

EMBEDDING ESG IN EXPERIENCE

Strengthening customer
relationships while doing
right by the world

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ESG SERIES

GAME CHANGERS



Increasingly organizations are coming under pressure to do business more sustainably. 81% of Ipsos Reputation Council Members say that poor ESG (environmental, social, governance) performance now has material consequences.¹ As a result, ESG considerations are a key part of companies' strategic plans and roadmaps.

Communication campaigns are designed to drive awareness and positive perceptions around ESG agendas and address growing concerns among citizens. But it is becoming increasingly difficult for companies to stand out and cut through. Current policies mainly focus ensuring processes and product/service delivery mechanisms minimize the impact on the environment. In some organizations, ESG commitments are thought of as a necessary cost to the business, but this leads to missed opportunities to leverage ESG to create value for stakeholders.

We argue that ESG should not be considered only as a cost or a necessary requirement, and that it is possible to do the right thing for the planet, people and society in a way that drives business benefits. ESG commitments, if grounded in the reality of customers, can translate into opportunities that create value and drive mutually profitable relationships.

We outline the crucial role that Customer Experience (CX) can play in making ESG engagements tangible and share key principles to create value while doing the right thing.

A CALL TO ACTION

Ipsos Global Trends, a 50-country survey seeking to understand how global values are shifting, shows people do have clear expectations of brands and business when it comes to ESG. Most consumers believe business can be a force for good, with 80% agreeing that brands can make money and support good causes at the same time. And almost two-thirds say they try to buy products from brands that act responsibly, even if it costs more (64%).⁵

Private companies are under the spotlight to do business more sustainably, with only a small majority of global citizens (57%) confident that businesses are taking action to fight climate change.² The reality is perhaps bleaker. Data from our CX Global Voices survey of CX professionals finds that 36% strongly


agree that their company uses and maintains environmentally sustainable practices. The risks of not answering this call to action are clear, particularly given that globally 68% agree that businesses that do not act now to combat climate change will be failing their employees and customers.⁴

Citizens expect multinational companies to give equal priority to improving society and to environmental issues.⁶ Beyond it being the right thing to do, we know consumers actively seek out brands that actively build impactful initiatives that address environmental, social and governance issues.

ADDING VALUE THROUGH ESG

Delivering on the ESG agenda can create value in many ways, not least of which is competitive advantage. ESG practices should not just be considered a cost and a way to comply with current and future regulations. The potential for value creation for the company, the employee and the customer should not be underestimated. There are many examples proving that sustainable practices can increase operational efficiency and add value for the customer, for instance:

- Beyond being fair, inclusive recruitment policies add value by:
 - Resulting in a diverse workforce which is more likely to be empathetic to the diverse needs of its customers
 - Boosting cultural mix in a workforce which provides a broader perspective on people and society, leading to more relevant offers and services.
- Reducing waste can lead to operational efficiency and value for money for customers.
- Fair remuneration leads to a more engaged workforce.



56% strongly agree that their company delivers inclusive and equitable Customer Experience to all customers, regardless of gender, ethnicity, sexual orientation, disability.³ ”



Only 36% of CX professionals across the world strongly agree that their company is using and maintaining environmentally sustainable practices.”

Ipsos' CX Global Voices

BUILDING STRONGER RELATIONSHIPS

By delivering on ESG commitments, brands can make sure they meet customers’ rising expectations around businesses being purposeful and ethical. They also create a sense of authenticity that drives stronger and more meaningful relationships with customers.

Ipsos’ CX experts, in collaboration with our Global Behavioral Science Team, have developed ‘The Forces of Customer Experience’.⁷ This framework helps organizations better design, deliver, measure and manage experiences that fulfil customers’ fundamental needs – both functional and emotional – leading to long-lasting and profitable relationships, improved customer outcomes, including retention, share of spend and advocacy and, ultimately, a better Return on CX Investment (ROCXI).

We identified the key dimensions, which we then validated to be strong predictors of “emotional attachment” and relationship strength.

Of particular relevance to ESG, **Belonging** is about customers, and, indeed, employees, feeling organizations care about the greater good, have a purpose beyond commercials and that they connect to their values. A brand’s ability to build a sense of Belonging is key to building authentic relationships with consumers. Our data (CX Forces R&D) shows that, across sectors, delivering on Belonging differentiates an organization’s experience and helps them not only meet, but also exceed customers’ expectations.

