



Moving Consumers to Sustainable Choices

Insights from the Retail Industry



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Introduction to this Report

As the retail sector works towards an ambitious target to eliminate greenhouse gas emissions, consumers are going to need to go on a significant journey. We have explored how ready and willing they are for this and what it means for the retail industry.

Having spoken directly to thousands of UK consumers, we uncover how aware they are about where their behaviour drives emissions, the actions they have already taken, and how willing they are to change in the future. This places a clear spotlight on where it is going to take an intervention to deliver on the industry target of 'net zero' by 2040 - and where the retail industry needs to both target its action and look for broader support.

This places a clear spotlight on where it is going to take an intervention to deliver on the industry target of 'net zero' by 2040

Summary Findings

- The retail industry has set an important objective of becoming “net zero” by 2040.
- Our research has revealed significant barriers to overcome around consumer awareness and understanding of the issue set and solutions.
- 70% openly admit they don’t really understand the contributors to their carbon footprint.
- Consumers are also not aware of the relative impact that different remedial actions would have on their carbon footprint - overestimating the benefits of every-day actions such as re-using plastic bags, and materially underestimating the impact of the more powerful actions, most notably making dietary changes.
- We currently see low willingness to change behaviour in the areas that will have the greatest impact (dietary changes within grocery and recycle, repair and resale for non-grocery). Our research suggests that on these more difficult actions, greater financial or regulatory incentives will be required.
- These findings pose a tough challenge for the retail industry and will require more significant intervention from both retailers and government to more actively shape behaviour.
- We see four stages playing out over the next few years as we drive towards the net zero agenda:
 1. Firstly the industry needs to decide which are the priority areas to try and drive changes in consumer behaviour in. Alignment on these priorities is crucial - cohesive industry wide action is what will be needed to achieve lasting change.
 2. In the short term the industry then needs to better educate consumers to raise awareness on how these actions will move the dial on their carbon footprint. The BRC can play an active role in sharing best practice and lobbying for clearer policy.
 3. At the same time, retailers need to take stronger actions to really incentivise consumers to change their behaviours in these areas - after all our research has shown that financial incentives will be the most powerful driver of consumer change. The industry must look to find “win win” solutions that save consumers money, benefit the environment, and work for retailers.
 4. Longer term, if such measures fail to make lasting change, this is where the government may be required to step in with tougher regulation (and greater consistency of reporting frameworks) to ensure that consumers change their behaviour in the areas that matter most and the industry can meet its net zero targets.

Understanding the Challenge

Momentum is building at pace to reduce the carbon footprint associated with the retail industry in the UK. The BRC's Climate Action Roadmap represents a coalition of the industry, committed to retail becoming net zero on greenhouse gas emissions by 2040.

The retail sector accounts for almost a third of the UK's greenhouse gas emissions, through products sold to consumers and their associated supply chains. This creates a significant opportunity for the industry to play a meaningful role in helping to reduce the UK's carbon emissions.

But what is really meant by "net zero"? The government defines net zero as when the carbon emitted into the atmosphere is equal or less than the carbon removed from it - this can be both at an individual company or industry level, or for the economy as a whole.

When we think about the sector's carbon footprint, we can talk about three groups of emissions:



Scope 1
Emissions relate to retailer's use of fuel, gas and refrigerators. The ambition is to achieve net zero by 2035.



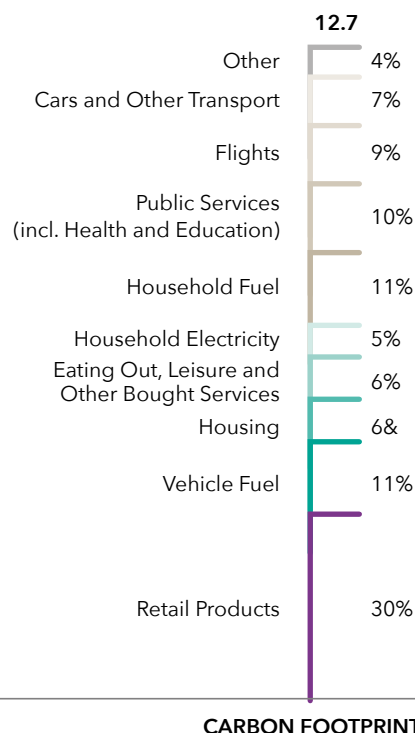
Scope 2
Emissions relate to retailer's electricity use, where net zero is being targeted even earlier, by 2030. Together Scope 1 & 2 account for only 5% of the sector's carbon footprint.



