

# The Theoretical Research on Sustainability in the FMCG Industry

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## Abstract

Over the last decade, there has been an increase in consumer awareness of environmental conservation and the need for sustainable business practices. Sustainability, which aims to sustain people and the world, is sometimes linked to 'global warming' or 'climate change'. In a manufacturing organization, the supply chain encompasses all aspects of the operation, including purchasing, production, storage, distribution, and the life cycle of the product after it has been manufactured. This paper explores at a phonetic level how fast-moving buyer products customer products, such as Procter & Gamble, a company that has worked to make supply chain and logistics improvements to become more sustainable and environmentally friendly and communicate approximately the maintainability of their maintainability profile, and the contrasts and likenesses in their communications. The comes about appears that each company addresses their natural effect on distinctive supportability targets. To address natural challenges, companies check on inventive innovations to make strides in their items so that they are naturally inviting. At present, companies are finding it difficult to measure and reduce their carbon impact. This presentation will present numerous examples of best practices from leading fast-moving consumer goods (FMCG) companies. To create a sustainable business model, this study will examine how FMCG firms are applying green logistics initiatives, such as reducing their carbon footprint, in their supply chain strategy. Over the last decade, consumers have become increasingly aware of environmental conservation and the need for sustainable business practices. In conclusion, companies have benefited greatly from adopting green and sustainable supply chain management, including through cost reduction and brand building and protection.

## Keywords

Sustainability, FMCG industry, KPIs of Sustainability, Supply chain, Carbon Footprint Reduction

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## Introduction

In recent years, sustainability reporting has become a hotly debated topic. Non-financial reporting is how an organization publishes information on the environmental, social and economic impacts and performance of its current activities. A non-financial report also presents the organization's values, and business model, while demonstrating the link between its strategy and its commitment to a sustainable local and global economy. This paper aims to analyze how sustainable reporting has evolved and to identify trends.

Fast-moving Customer Goods (FMCG) are commodities or items that have an impressive customer share in most nations because of their reasonableness, recurrence of buy and short-term utilisation making them simple for clients to buy. They are quick moving since customers utilize them day by day in their lives. With the numerous developments accessible in today's carefully slanted world, most clients have acquired a few real-time items and administrations through different stages, both online and offline. The integration of distinctive stages and the quick nature of the FMCG make them reasonable for receiving Omni Channel Administration techniques in showcasing items. It coordinates online and offline channels and centres on ceaselessly making a positive client involvement through integration and information administration (Scott A. Neslin et al. 2009). Through the buy histories of clients, their encounters can be custom-made to coordinate their desires.

Today's economy is based on the use of items and administrations. Businesses depend on forms that commonly damage the environment to create these goods. Over recent decades, society has realized that improvement should not be achieved to the detriment of the commons. This awareness has led to an increase in the use of morals to ensure social sustainability. As expressed in the consideration of Mark P. Sharfman et al 2009, society expects companies to get stuck in economic quagmires by using a green supply chain approach. Expanding, the creation of the economic improvement goals (EOs) of the United Nations (UN) has empowered companies to act and implement effective strategies to make tangible natural improvements. In this paper, a basic discussion investigation is conducted to examine how fast-moving consumer goods companies are communicating their perspective on sustainability.

So, to begin with, what precisely is maintainability and why is the word 'green' attached to it – especially when most definitions of the verb support don't mention the word 'green'? To be beyond any doubt, most definitions of maintain depict: forms or acts of long-term continuance; causing or permitting something to proceed over a period; a handle or activity that keeps something up or keeps something going. It is subsequently simple to conclude that, in a commerce setting, sustainability involves the forms and activities that keep a firm dissolvable over time. Following this rationale, it is moreover simple to accept that an unsustainable process or act is predetermined and concluded sooner or maybe later. to examine how fast-moving customer merchandise companies communicate their perspective about maintainability. In arrange to perform a basic talk examination, Mark P. Sharfman et al 2009theory on social hone and utilization of phonetic instruments, such as lexical examination, predication, and methodology, have been connected. At long last, as they consider sustainability, Mark P. Sharfman et al 2009 concepts on maintainability in businesses have upheld the investigation on that perspective, presented in Figure no 1.