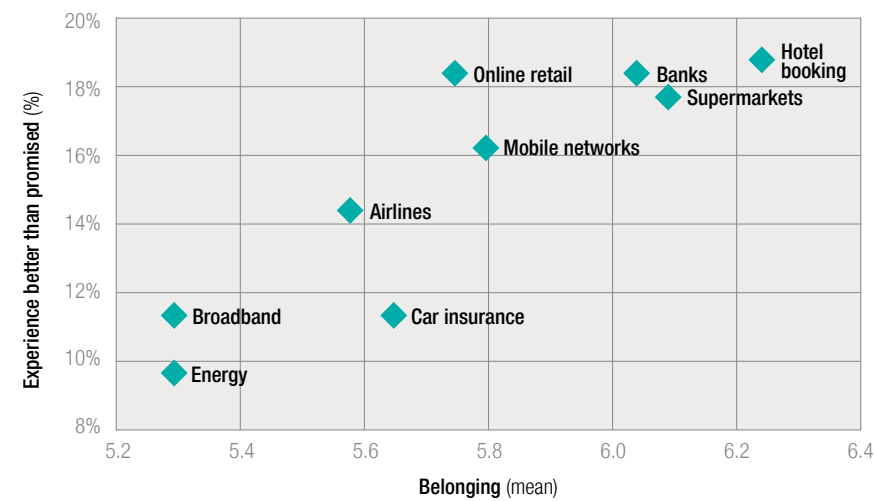
Figure 1 How the Forces of CX build strong relationships

Some Forces are hygiene factors, while others add value and differentiate the experience – all work together to strengthen your customer relationships.



Source: Ipsos R&D

Figure 2 Link between a brand’s ability to build a sense of Belonging and exceeding customer expectations



Source: Ipsos R&D

DRIVING A RETURN ON ESG INVESTMENT

Alongside positive impacts for people and the planet, we can quantify the impact that ESG initiatives can have on customer behavior and revenue.

For a leading telco organization, we were able to quantify the impact of Social Responsibility on customer retention. We did that by combining survey and behavioral data using ROCXI (Return on CX Investment) modelling, a powerful data integration technique that quantifies the link between key aspects of customer relationships and financial outcomes.

In the survey, customers were asked to rate the brand on relationship dimensions, and how socially responsible they perceived the brand to be, based on their dealings with them.

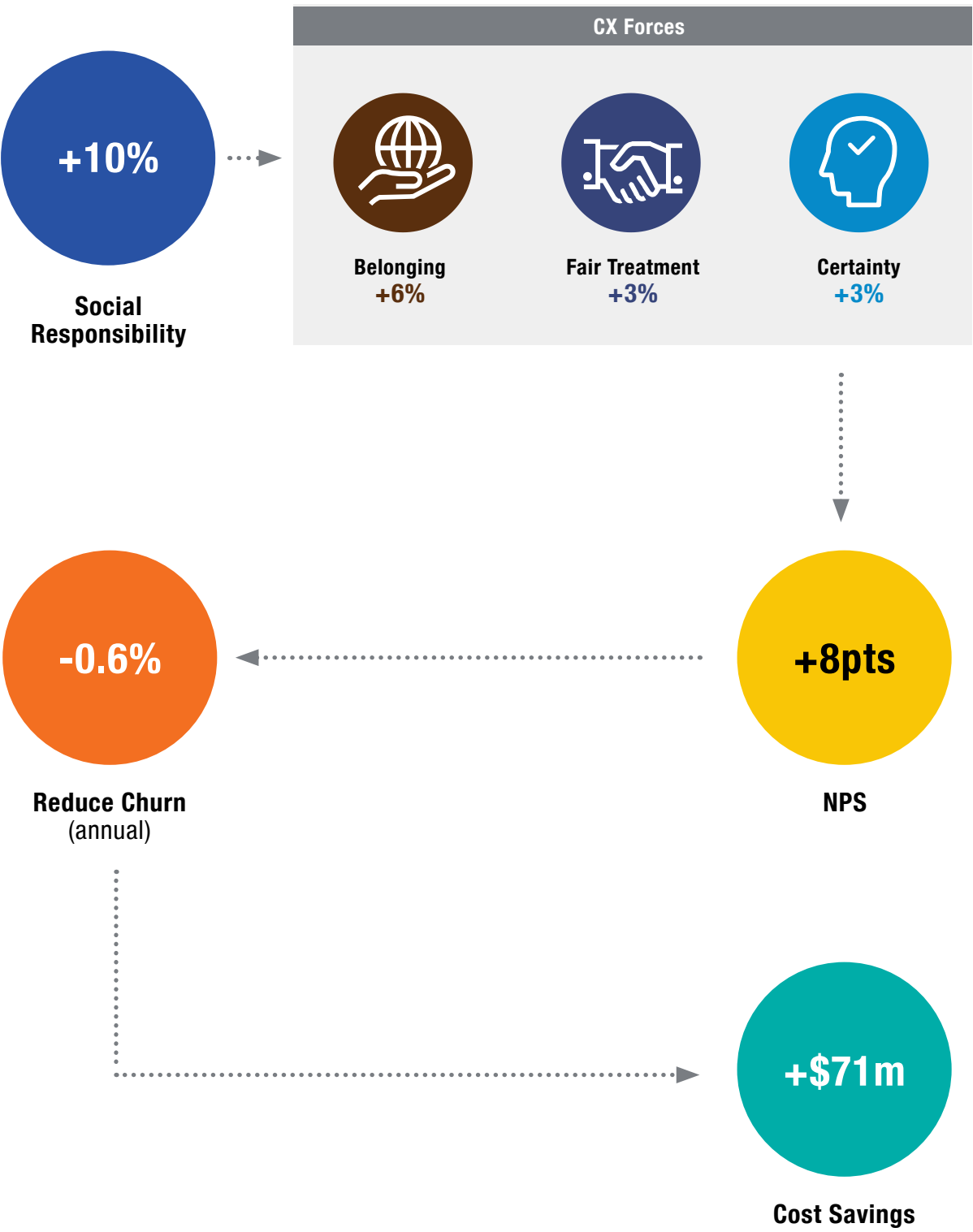
The analysis showed that perceptions of Social Responsibility among customers impacted the

