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Roland Berger

The sustainability game

How new rules are reshuffling consumer goods markets

Roland Berger

THE BIG 3

Key consumer goods industries currently estimate the market to be worth around **USD 14 trillion** in retail sales globally – but to secure future growth, they must now put sustainability at the heart of their strategy. → P. 05

Our Consumer Pressure Index, based on analysis of **84 million** conversations across 14 countries, shows that sustainability is not just a purchasing criterion for consumers – it's a hygiene factor. → P. 08

More and more countries around the globe are committing themselves to **net zero** and regulation is going to increase significantly. → P. 12

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Cover illustration: Anton Hallmann / Sepia

Executive Summary

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE issues are front of mind for executives in all types of industries today, and the consumer goods industry is no exception. Pressure from consumers on the one side and regulators on the other is reshaping consumer goods markets and radically changing the rules of the game. Companies must act fast or risk seeing their revenues collapse – and potentially their very existence called into question.

But with every risk comes opportunity. Research carried out for the purpose of this study, including an analysis of some 84 million posts on social media, e-commerce sites, forums and blogs across 14 countries, provides us with unique insights into what is driving the changes in the market and how companies can best "leverage" them. The data creates a picture of what the sustainable consumer of 2030 could look like – their lifestyle, their sense of responsibility, their values – and how pressure from regulators differs from country to country and industry to industry. These two factors are encapsulated in our Consumer Pressure Index (developed in cooperation with our partner Symanto) and our Regulatory Pressure Index.

We also present a series of deep dives into the four key consumer goods industries: food and beverages (F&B), fashion, personal and home care, and luxury. We examine where current action on sustainability is taking place, the challenges for sustainability going forward, what the survey data tells us about each industry, and how things may change by the year 2030.

To secure their future success, consumer goods companies must put sustainability right at the heart of their strategy. With this in mind, we present eight recommendations, some applicable to companies in specific industries and others across the entire sector. In particular, companies should remember that tackling the sustainability challenge is not something that can be put off. The time to act is now, when markets are being reshuffled, and not tomorrow, when they may find they have been dealt a losing hand.

1 – The rules of the game are changing. Sustainability is a matter of survival.

TO MAINTAIN OUR STANDARD OF LIVING, we currently use the equivalent of 1.75 Earths in terms of resources and ecological services, according to "The World Counts". Ecosystems cannot keep up with our demands. As a result, between 100 and 300 million people are at increased risk of floods and hurricanes and many more are affected each year by extreme weather conditions. Sustainability has become more than just a buzzword – it is now a matter of survival. How are businesses reacting to the growing consumer and regulatory pressure to take action on ESG issues and reduce their environmental impact? And what effect will consumer concerns and tightening regulations have on the consumer goods industry?

The pressure on companies to act represents a severe risk for business across all regions and industries. Players that fail to react will be punished by both consumers and institutions, and may even face a threat to their survival. Companies are grappling with the challenge of forecasting their CO_2 emissions, so that they can then meet their targets. Failure to do so can be costly, as CO_2 emissions have become a new worldwide currency. The precise nature of the risk companies face depends on their industry and geography. But with every risk there also comes opportunity, such as being a first mover in the paradigm shift and enjoying competitive advantages as a result. Rather than just a risk to business, sustainability can in fact become a key driver of value – as we discuss in this study.

Before we investigate the impact of sustainability on consumer goods markets, we should take a look at the current shape of the industry and what lies ahead of it. After a slump during the COVID-19 pandemic, the four key consumer goods industries – food and beverages, fashion, personal and home care, and luxury – are expected to be worth USD 14 trillion in 2023. As a whole, these four industries are expected to see a CAGR of around seven percent through 2030. → A

However, in Western markets the outlook is not as positive. The fashion industry and the personal and home care industry are expected to show CAGRs of five percent between 2022 and 2025 in Europe and North America, and the food and beverages industry should achieve a CAGR of six percent. With a CAGR of seven percent, the luxury industry has the highest expected growth for this period. Growth is expected to be similar or slightly lower for the entire period 2022-30, with the food and beverages industry seeing the strongest CAGR at six percent. → B

Companies that fail to respond to the sustainability challenge will be punished by both consumers and institutions, and may even face a threat to their survival.

These growth rates, mainly driven by increasing population sizes rather than increasing consumption, should be a wake-up call for companies. Growth will slow down further, especially in Western economies. If players want to continue to expand, they can no longer rely on a positive underlying momentum in the market. More likely, we will see fierce fighting over market shares as everyone competes for the same piece of the pie.

In the context of this battle, companies often overlook sustainability as a crucial factor in consumers' purchase decisions. Sustainability is highly valued by shoppers, and companies with good environmental credentials increasingly enjoy a strong competitive advantage. Indeed, sustainability is often the X factor, the trait that makes a company stand out from the crowd and the thing that convinces shoppers to choose one brand over another. This is especially true where companies become more sustainable by means of innovation and new business models rather than through actions that lead to an inevitable increase in prices.

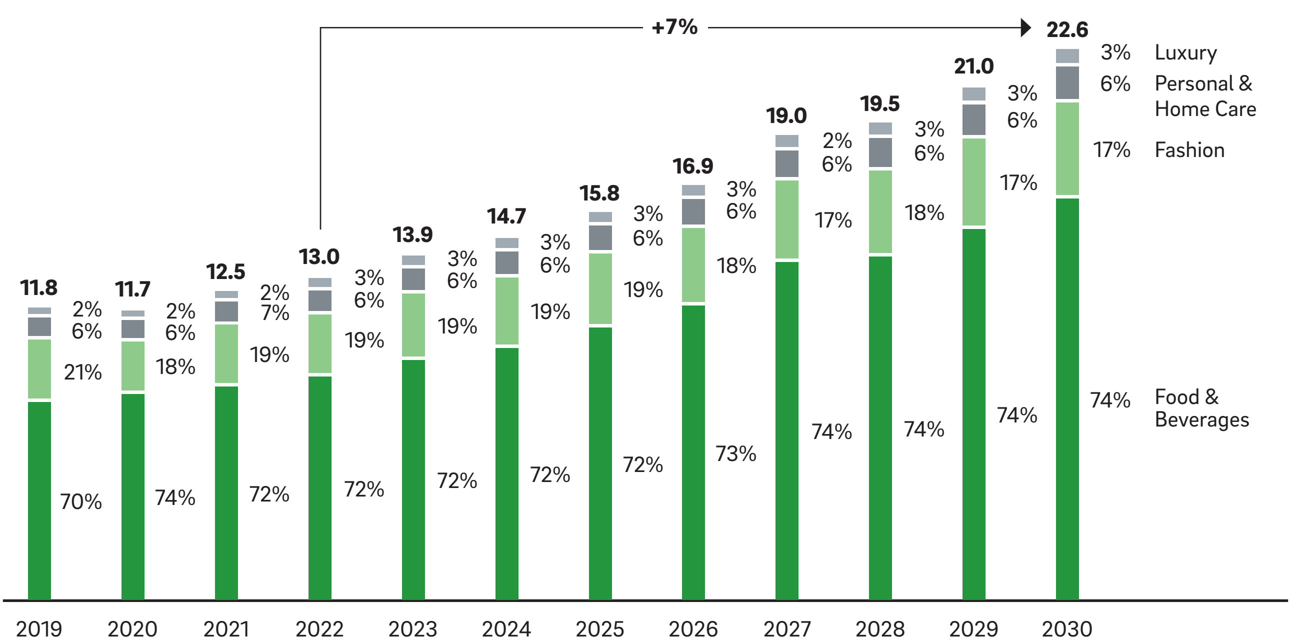
When it comes to acting on sustainability, however, we advise caution. Making a show of caring about sustainability without actually being sustainable can have dramatic consequences. New regulations are being developed to combat "greenwashing", and consumers – especially Gen Z – are particularly sensitive to any hint of dishonesty when it comes to companies' environmental commitments.

To secure competitive advantages, companies need a holistic sustainability roadmap that encompasses the entire value chain, from growing and sourcing raw materials to the production of products, their sale, and their use and disposal

A

Outlook for global consumer goods

MARKET SIZE BY INDUSTRY, USD TRILLION, 2019-30



Data updated with most recent dataset from Statista for F&B and Euromonitor for the rest. Numbers may not add up to 100% due to rounding.

Source: Euromonitor; Statista; Roland Berger by consumers. Businesses must consider sustainability in each of these steps. That is a challenging undertaking, especially in the case of complex supply chains.

In short, the way consumer goods companies do business requires a major rethink. The competitive paradigm is shifting and sustainability has become a key value. Businesses with conventional approaches risk losing market share. Those that take no action at all risk disappearing from the market altogether.

