



Me, my life, my wallet

How to serve the sustainability conscious consumer
An Environmental, Social and Governance special edition report



KPMG International
Global Customer Insights

2022
home.kpmg/knowyourcustomer



Foreword

Concern about corporate, environmental and social responsibility is rapidly spreading around the world. As countries strive to reach a more sustainable future, a myriad of new rules and prescriptions, as well as changing customer values, attitudes and behaviors, are presenting executives with a real challenge. Now a company's approach to sustainability needs to be part of their business strategy.

The pressure on corporate leadership to respond to the growing focus on sustainability is considerable. Institutional investors and shareholders are pushing organizations to state and meet specific ESG (Environmental, Social and Governance) commitments. Governments and regulators are legislating and regulating for ESG compliance. Employees are demanding authentic action and ethical practice, and consumers are voting with their wallets when it comes to selecting organizations whose practices are consistent with their values.

For each of these stakeholder groups, when it comes to sustainability matters, words, it would appear, are no longer good enough.

In KPMG's 2022 CEO Outlook survey 72 percent of global CEO's believe stakeholder scrutiny on ESG will continue to accelerate but are less clear on where they should focus their efforts to accelerate their companies ESG strategies, proactively on social issues (34 percent), more transparency (26 percent) inclusion diversity and equity (IDE) strategy (21 percent) and net zero (19 percent). Indicating a growing consensus that they all matter and signifying a shift of focus from purely environmental factors.¹

Corporate leaders are now expected to respond to our planetary challenges with a detailed plan of action, one that engineers ESG and sustainability into business practices and ensures that companies meet increasingly stringent targets.

Each aspect of the value chain needs to come under scrutiny, examined forensically as to its societal impact and remedial plans put in place. All while improving the economic performance of the business.

So, what about the customers and consumers who are key to business growth? How are their attitudes and behaviors changing? Are they changing at all? What aspects of corporate behavior matters to them and how does it influence their purchasing habits? Do their changing attitudes and behaviors represent an opportunity or a challenge, or maybe both?

These are the questions we set out to answer in our fourth annual global study on consumer insights. *Me, my life, my wallet* provides a multidimensional view of the customer, designed to grow our understanding of their expectations, while tracking the rapid and profound changes in their motivations and behavior.

This year we have focused intently on sustainability, how this is internalized by consumers and how it affects their behavior.

We define a segmentation model that can enable organizations to profile their customer base and determine where opportunities for new products and services lie as well as developing mitigations for risks to long-term customer relationships.

This research was conducted before the economic headwinds started to have an effect. The inflationary pressures and possible recession in many countries will impact the degree to which consumers are willing or able to spend more on sustainable products and services. Our segmentation analysis helps organizations think through the potential impacts of the economics of sustainability and the degree to which there may be a margin of flexibility.

There is a compelling case for acting now — the longer a firm waits, the more limited their options. We provide a practical set of next steps for operationalizing sustainability so that it becomes part of the fabric of the business, a systemic approach to creating a better world while meeting stakeholder expectations for corporate citizenship.

Overall, the research provides an essential input to developing a sustainability-based customer strategy that can enable organizations to set out clearly what they stand for and how they will deliver those values consistently to their chosen target customer base.

72%

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¹<https://home.kpmg/nl/en/home/insights/2022/01/kpmg-ceo-outlook.html>

Section 1:

Report overview

Introduction

For the past 4 years, KPMG has tracked the changing nature of consumer buying behavior through our proprietary research and thought leadership entitled *Me, My Life and My Wallet*. This research program has enabled companies to come to grips with what really matters to consumers, what motivates them, what gets their attention, the connections and networks that have an increasing influence on the choices they make, and the trade-off consumers make between time, quality and money.



Equipped with this insight, companies can develop targeted messaging, communications and experiences that maximize the number of consumers that successfully pass through the purchasing funnel.

This year we have undertaken an in-depth study of the rapidly rising importance of sustainability concerns supported by the last five years of work and augmented by additional research in 2022. We were keen to examine the link between implicit consumer values and explicit buying behavior. Over 30,000 consumers in 11 countries were invited to share their perspectives on how their behavior is shaped by environmental and social factors.

Their feedback is unequivocal, as the world comes to terms with the long-term implications of environmental and social issues, consumers expect business to not only play their part but to take a leadership role in resetting their agendas, to do more for the world than just make money for shareholders.

The acronym ESG (Environmental, Social and Governance) is a relatively new addition to the management lexicon. It is the mechanism that legislators and companies are applying to accelerate this change.

It is providing boards with critical challenges, not just in meeting increasingly stricter statutory reporting requirements but also in how boards really make a meaningful difference to the world around them.

There is a prevailing perspective that every company has responsibilities towards society. It is no longer enough to talk a good game; firms must set ambitious enterprise-wide targets that cover all elements of sustainability that can be measured and tracked to give credibility and authenticity, and then deliver on them.

While shareholder value has for some time been the prime focus of executive teams, other stakeholders now need to be considered as well. The needs of each of these groups are not always in harmony and often need to be reconciled, shareholder value will be dependent on ensuring that the process of reconciliation is an effective one.

With over 50% of respondents becoming more concerned about environmental and social matters during the pandemic, translating these different goals into the consumer experience is even more salient. A strong purpose, compellingly espoused is now fundamental to the consumer and employee experience.

Our research demonstrates that consumers are increasingly voting with their wallets.

Firms who do not meet their criteria for caring for society and the planet are being cast aside while those that do reap the financial benefits.

The consumer wallet is used as a key finding to assess the willingness amongst certain segments to pay more for sustainable products and services. The war in Ukraine, inflation, rising costs of energy are having a global impact on the cost of living. This will affect some segments more than others. Nonetheless there will still be a sizable cohort willing to put their wallet where their mouth is.

Organizations are having to define their response to this phenomenon, but one size does not fit all. Consumer attitudes and behaviors are spread across the sustainability spectrum and companies need to understand the different behavioral groups their customers segment into.

We identify six discrete groups each requiring specific engagement and communication strategies.

We also examine the differences in consumer expectations and attitudes across sectors. The changing nature of consumer decision making offers up both opportunities and challenges, the need to deeply understand consumer motivations and their decision-making criteria has never been more important. In an increasingly judgmental world, it is the difference between success and irrelevance.

Section 2:

The Five Mys

An introduction

Over the past two years consumers have changed in profound ways. Values, attitudes and behavior previously submerged have risen to the fore. The rapid growth in environmental and social concern requires organizations to be authentic in their commitment to sustainable improvement. It also requires ongoing dialogue and involvement with consumers as well as new ways of providing industry leadership.

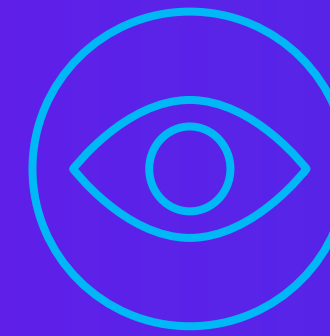
Communicating sustainability messages effectively can be complicated. To reach consumers in a meaningful way, businesses need to understand the complex, underlying drivers of human decision making. The Five Mys framework is designed to help identify the real drivers of customer behavior, along with the critical purchase decision trade-offs and the ongoing relationship throughout the customer life cycle.

My motivation



Trust, authenticity, environmental and social values are the critical but intangible motivators of the choices consumers make. The link between sustainability values and ensuing behavior is becoming ever stronger.

My attention



The fight for consumer attention has never been more intense, exacerbated by unprecedented volumes of information and content at our fingertips. How can firms cut through the noise and align their sustainability communications to what really matters to different sets of consumers in the right way at exactly the right time?

My connection



Today's technology connects humans to information and each other 24/7, driving shifts in our social interactions and behavior. Strong communities of interest around sustainability are emerging. Social networks mean individual consumers no longer exist in isolation but can quickly become part of a movement, as both influencer and influenced.

My watch



We are all time poor but, increasingly, consumers are making opportunity cost decisions allocating more of this scarce resource towards sustainable activities. Life events (e.g. purchasing a new vehicle, birth of a child) provide an opportunity to actively engage with consumers at the exact time that consumers become more aware and sensitized to sustainability issues.

My wallet



Where consumers allocate their money is changing. Personal values are driving a willingness to spend more on sustainable products, contributions to sustainability causes are increasing and consumers are conducting pre-purchase sustainability due diligence on the companies they purchase from. However, with a cost-of-living crisis and rising inflation affecting many countries, the balance between sustainability and willingness to pay may change. It will test the depth of consumer values and individual countries' economic responses to ESG.

These factors, in combination, provide a rich story of unmet needs and trade-offs, consequently they are both interconnected and constantly evolving. Their value lies in revealing the underlying drivers of choice, highlighting the actions companies need to take if they are to successfully engage with today's consumer.

As firms seek to engender a more circular, sustainability-focused relationship addressing these emerging preferences and needs is something that must be considered holistically across all aspects of customers' lives. The 5 Mys provide such a mechanism as well as a common language for creating consistent consumer understanding across the enterprise.



My motivation

When it comes to engaging customers to make more sustainable choices, understanding their conscious and subconscious motivations, the 'why' behind their behaviors, is critical because it lies at the heart of most purchasing decisions.

Our research shows that sustainability has increased in relevance for consumers, but the degree to which sustainable values are deeply held varies significantly, and how values influence behavior depends on emotional, personal and situational factors.

For some customers, where sustainable values run deep, their behavior is an emotional and visceral response to what they perceive to be a deteriorating world. It is personally meaningful for them, and they strongly believe in their individual ability to make a real difference. In our segmentation model (see page 13) we describe these people as activists; they will likely gravitate towards opportunities to make their voice heard, to take action and to seek to influence the behavior of others.

