



Research Brief

Sustainability at a turning point

Consumers are pushing
companies to pivot

IBM Institute for
Business Value



Sustainability at a turning point

Sustainability at a turning point

What's worth more—the present or the future?

This paradoxical question is top of mind for consumers, businesses, and governments in the era of climate change.

As extreme environmental events become ever-more common, people are carefully weighing short-term expectations, such as convenience and cost-efficiency, against the existential need to preserve the planet for future generations.

In January 2020, the World Economic Forum reported that nearly half of European citizens—and 3 in 4 Chinese citizens—consider climate change a major threat to society.¹ And in the US, Pew Research found that public concern for environmental protection reached a new precipice in February 2020: it rivaled the economy as the US public's top policy priority for the first time in Pew's survey history, coming in second by just 3 percentage points.²

That was before the pandemic. The unprecedented disruption COVID-19 caused may have pushed consumers past a tipping point. To understand how the events of the last year impacted public perception of sustainability and social responsibility, the IBM Institute for Business Value (IBV) surveyed more than 14,000 adults from 9 countries (Brazil, Canada, China, Germany, India, Mexico, Spain, United Kingdom, and United States) in March.

Our research revealed that the pandemic significantly shifted people's perspectives on environmental sustainability. A full 93% of global respondents say COVID-19 affected their view.

“

93% of global consumers say COVID-19 influenced their views on sustainability.

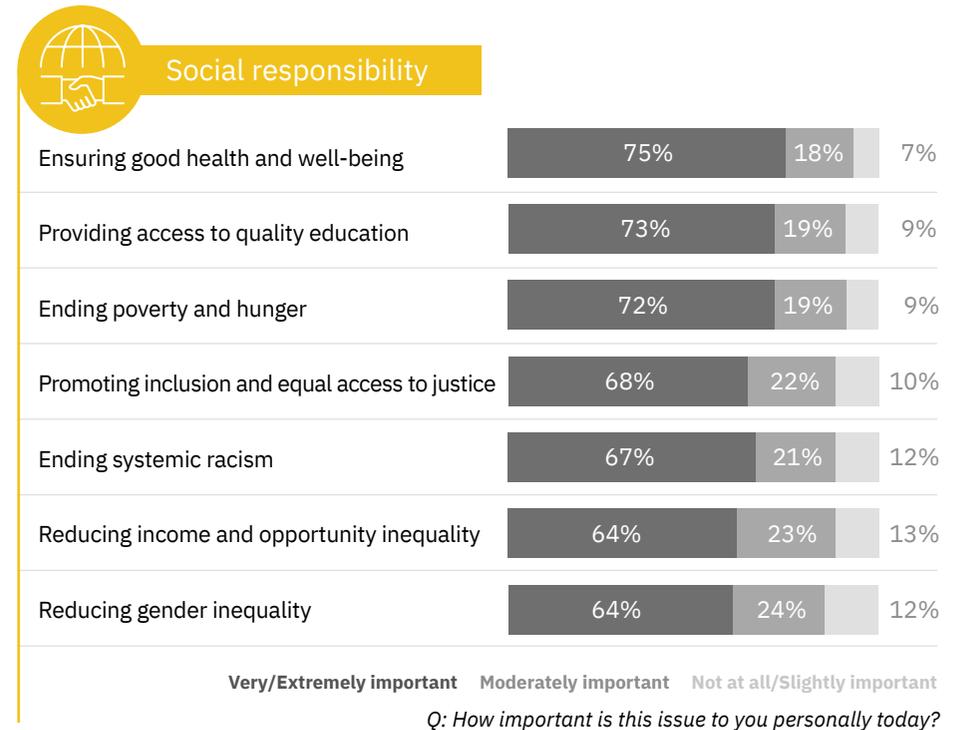
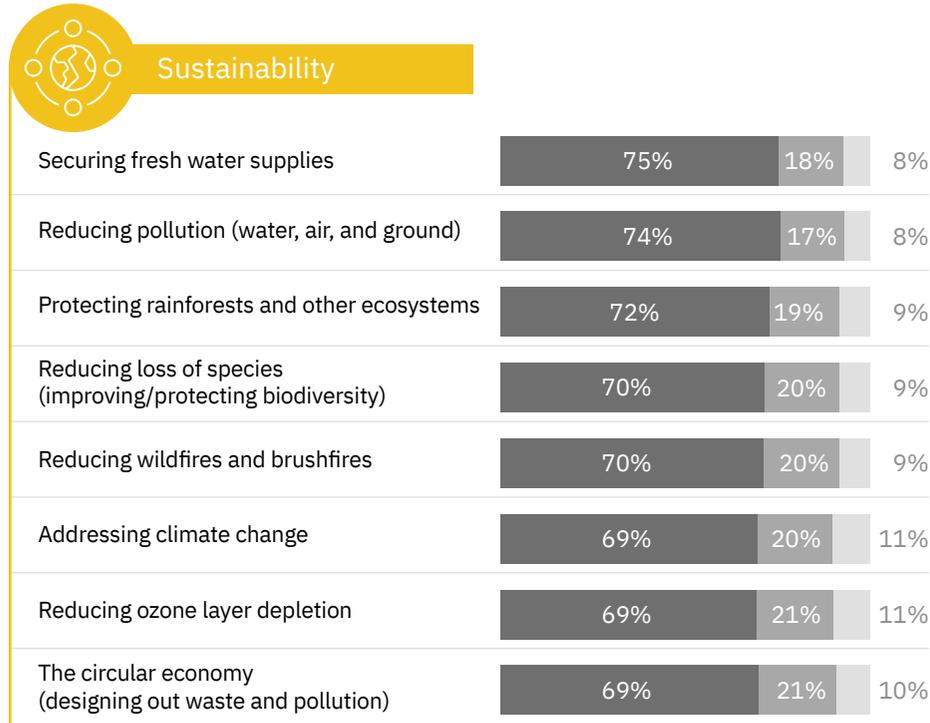
”

