



TRANSPARENCY'S IMPACT On Market Share

Blommer Chocolate Co.'s Kip Walk shares his views on how consumer demand and government regulations are making it critical for companies to develop and implement transparency initiatives.

Consumer loyalty, until recently, was driven simply by product quality and a catchy marketing campaign. Trust was further built through endorsements by celebrities to whom consumers felt a connection and believed they had their best interests in mind. Reading an ingredient list on the back of the box of a favorite food product or investigating the labor conditions around an article of clothing was far from common practice.

However, that began to change as consumers were presented with stories around Nike, Inc.'s shoe manufacturing conditions, melamine contamination in

Chinese infant formula and the presence of horse meat in the European beef supply. Campaigns around deforestation criticizing the world's palm oil industry further heightened consumer awareness on issues in global supply chains.

In response, governments have acted to further regulate global supply chains while advancements in technology have driven easier access to sourcing practices. All of this in combination has created a commercial environment that demands transparency.

In 2011, the U.S. government enacted the Food Safety Modernization Act, requiring manufacturers to demonstrate greater management and visibility of their supply chains. A few years later, California passed the California Transparency in Supply Chains Act requiring companies selling products in the state to demonstrate the products comply with labor and trafficking laws.

In 2016, the federal government passed the Trade Facilitation and Trade Enforcement Act, providing U.S. Customs and Border Protection the power to withhold and seize products being imported into the U.S. that are involved in forced or slave labor. Importers are required to provide full documentation of the product's supply chain to demonstrate compliance.

Outside of government pressure, NGOs have increased their focus on how ingredients are sourced and the impact the industries using those ingredients are having on the producing countries.

The issues around labor in the cocoa industry are not new, and the industry has actively worked to address

them, incorporating monitoring and remediation systems into their managed supply chains. But now NGOs have expanded the scope of expectations, demanding that the industry take a strong position on the elimination of deforestation in the cocoa supply chain and commit to providing farmers a living wage.

There have been steps taken in these areas, such as the agreement to a living income differential with the governments of Cote d'Ivoire and Ghana and the creation of a zero-deforestation platform under the Cocoa & Forests Initiative. A critical component of these initiatives is the mapping of the cocoa bean supply chain in the impacted countries, which will provide even greater transparency in how cocoa is sourced.

Mapping will provide valuable information related to sourcing, but other technology is supporting transparency as a sales tool.

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KIP WALK, BLOMMER CHOCOLATE CO.

PUTTING DATA IN CONSUMERS' HANDS

The information provided on product packaging has steadily increased. Not only is nutritional data more readily available, but companies are using digital tools, including SmartLabel technology, to provide customers a wide range of information through a platform that can be easily updated as needed.

The Hershey Co. was one of the first companies to adopt this platform. By scanning an on-pack code, consumers can access information around nutrition, allergens, certifications, sustainability activities and more. This level of access to details about consumer products has been available for only a few years, but it fits well with today's consumers and their expectations for information.

An emerging platform, blockchain is promising to provide even greater transparency and is being tested in retail supply chains, the seafood industry and cocoa bean sourcing. These advancements will enable the industry to answer its critics and comply with regulatory requirements, both of which are essential to the continued health of the confectionery industry. The question that remains, however, is if transparency will drive sales, grow customer loyalty and expand market share.

Technology now puts on-demand access to nearly limitless information at the tips of consumers' fingers. Combine this with the largest consumer group — tech savvy millennials — and companies not providing easy access to the information associated with their products are at risk of losing the sale.

In a Hunter College-referenced study by the non-profit

Resource Media, 98 percent of respondents want transparency in their packaged goods, and 70 percent stated transparency is always or often a factor in their purchasing decisions. In a similar report by Label Insight, Inc. and the Food Marketing Institute, 75 percent of shoppers said they would switch to a brand that provided information beyond what is on the package.

The type of information provided around sourcing is critical, but how a company gives back to the community is also becoming an important and impactful marketing tool. Today's consumers seek out information on corporate awareness, particularly in areas around sustainability initiatives and corporate philosophy.

TRANSPARENCY IS NOW A 'NEED TO HAVE'

A study done by the New York University Stern Center of Business revealed that 50 percent of CPG growth between 2013 and 2018 came from sustainable products and products marketed as sustainable grew 5.6 times faster than conventional choices. Toms Shoes Holdings II, LLC has built a brand on matching sales with providing shoes to those in need. Firehouse Restaurant Group, Inc. uses some of its proceeds to purchase equipment for first responders and has seen some of the fastest market growth in its sector.

In the chocolate arena, Tony Chocolonely has exploded onto the scene by promoting slave-free products and paying higher prices to cocoa farmers. Sales have gone from 20 million bars in 2016 to 36 million in 2019, with a tenfold revenue increase in the U.S. market alone.

Product transparency has moved beyond the “nice to have” phase and is clearly now a “need to have.” Pressure from regulatory agencies and civil society organizations will mandate changes, whether desired by companies or not. It is an opportunity to capture market share, build loyalty to a brand and demonstrate corporate leadership.

There are many case studies on companies that failed to adapt to a changing market. Sears, Blockbuster Video and Eastman Kodak Co. believed they could withstand the changes in their markets to their detriment. Transparency is not a fad. Consumers have grown accustomed to information access, and studies show they will make buying decisions based on what they can learn. Put simply, transparency will drive sales and provide increased market share for those companies that do it well. **C&ST**

Contributor Info



Kip Walk is senior director of corporate sustainability for Blommer Chocolate Co. and launched the company's Sustainable Origins platform. He leads the company's global sustainability team in the development, implementation and management of programs in West Africa, Latin America and Asia. Walk is developing environmental and carbon

footprint strategies to align with the UN Sustainable Development Goals. He can be reached at kgwalk@blommer.com.