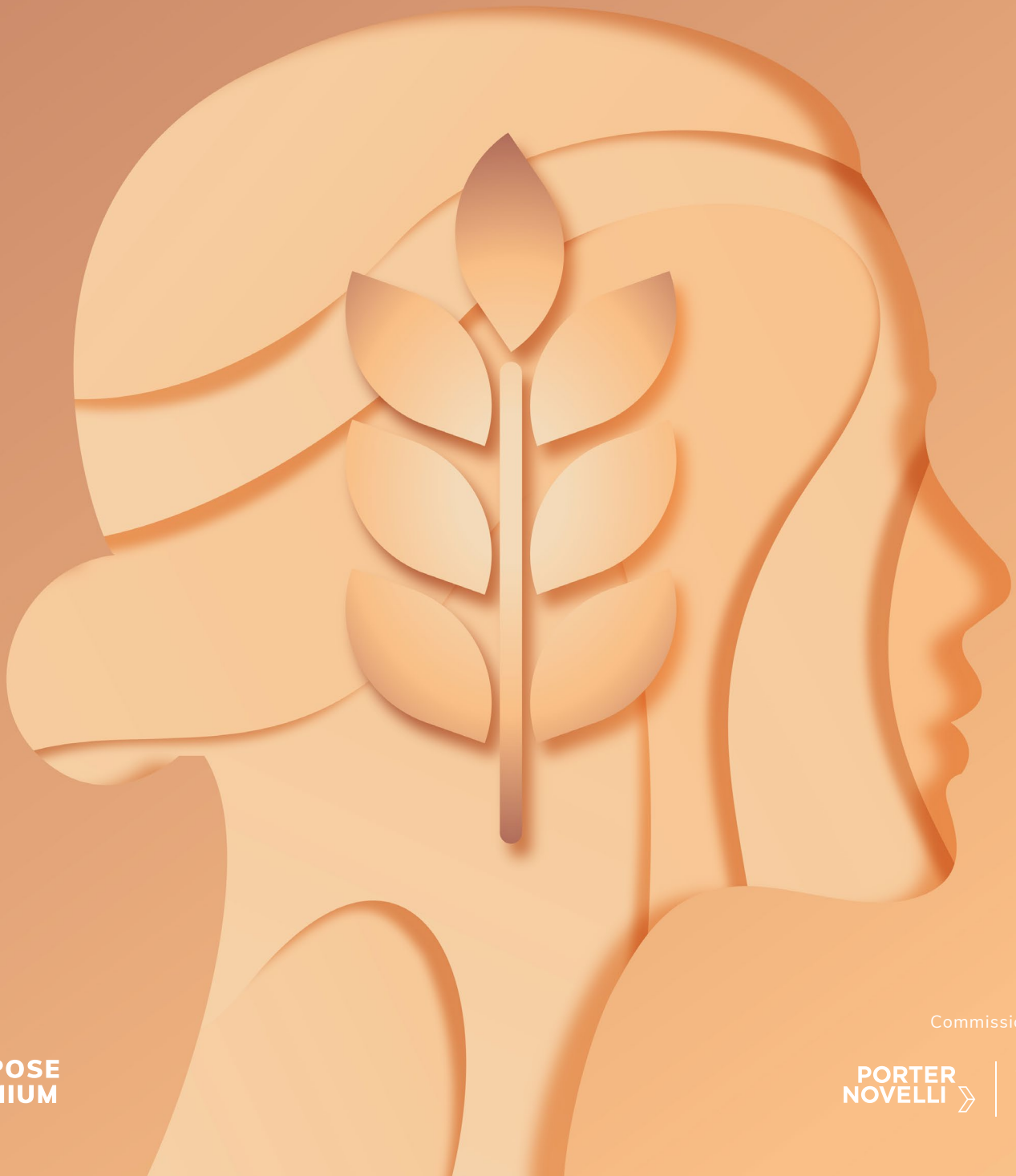


FOOD FOR THOUGHT

ESG and Consumer Behaviour in Agriculture



**PURPOSE
PREMIUM**

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Introduction

We believe the rise of environment, social and corporate governance (ESG) frameworks has helped steer corporate Australia on a more positive trajectory. The rise of ESG - mostly driven by “Big Capital” and activism, rather than bottom-up consumer expectations - has supported initiatives that encourage businesses to behave more responsibly in a variety of pro-social ways.

