How conscious consumers are driving brand futures, with food systems leading the way
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About Fabric

Fabric is a strategic consultancy helping businesses reframe problems to create shared value with customers and communities.

We see this as part of a new social fabric – where the brands that succeed are the ones that: enable culture, nurture relationships, and act on sustainability.

We've been solving problems for brands across Japan and globally for over 15 years, bringing together global expertise with local cultural insight, with capabilities across the breadth of Strategic Design, Sustainability, and Engagement.

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Introduction

For most companies, business as usual is based on a fundamentally unsustainable model, with linear definitions of growth that are making way for new imperatives around sustainability. This is why we made sustainability a critical part of Fabric’s mission.

With this 2022 report we share our second annual study into Sustainability in Japan. Our goal is to enable organisations to rethink their approaches to sustainability – aligning to Japanese principles like sanpo-yoshi, an Edo-era idea of creating shared value between the business, their customers, and society.

We know that brands are already bringing sustainable value propositions to consumers, with business leaders interviewed in our 2021 report sharing a belief that all of their products and services will take part in a sustainable transition, although many organisations are only at the start of this journey.

The decisions made in this transition will determine which brands and businesses succeed in the future, adapting to a new model around sustainable growth.

Each category transition will be shaped by a unique set of factors, and we have already conducted category specific studies with clients in lifestyle, food, technology, and financial services to help develop their sustainability and brand strategies. This overall Sustainability in Japan 2022 report is a broader study with outcomes for brands across categories.

The study focuses on the role of consumers in Japan, as understanding their key enablers, drivers, and barriers will support sustainable transitions across all categories, while providing longitudinal trends around the pace of change.

By putting people at the centre of the study, we’re able to identify critical insights into sustainability behaviours in Japan that can fill a key insight gap for brands and businesses, as well as government, not-for-profits, academics, and all stakeholders in Japan’s future.

We’ve also applied a systems thinking approach, looking at systemic social and environmental challenges in Japan, and working with experts in key areas like food to explore the underlying problems in their industries.

Throughout the report we refer to people as consumers, not to play into narratives around consumerism, but because it’s the clearest descriptor when looking at the relationships between businesses and their customers.

People are critical for achieving a sustainable future, but these futures are still unclear, which is why it’s important to enable shared value creation between all stakeholders in society.
Sustainability in Japan 2022

Figure 0.1: Sustainable Development Report 2022 (Sachs et al, 2022)
Japan losing ground

Sustainability consciousness in Japanese consumers is shaped by layers of societal and economic context, and it’s important to understand this before jumping into the behaviours identified in our study.

The framework many brands are using to shape their sustainability strategies for Japan is the United Nations Sustainable Development Goals (SDGs). Their ubiquity across business and government narratives around sustainability in Japan makes them a key model which forms a structure around our consumer research.

According to the Sustainable Development Report 2022, Japan has a score of 79.6%, which means it dropped two places to 19 out of 167 countries since our previous study. (Sachs et al, 2022). Japan has failed to make significant progress on national priorities of: gender equality, climate action, life below water, life on land, and partnerships for the goals.

Some of the systemic challenges for Japan include:

• Decarbonising its energy sector, where renewables currently make up 6.3% (Sachs et al, 2022);
• Reducing plastic waste, with 8.2kg per person exported annually (Sachs et al, 2022);
• Reducing food loss, around 25 million tons annually (MOE, 2021);
• Addressing the ageing society, with 34% of people projected to be over 65 by 2040 (Ha, 2020); and
• Population decline, dropping by a record 644,000 in 2021 (Kyodo News, 2022).

There are businesses and organisations working hard to turn these around, and some government policies designed to take action, but the lack of progress means that if there isn’t a new wave of sustainable innovation, these could contribute toward a slow decline in Japanese society.
Business and governance issues

Over the past decade, Japan’s publicly listed companies started coming under pressure to disclose their sustainability performance to international investors and fund managers, who together own around 30% of Japan-listed securities (Nikkei, 2021).

As Environmental, Social, and Governance (ESG) became a standard practice globally, Japan’s corporates have had to play catch up, spending time and resources on audits and metrics, with few progressing to take meaningful action.

In October 2020, the Japanese government announced a net carbon neutral target of 2050, and many of Japan’s corporates have followed this pledge. However, these announcements have come with few details about how to reach that goal (MOFA, 2021).

One of the reasons is that Japan’s industries are already relatively energy efficient due to a national response to the 70’s oil shock, with another push made after the Fukushima nuclear disaster in 2011. The biggest challenge is switching away from fossil fuel imports, which requires a coordinated national strategy.

There has been a coordinated government and business effort to develop a hydrogen-based energy infrastructure, although there is no guarantee that this approach will work. Other solutions that fit Japan’s geography are also possible, such as solar sharing, offshore wind, and geothermal.

But even if renewables can drive innovation in the electricity industry, Japan will still need low carbon industrial process heat to ensure its valuable high grade steel – responsible for 15% of carbon emissions – and other material industries remain globally competitive (Zissler et al, 2021).

Japan’s power market was deregulated in 2016, but change is still slow (Pilier, 2016). Many businesses find it difficult to hit their climate targets with Japan’s carbon intensive energy grid. Companies like Amazon Japan have taken this into their own hands, developing solar generation assets in partnership with Mitsubishi Corp., an example of the market disrupting impact of global businesses in Japan.
We should welcome government and business announcements like the 2050 carbon goal, but this must also come with significant pressure to speed up the transition, while clearly articulating the journey.

Within ESG, it is governance that will be hardest to shift. The average age of a Japanese CEO is 60 years old, with many holding deeply engrained beliefs around social impact and gender equality in particular, making it an imperative for organisations to set out clear visions that include governance policy innovation, removing doubts about the capacity for change (Nippon.com, 2022).

This ESG transition could be hardest for Japan’s small and medium businesses, who account for the majority of jobs and gross domestic product (GDP).

They are dominated by the service sector, but also include thousands of manufacturing companies who are critical for Japan’s trade balance, exporting components and machine parts into global supply chains. The levels of embodied emissions in this ecosystem is increasingly a competitive disadvantage for these exporters, and without good measurement practices, they could struggle to reach the reporting requirements of global markets.

This is a challenge, as there are significant sustainability goals Japan needs to work toward beyond carbon emissions – particularly social and governance areas around gender equality. Again, global companies in Japan are the ones pushing progressive employment conditions and higher standards, attracting top talent while forcing local employers rethink their policies.
Environmental issues

Japan is a naturally green country, with 68% of land mass covered by forests, thanks to historical forest preservation policies and practices (Nippon.com, 2020). Of these mountainous forest regions 60% are designated natural, and there are around 3,000 not-for-profits working on forest restoration (MAFF, 2020).

There are challenges around conifer plantations, which are an increasing environmental liability and source of pollen that causes allergies for the Japanese population. These were mass planted in the post-war years to replace natural forests that were used in construction, covering 27% of land (MAFF, 2021).

Climate and disaster risks are significant in Japan, with the combination of extreme weather, typhoons, flooding, landslides, and earthquakes making it one of the most challenging locations in the world.

50% of the Japanese population lives on land that would sink below water during flooding, and 75% of assets are concentrated in urban areas (Nikkei, 2022). Japan recently came in 4th on the global Climate Risk Index, largely due to high per capita deaths from extreme weather events, with responses to these events estimated to cost around 0.5-1% of GDP annually (David et al, 2021).

Investing in climate risk mitigation will benefit both Japan and its regional and global partners. Japan has led in the past around technological innovation and geopolitical diplomacy around containing China’s ambitions in the Asia-Pacific – it is now critical that governments and business do the same on sustainability and climate.
Japan needs to start by building credibility around the new contemporary framing of sustainability.

The SDGs include a spillover index, which assesses external effects along key sustainability dimensions, with higher scores relating to more positive and fewer negative actions in that country. Japan’s (67.3%) score is below the OECD average (70.7%), indicating there is still a long way to go. Another useful metric is the overshoot index, which indicates Japan’s resource use is 7.9 times a self-sustainable level (Earth Overshoot Day, 2022).

Few people would say Japanese cities are beautiful or green, but they are clean and functional. Japan doesn’t appear to be a high polluting society on a surface level, but this is often due to approaches that hide the impact of convenience and customer-centric lifestyles. This includes the greenhouse gas emissions that consumers don’t see day-to-day, which in Japan are around 9 tons per capita, about the same as Germany, but twice as high as France (MOE, 2013).

Consumers do participate in recycling systems and carefully divide rubbish into 3 or 4 streams, providing a perception of action – but this is often then used in thermal recycling that burns waste to generate electricity. This was world leading technology 20 years ago, but not today.

We explore Japanese consumer awareness around their lifestyles and how this connects to broader sustainability challenges in depth later in the report.
Social and cultural issues

Japan is one of the most homogenous countries in the world, with a collectivist culture that is conflict averse and solves problems through kizukai, a mindset of being conscious about your impact on others.

These narratives about Japanese society are real, but don’t fully account for the cultural differences that are a legacy of Japan’s history, the role of non-Japanese residents in influencing change, and the underlying tensions that can drive social transitions.

The shared experience of the COVID-19 pandemic has been a significant driver of shifts in Japanese society, particularly around work culture.

Remote work proved that Japan’s long office hours weren’t accurate measures of productivity, and had been constraining the work-life balance of many in the workforce. New hybrid work policies led by international companies have trailed behind global standards, but are still a big change for Japan.

The pandemic also amplified challenges around workforce participation, with people of a working age decreasing to just 59% of the population, partly due to the intersecting problems of gender equality, an ageing society, and marginalisation. The employment policies and societal expectations that are preventing gender equality are of immediate concern, with a gender pay gap of 22.5% and female representation in parliament at 9.9% (Sachs et al, 2022).

The majority of elderly Japanese people are healthy and active contributors to society, with untapped potential and knowledge that could be returned to the labour force. They also make major contributions to the economy, especially in domestic tourism which is an important part of regional revitalisation efforts.

Over recent decades regional communities have been depopulated due to young people moving to cities for jobs – a trend which has just started to reverse due to the affordances of remote work and the availability of cheap rural properties.

Although regional revitalisation isn’t a specific SDG, it is a national priority. The rural communities at demographic risk are key parts of Japan’s cultural identity, with people maintaining an ongoing connection with the traditional produce, food, makers, and stories of their furusato (home towns) across the 47 prefectures.
The pace of change

Japan’s biggest challenge going forward isn’t the ability to evolve and adapt, but to ensure sustainable change happens fast enough.

There is a narrative that a regenerative revival in Japan is difficult due to a passive public, where people expect government and business to solve big, wicked problems, and people just follow. This mindset leads to policy making designed to protect current affluence and quality of life as much as possible, resulting in a slow decline.

The Japanese political system reflects this, with a relative lack of democratic engagement, a turn out of around 55% in the 2021 general election (which was actually up from a record low in 2015), and participation dominated by elderly voters (Nippon.com, 2021). Despite the urgency of sustainable change, much of Japan’s political bandwidth is taken up with economics, regional geopolitics, security, and constitutional reform.

This is why brands and businesses need to take the lead in driving sustainable transitions in Japan, working with consumers and employees to develop new value propositions that accelerate the pace of change.

Brands are certainly constrained by the context described above, but they are also able to move at a rapid pace, with a closer relationship to consumers and culture, while playing a critical role in the Japanese economy.

The opportunity for shared value creation is huge.

To do this effectively, brands need to understand the emergence of the conscious consumer in Japan, from their behaviours and barriers through to the opportunities for engagement. This is what will inform brand sustainability strategies, and be the starting point for future growth.
Approach

Our research approach for the Sustainability in Japan 2022 study was designed to help businesses understand consumers in Japan, providing a foundation to kickstart their category-specific sustainability strategies.

We used a series of methods to explore the problem space around sustainability issues in Japan by triangulating data from: a quantitative consumer study, thought leader interviews, trend analysis, additional data, and synthesis workshops.

1. Quantitative consumer study
Fielded to a panel of 6,800 Japanese respondents aged 15-69. This is designed to be a representative view of the Japanese population across demographics and prefectures, with the ability to define segments and groups based on the responses.

2. Expert interviews
Engaging industry experts throughout the research process to develop the study, expand on trends identified, and gain insight into actions and opportunities. These included: brand leaders, business owners, academics, activists, community members, and policy makers.

3. Trend analysis
Scanning and analysis across qualitative and quantitative sources for pieces of data that collectively indicate trends, including: social behaviours, government policies, academic studies, and business or startup investments. We continually sense/scan at the edges of society for sustainability related data points.

4. Additional data
Complementing the report with longitudinal data from previous years, consumer ethnographic research (interviews, contextual enquiries) we completed over 2021-2022, and industry specific data from studies completed with partners.

5. Synthesis workshops
Workshops with our team and partners to synthesise the qualitative and quantitative data above into the themes, focus areas, and outcomes in the report.
Defining sustainability consciousness

As part of the 2022 study we’ve developed new methods for understanding consumer behaviours and attitudes around sustainability and brands, building on the approaches introduced in previous years.

In the study we measure sustainability consciousness through a 54 question scoring matrix that covers: 6 sustainability dimensions, agree/disagree statements, and behavioural questions. From this we assign scores of -4 to +30 for each participant from the 6,800 panel of people aged 15-69, identifying their overall sustainability consciousness. This data is then triangulated with attitudes and behaviours identified through the other methods above, synthesising this into an understanding of the different groups.

This study also includes some changes from previous years, which could impact the longitudinal parts of the study, the biggest being the shift from measuring ages 18-65 in 2021 to 15-69 in 2022.

We’ve also shifted from a sustainability engagement score in 2021 to a sustainability consciousness score in 2022, to more accurately distinguish between awareness and behaviour in our analysis.

This is explored in detail in Part 1: Conscious Consumers.

<table>
<thead>
<tr>
<th>Sustainability consciousness</th>
<th>% study participants 2022</th>
<th>Approximate market size (eStat, 2022)</th>
<th>Consciousness descriptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>3%</td>
<td>2.46 million</td>
<td>People who are highly aware of sustainability, consistently making conscious decisions across social, environmental, and economic impact areas.</td>
</tr>
<tr>
<td>Moderate</td>
<td>12%</td>
<td>9.83 million</td>
<td>People with a good awareness of sustainability, making conscious decisions in some social and environmental impact areas.</td>
</tr>
<tr>
<td>Light</td>
<td>19%</td>
<td>15.56 million</td>
<td>People with some awareness of sustainability, occasionally making conscious decisions about a specific issue they care about.</td>
</tr>
<tr>
<td>Low</td>
<td>63%</td>
<td>51.61 million</td>
<td>People with limited awareness of sustainability, rarely making conscious decisions about their impact.</td>
</tr>
<tr>
<td>Negative</td>
<td>3%</td>
<td>2.46 million</td>
<td>People who are disinterested or disillusioned and reject the ideas that underpin sustainability.</td>
</tr>
</tbody>
</table>

Figure 0.2: Defining sustainability consciousness
Defining generations

When defining generational differences we acknowledge the biases, assumptions, and generalisations made by business, media, and the public when using these terms. There are shared societal and historical experiences which influence their decision making, although nowhere near the level assumed in the public consciousness.

Balancing this, these terms are also widely understood by businesses in Japan, and by comparing differences between sustainability consciousness and demographic age groups we can start to unpack some of the generalisations about these groups. We are also able to measure longitudinal shifts between generations, looking at their beliefs as they change over time.

Our 2022 study includes participants aged 15-69, adding more to both Generation Z and Boomer groups, although this is still a smaller range of these groups than other definitions.
Part 1
Conscious consumers
Conscious Consumers
Introduction

All sustainably conscious purchases require awareness from both sides of the transaction: a brand needs a value proposition that demonstrates a sustainable aspect of a product or service, and a customer needs to be conscious of the social or environmental issue it has an impact upon.

As brands explore building sustainability into their value propositions, consumer awareness of sustainability becomes a critical part of any business decision – but often this insight is missing.

