

# Putting the consumer at the heart of ESG strategy

Whitepaper

STRAT7

incite

# Introduction

## As ethical and social impact becomes increasingly important to consumers, businesses must respond

**In this paper we share a customer-centric framework that can help businesses maximise the impact of their ESG strategies.**

It is no secret that in the world of business the mandate to do good is being felt from all corners: shareholders, policy makers, NGOs and consumers are all asking businesses to be better.

Companies that want to survive have little to no choice over whether or not to improve the ways they manage their impact on the world. Legislation that ties them to environmental, social and governance commitments is already in place in the UK, Australia and Germany and it's only a matter of time until other countries follow.

But taking action in the ever-evolving ESG landscape is tough. Whether as a new start-up or multi-national business, choices need to be made on where to get the biggest bang for your 'impact' buck. And when an immediate return on investment is not guaranteed, identifying alternative ways to measure impact becomes essential.

At Incite, we believe that human understanding is the key to transforming businesses for the better, so we set out to understand the role the consumer plays in shaping and delivering successful ESG strategies.

This paper leverages exclusive insights from our recent ESG research combined with the perspectives of industry opinion leaders, to help answer a number of key questions that our clients are asking:

- **How important is ESG to consumers and where does it fit into their lives?**
- **How and where should businesses invest for maximum impact?**
- **What key consumer-led challenges do businesses need to overcome and how can they do this?**

From this, we have developed a framework for ESG decision-making to help businesses maximise impact by adopting a more consumer-centric approach to strategy creation and deployment.

We conclude that ESG strategies that not only tick legislative boxes and also resonate with consumers will set companies up for success in a world where doing better business is no longer nice to have, but a commercial imperative.

Companies that proactively embrace this change in their ways of working now, are future-proofing themselves in a world where we are all increasingly feeling the pressure to be better.

### About the research

Incite spoke to a nationally representative sample of 2,000 people in each of the UK and US.

The survey was fielded in April 2022. More detailed analysis can be made available on request.

We would like to thank the following individuals for contributing their perspectives to this paper:

**Paolo Porta**, CEO at Hunter  
**Harry Symes-Thompson**, Head of Growth at Wild  
**Adam Wade**, Technical Director at Anglepoise

We would also like to thank **STRAT7 Researchbods** for their support in delivering the research.





# What consumers want

## Consumer activism is forcing brands to be better

**And being better can pay off. Brands need to get better if they want to compete long-term.**

As the evidence piles up that our past behaviours have had far-reaching social and environmental consequences, consumers are taking a stand.

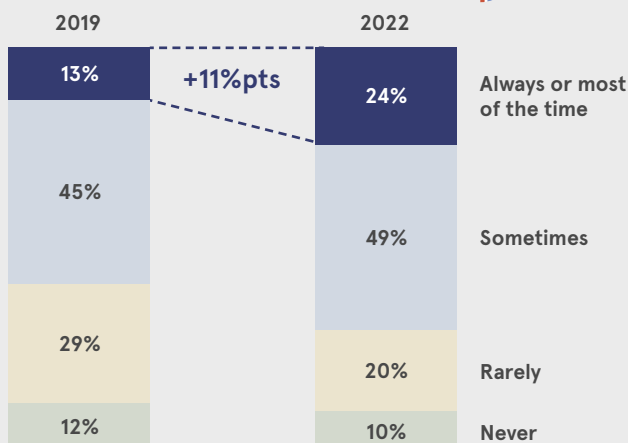
The era of conscious consumerism has morphed into one of consumer activism. Brands need to respond to this by being clear about how they are making a difference in the world.

Our consumer research shows that ethical and sustainable factors have become increasingly important in influencing purchase decisions over the past three years.

Since **2019**, consumers who said that they consider the ethical and sustainable features always or most of the time before they buy, **increased 11%pts**, up from 13% to 24%.

### Consideration of sustainable or ethical features

How often do you consider the ethical/sustainable features of a product/brand?



(Incite ESG Consumer Survey 2022)  
UK 2019 (n=2,079) UK 2022 (n=2,008)

In fact, three quarters of consumers in the US and UK would now prefer to purchase ethical/sustainable products over less ethical or sustainable alternatives.

