sphera

CONSUMER LANDSCAPE

THE STATE OF ETHICAL CONSUMERISM

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INTRODUCTION

The 2022 Consumer Landscape

> "The clear implication throughout is that in the present economic climate, environmental leadership must come from companies and not consumers."

THE NEXT DECADE IS A DECISIVE ONE FOR THE CLIMATE. This report examines the state of net zero and decarbonization efforts by exploring beliefs and buying choices among consumers across the U.S., U.K. and Germany, the three Western economies with the biggest carbon footprint.[1] With consumer buy-in critical to the success of corporate climate-related targets and the success of green products from heat pumps to electric vehicles (EVs), we provide a glimpse into consumer attitudes toward the environment, green purchasing and corporate environmental claims. We also reveal how the cost-of-living crisis has impacted sustainable buying decisions and how perceived greenwashing has affected public faith in business and our ability to achieve net zero. The research outlines the steps that businesses can take to boost consumer trust and spur wider consumer adoption of sustainable products and services.

Our research challenges popular beliefs around the phenomenon of consumer activism. While previous studies have indicated the rise of more eco-conscious consumers, we note the rise of sustainability skepticism among some consumers. The findings show that distrust of corporate climate commitments and inaccessible, unreliable data on industrial environmental impacts are breeding skepticism and fatigue among consumers, whose support for sustainability is increasingly conditional on that of business.

We also reveal that widespread distrust in corporate sustainability promises and companies' abilities to achieve net-zero targets is causing widespread climate pessimism and paralysis among consumers. While 74% of consumers still say sustainability is a factor in product choices, we find that the soaring cost of living[2] means price ranks above sustainability in consumer priorities for many respondents. And in a refutation of the popular belief that young people are at the vanguard of consumer activism, our findings suggest that among younger generations, climate change concern and commitment to sustainability have been affected by the cost-of-living crisis. In this environment, the consistent theme that emerges is that consumers are followers rather than leaders and expect businesses to "walk the walk" on climate change before they are willing to make similar sacrifices.

The research indicates that business needs to be wary of pricing consumers out of green consumerism and needs to increase transparency around sustainability to incentivize greener living and purchasing habits. This will require cross-sector collaboration to lower costs for green innovations by combining manufacturing resources, supply and distribution chains and economies of scale, while improving transparency through industry-wide environmental measurement and reporting methods.

Additionally, the research reveals a need to inspire sustainable behavioral changes among consumers by making tangible, transparent changes to business practices that are demonstrated through everything from annual audits to product packaging. The findings show that even the public's belief in its ability to make a difference to the environment is influenced by the degree to which business plays its part.

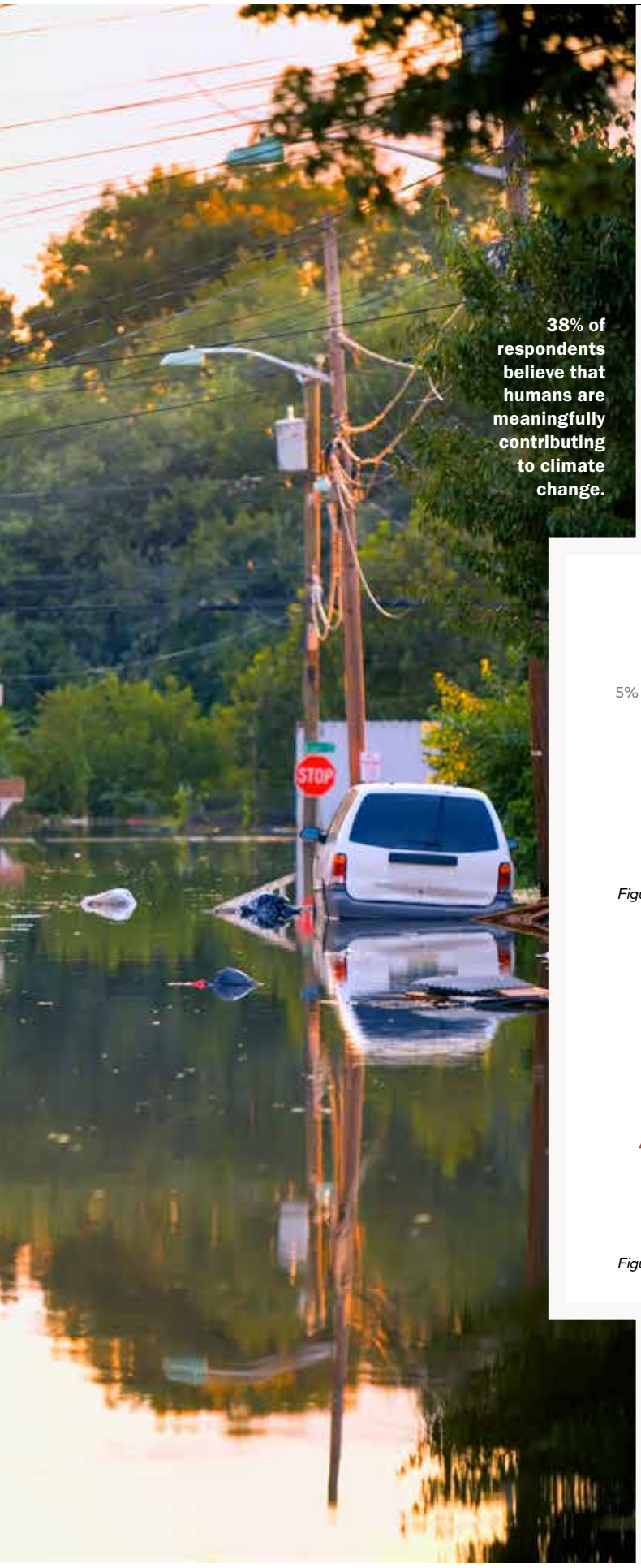
This will be a major effort for companies, involving technologies from data analytics to AI, to measure and manage environmental performance across globalized supply chains, multiple product lines and lengthy product life cycles. Yet those businesses that achieve it will reap dividends in greater consumer trust and loyalty, as well as faster adoption and acceptance of the sustainable products, services and economic models of tomorrow. And in what is universally recognized as a decisive decade[3] for the climate, this will ensure corporations can meet net-zero targets while retaining consumer support. The clear implication throughout is that in the present economic climate, environmental leadership must come from companies and not consumers.