CX Forces of Belonging, Fair Treatment and Certainty, which in turn had a significant impact on advocacy and retention.

We were able to quantify the impact of becoming more socially responsible on relationship strength, retention, and associated revenue gains.

Being able to demonstrate that delivering on ESG commitments can strengthen relationships between customers and companies and have an impact on financials is a powerful way to unlock resources and boost the ESG agenda.

Figure 3 An example of the impact of improving Social Responsibility on customer relationship strength, retention and revenue gains



Source: Ipsos R&D



If there is a gap between what the brand says and what it does, customer expectations are violated, and cognitive dissonance takes place.”

EMBEDDING ESG IN CUSTOMER EXPERIENCE

To reap the relationship rewards of ESG commitments, brands must be able to ground these efforts within the Customer Experience to establish a meaningful connection.

1. GOING BEYOND THE FUNDAMENTALS

Brands risk being lost in a sea of sustainability sameness if they fail to connect with their customer base beyond the ESG fundamentals such as reducing inequality, paying their fair share of taxes and reducing waste. These are quickly becoming hygiene factors, which all brands must address, and only lay the groundwork for a better relationship rather than truly engaging customers.

2. DELIVERING ON PROMISES

ESG commitments can be thought of as brand promises. Brand promises come from marketing and communications activities, what is said or written about brands, and importantly from customers’ experiences or interactions with brands. These promises set expectations⁸ that the Customer Experience needs to deliver on. If there is a gap between what the brand says and what it does, customer expectations are violated and cognitive dissonance takes place. Our research shows that when CX consistently fails to meet expectations, customers will most likely:

- **Adjust their attitude towards the brand** (love them less)
- **Adjust their behavior towards the brand** (stop using or use them less).

Conversely, when the experience consistently reinforces the brand promise, customers are more likely to grow closer to the brand and use it more in the future. We know from our Global CX Voices study that closing the gap between promise and delivery is a top priority for organizations globally (47% agree). When building sustainable initiatives and communicating them, brands should consider how they will deliver on their promises and, importantly, avoid accusations of greenwashing.

3. GROUNDING ESG IN EXPERIENCE

When it comes to ESG engagements, it is crucial for organizations to demonstrate, via the experience, that the promises made are grounded in reality. Commitments, therefore, need to be tangible and related to an organization’s offer (and possibly USP) as this puts organizations in a better place to deliver and demonstrate them. Concrete engagements, in line with a brand’s core offering, that can be demonstrated via the experience, are more likely to be impactful than broader, disconnected and commonplace engagements.

A recent analysis in the tech sector compared the impact of various types of sustainability related commitments on customers' likelihood to recommend the brand. Our analysis found that engagements that were aligned to the purpose

(core offering) of the brand were more than twice as likely to impact customers' attitudes and behavior than generic claims relating to environmental issues.

