

The EY Future Consumer Index | June 2021

The CEO Imperative: Make sustainability accessible to the consumer

The EY Future Consumer Index finds people want to make sustainable choices, if they can. Five strategies will help CEOs meet the demand.

In brief

- ▶ There is no single “Sustainable Consumer”. Values and attitudes vary. The nuance is critical.
- ▶ Many people would be willing to pay more if your product reflected their specific agenda.
- ▶ Consumers will look beyond a brand to consider the sustainability of your full value chain.

From the earliest days of the pandemic, consumers around the world have said they plan to make more sustainable choices about how they spend their time and money once the crisis feels over. Global consumer sentiment on this point remains solid.

In fact, this could be the year in which the political, social, corporate and consumer agendas on a full range of sustainability issues – from climate change to poverty and social justice – come into alignment. The 26th UN Climate Change Conference of the Parties (COP26) is due this November and we know from our work with global corporations that sustainability is now a central boardroom concern.

The CEO Imperative Series addresses critical issues and actions to help CEOs reframe the future of their organizations. Here, we’ll outline consumers’ changing expectations of brands and the companies behind them with regards to sustainability, and how CEOs can address them.

Can you finally close the intention gap?

The latest edition of the EY Future Consumer Index suggests 43% of global consumers want to buy more from organizations that benefit society, even if their products or services cost more. And 64% are prepared to behave differently if it benefits society.

Consumers often say they will pay more for sustainable products and services, but then don't support that intention with action. As the world slowly emerges from the pandemic, there are signs this gap will close. That would create a major growth opportunity for consumer-facing companies. But they need to transform now to seize it. In particular, they need to create products that reflect the nuanced concerns of target consumers, and they need to make sure the business operations behind the brand meets those expectations too.

How can CEOs respond? These five strategies will help your organization give consumers the sustainable products they increasingly want, at a price they are willing to pay, while meeting their evolving expectations about how companies should behave:

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Embrace sustainability as a driver of value creation

02

Take a holistic perspective, but act on what matters to your business

03

Be authentic and be prepared to prove it

04

Drive positive impact across the value chain

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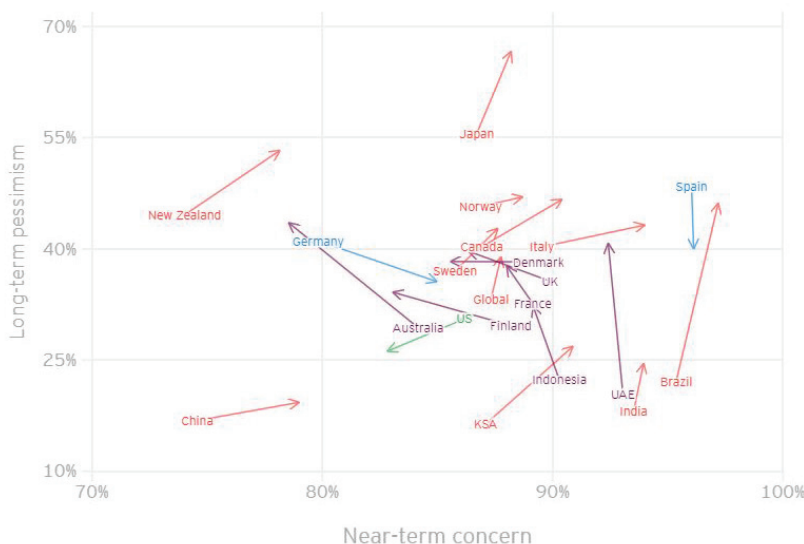
Re-design your operating model for sustainable execution, then build it fast

Countries are at different stages of the journey out of the crisis and people around the world are still deeply worried about their futures. In these challenging times, it's important to view the increased consumer interest in sustainability issues as a growth opportunity, not just another risk or cost.

Regional differences exist with regards to concerns and optimism

Arrow begins in May 2020 and ends in April 2021

- Becoming more concerned, more pessimistic
- Becoming more concerned, less pessimistic
- Becoming less concerned, more pessimistic
- Becoming less concerned, less pessimistic



"Near-term concern" are consumers who "are concerned for their family's health"

"Long-term pessimism" are consumers who "think the effects of the pandemic will last 1 year or more"

► [Experience the interactive chart](#)

That requires a detailed understanding of the way the experience of the pandemic is reshaping attitudes to sustainability. As the Index shows, what consumers value and which values they are prepared to actually pay for varies across countries, categories and segments. These differences are nuanced, complex, and often paradoxical.