This pressure has led brands to prioritise ESG-based claims in marketing alongside more rational claims on product and price. Fair trade coffee, high-welfare pork, locally-grown almonds, recyclable packaging, retailers on the road to net zero - the list goes on.

But we are at a pivotal moment in the journey of ESG. Consider:

- ASIC has announced a major crackdown on “greenwashing” claims, and the rise of “greenhushing” among some corporates following constant backlash on ESG initiatives by conservative commentators.
- Our Federal Opposition Leader recently called for a boycott on a major supermarket claim for not stocking sufficiently patriotic merchandise.
- A cost-of-living crisis, which disproportionately affects younger, less affluent consumer segments, and the mortgage belt.
- Activism continues to haunt consumer brands, whether it is pig farm invasions or anti-super fund billboards in major cities.
- A Labor Government has overtly prioritised a series of progressive initiatives on matters such as climate, reconciliation with our First Peoples and industrial relations.

And despite the angry comments on news sites, those brands who decided to “Go Woke” have not had to “Go Broke”. But have marketers put too much reliance on these ESG-based claims? Do fickle, hip-pocket conscious Australians actually care?

Australian consumers certainly have a low tolerance for empty claims, and can be discerning in their purchase decisions. In the context of the current climate on ESG and our cost of living crisis, our research delves into the patterns that inform actual buying decisions of Australians amid the swirl of ESG-related claims from brands.

Generally, every effort made by a brand or company to behave more responsibly comes at a cost (to shareholders). Manufacturing recycled plastic, farming free range eggs, growing organic produce, paying everyone equally, reducing emissions - all these things carry cost. Can we be confident enough consumers will continue to pay a premium for responsibly-produced food, in the context of economic uncertainty?

This research is focused on some key questions that seek to get under the hood on these issues:

- Are ESG-based messages that brands use to convince us to buy their products really influencing consumers?
- Are marketers - “elites” living in coastal cities - pandering to a handful of “elite” activists in coastal cities, or are marketers ahead of the game in understanding leading indicators?
- Are Australians committed to making environmentally and ethically responsible purchases, or do we select when to care?

To help answer some of these questions, Porter Novelli and Quantum Market Research have produced a study that examines how rising pressure to conduct business more ‘responsibly’ and ESG factors are influencing companies’ and primary producers’ behaviour in the agriculture, food and fibre sectors, as well as consumer purchases. It also explores how these findings contrast with opinions from marketing and business leaders on what ESG initiatives influence consumer behaviour.

Finally, this report also provides advice for brands to consider when trying to decide which ESG claims are resonating with consumers and to advance in order to gain market differentiation and grow.

KEY FINDING 1

“Australia” is not a monolith when responding to responsibility rhetoric

At a time when costs of living and cost of fresh food have never been higher, the pressure also continues to rise on consumers to make more responsible choices. Yet for all the conservative rhetoric that claims “woke” companies are telling us how to think...it may be that “woke” communications are not as effective as some commentators would have us believe?

Or are consumers picking and choosing which food items they care about buying responsibly?

Less than 1 in 2 Australians feel pressure to purchase food produced more responsibly and only a third feel pressure to purchase clothing and footwear that is produced more responsibly.



46%

This is not necessarily universal though. Women are significantly more likely than men to feel the pressure to purchase food, clothing and footwear that is produced more responsibly, and the same “responsibility gap” occurs between Millennials and Baby Boomers.



BOOMERS
51%



MILLENNIALS
41%

KEY FINDING 2

Navigating contradictions in food choices with caged chickens out and farmed salmon in

Australians demonstrate our relative affluence and perhaps an egalitarian sense of fairness in the premium we place on humane treatment of animals, a factor that notably influences consumer choices when it comes to purchasing food.

