



SUSTAINABILITY IN TIMES OF UNCERTAINTY

Developed in collaboration between Euromonitor and Geopost

Global Project Manager

Karolina Grigorijevaite, Inga Klebanskaja

Senior Support

Stella Vatcheva

Consulting Analyst

Connor Malloy

Senior Solution Consultant

William Cooper

www.euromonitor.com

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1. INTRODUCTION

2022 faced simultaneous headwinds: inflation reached record levels around the globe, driven by energy and food shortages because of the war in Ukraine. The ensuing rise in interest rates coupled with growing political tensions has negatively impacted consumer and business confidence, resulting in a projected fall of real GDP to 2.3% in 2023.¹

Against this bleak backdrop, the issue of climate change is more pressing than ever.

Following the COP27², it is widely recognised that we will miss our target to limit global warming to 1.5 Celsius degrees by 2050, which will have a severe impact on both wellbeing and economies.

Businesses increasingly recognise the value potential of sustainability and are developing strategies to prioritise planet and people, alongside profit. As of 2022, 82% of companies surveyed report that climate action is very important for their business. However, many businesses³ are unsure how to translate their intentions into tangible actions.

“Our in-depth study raises several pivotal facts and a major finding, which is to envisage sustainability as a shared investment” comments Yves Delmas, CEO of Geopost “This suggests that our business eco-system should coordinate the sustainability efforts made by each company to reach a higher level of shared value and impact. This exciting possibility still needs to be transformed into a concrete shared action plan. But it already answers one of the most powerful human levers: improve to create a better tomorrow, together”.

In this White Paper, Geopost and Euromonitor International have collaborated to evaluate the impact of economic volatility on the resolve for businesses to incorporate sustainability practices and develop a roadmap that can assist businesses in doing so. The report draws on custom B2B and B2C surveys, and expert interviews. Data was collected between November and December 2022 in France, Germany, Poland, and the United Kingdom.

¹ Euromonitor International „Global Outlook“, November 2022.

² UN Climate Change Conference in Sharm El Sheikh, Egypt, November 2022.

³ Euromonitor International „Voice of the Industry: Sustainability Survey“, January 2022.

2. SUSTAINABILITY AS AN EVOLVING CONCEPT AND PRACTICE



Recent exogenous shocks, namely inflation and surging energy prices, have pressure tested businesses' commitment to sustainability.

However, businesses have reinforced their sustainability efforts despite the economic situation; **77% have expanded** their sustainability initiatives compared with 2019 and 70% of companies have increased their sustainability budgets.⁴ According to our B2B survey, which included small, medium and large business from multiple sectors.

77%

of companies expanded sustainability initiatives in 2022 vs 2019

70%

of companies increased their sustainability budgets in 2022 vs 2019

This reflects two fundamental developments in how businesses engage with and perceive sustainability. The first is that sustainability is becoming ever more integrated in business operations. Indeed, businesses have hitherto claimed that environmental and social consciousness guides their decisions. Yet, their increased commitment and investment into sustainability, despite adverse conditions, highlights that this is not just a fair-weather cause.

The second is that, in addition to having a positive impact on the environment and meeting consumer expectations, businesses increasingly regard sustainability as an avenue for cost saving strategies, with 44% of respondents holding this view.⁵

From a business perspective, costs can be understood as a barrier (i.e. costs of innovation, changes in production lines, certifications, etc.) or as a driver (i.e. improving energy efficiency, using less energy). Our survey results suggest that the latter is increasingly relevant for companies, which reflects a major shift in company strategy and how sustainability is understood.

The current energy crisis plays a significant role in shaping how businesses understand and engage sustainability, both their short- and long-term outlooks. In the second half of 2022 **94% of companies reported energy prices having a medium or high impact on business.**⁶

Incorporating energy saving processes of production is the top priority for companies in the short- and long- term.

⁴ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q6, Q7

⁵ Ibid. Q11 combined results.

⁶ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q17



75% of companies are currently focused on reducing energy consumption.⁷

Although this is a positive sign for the climate, it is unlikely that we are witnessing an altruistic turn in the business world. Just 14% of companies report that sustainability initiatives are driven by „good business practices/necessity“.⁸ The ongoing crises are providing an impetus for companies to further align their business operations with sustainability, which offers the potential for greater energy security while also appealing to businesses' ethical responsibility to reduce emissions and protect the environment.

