

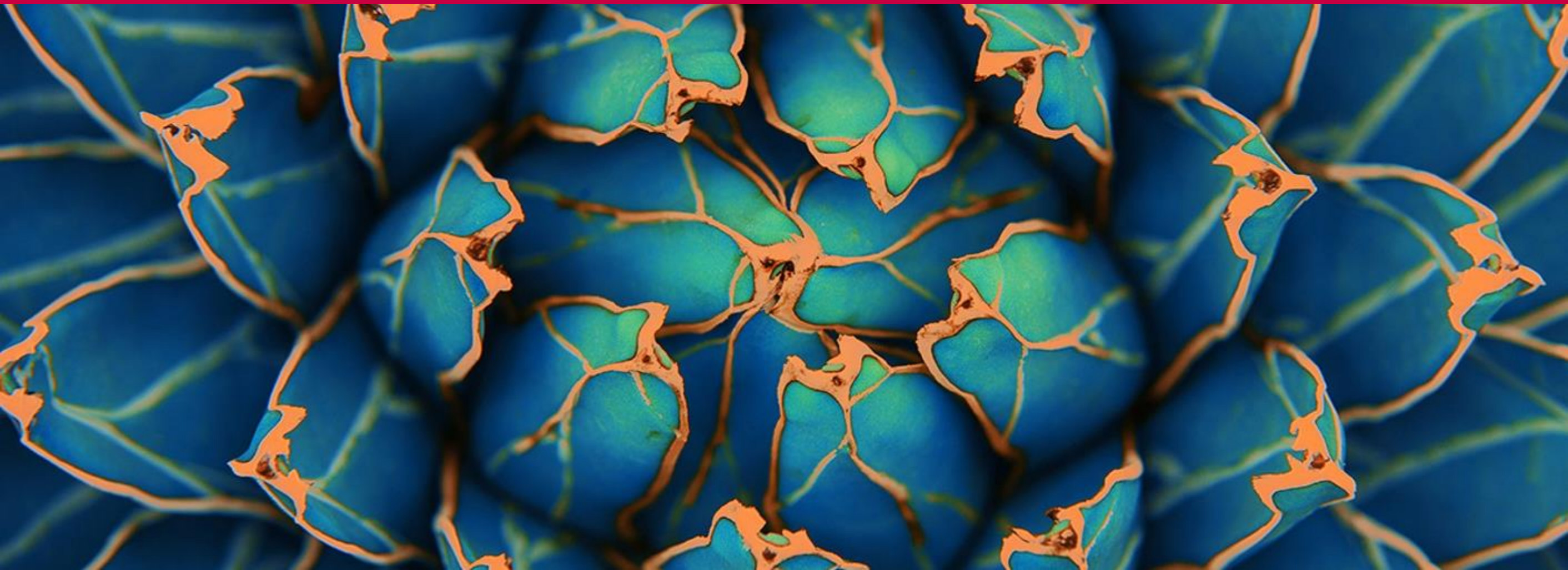
# 2<sup>nd</sup> Global Sustainability Study

## Simon-Kucher & Partners



Consumers expect sustainability – will companies rise to the challenge?

Shikha Jain, Partner, Head of Boston



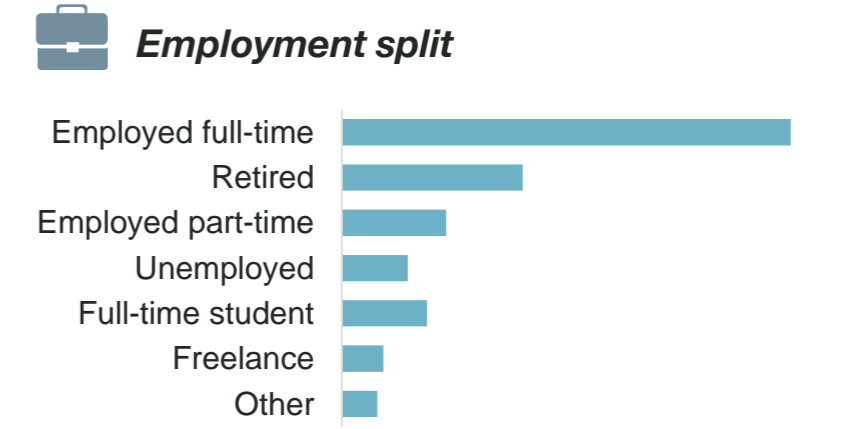
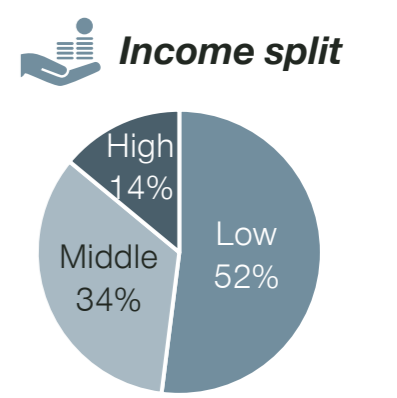
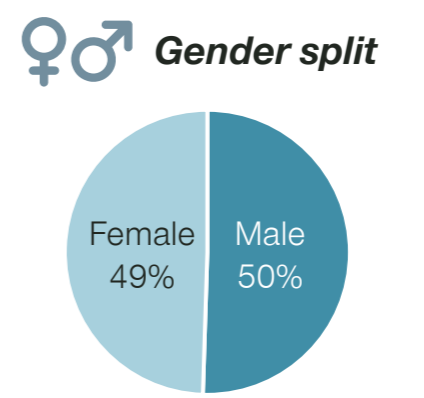
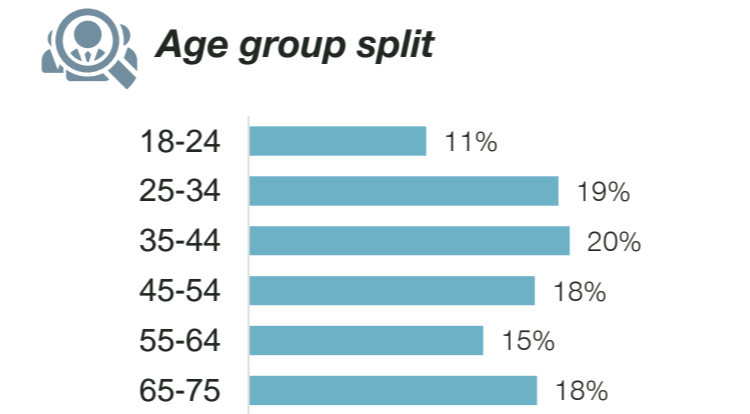
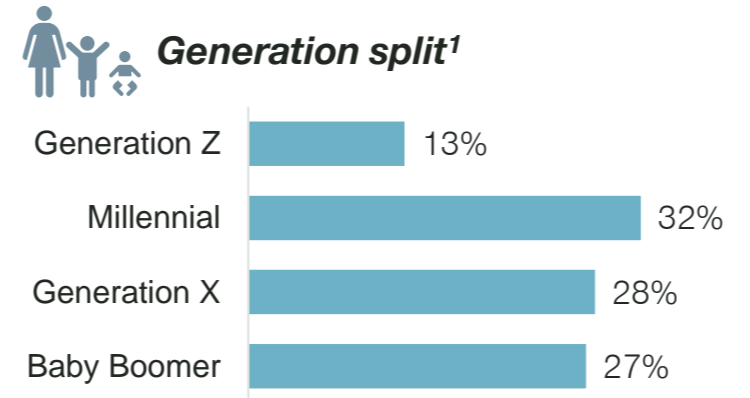
## What do we mean by “sustainability”?

We refer to **environmental sustainability**. This is defined as raw material sourcing, production and manufacturing processes, distribution and disposal practices that save natural resources, reduce emissions, and reduce waste.

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We refer to **environmental sustainability** throughout the study. This is defined as raw material sourcing, production and manufacturing processes, distribution and disposal practices that save natural resources, reduce emissions, and reduce waste.

