

A new model for sustainable development in Eurasia and Africa

“For business, sustainability is about ensuring long-term business success while contributing towards economic and social development, a healthy environment and a stable society.”

Sustainability, International Finance Corporation and Ethos Institute, 'Developing Value: The business case for sustainability in emerging markets', August 2002

This report calls for the ‘re-imagining’ of sustainable development as development that improves the quality of life of consumers — in the short term as well as the long term. It explains how retailers in Eurasia and Africa can develop profitable solutions by abandoning much of the rhetoric of the developed world — and putting people first.

It does not cover the conceptual issues of sustainability — nor does it review the entire spectrum of programmes for sustainability that the retail sector can undertake. Instead, it focuses on actions by retailers that matter for consumers.

Its pages form is a practical tool for retailers. Based on a series of key principles uncovered by original research, this tool can be applied across the retail sector and across the Eurasia and Africa Region.

How can companies in the retail sector in Eurasia and Africa contribute to a more sustainable world in ways that benefit their businesses?

The short answer to that question, addressed in detail in this report, is by putting people first. The initiatives for sustainability that succeed and create value for shareholders in both the short and the long term will be those that directly connect with the needs and priorities of consumers at a local level. This applies across the retail sector from small independent retailers with a niche consumer base to regional and international retail chains with a broad and varied consumer base. It's simply about knowing the needs of the consumer.

This report provides a new, consumer-led model for designing and implementing sustainable solutions.

A new way of thinking

Historically, sustainability has been presented as a 'problem to be solved' rather than as a chance to make things better. Organisations in both the public and private sectors have tended to focus on the 'issues' rather than the opportunities — and this has led to low levels of consumer engagement. (Statistics uncovered in the literature review for this report point to the fact that much support for sustainability is 'theoretical': it does not translate into changes in consumer behaviours.)

Businesses that want to introduce sustainability initiatives and sustainable solutions for consumers in the developing markets of Eurasia and Africa have the benefit of hindsight. They can learn from the mistakes and lessons of the past and the developed world — and do things differently.

The starting point is to 'reconceptualise' sustainable development initiatives as initiatives that improve people's quality of life — and help them progress. This new way of thinking should inform both the way solutions are designed and developed and the way they're communicated to consumers and stakeholders.

This report finds that effective initiatives for retailers — i.e. those that widen the consumer base, create a competitive advantage and increase shopper loyalty — are context-specific and they 'speak to' people's particular needs. They're not developed by reference to general ideas about sustainability or to big or 'macrocosmic' issues such as the scientific causes and consequences of climate change.

A consumer-led model

Qualitative research carried out for this report in Turkey, India, Russia, Kenya and Oman suggests three 'quality of life issues' matter most to people: health and wellbeing, community and (local) infrastructure.

It's not enough, however, to identify and recognise these issues.

Retailers need insight into how people experience them, how they think and feel about them — and this varies significantly by socio-economic and consumer group. The report further identifies three broad consumer 'mindsets' in Eurasia and Africa — resourceful, progress-driven, established — and the needs and priorities of each. Since they focus on thoughts and feelings, these mindsets represent a different kind of consumer knowledge from the 'traditional' socio-economic profiles or groups.

Through 'granular' analysis or understanding of consumers' needs and priorities and mindsets, retailers can develop effective strategies.

The report provides a simple, linear guide. Essentially, a model for consumer-sensitivity or (in the simplest sense of the term) consumer-centricity, this guide can be used and applied by every retailer — from the small, independent store to the multinational through to the local, private chain — and in every type of catchment area in the Eurasia and Africa region. It can also be applied across a region for international brands. It's a principles-based guide that can be applied in practice.

Retailers can succeed through:

- Awareness and understanding of the particular health and wellbeing, community and infrastructure issues that are most important to consumers in their catchment area(s).

“So far, discussions around sustainability have been Western-centric, focusing on markets where consumers are comparatively affluent and secure.

As experts have observed, this means *“the concept ‘only pretends to be applicable to less developed markets.’”*

A. P. J. Mol, D. A. Sonnenfeld, & G. Spaargaren, ‘The Ecological Modernisation Reader’, Routledge, 2010

- Approaches that connect with consumers on these issues; knowledge of their experiences, needs and motivations.
- Initiatives that relate closely to the immediate needs of consumers and their communities — i.e. that reflect local issues and local ‘sentiment’ and deliver tangible benefits.