Among businesses surveyed, 63% distinguish between sustainability and ESG reporting, meaning that the concept of sustainability has evolved beyond measuring, tracking, and reducing negative environmental and social impacts.

"In many cases, we see that companies that embark on a sustainable approach achieve considerable savings by reducing costs. Small enterprises do not have the same means to integrate sustainable development into their activities as very large companies. However, there are inexpensive actions that are within the reach of any type of business."

- CSR Manager, Logistics, France

Highlighting and contextualising the link between sustainability and business operations can therefore contribute to structuring how sustainability is currently understood, as well as providing greater transparency and a more holistic view for shareholders and consumers alike.

Reinforcing commitments, identifying cost opportunities, focusing on energy – these themes reflect how sustainability is increasingly woven into tangible issues relating to business operations. **Indeed, all signs point to sustainability and business interests continuing to imbricate in a way that is mutually enriching rather than contested.**

⁷ Ibid. Q10

⁸ Ibid. Q11

3. BLUEPRINT FOR BUSINESSES NAVIGATING SUSTAINABILITY TODAY

We developed a roadmap that lays out guidelines for how businesses can overcome short term challenges and position themselves for the long term.



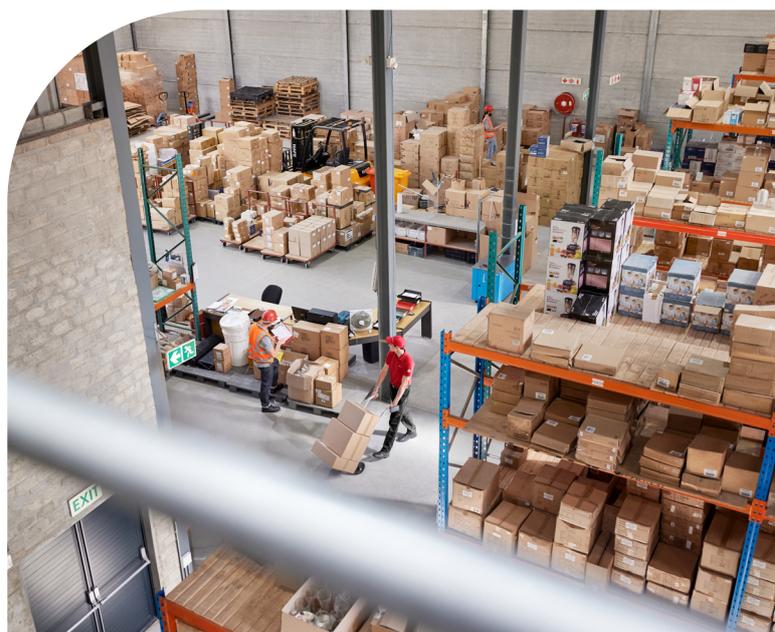
I. Stay the course

43% of companies have not changed their sustainability agendas in response to geopolitical and economic headwinds. Among those who did, 77% responded positively by either increasing their budget for sustainability or further prioritising sustainability initiatives vs other strategic initiatives.⁹

Companies generally feel that they are on the right track in terms of the focus areas for sustainability initiatives. Key themes like „Reducing energy consumption“, „Reducing waste and/or Recycling“, and „Reducing water consumption“ are the top reported sustainability actions for both the present and future.

Increasingly stringent environmental regulations also play a significant role in shaping business leaders' outlook for the future. Businesses understand it is in their interest to adapt and keep pace with environmental standards.

Failing on this front risks backlash from both customers who prefer sustainable brands and other business partners who must meet their own ESG targets and maintain their brand image. Regarding the latter, 33% of businesses prioritise supplier relationship management in the short term.