A Brief Note on the Methodology

WHILE THERE IS ABUNDANT RESEARCH ON the environmental footprint of corporations, we chose to survey the beliefs and behaviors of consumers in three affluent Western economies whose buying choices will have a significant global environmental impact. Many surveys have compared corporate environmental promises against real-world performance,[4] but we wanted to examine the gap between consumers' beliefs and actual buying behaviors.

And while previous studies have examined C-suite environmental commitments, we wanted to survey the consumers whose purchasing choices will contribute to the success of corporate sustainability strategies.

> Copious research has documented environmental conciousness among consumers, but we aimed to explore the effect of recent economic trends such as the cost-of-living crisis on consumer commitments to green purchasing. In an age of perceived consumer activism, we also aimed to explore whether consumers are leading on sustainable change or looking to business to set the tone.
>
> In pursuit of these aims, we surveyed 1,200 consumers, split evenly across Germany, the U.K. and U.S., the three biggest Western economies with the largest carbon footprint. This provided valuable insight into the thoughts of citizens from some of the world's biggest consumer markets—countries that will have an outsized impact on global environmental outcomes. We compared their findings against findings from 300 operations managers we surveyed from the same markets for a separate report.



Climate Knowledge and Acceptance

More than thirty years have passed since former NASA scientist James Hansen famously warned the U.S. Senate Committee on Energy and Natural Resources that human activity was warming the planet. Yet his warning and the media coverage and scientific consensus that followed are still not reflected in current public awareness and attitudes. Only 18% of our consumer respondents described themselves as ***very knowledgeable*** about sustainability, climate change and net zero, peaking at 27% for 25-34-year-olds but plunging to 9% for those over 65 (Figure 1.1).

Perhaps relatedly, we found there is continuing climate skepticism among consumers, with only 38% of respondents completely believing that humans are meaningfully contributing to climate change (Figure 1.2). PEW Research findings have previously shown similar levels of climate skepticism in the U.S.,[5] but our research indicates that distrust of climate science is equally widespread across Germany and the U.K.