## Demographics: Globally surveyed 11,711 consumers across all generations on attitude, importance and willingness-to-pay for sustainability

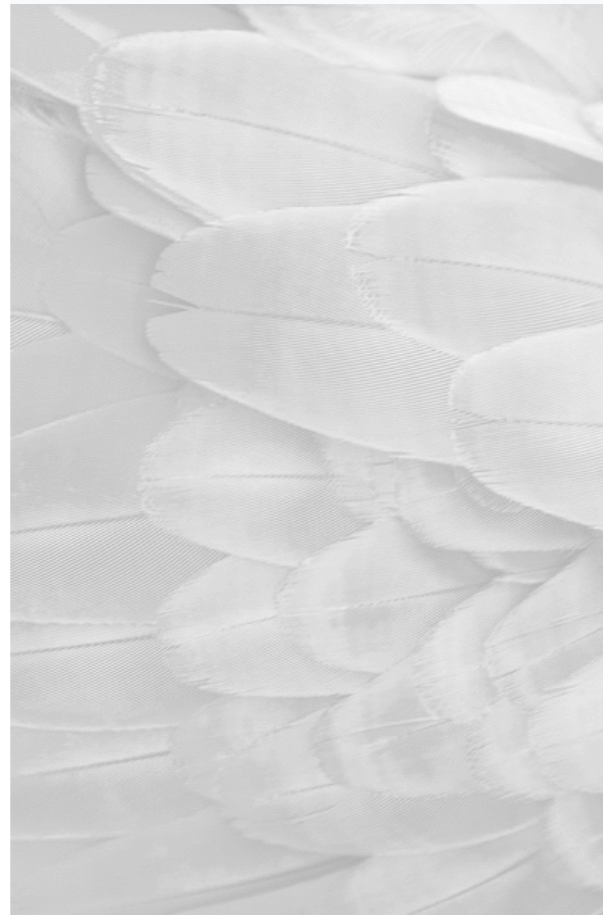


# Consumers around the world expect sustainability Will companies rise to the challenge?

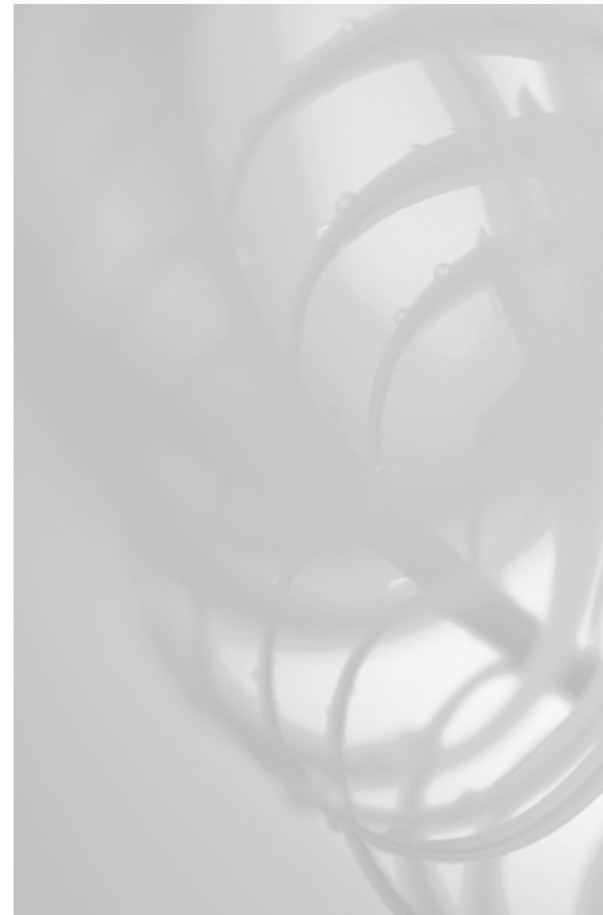
How important  
is sustainability?



How can you  
change?



What are  
consumers  
willing to pay?



Call to action



**Outside of social responsibility, taking action on sustainability is quickly becoming a business imperative for companies**



Regulation is tightening



Doing nothing will cost you



Your customers & consumers expect it

# Consumers are evolving their purchase behaviors to be sustainable around the world. Companies will need to adapt to meet changes in demand.

## Aspire

**75%**  
-0 pp

of consumers feel that environmental sustainability is as important or more important to them as compared to last year

## Commit

**71%**  
↑ 8 pp

of consumers have made modest to significant changes to their consumption behaviors over time in an effort to live more sustainably

*Including consumers that have also made minor changes, 89% have become 'greener' in their purchasing (↑4pp from previous year)*

## Prioritize

**66%**  
↑ 16 pp

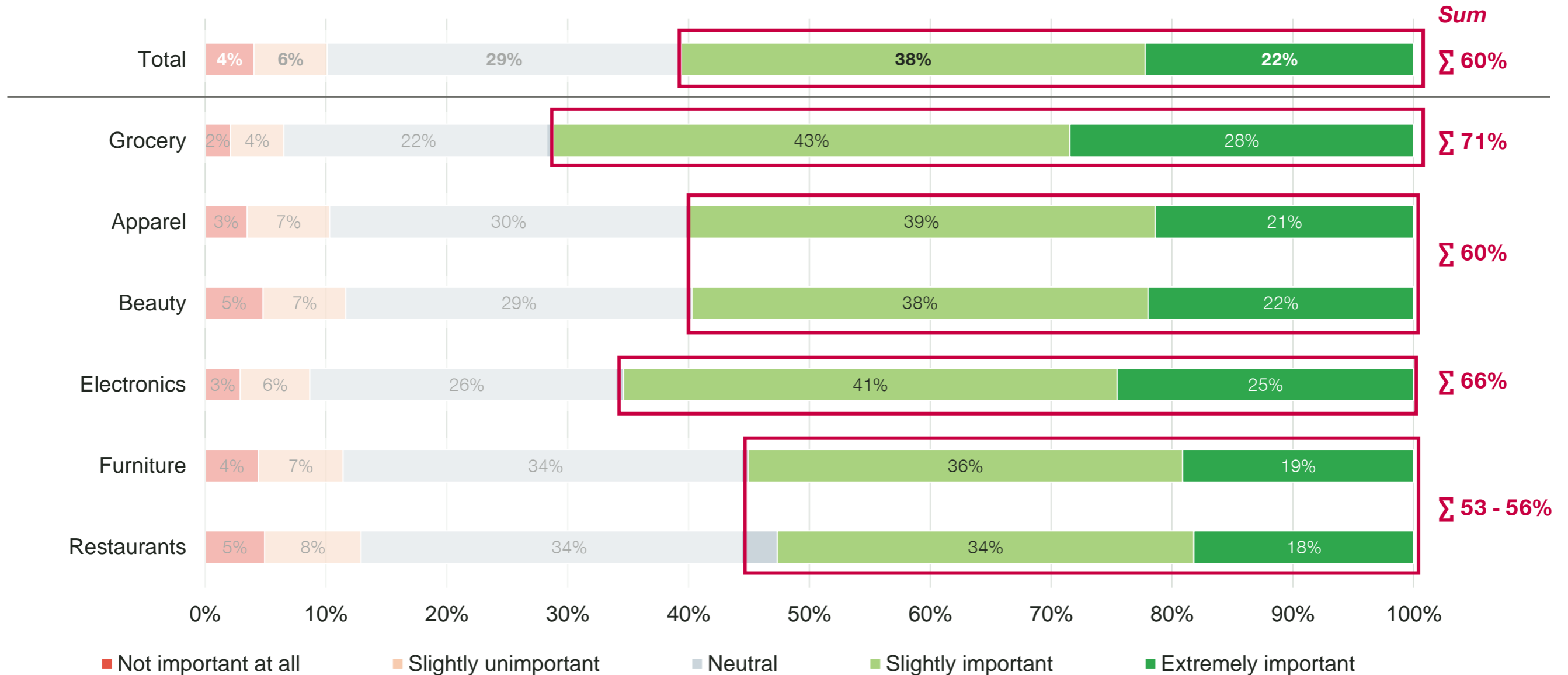
of consumers rank sustainability as a top 5 value driver in at least one category, which means it is an important purchase criteria and is a key differentiator in the overall value proposition

## Spend

**32%**  
↓ 2 pp

of all consumers self-reported that they are willing to pay **on average 25-40% more** for sustainable products/services on average across categories while the remainder are not.

