

THE SUSTAINABILITY IMPERATIVE

The case for building sustainable businesses has never been stronger

By Natalie Lacey & Jessica Long | November 2020

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THE SUSTAINABILITY IMPERATIVE

In the midst of a global pandemic, economic recession, and social unrest, is sustainability still a priority? Our response is a definitive yes.

Consumer expectations and demands for more sustainable practices are higher than they have ever been, and they have withstood the pressures of the pandemic. It is no longer a question of when companies should pursue a sustainability agenda, but how they should go about it.

In 2019, Ipsos' Global Trends survey in 33 markets found that concern for the environment (or "climate emergency") was the number one value that united people around the world.¹ In September 2020, we found an increase in concern that we are headed for an environmental disaster if we don't change our habits quickly in the UK, France, Italy and Germany (see figure 1).

Importantly the public puts the onus of responsibility on companies (over the government or themselves) to ensure consumer products are environmentally and socially responsible (see figure 2).

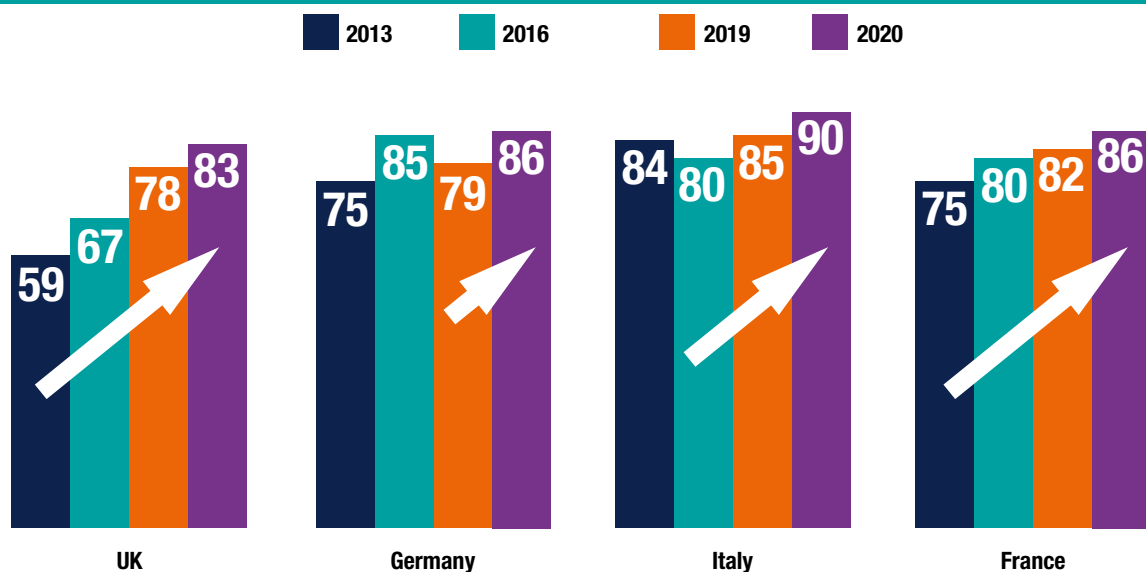
This rise in public concern and expectations is not the only mounting pressure on industry to make sustainable changes. There is increasing global recognition that business as usual is no longer viable:

"By now, we all understand the importance of investing in sustainable business practices. What was once considered a company mission to do social good is now a business imperative. The proof is easy to see."

- World Economic Forum, Davos 2020²

The opinion of the World Economic Forum is represented by businesses around the world. In August 2019, the Business Roundtable overturned a 22-year-old policy statement that defined a corporation's principal purpose as maximizing shareholder return and adopted a new 'Statement on the Purpose of a Corporation' which declares that companies should not only serve their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers and support the communities in which they operate.³

Figure 1 We are heading for environmental disaster unless we change our habits quickly (% agree)



Source: Ipsos Global Trends survey, September 2020. Base: 1000 respondents in each market.

