

Investing in Sustainable Brand Marketing and Communications: Proposed Benefits & Monetization Methods

April 2023



Return on Sustainability Investment (ROSI™) Framework

Sustainability Drivers of Financial Performance & Competitive Advantage

Embed:

When companies embed sustainability risks and opportunities into their strategy and decision-making processes, they...



Improve:

- Risk Management
- Stakeholder Engagement
- Operational Efficiency
- Talent Management
- Supplier Relations
- Media Coverage
- Customer Loyalty
- Sales & Marketing
- Innovation

Drive:

- Revenue Growth
- Greater Profitability
- Higher Corporate Valuation

Deliver:

- Quantifiable Business Value & Positive Societal Impact



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By embedding ESG risk and opportunities within core business strategy, the return on sustainable investment can be quantified, delivering the possibility of both financial value and positive societal impact.

Overview of Food & Agriculture Framework

NYU Stern CSB is developing a ROSI™ framework for food & agriculture with publicly available monetization tools to help the industry understand where and how sustainability can unlock financial value.

Based on research, experience, and engagement with industry leaders, we have identified the following sustainability strategies* used by the industry to include in the framework:

Water stewardship

Soil health

Climate change

Chemical management

Biodiversity and ecosystem
conservation

Animal stewardship

Food waste management

Sustainable sourcing

Food safety and nutrition

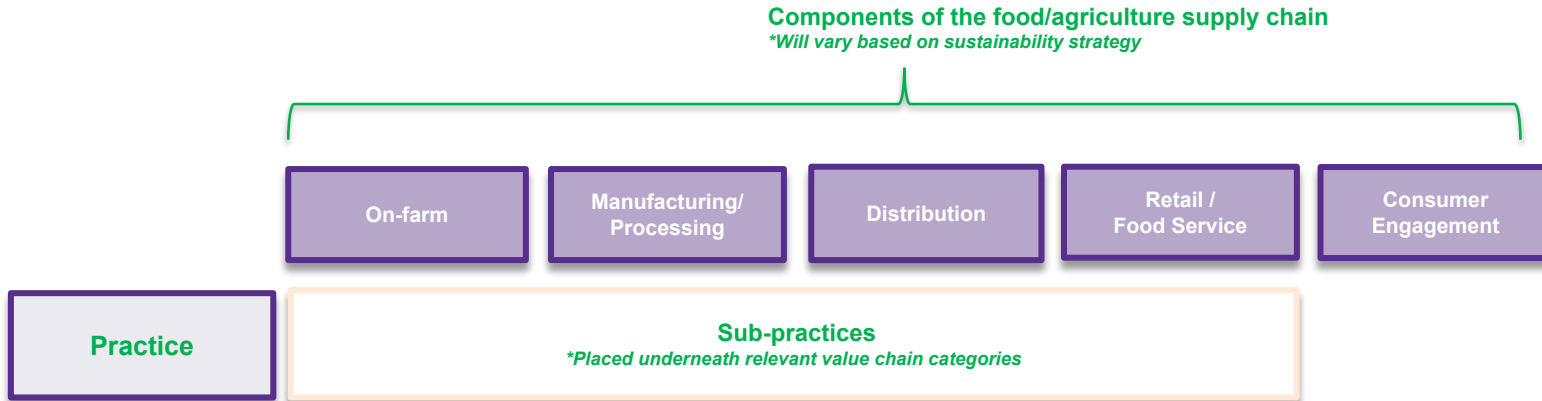
Sustainable packaging

Employee and supplier
well-being

Brand marketing and
communications

Identified Sustainability Practices and Sub-Practices Framework Layout

- Through our research, we identified key sustainability practices and sub-practices food and agriculture supply chains are implementing to achieve their sustainability strategies
- Each strategy includes sub-practices which are mapped under the relevant components of the food/agriculture supply chain, (if not relevant to a part of the supply chain, it is excluded)
- There are some benefits that are referenced across multiple strategies
- Compliance / enforcement practices are not explicitly listed in this framework but should be considered when implementing the twelve strategies
- Please see diagram below of the framework layout, which is illustrated for each strategy in the subsequent slides