At the other end of the spectrum are those whose emotional need is everyday survival; their primary motivation is driven by their price-constrained personal financial circumstances, and if they take sustainable decisions it is driven by factors that make it an easy and cost-effective choice.

For others it is an emotional desire to be valued by their peers and networks; a personal desire to fit in and to be seen to be doing the right thing. Their decision making is situationally specific — they may drive gas-guzzling cars but think it is important to recycle.



Understanding motivation

The starting point is the customer's personal circumstances and the intent that arises because of those specific circumstances. By understanding these factors, authentic experiences that reinforce sustainability can be crafted to lock onto their highly personal needs and priorities and thus feel unique and personally relevant.

A lot of companies have become fixated on, 'know me', recognizing the customer at a specific moment in time. This is often with a regulatory requirement to do so (such as demonstrating compliance) or a commercial goal to meet (such as 'converting' a click-through).

But few have made progress on **'understand me'**, i.e. relating to what is going on in the customer's life more broadly, how active they are with sustainable causes and providing a framework to enable employees to offer appropriate help.

The bottom line is that consumer motivations vary in strength and application. The segmentation model that follows (see page 13) illustrates how companies might better understand customer circumstances and motivations to engage with customers in ways that compel action.

My attention

The great challenge of the digital age, when information on almost every subject is ubiquitous and ephemeral, is vying for the consumer's attention.

Not every consumer has their antennae switched onto matters of sustainability all the time. The question is how do you get the customer's attention when it matters?

Our brains come pre-equipped with an attention filter. This allows us to navigate much of our lives on autopilot. It also shifts when something salient or relevant occurs, which is why we can suddenly hear our name mentioned across a crowded and noisy room.



Cutting through the noise requires a messaging framework that focuses on three factors:

Salience:

- Is this a company I want to do business with?
- Do they share my values?

Relevance:

- Is this something that is personally meaningful for me?

Timeliness:

- Is this appropriate to a decision I am about to make?

Firms are learning that hoping to gain customers' attention only when they are in the market to make a purchase, when they are faced with a myriad of options, claims, and counter claims and limited by their attention span is no longer a viable option. The leading companies are those that have learned to nurture customer attention between sales, so that their efforts and commitments remain psychologically present in their customers' lives.

Sustaining attention

It is said of sustainability that it 'means something to everybody, but the same thing to nobody.'

Consequently, being clear on different consumer segments, what sustainability means for them and how they are reflected across the customer base is an essential input in trying to define, implement, and meaningfully report on ESG. Attention-grabbing means being overt in what you stand for, being present in the networks that influence them and engineering sustainability into the fabric of your products and services, so the consumer is constantly and consistently reassured as to how you are fulfilling your commitments.

It means addressing the following questions.

- What information do people trust relating to sustainability?
- Who influences them and where might they want more information?
- What are the sustainability moments that matter within different customer journeys?

Cosmetic retailer Lush, for example, maintains such an architecture through their segmentation model. Alongside demographic discriminators they actively target customers who have sustainability issues as part of their value set. Regular newsletters, campaigns, and internet presence enables word of mouth among its customers.²

Its education program enables customers to get the best out of its products and ensures it is constantly present in its customers' lives with carefully crafted values-based messaging.

Marks & Spencer in the UK has a highly visible commitment to its 'Plan A' Sustainability program. All of their delivery vehicles, for example, are mobile statements of the progress they are making in more-efficient fuel usage.²

²<https://corporate.marksandspencer.com/stories/blog/on-the-road-to-carbon-reduction>

My connection

Customers are no longer passive consumers, but nodes within a dynamic network of relationships as they interact with brands, markets and each other. Firms need to understand how these networks reshape sustainable customer behaviors and open new ways to create value with customers.

The consumer connections that are important to businesses occur at three levels: firstly, the psychological connection directly with a brand and its products and services, secondly, the associations they make around the brand and, thirdly, the connections any individual has with their network of influencers. The consumer is no longer an isolated island of decision making — they have become part of a decision-making unit, a social network, consisting of reviews, influencers and peer endorsement.

The first and second are related to an organization's purpose.

Purpose today needs to embrace sustainability and be accompanied by messaging that explicitly states how the firm will make the world a better place. Energy giant BP, for example, accompanies their purpose with their 20 environmental and social aims, explicit commitments, supported by a route map to a zero-carbon future with measurement points along the way.³

The third, however, has been amplified exponentially in the digital age; increasing awareness about various problems in the world in terms of social and human rights and trying to bring solutions to it is one of the most significant effects of social media.

Role of social networks

In an age of reviews, customers are less convinced by brands and are much more influenced by their social group and their views and perspectives. Loyalty to our social connections and a sense of belongingness to a social group have become more important than brand loyalty. In short, other people's behavior matters. Social proof is now a major factor in purchasing decisions.

This requires organizations to rethink how they perceive the customer and the customer's value. Their value as an influencer and the access to their social network may well exceed their value as an individual consumer.

Instead of thinking of customers as a single set of rows in a customer relationship management tool (CRM) or moment-in-time interactions that need to be managed, we should think of them as a connected network. There is considerable value in understanding the nodes in that network. Increasingly, social media users share and consume product or brand-related content to educate each other about the company's sustainable practices and supply chain.

Many countries, particularly developing ones, face high levels of air pollution, low water quality, high levels of traffic noise pollution, high levels of non-disposable waste and rapid depletion of energy resources. Abnormal consumption and dangerous activities are the leading causes of environmental problems — these are explored at length among social media users. For a firm to successfully engage with these consumers requires the alignment of marketing content (new products, education, entertainment with a sustainability bias) with the customer's personal or community preferences.

Microsoft, for example, generated a huge response on an Instagram gallery post outlining their sustainability efforts including Xbox creating the world's first carbon-neutral gaming console.⁴



³<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/our-20-aims-and-related-un-sdgs.pdf>

⁴<https://www.carbonneutral.com/examples/microsoft>



My watch

In the context of sustainability, consumer perception of time has two different constructs: firstly, the pressing nature of sustainability, how much time does the world have left to fix its environmental and social issues and how will this affect future family generations? Secondly, how much time do they have available day-to-day to devote to matters of sustainability?

For many consumers the environmental clock is ticking, but it is ticking faster for some than others. For a group of our respondents, we are in the “last chance saloon,” we face a “planetary emergency” and urgent action is required by businesses, government and individuals. However, for others there is a sense that sustainability is overhyped, still important, but it should be set alongside other matters of pressing concern.

The reality of the ticking clock is becoming more evident. The acceleration in unusual and extreme weather events, the recurring nature of plastic molecules contaminating food products and biodiversity loss are a physical manifestation of the need for change.

Involvement and participation

A surprising finding of this study is that 59 percent of respondents have allocated personal time to sustainable causes. As time is a scarce commodity for most of us, this requires a conscious opportunity-cost decision. The research shows it ranges from donations to sustainable charities, to actively volunteering, while a number attend protests and in some form lobby government (e.g. sign petitions).



A similar breakdown applies to social causes: 44 percent make the effort to invest in ethical and environmentally positive funds.

Over one-third of respondents (35 percent) have elements of sustainability that they care about but do not act on; for these people, accessibility is a key barrier. They wish to be involved and invest their time but are unable to find a way, either through lack of knowledge or opportunity.

It is here that organizations can help ready and willing consumers overcome these barriers: 47 percent stated they did not know how to get involved; only 23 percent stated they do not have the time.

There are some exemplars: with Ocean Rescue, the broadcaster SKY is helping consumers cut their plastic pollution;⁵ Colgate invites customers to save water while brushing their teeth⁶ and detergent maker Ariel asks consumers to reduce their wash temperature by ‘turn to 30.’⁷ For these brands seeking to help consumers, it has started with how consumers use their products.

⁵<https://news.sky.com/feature/sky-ocean-rescue-10734494>

⁶<https://www.colgate.com/en-us/everydropcounts>

⁷<https://www.ariel.co.uk/en-gb/about-ariel/sustainability/your-commitment-how-you-can-save-energy>



My wallet

The amount of money we have, how we choose to allocate it and our attitude towards money is dictated by our circumstances. These attitudes change as generations progress across life stages based on changing priorities and life goals. Sustainability, therefore, is fighting for wallet share alongside multiple other spend areas.

For nearly one-third of respondents their life circumstances mean that sustainability can be unaffordable. There is a belief that sustainable choices are more expensive. Achieving price and quality comparability between sustainable and non-sustainable options could make a big difference to the value exchange balance currently experienced by this group.

Plant-based products, for example, have historically been three times the price of traditional less-sustainable produce. Plant-based meat production is pricier than beef because the meatless alternatives are made on a smaller scale, while animal agriculture subsidies ensure animal products remain affordable to consumers.

However, as more and more consumers opt for the sustainable alternative, it is improving the economies of scale, leading manufacturers to open large-scale production facilities and lowering unit costs.

The Co-operative Group in the UK, for example, has pledged to drive down the prices of its own-brand plant-based foods to match equivalent meat and dairy-based products as part of its drive towards carbon neutrality.⁸

For the more-affluent segments, the growth in sustainable purchasing has been rapid. Customers are willing to spend more, sometimes substantially more, for a more-sustainable product.

In fact, nearly half of the respondents expressed a willingness to accept a premium for products that they feel contribute to an improved environmental outcome.

Sustainability, innovation and technology

New technologies are enabling improvements not just in production but in the quality of the product itself. By 2023 it is likely that plant-based products will not only be considerably cheaper but comparable in taste and experience to the meat products they replace.