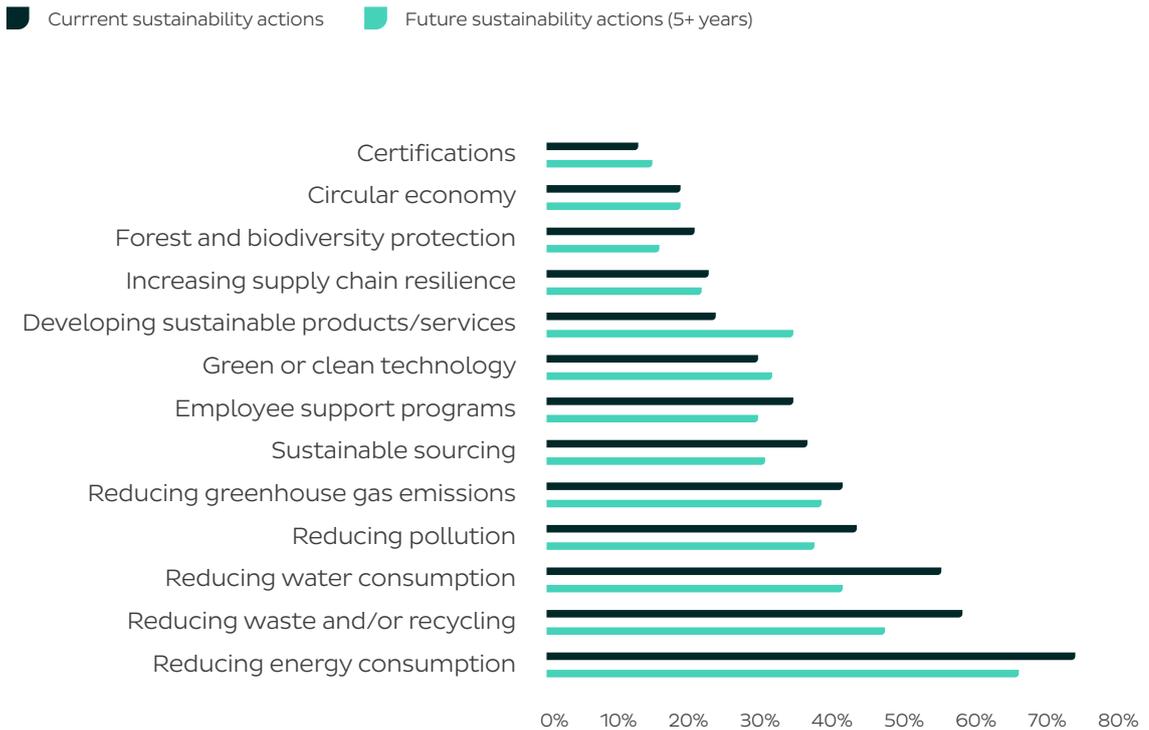


„I think sustainability issues will intensify in the coming years. With the increased energy costs, we have an additional force that has an impact on the sustainability movement. Mastering this will be a major challenge for companies in our country.“

- General Management, Logistics, Germany

⁹ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, =301. Q15

BUSINESSES SHOW CONSISTENCY IN EXISTING AND FUTURE INITIATIVES



(Graph 1 source: Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q10 and Q12)

II. Sustainability partnerships are business partnerships

Businesses should recognise and re-enforce the linkages between sustainability and business operations. **It is through aligning social and environmental responsibility with profit that businesses can succeed economically, affect positive change, and win the trust of consumers and business partners.**

However, only 3% and 7% of respondents feel that sustainability actions are driven by competitor pressure and the pursuit of competitive advantage, respectively.¹⁰

This perspective appeals to the notion of shared interests in the environment, yet it suggests a false dichotomy in which sustainability and business operations are at odds with one another.

In fact, the main driver of sustainability initiatives is businesses' bottom line: the top two motivating factors are cutting costs (44%) and increasing profit (25%).¹¹

Starting from this point, businesses should embrace sustainability as a core facet of their operations and business interests and therefore strive to compete and 'win' in sustainability. Because sustainability is a shared interest, gains made by one company will have a positive effect on partners, investors, and their customers.

¹⁰ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301.

Q11 combined results.

¹¹ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q11 combined results.

„Companies should join forces with other companies to accelerate compliance with sustainability promises. With good communication, you can achieve goals much faster. We must stop seeing ourselves as competitors in the market but as allies for a new, clean world.“

– Management, Beauty and Health, Germany

III. Data driven dialogue with consumers

Consumers are aware of and receptive to the concept of sustainability, 52% of consumers report usually paying more for environmentally friendly products.¹²

Harnessing this consumer sentiment depends on providing people with the information necessary to navigate purchase and use practices specific to businesses products and services.