**Figure no. 1. Green FMCG companies**  
*Source: Tech Target, 2023*

All companies, regardless of size or sector, public or private, prepare and use financial information to inform business decisions.

However, it is well known that in addition to these financial statements, it is important to disclose and report other non-financial information. Aspects that show how value is created by companies are not fully reflected in financial statements alone. As a result, many shareholders feel that financial statements do not fully satisfy their need to know and want to know about other aspects of companies' activities.

Sustainable reporting therefore responds to the needs of business stakeholders. Through sustainability reporting - also known as 'corporate social responsibility reporting' or 'non-financial reporting' - an organization publishes information on its economic impact, social impact, and environmental impact. A sustainability report presents the entity's values and governance model and shows the link between its strategy and its commitment to a sustainable global economy.

## 1. Review of the scientific literature

Sustainable reporting has become a topic that is attracting the attention of more and more researchers and practitioners, so the literature is becoming increasingly vast and complex.

Among the earliest researchers concerned with sustainable reporting was Theodore J. Kreps, who in the 1940s published a paper on new ways to measure how a company contributes to the development of the economic environment. In his view, financial performance was not an appropriate method, and he wanted to develop a method that would also measure the impact that companies have on health, the education system and global peace.

Whelan et al. (2021) conducted a study examining the relationship between sustainability reporting and the financial performance of companies, referencing over 1000 studies published between 2015 and 2020. From the study, it was observed that financial performance improves due to sustainable reporting over an extended period. The paper also demonstrated that investing in sustainability reporting is a good way for a company to protect itself during periods of economic downturn and that trying to lower the carbon footprint leads to better financial performance.

Scott A. Neslin (2021) conducted a study in which she analyzed the extent to which the provision of non-financial information on sustainable development in sustainability reports published by listed companies on the main market of the Bucharest Stock Exchange (BVB) influences the market value of equity 3. To carry out the analysis, the study involved applying multiple linear regression models to a sample of 34 companies listed on the BVB in the period 2015-2019, which constitutes 166 firm-year observations. The results of the research showed an increase in relevance in terms of the influence exerted on the market value of capital as a result of reporting sustainability issues. The study also highlighted an increase in the impact of the book value of capital and net income on the market value of capital in the period after the adoption of Directive 2014/95/EUD (2017-2019) compared to the previous period (2015-2016), presented in figure 2.



**Figure no. 2. Three pillars of sustainability**

Source: Tech Target, 2023

Mark P. Sharfman (2015) conducted a study identifying and highlighting the most recent studies and practices on integrated reporting, internationally, and analyzing the content of integrated reports considered representative by IIRC4. The study found that the number of companies whose annual reports are considered representative of integrated reporting is steadily increasing, not only in South Africa, where this type of reporting is mandatory for listed companies but globally. This numerical increase is complemented by an increase in the quality of information, with a consequent increase in the complexity of reporting. At the same time, after a period when the size of annual reports has been increasing, recent years have seen a reduction in the number of pages of reports, greater connectivity between the information presented, as well as better use of cross-references and presentations in the form of tabular and graphical presentations. On the other hand, although the central objective in integrated reporting is to show how value is created, the general trend identified is for this type of information not to be presented, and for performance indicators to be missing to enable some analysis. In addition, there is a continuing imbalance in the presentation of positive and negative aspects.

## 2. Research Methodology

Non-financial reporting, also known as sustainability reporting or social-corporate reporting, is a practice whereby a company measures and publishes information on the environmental, social and economic performance of its current activities. Sustainability reporting is a term used to describe reporting on

economic, environmental and social issues. Such a report should contain relevant aspects of the company's activities, both positive and negative.