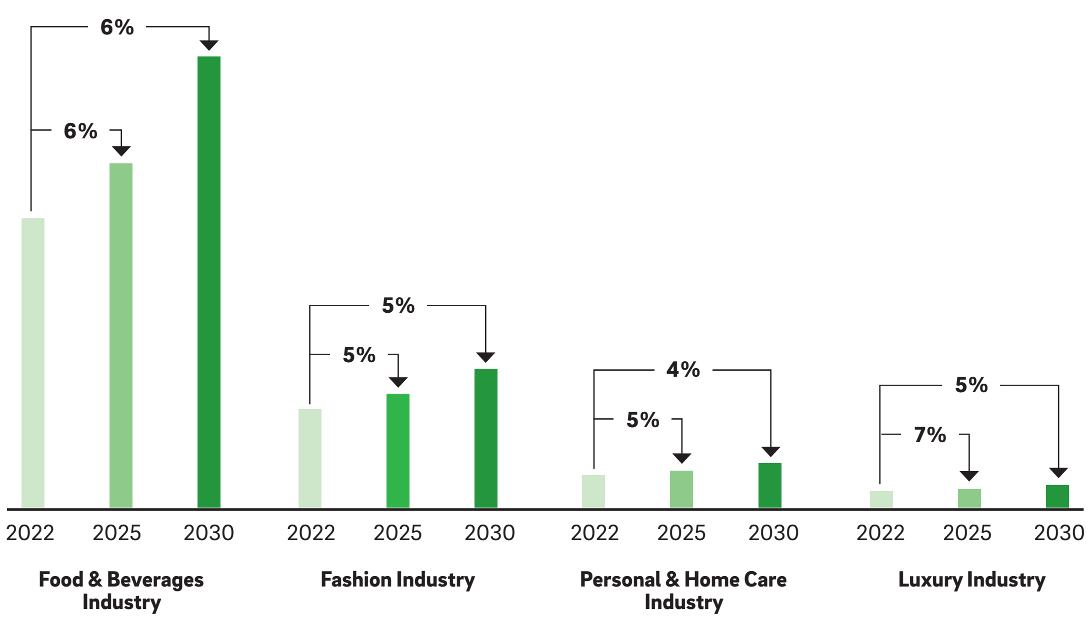
Consumers and governments are still struggling to find a common understanding of what sustainability is. Which precise criteria should we use to judge whether a business model is sustainable or not? Does it depend on the origin of the ingredients or raw materials, say, the company's efforts to reduce emissions, or the product's extended lifetime? Is it about consuming less or reusing more? Refurbishing existing products or disposing of them properly?

Whichever environmental criteria ultimately establish themselves, it is clear that sustainability will disrupt consumer goods markets in the coming years. Indeed, the disruption has already begun, with consumer awareness about environmental issues increasing noticeably as a result of the COVID-19 pandemic. The reshaping of the retail landscape will happen whether companies like it or not, and irrespective of how fast or slow individual businesses are in reacting to it. It is therefore well worth taking a systematic look at the two key drivers of sustainability: pressure from consumers and pressure from regulators. We turn to this in the following chapter.

B

Outlook for Europe and North America

CAGR SIZE BY INDUSTRY, 2022-30



Source: Euromonitor; Statista; Roland Berger

2 – Consumer and regulatory pressure is growing. We provide transparency.

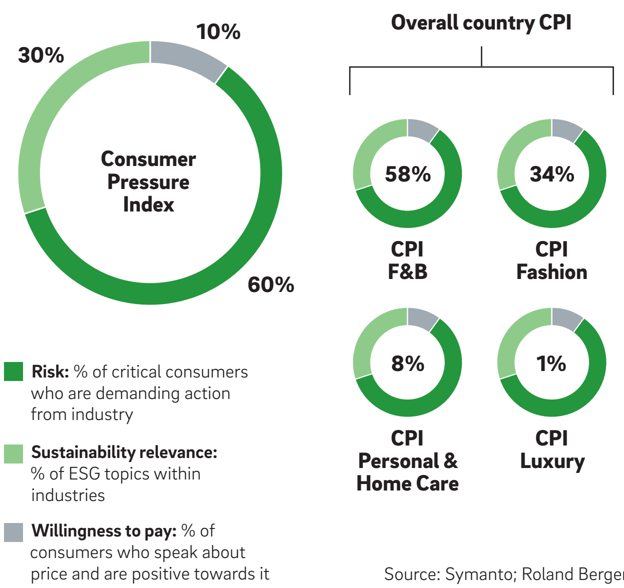
TWO MAIN FACTORS are currently driving sustainability: pressure from consumers and pressure from governments, the latter expressed in the form of regulation and taxation. This puts players at a severe business and compliance risk. Now, more than ever, they need transparency over consumer goods markets and how they are being reshuffled. With this in mind, we have devised two indices – a Consumer Pressure Index, indicating how strongly consumers are pushing for action on sustainability, and a Regulatory Pressure Index, indicating how much pressure governments are prepared to exercise to achieve these goals.

Our Consumer Pressure Index is unique in terms of both its methodology (see box) and the depth of insight it provides. For the first time, it offers a truly holistic view of consumer sentiment (relevance, topics, impact on willingness to pay) overall and in specific industries. It is also unique in its range, covering 14 different countries that together account for 80 percent of the total consumer goods and retail market: the United States, United Kingdom, Netherlands, Germany, France, Italy, Spain, Saudi Arabia, United Arab Emirates, India, China, Japan, Brazil and Mexico.

CONSUMER PRESSURE INDEX

We developed the Consumer Pressure Index (CPI) using AI-based sentiment, which systematically identifies, extracts, quantifies and studies affective states and subjective information from posts on social media and similar. This allows us to detect the overall tonality of an entire text as well as particular attitudes towards a specific topic, giving insights into the importance of and attitudes towards that topic.

We analyzed around 84 million conversations across the 14 countries and four core industries for "risk" (percentage of critical consumers demanding action from industry), "relevance" of sustainability (percentage of ESG topics within industries) and "willingness to pay" for sustainable products (percentage of consumers who mention price and are positive about it). We calculate the CPI for each industry in each country by weighting these three factors, with "risk" playing the biggest role, weighted at 60 percent. By weighting all four industry CPIs for one country based on industry size, we can calculate the CPI on a country level.



Source: Symanto; Roland Berger

INSIGHTS INTO CONSUMER PRESSURE

#1 Consumer pressure is greatest in the fashion industry, personal and home care industry and food and beverages industry

The CPI is medium or high in the fashion industry, food and beverages industry and personal and home care industry for almost all 14 countries. Only in the luxury industry is significantly lower consumer pressure found. Where the CPI is high, consumers are demanding increased action from companies, especially in the areas of biodiversity and land use, community relations and human capital development. The Netherlands has the highest overall CPI, with the highest CPI in three of the four analyzed industries (luxury, fashion, and personal and home care). Only in the food and beverages industry was the highest CPI measured for India for cultural, traditional and religious reasons, and this industry has the strongest weighting in the overall CPI calculation. CPIs are highest across almost all Western European countries and the United States and lowest in Brazil and Japan. → C

C

Western Europe has the highest CPIs

CONSUMER PRESSURE INDICES BY COUNTRY AND INDUSTRY

		INDUSTRIES			
	COUNTRIES	F&B	Fashion	Pers. & Home Care	Luxury
Europe	UK	●●●	●●	●●	●
	France	●●	●●	●●	●
	Italy	●●●	●●	●●	●●
	Spain	●●	●●	●●	●
	Netherlands	●●●	●●●	●●●	●●●
	Germany	●●●	●●●	●●	●●
Americas	Mexico	●●	●●	●	●
	Brazil	●	●●	●	●●
	United States	●●	●●●	●●	●
Asia	India	●●●	●●	●●●	●
	China	●●	●●	●●	●
	Japan	●	●	●●	●
Middle East	UAE	●	●●	●●	●
	Saudi Arabia	●	●●	●●	●●

Consumer Pressure Index: ● Low: CPI <6 ●● Medium: CP 6 – 8 ●●● High: CPI >8

Source: Symanto; Roland Berger

#2 Sustainability is not just a purchasing criterion for consumers across all industries, it's a hygiene factor

Sustainability is a must. In the social media and other posts analyzed, consumers express a clear willingness to adapt their purchasing behavior. Many posts also show clear evidence that their authors are emotionally involved in the topic. Relevance, risk and willingness to pay differ from industry to industry. In terms of median values, sustainability appears to be most relevant for the luxury industry. Also, consumers appear to be slightly more willing to pay for sustainability when it comes to fashion and personal and home care goods than they are in the area of food and beverages.

#3 Some sustainability issues affect all four industries, others are industry-specific

In terms of ESG topics, environmental issues enjoy the highest level of awareness among consumers. This is partly due to recent environmental disasters. The second most prominent area is social issues, with governance issues in third place. The leading environmental topic for consumers is CO_2 emissions, with targets such as net zero, carbon neutrality and the Paris Agreement the most frequently mentioned goals. Other hot topics include health (due to the COVID-19 pandemic), waste, and vegetarian, vegan and organic topics (for the food and beverages industry and personal and home care).