This three-step model is summarised and simplified in this report by three words: **‘Understand, Connect, Act.’**

- **Understand** the issues that are most important to consumers.
- **Connect** with consumers through their ‘mindsets’ and needs and motivations.
- **Act** through initiatives that both improve lives and increase profits.

It does not, it’s important to stress, amount to a re-invention of the wheel for retailers — but it does require investment, review and intervention. It doesn’t set out to address every element necessary for a holistic sustainability strategy: it is intentionally focused on developing consumer-facing initiatives that will help retailers build stronger connections with consumers.

What the model means in practice

The model has been developed with retailers’ core strengths in mind. The retail sector has a sustainability ‘USP’(unique selling proposition): high visibility. In daily direct contact with their consumers and other

stakeholders, retailers already have a mass of information on and knowledge of consumers. They know the people who shop with them, they know (broadly at least) the people who don’t — and they often have quite close relationships with the former.

The importance of detailed knowledge of consumers — by catchment area, by segment and by demographic and socio-economic group — cannot be over-estimated. Steps 1 (Understand) and 2 (Connect) build on this knowledge: they’re natural extensions of what retailers already do. Step 3 (Act) requires more work.

It’s envisaged that the implementation phase will involve, and often require, a cooperative approach with other people and other organisations.

Our research suggests retailers cannot — and should not — ‘go it alone’. Many of the models included in this report are built on a primary initiative: partnership and collaboration in the form, for instance, of alliances between retailers and:

- voluntary organisations, community action groups and NGOs;
- government agencies;
- manufacturers and global suppliers;
- local farmers and local suppliers and producers.

Applying the model

How can retailers best apply the model? The core content of this report functions as a 'user's guide'.

Chapter 1 highlights the issues that are likely to be most important in catchment areas in Eurasia and Africa — and Chapter 2 how different consumer groups in Eurasia and Africa are likely to experience and perceive them.

Chapter 3 matches consumer issues and consumer 'mindsets' with nine working models for sustainable retail uncovered in primary research — and provides a planning tool to help 'kickstart' action on sustainability.

The benefits for retailers

Following the model and working in partnership with people and with other organisations will create 'sustainable' businesses — i.e. businesses that thrive and endure over the long term.

The commercial benefits highlighted in this report include:

- new consumers and a broader consumer base;
- increased shopper 'retention' and loyalty;
- reduced costs and overheads;
- a mandate to expand into new markets (increased trust);
- innovation — the development of new products and services;
- new revenue streams.

Consumer-led development leads to a virtuous circle of investment and social, economic and environmental benefits and profits: it creates value for both stakeholders and shareholders over the long term.

"Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues we face. The moment for a new conception of capitalism is now; society's needs are large and growing, while customers, employees, and a new generation of people are asking businesses to step up."

Michael E. Porter and Mark R. Kramer, 'Creating Shared Value', Harvard Business Review, January-February 2011 (<http://hbr.org/2011/01/the-big-idea-creating-shared-value>)

"Corporate social responsibility is a hard-edged business decision, not because it is a nice thing to do or because people are forcing us to do it ... because it is good for our business."

Niall Fitzgerald, former CEO, Unilever, World CSR Day, January 2014 (<http://www.worldcsrday.com/>)

"We know our business can only be as healthy, vibrant and resilient as the communities we serve."

Muhtar Kent, Chairman and CEO, The Coca-Cola Company, '2012-2013 Sustainability Report', October 2013 (<http://www.coca-colacompany.com/sustainability/letter-from-the-chairman-and-ceo>)



Consumers' priorities, needs and motivations: The Eurasia and Africa Region spectrum

An illustration of the differing mindsets of consumers in Eurasia and Africa is given in the following quotes, each taken from research carried out for this report.

"People here are worried about how they are going to survive, We have daily struggles like no electricity and corruption from our officials. It's hard to focus on more than that."

Female, Nigeria, 25 years

"It's very important to keep improving yourself, and this is completely the responsibility of each person. I haven't yet got to where I want to be in life, but I know there is still time. There are problems, but the government takes care of most of them."

Male, Oman, 35 years

"We are comfortable now. We worked hard to get here. Now, we want to relax. We have many problems, in our city and in our government, and we all can work together for improvements."

Female, Turkey, 45 years