

SHIFTING SHOPPERS' ESG ATTITUDES TO ACTION

How to drive
behaviour change

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GAME CHANGERS





INTRODUCTION

When it comes to Environmental, Social and Governance (ESG) policies, it's not always clear to shoppers, manufacturers and retailers who is responsible for what, the steps that can be taken, and the incentives for so doing.

Not only is there confusion about who should be doing what, there are often barriers and pain points rather than rewards for ESG-related activities. Examples include shoppers having to pay higher prices for sustainable products,

and manufacturers and retailers implementing costly sustainable supply and logistics chains.

In this paper we explore how ESG plays out for shoppers, manufacturers and retailers, what the roles and responsibilities are for each party, and how understanding and use of relevance can incentivise shoppers to change behaviours and shift from attitude to action.

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WHAT IS ESG?



Environmental ‘E’ aspects include climate change, greenhouse gas emissions, biodiversity loss, deforestation, pollution mitigation, energy efficiency and water management.



Social ‘S’ aspects include employee health and safety, working conditions, diversity, equity and inclusion, consumer protection, human rights, and animal welfare.



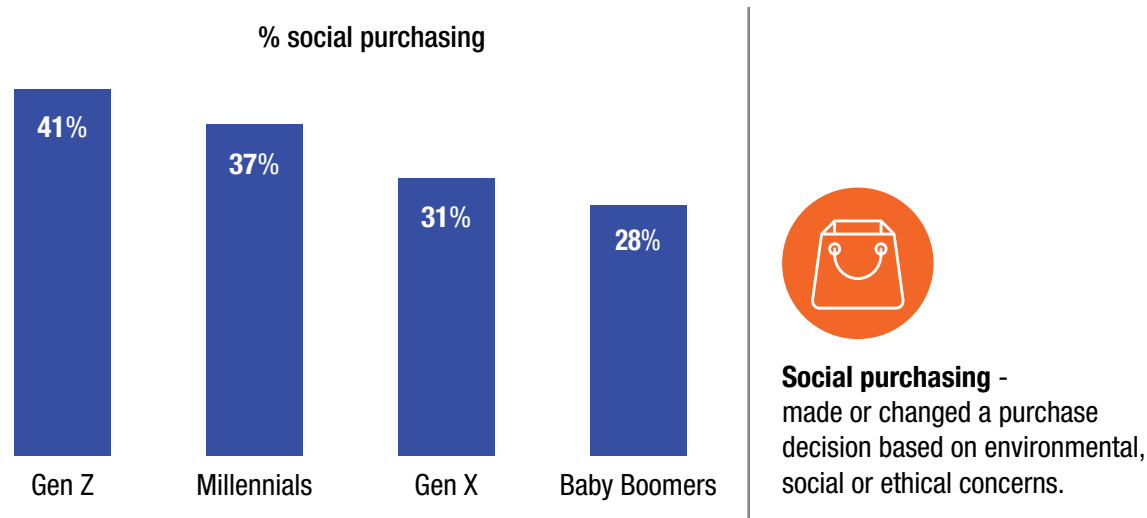
The **Governance ‘G’** includes corporate governance such as employee relations and rights, executive and employee compensation, board of directors’ diversity, cybersecurity and privacy, management structure, and prevention of bribery and corruption.

THE IMPORTANCE OF ESG TO SHOPPERS, MANUFACTURERS AND RETAILERS

ESG is important for shoppers from the standpoint of conscious purchase decision making. This most often refers to increased awareness of environmental impacts of their choices, the ‘E’, and frequently takes the form

of choosing sustainable or eco-friendly products and recycling plastics and other products purchased. Shoppers may choose brands and retailers which align with their values, and ESG principles form a large part of this.

Figure 1: Demographics of socially conscious purchasers



Source: Ipsos Understanding Socially Conscious Purchasers
Base: 21,528 online adults under the age of 75 across 32 countries, interviewed 26 August - 9 September, 2022

Along with transparency in sourcing, production, and packaging, shoppers may also look to the 'S' – the social impact of their purchases. They may shun companies with a history of poor employee treatment, or flagrant overcompensation of its executives at the expense of employees and customers.