However, Australian consumers appear to make contradictory food choices, as they reject caged chickens but embrace farmed fish.

Despite both sectors sharing similar reputational issues, including animal disease, stocking densities and antibiotic usage, farmed seafood continues to find favour among consumers - a view shared by business leaders.

As states like Victoria and the ACT consider recognising animals as sentient beings, attention intensifies on industry responses¹. Seafood farmers, historically less accountable to consumers beyond some of the major salmon brands, should heed lessons from the poultry industry to safeguard their reputation and future growth by making the required investments now.

Interestingly, our research found that business leaders held the belief that consumers would also prioritise animal welfare concerns when evaluating the pork industry at the checkout, which was not reflected in our research on consumers.



Treating animals humanely strongly influences

47%

of Australians' food purchasing decisions.

When thinking about purchasing food made from animal products, one quarter

23%

are most concerned with animal welfare in the chicken/egg sector.

Across all sectors, Australians are least concerned with animal welfare in the Dairy and Seafood (both farmed and wild) sectors.

KEY FINDING 3

Aussie consumers trust tangible, measurable stories of real action over lofty net-zero ambitions

Our research found that more than half of Australians flat-out don't trust company's purpose claims or can't say either way², making it even more important for companies to be authentic and deliver on what they say they will do and what they signal their stakeholders.

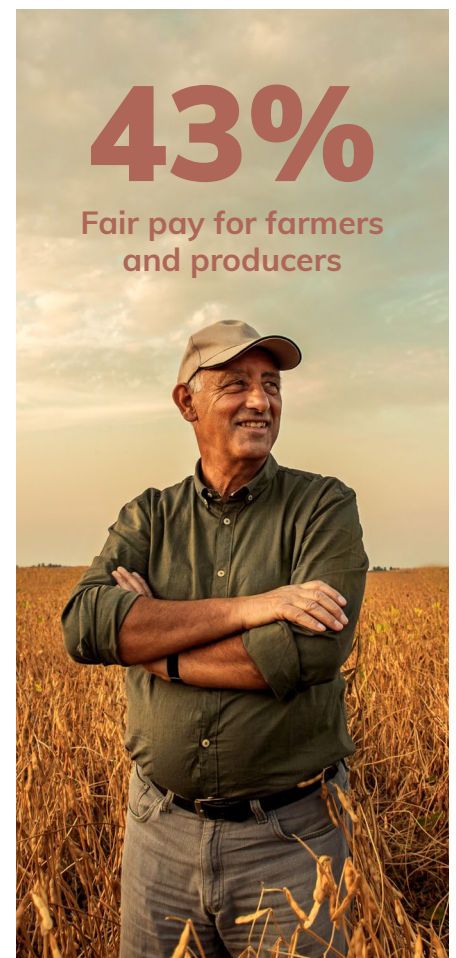
Consumers interested in promoting environmental sustainability in their food choices often purchase products based on animal welfare, Australian-grown and processed food, and fair pay for farmers and producers.

Even in the face of time constraints and a desire for budget-friendly options, consumers are turning to information on product packaging to learn about a product at the time of purchase³. This underscores the importance of clear visual labels on food, as they play a crucial role in enabling consumers to make more informed and discerning food choices.

To a lesser extent, they are consulting friends, family, and social media channels for guidance, highlighting the importance of presenting environmental sustainability information in easily digestible, bite-sized formats.

Surprisingly, both business leaders and consumers agree that brand commitments to net-zero emissions don't influence food purchases, possibly due to scepticism regarding exaggerated progress, a lack of specificity in goals, or goals set too far into the future.

Among the statements tested, the top three factors influencing Australian's food purchasing decisions were:



KEY FINDING 3

Aussie consumers trust tangible, measurable stories of real action over lofty net-zero ambitions

Nearly

80%

of Australians say that a brand's progress towards net zero has no influence or at best a mild influence, on their food purchasing decisions.



