

Sustainable Commerce

Q3 2022 Report

SUSTAINABLE COMMERCE



Sustainable commerce is socially conscious ideas that connect commerce with CSR and ESG initiatives, speaking to the hearts and desires of consumers and enabling companies to do good for the physical and social community. This includes everything from the materials used, how they are made, packaged, shipped and sold, to supporting the communities that make the product by economically enriching them and ensuring the principles of social equality, diversity and inclusion are practiced throughout the business ecosystem.

Once a fringe trend practiced by a few, it has now become mainstream. Gen Z and Millennials are the driving force behind this trend with 90% making an effort to reduce their impact on the environment. And now their expectations from brands have evolved as well.

They want brands to revamp every aspect of their business operation, not just marketing and seek transparency and proof around the actions they have taken. While this topic has many dimensions, in this month's edition of the Drop we will explore the environmental side of sustainability and see how brands are connecting sustainable behaviors with their category to drive action. You will also see some exciting new ideas that can help your brand become more environmentally sustainable, both in the short term and the long run. Future editions will cover the social and community side of sustainability.

PILLARS OF SUSTAINABILITY

People expect businesses to drive action across all these pillars which is challenging as it requires brands to revamp their entire supply chain and business operation

ENVIRONMENT

Use of Natural Resources

Pollution Prevention

Recycling & Waste Management

Habitat Restoration &
Preservation

SOCIAL

Equal Opportunity

Diversity and Inclusion

Training & Development

Health & Safety

COMMUNITY

Community Health

Social Well Being

Research & Development

Financial Accountability

AUGUST 2022

THE TRENDS

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Sustainability is multi-faceted, as brands and marketers we can make it easier to make sustainable choices through:

EDUCATION

CHOICES

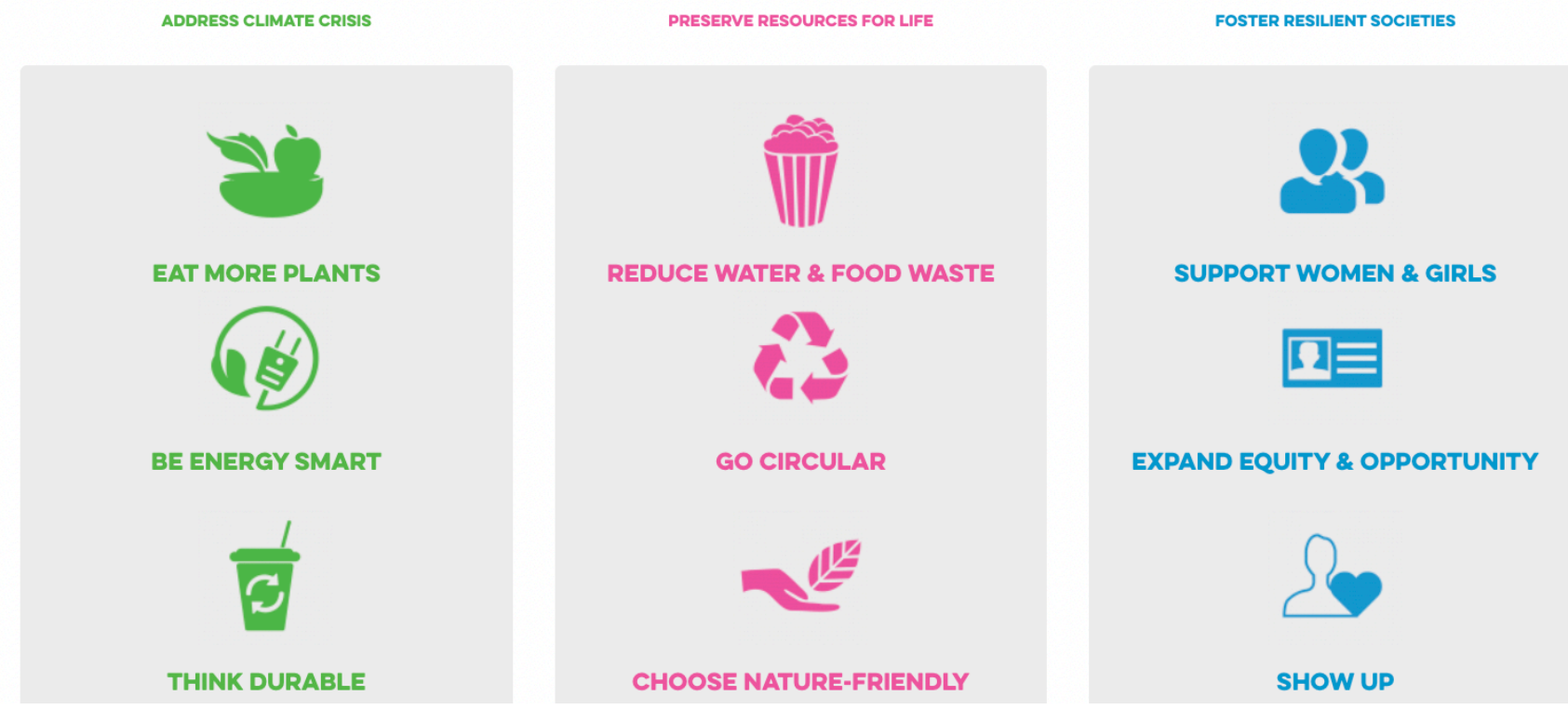
REWARDS

EXPERIENCE

AUTHENTICITY



The Nine Sustainable Behaviors that Consumers and Brands can Take Together



TREND 1

SUSTAINABILITY THROUGH EDUCATION

Closing the Intention Gap

SHOPPER BARRIER: UNDERSTANDING

Shoppers desire to shop sustainability has grown rapidly. In fact 96% of shoppers in the US want to live a sustainable lifestyle. But in reality only 36% follow through. That's a 60% gap between intention and action. The question that arises then is "why is there a gap and what can brands do to close this gap?" especially when the number of sustainably marketed products have grown seven times faster than conventionally marketed products, according to a study by NYU and IRI.

To drive action Sustainable Brands initiated a "Brand for Good" movement by first conducting an extensive research in tandem with the 17 United Nations Sustainable Development Goals, to come up with **Nine Sustainable Behaviors** that are the most actionable and impactful for brands and consumers to affect change. But these sustainable behaviors are not always practiced. For shoppers to act on a sustainable behavior at point of sale, these behaviors need to be connected to a key category driver. For example, at shelf shoppers are looking to fulfill a category need and are likely to deselect a sustainable brand since "be energy smart" alone is not a category driver. It's the job of a brand to make this connection and help shoppers navigate through this by associating their brand with a sustainable behavior. At the same time brands need to work collaboratively and creatively with retailers to come up with game-changing, sustainability-driven initiatives that address the intention-action gap at the moment that matters. A great example of this is Tide.

TIDE - DECARBONIZE LAUNDRY

Tide took a simple fact - switching from hot to cold water while doing laundry can reduce energy usage by up to 90% - and turned it into an activation program. They took "be energy smart" as the behavior they wanted to drive through **#TurnToCold** and then tied it to a category need - exceptionally clean clothes. While Tide had already established its quality credentials, their primary goal now was to associate this with a sustainable behavior and drive change. To drive mental availability they partnered with NFL in a big way through a series of Super Bowl ads using celebrities with names related to "Cold" and "Ice".

To bridge the conversion gap, they partnered with Walmart along with other P&G brands to create an interactive experience to educate families. On Walmart.com, shoppers were invited on a journey through the home — including kitchen, bathroom and laundry room — answering questions and learning how small adjustments to their everyday routine could add up to potential water, energy and money savings over the course of a year. At the conclusion of their experience in each room, Walmart shoppers had the option to "Add to Cart" the sustainable product choices they just learned about thus closing the intention-action gap across a portfolio of brands to make sustainable living more accessible and rewarding for shoppers.

Commerce Implications

- **Connect a sustainable behavior to a shopper category need** - For brands looking to engage shoppers and drive conversion they need to not only build mental availability as the superior choice but also connect their key category driver to a sustainable behavior. The nine Sustainable Behaviors are a great starting point for brands to achieve this.
- **Collaborate with retailers to make sustainable shopping seamless** - In order to make it easy for shoppers to adopt a sustainable behavior at shelf brands need to work closely with with retailers to develop engaging brand activations across the path to purchase that educate shoppers and drive conversion through a seamless shopping experience.

Sources: Path to Purchase Institute , Sustainable Brands, P&G

Gen-Z Leading Change, but Conflicted

SHOPPER BARRIER: CONSIDERATION

When it comes to sustainability there is no other generation that is more vocal and active than Gen-Z. They have grown up in an era witnessing the detrimental effects of climate change, from flooding to natural disasters. According to a global study published by 'The Lancet' 75% of 16-25 year olds across 10 countries believe "the future is frightening." And they are showing their commitment with the choices they are making - from opting for eco-friendly products (68%) to eating more plant-based foods (57%).