More consumers want to buy sustainably, but they need companies to make that possible for them. Most consumers can't afford to pay more for sustainability; price remains their number one purchase criteria. And many of those consumers who are willing to make a more sustainable choice don't have access to products that reflect their changing values. To succeed, CEOs need to make sustainability accessible to more consumers.

84%

say sustainability is important when making purchase decisions, but 47% say it costs too much to purchase sustainable products.

86%

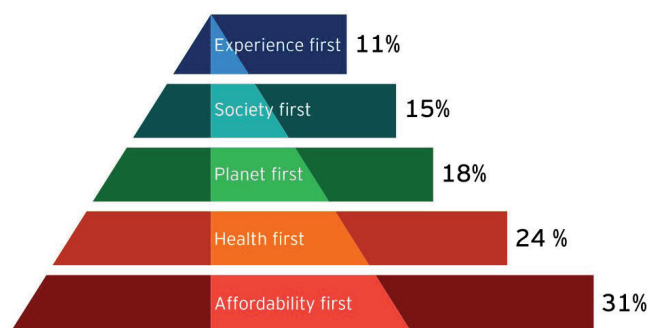
of consumers consider the amount of packaging when buying products, but 35% want more packaging to protect them from the risk of infection

61%

of consumers want more information to help make better sustainable choices, but only 20% check sustainability claims made on packaging or in advertising.

Who cares about sustainability, and what do they care about?

The EY Future Consumer Index has been tracking global sentiment for a year now. Over that time, more consumers have prioritized sustainability. But economic uncertainty is driving consumers to focus on affordability as well.



Meet the emerging consumers

The EY Future Consumer Index tracks changing consumer sentiment and behaviors over time to identify emerging consumer segments.

▶ [Experience the interactive chart](#)

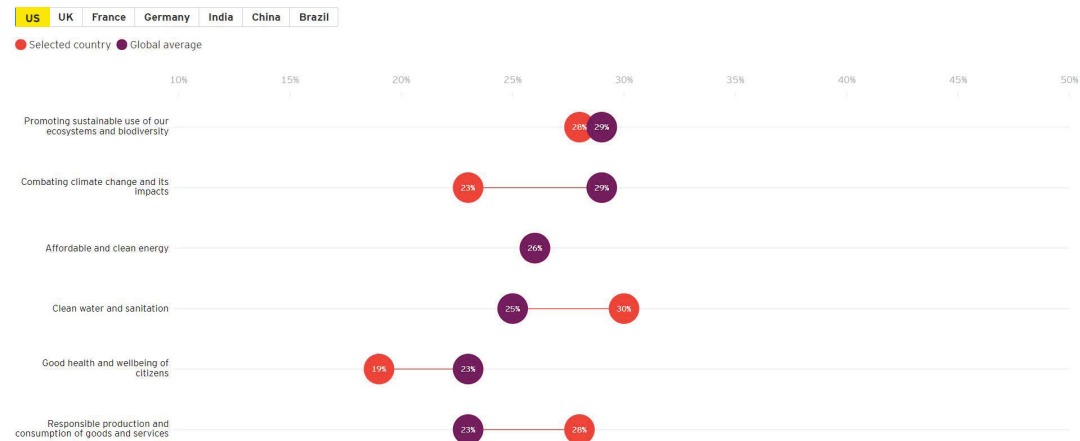
The segment we identify as “Planet first” accounts for 18% of consumers, but “Affordability first” forms the largest segment of consumers (31%). Some 27% of these cost-conscious consumers say sustainability is an important factor in their purchase decisions, but 73% say high prices deter them from buying sustainable products.

Giving people what they want in a way they can afford becomes more complex when you include variations in consumer priorities across countries and demographics. For example, ask French consumers to identify the top three challenges that fall within the definition of a “sustainability issue” and 44% highlight the need to combat climate change. That falls to 23% for US consumers and 16% for those in India.