Scope 3
Emissions relate to those associated with products sold in the UK - and accounts for the other 95% of emissions. The ambition is to move scope 3 emissions to net zero by 2040.

RETAIL ACCOUNTS FOR 30% OF UK CARBON EMISSIONS

Carbon Footprint of UK Citizens (tCO₂ per Person per Year)



CARBON FOOTPRINT

Over 60% of the emissions are caused by the grocery sector, with food production processes being a significant carbon contributor

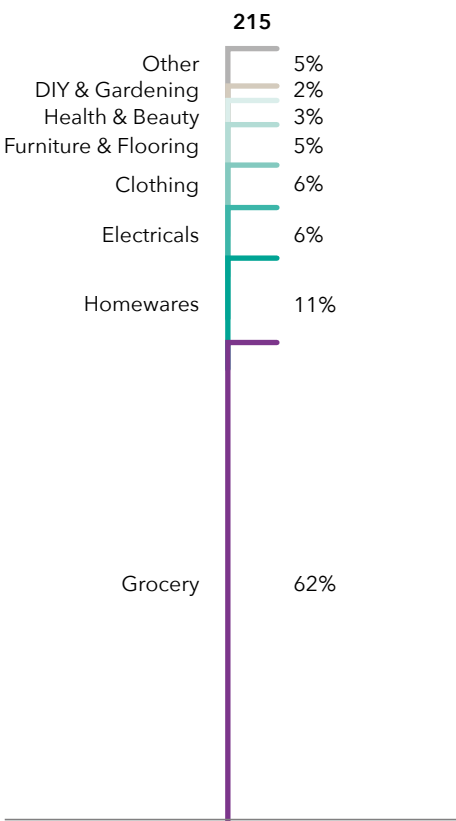
Achieving net zero in Scope 3 represents an ambitious challenge. To materially reduce the footprint of the sector, we will need to find a way to make the production and consumption of retail products significantly more sustainable. Around a third of these emissions are directly attributable to consumers after the point of purchase, through usage of the products. The other two thirds are upstream related to production, logistics and transportation. This includes emissions during farming and food processing to clothing source materials - cottons and oil - and production.

Not all retail sectors are equal contributors in this context. Over 60% of the emissions are caused by the grocery sector, with food production processes being a significant carbon contributor. In particular, the emissions associated with animal rearing are especially high. The balance of emissions between consumers and production also varies significantly by category. In grocery, most emissions are generated in the production of those products, whereas in electricals the bulk of impact is downstream and through the usage of the products being sold.

