

Climate-Smart Product Strategies: Resolving Consumer Tensions for Business Resilience

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Introduction

How can we be hearing chatter about the criticality of “Business Resilience” and at the same time also be reading food industry reports about senior leadership losing focus on ESG? Could ESG have just been a management fad? Could it be industry-wide short-sightedness? Has ESG now become a political football that senior leaders no longer want to handle? The answer is a mixture of all the above but not in the way you would expect.

Climate change seems to be an everyday headline or part of our personal experiences. The Canadian fires and smoke that Canada, the NE and Midwest US are experiencing make us pause in realizing there are ripple effects of climate change that go way beyond personal inconveniences. In the food industry, climate change is impacting agriculture that supports the supply chains for our food systems. Climate change impacts the costs and access to water and energy needed for manufacturing. Climate change impacts our employees. Climate change impacts consumers. As such, the ripple effects of climate change impacts innovation, renovation, and the marketing of food products.

In research we conducted in August 2022, we found among primary US shoppers that nearly half are aspirational to buy, but only about 15% are buying more sustainable products. That means 30-35% are aspirational but not buying for various reasons. We discovered the four main barriers to buying more sustainably are availability, confusion, concerns about product performance and affordability. These aspirations are no fad and in some conditions are growing momentum alongside education about and awareness of climate change events, which are certain to ensure this becomes a long-term trend.

This research found that shoppers are feeling considerable “tensions” about climate change and seek products that help them take action to alleviate it. Every climate event that consumers experience or hear about serves to reinforce the belief that climate change is real and caused by an increase in greenhouse gas. Being climate-smart starts with mapping these Tensions to Market Landscapes to discover emerging segments and opportunities to design, develop and market products that will address these tensions.

Climate-smart product strategies benefit from a longer-term view and understanding of consumer trends to prioritize the optimal product roadmap. Inflation, another long-term trend, has been associated with the formation of new Tensions as recently as last year. Many shoppers found themselves forced to trade-away their sustainability aspirations to address their affordability concerns. However, this does not mean shoppers no longer have tensions around sustainability, they are merely hidden from demographic data and only visible within special behavioral research, we call “implicit bias”. Inflation also appears to have changed the focus of many senior leaders and investors in the food industry. Fewer leaders seem to openly talk about ESG and sustainability initiatives. Many investors have expressed concerns about lower than hoped ROI from plant-based food innovations. Temporary spikes in consumer and investor concerns are not an indicator of sustainability as a fad, but a symptom of the food industry’s blind spot to seeing the longer-term view needed to set effective climate-smart product strategies.

If inflation stays in control, ESG and/or sustainability initiatives will likely come back into senior leadership conversation. Many investors still seek to support products that build a more sustainable future. Buying more sustainably will likely return as a primary tension that consumers seek to alleviate. To meet this long-term demand, companies must build climate smartness into their product plans as a long-term strategy to become resilient to the impact of climate change.

Climate-Smart Product Strategies

Strategy is not planning or road mapping. It is sets of decisive choices made to rebalance, re-align, and re-prioritize to pivot in the face of uncertainty and ambiguity in the outcomes from business decisions. These volatile changes create a whole new level of complex challenges for organizations. Business leaders can default to addressing complex challenges with a myopic focus on best practices for the near-term, or they can plan for scenarios to make ready quick pivots. This is what strategy is all about. It leads to pivots as part of a product planning process.

Product strategy applies strategic thinking to make ready these pivots. It can create resiliency by knowing where and how to pivot by identifying longer-term product-market fit for product innovation. It can also achieve resiliency by understanding how and where consumers are changing their shopping behaviors to help marketers optimize their marketing mix spend. Further, it can create resiliency in knowing how products and lines can be renovated to nudge product use throughout a product's lifecycle. However, climate-smart product strategy has its greatest value in building resiliency for product innovation in the face of climate change.

Resiliency needs are greatest in product innovation where an initiative can last 2-3 years into the future. Climate-smart product innovation uses insights that are more relevant long-term in the face of climate-driven consumer change. It does this by putting more emphasis on Consumer "Moments" than consumer targets and on emotional "Tensions" more so than functional needs.

As an example, our research into consumers' aspirations and trade-offs found that 16% of primary shoppers frequent milk-buying moments where they feel tensions from forced tradeoffs and unfulfilled aspirations to buy animal-free, sustainably sourced, and/or sustainably packaged products at a good price/value. With over 90% of all US households estimated to have fluid milk in their refrigerators, this translates to roughly 14% of all US households feeling these tensions in dairy consumption moments. Yet, sustainability claims for dairy milk products have yet to be taken at face value and spur high adoption rates. This suggests an opportunity for the dairy industry to focus on this Moment with more products that will alleviate these Tensions, and that many shoppers will pay more for these products.

Climate-smart product innovation strategies go beyond the discovery of Moments and consumer Tensions. They can lead to the discovery of constraints and new platforms upon which new products can be built. This can include a shift in reliance in supply chains that are more resilient to climate change such as the use of different and more drought tolerant crops. It can consider manufacturing or packaging resiliencies that lead to opportunities to reduce food waste, use low-water or lower energy manufacturing, or to design packaging that reduces reliance on plastic. It can also lead to opportunities to reduce greenhouse gases.