Advice from friends and family

32%

is a source of information about how products are made.



Advice from social media channels

16%

is a source of information about how products are made.



Half of Australians turn to the product packaging when seeking information about how their food products are made.



Australians appear under-informed on key issues

When buying food, Australians are most concerned with the environmental sustainability of the production of red meat, followed by the poultry and wild caught seafood sectors. Whilst the production of legumes, nuts and canned goods are of least concern.

This distinction arises from associations of meat, poultry, and seafood industries with landscape damage, health risks and food wastage. The canned goods industry has worked hard to actively position itself with recycled packaging and health-conscious dietary alternatives.

The other likely discrepancy is the association in the minds of consumers between “red meat” - i.e., cows and sheep – and greenhouse gas emissions. We worry about methane emissions that are associated with livestock, but not about the significant amounts of water used in nut and legume production - or the “food miles” involved in bringing many of the (imported) canned goods in our supermarkets.

When buying food, Australians are **most concerned** with environmental sustainability in the production of meat, poultry and wild caught seafood.



When buying food, Australians are **least concerned** with environmental sustainability in the production of legumes, nuts and canned goods.



KEY FINDING 5

Packaging still matters

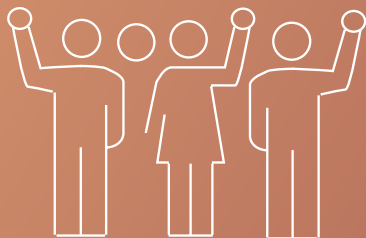
While the stereotypes around who buys groceries - and how they buy them - have changed, the ways we find information on the food we're buying are still largely rooted to in-store communications.

We're still using packaging as our key source of information (50 per cent overall), followed predictably by word of mouth, consumer review sites, traditional media and company websites (which are still ahead of social media platforms).

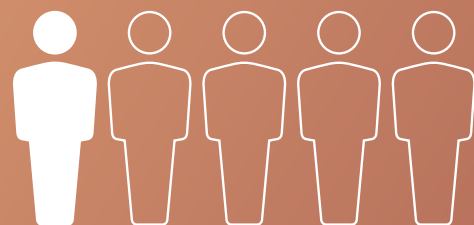
This contrasts with the expectation of business leaders we interviewed for this report, who significantly over-estimated the reliance on these channels.

There were also some key differences between demographics – predictably, young people were heavier users of social media as a source than older cohorts, but also leaned on word of mouth more. Younger cohorts were also three times more likely to look to activist groups as a key source than those aged 50 or older.

Fifty per cent of Australians said they look to packaging when seeking information about how your food products are made, versus just 16 per cent citing social media platforms.



Almost one in three (29 per cent) of 18-29 year-olds looked to activist groups and ENGOs for information, versus just 10 per cent for all people aged 50+.



One in five Australians (20 per cent) said they “do not look for information on how food products are made.”

What does all this mean?

No such thing as “Australians”

There’s obviously no homogeneous group we can call “Australians” when it comes to purchasing food and ESG initiatives. If brands marketing food to older, more male consumers, the plant-based packaging may not help brands sell more product or drive a higher premium.



Great Divides

Some segments likely have very different views on what “responsible” business looks like. For a city-dwelling professional, it may mean more organic farming. For a regional construction worker, it may mean employing more local suppliers. Brand’s polity has only become more polarised on almost every issue in 2023 - and one person’s “woke virtue signalling” is not progressive enough for another.



Squeaky wheels winning

In some areas - particularly animal welfare and environmental concerns in food production - the loudest and longest lobbies seem to have created a skewed sentiment. Australians care about caged chickens, but not farmed salmon.



Don’t know, don’t care

Brands may be over-estimating consumer awareness when it comes to the impact of food production. For example, do most consumers know it takes 16,000 litres of water to grow one kilogram of almonds? Do consumers understand the environmental implications of farming seafood? One in four “Boomers” say they don’t even look for any information on how food products are made.



