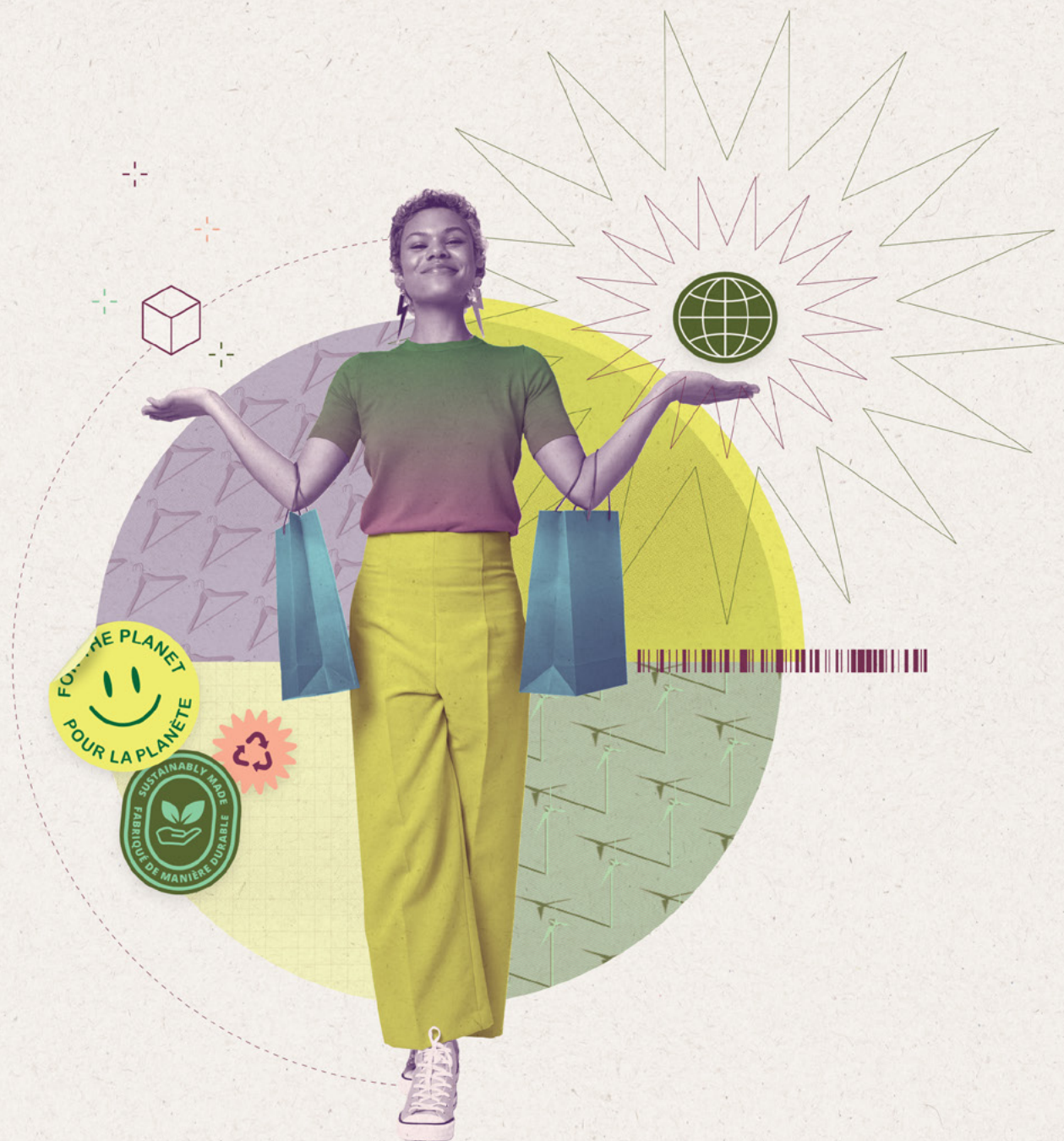


# Deloitte.



## Creating value from sustainable products

How business purpose and brand trust can make the difference

# Introduction

From fair-trade coffee and grass-fed beef to electric vehicles and ethically made denim, consumer brands' claims of providing sustainable products and services have grown in number—and controversy. Consumers find themselves navigating a vast array of competing “green” or sustainable claims and certifications, unable to determine fact from marketing spin. Revelations of corporate greenwashing have made consumers increasingly skeptical of sustainability claims and more cynical about companies' motives, and have led some organizations to avoid promoting their