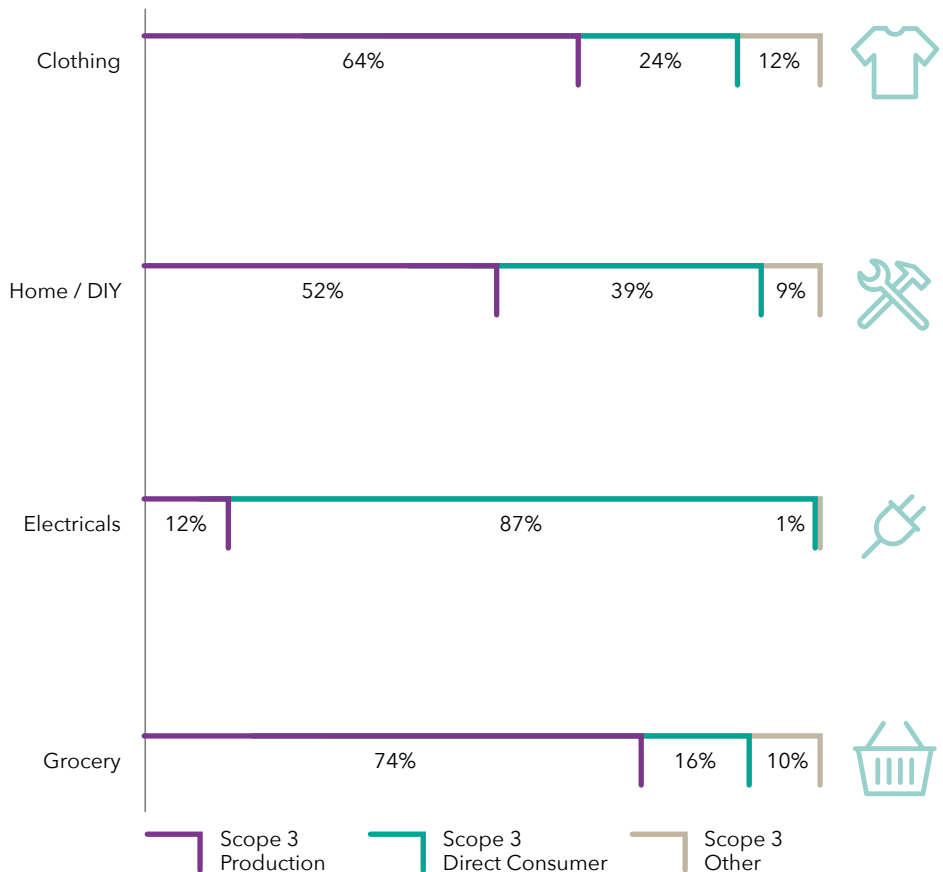
Transformative change will be required to meet the ambitious targets that the sector is setting. Achieving this will hinge on significant behavioural change for both retailers and more importantly, consumers.

GROCERY PRODUCTS ARE THE BIGGEST CONTRIBUTOR TO RETAIL EMISSIONS

Estimated Total UK Retail GHG Emissions by Product (Million tCO2e)



Typical UK Retailers Scope 3 GHG Emissions by Activity (Million tCO2e)



RETAIL GREENHOUSE GAS EMISSIONS

The Consumer Toolkit to reduce Carbon Footprint

Fundamental change in consumer behaviour is needed. We see many actions that consumers could take to reduce the carbon impact associated with their retail behaviour, and although this list is not exhaustive, it is a good place to start. These consumer actions fall into one of 5 categories...



CONSUMER ACTIONS



Diet & Food

- Reduce consumption of red meat
- Reduce consumption of meat products
- Reduce consumption of animal products
- Reduce volume of grocery products purchased
- Choose more sustainably sourced grocery products



Buying Behaviour

- Bring your own carrier bags
- Reduce volume of non-grocery products purchased
- Buy second hand products
- Rent products (e.g. clothes)
- Purchase products based on where and how they are made



Transport

- Travel to store by foot/bike/public transport
- Choose 'green' delivery slots



Waste & End of Life

- Choose products with less packaging
- Take active steps to reduce household food waste
- Return products to retailers to recycle in store
- Repair products rather than replace
- Resell unwanted products
- Recycle at home