Our 2022 research study responded to this business problem with the development of a Sustainability Consciousness Score, measuring consumer awareness of issues across the 17 Sustainable Development Goals (SDGs).

These goals are categorised under six dimensions of sustainability, allowing participants to be mapped on a bell curve of five groups from negative to high levels of consciousness.

The score represents the potential for brands to engage consumers with sustainable propositions.

This enables analysis of the distinct characteristics of each group in terms of their behaviours, attitudes, and demographics – supporting good business strategy and the design of sustainable products and services.

Our study shows that most consumers are still at the low consciousness end, although this has grown significantly in the past 12 months at this critical part of the spectrum, with mass media coverage of SDGs, and more brands launching sustainable propositions.

This overall shift to higher levels of consciousness is steady but not dramatic, and it would take 10 years at the current pace for the peak of the population curve to sit in the middle of the spectrum.

Sustainability consciousness is spread relatively evenly throughout the generational groups in the study, with Boomers (born 1953-1964) being the most conscious overall group.

Across the six dimensions of sustainability the goals these consumers, led by Boomers, care most about are: managing environmental resources and conserving the natural world.
Consciousness in Japan

In contrast with the activist-led image of conscious consumers in the West – Japan’s sustainability conscious are better defined as active, informed, and thoughtfully engaged people, who build deep relationships with the brands they care about across categories.

This makes them highly valued and influential customers.

They have the time and resources to engage with sustainable propositions, and are driving the need for innovation to meet their expectations around quality products and services, with sustainability being a primary way they define quality.

Japanese media have been most influential in triggering change in sustainability behaviours, with the influence of brands and environmental groups being skewed towards the higher consciousness groups.

The insight that brands are trusted sources for information on sustainability is a positive sign for the investments businesses are making. This is offset by a distrust in social media influencers and celebrities when it comes to sustainability, which is a problem for brands in categories like lifestyle, fashion and sports who rely on them for their marketing.

The practice of boycotting brands is less common in Japan, and when it does happen it’s generally not about sustainability. This adds weight to the idea that category transitions are going to be driven by choosing better options, rather than rejecting legacy ones.
Consumer understanding

Contemporary ideas around sustainability, as framed by the SDGs, are a cultural import to Japan which differs from Japanese practices like sanpo-yoshi. Brands across categories are using these goals as a common framework for their sustainability strategies, making it important to understand awareness among Japanese consumers.

Our study found over the last year more people who scored low on sustainability consciousness have started to associate SDG issues with the word sustainability, raising the overall rate of association by 5%.

Mainstream consumer awareness is still limited, with most people in the low consciousness group unable to demonstrate knowledge of any specific goals. At the same time this low group have shown the most growth in overall awareness of sustainability between 2021 and 2022.

Lower consciousness groups are more likely to associate sustainability with economic issues that have a direct impact on their quality of life, while higher consciousness groups are more aware of environmental issues.

There is a critical need to increase alignment between consumer awareness and national priorities. Gender equality and protecting life on land being highlighted by the UN as challenges for Japan, but there is a bias toward environmental over social issues among consumers. This gap is starting to close as social issues are slowly being recognised by mainstream audiences.

The most familiar SDG is life below water, a key issue for an island nation with seafood as a primary food source. Sustainable food production connects to a complex set of social, economic, environmental, and geopolitical factors, making it a shared issue across Japanese society.

Communities in Japan are also increasingly impacted by climate change at a local level, with challenges for traditional ways of life that are connected to the land and seasons, tying to substantial issues around regional revitalisation.

For brands trying to play a meaningful role in these issues, they should note that the SDGs still feel foreign and remote to mainstream consumers.

Consumer shifts

In terms of consumer shifts, product packaging is the part of sustainability with the most substantial change in beliefs over 2021-2022, with around a 25% jump. Over 90% of consumers believe there is too much packaging on the products they buy, and 77% would switch brands for more sustainable packaging.

This shift was likely driven by repeated states of emergency due to the COVID-19 pandemic, where an increase in delivery and food related packaging was arriving in small Japanese homes, leading to a new build up of home rubbish. This has coincided with ongoing media coverage around the issue, with stories around ocean plastic, circular innovation, and general anti-plastic sentiment.

For brands looking to make an impactful start to their sustainability transformation, packaging is an open opportunity.
Conscious consumers

Positive impact

Agency – the belief in the power to change systems through your actions – is generally low in Japan, with just 25% of people believing their actions can change companies, markets, or the world.

In terms of generations, Generation Z (born 1997-2006) feel the most empowered about their agency at around 33%, while Millennials (born 1981-1996) feel the least, with their increased socio-economic responsibilities reducing their optimism.

Consumers who feel agency also feel a sense of responsibility for the implications of their lifestyles, and are three times more likely to engage in ways to reduce their impact. For brands this means framing their sustainability propositions in a way that enables positive impact, and gives people clear actions they can take.

Agency around environmental issues has increased from 22% to 24% between 2021-2022, although this is polarised across sustainability consciousness levels, at 10% for the low group and 98% for the high.

This belief in the ability to achieve environmental impact is higher than general social agency, suggesting that these high consumers see new opportunities for impact outside the traditional economy, as well as through making brand choices.

Overall these results suggest that by only focusing on the low consciousness mainstream, brands will miss underlying shifts in sustainability literacy.

These shifts open up opportunities with highly conscious groups, while incentivising sustainable options for the mainstream – parallel objectives that many organisations are already moving toward.
Transition dynamics

There is a sweet spot of people who want more sustainable products and services at a higher level of ease and accessibility. This group are most common at the moderate consciousness level. This creates an opportunity for brands to create value by answering their needs, both for incumbents innovating their products and services, or challengers entering new categories.

A category transition towards sustainability typically starts with new propositions entering at the premium end, which then steadily becomes more common and accessible.

Unlike daily purchases, bigger decisions around products like cars come with sustainability implications throughout their use, making them particularly important. These category transitions can be difficult to follow for consumers, even at higher consciousness levels, and most people will fail to do the research if the value proposition is too complicated.

In these contexts government policy and regulation play an important role in setting the course and removing uncertainty, which is why brands connect with government through trade bodies and lobbying.

In all cases, brands that can tell compelling stories and ensure consumer choices are easy will be valued in an era of sustainable transitions. Transitions will proceed fastest when sustainability comes with direct, tangible benefits to the consumer, and when decisions are complex or value propositions are unclear, transitions will slow down.

Emotional benefits are powerful, and conscious consumers are already feeling a sense of pride in sustainable purchases, making sustainable impact part of their identity. This drives a positive feedback loop for brands, where customers start to share the brand with their peers, using them as a trusted representation of their values and beliefs.

This opportunity is actionable by brands and businesses of all sizes. Larger companies like Tesla have achieved this globally, making electric vehicles aspirational to a mass audience, catalysing their entire industry. In contrast, small Japanese startups like mymizu have designed clever recognition mechanics into their experience, creating a virtuous cycle that builds engagement.

The food category is one place these category transitions and loops are already having an impact, driven by the systemic interconnectedness between sustainability and health.

Conscious consumerism is more apparent in food than in any other category, making food a nexus of sustainability beliefs, and a space that can already provide lessons for brands and organisations looking to drive social and environmental impact.
1. Sustainability consciousness

To understand conscious consumers, we can start with one of the most common purchases there is today – a cup of coffee.

Applying a simple value framework of price, quality, and convenience to describe choices around coffee, we can start to understand how conscious consumers become aware of the impact a coffee producer can have on their local environment and the people they employ.

Our consumer – let’s call them Hana – isn’t going to give up on coffee, but is curious about finding varieties of coffee beans that don’t come with deforestation and child labour, which is part of how Hana personally defines quality for the product.

Finding a coffee shop with similar conscious beliefs becomes important, with a barista who can match Hana’s preferences to a sustainably certified bean the shop has in stock, representing convenience.

And as this proposition meets expectations, Hana is happy to pay a price premium of around 10-15% to continue to enjoy coffee.

This demonstrates three key principles that underpin sustainable transformation of a category:

1. Hana is conscious of a sustainability issue that the category impacts;
2. The brand provides an increase in quality of a product or service in this area; and
3. Hana engages with that brand, consciously making a connection between the proposition and the issue.

This story can be contrasted with Hana’s friend – let’s call them Hiro – who chooses the exact same coffee because of the design of the label.

Although the transaction is the same, Hiro isn’t an example of a conscious consumer because there isn’t a sustainability connection made. By not engaging with the sustainable part of the proposition, Hiro didn’t recognise that as part of the decision making around quality.

Hana sees the social and environmental impact in the moment, while Hiro doesn’t. Both can become loyal customers, but Hiro could easily switch to competitors that replicate the design and taste of the coffee.

This means sustainability is a fundamental differentiator for brands, and can become a key part of the value proposition for their customers. This starts with consciousness.

If we know how many consumers have the potential to make conscious choices of this kind, it becomes a valuable measure of Japan’s state of readiness for sustainable brand propositions, as well as the potential of shared value creation throughout the entire economy. The challenge is in quantifying this.
Scoring sustainability consciousness

This quantification is what the Sustainability Consciousness Score was designed to do. It starts with the Sustainable Development Goals (SDGs), grouping the 17 goals into 6 core dimensions:

1. Support basic living needs;
2. Promote economic and technological development;
3. Promote social development;
4. Achieve a more equal society;
5. Manage environmental resources; and
6. Conserve the natural world.

This is an important pillar of our data, as it reduces the complexity of the SDGs into a workable set, allowing us to understand how different consumer groups relate to sustainability issues, as well as how much they trust brands to deliver on them.

This doesn’t mean we lose this context, instead it humanises the SDGs into statements that our 6,800 participants can agree or disagree with on scales, across areas of personal, societal, and environmental.

From this we can assign scores to each respondent, through a representative set of the Japanese population between the ages of 15-69, identifying their sustainability consciousness.
Figure 1.1: Sustainability consciousness score profile for population 15–69
Sustainability consciousness groups

There are five groups that emerge based on their level of consciousness, with natural cut off points between them.

Hana, our sustainably conscious consumer, is most likely to be in the light (19%) or moderate (12%) groups. Light people are only conscious in some areas, while moderates are getting to a broader awareness – the people already making sustainable connections for everyday purchases like coffee. People who identify as women make up around 60% of these groups.

We don’t define high (3%) consciousness people as the only ones able to engage with sustainable propositions, although they are the most likely to be making these choices. The high group are a minority of the population, and are unlikely to represent a large proportion of any but the most extreme sustainable actions.

The low (63%) consciousness group are the mainstream who are yet to join the dots around sustainability. Hiro, our design-led consumer, is likely in this group – who we emphasise aren’t against sustainability, they just don’t prioritise it. People who identify as men are a slight majority in the low group.

The negative (3%) group are characterised by disinterest and rejection of the ideas that underpin sustainability, across a broad range of issues. They make up a very small proportion of the population, and we can rule them out statistically.

With consciousness defined in this way, with principles that define sustainable engagement between a brand and consumer, and five consumer groups along a spectrum – we have the foundation to understand how our conscious consumers are driving brand futures.

Mainstream shifts

With our annual studies, we are able to track levels of sustainability consciousness over time, across a range of metrics. The biggest changes between 2021-2022 were shifts at the lower end of the spectrum, with several million people moving from the negative to the low group, and an upward shift within the low group.

This is significant due to the size of the population involved, indicating there has been a shift in education among mass audiences over this period. The media usage of the low group is weighted towards TV, and they are likely to have been influenced by regular sustainability and SDG content across news, documentaries, and advertising.

The upward shift for the entire population is significant but not dramatic, with the peak and median shifting up one point on the scale.

At the current rate of change we would have to wait until around 2030 for the peak in population to sit in the middle of the spectrum.

Transitions like these are rarely steady, and they tend to hit a tipping point that triggers a mainstream shift.
Conscious consumers

Consciousness by generation

Our study covers participant beliefs around parts of their lives beyond sustainability, allowing measurement of areas like media usage, as well as brand perception and other variables.

This includes measurement by generational groups, with beliefs and sustainability consciousness changing based on their shared experiences in society. By normalising the population to compare the composition of each group, we can see proportion of consciousness for each generation.

There is a popular narrative of high levels of sustainability consciousness and agency in Generation Z (born 1997-2006), largely coming out of the United States and Europe.

Our study found that this isn’t the case in Japan, with an even distribution for Generation Z across consciousness groups. Generation X (born 1965-1980) also stay relatively consistent.

In reality, Boomers (born 1953-1964) are the people who demonstrate a steady increase in sustainability consciousness toward higher levels. This is likely influenced by their lived experience and exposure to social and environmental issues over time, combined with seniority in decision making in a hierarchical society.

There has also been a significant push by government and business groups pushing corporate education around SDGs, and Boomers are most likely to be in leadership positions or engaging with business news exposing them to this narrative.

Essentially, the sustainability credentials of Boomers shouldn’t be underestimated, and their economic power makes them important societal actors.

The other key trend is Millennials (born 1981-1996) tapering off at higher sustainability consciousness levels. This group are starting to take on more substantial roles in Japanese society – starting families and getting mortgages while being put under increased pressure within hierarchical work contexts. This means it is likely difficult to make space to focus on social and environmental issues.
Figure 1.2: Sustainability consciousness by generation
Consciousness by dimension

We can also consider sustainability consciousness by intersecting generation with the six dimensions of sustainability – with a key pattern emerging around the expansion of consciousness with age. While the difference between younger generations is negligible, this expands out with Generation X, and again with Boomers.

**Boomer** sustainability consciousness exceeds all groups in all areas, with promote social development, conserve the natural world, and manage environmental resources out in front.

Only achieve a more equal society is relatively close between all the generational groups.
2. Conscious living

There is a correlation between higher sustainability consciousness in Japan and people who are able to make space to engage with social and environmental impact. A Japanese concept to describe this is 余裕 (yoyu), which relates to having the time or resources to feel a sense of ease.

There are a range of groups who over index on sustainability consciousness:

- **Boomers** (born 1953-1964) as a generational group;
- People working in larger companies;
- Higher income households;
- People who identify as female; and
- A significant proportion of people who don’t work.

There is also a link between sustainability consciousness and people who lead active lifestyles – with many people in the high (44%) and moderate (35%) groups also being into exercise, sports, and health. A similar pattern emerges in other areas, with highly conscious people also able to focus on social activities and personal care, as well as music, film, and books.

This ability to make space could be seen as a form of privilege, with the highly conscious often being the same people with 余裕 (yoyu), or the time or resources to become aware and informed about sustainability.
Engaged, not activist

In contrast with the activist-led image of conscious consumers in the West—Japan’s sustainability conscious are better defined as active, informed, and thoughtfully engaged people, who build deep relationships with the brands they care about across categories.

This makes them highly valued and influential customers – putting pressure on brands to innovate for these customers and develop sustainable value propositions.

There are few people overall in Japan who have boycotted brands based on social or environmental issues (17%). This increases for the moderate (20%) and high (34%) consciousness groups, although this is relatively rare in contrast to other actions these groups are taking.

This strengthens the image of conscious consumers in Japan as participants in the system, working with brands on a shared journey toward more sustainable futures.

Low (15%) and light (14%) groups have also boycotted brands, which is high for their consciousness levels, suggesting that brands who break with social conventions in Japanese society are at risk of corporate scandal, negative media, and losing trust.

The 2022 backlash to Yoshinoya’s misogynistic marketing strategy and executive response is a striking example of this, as well as the resignation of the 2020 Tokyo Olympics President due to sexist comments, highlighting the depth of Japan’s problem with gender equality.

Some consumers are boycotting organisations when these scandals hit, but a mainstream audience is yet to connect this to underlying sustainability policy issues, such as changing brands because of their inequitable gender pay gap.

Japan does have a history of post-war political activism, and there are many passionate groups working to promote critical causes today, but this isn’t the mindset shaping conscious consumer behaviours.

Instead of boycotting or rejecting brands, high consciousness appears linked to consumers engaging with sustainable propositions, making informed choices around quality they feel are in line with their personal values and identity.