sustainability efforts just to avoid scrutiny or criticism. At the same time, both companies and consumers understand that sustainability matters more than ever.

So, the business question is: how can companies build trust in their brands to help consumers confidently make choices about purchasing sustainable goods and services?

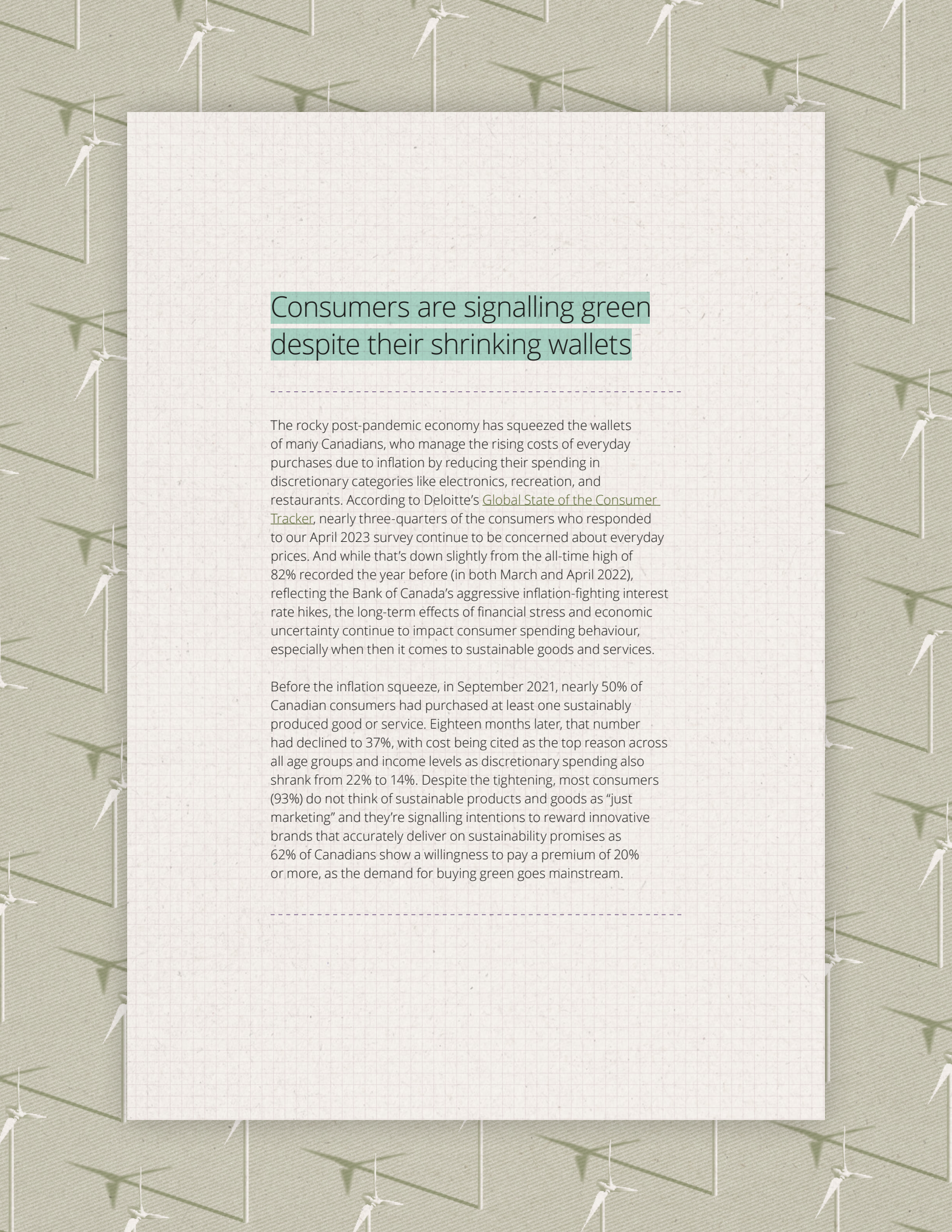
The first step is to understand how businesses are generating value by creating, marketing, and selling sustainable products—and how consumers are responding. To this end, in April 2023, Deloitte surveyed 311 Canadian consumer business leaders and collected the input to an online survey of 1,008 respondents, a representative national sample of Canadian consumers aged 18 or older.