In addition, consumers continue to view sustainability as most important for categories that have the most tangible link to environmental concerns



Source: Simon-Kucher & Partners; Global Sustainability Study 2022 (N=11,711)  
1) Ranking change of category since 2021

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# Sustainability can be incorporated in your business in different ways, varying in level of impact on day-to-day activities

Degree of transformation



## Offsetting impact

- Unchanged production
- Unchanged proposition
- Carbon offsetting
- Carbon capture
- Incentivization in supply chain



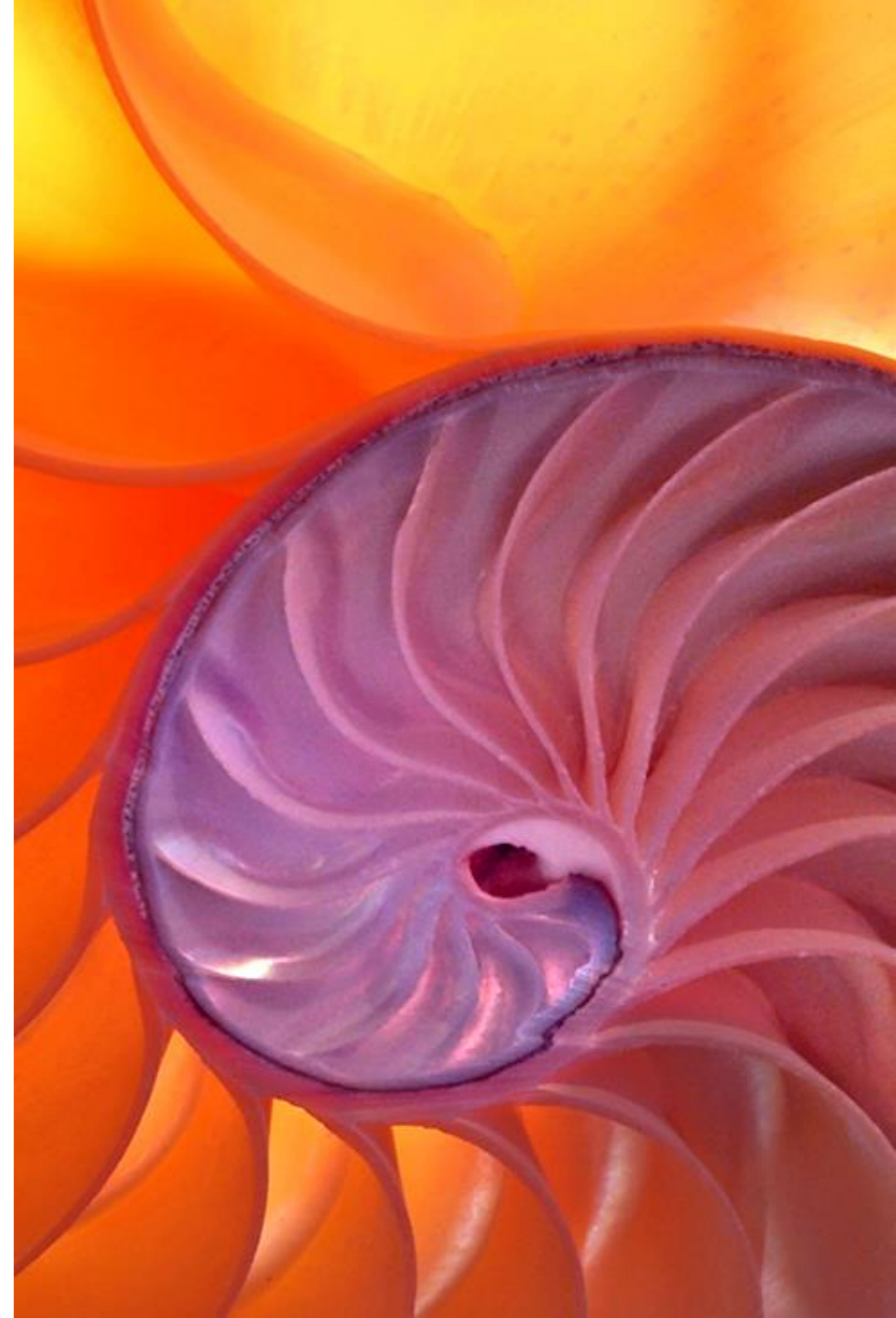
## Altering production

- Unchanged proposition
- Use of recycled materials
- Use of renewable resources



## Reinventing product offering

- New proposition, new markets
- New business models
- Innovation as a driving force
- Higher life-span, recyclability, less waste, etc.





**Consumers evaluate sustainable elements differently across industries.**

When it comes to services such as travel and tourism, energy and utilities, financial services, sustainability is tied to emissions and pollution concerns, while for physical goods it is lifespan and durability.

# Consumers consistently rank Lifespan / Durability, Recyclability and Packaging as top important elements when purchasing sustainably

Importance of how consumers view sustainability elements by each industry

Category	Lifespan / Durability	Recyclability / reusability	Packaging	Emissions / pollution / industrial waste	Offsetting emissions	Raw materials / resources	Shopping local	Food waste
Grocery	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>					
Apparel	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>					
Beauty	2 <sup>nd</sup>	1 <sup>st</sup>	3 <sup>rd</sup>					
Electronics	1 <sup>st</sup>	2 <sup>nd</sup>		3 <sup>rd</sup>				
Furniture	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>					
Restaurants			2 <sup>nd</sup>			3 <sup>rd</sup>		1 <sup>st</sup>

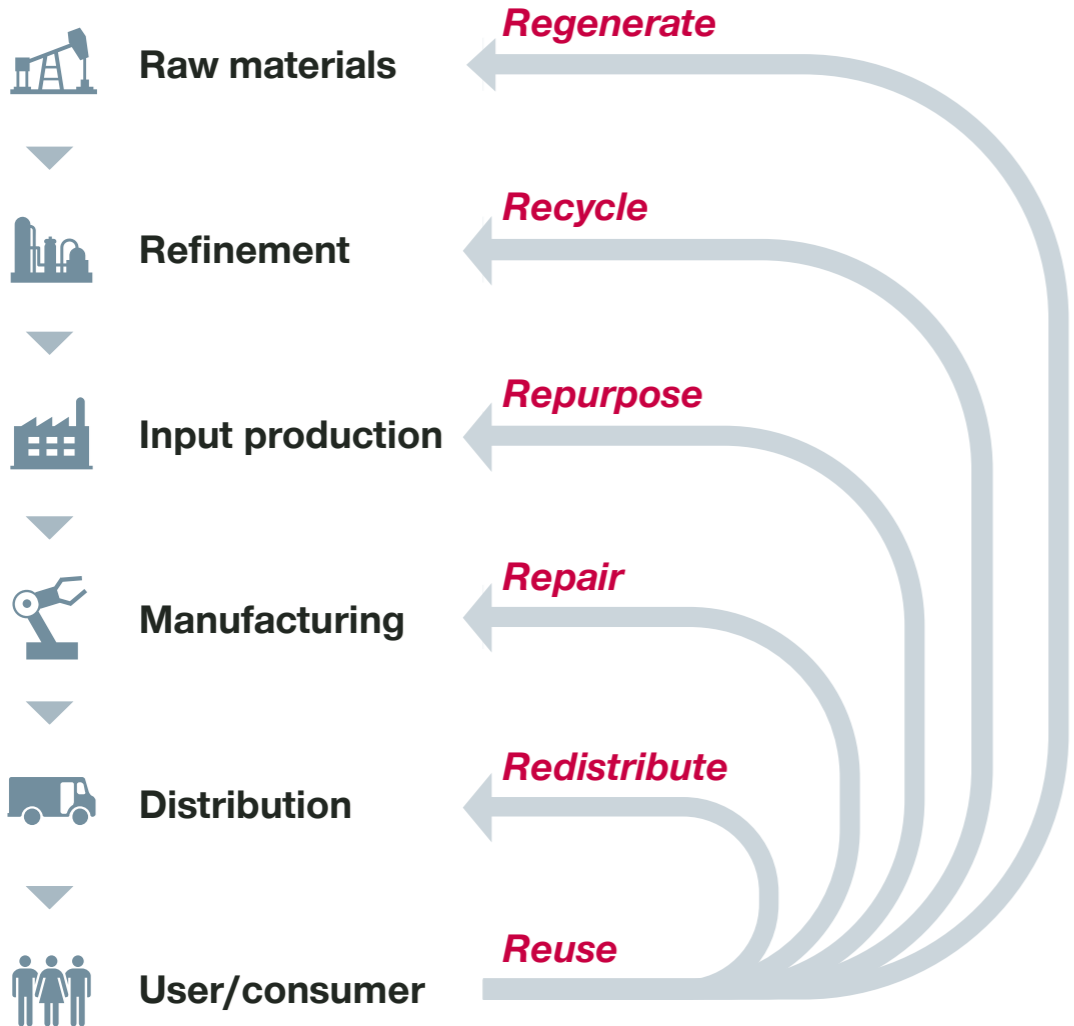
Source: Simon-Kucher & Partners; Global Sustainability Study 2022 (N=11,711)

