

Is it the end of business as usual?

DO ALL BUSINESSES NEED TO HAVE SUSTAINABLE CREDENTIALS?

Is it the end of selling products or services that do not have sustainable credentials? This article examines one challenge facing today's businesses – do consumers care if products and services sold are sustainable? Must businesses have to adapt and become more sustainable to survive? We can define sustainability as 'a noun used in ecology to refer to a state or condition that can be maintained over an indefinite period of time' (Du Pisani, 2006) however we must note that there are many variations when it comes to its business use.

At first glance it would seem that increasing numbers of consumers are seeking products and services from businesses that are sustainable. 'Companies are under the spotlight like never before as they struggle for competitive advantage in the context of this reality' (Accenture, 2018). Cone Communications (2017) finds that 'consumers are examining a company's values and using that as a filter for organisations they choose to support – or punish'. A Kearney (2020) study shows that customers are voting with their spending, putting 'their aspirations into action'.

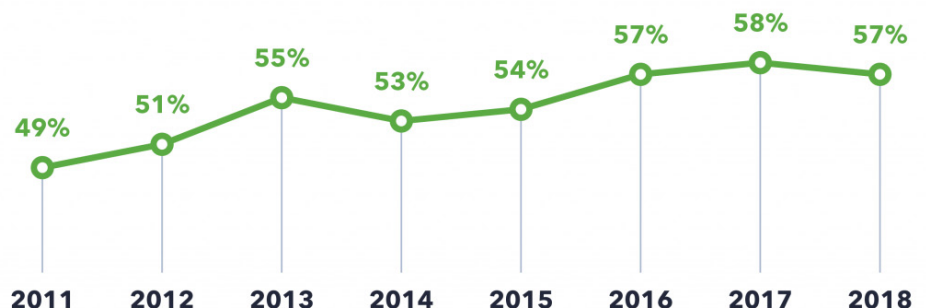
A Nielson (2015) report which polled 30,000 consumers in 60 countries across the world found that 'sixty-six percent of consumers say they are willing to pay more for sustainable brands – up from 55% in 2014 and 50% in 2013. Getty Images (2020) reports that consumers are willing to pay 10-15% more for products and services from business that 'use sustainable practices, are aligned with their values and have transparent business practices'. This is perhaps because if a product is seen as superiorly ethical, 'other attributes of sustainable products will be viewed more positively as well' (Kearney, 2020). 'Dr. Johnson, a professor at Hult Business School, says: "There is accumulating evidence that consumers are impacted by the perceived sustainability of [a] brand, and further, that consumers are willing to pay a premium for products from a sustainable brand over a non-sustainable competitor brand"' (Gallop, 2020).

Eighty-seven percent of customers surveyed say they'd purchase a product because that company advocated for an issue they cared about and more than three-quarters would refuse to purchase a product if they found out a company supported an issue contrary to their beliefs (Core Communications, 2017). These numbers are also in alignment with respondents' intent to purchase or boycott based on CSR commitments, with over 50% participating in a boycott last year. Accenture (2020) says that more than half of consumers who are disappointed with a brand's words or actions on a social issue complain about it. Even brands popular due to their sustainability focus faced boycotts this year such as fashion brand 'Reformation'. A business whose slogan is "Being naked is the #1 most sustainable option. We're #2" found themselves not an option for many when consumers boycotted the brand due to allegations of a racist company culture (Biron, 2020).

(GLOBAL WEB INDEX, 2015)

Interest in sustainable products is growing over time

% of global internet users who say they would pay more for sustainable/eco-friendly products



Question: To what extent do you either agree or strongly agree with the statement "I would pay more for sustainable / eco-friendly products" **Source:** GlobalWebIndex 2011-2018 (averages of all waves conducted in each year) **Base:** 1,711,325 global internet users aged 16-64

Further studies show that 'consumers see their wallets as the most effective way to drive change' through purchasing a sustainable product or service (Cone Communications, 2017). However, a Kearney (2020) report highlights that 'consumers want a deeper environmental commitment from retailers and manufacturers and they still aren't getting it'. Nielson (2015) argues that there is 'opportunity for significant brand growth, on a global scale, for those willing to listen and respond to a new kind of consumer'.