Our research found that the companies have developed many successful sustainable products, and believe customers trust them to bring authentic sustainable products to market. But the consumers don't trust brands and their sustainable products as much as business leaders think. They're confused and frustrated by the proliferation of sustainability claims, and resent the work they need to do to try and make sense of it all. They question whether sustainable products and services are worth a premium price. They demand better, clearer sustainability information. They also increasingly expect brands to make their products and services sustainable by default.



For consumer brand companies, these survey findings reveal what must be done to remain relevant. Companies that commit to acting with sustainability central to their purpose will be better positioned to build trust in their business, their brand, and their products. Purpose-led companies that make it easier for consumers—by using simple, informative language, and creating seamless experiences—to contribute to sustainability efforts through their purchases are those

that will overcome cynicism, create loyalty, and drive sales. In short, win. Businesses that incorporate sustainability into their purpose and take a whole-of-enterprise approach to product development can focus on creating and delivering great products that consumers want to buy—and can trust are sustainable.



## Consumers are signalling green despite their shrinking wallets

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The rocky post-pandemic economy has squeezed the wallets of many Canadians, who manage the rising costs of everyday purchases due to inflation by reducing their spending in discretionary categories like electronics, recreation, and restaurants. According to Deloitte's [Global State of the Consumer Tracker](#), nearly three-quarters of the consumers who responded to our April 2023 survey continue to be concerned about everyday prices. And while that's down slightly from the all-time high of 82% recorded the year before (in both March and April 2022), reflecting the Bank of Canada's aggressive inflation-fighting interest rate hikes, the long-term effects of financial stress and economic uncertainty continue to impact consumer spending behaviour, especially when then it comes to sustainable goods and services.

Before the inflation squeeze, in September 2021, nearly 50% of Canadian consumers had purchased at least one sustainably produced good or service. Eighteen months later, that number had declined to 37%, with cost being cited as the top reason across all age groups and income levels as discretionary spending also shrank from 22% to 14%. Despite the tightening, most consumers (93%) do not think of sustainable products and goods as "just marketing" and they're signalling intentions to reward innovative brands that accurately deliver on sustainability promises as 62% of Canadians show a willingness to pay a premium of 20% or more, as the demand for buying green goes mainstream.

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## Sustainability claims leave consumers confused, frustrated, skeptical—and craving better information

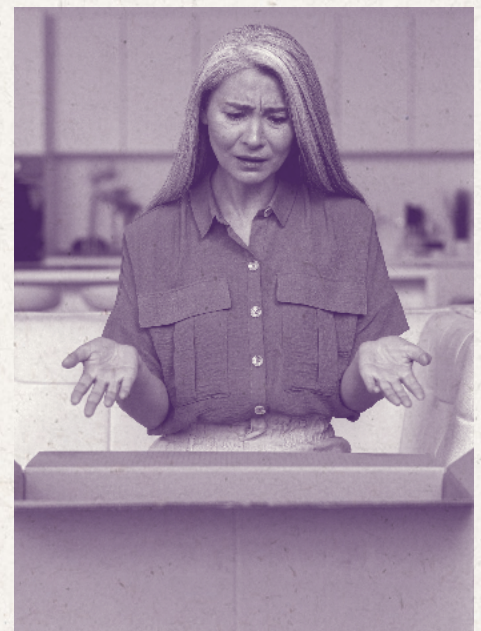
Brands are bombarding consumers with claims about the sustainability of their products and services. But consumers aren't sure how to make sense of these claims or whether to trust them.