Similarly, Electronic Vehicles (EVs) are more expensive (even though subsidized through direct and indirect governmental initiatives). They too will likely become considerably more affordable versus the internal combustion engine by 2025.⁹ Overall, though, EVs across their life cycle, due to their low running costs on a total cost-of-ownership basis, are now less expensive than the petroleum-based alternative.

This is not the case with replacing domestic boilers and heaters with heat pumps where the cost differential is still extensive, and the technical infrastructure required is so different that converting existing properties will be difficult.

New properties designed for use will likely find these systems more efficient and therefore cheaper in the long run. In the near term, smart meters and the Internet of Things is enabling customers to think less about price and more about managing usage.

By understanding the underlying factors impacting how consumers allocate their wallet, companies can more effectively target different groups who may be more-or-less willing to pay more for sustainable choices.

⁸<https://www.theguardian.com/business/2021/may/05/co-op-slashes-the-price-of-plant-based-food-in-quest-for-net-zero-emissions>

⁹<https://news.sky.com/story/electric-car-prices-are-about-to-plummet-heres-why-12536407#:~:text=Electric%20cars%20are%20becoming%20much,be%20cheaper%20very%20soon%20after.>

The Five Mys and brand selection

Consumer purchase decision making is a complex process of cognitive and increasingly ethical deliberation in which purchase decisions depend on not just product attributes but humanistic and environmental ones too. Value judgments are now accompanied by values judgments.



If organizations are to successfully respond to the new frame of reference guiding decision making, then they need to deeply understand their customer and their hierarchy of values.

Firms can then use this insight to achieve the right blend of messaging to generate positive evaluations of the societal and environmental credentials of the brand, alongside product attributes to ensure inclusion on the list of potential suppliers. The purchase decision is then dependent on a set of trade-off decisions as consumers make choices.

As sustainability moves mainstream, the fact a company contributes to solving problems for the planet is now a given. For many customers, sustainability is an expectation, not a selling point. Broad claims about being green isn't enough anymore. Customers are looking for specifics as well as guidance as to what they can do to help.

Shoppers expect brands to make ever bigger environmental commitments, and communicate them transparently, making the information readily accessible to inform quick purchasing decisions.

The way we consume is changing, and brands should prepare to adapt

Every step in the value chain must contribute. Manufacturers should expect to take responsibility for their products at end-of-life as the circular economy continues to grow, and producers should be considering how they can design waste out. The second-hand market is set to experience up to a 39-percent annual growth rate,¹⁰ and brands should consider how they can embed this in their business model, as well as embracing sharing-economy solutions (including lending, renting, streaming and subscriptions instead of ownership) to tap into a market that is set to reach US \$335 billion by 2025.¹¹

Unilever has committed to zero out all emissions from its own operations and those of its suppliers by 2039 and will be using carbon labelling on their 70,000 products to show how much greenhouse gas was emitted in the process of manufacturing and shipping them to consumers.¹²

¹⁰<https://www.thredup.com/resale/#resale-growth>

¹¹<https://www.forbes.com/sites/forbeslacouncil/2019/03/04/the-sharing-economy-is-still-growing-and-businesses-should-take-note/?sh=59cd74264c33>

¹²<https://www.unilever.com/news/press-and-media/press-releases/2020/unilever-sets-out-new-actions-to-fight-climate-change-and-protect-and-regenerate-nature-to-preserve-resources-for-future-generations/>

Decision-making criteria is becoming more extensive and nuanced

Consumers now make multiple judgments, often subconsciously, as they psychologically complete a checklist. When communications and corporate behavior affirm positive ticks for each of these, it maximizes its selection chances:

My motivation



Do I believe in the authenticity of this brand and its consistency with my values?

- How easy is it to make a good eco decision? Does the brand equip me to make informed choices?
- Does the brand consistently evidence its credentials?
- Does it genuinely care?
- Does it campaign and take a stand, seek to influence others to make good choices?
- Does sustainability permeate through all its practices?
- Is it greenwashing or superficial?

My attention



Does the brand make itself known to me by aligning to my interests?

- Am I energized and informed by the brand?
- Does the brand continuously signal its intent? Am I consistently being reassured?
- Does the brand affirm its intent through innovation and attention-grabbing improvement?

My connection



The degree to which consumers extend their sense of self into the natural and human world

- Is the brand philanthropic towards groups or causes I believe in?
- Are they worried about the things that worry me?
- Am I concerned about social and environmental factors equally or does one stand out for me?

My watch



Consumers perceive time in different ways and these perceptions influence behavior

- What is my sense of urgency?
- How pressing is the need to conserve resources?
- Do I need to accelerate my sustainable behavior?

My wallet



In the face of a rising cost of living, what is my willingness to pay more for sustainable products and produce?

- What is the impact of increased cost of living on my disposable income?
- How will I prioritize my spend, essentials, treats, or expendables?
- Will I need to treat certain categories of spend differently, for example, will I spend more on locally sourced produce?
- Should I accelerate behaviors such as upcycling and recycling?

The Five Mys sustainability behaviors

Consumer purchase decision making is a complex process of cognitive and increasingly ethical deliberation in which purchase decisions depend on not just product attributes but humanistic and environmental ones too. Value judgments are now accompanied by values judgments.

My motivation

Factors that drive human behavior and expectations towards sustainability

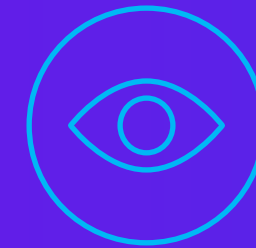


Consumer sustainability behaviors

Enabling consumers to make better choices can help reduce a company's carbon footprint. Unilever, for example, estimates that almost seventy percent of its greenhouse gas footprint depends on which products customers choose and whether they use and dispose of them in a sustainable manner—for example, by conserving water and energy while doing the laundry or recycling containers properly after use. Consequently, Unilever is educating customers through labeling and marketing campaigns on why it is important to act sustainably.¹³

My attention

Ways in which humans direct their attention or focus on sustainability



Consumer sustainability behaviors

86 percent of consumers want to see greater reuse and recycling. Ikea is an example of this circular economy with its "Live LAGOM" program offering ideas, inspiration and tips to give things customers already own a new lease of life, such as reducing waste, saving money and being more sustainable.¹⁴

My connection

How consumers take actions based on information on sustainability shared by brands



Consumer sustainability behaviors

78 percent of consumers now take their own bags when shopping at a supermarket. The linking of microplastics to plastic bag usage has connected well with consumers and changed their behavior. Social media campaigns have had a significant impact in creating awareness. In many countries, a small charge for plastic bags has nudged consumers into better behaviors.

My watch

How we balance the limitations of time and how that deviates across life events



Consumer sustainability behaviors

64 percent of consumers globally want to be able to understand the environmental impact before buying something. The sentiments are similar across regions: 38 percent seek companies who are proactively enacting a sustainable agenda. Consumers are willing to invest time in evaluating the credentials of companies that they buy from.

My wallet

How we manage and maintain our wallet share towards sustainability



Consumer sustainability behaviors

74 percent of consumers who feel sustainability is important are willing to pay more for sustainable products.

¹³<https://www.unilever.com/planet-and-society/climate-action/reducing-emissions-from-the-use-of-our-products/>

¹⁴<https://www.ikea.com/gb/en/this-is-ikea/sustainable-everyday/ikea-live-lagom-community-pub8d845141>

Six new segments

Consumers are demanding that companies institute sustainable practices and equip them with the wherewithal to make better, more-informed choices. While the starting point towards net zero emissions may be internally focused, firms are also having to look at how customers use their products and their post-purchase behaviors if they are to reduce their overall end-to-end carbon footprint and improve the contribution they make to society overall.

As companies seek to influence their customers' behavior towards greater sustainability, it is necessary to understand customer values, attitudes and the motivation for positive behaviors. While the value-action gap is closing, overall firms need to understand the significant differences in attitude and intent across different groupings within their customer base.

This should open opportunities for innovation with new products and services. It will also enable companies to engage with their customers in a more meaningful way. More importantly, it will help provide the basis for detailed roadmapping towards net zero emissions.

How sustainable are your customers?

Over 80 percent of consumers in our research state they are concerned about sustainability. This means that four out of every five people are looking for products that are sustainable, at least part of the time. There is a real opportunity for companies to engage the sustainable values-driven consumer.