Paradoxically, Gen Z are fueling industries that are most unfriendly for the environment. Nearly 50% of Gen Z buys most of their clothes from fast fashion brands. Part of the reason is that their preferences skew towards less-expensive, average quality items, because they are typically less affluent. Another reason for their hunger for new items is their social media driven lifestyle. As the most photographed generation, they are constantly documenting their life and what they wear is important. For example, when asked how they would spend their money if hypothetically they were given \$500, Gen Z chose clothing as their number one option. This creates a disconnect between a generation most driven to adopt sustainable habits to one that is causing the most harm because of their fashion choices. To counter this behavior some brands are adopting an approach that can help Gen Z choose better.

NUULY

RENT ANTHROPOLOGIE &
URBAN OUTFITTERS

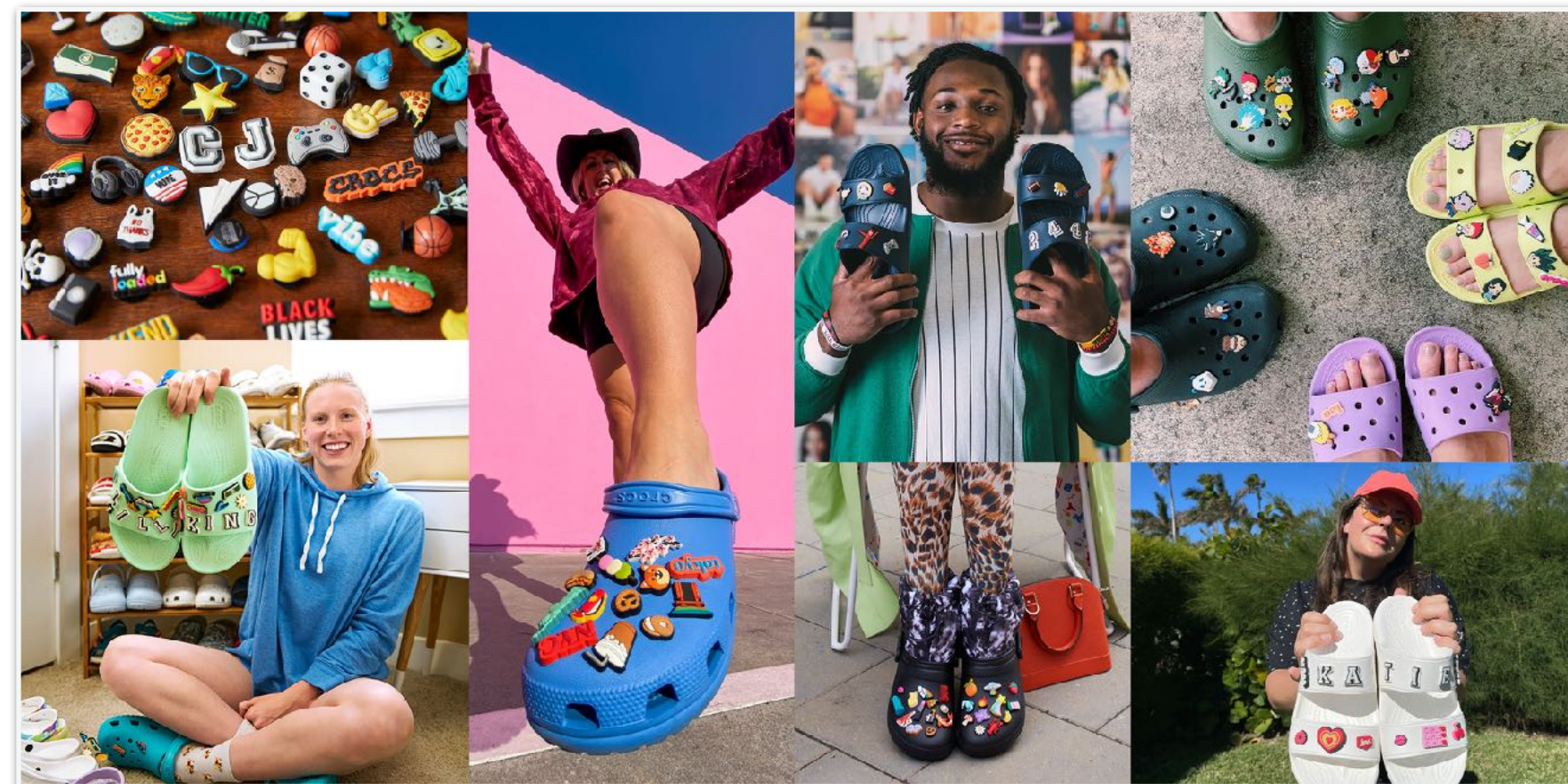


NUULY - EVERYDAY RENTING

Nuuly is feeding the Gen Z need for novelty through a subscription service that allows shoppers to select six items each month for about \$88. The price of this subscription service also includes laundry, dry-cleaning services and two-day shipping both ways

CROCS - ACCESSORIZE FOR A NEW LOOK

Crocs started to offer a wide variety of fun and creative charms called Jibbits. Their goal is to add a personal touch that allows expression of their personalities, hobbies and interests. This not only fed their desire for variety by letting them use Jibbits to mix, match and give their Crocs a completely new look but also extended the life of their Crocs, thus promoting a sustainable behavior.



Commerce Implications

- **Explore product rentals to reach more shoppers** - 47% of Gen Z has purchased a subscription for a physical product in the last three months. Considering their propensity to subscribe, rentals are a great way to make higher quality products more affordable for Gen Z and still feed their need to regularly upgrade their wardrobe. This approach can be extended to durable goods like home appliances, electronics and even furniture and home improvement products.
- **Accessorize your brand to let shoppers get more out of their product** - Croc's approach to bringing novelty is something that can be offered by apparel and fashion accessories like jeans, jackets, hats or bags by offering pins, charms and other removable accessories. This approach also allows brand to create retailer exclusives



Loyalty and Incentive Programs

SHOPPER BARRIER: FOLLOW-THROUGH AND LOYALTY

When it comes to recycling, there is still a wide gap between the total waste that is generated and the amount that actually gets recycled. For plastic waste alone, out of the 40 million tons only about two million tons is recycled. To close the gap brands are taking steps on their own by coming up with ways to reward customers for recycling. Brands like Madewell have done this for years, offering discounts on new products when an old one is given back to the retailer. The Madewell recycling program boasts that it has saved 548 tons of waste from landfills from the 1,096,265 (and counting!) pairs of jeans recycled to date.

PATAGONIA

Patagonia has created an extensive "Worn Wear" program that offers store credits between \$10 and \$100 as a trade-in value for old Patagonia clothes. But they don't stop there. They either get repaired and sent back. If they are too damaged they are completely deconstructed and then sorted for reuse as part of their "ReCrafted" line.

MAC COSMETICS

MAC Cosmetics initiated a program called "Back2MAC". To participate shoppers must return six empty containers in person to their local cosmetics counter. In return, they are rewarded with a free full-sized lipstick of their choice.

DSW

DSW has partnered with Soles4Souls and BeStrong to get shoppers to donate their old shoes at any DSW stores. In return, DSW will add 50 points to the customer's reward account which can later be used to redeem coupons or make more donations.

Commerce Implications

- **Give shoppers more ways to recycle a product** - Considering the large amount of waste that ends up in landfills, brands have the opportunity to take on the recycling of their old products and waste on their own and make the process of recycling more streamlined. Brands like MAC allow shoppers to mail in or drop off at any of their locations, with the added incentive of a free product. For CPG brands there is an opportunity to collaborate with mass retailers and grocers to create similar programs.
- **Offer shoppers rewards that match the product's lifecycle** - Looking at what some of the retailers are doing, there is an opportunity to explore different types of rewards. If the product has longer lifecycle like Patagonia then a straight-up trade-in value not only incentivizes future purchases but ensures the old product is properly recycled. For products with shorter-cycle the incentive a free product or sample is a great way to drive loyalty and still ensure waste is properly managed.

Beauty is the Vanguard of Sustainable Retail

BEYOND SHOPPER BARRIERS: ELEVATED SUSTAINABILITY EXPERIENCES

Sustainability in the beauty landscape has seen some radical shifts, from nice-to-have CSR initiatives to hard KPI driven ESG commitments. Shoppers are a driving force, expecting retailers to do better and choosing to shop at retailers that better reflect their values - up to 50% in 2021 vs 44% in 2020. While governments are also imposing new targets and controls to mobilize businesses towards more sustainable practices, beauty brands are implementing sustainability at scale, across their entire supply chain and business operations.

BODY SHOP

Body Shop continues to revamp their stores to be more sustainable. Starting with their flagship store in London, which was one of the first to offer refillable stations to 400 stores globally, with plans to expand to another 400 in 2022. The station allows shoppers to use aluminum bottles to refill 12 of their best selling products like shower gels, shampoos and conditioners. Body Shop aims to save 25 tonnes of plastic if all shoppers make the switch

SUPERDRUG

Superdrug has taken its commitment to sustainability to another level by creating the “most sustainable store” to date. The signage and the ceiling tiles are fully recyclable with graphics produced from recycled yarn and plastic bottles. They set a waste management target to ensure only 5% of materials are sent to a landfill. Their goal is to save more than 43 tonnes of plastic next year.

