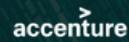




IN COLLABORATION WITH



It's Complicated

# Sustainable Transformation and Consumer Behavior



The trend is unmistakable. Consumers are making it clear that they want more sustainable products and services, and they are beginning to take action. Globally, interest in living and shopping more sustainably is booming. One study shows that 85 percent of people surveyed say they have adopted new purchasing behavior toward more sustainable options in the last five years. The paradigms are shifting, but the jury is out on whether consumers truly are voting for sustainability with their wallets and adopting new behaviors quickly enough to help reach milestone CO2 reduction goals.

***“In many sectors, the focus seems to be on business as usual. But we don’t have time to slowly figure things out. We have to integrate this sustainability work into business today and do things differently. There’s still a long way to go—and we have to get there quickly.”***

—Ashley Allen, Chief Sustainability Officer of Oatly

In speaking with sustainability leaders from leading organizations across the globe, Forbes Ignite heard a clear message that reaching our climate goals will require a combination of collective and individual efforts—a market-driven solution that will forge new relationships between consumers and brands. The choices consumers make regarding sustainable products and brands have a huge impact on our ability to achieve sustainable growth.

Producers and retailers must understand buyer behavior to ensure they are not missing opportunities or overproducing sustainable products consumers aren’t ready for. As retailers experiment with more sustainable products, packaging, and distribution, they are learning that stated customer intentions don’t always match up with buyer behavior.

# Sustainable Transformation Accelerators in Consumer and Retail

## There's gold in green products:

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Branded products marketed as sustainable carry a price premium of 39.5% versus offerings without sustainability branding. Between 2015 and 2019, sustainable products accounted for more than half of sales growth for consumer packaged goods, according to NYU Stern Center for Sustainable Business. More recently, 45% of consumers began choosing more sustainable products since the emergence of COVID-19, according to Accenture research.

## Sustainability strategy and insights:

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With a GDP of \$20 trillion and a population of more than 325 million people, the US is the world's largest consumer market. US household spending is the highest in the world, accounting for more than a quarter of global consumption. Over the years, this group of mega-consumers has been extensively studied and analyzed. That same trove of data that helps us better understand and influence consumers can also be used to effectively publicize and promote sustainable behaviors and practices.

## Education and awareness:

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Sustainability advocates are often concerned that it's difficult for consumers to translate good intentions into action. For example, the European Commission is preparing labeling standards that enable consumers to understand their food's environmental footprint along with nutrition information. While this European Union-wide environmental labeling initiative helps consumers make more sustainable choices, the challenge will be in establishing competing food standards being proposed around the world to avoid confusion.

## International cooperation and collaboration:

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A frequent point of contention in climate action is the division of labor and responsibility. While wealthy, developed nations often emit the most CO2 and can afford climate action initiatives, cleaning only their own backyards is not an option. Developing countries with relatively low emissions are often least prepared for negative events such as extreme weather. Global corporations with deep international market experience are uniquely positioned to contribute to CO2 mitigation and education and may avoid the red tape and debate that occur when attempting to align global governments.



"How do we help others in this sustainable journey? Developed nations are leaning on India and China to quit fossil fuels. The question should not be, 'Can you do this by 2050 or 2060,' but 'How can we help these nations that account for something like 40% of the human population move toward cleaner energy?' We can't tell countries to pivot and not provide any help for that journey."

**Ashish Jandial**

Managing Director | Salesforce Practice Lead  
North America

## Ethical and sustainable products:

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For many consumers, sustainable and ethically sourced products go hand-in-hand. Ethical sourcing typically means that raw materials and ingredients are procured in responsible ways. For example, the diamond and fashion industries have come under fire for concerns about child labor and unsafe working conditions. Today, those industries are careful to correct those mistakes and assure consumers that they are producing in ethical and sustainable ways. The trend will only grow as younger consumers who value sustainability, equity, and inclusion gain purchasing power.