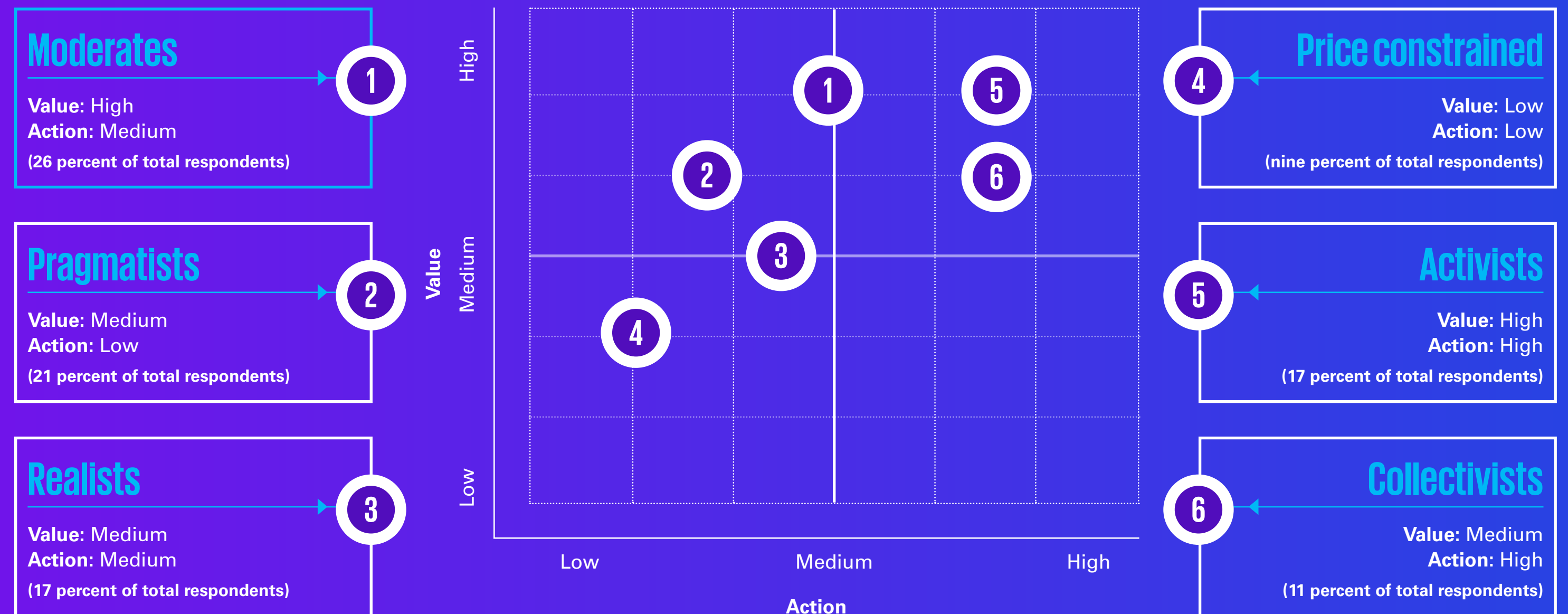
The question is which consumers are actually acting sustainably? Who will be the most-receptive audience for a sustainable message or a new sustainable product or service? And how does this map to the company's customer base?

When you target customers, it helps to know where they are on the sustainability spectrum in their attitudes. But with so many sustainability issues, products and labels out there, it may be more relevant to your branding and communications to understand their personal motivations.

The move to a sustainable business framework provides numerous niches that enterprising individuals and firms can successfully identify and service. These include the development of new products and services, improvements to the efficiency of firms, new methods of marketing and the reconfiguration of existing business models and practices. In this regard it is essential that we understand the niche of consumers who are sustainable, will be sustainable or will never embrace the concept.

Deriving sustainability segments by values and behavior

From our survey, we identified six primary personas based on their value perception and action towards sustainability.



The six new segments


Every firm's customer base will comprise of different sustainability-oriented customers. The link between values and behavior is much stronger in some customer groups than in others. For example, with Generation Z and Millennials, the link between values and behavior is stronger than for baby boomers or the silent generation.


A sustainability-segmentation model helps answer the following questions: How many of our customers will be receptive to new sustainable products or services? How many will be receptive to certain messages? How many can we motivate to act in a more sustainable way?


Using structured equation modelling, we have segmented the 30,000 respondents to our survey into six groups based on how strongly sustainability values are held and how this translates into behavior.


Sustainability: six new segments summary

Segment 1 - Moderates

- 

Sustainability behavior
Think and where possible act sustainably
- 

Segment
Moderates
- 

% of global population
26%
- 

Characteristics and targeting
"Sustainability is very important to me, but I have to balance price and sustainability and act accordingly."

The members of this group tend to be older (average age is 51), are slightly more likely to be female (58 percent) but span all geographies and income groups. It is an attitudinal disposition rather than a consistent behavioral group.

They believe sustainability is important (77 percent) but take simple, moderate steps towards it, for example, 91 percent recycle, 76 percent reuse and 58 percent spend more on long-lasting products.


They do seek to understand the environmental impact of the products before purchase (79 percent), but balance sustainability and price;

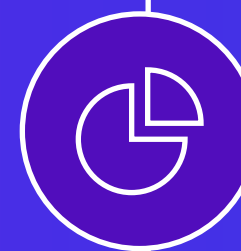
60 percent are willing to spend a small premium for sustainable products.


This group also feels strongly about human rights, diversity and gender equality. They want the companies they buy from to support and uplift local communities and demonstrate their environmental and societal credentials.


They care about the world and the people in it and want the world to be a better place but are not sure how to go about it.

Segment 2 - Pragmatists

- 

Sustainability behavior
Think and, where possible, act sustainably
- 

Segment
Pragmatists
- 

% of global population
21%
- 

Characteristics and targeting
"Sustainability is the responsibility of governments and businesses. If I act sustainably, it is because it is easy to do so."

For Pragmatists, sustainability is someone else's problem. They have only moderate interest and low levels of sustainable behaviors. They tend to be older and slightly biased to females (55 percent).


It is a low-income group, where the practicalities of daily living and the need for a growing economy outweigh the need for sustainability. They do recycle, reuse plastic bags and buy secondhand, but this is as much economically driven as environmental.


They will act sustainably when price and convenience make it an easy decision.


They are unwilling, however, to compromise on habitual behavior, rarely look at the social or environmental provenance of the companies they deal with and are unwilling to pay a premium for sustainable products.

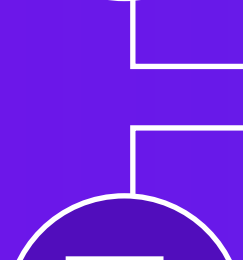
Sustainability: six new segments summary

Segment 3 - Realists

- 

Sustainability behavior
Act sustainable as a lifestyle
- 

Segment
Realists
- 

% of global population
17%
- 

Characteristics and targeting
"I feel there is much hype around sustainability, but I do recognize the need to take action on health and planet, and I will spend more on sustainable goods."

For this group environmental damage is the inevitable consequence of a growing economy.

Generation Z and millennials are younger, more affluent and slightly more likely to have a slight male bias (56 percent).

Typically, they reside in countries experiencing high levels of economic development. Their sustainable behaviors are mediated through ease and convenience. While they believe individuals can make a difference, they see it is the responsibility of businesses to equip and enable them to make better choices. Half of this population seek to understand the environmental and social values of a company before buying and 71 percent are willing to spend more on environmentally friendly goods.

As frequent social media users, their approach to sustainability is as much about social validation as it is personal values, where only 31 percent state sustainability is a part of their personal values set.

Segment 4 - Price Constrained

- 

Sustainability behavior
Not sustainability focused
- 

Segment
Price constrained
- 

% of global population
9%
- 

Characteristics and targeting
"I cannot afford sustainability – price is the critical factor in my life"

This group is much more concerned with the daily grind of everyday life than sustainability. This is an older group, male biased (58 percent), with low incomes. Few if any consider the environmental consequences of their actions. For this population, concerns are more centered around societal factors, such as peace, justice, and strong, ethical institutions. Clean water, quality education and gender equality are important.

They have little concern about the environmental credentials of the companies they buy from and no desire (or ability) to pay a premium for sustainable goods. Price is the single most important factor. In some countries, such as the US, this is a surprisingly large group (15 percent).



Sustainability: six new segments summary



Segment 5 - Activists

- 

Sustainability behavior
Act sustainable as a lifestyle
- 

Segment
Activists
- 

% of global population
17%
- 

Characteristics and targeting
“I cannot stand by and do nothing. What I see socially and environmentally are strong motivators to take personal action and seek to drive change”.

This is a group that believes in the power of the individual to make a difference. 91 percent believe they can make a difference regardless of what everyone else does.

Their personal values are inextricably linked with environmental and social concerns. There is no gap between their values and their actions. 99 percent agree that we all have a duty to reduce, reuse and recycle as much as possible, 96 percent believe governments should provide more support for businesses and individuals to adopt sustainable practices and indeed should legislate stringently to ensure they are followed, 95 percent seek to understand the environmental credentials of a company before purchasing from them and 85 percent are willing to spend more on sustainable goods. This is also a socially oriented group with 94 percent concerned about workers’ rights, poverty and peace. 80 percent believe that the environment is more important than a growing economy.

Segment 6 - Collectivists

- 

Sustainability behavior
Act sustainable as a lifestyle
- 

Segment
Collectivists
- 

% of global population
11%
- 

Characteristics and targeting
“I believe that the individual alone cannot make a difference and needs to be supported by local and central government action – but I am very willing to do my bit.”

This is a group that believes that everyone should play their part. 90 percent state that government, companies and institutions must take action, but behaviorally, this is a highly motivated group. Sustainability plays a very important role in every aspect of their lives, with a high-income male bias (60 percent). It is deeply embedded in their habitual behaviors. Eighty-eight percent always seek to understand the sustainability credentials of the companies they buy from, 83 percent actively monitor energy usage to reduce consumption and 92 percent are willing to pay more for sustainable goods.

Seventy-eight percent actively select products that do not have environmentally harmful ingredients and 76 percent will not buy products that have been tested on animals.

They want to create a planet that affords the same quality of life in the future as we have today and are willing to make personal sacrifices to achieve this. They will walk, cycle or take public transport to reduce the environmental impact. Over a quarter actively invest their time in supporting sustainability causes, and they are active investors in ethical funds.

The changing economic picture:

Since we launched our study earlier in the year, there have been several significant macro factors impacting the marketplace. The conflict in Ukraine, inflation, rising costs of energy and cost of living pressures. As a result we conducted additional research (May 2022), as part of our global 2022 KPMG Customer Experience Excellence program, to understand the impact of these pressures on our six segments.

This shows that the propensity to spend more has reduced amongst Moderates such that now, on average, across Six Countries (Japan, US, UK, France, Germany and Italy) the percentage willing to spend more has reduced from 60% to 51%.

