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2024 FOOD + BEVERAGE REPORT

Recipe for Transformation

Embedding Sustainability Across Food + Beverage Business Functions

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It’s time for more cooks in the kitchen

Foreword by Allon Zeitoun

Global Leader + Managing Director

When I first joined Quantis, I said that **the sustainability revolution had already begun but the planet needed us to pick up the pace.** As the guarantors of a sustainable food system, this holds particularly true for food and beverage companies.

Fortunately, the industry has gotten much better at identifying, measuring and analyzing sustainability challenges. But it’s easier to plan for change than to make it happen. **We’ve reached a critical crossroads, where action needs to happen — now.**

“Recipe for Transformation” addresses the barriers that hold companies back from fully sustainable operations and explores a more collaborative model to accelerate the transformation we need. Our conversations with food and beverage leaders reveal that **lack of engagement is just as powerful an inhibitor of change as lack of resources.**

You'll find this and other interesting takeaways in the report. For example, while it's heartening to see that professionals across functions prioritize sustainability, the limited level of investment suggests we have a way to go to turn that belief into action. Nonetheless, it's a great starting point: change can only begin with intent.

To that end, every individual in an organization has a role to play in sustainable transformation, and the leaders who motivate their teams with a realistic vision tailored to their company culture and specific functional areas are most likely to unlock meaningful progress. Find what matters to your employees, customers and consumers *and* what matters for the kind of company you want to be. There, you will be able to develop a sustainability strategy that protects your purpose and future proofs your business.

This report delves into the interconnected nature of the food and beverage industry and our environment to encourage building a future in which both can thrive. None of us will achieve sustainable food systems alone, but by collaborating we can satisfy a systemic appetite for transformation. Let’s see what we can cook up together.

The next big food revolution

Foreword by Charlotte Bande

Global Food + Beverage Sector Lead

For years we have watched the acceleration of climate events disrupt our food systems. Soon, we will surpass the industry's ability to manage these events as temporary challenges. **The threat to our planet is real — and so is the potentially trillion-dollar threat to food and beverage companies.** Despite our efforts, it feels like we've reached an impasse. If we want to avoid a system collapse, we can't afford to stall any longer.

It's time to act.

"Recipe for Transformation" explores a new take on systemic change that focuses on embedding sustainability into functional areas through collaboration and transparency. We've found that **companies with relevant sustainability KPIs embedded into each department substantially boost employees' ability to achieve goals**, so we know where to start applying effort. Sustainability is no longer the sole purview of the CSO and team. Every employee has a role to play.

We look at four main functional areas beyond the sustainability team — finance, product, procurement and marketing — to see how sustainability can be layered into the heart of their practice. With value creation at the heart of the integration, **these teams hold the potential to deeply transform the way a company operates.** We examine what is needed to successfully embed sustainability through expert interviews, as well as our survey of food and beverage professionals and C-level executives. We deep dive into how translating goals into the language of each department equips them for smooth, sustainable decision making. We also look at how to approach tough conversations with the CEO and CFO with data in hand.

The latter is something I've noticed personally among our clients. To drive the necessary conversations, you must have the right people at the table. From there, **it's about convincing each stakeholder, one by one, that sustainability adds value to their function.** To achieve this, it's essential to find what resonates with each party and be willing to engage in the back-and-forth to work through decisions.

This is our "Recipe for Transformation." Take it and — with your CSO as guide and support — make it your own. **Add the special ingredients that make it uniquely yours and discover a process that drives sustainable success** for years to come.

Good luck and remember that we are always here for your questions.

EXECUTIVE SUMMARY

Recipe for Transformation

Embedding sustainability across food + beverage business functions

Our Challenge

Moving to more sustainable operating models is not a new effort for the food and beverage sector, nor is it one companies have failed to address. Yet despite progress, we have not achieved the extent of transformation needed to moderate the impact of the climate crisis and ensure business resilience. As environmental events increasingly disrupt our food systems and industry profit margins remain slim, the sector risks losing billions of dollars and collapsing under its own weight.

Our Focus

It's time to share the responsibility for sustainability beyond the CSO's office to increase impactful change. "Recipe for Transformation" dives into how each functional area within food and beverage companies can take concrete steps to embed sustainability into their work and adopt a collaborative approach to transformative practices. We explored this integration process across five essential functional areas: finance, product, procurement, marketing and sustainability.

This report consolidates the knowledge and experience of Quantis food and beverage sector experts and industry leaders. Beyond these interviews, we surveyed sector leaders in the US and EU to explore how large companies are undertaking transformation while increasing resilience and reducing impact — and where they are encountering roadblocks. We found that commitment from leadership is key to driving change and having sustainability-specific KPIs leads to a strong boost in confidence. We incorporate results from this survey throughout this report, including a peek at some of the findings in the box on the right.

Our Findings

We assembled all the ingredients to help companies accelerate transformation:

- Quantifying environmental risks to pinpoint areas of vulnerability and determine where to focus actions and allocate resources
- Assessing product portfolios to inform which products — including recipes and packaging — to promote, redesign or phase out, and how
- Integrating sustainability into sourcing practices for both commodities and ingredients
- Crafting marketing narratives that resonate with and nudge consumers
- Engaging the C-suite to encourage leadership involvement
- And much more

Leaders willing to make this transformation will set a new standard for the industry. Welcome to the table and to a more sustainable world ahead!

Only **30%** are very confident that their company will achieve their environmental commitments by 2030.

47% of EU respondents chose regulations as a primary driver of sustainability,

while **38%** of US respondents chose brand perception.

42% see supply chain complexity as the biggest barrier to transformation.

100% of marketing and procurement respondents are seeing shifts toward sustainability in consumer and supplier actions.

This report features results from a survey conducted by Quantis in partnership with Sapio Research. Sapio surveyed 600+ manager-level or above employees from food & beverage sector companies of more than 500 employees. Respondents were located in the US and EU.

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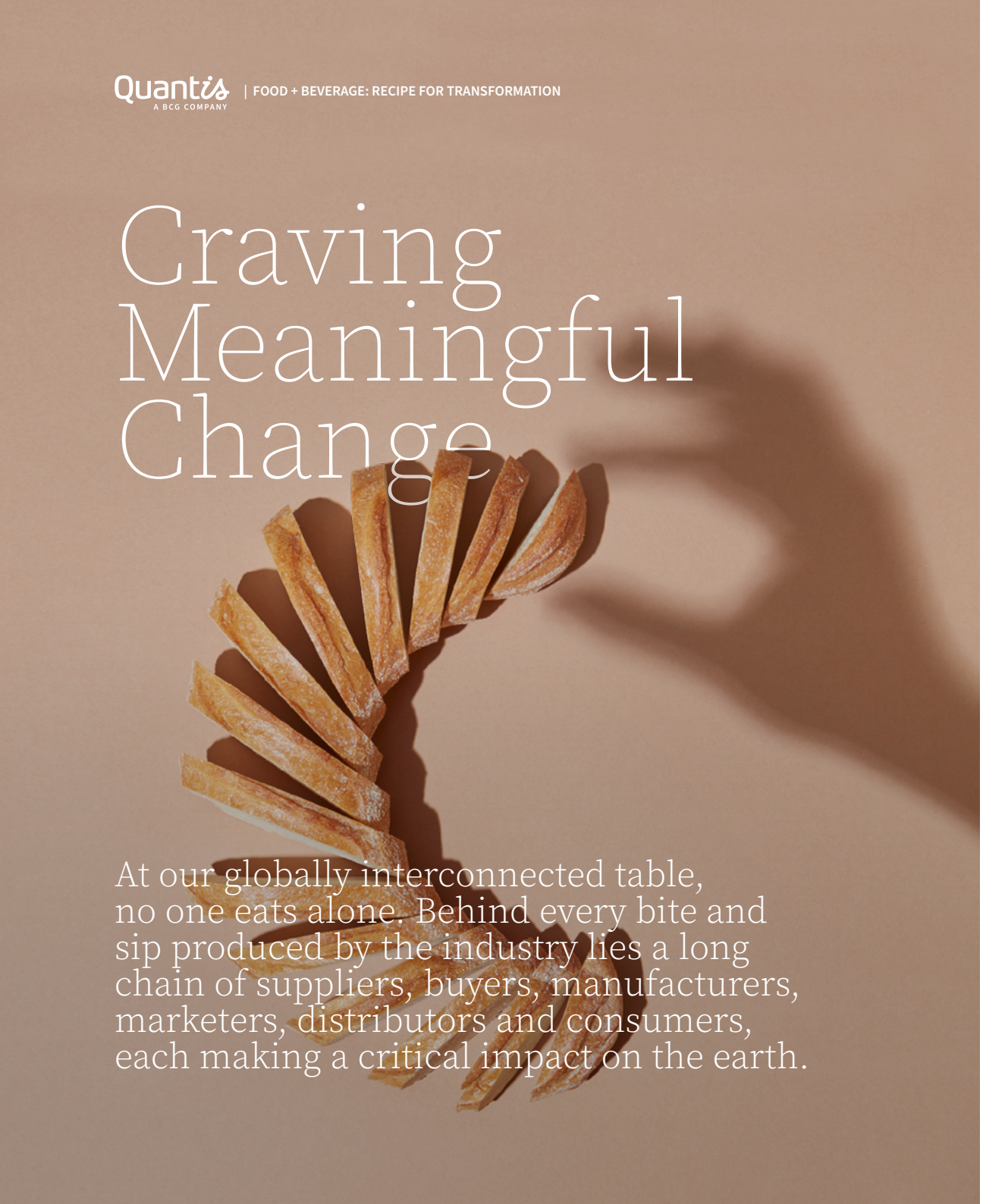
Craving Meaningful Change



At our globally interconnected table, no one eats alone. Behind every bite and sip produced by the industry lies a long chain of suppliers, buyers, manufacturers, marketers, distributors and consumers, each making a critical impact on the earth.

Our food systems and the environment are intrinsically linked. The production and distribution of food fundamentally rely on environmental health, from the influence of soil health and weather on the crops we grow, to the water we use during production, the land we cross to deliver the goods, and the energy we use to cook our food. The food and beverage industry and the natural environment flourish and fail in unison. When we rely on irresponsible production methods in pursuit of present profit, we limit the future of our business.

This is *not* a warning — it's already happening.

In fact, we've already exceeded six out of the nine planetary boundaries that demarcate the critical environmental thresholds within which humanity can continue to develop and thrive. And many of these crossings are primarily driven by food and agriculture. When businesses exceed these boundaries, the resulting planetary disruption significantly impacts the businesses in return.

Many leaders have begun to address climate change, the boundary that society is most familiar with, yet other nature-related boundaries are just as important to creating sustainable food systems. Until they look at environmental factors from a holistic standpoint, companies cannot see the full extent of nature-based risk and its impact on their businesses.