Commerce Implications

- **Make sustainability a store feature** - By recreating refilling stations Body Shop has transformed the store experience and what it means to be a beauty retailer. Stations which are reminiscent of a Whole Foods Snack/Coffee Aisle and can be expanded for all kinds of packaged products. While the upfront investment required to achieve this can be prohibitive, but the fact that 83% of shoppers want to adopt more sustainable habits in 2022 means it is something that could pay off in the long run. For CPG brands this is an opportunity to collaborate with retailers to retool a category aisle like personal care or even breakfast cereal.
- **Align store design and construction with shopper values** - There is an opportunity to breakthrough and build consideration with the increasingly aware and eco-conscious shoppers by entirely rethinking how business operations are conducted. Superdrug is one example of how sustainability as a value even drives the way stores are designed and setup.

Environmentally Responsible Advertising

BEYOND SHOPPER BARRIERS: REDUCING INDIRECT EMISSIONS

When it comes to sustainability, the focus has been on carbon emissions related to the supply chain and operations. As companies are being held increasingly accountable, all indirect emissions are being carefully reviewed through a new lens and that includes advertising. 84% say they would be more likely to buy from a company that practices sustainable advertising. Therefore, advertising is on the horizon as brands proactively look to sustainable solutions. Here are some actions brands are taking to make their advertising more sustainable.

MAKING OUTDOOR ADVERTISING MORE GREEN

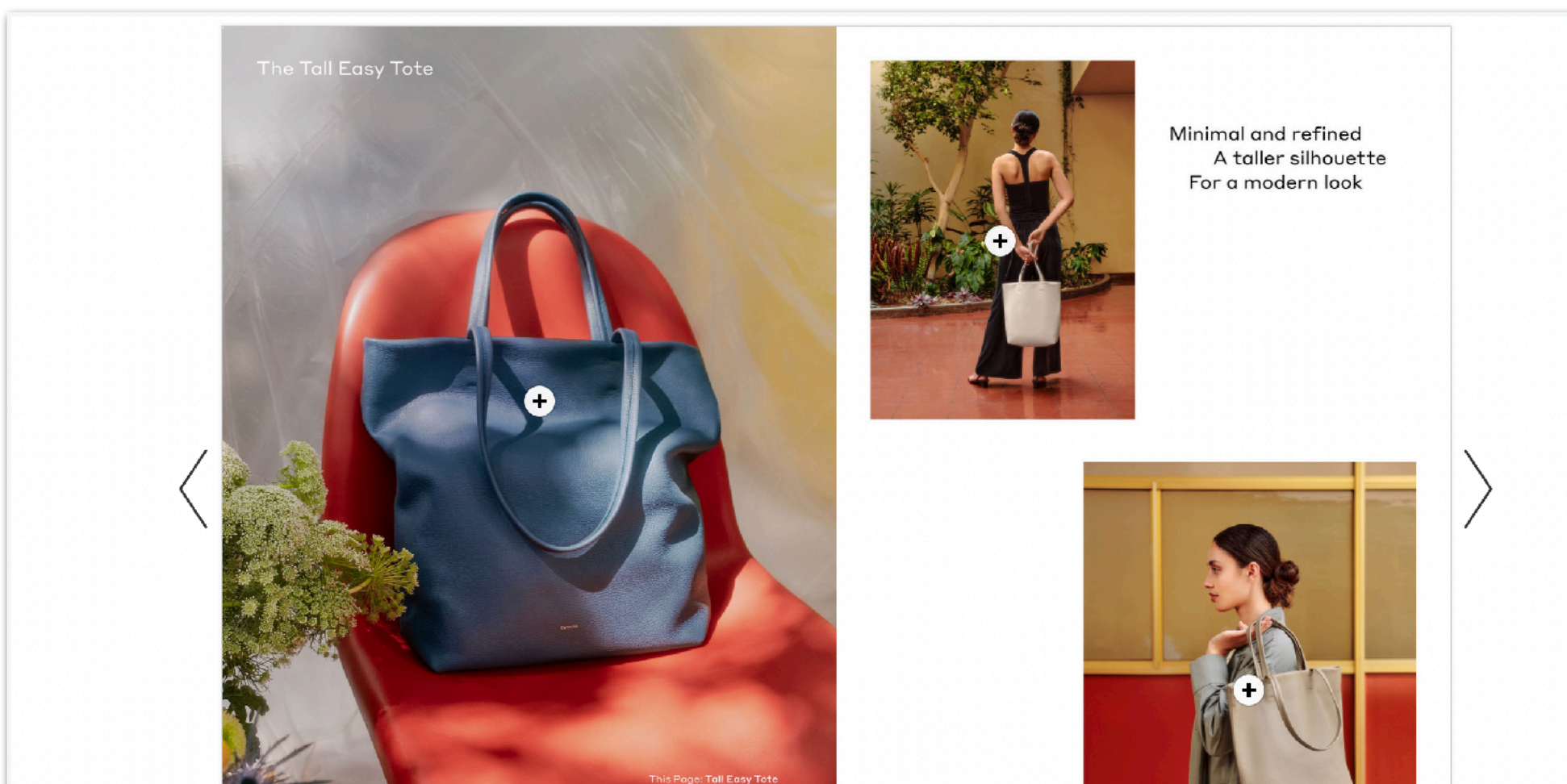
Brands are looking to ensure traditional OOH displays are producing using recycle paper or using carbon eating paint for murals. Volkswagen used smog eating paint on their outdoor advertising for the all-electric vehicles using paint developed by Airlite. According to the manufacturer, the paint is made using titanium oxide crystals that break down chemical substances when the paint is exposed to humidity and light.

TURNING CATALOGS INTO DIGITAL SHOPPABLE EXPERIENCES

Cuyana, a sustainable retailer took on fast fashion and became a cult favorite with their two word ethos “Fewer, Better”. Practicing an all-or-nothing mentality the brand has 100% of their suppliers commit to a high degree of ethical conduct and environmental responsibility along with ensuring 99% of their assortments are made with sustainably certified materials. Taking it further, they have turned their catalogs into digital shoppable experiences. Given the context that 50% of business waste is composed of paper they are doing everything across their supply chain even how they market themselves to be more sustainable.

Commerce Implications

- **Engage shoppers through both action and information** - 42% think brands should provide clear, comparable information on the footprint of their products and advertising. While sustainable media is a nice-to-have, it should only be touted if companies have addressed all direct emissions otherwise this would be seen as another “greenwashing” marketing ploy. For brands who have controlled both their direct and indirect emissions, this is an opportunity to engage shoppers.
- **Seek third-party verification to drive authenticity**- 85% will trust brands more if they have their green credentials verified independently. With sustainable media since the impact is indirect, transparency of action and authenticity becomes an even bigger challenge. Therefore brands should leverage verification stamps on their marketing material as 46% already look for clear labelling of green credentials on a brand’s advertising to determine if the brand is environmentally friendly.



TIMELINE

SHORT-TERM IMPLICATIONS

LONG-TERM IMPLICATIONS

SUSTAINABILITY THROUGH EDUCATION
Educating shoppers to act sustainability through collaborative retailer programs

SUSTAINABILITY THROUGH CHOICES
Make it easier for shoppers to take action by giving them choice

SUSTAINABILITY THROUGH EXPERIENCE
Revamping the entire in-store experience to be more sustainable

SUSTAINABILITY THROUGH REWARDS
Offering incentives to shoppers for making sustainable choices

SUSTAINABILITY THROUGH AUTHENTICITY
Controlling indirect emissions from the way media and advertising is produced

Summary of Implications

Looking at these five trends, here are some of the key action points brands can consider as they think about driving sustainable commerce today.

Education	Choices	Rewards	Experience	Authenticity
CONNECT A SUSTAINABLE BEHAVIOR TO A CATEGORY NEED	EXPLORE PRODUCT RENTALS TO REACH MORE SHOPPERS	GIVE SHOPPERS MORE WAYS TO RECYCLE A PRODUCT	MAKE SUSTAINABILITY A STORE FEATURE	ENGAGE SHOPPERS THROUGH BOTH ACTION AND INFORMATION
COLLABORATE WITH RETAILERS TO MAKE SUSTAINABLE SHOPPING SEAMLESS	ACCESSORIZE YOUR BRAND TO LET SHOPPERS GET MORE OUT OF THEIR PRODUCT	OFFER SHOPPERS REWARDS THAT MATCH THE PRODUCT'S LIFECYCLE	ALIGN STORE DESIGN AND CONSTRUCTION WITH SHOPPER VALUES	SEEK THIRD-PARTY VERIFICATION TO DRIVE AUTHENTICITY

Socially Sustainable Commerce

SOCIALLY SUSTAINABLE COMMERCE



Sustainable Commerce means Planning for Longevity.

Plans that enable brands and retailers to find holistic success for their brand, customers, employees, and society at large.

Sustainability implies that there is a bit of selflessness - i.e., prioritizing long-term impact along with short-term ones to achieve growth in both sales and shopper lifetime value.

Why should brands do this?

People still crave to interact with / associate with brands that stand for something they believe in. Activating on sustainability in any of these ways shows that brands care for the long-term success of communities and the earth.