Today, more than 2 in 3 global respondents say environmental issues are significantly (very or extremely) important to them personally. Securing fresh water supplies ranked highest on their list of concerns, followed by reducing pollution, protecting rainforests and other ecosystems, and reducing species loss.

A similar portion of people are focused on social responsibility issues, with roughly 3 in 4 consumers saying access to education and ensuring good health and well-being are significantly important to them. 72% said the same of ending poverty and hunger (see Figure 1).

Figure 1
An era of empathy

Global consumers are personally invested in a wide variety of sustainability and social responsibility issues.

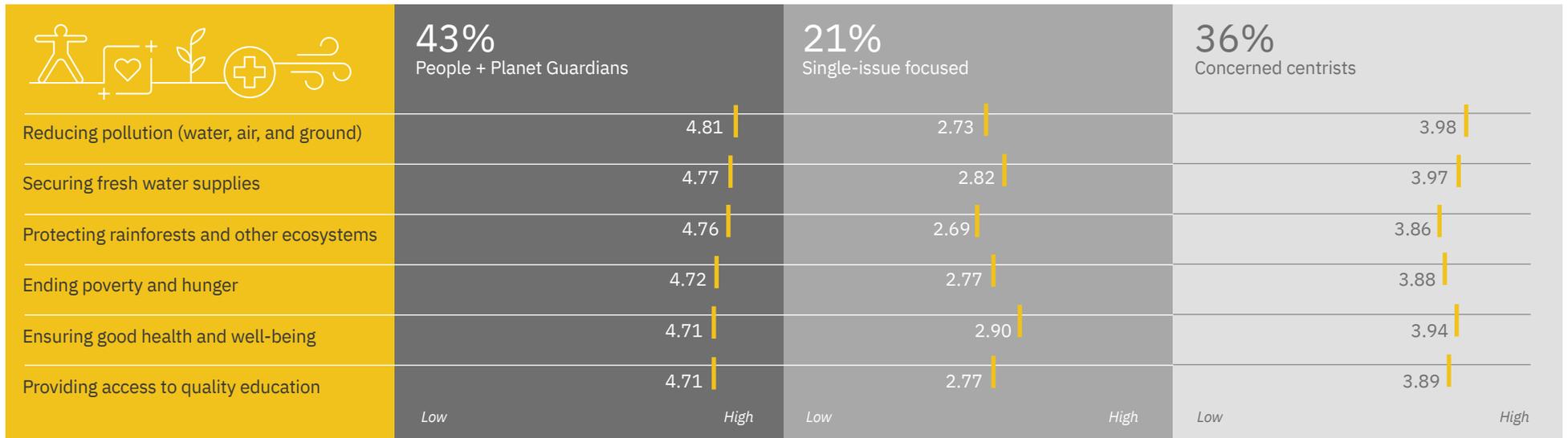


This alignment speaks to the reality of achieving social and environmental goals. Good health isn't possible without clean water. You can't protect nature without addressing poverty, as well. Our research infers that many consumers have connected those dots.

In fact, people who prioritize both social responsibility and sustainability issues made up the largest segment of our survey population (43%), when compared with consumers focused on a single issue (21%), and concerned centrists (36%) (see Figure 2).

Figure 2
Strength of resolve

People + Planet Guardians are more concerned about environmental and social issues than their counterparts.



Q: How important is this issue to you personally today?

Empathy is going viral

The individuals in this group, which we call “*People + Planet Guardians*,” stood out for the strength of their resolve. 88% of *People + Planet Guardians* told us environmental sustainability is important to them today, and 86% say the same of social responsibility. This is in sharp contrast to their peers’ responses of 47% and 42%, respectively.

Interestingly, few demographic differences set this group apart. Age. Income. Employment status. None of these factors offer clues into who *People + Planet Guardians* might be. More live in urban areas (73%) than the overall population (64%), and a slightly higher portion live in Mexico, Brazil, and India. But, in general, they’re “average” people. They’re part of every community.

However, they do appear to be more influenced by current events. More than 70% of *People + Planet Guardians* say issues such as natural disasters, social unrest, and the growing wealth gap affected their views in the past year, compared to roughly 40% of their counterparts. And roughly 2/3 say social and environmental issues have become more important to them in the last year, compared to less than 40% of all others.