CSR needs to be communicated to the customer for it to be beneficial for the business. Core communications (2017) find that although consumers 'expect companies to report on their responsible business practices, they are inherently sceptical of what companies are doing to benefit society. In fact they won't believe a company is striving to be responsible until they hear information about positive efforts. Companies simply can't afford to keep their CSR efforts a secret'.

Scottish craft beer business Brew Dog, for example, launched new sustainability initiatives this year, working with the renowned Professor Mike Berners-Lee and have advertised this widely using social media, and point-of-sale displays. In September 2020, they became the first Carbon Negative beer business (Barbiroglio, 2020). With the business valued at close to two billion dollars it seems that there has been a business case for sustainability for Brewdog (Stoller, 2020).

Do millennials care the most?

Millennials continue to be the group of consumers that are most willing to pay premiums for sustainable products with 77% of millennials compared with 66% of individuals overall (Nielson, 2015). This is supported by findings from the World Economic Forum (2018) where 70% of millennials would be willing to pay more for products and services if they protect the environment. Cone Communications (2017) found that 71% of millennials compared with the U.S Average of 63% are putting their faith in companies to ignite social and environmental change. Is this important for your business? Yes. Fifty percent of the world's population is under the age of 30 (Euromonitor, 2012). Furthermore Barton, Morath, Quiring and Theofilou, (2020) reports that despite Gens Y and Z's wealth being lower than previous generations their influence is greater. One study found that 87% Generation Z parents say their children influence their purchasing decisions (Kelly, 2019). So even if millennials are not your target audience, their parents may be!

Do they still care during the events of 2020?

It seems that American consumers are looking towards businesses to lead in advocating for issues that are important to them (Cone Communications, 2017). They are concerned about the future of these issues due to the political climate in the USA and how this affects climate policy. The USA for example formally withdrew from the Paris Climate Agreement this year (McGrath, 2020).

What about COVID-19? Kearney (2020) found that 48% of consumers out of 1000 questioned were more concerned about the environment since the COVID-19 outbreak. 55% of respondents said, as a result of the COVID-19 experience they were more likely to purchase environmentally friendly products.



(BREWDOG, 2020)

Time to change to sustainability focused branding?

Now we are not suggesting the greenwashing of marketing, but interesting findings have been reported. Greenwashing refers to 'the practice of falsely promoting an organization's environmental efforts' (Delmas and Burbano, 2011). Consumers do recognise and acknowledge sustainable labelling on packaging. Juhl and Pulsen (2001) found however that they do not truly understand what it represents but it does have an impact on their purchase decision making.

Be cautious: Cone Communications (2017) research found that 65% of consumers said that when a company takes a stand on social or environmental issue, they will do research to ensure it's being authentic. Kearney (2020) argues 'to gain credibility in the eyes of consumers, companies need to more than one-off advertising'. Customers must perceive intrinsic motives for CSR communication rather than extrinsic motives such as 'to improve its image amongst consumers' (Parguel, Benoît-Moreau and Larceneux, 2011). Some reassurance, however, can be found that consumers 'believe it's okay if a company is not perfect, as long as it is honest about efforts' Cone Communications (2017).

Do all consumers care?

A report by Nielson (2015) argued that a 'notable gap exists between the percentage of consumers wanting more eco-friendly products (26%) and those who say they purchased them (10%)'. We cannot forget that price is the most important factor for most consumers.

Global Web Index (2019) research showed that 72% of consumers asked, said that when it comes to their day-to-day purchases, products that are affordable are important. This shows to be particularly true for older consumer aged 55-64 (Global Web Index, 2019). Consumers are generally aware of product's sustainability credentials however this doesn't always reflect in willingness to pay price premium (Shao and Ünal, 2019). This can be seen in various industries, such as within the fashion industry with consumers not willing to pay a price higher than 20% to get a sustainable item of clothing (Vincenza Ciasullo, Maione, Torre and Troisi, 2017). Kearney (2020) says 'price remains a leading barrier to purchasing products with environmental benefit claims, although the number of respondents citing price as they primary purchase hurdle declined by 7% from last year'.