Therefore in this edition we look at the broad spectrum of social sustainability and explore topics in the health and wellness space from new functional food innovations that boost your immunity to how commerce is addressing the often stigmatizing issue of mental health. And in the social justice and equality space we look at how commerce is enabling diversity and inclusion at retail and how businesses are working to create sustainable communities.

SEPTEMBER 2022

THE TRENDS

There are many facets to social sustainability spanning from topics related to social justice and equality to health and wellness:

ADDRESSING MENTAL HEALTH
WELLBEING ENABLED THROUGH COMMERCE
FIGHTING CHRONIC ILLNESS WITH COMMERCE
SUSTAINABLE FUNCTIONAL FOODS
INCLUSION IN RETAILER EXPERIENCES
CREATING SUSTAINABLE COMMUNITIES
ENABLING LONG-TERM SOCIAL JUSTICE

Mental Health is Not a Taboo, It's Reality

SHOPPER BARRIER: COLLECTIVE INACTION

What was once a fringe issue has become a mainstream concern for the majority of Americans. According to a survey, 78% of consumers feel that mental health is currently in a state of crisis in the US. Further perpetuated by the pandemic, now over 50% of consumers say they have struggled with their own mental health amidst the pandemic.

As a result, brands are taking notice and approaching this challenge through a variety of initiatives to resolve this issue. From a shopper perspective, brands are using commerce to raise awareness, provide solutions and collaborate with charities focused on mental health in order to inspire shoppers to take action.

Here are some examples from brands and retailers that are setting the stage for others to create a sustainable society, by caring for the community and supporting its mental wellbeing.

Mental Health is Not a Taboo, It's Reality

SHOPPER BARRIER: COLLECTIVE INACTION



TOMS - FUNDING ACCESS TO MENTAL HEALTH RESOURCES

TOMS has always been a brand that focused on community welfare. Their entire business model has been built around the concept of “one for one”. Now as alarmingly more people struggle with mental health, TOMS has pivoted to investing 1/3rd of their profits for grassroot good, that includes cash grants and partnerships with community organizations, to drive sustainable change. Their current focus is to fund access to mental health resources for the millions of people who need it, with every purchase.



SAKS FIFTH AVENUE - INSPIRING DECALS

For mental health awareness month Saks launched a set of decals that focused on inspirational mental health tips with messages like “Start Anywhere”, “Kindness Matters” and “Trust Yourself”, with 100% of the proceeds from each \$5 decal going to the Saks Fifth Avenue Foundation. Saks also partnered with trauma expert Dr. Mariel Buque to create exclusive digital content, setup a special window installation at their Saks Fifth Avenue Flagship in NYC, along with organizing a series of events and experiences for their employees.



NIKE x WHY SO SAD? COLLABORATION

Nike released a new “SB Dunk Low” and “SB Bruin Mid” as part of a capsule designed in collaboration with professional skater John Rattray. The goal of the collaboration was to bring attention to “Why so Sad?” an organization founded by Rattray, that is focused on spreading awareness and creating conversations around mental health and suicide prevention. The sneaker launch was a physical extension of his mission, with all proceeds from the sales going to his charity.

Commerce Implications

- **Support a Charity** - Elevating the work of charities that are devoted to mental health is a great way to both raise awareness and contribute funds, by donating a portion of the product sales directly to the charity.
- **Inspire Self-Care** - Brands have an opportunity to raise awareness and de-stigmatize mental health through inspiring messages that encourage self-care around mental health
- **Launch a Special Collab** - Brands can generate word of mouth through limited edition or special edition products created in partnership with designers around themes related to mental health that can turn those product owners into cause ambassadors

Unlocking Wellness with Retail Experiences and Innovation

BEYOND SHOPPER BARRIER: INSPIRING WELLNESS

While wellbeing has been at the center of the public discourse for a number years, the pandemic completely upended the context of wellbeing with everyone suddenly feeling vulnerable and exposed to an unknown, life-changing virus. So much so that online searches for “self-care” were up by 250% at the peak of the pandemic.

Even the C-suite felt the impact of this shift, with 68% of leaders in a recent Deloitte survey admitting they aren’t taking enough action to safeguard employee and stakeholder health. With 55% of the US population focused on their health and wellness because they want to strengthen their immune system to withstand illness and disease, business are also re-thinking how they engage their customers and shoppers by taking care of their wellbeing through a variety of initiatives.

While retailers created pop-up experiences to immerse their shoppers in a wellness experience, brands are trying to achieve this through product innovations that work to deliver on their customers overall wellbeing.

Unlocking Wellness with Retail Experiences and Innovation

BEYOND SHOPPER BARRIER: INSPIRING WELLNESS



SELFRIDGES - "SUPERSELF" WELLBEING PROJECT

Superself is a wellbeing project by Selfridges that offers online and offline shoppers an opportunity for "self-discovery" and "self-care". The in-store experience includes 'A Safe Trip' sensory pod by Sensiks that offers a multi-sensory experience that aims to optimize mental wellbeing. Other elements of the project focus on vitamins, treatments, in-store hair salon and The Light Salon, which specializes in skin conditions and insomnia. Furthermore, there's a run cub, live music and empowering messages that can be accessed via QR codes.

Commerce Implications

- **Inspire wellbeing through shopper activations** - Brands can partner with retailers to create omni-channel shopper programs supported by immersive pop-ups as those are especially effective as well - 81% are willing to pay more for experiences in-store, especially if they are creative, health and games orientated.
- **Create product innovations that promote wellbeing** - With 48.2% of Americans saying they have increased their prioritization of wellness over the past two to three years, for some brands focusing on product innovation that promises wellbeing through a functional benefit maybe the right way to go.
- **Create mobile activations** - There is an opportunity to create a demo of the product through a mobile experience by taking it to where the shoppers are and at the same time tying the experience to a wellbeing driven activation.



IKEA - TRAVELING SLEEP PODS

IKEA France rolled out a fleet of 8 electric bikes towing an equipped sleeping capsule to give Parisians a chance to take up to a 30-minute power nap based on the premise that power naps contribute to the wellbeing of human beings and even a ten minute nap is enough to replenish one's energy. IKEA aims to raise awareness with this activation as power naps and other micro-naps are not yet democratized in France.



BETTER & BETTER - WELLBEING TOOTHPASTE

Better & Better, a DTC personal care brand innovating the wellness industry, launched their Energy Toothpaste that is infused with vitamin B12 and vitamin D3, which can give you an energy boost while you brush your teeth. The product contains 80% of the recommended daily dose of D3 and 100% of the daily dose recommendation for B12. Better & Better aims to provide consumers with oral hygiene products that serve to improve teeth health as well as contribute to the body's overall wellbeing through vitamin consumption.

Commerce as Philanthropy

BEYOND SHOPPER BARRIER: INSPIRE ACTION

Of all sustainable commerce trends, fighting chronic illnesses has been an age-old practice with some brands choosing to allocate a portion of their profits to a specific charity or association that is dedicated to a certain disease.

This is either because treating these diseases is very cost prohibitive, like heart diseases, which cost \$363 billion a year and the volume of incidences is constantly growing (according to the CDC, more than 877,500 Americans die from heart diseases each year). Or it is because some diseases are widely prevalent like diabetes, which is the most prevalent chronic condition in healthcare, affecting 34 million Americans with another 88 million living with pre-diabetes.

Whether its cost of treatment or high levels of prevalence, here are some examples from 2022 of brands engaging shoppers to join the fight against chronic diseases.