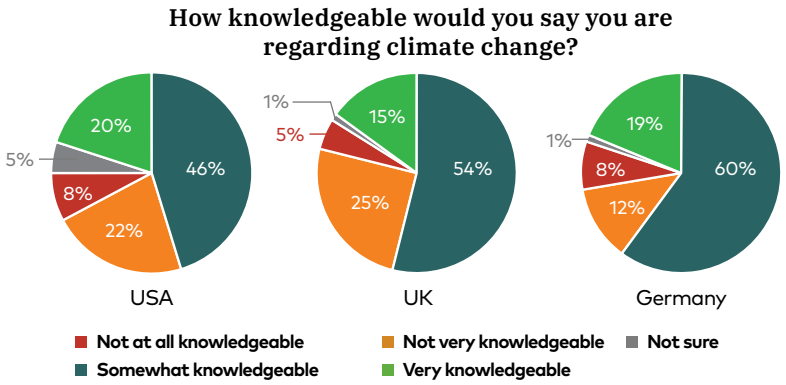


Figure 1.1

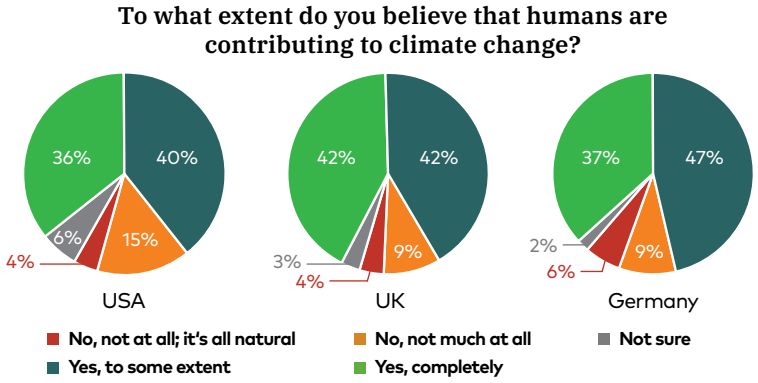


Figure 1.2

Our survey indicates that public information is the key to bridging the gap between scientific and public understanding. There is a positive correlation between knowledge and acceptance of climate change science and between knowledge and influence on environmentally sustainable behavior. Seventy-one percent of those consumers who claim to be very knowledgeable about sustainability, net zero and climate change also say they completely believe in man-made climate change, while 66% describe themselves as ***very influential***. This indicates that making environmental knowledge more widely accessible would likely bolster public acceptance of the science.

Climate Concern and Commitment

Inadequate consumer awareness and acceptance of climate science is producing low levels of climate concern and commitment to sustainable behavior across all generations. Thirty-four percent of respondents describe themselves as ***extremely concerned*** about the climate crisis (Figure 2.1) and the need for greater sustainability and net zero emissions. This level of concern dropped to 20% among 18-24-year-olds, possibly indicating that respondents have more immediate concerns around inflation, energy prices and the cost-of-living crisis[6] in the West.

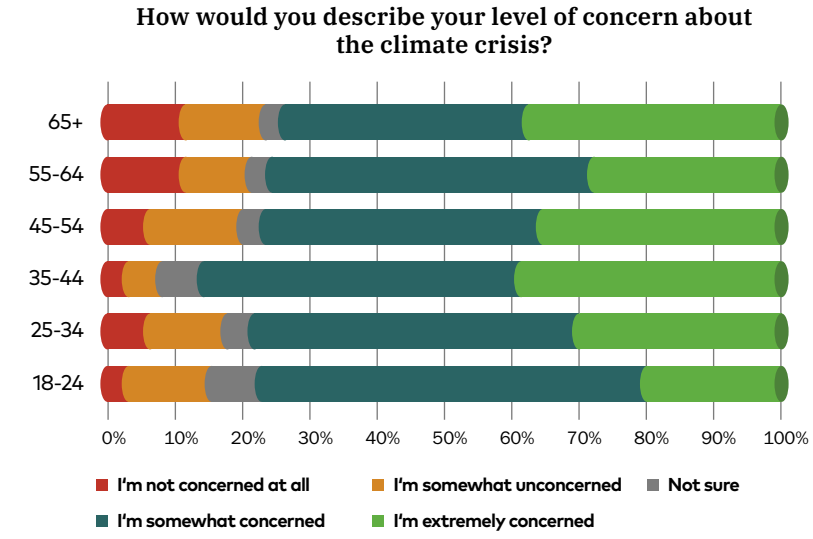


Figure 2.1

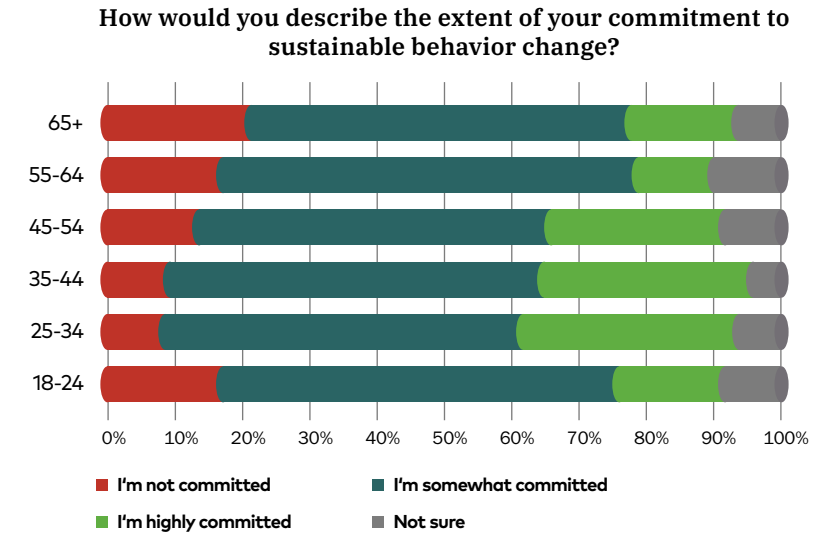


Figure 2.2

Eighteen percent of 18-24-year-olds are ***highly committed*** to sustainable behavior change, the lowest of any age group except the over-55s (Figure 2.2). Combined with the earlier finding that the youngest are also least likely to be highly concerned about environmental issues, it could be that recent economic worries are displacing climate concerns among the young, who are typically lowest on the career and housing ladder. While 23% of all respondents and 25% of the combined 18-34 age brackets are still highly committed to sustainable behavior change, this mixed picture indicates that interest in sustainability fluctuates and varies among age and income brackets as prices and energy costs rise. This indicates business cannot wait for consumer demand to drive environmental change but should instead drive the demand, and that offering an affordable path to sustainable lifestyles would spur greater consumer adoption.