More than half (57%) of Canadian consumers say they don't believe most "green" or sustainable claims that brands make. However, our survey shows there's nuance behind this sentiment: nearly half (49%) are skeptical about the authenticity of claims, while roughly one in four (23%) are frustrated by how hard it is to separate authentic claims from those made to sell products.

The lack of transparent, trustworthy information is impacting consumers' buying behaviours. Nearly half (46%) say they're not willing to pay extra for sustainable products because of how hard it is to identify those that are genuinely sustainable. Furthermore, while more than half of consumers see little difference between sustainable and standard products in terms of quality (54%)

or convenience (53%), a significant majority (72%) perceive sustainable products to be more expensive, even though that's often not the case.

Surprisingly, the business leaders we surveyed seem largely unconcerned with (or, more worryingly, unaware of) how consumers perceive their sustainable product claims or the potential impacts that accusations of greenwashing could have on their brand. Less than half (41%) feel they're at risk of such accusations if they pursue sustainability goals. Those businesses that aren't currently considering developing sustainable products say it's because of a lack of consumer demand (36%) or because it's not a priority (24%)—not because they're worried about being able to do so authentically (17%).



These findings indicate a major disconnect between how consumers and how brands regard sustainable products. They also suggest that many businesses are complacent about the risks of greenwashing, despite recent examples of clothing retailers and consumer goods companies, among others, taking reputational hits over false or misleading claims. With more rigorous regulations about sustainability claims on the horizon, businesses need to ensure they can back up what they're telling consumers.

Closing the perception gap and validating sustainability claims represent an important opportunity for companies to gain a competitive advantage and, potentially, significant rewards. Brands that can explain and authenticate their claims with clear, accessible, and understandable information will be better able to break out in a noisy market, overcome consumer skepticism, build trust, and potentially increase sales.

Brands could substantiate their claims in myriad ways, according to consumers. Sharing facts that explain why a product is considered more sustainable (e.g., "these jeans are made using 50% less water") appeals to 54% of consumers. Product

packaging featuring a guide that explains the product's sustainability claim and how it compares to products that don't make such a claim appeals to 30%. Third-party certification seals (e.g., Fair Trade, Certified Organic) are seen as useful by 49% of consumers; seals related to a global standard bump that figure up to 55%. However, not all certification seals are the same—the standards, and the evidence required to provide compliance, vary widely.

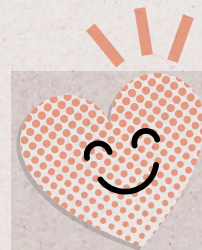
In reviewing the various product claims or certifications used by brands, we recognize that the most credible forms commonly include the following attributes:

- They're clear and address known environmental and social issues across the value chain of a product.
- They're rooted in a standard or body of requirements backed by science, such as a life cycle assessment, or in global climate science.
- They align with regulatory requirements and require evidence of compliance with applicable laws.
- They include data verification at multiple levels of the supply chain.

- They're endorsed by a leading climate-focused entity, such as a non-governmental organization.
- They're regularly reassessed and refined—companies must undergo formal assessment and evaluation to obtain some form of assurance or certification.



**More than 57%** of Canadian consumers say they **don't believe most "green" or sustainable claims** that brands make.



**Sharing facts** that explain why a product is considered more sustainable **appeals to 54%** of consumers.

**Nearly half (46%)** say they're **not willing to pay extra for sustainable products** because of how hard it is to identify those that are genuinely sustainable.