For manufacturers, ESG can be a source of competitive advantage. Brands adhering to ESG principles can differentiate themselves in a crowded marketplace and appeal to environmentally and socially conscious shoppers and retailers. ESG may also help mitigate risks. For instance, a brand which sources its materials sustainably is less likely to face supply chain disruptions due to environmental and/or social factors. Additionally, many investors now include ESG factors as part of their investment decisions. Lastly, brands demonstrating strong ESG performance can potentially attract more investment.¹

Retailers also benefit from adopting ESG principles. First, they appeal to the growing consumer base, now numbering as many as

64% of consumers,² who say they try to buy brands that act responsibly, even if it means spending more. Second, by sourcing and promoting products that follow ESG principles, they can differentiate their inventory. Third, they can reduce risk by ensuring their supply chain partners also adhere to ESG principles, thus minimising potential disruptions and reputational damage.

Both manufacturers and retailers have a role in removing barriers to sustainable consumption for shoppers, such as through circular economy recycling and refillables programmes. Manufacturers and retailers need to effectively communicate these activities to their shoppers, along with how shoppers can play their part.

Shoppers' ESG responsibilities include making informed purchasing decisions; supporting products based on attributes such as recyclability, reusability, and biodegradability; and selection of retailers and brands committed to sustainability. They also play a role in holding companies accountable by demanding transparency and ethical practices.

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SHOPPER STASIS AND BARRIERS TO BEHAVIOUR CHANGE

Responsibilities may be well and good in theory, but action is another matter. While some shoppers feel a strong sense of personal responsibility in relation to sustainable practices and climate change, they do not consider themselves to have primary responsibility versus private companies and the government.³ Indeed, while 46% of consumers feel guilty about their impact on the environment, 60% believe that companies aren't doing enough in supporting sustainability and ethical best practices.⁴ This has led to limited progress in intentions to take individual actions, and confusion about which actions make the most impact.

On the one hand, 61% of food and grocery shoppers consider themselves sustainable consumers, with 51% saying they are willing to pay more for ethical and sustainable products, and 50% saying they refuse to buy from companies who fail to act in a sustainable manner.⁴ But the increase in environmental concern hasn't manifested itself in more sustainable actions, with the public's environmental actions remaining virtually flat since 2014.

Around a third of shoppers are 'low' in their engagement in social activism, and two-thirds are 'low' in acting on it, such as making or changing their purchase decisions based on environmental, social or ethical concerns.⁵ The adage 'the spirit is willing, but the flesh is weak' applies here.

This is because there are a number of barriers to shoppers implementing ESG behaviours, including:

- **Lack of awareness:** Some shoppers may not be fully aware of the impacts of their purchasing decisions on the environment and society, or they may not understand what ESG is and why it's important. Ipsos' sustainability segmentation research indicates that nearly 20% of consumers are 'Disengaged Denialists'.⁶
- **Accessibility:** Sustainable products may not be as readily available or as conveniently located as traditional products. This can make it more difficult for shoppers to choose these options; a distribution issue.
- **Lack of standardisation:** There are no universally accepted standards for what constitutes an ESG-compliant product. This lack of clarity can create confusion among consumers and make it harder for them to make informed choices.
- **Greenwashing:** Scepticism and mistrust of the authenticity of ESG claims is in play, in part because of companies misleading consumers about the environmental benefits of a product or service. Indeed, seven in ten citizens globally think that businesses occasionally, if not regularly, use environmental claims fraudulently.⁷