### Consumer propensity to 'buy better'

"All things being equal, I would prefer to purchase ethical/sustainable products i.e. those which are environmentally friendly and/or Fairtrade"



Agree or strongly agree:

**64%**

(Incite ESG Consumer Survey 2022)  
UK (n=2,008), US (n=2,022)

This appetite for impact is not limited to one area. Consumer literacy is increasing across a broad range of topics within the ESG landscape – from global warming and climate change to gender diversity and inclusion.

Now has never been a better time for brands to let their customers know about the positive moves they are making in these spaces.

“

Over the past 2 years, sustainability has shifted from being a “nice to have” to become an essential “must have” and therefore we have evolved to start our design process to incorporate sustainability from the outset. Our customers want to know what we are proactively doing before they make a purchase.

Paolo Porta, CEO at Hunter Boots

# The broader benefits of ESG

## When companies get it right, ESG can drive brand value

**Businesses need to let consumers know about their good deeds for this impact to be felt.**

**We tested the awareness and appeal of a range of different ESG initiatives across the UK and US**



Timberloop offers a take-back program for used footwear, clothing, and accessories to refurbish, recycle, or reuse in new products and give "a second life outside the landfill".



'Meltdown' campaign removed plastic toys from the kids' menu. Calling on the public to donate their free plastic giveaway toys from other companies, to be recycled into play areas and everyday restaurant items such as trays.



Invited customers to join a 2 month sustainability challenge during which they were supported and guided towards a lower carbon diet, to feel healthier and save money, while living more sustainably.



Green Future tariffs, for greener home energy, with the promise of match buying electricity from renewable generators and sources. Plus, offsetting the carbon footprint from 90% of the gas used.



A founder member of GAIN – an organisation to explore opportunities and benefits of employing a neurodiverse workforce within the Insurance, Investment and related Financial Services Industry.



Sources nearly all paper packaging from sustainable fibre and has set a larger goal for all of its customer packaging to come from renewable, recycled or certified sources by 2025.



'Mission Every One' commits to Spend \$5 Billion by 2025 to create a more equitable and sustainable future, focusing on goals around sustainable raw materials, workers' rights across the global value chain, waste and emissions reduction.



Green mobility, carbon neutrality - partnering with Hyundai to achieve carbon neutrality by 2045 with faster mobility transition to electric vehicles.



**BANK OF AMERICA**

Community Homeownership Commitment, launched in 2019 to help members of low- and moderate-income communities to buy homes through grants and further aid towards their purchase.



'Fill It Forward' lets customers scan a tag on their reusable bags each time they use them to accumulate points, which then convert into monetary donations to a local organization.

Our research shows that once made aware of ESG initiatives, around 50% of consumers felt more positive towards a brand.

However, some of the initiatives that had the greatest impact on consumer sentiment had the lowest consumer awareness.

This highlights the value being left on the table by brands who fail to effectively publicise their efforts.

