

Future-Proofing Ferrero:
A New Approach to Sustainable Marketing
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Ferrero is a global organization with a storied history spanning over 75 years. The company has grown from a small chocolate shop in Alba, Italy to one of the largest confectionary companies in the world. The founding values of the Ferrero family are still present in the DNA of the company, which we use as our foundation for an unwavering commitment to quality and innovation. This has led us to experience tremendous growth and progress. For Ferrero to continue this path of honoring our history while looking towards the future, we must enhance our green marketing strategy to account for the ever-changing business and social landscape that we operate in.

This report contains three sections. Part one will explain why it is necessary for Ferrero to implement a more robust green marketing strategy. Part two will outline how to do this, and lastly, part three will cover the strategy execution and the benefits to the organization and stakeholders.

The overall objective of this plan is to future-proof the business by increasing our transparency, brand recognition, and consumer trust and loyalty through more robust green marketing. Ferrero is doing substantial work in the areas of environmental sustainability and social responsibility, as demonstrated in our annual sustainability and human rights reports. However, we are not communicating this to consumers in an effective way. Ferrero has historically taken the approach of letting our actions and the quality of our products speak for themselves, but we are missing out on vast opportunities to showcase our commitment to these areas within our marketing strategy and product labelling.

PART ONE: Why should Ferrero implement a more robust green marketing strategy?

Consumer awareness and regulatory scrutiny of corporate sustainability and social accountability are increasing. Ferrero faces never-before-seen challenges related to globalization, raw material scarcity, and supply chain complexities. While we have made great strides to control these complexities through our governance and processes, we must become more strategic in how we communicate this to the public using green marketing.

According to The American Marketing Association, “the vast majority (80% to 90%) of consumers worldwide expect multinational firms to engage with environmental sustainability” (Salnikova, E., Strizhakova, Y., & Coulter, R. A., 2022). Finding an effective way to communicate our engagement with environmental sustainability can achieve two impactful objectives for Ferrero. It makes consumers aware of “how the products offered to them will meet their needs whilst also addressing economic, social and environmental issues, and secondly, to allow a dialogue between stakeholders about the company as a whole” (Font, X. and Villarino, J., 2015). Green marketing offers a prime opportunity for us to connect with our consumers in a meaningful way.

Research shows that consumers are more likely to purchase products from companies who have similar values as theirs (Freeman, K., Spenner, P. and Bird, A., 2012). Demonstrating shared values can help us increase brand awareness and loyalty among consumers. A recent study by McKinsey and NielsenIQ showed that “78 percent of US consumers say that a sustainable lifestyle is important to them” (Am, J.B. et al., 2023). The challenge for Ferrero is to figure out how to tap into these values and align it with how we portray ourselves as a brand that is committed to environmental sustainability.

The above-mentioned study by McKinsey and NielsenIQ also shared that “when consumers are asked if they care about buying environmentally and ethically sustainable products, they overwhelmingly answer yes” Data supports consumers having an attitude that favors environmental sustainability, which could suggest that these beliefs impact their behaviors, such as purchasing sustainable products. However, research on green marketing indicates that the correlation between attitudes and behaviors is complex and not always correlated (Cherian, J. and Jacob, J., 2012). Research of this topic is often done only on generalized viewpoints, however, actions tend to be more fragmented. For example, just because someone recycles, it does not mean that they will carpool (Cherian, J. and Jacob, J., 2012). If someone has an attitude that favors sustainability, it does not mean that those intentions will impact all aspects of their lifestyle. This makes it challenging for companies to know exactly how and where to focus their green marketing strategies.

Consumer understanding is complicated, especially in relation to sustainability and green marketing. There are many theories that explain the link between consumer attitudes and behaviors for conventional marketing, however, inconsistencies arise when environmental sustainability is introduced into mix. Ultimately, research supports that “the relationship between environmental attitudes and behavior may be confounded by situational factors (social norms, other attractive choices or economic constraints) and personal factors (knowledge, motivation or attitudes)” (Cherian, J. and Jacob, J., 2012). Therefore, Ferrero must ensure we understand our consumers and target buyers when it comes to their environmental attitudes and purchasing behaviors.

Before delving into the green marketing strategy for Ferrero, it is important to understand what greenwashing is and how we can avoid it. Greenwashing is defined by the Environmental Science and Pollution Research publication as “any firm behavior that misleads consumers about the environmental benefits of their practices, products, or services” (Liu, Y., Li, W., Wang, L. et al., 2023). When consumers detect greenwashing, it can negatively impact their attitude of the brand and influence their purchasing decisions (Liu, Y., Li, W., Wang, L. et al., 2023).

