

## 8. Discuss whether Myt PLC should prioritize profitability over sustainability [10] in response to investor pressure.

Myt PLC is a **publicly held multinational company** that has historically relied on its **carbonated beverage portfolio** but has recently faced increasing **regulatory and consumer pressure** to adopt more **sustainable practices**. In response, the company has invested **\$40 million in biodegradable packaging, modernized its factories** to be **environmentally friendly**, and introduced **lower-sugar products**. However, these efforts have placed a **significant financial strain** on the company, and with a **12% decline in market share for flagship sodas**, **activist investors** are pressuring the board to **cut sustainability costs and focus on profitability**. The decision Myt PLC faces is whether it should **prioritize short-term financial recovery** or maintain its **sustainability strategy** for **long-term brand strength and regulatory compliance**.

### Arguments for Prioritizing Profitability

One of the most compelling reasons to focus on **profitability** is the **immediate financial pressure** Myt faces. The company has invested heavily in **reformulating its products, entering new markets, and sustainability initiatives**, yet **sales have declined** in key product categories, particularly following the **consumer backlash to MytLite's reformulation**. Cutting **sustainability expenditures** could **free up capital** for **marketing and R&D improvements** in Myt's **core product lines**, helping **stabilize revenue** and **restore investor confidence**.

Furthermore, **investor expectations** must be considered. Myt PLC is a **publicly traded company**, meaning that **shareholders have significant influence** over **strategic decision-making**. Given that **investors are already advocating for cost-cutting measures**, failing to act could lead to a **loss of shareholder support**, a **further decline in stock price**, and even a **potential risk of hostile takeover**. In contrast, prioritizing **profitability** by **delaying expensive sustainability initiatives** could **improve financial performance** in the **short term** and **stabilize investor relations**.

Additionally, **sustainability initiatives** often have a **delayed return on investment**, meaning that the benefits may not be realized for several years. In contrast, **profitability improvements**, such as **cost reductions and product refocusing**, can have an **immediate impact** on Myt's **bottom line**.

For example, **scaling back investment in biodegradable packaging** or **delaying additional factory modernizations** could provide **immediate savings** that could be **redirected toward revenue-generating activities**.

### Arguments for Sustainability

Despite **financial pressures**, abandoning **sustainability efforts** could have **long-term consequences** for Myt's **brand image and consumer trust**. **Consumer expectations have shifted**, with increasing demand for **environmentally responsible businesses**. Many **large retailers** are **phasing out single-use plastics**, and some have already **stopped stocking Myt's Honest Water** due to its **packaging concerns**. If Myt **prioritizes short-term financial gains** at the **expense of sustainability**, it could **lose major distribution partners**, further **harming revenue in the long run**.

**Regulatory risks** must also be considered. **Governments worldwide** are introducing **stricter environmental policies**, particularly concerning **plastic waste, carbon emissions, and product labeling**. If Myt does not **continue its sustainability investments**, it risks **facing legal penalties, increased taxation, and even product bans** in key markets. In contrast, **staying ahead of regulations** by **maintaining sustainability commitments** could give Myt a **competitive advantage** over **slower-moving competitors**.

Another key consideration is **long-term cost savings from sustainability efforts**. While the **\$40 million investment in biodegradable packaging** is a **short-term expense**, improving **operational efficiency through green factory modernization** could **reduce waste, energy consumption, and long-term production costs**. Moreover, some **sustainability initiatives**, such as **reducing material usage in packaging**, can actually **lower costs rather than increase them**.

### Conclusion

Myt PLC's decision on whether to **prioritize profitability** or **sustainability** depends on its **long-term vision and financial resilience**. In the **short term**, some **cost-cutting measures** may be **necessary** to **satisfy investors** and **stabilize revenue**. However, **abandoning sustainability altogether** would be **shortsighted**, as it could result in **brand damage, lost retail partnerships, and regulatory penalties**.

A **balanced approach** would involve **phasing sustainability initiatives over a longer timeframe** while **implementing short-term profitability measures**, such as **operational cost reductions and product optimization**. Myt could also **consider communicating with investors** about the **long-term financial benefits of sustainability** to **alleviate immediate pressure**.

Ultimately, while **short-term profitability** is **critical for investor confidence**, **sustainability** is **essential** for Myt's **long-term brand equity and market positioning**. A company that fails to **align with consumer and regulatory expectations** risks **becoming obsolete** in a **rapidly evolving industry**.