This doesn't mean consumers in the US and India are not interested in the climate crisis, it's just that they see sustainability through a different lens. In India, for example, consumers are more likely to say the health and wellbeing of citizens is a sustainability issue than climate change.

Sustainability priorities differ by country

Share of respondents who considered the following to be sustainability issues



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When you move beyond definitions of sustainability and ask consumers what they are actually most concerned about, 56% in Japan and 53% in Germany highlight climate change. This falls to 38% in the US.

Local levels of concern diverge significantly from the global level in some regions. UK consumers are more likely than their global peers to worry about plastic waste (44% compared with 33% globally). And for those in China, air pollution is a standout concern (57% compared with 33% globally). These gaps are likely a reflection of the way the lived experience of the consumer differs around the world.

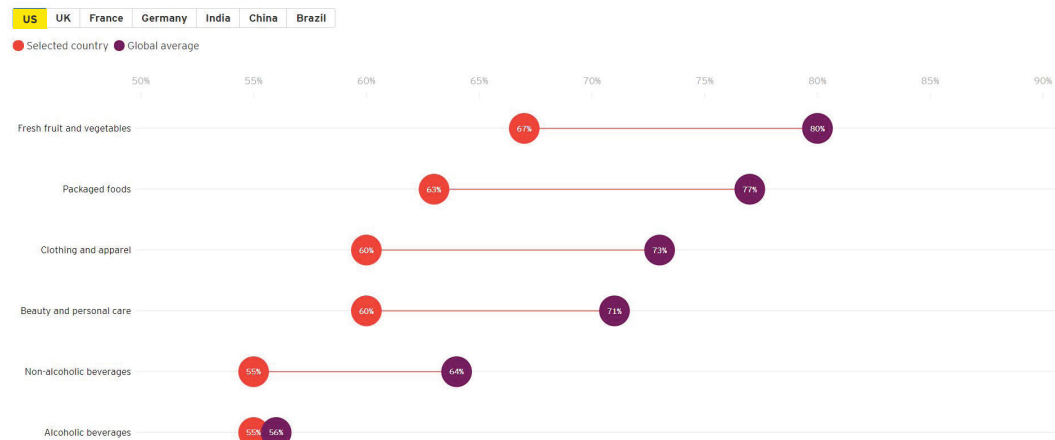
How does this influence spending?

When it comes to actually buying a product, food is the priority category where sustainability matters to the consumer. But clothing and personal care also rank highly.

At a regional level, consumers in India, China, Brazil and Indonesia are more likely than those in other markets to consider sustainability. The US overall lags the rest of the world across categories.

Consumer considerations to purchase sustainable products differ by product category

Share of consumers who consider sustainability in their purchase decisions for consumer goods



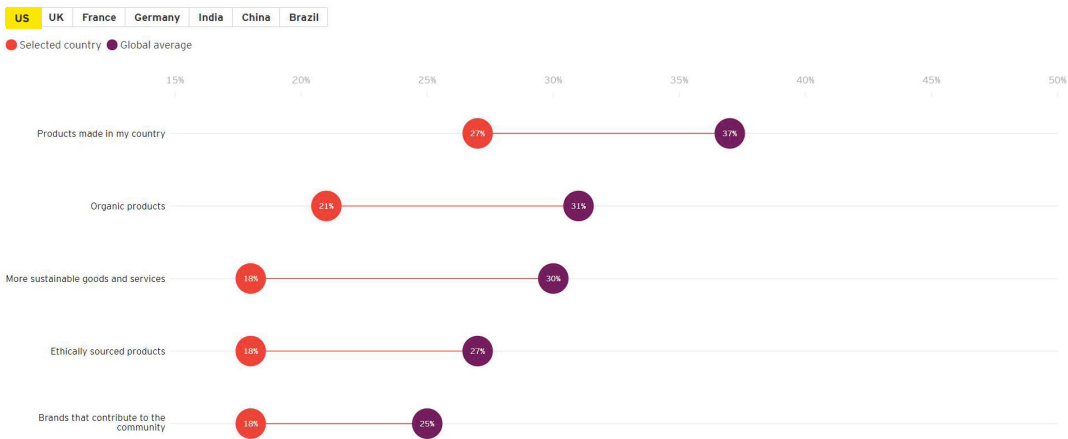
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Who is willing to do something about sustainability?