To learn from a recent example, Dutch airline company KLM was taken to court in the Netherlands over greenwashing allegations against their *Fly Responsibly* campaign (Sterling, T. and Plucinska, J., 2023). The lawsuit is from environmental group Fossil Free, who alleges that KLM is misleading people that they are a sustainable company. KLM has an annual ESG report and within it they outline their sustainability targets and measurements, such as a strategy to reduce carbon emissions. While their report outlines many great ambitions, the greenwashing lawsuit arose because currently they are not a sustainable company, as their advertising would suggest. They aspire to be a sustainable company, but they are not there yet. “KLM and Fossil Free clashed over whether the airline's future plans are credible and whether it should be able to advertise about them” (Sterling, T. and Plucinska, J., 2023). The court ruling is expected in February 2024, and regardless of the outcome, the public scrutiny and legal trouble is already enough to serve as a warning to other companies to take their sustainable marketing claims seriously and be realistic and truthful about the

current state of their sustainability initiatives. This can serve as a lesson for Ferrero. If we are going to talk the talk, we must walk the walk.

As a company that does extensive ESG reporting, Ferrero is transparent about our sustainability targets and measurements. Our annual sustainability reports align with the Global Reporting Initiative (GRI) universal standards and we currently have an A+ rating for the application of the reporting standards (Ferrero, 2023). With this abundant amount of information available to the public, it is important that our marketing and product labels align with our values and our actual ESG performance now – not where we want to be in the future.

Green marketing is not a one size fits all approach. Ferrero must determine our own authentic way to portray our commitment to the environment based on our values and actions. There is growing pressure to minimize our negative impact on the environment from consumers, stakeholders, governing bodies, and NGOs. Part of this effort requires us to create a brand image that aligns with these expectations. Next, we will examine how Ferrero can achieve this.

PART TWO: How can Ferrero implement a more robust green marketing strategy?

Ferrero must incorporate the complexities and growth of corporate social responsibility into our existing marketing mix. Research suggests that consumers are less inclined to buy green products that show a company's environmental performance. They are more likely to be impacted and persuaded to make a purchase when they can understand how they are connected to or impacted by the company's actions (Roszkowska-Menkes, Maria, 2021).

This leads to our first recommendation, which is to leverage our partnerships and certifications within our green marketing strategy. In the past, Ferrero came under public scrutiny for our use of palm oil. As a result, Ferrero took accountability for our actions and made many changes. We joined the global Palm Oil Charter group, and we now use 100% RSPO-certified sustainable palm oil for our existing brands (Ferrero, 2023). In 2019, Ferrero made a commitment for all packaging to be 100% recyclable, reusable or compostable by 2025 (Ferrero, 2023). In support of this target and our efforts to create a circular economy, we joined the Ellen MacArthur Foundation, Flexible

Packaging Initiative, Perfect Sorting Consortium, and Polypropylene Recycling Coalition (Ferrero, 2023). Ferrero serves as an active partner to these organizations through investments, research, and resources.

Ferrero can leverage the positive work from our certifications and partnerships to demonstrate that we are committed to environmental sustainability. We can do this by showcasing certain strategic certifications and/or partnerships on our product labels. For example, we can advertise that our palm oil products are 100% RSPO-certified sustainable on the labels. This enhancement can build upon our existing brand recognition and reputation for quality products.

If a consumer is at the grocery store looking for a chocolate bar, they will be faced with many options. If this consumer is not partial to a particular brand, they will make their decision based on the labels. If this consumer cares about environmental impact, they may be drawn to products with labels that showcase environmental sustainability. If Ferrero starts incorporating green marketing into our product labels, it can lead to increased market share, brand recognition, and consumer loyalty. Adding green marketing onto our product labels is an opportunity for Ferrero to demonstrate shared values with consumers who also care about environmental sustainability.

Another opportunity for Ferrero to showcase our values is to build our green marketing initiatives around ways in which we are contributing to a better environment for humankind. Consumers feel connected to green marketing when they can understand how it benefits a greater cause. This means that Ferrero needs to take the approach of showcasing our actions that help the environment and humanity, rather than highlighting our own accomplishments. Companies often take the classical approach to CSR, which is “based on a deontological perspective focusing on profit-sacrificing activities motivated by social altruism” (Roszkowska-Menkes, Maria, 2021). In relation to green marketing, companies should not make the message about themselves. It must be connected to a greater purpose. Doing good is no longer seen as a virtuosic sacrifice in business. Sustainable business from a human and environmental perspective is a basic expectation from consumers, and Ferrero’s green marketing strategy must align with this consumer sentiment.