It’s the economy

Australians’ scepticism is high, and brands have no time for false claims of corporate altruism, especially during a cost-of-living crisis.

It’s not time to abandon ESG initiatives as a positive element of food brands’ marketing communications, but it may be time to refine the way brands go to market, so they are generating real impact with the right audiences.



What can organisations do?

When it comes to deciding which ESG claims are resonating with consumers and allow companies to advance in order to gain market differentiation and grow, here are a few elements brands should consider:

1 Understand the real data and don't knee-jerk to activism

Pressure has caused a misalignment between business leaders and consumers on the importance and concern they place on varying ESG claims. This has led to initiatives that fail to resonate and some levels of backlash from both progressive (“too little, too late”) and conservative commentators (woke virtue signalling).

Big Capital in the form of industry super funds and major banks are responding to member and shareholder activist pressure to enforce ESG principles, with brands are further squeezed by consumer activism and employee pressure.

2 Comb your marketing communications for reframing opportunities

One of the key issues with ESG communications is the backlash from both sides of politics, which is exacerbated by holier-than-thou messages that exhort consumers to agree and even tell them what they should believe. This drives “go woke go broke” backlash from the right and “we’ll see about that” from the left. By taking a more measured approach and reframing ESG from altruism to pragmatism – and focusing on the priorities of your core consumers and employees – you can avoid some of the culture war carnage.

3 Tell stories of real efforts to do business more responsibly, using language that people understand

Using compelling stories that highlight tangible steps taken towards responsible business practices, instead of cold corporate updates, can provide transparency and inspire trust and engagement with audiences. Such storytelling can humanise corporate initiatives, making them more accessible and relatable to a diverse audience.

4 Be honest about the positive impact on your business

The idea that companies will engage in more responsible ESG initiatives out of altruism is not credible and from a shareholder point of view, could even be irresponsible. ESG initiatives that save money or drive growth drive credibility for all of a brand’s ESG communications.

5 Begin communications from a position of universal agreement

We can all agree we want to reduce pollution, treat animals with kindness, or pay employees fairly.

Ultimately, choices must be made

Focus on communicating a small number of high-impact ESG initiatives that bring people together.

In our polarised society, if you want to show employees, consumers and stakeholders what you stand for,

You will need to show them whom you stand with...

By taking a stand on an issue that is important to them.

But by framing your ESG efforts in a way that does not tell people what they should believe, we believe you can still get value from communications on responsible business...

...so the cost of increased responsibility is offset by values-based increases in value and volume.

About the Food for Thought research

Communications firm Porter Novelli Australia, in partnership with Quantum Market Research, has conducted research to understand the patterns that inform the food buying decisions of Australians amid the swirl of ESG claims from brands.

The study involved an online survey of n=1,002 Australians aged 18 and above, conducted from 7 to 11 September 2023. The collected data was adjusted to ensure a nationally representative sample. This was coupled with firsthand insights from marketing and business professionals in Australia.



About Porter Novelli Australia

At Porter Novelli, we shape your story and make it count.

Porter Novelli is a thriving communications firm known for smart, creative and unexpected communication. We work with corporations, governments and not-for-profits to build attention, influence behaviour, enhance reputation and mitigate risk.

While we're in the business of public relations, we have evolved our communications practice with more than 30 consultants, writers, designers, corporate affairs practitioners, brand experts and publicists in Melbourne and Sydney.

We shape your story with evidence and we commit to strategy first. We listen and ask questions before we offer counsel. We make our work count in a way that can be measured by its positive impact on your organisation.

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About Quantum Market Research

Quantum Market Research is a full-service Social and Market Research agency that helps change-makers in business, government and philanthropy across a range of sectors make better decisions. Our work is grounded in a deep understanding of human behaviour, social sciences, advanced analytics and over 25 years of tracking culture change in Australia. The Quantum approach applies big picture thinking to every brief, no matter how targeted or unique, arming clients with the knowledge and understanding about people to drive insightful and meaningful decisions.

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