These conscientious consumers are learning about the world’s problems and evolving their perspectives. What’s more—they’re continuing the conversation at home. More than half of *People + Planet Guardians* say they were influenced by discussions with friends and family in the last year. Perhaps this means, in turn, they will influence others.

In short, empathy is going viral. Consumers want to support companies that align with their values. And they’re willing to pay for the privilege. More than half say they would pay a premium for brands that are environmentally responsible—and just under half say they would take a pay cut to work for a company they consider to be sustainable.

As personal values take center stage, consumers are voting with cold, hard cash. And acting on sustainable strategies early will put businesses in a better position to earn long-term consumer loyalty and trust.

Sustainability at a turning point

Rethinking the shopping cart

Sustainability is often seen as a luxury good. Eco-friendly products tend to be more expensive, due to the higher cost of producing locally, growing food organically, using recycled materials, and other factors. For many consumers, saying yes to environmentally friendly products means saying no to something else.

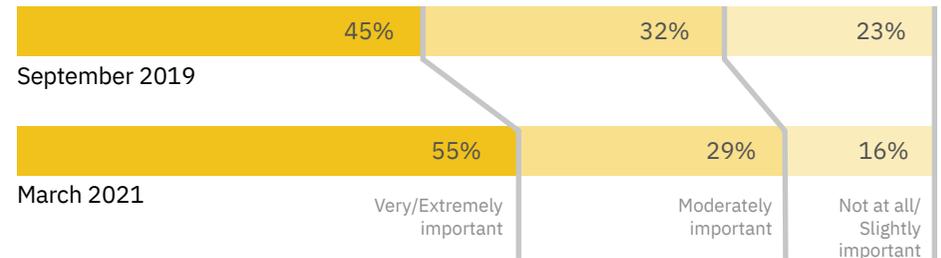
When forced to make a trade-off between affordability and sustainability, consumers have historically prioritized their pocketbooks. But this mindset is shifting. IBV research conducted in 2019 revealed that 57% of global consumers were willing to pay more for recycled products and the use of recycled materials in packaging and/or product manufacturing.³

And our March 2021 research shows this trend is on the upswing. We found that 84% of global consumers consider sustainability important when choosing a brand. 55% said it’s very or extremely important—which is an increase of 22% over 2019 (see Figure 3). And 62% of consumers now say they’re willing to change their purchasing behavior to help reduce negative impact on the environment, up from 57% in 2019.⁴

Figure 3

Putting a premium on sustainability

Today, 22% more consumers say environmental responsibility is very or extremely important when choosing a brand than in 2019.