Figure 1.4: Boycotting brands by sustainability consciousness level
Communications channels

There are a range of channels and events that influence sustainable change in consumers, from TV media through to changes in government policy around plastic usage.

The high (54%) and moderate (45%) consciousness groups placed TV and radio highest, reflecting that while they are engaged with a variety of media, these traditional channels are trusted institutional sources around sustainability. The high group rated environmental groups (33%) above brands (26%) and family and friends (26%), while moderate and other groups placed family and friends second and brands third.

Brands are a relatively high trusted source of information on sustainability, a positive sign for the investments businesses are making. This outcome is consistent with the pace and regularity that Japanese consumers engage with brand communications, and the high level of trust that brands have in general.

Sustainability will be received in a similar way to any other new proposition, and brands need to ensure they are educating consumers and sharing a compelling value proposition.

Figure 1.5: Channels that influence sustainable change
Influencing conscious consumers

This is offset by a disinterest in social media influencers and celebrities when it comes to sustainability, which is a problem for brands in categories like lifestyle, fashion, and sports who rely on them for their marketing. Influencers and personalities were considered a poor source of sustainability information by all groups, from the high (13%), to everyone else (7%).

Essentially the standard brand playbook for lifestyle, fashion, and sports brands is unlikely to work for sustainable propositions.

In the United States and Europe there are influencers who have the knowledge and reach to speak about sustainability performance, endorsing some brands while critiquing others who are doing poorly.

In Japan we have identified influencers who share sustainability content, although this is usually lower impact and effort, making it passive support rather than a social movement. There is a strain of self-censorship in Japan based on a social aversion to challenging systems, with a risk to public endorsement that could damage reputation.

People who speak out most often on sustainability are specialists, academics, or government or not-for-profit leaders – experts who can connect on a professional level but without mainstream cultural influence.

Openness to advertising

With the consciousness groups, the higher the group are, the more open they are to advertising for products they are interested in. This is consistent across the high (82%), moderate (79%), and all other groups (51%).

This may seem counter-intuitive, although should be mapped to an understanding that these groups are interested and engaged in sustainable value propositions, rather than all advertising.

People who would prefer not to see advertising map in the other direction, with high (8%) and moderate (7%) consciousness at lower levels, and all other groups tracking above this (23%).

This means that conscious consumers are open to hearing storytelling about sustainability, and are likely to be highly engaged with this content. This is an important insight for brands, as it adds to the context that these consumers are active, informed, and thoughtfully engaged people, who build deep relationships with the brands they care about across categories.
3. Cultural change

There are deep roots around sustainability in Japanese culture, with practices like sanpo-yoshi and modern contributions such as the 1997 Kyoto protocols, while newer ideas around sustainability, as framed by the SDGs, can be recognised as a cultural import to Japan.

Brands across categories are using these goals as a common framework for their sustainability strategies, making it important to understand awareness among Japanese consumers.

The SDGs were first published in September 2015, introducing a new semantic and visual language to global sustainability thinking. This means that there are likely to be Japanese consumers who are conscious of sustainability in a local context, who are yet to connect the SDGs to long-held cultural concepts and principles.

Our study mapped how Japanese consumers define the word sustainability (持続可能, サステナビリティ), and which of the SDGs they associate with it, through a model that reduces risks around language biases.

There were a series of clear shifts between 2021 and 2022:

• In 2021 there were very few making a connection between sustainability and SDG concepts, with the top response being none of the above (30%). Individual SDG recognition ranged from 9-24% of people.
• In 2022 there was a positive trend with none of the above dropping to 22%, making this lower than half of the SDGs. Individual SDG recognition increased by an average of 5.1%, now ranging from 12-30%.

Consumer recognition of SDGs

A key objective of the SDGs is to highlight the interconnectedness between social and environmental impact. All the SDGs work across these two impact areas, and when you consider what appears to be an environmental issue like protecting life below water, there is always an underlying social challenge, like fishing communities anxious about their futures.

While recognising this objective, to make the study understandable to consumers, we mapped each SDG to the impact area consumers most associate with them, with some categorised as mixed.

This has demonstrated a consistent bias toward environmental issues by Japanese consumers, with the top three SDGs all being environmental. Lower consciousness groups are more likely to associate sustainability with economic issues that have a direct impact on their quality of life, while higher consciousness groups are more aware of environmental issues.

There were four SDGs with the highest of jump of 7% between 2021-2022, indicating that the gap in awareness between social and environmental issues is closing: taking action on climate change, eliminating hunger, reduced inequality, and achieving gender equality.

Another comparison is how Japanese consumer SDG awareness lines up to the four priorities for Japan identified by the UN:
• Protecting life below water (1 in consumer awareness, 30% of participants);
• Taking action on climate change (3 in consumer awareness, 28% of participants);
• Protecting life on land (11 in consumer awareness, 21% of participants); and
• Achieving gender equality (13 in consumer awareness, 20% of participants).

This indicates there is a critical need to increase alignment between consumer awareness and national priorities, with protecting life on land and gender equality appearing extremely low.

Gender equality is a specific imperative for all businesses and brands to focus upon in their sustainability strategy for Japan – ensuring their female and gender diverse employees and customers are able to play meaningful roles and increase their social agency, enabling organisational resilience and growth.
Climate change hitting home

The SDG where there is clear awareness and alignment between Japanese consumers and national priorities is *life below water*. This is a key issue for an island nation (島国だから is a common Japanese saying) with seafood as a primary food source.

Sustainable food production connects to a complex set of social, economic, environmental, and geopolitical factors, making it a shared issue across Japanese society. These issues impacting awareness of *life below water* include:

- Fish stocks dwindling due to overfishing, including by Japanese fleets;
- Sushi growing in popularity around the world, with continual expansion of restaurants;
- Fishing becoming a micro-industry in regional communities, with lack of jobs driving depopulation;
- Climate change impacting migratory patterns of Japanese staples like *sanma* (mackerel pike), threatening ecosystems;
- Japan’s poor reputation around ocean life due to ongoing, yet limited whaling practices; and
- Unregulated Chinese vessels fishing in Japanese waters, including deep sea trawling in which these factory ships are most culpable.

In the context of sustainability transitions, the consumer and national interest around this issue is significant and likely to drive broader political and social action. Communities in Japan are increasingly impacted by climate change at a local level, with challenges for traditional ways of life that are connected to the land and seasons, tying to substantial issues around regional revitalisation.

There have been similar shifts in other countries linked to their local climate challenges. The 2022 Australian election was won by a government making strong commitments on climate, partly in response to bushfires and disasters, and people in California consistently vote for pro-climate policies, expecting action on droughts and forest fires.

This means we don’t need to rely on altruism to drive consciousness and personal choice, with the self-interest of consumers being increasingly aligned to sustainability and climate issues.

For brands trying to play a meaningful role in these issues, they should note these national challenges, while recognising that the SDGs still feel foreign and remote to mainstream Japanese consumers.

SDG literacy

The biggest shifts in sustainability consciousness between 2021-2022 have been across lower consciousness levels, and this is also where we’ve seen the biggest shifts in SDG literacy.

Lower consciousness groups are more likely to associate sustainability with economic issues that have a direct impact on their quality of life, such as *clean, affordable energy for all and eliminate poverty*, while higher consciousness groups are more aware of environmental issues.

For the light group who make up 18% of the population, there are large jumps between 2021-2022, ranging from 8-13%. Jumps for the low group appear less dramatic, but are more significant as they make up 63% of people.

This means mainstream Japanese consumer literacy is starting to align with global definitions of sustainability, building on existing cultural histories and knowledge. This is likely driven by a combination of media indicated earlier, combined with lived experience and daily exposure to problems like climate change and gender inequality. Despite this, *none of the above* is still the most common answer for the low group.

This leads to questions around how shifts in literacy align to a broader sense of agency and empowerment in Japanese society, and how brands can respond to these changes.
Figure 1.8: Top recognised SDGs by Low and Light groups
Sustainability premiums

As consciousness grows with the availability of new sustainable value propositions, this raises the challenge of how much brands should be charging for them, and how much different consumer groups are willing to pay.

Producing new products in a business which hasn’t been reshaped around circular or regenerative models is likely to add costs, which are then passed onto the consumer.

Our study found that many consumers are open to paying a premium for sustainable products, and that this varies by generation. Boomers (26%) are more open to paying a premium, followed by Millennials (20%) and Generation X (20%), with Generation Z (19%) the least likely to pay a premium. However, Generation Z have the highest tolerance for overall price, with 20% saying they would consider paying double.

Different groups have different tastes and sensitivities, and when developing sustainable value propositions they need to provide clear rationales based on consumer insight.

Many brands that ask consumers to pay premiums based on social and environmental impact have struggled to gain traction, and sustainability does not automatically mean consumers will pay more.

This puts pressure on companies to rethink their overall business around sustainable principles, which is a slower process, but less of a risk than failing to innovate toward consumer needs.
Figure 1.9: Sustainability price premium sensitivity by generation

- Generation Z: 38%
- Millennials: 59%
- Generation X: 53%
- Boomers: 67%
Packaging shifts

In terms of consumer shifts, product packaging is the part of sustainability with the most substantial change in beliefs over 2021-2022, with around a 25% jump. Over 90% of consumers believe there is too much packaging on the products they buy, and 77% would switch brands for more sustainable packaging.

This brand switching metric jumped from 33% to 77% between 2021-2022, with a similar change in those willing to pay more for sustainable packaging. This indicates there was a large cultural shift and shared experience over this period.

The shift was likely driven by repeated states of emergency due to the COVID-19 pandemic, where an increase in delivery and food related packaging was arriving in relatively small Japanese homes, leading to a new build up of home rubbish. Work from home policies also became more common during this period, as well as lengthy school closures, resulting in additional waste as more meals and activities were happening at home.

*Mottainai* (a Japanese concept around reducing waste) values run strong throughout Japanese society, with COVID-19 triggering a reality check among Japanese consumers, who for the first time could see the full impact of convenience-led packaging culture.

Brands like Kao, Shiseido, P&G all introduced circular packaging options throughout this period, alongside the introduction of TerraCycle’s Loop recycling model at AEON supermarkets. In addition, multiple sports and lifestyle brands have run prominent *end plastic waste* campaigns, with adidas drawing attention to ocean plastic waste and *life below water*, and Nike in partnership with local startup mymizu.

These have combined with ongoing media coverage around the issue, with stories around ocean plastic, circular innovation, and general anti-plastic sentiment.

For brands looking to make an impactful start to their sustainability transformation, packaging is an open opportunity. Circular innovation is a key way brands are responding to this, and companies that once made products based on customer-centric convenience are starting to experiment with circular approaches that rethink linear ideas of growth.

Note: We explore sustainability price premiums and circular product packaging further in Part 2: Food Systems, with a particular focus on health and food.
Figure 1.10: Packaging attitude shifts 2021-2022

- “There is too much packaging on most of the products I buy”
  - 2022: 91%
  - 2021: 68%

- “Packaging should be able to be recycled as many times as possible”
  - 2022: 90%
  - 2021: 65%

- “More shops should offer refill options”
  - 2022: 91%
  - 2021: 65%

- “I find it difficult to recycle packaging”
  - 2022: 80%
  - 2021: 61%

- “There is too much packaging on the mail order parcels that I receive”
  - 2022: 83%
  - 2021: 48%

- “I would switch brand to avoid excessive packaging”
  - 2022: 77%
  - 2021: 33%

- “I would pay more for eco-friendly packaging”
  - 2022: 69%
  - 2021: 28%
4. Agency and impact

Agency is the belief in the power to change systems through your actions – and to understand the agency Japanese consumers feel they have around sustainability, we need to understand their sense of agency overall.

This sense of agency is generally low in Japan, with just 25% of people believing their actions can change companies, markets, or the world. In terms of generations, Generation Z (born 1997-2006) feel the most empowered about their agency at around 33%, while Millennials (born 1981-1996) feel the least, with their increased socio-economic responsibilities reducing their optimism.

Our study also identified levels of consumer agency in relation to business, the environment, and their own lifestyles – indicating a consistently low sense of agency across all areas:

- Agency toward business is 25% with Generation Z (31%) feeling the most empowered, while consciousness level varies progressively from negative (13%) through to high (63%), with only high people believing their actions can drive business change;
- Agency toward the environment is also low, with all generations around 27%, apart from Boomers (34%) who have a slightly higher belief that humans can avert ecological disaster; and
- Agency toward the impact of one's personal lifestyle is 26%, with Boomers (28%) and Generation Z (27%) slightly higher.
Figure 1.11: Levels of overall agency reported by consciousness group

<table>
<thead>
<tr>
<th>Levels of Overall Agency</th>
<th>2022 Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative</td>
<td>13%</td>
</tr>
<tr>
<td>Low</td>
<td>20%</td>
</tr>
<tr>
<td>Light</td>
<td>31%</td>
</tr>
<tr>
<td>Moderate</td>
<td>40%</td>
</tr>
<tr>
<td>High</td>
<td>63%</td>
</tr>
</tbody>
</table>

Figure 1.12: Levels and types of agency reported by generation

**Overall agency**
- Generation Z: 31%
- Millennials: 25%
- Generation X: 23%
- Boomers: 25%

**Business agency**
- Generation Z: 30%
- Millennials: 24%
- Generation X: 23%
- Boomers: 27%

**Environmental agency**
- Generation Z: 28%
- Millennials: 26%
- Generation X: 28%
- Boomers: 35%

**Lifestyle agency**
- Generation Z: 28%
- Millennials: 24%
- Generation X: 25%
- Boomers: 28%
The optimistic and empowered

With agency measured by either consciousness group or generation appearing relatively low, we assessed whether there was another way to measure this in the data from the study. This identified a group with higher agency, the optimistic and empowered.

These people felt agency across business and the environment, forming a group that makes up 42% of the participants in the study. Boomers (46%) indexed highest, followed by Generation Z (44%), Generation X (39%), and Millennials (38%).

These optimistic and empowered consumers who feel a greater sense of agency also feel a sense of responsibility for the implications of their lifestyles – and are a massive three times more likely to engage in ways to reduce their impact.

Societal agency evidently comes with strong feelings of responsibility and lifestyle guilt for many consumers in Japan. This could lead to the idea of using guilt to drive sustainable impact, which not-for-profits have done for many years, both in Japan and globally.

This is not the right path for brands.

Our study has found that agency and responsibility are intertwined, and brands should focus on creating positive engagement with a customer to build long term relationships, rather than negativity or guilt. For brands this means framing their sustainability propositions in a way that enables positive impact, giving these optimistic and empowered consumers clear options and actions they can take.
Impact purchases

In our study we explore the idea of dollar (or yen) voting – that as a consumer you’re able to decide on the future you want through purchases, and that these can have a positive impact.

This shows similar results to other ways we’ve measured sustainable impact, rising from 22.5% in 2021 to 24% in 2022 across all Japanese consumers. However, when we map this by sustainability consciousness level it is highly polarised, at 10% for the low group and 98% for the high. This is one of the strongest overall beliefs for the high group.

This belief in the ability to achieve environmental impact is higher than general social agency, suggesting that these high consumers see new opportunities for impact outside the traditional economy, as well as through making brand choices.

In the food space, this could mean: engaging with alternatives like farmers markets and community assisted agriculture (CSA) models, buying direct through platforms like Tabechoku, or growing and making food ingredients themselves. This is explored in Part 2: Food Systems, and has implications for many categories.

Given the low group are at just 10%, and that they make up a large proportion of the population, this could lead to the conclusion that it is too early for sustainable value propositions.

This is a mistake – and risks overlooking future tipping points in consumer transitions.

Instead, these insights suggest that by only focusing on the low consciousness mainstream, brands will miss underlying shifts in sustainability literacy.

These shifts are opening up massive opportunities with highly conscious groups, while incentivising sustainable options for the mainstream – parallel objectives that many organisations are already moving toward.
The sweet spot

These insights are reinforced by the 36% of people who want to have a positive social and environmental impact, but just don’t know how.

This is consistent across the sustainability consciousness spectrum, with negative (31%) and low groups responding at relatively strong levels, light (38%) above these, then peaking with the moderate (45% group), with a slight drop for high (41%).