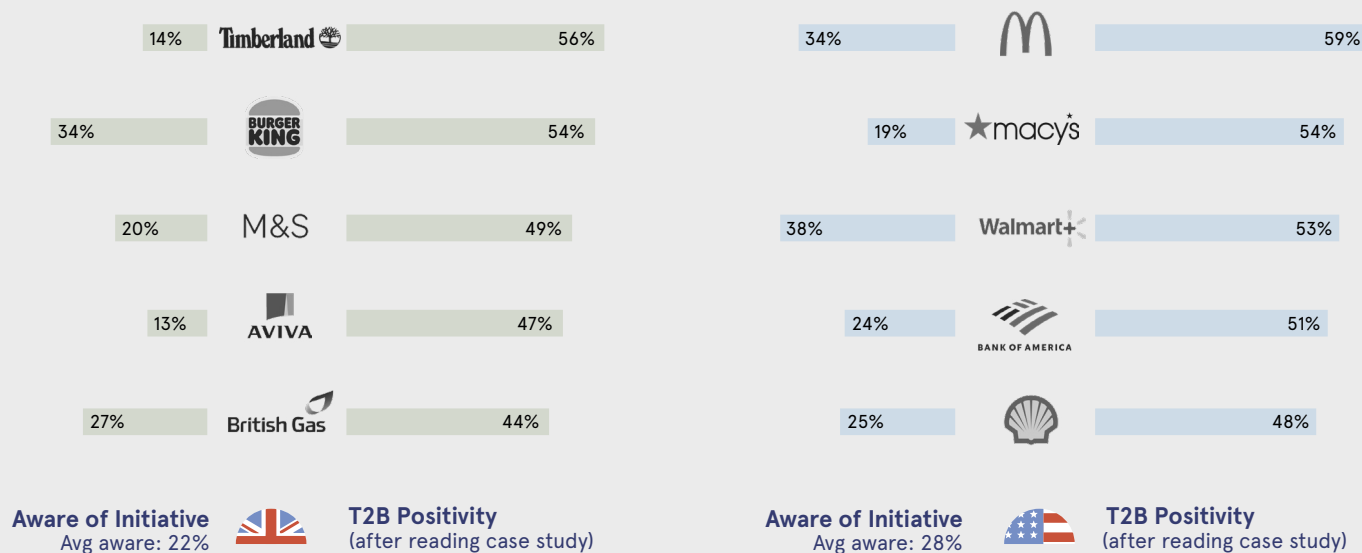
## Key takeaway



Initiatives that help consumers 'be better' can improve consumer perceptions and drive brand equity.

## Initiatives that help consumers to 'be better' can drive brand equity

Were you already aware of this brand's initiative?



(Incite ESG Consumer Survey 2022)  
UK (n=2,008), US (n=2,022)





# Getting the message right

## People take notice of ESG activities if they either feel relevant or shocking

**Businesses need to be genuine in their values and transparent in their actions and communication to gain positive traction.**

Ultimately, people want to know that the brands they choose are not solely focused on profit and are genuinely (and equally) concerned about being environmentally friendly and ethical.

This isn't new news to consumer-facing businesses, with many introducing more ethical and sustainable options into their product and service lines over recent years to feed this growing demand.

Levi's, for instance, has pushed a 'buy better' message for its clothing and committed to using 100% sustainably sourced cotton and 100% renewable energy in owned and operated facilities by 2025 - a mission that customers can get behind because there's added incentive for choosing that company: the feel-good factor.





However with the increase in ESG claims, comes a growing sense of scrutiny among consumers to ensure that businesses are truly as good as they claim to be.

For example, the UK grocery retailer Iceland came under fire in early 2019 after it removed its own name from 17 products in order to keep its vow of replacing palm oil from 100% of its own products by 2018. While the intention was undoubtedly good, the decision not to be open and honest about its inability to hit the year end deadline was met by public animosity.

Businesses need to make sure that the ESG commitments they make are aligned with the broader values and behaviours of their brands and run through the very heart of the company. Embedding ESG ambitions in all areas of the business will make it easier to live up to promises in the long run and deliver a joined up story across all elements of the consumer experience.

### Key takeaway



ESG initiatives need to feel relevant to consumer: most people will read/listen to articles on sustainability only if relevant and interesting.



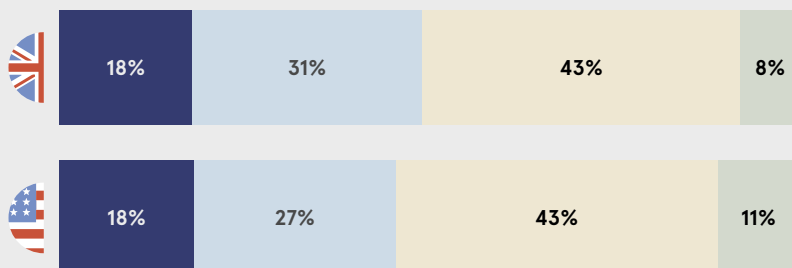
While people want to hear about ESG initiatives, brands can't rely on their consumers to actively go looking for this information. Only around **1 in 10** consumers agree that they **actively seek out information about companies' ethical and environmental records**.