Planetary Boundaries

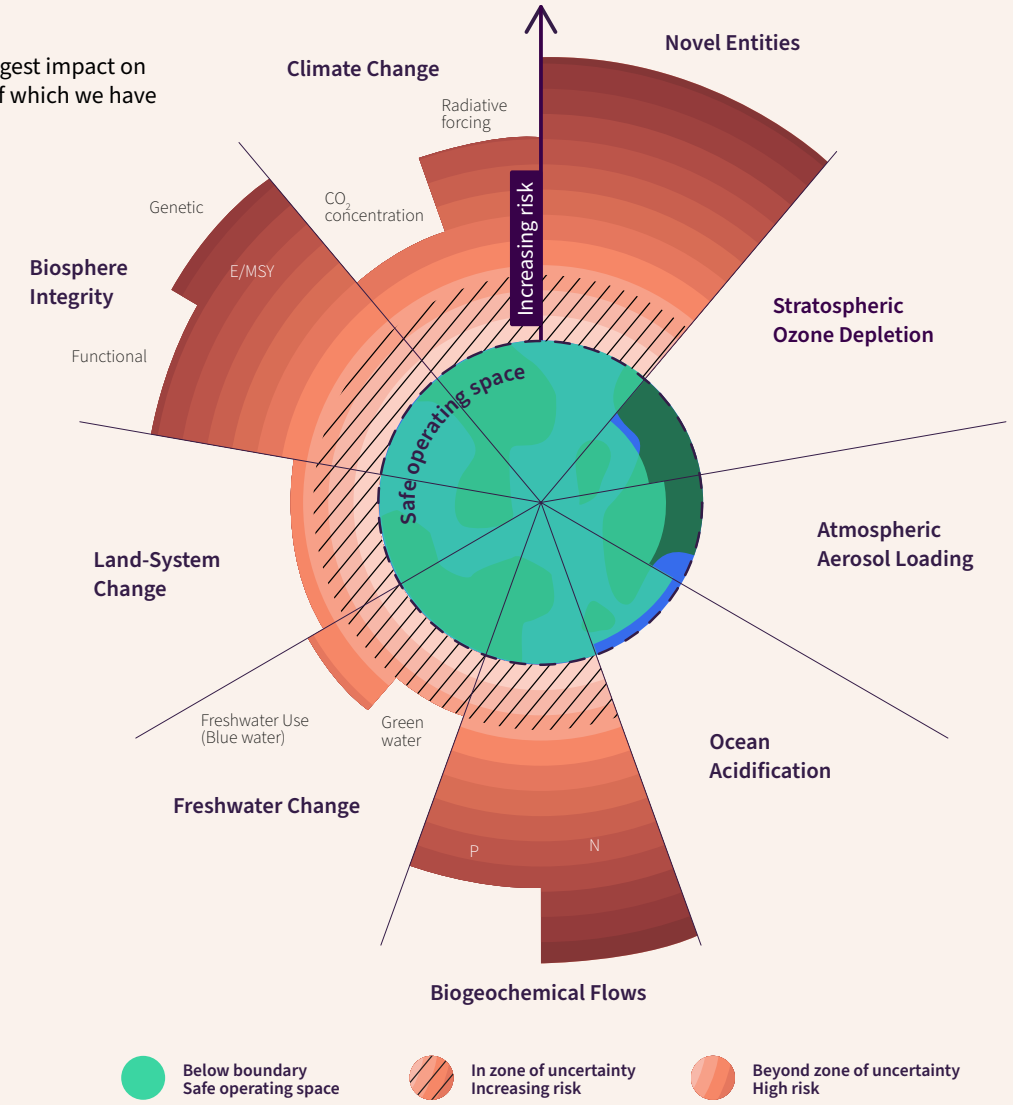
Our global food system is the single largest impact on planetary boundaries, six out of nine of which we have already exceeded.

Climate Change
The food system currently accounts for about 30% of global GHG emissions, with agriculture being the primary driver

Biosphere Integrity
62% of threatened species are negatively affected by agriculture, including the pollinators that 35% of crops rely on.

Land System Change
Agriculture is the primary cause of land use change, driving 90% of tropical deforestation.

Freshwater Change
70% of the world's freshwater is withdrawn for agriculture, disproportionately affecting low-income areas.



Novel Entities
Novel entities such as synthetic fertilizers, plastics, and chemical pesticides used in agriculture cause irreversible environmental damage.

Ocean Acidification
While we are still within safe range for these boundaries, any unsustainable energy used to power agricultural tools, food processing equipment, refrigeration and transport contributes to environmental impact.

Biogeochemical Flows
Chemical fertilizers have pushed nitrogen and phosphate levels beyond boundaries by 200-250%.

Sources: Stockholm Resilience Center, The Food and Land Use Coalition

The industry is already experiencing disruptions triggered by environmental emergencies that threaten its stability. Flooding, drought, and unpredictable temperatures are impacting yields. Suppliers face poor ingredient quality or low availability, then encounter difficulty transporting commodities due to weather-related delays. Even marketers face an uphill battle compensating for shortages and price increases.

In recent years, the fragility of the food and beverage supply chain has become increasingly apparent through numerous examples. Heatwaves significantly affected wheat in India, reducing yields (**up to 15% in some areas**[1]) and increasing labor costs. Droughts and supply disruptions have led to **$2B value-added loss since 2021 in the Sacramento Valley**[2]. Alternating droughts, floods, and the spread of diseases that reduced cocoa supply in West Africa drove prices to an all-time high (**a 65% increase in one year**[3]), making a direct impact on consumer prices and potential sales volumes, and decreasing share values for some cocoa companies. And the issue isn't just isolated incidents — the entire supply chain is at risk. In fact, some models predict that aggregate supply chain and labor disruptions from extreme global heat due to climate change could cause up to $24 trillion in **total economic losses by 2060**[4]. No place or system is immune to the impact of environmental crises.

In addition, geopolitical tensions have further disrupted our food systems. The **Ukraine-Russia war has cut fertilizer supply**[5], driving prices up and yields down. It has also disrupted production of critical commodities like wheat and sunflower oil, as well as raw materials like aluminum. The ensuing increase in energy prices also drove up sugar prices. These examples show just a few broken links in the supply chain can trigger a cascade of impacts, from supply shortages to increased production costs.

The food and beverage sector could lose about 7% ($150B) of its value by 2030

Some estimates show that, at current rates, the food and beverage sector could lose about **7% of its value by 2030**[6], with some individual companies losing up to 26% of their value if they don't act to mitigate the climate emergency. This would translate into a $150B loss for investors and could significantly reshape the market.

Developing more sustainable food systems is therefore not just about companies reducing their impact, it's also about ensuring strong bottom lines by protecting businesses from the impact of supply chain disruption.

However, the industry is still slow to respond. Our survey in the food and beverage industry found that only 30% of respondents have strong confidence that their companies will achieve their environmental commitments by 2030, and this level of confidence decreases as the company size increases. This uncertainty indicates that leaders still don't view the risks created by environmental disruptions as a driver of sustainable transformation. Our research shows that they often still view these as temporary crises to manage in the short term, rather than important predictors of our food system's future state. And some may still be a step removed from the impact. Producers and commodity traders are more directly impacted and attentive to these disruptions. They may be able to absorb some of these temporary cost increases or may not clearly connect or communicate the link between their cost increase and environmental events to their customers — which may keep leadership teams from seeing the direct connection between these events and their bottom line.

But it will soon no longer be possible for companies to protect themselves by relying on the globalized supply chain's ability to adapt. Our food systems are a complex web of supply chains: a network filled with connected nodes. While the system may withstand the disruption or removal of a single node, it will crumble when several nodes are affected. As the environment further deteriorates, these large-scale shocks will become the new normal for the food and beverage industry. The days of predictable food systems are numbered, and incremental change won't save them.

Only 30% of respondents have strong confidence that their companies will achieve their environmental commitments by 2030

Despite these physical risks, the business case for sustainable transformation in the short-term isn't always widely apparent. But other factors have started to play an increasing role in supporting companies' transformations, making it not only worthwhile, but imperative to act:

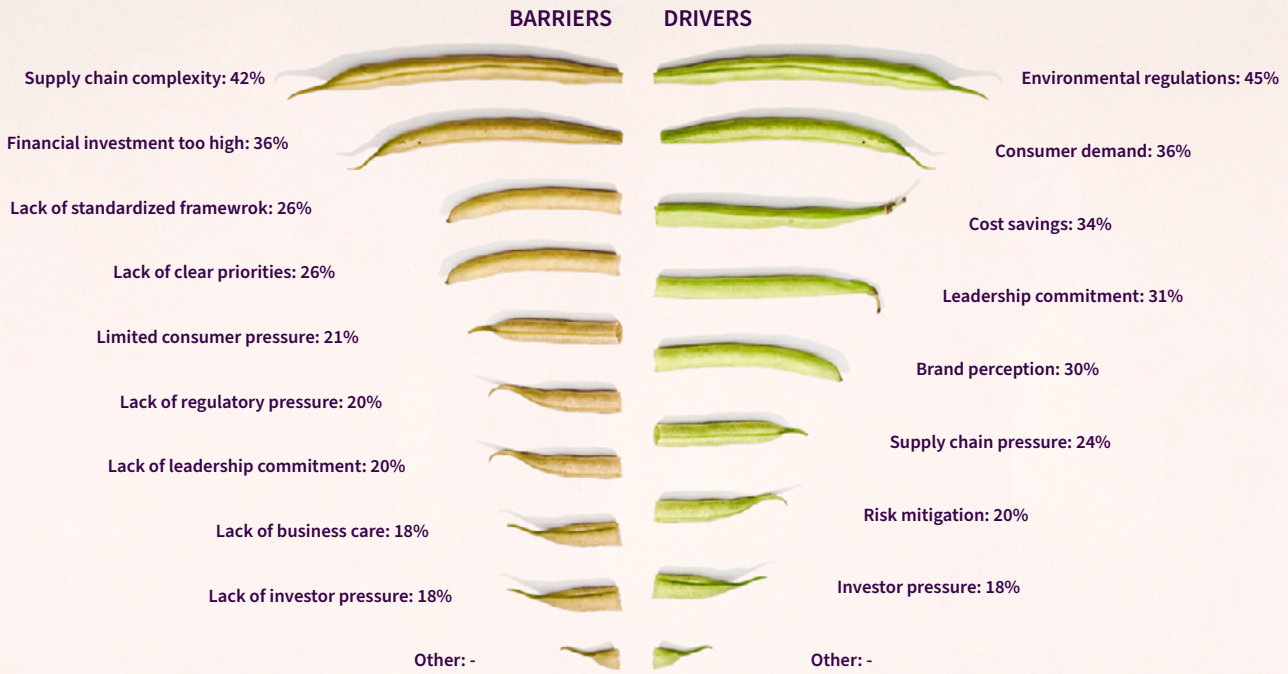
Regulatory drivers:
Increased environmental regulations—reporting, packaging, deforestation, potential carbon taxes—put pressure on companies to shift practices.

Investor/customer priorities:
Rising interest in sustainability from investors and customers spurs companies to act now and remain resilient.

Brand perception:
Growing awareness of companies with poor environmental practices drives consumer taste and spending.

These rising risks and the increased cost of inaction present an economic incentive to rethink the system. Our survey found that environmental regulations are the primary driver in the EU, whereas in the US, brand perception is the main factor driving transformation. This shows the importance of understanding the market and business context in which companies work when defining the business case for sustainability. But this transformation also presents significant business opportunities — generating competitive advantage, retaining and attracting talent, creating new ground for innovation, etc. — that translates both directly and indirectly into financial benefit. The leaders who use this tipping point to embed sustainability will be the pioneers that peers and future businesses seek to emulate.

Behind the sustainability transformation



Respondents were instructed to select up to three options

But where to begin?

A transformation of this scale must be made deliberately, with conscious cooperation. Ad-hoc efforts may piece together incremental gains, but to truly change deeply ingrained behavior, we must start by shifting two paradigms:

1 What we eat

We need to make a conscious change in what we eat. This will require company leadership to review their **product portfolio's environmental performance** to understand the current gaps, and to decide which products to promote, redesign or drop to meet sustainability KPIs. It means investing in products that have **fewer environmental impacts**, like alternative proteins, and pushing **marketing campaigns** that encourage consumers to buy lower-impact products. This change is fostered externally, through outreach to retail partners and consumers. It's a constant process that will continue as long as products and processes change.

2 How we produce it

The food and beverage sector must also change how it produces its goods. This means sourcing products that have been grown using sustainable practices and working with suppliers to transform conventional agricultural practices and materials processing. Brand owners have considerable control over what they design and sell but still rely heavily on collaboration with suppliers to reach their goals. **Procurement** must negotiate with suppliers and foster sustainable practices in current contracts and future engagements.

Food Loss + Waste

Beyond these two paradigms, a transversal issue will also need to be addressed. Food Loss and Waste presents a significant opportunity to both substantially reduce the current food system's impact and limit the need to further increase land usage to feed our growing population. This will require ample collaboration and improvement, as we explore in the section that follows.

DEEP DIVE

Food Loss + Waste

Recovering wasted potential

Food Loss and Waste (FLW) is a pervasive challenge for the food and beverage industry that happens at all stages of food production and consumption. Between **30% to 40% of the world's food is lost or wasted every year**[7], which some studies estimate may account for about 8% of global emissions. It's an expensive problem too, **costing the industry approximately US$1T**[8], annually. This presents a huge opportunity for innovation and cooperation across food systems. And this shows. Our survey indicates that food loss and waste is respondents' second most often chosen priority for environmental action in the coming year.