This suggests there is a level of consciousness where the desire for impact intersects with sustainability knowledge, balancing these out – wanting to have a positive impact, but not knowing which brands are sustainable, or feeling confident enough to make informed choices.

From low through to moderate, the increase reflects a growing desire to have a positive impact, but less knowledge. The decrease from moderate to high reflects that they likely know how to have a positive impact, having already made sustainable changes to their lives.

This is a significant insight, with this unmet consumer need at the moderate peak being the biggest opportunity for brands to engage. This moderate sweet spot is the most likely place to achieve return on investment and growth around sustainable value propositions – although could vary between categories depending on how progressed they are in their sustainability transition.

If we consider the basic framework of price, quality, and convenience, we could see this is a demand for a new type of quality, but a lack of availability. People in the moderate group likely want more sustainable quality at higher convenience than is provided today.

This could lead to multiple scenarios for consumers and brands:

- Consumers finding specialist providers, increasing their popularity;
- These specialist providers expand to meet the unmet need;
- Mainstream providers expand to meet the emerging demand; and/or
- Consumers find alternatives outside of the current system (eg. growing their own vegetables).

Brands that aren’t acting upon these are leaving future growth opportunities and competitive advantages on the table.

As more people want to make an impact, and this sweet spot moves toward larger population groups, it will become increasingly valuable. This is an opportunity for challenger brands who can ride the wave to the mainstream, as well as large incumbents who can capture this and move beyond the sustainability status quo.
Sustainability in Japan 2022
5. Category transitions

There are no two categories of brands that are the same, and no two transitions will follow the same path. Our study explores a series of sustainability transitions in the coffee category, as well as mobility and electric vehicles.

**Coffee category**

Thinking about the availability of sustainable options in the coffee category, most of the specialist coffee retailers in Japan today are likely to offer Fairtrade and Bird Friendly varieties. While ethically sourced, these high-end specialist stores only account for a small minority of the coffee consumed in Japan.

Cafés and coffee retailers like Starbucks are not quite in this sustainable category, but have positive brand perceptions for impact, and have made efforts including collaborating with Conservation International.

Coffee is a complex industry with several sub-categories where ethical choices are not provided. Coffee cans that target mass audiences are widespread in Japan, a model dominated by brands owned by Suntory and Coca-Cola. This model is years away from the scenarios where consumer demand drives a sustainable transition, and may require pressure at the corporate level, but there are other ways to show leadership.

When the value proposition in a category is innovated, this usually starts at the premium end, becoming cheaper to produce with learnings and economies of scale, then achieving ubiquity.

Regular, low priced purchases like coffee are significant in sustainability transitions because of the volumes involved, with product velocity enabling rapid transitions, but constraints coming in production. For coffee, the impact of land use practices on climate, biodiversity, and social impact mean there’s much at stake.

**Mobility category**

Products with slower purchase cycles like cars come with sustainability implications throughout their use, making them particularly important. They require a large amount of resources during production and have an ongoing footprint, referred to as Scope 3 emissions in the case of carbon, but this can be applied to other impacts like water use as well.

These infrastructural purchases have a more complex value landscape, especially when the product has a long life span and system changes come into play.

A car purchased today can be complicated to assess in terms of carbon emissions, due to the infrastructure around mobility:

- **Quality**: model design, comfort, lifestyle, trip range (range anxiety), energy efficiency, materials;
- **Convenience**: reliability, charging point and petrol availability, infrastructure resilience; and
- **Price**: purchase cost, electricity or petrol cost during lifetime, home charging installation.

These complex decisions require consumers to be motivated to learn about these factors, and they aren’t just limited to the infrastructural purchases.

Around 50% of the high consciousness group think about social and environmental impact before making a purchase, with 42% doing research. 22% think about impact across all consumers, with 16% doing research.

For categories like mobility where the sustainability proposition is complex, or electric vehicles that need knowledge of entire systems, the effort required to assess impact is high. This is beyond most consumers.
Uncertainty in how infrastructure evolves and at what pace makes it hard to make choices with confidence, illustrating the role of government regulation in these transitions. These barriers are significant.

Category transitions can be difficult to follow for consumers, even at higher consciousness levels, and most people will fail to do the research if the value proposition is too complicated. The role of the brand is to make this considerably easier for consumers, providing heuristics around purchase decisions, while aligning their value propositions with consumer principles and aspirations.

**Emotional benefits**

In both of these cases the shared value created with the customer around the sustainable innovation is critical.

Although a sustainability premium is expected, electric vehicles are already cheaper on a lifetime basis in many countries, although this might not be apparent for consumers. Many of the factors around consumer decisions also exist for price conscious people, making this just as hard for these customers.

When the proposition isn’t clear, consumers will follow existing loyalty and relationships, risking the progress of the transition.

Mobility is a category with significant climate change issues, but it’s also a space where brands are leading transitions – Tesla have used a sustainable value proposition to create an emotional benefit for consumers, accelerating shifts in the industry.

Our study found that consumers are already engaging with sustainable propositions and feeling this emotional benefit. This ranges from *high* (71%) consciousness groups, through to *low* (16%), with 22% overall.

Emotional benefits are powerful, and conscious consumers are already feeling a sense of pride in sustainable purchases, making sustainable impact part of their identity. This drives a positive feedback loop for brands, where customers start to share the brand with their peers, using them as a trusted representation of their values and beliefs.
Positive loops

Tesla have a small market share, but they have a massive share of attention, helping to drive the transition toward electric vehicles. At the heart of their value proposition is that electric vehicles are exciting and aspirational to a mass audience, with benefits around both zero emissions and high acceleration, and a technology story around software and entertainment.

This was so successful in creating demand that competitors began shifting their research and development budgets toward electric vehicle platforms, and while traditional cars are still ahead in sales, it also pushed governments worldwide to ban carbon emitting vehicles from as early as 2030.

For purpose-led brands designing a recognition mechanic into the customer experience can be the difference. This opportunity is actionable by brands and businesses of all sizes.

mymizu have successfully done this in Japan as part of their goal to reduce plastic bottle usage, with a loop between retail locations, users, and community — creating a virtuous cycle that builds engagement. We explore this further in the mymizu case study below.

This means this opportunity is actionable by brands of all sizes. If they can successfully make sustainability part of their value proposition, as Tesla have for mobility and mymizu for hydration, they can accelerate the transitions in their categories.

Food transitions

Sustainability will ultimately transform all categories, and sustainability is on track to be a global standard in a similar way to health and safety compliance today. Between now and that point it will be one of the biggest opportunities for brands to differentiate and create shared value.

The food category is one place these category transitions and loops are already having an impact, which is why we've focused on Food Systems in Part 2 of this report.

There are multiple reasons food is the category most likely to reach a tipping point, all driven by how unsustainable food systems are today:

- Food is responsible for 30% of global carbon emissions;
- Agriculture is causing land degradation, on land which could be used for carbon sinks or biodiversity;
- Exploitative labour practices around global food production; and
- Japan wastes 5.7m tonnes of food per year, around 30% of the food that enters the system.

This represents a massive opportunity for food brands to have a positive social and environmental impact, playing an important role in a country like Japan which places high cultural value upon food. Japanese households spend around 25% of their annual income on food, in contrast with the United States where this is closer to 6% (Statistic Bureau, 2022)
Our study found an interconnectedness between food and health, with a strong correlation between sustainability consciousness and engagement around personal and family health.

Consumers feel a comparatively higher sense of agency around their food decisions having a positive environmental impact, with an average 29% of people across Japan, ranging from the high (71%) group through to the low (22%).

Food also makes up a substantial part of the problem with packaging in Japan, an area where conscious consumers are already pushing for change.

This all makes food a fundamental part of our lives with high relevance across consciousness groups and generations. Conscious consumerism is more apparent in food than in any other category, making food a nexus of sustainability beliefs, and a space that can already provide lessons for brands and organisations looking to drive social and environmental impact.

Figure 1.17: Agency around the positive impact of food choices
Case Study: mymizu

How we built a movement of conscious consumers in Japan

Mariko McTier (Co-Founder, mymizu)

Go to any convenience store in Japan and you’ll find an astounding amount of single-use plastic packaging. That’s why we launched mymizu in 2019 – a circular economy initiative to tackle single-use plastic waste and encourage people to think and act on the environment in their everyday lives.

There was a growing recognition that plastic consumption in Japan was unsustainable, but as a society, we were stuck. The companies we spoke to recognised that they needed to reduce the amount of packaging they produced, but in the same breath bemoaned the “lack of consumer demand”. On the other hand, more conscious consumers were complaining that they couldn’t find companies or products that offered sustainable alternatives.

There was clearly a gap, which meant there was also an opportunity.

We asked how might we find a way to tap into the energy and influence of a growing population of conscious consumers? Could we both grow both interest in sustainability, and the opportunities for brands and businesses to serve this growing market?

Leverage points

Borrowing an idea from systems thinking, we saw a ‘leverage point’.

A fun, creative way to hook people into the sustainability movement, and a first step towards a larger transformation of consumer behaviour that would have a significant and lasting impact.

This leverage point was refilling water bottles. Everyone needs to stay hydrated, and Japan has drinkable tap water. Yet we consume millions of plastic water bottles every day, in a mindless act of environmental destruction. Our solution was two-fold:

1. Make it easy for people to stay hydrated using a reusable bottle, crowdsourcing a network of refill spots; and
2. Create a social movement supporting a behavioural shift away from single-use.

We would build a platform that would develop an infrastructure for plastic-free hydration while shifting people away from single-use PET bottles. At the same time we would create content about the ills of plastic waste, building a movement for sustainable living.

Thanks to our active community, we’ve built a platform of over 200,000 crowdsourced refill spots worldwide to date.

We’ve had over 200,000 people use our mymizu app to find a place to refill their bottle and welcomed over 2,000 refill partners across all 47 prefectures in Japan – shops and businesses where people can refill their water bottle for free. And we’ve worked with some of the world’s leading brands to achieve this, as well as city governments and educational institutions across Japan.

We haven’t entirely replaced single-use bottles, but we’re certainly a step closer.
Learnings about driving consumer behaviour

1. Pull, don’t push

If you want people to join you, focus on what you have to offer, not on making them feel bad – invite them to imagine what their future could look like.

Invoking feelings of guilt might be one way to get people’s attention, especially given the severity of the environmental crises we face, but it can often lead to disengagement and polarisation.

As we’ve seen in the data in this report, 77% of people say they would switch brands to avoid excessive packaging, and 29% report feeling proud when they buy a sustainable product.

In the case of mymizu, we highlighted the problem of single-use plastic starting with PET bottles, and then helped people to connect it to their own choices, and realise how a small change on their part could contribute to solving it. No guilt. No shaming. No talk of ‘sacrifice’. Just an invitation to choose a solution that is better both for them and the environment.

Ensuring that the value proposition for mymizu goes beyond environmental benefits has also helped us to reach beyond the highly engaged, and target people who are just starting to become aware of sustainability issues. For a refiller, one of the core value propositions is staying hydrated conveniently, for free. For a shop owner, it’s an opportunity to connect with new potential customers and increase footfall.

Even as a tiny operation, this approach has helped us to gain over 200,000 users of the mymizu app across some 50 countries, and have many more join us through collaborations with brands and local governments.
2. The power of co-creation

These are multiple examples of the mymizu ‘community’ that plays a key role in building and growing the platform and movement:

- Individuals encouraging their local cafe to sign up to mymizu;
- Shop owners who are proud to promote themselves as a mymizu Refill Partner;
- A whole team of volunteers checking and translating every spot that is added to the mymizu app; and
- Journalists coming to us on a personal mission to tell our story and promote our cause.

We’ve empowered people to go above and beyond the role of a ‘user’, becoming ambassadors and even co-creators of mymizu. We started a movement by offering our community the chance to join us in co-creating their future.

Extending an open invite to be part of creating the solution has also helped us to work with some of the world’s biggest brands. We’ve collaborated with the likes of Audi, Nike, LUSH, and IKEA, creating win-win partnerships to engage their customers in meaningful ways, from plastic-free running activations to the creation of co-branded videos that promote a lifestyle aligned with nature.

Every one of these brands – even the most sustainable – is in part responsible for the environmental degradation we face today through their business practices. However, as strong brands they also hold the power to influence customers in a way that no government or not-for-profit could alone.

The public has been incredibly receptive to our collaborations too, suggesting they are keen to support the brands working with us to create change, even if they aren’t yet perfect.

And it’s not just us taking this co-creation approach – mymizu reportedly served as the inspiration for a Presidential Hackathon in Taiwan in which Digital Minister Audrey Tang combined the concept of mymizu with that of Pokemon GO – creating a gamified, plastic-free tea service!

As the data in this study shows, there is a still small but growing part of the population that is highly engaged on the topic of sustainability, and by inviting them to co-create the solution with us, we’ve been able to turn their energy into real results.

From students creating their own mymizu posters and rallying local businesses to join, to partner shops spontaneously creating large mymizu branded banners to display on their shopfronts, we’ve been fortunate to harness this potential in a meaningful way.

It may have only been a few hundred people to start with, but those highly engaged individuals who were willing to adopt and advocate for an alternative helped us to take mymizu from an idea to a platform that has now reached millions of people. Don’t underestimate the power of a minority of motivated individuals, united behind a shared vision for a better future.
3. Increased awareness is a major opportunity

The data in this study shows a dramatic increase in awareness of the issues surrounding single-use plastic, as well as a growing consciousness of social and environmental impact more generally.

Our experience of empowering conscious consumers to build mymizu into an award-winning initiative suggests that, as a growing number of people try to figure out where to start, there is a major opportunity for brands, entrepreneurs, and activists. Together they can identify and communicate with conscious consumers in a genuine and positive way, building lasting value through co-creation.

Those who can harness the power of this growing cohort of consumers will be the ones who lead the charge and generate social, environmental, and economic value that can benefit us all in the long run.

Mariko McTier is Co-Founder and Representative Director of Social Innovation Japan and Co-Founder of the award-winning circular-economy initiative, mymizu. She has worked extensively with global brands, governments and startups to redesign systems for a circular economy and create meaningful change, and serves in several advisory roles, including as a Council Member for the World Economic Forum’s “Global Future Council on Japan”.

The mymizu app is available for download on iOS and Android.

Details can be found at mymizu.co
Part 2
Introduction

Modern consumer culture has made access to food easier than ever before, particularly in a place like Japan where a high level of customer-centric convenience – symbolised by the ubiquitous convenience store and vending machine – is a societal expectation.

With climate and sustainability becoming higher priorities for Japanese consumers, food systems are acting as an entry point for increased sustainability consciousness, essentially a way for people to reconnect with the planet.

Food brands have a unique intimacy with consumers, and as an industry have been relative leaders in conversations around sustainability, recognising that consumer trust in food systems is critical for their future growth and resilience.

With Japan’s ageing population and world-leading healthcare system, the underlying connections between food systems, health, and sustainability are an overarching trend that emerged in our 2022 study – creating unique opportunities for brands that can reach across these spaces.
Systemic challenges

Japan has a complex and rich food history, from seasonal and prefectural specialities to modern convenience store staples, with broad recognition that the country plays a distinct role in global food culture.

This history has created a sense of stability among consumers in Japan and globally, but there are major tensions and contradictions between the perceived abundance of food in Japan and the reality of our food systems. These tensions appear in multiple ways:

Globalised production

61% of food in Japan is made overseas, with diets diversifying beyond domestic production to meet demands around convenience and cost. The amount of food produced overseas has increased in recent decades, creating new risks around food security and reduced local capacity (Barett et al, 2012).

Food exports

Conversely, the volume of food exports exceeded ¥1 trillion in 2021, with Japan perceived as a premium market by global customers, and local producers seeing stronger returns overseas (Kyodo, 2021). One of our interviewees, Mimura Ichiro from Mikuniya, shared that “Japanese people are forgetting the value of good nori due to supermarket monopolies and a decline in gifting culture. There’s a future where people have a better chance of coming across high quality nori through overseas sushi bars than in Japan.”