**49%**

of consumers **see third-party certification seals as useful;** seals related to a global standard bump that figure up to **55%**.





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## Most companies have launched sustainable products successfully, though they're often costlier and the benefits are hard to measure

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Almost two-thirds of Canadian companies have considered developing sustainable products or services, according to our survey. Of those, 81% went on to develop one. Among businesses that released a sustainable product or service, 75% feel the product was a success, whether in terms of profitability (51%), revenue (49%), or customer ratings (47%).

The success of so many sustainable products is undoubtedly due to the fact that Canadians want to buy them, despite the many frustrations of doing so. On average, 40% of consumers say they've bought a product or service based on sustainability claims, rising to 54% of Quebecers, 44% of women, and 45% of 18- to 44-year-olds. More than half say sustainability claims were a factor in buying grocery items (65%), personal care items (56%), apparel (53%), or home care items (51%). Asked about their likely buying intentions, 75% say that all things being equal, they're much

more likely to purchase brands that offer green or sustainable products. However, sustainability remains a less important purchasing criterion compared to brand, price, and size. Ultimately, consumers love and trust those brands that consistently deliver the products and services they want. The difference now is that they also want them to be sustainable.

Developing such products and services has its challenges. Cost is a major one. Of the Canadian companies that have developed them, the majority (62%) feel the research and



development (R&D) was costlier than that involved in creating “regular” products or services. A similar belief was perceived by companies who haven’t developed a sustainable product or service, with four out of five (80%) business leaders surveyed expecting a higher cost to R&D—and significantly higher, according to 22%, for sustainable products. Retail and manufacturing leaders were especially likely to feel R&D costs were high (93% and 89%, respectively).

Business leaders noted that it’s also difficult to engage consumers in new sustainable product lines and to communicate the incremental benefits of these products. In large part, this stems from companies’ struggles to measure, evaluate, and explain what makes their sustainable products the better choice.

These challenges are persuading some companies to say little about their sustainability efforts, whether to deflect attention from areas of their business where progress has been slow or to avoid criticism that their efforts are inauthentic or fail to meet some other, higher standard.




**75%** feel the **product was a success**, whether in terms of profitability (51%), revenue (49%), or customer ratings (47%).

**40% of consumers** overall say they've **bought a product or service based on sustainability claims.**



**75%** say that all things being equal, they're much **more likely to purchase brands that offer green or sustainable products.**



Of the Canadian companies that have developed them, the **majority (62%)** feel the **research and development (R&D) is costlier** than that involved in creating “regular” products or services.





## The race to create appealing sustainable products starts with purpose

Canadians may want to buy more sustainably, but many don't like spending extra time, energy, or money to do so. A majority of consumers (61%) say they shouldn't have to think about sustainability while they're shopping, and the same percentage say they don't make purchasing decisions based on whether a product is more sustainable than another.

The answer, suggest Canadians, is for brands to make their products and services inherently sustainable. A whopping 94% of consumers believe it's a brand's responsibility to create products that are not harmful to the Earth. The implication: consumers don't want to be sold sustainability. They want companies to make sustainability integral to their business and their purpose.

Brands build trust through their purpose—a purpose based on human ideals, and one that companies strive to live up to each day in their decisions and actions. Companies are considered to be purpose-led when their programs,

policies, and commercial operations align to make a positive impact on the environment and society in which they operate. Purpose-led companies build competitive advantage because they generate trust, goodwill, and momentum among customers. And that can swiftly translate into profit. Consumers deliver more value to the purpose-led companies they care about: they're loyal, they trust the brand, and they're willing to pay premium prices.





Having a clear purpose that integrates sustainability can help reassure consumers that no matter what may change on the racks and shelves, they can trust the company is doing the work required to ensure and authenticate that its products are sustainably sourced, manufactured, transported, recycled, and more.

Embracing sustainability in this way also frees companies to focus on creating and developing great products that consumers buy because of their quality, not their sustainability.

