



SUSTAINABLE BRANDING: SUGAR'S SWEET YIELD

Sustainability branding can open up new markets and distinguish current products, but there is not a one-size-fits-all approach

By DR ALICE WOODHEAD

Whole of green harvesting in northern NSW Tweed Valley for the Condong Mill.

By 2004 the NSW sugar industry was well down the sustainability path. The problem of acid water from farm drains in the early 1990s had forced the industry to scrutinize its environmental performance. Growers developed best-practice management guidelines and standards.

Recent years have brought increased uncertainty in export commodity prices, while a narrowing of margins in sugar's terms of trade has challenged the sugar-milling industry. So, as part of a long-term strategy to add value at all parts of the supply chain and as part of a joint venture, the NSW Sugar Milling Co-operative (NSWSMC) built a sugar refinery and founded Manildra Harwood Sugars (MHS). MHS now produces about 150 types of packaged and bulk sugar products.

The industry's most recent diversification was the electricity co-generation plants at two of their three sugar mills. Supported by a shift to whole-of-crop green harvesting to provide a fuel source for the co-generation boilers, the plants now each produce about 200 gigawatt-hours of energy. That is enough

to power 60,000 houses.

Adding sustainable value

NSWSMC knew that their products and corporate brand did not adequately reflect their commitment to sustainability. Their customers and even growers and employees were unaware of the extent of their activities.

Sugar Link was a project that explored market incentives for sustainability through collaboration with supply-chain partners. The Sugar Link team worked with the NSWSMC and MHS customers – **Woolworths (ASX: WOW)** and Swiss-based Nestle and supply-chain partner, Delta Electricity, and the Australian government – to define sustainability initiatives, options for differentiating products based on sustainability criteria, and developing systems to support sustainable brand claims.

So how does a company start adding value to their products? Should they focus on building their corporate sustainable brand or on developing labeling for individual products, or focus on operational efficiency in their supply chains and building collaborative partnerships? While there is not a one-size-fits-all solution, Sugar Link identified three fundamental principles of building

sustainable brands. (See *Branding corporate sustainability*)

Point of contact

Sugar is a commodity and there is limited opportunity for price differentiation, unlike luxury goods or organic produce. Corporate sustainability branding through certain products provides a platform for future product positioning to an emerging market of conscientious consumers. Product labeling is the first point of contact for the consumer and the introduction to the corporate brand.

Food scares, bio-terrorism and malpractice have all heightened consumers' awareness of the fallibility of production systems. Generally, consumer concern about products can be viewed in three groups: concerns about food safety; dietary concerns such as vegetarian, halal and kosher; and environmental and ethical concerns, such as animal health, water quality, global-warming aspects and working conditions.

This last group is more likely to purchase a product with some form of sustainability index label and respond positively to a company with a strong alignment to sustainability, according to *F Brom's Food, consumer concerns, and trust: Food ethics for a globalizing market, published in the Journal of Agricultural and Environmental Ethics (2000)*.

Product labeling

Many food products aim to provide voluntary information that link the consumer

Branding corporate sustainability

Be systemic

Work systemically from the inside out. Failure to maintain production standards can hurt consumer confidence in the product. It is critical to have well-developed auditing systems and to ensure high compliance.

Be transparent

Maintain a dialogue with suppliers, customers and consumers about your products, your strategies, operational problems and success stories.

Be trustworthy

Don't underestimate the value of brand trust. Brand trust is increasingly considered essential for the successful marketing of products. Trust is fundamental to a consumer's perception of a product. Each time a brand is recalled, consumer trust in the product is affected.

Source: Link Strategy

Successful sustainable branding of products

The Sugar Link project found that building your sustainable brand starts with collaboration in the supply chain and that success means:

- Aligning your sustainability policies with your brand and product marketing strategies.
- Appealing to a range of consumer concerns.
- Promoting the personal health benefits and environmental benefits, such as the conservation of resources or waste-management activities.
- Providing a seamless integrated approach to labels, products, verification systems and web sites.
- Working closely with your customers to optimize the consumer exposure to the product.



Source: NSWSMC

Committed to sustainable farming

COMMITTED TO SUSTAINABLE FARMING SOIL PRESERVATION	Responsible farming practices to maintain healthy soil for our future generations.
COMMITTED TO SUSTAINABLE FARMING WATER CONSERVATION	99% of our sugar crop is rain fed which conserves our precious water commodity.
COMMITTED TO SUSTAINABLE FARMING ENERGY RENEWABLE	The electricity for our milling process is derived from the sun. Any excess energy generated is re-directed back to the electricity supply grid.
COMMITTED TO SUSTAINABLE FARMING WASTE MANAGEMENT	Re-use of by-products from the milling process.

Source: NSWSMC

to the origin and provide assurances that are targeted at certain consumer purchasing behaviours and concerns. In the Sugar Link study, we reviewed a range of labels and how these labels aligned with NSWSMC corporate sustainability strategy.

Products labelled as sustainable are either: third-party labelled through private companies or non-profit organisations, which set standards and provide auditing services to demonstrate that manufacturers comply with the standards and can use the label on their product; or self declared, which are promoted by the company and are based on the company's existing certification and auditing systems.

Declarations have to meet Australian Competition and Consumer Commission guidelines, that is, they must not be misleading or adversely impact consumer autonomy or a consumer's right to know. Other regulations may also need to be considered, such as those relating directly to food products in the Australian New Zealand Food Standards Code.

Which approach is taken depends largely on the product. Some products, such as electrical goods, have available energy-efficiency standards. However, given the early development stage of sustainability standards in the agricultural and food sector, it has not been possible for MHS to align a sugar product with a third-party sustainability standard. The Better Sugar Initiative is

currently finalising the global standard for sugar.

NWSSMC and MHS, as a spin-off from the Sugar Link project, developed a prototype sugar product, taking the self-declaration approach due to the lack of available standards.

They were particularly careful about the wording on the badge, "Committed to Sustainable Farming". To say a company is sustainable is highly contestable given the range of definitions of sustainability. The product is currently sited with Spar, Independent Statewide and 4 Star.

Competition for supermarket space is fierce, particularly for commodity products without a brand presence.

Building a credible corporate brand

Establishing a labeling system for products needs to be part of a broader strategy. Maintaining consumer trust in the safety and traceability of food products is imperative. Once consumers begin to doubt the credibility of a company, an institution or a regulatory system, it can be very hard to re-establish public confidence, with lasting consequences in the marketplace. Rebuilding consumer trust in a brand once discredited is time consuming, and it can have long-term impacts on transaction costs and shareholder profits.

Consumers are increasingly rewarding companies that are perceived to be providing

more holistic benefits. They are aligning themselves with brands that support local farming communities, ethical and environmental management practices. While this emerging consumer base is providing opportunities for companies to differentiate and develop their sustainability brand, the unsubstantiated green marketing claims of some companies is undermining the value of certification and self-declaration systems. Therefore it is essential for companies to take a proactive, systemic approach and communicate their stories, and their customers' stories, frequently and broadly. (See *Successful sustainable branding of products*)

Sustainability branding can open up new markets and distinguish current products, but there is not a one-size-fits-all approach. Rather, as NSWSMC and MHS found, it depends on your company's focus, your products, your position in the supply chain and the market opportunities. 

Dr Alice Woodhead is the director of Link Strategy and led the Sugar Link project.

Company facts

The sugar industry has been part of the northern NSW landscape for more than 100 years. NSWSMC has more than 600 farmer members and three mills that employ about 2000 people. Its annual turnover is about \$300 million.