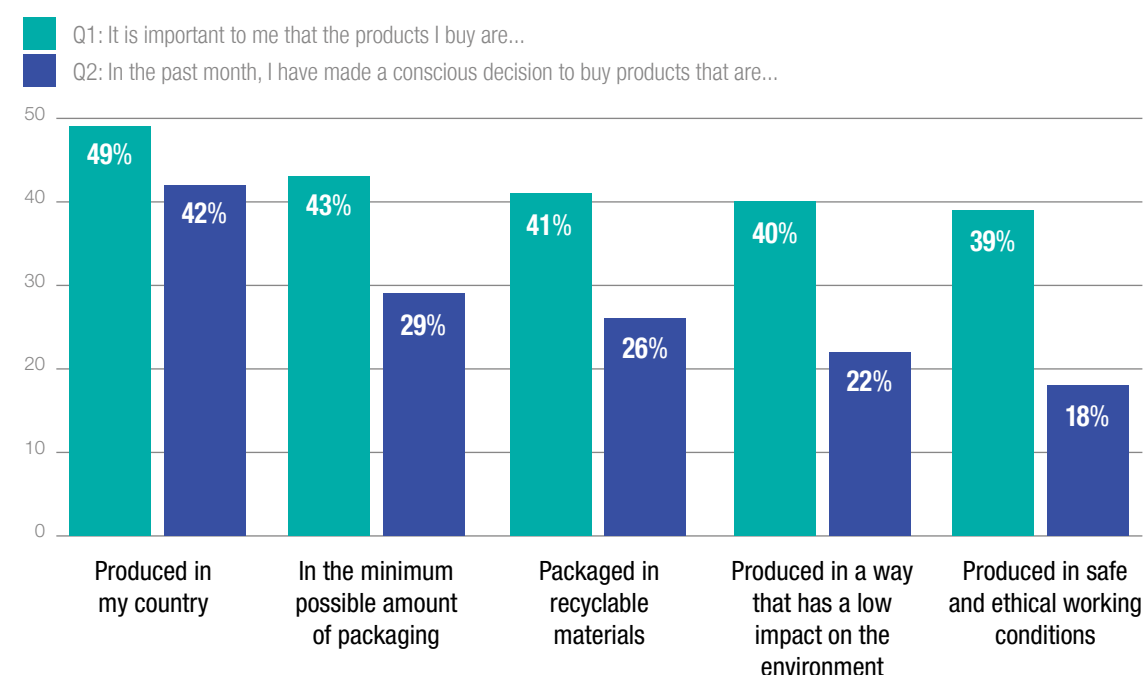
- **Habit and resistance to change:** People are creatures of habit, and it can be difficult to change ingrained shopping behaviours. Even with knowledge of the benefits of sustainable products, some shoppers may resist making changes to their purchasing habits.
- **Price sensitivity:** Even though many consumers express a desire to support sustainable products, price remains a significant factor in purchasing decisions. Sustainable products often cost more, and not all shoppers are willing or able to pay a premium. Making them pay more is disincentivising and creates a pain point, despite what people may say about their willingness to pay more.

This is indicative of the ‘say-do’ gap. Even with the desire to implement change in their behaviours, there is a gap in what shoppers say they would do or what is important to them, and what they actually do, as illustrated in the figure below.

Further, there is a gap between what consumers believe and what is reality, the ‘believe-true gap’.⁸ In terms of an individual’s carbon footprint, for example, people underestimate high-impact actions such as taking flights and overestimate lower-impact actions such as avoiding excess packaging.⁹

Industry and government have a duty to help consumers close the say-do and believe-true gaps. This means shifting from acting as an enforcer of an issue, to a facilitator that provides supportive examples. Shoppers need to be not just encouraged but supported to enact sustainable behaviours.

Figure 2: What consumers say vs. what they do



Source: DS Smith & Ipsos, Sustainable Packaging in Europe

Base: c.9,000 adults under the age of 75 across 12 countries, March 2021



USING BEHAVIOURAL SCIENCE TO INCENTIVISE SHOPPER BEHAVIOUR CHANGE

By adopting a behavioural science approach, organisations can find pathways to incentivise ESG-forward shopper behaviours. The behavioural science model considers ‘internal’ motivational and capability aspects of behaviour, as well as the ‘external’ influences from the wider physical and social/cultural environment and how they work together. This approach analyses what is preventing the desired shopper behaviours and develops interventions that overcome the barriers, which may be internal and/or external to the individual.

There are some key principles to understand:

- **Loss aversion**, with losses being felt twice as strongly as gains, shoppers will focus on avoiding losses over making gains. This means that if they are being asked to pay more money for an ethical or sustainable product, they may feel as if they are losing more than they are gaining. Further, loss aversion may make it difficult to make change because of the perception of losing out if the alternative option or behaviour

lacks clear benefits. Benefits of the product or behaviour need to be clearly spelt out.