For the research of this article, have been taken into consideration:

- theoretical approach to sustainability, the purpose and emergence of sustainable reporting;

### 3. Procter and Gamble

P&G's Ambition 2030 programmer supports brands' ability to deliver compelling superiority that is also sustainable, improving lives now and for future generations. At its core is improving the lives of the people in our operations, their supply chain and the communities they serve. It focuses on the strength of the four scientifically based pillars - Climate, Waste, Water and Nature - where they can have a major impact on the good of the planet and their businesses, presented in Figure 3.



**Figure no 3. P&G's positive impact on sustainability**

*Source: P&G, 2024.*

- **Climate:** ZERO NET EMISSIONS TARGET BY 2040

In September 2021, P&G set a goal: to achieve net zero greenhouse gas (GHG) emissions across its operations and supply chain, from raw materials to retail. P&G also shared a Climate Transition Action Plan, which outlines a comprehensive approach to accelerating climate action and key challenges ahead. In addition to detailed information on P&G's goal of net zero emissions in 2040, the Climate Transition Action Plan covers the entire lifecycle of emissions from our products and packaging, throughout the supply chain, operations, consumer use of our products, and the end of product life.

- **Waste**

Plastic waste introduced into the environment poses serious problems, especially if it ends up in rivers and oceans. It is a complex global challenge that requires a comprehensive and collaborative approach across the entire plastic life cycle. Addressing the challenge and stimulating greater plastic circularity will require collaboration across multiple stakeholders, including industry, governments, civil society and academia. While plastic can offer volume reductions in packaging materials, product protection and lower greenhouse gas emissions from transport, it must be used and reused responsibly.

At P&G, they are working to design only recyclable or reusable packaging for consumer products by 2030. The company is inventing and sizing new recycling solutions with alternative materials and entering into external partnerships to catalyze waste management infrastructure for better access to the collection, keeping plastic in use and protecting nature from it.

- **Water**

At P&G, they want to build a future where water is a protected and sustainable resource for people and nature, and for this and future generations. In June 2022, they announced a broad strategy that includes replenishing water resources for people and nature in water-stressed areas, addressing specific challenges through innovation and partnerships, and reducing water use in our operations to conserve local resources. By 2030, P&G has set targets to replenish water resources to a level greater than that consumed<sup>1</sup> in P&G manufacturing facilities in 18 water-stressed areas around the world. In addition, they will replenish water resources to a higher level than consumed when using P&G products in water-stressed metropolitan areas such as Los Angeles and Mexico City.

• **Nature**

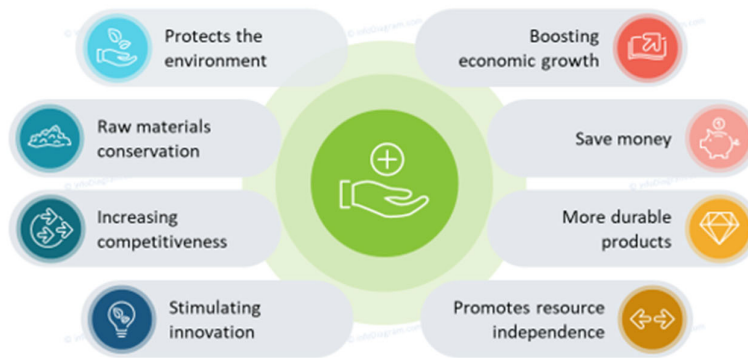
At P&G, they are committed to the lasting health of natural ecosystems that are essential to people, biodiversity and our business. Their efforts start with ensuring responsible sourcing of essential goods like pulp, palm oil and paper packaging.

Moreover, they don't just focus on our direct supply chain, as they protect, enhance and restore ecosystems in many places where it matters most.

**4. The Benefits of Sustainability in Business**

In expansion to driving social and natural alter, maintainability activities can contribute to an organization's by and large execution. Contributing more cash in maintainable trade hones may appear dumbfounding to expanding a company's benefit but it appears that the most economical associations are moreover the most successful,"(Tabel "no.1")

Social, administration and natural markers are commonly utilized to evaluate a company's moral and maintainable hones. Whereas supportability strategies may require a short-term venture, they can have long-term benefits, as presented in Figure 4.