Social and environmental reporting regulations are crucial for achieving transparency and informing consumers as well as shareholders about companies' sustainability actions.

Businesses must go further to create a dialogue with third parties by communicating ways in which consumption and investment can propel sustainability efforts. Many businesses are already centring their strategies on sustainability conscious consumers.¹³

The onus is on companies to identify and develop an approach to address areas in which consumer action can make a difference for the environment and society. In doing so, companies can steer consumer practices towards sustainability.

IV. Eyes on the road, hands on the wheel

Because sustainability is a forward looking, aspirational concept, there is a strong inclination for businesses and consumers to rely on future innovations to solve existing issues.

Emphasis on so-called ,green-swans'¹⁴ can distract from companies' responsibility to affect positive change in their daily operations.

Technological innovations, especially relating to producing and storing renewable energy, have had a major impact on reducing emissions and waste and will continue to do so in the future. However, future gains are facilitated by investing resources in the present to lay the groundwork, the physical, institutional, and social infrastructures that provide conditions for transformative developments.

In planning for the future, businesses should ensure that sustainability commitments are rooted in strategies that start to have concrete impacts on the present.

„New technologies are an integral part of the sustainability movement. Without them, there is no progress in the field. Because only through the continuous further development of technologies such as renewable energies, upcycling, AI, etc. the challenges of the future can be mastered.“

– Management, Retail, Germany

¹² Euromonitor International Survey (B2C), fielded Nov-Dec 2022, n=1602. Q3 combined results.

¹³ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q19. 38% of respondents focus on sustainability conscious consumers.

¹⁴ Green Swans refer to system transformations that lead towards sustainability. The concept was developed by John Elkington (2020) and draws on Nassim Nicholas Taleb's concept of Black Swans (2007).



V. Focus on inhouse and social sustainability

Sustainability has a strong social dimension and businesses should not overlook the need to invest in employees and communities, more broadly. Corporate sustainability initiatives, both in terms of business operations and social engagement, can serve to motivate employees in their careers as well as to make positive contributions in their communities.

Based on our B2B survey, „supporting employees“ is the second most prioritised type of sustainability action in which businesses are currently involved, with 33% of businesses surveyed reporting activities relating to this topic.¹⁵

Supporting local communities is notably a top priority for small companies (1-50 employees), among whom 50% report this as a long-term priority.¹⁶

Social responsibility starts with the wellbeing of a company's own employees. Promoting health and flexibility for employees is not incompatible with business interests.

These characteristics are key to maintaining a strong, productive workforce.

„By adhering to social and environmental values while contributing to the economic activities of the company, employees increase their personal performance, and therefore, the productivity of the business company.“

