

SUSTAINABILITY SELLS. IS THE INDIAN CONSUMER BUYING?

Sustainability can no longer be perceived as the sole responsibility of any one stakeholder in the process of transforming value chains. Customers have a role to play too

■ By WWF India Sustainable Business Team

Urbanisation and consumerism, the expansion of organised retail to tier 2 and tier 3 cities is seeing the emergence of the 'value buyer' — the average consumer now has a variety of offerings to choose from and is often more informed and aware about competing brands and the differences in their products. With wider access to information and increasing social media influence, this consumer plays a crucial role in driving change in the value chain.

THE NEED TO BE DIFFERENT

In the midst of a clutter of brands catering to this evolving 'value buyer', there is an opportunity for companies to create a distinct product image and carve out a point of differentiation for their product. Several multinational companies have long recognised this opportunity, going further in suggesting that their commitment to sustainable sourcing is no longer about product differentiation, but a type insurance for their brand and supply chain.

These dynamics are more pertinent now given the Indian government's decision in March 2016, to allow 100% foreign direct investment (FDI) in multi-brand retail for food products. Differentiation will be seen as a key point of leverage for companies to improve product sales and will pave the way for competitive pressures to soar.



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Differentiation in India until this point has been focussed on quality of the product, price and benefits. Interestingly, markets across the world have shown that it has also become possible, and indeed necessary, to demonstrate product value not just in a traditional sense but also performance on other fronts — sustainability, production processes, environmental footprint and social impacts. In this regard, multi-national brands like Unilever, IKEA, Kimberly Clarke, and L'Oreal etc. have taken steps to ensure that businesses and supply chains are evolving to address these needs.



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INSTITUTIONAL EFFORTS

Globally, a number of public and private initiatives have also emerged in recent times. The Consumer Goods Forum (CGF), for example, an alliance of 400 companies including retailers, manufacturers and service providers across 70 countries pledged in 2012 to achieve 'zero net deforestation' by 2020. Out of this commitment, the Tropical Forest Alliance was formed, a global public-private partnership that brings together 8 governments, 33 civil society organisations and 27 private sector companies. Together, they tackle the drivers of deforestation associated with the sourcing of commodities such as palm oil, soy, beef, and paper and pulp. Twelve international banks joined the CGF to form a 'Soft Commodities Compact' in 2013 to support the 2020 target for zero net deforestation in supply chains.

SO WHO LEADS?

While the notion of responsible consumption evolves in the Indian context, alignment will be needed among producers, brands and retailers to provide access to 'responsible products'. While this demand is grow-

ing, there is still a long way to go. No one player can drive this change in isolation. However, in the current context, the larger onus must sit with the supply side. Consumer preferences will evolve, but the speed of change in preferences among this group will not be sufficient to address the most serious environmental and social impacts linked to the production of consumer goods. FMCG companies can drive change in their supply chains and thus play a crucial role by creating awareness on sustainability among consumers through marketing and other outreach mechanisms. Therefore, the FMCG sector's efforts are critical in making sustainable products the norm rather than a niche. Furthermore, the retailer is uniquely placed to be the interface between companies and consumers, and in doing so, can ensure long term benefits to their business.

This article is the last of the three-part series. The first part focussed on the importance of retailers in driving demand for sustainable commodities, and the second on the role of brands in the creation of sustainable markets. 😊

WWF-India's Sustainable Business team aims to transform businesses to reduce the ecological footprint and develop innovative sustainable solutions across a number of environmental challenges including climate change, commodities, water and finance.