Globally, more than half of consumers say they're willing to pay a premium for brands that are environmentally responsible. And for the *People + Planet Guardians*, these numbers are even higher: 76% of this group say sustainability is significantly important to them when choosing a brand, 72% are willing to pay extra for environmentally responsible brands, and 80% are willing to change their purchasing behavior to help reduce negative impact on the environment.

The pandemic hit many consumers hard, which makes this increased commitment to sustainability even more noteworthy. And there are signs that we can expect this commitment to grow. Millennials (66%) and people in rapidly growing economies, including India (78%) and China (70%), are most willing to change their purchasing behavior to help reduce negative impact on the environment.

Some brands have seen the writing on the wall and have started to make changes in their supply chains. In June 2020, for instance, Unilever announced a new set of actions and commitments designed to fight climate change, protect and regenerate nature, and preserve resources for future generations.⁵

This push includes a goal of achieving net zero emissions from all of the company's products by 2039—11 years ahead of the 2050 Paris Agreement deadline.⁶ The company has also set a target of achieving a deforestation-free supply chain by 2023.⁷

What's more, Unilever doesn't expect customers to take it at its word. It's using emerging digital technologies, such as satellite monitoring, geolocation tracking, and blockchain, to increase traceability and transparency in its reporting.

Will this decision—and others like it—influence conscientious consumers? It may come down to how changes are communicated. Brands should seize the opportunity to help consumers make informed choices, offering clear and transparent information about their sustainability and social responsibility initiatives. Consumers are skeptical, keeping a keen eye out for bogus claims and “greenwashing” campaigns. But honesty and transparency can help brands build trust-based relationships with principled customers for years to come.

Factoring ESG into ROI

Consumer demand is driving a surge in sustainable investing, which considers environmental, social, and governance (ESG) factors in portfolio selection and management.

While some anticipated that the COVID-19 crisis would divert attention from sustainable investing, that was not the case. In fact, investments in sustainable assets skyrocketed. \$288 billion was invested globally between January and November 2020—a 96% increase over all of 2019.⁸

This massive shift signals that investors are confident in the performance of sustainable investments. But people are also willing to accept lower performance, if needed, to stay true to their values. A 2019 study conducted by The University of Cambridge Institute for Sustainability Leadership found that US consumers were willing to earn returns that are 2% to 3% lower to invest in sustainable funds.⁹