As shown in the 2022 Ferrero Sustainability Report, listed below are a few examples that can be incorporated into Ferrero's marketing strategy to grow consumer awareness of how Ferrero is making a positive impact on society and the environment:

- Ferrero constructed or renovated 103 schools and 49 food canteens in agricultural communities that we operate in
- 18 out of 32 Ferrero plants run on 100% renewable energy and we have a plan to convert the remaining plants in the near future
- 100% of our cocoa is sustainably sourced based on independently managed standards
- 100% of our cane sugar is sustainably sourced based on independently managed standards

While we acknowledge that we have a long road ahead in our sustainability journey, we can be proud of the strong foundation we have built. This progress and performance can be used to grow our market share through a more robust green marketing strategy.

PART THREE: Strategy Execution and Benefits to the Organization and Stakeholders

If a company wants to advertise their environmental sustainability efforts, they must have the processes and performance in place to support these claims. While Ferrero has already made great strides in transforming our entire value chain to decrease our negative impact on the environment, we must be more strategic about how we communicate this. As we learned from the KLM greenwashing example, there can be potential exposure from a reputational and regulatory standpoint. Therefore, it is recommended that we ramp-up our green marketing initiative over the course of three years to ensure we have a solid foundation with minimal risk. A detailed breakdown of the strategy execution plan and timeline is listed below:

STEPS	TIMELINE	DESCRIPTION
Step 1: Research	Three Months	The Consumer Understanding team will research green marketing and our target consumers, leveraging robust consumer data already available to Ferrero. Their findings will be shared with the advertising team to shape the initial green marketing strategy.
Step 2: Pilot Campaign	Six Months	Based on the consumer research, the advertising team will pilot a green marketing initiative through strategically selected markets, channels, and products.
Step 3: Analysis	Three Months	The success of the pilot will be analyzed. Based on these findings, we will determine the appropriate way to increase green marketing initiatives through more markets, channels, and products.
Step 4: Implementation & Continuation	One Year	After one year of research and analysis, we will create a three-year green marketing plan that aligns with our values and growth. Over three years, we will gradually ramp up our green marketing. Consumer understanding research and analysis will continue throughout this period, and we will remain flexible to adjust our approach based on our continued research and analysis.

While green marketing processes happen in the marketing department, executing the strategy is only possible through company-wide efforts. The marketing activities must be supported by effective sustainable processes and governance. “Corporate governance plays a crucial role in minimizing opportunities for greenwashing through enhanced monitoring and increased scrutiny from stakeholders to achieve a collaborative governance approach (Liu, Y., Li, W., Wang, L. et al., 2023). We must work towards the entire value chain of Ferrero being sustainable if we want to make green marketing claims without the risk of green washing. From operations and supply chain, to purchasing and sourcing, all functions within Ferrero need to take accountability for their part in lessening our impact on the environment.

If Ferrero can continue our path towards a more sustainable value chain, we will future-proof our business and create a competitive advantage. A success story that we can reference is the Danish energy company Ørsted. They are ranked as one of the most environmentally sustainable companies in the world according to the Global 100 Index, taking the number one spot three years in a row from 2019 to 2021 (Das, D., 2021). Ørsted previously operated in the fossil fuel business but recognized a need for change. They are now “one of the largest renewable energy developers in the world” (Das, D., 2021). As a first mover in their industry transitioning from fossil fuels to offshore wind, evidence shows that Ørsted has benefited greatly:

“Ørsted has a sustained competitive advantage with its know-how and technological capabilities – a product of being the first mover. The financial analysis revealed that, so far, offshore wind has been a major driver of Ørsted earning a ROIC (return on invested capital) over its WACC (weighted average cost of capital), creating value for its shareholders” (Edemann, A.T. and Pedersen, R.H.L. (2018).

Ørsted is an example of a company that took bold and swift actions to become a more sustainable company. They have reaped the benefits from a competitive and longevity standpoint. If Ferrero can position ourselves as a sustainability leader in our

industry, we are putting ourselves in a good position to meet the rising expectations of our customers, employees, and shareholders.

To conclude this report, Ferrero is facing unprecedented challenges related to globalization, raw material scarcity, and supply chain complexities. While marketing alone cannot solve these issues, a more robust green marketing strategy can increase our transparency, brand recognition, and consumer trust and loyalty.

Ferrero is doing substantial work to make our entire value chain more sustainable through our processes and governance and we must be more strategic about how we communicate this to the public using green marketing. It is an essential element to future-proofing our business. This will allow Ferrero to thrive for another 75 years in a way that is good for shareholders, employees, consumers, and the environment.

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