**Figure no. 4. Benefits of the Green Sustainable Economy in the FMCG Industry**

*Source: Tech Target, 2023*

1. Improves brand image & provides businesses with a competitive advantage

The leading businesses are those that can overcome competition. With numerous commerce proprietors now competing for the same client base, as it were those who stand out can economically develop and grow. One of the most effortless ways to keep clients coming back to the company is to ensure that just have distant better offer than those they are competing with. Make beyond any doubt display the brand so that it is powerful to potential customers and buyers.

Whereas promoting is amazing, it is less demanding to realize comes about when clients know that they can number on your items for the finest bargains. For occurrence, as a trade, it makes a difference to get it what makes your clients cheerful. A few clients will as it was purchase items or come to your foundation because they take after the environment's necessary strategies.

A brand can rapidly end up feasible when clients and clients are sure sufficient around it. Once clients are persuaded almost this, it gets to be simple to do trade moving forward. Contribute within the right channels to induce your commerce to such a organize.

2. Minimizes costs and increases productivity

One of the critical focal points of eco-neighbourly trade is that the company will get to a point where benefits stream easily. Once the industry breaks indeed, it proceeds to develop and extend without fundamentally requiring additional assets.

It deciphers to amazing efficiency since frameworks are as of now streamlined, and the essential channels of victory are ensured. Economical commerce has few trials and blunder stages since it has as of now set up what works and what does not. Thus, it gets to be easy to oversee development since the deciding parameters are well caught on.

When generation costs go down, the benefit edges of the trade grow naturally. Trade proprietors ought to be willing to spend a part more when testing methodologies at first, which could appear like a costly move. It is worth the exertion since it'll inevitably pay off and boost productivity once everything closes.

### 3. Makes it easy for the business to comply with regulations

When commerce centres on its supportability and long-term victory, it gets to be simple to actualize a few of the government's lawful prerequisites for the industry. With proceeded clamour on natural corruption and the commitment that businesses play in such weakening, most governments are venturing in to unravel the issues.

This has driven the presentation of a few overseeing controls that point to making a difference in businesses and businesses working securely without influencing the environment adversely. A few rules have come up as a result of this. Companies that centre on developing economic commerce will discover it simple to comply with such controls since they make room for such events. It could be a pondered choice for such companies to follow rules that will offer assistance to take them to another level.

### 4. Attractive to employees and investors.

Sustainability is by and large a positive thing that comes with various preferences to the company. Most individuals nowadays need to work with foundations that care about society's positive effect and the environment. Hence, it is simple to pull in dynamic and skilled workers and potential speculators to the commerce fair since you've got sustainable approaches to tackling customers' issues. Usually, one of the components each trade needs.

Competent and well-meaning workers can offer assistance to take your commerce to another level and cultivate victory with so much ease. After all, no one needs to be connected to discourteous companies that do more hurt to the environment and neighboring communities. Once workers realize that the company, they proposed to work with is regarded and celebrated within the community, it becomes simple for them to select to work there.

As a commerce, make beyond any doubt typically what you depict by choosing to take after maintainable generation strategies. A basic move such as having regular cleanups in your locality as one of the company's activities to provide back to the community will offer assistance make the correct attitude. You're too likely to urge the bolster of the neighbourhood community where your commerce works. Such a serene working environment is appealing to potential representatives.

Speculators will moreover feel like their cash will be safe since your company isn't tied up in untidy court cases and suits. What's more, maintainable businesses for the most part cruel upbeat shareholders. When the toll of running a trade is as a rule moo, the benefits are said to extend. What this implies is that shareholder benefit edges moreover rise, and the dangers decrease. No speculator will run absent from such potential victory when a productive commerce consoles them this.

### 5. Tax benefits

Choosing green vitality sources and joining eco-friendly hones into your operations increases your chances of accepting numerous charge benefits. One of the foremost imperative benefits of supportability in commerce is this. According to a report titled "Going Green in Canada," an enterprise can advantage of the quickened Capital Taken a toll Stipend (CCA) beneath the Salary Assess Act by deducting costs associated with the maintainable vitality era.