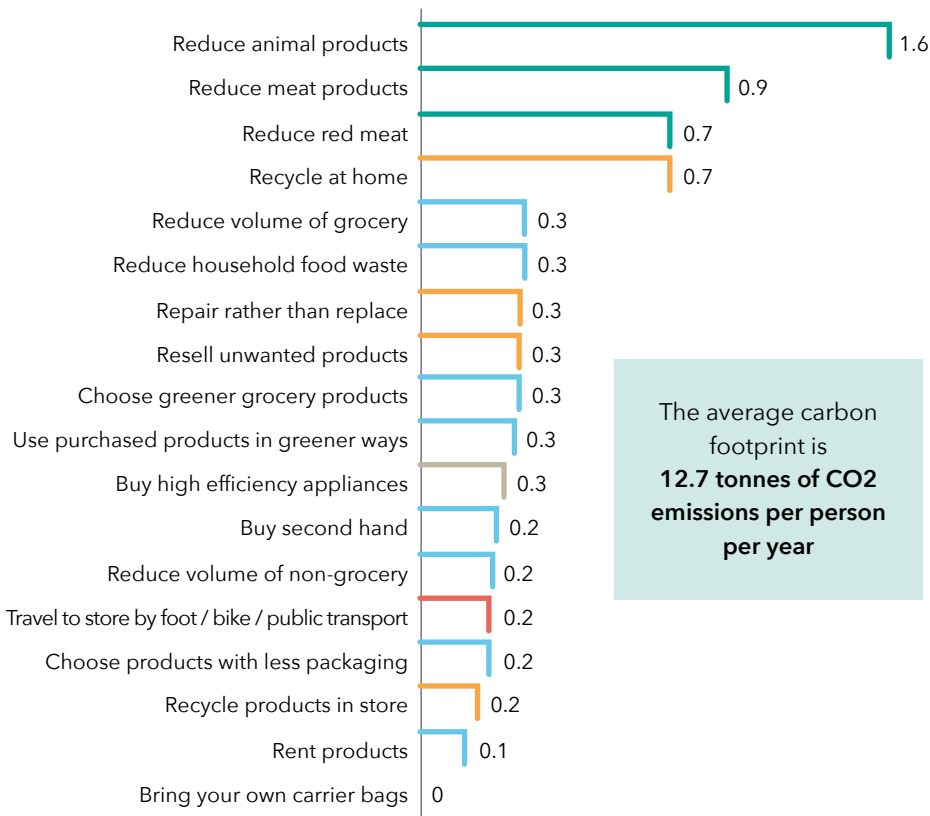
Energy Usage

- Buy high efficiency electrical & home appliances
- Use purchased products in greener ways where possible

█ Grocery
 █ Non-grocery
 █ Other

CARBON IMPACT

Annual impact by Action (CO2 per person, tonnes)



The average carbon footprint is **12.7 tonnes of CO2 emissions per person per year**

The challenge for the industry is ensuring that consumers are changing their behaviour in ways that really move the needle. We have used a wide range of data sources and proxies to assess the carbon emissions impact of each of these actions, aiming to keep our estimates within the low-mid range to account for large variations that can be seen in the estimation methods. The result of this analysis reveals the contrasting levels of impact that these remedial actions can have.

█ Diet & Food
 █ Buying Behaviour
 █ Transport
 █ Waste & End of Life
 █ Energy Usage

The most impactful actions by some distance relate to how consumers can change their diets. This could mean a consumer eating less red meat, or better still less meat products, or better again eat less animal products more generally (including dairy). The impact of changing this behaviour is much greater than the impact of most other actions we have considered. To put this in context, we have analysed what eating one 8-ounce steak (which emits approximately c. 8kg of carbon) would equate to in other activities.

Outside of changing the diets of consumers, there are several actions which have the potential to have a meaningful impact. The top non-grocery actions were consumers becoming more engaged with recycling, repairing, and re-selling products. These actions do not move the dial as much as dietary changes, and so significant progress will rely on the aggregation of small victories - nothing really competes with consuming less (which is not great for the industry!)

TO OFFSET ONE 8-OUNCE STEAK, YOU WOULD NEED TO...



...reuse a plastic bag c. **260** times



...replace a disposable coffee cup c. **480** times



...swap approximately **40** dairy based lattes to plant-based alternatives



...take approximately **20** train journeys in place of short car trips



...replace approximately **50** standard lightbulbs for eco-friendly alternatives



...replace only **1/4** of a bunch of imported flowers with local alternatives





Exploring willingness to **Act**

Having spoken to over 2000 consumers, our findings reveal several challenges around consumer awareness and willingness to change that the industry need to work out how to overcome if we are going to make a meaningful reduction in our carbon footprint.