Our parallel survey of operations managers similarly found that most are skeptical of consumers' commitment to climate action, with only 30% agreeing that most consumers are genuinely committed. The survey also found that, compared to consumers, a higher proportion of operations managers are dedicated to sustainability. This is unsurprising given many of these managers work in jobs where they are required to report on various sustainability metrics. Yet it indicates that the operational workforce is ready to fill the consumer void left by the current cost-of-living crisis.

"This would suggest an opportunity for business to build social pressure for change by driving sustainable trends, markets and innovations and leading by example in operationalizing their own environmental commitments."

Most consumers occupy the moderate middle ground, with 56% ***somewhat committed*** to sustainable behavior change. This moderate majority is also reflected in levels of both climate knowledge and concern across all markets and age groups, where the majority also sits in the middle with roughly 20% at each end of the spectrum. Therefore, the evidence indicates that most consumers remain open to persuasion. This presents an opportunity for business to galvanize public action by demonstrating their own commitment to the environment.

This is reinforced by the finding that many consumers are followers rather than leaders on sustainability. Thirty-eight percent of respondents agreed at least to some extent that the behavior of their peers influences their willingness to make sustainable choices. This is again highest among the youngest, with 18-34-year-olds more likely than any other to say they will only make sustainable choices if they feel pressure to do so. Additionally, 18-24-year-olds emerge as the least likely of any age group to say they try to make sustainable choices regardless of what their peers are doing, with just 21% willing to do so, a proportion that rises incrementally with each age bracket.

This would suggest an opportunity for business to build social pressure for change by driving sustainable trends, markets and innovations and leading by example in operationalizing their own environmental commitments.

The Price of Change

Thirty-one percent of consumers cite the cost of sustainable purchases as the biggest barrier to sustainable behavior change, with the higher price of green products effectively acting as a tax on sustainability. Access to reliable sustainability data is cited as the second biggest barrier to green purchasing choices. This indicates that information and price are the biggest barriers to sustainable consumerism. These findings are reinforced by abundant earlier studies demonstrating that green purchasing choices are influenced by consumers' perceived financial status[7] and their access to information on the environmental impact of products.[8]

Other research has similarly shown that over half of consumers[9] say the cost of green products stops them from adopting sustainable lifestyles, and this has likely been exacerbated by the recent inflation crisis. A 2018 European

"Businesses could incentivize sustainable consumerism by lowering the cost of green products and producing more transparent information on product sustainability."

Social Attitudes survey similarly found that while 28% were very concerned about climate change, 40% were extremely concerned about energy affordability.[10] Cumulatively, this indicates that businesses could incentivize sustainable consumerism by lowering the cost of green products and producing more transparent information on product sustainability.

We have seen Denmark form cross-sector climate partnerships that will share energy sources, supply chains and manufacturing resources with the goal of achieving combined economies of scale for sustainable innovations.[11] Similarly, chemical companies are collaborating to coordinate the transparent measurement[12] of sustainability performance across the industry. One chemicals company, BASF, has invited all its suppliers to join a Supplier CO2 Management Program,[13] which aims to create full transparency around Scope 3 carbon emissions across its supply chains. While Eastman, a global specialty materials company, has used environmental life cycle assessments (LCAs)[14] to track how molecular recycling to convert polyester plastics back to molecules for new materials has achieved a 20-30% reduction in cradle-to-grave carbon emissions for plastics. These efforts can help their customers in the B2C space lower the information barrier to sustainable purchasing of their own products, which should bolster environmental consciousness and commitment among consumers.

Twenty percent of respondents are willing to pay a price premium for more sustainable goods and 29% would pay 16-25% more, although 27% would only pay between 0% to 5% extra. The youngest are, however, willing to pay the biggest premium, with more 18-24-year-olds willing to pay 16-25% extra (24%) than any other age group. Only 23% said credible product sustainability information would make them more likely to pay a premium, further demonstrating that cost is now the dominant factor in purchasing choices. Willingness to pay more for green products appears to have declined with rising inflation, as a previous global study[15] that also included Germany, the U.K. and U.S. showed that one third of consumers were willing to pay a 25% premium for more sustainable products.

What is the biggest barrier to increasing the sustainability of your day-to-day behavior and choices?