In terms of industry-specific topics, consumers speak most about regulation when discussing the food and beverages, fashion, and personal and home care industries. They almost never mention regulation when talking about the luxury industry. Also, while environmental topics are the most important subjects in the food and beverages industry and the personal and home care industry, social topics account for more than 50 percent of conversations in the fashion and luxury industries.

In terms of geographical focus, environmental topics are most common in Europe, the Middle East and Asia, while social topics predominate in the Americas. Among the environmental subtopics, the commonest subjects are resources and animal rights. The most relevant social subtopic is diversity and inclusion, followed by community relations.

Governance is the least common topic in all industries and countries. Within governance, management-related issues are the most relevant subtopic, followed by legal violations and business ethics.

The Regulatory Pressure Index (see box) looks at the same countries with the exception of Mexico. Both indices focus on the four core consumer goods and retail industries, namely food and beverages, fashion, personal and home care, and luxury. Taken together, the indices provide a solid and transparent basis for companies to prioritize their actions on ESG issues and reduce their environmental impact.

REGULATORY PRESSURE INDEX

The Regulatory Pressure Index (RPI) aims to depict the ESG-related regulatory pressure on companies from existing and upcoming regulations. The index consists of three elements: relevant indicators from the **Roland Berger Climate Combat Radar,** the Global Risk Profile Human Rights Index and an evaluation of ESG legislation in the 13 countries.[1]

The Roland Berger Climate Combat Radar measures three dimensions on a country level: attitude towards climate change, action on climate change, and status of measures combating climate change. For the purpose of this study we selected 14 indicators to act as a proxy for ESG-related regulatory pressure, including climate policy, subsidies for clean energy and municipal landfill waste targets.

The ESG Index ranking by Global Risk Profile comprises environment, human rights and health and safety subindices. This makes it possible to assess third-party risks to companies due to changing regulations. We extracted data from the Human Rights Index, which covers 182 countries and looks at the ratification status of 18 key conventions, social rights indicators (related to slavery, child labor, education, housing and so on), civil and political rights indicators (press freedom, minority rights and so on) and collective rights indicators (measures of peace, right to self-determination and so on).

Finally, we looked at the most important laws and regulations relating to ESG in each country, evaluating them for their relevance for the four consumer goods industries. Legislation included the UK's Extended Producer Responsibility (EPR) under which producers will have to pay the costs of managing household packaging waste, the US Clean Water Act regulating water pollution, and Japan's Act on Promotion of Food Loss and Waste Reduction, which defines reduction of food loss as a social measure for preventing still-edible foods from being discarded. For a final check we referred to summaries by law firms of the ESG legislation in the countries in question.

INSIGHTS INTO REGULATORY PRESSURE

#1 Regulatory pressure is stronger in Western countries

Western countries and Japan face the greatest regulatory pressure. In Europe, EU rules dominate, while some EU countries have additional legislation that goes even further, such as the German Supply Chain Due Diligence Act. Japan's government is committed to closing the gap to EU legislation. In North America, NGOs play a stronger role. Arab and Asian countries currently have low regulatory pressure, but this is expected to increase over time. In China and India, pressure can be expected to grow in response to extremely high levels of urban air pollution. Overall, more and more countries are committing themselves to net zero. In line with increased pressure from regulators, taxation on non-sustainable products is likely to increase. Moreover, non-sustainable companies will find it increasingly difficult to secure credit financing – a serious business risk that firms cannot afford to ignore. → D

#2 Regulation is most relevant in the personal and home care industries, followed by food and beverages, luxury and, finally, fashion

Countries in the European Union have the highest total number of relevant laws across all four industries, and Germany has the highest total number of all countries. India also has a large number of relevant laws, especially with regard to social topics. Saudi Arabia has the smallest number of relevant laws across all four industries. → E

#3 Increasing regulatory pressure raises prices, as sustainable products are more expensive to produce

The costs of producing sustainable products are generally higher, especially in countries with low-cost production regulations requiring more sustainability, which can have a significant cost impact. Consumers are only sometimes willing to absorb these cost increases, which can present companies with a challenge. Thus, considering the increasing regulatory pressure to become sustainable, this leaves manufacturers with two options: They can either innovate and make sustainability affordable, or they can keep their margins stable and put up their prices. Customers appear to be demanding the former option – that companies foster innovation in the area of sustainability. Our analysis reveals that consumers are willing to pay for sustainable products, but their willingness to pay extra is insufficient to cover the increased production costs. Companies therefore need to consider what the additional costs of sustainability are and how many customers they would lose by raising their prices sufficiently to fully cover these additional costs, and at the same time, pursue innovation wherever possible in the area of sustainability.

Where price increases to improve sustainability are unavoidable, it is crucial that customers are made aware of this. At present, consumers do not always understand the reason for price premiums. Greater transparency and harmonized organic standards are therefore necessary in order to further boost their willingness to pay. This is crucial as the globally increasing regulatory pressure will leave companies with no choice but to become more sustainable, and if potential cost increases cannot be absorbed through innovation or by the customers, that can pose a serious business risk.

Companies need to be aware that not being sustainable may be a serious business risk in the future due to increasing global regulatory pressure.

D

Western countries and Japan have the highest RPIs

REGULATORY PRESSURE INDICES BY COUNTRY

	COUNTRIES	
Europe	UK	●●
	France	●●
	Italy	●●
	Spain	●●●
	Netherlands	●●
	Germany	●●●
Americas	Brazil	●
	United States	●●
Asia	India	●
	China	●
	Japan	●●
Middle East	UAE	●
	Saudi Arabia	●

Graphic D
shows the countries' RPI values, consisting of three elements (Climate Change Combat Radar, Human Rights Index and Laws & Regulations).

Graphic E
shows the values for the different countries for the Laws & Regulations element only.

Thus, while a country may perform well in Laws & Regulations, this does not necessarily lead to a good overall performance in the RPI itself since the average of the three elements is taken to determine the RPI.

Source: Roland Berger

Regulatory Pressure Index: ● Low: RPI <3 ●● Medium: RPI >3 – <4 ●●● High: RPI >4

E

EU countries have the most regulation, across all four industries

RELEVANCE OF LAWS AND REGULATIONS BY COUNTRY AND INDUSTRY

		INDUSTRIES			
	COUNTRIES	F&B	Fashion	Pers. & Home Care	Luxury
Europe	UK	●	●	●	●
	France	●●	●●	●●	●●
	Italy	●●	●●	●●	●●
	Spain	●●	●●	●●●	●●●
	Netherlands	●●●	●●●	●●●	●●●
	Germany	●●●	●●●	●●●	●●●
Americas	Brazil	●●	●●	●●	●●
	United States	●●	●●	●●	●●
Asia	India	●●●	●●●	●●●	●●●
	China	●●	●●	●●	●●
	Japan	●	●	●	●
Middle East	UAE	●●	●	●	●
	Saudi Arabia	●	●	●	●

Source: Roland Berger

Relevance of laws and regulations: ● Low: Relevance <3 ●● Medium: Relevance >3 – <4 ●●● High: Relevance >4

A GLIMPSE INTO
THE FUTURE:
WHAT THE SUSTAINABLE CONSUMER OF 2030 MIGHT LOOK LIKE

SUSTAINABILITY AS A LIFESTYLE

The sustainable consumers of the future will see sustainability and health as core life values. In addition, they will care about the world and have a global perspective. As a result of that, they will be sustainability ambassadors and thoughtful consumers.

AWARENESS OF INDIVIDUAL RESPONSIBILITY

Sustainable consumers monitor their own sustainability performance and have a presence on social media. They use their platform to hold companies accountable and reject any false claims of sustainability (greenwashing). Additionally, they engage in consumer action to advocate for new regulations that promote sustainability.

BUY LESS, DO IT YOURSELF/ SECONDHAND

The sustainable consumers of the future prioritize environmentally friendly delivery options, prefer secondhand goods, make purchases based on needs rather than desires, and have a preference for secondhand or repaired items. Moreover, they are also well-informed about the ingredients and materials used in the products they buy.

SUSTAINABILITY AS THE NO. 1 PURCHASE FACTOR

The consumers of the future prioritize sustainability and are willing to pay extra for environmentally friendly products. They demand transparency about a product's supply chain, seek out brands that align with their personal values, and only remain loyal to brands that meet their expectations. In addition, sustainability is expected, and consumers prefer long-lasting products that are durable.

DIGITAL SAVVY

The consumers of the future adapt easily to new technologies (internet of the senses) and work and socialize virtually. Furthermore, technology is used to take informed sustainability decisions.

Illustration: Anton Hallmann / Sepia

3 – From food and beverages to luxury. Deep dives into key consumer goods industries and their sustainability efforts.

Food and beverages

The food and beverages industry – one of the oldest industries in the world – is highly fragmented. In 2019 the top ten competitors made up eight percent of the total market.[2] The United Nations predicts that food production will have to increase by as much as 70 percent between 2010 and 2050 in order to meet the needs of a growing global population. In 2022 the market reached a value of USD 9,354 billion, and it is expected to grow to USD 16,815 billion in 2030 – a CAGR of around six percent. → A The countries in this study account for around 60 percent of the total global market. China and the United States make up 45 percent of the global market, followed by India. China and Brazil enjoy the highest growth rates. Within Europe, Germany and France are the largest markets.

