BRC / EY Future Consumer Index

What does sustainability mean for the UK consumer?

COVID-19 has accelerated many behavioural shifts, and sustainability is no exception.

In this, the second instalment of our Future Consumer research with EY, we tackle a theme that will have a profound impact on the behaviour of UK consumers and remains one that many engage with in an incredibly complex way. Sustainability covers a broad spectrum of ethical behaviours, and yet has profoundly different meanings across different demographics and geographies. This requires a considerable amount of thoughtfulness by the industry on how they must convey and land this message. In this report we seek to tease out some of the overarching themes that retailers should consider when understanding and engaging their British customers.

Sustainability, at its core, is considered to be thinking about the long-term and not short-term. It is defined by the 1987 Bruntland Commission Report as 'Meeting our own needs without compromising the ability of future generations to meet their own needs.' This covers many domains, with the UN defining 17 Sustainable Development Goals, ranging from alleviating poverty to environment and climate change. Broadly, these sustainable goals can be framed under three key headings – environmental, social and economic.

COVID-19 has accelerated many behavioural shifts, and sustainability is no exception. Nearly one in five consumers fall into what we have defined as our 'Planet first' segment, however, there remains significant ambiguity in both how committed individuals are to living more sustainably, and their understanding of their own impact.

As the UK's largest private sector employer, with a customer base of 67 million people, the retail industry has an important role to play in how we support consumers in achieving their goals.

Clarity and education

There is an abundance of terminology present to describe sustainability, and a rising number of frameworks and certifications designed to help consumers make more ethical purchasing decisions.

57%

of consumers desire more clarity to help them make more sustainable choices when shopping.

46%

of consumers say the confusion about sustainability claims is a deterrent from purchasing sustainable products.

63%

of young consumers would reconsider their purchasing decisions if retailers communicated their environmental impact.

This can be incredibly confusing, and even present a barrier to entry for those looking to begin adopting new sustainable behaviours. Consumers desire more clarity, with 57% saying that they need more information to help them make more sustainable choices when shopping and 46% saying that confusion about sustainability claims is a deterrent from purchasing sustainable products.

With a topic as complex as sustainability, making it real for the consumer is incredibly important. 63% of young consumers would reconsider their purchasing decisions if retailers better communicated the environmental impact of those choices. Visuals can often translate the impact of choice into more tangible outcomes, as can stories that focus on a broader range of topics than just emissions and waste, like their downstream impacts on communities and biodiversity. Comparators can also be incredibly effective, such as showcasing the amount of plastic saved vs a similar competitive product or service.

What is important to consumers also changes incredibly quickly, and subjects that rise to prominence are often influenced by viral digital storytelling. 88% of consumers that watched 'Blue Planet II' have since changed their behaviour as a result of watching the documentary, with half saying they had drastically changed their behaviour. The best way that brands can anticipate and mitigate the impact of these rapid changes to behaviour is to already have it engrained in the core of your business strategy, and have the data and stories available to back up your credentials.

Small changes are also not enough to shift the dial. Consider the current retail leaders in retail sustainability, that have their ethical impact as core to their offer, shroud themselves in B-corp certifications and regularly conduct external audits – if these businesses struggle to get their message across to consumers, what implications does that have for what other retailers can do with lesser brand equity?

Shifting Definitions: Consumers think about and prioritise sustainability differently depending on age, country and category

44% of UK consumers see plastic waste as a top 3 sustainability concern vs a global average of 33%

72% of UK consumers consider sustainability when buying fresh fruit and vegetables; only 50% consider sustainability when buying alcoholic beverages

41% of UK Gen Z consumers have human rights as a top 3 sustainability concern vs 27% for all UK consumers

The divide between intention and action

> In 2019, ethical spending was just 0.07% of UK consumption, despite 61% of consumers saying that they are likely to switch to a brand that is more environmentally friendly".

Lifestyle choices and small actions:

Consumers translate their sustainability choices into a series of small actions and larger lifestyle choices.