Increased volatility

In the future, strains on the balance of supply and demand are expected to grow, with increased volatility in climate and geopolitics. This can have a negative impact on Japan, from natural disasters and global shipping delays, to key crops like rice and fruit being impacted by rising temperatures.

Essentially, at a micro level food is a universal need with a unique intimacy for consumers, but at a macro level there are massive interdependencies to consider.

By zooming out we can start to see the scale of the processes required for food to reach the consumer, from production through to supply and distribution, processing and packaging, retail, consumption, and afterlife, tied together through complex systems of governance.

The complexity of this life cycle has contributed to the disconnect between consumers and their food – and the emergence of conscious consumers, who do seek to understand the system, makes this disconnect a substantial risk for incumbent brands. This disconnect is amplified by the siloed nature of the system, where brands at each stage don’t consider the up and downstream impact of their actions.
Figure 2.1: Food life cycle
Consumer understanding

There is limited understanding among Japanese consumers of how food systems work, with just 21% of people wanting to know where their food comes from.

With minimal experience with problems like food scarcity, these mainstream consumers simply haven’t seen the need to engage with the underlying challenges in the system.

In contrast, the high consciousness group are very engaged with their food, with 57% questioning where it comes from, aligning to their overall sustainability consciousness. These are the people seeding future change.

On the surface level, mainstream consumers continue to focus on traditional factors like: price, taste, product quality, and value – but there are underlying motivations that have a massive impact on how they actually define these areas.

The country and region a food product comes from is the primary information people want to know across all engagement levels, followed by nutritional effects and who made it. These are areas we explore in this chapter as: transparency, provenance and localism, collective health, and circular product innovation.

Figure 2.2: Levels of interest in where food comes from, by consciousness group

It is these considerations, in all cases led by highly conscious consumers engaging with sustainable propositions, with mainstream consumers following, where brands have the greatest opportunity to innovate.

Figure 2.3: Information you would want to know before purchasing a food product
Taking action through innovation

As people in Japan start to actively seek out and ask questions about their food, more brands are investing in responses to the underlying challenges, focusing on the key areas of: transparency, provenance and localism, collective health, and circular product innovation.

The level of relevant innovation brought to market will determine the value Japanese consumers perceive in these brands in the future, with businesses that fail to adapt being left behind.

It is imperative for brands to empower consumers to better understand their food, while respecting history and culture, with innovations that recognise and respond to tensions and contradictions around convenience.

Food is the entry point, providing the trigger for substantial changes in how Japanese consumers will think and act in future – and these changes provide lessons for brands across industries, with similar expectations emerging around fashion, technology, and just about any product or service.
1. Transparency

“For the consumer, transparency simply means knowing how a product was made. A transparent food brand would provide its customers with information on the product’s ingredients, sourcing, production process, sustainability, and so on.” - Alexina Cather, NYC Food Policy Centre

Transparency is a broad area that encompasses: product development, social-environmental issues, regulations and standards, accreditations, and adjacent spaces like provenance. The term is often used interchangeably with traceability, which is the process of mapping the entire supply chain to know which part of a product comes from where.

Brands have mainly used this to identify and resolve problems with defects or issues in a product, but technological advances have started to put this knowledge into consumers’ hands. Providing this useful data to a consumer allows them to make educated and informed decisions about what matters to them – which is especially important in food.

Our 2022 study found that the country and region a food product comes from is the primary piece of information that consumers want to know before purchase. This is 42% on average, even among those with negative perceptions of sustainability, and jumps to a massive 76% for the high consciousness group.

History intervenes

There is history behind why transparency is a concern for Japanese consumers – stemming from a social movement that took place in the 1970s as an aftermath of the Minamata disease outbreak in Kumamoto prefecture (Kondo, 2021).

This was a wake up call for the population, who made a connection between food from the region and mercury poisoning, questioning the impact on their health. Professor Narumi Yoshikawa, from Waseda University, recognised it as: “among the biggest shifts I’ve seen in the way people communicate about food. What once used to be selling just vegetables as they were, overnight people started talking about the quality of the produce, how it was made, by who, and where it came from.”

These reactions were repeated after the Fukushima disaster in 2011, and again throughout 2020-2022 as Japan emerged from the COVID-19 pandemic with increased consciousness around the connection between food and health, with transparency and provenance as the entry point.
Regulations and standards

Regulations and standards surrounding transparency and traceability are becoming more rigid due to increased global trade in food products, alongside the increased consumer consciousness. Brands who share transparent information about products with consumers tend to build a greater degree of trust.

The World Health Organisation (WHO) advise using transparent labels on food products as a policy tool to tackle health and wellness issues such as obesity and diet-related diseases (Bend and Lisner, 2019). They also have an entire sub-organisation called the Codex Alimentarius who guide international food and safety standards including labels and transparency.

In 2020 in Japan, the regulations surrounding product labelling were updated to meet global standards around nutrition, ingredients, and provenance. Change in the update included mandatory calorie count, provenance for the most used ingredients, as well as the explicit listing of allergy causing ingredients (CAA, 2020).

According to Yoshikawa, Japan is still not doing enough and is relatively weak compared to global leaders, with the European Union setting the benchmark for product standards, which brands then end up using globally.

Overall there is increasing pressure from consumers, governments, and global bodies for brands to take action around transparency – with benefits for the brands who lead, and a slow loss of trust for the ones left behind.
Consumer trust

This focus on consumer trust is paramount for brands, with growing awareness among consumers of issues like greenwashing and fake organic labelling of foods. In the context of food transparency, there is a particular distrust of companies using influencers and advertising to talk about their social impact.

When asked: “What makes you trust a brand sustainability claim”, advertising and inspiring messaging were among the lowest sources of trust for consumers, at just 5% of study participants. In addition, social influencers had little impact on decision making around food and sustainability, with 56% of people averse to this form of storytelling.

In contrast, the highest amounts of trust were when there were national or international accreditations attached to a brand or product, as well as when recognised by the Japanese government, local governments, or credible news sources.

Credibility is critical for Japanese consumers when it comes to food and sustainability, and building partnerships and relationships with credible organisations is how brands can build trust.

Accreditations

In terms of making this actionable for brands, accreditations are a way to move forward.

This is essentially asking third party organisations, usually not-for-profits or government agencies, to do an external audit of a particular area, such as: use of organic produce, fair labour policies, regenerative practices, energy usage, or business ethics. If an organisation or product passes standards set by the certifier, the company can then use the accreditation as a mark for ensuring trust with consumers. If they are not yet certifiable they can put plans in place to transition their business model against a roadmap with resourcing, budget, and milestones.

Nationally recognised accreditations such as Japanese Agricultural Standards (JAS) are known and trusted by 53% of study participants, while international accreditations such as Fairtrade were at 46%, the two highest responses around trust.

Consumers understand the importance and value of accreditations, enabling action on their broader expectations around transparency and traceability. Beyond accreditations, there are also opportunities to empower consumers through technology. Use of mobile devices, QR codes, blockchain, artificial intelligence, and other data can give them the exact information they need – areas that forward-thinking certifiers are starting to introduce as part of their standards.
Figure 2.5: What makes you trust a brand sustainability claim?
Case Study: *Fairtrade International*

Fairtrade International is an organisation that promotes fair labor and trade practices in primary industries, particularly agriculture. It's co-owned by farmers and workers, with 1.8m people worldwide involved in the certification across 72 countries.

Fairtrade creates standards and certifications that respond to key issues including: child labour, climate change, decent livelihoods, and gender equality.

**Certification in Japan**

We spoke to Maiko Shiozaki, Executive Director at Fairtrade Label Japan, to understand how Japanese businesses think about certification, and how this contrasts with their global experience.

Shiozaki shared that Japan has been relatively slow to adopt Fairtrade as a source to indicate fairer agricultural practices, but that interest in certifications is growing. The disconnect in consumer awareness in Japan is a challenge, with few consumers pushing for brands to adopt certifications, compared to other markets where brands have felt the pressure to respond.

**Retail leadership**

Shiozaki believes that Japanese brands need to take the lead in positive actions, particularly retail brands. They have a lot of power in pricing and sales, as they are the main touchpoint for the consumer. She is optimistic that this is the path forward for improving our systems, using certifications like Fairtrade to communicate to consumers around adopting more sustainable practices, while empowering them to make informed decisions.

Shiozaki recommends that partners create retail sections focused on Fairtrade and other accredited products to change consumer perceptions around sustainability. Fairtrade Label Japan currently collaborates with AEON and Seven & i, with plans for additional partnerships based around their certifications.

Another path is through school education, with younger Japanese people being more familiar with the concept of Fairtrade than any other age group, partly to do with education around SDGs in classrooms.

**Minimising risk**

These certifications are a key way for organisations to communicate the benefits of their products and services, ensuring ethical practices while minimising risk in product development and supply chains.

The use of certifications will grow in Japan in parallel to consumer consciousness, but in the near term it is likely to be the retail brands driving this, supporting customers with informed decision making throughout their retail experiences.

*fairtrade.net*
2. Provenance and localism

In contrast to what brands might expect after decades of globalisation, people in Japan have heightened expectations around provenance and actively practice localism.

The histories of the 47 prefectures, especially around agriculture and produce, continue to have a formative effect on Japanese society.

Brands are using provenance to elevate their relationships with consumers – from local produce sections in supermarkets with detailed storytelling from farms, through to farm-to-table platforms like Tabechoku facilitating direct sales and conversations between farmers and customers.

Even the Japanese tax system recognises this discourse and the need to connect with local communities. In a unique model called Furusato Nozei, residents in cities can make contributions to their home towns in rural areas in return for credit on their income and resident taxes.

They are then sent speciality goods from producers in the area to help promote and revitalise local economies.

Provenance as a measure of quality

Our study found that provenance is seen by consumers as a key indicator of high quality food, with place of origin (28.6%) coming in alongside lack of chemicals (32%) and enhanced taste (31.4%) as the top criteria for measuring this.

This place of origin for food is almost always expected to be Japan, although the level of this food nationalism varies between types of produce. Made in Japan has a significant lead across every major food type, and is most pronounced in staples like rice, milk, and tea. Only products that are hard to produce in Japan's geography and climate – such as wine and coffee – are considered acceptable imports with the same level of quality.

Figure 2.6: Balance of domestic and international preferences for different food types
Figure 2.7: Consumer definitions of high quality food

- No chemicals, no preservatives (32%)
- Expensiveness (14%)
- Transparency of information (20%)
- Longer shelf life (12%)
- Enhanced taste (31%)
- Founder or producer or origin story (9%)
- High nutrients (25%)
- Scarcity or rarity (12%)
- Good governance and labor practices (12%)
- High popularity/community buzz (11%)
- Limited edition or time scarcity (10%)
- Place of origin (27%)
From collaboration to partnership

While this may appear difficult to overcome, there are a range of opportunities for food brands, including global ones, seeking to tap into Japanese expectations around provenance and localism – largely around forming credible partnerships and collaborations with local producers.

Understanding the local ecosystem for a specific industry or product is a critical part of this, mapping out the key players from local producers to competitors to government, strategically identifying who to collaborate with.

Japan has a long history of balancing competition and collaboration among businesses, particularly with the aim of developing shared value up and down the supply chain, as well as cooperation among competitors in an industry where they share a national interest.

Beyond localisation

Global brands have long used localisation as a way of building relevance and trust with Japanese audiences, but this form of storytelling no longer resonates with the conscious consumer, and the mainstream aren’t far behind.

With the majority of brands making surface level commitments to sustainability, while failing to change their fundamental business models, this risks being seen as a form of greenwashing.

With this Made in Japan discourse, local brands have a structural advantage when building trust with Japanese consumers, although they can also benefit from global partnerships. In the food space, this creates two way potential where global brands can tap into the diversity of produce at a prefectural and municipal level, while Japanese brands and products gain global reach.

The high consumer affinity for domestic products can also lead to new cost analyses of where products for Japan should be made. There is often a strong case for shifting production to local parts of Japan to meet consumer expectations while strengthening operational resilience.

By learning from a Japanese shared value approach to business, global brands can start to adopt these truly local models – creating new opportunities by making investments that place equal weight upon sustainability, partnerships, and storytelling.
Case Study: Blue Bottle Coffee

Founded in 2002 by James Freeman, Blue Bottle Coffee has gained a cult following for their quality coffee sourcing, design aesthetic, and store ambiance. They boast stores across the United States, Japan, South Korea, Hong Kong, and China – with Japan as the cornerstone of their Asia Pacific operations, launching in 2015 and rapidly growing to 24 cafes across the Kanto and Kansai areas.

The company mission statement is to ‘connect the world to delicious coffee’, focusing on three primary values: deliciousness, hospitality, and sustainability.

Culture of openness

From the start Blue Bottle have created a culture of openness between barista and customer, with the brand priding themselves on relationship building, from Freeman pouring hand drip coffee at the first Blue Bottle in an Oakland farmers market, to their company-wide customer engagement training that follows a five-beats process.

Blue Bottle strives to tell the story behind each coffee selected and train their baristas to share about provenance, flavour profile, and pairing recommendations for each type.

This attention to detail extends up and down the supply chain, with Blue Bottle engaging in partnerships with local farmers to source their coffee, emphasising direct relationships and shared value over obtaining accreditations. Blue Bottle Japan General Manager, Ryo Itoh, clarifies that mandating for affiliated farmers to obtain Fairtrade and organic accreditations can constrain relationships and limit the potential for collaboration. Instead accreditations are used as an addition to support farmers where needed.

Carbon neutrality

In 2021, Blue Bottle announced a pledge to reach carbon neutrality by 2024. What stands out to Itoh is how the pledge encompasses the entire product lifecycle, meaning that Blue Bottle is committing to engaging in sustainable policies and practices from farm to end-of-life and post-consumption waste. In Japan, this means initially improving on the sustainability of cafe operations and working toward zero waste.

Itoh views this sustainability goal as a core part of their brand purpose and values, emphasising: “The first thing [Blue Bottle] should do is to ensure that people enjoy the coffee and food and find them delicious; from there, we can share our message better.”

Brand values

The focus on their values of deliciousness, hospitality, and sustainability mean that the brand is able to respond to shifting customer and employee expectations in these areas, creating a meaningful experience for all stakeholders.

This elevation of their mission is how the most successful brands are able to adapt to sustainability, moving beyond ESGs and accreditations by focusing on what really matters to their organisation.
Ryo Itoh, Kiyosumi Shirakawa Blue Bottle Coffee
3. Collective health

Health is a critical leverage point for brands wanting to engage with consumers in Japan, with food and nutrition being of paramount importance to a broad spectrum of people across society, encompassing a collective definition of personal, family, and societal health.

Health has always been an important part of Japanese culture, starting from shokuiku (food education) as part of the elementary school curriculum, through to the balanced and nutritional food and produce that act as pillars of Japanese cuisine: beans, grains, fruit, mushrooms, seaweed, and root vegetables.

The traditional Japanese diet of washoku emphasises positive health outcomes, and has been included in the UNESCO list of Intangible Cultural Heritage (2013). Another concept, satoyama, refers to cultivated valleys above broad plains and forest hillsides, culturally representing the balance between people and nature – and is commonly associated with seasonal and natural food from local areas and prefectures.

Japanese consumer values around health and food are reflected in the high life expectancy rate, which has also contributed to problem of the ageing population. This longevity is partly driven by this confluence of health, food, and uniquely Japanese produce and diets – alongside long term government health care policies.

Health expectations

Across every sustainability consciousness level and generational grouping, the through line that connects their expectations and values is health.

Our study identified a series of intersecting data points making this connection:

1. Health for my family (41%) and personal health (40%) are the most important values in their lives, coming in first and second highest;
2. Health and nutrition (31%) was the second highest piece of information people want to know when purchasing food products;
3. Whether products have additives or preservatives (32%) is the top consideration when evaluating food quality; and
4. I’m concerned about my future health (31%) is the top selection around health and food behaviours.

There is some variation for personal health (29-55%) and family health (17-44%), with people at low and negative levels tracking considerably lower, although this likely indicates they have less social capital and time to think about health, rather than not valuing it.