Consumers have different views about what sustainability means and what issues they care about. These differences are reflected in what they are actually willing to do, pay for, or sacrifice in order to live and consume more sustainably.

Consumer willingness to pay a premium for sustainable goods differs by country

Share of consumers who would pay extra for goods with certain characteristics

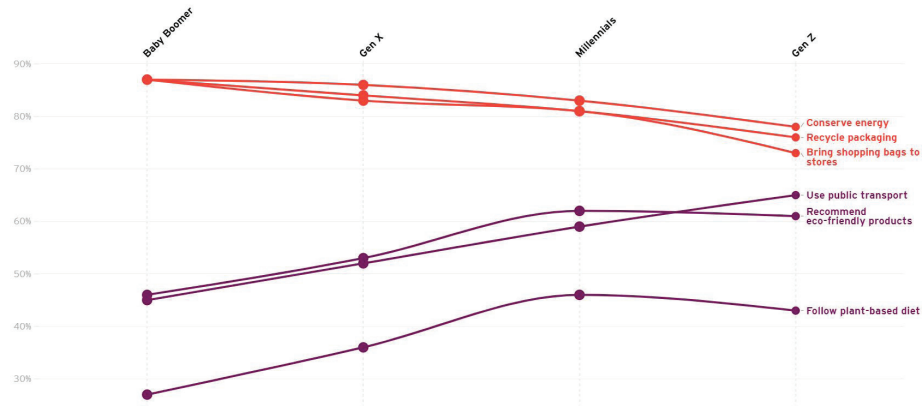


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In Brazil, 48% of consumers would be willing to pay more for sustainable goods and services. This falls to 24% in Australia and just 18% in the US. There are generational divides too. Globally, 35% of Gen Z consumers are willing to pay more compared with 28% of Boomers.

Generations take different actions to live more sustainably

Share of consumers who perform a specific action in an effort to live more sustainably



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The difference between generational attitudes is also evident in what consumers are willing to do and what they will sacrifice to promote sustainability. Gen X and Boomers are much more likely than younger consumers to take simple steps, such as taking their own shopping bags to stores, reusing or recycling packaging, and conserving their energy use.

However, Gen Z and Millennials are much more likely to favor sustainable lifestyle choices, such as plant-based diets and use of public transport. And they are more likely to share information about products that are good for the planet with their friends and peers.

What do consumers expect from you?

It's not enough to understand the nuance of how consumers feel about sustainability and how that affects their buying preferences. Their growing sustainability expectations stretch beyond the brand to how your company as a whole behaves.

Globally, people are setting a high bar:

- ▶ 51% of consumers believe they are doing all they can to make purchase decisions that shape a more sustainable future, but 68% expect companies and organizations to take a lead.
- ▶ 55% of consumers believe they should drive companies and organizations to lead on better social and environment outcomes.
- ▶ 73% of global consumers believe brands have a responsibility to make a positive change in the world.
- ▶ 80% of global consumers believe brands must be transparent about their environmental impacts in the production of their goods and services.
- ▶ 38% of global consumers believe businesses should prioritize responsible production and consumption of goods and services.

Many consumers feel they have a role in helping to deliver a more sustainable future. While high prices deter 66% from buying sustainable products, 29% would pay more in taxes to combat climate change. This is a much higher proportion than the 12% who would be willing to pay higher taxes to combat the pandemic.

A CEO agenda to make sustainability accessible

These five strategies will help your organization give consumers the sustainable products they increasingly want, at a price they are willing to pay, while ensuring you meet their evolving expectations about how companies should behave:

1. Embrace sustainability as a driver of value creation

How are you changing the culture in your organization so people see sustainability as a way of growing the business, finding efficiencies and creating new value pools – not just a cost? 54% of consumers have reduced or stopped altogether purchasing from organizations they believe acted inappropriately on environmental or social issues. This isn't just a turn away from brands that are part of the problem; it's a turn toward those that are an active part of the solution.