This shift was significant in its recognition of how companies and organisations around the world are placing increasing attention on building more sustainable businesses.

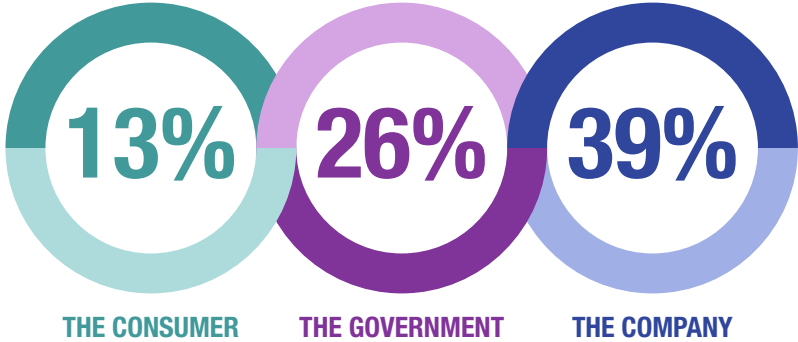
The set of criteria used to assess the impact of business activities and investments on the wider world is known as ESG, which stands for environmental, social and governance practices. The UN Global Compact,⁴ a non-binding pact which encourages

businesses to adopt and monitor sustainable initiatives, continues to be a driving force, supporting organisations to focus and document their efforts around the Global Goals for Sustainable Development (see appendix 1).

These activities are proving valuable not only to businesses and the planet, but investors are also reaping the benefits with above average performance for ESG portfolios.⁵

Figure 2 Where does responsibility lie?

Q: Who, if anyone, do you think is responsible for ensuring consumer products are environmentally and socially responsible?



Source: Ipsos research among c.1000 adults in each market: US, UK and France, Q2 2019



IPSOS' VIEW ON SUSTAINABILITY

Sustainability is the long-term viability of a business. It is more than corporate social responsibility and reputation, and it also goes beyond environmental sustainability. A sustainable business integrates long-term stakeholder value into all dimensions of its activities, including its supply chain, employee relations, community relations, environmental impact and governance practices.

Not every company can or will approach its sustainability agenda in the same way, which can create uncertainty around where to start or which aspects of sustainability to focus on and prioritise.

At Ipsos, we help clients make better, more informed decisions and define priorities across their sustainability efforts. Our approach incorporates ease of implementation with the impact of action as well as important factors such as cost, time, and the extent to which potential activities will positively influence stakeholders.

“Sustainability is not only a relevant topic for consumers - it is the long-term viability of a business.”

THE SUSTAINABILITY JOURNEY

Businesses need to identify where they are at in their sustainability journey and what action is required for them to move forward most effectively.

We often find that the ambition for a business to become more sustainable is a sequential, yet cyclical, process (see appendix 2).

There are five key stages in the sustainability journey, as outlined here:

- 1 EXPLORATION**
Explore the current landscape, which includes learnings from parallel categories or competitors and the current impact of your business as usual.
- 2 IDENTIFICATION**
Identify specific initiatives that your business or brand can own, then develop an implementation strategy.
- 3 EXECUTION**
Execute the implementation strategy with an initial pilot phase. Many businesses or brands make the mistake of dialling up communication at this stage, risking reputational damage without evaluation.
- 4 MONITORING & EVALUATION**
This stage is key to tracking the impact of your initiative(s) and is critical to your efforts and your reputation. You should seek to be continuously learning, optimising and scaling your efforts over time.
- 5 COMMUNICATION**
Transparency is key in how you communicate what you're doing and the impact your efforts are having. Do not be afraid to openly acknowledge mistakes and learnings as you go – bring consumers along with you on the journey.



“Businesses must learn to operate in a constrained environment as they come under scrutiny from government and consumers alike on their sustainability agenda..”

WILL THE CHALLENGES OF 2020 IMPACT PRIORITIES?