CURRENT ACTION ON SUSTAINABILITY

Food and beverages companies are currently focusing on reducing their environmental impact, minimizing waste and ensuring sustainable sourcing. The industry accounts for 36 percent of global emissions, mainly stemming from farming and harvesting (39.2 percent), land use (31.4 percent) and waste (8.8 percent).[3] Meat emissions account for almost 57 percent of total emissions related to food production, with beef having the biggest carbon footprint. The impact on other categories is also strong: For example, agriculture accounts for around 70 percent of all freshwater withdrawals worldwide.

Food production occupies approximately 40 percent of land around the globe. It is the biggest factor threatening species with extinction, it causes eutrophication (nutrient overload) and dead zones in lakes and coastal areas, and it has already led to a majority of the world's fish stocks being fully fished or overfished. In an effort to reduce CO_2 emissions, especially from meat production, companies are offering more and more healthy and diet-specific items. They include gluten-free, vegan foods, plant-based proteins and food products with fewer chemicals and preservatives.

Every year, roughly one-third of food produced for human consumption – around 1.3 billion tons – is lost or wasted. The United Nations estimates[4] that eight to ten percent of global greenhouse gas emissions are associated with food that is not consumed. Food packaging also makes up the largest share of litter in almost all aquatic environments. In terms of sustainable sourcing, the current trend is towards more organic and locally grown and raised products. The global organic food and beverages industry is expected to grow with a CAGR of 14.4 percent[5] between 2020 and 2027. Transparent, ethical supply chains are also becoming more important, with increasing numbers of manufacturers joining initiatives such as Fairtrade, the Rainforest Alliance and UTZ. Room for improvement remains, however: Currently, 56 percent[6] of companies have no Scope 3 emission reduction targets, despite the fact that Scope 3 emissions make up 90 percent[7] of lifecycle emissions, and just eight percent[8] of companies have full human rights due diligence mechanisms in place.

SUSTAINABILITY CHALLENGES

The challenges with regard to sustainability encompass the industry's environmental impact, from complex supply chains to packaging waste.[9] For example, it is difficult for players to achieve full transparency over food origins and process steps due to the highly complex supply chains. In addition, factors such as pandemics, drought, crop failure, war and transportation crises indicate that the industry lacks resilience.[10]

Climate change has a direct impact on agriculture, with every one degree increase in global mean temperature potentially lowering wheat yields by up to six percent, rice yields by up to 3.2 percent, maize by 7.4 percent and soybeans by 3.1 percent.[11] It is becoming increasingly challenging to feed a growing human population and at the same time lower the environmental impact.

Waste is a problem particularly where consumers refuse to buy food that no longer looks its best or is approaching its "best before" date.[12] Consumers also often buy more food than they need. Food waste is a particularly challenging topic as consumer awareness is lacking on this topic. Many places, especially developing countries, also lack strong infrastructure for managing packaging waste. More than half of the plastic litter in the oceans comes from China, Indonesia, the Philippines, Thailand and Vietnam.[13]

In the area of sustainable food sourcing, it is worth noting that biologically diversified farms require more diverse and appropriately scaled equipment, which can only be used at certain times of the year or for specific crops.[14] These farms also need to make upfront investments in soil health and ecosystem functioning, which may only pay for themselves after a number of years. Current concerns of farmers regarding the implementation of sustainable farming practices include anxiety about finances, labor challenges, lack of confidence in new approaches or their own ability to manage the transition, and uncertainties regarding collaboration with supporting institutions such as banks.

KEY FINDINGS

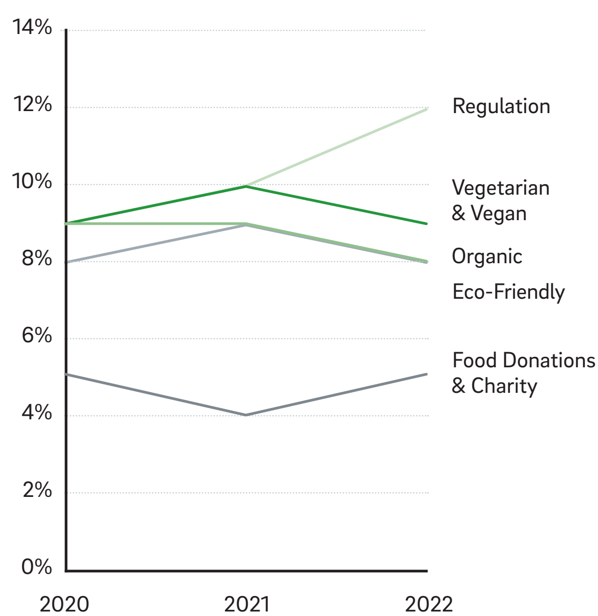
Our investigation found that cultural background has a huge impact on the perceived risks and relevance of sustainability in the food and beverages industry. For example, India has the highest overall CPI and sees the highest risk in the area of animal rights. In Germany, the perceived risk of climate change and emissions is approximately the same as for animal rights and resources. And in Spain the perceived risk is highest for human rights, and then resources.

Consumer awareness is much higher for environmental topics than for social or governance topics in the industry. Thus, 52 percent of posts on social media and such like concern environmental topics, compared to 36 percent on social topics and just 12 percent on governance. Willingness to pay is also by far the highest for environmental concerns. We found that macroeconomic events have a big impact on consumers' perception of risk and the relevance of different topics. For example, Russia's war in Ukraine has prompted consumers to call for more regulation on the price of food and drinks. Similarly, the topic of food donations and charity has become more relevant since COVID-19 and the war in Ukraine. → F

F

Development of top 5 ESG topics in the food and beverages industry

PERCENTAGE OF ALL POSTS ABOUT ESG ON SOCIAL MEDIA AND SUCH LIKE, 2020-22



Source: Symanto; Roland Berger

THE FOOD AND BEVERAGES INDUSTRY OF THE FUTURE: **A SUSTAINABLE VISION FOR 2030 AND BEYOND**

Illustration: Anton Hallmann / Sepia

WE FORESEE A NUMBER OF DEVELOPMENTS IN THE FOOD AND BEVERAGES INDUSTRY IN THE PERIOD TO 2030.

In the area of **MATERIALS**, new eco-friendly and plant-based sources will be used, such as innovative forms of proteins. Food with engraved markings rather than plastic packaging or stickers will take over the shelves. Special attention will be placed on compostable and recycled packaging, with sustainable packaging becoming standard – for example, "combined" packaging, where the lid and base are connected, for ready-to-eat products.

In the area of **PRODUCTION** we will see "local for local" – local production for local customers – alongside improvements in how animals are treated and an increase in organic products, vegan items and lab-grown meat. There will be greater focus on biodiversity, sustainable farming, sustainable agriculture and urban farming.

TRANSPORTATION will be reorganized to save on CO_2 emissions, with e-trucks fueled by 100-percent green energy becoming standard. Traceability will become highly important for purchase decisions, with each ingredient traceable along a completely transparent supply chain.

At the **POINT OF SALE**, a global deposit scheme and tax on PET will make packaging waste more sustainable and reduce plastic packaging in general. Retailers such as supermarkets will have curated sustainability assortments, and products and manufacturers who do not offer products meeting certain sustainability standards will disappear from some distribution channels. In-store efficiencies will increase, for instance by partnering with food surplus apps, and products will be labeled with ESG tags. Supermarkets and other retailers will offer lockers for pick-up deliveries

For **CUSTOMERS**, on-demand delivery, for instance via delivery bots, will become more important. Customers will have the option to donate an amount of money to offset emissions. The trend towards healthy foods will increase, with data-driven personalized foods and cigarette-like labeling for unhealthy foods. Manufacturers and retailers will also work with local charities to support vulnerable groups, and food will be "upcycled" – for example, restaurants will create dishes using low-value foods such as black beans and barley to reduce food waste.

Fashion

The fashion and textile industry comprises apparel, footwear and personal accessories. It has the second highest emissions in the world, with 15-30 percent of the plastic pollution in the oceans caused by machine washing of clothes with synthetic fibers.[15] Furthermore, 85 percent of garments thrown away end up in landfills, and 20 percent of water pollution is caused by textile production.[16] After shrinking during the pandemic, the fashion market returned to roughly its 2019 level in 2022, at USD 2,445 billion, and is forecast to grow to around USD 3,856 billion by 2030 – a CAGR of around five percent. → A The countries in this study account for around 73 percent of the global market, with the United States and China accounting for 45 percent of the global market value, followed by India. In Europe, Germany and the United Kingdom are the largest markets.