30% to 40% of the world's food is lost or wasted every year

Yet conflicting incentives and highly decentralized causes have hampered industry-wide action to address this.

Indeed, it can benefit a company's bottom line if consumers waste products. Products that spoil at the consumer's home are simply an added sale for the company, incentivizing companies to stick with familiar selling strategies.

In addition, food loss and waste happen at every step of the value chain — from the farm to the retailer and, ultimately, to the consumer — resulting in an indirect impact that is difficult to measure and track. In a linked system, it takes communication and collaboration to find solutions that work for everyone.

The good news is there are multiple practical solutions: better storage facilities, improved financing for farmers, improved packaging or labeling. And there are some notable examples of success in the industry.

A major Latin American baked goods company, for example, successfully implemented data-driven insights from artificial intelligence (AI) to transform demand planning and limit food waste. This adaptive AI tool has **reduced forecast errors that used to result in overstocking by up to 30%**[9]. A French service sells ugly produce at a substantial **discount**[10], keeping cosmetically imperfect vegetables out of landfill. With some creative thinking, opportunity abounds.

More generally, leaders are starting to address manufacturing waste as an operational or efficiency matter. But they will need to look beyond direct operations to solve this challenge.

On the procurement side, companies may consider forming partnerships with suppliers to improve storage facilities and provide refrigeration during transport to reduce FLW. While this relationship might require a longer-term contract than is currently typical, it sets the stage for a coevolution that will continue to benefit both parties. One UK grocery giant **is already working with more than 100 of its suppliers to reduce waste in its supply chain**[11]. It also adopted the **Champions 12.3 Initiative**[12], which encourages companies to work with twenty of their priority suppliers to halve rates of food loss and waste by 2030.

Finally, legislation can also provide incentives like tax credits for waste reduction. Check regulations to take advantage of these opportunities where available. By coordinating the efforts of all functional areas and increasing collaboration across the value chain, food and beverage teams can achieve more of their waste reduction potential.

Simple, yet monumental, right?

Of course, this will require a big shift in behavior across companies and individuals. But this transformation doesn't have to happen all at once, nor does it need to be perfect to be useful. The methods outlined in this report can make it easier to integrate sustainability into everyday work as a shared responsibility, creating a more resilient system that will support the industry well into the future.

It's also important to note that, while this report focuses on the environmental transition of the food and beverage sector, no sustainable transformation is complete without an equally thorough exploration of social factors. A successful transformation of our global food systems aligned with planetary boundaries must also incorporate action to advance human rights, equity, and justice for all those involved, from farmer to consumer. Keeping this at the top of our collective mind will ensure that we transform our sector in a socially responsible and progressive way.

Making Change Happen

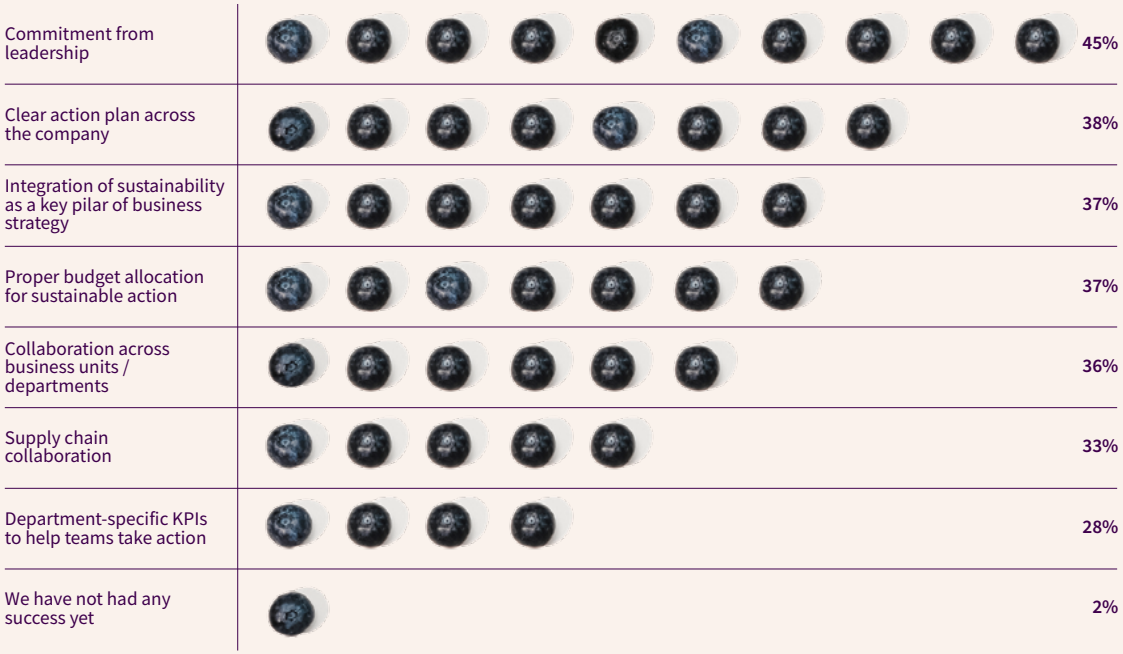
It's time to take sustainability out of the Chief Sustainability Officer's hands and let other business functions share the burden.

The CSO role is still essential as a change agent, but a new prioritization of sustainability must now span all functions. For this report's purposes, we will dive into the four functional areas that have the biggest influence over what we produce and how we produce it as food and beverage companies: Finance, Procurement, Product (i.e. R&D, Ingredients and Packaging), and Marketing. In addition, we will focus on how the sustainability team role should evolve and briefly look at operations and logistics.

Company leaders are taking action, but the current level of change hasn't gone far enough and the pace is still too slow. Too many companies are still at the pilot stage, aware that greater change must happen but uncertain how to push forward. So how can food and beverage leadership change this?

The vision of effective transformation must come from the top. In our survey, commitment from leadership was the highest ranked choice among success factors for embedding sustainability, showing just how important buy-in from the top can be.

Key success factors to embedding sustainability



Respondents were instructed to select up to three options

Every employee will be involved in the sustainability transformation, but it's up to the CEO to engage and motivate the team. The board of directors also needs to understand its importance and can help ensure that the CEO's vision is supported and enacted.

But this isn't just about setting a vision, it's about embedding sustainability in the culture and processes of the company. The CEO must instill sustainability as a value in the collective company mind and allow that spirit to guide transformation on a more granular scale at each level of the business.

The CSO is critical in helping drive this transition, especially if the CEO and board have yet to completely buy in. The CSO must uncover what resonates with the CEO and board — bottom line, brand reputation, stability, growth — to build a case for embedding sustainability throughout the company.

This is easier said than done, of course. Transformation requires companies to balance price, accessibility, and resilience with sustainability. The food and beverage industry runs on narrow margins and consumers' willingness to pay a premium on sustainability may be limited. Most of all, the food and beverage industry is a complex system with many interdependencies that must be navigated with care.

The business case is also not always straightforward, especially because it may be perceived as a long-term topic in a short-term market. Brief CEO tenures and quarterly earnings calls focused on short-term profits are barriers to sustainability action, which reveals its ROI over a longer timeline. Because the CEO must be profit- and growth-focused to satisfy shareholders, any action must have demonstrable value to warrant consideration. This can make it difficult to push through any change that doesn't produce positive financial results in the short term.

Confidence in reaching company sustainability goals rose 28% with established sustainability KPIs

First-mover advantage can be an appealing incentive for CEOs to activate change. For example, only a limited number of suppliers currently produce sustainable commodities. By building relationships with suppliers and enacting bold changes now, businesses can prepare to meet future consumer or regulatory demands. As we have seen with digitalization, the **businesses that began implementing technology early**[13] are still dominating today's market. Investors are looking for brands that are future-ready. Once the vision and ambition are clearly established at the corporate level, the CEO and leadership teams are then responsible for embedding it in company culture, processes and policies. HR, marketing and corporate communications are valuable collaborators who can weave sustainability into established brand values: What do we believe? What guides our decisions? Integrating sustainability into a brand's purpose gives teams permission to innovate and explore alternatives as an inherent part of their corporate identity.

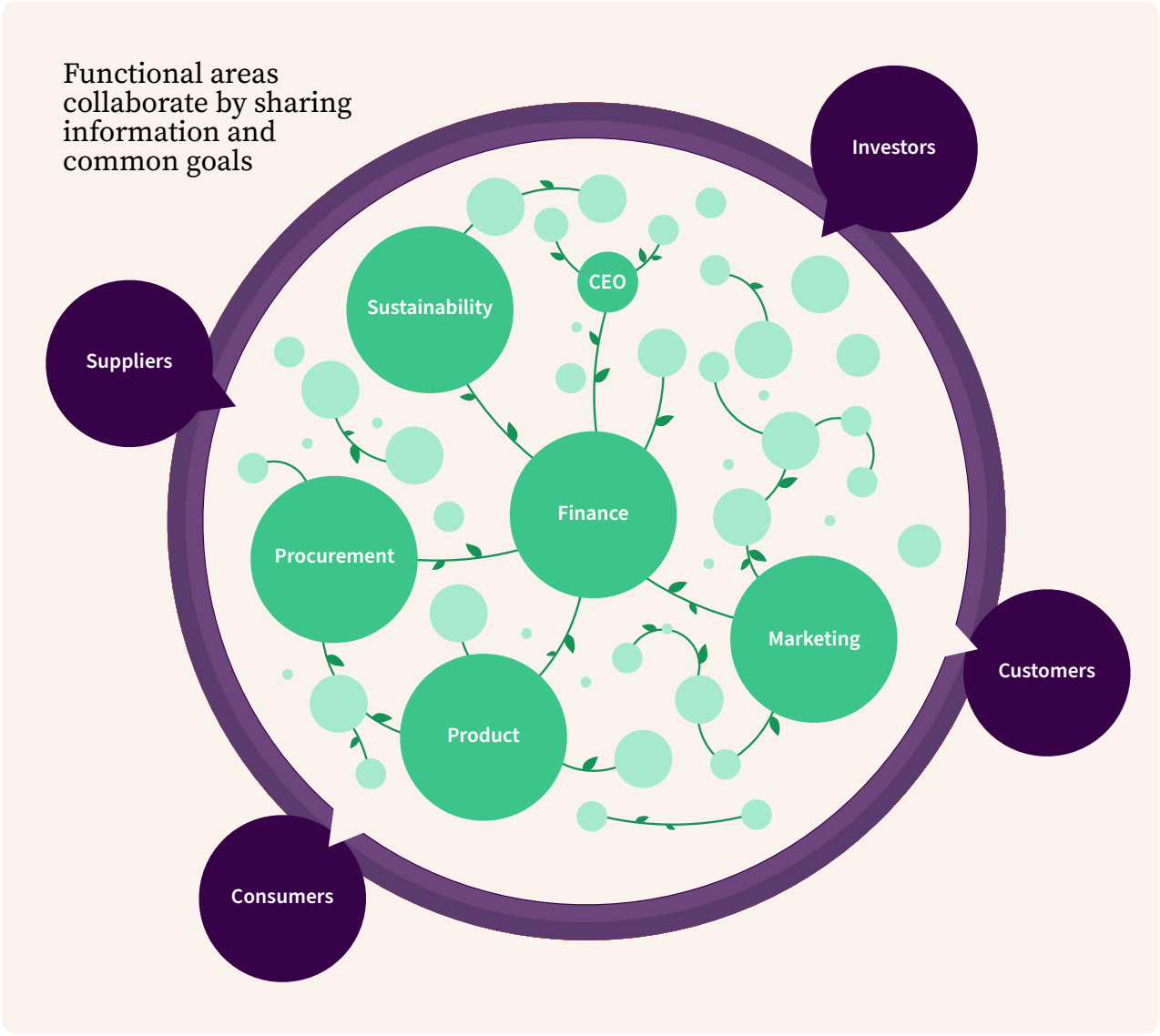
Next, specific, simple, and relevant KPIs must be crafted that can be translated for each lane of the business, based on its specific responsibilities, rather than broad strokes that illustrate the entire company's combined effort. In fact, our survey shows that the employees' level of confidence in reaching sustabinability goals increases by 28% when the company has established sustainability KPIs. Sustainability KPIs should start at the top, with leaders' performance bonuses tied to their achievement. This not only incentivizes leaders to prioritize sustainable business decisions but also demonstrates to employees that their company is committed to embracing sustainability.