- **The path of least resistance.** Focusing on enabling actions that people are already inclined to take, rather than creating new behaviours, can facilitate the adoption of sustainable behaviours.
- **Mindset blueprints differ**, such as locus of control. Those with an internal locus of control believe they impact the world, whereas those with an external locus of control tend to believe the world happens to them. Mindset blueprints also play out as a promotion/improvement mindset, where the shopper is an active role model, versus a prevention mindset which is about duty and obligation.

These principles have several implications:

- **Loss aversion:** Some people make assumptions that environmentally friendly products are of lesser quality, and they therefore may be losing out, and potentially paying more for the privilege – a double negative. Most consumers are not ready to pay more for the sole benefit of sustainability, despite what they may say, but sustainability can contribute to the premium perception of the product.¹⁰
- **Taking the path of least resistance:** It can be advantageous to position the ‘sustainability ask’ as a ‘co-benefit’ alongside what’s important to shoppers (e.g. saving money, saving time, healthier), rather than leading with sustainability as the primary benefit (e.g. do this and it’s

WHAT’S IN IT FOR ME?

Ipsos’ 2023 Global Reputation Monitor indicates that, for the consumer-packaged goods industry, of the top five consumer ESG concerns, three are environmental, one is social, and one is governance. Of the top 13 in Figure 3, the top four are directly related to what impacts the individual consumer. The further down the list, the fewer the implications for the individual consumer.

Active and proactive behaviours need to provide a ‘what’s in it for me’ beyond merely what’s good for the planet, which can be more passive.¹¹ Humans tend to focus on themselves rather than bigger picture influences, and therefore need specifics and ‘so what’s’.

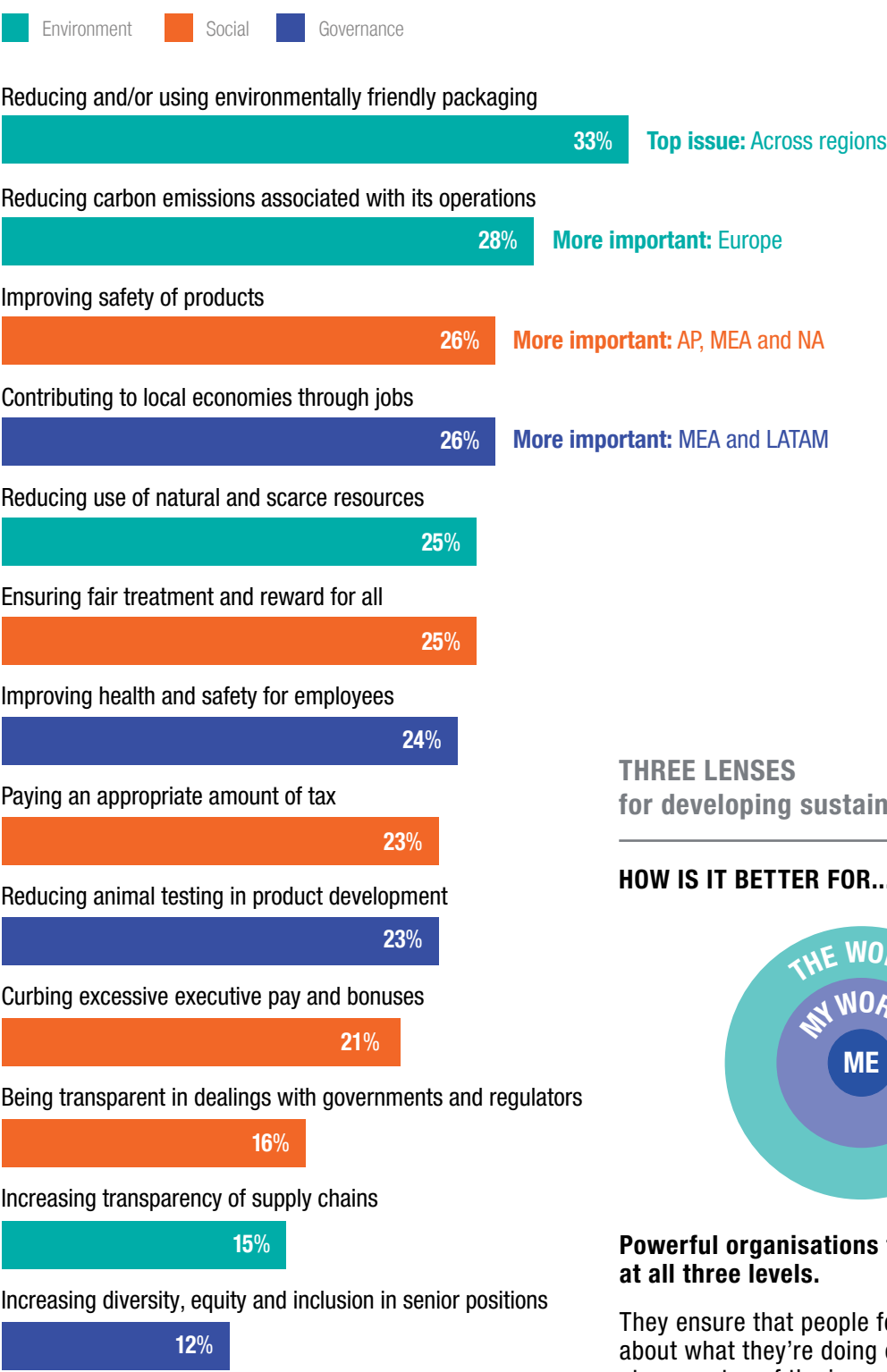
When people are making sustainability related purchase decisions, they evaluate using three