CURRENT ACTION ON SUSTAINABILITY

Many fashion companies acknowledge the negative impact of the industry on the environment and have committed themselves to targets such as net zero, or signed up to pledges such as the Fashion Industry Charter for Climate Action. For instance, in China – the world's largest textile production and exporting country – industry associations launched "action roadmaps" aimed at enhancing sustainability in 2019 and 2021. Fast fashion has especially led to a "democratization" of stylish clothing and increased the availability of new styles significantly. But this has a downside for the environment: The average consumer today buys 60 percent more clothing than in 2000, and less than one percent of used clothing is recycled into new garments.[17] Consumers need to be educated about the environmental impact of their purchasing habits so that they can make more responsible choices. At the same time, consumer pressure on companies to take action is high across all countries, as shown by our analysis of CPIs. → G

Responding to consumer pressure on the topic of sustainability has become a major issue for fashion and textile companies. But there is a problem: If they communicate too much, they risk accusations of greenwashing, while if they communicate too little, consumers may think that they don't care.[18] Some fashion companies have taken on leading roles as sustainability pioneers. For instance, in 2009 Patagonia and Walmart founded the Sustainable Apparel Coalition (SAC), a global multi-stakeholder nonprofit alliance aiming to promote sustainability in the fashion industry.

SUSTAINABILITY CHALLENGES

Many new brands have emerged in recent years that place a strong emphasis on their environmental credentials, including sustainability initiatives and environmental certifications.[19] However, short product lifecycles require fashion companies to develop and produce new products at a fast rate. It would be great if eco-friendly production methods and technologies were developed at the same pace. Moreover, no industry-wide understanding exists at present of what constitutes a sustainable product or materials.[20] Nonetheless, there is a lot of wisdom in the market.

A disconnect remains between consumer awareness and behavior. A big proportion of the fashion consumers are cost sensitive, which challenges fashion companies to produce with lower pollution, CO_2 emissions or disposal levels, and to invest in materials, improving working conditions or water usage.[21] The industry needs to innovate to make sustainable products affordable. A recent study by a German online fashion retailer found that 60 percent of consumers claim transparency is important to them, but only 20 percent actively seek out information during the purchasing process.[22] This disconnect is also seen in the results from our analysis, where consumer willingness to pay for many sustainability topics in the fashion industry is lower than the perceived risk and relevance of those topics.

A shift towards more social supply chains requires massive changes, encompassing internal processes, supply chain organization, culture and mindsets.[23] Even where manufacturers offer adequate working conditions, this is not necessarily the case for their subcontractors.[24] In general, it is crucial that workers in developing countries directly benefit from improving working conditions in the fashion industry and the local community as well. The concentration of women in this sector is relatively high, and textile production plays a role in reducing poverty among women but can do even more.[25]

Fashion companies need to narrow their focus on sustainability, prioritizing certain topics over others. This will enable them to achieve real improvements rather than superficial ones. Communicating this prioritization requires solid arguments to protect against negative publicity and reputational damage. At the same time, companies must act quickly as governments are increasingly tightening up regulations and strengthening environmental taxation regimes. Forming cross-brand alliances to learn and share as well as invest in consumer education and new technologies is the way forward.

KEY FINDINGS

Our analysis reveals that companies in the European Union face a greater number of regulations than companies outside the European Union, and that these regulations are often stricter than elsewhere. For example, France's Extended Producer Responsibility regulation means that producers or importers must take physical or financial responsibility for the entire lifecycle of the textiles they bring into circulation, including disposal and recycling. In China, by contrast, regulations have only an indirect impact on the sustainability of the fashion industry.

A major concern of consumers in the fashion industry centers on social topics. Thus, a majority of conversations about social aspects (54 percent) relate to social sustainability, with a particular emphasis on diversity and inclusion (17 percent), donations and charity (13 percent) and human rights (ten percent). Consumers recognize the power of the fashion industry to define beauty standards and therefore demand realistic, accurate representations. However, an increasing number of consumers are aware of "diversity washing" – brands trying to profit from social causes while not actively contributing to the topic.[26]

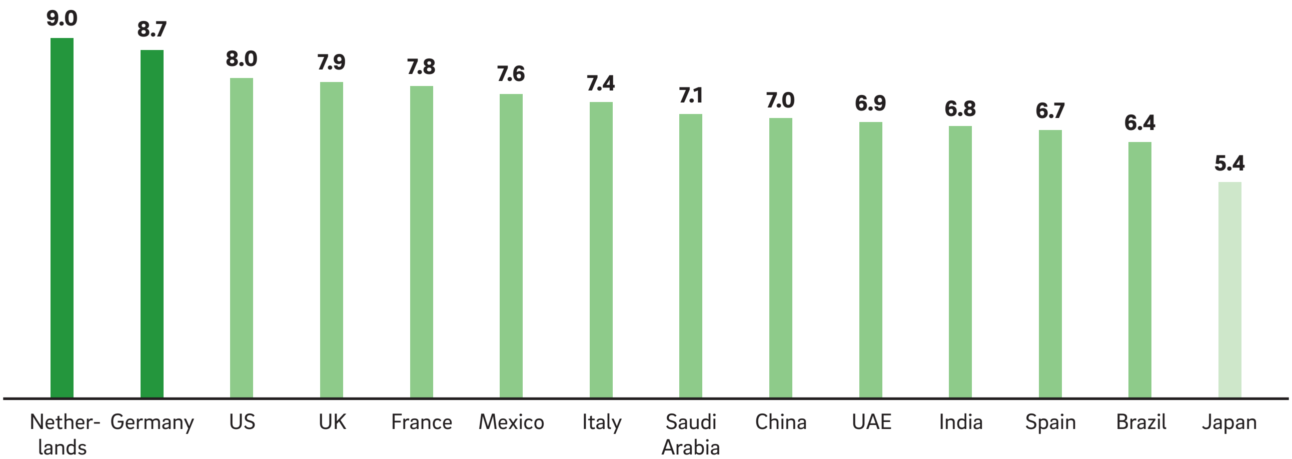
Consumers exhibit greater willingness to pay for environmental causes than for social causes. The greatest willingness to pay is in the area of resources (75 percent), disposal (59 percent) and animal rights (56 percent). → H

Our analysis further reveals that consumers, especially in Western countries, are aware of the negative environmental impact of the fashion industry. Almost one-third of posts on social media and such like about ESG in the fashion industry were on environmental topics, with resources, energy, disposal and climate change and emissions at the forefront. Consumers also exhibit the greatest willingness to pay for these topics. The industry has responded with initiatives such as "CottonConnect", "Fairtrade cotton" and "Better Cotton Initiative", as well as separate product lines featuring organic cotton and recycled fibers.[27] But this is not enough by far. Finally, the industry should think sustainability all the way to the end. For instance, if pieces last longer, are getting repaired or being bought secondhand, how does this impact the firsthand market? And what impact does it have on the business model of fashion players if circularity or no-waste becomes the norm?

G

Pressure to act from customers is high across all countries

FASHION INDUSTRY CPIS BY COUNTRY



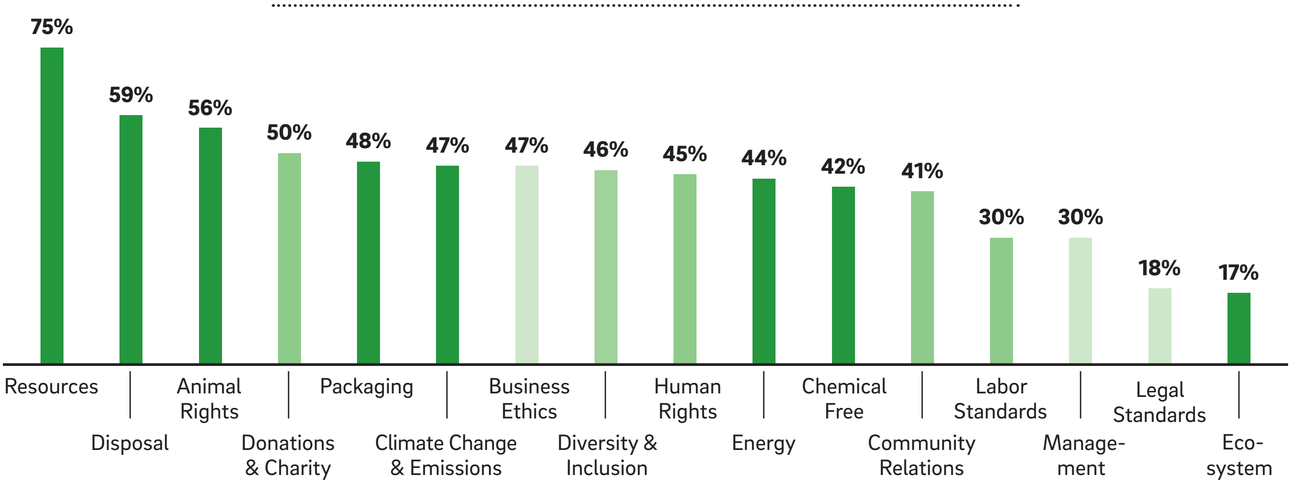
Source: Symanto; Roland Berger

Low: CPI <6 Medium: CPI 6 – 8 High: CPI >8

H

Consumers are more willing to pay for environmental than for social causes

WILLINGNESS TO PAY IN THE FASHION INDUSTRY BY TOPIC



Source: Symanto; Roland Berger

Environmental Social Governance

Low: WTP <25% Medium: WTP 25% – 50% High: WTP >50%

THE FASHION INDUSTRY
OF THE FUTURE:
A SUSTAINABLE VISION FOR 2030 AND BEYOND

Illustration: Anton Hallmann / Sepia

WE FORESEE A NUMBER OF DEVELOPMENTS TAKING PLACE IN THE FASHION AND TEXTILE INDUSTRY BY THE YEAR 2030.