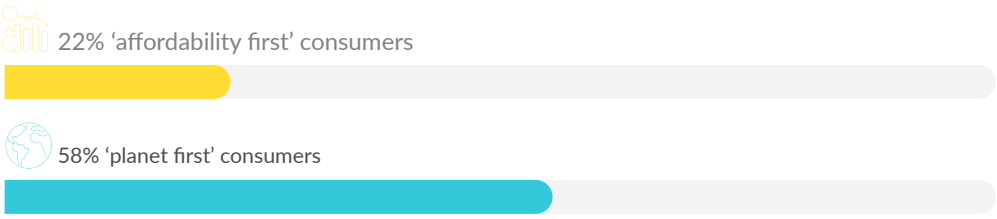
94% of UK consumers bring reusable bags to the store some or all of the time.

Very few individuals will say that they do not desire to behave more sustainably but when you introduce competing priorities like price and convenience, sustainable behaviours often do not feature in the eventual outcomes. In 2019, ethical spending was just 0.07% of UK consumption, despite 61% of consumers saying that they are likely to switch to a brand that is more environmentally friendly than their current brand. Much of this comes down to personal priorities winning out over social conscience.

The most substantial conflict remains price sensitivity, with 'Affordability first' being the largest Future Consumer segment (33%) as identified in our first report, compared to 'Planet first' representing 18%. Only 22% of affordability first consumers would pay more for sustainably produced products, while 58% of those identified as 'Planet first' would. Another source of friction is authenticity, with many consumers wary of quality and provenance claims.

Generally, for those that do act on their intentions, actions that save money are preferred to those that cost money, with 51% of consumers stating that they mainly take environmental action if it saves money. There are also substantial differences between what we might consider tactical actions and more profound lifestyle changes. Consumers that have leant into vegan lifestyles will have considerably different thoughts than those simply re-using shopping bags, and we are seeing this as a generational shift coming through retail.

sustainably produced products



Would pay more for sustainably produced products.

of consumers put affordability first when buying products. They are the largest Future Consumer segment.

of consumers stated that they mainly take environmental action if it saves money.

A generational divide

With regards to intention and concern, there is not much variance on most 'core' sustainability issues. 65% of Gen Z are concerned to some degree about climate change, compared to 66% of Baby Boomers. The issues where older generations show substantially more concern are 'Plastic Waste', with 79% of Baby Boomers expressing some level of concern compared to Gen Z.

'Marine conservation', showed a similar skew to the elder demographic, 73% compared to 48%. The areas where younger generations demonstrate worry are generally linked to quality of life and working conditions. 74% of Gen Z express concern over human rights, compared to just over half of Baby Boomers, 'Modern day slavery' and 'Wealth inequality' also see similar gaps.

Despite a divide in intention in some areas, younger generations are far more likely to act on their concerns. We asked our sample which actions they had taken over the previous 6 months. 27% of Gen Z and Millennials had checked sustainability credentials for a product or service before purchase, compared to 12% for Baby Boomers and 16% of Gen X.

This also extends to purchasing behaviour, with approximately one fifth of Gen Z and Millennials not purchasing, or purchasing less, from brands which do not do enough to help the environment, compared to just 11% of Baby Boomers. Boycotting is easier than paying a premium, however. Millennials were the most likely to pay a premium for products with sustainable claims on their packaging or advertising, with 17% saying they had done so in the last 6 months, followed by Gen Z at 15%, and Boomers at 9%.

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Good intentions and bad behaviours:

UK consumers say they want to be more sustainable, but are inconsistent in how they apply it.

60%

will pay more attention to the environmental impact of their consumption

25%

prefer household staples to have more packaging to reduce risk

Different generations have diffrent priorities and concerns regarding sustainability and the environment.

Older and younger generations are mostly equally concerned...

66% Baby Boomers

65% Generation Z

are concerned about climate change

Younger generations are more concerned...

50% Baby Boomers

74% Generation Z

are concerned about human rights

Gen Z are more likley to check...