Ipsos has been tracking public opinion in relation to COVID-19 since February 2020, measuring everything from priorities, fear and risk of the pandemic, the health and financial implications, trust in organisations, through to consumer purchasing behaviour. Monitoring sentiment towards sustainability commitments, and social progress more generally, have been a key aspect of our research.

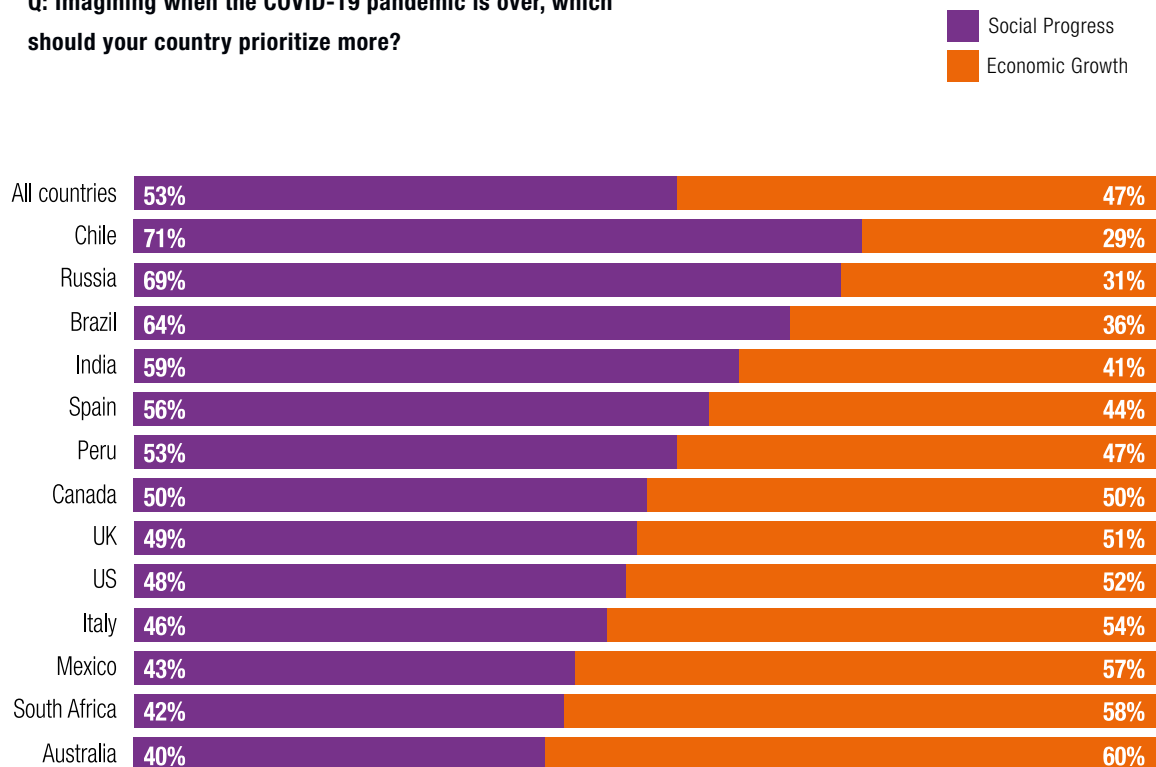
Research conducted throughout the pandemic has shown that despite concern about the virus and a looming economic recession, the global public is still concerned about wider social and environmental issues and expects issues such as climate change and social issues to be addressed in the recovery.

As an example, a recent study conducted by Ipsos and the Social Progress Imperative⁶ finds that a majority in many countries (and 53% overall) would choose improved social outcomes over economic growth as a long-term priority for their country when the pandemic is over.

Along with a significant impact on disposable incomes, the virus will likely result in a more conscious form of consumption while increasing the importance of aspects of sustainability in consumer decision-making. This is a critical opportunity for businesses to appeal to consumer values during turbulent times.

Figure 3 COVID-19 recovery priorities

Q: Imagining when the COVID-19 pandemic is over, which should your country prioritize more?