Eco-friendly **MATERIALS** (natural fibers, organic cotton, recycled polyester) and next-generation materials (bio-materials, such as bacteria-based and mycelium-based materials) will be used as a first step in the production process. Every single step of the garment lifecycle will become transparent thanks to Digital Product Passports, making it possible to track labor standards in the **PRODUCTION** process. Emission and waste standards will be included as part of wider ESG regulation. International laws and standards protecting garment workers' labor rights will be established, most likely by 2030. Over time, automation will replace hard manual work, allowing for nearshoring and the minimizing of **TRANSPORTATION** emissions.

When it comes to the **POINT OF SALE**, marketing campaigns will increasingly focus on topics related to sustainability and diversity and promote in-store repair services, increasing the longevity of garments. In-store waste will be reduced through the reuse of installations, eco-packaging, recycled hangers and paper bags. Products will display a human and labor rights score, reducing leftovers and therefore lowering production, which will be much more agile, reactive & demand driven, in turn lowering the firsthand market production volumes.

For future **CONSUMERS**, the environmental and social impact of garments will be a critical decision criterion, with evergreen designs replacing fast fashion. Product utilization and lifetime will be increased through active participation in circularity practices and greater penetration of durable apparel products. Digital avatars will enable customers to try out garments when shopping online, leading to fewer returns. The fashion seasons (rhythms) will be readjusted to the real demand.

In addition, stores will feature **RECYCLING** counters, making recycling accessible to all customers, while fashion brands' websites and service hotlines will provide guides for do-it-yourself repairs and eco-friendly washing. Moreover, to increase fiber-to-fiber recycling, fashion companies may be forced to use single materials rather than composite ones. The closed loop will exist and will be realized via a cross-industry R&D investment program.

Personal and home care

The personal and home care industry is a major source of greenhouse gas emissions and faces significant sustainability issues in areas such as formulations, packaging and logistics. In 2022 the industry reached a value of USD 832 billion, and it is expected to grow to USD 1,355 billion by 2030 – a CAGR of approximately four percent. → A The countries in this study account for around two-thirds of the global market. The United States and China make up around one-third of the total global market, followed by Japan, with China and Brazil enjoying the highest growth rates. Within Europe, Germany and the United Kingdom are the largest markets.[28]

CURRENT ACTION ON SUSTAINABILITY

Sustainability issues abound in the personal and home care industry. Some parts of the industry use questionable ingredients, such as palm oil, which is associated with deforestation, or engage in animal testing (although the biggest user of palm oil is, in fact, the food industry).[29] Personal care and cosmetic products are a primary source of microplastics.[30] Packaging is also mostly made of plastic, which is created from fossil fuels and is a major source of plastic waste. Consumption is also an issue, as a major share of the emissions associated with the industry results when the products are being used – for example, the hot water in the shower when using shampoo.[31]

The current focus of the industry is on switching to refillable and environmentally friendly packaging, reducing the use of microplastics and cutting emissions.[32] Change here is mainly driven by consumer pressure: CPIs across countries are comparatively high.[33] → I

Sustainability in the beauty and personal care industry is increasing overall, and efforts in this direction are also visible in the home care industry.[34] Thus, almost all the top 100 personal and home care companies have made public commitments to driving sustainability over the coming years. Consumer preferences are also developing in the direction of plant-based formulations and less packaging. This is reflected in our analysis: Packaging accounts for the largest share of posts on social media and such like, at 21 percent. Willingness to pay is also very high, at over 60 percent for vegetarian, vegan or reusable products.[35]

SUSTAINABILITY CHALLENGES

The main challenge for the personal and home care industry is how to meet consumer needs and expectations, while at the same time driving sustainability.[36] Consumers want companies to address environmental issues but are often unwilling to compromise on convenience and quality. For example, our research found that "relevance" of sustainability was high in India (scoring 10) but "willingness to pay" much lower (5.2). Similarly, in Japan "risk" scored very high but willingness to pay very low (3.6). An additional challenge for industry players is measuring sustainability KPIs and Scope 1-3 emissions along the value chain, especially at product level.

Personal and home care companies have outsourced certain steps in the value chain, such as packaging. They therefore depend on their suppliers to come up with sustainable solutions. Even where suppliers find such solutions, obstacles remain such as the pricing difference between sustainable and non-sustainable options and commercial-scale availability of the options chosen.[37]

Some 60 global leaders in personal care and cosmetics, including the likes of L'Oréal, P&G and Unilever, have established the EcoBeautyScore Consortium. Its objective is to develop and agree on an industry standard, consisting of a harmonized approach, including rules, scoring model and a suitable tool for measuring the sustainability impact of products.[38] This will then be communicated to consumers on the packaging, allowing them make more informed decisions. Discussions are based around the Product Environmental Footprint (PEF) developed by the European Commission for other product categories, which requires manufacturers to analyze 16 impact categories or "sustainability indicators", including some arising during the consumer use phase – a significant challenge for manufacturers.

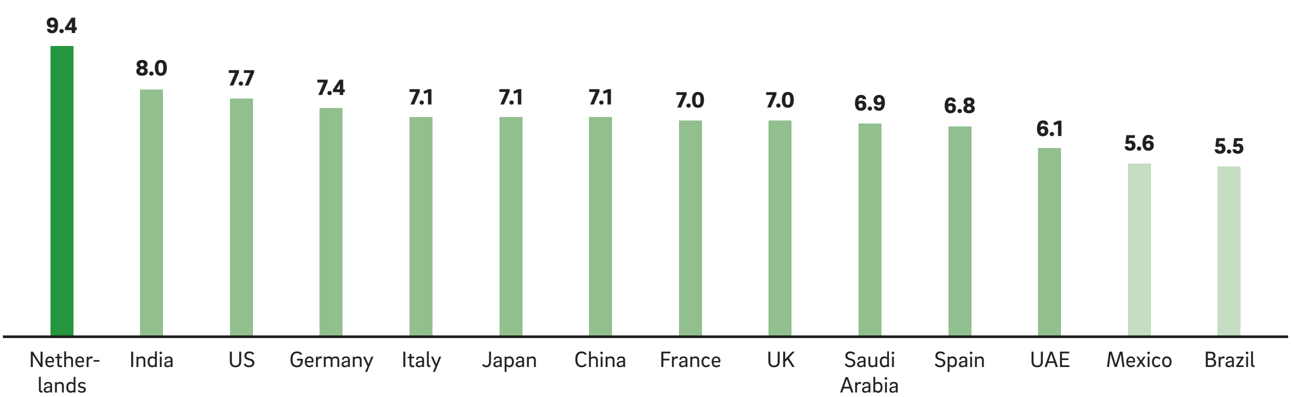
KEY FINDINGS

Resources, packaging and disposal in the industry are the key topics of conversation on social media and such like. The widespread use of single-use packaging puts a heavy burden on the environment, creating packaging waste in oceans and landfills. This phenomenon receives widespread media attention, which is in turn driving change. Large amounts of packaging cannot be recycled in existing recycling systems, especially in the case of multi-material packaging. Recycling rates for plastic packaging are also relatively low, compared to paperboard and metal and glass. "Willingness to pay" for topics relating to resources is relatively high (83 percent), as it is for disposal (56 percent). However, it is below average for packaging (31 percent). → J

J

Pressure to act from customers is high across all countries

PERSONAL AND HOME CARE INDUSTRY CPIS BY COUNTRY



Source: Symanto; Roland Berger   Low: CPI <6   Medium: CPI 6 – 8   High: CPI >8

On the regulation side, governments have started to respond to the public outcry. Regulators around the world are banning or limiting the import of packaging waste, introducing bills for plastic packaging or issuing packaging design regulations.[39] Our analysis also shows that regulation is an increasingly important topic for consumers, having grown from featuring in 10.3 percent of all ESG conversations in 2020 to 13.2 percent in 2022. This makes it now the top topic of conversation. → K

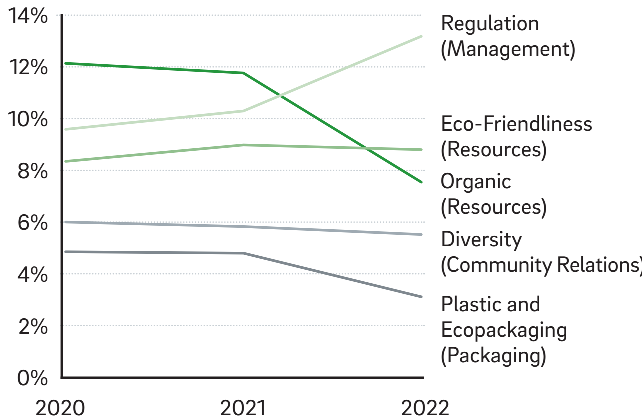
It is likely that microplastics will be totally excluded from product formulations in the future. Leading personal and home care companies such as Henkel have already banned microplastics from their products, while bodies such as the Personal Care Products Council – the leading US trade association – directly address this issue. The European Green Deal, the new Circular Economy Action Plan (CEAP) and the EU Plastics Strategy also all include measures tackling pollution from microplastics.