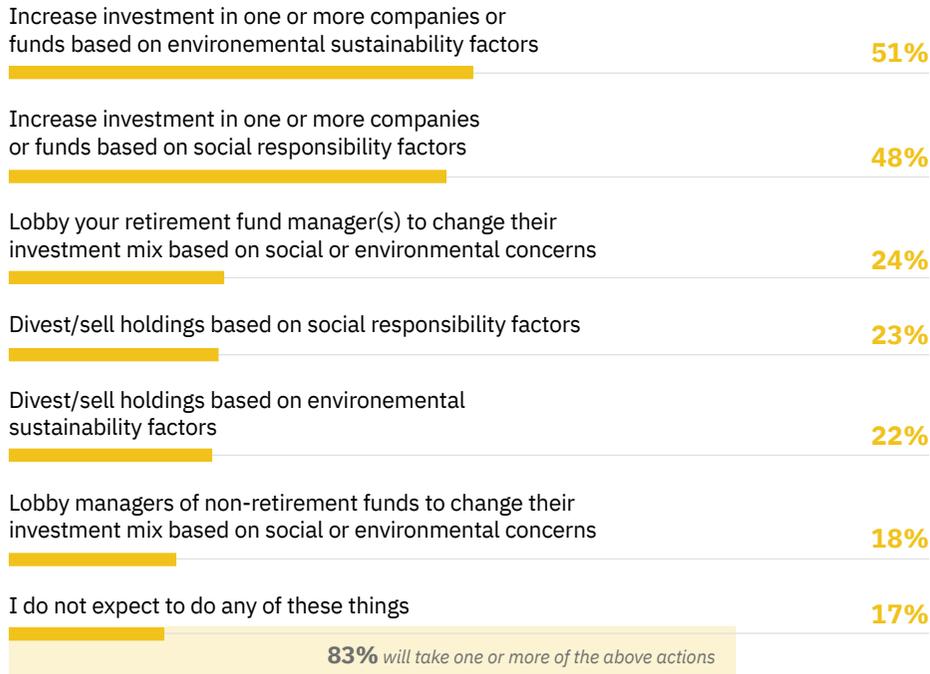
And according to our March survey, 59% of personal investors expect to buy or sell holdings in the next 12 months based on environmental sustainability factors. More than half say they will increase investment.

Overall, 83% of personal investors say that, in the next 12 months, they will invest, divest, or lobby fund managers to change investment mixes based on social responsibility and/or environmental sustainability factors (see Figure 4). And while they're considering many factors, climate change will weigh heavily on their decisions.

Figure 4

Investing in change

More than 4 in 5 personal investors plan to take action based on sustainability and/or social responsibility factors in the next 12 months.



Sustainability at a turning point

Half of all consumers say the climate change exposure of a company impacts their financial risk—and 92% of this group expect to invest, divest, or lobby fund managers to change investment mixes based on social responsibility and/or environmental factors in the next 12 months. This group is nearly 1.5x larger than the portion of personal investors who do not see climate change risk as a financial risk (63%).

How will they decide which companies are worthy of their investments? Our research indicates they plan to trust, but verify, the information companies share. Nearly half (48%) of consumers say they trust statements companies make about environmental sustainability, but more than three-quarters (76%) of this group say they do their own research before making a decision.

And that research may get more intense in the coming year. Nearly 2 in 3 consumers expect the general public's scrutiny of companies' environmental statements to increase in the next 12 months.

As investors become savvier, companies should adopt and support common global standards for disclosures—and be clear about which ones they use. As more investors scrutinize sustainability reporting, many will want to review third-party benchmarks alongside corporate statements.

Companies also need to be clear and candid in how they communicate their environmental sustainability track record and their future plans. While environmental sustainability is a complex topic with a sophisticated lexicon, this information *can* be distilled into digestible language.

It's important not to underestimate the common sense and intelligence of today's investors. They understand that increasing sustainability involves trade-offs. Decisions that reduce plastic waste may increase carbon emissions, and so on. This is the reality. Investors don't expect companies to have all the answers yet—but they do want to invest in problem-solvers. They just need a credible narrative to embrace.

Purpose-driven employment

Compensation isn't the number one factor influencing job candidates in today's talent market. According to a January IBV survey of global consumers, the need for greater flexibility (32%) was the top reason workers changed jobs in 2020—followed closely by the desire to find more purposeful, meaningful work (27%). 1 in 4 said they were looking for work that better fit their values—the same portion who said they were looking for a salary increase or promotion.¹⁰

Companies focused on sustainability and social responsibility are well-positioned to attract these purpose-driven employees. And our March survey shows these workers are in the majority. 69% of the full potential workforce—which includes people who are employed full- or part-time, unemployed and seeking employment, or full-time students or apprentices—say they're more likely to accept a job with an organization they consider to be environmentally sustainable (see Figure 5).

Perhaps most impactful, roughly half of consumers would accept a lower salary to work for these types of companies. At least 40% of respondents across all income groups—including those who make less than \$25,000 per year—agreed with this statement, and nearly 3 in 5 who earn \$100,000 or more annually said the same.