But *how* we execute our sustainability vision matters as well. Rather than struggling to create new ways of working that align with sustainability, it's much more effective to integrate sustainability into existing processes. To accelerate transformative action and ensure a greater chance of success, determine how your company makes and executes decisions and then place checkpoints and measures along that path to encourage more sustainable outcomes.

Change also doesn't have to be perfect to be effective. Perfection paralysis can stymie progress, and it's far too easy for companies to get trapped in an endless cycle of data analysis and refinements that impedes action. Sustainable transformation is an iterative process where it pays to act sooner rather than later and refine as more information becomes available.

What's more, in a system so inextricably intertwined, every link in the food chain is a potential breaking point, where any change may trigger the need for other changes or depend on contingencies that can only be managed by someone else. Moving even one department forward can feel like an endless journey if we are pushing against each other. Instead, the focus needs to be on transforming together, applying internal pressure to create a culture in which sustainability is an integral part of company identity. In our food systems, no functional area is first or last to the table. Complicated decisions must involve all disciplines — and all external partners — to ensure all needs are met.

Leaders willing to make this transformation have an unparalleled opportunity to set a trajectory for the industry and introduce greater resilience into their operations. The new food revolution takes sustainability out of the hands of an appointed few, and threads it through every choice a company makes. Company leaders with the ability to sit together and work through issues collaboratively will have the best chance to move the needle.



Finance

Showing the value of transformation

The CEO may develop the strategy for change, but actualizing it requires input from the finance team. Finance teams historically haven't delved deeply into sustainability — in part because it has been seen as the purview of the CSO.

Finance teams have been increasingly pulled into the sustainability ring as reporting expectations and regulations multiply. As these metrics become a central part of non-financial disclosures and environmental factors lead to P&L impacts, finance will need additional upskilling, awareness, and ownership around sustainability, and funding to drive sustainability efforts will need to be woven into every budget.

The good news is that 80% of respondents to our survey noted that their departments have some budget allocated for sustainability efforts and 10% indicated that as much as 25% of their department budget is earmarked for sustainability. However, the level and pace of transformation needed will require companies to go significantly beyond these numbers and further embed sustainability into every budget.

To guarantee that each functional area receives the funding they need to actualize transformation, they must present a crystal-clear business case.

Investment time horizons can be the biggest barrier to getting that approval. While most of the business leaders we consulted for this report agree that sustainability is important and will pay off in the long term, the finance team typically works in quarterly cycles and is subject to annual budgets, especially in publicly held companies.

It can be incredibly challenging for a CFO to justify long-term investments while they are tasked with keeping costs manageable and within budget. This is particularly true when the short-term business case for sustainability seems unclear. Finance teams need to overcome this perception by reframing the business case in the short term.

Aligning with investor demands is one compelling reason for the finance team to support and fund sustainability initiatives. The finance team is accountable to its stakeholders — investors, shareholders and regulatory bodies — and must be attentive to what these groups care about. As investors become more aware of environmental risk and the business's impacts and dependencies on nature, they increasingly push for companies to address sustainability and prepare for the future. In the United States, for example, the number of shareholder proposals related to the environment, climate, and social issues has risen consistently over the past four years. The number of proposals voted on also rose by 16% between 2022 and 2023 (**from 322 proposals to 372**[14]). And, as environmental regulations increase, investors understand that the companies with sustainability already embedded into their operations are the ripest for investment.

Finance teams should also be aware of the increasing vulnerability of their businesses to damaging environmental events. When it comes to food and beverage systems, this is not a future threat, it's already happening

Finance teams should also be aware of the increasing vulnerability of their businesses to damaging environmental events. When it comes to food and beverage systems, this is not a future threat, it's already happening. To name just a few examples, floods destroy cropland, droughts reduce yields and water shortages affect irrigation and manufacturing plants. Quantifying the risk that environmental impacts have on business provides an excellent incentive to act and allocate budget to sustainable transformation.

It’s clear that a shift is beginning to happen, but it’s moving too slowly. Many companies are starting to examine the impact of environmental risks on their businesses, with 65% of survey respondents that sit in finance departments claiming that their company incorporates climate- or nature-related risks into financial decision making. However, our discussions with business leaders tell a slightly different story, where the actual level of risk integration seems to be lower, or at least not explored to

24% of respondents also noted that they do assess risks but do not incorporate findings into decision making

the depth that it should be. 24% of respondents also noted that they do assess risks but do not incorporate findings into decision making. This could indicate that companies need to explore risk integration in a more systematic and holistic manner by quantifying all physical and transitional risks to determine bottom line impacts, looking beyond existing regulations or potential carbon taxes. Or it could mean that finance must better inform other departments about how environmental risks are embedded into their decision process. In both cases, further shifts need to happen.

Finance teams must consider the operational and financial impacts of environmental risks that threaten supply chains, manufacturing processes, and distribution patterns if they want to ensure business continuity and **potentially reduce volatility**[15]. To do this, companies must conduct risk assessments and scenario analyses that require a methodical approach to identify and assess the impact of environmental risks on the organization's strategic objectives. This is not an easy task, but increased tools and guidance now exist to help companies navigate this journey.

The process begins with the CSO and finance team identifying potential environmental risks, such as regulatory changes, climate emergencies, and resource scarcity. Each risk is assessed for likelihood and impact, aiding in prioritization. If the CFO isn't yet ready to be involved, sustainability teams can start with a qualitative assessment to highlight the biggest business concerns and enable the CFO to get on board.

The next step involves developing scenarios, forward-looking narratives that consider external factors and interconnections to describe futures in which these risks might evolve. Each scenario's financial implications are analyzed, with a focus on mitigation costs, potential revenue impacts, and capital allocation effects.

Finance teams should then review the scenario analysis outcomes to pinpoint specific immediate actions, medium-term plans, and long-term strategic adjustments to mitigate or adapt to adverse effects. These priorities can then be translated into relevant KPIs and integrated into investment decision-making. If an internal risk assessment has shown that certain supply chains are very prone to drought and water stress, procurement may have KPIs related to water use or drought-resilient crops and allocate budget to support these shifts.

One way the finance department can integrate these externalities more effectively in their investment decision processes is by implementing “shadow costs” (or shadow pricing) — costs that are not currently incurred but which represent the potential financial implications of environmental impacts. Start by assigning a monetary value to environmental impacts, based on relevant data sources, scientific publications, and/or internal analyses — for instance, an internal carbon price based on anticipated carbon taxes, or the true cost of water. This will enable the finance team to prioritize investments in sustainability initiatives, inform strategic decision-making, and manage risks associated with environmental impacts, emerging regulations, and potential market shifts in an explicit and straightforward manner.

Beyond these investment decisions, finance must also manage the cost of these disruptions and system breakdowns. They must decide how the leadership can manage them, for example, whether the company can absorb the cost as a one-time loss or pass it along to the consumer. Can preventative measures be taken to avoid or lessen these disruptions? Facing such problems once or twice a year may be the cost of doing business. But as environmental events occur more frequently, it won’t be long before the effort exceeds the company's capacity to manage these events as one-offs.

At the end of the day, environmental risks should be taken as seriously as any other financial vulnerability and integrated into the company’s overarching risk management process. With this risk assessment comes an opportunity for leadership to build a competitive advantage by shifting strategy when it matters most.

Finance à la carte

Data source: Quantis Food and Beverage Survey 2024 conducted by Sapio

65%

Agree their team needs to make significant changes

12.4%

Most common proportion budgeted to reduce impacts

53%

Are primarily incentivized by company commitment and culture, the most commonly selected response

73%

Have established sustainability KPIs to guide decisions

Bringing everyone to the table

Where the finance team will intersect with other functional areas

Embedding sustainability into the organization takes a concerted effort across functions. Finance teams need to collaborate across business functions to ensure the greatest chance of success. Together with **the CSO**, they can cultivate an in-depth understanding of environmental risk exposures and the business's particular vulnerabilities.

Managing these environmental risks addresses a larger audience – anyone invested in the future growth and success of the company should be aware of the potential impact of these risks on the business. It's therefore imperative to have a platform where these vulnerabilities are shared with other departments, either through a risk committee, or through existing risk sharing processes.

With this deeper understanding of risks, the finance team can make informed decisions about how to allocate funding toward sustainability initiatives. Finance will need to consult with the **product** team to understand where budget is needed for lower-impact product redesign and with the **procurement** team to allocate budget for sourcing strategies that mitigate supply chain risks.

Ingredients for success

Take these top lessons as food for thought:

1. Reframe the business case for sustainability in the short term.
2. Leverage investor demand for resilience and sustainability.
3. Incorporate environmental risk into financial decision making.
4. Use scenario analysis to explore proposed changes and outcomes.
5. Implement shadow costs to represent potential implications of environmental impacts.

DEEP DIVE

Portfolio Assessment

Unpacking priorities and opportunities

A thorough portfolio analysis is an essential step in any sustainability transformation to reveal how product categories perform and where companies should concentrate their business and sustainability efforts.

Sustainable portfolio assessments enable companies to assess each product's market performance against its environmental performance. This allows a business to compare product positioning strategies across its entire portfolio. The results will highlight which products to push (profitable products with low impact and potential to grow market share), which to redesign (high-performing products with high impact), and which to phase out (low performing products with high impact).

Portfolio assessments provide a company with both clarity and encouragement. Business unit managers with well-performing products won't be discouraged by constraining reduction targets, while those with underperforming products will gain more clarity on what is expected of them. A great portfolio strategy can enable a business to deliver more sustainable growth from the start, pre-empting the struggle to reduce impact post-growth.

Despite this, not enough companies are focused on portfolio design as a key lever of sustainability. Only 19% of survey respondents reported that this was a top priority for their companies in the year ahead. Placing more focus on this vital first step can ensure that everyone understands how to move forward with effective, measurable transformation.

Only 19% of respondents reported that focusing on portfolio design was a top priority for their companies in the year ahead

The first step in a portfolio assessment is to define which factors are critical to the business. What does environmental performance mean for your company? Does it focus solely on climate or, as recommended in this report, does it integrate a broader range of environmental topics? What does business performance mean: profitability, market share, revenue, or a mix thereof? Should other critical topics, like nutrition, be included? Once these axes are defined, you can define specific response strategies for each category (see infographic ▸).

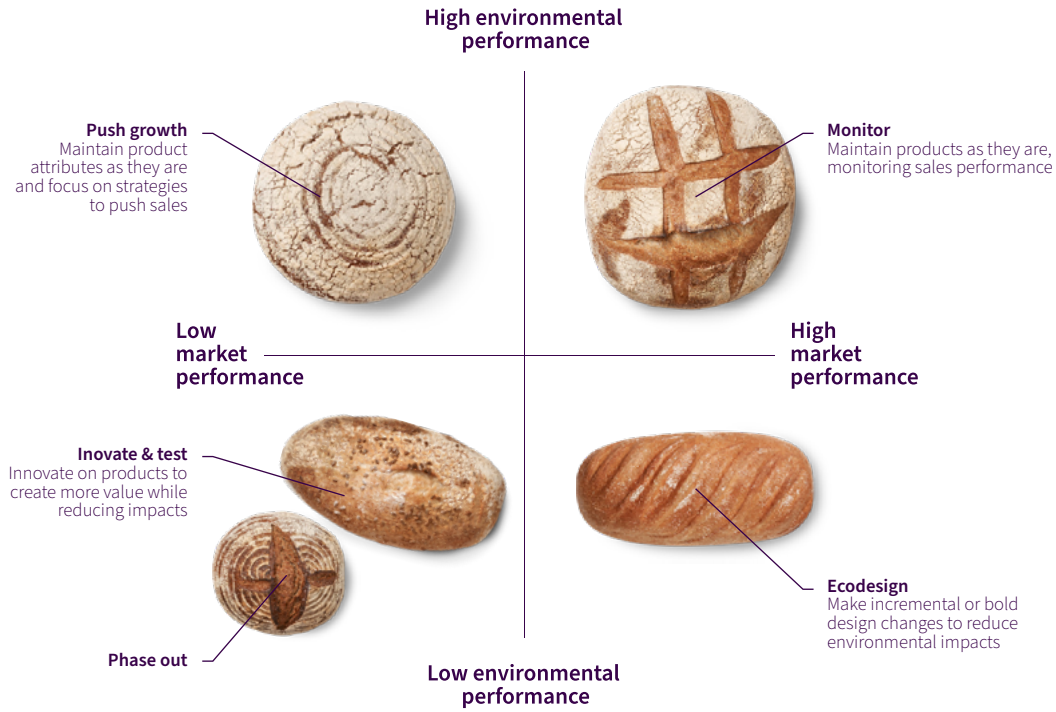
To assess the environmental performance of product categories, a company will need to conduct Life Cycle Assessments (LCAs) at a scale that covers all stock-keeping units (SKUs) or key product categories. While this can be quite a heavy lift, digitalization and data management software tools that can assist with this kind of analysis have been progressing rapidly.