Figure 4 Examples of tangible commitments that can be demonstrated via the Customer Experience



TELCO

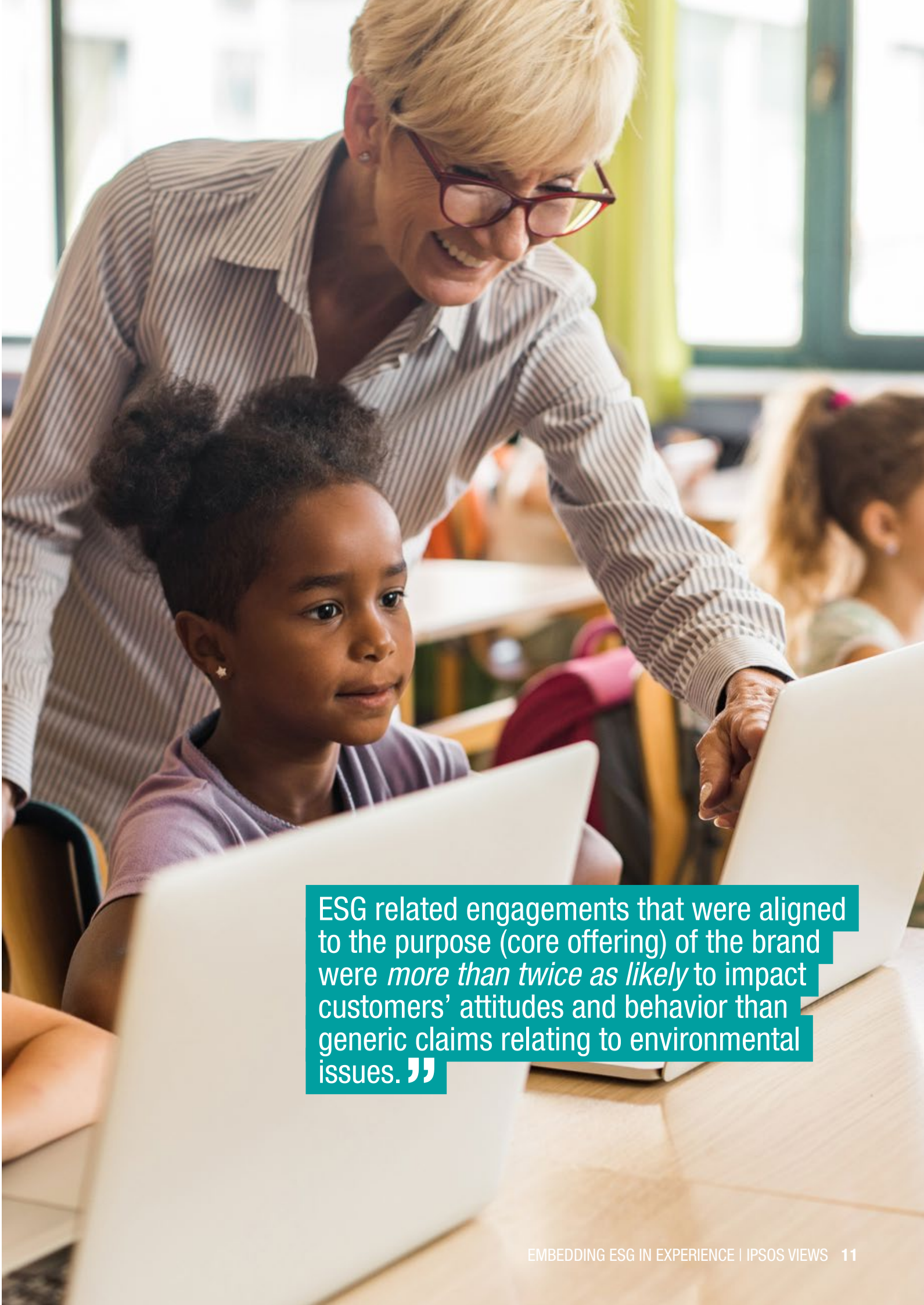
- Democratising access to digital
- Educational programmes about new technologies
- Guidance on use of social media for young people

DIRECT TO CONSUMER

- Green deliveries
- Recyclable products
- Low waste packaging

BANKING

- Accounts for the unbanked
- Responsible lending
- Financial education



ESG related engagements that were aligned to the purpose (core offering) of the brand were *more than twice as likely* to impact customers' attitudes and behavior than generic claims relating to environmental issues.”