Q: When considering purchasing an item within [insert Category Name], which elements of environmental sustainability are most important to you? (N=11,689)

# Incorporating innovative monetization models like circularity provide options for monetization while also achieving sustainable goals

Illustrative

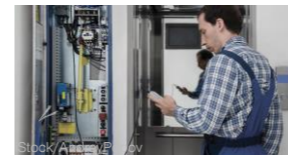
## Concept



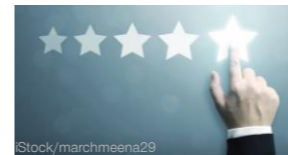
## Potential business opportunities



Offer flexible renting, lending and sharing options



Offer maintenance, repair and refurbishing services



Offer retrofitting or upgrades for existing products



Create a market for (refurbished) 2nd hand products



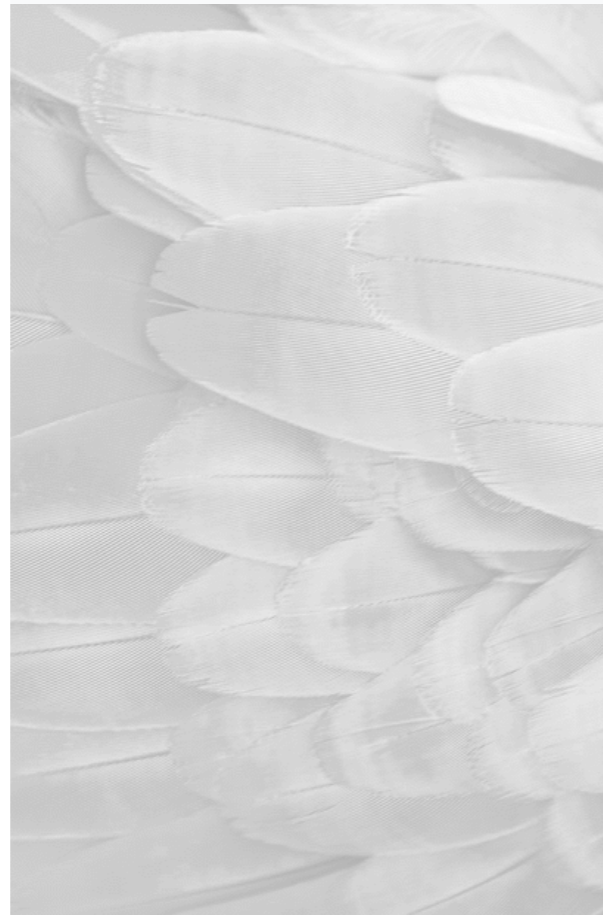
Create a market for recycled raw materials & by-products

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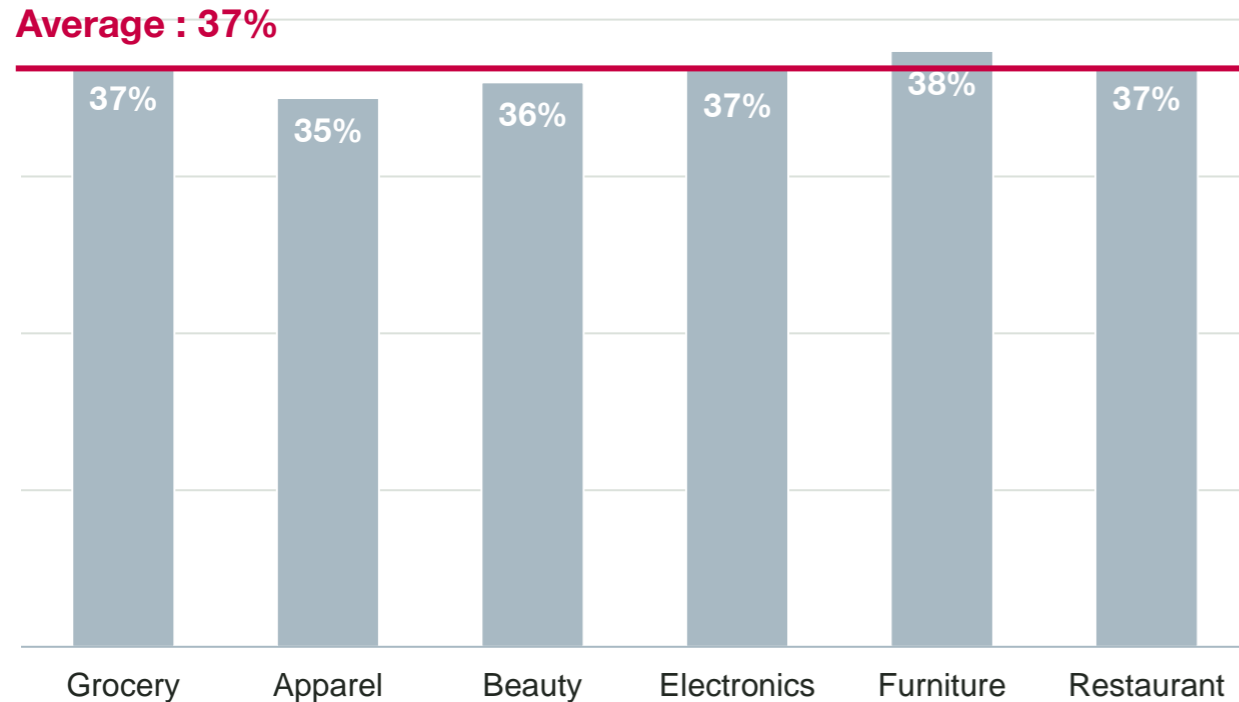


Across all industries, 32% of consumers are **willing to pay more for sustainable goods and services**, accepting premiums anywhere between 25 – 40% higher on average.