- ▶ Position your purpose-led brands for growth. Sustainability is a differentiating factor that drives growth. Even if most consumers are unwilling to pay more for sustainable brands, they are still more likely to buy them than alternatives.
- ▶ Invest in sustainable practices that drive efficiency. Products that produce less waste or fewer emissions, and last for longer can drive down costs, making sustainability more affordable for the consumers.
- ▶ Create value, don't just avoid harm. The sustainability agenda is focused on reducing negative impacts. But a more regenerative mindset actively creates value. This is about designing new products, services and business models that can profitably serve people and the planet as part of a circular economy.

2. Take a holistic perspective, but act on what matters to your business

How are you balancing the need to track your performance on sustainability issues against the need to deliver a broader vision? Individual ethical, social and governance metrics and targets need to be met, but it's their collective impact that drives change. And consumers expect you to make a difference on issues that are beyond the traditional remit of a business. For example, 38% say ending poverty should be a priority for their country, the world as well as for businesses.

- ▶ Think beyond single-issue sustainability. Sustainability isn't just about the climate and the natural world. In different markets consumers prioritize diversity, inclusion, inequality, labor practices, health and safety and modern slavery differently. All these issues are important, but companies perform better when they focus on what matters to their specific business activities.
- ▶ Consider the interdependency of issues. Carbon has been the focus of many companies over the last two decades but carbon is linked heavily to other priorities such as waste, water intensity, plastic pollution and biodiversity.
- ▶ Build expertise, but avoid siloes. Sustainability is a complex and involving issue. Your response needs to be led by people with deep expertise in this rapidly evolving area. But make sustainability part of your company culture, not a standalone business function, and embed it into decision-making so everyone is working toward a common goal.

3. Be authentic and be prepared to prove it

How are you making your organization more transparent, so people can see what's behind your products and how you really do business? This is an opportunity to lead the market and build trust among the 80% of global consumers who expect brands to be transparent about their environmental impact. It's important to use the most appropriate data to demonstrate progress and to leverage technology to provide the transparency and traceability consumers increasingly demand.

- ▶ Set ambitious, measurable and credible targets. Companies will be punished for vague commitments they can't evidence and for underdelivering against targets that could never realistically be achieved.
- ▶ Use non-financial KPIs. Measure progress using the most appropriate, clearly defined metrics that are aligned to your incentives.
- ▶ Be open and honest with all your stakeholders. People will be more forgiving of a company that openly tries to address shortcomings than one that brushes over them with high-profile, low-impact initiatives.

4. Drive positive impact across the value chain

How are you getting more visibility into the behavior of your suppliers and partners and their impact on sustainability issues? Companies set global targets but often have to rely on local, piecemeal execution. Many are exposed to financial, regulatory and reputational risks from upstream and downstream impacts that they cannot always see or control. Yet 68% of global consumers say businesses must ensure all their suppliers meet high standards of social and environmental practices.

- ▶ Scale successful initiatives across the business. Leaders need to ensure that high-profile achievements in one function or territory are scaled widely. For example, cutting water use by 25% in one factory might earn some favorable headlines, but a 5% cut across all factories might have a more meaningful impact.
- ▶ Look beyond your immediate activities. Companies are judged not just on their own activities but on the impact their products and partners have throughout the product life cycle – from Scope 3 emissions to branded litter to poor labor practices on a farm that supplies you. Technology-enabled transparency can measure, improve and support more sustainable activities.
- ▶ Collaborate for systemic solutions. Many companies face challenges that can best be resolved by working together and sharing responsibility. Find opportunities to work with others – even competitors – on issues that have a global impact.

5. Re-design your operating model for sustainable execution, then build it fast

How are you creating the flexibility needed across all your operations to meet and shape evolving consumer expectations around sustainability? This isn't just about reducing cost. For example, 27% of global consumers would pay more for products that ensure safe and inclusive labor conditions and fair employee pay.

All of these strategies are an opportunity to rethink how you create and measure both value and impact.

Your operating model needs to efficiently support not one or a few business models, but a plurality of new strategies for staying relevant to the consumer. Tomorrow's operating model should incorporate these five design elements:

1. Dynamic ecosystems that foster profitable agility
2. A listening organization built on data and analytics for real-time decision making
3. Talent flexibility that reimagines how people do their work
4. An innovation platform that fosters ideas that can scale
5. An enduring purpose that drives all decisions and activities

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