Consumers have limited awareness and are focusing their time on virtuous, but ultimately low impact initiatives

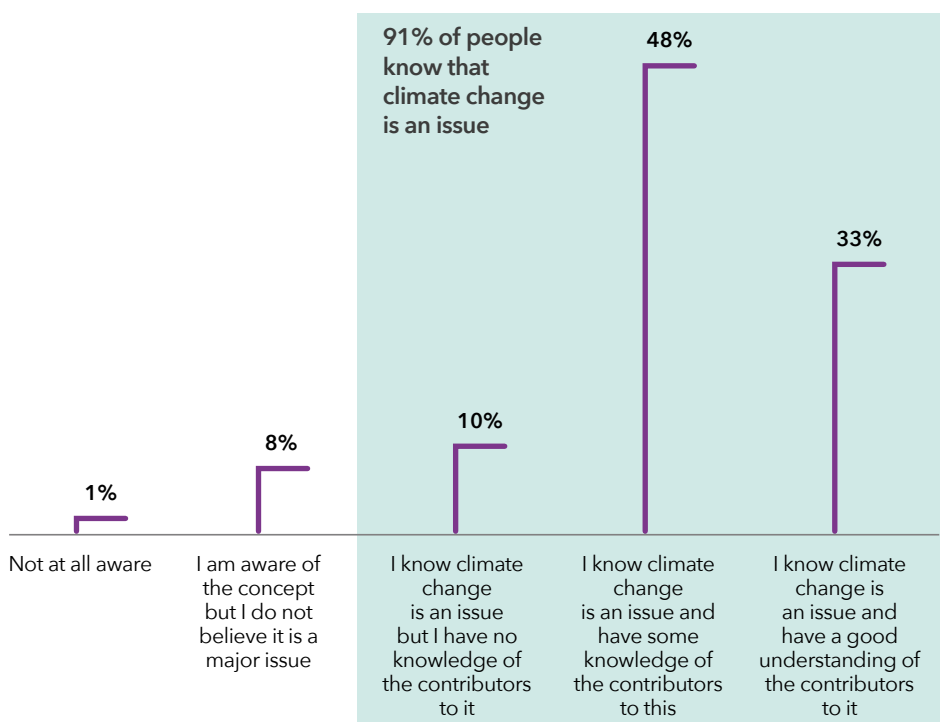
Nearly all consumers know that climate change is a major issue facing our society (although a surprising 10% did not), however, nearly 70% openly admit they do not know the main contributors.

This is not restricted by age or income level - all segments of the population are operating with limited information.

Due to this imperfect information, consumers in general believe that most remedial actions have a similar level of carbon impact. Although this may be influenced by the various other environmental benefits some of the actions have, this equal impact is far from the case as we have seen in previous chapters. This misconception has led to consumers prioritising actions that have a lower impact when considering their carbon footprint alone.