A company's commitment to environmental sustainability could also have a significant impact on employee retention. 7 in 10 workers say they're more likely to stay with an employer that has a good reputation on environmental sustainability—and nearly 3 in 4 say they expect their employers to take action on social responsibility issues.

Corporate environmental and CSR departments are used to reporting externally, in particular to existing shareholders, prospective investors, and analysts. But now is the time to turn those efforts inward. Repurposing sustainability and social responsibility communications for employees and recruits can increase engagement and give them a sense of ownership of the company's progress.

This is also the type of leadership that produces better results. Recent IBV research found that 77% of outperformers—those who have adopted innovative HR practices that are driven by design thinking—say they promote transparency through open dialogue with the workforce. Fewer than 1 in 4 of all others say the same.¹¹

Plus, organizations are likely sitting on a wealth of under-tapped employee energy and motivation. In addition to their passion for solving the world's problems, some employees can bring personal experience and expertise to the table. As businesses embrace the new corporate agenda of sustainability, leaders who listen to their employees may be surprised by what they can achieve together.

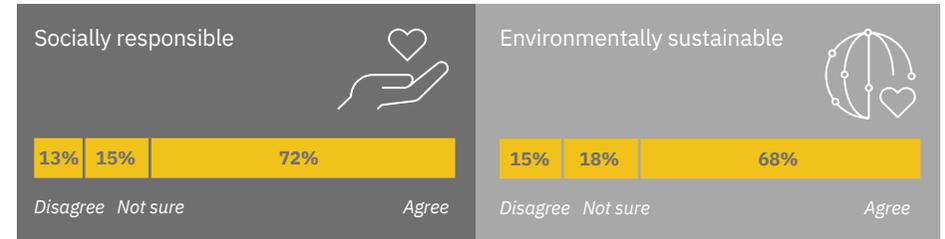
Sustainability at a turning point

Figure 5

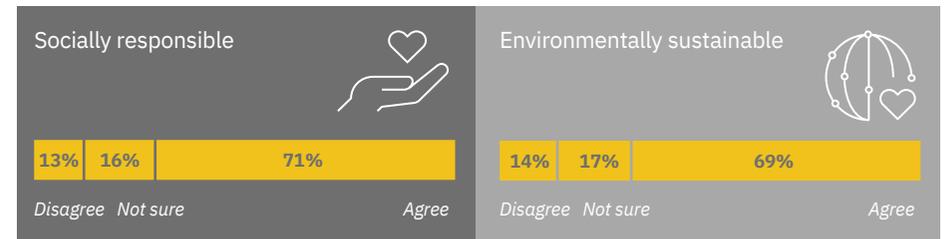
Money isn't everything

Potential employees are prioritizing job offers from companies they see as sustainable and/or socially responsible.

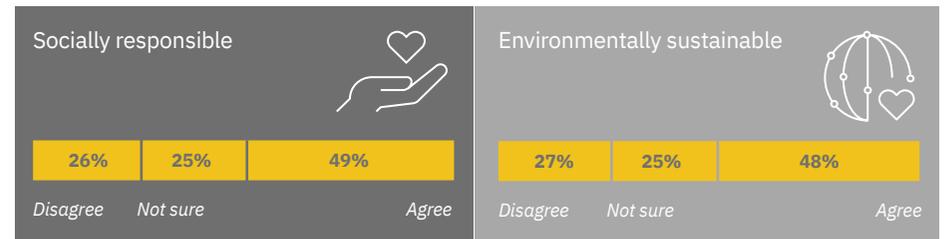
I am more likely to apply for a job with an organization that I consider to be



I am more likely to accept a job offer from an organization that I consider to be



I am more likely to be willing to accept a lower salary to work for an organization that I consider to be



A new travel equation

Travel used to be all about cost, comfort, and convenience. But today, sustainability is a major concern when it comes to mobility. Whether they're running personal errands, traveling for business or leisure, or commuting for work, many people want more eco-friendly options.

According to our March survey, roughly 40% of global consumers say environmental impact factors are more important to them than cost, comfort, and convenience when selecting a mode of transportation. Another 30% say they are all equally important (see Figure 6).