Most people will only take notice if they read something that is either interesting or relevant to them, or is shocking and surprising.

So while consumers need to know what brands are doing to be better, brands also need to know what is most relevant and interesting to consumers to ensure the good things they communicate about are heard.

## Consumer proactivity in seeking out ESG information

In general, how pro-active are you in finding out about the ethical/environmental impact of the products and services that you buy?



#### Not at all proactive

I don't invest any time in finding out about these things

#### Not very proactive

I only really take notice if I hear something surprising or shocking

#### Somewhat proactive

E.g. I will read / listen to articles that I come across if they seem relevant and interesting

#### Very proactive

E.g. I actively seek out info about companies' ethical and environmental records

# Helping consumers to be better too

## Consumers are less likely to support ethical and sustainable initiatives if it involves a cost to them

**Brands can play a role in easing this pain and making good behaviours easier and more attractive.**

While consumers want brands to make a positive impact on the world, they also recognise that they need to take action themselves for progress to be made.

Slowly but surely people are changing their behaviour. For example, more people are opting for re-usable shopping bags, separating out their waste and recycling clothes and other goods than they did 2 years ago.

However, consumers are slower to adopt actions that result in a cost to them – either in terms of time, effort, money or some other form of personal sacrifice.

People aren't yet at a point where they are willing to put the needs of the planet or society ahead of their own. Only 33% of consumers in our survey agreed that they would choose a product which

“

At the moment the cost of living has spiralled so high that I am OK with buying whatever is affordable just to put food on my table, a roof over my head and a little electricity or gas.

UK Consumer, Incite ESG Consumer Survey 2022

fits their needs or wants slightly less because it is ethical/sustainable.

Two thirds of people say higher prices are standing in the way of them buying some ethical or sustainable products.

**So people want to do good but not in a way that causes them any pain.**

This puts businesses in a difficult position, particularly at a time when the cost of living is on the rise. The case for investment in genuine and impactful ESG initiatives can be difficult to make when consumers are unwilling to share the burden of doing so.

As a result, businesses will need to consider a measured approach to implementing more ethical and sustainable practices that either align with current consumer preferences and behaviours, or helps to change these.

### Top 3 barriers to buying ethical/sustainable products

Which of the following factors currently stand in the way of you buying ethical/sustainable products?

Higher price

66%

71%

Lack of availability

38%

40%

Unknown brands

24%

22%



(Incite ESG Consumer Survey 2022)  
UK (n=2,008), US (n=2,022)

### Key takeaway



Price is the primary barrier to consumers buying more sustainable or ethical options. This will become even more of a concern over coming months as consumer purse strings undoubtedly tighten.



# Context is king

## Consumer priorities vary depending on what they are buying

**When deciding how to action their ESG strategy, businesses need to consider what matters most to their customers.**

There is no one size fits all approach to building an ESG strategy. Brands need to opt for a roadmap that reflects where their business is now and where it wants to be.

Even small actions, if delivered on a large scale, can have a big impact. Part of this is knowing what will most motivate customers to buy – or not to buy – their brand.

Our research shows that different sustainable and ethical factors will matter more to consumers when buying a bottle of washing up liquid to choosing their next energy supplier.

Initiatives that reflect these priorities will have a better chance of cutting through.

While businesses broadly know what good ESG looks like, they don't always know what it looks like for their sector specifically. Capturing the consumer perspective can help with this.

We showed consumers a list of 21 different ESG factors and asked them which were more important to them when buying products and services in each sector.

This revealed that while consumers have a wide range of concerns in the ESG area, the issues that they care about are tailored to specific contexts.

Consumers want brands to focus on issues that are relevant to their categories. For example financial services should focus on data security while clothing and accessories businesses should highlight the positive impact they are having on fair working conditions for all.