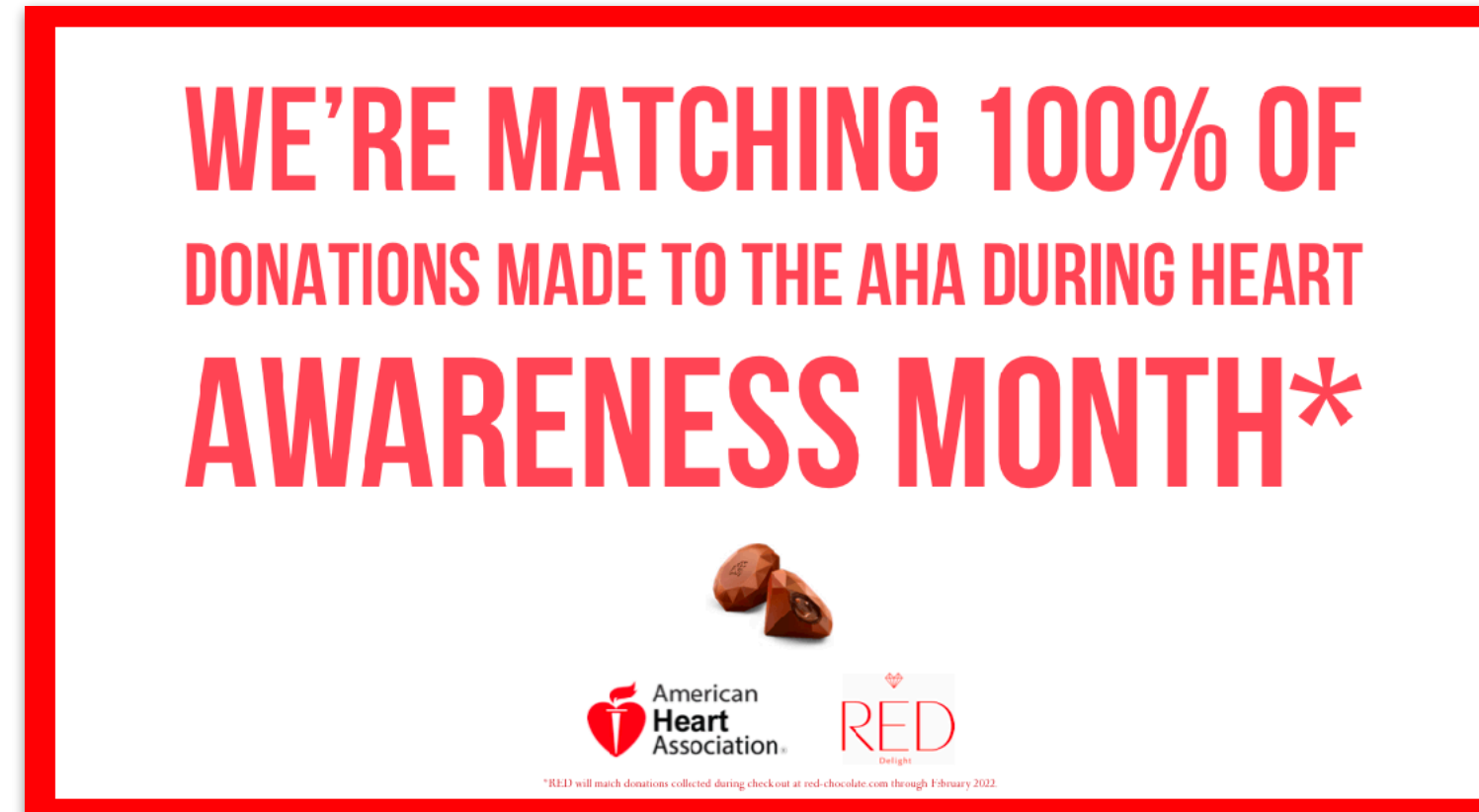
Commerce as Philanthropy

BEYOND SHOPPER BARRIER: INSPIRE ACTION



A&W BURGERS - FIGHTING MS WITH EVERY BURGER

A&W Canada has taken on Multiple Sclerosis as a cause they want to get behind. With 12 Canadians diagnosed with MS every day, Canada has the highest rate of MS in the world. With more than 90,000 Canadians suffering from MS, it's a cause A&W has been supporting since 2008 and has raised \$17 million so far. This year on August 18th, \$2 from every Teen Burger sold was used to support Canadians living with MS. With a funding goal of \$1.5 million, A&W continues on their mission to create a positive change within the MS community.



RED CHOCOLATE - PROMOTING HEART HEALTH FOR ALL

Known for its reduced sugar chocolate, RED chocolate has always been promoting better-for you snacking options. According to a Harvard Health study, a high-sugar diet is associated with a greater risk of dying from heart disease. Driven to promote better heart health, this February as part of National Heart Awareness Month, RED Chocolate gave shoppers an option to donate \$1, \$3, or \$5 at check out with their purchase, with RED matching 100% of the donated amount to support the American Health Association with their various research and care initiatives.



SALAD & GO - FUNDRAISING FOR DIABETES

In May of this year Salad & Go launched a fundraising campaign in partnership with the American Diabetes Association to fund research to cure, prevent and manage diabetes. As part of their mission to serve local communities, Salad & Go matched 10% of the total amount donated, plus an additional \$5000 to the cause. Based on their locations in Arizona and Texas their donations went to Camp AZDA and Camp New Horizons respectively, to provide opportunities for children to get out and get active through events such as summer camps and after-school activities.

Commerce Implications

- **Support chronic illnesses that fit your category** - While A&W Burgers chose to fight MS owing to the high level of incidences in their market, it is worth choosing to fight a disease that is more closely associated to your category. RED elevated their reduced sugar chocolate offering with their support of AHA, in the same way Salad & Go also built their equity by supporting diabetes, as they offer healthy food choices that are preventative to diabetes.
- **Partner with recognized non-profit organizations**— In the examples above the brands themselves are lesser known but the partners they associated with are highly recognized that not only adds credibility to the program but also elevates the brand's position among their target audience.

Eat Your Way to Wellness

BEYOND SHOPPER BARRIER: SUPERPOWER ME

Another trend is the adoption of functional foods and drinks to give shoppers the feeling of control within their diets. With 56% of American adults saying they consumed functional beverages and 46% saying their interest in functional drinks was primarily for their immunity benefits.

This resulted in a plethora of innovations, from extracts derived from the Amazon rainforest that boost performance to fortification of everyday packaged foods like bars, butter and even cereal with vitamins and minerals known to boost immunity and promote better health.

Here are some recent examples of functional foods and beverages that make us rethink how we look at packaged food.

Eat Your Way to Wellness

BEYOND SHOPPER BARRIER: SUPERPOWER ME



AMATEA - NEXT GENERATION OF CAFFEINE

Applied Food Sciences (AFS) has formulated an extract from guayusa, a functional herb that grows only in the Amazon basin. Made in partnership with an indigenous tribe while supporting thousands of farming families in the Amazon rainforest, guayusa is responsibly sourced. Its superpower? Naturally occurring antioxidants and caffeine provide a cognitive, uplifting energy experience, that is unlike any other caffeine ingredient. Its Max version is being promoted as a nootropic for elevated gaming performance with no increase in jitters unlike regular caffeine.



NUTRI BUTTER - PACKED WITH WELLNESS & PERFORMANCE

Natural Selection Foods has launched a series of premium nut spreads that are crafted with natural ingredients and fortified with vitamins and minerals. They are made with no palm oil or added sugar, are vegan-friendly and gluten-free. The range is made to promote health, wellness and performance with each individual recipe. Their “gut-friendly” recipe contains live cultures, turmeric and ginger. Their “defense” recipe contains vitamin C, maca and acai berry. And lastly their “energize” recipe contains magnesium, vitamin B6 and chia seeds.



SATI SODA - DISRUPTIVE “GOOD FOR YOU” SODA

Sati Soda launched initially as a CBD soda. Known as a functional drink that improves performance, it offers a bunch of health benefits through the use of select ingredients, like ashwagandha root and theanine extract for its “clarity” lemon-lime flavor or guarana and Yerba Mate extracts for its natural “energy” berry flavor. It is now aiming to reach a broader audience who are not interested in consuming CBD. Made with clean, non-GMO, mostly organic ingredients Sati Soda has launched a CBD-free line, that aims to disrupt the notion that soda has to be bad for you.

Commerce Implications

- **Create innovations that deliver against desired health claims-** The demand for health and wellness related benefits in food has grown since the pandemic with 49% saying they are choosing healthy foods more often in 2021 compared to a year ago with 73% saying they chose a beverage with a benefit claim in the past three months in 2021.
- **Explore innovations that boost performance -** Functional foods span a broad spectrum of benefits. From boosting cognitive performance through herbs like guayusa to natural energy boosters like guarana and Yerba mate. Demand for foods and drinks that boost mental or physical performance is growing with 38% saying they have consumed an energy boosting drink in the past three months with men between 18-34 most interested in nootropics (16%) vs. total (6%).

Don't just say DE&I, Do DE&I

BEYOND SHOPPER BARRIER: SYSTEMIC EXCLUSION

According to a 2020 study commissioned by Sephora, two in three retail shoppers think stores fail to deliver an equally-distributed assortment of products catering to different shoppers' tastes and preferences.