LCA results should then be used at the corporate strategy level to inform broad business model investment decisions — for example, discontinuing an entire line of activities that are performing poorly both environmentally and business-wise, or identifying key product lines to transform with strong business performance but high impact. They can also help determine which region, business unit or team is responsible for certain impacts and needs to take action.

While this effort will require substantial collaboration between business units, and might take some time to be fully effective, failure to act will only increase costs for the business as it attempts to mitigate product impacts one by one. Proposed changes must be cross-checked at every step and business units must take on this responsibility to ensure successful integration.

Through due diligence and collaboration during this assessment, companies will find the most effective way to reduce planetary impact while increasing business performance. With a strategy in mind, product transformation now begins in earnest.

Quantis portfolio management matrix



Product

Integrating ecodesign principles

Changing what we eat is essential to food system transformation. This process starts with recipe renovation and continues into product packaging. How can we incorporate lower impact ingredients into recipes, or explore new ingredient types altogether? How can we design packaging that minimizes materials and waste?

Following a **portfolio assessment**, the product team can decide which products must be renovated to meet new sustainability goals — or find opportunities to develop new products that will. The product design phase is an important time to consider sustainability because choices made at this point will influence what procurement purchases and what marketing pushes on the market.

Bringing sustainability into the product design phases is a natural fit as innovation is part of the research and development (R&D) team's DNA. Companies can harness this intrinsic trait of the field, empowering R&D teams to take on the sustainability challenge and experiment with new products, ingredients, and practices. To encourage this innovation, leadership must clarify financial thresholds for R&D: What is an acceptable cost for innovation and how will it be managed?

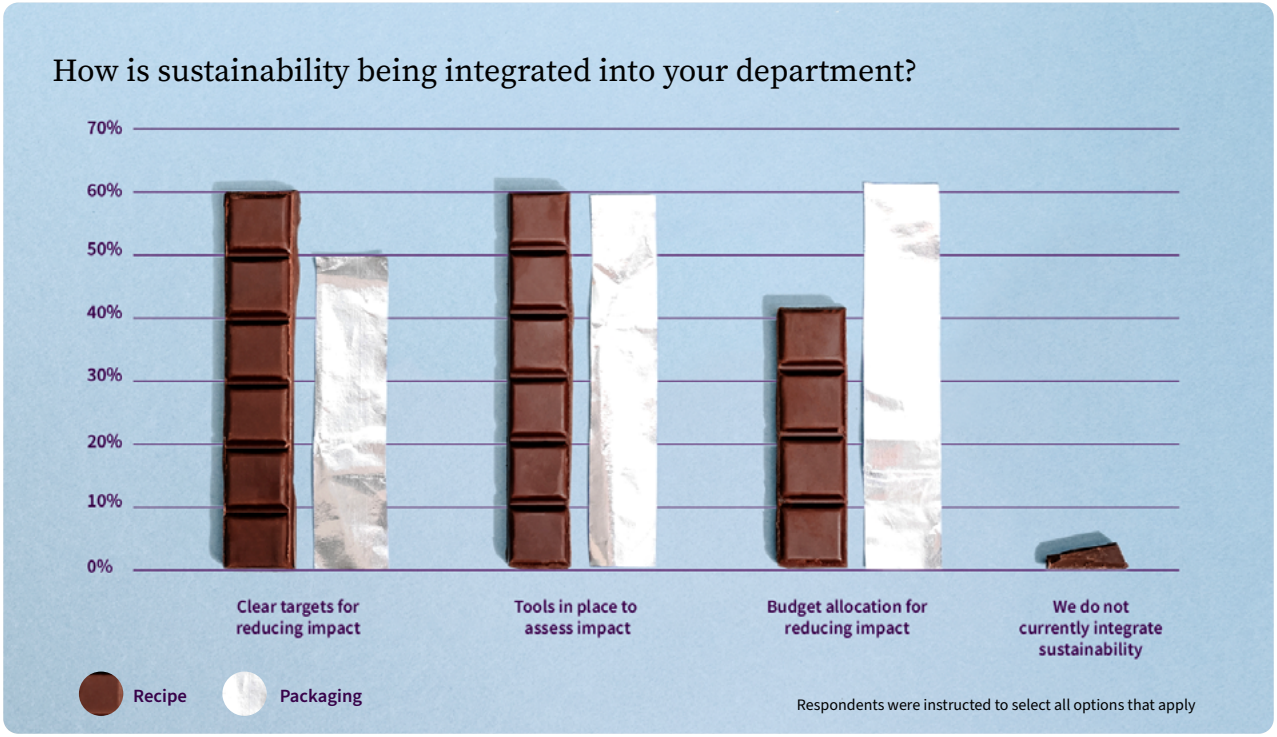
Answering this question requires a clear goal and relevant KPIs. That means R&D teams must be able to illustrate *how* each innovation contributes to the company's overall goals, whether by using alternative ingredients, extending shelf-life to reduce food waste, reducing the weight of the packaging, or through some other innovation. R&D teams will need to be equipped with the right ecodesign tools to discern worthwhile opportunities in the open innovation space without having to become technical experts in sustainability.

To analyze and compare the impacts of products, the design team will need access to reliable LCA data. Simple screening, for example, spreadsheets, can be used early in the transformation process, but the latest digital footprinting tools are best for robust analysis at scale. An LCA provides a holistic view that tracks the products' impacts, from the extraction of raw materials to the manufacturing and consumption stages. This is critical to ensuring there are no tradeoffs with the new choices, such as a reduction in impact of the ingredients that results in an increased impact in transport or processing. LCA also tracks impacts along a variety of indicators, from carbon emissions to land and water use, providing product design teams with a comprehensive understanding of product impacts. In addition to LCAs, indicators like circularity will also be key to consider.

R&D teams must be able to illustrate how *each innovation contributes to the company's overall goals*

Company leaders have started to allocate resources to product and packaging design to improve the sustainability of products, with virtually all survey respondents in these departments reporting some form of sustainability integration. But oftentimes the budget is still lacking. 60% of survey respondents within R&D and recipe design have targets or tools in place to assess the environmental impact of ingredients, but only 43% have clear budget allocation for this. On the other hand, respondents in packaging tend to have a lower presence of targets, but a more frequent budget allocation (59%), which could be linked to the increased scrutiny packaging has received from consumers over the past decade. No matter the department, there is still a lot of work to be done for these plans to be scaled.

Depending on the company's structure, the recipe and packaging design process might be handled by the same group or by separate teams. In either case, these tasks come with their own specificities, so it's important to examine each separately.



Recipe Design

With information and directives from the portfolio assessment in hand, the team can now decide how to redesign recipes for lower impact. This means choosing ingredients that are more resilient to environmental changes and have a lower impact on the environment overall, exploring novel ingredients, and minimizing product waste.

When a recipe is brand new, the innovation process can revolve around sustainable ingredients from the beginning. However, a great deal of the recipe renovation process entails finding lower-impact substitutes that match the performance of the original ingredients. Renovated products must retain a similar profile and not sacrifice nutritional value or taste for sustainability; innovation must be a balanced addition.

For example, a manufacturer of pet food was recently able to **reduce the carbon footprint of a product line by 16%**[16] by switching to renewable electricity and selecting lower-impact ingredients that retained nutrients. No compromises to nutritional value, quality or taste were allowed and **the pet food division continues to lead company profits**[17].

One of the key recipe design trends taking place in the industry to reach these goals is the switch to alternative proteins. Alternative proteins have **an average 40% reduction in impact**[18] compared to animal proteins and represent a huge opportunity to produce sustainable protein for a growing global population. As product teams evolve their meat-free product lines, marketing develops consumer interest through **#MeatlessMonday**[19], **vegetarian celebrity endorsements**[20] and **taste tests to encourage sampling**[21]. Despite this push, and the vegan snack food category being expected to **reach a compound annual growth rate (CAGR) of 6.9%**[22] by 2030, it will remain a niche market in the near future. Companies are therefore exploring another path, where plant-based proteins may be introduced more subtly, for instance, by substituting plant milk for a certain portion of animal-based dairy in baked goods and confections. This process can be very effective for companies to both reduce their impact and get their consumer base adjusted to these novel ingredients, as the gradual change is less noticeable and doesn't alter the overall consumer experience.

Alternative proteins have an average 40% reduction in impact compared to animal proteins

A recipe team that prepares to serve this expanding market will put itself first among the competition

Recipe design also offers an opportunity to explore emerging next-generation ingredients, from biotech engineered foods like lab-grown meat to upcycled ingredients, which are made from byproducts that would otherwise end up as food waste. One manufacturer developed a **protein crisp using reclaimed grain**[23] that can be added to snack products for flavor, texture and nutrition. A London manufacturer creates **delicious chutney and other condiments out of reappropriated wastage**[24] from a central food market. This circular approach reduces waste while also creating profitable new business lines. While novel ingredients might cost more or may not yet meet requirements necessary to outcompete conventional ones, identifying and incorporating these opportunities now will enable companies to stay competitive.

Novel ingredients are interesting to explore and can unlock new opportunities, but diversification of ingredients is an equally important goal. Most companies rely on a limited selection of crops for their products. This is a risky strategy from a business perspective, as demonstrated by the severe impact of environmental crises on specific crops and regions. It's also shortsighted from a nature perspective as monoculture does little to sustain biodiversity. Diversifying product ingredients therefore diffuses environmental risk and protects the portfolio.

The recipe design stage is also the time to think about how to extend product shelf life to reduce waste. Formulating for shelf stability is a great way to achieve that. Switching to ingredients without a need for refrigeration — e.g., shelf-stable canned vegetable — can reduce the need for cold storage and open new, more sustainable options in shipping, shelving, and inventory management. Extending shelf life reduces food waste and offers potential cost savings, improved food safety, and increased market reach.

Once ingredient requirements for the finished recipe are established, the R&D team must work closely with procurement to develop a strong partnership and common objectives. For example, identifying the products in the carbon-intensive category that can't easily be improved in-house will help procurement teams drive demand for low-carbon ingredients among suppliers. Shared KPIs are important because if the procurement team is only rewarded for getting the best price on commodities and ingredients, it won't be able to effectively deliver on sustainability requests put forth by product. Functional leaders in product and procurement will need to align their goals and strategies to achieve the best results.

No matter which approaches they emphasize — next generation ingredients, alternative proteins or low-carbon production — a recipe team that prepares to serve this expanding market will put itself first among the competition.

Packaging Design

The redesign process should also consider sustainable and low-impact packaging. Food and beverage companies have been very focused on this over the past decade, initially driven by high consumer visibility and pressure, and more recently due to the boom of regulations (for example, the EU's **Packaging and Packaging Waste Regulation (PPWR)**[25] and **Extended Producer Responsibility (EPR)**[26] in the US). And while both food and beverage companies must act on packaging, it's especially important for beverage companies, as packaging is a larger percentage of their impact.