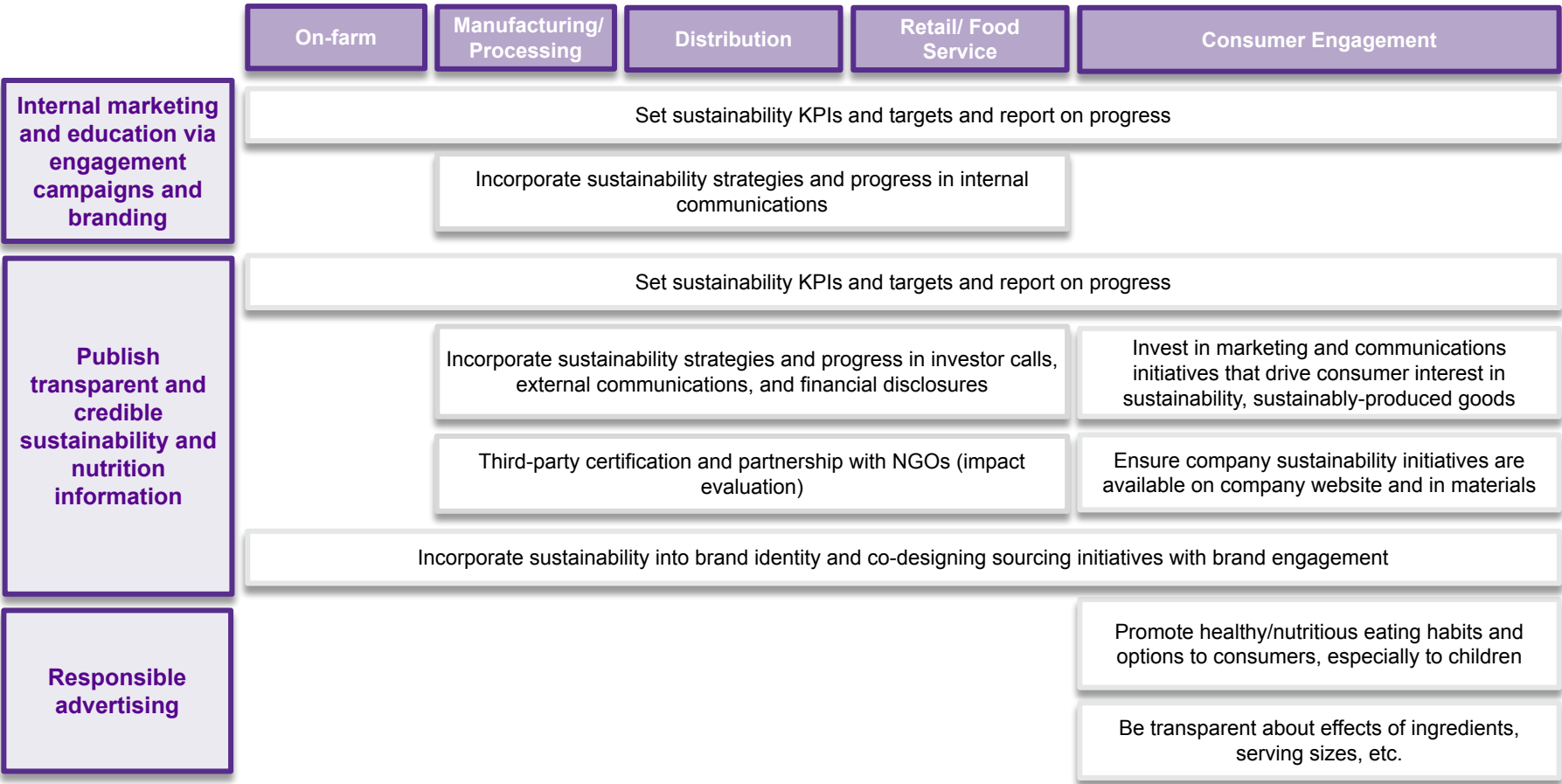


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Monetization Approach

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Overview of Sustainability Strategy and Impact Categories