Source: <https://www.ipsos.com/en/majority-favors-social-progress-over-economic-growth-wake-coronavirus-pandemic>
 Base: 10,013 online adults between aged 16-74 across 13 countries. Fieldwork dates 16-19th April 2020.

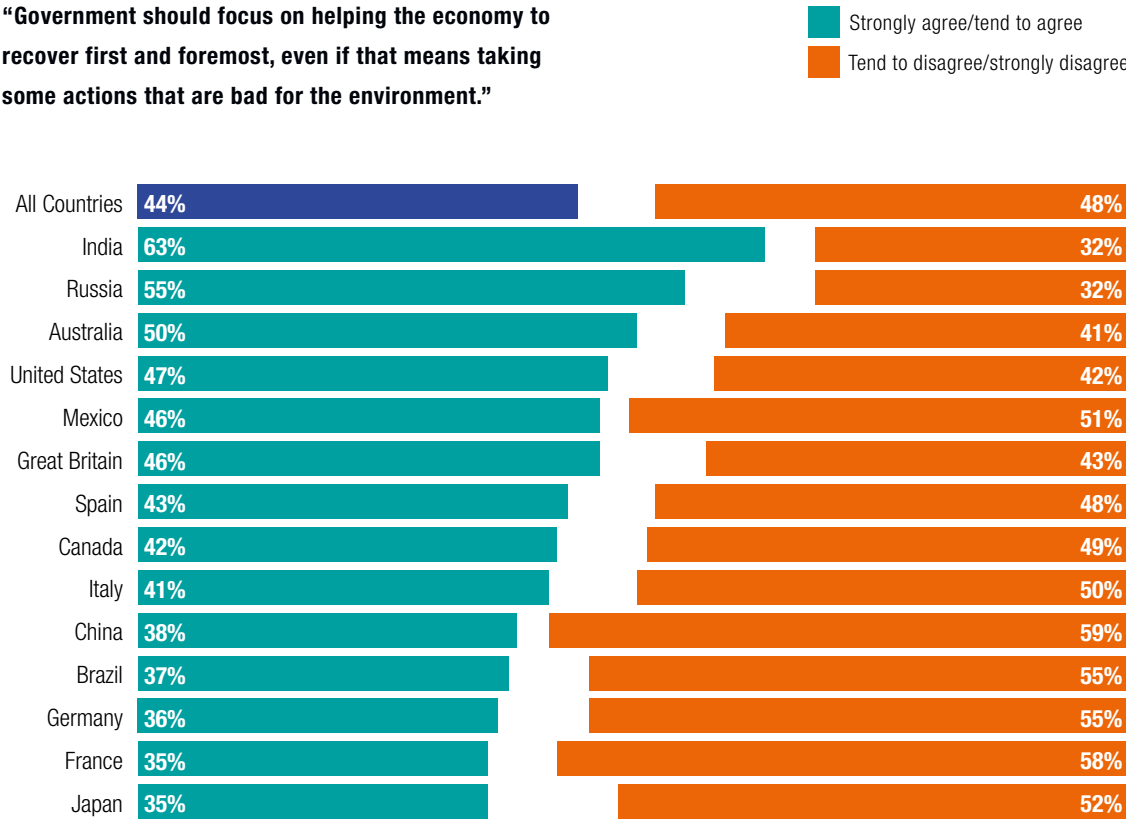
Other polling tells a similar story with widespread expectations on governments to enable a green recovery. Indeed, in many countries we are now finding more than half the population disagreeing with the assertion that the economy should take priority even if it means taking actions that are bad for the environment (see figure 4).

It is not surprising that people want the economy to rebound, but in study after study, we find that people do not think the economic recovery should come at the expense of putting our planet in further jeopardy. New needs emerge amid COVID-19, but sustainability remains as relevant as ever.

In these circumstances, companies must not abandon their progression to sustainable performance.

“In study after study, we find that people do not think the economic recovery should come at the expense of putting our planet in further jeopardy.”

Figure 4 Economic progress first and foremost?