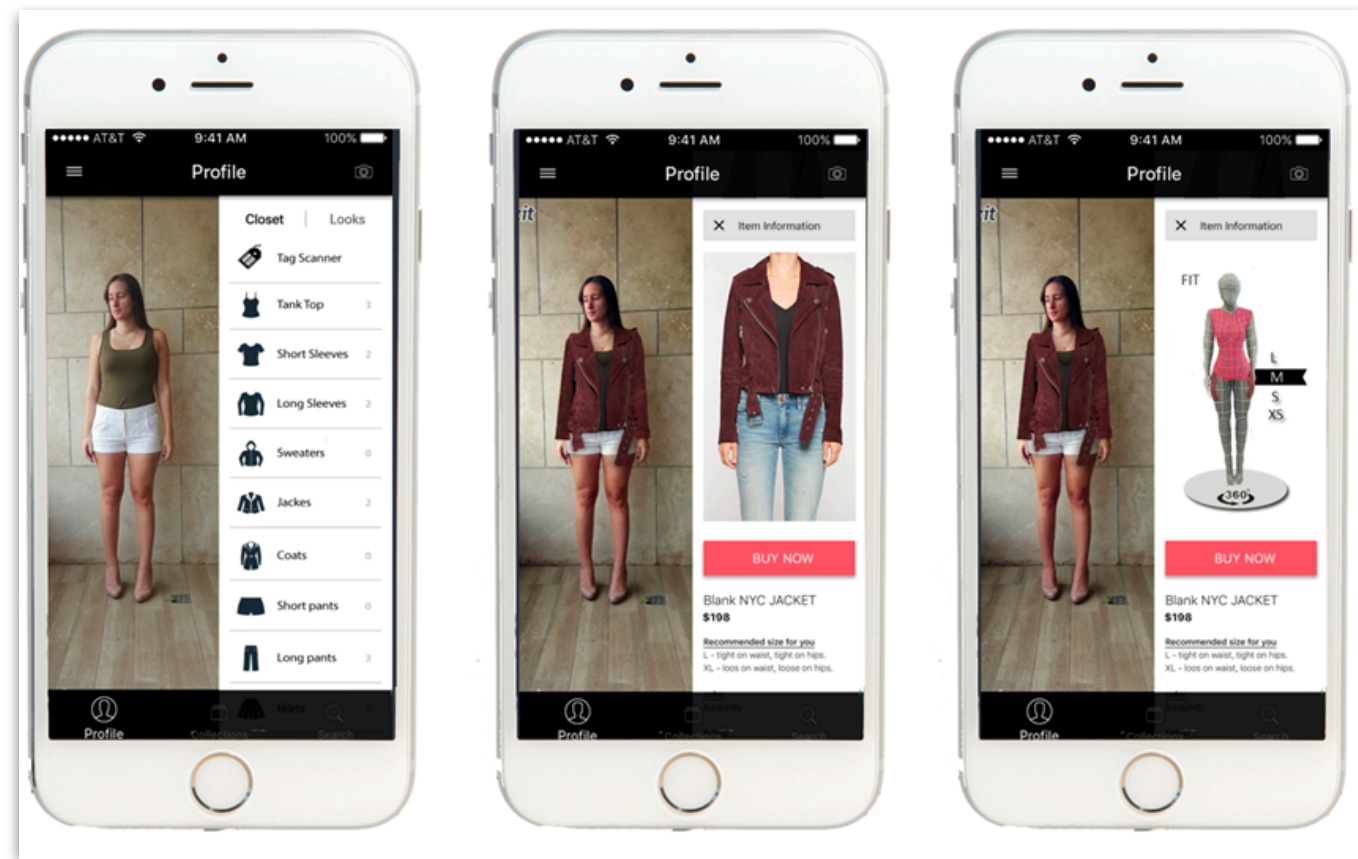
As businesses grapple with making their workplace truly inclusive and diverse, creating a retail experience that goes beyond representation and accessibility is another matter altogether. As diversity and inclusion expert, Verna Myers put it, "Diversity is being invited to the party, inclusion is being asked to dance".

Creating an experience that ensures diverse individuals feel welcomed is not a largely prevalent reality, but some retailers are leading the way by retooling their entire customer journey to be inclusive from the ground up, while others are leaning on technology to embrace diversity and inclusion.

Here are some inspiring examples of retailers and startups who are forging a way forward.

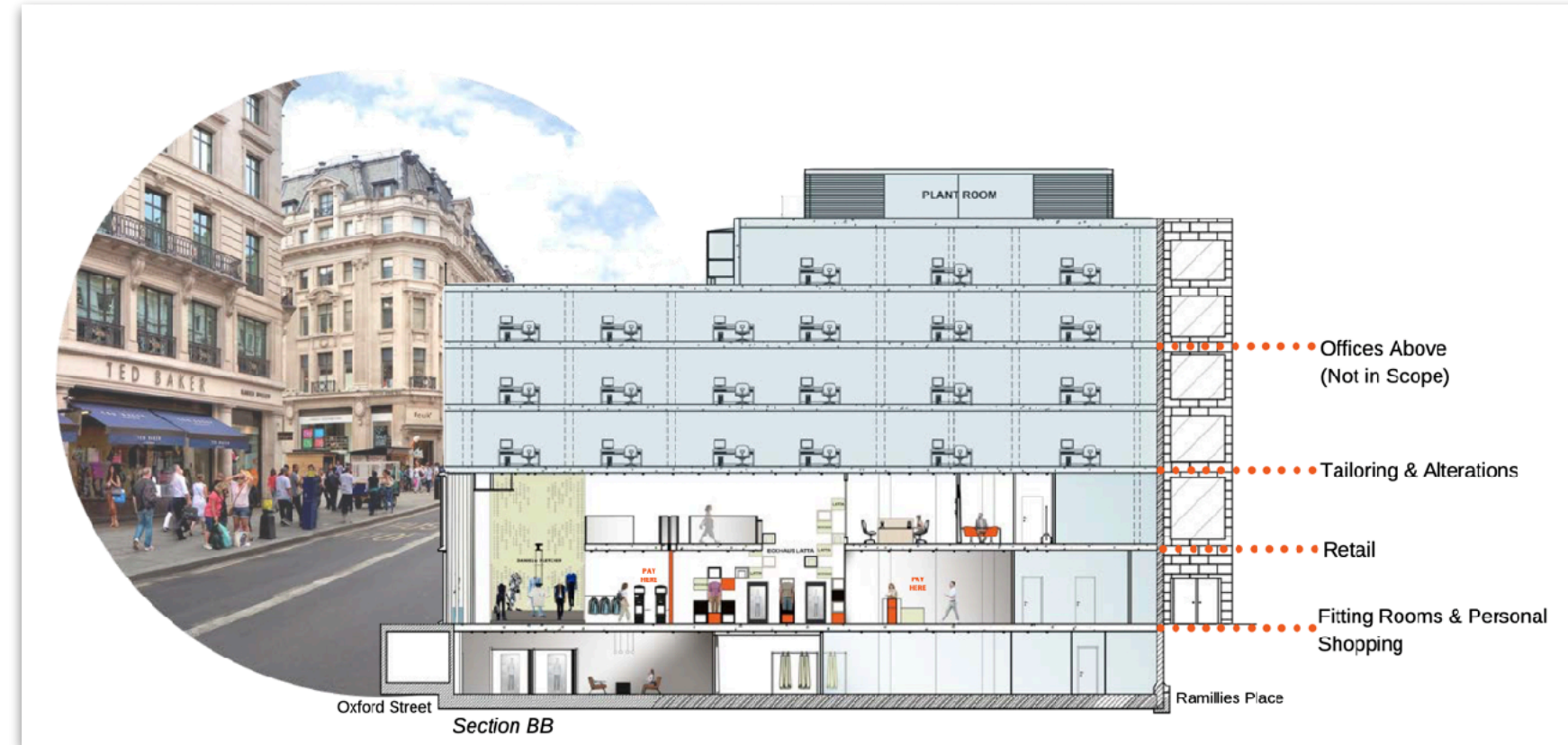
Don't just say DE&I, Do DE&I

BEYOND SHOPPER BARRIER: SYSTEMIC EXCLUSION



WALMART - LAUNCHES INCLUSIVE VIRTUAL TRY-ON TECH

Walmart extends its commitment to D&I through its latest acquisition of Zeekit - a virtual try-on startup that utilizes real-time image processing, computer vision, deep learning, and other AI technologies to offer online customers the option to upload their picture or choose from a series of models that best represent their height, shape and skin tone to instantly see themselves in any item of clothing. They can even share their virtual outfits with friends, bringing an inclusive and social experience to digital shopping.



PUSH - RETAIL SPACE FOR GENDER-NEUTRAL BRANDS

Push is a unique retail concept, brainchild of emerging interior designer Eoghan Ross, that aims to be a platform for gender-neutral fashion brands, enabling them to reach a wider audience and to encourage consumers to shop eco-friendly. The flagship store provides space for brands who may not have the budget or the audience reach to have their own store. The store also aims to tackle issues around gender-neutral clothing for different body types by providing on-site tailoring and alteration studio to help customer achieve their best possible fit.



SKITTLES - GIVE THE RAINBOW

In an era of rainbow-washing where companies that don't do much to truly support LGBTQ+ communities, but just slap a rainbow on top of something in the month of June and call it a day, Skittles goes further than most. First by "giving up the rainbow to celebrate the one that matters", by removing the rainbow from their packaging, and then by giving back \$1 for every Skittles Pride pack purchased to GLAAD.

Commerce Implications

- **Make concrete commitments** - A number of sustainability efforts end up being marketing gimmicks. Most criticism around such efforts is that they benefit groups and individuals that aren't the ones directly affected by the issue. Therefore it is crucial for brands to put their money where their mouth is with concrete measures that would actually make a difference, either through contributions or through actions that directly support the community.
- **Leverage tech** - 74% of retail shoppers feel that marketing fails to showcase a diverse range of skin tones, body types and hair textures. Addressing this is important, but can be time consuming and cost prohibitive for most brands. With AI-powered solutions, it is now possible to achieve this representation authentically in all marketing communications.
- **Re-tool the store experience** - While having diverse associates is crucial, 79% of shoppers struggle to find associates who look like them, an inclusive store experience goes beyond just associates. This can be everything from offering a diverse and inclusive product assortment to incorporating store features like a quiet hour for a neurodiverse population.