And consumers are acting on these priorities. Globally, 4 in 5 are actively looking to use more environmentally responsible modes of travel, with that figure topping 90% in India and China. And 82% of our global sample would choose the more sustainable of the two travel options, even if it costs more.

Climate change is also weighing heavily on many consumers' minds. Almost 1 in 3 strongly believe their personal travel habits are contributing to climate change. India leads the pack, with 57% of people sharing this belief, while the US lags behind at 21%.

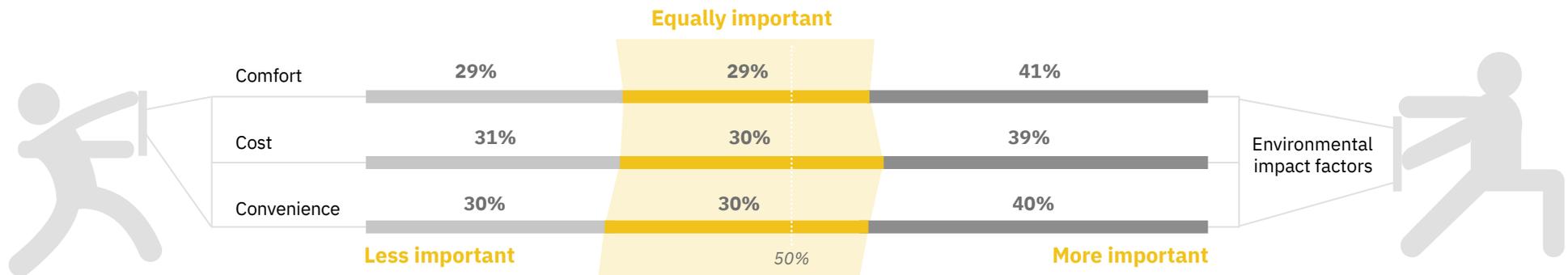
How will these views impact future travel plans? It comes down to personal adaptability. When afforded the flexibility to choose more environmentally friendly travel options, the vast majority of respondents take sustainability into account. Roughly 3 in 5 consumers who say they have a lot of flexibility also say environmental sustainability factors impact their decisions a lot.

One potential area of improvement? Business travel. More than two-thirds (69%) of respondents believe they have flexibility to travel via a more environmentally friendly mode of transportation for work. Empowering employees to take advantage of opportunities to travel more sustainably can help fulfill their desire to make a difference—and, over time, help to shrink a company's carbon footprint.

Figure 6

Prioritizing the planet

Roughly 40% of consumers said environmental impact factors were more important than cost, comfort, and convenience.



Advancing the sustainable agenda

The climate crisis isn't a future prospect. It's a current reality. And as consumers become more concerned with environmental sustainability, governments around the world are following suit, increasing their commitments to curbing global warming.

At a climate summit on Earth Day 2021, for instance, 4 countries accelerated their plans to cut emissions by 2030. Japan raised its target to 46% below 2005 levels, up from 26% below. Canada increased its goal to 40% to 45%, up from 30%. The US committed to cut emissions in half, after just rejoining the Paris Agreement in January. And Brazil announced it would reach carbon neutrality by 2050, 10 years earlier than its previous goal.¹²

“

This is the decade we must make decisions that will avoid the worst consequences in the climate crisis.

—US President Joe Biden, Earth Day 2021 Summit Host

”

Sustainability at a turning point

This uptick in global commitment is promising. But targets do not guarantee results. And how quickly and effectively change can be delivered depends on the strength of our collective resolve.

This holds true for companies, as well as individuals. Just as addressing COVID-19 demanded unprecedented collaboration and cooperation in the healthcare sector, environmental issues will require companies to rethink how they work together. Powerful consortia can enact changes at the scale and speed needed to make meaningful change before it's too late.

Consumers know that companies can drive big changes, if they're only willing to make the investment. That means organizations need to practice radical transparency and candor to earn the trust of consumers, investors, and employees.

The world is watching. And people have become less forgiving of companies that choose to sit out. They're proactively looking for brands and businesses that match their values, using ethical shopping platforms, carbon trackers, and other technologies to inform their decisions. They're talking to each other and setting a new bar.