Source: Ipsos Earth Day survey, April 2020: <https://www.ipsos.com/sites/default/files/ct/news/documents/2020-04/earth-day-2020-ipsos.pdf>
 Base: 28,029 online adults aged 16-74 in 14 countries. Fieldwork dates 16-19th April 2020.

CASE STUDY: TETRA PAK

Every year Tetra Pak publishes an in-depth, global consumer survey about what's shaping the food and beverage industry: the Tetra Pak Index. This year's research – in its 13th edition and developed in partnership with Ipsos – shows that food safety is a major issue for society. The same amount of respondents believe that COVID-19 is a “real threat”. At the same time, concern for the environment remains strikingly powerful; it is still ahead of everything else except the pandemic. Food waste is also rising up the agenda and is now seen as a concern by more than three-quarters of respondents.

These findings point towards a dilemma in consumers' minds as they try to balance the critical priorities of human existence through safe food and sustainability of the planet we live on. This is where responsible food packaging can play a strong role.

Working closely with its customers and stakeholders, Tetra Pak is already on a journey to create the ultimate sustainable food package – a carton package that is made solely from responsibly sourced renewable or recycled materials, is fully recyclable and carbon-neutral, allowing ambient distribution and meeting food safety requirements.

www.tetrapak.com/campaigns/go-nature-go-carton/home



BUSINESSES HAVE THE LICENCE TO ACT

Increasingly, businesses must learn to operate in a constrained environment as they come under more scrutiny from government and consumers alike on their sustainability agenda.

With shifting behaviours as a result of the pandemic, there will likely be a push for more innovative sustainable solutions. It will be important for these innovations to address the current environmental impact of businesses if they are to establish a credible presence in this space.

Confidence in institutions is also evolving. In the UK and the US for example, falling trust in governments has created a

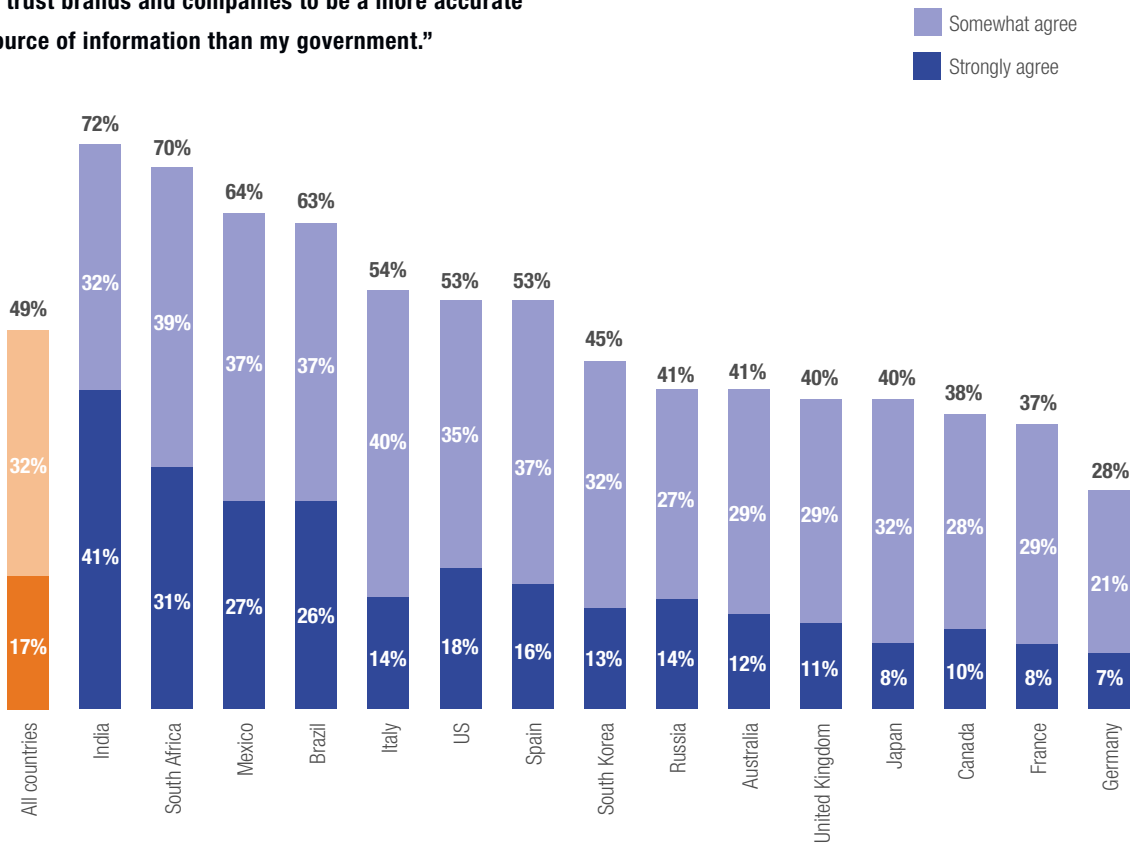
vacuum that could allow for trust in businesses to rise and fill the void.