- better for the planet). Simply appealing to shoppers’ better natures isn’t enough. Co-benefits, where everyone wins, need to be tangible. This may include being easier, cheaper, or more efficient, e.g. sustainable and money-saving. Or providing rewards for recycling, such as loyalty points. On top of co-benefits, retailers need to consider what the elements of friction are and how to remove these, as most people aren’t willing to put themselves out or go to a lot of effort.
- **Blueprinting, role modelling and social signalling:** Reinforcing the norm of ESG conscious behaviours is vital. This can be achieved using social influence and identity messaging (‘people like me’). It also means not normalising ‘bad’ behaviour, such as statistics like ‘9 out of 10 people don’t do X’.

lenses. These are: better for me, better for my world, better for the world in general. Firstly, will it satisfy their immediate needs (functionally and/or emotionally). Secondly, they will think about their families and their immediate community (how does it make life better for them). Lastly, they will think about how they are benefiting the broader world through their behaviour.

Retailers and manufacturers therefore need to start by looking at the benefits to the shopper specifically, and then work outwards. Some of the current shopper behaviour stasis is resulting from companies focussing on the activities of least individual implication for the shopper. Just focussing on what’s good for the planet isn’t sufficient to motivate them.

Figure 3: Consumer ESG priorities in CPG



THREE LENSES
for developing sustainable strategies

HOW IS IT BETTER FOR...



Powerful organisations focus delivery
at all three levels.

They ensure that people feel good about what they’re doing or have done at every step of the journey.

Source: Ipsos Global Reputation Monitor 2023
Base: 19,000 online adults aged 16-74 across 27 countries, April 2023

KNOWING WHAT YOU STAND FOR, AND APPLYING IT TO ESG

Aligning activities with what's important to shoppers and 'their worlds' is a starting point for influencing shopper behaviour, as is the need to tell them what you are doing in the areas that are most important to them.

Shoppers recently told Ipsos what's most important to them in how food and grocery companies can limit their environmental impact (see Figure 4).

However, aligning to shopper needs should be done in a way that also aligns with the organisation, what it does, and the organisation's values. Further, it needs to balance responsibility and influencing shopper behaviour with a commercial benefit.

Brands and retailers 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 waste, using renewable energy where possible, reducing inequality, and paying their fair share of taxes. These are becoming hygiene factors, which all companies must address, but only lay the groundwork for a better relationship rather than engaging shoppers to feel truly connected.