It's important to note before diving into the packaging design option that the primary function of food and beverage packaging must remain to protect the product. Therefore, sometimes increasing the packaging is the best thing to do to improve the product's overall environmental performance.

Sustainable solutions for packaging fall into one of the following categories: optimizing single-use packaging, or moving to circular models with refill systems at home or in-store (see infographic ▸).

Optimizing single use packaging, which can also improve the shelf appeal of a product for the environmentally-conscious consumer, is the approach most companies pursue first. New designs can make use of post-consumer recycled materials, reduce the weight of existing packaging, or remove packaging entirely. Emerging packaging alternatives like wraps and coatings may also warrant consideration.

Refillable systems can be very effective packaging alternatives and improve a company's packaging footprint. However, refill systems (or prefills, where consumers swap empty reusable containers for full ones) can be **challenging to implement**[27], and may prove more harmful to the climate over their full lifecycle, depending on the reuse requirements, which may explain why adoption rates are relatively low. On the positive side, the shift toward refillables can lead to an entirely new, successful business model. When a large manufacturer of carbonated beverages saw consumer desire for less packaging, they acquired a carbonator brand that makes soda on demand with flavor syrup at the consumer's home. Now consumers can make their name-brand cola fresh in a reusable bottle for a **total revenue of $460 per machine for the company**[28].

Deciding whether to optimize packaging or move to refillable or circular packaging strategies for a product will require the packaging design team to consider various consumer factors — loyalty, frequency of purchase, how

Tailoring packaging solutions to client habits and product types

customers use the product – as well as the waste management capabilities in regions where the product is sold and disposed of, the overall impact of the product, and the costs associated with upcoming regulations.

Assessing the environmental impact of the product will require the use of ecodesign packaging tools that rely on LCA methodologies and integration of key metrics like circularity. These will enable teams to test alternative ideas and designs and find the best way forward.

When approaching packaging redesign, it is critical to also assess recent and upcoming regulations to identify any design constraints. For instance, the recent increase in EPR and packaging and plastics regulations in various regions will lead to significant costs for companies if they don't ensure compliance is part of their design process. Additionally, not all packaging options will be feasible for all food companies. Beyond sustainability regulations, packaging designers must always work within food health and safety regulations, sometimes limiting opportunities to shift the materials.

Finally, beyond the primary packaging that is seen by the consumer, packaging departments must also be sure to consider secondary and tertiary packaging needs in their sustainable strategies. Reduced primary packaging may change the way a product is stacked and loaded into a truck or cargo container. Less packaging may result in breakage that creates inconvenience, shortages, or difficulty with efficient transport, creating a shift in impact or possibly an overall increase.

This illustrates another valuable aspect of collaboration. The solution to increased sustainability in one functional area may lie in another. If teams stay locked in separate lanes, some solutions may never be uncovered.

Ultimately, packaging is the face of the brand, the thing that pops into consumers' minds when they think about a brand or product. Revamping packaging to better support and reflect a company's sustainability promise is not a simple task, but one that is worthwhile on both functional and demand levels.

Product à la carte

Data source: Quantis Food and Beverage Survey 2024 conducted by Sapio.
Recipe design and packaging responses were averaged for product statistics.

72%

Agree their team needs to make significant changes

12.2%

Mean percentage of budget assigned to reducing impact

56%

Are primarily incentivized by company commitment and culture, the most commonly selected response

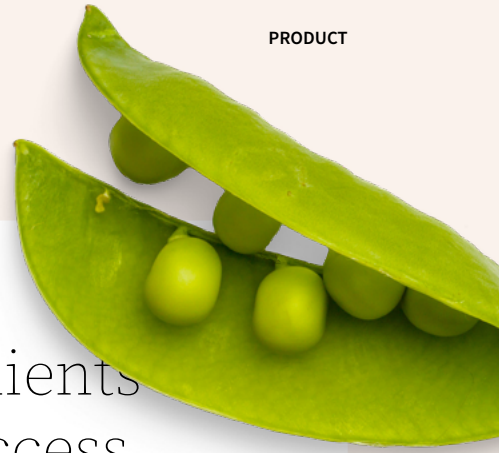
88%

Have established sustainability KPIs to guide decisions

Bringing everyone to the table

Where the product team will intersect with other functional areas

As the product team develops new recipes and packaging solutions, information sharing — both within disciplines and across departments — is key. First, the research and development team will need to be aware of consumer trends from the **marketing** team to inform the next round of product design. In return, they can then share information about how their products have changed so that marketing can develop strategies to educate consumers about sustainable recipes and shift their tastes. The product team should also partner with **procurement** to align sustainability needs for ingredient and materials determination and sourcing practices. Closer collaboration will allow the product team to better understand the impact of sourcing and will motivate the procurement team to source more sustainable ingredients.



Ingredients for success

Take these top lessons as food for thought:

1. Follow ecodesign principles, aiming for products with the lowest possible impact.
2. Explore novel ingredients and packaging materials to reduce impact in creative ways.
3. Cross-check product design ideas through frequent communication with other functional areas to ensure changes are not conflicting or canceling each other out.
4. Look beyond the current business model; solutions may inspire new lines of business.

Procurement

Embedding sustainability through strong relationships

Beyond changing what we eat, we must also change how we produce our food to build a resilient food system. This isn't an either/or, but a necessary combination.

Once the product team determines a product's composition, procurement can determine where ingredients will be sourced from and following which agricultural practices.

Shifts and advances in procurement practices have been explored for years, especially regarding social issues like fair trade. Beyond social aspects, procurement departments are now increasingly realizing the need for environmental interventions in the supply chain — especially after experiencing disruptions that impact operations. But while regenerative agriculture programs that show long-term positive impacts and resilience have been growing rapidly, most companies are still at the pilot stage and will need to intensify and scale up these efforts to truly make a difference.

Procurement teams must start by integrating environmental risk into their large-scale strategic decisions to uncover where risk jeopardizes supply of critical raw materials and determine where supply shifts are needed. Such shifts can take the form of sourcing a different raw material to vary crop supply, diversifying sourcing regions, or working with suppliers to reduce their impacts. Assessing risks will also indicate where the cost of inaction might surpass the cost of investment in supply chain resilience, helping to illustrate the ROI of that transformation to the CFO.

But measuring these risks is a complicated task. Environmental risk models are still new, and their granularity isn't always precise enough to fit specific sourcing areas. In addition, the food supply chain is characterized by a lack of traceability. Most companies have an incomplete view of where their raw materials originate or how they are produced. This makes it complicated to predict and anticipate local environmental risks and design appropriate

interventions. Indeed, our survey found that supply chain complexity is the biggest barrier to integrating sustainability, with the largest proportion of respondents (42%) identifying it as a top impediment. Procurement teams must therefore develop strategies to trace product origins for critical commodities and ingredients to their root, enabling increased visibility into potential risks while ensuring that sustainable practices or supplier guidelines are being followed end-to-end.

Fortunately, traceability is on the rise as companies respond to increased NGO scrutiny and new regulations like the EU Deforestation Regulation (EUDR). This progress in traceability will enable increased investment in sustainable agriculture programs to meet upcoming demand, including deforestation-free, regenerative agriculture or other farm-level programs that reduce impacts and bolster resilience.

Our survey confirmed that supply chain complexity is the biggest barrier to integrating sustainability

Once risks and mitigation strategies have been identified, procurement teams must go one step further and embed sustainability into buyer practices. This can be done by engaging suppliers with clear sustainability KPIs and joint initiatives. How this happens depends on whether the procurement team is buying commodities on the trading market or ingredients directly from suppliers. As we'll see, both present nuanced challenges.

When commodities are bought via markets, buyers monitor the stock exchange for the perfect hedge. They can buy up significant quantities and stockpile them to protect their bottom line. This market-based procurement works if the supply remains intact but provides little potential for traceability and few supplier partnership opportunities. Embedding sustainability into this process is therefore challenging because it requires a new way of looking at commodity purchasing.

Where this is the case, companies may consider investing in landscape-level initiatives to improve agricultural practices in a certain region or country they source from. This will improve the environment and crop production of an entire local area rather than limiting such effects to specific farms or suppliers. Though this can be a lengthy process, it helps ensure that high-quality, sustainable commodities are available for years to come, improving supply chain resilience. Many commodity traders and consumer packaged goods companies have started developing such programs. For example, one snack manufacturer started the **Cocoa Life program**[29], which aims to transform cocoa farming practices and help communities thrive in six key cocoa-growing regions. Educating buyers about critical sources of impact will also go a long way in helping them understand the benefits of these supplier programs.

On the other hand, buyers of ingredients typically have a closer relationship with suppliers and are locked in contracts. While such contracts can pose an advantage compared to the commodity buying process, they are often short — not more than a year or two — which makes it challenging to discuss long-term sustainable practice shifts. In this case, procurement teams must engage with their most relevant suppliers — such as those supplying large quantities or those most committed to change — to understand their sustainability status, influence their production methods, and incentivize sustainable practices. Developing longer-term contracts and more committed relationships with suppliers will create incentives for them to transition to better practices — for instance, a buyer committing to purchasing an ingredient in higher quantity if the farm can commit to producing it sustainably.

With both sourcing methods, buyers will need to clearly understand what sustainability means for their department. This is where the sustainability team can help. Buyers are practiced negotiators but not sustainability experts. The sustainability team must bring the right resources, tools, and education to the procurement department to support buyers in integrating sustainability while staying focused on getting the best quality materials at the most competitive price.

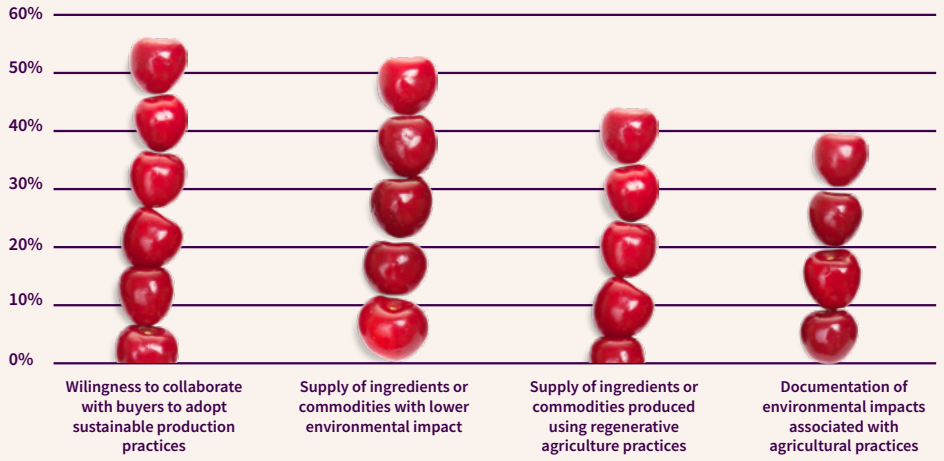
In addition, procurement leaders will need to return to a familiar refrain: clear, operational KPIs. Currently, KPIs focus on cost, volume, and quality specifications to ensure profitability and consumer satisfaction. Integrating sustainability KPIs into the buying process will help control the impact of a company's products — but only if they enable buyers to make clear decisions without damaging their negotiating power. This isn't an easy task. Assigning a single KPI is quite difficult when programs like regenerative agriculture are still defined differently by each organization, and will be applied differently per crop and region.

There are two possible ways to approach this: Either assign different KPIs to each type of commodity or ingredient being sourced that focus on the material's most impactful driver, or define a single KPI for all sourcing if teams are equipped to effectively translate their suppliers' strategies into that KPI. For instance, different KPIs assigned per raw material might focus on zero deforestation for cocoa or paper, or renewable energy for glass or plastic packaging. Alternatively, reducing carbon intensity below a certain threshold could work as a single applicable KPI, in which case buyers would need a measurement tool to help inform their decisions.