In a study conducted in late August, we found that the public in many countries view brands as more reliable sources of information than governments in some ways (see figure 5).

Therefore, businesses have a role and right to speak out and can be the carrier of the sustainability agenda. This agenda goes beyond the classical issues of plastics and pricing to a wider concern about impacts across the supply chain, such as regenerative agriculture.

Figure 5 Trust in brands/companies vs. government

"I trust brands and companies to be a more accurate source of information than my government."



Source: Ipsos Essentials study, August 2020
Base: 13,503 adults in 15 countries.

ADDRESSING THE SAY-DO GAP

Much has been said about the “Say-Do Gap” – the sometimes confusing divergence between stated intent or interest and actual behaviour. Our research shows the consumer say-do-gap regularly showing up in this context when we look at public opinion and behaviour metrics such as purchase of sustainable products, willingness to pay, and willingness to take action. In the US, 35% of consumers say that they find it difficult to follow through on their sustainability principles and 41% say that sustainability is “just one more thing” they have to worry about, so it sometimes falls to the bottom of their list.

At Ipsos, we do not believe that the say-do gap is a reason to halt or slow progress on sustainability.

Instead, industry has a responsibility to close the say-do gap: they must figure out how to offer consumers the opportunity to act on their desire. As well as offering what the consumers want, communication and messaging plays an important part.

While there is a segment of consumers who are more active agents in sustainable consumption, we also know that the public perceive a variety of barriers and negative associations when it comes to products labeled as fair trade, sustainable or organic. These include pricing, clarity and availability (see figure 6).

Figure 6 Views on labelling of fair trade, sustainable and organic products

Barriers	Products are too expensive; I don't understand the labels and/or it is difficult to find the products.	50%
Reluctant	Buying these products doesn't make any difference to the state of the environment and/or the labels are often false or not really true.	33%
Active	I actively seek out products with these labels and/or I am willing to pay at least 10% more for products with these labels.	31%

Source: Ipsos Essentials survey in 16 countries, June 2020.

Base: 1000 adults in Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, South Korea, Spain, United Kingdom, and United States & 500 in Mexico, Russia, South Africa.

The complex and nebulous topic means that people often feel powerless to make decisions that have a meaningful impact on the environment. Consumers may approach the issue with some reluctance or default to existing associations and familiar actions such as recycling or reducing use of plastics such as straws.

For businesses seeking to bridge the say-do gap amongst their consumers, the challenge is to move sustainable products into the mainstream, taking them from being perceived as “niche” to being part of the standard consideration set of products that deliver.

Businesses need to be the change agents leading consumers along the journey to sustainability. They can do this in the following ways:

OWN

Do not try to be all things to all people initially: ensure you have the right to play. Own an area that is aligned to your business and in which you are credible.

EDUCATE

Sustainability is particularly complex, so you may have to educate your consumers on the issues, your role, and your intentions. Do not tell them what they should do, but what you will do.

LEAD

Demonstrate leadership through specific actions that achieve your objectives.