Concrete engagements and activities, in line with a brand's core offering, that ideally can be demonstrated via the shopper experience and participation, are more likely to be impactful than the currently more commonplace broader, more remote and disconnected activities such as sponsorship of environmental causes.¹²

That's not to say that the 'world in general' lens cannot be applied to organisational activities, if you apply knowledge of what you do and stand for. Activities need to be relevant to the organisation's impact on the planet, and make sense for the brand, rather than sponsorship of a slew of apparently random social and planetary causes. How does your brand purpose and responsibility flow out to customers? Toilet paper manufacturer *Who Gives a Crap*, for example, donates to better sanitation and handwashing products and environments.

ESG activities also need to be classified according to their objective. Some activities may be about credit in brand equity, such as sponsorships, where others may be about more concrete reductions to emissions, or improvements in diversity, for instance.

Below are some examples of various ways in which organisations have been implementing ESG in ways relevant to shoppers.

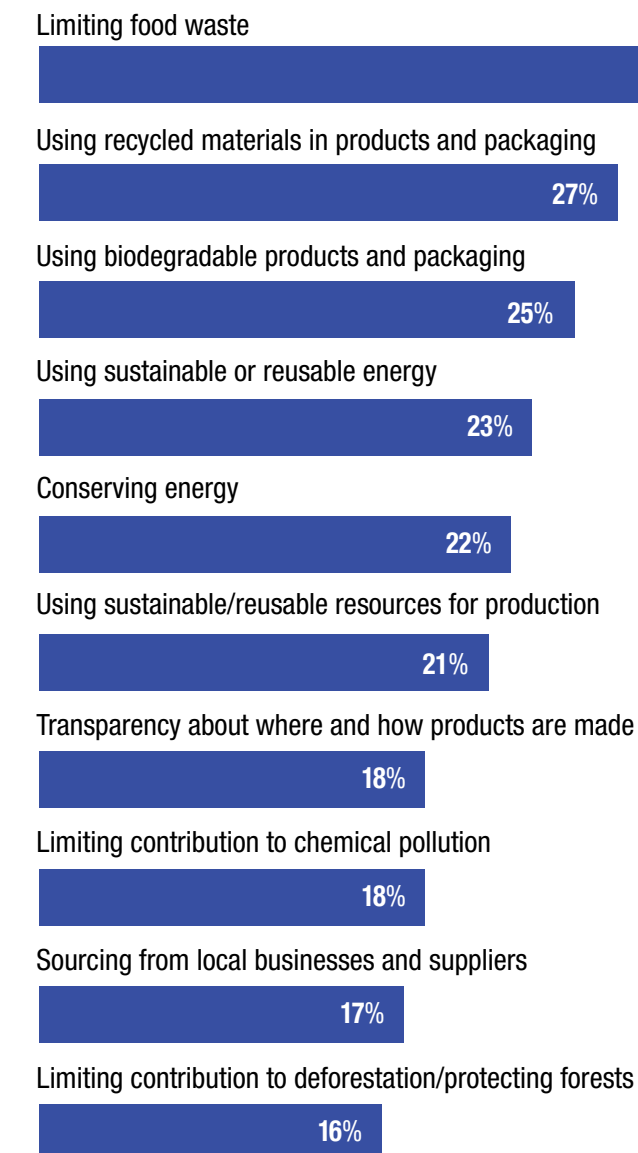
Reducing consumption amounts and frequency:

On the surface this might appear to fly in the face of growth objectives for manufacturers and retailers, but it taps into a consumer trend that is already advancing.

Examples include:

- Providing advice on how to extend the life of products and services to reduce repurchase frequency, such as wardrobe mix and match to get most out of the wardrobe, or recipes which repurpose leftovers.

Figure 4: How consumers want food and beverage companies to limit their environmental impact



Source: Ipsos

Base: 10,042 online adults aged 16-74 across 15 countries, August 2023

Brands and retailers risk being lost in a sea of sustainability sameness if they fail to connect with their customer base beyond the ESG fundamentals. ”

- Cause-related marketing tactics such as Buy One Get One Free (BOGOF), where the free item goes to charity rather than the shopper.
- Reducing pantry stocking via responsible trade promotions and reducing average weight of purchase driven tactics such as multibuys, or applying them only to categories where consumption is expandable.

