establish “effectiveness metrics” on reputation and brand value, including financial ROI.

Marketing professionals are often key participants in retail [Sustainability Executive Councils](#), a collaboration of EVPs and SVPs from merchandising, private brands, HR, legal, and others. Through Councils, marketing professionals learn how the sustainability program can enhance consumer engagement and other key marketing goals, while lending its insights on consumer expectations, behaviors, and trends.

Leadership Steps for Marketing Sustainability. To enable retailers to benchmark their activities, RILA and the CRC's [Retail Sustainability Management Leadership Model](#) includes two dimensions on marketing:

| Storytelling through Marketing Campaigns | |
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| Initiating | <ul style="list-style-type: none"> Ad hoc sustainability-related marketing campaigns |
| Progressing | <ul style="list-style-type: none"> Regular sustainability-related marketing programs Tend to focus on specific themes or times (e.g. Earth Day) |
| Excelling | <ul style="list-style-type: none"> Ongoing efforts and funding related to marketing sustainable products and services |
| Leading | <ul style="list-style-type: none"> Dedicated sustainability focused marketer within marketing team Marketing effectiveness metrics focus on reputation/brand value |
| Transforming | <ul style="list-style-type: none"> Significant marketing budgets for sustainability-related marketing Marketing effectiveness metrics include financial ROI |

| Storytelling through Point-of-Purchase Consumer Education | |
|---|---|
| Initiating | <ul style="list-style-type: none"> Few products are explicitly designed to reduce negative environmental impacts Limited education for consumers to learn about sustainability dimensions of products |
| Progressing | <ul style="list-style-type: none"> Some specifically designated products offered have sustainability benefits; ad hoc communication on the benefits of those products |
| Excelling | <ul style="list-style-type: none"> High percentage of products offered have specific sustainability benefits; regular communication on the benefits of those products Provides some information or tips to consumers to use products/services in a responsible way (e.g., "Please recycle this cup when finished," "Wash this garment in cold water") |
| Leading | <ul style="list-style-type: none"> Dedicated online storefronts encourage consumers to select products with sustainability benefits Provides consumers with tools or incentives for sustainable behavior change even after the purchase (via website, product packaging, etc.) Significant in-store signage or sections dedicated to products with advanced sustainability benefits |
| Transforming | <ul style="list-style-type: none"> Engages consumers about products with sustainability benefits (e.g., catalogs, web filters, icons, online calculators, product stories) Actively engages with customer even after the purchase (via website, product packaging, etc.) to mitigate any environmental impact of products Most own-brand products have advanced sustainability benefits, and communicate benefits on packaging |

Additional Information

Leadership Steps for Marketing Sustainability. To enable retailers to benchmark their activities, RILA and the CRC’s [Retail Sustainability Management Leadership Model](#) includes two dimension on marketing:

| Resources <i>Educational tools</i> | Case Studies <i>Retailer deployment examples</i> | Get Involved <i>Collaborative opportunities & other resources</i> |
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| <ul style="list-style-type: none"> • Lessons from Coca-Cola on Sharing its Sustainability Story via YouTube • Nielsen Global Consumer Survey • BSR Primer for Marketers • United Nations Global Compact, Marketing, Branding, PR & Sustainability Brief | <ul style="list-style-type: none"> • IKEA ‘Wonderful Everyday’ campaign • Unilever, ‘brightFuture’ platform • ‘Love Your Clothes’ campaign by M&S, Tesco, Sainsbury’s, John Lewis, the UK government and 30 suppliers | <ul style="list-style-type: none"> • BSR Sustainable Lifestyles Frontier Group |

Visit www.rila.org/sustainability for more tools and resources.