Convenience also seems to be a more important factor that sustainability for some consumers. Getty Images (2020) reports that '48% know they should care about the environment, but convenience is more important'.

It appears that there are many nuances to consumer behaviour when it comes to sustainability. Businesses must consider their product portfolio and consumers views towards their products and links to sustainability. How much value is placed on sustainability depends on 'the type of benefit consumers most value for the product category in question' (Luchs, Naylor, Irwin and Raghunathan, 2010). It may be beneficial, for example, to market your product as sustainable if it will benefit from consumers associating it with gentleness.

However it is argued that the ‘negative association between ethicality and strength is transferred from the context of social judgements to the context of product judgements’. If consumers value strength in a product they are generally less likely to choose sustainable options, for example branding of a car shampoo compared with a baby shampoo. Consumers buying car shampoo are less likely to buy sustainable versions as they are seen to be inferior. This seems to be supported by industry practices. Tesla for example focuses on the design and performance aspects of their product more than its sustainable nature (White, Hardisty and Habib, 2020). Furthermore Davies, Lee and Ahonkhai (2011) found that consumers do not follow similar ethical consumption patterns in luxury purchases compared with every-day purchases. Consumers consider sustainability or ethics less. They instead consider price and design over ethical aspects.

Are there other reasons to be more sustainable?

BirdsEye’s UK General manager Steve Challouma says there is a business case to becoming sustainable. He argues that it not purely for attracting customers, but also through attracting employee talent (Fleming, 2020). Carol Gstalder, SVP of PR Solutions at Nielson also argues that businesses who have incorporated sustainability ‘outperform others when it comes to attracting top talent’ (Nielson, 2015). This is equally highlighted as a benefit by Unilever (2020) since their launch of the Sustainable Living Plan in 2010. Challouma argues moreover that being sustainable makes businesses a more attractive investment by being included on the Dow Jones Sustainable Index (Fleming, 2020).

We can see that it is not a simple answer to the question of do all businesses need to have sustainable credentials? It is important for businesses to establish what type of consumers buy their products before making the decision if the business needs to become more sustainable. Butler (2020) argues that by being specific about who your targeted market segment is, and by understanding how important sustainability is to them, a business is able to benefit from ‘new opportunities with marketing and sales in an eco-friendly environment’. Janßen and Langen (2017) found that consumers can be segmented into three groups depending on their preferences and their willingness to pay for sustainable products:

1. ‘Price-sensitives’ – customers who decide on the product with the lowest price, regardless of sustainable product attributes.

2. Label choosers’ – customers who do not have clear preference for a specific sustainable attribute but are willing to pay more for the sustainability attributes

3. ‘Price-conscious label discriminators’ – customers for whom price is important but have specific sustainable aspects that they prefer e.g. organic and non-GMO).

Most importantly businesses need to consider the specific preferences of consumers. Balderjahn et al (2018) argue that ‘marketing programs based on an undifferentiated notion of sustainable consumers or that assume a dominant ecological orientation among consumers are likely to fail’. In 2020 while businesses are facing many challenges, and the dynamic nature of business continues to evolve, one thing seems to be certain – there is ‘a permanent shift toward environmental products and services that transcends’ (Kearney, 2020). So perhaps it is end of business as usual after all.

INDUSTRY OPINION

NO

“FACTORS SUCH AS
OFSTED RATINGS ARE
MORE IMPORTANT”

MEGAN WYNNE

LEAPTRUST

“THE FOCUS IS ON
COST”

KAI THOMPSON

HOWDEN GROUP

YES

“INCREDIBLY SO. WE
OFFER SOLUTIONS TO A
MORE SUSTAINABLE
FUTURE”

ISSAM MAWHOUBE

ARUP

“A HIGH PROPORTION
OF OUR CUSTOMERS
CARE ABOUT
SUSTAINABILITY”

EMILY FIELD

LITTLEPOD LTD

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