A Case Study – Neutral Foods

I was excited to read about the list of companies who were highlighted in the 2023 May Issue of Food Technology (“Can Food Brands Help Reverse Climate Change?”). These food companies are all examples of climate-smart product strategies. Neutral Foods was one of the companies highlighted in this article. In our [June 2023 webinar](#), Jim Jarman, the VP of Product & Marketing for Neutral Foods, described their innovative climate-smart product strategy.

Neutral’s product strategy is to partner with dairy farmers and ranchers to support their transition to more climate-smart practices, using the latest scientific advances in dairy and ranch management practices. The reductions in emissions from these on-farm projects allow Neutral to offer products that can be independently certified carbon-neutral by 3rd party auditors. They are planning to expand their lines with a soon to be introduced carbon-neutral beef products. Their product strategy is to select product categories where usage is high and will have the greatest impact on greenhouse gas reduction by changing both the supply chain and consumer behavior to buy carbon-neutral products. By creating awareness for their branded products, their product strategy is to fuel demand for carbon-neutral products by providing one outlet that alleviates climate change consumer tensions.

A Formula for Climate-Smart Product Success

This case study is but one of many where food companies are applying climate-smart product strategies to be successful in business while reducing greenhouse gas emissions. However, these strategies depend on shoppers choosing to buy climate-smart products to achieve their intended impact. Success requires overcoming the four barriers that keep shoppers from buying more sustainably – availability, confusion, product performance, and price.

Not every company is going to take the bold step as Neutral Foods to bring to market carbon-neutral product lines dependent on building carbon-neutral supply chains through farmer and rancher partnerships. However, companies that wish to differentiate on sustainable products can develop their own plan following a moments-based behavioral playbook for a product strategy to achieve climate-smart business. This playbook is based on a moments-centric behavioral formula with five basic principles:

1. Target moments of opportunity, not people
2. Focus product innovation on tensions, not needs
3. Go beyond liking to build product cues that signal benefits which alleviate tensions
4. Drive awareness and trial by building marketing cues that promise to alleviate tensions
5. Drive repeat by creating rewarding experiences that reinforce the brand story.

These basic principles have implications for how product managers can lead in bringing new products to market. Principles 1 and 2 help in targeting opportunities for climate-smart innovations. Principle 3 impacts how product developers design, formulate, and create specifications for manufacturing. Principle 4 focuses product communications on the promise that tensions will be alleviated through trial and repeat use. Principle 5 is relevant to both product developers and brand managers to ensure alignment of the product experience with brand. Without alignment, consumers are often left confused and punished in trying a product that does not deliver on a brand promise.

Critical to this strategy is access to relevant and actionable consumer insights for decision making to shape plans and take actions. In taking this strategy, the

insights required will come from the use of non-traditional, more contemporary consumer research techniques. These techniques have been proven to provide insights into how to disrupt through market communications intended to change shopper buying habits, lower concerns about product performance through product design and guidance, and nudge along repeat behaviors by reinforcing the brand story.

In the case of Neutral Foods, they used both secondary data as well as commissioning their own primary research into consumer needs. Neutral identified areas where consumers may feel tensions about choosing the delicious, nutritious dairy and beef products that they already love, while reconciling that with the carbon footprint of traditional dairy and cattle ranching operations. If consumers in these moments could easily choose an option that provided the flavor, quality, and nutrition they desired without the carbon footprint of traditional options, this could eliminate the tensions consumer may feel and allow them to choose products that better align with their values. Creating awareness and trust in the Neutral brand story is going to be essential to overcoming the confusion barrier and generating trial. So too, is positioning their products price points against non-neutral products. This will lower tensions among those shoppers not willing to trade away affordability concerns to buy more sustainably.

The initial go to market strategy by Neutral Foods is to build awareness among the 'early adopter' shoppers who are most willing to switch brands in order to fulfill their aspirations to buy more sustainable products. These shoppers already want to purchase more sustainably, and already believe their buying decisions can help make a difference. Neutral believes it is critical to be able to deliver the same great product experience for consumers, combined with the ability to completely neutralize the carbon footprint. So, the initial scaling of operations must align with marketing that creates awareness and trial among these early adopters. To appeal to the next tier of shoppers, the 'early majority', they will need to continue to educate consumers and help them understand how their collective purchases can help provide meaningful change in reducing. Delivering a rewarding product experience will serve to reinforce the brand story to build loyal brand fans. Success in building these fans will enable the Neutral brand to be extended into new products such as carbon-neutral beef.

Leadership for Climate-Smart Product Success

Product managers have an opportunity now to lead their organizations into a more sustainable future. Having a strategic playbook for climate-smart product innovation provides confidence that there will be a ROI from the investment of company resources and investor capital. This applies equally well to small companies such as Neutral Foods as well as large food companies. However, the strategy taken by large food companies is going to be different than Neutral Foods.