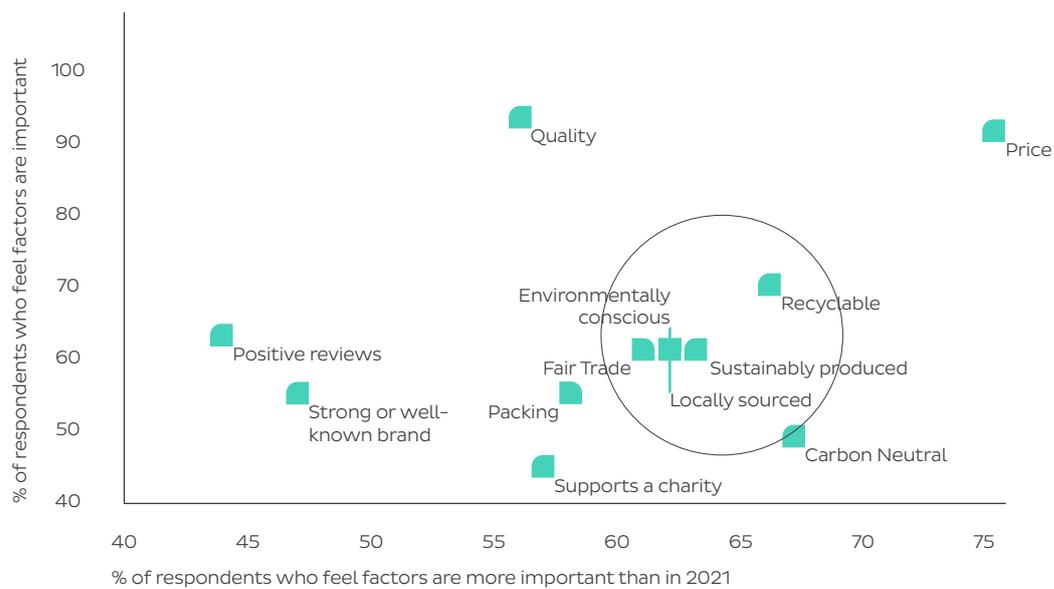
-E-commerce manager, Marketing, France

¹⁵ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q1 combined results.

¹⁶ Euromonitor International Survey (B2B), fielded Nov-Dec 2022, n=301. Q2 combined results.

4. CONSUMER CHOICE

CONSUMER PERSPECTIVE OF PRODUCT AND SERVICE FACTORS



(Graph 2 source: Euromonitor International Survey (B2C), fielded Nov-Dec 2022, n=1302. Q1 and Q2)

„The war in Ukraine and soaring energy prices mean consumers have less money to spend and it must be spent well. These are currently big talking points for consumers, and this is driving the way consumers spend their money and the strategies they are willing to implement in their home in order to save money in the longer term.“

- General Management, Retail, United Kingdom

Like businesses, most consumers are concerned about climate change (75%) and try to act in ways that have a positive impact on the environment (78%).¹⁷

Consumption patterns are complex and consumers have a range of priorities, some of which compete with sustainability attributes. At the end of 2022, consumers prioritised price (91%) and quality (93%) above all, while about two thirds of respondents viewed environmental and sustainable attributes in general as important.¹⁸

Consumers also hold preferences for certain sustainability attributes, namely food and drinks (59%), clothes and shoes (40%), and home care (35%).¹⁹

Succeeding in sustainability initiatives depends in large part on tapping into and harnessing consumer values relating to companies' environmental and social responsibility and governance. Achieving this requires gaining a deep, nuanced understanding of how consumers view and engage with specific aspects of sustainability in their consumption patterns.

Developing consumer confidence with a say-do map

The say-do gap, also known as the intention-action gap, refers to the difference between consumers' reported values and the degree to which they do not follow through in actions, and is widely presented as a key obstacle to sustainability.

However, the notion of a „gap“ is misleading as it suggests sustainable consumption is an issue of consumers failing to follow through on their stated values. Viewing consumer engagement with sustainability through this lens frames consumer values and sustainability as one dimensional. In fact, both are complex and contingent on market dynamics and socio-economic conditions and therefore require a more nuanced understanding if impactful solutions are to be achieved.



What we see is not a gap but a topography of choice that consumers must navigate when making purchases.

Factors like price and quality can function as obstacles to sustainable consumption decisions. Marrying good intentions with environmentally positive purchasing outcomes depends on identifying strong and weak linkages between specific values, preferred goods, and environmentally conscious consumption patterns. Businesses must ensure that consumers have sustainable options that meet their needs as well as their budgets.

Strengthening weak links and reinforcing strong ones will empower consumers to better enact their values, build consumer trust in sustainability initiatives, and help companies achieve their sustainability targets.

The data suggests that consumers appear to be more concerned with sustainability attributes of the items being transported (i.e., second-hand, recycled items, repairing items) rather than attributes of the transportation itself. Namely, off-setting carbon emissions does not score highly, nor does reducing plastic use.