DEMONSTRATE

Show first, don't tell. In the era of "greenwashing", it is important you have evidence of your efforts before you shout about it.

ENABLE

Seek the path of least resistance or fewer trade-offs for consumers so they can act on their desire to do good without sacrifice.

PERSEVERE

Believe in your values, maintain your focus and stay the course. This is a long-term commitment.



“Consumers often find sustainability messaging confusing and difficult to navigate”

CASE STUDY: COCOA LIFE

Cocoa Life is Mondeléz International's global cocoa sustainability program which aims to tackle the complex challenges that cocoa farmers face including climate change, gender inequality, poverty and child labour.

By 2025, all Mondeléz International's chocolate brands will source their cocoa through Cocoa Life, so it is essential that the impact of the programme is measured, verified, and reported on by an independent organisation. Ipsos evaluates Cocoa Life based on the program's global KPIs. Impact assessments are based on a longitudinal panel study that is statistically representative of Cocoa Life participants.

The panel includes community leaders, community members, cocoa farmers, co-ops, and other Cocoa Life programme stakeholders. Ipsos produces a yearly report for each country of origin: Ghana, Côte d'Ivoire, Indonesia, Dominican Republic, India and Brazil.

Mondeléz International released Cocoa Life's 2018 Annual Report which, thanks to Ipsos data, could show positive results from the first six years of the program's implementation.

<https://www.cocoalife.org/progress/lessons-on-impact>



WHERE TO FOCUS?

One of the challenges we see in our research is that consumers do not hold strong or differentiated opinions of companies when it comes to their sustainability practices. We believe that this is due to a lack of understanding on the part of consumers about the broader scope of sustainability, but it also could be due to businesses trying to communicate too much – there is a risk of having too many labels, too many initiatives, and too many words that consumers struggle to connect with. Businesses need to focus.

By adapting the language and being specific about the benefits, consumers can move from a vague concept of sustainability towards greater appreciation, understanding and action.

When determining where their focus should lie, businesses should look for the intersection between their own brand impact, their consumers' attitudes and behaviour, brand values and the ability to execute (see figure 7).

Figure 7 Finding your Sustainability Focus

CURRENT ENVIRONMENTAL

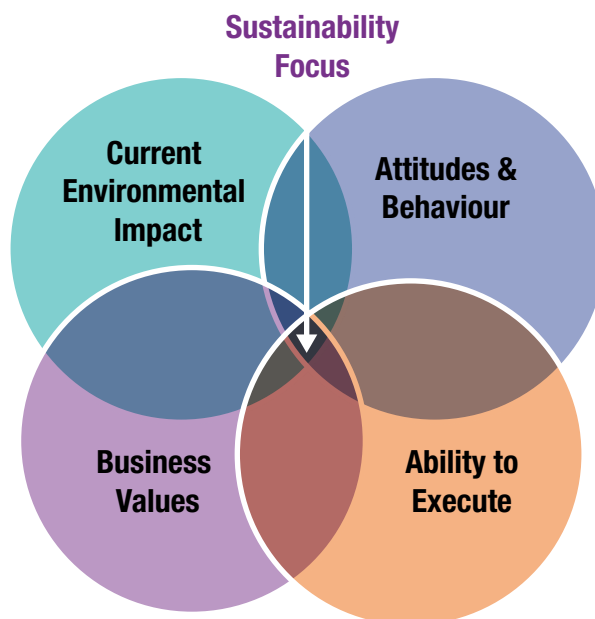
IMPACT: What is the current impact your 'business as usual' model is having on the environment?

ATTITUDES & BEHAVIOUR:

What is truly important to your target stakeholders/consumers and what are they likely to act upon?

BUSINESS ETHOS & VALUES:

What value does your business bring to the world? Allowing "guilt-free" consumption in the indulgence category could be a strategic angle to pursue. Don't try to be all things to all people.



ABILITY TO EXECUTE:

When deciding the actions you should and can most feasibly take when implementing a new strategy, emphasis should be on initiatives that your business is able to commit to in the long-term.