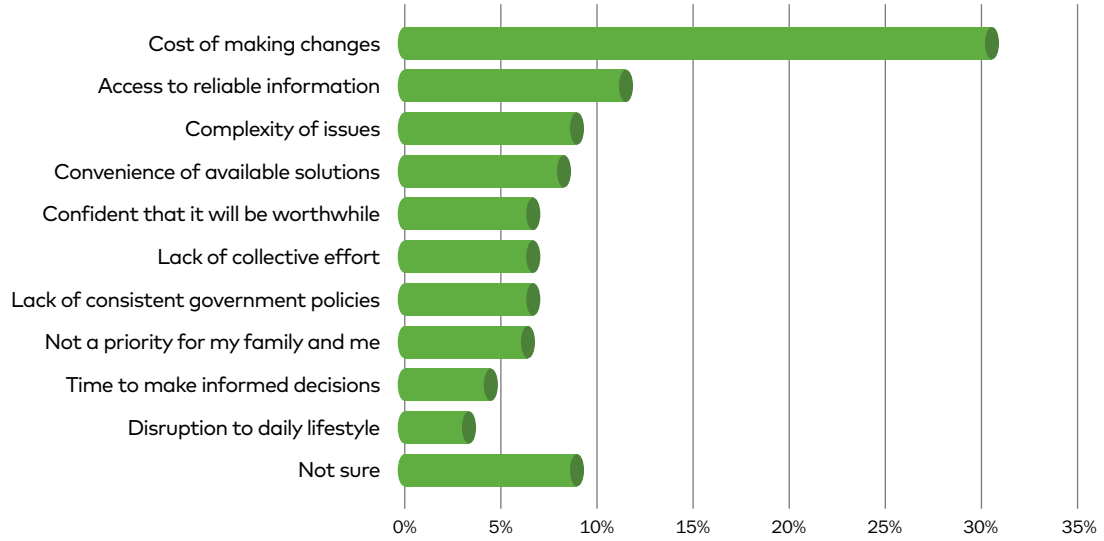


Figure 3.1

There is an opportunity for industry-wide collaboration to help standardize, streamline and scale the manufacturing of sustainable products and achieve economies of scale to bring down costs for new innovations. For example, Colgate collaborated with peer companies and reprocessors[16] to create and commercialize the first recyclable toothpaste tube and build a critical mass to lower its cost.

Consumer Activism

Consumer activism has long been heralded as a potential driving force for sustainable business practices and products, yet our research shows this trend is currently confined to a minority. Only 7% of all respondents stopped spending money with many brands due to an unfavorable sustainability stance over the past two years, and 30% have boycotted one or more brands due to unsustainable practices (Figure 4.2).

Fifty-six percent say sustainability is one factor among others in product choices (Figure 4.1), while 26% say it is not a very important factor or not an important factor at all. Just 13% cite sustainability as their primary factor for choosing a brand. Crucially, however, 27% of consumers (rising to 34% of 18-24-year-olds) say their individual choices and behaviors can only make a real difference to the future of the planet and net zero if business plays its part too.

This indicates if businesses prioritize sustainability in their own policies and practices, this could also encourage consumers to attach greater importance to sustainability in their living and buying habits.

