

# Out of the bag



**Marga Hoek** is a global thought leader on eco-friendly business, international speaker and the author of *The Trillion Dollar Shift*, a new book revealing the business opportunities provided by the UN's Sustainable Development Goals. She explains how adapting to the sustainability demands of customers should now become common business sense.

**N**ot so long ago, businesses could claim that consumers were not ready to adapt their consumer behaviour to sustainability. They could assert that customers were not willing to spend more for sustainable products; that they did not really care that much; that they weren't aware and that there was no real use in putting those sustainable products in stores. This conventional conviction has, of course, been used and misused as a justification for not making products more eco-friendly, for not putting them on shelves and not taking away non-sustainable products.

For anyone who has not been keeping up with the sustainability pace: this has to be the past. By now, consumers have started to apply pressure with actual buying behaviour and using their money to voice their minds. Customers care. They are increasingly motivated to vote with their money by making conscious choices. Companies,

therefore, need to be aware, adapt and, more importantly, recognise that green engagement means good business.

## From niche to the main market

Companies that meet the sustainable demands of consumers will be rewarded for it. Customer demand is now growing rapidly in favour of sustainable products and brands. The growth from niche to main market is accelerating; this is demonstrated by recent research from NYU Stern's Centre for Sustainable Business on US consumers. It found a 50% growth in consumer packaged goods during 2013–18 in the US and found that products marketed as sustainable grew five to six times faster than those that were not.

Many companies have investigated this trend themselves. Unilever, for example, recently conducted research and came to some concrete findings: sustainable brands perform better and

have better growth outlooks. The consumer goods company also found that an estimated €966 billion opportunity exists for brands that make their sustainability credentials clear.

Unilever's CEO, Alan Jope, as a consequence, announced that the company only wants to buy brands to add to its portfolio if they are sustainable. This makes total business sense; corporations want to invest in growing markets, not in declining ones. Sustainable products are a huge opportunity for Unilever to grow market shares in existing markets, and to tap into new, emerging markets as well. Interestingly enough, they also found that purpose-led purchasing behaviour is greater among consumers in emerging economies than in developed markets. The study also revealed 53% of shoppers in the UK and 78% in the US say that they feel better when they buy products that are sustainable. That number rises to 88% in India and 85% in both Brazil and Turkey.

### Worried consumers

Consumers are becoming more and more aware of the direct negative impact of unsustainable business practices on issues like water scarcity, food poverty, poor air quality and inequality. The rapid increase in climate-related news, the damage, hazards to health, and the impact of global warming felt in many parts of the planet will see this megatrend accelerate. Therefore, the demand for sustainable products will hasten as well. Although consumers might be sceptical about their individual impact on huge global challenges, it gives a growing number a chance to spend their money on solutions, rather than feeling that they are part of the problem. Customers are now increasingly worried about environmental, social and economic issues, and are growing more and more willing to act on those concerns.

Not that many years ago, sustainable leaders fought to get media coverage of any kind for these concerns. Although even more attention should be paid to these challenges, there is now more awareness and certainly more action.

Denial of the world's greatest challenges is by now impossible. News and facts can no longer be denied or belittled. One third of all food that is being produced is actually not being consumed, for example, yet this still leaves a negative footprint. More people are now dying from obesity than from hunger. Meanwhile, in 2050, without real change, we'll have more plastic in the sea than fish, due to the fact that more than 60 million plastic bottles end up in landfill and the sea every single day and we recycle no more than 5%. There is good reason to be worried.



### Out they go

Therefore, for this fast-growing cohort of concerned consumers, it no longer makes sense to buy consumer products like shampoos that make our hair shinier but cause us to have to wash our hair more often. Nor does it make sense to buy soft drinks that cause obesity; or to be a customer of an energy company that provides fossil fuels that cause climate change.

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Consumers do not want to feel guilty, they want to feel responsible and healthy, and they vote with their wallets now. This is currently happening to such an extent that more than half of consumers around the world are willing to pay more for products with a sound ethos. The most recent Global Sustainability Report by Nielsen demonstrates that 66% of consumers are now ready to pay for more sustainable brands, rising from 55% back in 2014 and 50% in 2013.