DESIGNING THE EXPERIENCE OF THE FUTURE

The volatile world in which we live clearly impacts our expectations, needs and opinions. Health, societal, environmental and economic factors all impact what customers expect of brands and the experience that they will receive. Leveraging CX Service Design principles and solutions such as CX Journey Mapping to redesign or improve the experience that customers have, to meet or even exceed their expectations is more important than ever.⁹

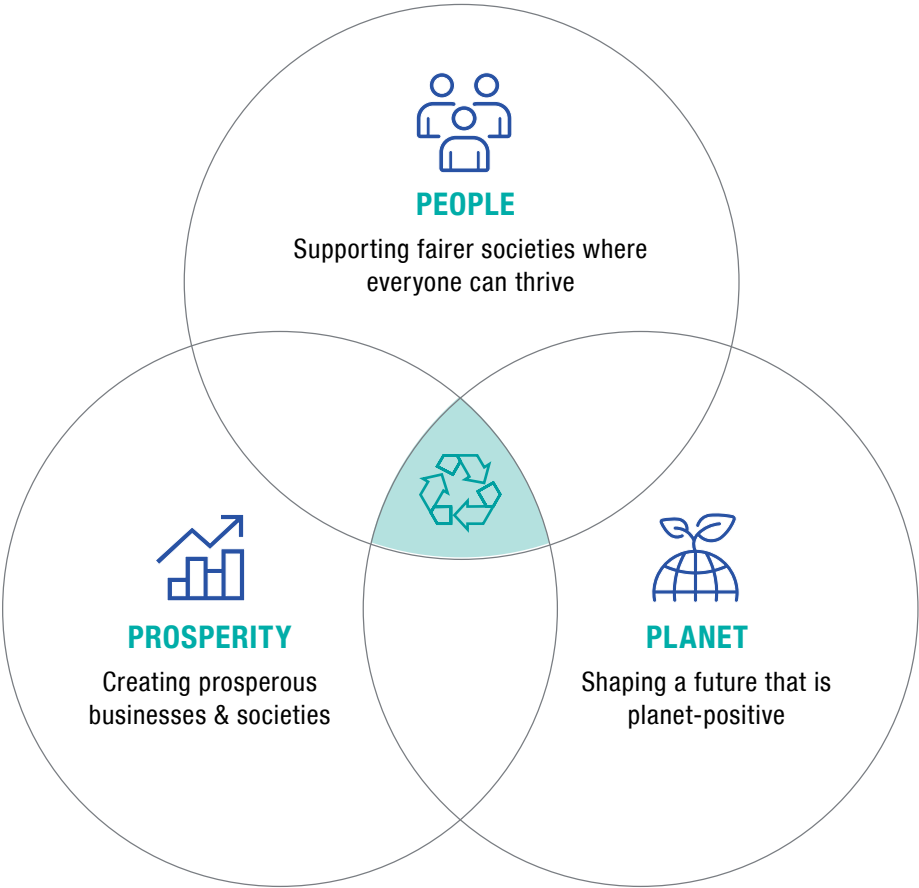
To derive more value from ESG, as well as to improve ESG practices as a good in-and-of themselves, organizations need to re-think their customer journeys. It's critical to identify where opportunities lie, embed the appropriate practices, and demonstrate commitments to customers and employees – all to foster stronger and mutually profitable relationships.

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KEY TAKEAWAYS

- ESG engagements need to be tangible and relevant to your offer and your customers.** The ability to demonstrate engagements via the experience is key to fostering strong relationships.
- Quantifying the Return on CX Investment for ESG (ROCXI: ESG)** is a powerful way to measure the success of ESG initiatives and build a business case for further investment.
- CX Service Design principles and solutions** such as CX Journey Mapping are required to truly embed sustainability in the Customer Experience, creating value, driving stronger relationships and increasing desired customer behavior outcomes: increased retention, share of spend, advocacy and operational efficiency – all while doing the right thing.
- Ipsos' CX Maturity Assessment** can help organizations measure their level of CX maturity, including when it comes to embedding ESG in experience, benchmark against best-in-class and create action plans for improvement.

Figure 5 People, Planet, Prosperity



FURTHER READING



FIVE WAYS TO DEFEND THE CUSTOMER DURING ECONOMIC UNCERTAINTY

In a period of uncertainty, CX owners face new challenges. Here's a guide from Ipsos.



THE 5 UP-FRONT STEPS THAT ENABLE CROSSCHANNEL INSIGHTS

Getting a complete view of the customer is challenging. We can help.



HOW INFLATION AFFECTS CUSTOMER EXPERIENCE EXPECTATIONS

Neglecting to deliver differentiated, impactful customer experiences that show customers how much you value is a major risk. Here's why.



CX SERVICE DESIGN: CREATING EMOTIONAL ATTACHMENT AND DRIVING BRAND GROWTH

Designing customer experiences that drive business success

FURTHER LISTENING



Customer Perspective:
An Ipsos podcast
<https://www.ipsos.com/en/customer-perspective-podcast-about-cx-and-channel-performance>



People, Planet, Prosperity
<https://www.ipsos.com/en/listen-us-selection-ipsos-finest-podcasts>



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