Circular economy:

- Athleisurewear brand *Lululemon* use Samsara Eco circularity technology to create new recycled nylon plastics and polyester from apparel waste for ‘infinitely recycling’.
- Credits for recycling i.e. returning used clothes or bringing bags back. Further, showing how the recycled bags are used. *Mondelez* provides such concrete cues by showing not just what goes into the bin, but what comes out of it and is made from it. Australian supermarket retailer *Woolworths* has begun installing benches at its store entrances made from recycled soft plastics, with a sign that says so.

Incentives:

- Rewarding supply partners to incentivise ESG behaviours. *Patagonia*’s Impact Incentive bakes in rebates and discounts for its wholesalers based on their efforts to reduce their carbon footprints as

well as take steps in local grassroots environmental activism in their local communities. B Corp members receive even higher discounts. (Although some resellers who have been slow to the sustainability party have had their discounts reduced or removed.)

- Incentivising shoppers to bring their own bags by providing a 10 pence per bag discount off the bill.

Disincentives and penalties:

- UK supermarket retailer *Tesco* is seeing shoppers switch retailers based on their sustainability approach. Both to take a stand on sustainability and to protect revenue and shopper footfall, *Tesco* has begun actively penalising brands that ‘package air’ (upsizing packs for more shelf standout without increasing the contents, particularly in categories like crisps and cereals) by refusing to range such products.

To be effective, all initiatives need to communicate to shoppers what is being done, why, and how shoppers can participate. Manufacturers and retailers need to identify where in shopper journeys ESG messages and activities are most impactful – often closer to the point of purchase – and provide concrete cues.

Shoppers are most likely to be motivated first by what’s best for themselves, then their immediate world, and finally by the planet more generally. ”

CONCLUSION

While price, product, and service will always be key to shoppers, with three in ten citizens saying that every company’s main focus should be on ESG,¹³ how companies measure up is going to become a much bigger factor in future purchase decisions.

But shoppers are most likely to be motivated first by what’s best for themselves, then their immediate world, and finally by the planet more generally. Greenwashing and random cause related sponsorships merely cause scepticism.

Authenticity and relevance are key. Relevance means understanding shoppers’ pain points and barriers using shopper research and behavioural science, and understanding what’s important to, and most motivating for, shoppers in their worlds. It means understanding what the company fundamentally stands for and therefore what the most relevant ESG strategies and tactics should be. And then translating those tactics into clearly communicated articulated behaviours and benefits, so that shoppers finally understand what’s in it for them and act accordingly.

HOW IPSOS CAN HELP ON YOUR ESG JOURNEY

Ipsos’ Channel Performance experts partner with clients to understand channel context and opportunities, shopper behaviours and attitudes; measure purchase and service experience, activation and touchpoint execution, in order to drive sales conversion across all channels – physical locations, digital and contact centres.

Ipsos can help with understanding and executing against ESG for shoppers in a variety of ways including shopper insights, virtual store testing, and retail execution.



CASE STUDY:
SUSTAINABILITY MESSAGING
USING VIRTUAL STORE TESTING

- **What:** Sustainability message testing on packs of a dishwashing detergent
- **Objective:** Test the impact of various sustainability message claims on purchase intent and price point
- **How:** 10 minute online survey of n=4,800 people using Ecomm environment of 26 SKUs in a specific retailer, with purchasing exercises
- **Findings:** Adding a sustainability claim can improve overall product perception, and versus other products in the category. But just adding a claim doesn't have much effect on purchase intent and can only increase price to a certain point (in this case by less than \$1 from \$4.79 to max \$5.79). Shoppers aren't willing to pay that much extra for sustainability, and particularly in today's inflationary environment. The higher the price point the lower the purchase intent; an example of the 'best for me' lens being more important than the what's 'best for the world' lens.

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FURTHER WATCHING, READING, LISTENING

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2. ESG Council Report 2023 <https://www.ipsos.com/en/esg-council-report-2023>
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