Segment	% of total	Recession impact
Moderates: most likely to be affected by worsening economic conditions. 60 percent of this group reported that they are willing to spend a small premium on sustainable goods and services.	26%	Some likely to move into Price Constrained*
Pragmatists: a low-income group, for whom sustainability is someone else's problem.	21%	Greater pressure on low income
Realists: A higher income group, who believe that sustainability is a necessary consequence of economic activity but nonetheless feel it is important. 71 percent of this group are willing to pay a premium for sustainable goods and services.	17%	Willing to pay a smaller premium
Price Constrained: already unwilling to pay more for sustainable goods and services, more focused on making ends meet.	9%	Greater pressure on already low income
Activists: A values driven group, of which 85 percent are willing to pay more for sustainable products and services; very unlikely to change behavior.	17%	Unlikely to change
Collectivists: believe that sustainability is everyone's problem, and all should work to create a more sustainable world. Tend to be a higher income group and committed to environmental and social improvement.	11%	Unlikely to change

*Recent research (May 2022) conducted as part of the KPMG 2022 Global Customer Experience Excellence Program shows that the propensity to spend more has reduced amongst Moderates such that now, on average, across Six Countries (Japan, US, UK, France, Germany and Italy) the percentage willing to spend more has reduced to 51%.



Section 3:

Putting words into action

Operationalizing the segmentation model

For companies having to comply with increasingly stringent ESG legislation as well as responding to consumer demands, the move towards understanding their end-to-end environmental footprint and how it can be reduced should find this segmentation model helpful to target their efforts. Applying the model to the customer base using a few simple questions can enable companies to really understand how they can motivate customers to do more to help achieve environmental objectives.

The research shows that the biggest barriers to enabling customer involvement in sustainability programs is a lack of understanding, or awareness, of what the individual can do to make a difference. Whether it is access to environmentally sound causes or being informed as to how to make better choices, the approach to each of the above segments will be different.

Our findings indicate that the following approaches can enable firms to design segment-specific marketing programs to engage more effectively with each segment of consumers.



Moderates



Approach

Consumers are likely to take more steps if companies communicate the right ways for consumers to act sustainably.

Companies could make them aware of how environmental and social responsibility are at the core of their values, either by labelling them on the products or by running awareness campaigns.

Giving consumers something tangible to display their support of a brand or a cause and reporting clear outcomes.



Examples

4ocean lets consumers know that for every upcycled bracelet they buy from the company, one pound of trash will be removed from the ocean.¹⁵ A chain of drugstores, labelling the '10- year dollar cost' of energy for each product, increased energy- efficient purchases from 12 percent to 48 percent.

Pragmatists



Approach

Consumers in this group want their burden to be reduced and seek support from companies; they need products which are affordable and reward loyalty. Companies can take initiatives such as displaying recycling symbols, labelling their products with clearer recycling information, increasing the amount of recycled plastic in their packaging or using plastic-free/sustainable packaging, providing incentives/discounts for reusable cups, loyalty points for recycling, etc.



Examples

Germany's deposit return scheme for plastic bottles saw a 98 percent success rate.

In the UK, Coca-Cola has partnered with Merlin Entertainments to offer 'reverse vending machines' from which consumers receive half-price entry tickets to theme parks when they recycle their plastic drink bottles.¹⁶

Ease of availability of charging stations for electric vehicles (EVs) is a primary consideration for those who plan on buying EVs. Companies should focus on building such infrastructures (charging points) to make it more convenient for users. Countries like Australia, the US and the UK have more charging stations than gas stations as per a survey. There are apps, like PlugShare or AFDC, that can quickly locate the closest charging stations.¹⁷

Realists



Approach

Companies that expend effort in creating more awareness on sustainability through social media and customer advocacy (since most are young and social media is a primary source of influence) can play to this segment's needs for social validation. Example: Sharing with online shoppers that other people are buying eco-friendly products.

Companies may also focus on convenience and make it easier for customers to make better choices, especially around good health and well-being.



Examples

A retail company in the Middle East is working with its city's local health authorities to understand their customers' health consumption patterns and map their lifestyle-related issues. The aim is to help the food retailers make better food choices available in certain localities based on their consumers' health patterns. Further, the consumers would be encouraged to make better choices through sampling, free coupons, displaying healthy food signages, etc.

In the UK, Coca-Cola used gamification to emphasize the importance of recycling through #CokeDunks, a sustainability campaign challenging teens to film themselves creatively throwing empty plastic bottles into a recycling bin before posting the content on social media.¹⁸

Both Eileen Fisher¹⁹ and Patagonia²⁰ encourage customers to buy high-quality pieces of their clothing, wear them as long as possible, and then return them to the company to be refurbished and resold.²¹



¹⁵https://www.4ocean.com/collections/bracelets?gclid=Cj0KCQjwvqqeUBhCBARIsAOdt45Zy93lqmuKAoKUg2gu7tR-mR4lFd30F0jt2Q_MallomcM8aUHmdxr8aAudEALw_wcB

¹⁶<https://www.merlinentertainments.biz/newsroom/news-releases/2019/return-of-coca-cola-partnership/>

¹⁷<https://cleancities.energy.gov/webinars/64>

¹⁸https://www.google.com/search?q=coke+dunks&rlz=1C1GCEA_en&oq=coke+dunks&aqs=chrome..69i57j33i160l2.3748j0j4&sourceid=chrome&ie=UTF-8

¹⁹<https://www.eileenfisher.com/renew?country=GB¤cy=USD>

²⁰<https://wornwear.patagonia.com/>

²¹https://www.washingtonpost.com/business/economy/eileen-fisher-wants-those-clothes-back-when-youre-done/2018/08/31/cd873aea-ac58-11e8-b1da-ff7faa680710_story.html

Price constrained



Approach

Companies can provide incentives or discounts where possible to enable consumers to overcome price barriers.

This group is concerned about localness. Make the message local to make it real. Companies can leverage messages that have cultural or regional references to make the problem real and increase awareness.



Examples

P&G partnered with SM Cares in the Philippines and initiated a program where individuals could visit SM supermalls to donate plastic waste, and in return, get 10 percent discounts on selected Safeguard and Oral B products.²²

New York City's waste-reduction advertising campaign illustrated that all the garbage thrown out in the city on one day could fill the Empire State Building.²³

Activists



Approach

Consumers in this group are very strong advocates for sustainability and seek those companies who will help them achieve their sustainability dreams.

Companies could aim to become trusted allies for this group by maintaining long-term relationships with them; there may be a propensity to switch if they believe that they don't agree with the companies' principles anymore.

Companies that put sustainability at the core of their values rather than just being an add-on are more likely to attract and retain these kinds of consumers.



Examples

Seventh Generation is an American company that sells eco-friendly household products like dishwashing liquids, laundry detergents, etc. Environmental concern has been at the core of their brand values since their formation in 1988.²⁴

Collectivists



Approach

Companies can demonstrate that they are taking constructive action with their relevant stakeholders by showing how the multiplication effect of everyone working together can make a difference. In turn, this can help raise the company profile by campaigning and seeking to create a movement, one that is easy to join and where very small steps make a difference.



Examples

Lush, is an example of a business that is a campaigning brand. It seeks to inspire collective efforts to rectify issues that are important societally and environmentally.²⁵



²²<https://www.smsupermalls.com/smcares/press-releases/pg-and-watsons-support-sm-cares-and-plastic-credit-exchange/>

²³<https://cooperatornews.com/article/the-recycling-cycle>

²⁴<https://www.unilever.com/brands/home-care/seventh-generation/>

²⁵<https://weare.lush.com/lush-life/our-giving/campaigns/>

Embedding ESG - the roadmap

While the 'why' of sustainability is becoming more widely understood, companies are challenged by 'how' to fully integrate sustainability into their business. There is a growing acceptance that it requires incorporating sustainability from the ground up but what does that look like for each business in their specific industry? How should a business go about creating a sustainable business and operating model?

Business leaders are increasingly turning their attention towards operationalizing their companies' sustainability and ESG policies and procedures, by integrating sustainability considerations into their product design, supplier choices, hiring practices, executive compensation schemes, investment and lending criteria and other operational practices.