¹⁷ Euromonitor International Survey (B2C), fielded Nov-Dec 2022, n=1602. Q6

¹⁸ Euromonitor International Survey (B2C), fielded Nov-Dec 2022, n=1602. Q1

¹⁹ Euromonitor International Survey (B2C), fielded Nov-Dec 2022, n=1602. Q5

SUSTAINABLE ACTIONS VALUED BY CONSUMERS WHO USUALLY PAY MORE FOR TRANSPORTATION/DELIVERY



(Graph 3 source: Euromonitor International Survey (B2c), fielded Nov-Dec 2022, n=1302. Q7 responses from respondents who answered „Transportation (E-commerce delivery, car sharing, rent, etc.)“ for Q5)

Addressing consumer uncertainty towards sustainability initiatives

While 78% of consumers report trying to have a positive impact on the environment through their everyday actions, 29% do not believe that their actions can positively impact the environment and 24% are unsure.²⁰ This seeming contradiction reflects a major obstacle for sustainability initiatives: even though consumers want and try to make environmentally conscious decisions, many are still sceptical or ambivalent towards the efficacy and scope of businesses' sustainability efforts.

Consumers see a disjuncture between the perceived impact of existing sustainability initiatives and the scale of climate change, as well as the degree to which climate damaging products are deeply engrained in daily life.

„I believe that large companies are trying to give the impression that environmental responsibility is one of their top priorities, but I would say that this is primarily marketing and that not much is actually happening behind the scenes.“

- SME owner, Retail, Poland

For example, it is unsurprising that many consumers may scoff at plastic bag bans when most products in grocery stores continue to be wrapped in plastic.

Consumers recognise the tension between the discourse on sustainability and the reality of their ability to engage in sustainable consumption, which is often limited to certain products and services and pales in comparison to the scale of global pollution and carbon emissions. The way forward is to set sustainability in context of everyday actions and identify the points at which consumers engage in sustainability in order to make this topic tangible and, crucially, actionable.

²⁰ Euromonitor International Survey (B2C), fielded Nov-Dec 2022, n=1602. Q6



5. TOWARDS SUSTAINABILITY AS A SHARED INVESTMENT

The outlook for sustainability in Europe is not dire; businesses are committed to staying the course and consumers still value sustainability. But there is work to be done. In addition to continuing to integrate sustainability into core business operations and striving to understand and meet consumer demand, there is a need to reframe communication around sustainability in a way that is motivating and reflects the obstacles facing both businesses and consumers.

Rather than a responsibility, sustainability should be understood and communicated as a shared investment between businesses, investors, customers, suppliers and consumers. Together, we are not just investing in a cleaner, safer future, but also the structures and products that will lead us there. This framing is more closely aligned with sustainability as a future-oriented, aspirational concept, while also being operational.

Three key themes that build on sustainability as a shared investment are:

Gain a higher resolution image of sustainability

Thanks to improvements in digitisation and tracking systems, businesses are able to account for carbon emissions and resource use across their supply chains. This is a major step forward in facilitating corporate environmental accountability.



The next step is to focus on better understanding and improving how sustainability initiatives and targets impact and interact with economic and social spaces adjacent to the supply chain. For example, identifying how waste reduction can be optimised through local recycling systems at different stages along the supply chain and how these systems themselves can be improved.

Through leadership and careful partner selection and engagement through a sustainable procurement approach, businesses can play a role in affecting positive social and environmental change in the broader contexts in which their supply chains are situated.

Collaborate to support and set standards

Collaboration with partners within and across industries is crucial to identify and standardise how sustainability can be more accurately reframed to reflect the specific products and services available to consumers. Standard metrics should also be developed to give consumers greater insight, in both a detailed and cumulative sense, into the positive impacts of their consumption decisions.

Environmental standards and labels are increasingly prominent in many industries, such as the food industry which is rolling out different versions of climate impact labels for certain products. These efforts need to be spread more widely across the economy and to gain support from leading players.

Communicate the positive impact of consumers' actions

The notion of investing in sustainability already structures leading businesses' approaches to their environmental and social impacts, but what is needed for consumers are more robust and interactive mechanisms that highlight how their consumption is an investment that directly contributes to specific environmental and social challenges.

Details relating to environmental impacts are increasingly available to consumers when purchasing goods or services, such as airline tickets or package deliveries. In this context, businesses need to encourage transparency and comparability of products and services, through market and sector specific standards. On top, businesses can make this information more accessible and interactive by tallying the cumulative emissions saved over a user's entire purchasing history and providing additional information relating to social rights and resource use. These efforts can contribute to motivating and informing consumers about the tangible impacts of their actions.



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