There are also a series of health concerns raised in the study, with high levels of reporting around: feeling stressed or mentally tired (29%), concern about obesity (21%), not getting enough sleep (17%), and use of supplements (15%).

These suggest that the connection between health to sustainability has a social as well as environmental element, with brands needing to focus on both of these areas to enact change.
Figure 2.8: Personal and family health

Personal health

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<tr>
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<th>Percentage</th>
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<tr>
<td>Negative</td>
<td>26%</td>
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<tr>
<td>Low</td>
<td>34%</td>
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<td>Light</td>
<td>55%</td>
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<tr>
<td>Moderate</td>
<td>62%</td>
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<td>High</td>
<td>53%</td>
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41% (2022 Avg.)

Family health

<table>
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<th>Category</th>
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<tr>
<td>Negative</td>
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<td>Moderate</td>
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<td>High</td>
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40% (2022 Avg.)

Figure 2.8: Personal and family health
Figure 2.9: **Self identified behaviours around health**

- I don’t get enough sleep & enough rest: 17%
- In general, I feel I eat right: 14%
- I try to eat a regular diet: 30%
- I smoke cigarettes: 10%
- I feel stressed or mentally tired: 29%
- I exercise and do sports regularly: 23%
- I am concerned about obesity: 21%
- I am always looking for new ways to live a healthier life: 9%
- I make sure to eat organic foods: 4%
- I regularly cook with fresh food rather than canned or frozen: 13%
- I consider myself to be in good health: 14%
- I am careful not to eat too much sugar or salt: 22%
- I take supplements to maintain & improve my health: 15%
- I prefer eating a healthy breakfast every day: 18%
- I believe you are what you eat: 18%
From personal to collective health

Although there is high awareness of health for individuals and family, there is also a significant need for consumers to increase their understanding of the interconnectedness between health, food systems, and sustainable impact.

Ensuring people make this connection between personal health and the health of the planet is critical for our future.

Our study found that there are consumers making this link, with participants highlighting the SDGs they perceive as challenges when it comes to food production, including: Protecting life below water (33%), Protecting life above land (27%), and Climate change (18%).

These lead into related problems around consumption and the environment:
1. Pesticides and fertilisers being linked to diseases like obesity and diabetes;
2. Large scale farming and monocultures resulting in food with low nutrients;
3. Groundwater and surface water contamination;
4. Air pollution through the transfer of food supplies;
5. Pollution from farming practices;
6. Standards and regulations failing to keep up with consumer behaviours or being watered down through lobbying (Foodprint, 2020).

The more people are aware of these problems, the more ramifications there are for brands. Conscious consumers, who have heightened concerns about health and food, are laying the groundwork for change in purchase behaviours around food products.
Changing diets

This intersection between sustainability, health, and food is leading to new behaviours around diet types – with an aversion to additives, a preference for premium products, and the need for food to be healthy and sustainable.

Our study identified a range of changing behaviours among participants, as well as the main triggers for change, including:

1. 88% of people have made recent changes to their diets;
2. 33% of people are open to reducing their meat consumption;
3. 15% are trying to reduce their junk food consumption; and
4. 11% are either vegetarian, vegan, or flexitarian and removing meat from their diet.

The primary reason for these shifts was health concerns (49%), related to personal health as well as doctor advice, which likely links back to the required annual health checks performed by all Japanese workers.

Only a small group identified social and environmental reasons (6%), as well as animal rights, however these were the primary reasons for conscious consumers. These high consciousness groups were likely to make changes for a combination of reasons, pointing to a general anxiety around health and food with a need for continual change.
Figure 2.10: Reasons for diet and food decision making

- Health concerns:
  - Low: 21%
  - Light: 46%
  - Moderate: 61%
  - High: 15%

- Personal health Premium:
  - 24%
  - 20%
  - 18%
  - 30%
  - 37%
  - 38%

- I have always eaten this way:
  - 39%
  - 39%
  - 37%
  - 38%

- Concerns over appearance:
  - 7%
  - 9%
  - 15%
  - 20%
  - 23%

- Environmental reasons:
  - 1%
  - 3%
  - 5%
  - 7%
  - 21%

- Doctor's advice:
  - 2%
  - 3%
  - 4%
  - 5%
  - 8%

- Animal rights:
  - 2%
  - 3%
  - 3%

- Allergy:
  - 1%
  - 3%
  - 5%

- Religious reasons:
  - 1%
  - 1%
  - 1%
Aversion to additives

Additives have had a distinct stigma within the food and beverage industry, while at the same time most large businesses use them liberally: “Most brands use additives and preservatives to lower the cost of a product, it’s everything that you see after the slash mark on Japanese labels”, shares Sonoko Toukairin from Oisix, a veteran in food product development.

Japanese consumers are concerned about artificial chemicals and products impacting their health, with the assumption that this can cause issues regardless of whether the chemical is harmless or not. As noted, Whether products have additives or preservatives (32%) is the top consideration for consumers when evaluating food quality.

This leads to an overall affinity for products which are considered natural and unprocessed, which brands need to consider when developing their products.

Premium on products

Brands often place a premium on products that are considered to be better for the environment, social impact, or our health – reflecting one of the key tensions between convenience and quality in our society.

Our study explored consumer perception around these premiums, and whether people are willing to pay more for different categories of products, particularly in the food space:

1. Health Premium

21% of Japanese consumers indicated they are open to paying a premium for healthy food products. This contrasts with the 46% who were unsure about this, indicating the need for specific storytelling and product information to make informed decisions.

When paying a premium, 44% of participants shared that they would pay 10-50% more for a food product that improves their health. These consumers aren’t enthusiastic about paying a premium, but will do it if they can see a benefit for their overall health and wellbeing.

Unsurprisingly given the connection between health and sustainability, this willingness to pay a health premium is significantly higher for conscious consumers (49%), with low (17%) and negative (11%) consciousness levels prioritising price.

2. Eco Premium

An eco premium is an additional cost added to a product with environmental or social benefits, such as being a carbon neutral or fair trade product.

Japanese consumers value eco premiums significantly lower than health, with just 10% of participants open to paying a premium for a sustainable product. When paying these eco premiums, 37% of participants shared they would pay around 10% more.

In terms of outcomes, most mainstream consumers are focusing on other definitions of product quality. While this premium is important for the high (41%) consciousness level, other levels drop off considerably, especially the low (8%) level who make up the majority of the Japanese population.
Figure 2.11: Health and eco premiums by consciousness level
Case Study: Coca-Cola Japan

Coca-Cola are the biggest beverage company in Japan and globally, established in the Japanese market in 1957 and since growing to the point where “Coca-Cola” is one of the most common English words in Japan.

Social responsibility, wider impact

While they might not have started as a sustainability driven brand, the scale of Coca-Cola’s operations mean that even small changes can have a massive impact. Ryoko Akazawa (Coca-Cola Company Japan & South Korea OU Strategy Director), led our conversation with an emphasis that: “considering the amount of impact we have, we have a role to play in creating a more sustainable and a better shared future.”

Social responsibility has been a priority for the organisation for decades, taking significant steps toward a series of recycling initiatives and advances in reduction of environmental impact through manufacturing processes and consideration for total product lifecycles. The company recently launched products using 100% recycled PET bottles as well as label-less packages.

These efforts do change how consumers think about brands, with our 2022 study finding Coca-Cola as a company ranked second in the beverage category in perceived social impact, and third in perceived environmental impact.

Everyone has a role to play in the ecosystem, and while smaller players often initiate change, it’s often larger organisations – with the ability to reach mainstream consumers – that shift the bar on key sustainability metrics.

Focusing on health

As a marketing-led organisation, Coca-Cola Japan work toward the evolving priorities of Japanese consumers, viewing health and wellness as key areas for both customers and their future growth as a business.

There are Coca-Cola options with zero sugar or caffeine, with the brand offering a range of options for consumers: “We strive in offering great tasting drinks with health-oriented functions and see the needs changing as the consumers’ lifestyle evolves either through surroundings or by age” says Akazawa.

These trends have been especially popular in the Japanese market, where health is of high importance for consumers, with different approaches across generations. Akazawa shared that: “50’s and above have culturally engrained handed down knowledge around maintaining their health, considering health through what they consume. In contrast, younger generations have a more practical approach to health, focusing on story and packaging.”

Personalised experiences

Akazawa describes: “personalisation and customisation as the next frontier in supporting individual needs across many sectors”, providing people with unique products designed for their individual health status, through diagnostic information and smart devices.

This approach could help bridge the knowledge gap between generations, sharing traditional knowledge around health with younger consumers, while providing compelling new products and stories for the older group.

“We don’t know the answer yet, but are excited to see where it takes us” Akazawa shares, as they continue to change their brand, tapping into new product and service opportunities to support Japanese customers at scale.

cocacola.co.jp
4. Circular product innovation

Japan is one of the largest consumers of plastic in the world, with complex levels of product packaging that far exceed global norms, and mass production that has embedded plastic use across our day-to-day lives. This is complicated by the use of thermal recycling of plastic, where it is incinerated to generate electricity.

In the food space this is tied to assumptions that plastic packaging protects health and safety, with plastic playing a role in the norms around how food in Japan is consumed – from the packaged oshibori that come with every meal to the multiple plastic layers on fish and meat at the supermarket.

There are a new wave of purpose-led brands and conscious consumers pushing back on this extreme overuse – fuelled by government regulations, media coverage, and a popular movement to promote alternatives to plastic.

Circular innovation – particularly around product packaging – is one of the primary ways that brands are responding to these challenges. Companies that once made products based on customer-centric convenience are experimenting with circular approaches, rethinking linear ideas of growth.

These circular models are deeply aligned to the expectations of the conscious consumer, creating new definitions of quality and trust with massive opportunities for brands.
Product packaging

Packaging is one of the first touchpoints that consumers interact with when buying a product, telling a story about the value proposition a brand is looking to convey.

Our study found that Japanese consumers have universally strong views on packaging, with 91% of participants believing there is too much packaging on the products they buy, 90% supporting recycling schemes, and 90% seeking more refill options from stores. This sentiment carries through into beliefs on eco-packaging, deliveries, safety, quality, and aesthetics.

While just about everyone in Japan acknowledges the scale of the problem, there are notable variations between the high and low engagement groups.

The high consciousness group demonstrate a progressive series of beliefs around packaging. They are the top group for recycling and refill options (98%), most willing to switch brands (88%), the happiest to pay more for eco-packaging (88%), believe it's relatively easy to recycle (51%), and that packaging doesn’t need high levels of protection (61%) or aesthetics (52%) to represent quality.

In contrast, the low consciousness group – making up 63% of people in Japan – point to a new imperative for brands to prioritise both sustainability and aesthetics in packaging. They have high expectations on recycling and refills (89%), are open to switching brands (77%) and paying for eco-packaging (70%), but find it difficult to recycle (85%), and expect high levels of protection (81%) and aesthetics (74%) so they can count on quality outcomes.

Overall, product packaging is an aspect of sustainability where people in Japan are highly progressive, with relatively small differences between the high and low consciousness groups.

This significant outcome demonstrates that sustainable packaging and associated practices of reducing, reusing, and recycling have evolved into mainstream beliefs that are part of the public consciousness.
Case Study: **AEON x Dow**

AEON is Japan’s top retail conglomerate, with a growing presence across South East Asia. Dow is a material science company with a portfolio of plastics, industrial intermediates, coatings, and silicones. Together, they are unlikely allies in the mission to reduce food loss in Japanese society, one of the most significant drivers of carbon emissions.

Although they don’t trade directly with each other, Dow resins are used in the plastic films for packaging that AEON supermarkets use for fresh meat products. Recognising their shared carbon commitments, they identified an opportunity to collaborate directly on this packaging, while working to overcome consumer misconceptions around food quality.

**Packaging challenges**

We know that the growing numbers of conscious consumers are actively looking to avoid excess packaging, particularly the plastic packaging that comes with food. This contrasts with supermarket environments where plastic wrapping is a health and safety requirement, helping to keep foods fresh and extending shelf life, as well as reducing food waste when left unsold. When foods have a large carbon footprint – beef and lamb in particular – packaging can be critical for minimising negative impact, including the invisible cost of energy and materials during disposal.

**Shared goals**

We spoke with AEON and Dow* about their collaboration, and their shared corporate goals for both carbon emission and food waste reduction:

1. By 2050, Dow intends to be carbon neutral (Scopes 1+2+3 plus product benefits).
2. AEON to be zero carbon by 2050, while cutting food loss by 50% in the supermarket and retail locations by 2025.

The solution designed is a vacuum skin packaging (VSP), enabled by Dow’s products which are already used in other countries. It works by tightly sealing meats in carefully formulated plastic film. The combination of the film’s protection and the removal of residual oxygen around meats, while meeting stringent health and safety regulations, extends the life of the product by days compared to standard plastic cling wrap. Through the reduction in food waste, combined with the need for less packaging material, VSP provides a better protected product and improves the environmental footprint of the whole system, by avoiding the need to overproduce meat at a cost of up to 100kg of CO2 emissions per kilogram of meat produced.

**The consumer perspective**

The counterintuitive story of climate-positive plastic packaging is one challenge to overcome, but in Japan there is also a unique misconception among mainstream consumers that needs to be considered.

Japanese consumers have become accustomed to the bright red colour of meat when its surface is oxidised by the air inside a cling film wrapped polystyrene tray. They perceive this as a sign of freshness with a longer shelf life, where in reality the natural color of meat is generally darker, with VSP preserving this fresher, safer state longer.

**Looking up and down the value chain**

AEON and Dow operate at opposite ends of the life cycle, one in production, and the other directly with the customer, but have discovered new benefits by aligning around common goals. This cause and effect is connected in both directions, with collaboration across all touchpoints enabling new innovations and education, allowing them to meet their sustainability commitments.

*aeonretail.jp*

* In Japan, a joint venture, Dow Mitsui Polychemical Co., Ltd., manufactures and markets under the license from Dow.
Figure 2.12a: Packaging beliefs by consumer consciousness level

- There is too much packaging on most of the products I buy
  - Negative: 70%
  - Low: 90%
  - Light: 95%
  - Moderate: 96%
  - High: 96%

- More shops should offer refill options
  - 75%
  - 89%
  - 94%
  - 97%
  - 98%

- Packaging should be able to be recycled as many times as possible
  - 71%
  - 89%
  - 94%
  - 97%
  - 98%

- There is too much packaging on the mail order parcels that I receive
  - 79%
  - 85%
  - 81%
  - 79%
  - 73%

- I would switch brand to avoid excessive packaging
  - 47%
  - 77%
  - 78%
  - 80%
  - 88%
<table>
<thead>
<tr>
<th>Belief</th>
<th>Negative</th>
<th>Low</th>
<th>Light</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>It's important to have enough packaging to protect the products</td>
<td>84%</td>
<td>81%</td>
<td>71%</td>
<td>67%</td>
<td>61%</td>
</tr>
<tr>
<td>I find it difficult to recycle packaging</td>
<td>86%</td>
<td>85%</td>
<td>75%</td>
<td>67%</td>
<td>51%</td>
</tr>
<tr>
<td>I would pay more for eco-friendly packaging</td>
<td>32%</td>
<td>70%</td>
<td>69%</td>
<td>72%</td>
<td>88%</td>
</tr>
<tr>
<td>I can judge a product by the quality of its packaging</td>
<td>56%</td>
<td>73%</td>
<td>66%</td>
<td>65%</td>
<td>64%</td>
</tr>
<tr>
<td>Packaging should be beautiful as well as functional</td>
<td>67%</td>
<td>74%</td>
<td>62%</td>
<td>63%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Figure 2.12b: Packaging beliefs by consumer consciousness level
Food waste

Food waste is another significant concern in Japan, a consequence of the customer-centric convenience store and supermarket culture that dominates the food space. Japan wastes over 25 million tons of food per year, out of which 6 million was still edible, the highest food waste per capita in the Asia-Pacific region (MOE, 2021).