As the focus of companies on environmental, social, and governance issues shifts in response to ever-evolving investor, market, and regulatory pressures, they can sustain trust in their commitment to sustainability by engaging consumers in an ongoing conversation. It's a conversation that clearly needs to happen; while our survey shows that Canadian consumers are highly skeptical of sustainability claims, business leaders think the public has a significant (71%) or at least moderate (28%) level of trust in the authenticity of those claims.

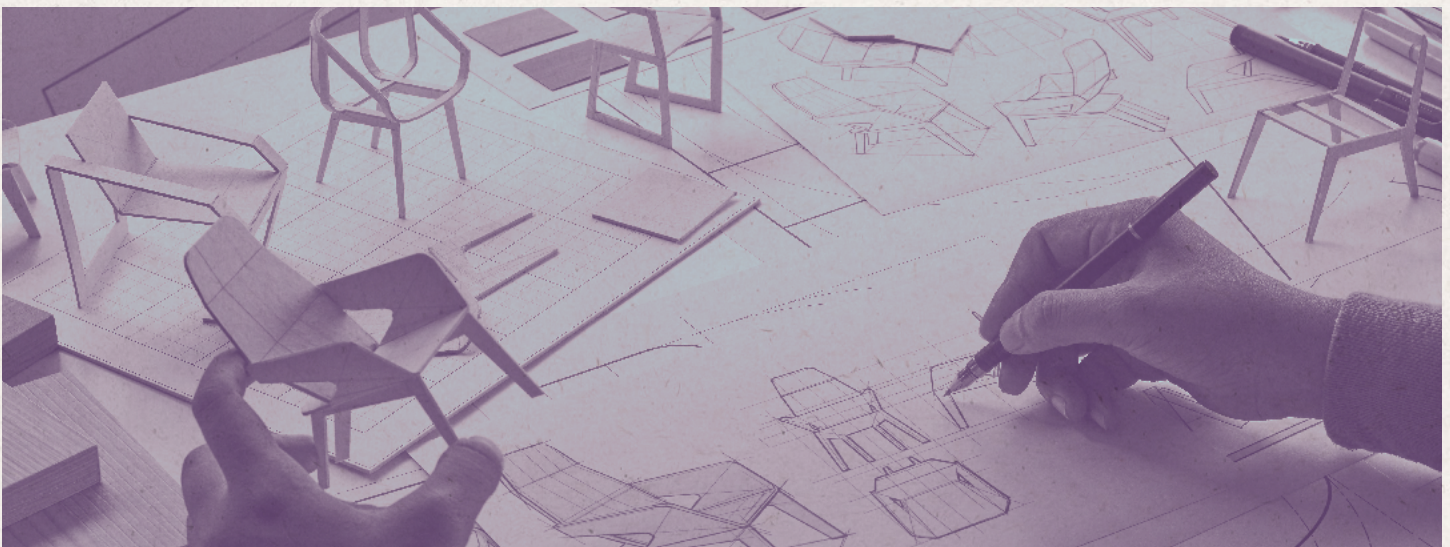


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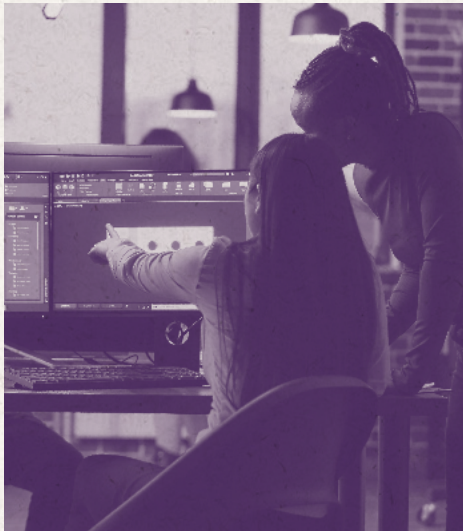


# A whole-of-enterprise approach is needed to get sustainable product creation right

Company leaders need to make a deliberate choice to create and sell genuinely sustainable products that drive value for the business. This choice then becomes the lens through which a company innovates, creates, sources, distributes, and sells its products: across the entire enterprise, in an integrated way that breaks down traditional functional silos.