In addition to purchasing KPIs, procurement teams can develop broader supplier guidelines or scorecards. These will help buyers understand where their suppliers rank compared to others, where areas for improvement exist, and how to encourage acting upon them, as well as how to track progress once changes have been implemented. This is also a tool to help suppliers understand their current impacts and find the best opportunities for improvement. These scorecards shouldn't be used to threaten suppliers, as this will limit engagement significantly. Rather, leaders in sustainability should collaborate with their suppliers on this improvement journey, understanding that suppliers — especially smaller ones — will need time, resources, and support to meet new sustainability requirements. Aligning these scorecards across the industry will also be critical to fully accelerate change and reduce the pressure on individual suppliers and buyers. It's important to remember that changing suppliers might bring far fewer benefits for the planet than supporting a current supplier's transformation.

Fortunately, desire and willingness to change is in place. 100% of respondents from procurement teams shared that they are observing an increase in suppliers' actions toward sustainability — in particular a greater willingness to collaborate and adopt sustainable practices, as well as supply lower impact ingredients and commodities. While the volume of low impact raw materials is still low, this showcases a step in the right direction and a promise of increased availability in coming years.

Changes in supplier behavior over the past year, as reported by procurement departments



Respondents were instructed to select all options that apply

Now, as with any purchasing negotiation, procurement must tailor its approach to the supplier's maturity, size, and bargaining power, to ensure the most successful transformation. Care should be taken to educate suppliers about the reasons for and larger purpose behind these new KPIs and contract additions. Buyers should share priorities with suppliers to collectively develop incentives that promote change. The same collaboration that produces meaningful transformation within a company creates strong external relationships with supply chain partners.

Also note that collaboration shouldn't end with suppliers. When it comes to transforming the food supply chain, collaboration with peers and even competitors can yield substantial benefits that outweigh individual gains — for instance, a large farmer-owned dairy firm has **entered into collaborations with major retail partners**[30] to reduce collective impact by providing the tools for farms to lower emissions. By speaking to the supply chain with a unified voice, the food and beverage sector shares the effort, sends a clear signal about the direction of change to suppliers, and accelerates transformation of this extremely complex web.

Procurement à la carte

Data source: Quantis Food and Beverage Survey 2024 conducted by Sapio

67%

Agree their team needs to make significant changes

11.8%

Mean percentage of budget assigned to reducing impact

47%

Are primarily incentivized by company commitment and culture, the most commonly selected response

75%

Have established sustainability KPIs to guide decisions

Bringing everyone to the table

Where the procurement team will intersect with other functional areas

As with other functional areas, procurement leaders must work with **finance** to develop budget for sustainable sourcing strategies, and illustrate the business case with the help of the sustainability team. The **product** R&D team will then be able to work with procurement to ensure the right supply of raw materials. The procurement team can then work alongside **sustainability** to determine effective KPIs and assess the impact of suppliers.

Finally, the marketing team should be briefed to determine which sustainable sourcing efforts are worth promoting through advertising, product labelling, or consumer education.

Ingredients for success

Take these top lessons as food for thought:

1. Improve traceability of goods to map risks and impacts
2. Invest in landscape-level initiatives in challenging regions to improve agricultural practices.
3. Engage directly with suppliers to create longer contracts and improve production practices.
4. Assign clear sustainability KPIs that buyers can translate to their practices.
5. Collaborate with peers and competitors to amplify change in farming practices.

Marketing

Spreading the sustainability story

Marketing departments are essential to the successful deployment of a sustainability strategy.

At the corporate level, marketing helps define and communicate the company's sustainability narrative to an external audience. This means working with leadership to identify how the brand expresses sustainability through its purpose and actions, and weaving it into a story that can be shared with consumers. This work may also support internal communications to educate employees about sustainability.

Self-belief can only take a company so far — ultimately, it's consumer perception that makes or breaks a brand. Environmental stewardship can be an essential aspect of an overall brand promise if it's layered into the product offering and displayed in public behavior. For some ambitious brands, sustainability is central to their brand purpose – their *raison d'être*. For others, sustainability isn't an overarching purpose, but a value-added support point. This might look like progress toward renewable sourcing or science-based targets.

In either case, marketing teams should first determine what the company's leadership vision is and what actions are already in place to advance it, and then express this vision through the lens of sustainability. Is a certain product inherently shelf-stable, requiring less energy, and producing less waste? Leverage it. Are your suppliers utilizing regenerative agriculture to protect the resources you purchase from them? Are there clear plans to achieve the CEO's vision that can be shared? Find out and emphasize it in the marketing effort. Companies may already be engaging in practices and processes that can bolster the business's sustainability story if shared honestly.

100% of food and beverage marketing respondents indicate that they are seeing changes in consumer behavior

Beyond infusing the corporate brand with sustainability, marketing also oversees product branding, helps shape consumer behaviors, and drives demand for more sustainable products.

Marketing is constantly looking at the company's customer base, collecting and analyzing consumer behaviors. This analysis helps them predict what will perform in certain markets or consumer segments, gauge how elastic certain products are, and provide valuable feedback around new and existing products, influencing both the content of the company or brand portfolio, and how it's produced.

This is a two-way street. While consumer demand informs what portfolios look like, marketing teams must foster sustainable choices by offering consumers education about sustainable food systems and advice on shifting eating habits. They can achieve this through transparent mass-market campaigns or through the practice of "nudging"— simple, low-cost interventions that can alter people's decisions, making it easier to choose more sustainable options, without removing access to other products. Nudging can be implemented through product placement— arranging more sustainable products at eye level — or through labeling cues known as "social proof"— nudges that make the consumer feel they made the right choice. It can be as simple as rethinking the way we describe sustainable options: "oven-roasted savory cumin carrots" sounds more tempting than "vegetable side dish", or ensuring daily menus have a vegetarian option featured upfront. Time-tested strategies like product sampling and recipe suggestions also boost trial and adoption by consumers.

Brands can also take a cue from consumers "hacking" their menu items or products — adjusting them or combining them in new ways to satisfy the demand for sustainability. For example, customers ordering a fast-food burger but with extra veggies instead of the meat may indicate growing public taste for a vegan patty.

And consumers *are* asking for sustainable products. 100% of food and beverage marketing respondents indicate that they are seeing changes in consumer behavior, with almost 70% of them reporting greater consumer interest in products either marketed as sustainable or containing

Changes in consumer behavior over the past year, as reported by marketing departments

Respondents were instructed to select all options that apply

sustainable ingredients. While we know not all consumers are willing to pay premiums for sustainability, the interest in purchasing sustainable products is strong and even becoming a default expectation, with certain audiences inclined to stop buying unsustainable products.

Of course, not every consumer is crying out for sustainable options or has given the matter much thought. Changes to existing product lines may not be well received, even if they are for the global good, and there may also be social barriers to acceptance, for example, cultural preferences.

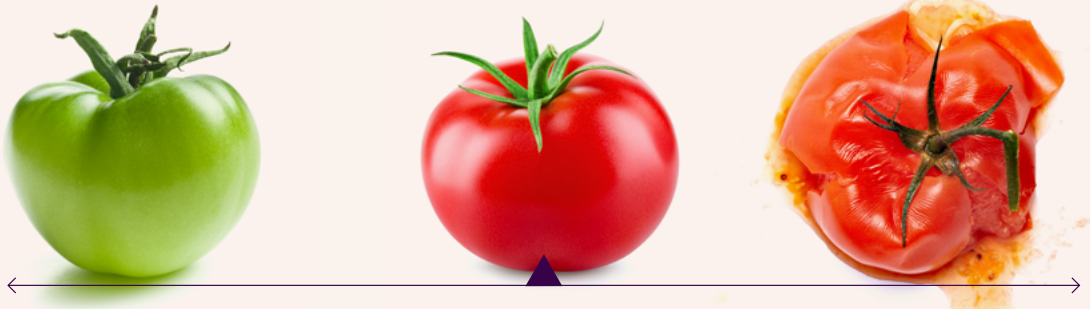
Marketing can help weigh how much attention should be called to changes in product formulation. If a recipe is retooled to use a more sustainable sweetener without noticeably affecting taste, quality, or nutrition (aside from the ingredient list as required by law), is it worth shining a spotlight on what a wide audience might find inconsequential?

That said, marketing shouldn't swing too far in the other direction by going silent. "Greenhushing" isn't the solution and it's important that brands continue telling their sustainability story — both the good and the bad — to keep their audience engaged. While it might seem counterintuitive to share that sustainability efforts aren't proceeding as quickly as planned, such an admission reinforces consumer trust and helps customers feel included in the story. The key is to stay honest and transparent.

Beyond emphasizing transparency, the marketing team should also move away from promoting sustainable products as niche, alternative items that only appeal to a limited, sustainability-savvy audience. Companies should "un-niche" **sustainable products**[31] by making high-quality products that compete with conventional ones in addition to being more sustainable. Consumers are still primarily driven by price, taste, value and convenience, and they may not be willing to sacrifice these for sustainability. A product that uses premium ingredients can be priced accordingly, but it must also deliver premium taste and broad consumer access to compete.

The emerging concept of **"Mainstream Green" marketing**[32] will be essential to embedding sustainability into product portfolios. It has proven successful over the past few years: Conventional products marketed with sustainable attributes have performed better in the market. And we are just

Finding the right balance for information sharing



Greenwashing

Overstating or sharing misleading information about sustainability actions and programs

- **Legal liability** with increasing regulation and oversight, as well as lawsuits from competitors and the public
- **Loss of consumer trust** and increased skepticism about claims
- **Damage to company reputation**

Transparent, honest, accurate reporting

Greenhushing

Not communicating about or downplaying sustainability actions and programs

- **Inability for stakeholders to make informed decisions**, including both internal and external audiences
- **Loss of trust** due to lack of transparency
- **Bad for collective progress** towards a more sustainable future

at the beginning. According to some studies, the sustainable product opportunity for the US food and beverage industry **amounts to as much as $US16B**[33].

In addition, companies should focus on a single, marketable message for each product or category. No brand can be everything to everyone, and consumers are becoming increasingly skeptical of confusing or non-regulated labeling. There is danger in diluting the message or overcomplicating it with too many qualifications, as well as legal risks in some regions when claims don't align with regulations. So, companies should stick to what is easily understood and well-documented — Zero Waste, Deforestation Free, Made with Renewable Energy — and tie messaging to topics that your consumers care about, such as connecting regenerative agriculture to nutrition when relevant. Know what matters to your audience and lean into it.

Further, as the traditional marketing funnel becomes much more dynamic, consistent and continuous engagement between brands and consumers beyond the point of purchase will earn consumer trust, build brand loyalty and, ultimately, cultivate advocacy.

This is where social media offers an opportunity to tap into trends on a mass scale and provide continuous engagement. Seeking out cultural currents and intersecting with them makes social change feel natural and community oriented. It creates a network for information sharing and mutual support during behavioral change.

Finally, remember there is no end point or finishing line marking the completion of sustainability improvements. Keeping the messaging fresh and relevant entails a constant cycle of listening, learning, testing and revising. It's an amazing opportunity to drive transformation both within and outside of the company.

Marketing à la carte

Data source: Quantis Food and Beverage Survey 2024 conducted by Sapio

71%

Agree their team needs to make significant changes

12.1%

Mean percentage of budget assigned to reducing impact

60%

Are primarily incentivized by company commitment and culture, the most commonly selected response

80%

Have established sustainability KPIs to guide decisions

Bringing everyone to the table

Where the marketing team will intersect with other functional areas

To achieve sustainability transformation, marketing teams need to understand the impact of the company's product portfolios so they can gain new perspectives on marketing priorities and spending. Marketers can develop plans that appeal to consumers — without resorting to greenwashing or compromising product integrity or quality — by learning how sustainability is embedded during the design, sourcing, and packaging stages. In particular, the **product** team can help marketing identify how sustainability connects to the main product benefit and **procurement** can provide insight into durability of raw materials and suppliers programs, which marketing can integrate into messaging. In return, the marketing team can identify consumer insights around sustainability to inform the product and procurement teams' decisions.

Ingredients for success

Take these top lessons as food for thought:

1. Integrate sustainability into the company's brand purpose and values.
2. Use findings from a portfolio assessment to discern product marketing needs.
3. Shape consumer demand for sustainable products.
4. Un-niche sustainability; use benefits like taste, texture and value to reach a broad audience.
5. Share customer behavior and insight to inform product and procurement teams.
6. Find honest ground between greenhushing and greenwashing, aiming for transparency even when efforts are imperfect.

