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Track, trace, trust: The future is transparent

As people pay closer attention to the impact of what they buy on communities, society and the environment, transparency has become a critical differentiator. The time has come for consumer goods businesses to fix broken traceability systems and create consumer experiences around provenance that add meaning, inform purchase decision-making and deepen consumer relationships.

What's going on

Now is a time of conscious consumption in which consumer goods brands are under unprecedented pressure to be transparent about their behavior – anything from how they handle personal data to how their suppliers treat their local workers.

Consumers want to consume more consciously, basing purchasing decisions on sustainable and ethical considerations. To do this, they need to know more about what they purchase. They are demanding to see the origin, ingredients and manufacturing of the products they buy. And they want to know about the behavior of the companies behind those purchases to be sure that the choices they make are right.

In 2020, consumers' behavior evolved dramatically. Accenture research found that amid the pandemic, 61% of consumers are making more environmentally friendly, sustainable or ethical purchases, and nine in ten of that percentage are saying they are likely to continue to do so.[1]

The shift to conscious consumption has forced consumer goods (CPG) brands to think more carefully about their choices and to be transparent at every point in a product's lifecycle. Those that do this well build a stronger reputation and gain respect.

If the planet's resources and endangered species are to be protected, and corruption and irregular practices tackled, traceability is a must. And this applies not just to the food industry but across every type of CPG business – from beauty to household cleaning.

The good news for conscious consumers is that a variety of traceability apps are now available for mobile phones. With a quick QR scan, a shopper can check a product's ingredients, origin, caloric intake and toxicity levels in the shopping aisle. Yuka is a great example that deciphers food labels, translating them simply so a shopper standing in a food aisle can see just how healthy the product they are about to put into their basket really is.[2]

Blockchain technology is being used by some organizations to make a product's origin more visible. In fishing, for example, it is being used to track and trace across the seafood supply chain – ensuring greater visibility of product movement to help guard against over-fishing, which threatens a number of species.[3] But is blockchain a sustainable solution in itself?

The fashion industry is also embracing traceability to meet consumers' demands to understand the impact that their clothes have on the people who make them and the planet.

Good On You, for example, is a free app that helps people make better fashion purchasing decisions.[4] Covering more than 2,000 brands, it allows users to see a product's rating out of five as well as a summary of how ethical the company behind it is. Its rankings are based on brands' own reported data to information from certification schemes and investigations by NGOs and Greenpeace.

Yet despite all this, the growing number of CPG traceability systems, schemes and apps have a downside for conscious consumers.

The current traceability experience is fragmented and inconsistent. Users often feel brands are overloading them with data they do not need. Few brand owners have cracked the challenge of displaying the most relevant data in a way that is both understandable and actionable. Meanwhile, many the appeal of those brands that do offer sustainable, ethical or healthier products is obscured by a lack of a universal set of standards and inconsistent design language and consumer experience.

In short, CPG traceability systems are broken.

What's next

Consumers increasingly turning to brands to take into consideration health and safety, honesty, relationships and "doing good" will further build pressure on CPG brand owners to fix broken traceability systems, creating a powerful opportunity for CPG brands to build trust.

Companies will need to unify platforms, systems and languages around sustainability, provenance and design for the full product lifecycle. Doing this will create exceptional opportunities. Innovative solutions and models will create new experiences around provenance that add meaning and deepen consumer relationships.

Improved traceability will help consumers identify the authenticity of products – a need Amazon recently met with the launch of Amazon Transparency to help protect brands and shoppers from counterfeit scams.[5]

CPG businesses best positioned will be those that translate data into content and insights that actually speak to consumers in a language they understand, helping them to make more informed decisions and gain greater control over what they are buying. Companies like CadDo are already helping businesses by providing data-driven insights to help with their environmental and social challenges.[6]

More intuitive user interfaces for platforms and solutions could allow consumers to adjust the type and volume of data they want so it is neither too much nor too little for their needs. This would also pave the way for greater personalization of traceability to what each individual needs to do "the right thing".

The lesson from all of this for CPG brands is the potential to take traceability into other spaces. By tracing the whole of a brand's service ecosystem – its connections, players, partners – and ultimately putting those experiences as part of the transparency, trust and purpose trilogy, a consumer's experience of a brand's services can be enhanced.

Opportunities for reimagination

1. Earning consumers' confidence

All brands need to build consumers' trust – even more so at a time when the pandemic has had a significant, adverse impact on consumer confidence.

Transparency and traceability are essential trust-building tools. And as governments around the world suffered the greatest loss of trust, businesses became the only trusted institutions.[7] Even so, no organization can afford to take trust for granted.

To date, traceability efforts have been supply chain-focused, enhancing logistics and productivity. Efforts have also included creating visibility around products' provenance to address concerns about sustainability, fair trade or working practices. Good On You, for example, enables people to make fashion choices that align with their values.[8]

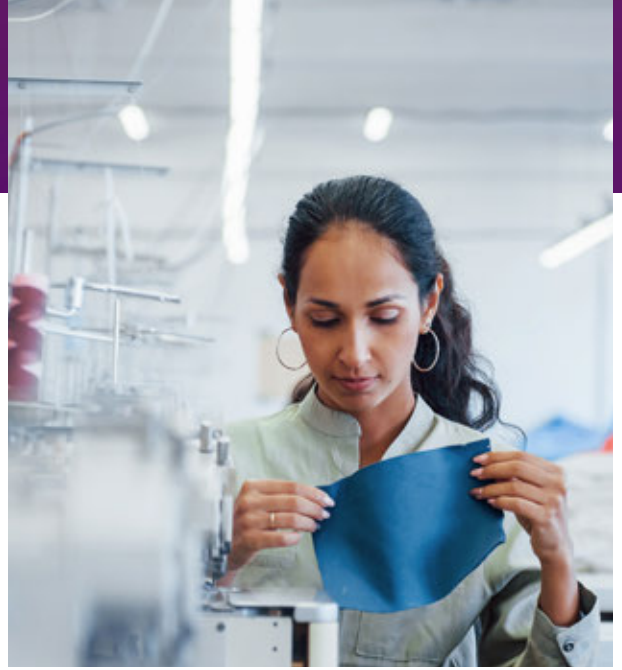
Traceability efforts are now extending to other areas, especially within the luxury and beauty industries.