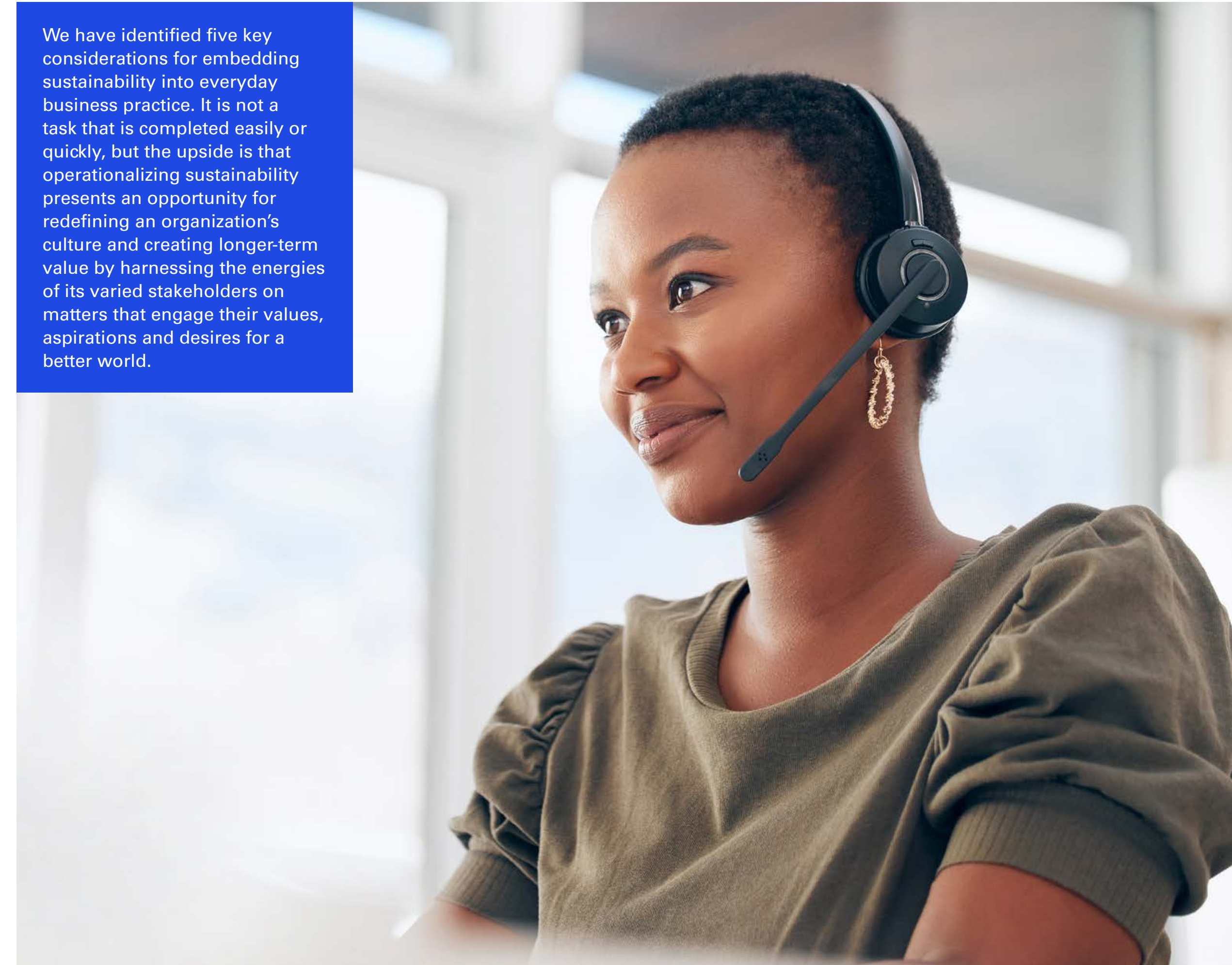
These companies understand that, to unlock the value of ESG and strengthen sustainability, ESG must become part of a company's DNA.

Successfully integrating ESG requires much more than simply a decision by company leadership and some new policies for employees.

It involves careful strategic and tactical planning, operational discipline, a committed company culture and sustainable implementation if an organization is to achieve lasting benefits and competitive advantage.

There is unfortunately no 'one size fits all' when it comes to implementing sustainability. Every company operates in its own unique ecosystem. Consequently, the profile of risks and opportunities a business faces varies considerably – but sensitizing the organization towards sustainability is certainly job one for any organization.

We have identified five key considerations for embedding sustainability into everyday business practice. It is not a task that is completed easily or quickly, but the upside is that operationalizing sustainability presents an opportunity for redefining an organization's culture and creating longer-term value by harnessing the energies of its varied stakeholders on matters that engage their values, aspirations and desires for a better world.



01 Connecting consumers with purpose

The corporate sustainability journey starts by critically assessing corporate purpose, the employees' real core values, and by matching these to the values held by consumers. Leading organizations convert this into sustainability principles, a set of guidelines, behaviors and targets designed to not just sensitize the organization but to energize the business around the actions it can take to make an important difference in the world.

They realize that a common vision of what success looks like leads and unites personnel at all levels.

Sustainability requires a culture conducive to its success. Substantive strategic actions, followed up by real tangible near-time initiatives that send powerful messages to stakeholders, are an important part of gaining cultural momentum.

Key actions:

- Re-engage with purpose. Answer the question: What would the world miss if you didn't exist?
- Identify where you should prioritize action. Develop a clear plan of transitional states over time.
- Articulate how your purpose links to sustainability.
- Develop a culture-plan for inculcating sustainability into the business.

02 Assess current state & operational reality

Organizations must align the people, process and systems requirements arising from a process of sustainable transformation with existing corporate objectives and growth planning and resolve any disconnects.

A detailed plan of how sustainability will be achieved is a prerequisite. This starts with a thorough examination of the current state and the unique ESG and sustainability risks facing the organization, as well as their potential impact on the ability of the company to continue normal operations.

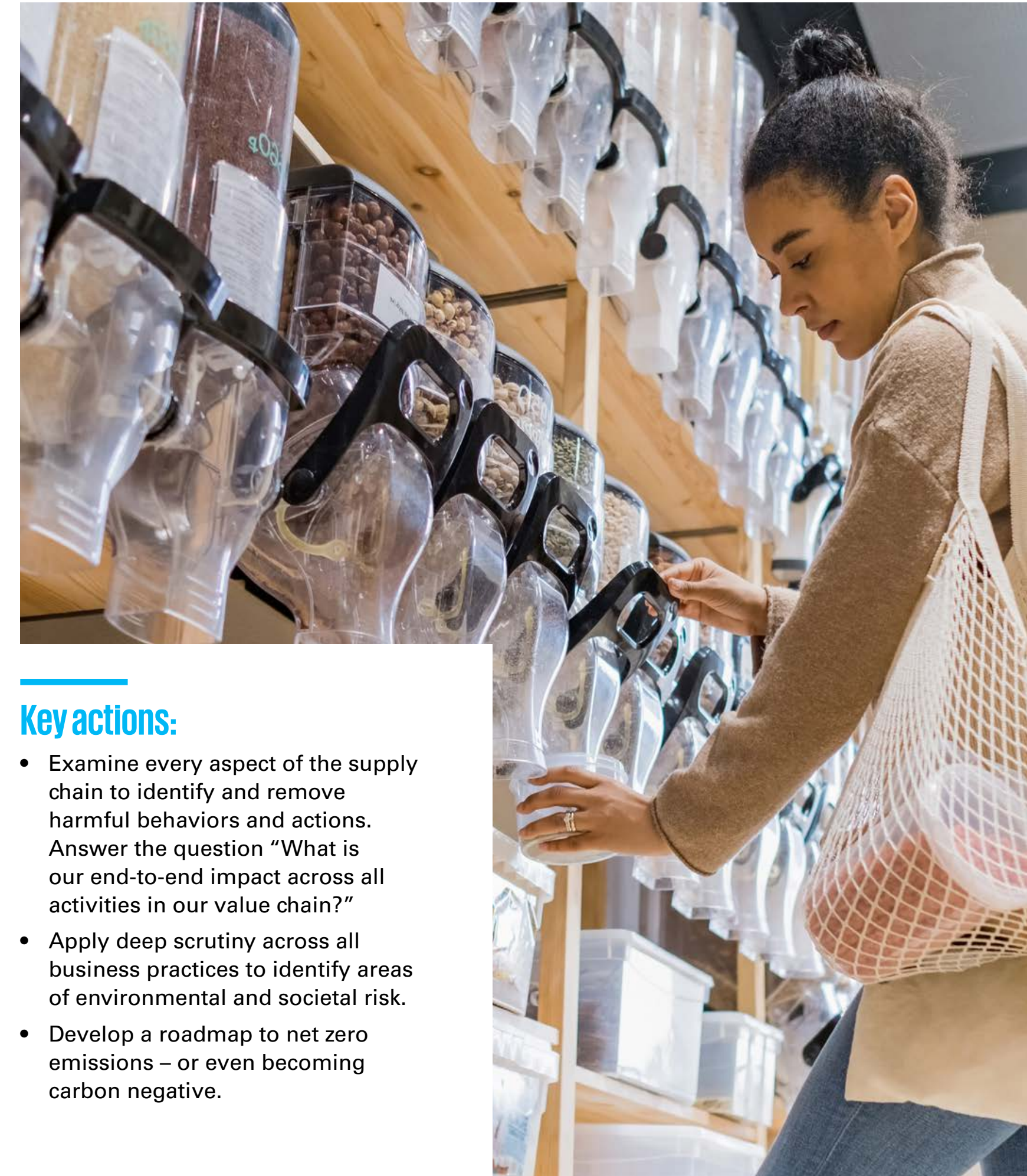
Knowing the organization's risks is the first step to mitigate and increase resiliency of the business processes. This involves analyzing the broad range of potential threats to the organization, such as:

- **Operational risks:** resource and asset efficiency, physical and transition risks of climate change on operations, potential environmental impacts of operations (e.g. waste and greenhouse gas emissions), and any possible impact on the safety of employees and surrounding communities
- **Supply chain risks:** material sourcing, potential environmental impacts through transportation, and worker rights and safety along the supply chain

- **Health and nutrition risks of products made by the company:** potential negative impacts on consumers, including any potential contribution to obesity or other unhealthy impact
- **Product quality and safety risks:** quality of ingredients and potential product recalls
- **Product labelling and marketing risks:** potential exposure in controversial markets or risks associated with any health claims made about its products
- **Packaging life cycle risks:** single-use packaging waste or packaging recycling

Once assessed trade-off decisions need to be made as to short-term costs and long-term value to develop an integrated and connected set of capabilities. Governance and risk management processes need to be defined or refined, to account for sustainability.

While risk identification is an important step, there are also opportunities, that arise from consumers interest in sustainability. New products and services will become apparent as companies increase their understanding of what sustainability means to consumers.



Key actions:

- Examine every aspect of the supply chain to identify and remove harmful behaviors and actions. Answer the question "What is our end-to-end impact across all activities in our value chain?"
- Apply deep scrutiny across all business practices to identify areas of environmental and societal risk.
- Develop a roadmap to net zero emissions – or even becoming carbon negative.

03 The sustainability measurement framework

Depending on the country, ESG brings with it a set of measurement and reporting requirements across a standardized set of parameters. While these are important, sustainability at the individual company level, with its own unique opportunities for improvement, requires organization-specific metrics that demonstrate meaningful progress in discharging its purpose. The first step therefore is to identify the material ESG topics in the firm's specific business context, baselining, measuring and then reporting on the results.