So, companies like Unilever, on the one hand, add sustainable brands and invest in them, and on the other hand, divest from non-sustainable ones at the same time. Brands like British Marmite and Magnum ice cream have realised that they must repurpose in order to create sustainable value, or they will be tossed out. Unilever's sustainable business agenda

# 66%

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Global Sustainability Report by Nielsen

means that they will now sell off brands that hurt the planet or society. However, this is not a lone case, but a trend at front-runner companies.

### A load of greenwash

With the growth in consumers' demands for sustainability comes criticism as well. Due to the vast market opportunities, a lot of companies take the fast lane and produce great branding with little content. In other words: great marketing with little truth.

There is now greater awareness that not all sustainable claims are true or sustainable branding only applies, for instance, to some specific items

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but not to the majority of the company's product portfolio. This is, in other words, green window dressing. Luxury fashion houses, for example, are criticised when they ditch vast amounts of designer clothes to landfill because they are worried about their exclusivity, while still promoting some sustainable pieces. They can be named and shamed,

### Lise Kingo, CEO of the UN Global Compact, discusses implementing the organisation's sustainable development goals

#### How are you helping businesses on their sustainability journey?

**Lise Kingo:** We've managed to gather global businesses around the challenges on oceans and the climate, which are very closely connected. We have some of the most important companies in this space working together to create awareness and tipping points when it relates to climate and ocean management.

I think that the two major challenges we are facing are how we make this agenda go to scale and how to create more tipping points. We need to reduce our CO<sub>2</sub> emissions by 45% by 2030 and we really need to create net-zero emissions by 2050, so this is an area where we need to be ready for change right now.

We are meeting companies wherever they are in their sustainability journey, whether they are small or medium-sized, or multinational, and we provide a number of things to support companies. The global goals for Sustainable Development (SDGs) are new, so we are providing help for companies to get going in understanding how they can take inspiration from the goals. We have a more advanced tool that we call a blueprint from leadership on the SDGs, so there are many tools available for companies, and we also have local networks in 70 different countries that are working with companies on the ground.

#### What steps do you think need to be taken to achieve greater diversity in the C-suite?

Diversity is a very important theme when it comes to making the Global Goals a reality. It will probably take more than 200 years before the gender equality gap in the world will be closed if we don't do anything, so that's a major risk. We estimate that there's a \$26 billion upside in closing this gender equality gap and many companies are aware that women are a great resource that need to be used even further, particularly at board and executive management level. Our recommendation is that companies should have at least 30% women on both their board and executive management. We have issued women empowerment principles that give clear direction on what to focus on and also a gender-gap-mapping tool that helps companies navigate where they are weak and strong.

and so can mainstream fashion companies that produce clothing in low-income countries with unacceptable working conditions and loans.

The sustainability practices of these companies are unsubstantial, regardless of whether they sell a nice eco-friendly brand as part of their product line. They are now discovering that they cannot get away with it anymore. Customers these days, at least some of them, look behind the green window dressing. Thus, the risk of greenwashing is high and reputations are at risk. Since digitalisation effectively creates one global village, the exposure of bad practice hits the company hard and everywhere, with customers, other stakeholders and investors affected.

### The younger, the more conscious

The biggest growth is yet to come since the customers of today are not the ones of tomorrow. By 2025, millennials will account for 75% of the workplace and will form the majority of the consumer market. 79% of millennials are loyal to companies that care about society. An even higher percentage of 88% want to work in a purpose-driven company. So, with this new generation comes an acceleration of the growth of consumer demand for sustainable products.

Millennials are nearly twice as likely to make purchases because of a brand's environmental or social impact. Up to 73% of this group are prepared to pay more for sustainable goods. This is a much higher percentage than the 'current' generation and sustainable growth will accelerate again among this cohort. The same applies to Generation Z, following on from millennials, and even more so. This digitalised generation (born with smartphones and social media), seeks connection, meaning and purpose.

### A clear message for business

The message for corporations, therefore, is strong. Engaging with the world's challenges is the biggest business opportunity of our time. It has been calculated that by 2030, this can create business growth of over \$12 trillion. Calculating the exact amount is almost impossible and no doubt estimates will vary, but they will certainly be huge numbers.

The trend is clear then, consumers want businesses to change, to repurpose and become part of the solution instead of the problem. Customers want to do good when they purchase a product. The ecological crisis requires businesses to adapt or be tossed out – by the company, or by the consumer. Front-runner corporations understand this and are adapting their business models to be truly sustainable. Will your company do the same? ●