In the following slides, we will be focusing on benefits from the *Marketing and Communications* strategy , which are categorized based on the impact categories highlighted below

Sustainability Strategy Definition

Investing in Sustainable Brand Marketing and Communications

Food and Agriculture supply chains are investing in strategies to promote their sustainability efforts through transparent goal setting and communication, responsible marketing and brand awareness campaigns.

Impact Categories

Operational Efficiency (OE)

Benefits that...

Optimize corporate and supply chain efficiencies to lower cost and increase profits

Sales and Marketing (SM)

Increase volume of sales through brand and marketing policies

Customer Loyalty (CL)

Attract an increasing community of conscious buyers & consumers, while reducing retention costs

Risk Management (RM)

Encourage risk mitigation and resilience within the value chain

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Overview of Sustainability Strategy and Impact Categories

In the following slides, we will be focusing on benefits from the *Marketing and Communications* sustainability strategy, which are categorized based on the impact categories highlighted below

<i>Impact Categories</i>	Benefits that...
Stakeholder Engagement (SE)	Improve goodwill among the broader stakeholder community (i.e. NGOs)
Talent Management (TM)	Attract and retain high-quality internal talent
Supplier Relations (SR)	Improve upon the relationships between the company and its suppliers
Media Coverage (MC)	Increase a company's media presence with the development of traditional and social media content
Innovation (IN)	Create new revenue streams using sustainable business models

Investing in Internal Marketing and Education, ON FARM

Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Metric #	Proposed Benefits	Impact Category	Suggested Monetization Methods
Company invests in marketing and education around sustainability through engagement campaigns and branding	Set sustainability KPIs and targets and report on progress	MC -1	Attract and retain talent in sustainability	TM	Compare annual investment (in recruitment and retention) in top talent compared to previous investments (i.e. prior to sustainability focused communications)
		MC -2	Decrease costs associated with reputational damage for not engaging in sustainability strategies	RM	Estimate a reduction in number of potential reputational issues before and after implementing sustainability strategies multiplied by the costs of handling such reputational issues.

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Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Metric #	Proposed Benefits	Impact Category	Suggested Monetization Methods
Publish transparent and credible sustainability information	Set sustainability KPIs and targets and report on progress	MC - 1, MC - 2	Attract and retain talent in sustainability. Decrease costs associated with reputational damage for not engaging in sustainability strategies	TM, RM	Compare annual investment (in recruitment and retention) in top talent compared to previous investments (i.e. prior to sustainability focused communications). Estimate a reduction in number of potential reputational issues before and after implementing sustainability strategies multiplied by the costs of handling such reputational issues.
	Incorporating sustainability into brand identity and co-designing sourcing initiatives with brand engagement	MC -3	Increasing attractiveness to buyers and manufacturers with sustainability focus within the value chain	SM	Calculate annual margin/profit from additional business opportunities that emerge from associating with sustainability focused buyers vs. other buyers