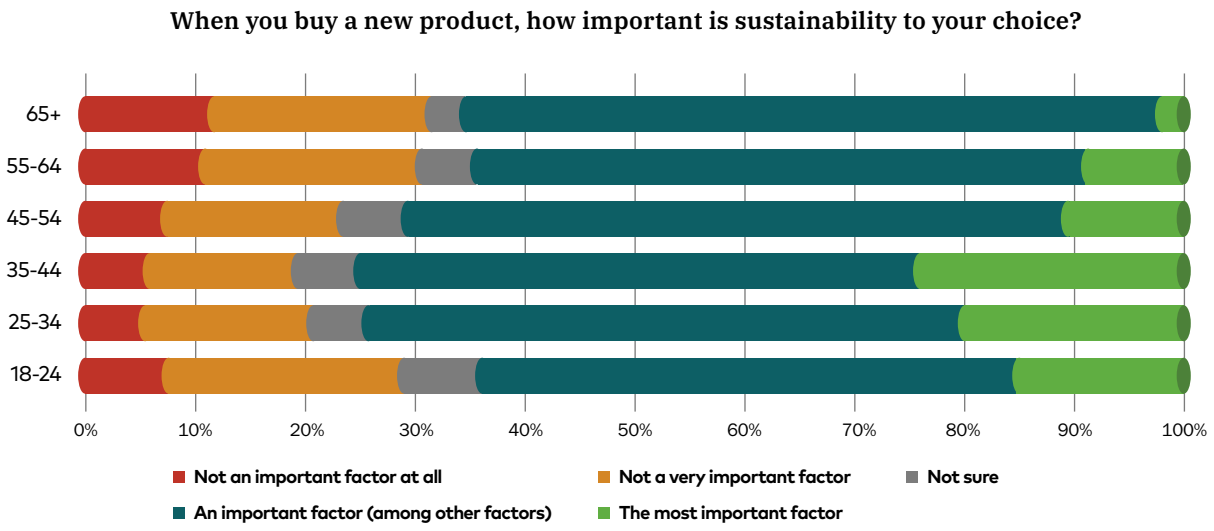


Figure 4.1

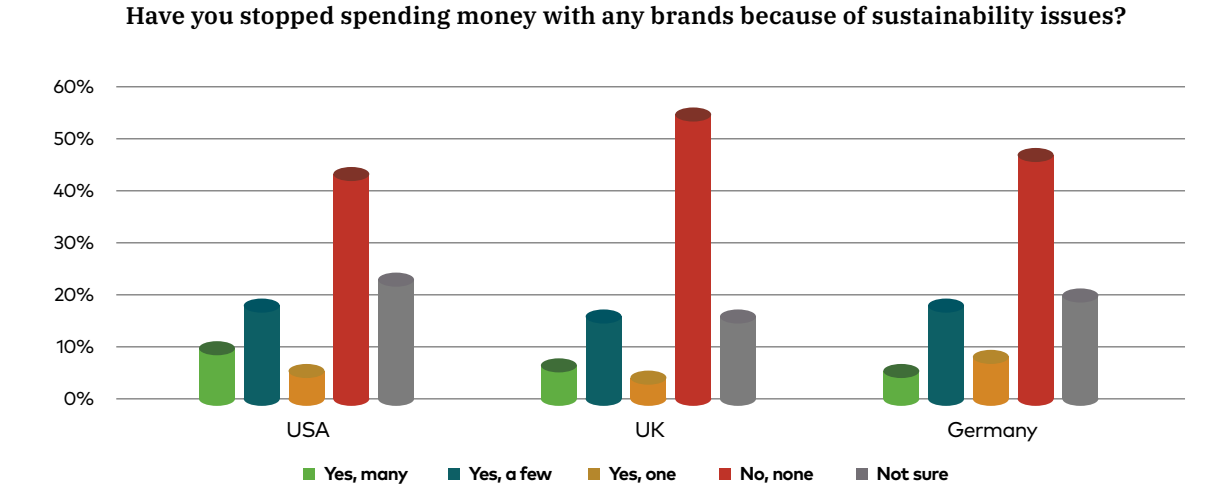


Figure 4.2

Climate Complacency and Climate Pessimism

Our research reveals that green purchasing power is sometimes correlated with a degree of climate complacency. For example, 40% of the typically higher-income consumers using electric vehicles (EVs) and heat pumps say they are definitely doing enough to tackle climate change. With affluent consumers shown to have the highest carbon footprint,[17] this suggests that owning expensive green products could breed complacency over other unsustainable behaviors. This is analogous to the "rebound effect" from carbon offsetting, where larger, richer companies believe they can compensate for higher emissions by paying more for offsetting. As with other issues in this report, the public may be taking their lead on this from businesses and effectively engaging in a consumer version of greenwashing.

Consumers once again take their lead from business when it comes to the feasibility of climate targets. A minority of consumers believe that net-zero 2030 and 2050 targets are still achievable, and just 19% unequivocally agree that we have the technology and expertise to do this (Figure 5.1). Yet the level of optimism among the majority hinges on the degree of business action on climate. Only 16% of all respondents unequivocally believe they could personally make a difference to climate change, with 34% of 18-24-year-olds saying this was contingent on business action (Figure 5.2). U.K. and German respondents were significantly more likely to be pessimistic than their U.S. peers, which could indicate that U.S. consumers have more faith in the ability of private enterprise to drive positive change.