Truly sustainable personal and home care companies are becoming increasingly attractive, leading to a rise in mergers and acquisitions in the industry. As consumers in growing numbers demand sustainable products, brands in the industry that directly address issues such as plastic packaging are increasingly attractive as takeover targets.

K

Development of top 5 ESG topics in the personal and home care industry

PERCENTAGE OF ALL POSTS ABOUT ESG ON SOCIAL MEDIA AND SUCH LIKE, 2020-22

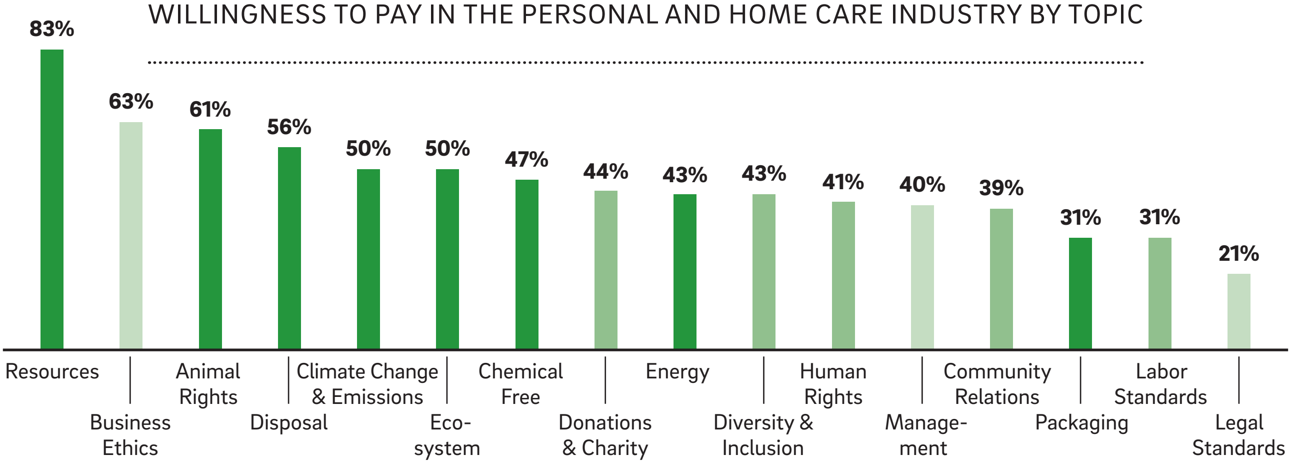


Source: Symanto; Roland Berger

J

Consumers are willing to pay for resources and disposal

WILLINGNESS TO PAY IN THE PERSONAL AND HOME CARE INDUSTRY BY TOPIC



Source: Symanto; Roland Berger

Environmental Social Governance

Low: WTP <25% Medium: WTP 25% – 50% High: WTP >50%

TOWARDS A MORE SUSTAINABLE PERSONAL AND HOME CARE INDUSTRY: **A VISION FOR 2030 AND BEYOND**

Illustration: Anton Hallmann / Sepia

WE FORESEE A NUMBER OF DEVELOPMENTS IN THE PERSONAL AND HOME CARE INDUSTRY TAKING PLACE BY 2030.

In **MATERIALS AND SOURCING**, companies will come up with new formulations that significantly improve environmental friendliness, for instance allowing consumers to wash items in cold water without loss of washing quality. Animal testing will stop, and new concentrates will emerge that require less packaging or for which eco-friendly packaging can be used.

In the area of **FORMULA AND PACKAGING**, companies will increasingly switch to organic products that contain fewer chemicals, no microplastics and responsibly sourced palm oil and palm kernel oil. Packaging will become recyclable and will actually be recycled – although in practice large parts of packaging will become obsolete thanks to refilling solutions. Beauty brands in particular will use zero waste and waterless claims in their advertising. Consumers will enjoy transparency about ingredients, their origin and emissions.

TRANSPORTATION will become as emissionless as possible, using e-trucks fueled with 100-percent green energy and drawing on other levers such as route optimization and mode of transport (rail, road, air).

Sustainability will likewise dominate the **POINT OF SALE**, with digital price labels replacing paper labels. Products will feature information about how to use them economically and ecologically, plus certification details for suppliers and factories.

In the area of **RECYCLING**, refunding schemes will become even more important and scrap collection and recycling programs will be expanded.

Luxury

The luxury industry – comprising luxury fashion and hard luxury – is well positioned to move into the sustainability space as its products are durable by nature and selective material and craftsmanship lies at the core. Not only that, but there is also a culture of passing items down through generations. However, the production, transportation, use and disposal of luxury goods is still responsible for CO_2 emissions or environmental and social harm. In 2022 the market size was around USD 330 billion, and it is forecast to grow to USD 576 billion by 2030 – a CAGR of roughly five percent. The countries in this study account for some 78 percent of the global market. → A The United States and China make up 38 percent of the global market, followed by Japan. Brazil, China and Saudi Arabia enjoy the strongest growth rates. Within Europe, France, the United Kingdom and Italy are the three biggest markets.

CURRENT ACTION ON SUSTAINABILITY

Even though luxury fashion products are often made of high-quality materials, processing these materials still generates CO_2 and releases chemicals into the environment. In fact, high-quality materials are not necessarily more sustainable than low-quality materials: Leather goods, for instance, require intensive cattle ranching, which is known for high emissions and often low animal welfare. Some leading players such as LVMH and Kering are currently increasing their efforts to source leather sustainably and investing in companies producing high-quality artificial (or "vegan") leather.[40]

Metal mining is particularly harmful to the environment, requiring large-scale land clearance and energy-intensive extraction processes. Metal ore mining usually takes place in remote locations, leading to high levels of transportation pollution.[41] Our analysis shows that this is a topic that concerns consumers: Consumers in the Netherlands, Germany and Saudi Arabia see resources as the biggest risk within the luxury industry. Metal recycling is becoming increasingly popular.[42] Gold mining is also associated with several environmental challenges, ranging from deforestation to pollution, especially of water.

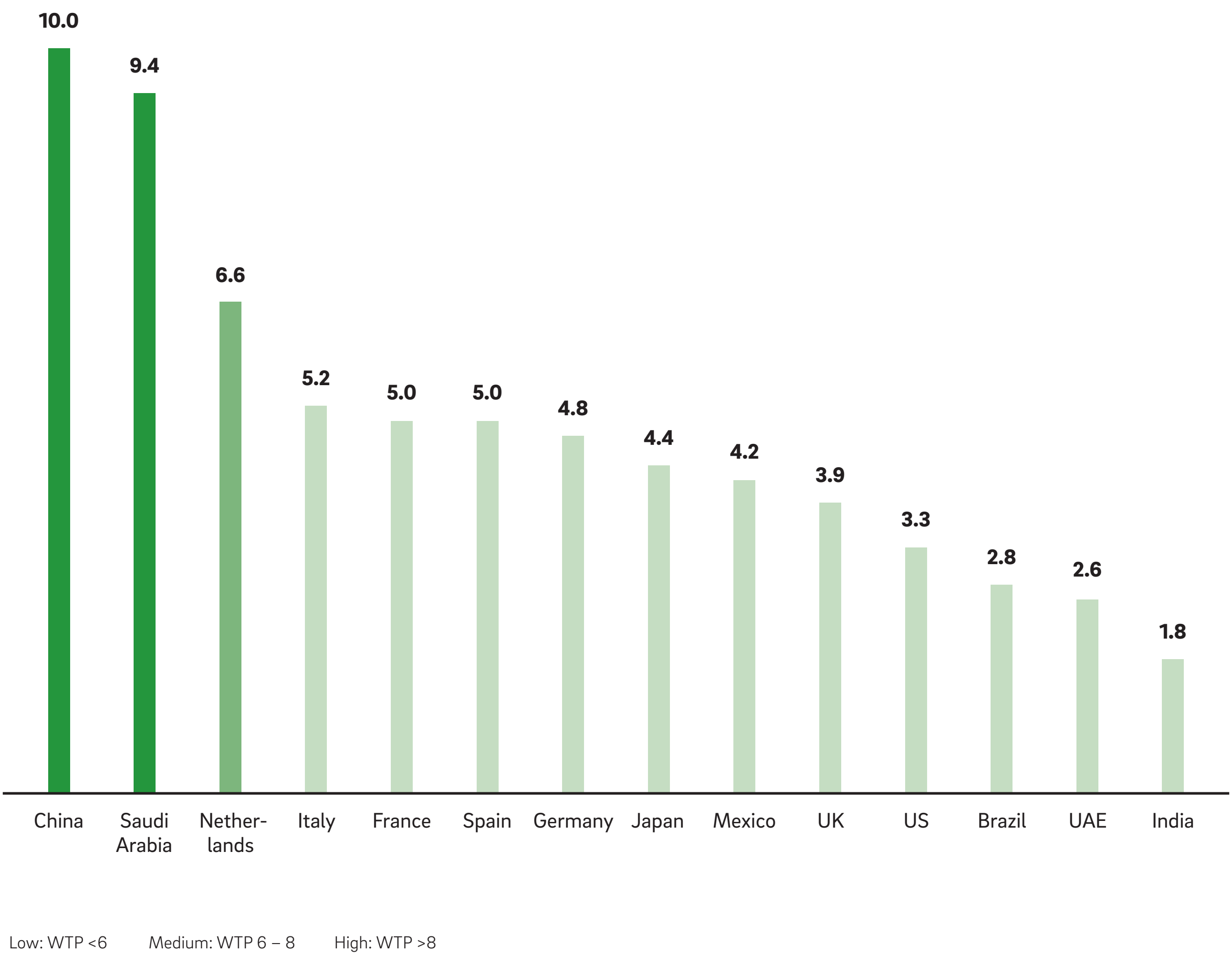
A growing number of luxury fashion companies are making efforts to become more sustainable, for example by committing themselves to net zero.[43] The industry is subject to particular pressure from millennials and Gen Z, who are driving 85 percent of global luxury sales growth and are very concerned about the environmental and social impact of their purchases.[44]