Sources: Sephora, Walmart, Dezeen, Pride

COMMERCE VS. ISOLATION AND HOMELESSNESS

BEYOND SHOPPER BARRIER: INVITING PARTICIPATION

One of United Nations' Sustainable Development Goals (SDG) is to create sustainable cities and communities, which entails addressing issues like homelessness by ensuring access for all to adequate, safe and affordable housing.

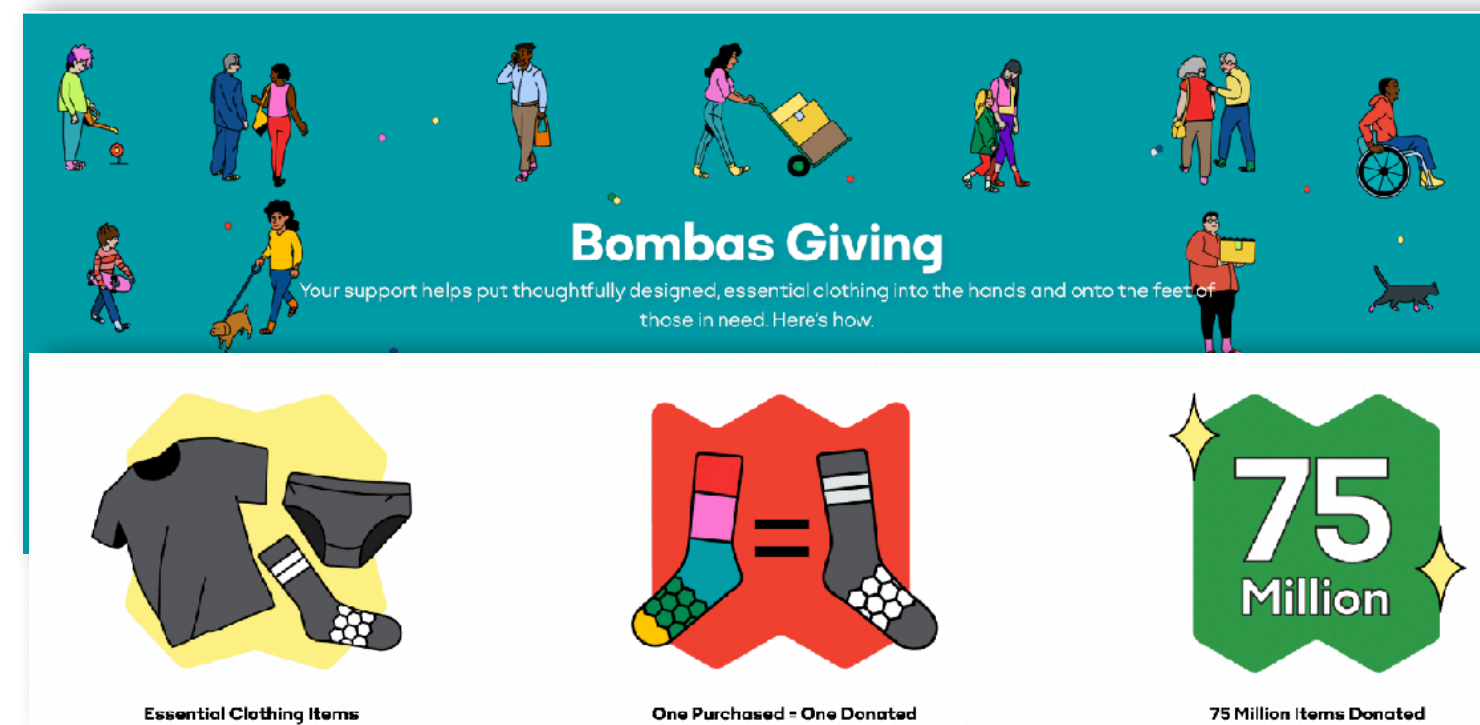
While poverty is a global issue, according to the U.S. Census Bureau 37.2 million people live in poverty, with about half a million experiencing homelessness. Like other social issues, poverty also was affected by the pandemic, recording an increase in 2020 after five consecutive annual declines.

Similarly, another aspect that is crucial to creating sustainable communities is equal opportunity and access to healthcare, employment and curbing social isolation through opportunities to bring people together and creating a cohesive social fabric.

While much is being done across all these issues, here are some recent examples of brands engaging shoppers to take action and make a difference.

COMMERCE VS. ISOLATION AND HOMELESSNESS

BEYOND SHOPPER BARRIER: INVITING PARTICIPATION



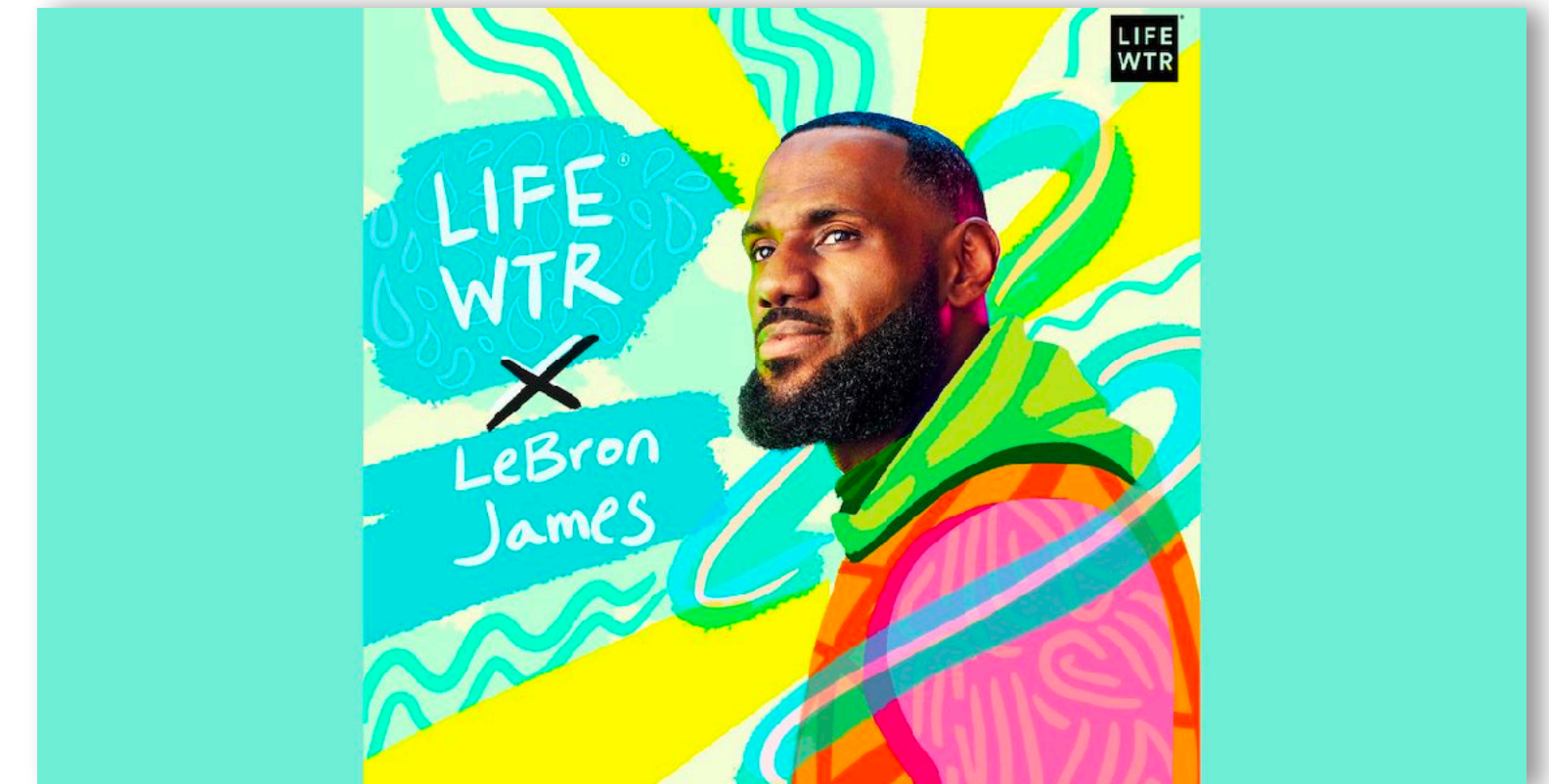
BOMBAS - SUPPORTING HOMELESS WITH EVERY SALE

Bombas is not only a Certified B Corp, meaning they practice environmentally friendly material sourcing, ethical production, employee treatment, and transparency, but they also donate a specially crafted sock (antimicrobial treated, darker colors) to a homeless shelter for every pair sold. This was inspired by the fact that the most requested item in homeless shelters is socks. Since then they have made over 75 million donations.



RING - CAFE WHERE YOU PAY WITH A GOOD DEED

Ring, the home security system, decided to open a cafe that allows customers to pay for food and drinks with a pledge to perform a good neighborly deed. They came up with this idea following new research that revealed 25% of Brits became friendlier with neighbors after lockdown, and 32% of them are keen to meet new people in their communities at local cafes. The pledged good deeds can be pinned on the cafe's dedicated pledge board. Ring aims to bring the community together by encouraging people to connect within local meeting spots.