Reporting on measurement results as well as communicating progress and successes to stakeholders is important to not just provide reassurance but maintain enthusiasm and belief that the organization's efforts are really making a difference.

Key actions:

- Conduct a data sourcing and governance assessment to identify what data is available, where it is and what is missing.
- Identify the critical metrics required for reporting.
- Define the purpose-based metrics unique to the organization.
- Form into a dashboard updated in real time to provide a consistent picture of ESG performance.

It is important to have accountability and transparency, both of which are enabled by measurement, to gauge whether embedding is truly occurring. Consequently, careful thought is required on the metric framework that will both meet regulatory requirements and support sustainability-focused decision making.

Success demands taking on an inherent challenge in accessing and managing data around sustainability. Typically, the data is fragmented across operational departments: social aspects will be in HR, Procurement, Risk and other groups; environmental data will be in Manufacturing, Production or a third party; governance will be in Compliance, Risk and Legal. It is unlikely this data will be in a standardized format requiring efforts to locate, integrate and validate.

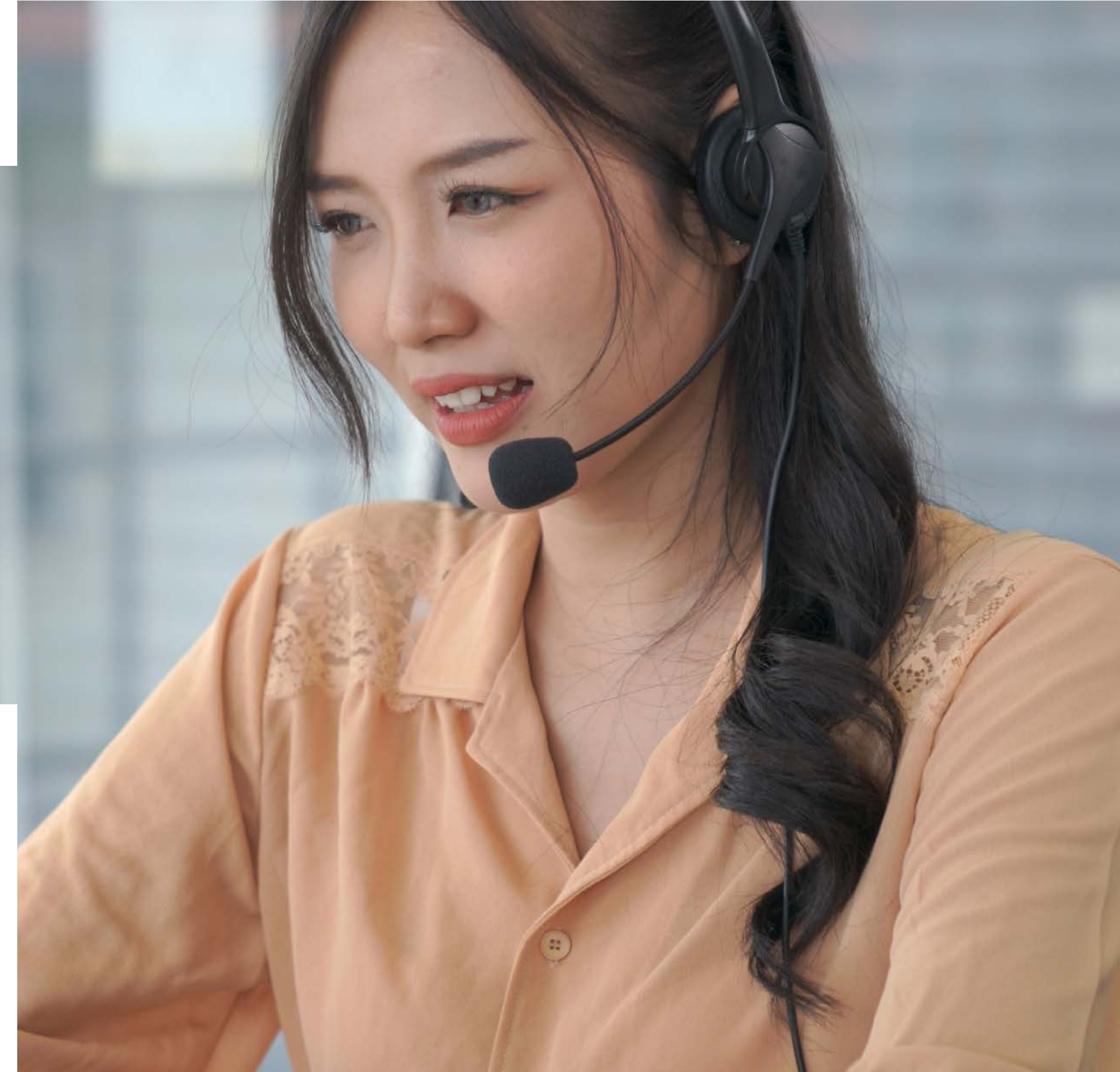
04 Understand customer segments needs

This is an opportunity to examine the organization's segmentation approaches and assess whether they are still fit for purpose. What else should the segmentation model consider as the business transitions towards more ESG-focused solutions? What is the 'values to action' link like for our customers? What imperatives does it suggest we address?

The segmentation model outlined previously (see page 13) provides a useful reference point and gap analysis against existing models and a means of evolving towards a more sustainability enabled approach. Specifically, it will help answer the question: Which group should we target first?

Key actions:

- Conduct gap analysis of existing segmentation models in use.
- Segment your customer base using our suggested sustainability segments (see page 13) against your current mix of segments.
- Develop individual segment strategies.
- Determine the relative size of each segment and what that means for communication strategies and messaging.
- Identify which segments provide the biggest opportunities for product development and innovation.



05 Conduct a product life cycle assessment

ESG raises the bar for businesses and the products they introduce to the world. Companies could find it difficult to attract investors, customers and employees if their products have negative social or environmental impacts. It is important, therefore, to use sustainability methodologies to validate the solution development across the full spectrum of ESG and market risks.

A product life cycle assessment identifies the areas in the product life cycle (cradle to grave or beyond) where the environmental impact is most significant and takes opportunities to reduce that impact.

This means the product development process requires reconceiving, and new considerations need to be made as to how sustainability and circularity, particularly reuse and recycling, play their part.

Be clear on what we expect customers to do – how do they participate in the sustainability process across the life cycle?

The segmentation model described above can enable organizations to uncover unmet needs, identify new products and develop new and more-sustainable customer interaction processes. Such a model should promote learning as to what ESG initiatives could best align their business with their stakeholders' values.

It is likely that companies will find it difficult to solve all of the challenges that arise through their own efforts alone; most likely new partnerships will need to be formed, with knowledge groups, experts and specialists to provide the speed, scale and wherewithal necessary for ESG success. Consequently, firms will likely increasingly need to build a network of partners and rethink the part the company plays in the wider ecosystem.

Key actions:

- Assess existing products and services.
- Evaluate and redesign the product and service development process.
- Introduce a sustainable 'gate' for assessing the product pre-launch.
- Gain an understanding of the psychological frame of reference that the consumer is using when selecting your products. Consider what is their motivation, attention, connection, wallet and their preferred time frames.
- Identify what can be done to equip, 'enable' or 'empower' consumers to behave sustainably.
- Identify potential third-party partnerships to accelerate understanding and progress.