The share of sustainable products in department store sales is expected to rise significantly in the next five years. Consequently, department stores may stop buying luxury brands that are not sustainable. Many department stores are already promoting sustainability using dedicated corners, temporary shop-window displays or direct visual strategies. They are integrating it in their business model.

Changes are also underway in the jewelry sector. For example, radical supply chain transparency or synthetic stones now make up ten percent of the diamond market (2022), compared to just two percent in 2018. A positive development for ESG, but by no means the solution.

Willingness to pay for sustainable luxury varies significantly

WILLINGNESS TO PAY BY COUNTRY



Source: Symanto; Roland Berger

SUSTAINABILITY CHALLENGES

Luxury goods companies struggle with sustainability, often due to the craftsmanship and the complexity of their supply chains. Luxury products depend on uniqueness, and this is frequently achieved by using exclusive natural materials such as wool, cashmere or snakeskin. This often threatens biodiversity.

Although luxury fashion items usually have greater longevity than fast fashion items, it is questionable whether luxury consumers consume less in fact, especially considering that luxury brands are often launching new collections. In addition, many luxury companies are sceptical about engaging in circularity, arguing that reusing garments or stones from previous collections could dilute the heritage of a luxury brand. Some companies even burn entire collections at the end of a season to prevent them being sold with discounts and harming brand equity.

KEY FINDINGS

Our analysis reveals that luxury brands are facing social pressure from increasingly aware consumers – however, sizeable differences exist between countries. Luxury has the highest score for relevance of sustainability of the four industries examined, but the differences between countries range from a CPI of 8.8 in the Netherlands to a CPI of just 2.5 in the United Arab Emirates and Japan. The COVID-19 crisis further stimulated the industry-wide sustainable transformation, with large luxury conglomerates now beginning to address sustainability concerns, for example, by publishing sustainability profit and losses reports or becoming part of the "Fashion Pact".[45]

Pre-owned luxury products are growing in importance. The global market for apparel is currently worth an estimated USD 141 billion and is forecast to grow significantly in the coming years and to reach a value of USD 218 billion in 2026.[46] In the United States 69 percent of luxury shoppers already buy pre-owned items.[47]

Sustainability will become a competitive advantage for luxury brands, with a growing number of consumers being able to pay a premium for sustainable products. However, willingness to pay varies significantly from country to country: China and Saudi Arabia have a very high willingness to pay for long-lasting luxury products, for instance, while India has an extremely low willingness. If product prices across countries rise owing to sustainable features, consumers will need to make their choice, but the luxury industry should be able to push ESG topics significantly. → L

WE FORESEE A NUMBER OF TRENDS IN THE LUXURY INDUSTRY THAT ARE SET TO ACCELERATE IN THE PERIOD TO 2030.

In our vision for the year 2030, the luxury industry will use more sustainable raw **MATERIALS** such as vegan leather options, artificial silk, "animal-friendly" silk and artificial diamonds. The origins of products and raw materials will be traceable with the help of technologies. Brands will offer on-demand or customized **PRODUCTION**, reducing waste and CO_2 emissions while upholding scarcity. Production will be taken as close as possible to the consumer.

We predict that **TRANSPORTATION** and **RECYCLING** will become an important part of the value chain, providing consumers with full transparency through the use of RFID (radio-frequency identification) or other systems. Transportation will be mainly by sea or road, rather than air.

At the **POINT OF SALE**, companies will offer customization such as 3D prints and "batch size one". Dedicated ESG personnel at store level will accompany customers along their buying journey. Digital samples and digital tracking of the production and supply chain will be available at the point of sale. A digital product pass will become a standard feature, as will different circularity business models.

CUSTOMERS will have the option to donate to social initiatives when making luxury purchases. In general, luxury will become more sustainable and companies will create their own awards programs – Rolex, for example, already offers a large cash prize to entrepreneurs or projects bringing about positive environmental or cultural change, known as the Rolex Award for Enterprise.

Furthermore, **CIRCULARITY** will have disrupted traditional business models and will make up a significant proportion of sales and services.

TOWARDS A MORE SUSTAINABLE LUXURY INDUSTRY: **A VISION FOR 2030 AND BEYOND**

Illustration: Anton Hallmann / Sepia

4 – Solutions for consumer goods players. Our recommendations.

To secure their future success, consumer goods players must integrate sustainability guidelines into their overall company strategy. In particular, they should consider the following eight key findings from our analysis:

#1 Companies can gain a strong competitive advantage by systematically pursuing sustainability strategies. That means considering all ESG dimensions, implementing actions across the entire value chain and avoiding greenwashing at all costs. Reducing ecological footprints will be especially key, as the rapid increase of taxation and regulation will otherwise put profits at risk. In addition, it is also crucial that companies adjust their strategies to the requirements of the respective countries, as these can differ notably.

#2 In the food and beverages industry, companies can benefit from emphasizing environmental initiatives over social and governance topics, as environmental topics have greater relevance for consumers.

#3 Fashion companies need to reflect their customers' concern about ESG topics in their strategy. In some cases, they may leverage their consumers' high willingness to pay for environmental causes by creating sustainable products and services with a higher price point. Overall, the industry will be confronted with much stronger regulation. The implementation of new technologies and materials, as well as no-waste initiatives will therefore become imperative.

#4 Personal and home care businesses would be well advised to respond to consumers' demands for sustainable resource utilization and green disposal concepts. In particular, sustainable brands should ban the use of microplastics in their product formulations.

#5 Luxury brands are facing pressure, especially from millennials and Gen Z. As these customers drive 85 percent of growth in the industry, companies need to react. In a similar vein, circularity will strongly disrupt existing business models and force brands to rework supply chains.

#6 In all industries, consumers show increased willingness to pay for sustainable products and services. However, these products and services need to remain affordable for consumers, and in the case of a price premium, the reasoning behind it has to be transparently communicated. Otherwise, demand will evaporate, counteracting the positive effect.

#7 Many sustainability investments pay off in the long run. To measure their success, companies need to consider other perspectives, such as the firm's attractiveness for employees and ESG-driven investors. Investing in sustainability can also help them reach younger target groups with their products, thereby helping them save their business from the threat of extinction.

#8 In some cases, consumers are prepared to refrain entirely from purchasing non-sustainable products, especially those that they feel they do not need. This will put the entire firsthand market under pressure, posing a significant revenue risk for companies. Consumer goods companies have many reasons to initiate sustainable activities, such as adding value for the brand, company or employees, reducing the costs associated with their environmental impact or making themselves more attractive to potential investors. In order to make fact-based investment decisions, they will need to quantify the upside potential of these opportunities.

Tackling the sustainability challenge calls for a holistic approach, involving first building a foundation, then developing a sustainability strategy, defining initiatives and lighthouse projects, and finally implementing sustainability governance. As pressure from consumers and regulators continues to grow and consumer goods markets are reshuffled, being sustainable is no longer a nice to have, it is a must. Being sustainable and conserving the Earth's environment must be our chief priority – there is no Planet B.

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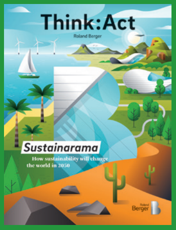

Sustainability is changing the world as we know it. What will our lives look like in 2050 – and what can companies do to ensure a livable future?

We welcome your questions, comments and suggestions

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