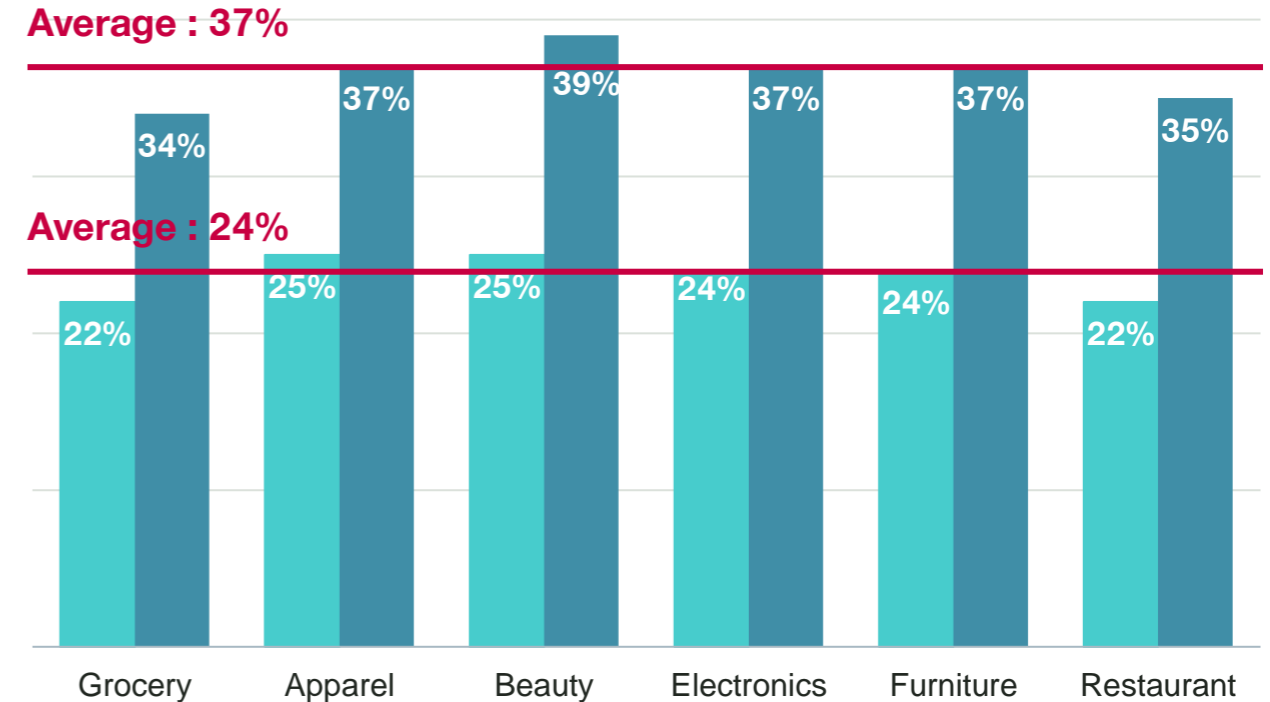
Industries where sustainability has been important for longer are commanding lower premiums, **indicating that it is slowly becoming table-stakes.**

# As the share of consumers that are willing to pay more for sustainability increases, the average premium decreases

## Share of consumers that are willing to pay more for sustainability



## Average sustainability premium of consumers that are willing to pay more



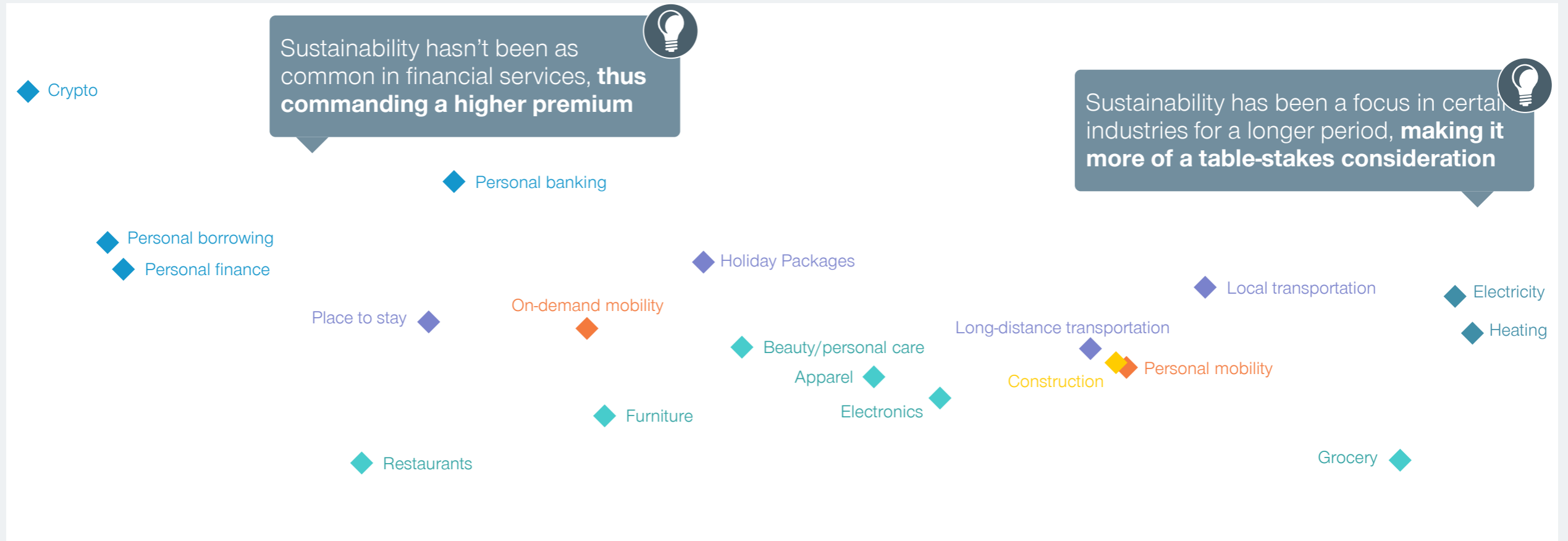
**Premium for sustainable option (%)** ■ Acceptable ■ Expensive

Source: Simon-Kucher & Partners; Global Sustainability Study 2022 (N=11,711)

Question: Imagine you are purchasing an item within [xxx] that meets the environmental sustainability expectations that are most important to you. Which of the following best describes your willingness-to-pay for this item? A) I would pay more for an environmentally sustainable item vs. a standard item;

# There appears to be a negative correlation between the importance of sustainability and willingness-to-pay

## Acceptable Premium for Environmental Sustainability (%)



## Overall Importance of Environmental Sustainability for Respondents Willing to Pay a Premium

◆ Consumer goods ◆ Financial services ◆ Construction/home ◆ Auto ◆ Travel/tourism ◆ Energy/utilities