This is a large financial and operational burden for both local and national levels of the Japanese government, with annual burning and landfill costs of over 2 trillion yen (Kajimoto, 2021). This also leads to soil degradation, with high chemical-input based systems adding to challenges around carbon. As a result there is significant regulatory pressure to reduce this waste.

This is also a concern for consumers, with 65% of participants in our study agreeing that food waste is a problem for Japanese society. Japan’s strict food regulations mean we have the shortest shelf lives in the world, with risk-averse retail stores fearful of consumer complaints. This dichotomy between retail stores and consumers is a clear opportunity for food brands.

With mounting pressure from both the government and consumers seeking change in mitigating food loss, companies like Oisix have been coming up with creative solutions to tackle the problem, leveraging circular thinking to reuse and upcycle waste.

Leaning into this socio-environmental problem of food waste, and going through the process of rebranding and upcycling these items, provides an opening for brands to address their impact on the planet, while responding to consumers seeking sustainability-driven products.

With the likelihood of continued volatility in our climate and geopolitics, looking for unexpected opportunities in our food systems is one way brands can continue to grow, building their resilience.
Case Study: Oisix

Oisix ra Daichi are a Japanese online supermarket and meal kit company formed in 2017 as a merger between Oisix and Daichi wo Mamoru Kai. They’ve been working to disrupt current notions of waste through a series of experimental product lines developed over the past year as part of their Green Project initiative.

Primarily an online subscription company with their website as the primary sales channel, they’ve recently complemented this through a retail collaboration with CHOOSEBASE SHIBUYA, a store that curates products focused on social and environmental impact.

As Oisix’s product development capability grows, they’re aiming to build new partnerships with food producers and retail spaces, working with up to 100 additional companies in the coming year.

Green Project: Upcycle by Oisix

In response to growing environmental problems, the Green Project department was an initiative launched in 2021 to accelerate creative solutions in the food space. We interviewed Sonoko Toukairin, Green Project Lead, who has over two decades of experience in food product development.

The first challenge Green Project decided to tackle was waste from food production companies. When making products like frozen broccoli or eggplant, one of the biggest byproducts of the process is the stalk or calyx. Upcycle by Oisix has identified ways to reprocess these leftovers by freeze drying and seasoning them to become a healthy snack. By taking a product that would usually be seen as waste, and telling a positive sustainability and nutrition story around it, Upcycle by Oisix pushes consumers to make a mental connection between food systems and health: “We start with food as the most enjoyable thing, and this enjoyment leads to health.”

Fuzoroi Radish and Radish Boya

Oisix ra Daichi have created another initiative called Fuzoroi Radish, sold by Radish Boya – with fuzoroi meaning irregular or ragged – a concept similar to that of ugly vegetables. Carrots with extra limbs, bruised apples, or just about anything that falls outside the conventional retail standards of supermarkets is considered fuzoroi. Depending on the vegetable, anywhere from 20-40% of those grown are considered not to standard and disposed of (Independent, 2019). Fuzoroi Radish aims to rebrand this image of non-standard vegetables or fruit, changing Japanese consumer perceptions of what food quality means. They don’t charge less for deformities, instead using storytelling to highlight the challenges around these beliefs, winning over more customers by starting a conversation.

The initiative was launched in 2021, and has since been extremely popular with subscribers, supported by the communications Oisix and Radish Boya facilitate between consumers and farmers, where producers and buyers can share their appreciation for sustainable decision making. When we asked why Oisix and Radish Boya customers consistently return to purchase sustainable products, Toukairin shared that: “There are a lot of people in Japan who are really interested in cooking, not just people as a high skill level. Many of our customers can’t cook, but want to learn or challenge themselves in some way, which means our suggestions and products provide effective support.”

Building on consumer passion

Oisix see their success as building on rising Japanese consumer passion and interest around cooking and knowing where their food comes from. Through their products customers get to learn and contribute to reducing the problem of food loss, while supporting the livelihoods of the small scale organic farmers. This is aligned to the ‘mottainai’ spirit in Japanese culture, rather than necessarily being seen as sustainable.

By rebranding products that were previously defined as waste, Oisix and Radish Boya have triggered meaningful conversations with their customers, using sustainable storytelling as the entry point for rapid growth in their business model.

upcyclebyoisix.jp | radishbo-ya.co.jp/brand/fuzoroi
Case Study: **The Ethical Spirits & Co**

The Ethical Spirits & Co. was established in Tokyo by Yuya Yamamoto in 2020. The brand aims to highlight agricultural byproducts and other overlooked ingredients to produce craft gin. In the two short years since its launch, it has already gained international acclaim at both the World Gin Awards and the International Wine & Spirits Competition.

Some of the unique sources their aromas have come from, in separate spirits:
1. Cacao nibs: outer shell of cacao beans;
2. Coffee grounds: left over grinds after making coffee; and
3. Thinned-out Sudachi: a variety of citrus found in the Shikoku area.

**Rethinking waste**

This model of using byproducts from sake production, as well as usable ‘waste’ with a unique aroma, makes their spirits part of a new, sustainable business movement tied to regenerative thinking.

Yamamoto identified that people who were interested in craft coffee were also interested in craft gin, and while gin isn’t consumed daily, coffee is. By experimenting with high usage products like coffee, Ethical Spirits are able to start new conversations with consumers about what they could do with byproducts like coffee grounds – educating and increasing consciousness around food waste and consumption ethics.

There are also people who don’t consume alcohol, so a goal of this new endeavour is diversifying their product offering while maintaining and strengthening their value add to society.

Yamamoto shared that: “A spirit like gin can last for about 5 to 10 years, decreasing the risk of loss as there is no expiration date. Spirit making helps extract two key values from food products. The first being an increased shelf life of the product, and as an extension of that the value of the product itself. If you think about it, if you use something that was going to be disposed, you get 10 times the value out of the same product. When this is multiplied by 1,000, the amount of waste saved is also multiplied by 1,000.”

**Business implications**

Yamamoto believes that the way that current food systems are designed is too catered toward convenience for consumers, without thinking about the implications for businesses.

For a small scale sakakura (sake brewery) it doesn't make sense to invest in a waste reduction system that would cost them more than disposing of the waste. According to Yamamoto: “Around 70-80% of sake byproduct goes to waste. Most of the large scale brewers send a considerable amount of sakekasu to the supermarket. However, most of the smaller scale brewers cannot keep up the maintenance and distribution of the byproduct making it easier to throw them out. That is where we come in to help these smaller sakaguras.”

A company like Ethical Spirits allows for the support of these small businesses in Japan, eliminating waste without the cost implications.
Impactful storytelling

Ethical Spirits’ Futaba Gin is a prime example of how they bring together impactful storytelling with waste alleviation.

This gin was produced in collaboration with chef Jo Takasaki, whose restaurant was destroyed by the 3/11 Tohoku earthquake. Using tomatoes and marigold found in Futaba town in Fukushima prefecture, this gin was produced to support local regeneration, and is sold exclusively at Ethical Spirit’s shops and at Takasaki’s restaurant JOES’SMAN2 in Tokyo. An exclusive version of this gin was also developed for sale in Fukushima only.

This collaboration allows for the community surrounding JOES’SMAN2 to hear the stories about the development of the product, while inspiring customers to visit Fukushima and contribute to rebuilding the local economy.

Connecting with community

The sustainability challenge for many brands is around how to connect with community, rather than just consumers – something that Ethical Spirits achieved by starting with a common network of gin lovers, tying their passion to a more holistic understanding of food and health.

By making connections between common products like coffee and their communities, Ethical Spirits have sought to rewrite existing narratives, seeking to move beyond the ‘craft gin’ label, to ultimately become a standard bearer for their industry.

ethicalspirits.jp
5. Brand perception

There are a set of brands who have successfully focused on purpose and enacted meaningful strategies, enabling them to be ahead of the game when it comes to sustainability. One aspect our study set out to understand is whether this has had an impact on consumer perception of these brands, and what triggers their perceptions around social and environmental impact.

We considered a selection of 34 brands related to food, both Japanese and global, from small to large businesses.

Key relationships

A critical finding is that the more engaged people are with a brand – with a deep level of trust and connection – the more likely they are to perceive that brand as being sustainable, especially in terms of social impact. This would appear to favour larger businesses with extensive marketing budgets such as Suntory, Coca-Cola, or McDonalds, who can shift engagement metrics through storytelling and investment.

We also see a relationship between perceived social and environmental impact – the more a brand is seen to be doing for society, the more positive outcomes are assumed for the environment. Essentially, consumer recognition of business socio-economic contributions are acting as a halo effect.

This is why there are also notable cases of smaller purpose-led brands and businesses being recognised for their commitment to social and environmental impact, such as People Tree and Patagonia Provisions, demonstrating that scale isn’t the only way forward.

Whether large or small, brands looking to lead in sustainability need to focus on both social and environmental issues.

Consciousness and agency

Consumers with a high degree of agency and sustainability consciousness tend to rate brands higher in terms of environmental impact. This correlates with this group seeking out more information on sustainability actions and initiatives – highlighting the need for brands to take meaningful action in this space, especially as these consumers are less susceptible to assumptions about business having a positive societal impact.

Generation Z (born 1997-2007) have the lowest overall sustainability consciousness score, while rating brands highest in terms of both social and environmental impact. As a mainstream audience seeking out less information on sustainability, this group are viewing companies with a less critical eye, and are likely more susceptible to sustainability related messaging. Brands are using this to their advantage with greenwashing, but this will backfire as a long term strategy as this group slowly increases their economic and social agency.

Significantly, our study also identified that consumers across groups are drawing a clear connection between product quality – one of the critical measurements for purchase behaviour – and social and environmental impact. Focusing on product quality is an entry point into the sustainability space, and this opportunity will grow as more people adopt the behaviours being modelled by conscious consumers.
Cross-category brand perception

In terms of cross-category trends, it’s the food and convenience store brands who lean slightly toward higher environmental impact perception among Japanese consumers, while beverage brands score higher on social impact.

Chocolate brands have relatively weaker sustainability perception, and department stores come in lowest – suggesting both these categories have significant room for improvement.

Overall, it’s important for brands to consider their category context, as there is likely to be industry specific goals to focus on to improve their perception among Japanese consumers.

In these cases, collaboration with competitors is a good way forward, as demonstrated by the Cocoa Coalition, which includes Ferrero, Hershey, Mars Wrigley, Mondelez International, Nestle, and Tony’s Chocolonely, as well as NGOs, certification bodies and multistakeholder organisations.

For global brands, another problem is ensuring storytelling is relevant and meaningful for consumers in Japan. Brands may be taking action internationally that is less relevant for Japanese audiences – often with a focus on American or European social and environmental challenges and priorities – impacting their overall scores.

This is a consistent challenge for companies with both global and Japanese divisions, with organisations believing they can simply localise their global sustainability strategies and communications, rather than focusing on what actually matters for Japan.
Figure 2.13: Perceived social and environmental impact
Food category perception

Sustainable agriculture, supply chain management, and traceability all raise their heads as issues for companies in the food category, with brands addressing these challenges in various ways according to their size and location.

In many ways, smaller, more nimble brands have the advantage in pioneering sustainable practices, while larger multinational counterparts have the economic clout to drive mainstream change.

People Tree, the leader in our study, excels in both social and environmental sustainability perception. It is seen as treating people well, as the name suggests, and as a transparent organisation. Uniquely within the food category, People Tree is also an ethical fashion business and gains credibility through its fair trade apparel products.

Industry giants Meiji, Ajinomoto, Nissin are rated higher for overall trust, quality, and reputation – yet environmental and social impact is not coming through clearly for domestic players, with international brands perceived as more active in these areas.

As indicated previously, provenance is linked to product quality and in turn sustainability – this presents an opportunity for local players to highlight Japanese origins, and for international players to invest in local supply chains and partnerships.

Convenience store category perception

The three biggest convenience store brands in Japan have a similar profile, with Seven Eleven generally in the lead, followed by Lawson and Family Mart.

Quality and trust are both rated highly, with transparency and openness as key areas for improvement. Social and environment impact perception is not yet a defining characteristic for these brands, which is to be expected given their role in driving the convenience culture in Japan.

They are making investments in sustainability, even if consumer awareness of these efforts is low, suggesting there may be a higher bar for convenience store brands to reach, due to a lower starting position.

Seven & I Holdings have launched Green Challenge 2050, which encourages consumer action like buying ugly vegetables and regularly checking household stocks to avoid waste. This includes initiatives to influence more sustainable decision making which could appeal to low consciousness consumers, such as nanaco points for items nearing their expiry date.

Lawson has its own program, the similarly named Blue Challenge 2050, focusing on reduction of CO2 emissions, food loss, and plastic waste.

There is clearly a need for these brands to do more if they are to increase perception among consumers and move beyond surface level sustainability commitments. Their reach means there is a significant opportunity here, but it may mean a fundamental shift in their sustainability strategies and overall business models.
Chocolate category perception

Chocolate, like coffee, uses up large areas of land for a relatively small volume of product, with the growth in global demand threatening tropical forests, which are key carbon sinks and biodiversity reserves.

In terms of social impact, there is also the substantial issue of child labour within supply chains, with as many as 2.1 million children working in the cocoa industry in West Africa alone (Fountain and Huetz-Adams, 2020). Most consumers appear unaware of these issues, thinking about chocolate as a problem only when it comes to sugar and calorie intake, a perception that needs to change.

Lindt leads in trust perception for chocolate brands, with Godiva following, and Nestlé and Cadbury trailing behind. Social and environmental impact is low across the category, with taste and premium positioning being the key drivers for these brands.

An opportunity for chocolate brands in the premium space is to position socially sustainable and environmentally friendly cocoa as the new standard for quality, using accreditations as milestones in their journey toward credible sustainability outcomes. Ethical disruptors like Tony’s Chocolonely are making progress in this space, making it an imperative for larger brands to act before additional purpose-led businesses enter the market.

Retail category perception

The Japanese food system is currently dominated by large scale physical retail brands that cater to the low consciousness mainstream. These retailers sit toward the end of the life cycle, and are responsible for many of the systemic challenges, while playing a direct role in influencing consumers.

Creating the expectation to have shelves filled with the same product every day of the year is fundamentally unsustainable, and puts tremendous strain on the systems that have to deliver on this demand.

Only a small number of sustainably-led retail stores are focused on the niche market of conscious consumers, leaving many moderate and light consumers without practical options for increasing their sustainable impact. Supermarket adoption of aisles or islands dedicated to organic or Fairtrade is a step in the right direction, but still a small action when it comes to engaging and empowering these consumers.

Of the retail brands we surveyed, MUJI emerged as the leader – with high perception on social impact as well as quality and value for money. This hurdle is somewhat lower for them, given their low overall volume of food sales.

AEON has relatively stronger environmental associations, likely due to its partnership with European organic store Bio c’ Bon or corporate social responsibility work through the AEON Environmental Foundation.
Coffee, tea, beer, and wine are products that are rooted in agricultural practices, all resulting in significant ecological footprints across our food systems. Product packaging is a critical area, with innovations of convenience such as PET bottles turning out to have an incredibly negative impact on our environment, coming to symbolise mainstream perceptions of unsustainable practices.

Water management is a key issue for these beverage companies, with Suntory addressing this head on with their brand promise Mizu to Ikiru (‘Living with Water’), elaborating on their mission, ‘To create harmony with people and nature.’

As a result, Suntory leads the beverage category in terms of sustainability perception, both environmental and social, which are coupled with high perceptions of product quality – with their strategy and investments in these areas paying off in the eyes of the consumer.

Coca-Cola, Kirin, Asahi follow a similar profile, although transparency is an area of improvement for all beverage brands.

For retail brands, sustainability perception can be won by rethinking core brand values and product qualities, or through partnerships with leading sustainable brands. The second pathway may deliver more immediate outcomes for slow-moving businesses, although this form of collaboration also carries the risk of being too small, and should be combined with strategic efforts to position their organisation for meaningful long term change.