The $24 billion luxury secondhand market, which is growing as 12% annually – four times faster than the primary luxury market – is a huge opportunity for traceability to build trust.[9] In 2020 alone, annual worldwide sales losses from counterfeit clothing cost the fashion industry an estimated EUROS 26.3 billon.[10] Luxury fashion giant LVMH's blockchain-powered AURA project is aimed at countering counterfeiting by ensuring fashion and luxury goods' authenticity at scale.[11]

Now is the time to externalize traceability by focusing more closely on the end consumer. Done well, this will benefit organizations and consumers.

An essential starting point for any traceability strategy is to take ownership of the whole process – from suppliers to directly employed staff, from raw materials to third-party distributors – and monitor it. The most effective strategies then use traceability as the conductor of brand narrative to enhance consumers' experiences and through them show how a brand's full ecosystem helps makes this world a better place.

However, an important opportunity lies in extending traceability to areas beyond



logistics and productivity, products and ingredients. What if consumers could also trace experiences?

Five years ago, the idea of knowing your virtual coach – who they are, their past experience and personal stories – would have been unthinkable. Yet the rise of brands featuring virtual instructors – each with their own unique style, has changed the narrative. Showing us the story behind the virtual coach has enhanced the way we do fitness.

Trust, once earned, provides a powerful platform on which to create new experiences which, in turn, can be used to build trust further. Together, trust and new experiences strengthen brand loyalty among existing consumers and attract new consumers, too.

2. Sustainability as a vital sign

Not every consumer has the same sense of responsibility – or knowledge – when purchasing products. By positioning sustainability as something that sets an individual apart, there is an opportunity for brands to motivate sustainable consumption behaviors.

Already, not being sustainable is out of style. Soon, it will become unforgiveable. Consider how your brand might make it easier for consumers to feel like their purchases make a difference. What if you could show how much carbon footprint your consumers are saving while consuming your products? Initiatives like DoConomy are paving the way for us consumers to understand how each of our payments make an impact.[12]

In the mid-term, sustainability could become a sign of status. For certain demographics, it can expand from a being a statement to strengthening the desirability of an item – as it has for adidas by Stella McCartney, a unique and innovative fashion and sportswear partnership with products that are ethical and sustainable as well as stylish and functional.[13]

And there's significant growth in sustainable goods. Some 50% of US consumer packaged goods growth came from sustainability-marketed goods – a rate 5.6x faster than conventional counterparts, Harvard Business Review reported.[14] Eventually, sustainability will become a vital sign – both an indicator of a brand's essential functions and a sign to conscious consumers that it is an appropriate brand for them to buy.

3. The power of personality

Once traceability is embedded in everything a brand does, opportunity lies in optimizing brand positioning and communications accordingly. Though important, this doesn't just mean making brand language and storytelling clearer. Brands should adopt a bold positioning to push the agenda even further by challenging their competitors – their entire industry, even – to be more transparent.

Already, some companies make transparency their brand purpose, then make that the core of their story.

Patagonia, for example, strives to establish traceability of the materials it uses in its

products by mapping out all the entities in its supply chain, embrace transparency as their purpose and adopt traceability as a way to show it.[15]

Newer brands such as French footwear and accessories brand Veja are also popular as they push transparency, fair trade, equal wages and even zero advertising.[16]

Companies like these effectively harness the power of personality and empower their narrative by tracking what, who, where and why. They bring to life their products, services and, ultimately, their consumer's experiences with their unique stories.

By allowing their consumers to be in charge – for example, by letting them choose what they see – they make them part of the experience.

What CPG leaders can do next

1. End-to-end transparency: It's everyone's business

Getting your own house in order is an important first step, but it's just the beginning. True progress will come from true collaboration – for example, sharing lessons learned and agreeing common practices – between organizations.

Dismantle practical barriers that can prevent this – such as inefficient processes, misaligned communications and opaque language. Develop new frameworks, value propositions and KPIs to realign sustainability and profitability.

The Roundtable on Sustainable Palm Oil with its 4,000 members working to make sustainability the norm demonstrates what can be achieved when collaborative spirit replaces the knee-jerk self-protective desire to hold back information and close ranks.[17]

2. Recalibrate value

Respect all stakeholders — including consumers, customers, employees, suppliers, communities and shareholders — throughout and consider how best to ensure that value is created for all.

Put sustainability goals on a par with shareholder value. Use transparency benchmarks as a key investor metric. To avoid environmental and social governance-related risks, investors are looking for evidence that a company is effectively identifying risks in its own operations and bringing solutions to the table.

Extending transparency beyond production and products – to also include traceable services around a consumer's purchases and related brand experiences, for example – builds both credibility and impact. A holistic approach will help make transparency systemic and value visible to all.

3. Be human-centric, act human-first

Apply service design methodologies and processes to understand what consumers are looking for, what your brand can offer them and the narrative you need to bring. Don't start from the assumption that all you need to help your consumers is another platform.

Once all those points are aligned, then assess what is the best technology to deliver the service.

Remember, traceability is an opportunity for CPG brands to get closer to consumers' ethical decision-making and, by demonstrating transparency, build trust. Tomorrow's winners will be those that push traceability furthest and use it to enhance their brand experiences.

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