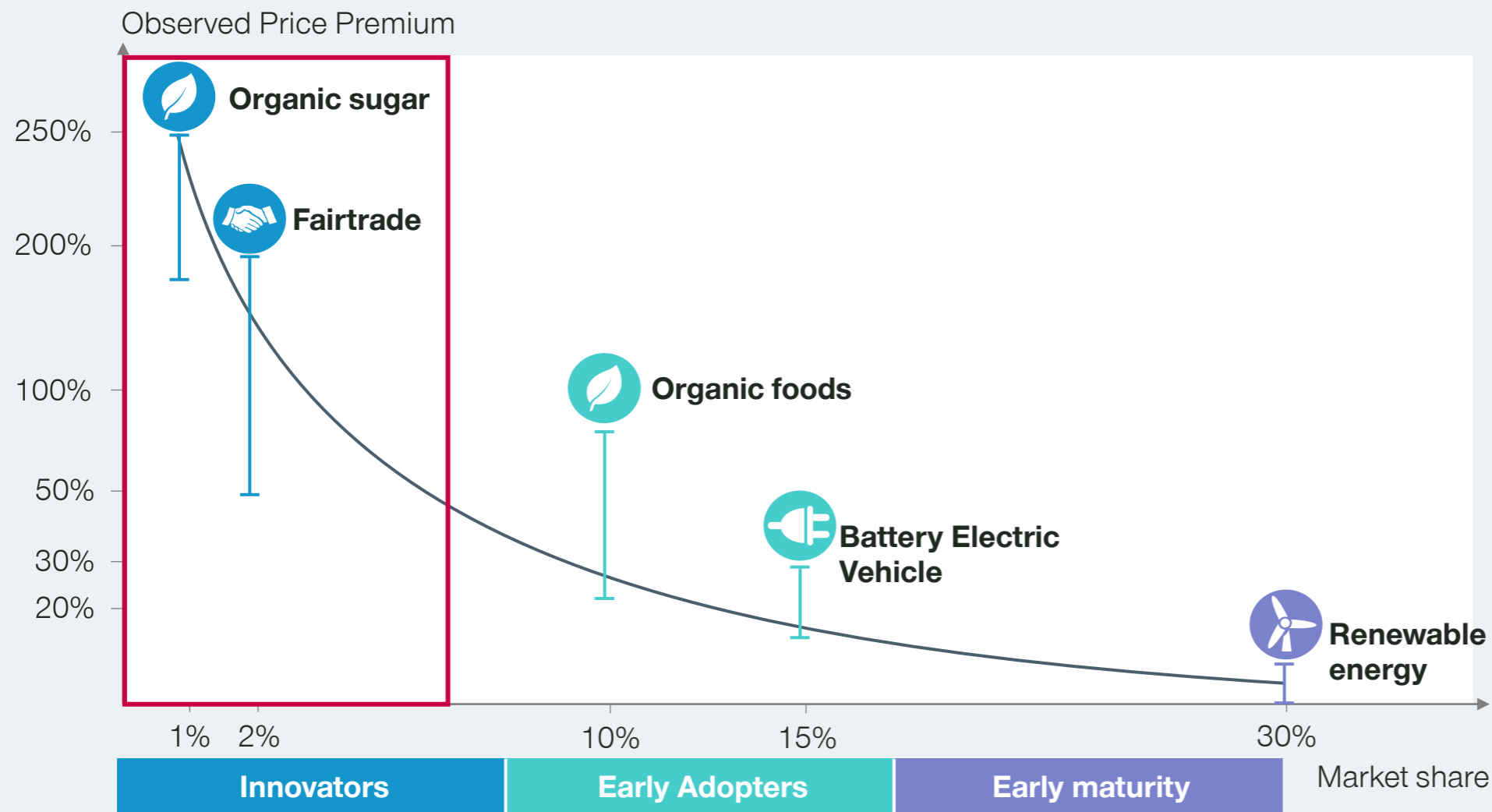
Source: Simon-Kucher & Partners; Global Sustainability Study 2022 (N=11,711)

Note: Responses are among respondents who said they would be willing to pay more for an environmentally sustainable provider. For Financial services, 19% of respondents in the category said that whether a provider has a proven track record of reducing its impact on the environment wasn't important to their purchasing decision and were not asked this question



As market shares of sustainable alternatives increases, it becomes the standard and as a result, the “green premium” decreases

Price premiums of sustainable innovations



Selected benchmarks

Key observations

There is **monetization potential** for (more) sustainable alternatives




This potential is **bigger** in the **beginning** and **may erode over time**



**TAKEAWAY:**

Being **first mover** can be key to cover initial investment costs!

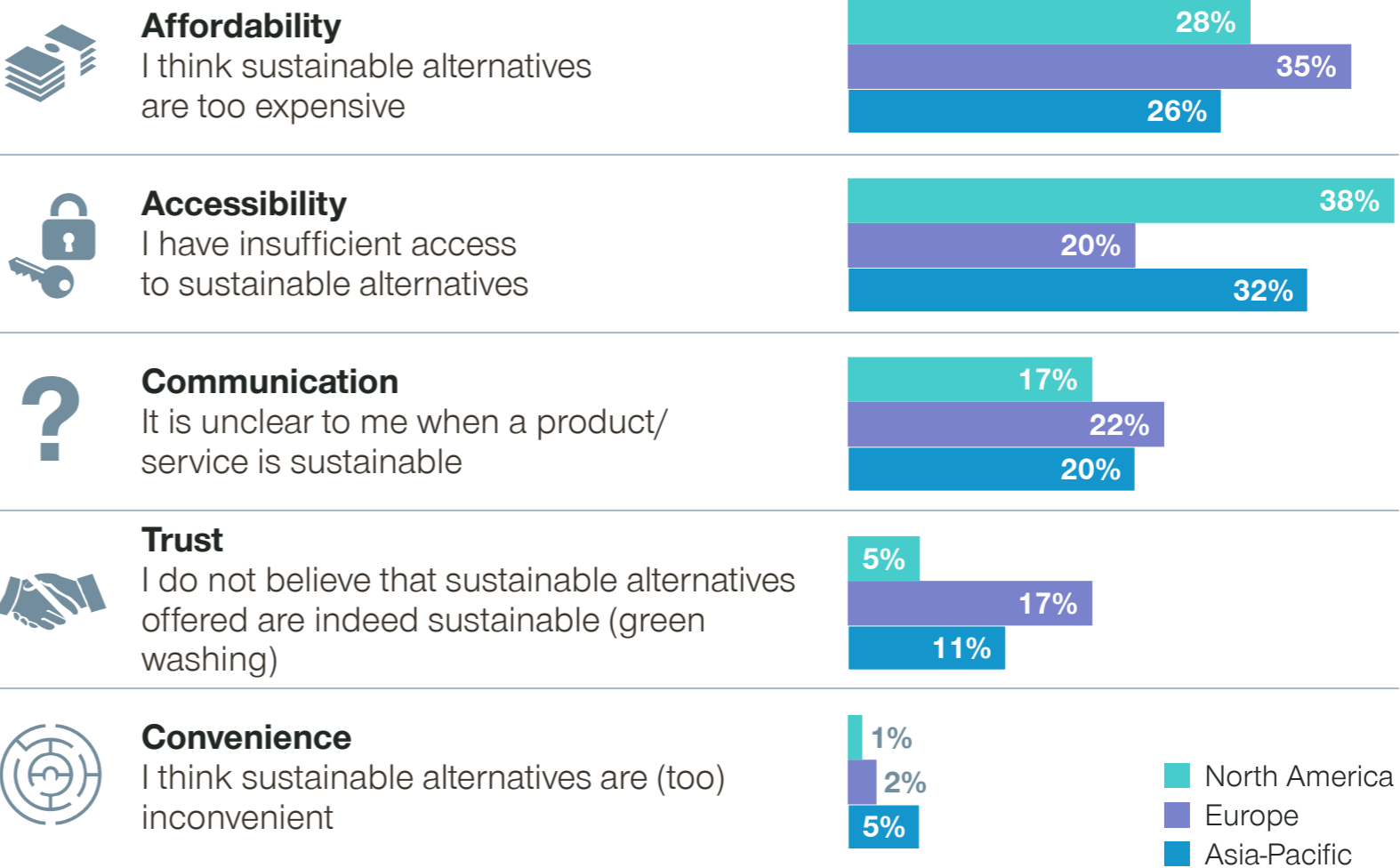




**Recent inflationary pressures** around the world have had a dampening effect on the purchase of sustainable goods and services.

Consumers are **less likely** to buy sustainable goods due to their **higher prices** and **more selective** in which categories to be sustainable in.

**While consumers are willing to pay more, there are still barriers to changing their habits of which affordability and accessibility are the primary reasons**



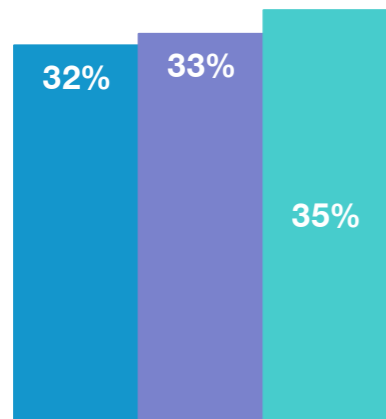
Source: Simon-Kucher & Partners; Global Sustainability Study 2022 (N=11,711)  
1) Calculation is based on the total of modest change, significant change and I have turned my way of living around to be sustainable.