Inevitably, thinking sustainably will impact the decisions and actions of business units. Product designers will need to consider products, durability, reparability, recyclability, and more. Procurement teams will need to ensure suppliers adhere to ethical and sustainable sourcing requirements. Marketing departments will need to engage consumers with clear, authentic, and informative messaging that provides the information they want. And assurance teams will have to build appropriate internal controls to check and validate data related to products' sustainability impacts.

Many of the business leaders we surveyed have begun to take steps toward such a "whole-of-enterprise" approach to sustainable product development. The process tends to be led by product development (52%), strategy (50%), sustainability (49%), or innovation (46%) teams. However, other areas of the business, from assurance to procurement to marketing, get involved in verifying their product's credentials. Leaders told us their companies rely on internal quantification (44%), supplier and materials traceability (42%), and third-party certification (40%) to quantify and authenticate the benefits of their sustainable products.



## A sustainability leader that's getting it right

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Maple Leaf Foods exemplifies a purpose-led company that has put sustainability squarely at the heart of all it does. While people expect food processing and manufacturing companies to be environmentally conscious, the reality is that the food industry is responsible for a significant percentage of carbon emissions. In response, the iconic Canadian business has set out to transform itself into “the most sustainable protein company on Earth.”

From the C-suite to the processing plant, Maple Leaf Foods’ people are charged with “raising the good in food” and fulfilling the company’s driving purpose: to operate in a way that changes the food system for the better, across all levels of operation. That ethos is built into how employees treat animals and soil, work with each other, and support their communities. In 2018/2019, then-President and CEO Michael McCain implemented wholesale operational change to meet the company’s target of 30% absolute reduction in Scope 1 and 2 greenhouse gas emissions, set under the Science Based Target initiative (SBTi), before 2030. McCain also challenged other food industry leaders to join the fight against climate change by committing to SBTi targets in their own emissions reduction strategies.

With the support of Deloitte’s Sustainability and Climate team, Maple Leaf Foods shared its vision with employees, identified and prioritized sustainability projects, operationalized the strategy, and set ambitious, meaningful targets. Competitors’ and investors’ actions and goals were taken into account to ensure the company would stand out as the industry’s sustainability leader. This ambition became part of the company’s brand, reenergizing the workforce and helping the company attract and retain talent. In 2019, its leaders declared that it had become the world’s first major carbon-neutral food company—an achievement it highlights on all its products.<sup>1</sup>

Against long odds, Maple Leaf Foods has already achieved its goal of carbon neutrality, and set a plan for its next ambition: to reach science-based targets. Accomplishing this required hundreds of product, process, and practice enhancements, from reducing water and energy usage across operations to adding non-meat protein to its consumer product line.

Learn more about Maple Leaf Foods’ sustainability journey on [Deloitte.ca](https://www.deloitte.ca).

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“ We became one of the first animal protein companies in the world to get science-based targets set. And then we had to find ways to produce our food more efficiently with fewer resources. ”

**Randy Huffman**

Maple Leaf Foods’ chief food safety and sustainability officer

1. Maple Leaf Foods, “Carbon Neutral,” accessed on May 17, 2023.

# Five actions to build trust and address consumers' sustainability skepticism

To foster trust in their commitment to sustainability, demonstrate the authenticity of their products' sustainability, and help consumers make more sustainable purchase decisions, companies can start by:



1. **Clarifying their purpose**, which should be grounded in transparency, sustainability principles, and values



2. **Engaging consumers** on sustainability efforts at both the product and brand level, as opposed to only at the product level or at the point of sale



3. **Identifying the product attributes** that can have an environmental or social impact across the product's full life cycle and identify practical solutions to improve them



4. **Creating a strategy** to incorporate sustainable sourcing into the supply chain, taking into account traceability and verification