### 6. Improves employee retention

Workers who work for organizations that embrace maintainable commerce hones say they are more joyful, feel more cared for, and are more profitable. Organizations can utilize feasible hones as a compelling device in their representative maintenance methodology as a useful side impact of this.

### 7. Consumers are pulled into companies for the reason

Era Z and Millennial's, presently that they have their obtaining control, are driving businesses to develop their supportability plans as a result of their green utilization and buy choices. Customers inspected nowadays are not fair to the product's or service's outside traits, but moreover their social and natural effects. Brands whose showcasing appeared to be committed to social and/or natural esteem produced 65 per cent of all customer product deals measured universally.

### 8. Waste Reduction

When businesses lock-in in economic generation hones, the chances of squandering assets are too diminished. One of the most secure ones to receive as a trade would be to reuse to guarantee that all assets are utilized well.

Luckily, typically a straightforward thing to do since all trade proprietors ought to distinguish ranges where reusing can work inside the framework and operations. Other than this, there ought to be a common accentuation on the reusing process to guarantee that fewer resources are utilized at any given point. Specialists ought to too be empowered to centre on utilizing the correct methods to play down squandering.

### 9. Innovation is aided and encouraged by sustainability

Transitioning to more economical company hones may require patching up items, forms, or frameworks in arrange to oblige better approaches. Companies may cultivate advancement and inventiveness among their workers and providers by doing so.

### 10. Ensures the continuation of the commerce

Normal assets are utilized by all sorts of undertakings in a few frame. Water is vital, as is the arrive on which undertakings are created. Businesses will discover it troublesome to operate and thrive on the off chance that rare common assets are exhausted or in the event that catastrophes strike the trade community. In this way, actualizing economic hones bolsters company coherence by moderating or recovering accessible assets and organization procedures for avoiding and planning for calamities.

**Table no. 1. The Benefits of Becoming a Sustainable FMCG Business**

NO CRT	BENEFITS	SUSTAINABILITY PRACTICES
1	Better Brand Image & Improved Competitive Advantage	Consumers choose companies that support their communities.
2	Better employee Recruiting & Retention	Organizations report better employee satisfaction, increased productivity, and employee loyalty. Hence, a greater talent pool and better retention rate.
3	Reduced Business Costs	These include opting for more energy-efficient lighting, investing in more efficient heating and cooling systems, better insulation, and so on.
4	Increased Productivity	Making workplaces sustainable and more environmentally friendly helps improve employees' morale, cognition, and comfort while reducing absenteeism.
5	Waste Reduction	Recycling, reducing, and reusing materials, will significantly save resources and prevent waste.
6	Compliance with Regulations	Becomes easier for them to implement the government's legal requirements to protect the environment and act timely and efficiently.
7	Increased Profit	Reducing costs, improving brand awareness and reputation, adopting innovative strategies, and attracting employees and investors all contribute to increased profit.

*Source: Europe language jobs, 2022.*

### Conclusions

The FMCG companies are committed to improving people's lives with irresistible superiority that is sustainable. Companies create value by making sustainability an integral part of our vectors of superiority, building on the strength of science-based pillars—Climate, Waste, Water and Nature. They are building transformative partnerships to help solve some of the world's most pressing global challenges where they can make the biggest difference.

The Ambition 2030 goals support FMCG company and brand's ability to positively impact homes, communities and the planet. At its foundation is improving the livelihoods of people across operations, supply chains and communities. Creating products that encourage responsible consumption, reduce



manufacturing footprint, and strive for more circular approaches in the supply chain. The company will require partnerships across the private, nonprofit, and public sectors and involve every aspect of their business.

In a context where sustainability has become increasingly important in recent years at the European level, this article aims to support all companies in Romania that want to improve their performance in this area.

Recent legislative changes - the Environmental Pact European Green Paper, the proposal for corporate sustainability reporting and European regulations on financing - are driving a change in investor behaviour that is changing companies, so in the process investment decision-making increases as environmental, social and environmental factors play and governance factors, as profitability factors, or as risk mitigators.

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