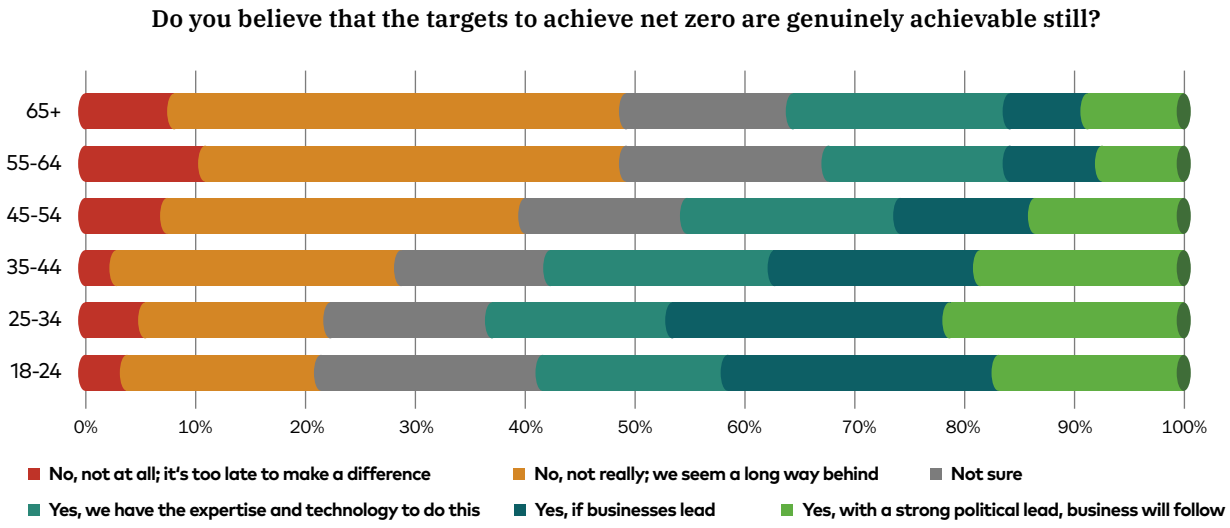


Figure 5.1

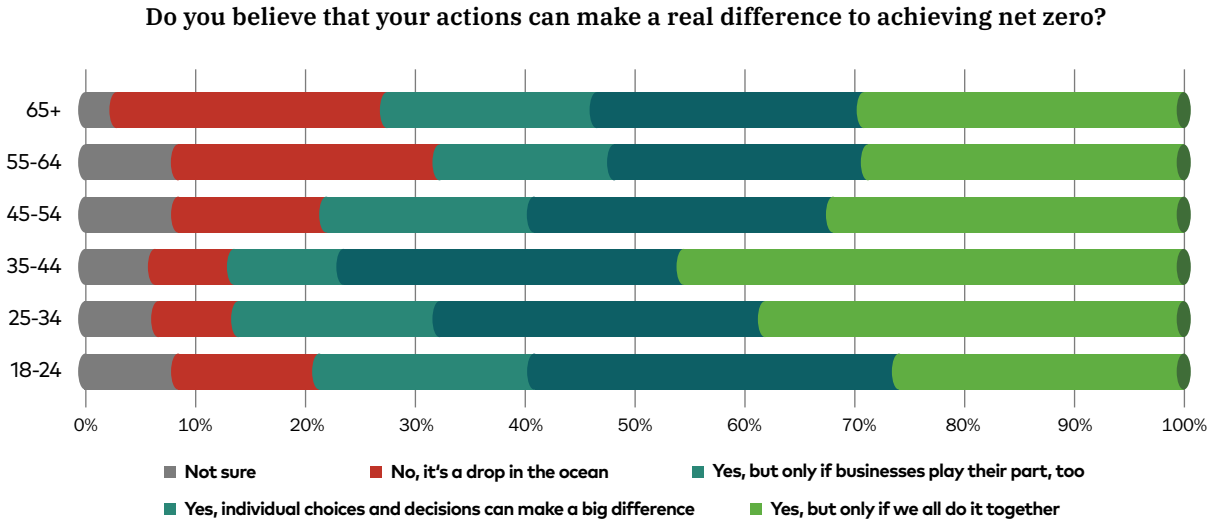


Figure 5.2

Trust in Business and Government

Our survey produces clear evidence that climate pessimism arises from a lack of public trust in corporate climate commitments. When asked which institutions they trust the most to deliver on net-zero targets, only 3% of respondents trust global business the most, and only a combined total of 18% rank business first, second or third among those they trust to deliver net zero. This would indicate that trust in business climate change action is even lower than trust in business in general, with another recent survey showing 30% of consumers highly trust business.[18] This is an opportunity for businesses to boost trust by implementing climate commitments across their own operations and value chains and adopting transparent, trustworthy methods of recording and reporting sustainability.

Perhaps relating to the lack of trust, consumers are somewhat skeptical of business initiatives such as carbon offsetting, with 34% saying they are either an ***easy way out*** or ***no solution at all.*** Just 13% say they are ***a good practical solution,*** but 49% say carbon offsets can be part of the solution. Most consumers, therefore, support carbon offsetting only when used in combination with other solutions and not in isolation.

With other research also showing that misleading corporate sustainability claims reinforce consumer skepticism about sustainability,[19] this indicates that the way in which businesses deploy solutions such as carbon offsetting is critical to building consumer support.

To what extent do you trust businesses' high-profile sustainability or net-zero promises and commitments?

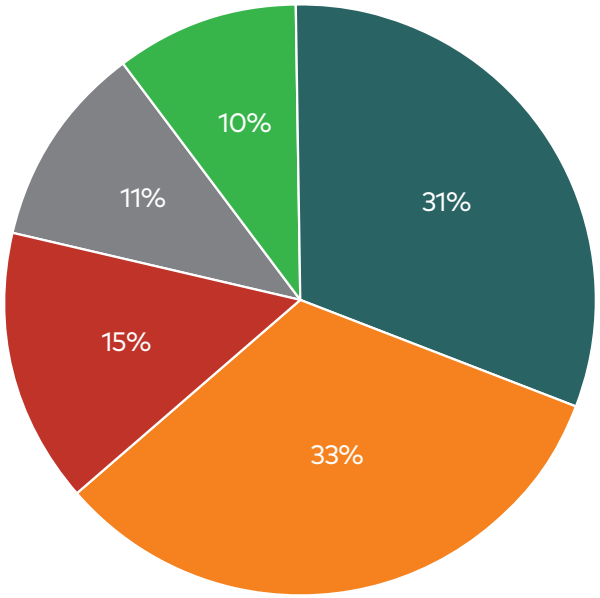


Figure 6.1

Only 10% of respondents say they trust businesses' promises on sustainability or net zero a great deal compared to 15% who don't trust businesses' promises at all (Figure 6.1). Trust in business climate commitments is clearly connected to data transparency and accessibility, with only 10% of consumers finding it very easy to find reliable sustainability information, while another 30% find it somewhat easy. When asked what actions would increase their trust in business commitments, 45% of consumers cite tangible changes to products and packaging, such as removing plastics. This comes at a time when recent legislation such as California's Plastic Pollution Prevention and Packaging Producer Responsibility Act[20] is also transferring the burden for recycling from consumers to packaging manufacturers. Legislation is already spurring a growing trend in sustainable packaging focused on the circular economy,[21] from "design for re-use" to low- and zero-carbon bioplastics. Our report shows these trends could bolster consumer trust and sustainable consumption by offering tangible evidence of corporate sustainability.