Today, sustainability is a competitive advantage. But tomorrow it will be business as usual. Don't get left behind.

The right partner for a changing world

At IBM, we collaborate with our clients, bringing together business insight, advanced research, and technology to give them a distinct advantage in today's rapidly changing environment.

IBM Institute for Business Value

The IBM Institute for Business Value (IBV) delivers trusted, technology-based business insights by combining expertise from industry thinkers, leading academics, and subject matter experts with global research and performance data. The IBV thought leadership portfolio includes research deep dives, benchmarking and performance comparisons, and data visualizations that support business decision making across regions, industries and technologies.

For more information

Follow @IBMIBV on Twitter, and to receive the latest insights by email, visit: ibm.com/ibv

Notes and sources

- 1 Fleming, Sean. "What do people around the world think about climate change?" The World Economic Forum. January 20, 2020. <https://www.weforum.org/agenda/2020/01/climate-change-perceptions-europe-china-us/>
- 2 "As Economic Concerns Recede, Environmental Protection Rises on the Public's Policy Agenda." Pew Research Center. February 13, 2020. <https://www.pewresearch.org/politics/2020/02/13/as-economic-concerns-recede-environmental-protection-rises-on-the-publics-policy-agenda/>
- 3 Cheung, Jane, Karl Haller, Jim Lee. "Meet the 2020 consumers driving change." IBM Institute for Business Value. February 2021. <https://www.ibm.com/thought-leadership/institute-business-value/report/consumer-2020>
- 4 Ibid
- 5 "Unilever sets out new actions to fight climate change, and protect and regenerate nature, to preserve resources for future generations." Unilever. June 2020. <https://www.unilever.com/news/press-releases/2020/unilever-sets-out-new-actions-to-fight-climate-change-and-protect-and-regenerate-nature-to-preserve-resources-for-future-generations.html>
- 6 "The Paris Agreement." United Nations Framework Convention on Climate Change. Accessed on May 7, 2021. <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>
- 7 "Unilever sets out new actions to fight climate change, and protect and regenerate nature, to preserve resources for future generations." Unilever. June 2020. <https://www.unilever.com/news/press-releases/2020/unilever-sets-out-new-actions-to-fight-climate-change-and-protect-and-regenerate-nature-to-preserve-resources-for-future-generations.html>
- 8 "Larry Fink's 2021 letter to CEOs." BlackRock. Accessed May 6, 2021. <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>
- 9 "Walking the talk: Understanding consumer demand for sustainable investing." Cambridge Institute for Sustainability Leadership. October 22, 2019. <https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/walking-the-talk-understanding-consumer-demand-for-sustainable-investing>
- 10 "What employees expect in 2021." IBM Institute for Business Value. March 2021. <https://www.ibm.com/thought-leadership/institute-business-value/report/employee-expectations-2021>
- 11 Bersin, Josh, Diane Gherson, Janet Mertens, Amy Wright. "Accelerating the journey to HR 3.0." IBM Institute for Business Value. October 2020. <https://www.ibm.com/thought-leadership/institute-business-value/report/hr-3>
- 12 Mason, Jeff, Valerie Volcovici. "U.S., other countries deepen climate goals at Earth Day summit." Reuters. April 23, 2021. <https://www.reuters.com/business/environment/us-pledges-halve-its-emissions-by-2030-renewed-climate-fight-2021-04-22/>

© Copyright IBM Corporation 2021

IBM Corporation
New Orchard Road
Armonk, NY 10504
Produced in the United States of America
May 2021

IBM, the IBM logo, ibm.com are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the web at “Copyright and trademark information” at: ibm.com/legal/copytrade.shtml.

This document is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

THE INFORMATION IN THIS DOCUMENT IS PROVIDED “AS IS” WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

This report is intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. IBM shall not be responsible for any loss whatsoever sustained by any organization or person who relies on this publication.

The data used in this report may be derived from third-party sources and IBM does not independently verify, validate or audit such data. The results from the use of such data are provided on an “as is” basis and IBM makes no representations or warranties, express or implied.