Using this focus lens can help you identify where your business can be most effective.

Source: Ipsos

SUSTAINABILITY IS HERE TO STAY

Sustainability is a vital consideration for the long-term viability of businesses. The question for businesses is not when to act, but how.

Businesses need to be the change agents as we move towards a more sustainable future. The responsibility should be on businesses, not consumers, to close the say-do gap. Businesses should seek to break down barriers to enable consumers to make positive actions.

Sustainability can be a tricky topic for consumers to navigate. They often feel powerless in their decision-making. Businesses should focus on helping consumers navigate this space, rather than solely 'nudging' them. Communications need to also re-frame the topic of sustainability so that it conveys concepts and benefits such as 'circularity' and 'betterment'.

It is essential to be agile, nimble and openly grow and evolve with the landscape. Opinion leaders, activist investors, business leaders and social leaders can capture attention, define the agenda and fill in information gaps for consumers. This means public opinion could erupt without warning.

Businesses do not need to be all things to all people. Even if your organisation is active on many fronts, communication can focus on just one or two priorities and build key messages around this.

The monitoring and evaluation stage is often overlooked, but it is an essential part of your model. Assessing the impact of sustainability actions provides evidence of commitment to stakeholders and consumers alike. These are some of the most pressing actions as we continue the long march towards sustainable business.

The role of businesses is paramount to the future of the planet. And the role of sustainability is paramount in the future viability of businesses. Ipsos' role is to provide business and governments clearer direction in their sustainability journey, helping them to be more effective and successful in their efforts.

Ipsos advises businesses on how they should address sustainability and helps them to define, manage and communicate their sustainability priorities across Corporate Reputation, Innovation, Communication, Public Affairs and Social Intelligence.

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6. <https://www.socialprogress.org/>

APPENDIX

Appendix 1 UN Global Compact Principles

PRINCIPLE 10

Businesses should work against corruption in all its forms, including extortion and bribery

PRINCIPLE 9

Businesses should encourage the development and diffusion of environmentally friendly technologies

PRINCIPLE 8

Businesses should undertake initiatives to promote greater environmental responsibility

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges

PRINCIPLE 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation

PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence

PRINCIPLE 2

Businesses should make sure that they are not complicit in human rights abuses

PRINCIPLE 3

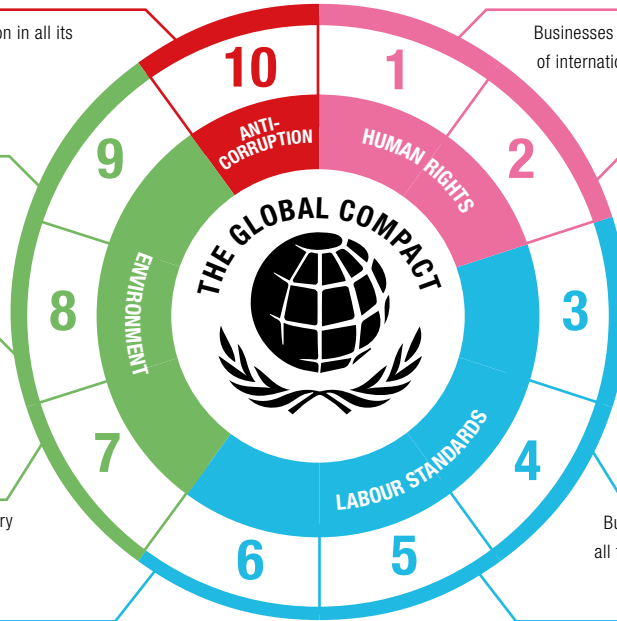
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

PRINCIPLE 4

Businesses should uphold the elimination of all forms of forced and compulsory behaviour

PRINCIPLE 5

Businesses should uphold the abolition of child labour



Source: The UN Global Compact: <https://www.unglobalcompact.org/>

Appendix 2 The Sustainability Journey



Source: Ipsos

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