# Recent inflationary pressures have had a dampening effect on purchasing sustainably

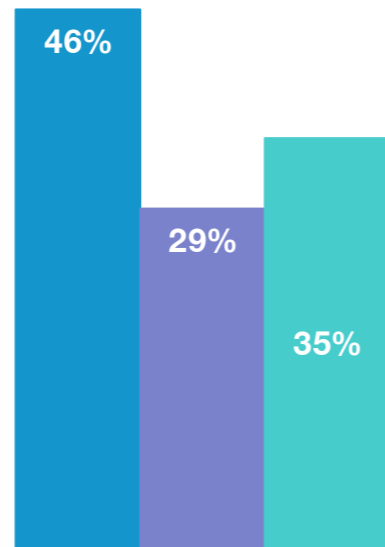
**Higher inflation** has **negatively affected** the buying power of sustainable goods/services consistently across regions



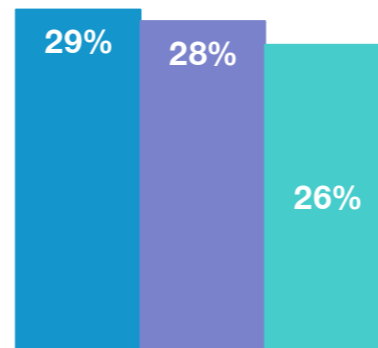
**Very few consumers** view inflation as a **negligible factor** to buying decisions for sustainable goods



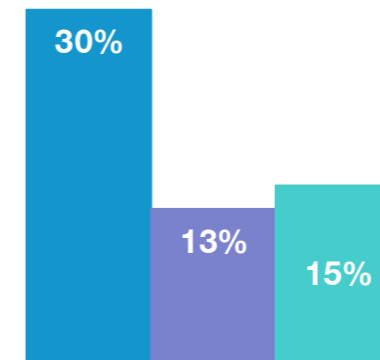
I am less likely to buy sustainable goods and services due to inflation of their prices



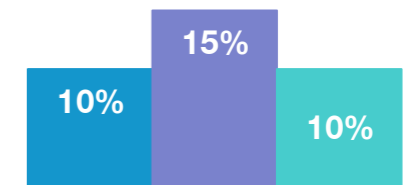
I am more selective in which categories



Other goods are more expensive, affecting my ability to purchase sustainable goods and services



I believe goods and services that are sustainable don't have the same problem with inflation as other options



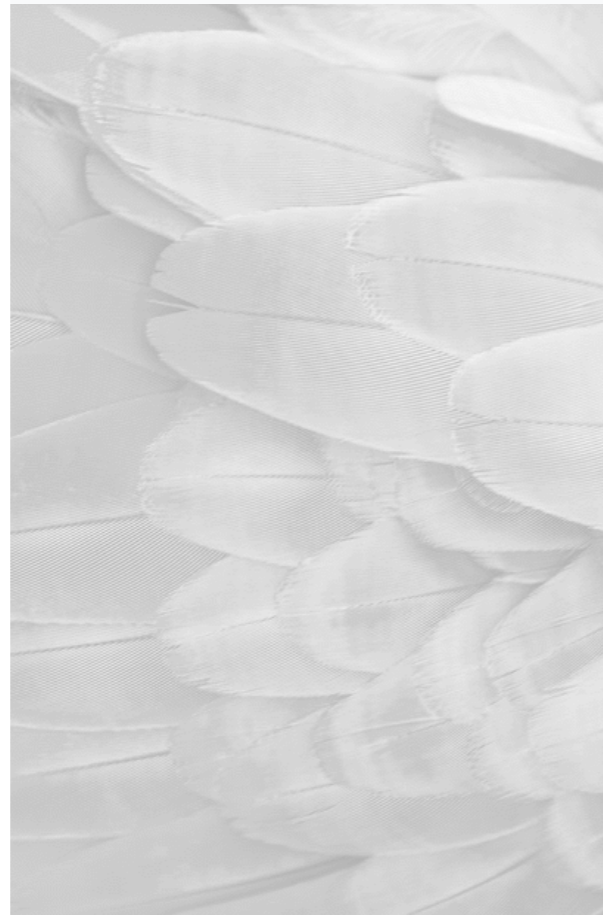
Inflation does not impact my decision making when considering sustainable goods

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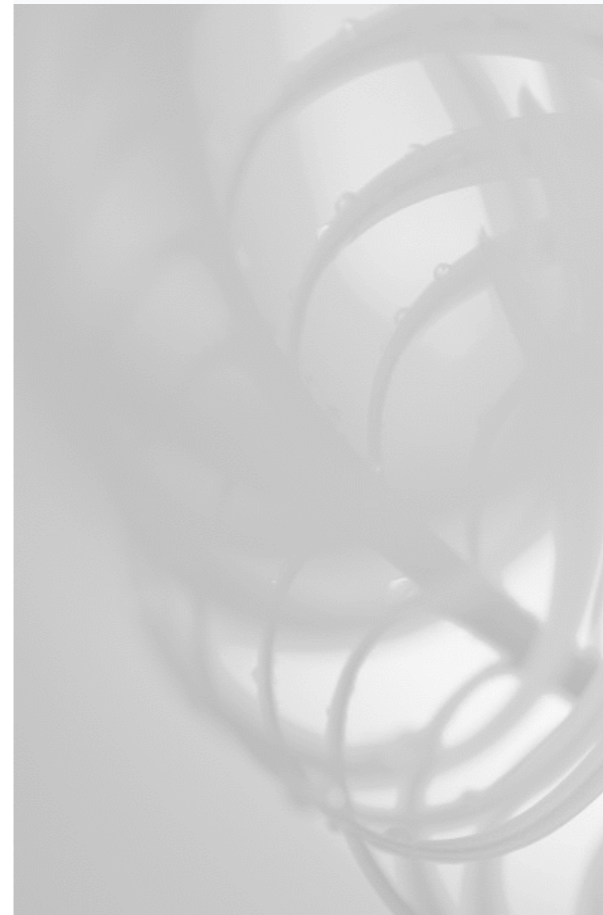
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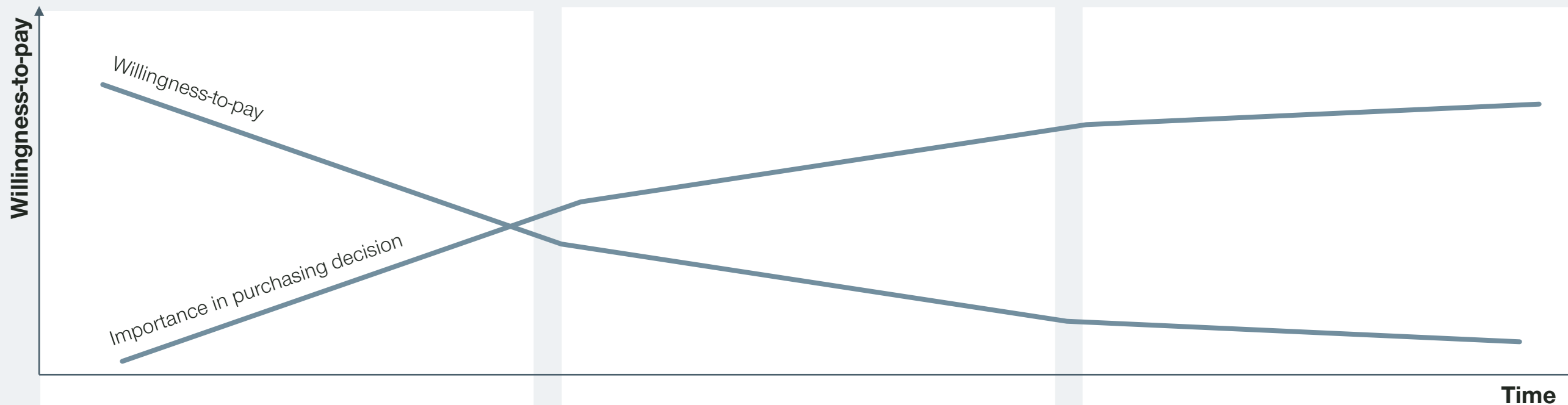
What are  
consumers  
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Call to action