### Top 5 most important factors for consumers by sector



#### Food and Drink

- ↑ Packaging
- ↑ Mass Food Production
- ↑ Animal Cruelty
- ↑ Fair Working Conditions
- ↑ Waste Management/Recycling



#### Clothing and Accessories

- ↑ Fair Working Conditions
- ↑ Employee Fairness
- ↑ Workers' Health/Wellbeing
- ↑ Waste Management/Recycling
- ↑ Animal Cruelty



#### Energy Supplies

- ↑ Global Warming/Climate Change
- ↑ Energy Efficiency/Renewables
- ↑ Air/Water Pollution
- ↑ Habitat Destruction/Deforestation
- ↑ Waste Management/Recycling



#### Home and Garden

- ↑ Air/Water Pollution
- ↑ Habitat Destruction/Deforestation
- ↑ Global Warming/Climate Change
- ↑ Waste Management/Recycling
- ↑ Water Scarcity



#### Health and Beauty

- ↑ Animal Cruelty
- ↑ Packaging
- ↑ Fair Working Conditions
- ↑ Workers' Health/Wellbeing
- ↑ Waste Management/Recycling



#### Technology

- ↑ Energy Efficiency/Renewables
- ↑ Fair Working Conditions
- ↑ Waste Management/Recycling
- ↑ Data Protection & Security
- ↑ Employee Fairness



#### Leisure

- ↑ Air/Water Pollution
- ↑ Workers' Health/Wellbeing
- ↑ Global Warming/Climate Change
- ↑ Habitat Destruction/Deforestation
- ↑ Fair Working Conditions



#### Financial Services

- ↑ Employee Fairness
- ↑ Data Protection & Security
- ↑ Fair Working Conditions
- ↑ Workers' Health/Wellbeing
- ↑ Global Human Rights

# The path to consumer-centricity

## So what does this all mean for ESG strategy?

### How can businesses pursue their ESG agendas in ways that engage their customers and bring them on the journey?

Our analysis highlights that there are two factors that can impact consumer behaviours in this space:

- The extent to which brands are having a positive or negative impact on issues that matter most to them
- The amount of pain or gain involved in the ESG initiatives they engage with

By combining these factors, we can create a framework to help businesses navigate the more consumer-facing elements of their ESG strategies.

Business that have applied an ESG lens to their current activities will have a good idea already of where their 'good' and 'bad' hotspots lie.

Reflecting on the extent to which promoting and addressing these hotspots will result in customer pain or gain, which can help businesses determine what actions they can and should take to maximise the impact of their ESG strategies and drive business growth.

## A consumer-centric framework for ESG decision-making

How businesses can increase their impact by adopting more consumer-centric strategies





## 1 / Mitigate risk

The first area to explore is one of mitigating risk. Here businesses need to protect their customers from any sense that they are 'buying bad' or contributing in any way to ethical or sustainable malpractice.

People trust the businesses they buy from to do the right thing. Finding out that they have been unwittingly funding unethical or harmful practices through their custom can damage relationships, leaving a bitter taste in consumers' mouths.

At the most basic of levels, this is about businesses ensuring that no-one is consciously doing bad and from there, understanding where along the value chain harm is being done so that they can address it.

Being clear on what needs to change, and transparent on the businesses' progress towards better practices is key to maintaining strong bonds of trust with customers.

The recent controversy surrounding a supposed global Mercedes electric vehicle campaign that was subsequently cancelled is a good example of this. The campaign that led with the message 'nature or nothing' was lambasted by environmental groups on the basis that its parent company Daimler is currently being sued for not tightening its carbon emissions goals.

### Key takeaway



Alongside evaluating existing practices, processes should be put in place that ensure harmful practices do not creep back in to business operations. Incorporating an ethical and sustainable lens into strategic decision making moving forwards will protect against this.

## 2 / Inspire change

For many businesses, making a positive impact can require effort or sacrifice from customers too. Be it paying more for goods or services, or adopting new behaviours that feel more effortful or go against the grain of existing beliefs, brands can play a role and help to soften the blow in a way that can make these sacrifices less painful.

This is particularly true in cases where consumers believe in the causes that will benefit from this change in behaviour. Initiatives that relieve the pain of change whilst also driving home the positive impact it will have, can give consumers the extra incentive they need to move from good intentions to action.

