Five Case Studies Proving the ROI OF SUSTAINABILITY
Introduction

There is no longer the need to struggle to effectively measure Return on Investment (ROI) of sustainability initiatives. Sustainability shouldn’t be different from any other business function when it comes to judging and tracking investment decisions and how they perform or add value to the business. As businesses seek to achieve the meaningful change needed to support resilient business models along with social and environmental product and service innovations, the ability of companies to quantify the ROI of sustainability becomes paramount.

In a continued effort to distill and curate valuable content for the Sustainable Brands® community, we have pulled together this complimentary compilation of five research studies that collectively demonstrate the positive ROI of sustainability from a variety of angles, including company revenue, stock performance, cost reduction, brand reputation, and consumer engagement benefits, accounting for externalities, reduced risk exposure, and more. Needless to say, this is not a comprehensive collection; think of it, rather, as a sampling of the case studies available that are critical components for future success. Enjoy this collection, make the most of it, and let us know what you think! Find more resources at SustainableBrands.com and keyword search #NewMetrics #BusinessCase #ROI.

What You Will Learn:

- How leading researchers are analyzing the ROI of sustainability on multiple levels
- How brands with purpose are growing and outpacing the competition
- Why investing in companies with strong sustainability credentials is proving to be a consistently good bet
- What advantages climate leaders create for themselves, and how they outperform their peers
- Why sustainable business is simply good business
Unilever’s “Sustainable Living” brands portfolio, which strives to integrate sustainability into Unilever’s products and values, accounted for a ground-breaking 75% of the company’s growth in 2018. The Sustainable Living brands division comprises 28 brands, including seven of the CPG giant’s largest subsidiaries: Dove, Knorr, Persil, Sure, Lipton, Hellman’s and Wall’s Ice Cream.

According to Unilever, the portfolio grew 69% faster than the rest of the business. A statistic which provides “clear and compelling evidence that brands with purpose grow”, as stated by the chief executive of the Sustainable Living brands division, Alan Jope.

Unilever’s strategy moving forward is to pivot all Unilever brands into purpose-led brands. The decision comes after Unilever’s own consumer research found that two-thirds of customers are choosing brands based on the brand’s stance on social issues. This trend was particularly pronounced with millennial consumers, with 90% claiming they would switch brands to champion a cause.

“Unilever’s Purpose-Led Brands Outperform.” Unilever Global Company Website.

Photo courtesy of Unilever.
An extensive research study into U.S. consumer packaged goods (CPGs), performed by NYU Stern's Center for Sustainable Business, found that 50% of CPG growth from 2013-2018 came from sustainability marketed products. To conduct the research, Stern’s Center for Sustainable Business partnered with IRI to compile comprehensive point-of-sale data on US consumer purchases. The data was collected using bar code scans at retail checkouts, representing approximately 40% of CPG purchases over a 5-year period. Over 36 categories and more than 71,000 SKUs were examined.

Additional findings include:

- Sustainability-marketed products delivered $113.9B in sales in 2018 (+29% vs. 2013), and are expected to grow to $140.5B by 2023
- Sustainability-marketed products accounted for 16.6% of the market in 2018, up from 14.3% in 2013
- Products marketed as sustainable grew 5.6x faster than conventionally marketed products and 3.3x faster than the CPG market
- In 90% of the 36 product categories examined, the growth of sustainability-marketed products outpaced conventional products

“Across industries, companies are beginning to recognize that sustainable business is good business,” said Tensie Whelan, professor at NYU Stern and founding director of Stern’s Center for Sustainable Business. “Results from this research reinforce the idea that embracing sustainability leads to better business results.”

Recent insights from the Morgan Stanley Institute for Sustainable Investing found there is no financial tradeoff in sustainable investing models compared to traditional investing models. An analysis of 10,723 funds demonstrated no statistically significant difference between ESG-focused and traditional mutual funds and ETFs. The data examined exchange-traded and open-ended mutual funds from 2004-2018.

Interestingly, the study found that sustainable funds experience a 20% smaller downside deviation, and may offer lower market risk. This is particularly pronounced during periods of extreme volatility, such as 2008, 2009, 2015, and 2018. For example, despite negative returns for nearly all funds during the last quarter of 2018, the median sustainable fund outperformed the median traditional fund by 1.39% in U.S. Equity returns.

“By looking at thousands of mutual funds across multiple asset classes, we found that sustainable investments can help investors meet a variety of financial objectives for generating returns and managing risk,” said Matthew Slovik, Head of Global Sustainable Finance at Morgan Stanley.
CASE STUDY #4

Corporate Giant Suppliers Save $19.3B By Reducing CO2

In 2018, 115 companies requested environmental information from 5,500+ of their key suppliers. The suppliers reported CO2 emissions reductions of 633 million metric tonnes, leading to collective cost savings of US$19.3 billion. The report is based on data disclosed through CDP by 5,562 suppliers.

The research finds that for some corporate giants, sustainability is now a major factor in their purchasing decisions. 73% of major purchasers surveyed said that they are now either deselecting, or considering deselecting, existing suppliers based on their environmental performance. Additionally, 63% are either using, or considering using, data from CDP disclosures to influence whether or not they contract with suppliers — this is in stark contrast to 13% ten years ago.

“Procurement teams have the power to create and amplify positive change,” said Hugh Jones, Managing Director of Advisory at The Carbon Trust, which co-wrote the report.

“There’s so much shared value to be found in greening the supply chain, which can help to increase efficiency, reduce resource costs, enter new markets, and make supply chains more resilient to the impacts of a changing climate and a changing world.”


Photo courtesy of Unsplash.
According to new research, there is a compelling business case for restaurants to reduce food waste. For every $1 invested in programs to reduce kitchen waste, restaurants on average saved $7 in operating costs. The first-of-its-kind analysis, released on behalf of Champions 12.3, evaluated financial cost and benefit data for 114 restaurants across 12 countries. The study found that nearly every site realized a positive return on its investment to reduce food waste.

The restaurants surveyed took measures including: measuring and monitoring the amount of food wasted, training staff on new food handling and storage procedures, and redesigning menus. Every site kept its total investment below $20,000, showing that the cost of change was low and the benefits were high for all businesses assessed.

The 7:1 ROI comes from buying less food, thereby reducing purchase costs; increasing revenue from new menu items developed from leftovers or foods previously considered “scraps;” and lower waste-management costs.

“These findings make it crystal clear that reducing food waste isn’t just the right thing to do, it’s also the smart business move,” said Dave Lewis, Group Chief Executive of Tesco and Chair of Champions 12.3.
To learn more about the ROI of sustainability, visit Sustainable Brands New Metrics Channel for a comprehensive collection of articles, videos, and recent developments in the future of business metrics.

Join us at one of our upcoming Global Events to stay up-to-date on sustainable business.

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**About Sustainable Brands**

Sustainable Brands is the premier global community of brand innovators who are shaping the future of commerce worldwide. Since 2006, our mission has been to inspire, engage and equip today’s business and brand leaders to prosper for the near and long term by leading the way to a better future. Digitally published news articles and issues-focused conversation topics, internationally known conferences and regional events, a robust e-learning library and peer-to-peer membership groups all facilitate community learning and engagement throughout the year. Sustainable Brands is hosted by Sustainable Brands Worldwide, a division of Sustainable Life Media headquartered in Burlingame, CA.

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