Operations + Logistics

Turning transformation strategy into reality

It's at the operational level — where rubber and road meet — that transformation is actualized throughout the company. Operations and logistics (sometimes called "supply chain") responds to the demands of the core functional areas for systems to serve their business needs.

Companies that exert a wide span of control over their own operations will find the most opportunities for efficient and widespread change. Most notably, companies that have control over their energy supply can more easily invest in renewable sources, presenting an opportunity for savings and future resilience despite the upfront investment required. While many companies currently rely on the grid's progress towards renewable sourcing to stand in for progress of their own, the free ride won't continue forever. Renewable energy policies are not reshaping the world's electrical grids at a suitable scale fast enough to achieve the reductions that businesses need. Companies need to accelerate their own renewable energy transition.

Companies need to accelerate their own renewable energy transition.

While logistics' actions — from route and truck load optimization to fleet electrification and airfreight reduction — will look similar no matter how logistics are integrated into a company, the path to delivery may vary in appearance. Indeed, the leadership of a company that owns its own fleet might have a more direct decision-making process. However, if the fleet is small, the cost of converting to an electrified fleet, upgrading physical infrastructure, or accommodating early depreciation of existing assets could be more than the company's bottom line can bear. If a team works with third-party logistics providers, they will need to understand the provider's current sustainability actions, identify which efforts will progress without intervention, and offer incentives for implementing actions the vendor isn't yet undertaking.

In addition, operations and logistics will be directly impacted by product changes. Will changing a recipe entail new refrigeration or storage requirements in the shipping process? Will new packaging impact the load capacity of the trucks, requiring more vehicles on the road (or more trips), thereby increasing total mileage? Will the process change require different types of energy, or will renewable electricity be an option?

This is a reciprocal conversation. Operations and logistics must also influence product design to minimize the waste created by storage, handling, and transport activities. It's critical that both new products are designed, and existing ones modified, if necessary, to help operations and logistics reduce waste.

Knowing these ripple effects, leaders of other functional areas must factor in the impact of the changes they are making on operations and logistics. All participants must clearly convey the tradeoffs their proposed solutions require.

Making the right investment decision at the department level, or coordinating with other departments' changes, requires the right data, transparency, and tools. While each department's transformation might rely on a steep upfront investment, it can lead to significant savings in the long term through improved energy efficiency or lower cost of ownership. Government incentives can also help make this transition more cost effective.

The future of sustainable operations and logistics will be a story of both direct changes and alignment with changes made across other functions, from procurement to recipe design. With a better sense of options and tradeoffs, plus local insight, operations and logistics can continuously find efficiencies and new ways to support more sustainable performance without bearing the environmental burden of other departments' changes.

Operations and logistics must also influence product design to minimize the waste created by its storage, handling, and transport activities

Sustainability

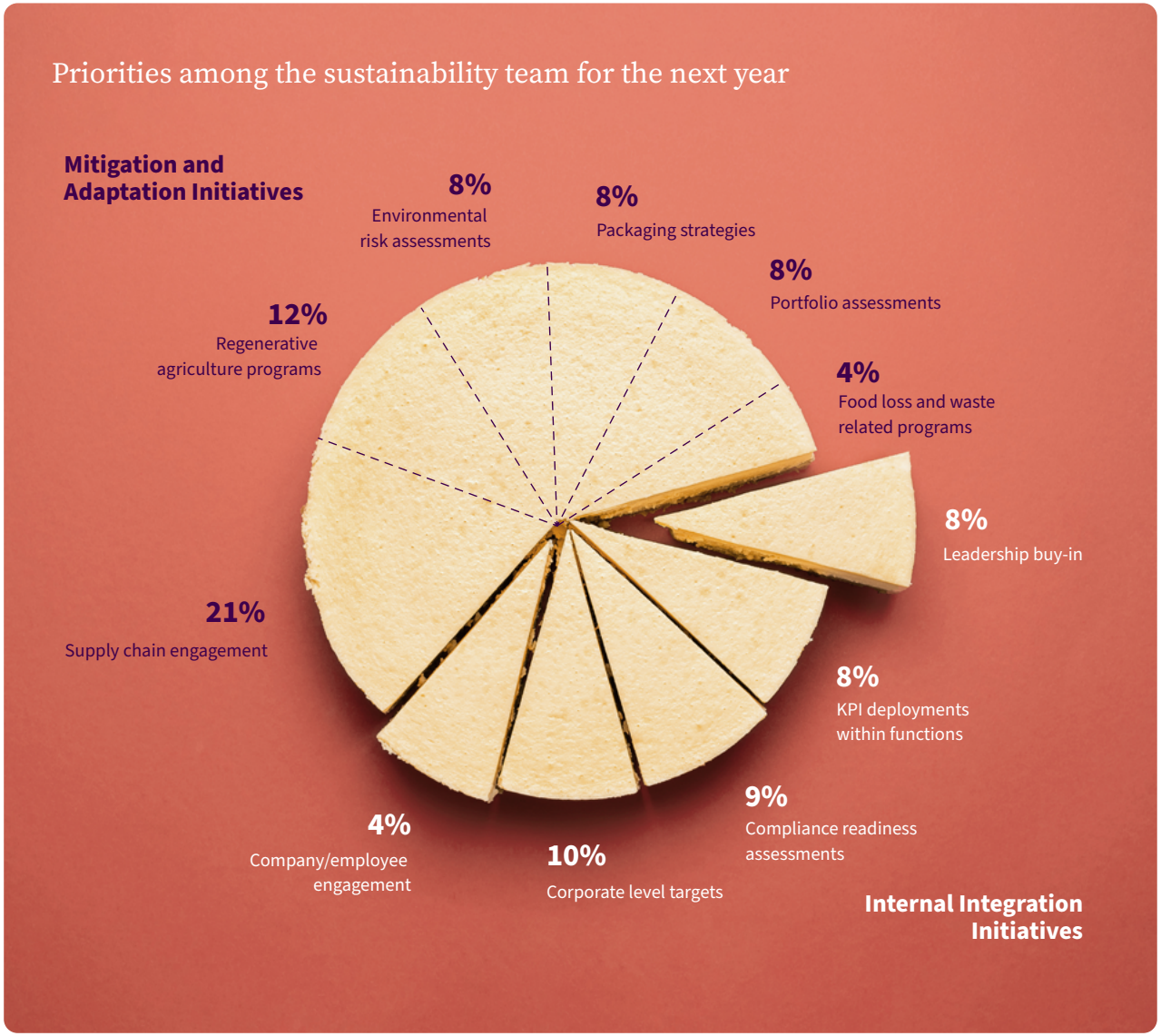
Activating and informing as a change agent

Sustainability must be a shared responsibility embedded into company culture and processes, meaning some key changes for the Chief Sustainability Officer and their team.

The CSO role, or equivalent position within the organization, must transform to enable success. The CSO and broader sustainability team must take responsibility for the integration of sustainability within the business and functions. The sustainability team must indeed put in place the frameworks and systems that ensure everyone has access to the information, tools and training needed to enact the right changes throughout the company.

To begin, the sustainability team must educate the C-suite and board about environmental risks and opportunities that align with company goals, preferably with real, timely data that showcase concrete areas of vulnerability and how they might affect the business financially. This will enable the CSO to work with the CEO on determining where to focus sustainability efforts for the best possible return and, consequently, guarantee the CEO's support for these critical investments.

The sustainability team must educate the C-suite and board about the potential cost of inaction.



Our survey revealed that from an internal standpoint, sustainability teams are still very focused on target setting and compliance readiness. It will be important to move beyond this to ensure action is the focus. When it comes to concrete programs, supply chain engagement and regenerative agriculture projects top the list, showing a focus on procurement.

Once the C-suite is engaged with these priorities, the sustainability team must continue to bring the functional leaders of the company into alignment. And while transformation requires consistent messaging to be effective, that messaging should be tailored to the specific concerns of each internal audience. The CSO must be able to speak the language of each department and bring the value of sustainability to life in a manner that resonates. Both the CSO and CEO will need to develop a deep understanding of how to best motivate each team, with emphasis on innovation or opportunities. Together, they can translate company-wide goals into realistic KPIs for functional areas.

The most effective sustainability KPIs must be representative of the business and how leadership defines success while embedding specific processes in place. Relevant KPIs reflect the larger system and exemplify what matters to the leadership of a company. A beverage bottler might focus on water use and energy in packaging production. A protein bar manufacturer could champion alternative protein. The right KPIs will help position sustainability as both logical and integral to core business.

To continue the journey means working sustainability deeper into the fiber of a business as a source of accountability and resilience

Once each functional area has clear targets, the sustainability team is responsible for equipping them to successfully achieve their goals. Indeed, the functions shouldn't worry about sustainability details or complexities; they should instead focus on moving forward and making the change happen, while the sustainability team deals with the details. To make this work, the sustainability team must identify how each department makes decisions and gets things done and interrupt the process at these strategic touchpoints to embed sustainability. The sustainability team can then train team members, share best practices or help identify resource needs. It can help determine which metrics (and which measurement tools) will facilitate informed decisions. And the team can help with cross-channel collaboration where functional areas must problem-solve together.

If the functional teams struggle to see the value of working with the sustainability team, try implementing small programs with quick wins to build confidence, for example, a plan to comply with new regulations. With results in hand, sustainability will have fuel for more ambitious efforts at an accelerated pace.

As a transversal role without direct authority over many of these functional areas, the sustainability team will need to be assertive, convincing and ready to lead by influence.

It will also be critical to have the right people listening and reporting, and to find the balance between pace and patience, as this is a process that will need to be repeated over the years and across initiatives.

The CSO will also need to address any inconsistencies with other departments that might risk undermining their commitments in the public policy space. This is especially important regarding any industry trade groups to which a company belongs. The CSO must ensure that their public affairs colleagues advocate for regulatory changes that support — rather than impede — the achievement of sustainability goals.

This evolution of CSO responsibilities — from defining sustainability strategies and reporting, to embedding sustainability into all company functions — shows a pattern of successful integration, moving from a siloed satellite department to a competency woven throughout a company. To continue the journey means working sustainability deeper into the fiber of a business as a source of accountability and resilience. The CSO remains the root of that strength, supporting the company throughout its transformation.

Conclusion

It's time to step beyond measurement, analysis and stand-alone efforts to transform the way we do business.

As sustainable transformation shifts into high gear, there are a few core ideas to keep in mind.

First, sustainability is now in our collective hands. Every one of us is responsible for instilling resilience into the food and beverage industry, and we must implement this change across all functional areas, processes and behaviors. Our futures depend on it.

The transformation must also permeate the entire industry. It's difficult to achieve meaningful change unless everyone participates. Collaboration lifts the industry and allows companies to transform their supply chains and the way they conduct business more rapidly and at a lower individual cost. When this is a mutual effort and the weight is equally shared, the entire food and beverage sector will benefit.

Second, sustainability is an ongoing challenge and never an all-or-nothing proposition. Some progress is better than none, provided it doesn't complicate factors elsewhere and the overall ambition remains in sight. Challenge the status quo, contribute novel ideas, cross-check your decisions with other teams, and keep moving.

Finally, get excited! The achievement of sustainability will be as groundbreaking to the food and beverage sector as the industrial and digital revolutions were in their times. This is an opportunity to build strong, resilient food systems that will feed our appetite for abundance and foster long-term resilience. Through active collaboration, the food and beverage sector can turn the tables and tickle tastebuds for many years to come.

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Quantis, a BCG company, is a leading sustainability consultancy pioneering approaches to solve critical environmental challenges. We partner with leading organizations who are serious about reducing their environmental impacts to future-proof their businesses and prosper in a new planetary economy. Our unique approach combines deep environmental expertise, strategic business knowledge, and enterprise transformation skills to help organizations shape policies, practices and business models that align with the planet's capacity while building resilience, unlocking innovation, and optimizing performance.

Our dynamic and visionary team of environmental, business and communications experts will guide you on the journey from business as usual to business at its best.

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