## Transparency:

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As the demand for green products grows, so does the unfortunate practice of greenwashing. Companies that make exaggerated or misleading sustainability claims have soured consumer trust and poisoned the well for companies offering products with legitimate benefits. In 2021, the European Union analyzed claims on consumer websites selling merchandise, including clothing, cosmetics, and household goods, and found that 42 percent of claims were exaggerated, false, or deceptive enough to be considered policy violations.

The opportunities for companies to market products that are proven to be sustainable are huge in terms of building trust and competitive advantage. By being straightforward and providing verifiable evidence to back up their claims, sustainable brands can quickly gain market share from non-ethical competitors.

***“We won’t meet sustainability goals without individual and collective action. The ability to empower individual consumers means they can actually offer themselves an opportunity for success as a whole within an economy, because financial inclusion is extremely important to sustainability—it’s hard to see how we can have one without the other.”***—Christian Zimmerman, CEO and Founder of Qoins.

## Cost curves and affordability:

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Affordability can sometimes be a huge barrier to adopting more expensive sustainable options. Consumers who earn more are more willing to pay for green products than those in lower-income groups, who might hold off until prices come down. The cost barrier is frequently a challenge for manufacturers, distributors, and retailers who must invest in the higher infrastructure and production costs of sustainable goods while hoping to recoup their investments with wider adoption and consumption. By partnering with their suppliers and buyers, businesses can kickstart sustainability within their own supply chain.

***“The old paradigm of competitive intelligence and keeping your cards close to your vest has to be changed in certain areas. By being more open and sharing best practices, companies can create consortiums and potentially invest in some of their factories and suppliers to reach a better outcome that benefits all of us. But that requires working together, not working in competition with each other.”***—Matt Marcotte, GM for Retail and Consumer Goods, Salesforce



## The consumer revolution is sustainable

Perhaps the biggest themes that echoed through our consumer and retail sector sessions were purchaser mindset shifts, and who funds this transformation. Although there are mighty forces tapping the brakes on sustainable goods—including government regulators and well-funded incumbents—attitudes are clearly shifting. While price and convenience will always factor in, sustainability is rising as a global force in influencing purchase decisions. Companies that get ahead of emerging customer demands and expectations will prosper, while incumbents ignoring this trend will fall away.

***"We put consumers at the center of what we do. The challenge is that stating a preference for sustainable products often isn't correlated to buying behavior. Consumer behaviors don't always follow their stated intentions. If you are a consumer-centric business, it's sometimes difficult to prioritize those emerging preferences."***—Lisa Morden, Vice President of Safety, Sustainability, and Occupational Health at Kimberly-Clark

There is a rising realization that the clock is running out, and only one market-driven path leads to net-zero. Trends clearly show consumer markets already play a significant role in the fight against climate change. Consumers increasingly see themselves as engaged participants in sustainable transformation, and they are looking for brands and products that align with their values. The urgent message around sustainable goods and services is writ large for all to see. The advantage belongs to companies that will read, understand, and act on this message.



# Sustainable Transformation in Retail

The consumer/retail sector is a key enabler to sustainable transformation, the successor to digital transformation. It's about applying lessons learned from managing disruption, data, and agile practices and applying them to sustainability. Using proven digital tools and processes creates a clearer path to net zero. Three main pathways to sustainable transformation are:

PATHWAY	EXAMPLE
Decarbonization through achieving clean energy independence.	Walmart, IKEA, and H&M have joined the Race to Zero Retail Campaign to encourage retailers to embrace climate action.
Supply chain reliability and waste reduction through <i>resource independence</i> .	The fashion industry is moving from supply chains to more circular models as the second-hand fashion market is projected to double in the next five years, to \$77 billion.
<i>Resilience</i> that future-proofs businesses and allows companies to adapt to climate impacts.	Clothing retailer American Eagle Outfitters achieved 97% faster labor force planning, improved efficiency, and faster shipping with AI-powered supply chain apps.

To read more about how sustainable transformation can shift your organization's mindset on the business goals of sustainability, read our [full report](#).