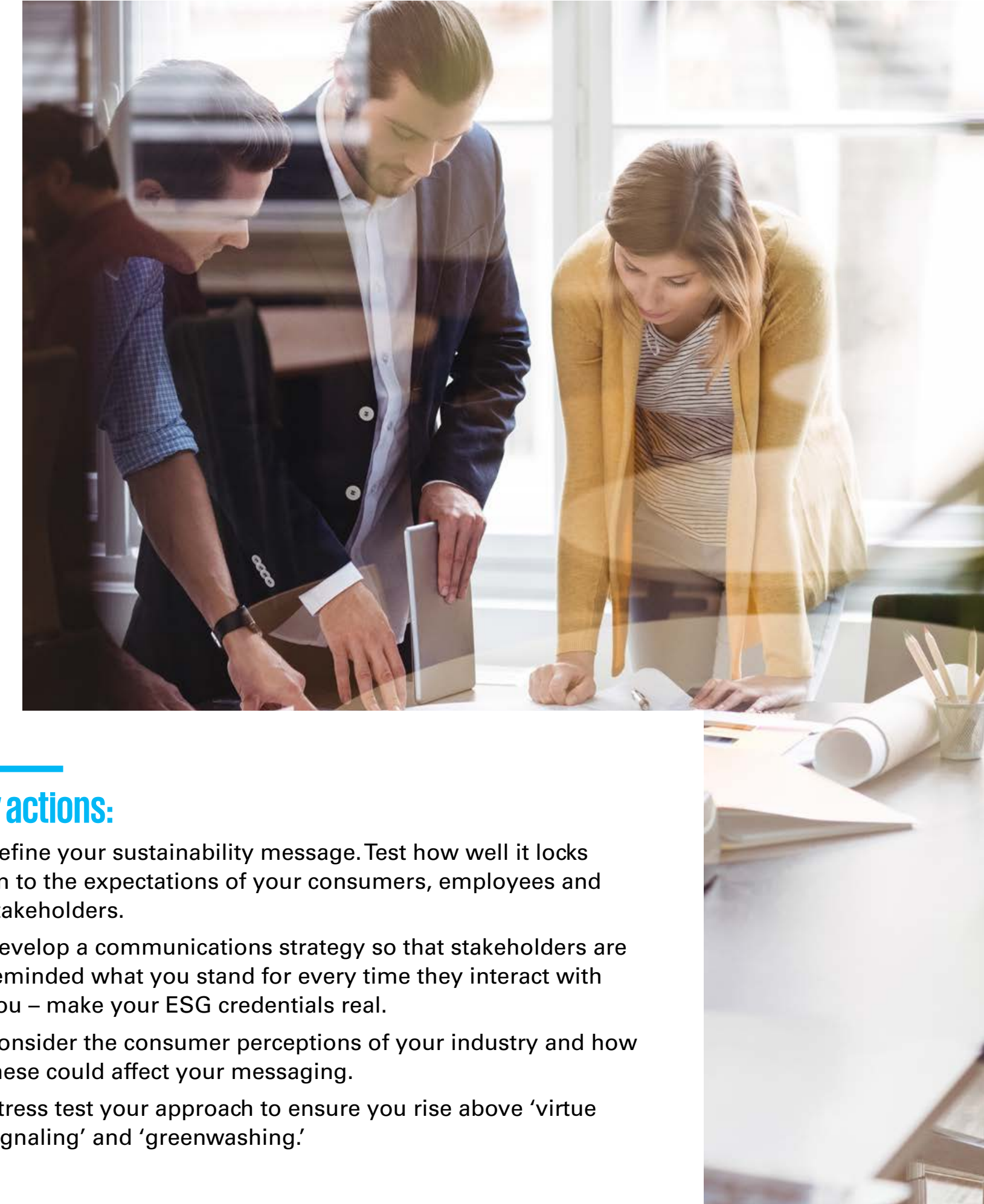
06 Customer engagement

ESG stakeholder engagement is the way a business exchanges information and holds a dialogue on the ESG topics that impact the business, its employees, customers, investors, suppliers, trade groups, regulators, non-governmental organizations, public health and welfare. ESG and sustainability can widen the network of stakeholders organizations need to engage with and demand clarity of message from.

Customers will likely need to be reassured across their journey with the company as to the sustainability of their purchases, regulators and investors will demand measurement and reporting and numerous organizations will need to be consulted with.

An ESG materiality assessment conducted across each of these stakeholder groups can determine the risks and opportunities that need to be addressed in the engagement plan.

The detailed engagement plan and messaging architecture should then ensure the right message gets to the right audience in the right way at the right time.



Key actions:

- Define your sustainability message. Test how well it locks on to the expectations of your consumers, employees and stakeholders.
- Develop a communications strategy so that stakeholders are reminded what you stand for every time they interact with you – make your ESG credentials real.
- Consider the consumer perceptions of your industry and how these could affect your messaging.
- Stress test your approach to ensure you rise above 'virtue signaling' and 'greenwashing.'

Section 4

Conclusions and methodology

Conclusions

The COVID-19 pandemic has forced firms to scrutinize their responsibilities and their role in society. Systemic changes in consumer attitudes and buying behavior which were first detected among millennials are now spreading across all demographics. Companies need to ensure that their commitments are authentic and permeate their customers' experiences, which requires an integrated customer and ESG approach.

KPMG's global research shows the importance of integrating the company's approach to ESG with their overall customer strategy. ESG, sustainability and customer experience are now inextricably linked. They each need to be woven into the DNA of the business and permeate every customer interaction, and they need to be reflected in the company's business model, operating model and commercial strategy.

The segmentation model we propose is a further way of more deeply understanding what customers need and how best to deliver it in a sustainable way. It should sit alongside other ways of understanding the customer relevant to the company's customer base.

Pursuing ESG and customer experience as two separate initiatives would result in wasted effort and an inefficient use of resources.

The compound benefit of delivering them together would conversely deliver a significant increase in revenue and growth and present new opportunities for revenue increase and cost reduction.

To achieve this requires connections to be made across the business, where each aspect of the customer journey is scrutinized both for the quality of the experience and its carbon impact.

Facing into the challenges presented by sustainability is both about risk management (and associated revenue protection) and taking advantage of new commercial opportunities (and associated revenue growth) as consumer habits change in line with their values.

The research demonstrates that, by carefully segmenting a firm's customer base, sustainability can be used as a tool to help differentiate products and services in the marketplace.

It is no longer simply about the firm's immediate impact on the environment and society, but on most aspects of their purview: end-to-end along the supply chain and end-to-end throughout the consumer life cycle as they transition to a sustainable, responsible, and resilient future. To really make the transition, organizations need to transform their business model, their strategy and their operating model.

In formulating their response, companies need to be clear on their purpose, what the world would miss if they didn't exist, what their positive impact on the world must be, all told in a compelling way that energizes both employees and customers.

The purpose should have a fundamental impact on business strategy.



What segments do customers fall into? What does this mean in terms of products, markets and corporate behavior? What are the bold commitments to the people and the planet?

To make this live everyday it must be reflected in the operating model. It is relatively easy to get to a purpose statement that can be used as a banner. What is more challenging is making it come alive in the organization, so it is real every day for employees and customers.

That requires sustainability and societal concern to be engineered into the very fabric of the business.

Purposeful behavior by both customers and employees needs to be recognized and rewarded.

It must be authentic. This is about having meaningful targets and credible and actionable plans on how to meet them. It is not good enough to set targets and 'green wash' if an organization doesn't have the plan to back it up.

Governments and legislators around the world are encapsulating this within ESG reporting requirements and firms will have no option but to comply. But compliance and authenticity are two different things, and consumers will be able to tell the difference.

ESG and Customer Centricity

The customer is ever more demanding

This research shows that we have entered a period of heightened sensitivity about some of the biggest challenges of our time. People across the globe are increasingly concerned about issues such as climate change, inclusion, and accessibility.

For the customer, their lifetime needs, problems and desires remain. Fuelled by rapid advancements in experience quality and technology, their expectations continue to escalate, only now many want them met sustainably.

The competitive pressure to provide the best possible customer experience is not going to let up, and neither is the drive to make products, services, and operations more sustainable.

This requires firms to weave ESG into the fabric of their organization, so it manifests itself in the overall experiences they create for their customer.

If ESG is addressed standalone, businesses can miss the commercial opportunities and have greater exposure to financial risk.

It requires a purpose-driven culture, meaningful customer dialogue and an enterprise that is connected end to end around satisfying customer needs sustainably.

KPMG can help you embed ESG to deliver excellent customer experiences

As companies explore ways to provide better and better customer service, sustainability should be a part of that equation. The technology exists today to connect more of the dots in business operations than ever before. So how do you adopt ESG practices and nudge the customer toward environmentally positive choices, while still delivering an excellent customer experience?

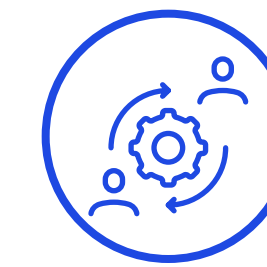
These are questions that KPMG can help to answer. Our team comprises transformation, technology and reporting specialists. We'll help you:



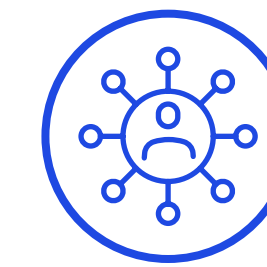
Diagnose where you are today, the risks you face and the opportunities.



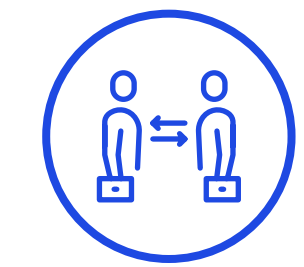
Build your customer and ESG strategy and a plan for your transition to an enterprise connected around the customer with a sustainable future.



Guide technology implementation: Enabling an Agile and digital-first approach to deliver end-to-end customer experiences.



Transform your business, realising the opportunities for sustainable value creation and building resilience.



Keep you informed on what you need to measure and report to stay compliant and track your progress to drive continuous improvement.

We've designed our services to put ESG and the customer at the core of your operations – where they should be.

How KPMG can help

To help you with your transformation journey, we have brought together insights, tools and solutions that provide detailed paths to agility, resilience and profitable growth.

In every sector, companies have a real opportunity to define a different future through digital transformation, unlocking new opportunities for growth, agility, innovation and resilience. Starting from wherever you are in the journey, KPMG combines deep business and industry knowledge, technical expertise and collaboration with shoulder-to-shoulder working to help you build a future-ready business.

It will be **connected** around your customer by aligning your front, middle and back offices.

It will be **powered** by modern technology and agile business practices.

And it will be **trusted** by all stakeholders, from customers and employees to suppliers, shareholders and regulators.



Rebuild your business around your customers to create a borderless organization, where people, data and technology interact for new levels of productivity and value creation.

Harness the latest technologies, leading business practices and tested solutions for a smarter, faster path to nimble, scalable business functions and the right operating model.

Embed a balanced approach to risk and regulation into your transformation journey, securing the stakeholder confidence that enables responsible growth, bold innovation and high performance.



Methodology

Online survey of 30,000+ respondents across 11 countries to understand attitudes and behaviors across sustainability issues related to planet, people and prosperity

▶ Survey details

Sample size:



30,000
respondents



11
countries

Format:



**Multi-choice
questionnaire
template**

Timeline: October to November 2021. In addition, to reflect the changing economic picture we have referenced recent research (May 2022) that was conducted as part of the KPMG 2022 Customer Experience Excellence program.

▶ Country coverage

Australia

Brazil

Canada

China

France

Germany

Italy

Japan

Spain

UK

US

▶ Survey topics



Demographic
gender, age, education,
urban/rural, income



Sector importance
community, personal
decision making



Sustainability attitude
planet, people and
prosperity



Lifestyle
spending, eating, travel,
energy usage, resource
usage, health, COVID-19
impact

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