LIFEWTR X LEBRON JAMES - ENABLING UNDERSERVED COMMUNITIES TO THRIVE

LeBron James joined forces with LIFEWTR for a new multiyear partnership that synergizes his passion for community, empowerment, and storytelling with the brand's mission to help people thrive. He activated a variety of initiatives and partnerships through his LeBron James Family Foundation to support underserved communities across the U.S. With his I PROMISE platform he has setup schools, offered transitional housing, offered primary and behavioral health care services among other initiatives. With LIFEWTR he plans to take it further, details of which to be announced later this year.

Commerce Implications

- **Make every purchase count** - A model first pioneered by TOMS, is now being practiced by a number of brands like Bombas where they donate one item for every one purchase. There have been other variations of this model like a % of revenue from each sale being contributed to a cause that enables sustainable communities.
- **Create Brand Experiences for Good** - Many brands have experimented with giving away free product in return for a pledge to do a good deed. While Ring went further by creating an experiential space for people to get together as well and turned this into a brand building opportunity (home safety brand creating safety through community), other brands like GoodPop have given away free product to the first 50 customers who simply pledged to do good.

SPOTLIGHT ON AFRICAN AMERICAN SHOPPERS AND CREATORS

SHOPPER BARRIER: CULTURAL EDUCATION

Racial inequality and the need for social justice was highlighted by the Black Lives Matter movement that reached its peak in 2020, sparked by George Floyd's death while in police custody. Since then, consumer sentiment has reflected this increased awareness with over 54% of consumers expecting brands to take a stand on equality issues, particularly young (18-34, 65%), hispanic (64%) and black (62%) consumers.

Before 2020, many businesses sat on the sidelines; however, navigating this issue is not without risks. With 50% saying they would stop using a brand if its stance on equality does not align with their own means a brand can alienate half of their target market with the same action.

Considering the gravity of the situation as shown by the intensity of protests and the emotions surrounding it, the price of inaction was far too grave and socially irresponsible for corporations not to have a point of view.

Here are some brands that have jumped in to influence change by elevating the voices of the black community in all aspects of their business.

SPOTLIGHT ON AFRICAN AMERICAN SHOPPERS AND CREATORS

SHOPPER BARRIER: CULTURAL EDUCATION



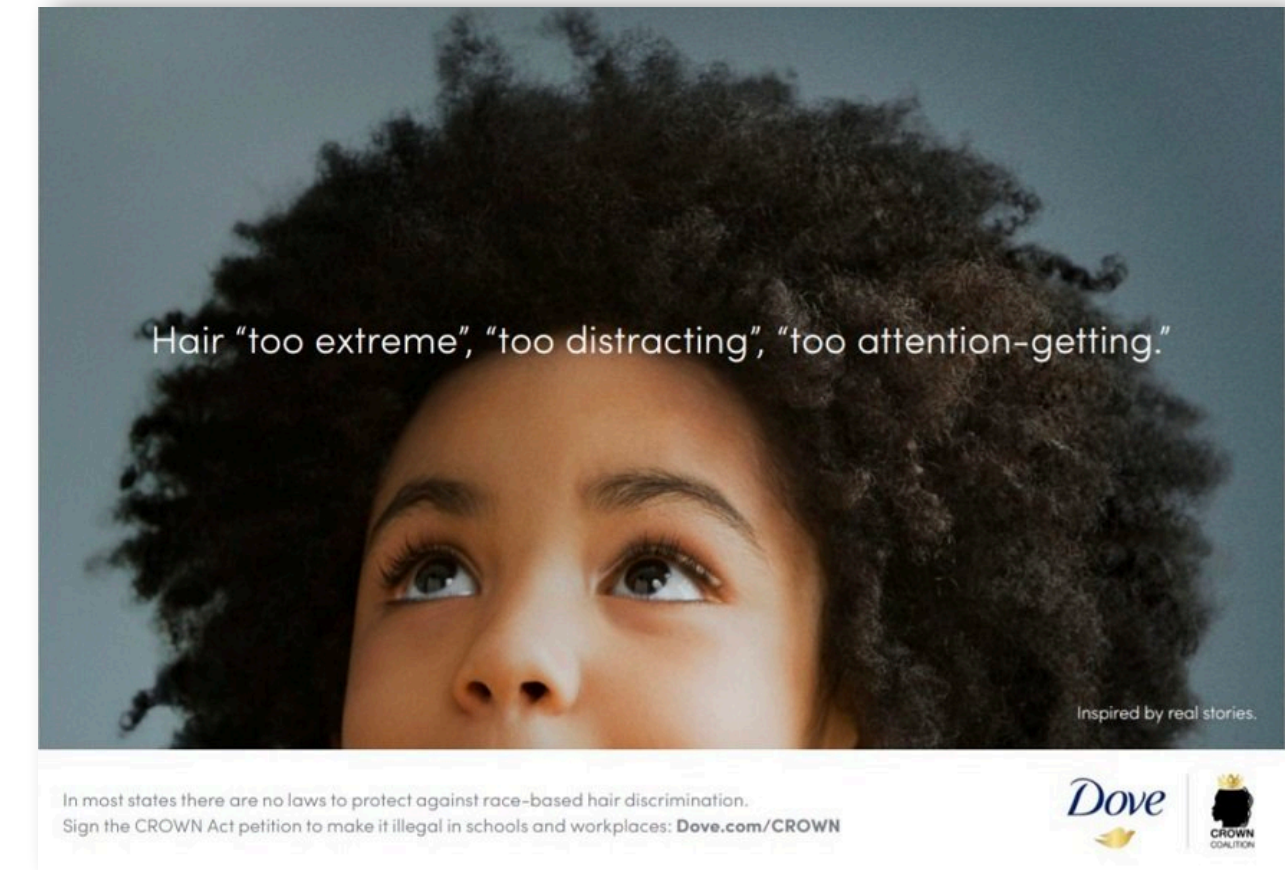
NIKE - FUTURE MOVEMENT 2022

Nike has been a pioneer when it comes to standing up for social justice. From standing behind Colin Kaepernick in 2018 to their latest iteration of the Future Movement. Besides donating \$7.75 million to four education innovation initiatives and social justice reform organizations, Nike is launching “Future Movement” labelled apparel, introducing three sneaker styles designed by Black creators, and launching a new episode of its Future Movement Broadcast to support the launch.



TARGET - “CREATING OUR OWN FUTURE” COLLECTION

As part of Target’s broader “Black Beyond Measure” campaign, the retailer launched a collection for Black History Month that included designs from three winners of Target’s inaugural HBCU Design Challenge. The collection included a range of exclusive products across multiple categories including apparel, accessories, home, beauty, books, food, toys and more, with 86% of the collection created by or designed with Black businesses or designers. Target also offered t-shirts made from cotton sourced from fifth-generation Black family farm Bridgeforth Farms.



DOVE - MOVEMENT TO END RACE-BASED HAIR DISCRIMINATION

The CROWN campaign by Dove is a movement to end race-based hair discrimination after a study they sponsored revealed that 53% of Black girls experienced hair discrimination as early as 5 years old, and approximately 86% of Black teens have endured discrimination by the age of 12. Dove's involvement with hair equality follows the recent CROWN Act, passed by the federal government to protect against hair discrimination in 14 states. With this campaign Dove aims to raise awareness for the CROWN Act legislation by getting everyone to sign The CROWN Act petition and make race-based hair discrimination illegal nationwide.

Commerce Implications

- **Consideration, Findability and Conversion for Black products in retail** - Target’s store-within-a store for Black History Month is an example of how retailers can partner with Black-Owned brands to bring attention to product and content creators for all shoppers to support.
- **Create opportunities for the black community** - Beyond just raising awareness and “woke washing” (inauthentic or culturally tone-deaf messaging), businesses can support black communities by making financial contributions and promoting black talent by giving them a platform to express, create and participate.

Summary of Implications

Sustainability is not just a buzzword to be capitalized upon, but instead a holistic way of interacting with shoppers, communities and the planet. Brands may opt for different tactics in how they show up in the marketplace, but consumers will always be evaluating if the intentions and outcomes are beneficial. Summarizing the seven trends, these are to be thought-starters and inspiration that brands can consider as they develop their approach to practicing socially sustainable commerce.

MENTAL HEALTH

Support a charity that is dedicated to mental health

Inspire self-care through creative messaging

WELLBEING

Inspire a healthier lifestyle through shopper activations

Create production innovations that promote wellbeing

FUNCTIONAL FOODS

Create innovations around desired health claims

Explore innovations that boost mental or physical performance

FIGHTING CHRONIC ILLNESS

Support chronic illnesses that are related to the category

Partner with well-recognized non-profit organizations

DIVERSITY & INCLUSION

Make concrete commitments that go beyond marketing

Re-tool the store features to create an inclusive experience

COMMUNITY BUILDING

Make every purchase count towards an objective goal

Create retail experiences that bring people together

SOCIAL JUSTICE

Empower voices that stand for social justice

Create opportunities for the black community

If you would like to know more about sustainability, please reach out to your Tracy-Locke contact!