Their massive scale means that retailers who do successfully reposition their brands in this way can have a positive ripple effect throughout our food systems.
Brand outcomes

It is an imperative for brands to improve their consumer perception levels around environmental and social impact – with the rise of the conscious consumer foreshadowing a future mainstream where all consumers draw a correlation between trust, quality, and action on sustainability.

We have already seen this in how Japanese consumers perceive product packaging, and it will expand to all brands and industries.

While certain categories are already displaying leadership in these areas, purpose-led outliers like People Tree show that even smaller brands can build trust and traction with customers through their sustainability strategies.

With purpose-led brands the consumer is aware of higher purpose for the organisation – such as a social or environmental context – that the brand promises to positively impact as part of their business. These brands have been around for a long time across categories, usually as smaller alternatives rather than the mainstream.

When a consumer chooses a purpose-led brand they are making conscious decisions around not only what the brand will do for them, but for their communities and society, creating systemic change for the benefit of all.

An increasing number of companies are putting a sustainable purpose at the heart of their brand promise, particularly newer, challenger brands. Certifications like B Corp are a key way they demonstrate this, although this is still an emerging practice in Japan.

It isn’t certain that these purpose-led brands will own the future, or dominate over incumbent brands that rectify the negative effects they have had on our systems. This harm reduction approach is a more realistic pathway for large incumbents, whose businesses cause most of the damage today, although their scale also means they have the most opportunity for change.

In reality both purpose-led and incumbent brands have an imperative to act, with strategies that respond to sustainable goals relevant to their category – delivered as real outcomes and better futures for their customers, employees, and communities.
Case Study: Patagonia Provisions

Founded in 1973 by avid climber and surfer Yvon Chouinard, the outdoor brand Patagonia has developed a reputation as a global pioneer of sustainable practices and environmental activism. Patagonia Japan was established in 1988, and now operates 22 stores in the country.

Patagonia achieved certification as a B Corp in 2012. In that same year, the company launched Patagonia Provisions, a new food and beverage initiative dedicated to fixing broken global food systems, while helping define a new agricultural accreditation: Regenerative Organic Certified (ROC). As Chouinard describes, on the surface, the inclusion of food within Patagonia’s product scope may seem puzzling, but if Patagonia is to truly embody its mission statement – ‘We’re in business to save our home planet’ – then a revolution in agriculture and eating habits is required.

Four years after its United States debut, Patagonia Provisions was launched in Japan. We spoke to Katsuhiro Kondo, Director of Patagonia Provisions Japan, to learn more about their aims, opportunities in Japan, and potential shifts ahead in consumer lifestyles.

Regenerative agriculture

Patagonia product labels can seem like an alphabet soup of sustainability accreditations, including: B Corp, ROC, Fair Trade Certified, Responsible Wool Standard (RWS), and Forest Stewardship Council (FSC). With Patagonia’s efforts to advance regenerative agriculture worldwide, the ROC designation plays an important role for the organisation. As defined by the Ellen MacArthur Foundation, regenerative agriculture represents “a broad set of food production methods with two clear and complementary outcomes: the production of high quality food and the improvement of the surrounding natural ecosystem” (Ellen MacArthur Foundation, 2019).

This practice emphasises a net-positive output in which food production gives back more to the ecosystem than it takes from it. The dominant agricultural model relies heavily on energy-intensive chemical inputs for fertility and pest control in mono-cropping systems, with damaging consequences.

In contrast, regenerative agricultural practices elevate the health of the ecosystem as a whole by prioritising the system’s improvement over time. In spring 2020, Patagonia launched a ROC pilot program for cotton used in its apparel and for the Chile Mango snacks under the Provisions label. ROC certification exceeds traditional organic certification in its inclusion of three complementary pillars: soil health, animal welfare, and social fairness.

While Provisions has already acted to invest in a clean and ethical production system with all products receiving non-GMO and/or organic certification, they have plans to work with farmers to increase ROC certification across more of their product line. This, according to Kondo, is where Provisions can leverage the biggest change in the food industry and lead the way to a healthier, more holistic food system.

Japanese values, Japanese products

While Provisions has a clear mission, to succeed in Japan, Kondo identified they need to find ways to localise, ensuring that they are ‘rooted in Japanese values, and Japanese products’. With sustainability only starting to reach mainstream consciousness in Japan, this next stage of regenerative practices are still new concepts, ready to be introduced. To Kondo, Japanese food culture has plenty of opportunities for Provisions to tap into, such as 7種類の菜食, which can be shared globally to promote healthier food systems. In this sense, Provisions can explore not only new product development, but embark on a modern ‘redevelopment or rediscovery’ of traditional Japanese food practices. One example is in their venture into Japanese sake.
Terada Honke Gonin Musume Sake is made by 24th-generation brewer Masaru Terada and the Terada Honke brewery in Chiba prefecture. Featured on the Patagonia website, Terada focuses on “guaranteeing the health of all the organisms that contribute to the making of sake, from microorganisms that thrive in the rice paddies because of restorative farming practices, to the koji and yeast that catalyze fermentation, to the workers who stir the liquid while singing the same joyous motosuri songs that were sung centuries ago.”

Provisions plays an active role in supporting and celebrating the heritage and craft of sake brewing practices, leading to a shared outcome. With Terada Honke’s sake used as the first experiment of a domestically-sourced product in the Provisions lineup, Kondo shared that the company plans on developing more products with local producers in the years to come.

Building community through storytelling

Kondo sees our current culture as one in which consumers often make their purchase decisions based on a product’s outward appearance and price, and not on its background and story. The story tends to be ‘hidden behind a curtain’ and away from sight, and this is the case for not just the food industry, but fashion as well. For Provisions and the Patagonia brand as a whole, Kondo emphasises that they have a role to play in provoking change in the way people think and act through the products they sell and how they sell them. The key to this is through storytelling that invites interest in their brand’s vision, with the goal of not only increasing sales, but to build a community around shared values. This is evident in not only their curation of stories about their product partners and supply chain (such as with Terada Honke above), but of activism outside of product sales.

One example of Patagonia community building and activism is the ‘Vote Our Planet’ campaign. Launched in 2016 ahead of the United States election, Vote Our Planet is a non-partisan campaign that urges voters to support candidates that protect air, water, and soil on our shared planet. In 2021 the campaign launched in Japan to encourage voters in advance of Japanese elections. With 114 companies signing on to support the initiative, the hashtag #地球のために投票しよう is still in use by environmental organisations and activists today.

Patagonia has also committed to sourcing renewable energy for 100% of their global owned and operated locations by the end of 2025. In Japan, where flat landscapes suitable for solar panel installation are not as readily available, solar sharing (the installation of panels over croplands) has become one way for the company to reach its goals in unison with local communities. Kondo shares that there has been more than one instance in which, after Patagonia Japan began the switch to renewable electricity providers, vendors and other associated companies were also influenced to make the switch. Patagonia’s culture and values attract partnerships of a similar vein, creating a ‘ripple effect’ of change in the business community as a whole.

patagoniaprovisions.jp
Conclusion
**Report outcomes**

Acting on sustainability is an imperative for all brands, enabling them to catch the wave of massive transitions from linear growth to circular models in our societies.

The brands in Japan that succeed in these transitions will be the ones who align to principles like sanpo-yoshi, creating shared value between business, customers, and society. We also emphasise the critical role that employees will play, as they’re the ones who will deliver organisational change.

The opportunity for shared value creation is huge.

We believe brands have a substantial role to play in these sustainability transitions. They’re able to move at a rapid pace, have a close relationship to consumers and culture, and play a critical role in the Japanese economy.

To do this effectively, brands need to understand the emergence of the conscious consumer in Japan, rethinking their value propositions so they can act on these new consumer behaviours and opportunities for engagement.

Brands must develop a deep synergy with consumers – moving from a basic idea of customer-centricity, to meeting customer needs and their growing social and environmental expectations.

For brands, this starts with a cohesive sustainability strategy encompassing social and environmental impact, placing consumers and employees at the core, then expanding to the broader systems that the business operates within. This is how to identify and define the new value propositions that will drive future growth.

There are already organisations working hard toward these transitions, but the overall lack of progress means that without a new wave of sustainable innovation we are at risk of a slow decline in Japan, while being a drag on global momentum.

The risk of not acting is just as big as the opportunity.

Sustainability tipping points will come to all brand categories – it’s just about when. A massive transition of Japanese society is under way, and while the number of highly conscious consumers is still small, the pace will accelerate quickly once the tipping point hits.

Brands that emerge as leaders will be the ones who successfully redesign their business models, finding a distinct approach to delivering shared value between their business, customers, and society. These underlying innovations will be unique to each individual brand and category.

The ones that are able to innovate will be in a strong, defensible, strategic position – while also transforming into a sustainable brand making a positive social and environmental impact. This is a win for everyone.
Actions for shared value creation

The purpose of this study is to give brands a starting point on sustainability – providing critical insights into Japanese consumer behaviours, kickstarting new conversations, and the spark for good strategies.

We’ve already been working with lifestyle, food, technology, and financial services brands to deliver sustainability strategies for their organisations.

Together with the insights in this report, this draws us to a series of actions for brands looking to make progress toward the massive transitions taking place.

These are principles that will drive your transition, and imperatives for brands across categories, from new startups to large incumbents:

1. Engage highly valued conscious consumers
2. Identify category tipping points
3. Co-design new business models
4. Prioritise employee experience
5. Take action on gender equality
6. Make purpose a part of your brand
7. Empower people with positive storytelling
8. Enable trust through transparency
9. Invest in local partnerships
10. Circular product and packaging innovation
11. Leverage connections between sustainability and health
12. Demonstrate environmental leadership
13. Systems thinking for regenerative futures
1. Engage highly valued conscious consumers

Japan’s sustainability conscious are active, informed, and thoughtfully engaged people, who build deep relationships with the brands they care about across categories. They are engaged, not activist. This makes them highly valued and influential customers, who view sustainability as a fundamental differentiator for brands.

Engaging this group is good business strategy, opening up new opportunities while incentivising sustainable options for the mainstream. By only focusing on the low consciousness mainstream, brands will miss underlying shifts in sustainability literacy and agency.

2. Identify category tipping points

Sustainability tipping points will come to all brand categories, and it’s critical to catch these waves before the change hits. Food is ahead of the game, and other categories are coming.

Identifying peaks is one way to catch these waves, and the unmet consumer need at the moderate level is the best current opportunity for brands to engage. This sweet spot is the most likely place to achieve return on investment and growth around sustainable value propositions, especially as it moves toward larger population groups.
3. Co-design new business models

Businesses need to lead in driving sustainable transitions in Japan, co-designing new value propositions with their consumers, employees, and communities.

Engaging with a broad group of stakeholders enables shared value creation – substantially increasing the chance of a return on investment for any sustainability initiatives. It’s also more likely to lead to positive feedback loops, with conscious consumers sharing the brand with their peers and using it as a representation of their values.

This puts pressure on companies to rethink their overall business around sustainable principles, which is a slower process, but less of a risk than failing to innovate toward consumer needs.

4. Prioritise employee experience

Employees will play a critical role in all sustainability transitions, as they’re the ones who will deliver organisational change. Engaging employees around social and environmental impact areas is a strategic way to increase retention and reduce costs, while increasing alignment to the brand.

All organisations must also align to the new future of work, or risk losing talent to global companies pushing progressive standards. Hybrid work policies open up opportunities for growth, with inclusivity and contributions from: working parents, elderly workers, and remote teams across time zones.
5. **Take action on gender equality**

Gender equality is an imperative for all businesses to act upon in their sustainability strategies for Japan – ensuring their female and gender diverse employees and customers are able to play meaningful roles and increase their social agency, enabling organisational resilience and growth.

This is a crucial part of governance and policy for any organisation, from equal representation at every level of the company, to increased salary transparency and closing the gender pay gap of 22.5%, to ensuring shared responsibility of invisible work like raising kids.

All leaders in Japanese organisations are directly responsible for delivering this change, remediating past failures that are holding Japan back both socially and economically.

6. **Make purpose part of your brand**

Many businesses in Japan are making investments in sustainability – but there is a critical need to think beyond ESG and carbon reporting, returning to principles around delivering impact for customers and communities.

An increasing number of businesses are putting social and environmental impact at the heart of their brand purpose, using certifications like B Corp to demonstrate this. This isn’t the path for all brands, but by articulating an organisational purpose, with coherent actions and goals, any business can build relationships with conscious consumers.

This can also create strategic pressure to speed up industry transitions, as Tesla have done in the mobility space, providing a long-term competitive advantage.
7. Empower people with positive storytelling

The insight that brands are trusted sources for information on sustainability is a positive sign for the investments businesses are making. Conscious consumers are open to hearing storytelling about sustainable products, and are likely to be highly engaged with this content.

For brands this means framing their sustainability propositions in a way that enables positive impact, giving optimistic and empowered consumers clear actions they can take. Emotional benefits are powerful, and conscious consumers already feel a sense of pride in sustainable purchases, making them part of their identity.

8. Enable trust through transparency

Brands who share transparent information about their products tend to build a greater degree of trust. This can be achieved through category-specific accreditations, tapping into Japanese expectations around provenance, and using technology to put knowledge into customer hands.

Mobile devices, QR codes, blockchain, and artificial intelligence can give consumers the stories and data they expect. Technologies that forward-thinking brands are already using to augment their products and services, and certifiers are making part of their standards.
9. Invest in local partnerships

A consistent challenge for global companies is ensuring their brand is relevant for local consumers – with many organisations believing they can simply localise their global sustainability strategies, rather than focusing on what matters for Japan.

At the same time, Japanese consumers place a significant premium on products made in Japan, providing a clear incentive for global brands to develop their local partnerships and supply chains.

This means brands need to shift toward a shared value approach in Japan, investing in partnerships and communities to elevate their storytelling, in turn enabling deeper relationships with Japanese consumers.

10. Circular product and packaging innovation

Circular innovation is a primary ways brands are responding to sustainability challenges. Companies that once made products based on customer-centric convenience are experimenting with circular approaches, rethinking linear ideas of growth.

For brands looking to make an impactful start to their sustainability transformation, packaging is an open opportunity. Over 90% of consumers believe there is too much packaging on the products they buy, and 77% would switch brands for more sustainable packaging.

Make circularity a principle for all your products and services, moving beyond current paradigms to encourage reducing, reusing, and recycling in all contexts. There are creative opportunities available in just about any category, from Mercari making circularity part of their purpose, to Oisix upcycling food waste.
11. **Leverage connections between sustainability and health**

Health is a critical leverage point for brands wanting to engage with consumers in Japan, with food and nutrition being of paramount importance to a broad spectrum of people in society, encompassing a collective definition of personal, family, and societal health.

Across every sustainability consciousness level and generational grouping, the through line that connects their expectations and values is health. This goes beyond food, with health expectations applying to consumer behaviours in just about every brand category.

Consumers are particularly open to paying a premium for products that are able to demonstrate credible health benefits, making health a trojan horse for sustainable products and services.

12. **Demonstrate environmental leadership**

It is crucial for Japanese brands to demonstrate leadership on environmental issues – protecting Japan from the significant climate and disaster risks that make it one of the most challenging locations in the world. Minimising these risks is good for business.

Identify the environmental challenges relating to your business, map these to consumer and national priorities, and develop a strategy with coherent actions and goals. Life below water is the most recognisable goal for Japanese consumers, and is a good place to start.
13. Systems thinking for regenerative futures

Category transitions are shaped by a unique set of factors, and for brands to navigate these transitions they need to understand the broader systems their business operates within. This is why systems thinking is critical to developing good strategy.

This means analysing all of the systems a product or service is embedded in – supply chains, stakeholders, competitors, and government – identifying critical interdependencies and synergies.

Without this brands are likely to be focused on their own silo, failing to consider the upstream and downstream impact of their decisions.

Most organisations are still in the mode of improving existing systems, rather than enacting the circular, regenerative ones that will drive future business models.

The flywheel effects of the synergies created – between business and customer, social and environmental, shared value and impact – don’t exist in the linear models of today, but are an inherent part of the regenerative systems we’re moving toward. This is where you want your brand to be.
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