16% Baby Boomers

16% Generation X

27% Millennial

27% Generation Z

check sustainability credentials for a product or service

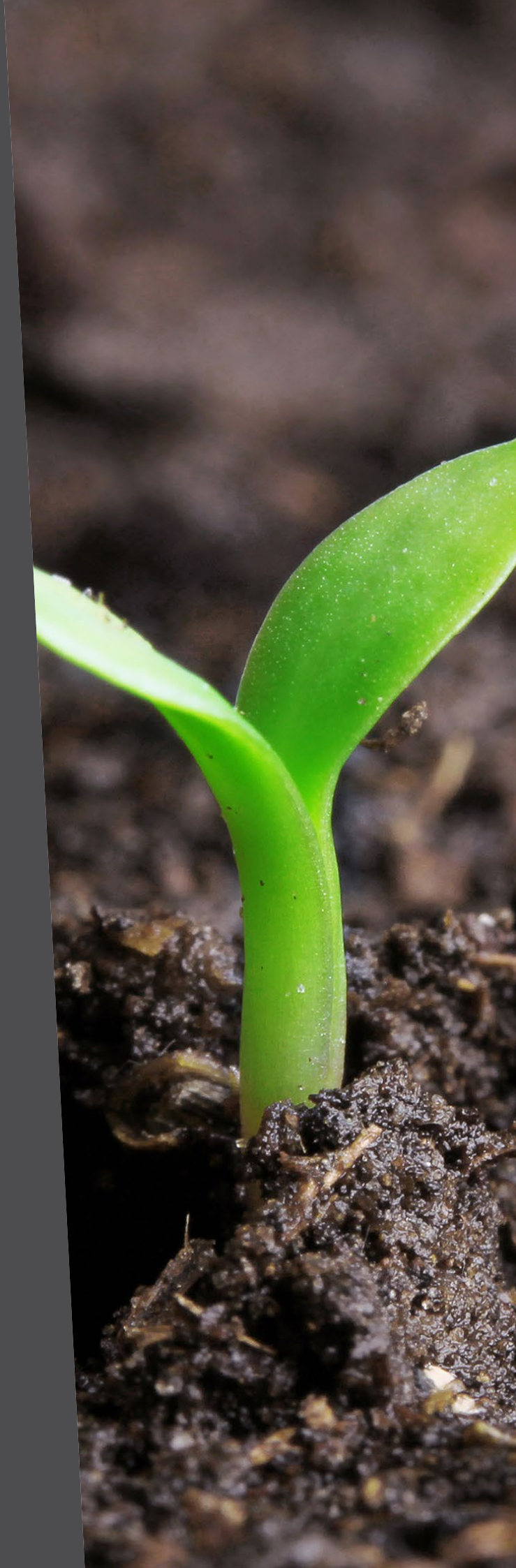
Millennials are more likely to...

9% Baby Boomers

17% Millennial

15% Generation Z

pay a premium for products with sustainable claims



The priorities for retail

We asked consumers for their top 3 sustainability priorities, and although they see these as predominantly environmental, their expectations focus on a wide variety of issues, including responsible production, infrastructure innovation and better working environments.

> The UK tracked above the global and developed economy averages for consumers' willingness to pay a premium for ethically sourced goods, 32% compared to 27% globally and 26% across comparable markets".

The UK tracked above the global and developed economy averages for consumers' willingness to pay a premium for ethically sourced goods, 32% compared to 27% globally and 26% across comparable markets. They also lead the world in terms of re-usable bag use, proving that effective communication of government policies and sector wide adoption can result in real positive change. Recyclability and packaging choices remain the most prominent drivers of sustainable behaviours by consumers, with over 65% stating that the ability to recycle both a product and its packaging are a key purchasing decision. More work needs to be done on last mile and supply chain education, as under 45% of UK consumers consider manufacturing location or freight sustainability when buying an item.

What is stopping consumers: There are gaps in price perception, quality perception and trust that deter consumers from sustainable choices

of UK consumers are deterred from sustainable purchase by high prices

of UK consumers are deterred from sustainable purchase by low quality

of UK consumers are deterred from sustainable purchase by misleading product information

Conclusion

We are continually learning more about the impact we have on the planet, and in our increasingly connected world the pace of that discovery is only likely to accelerate. What is clear is that consumption patterns will have to change to avert the worst possible future outcomes for our planet, and businesses that transition early and in a frictionless way will be better able to navigate whatever evolution that consumer behaviours follow in the years to come.