A smaller percentage of respondents identifies informational issues, including verifiable labeling, audited annual progress reports and accessible, authoritative global standards when pointing to actions that would increase their trust in business commitments.

Building Trust

The clear implication is that visible corporate action on climate-related issues demonstrated by transparent, consistent sustainability data—from annual audits to product labels—is essential to bolster trust and sustainable behavior among consumers. Fundamentally, businesses need to make it easier to quantify and compare environmental performance across brands, products and services to help inform and incentivize more sustainable purchasing. This is a major challenge due to the complexity of measuring indirect corporate emissions (Scope 3) across globalized supply lines and diverse product lines with increasingly long lifespans. The problem is compounded by a lack of standardized methodologies and models for environmental performance measurement. A lack of globally recognized climate accounting standards and auditors similarly prevents companies from providing clear, consistent climate audits and clearly labeling sustainable products.

The public also wants more tangible business action on sustainability, with 52% saying that businesses are not doing enough on climate change. This finding is supported by recent research, with Deloitte's #GetOutInFront[22] global research report similarly finding that consumers expect decisive climate action from companies.

CONCLUSION

Acceptance and Adoption of Innovations

OVER A THIRD OF LARGE COMPANIES[23] have adopted net-zero targets; yet marrying sustainability with commercial success will depend on the ability of businesses to drive more sustainable consumption. Our map of the emerging consumer landscape reveals that corporate efforts to encourage public take-up of sustainable products could be jeopardized by widespread skepticism about sustainability and even climate change science among consumers. This survey offers powerful support for previous studies[24] indicating that the high cost of green products and services combined with a lack of trustworthy and accessible sustainability data is breeding public apathy and cynicism and deterring sustainable consumption. This is compounded by public cynicism over initiatives such as carbon offsetting amid widespread high-profile incidents of greenwashing. Public distrust in corporate claims and pessimism over corporate climate targets is breeding a sense of powerlessness among Western consumers, leading to less environmentally engaged consumers. Resistance to the price of sustainability may also be compounded by the poorly planned rush to renewable energy sources before they can provide sufficiently scalable and flexible power, leaving many grids reliant on expensive gas to fill in for fluctuations in renewable energy supplies, which has added to the cost of living.

This has several potential implications for the transition to clean energy. Skepticism could reduce consumer acceptance and

adoption of innovations from green plastics and electric cars to heat pumps and recycled products that will be essential to achieving global climate targets. We could see green businesses lose out because a universal distrust of corporate environmental claims means that consumers no longer see sustainability as a key brand differentiator. Rising sustainability skepticism among consumers could even encourage companies to turn away from the energy transition or scale down their environmental commitments, especially given the high up-front costs.

Yet our research offers another path forward. With 74% of consumers still saying sustainability is a factor in product choices, green businesses have an opportunity to transform the consumer landscape by making green products more universally affordable and data more universally available and trustworthy. Crucially, we show that demonstrating clear leadership through tangible, transparent improvements in climate performance could act as a trust multiplier and galvanize reciprocal consumer action. With half of consumers believing businesses are not going far enough in tackling climate change and many consumers now admitting they take their cue from business on sustainable behavior, there is a clear opportunity for corporations to take the lead on climate change. And with almost half of consumers saying visible changes to product labels and packaging would improve trust in business climate commitments, there are clear steps that could make an immediate difference.

Abundant research shows that businesses could already achieve significant carbon reductions with existing technologies and at no net cost.[25] Partnerships between government, academia and industry can collaboratively reduce the consumer cost of green technologies and help them scale quicker. And the technologies needed to create clear, concrete changes in climate performance are already in existence. For example, current data analytics technologies can instantly analyze and visualize climate performance across departments and model the effect of future processes or policies or even automatically quantify an environmental footprint across entire product lines and lifecycles.

Building consumer support to help deliver corporate climate change commitments will require a major effort to operationalize climate change targets and to synchronize and standardize performance measurement and reporting across supply chains and entire sectors. It will require environmental results to be recorded and reported like financial results and included in labels alongside other product information from nutrition to fairtrade standards. Businesses will need to collaborate to make green products more affordable and environmental product data more accessible. The effort is now essential to driving the sustainable consumption that will help companies balance commercial success with achieving net-zero targets in a make-or-break decade for the climate.

Cited Sources

This report was prepared with references to sourced materials.
All sourced materials are also cross-referenced in the index below. This report has not been externally assured.

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