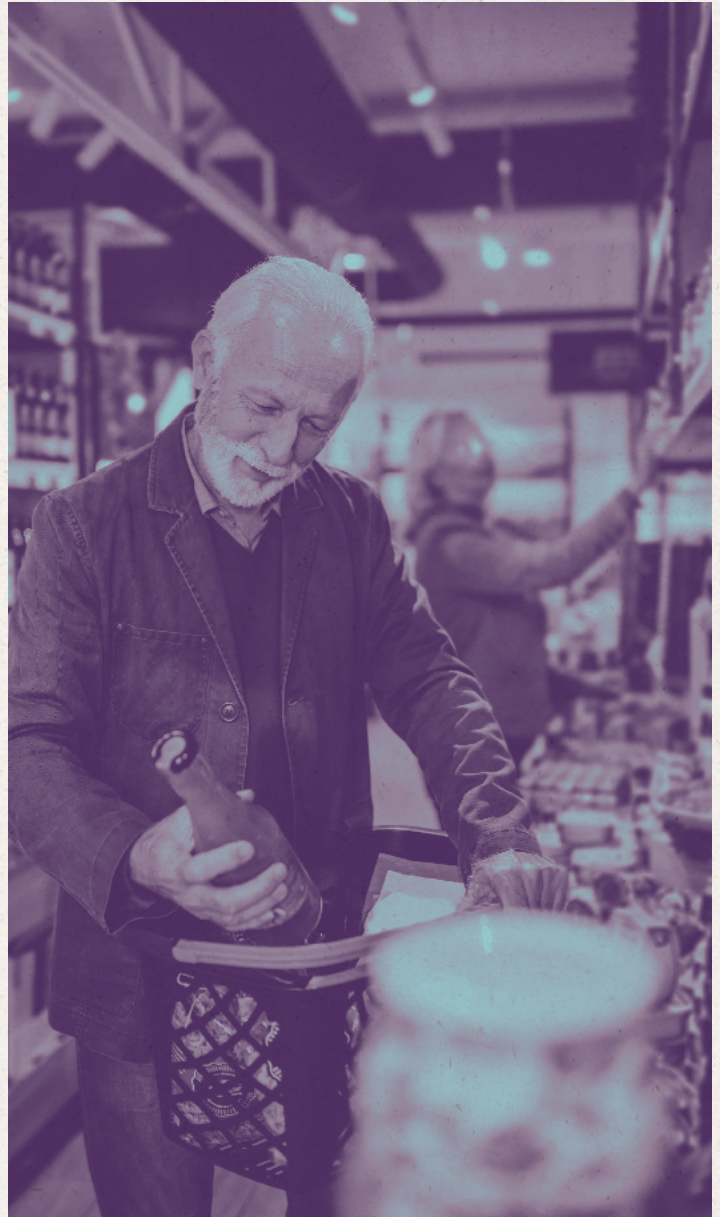


5. **Creating a marketing strategy** to promote sustainable products, explain the facts backing the claims, and communicate the company's sustainability commitments

# Conclusion

Canada's consumer businesses are successfully bringing more and more sustainable products to market in response to demand. Yet consumers find it confusing to navigate the many different claims that accompany these products, and become frustrated that making purchasing decisions should be so much work. As rumours and revelations of corporate greenwashing emerge, many consumers grow skeptical, if not outright cynical, about the authenticity of the sustainable products on offer—and the motivations of the companies behind them.

There is a clear path forward that will bridge the gap between the companies striving to do the right thing and consumers who are becoming mistrustful. Companies that lead with purpose—and embed sustainability into that purpose—can capture significant market and competitive advantage. By taking a whole-of-enterprise approach to integrating sustainability across the business and its value chain, companies can build trust in the integrity and authenticity of their commitment to sustainability. By thoroughly understanding the demands for climate action from consumers and striving to make it easier for them to make purchasing decisions around sustainable products, companies can thrive in the years to come.



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