Investing in Internal Marketing and Education, COMPANIES

Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Metric #	Proposed Benefits	Impact Categ.	Suggested Monetization Methods
Invest in marketing and education around sustainability through engagement campaigns and branding	Set sustainability KPIs and targets and report on progress	MC - 1	Attract and retain talent in sustainability	TM	Compare annual investment (in recruitment and retention) in top talent compared to previous investments (i.e. prior to sustainability focused communications)
		MC - 2	Decrease costs associated with reputational damage for not engaging in sustainability strategies	RM	Estimate a reduction in number of potential reputational issues before and after implementing sustainability strategies multiplied by the costs of handling such reputational issues.
	Incorporate sustainability strategies and progress in investor conference calls, other communications and financial disclosures	MC - 4	Lower return on capital expectation from shareholders	OE	Calculate company's cost of equity capital before and after incorporating sustainability messaging within company's financial disclosures (Apply a reduction benefit in calculating equity risk premium) OR Refer to academic research that provides insights into lower equity risk premium expectation from sustainability focused companies. Use the new cost of capital as a discounting factor or to assess increase in company's value.
		MC - 5	Lower cost of capital (debt)	OE	Calculate company's cost of debt before and after incorporating sustainability messaging within company's financial disclosures (i.e. apply an debt risk reduction benefit) OR refer to academic research for risk reduction percentage attributable to sustainability activities.
		MC - 6	Access green financing alternatives	OE	Access alternate sources of financing that reduce cost with achievement of sustainability linked milestones

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Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Metric #	Proposed Benefits	Impact Categ.	Suggested Monetization Methods
Invest in marketing and education around sustainability through engagement campaigns and branding	Invest in marketing and comms initiatives that drive consumer interest in sustainability, sustainably-produced goods	MC - 7	Increase in sales based on consumer engagement from marketing campaigns	SM	Calculate incremental profit attributed to promoting sustainability by comparing sales revenue before and after launch of a campaign
		MC - 8	Lower customer acquisition costs	OE	Calculate cost differential between customer acquisition costs before and after the implementation of the promotion OR calculate estimated # of customers who purchase company products for the first time (to be ascertained via a consumer engagement campaign) multiplied by customer acquisition costs per customer to achieve avoided costs
		MC - 9	Increase in unpaid earned media	MC	Calculate cost per media exposure multiplied by # of unpaid media exposures (given promotion through product, campaigns, and customer experience) to achieve avoided cost savings

Investing in Transparent and Credible Information, COMPANIES

Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Metric #	Proposed Benefits	Impact Categ.	Suggested Monetization Methods
Publish transparent and credible sustainability and nutrition information	Set sustainability KPIs and targets and report on progress	MC - 1	Attract and retain talent in sustainability	TM	Compare annual investment (in recruitment and retention) in top talent compared to previous investments (i.e. prior to sustainability focused communications)
	Third party certification and partnership with NGOs (impact evaluation)	MC - 10	Increased opportunities and potential partnerships	SE	Calculate annual margin/profit from additional business opportunities that emerge from the association and added credibility
	Ensure company sustainability initiatives are available on company website and other company materials	MC - 1	Attract and retain talent in sustainability	TM	Compare annual investment (in recruitment and retention) in top talent compared to previous investments (i.e. prior to sustainability focused communications)
	Incorporating sustainability into brand identity and co-designing sourcing initiatives with brand engagement	MC - 11	Increasing attractiveness to suppliers and manufacturers with sustainability focus within the value chain	SR	Calculate annual margin/profit from additional business opportunities that emerge from associating with sustainability focused suppliers vs. other suppliers

Investing in Responsible Advertising, COMPANIES

Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Metric #	Proposed Benefits	Impact Categ.	Suggested Monetization Methods
Responsible Advertising	Company promotes healthy/nutritious eating habits and options to consumers, especially to children	MC - 9	Increase in unpaid earned media	MC	Calculate cost per media exposure multiplied by # of unpaid media exposures (given promotion through product, campaigns, and customer experience) to achieve avoided cost savings
	Company is transparent about effects of ingredients, serving sizes, etc.				
	Company accurately reflects sustainability strategies in its marketing	MC - 12	Reduced risk associated with greenwashing (e.g. advertising inaccurate or exaggerated information)	RM	Estimate the potential decline in revenues linked to key clients (cancelling orders) following a negative reputation event. Using a probability of occurrence factor, calculate the avoided loss (lost sales/lost margin if alternative customer exists for the time period impacted and incremental costs such as penalties, fines, legal , PR etc., incurred to address the issue) to measure the benefits



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