Large food companies must rely on existing supply chains to scale fast. For example, it took time for organic farming to scale to the point where large food companies could manufacture organic products at scale. So too, it will take time to scale carbon neutral foods. The climate-smart product strategy taken by most large food companies has been a focus on “low hanging fruit.” This includes developing more sustainable packaging and manufacturing processes. These can be quickly scaled. Leadership requires understanding the low hanging fruit available to pick. Once these opportunities are exhausted, product leaders must look beyond the safe bets that come from picking low hanging fruit. In many cases this requires bold leadership to bring to market climate-smart product innovations that consumers will love.

Product innovation requires a longer view into consumer trends and a reliance on new technology and/or supply chains that lead to competitive advantages. This often requires managing upward to win support from senior managers to invest resources that have a longer-term ROI.

As an example, there have been huge advances in the last three years in technology and the building of supply chains for plant-based proteins that can be used to manufacture plant-based foods. Some large companies such as Kraft Heinz have taken to acquisition to address the tensions felt by shoppers seeking to buy climate-smart products to impact climate change. An example is Kraft Heinz’s purchase of NOT CO in 2022. However, many plant-based food products have yet to achieve the level of intended success. Their climate-smart product strategies have yet to overcome the four barriers to success – availability, confusion, product performance, and affordability. Leadership is required to keep teams and senior leadership focusing on overcoming these barriers.

Boldness in Leadership Comes from Confidence

Taking bold leadership requires confidence that actions will lead to a competitive advantage. Confidence comes from a belief in a playbook based on the five basic principles of product strategy with a focus on overcoming the four barriers to broad climate-smart product adoption. Confidence also comes from a belief in your team's ability to execute a plan. A key part of this confidence comes from the access to consumer insights that inform product leaders and their respective teams on how to build successful climate-smart product strategies. Consumer research can deliver insights to boost confidence in four ways:

- To identify moments of opportunity where tensions are highest.
- To know how to go beyond liking in building cues into products that signal benefits that consumers will recognize as alleviating their tensions.
- To understand how best to position products as agents that can be used to alleviate tensions.
- To establish guardrails for pricing that overcomes the affordability barrier.

For companies that cannot afford insights that come from custom ad hoc research, there are ample sources of secondary research. An example is the [2023 Natural Trending Report](https://bit.ly/44ihFYp) (<https://bit.ly/44ihFYp>) that we made available from interviewing 200 food companies exhibiting at the Natural Products West Expo. This free annual resource investigates trends in food product innovation coming out of the natural products industry. It highlights companies such as Neutral Foods that are bringing innovative products to market that expose shoppers and consumers to new product ideas and benefits from use.

Access to insights from these secondary sources of information does not change the strategic playbook. It does change the risk that comes from making product decisions custom to your initiative. Neutral Foods was able to develop their strategy by accessing secondary research which identified their target moments of opportunities with tensions. As they scale their business operations, their needs for custom insights will likely grow.

Creating Impact Through Climate-Smart Leadership

Companies need product leadership to rally support from senior management for climate-smart product initiatives. Buy-in and support is far easier when product

leaders build confidence in their strategic playbook and believe in their team's ability to execute a strategic roadmap. Consumer insights is the shortest path to building such high levels of confidence. While support may be tied to ESG goals or positioned to align with a company's mission, it just as well be garnered by greater understanding of market opportunities waiting to be unlocked by the right climate-smart initiatives.

Marketing to the masses with what are also public service announcements continues to be an effective way to develop nascent markets. Educating the masses to change public awareness and clear up shopper confusion goes beyond building brand equity; it lowers barriers to adoption by the brands that shoppers trust when making their sustainable food choices. Companies that take a leading position to rebrand "climate change" as "pollution crises" with environmental disasters as consequences set their brands up to foster more 'inclusive' wording for consumers who feel politically tied to follow certain rhetoric but hold core values in conservation and stewardship that strongly favor mindful consumption. Pre-competitive industry collaborations often serve as the origins of product category renewal and in the case of sustainability can be the origin of category evolution. Pollution crises should become a long-term factor as part of every PEST Analysis and become part of projections on everything from supply chains to recruitment to consumer segments. Therefore, climate-smart product strategy becomes the crux of resilience for companies due to its agility to dynamically pivot in the face of change.

Start your product leadership by setting a crystal-clear vision for a sustainable future so a climate-smart product strategy can be designed to make the necessary tradeoffs and pivot points and therefore be resilient over what is projected to be a dynamic economy. Leverage a moments-centric behavioral formula to serve as your war cry to better organize and easily communicate the vision and strategy across stakeholders. Deliver a product strategy playbook with vision, strategy, and formula for others to see and understand with confidence a resilient pathway to business success and a sustainable future.

About InsightsNow

Dave Lundahl founded InsightsNow in 2003 to empower product visionaries to design experiences for a healthier, happier world.

The InsightsNow team uses their expertise to help some of the most innovative brands in the world be more successful in developing and implementing successful product strategies. They offer product strategy and consumer and market insights services founded on a moments-based behavioral approach that enables product visionaries to create products that people love which ultimately contribute to a healthier, happier world.