# Over time, we predict a downward trend in willingness to pay for environmentally sustainable goods but will become table stakes in the future



## Today **Inflection point**

‘Green’ companies are growing strongly, but it is still possible for businesses to grow without being sustainable

## Mid-term **Differentiation**

Companies offering sustainable products will disrupt traditional players to become the leaders in their industry

## Long-term **Table stakes**

Traditional businesses will struggle to remain relevant in a world that demands sustainable products and services

**Global Sustainability Study confirms sustainability is a fundamental trend affecting consumers and companies now and will continue to do so in the future**

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Fundamental **shift globally towards sustainability**

**Acceleration** of the **transformation via changes in consumer attitude, preferences and demand** for products and services

**Companies** need to **evaluate the implications** in their industry and **identify risks & opportunities** related to meeting the **growing demand**



# Selected case studies in the area of commercialization of sustainability



## Packaging

**Redesign top selling product using sustainable materials needed support to define the monetization strategy**

### Solution

- Conducted market study quantify TAM
- Defined business model and monetization strategy for key market to pilot product
- Created global roll-out plan for years to come

### Impact

**Above target ROI achievement in first year**



## Water treatment

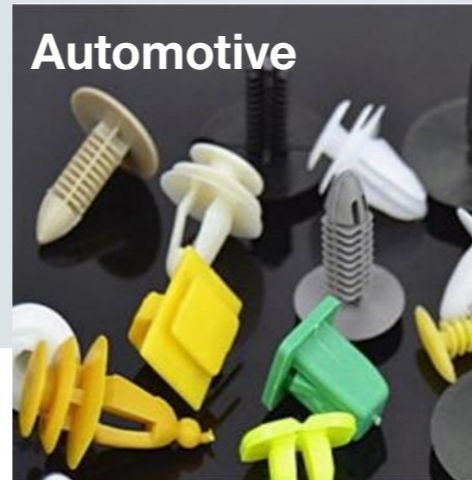
**Commercial strategy needed to scale a digital sustainability innovation (helping to optimize energy & chemicals consumption) to increase reach**

### Solution

- Revised business model (from hardware to real-time software application)
- Transitioned to SaaS pricing with new metrics & structure
- Restructured sales incentives

### Impact

**+120% sales vs. previous version within 6 months**



## Automotive

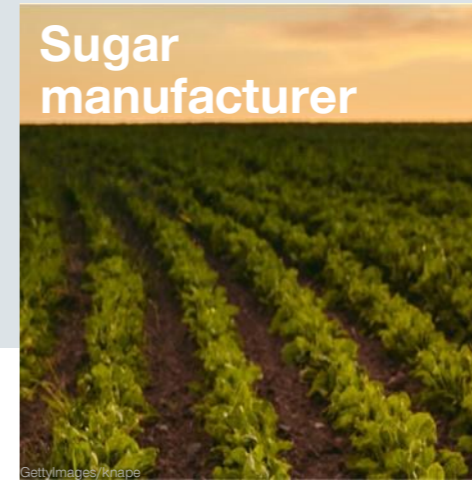
**Introduction of new generation of green materials and bio-sourced polymers for its product range to address need from automotive OEMs pushing for green solutions**

### Solution

- Differentiated service and product depending on the “sustainability scoring”
- Guided customers along the maturity on sustainability through sales training

### Impact

**+2.0% to 4.5% for valuation for all new tenders**



## Sugar manufacturer

**Commercial and go-to-market strategy for conversion to emission-free product plants for CO<sub>2</sub>-neutral sugar**

### Solution

- Conducted market study (B2B and B2C) to quantify demand and willingness-to-pay
- Simulated supply/demand scenarios (considering competition)
- Created go-to-market roadmap

### Impact

**Incremental contribution margin potential of €8 – 38M p.a.**



## Feminine care

**Expansion strategy into brick & mortar for digitally native sustainable feminine care brand**

### Solution

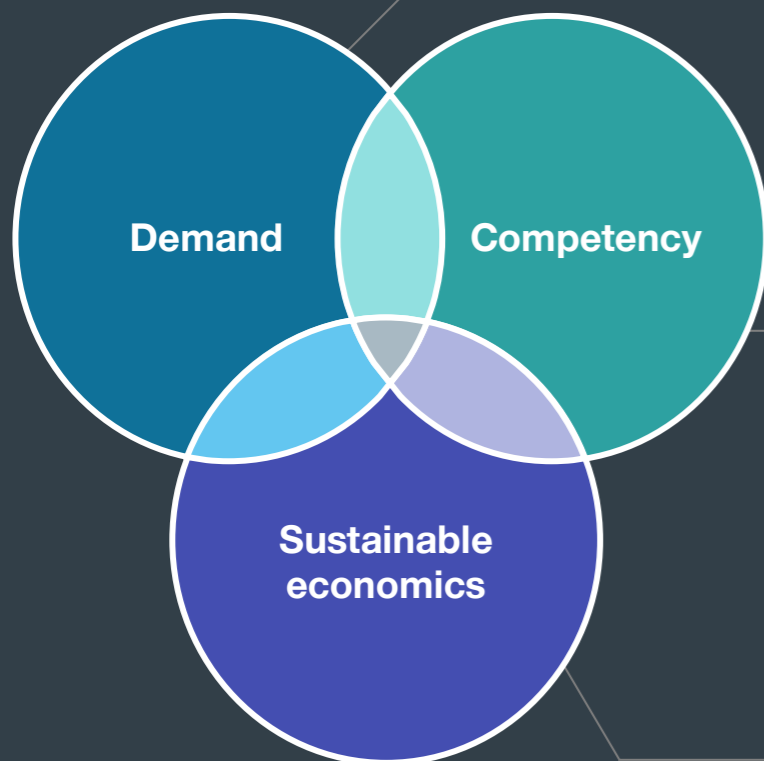
- Developed pricing strategy for new channels and refined DTC premium product pricing
- Quantified prospect market size in new retailers and cannibalization risk
- Revised digital marketing model

### Impact

**+191% in volume  
+48% in revenue**



# Our Sustainability Offering Framework helps identify products & business models that lie at the center of demand, competence and economics



Every potential **new business model** is evaluated through three lenses

## Does anyone want X?

### Internal strategic fit

- Sustainability and circularity
- Enablement of further initiatives
- Key stakeholder conflicts
- ...

### Value proposition to customers

- Verified customer needs and key customer segments
- Customer's perception of sustainability
- Customer problem-solution fit
- ....

### Validation of market demand

- Market analysis of alternative offerings
- Voice of the customer analysis
- Pre-testing and surveys
- ...

## Can we offer X?

### Internal competences

- Capabilities and capacity
- Operational scalability
- Tech needs, availability, quality
- Disruption risk
- ...

### Competitive competences

- Client's competitive advantage
- Competitive activity and strength
- Client's market positioning
- ...

### Cultural competences/fit

- Fit to client's DNA
- Fit to client's business culture
- ...

## Does it make financial sense to offer X?

### Market size and trend

- Total addressable market
- Sustainability impact
- Potential of adjacent markets
- ....

### Key revenue streams

- Expected pricing & revenue model
- Revenue streams and revenue potential per stream
- Existing revenue at risk
- ...

### Costs and cost structure

- Initial ramp-up investment needs
- Estimated ongoing costs
- ...



**Sustainability is not a passing fad for consumers.**

They are changing their habits to be more sustainable and are expecting options from businesses.

**What will you do next?**

**Contact us** for the full comprehensive report