Marks & Spencer introduced the Sparking Change challenge to help customers live more sustainably, with discounts on plant-based foods and resources available to help them make more environmentally friendly meals.

It was part of its commitment to become fully net zero by 2040 and its strength was in inviting customers along on the journey.

The logo for 'Sparkling Change The Challenge' features the words 'sparkling change.' in a bold, sans-serif font, with 'sparkling' in white and 'change.' in yellow. Below this, the words 'The Challenge' are written in a white, cursive script font, all contained within a yellow rectangular box. The background of the logo is dark and textured.

### Key takeaway



Identify products, services or expertise at your company that can help customers live more responsibly and be on hand to make the change more palatable for them in their everyday lives.

### 3 / Address bad habits

A big part of embracing ESG involves breaking long-standing habits not only in the ways an organisation operates, but also in the ways their consumers live.

When they exhibit behaviours that are hampering efforts to make a positive impact, it's crucial that businesses find ways to make the status quo less desirable and help people be better, more responsible citizens.

Ariel addressed indirect carbon emissions in the UK and changed laundry habits with its Turn to 30° campaign.

By incentivising consumers to make a positive change by lowering the temperatures of their washing cycles, the company increased sales and delivered invaluable, lasting brand awareness.



#### Key takeaway



Think how you can address a consumer behaviour that is in conflict with your ESG strategy; by either making a better behaviour appealing or by reframing the existing behaviour to be less appealing.

### 4 / Find the win-wins

There may also be approaches you can take that benefit all parties. **A win-win scenario helps your customers make a positive change without significant sacrifice and enables the business to pursue its ESG goals.**

The incredible growth that UK start-up **Wild** has seen over the past two and a half years lays testament to this. The brand that set out to offer consumers a more sustainable alternative to solid deodorants, has taken bathrooms by storm in the UK and beyond.

The secret to their success is in developing a product that is not only better for the environment but also delivers against key category needs – and arguably better than the competition.

Wild customers get to contribute to a positive cause without compromising on any of the efficacy that they need - a win-win situation indeed.

“

We want to be a brand that is accessible and a bit more fun and not be too preachy. To be something small that can hopefully make you feel better in your daily routine. Taking that pressure off consumers has definitely helped us to grow.

Harry Symes-Thompson, Head of Growth at Wild Deodorant

#### Key takeaway



Consider how to develop and optimise positive ESG initiatives in a way that aligns with existing consumer behaviour and minimises any sense of loss.



# Acting today to change tomorrow

## How to put the consumer at the centre of your ESG strategy

As their influence on brand behaviour grows, consumers have the potential to play a significant role both in influencing the ESG initiatives that business invest in, as well as the impact that these initiatives have.

And while there is no perfect path towards achieving ESG goals, the more brands can bring consumers along on the journey, the better ultimately everyone will be.

By applying a consumer-centric lens to ESG strategy creation and deployment, businesses have the potential to make a genuine difference to the lives of consumers, society and – importantly- the future health and wealth of their brands.

**No matter the industry, there are three key steps that businesses can take to embark on this journey:**

1 / Be clear across the business on what you stand for and where your commitments lie: consumers want to understand the impact you are having and feel confident that the positive initiatives they hear about run right through to the core.

2 / Hone in on consumer-facing activities that drive meaningful engagement with your customers: what people care about is different by sector and industry and you need to be tuned in to this for ESG initiatives to gain traction.

3 / Go with the flow of consumer behaviour and preferences as much as possible, and if you need them to change, make it as easy and attractive as possible to do so.

**By working together with consumers, businesses will be able to build a better and fairer future for all.**



STRAT7

# incite



## To find out more get in touch



**Helen Donald**

[helen.donald@incite-global.com](mailto:helen.donald@incite-global.com)



**Helene Mills**

[helene.mills@incite-global.com](mailto:helene.mills@incite-global.com)

---

[london@incite-global.com](mailto:london@incite-global.com)

+44 (0)20 8158 2093

11 Soho Street, London W1D 3AD

[www.incite-global.com](http://www.incite-global.com)