We are seeing strain in global supply chains, and growing awareness and distrust of globalisation leading to a 'Local first' mentality among many consumers. This has only been accelerated by the recent COVID driven lockdowns and will likely continue as many UK workers shift to hybrid working patterns, as we move forward from our economy unlocking in July. Retailers that can onshore at least some of their production and look to bring localised messaging into their communications.

There will likely be a rise in new business models that promote circular economy principles. Consumers want to have their cake and eat it, living more sustainable lives while also maintaining their current standard of living. One way to achieve this is through a 'Product-as-a-Service' model, and we are already familiar with this being implemented by the likes of B&Q for tool hire and the likes of Moss Bros for formal fashion attire, however the principle can be expanded across many other product sets and as a greater proportion of current product sets.

Finally, retailers are stronger together. Through initiatives such as the BRC's 'Better Retail, Better World', businesses can take collective action to meet the most significant global challenges of the coming decades, including modern slavery and decent working conditions, sustainable economic growth, inequalities, climate change and responsible production. Using the widely recognised United Nations Sustainable Development Goals (SDGs) as a framework, this initiative aims to help retailers ensure that they are meeting their sustainable targets in a transparent and measurable way.

Helen Dickinson OBE, Chief Executive of the British Retail Consortium, said:

"Climate change remains one of the biggest threats to the planet. As we start to recover from the coronavirus pandemic there is no better opportunity to build a greener more sustainable world. As evidenced by this report, the expectations of society are shifting rapidly and greater action from businesses is expected. Retail must lead the way.

The BRC's Climate Action Roadmap aims to ensure theretail industry and its supply chains are Net Zero by 2040 in order to play its part in limiting global temperature rise to 1.5oC above pre-industrial levels. To achieve this, retailers will need to find ways to lower their carbon output from their buildings, logistics and supply chains, as well as support consumers to lead their own lower carbon lifestyle.

We are also creating the Retailer Modern Slavery Protocol through our Better Retail Better World campaign. Many retailers have pledged to embed a policy that no worker should pay for a job, to end modern slavery and promote better working conditions in supply chains. These measures will help ensure both a sustainable future for the sector, but also better choices for consumers in the years to come".

Silvia Rindone, Partner, EY UK&I Retail Lead, said:

"EY's Future Consumer Index has identified a marked shift in how consumers think, act and plan around the topic of sustainability. While there is no doubt that climate change, social and ethical concerns are of ever increasing importance to UK consumers, there is an interesting divergence between sentiment and action. High prices, confusion around product quality and a lack of trust in the sustainability credentials of goods are barriers to purchase. Our index has also identified that consumer expectations around sustainability vary significantly by age, product category and sector. A number of retailers and consumer goods companies have been proactive in their responses and are leading in shaping the agenda around the future of sustainability. However, greater coordination across the industry is needed to align on standards that ultimately will make it easier for consumers to make more informed choices".

The BRC and EY

The BRC and EY are delighted to be working together to bring you the very latest in research into the future consumer. We've created this report exploring EY's Future Consumer Index to help leaders understand and track emerging consumer behaviours and sentiment around the world. Over the coming year, we'll identify the new trends we see emerging – asking which are temporary reactions to changing circumstances, and which point to more fundamental shifts.

About BRC

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.

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About EY

At EY, our purpose is Building a better working world. Consumer products and retail companies are operating in a brand-new order, a challenging environment of spiralling complexity and unprecedented change. Demand is shifting to rapid-growth markets, costs are rising, consumer behaviour and expectations are evolving, and stakeholders are becoming more demanding. To succeed, companies now need to be leaner and more agile, with a relentless focus on execution. EY's global teams enable our worldwide network of more than 44,000 sector-focused assurance, consulting, strategy, tax and transaction professionals to share powerful insights and deep sector knowledge with businesses like yours. This intelligence, combined with our technical experience, can assist you in making more informed, strategic choices and help you execute them better and faster.

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