ONLY A THIRD OF CONSUMERS SAY THEY HAVE A GOOD UNDERSTANDING OF CLIMATE CHANGE CONTRIBUTORS

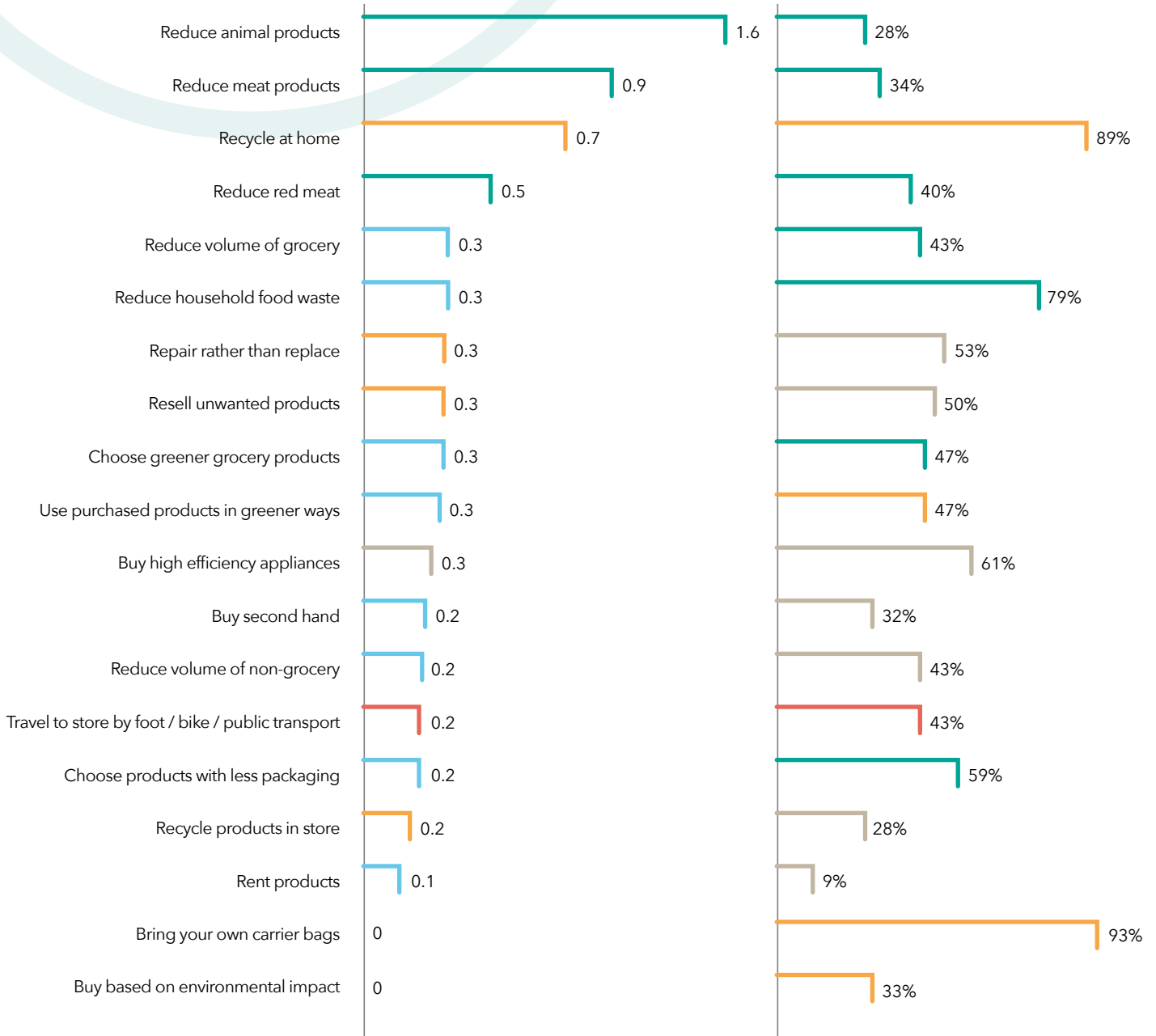
(% of Respondents)¹ N = 2,013





ANNUAL CO2 IMPACT PER ACTION (TONNES, PER PERSON)

% CONSUMERS WHO OFTEN PERFORMED THE ACTION



└ Diet & Food
 └ Buying Behaviour
 └ Transport
 └ Waste & End of Life
 └ Energy Usage



Addressing this information disconnect across all areas will be a significant barrier for the industry to overcome and will require educational measures from both government and retailers to achieve net zero targets.

Of the 20 actions we tested with consumers, bringing your own carrier bags was believed to be the second-best action for carbon reduction, with over 93% of those surveyed often doing this. By contrast, the actual carbon impact of using your own carrier bags is more limited. Although the initiative has positive impacts in other areas (for example, wider environmental benefits such as reducing landfill waste) the resulting carbon impact remains minimal and focusing on areas such as this will not be much help on the path to net zero.

Reducing consumption of animal products was perceived to be a 'middle of the road' action - similar in impact to using products in greener ways or choosing responsibly sourced grocery products. This translates to only 28% of those surveyed currently doing this, despite its significant impact on carbon.

By contrast recycling was the one action where consumers perception that it had a high impact on carbon held true and nearly 90% of consumers are carrying this action out. This perception is in part due to the emphasis of the benefits of recycling in recent years across industries, showing

how industry focus in the right areas can lead to beneficial changes in consumer behaviour.

Addressing this information disconnect across all areas will be a significant barrier for the industry to overcome and will require educational measures from both government and retailers to achieve net zero targets.

Changing **consumers attitudes** to adopting the more sustainable practices will be a necessity in creating lasting change.

People are less willing to change behaviour in areas where it will move the dial

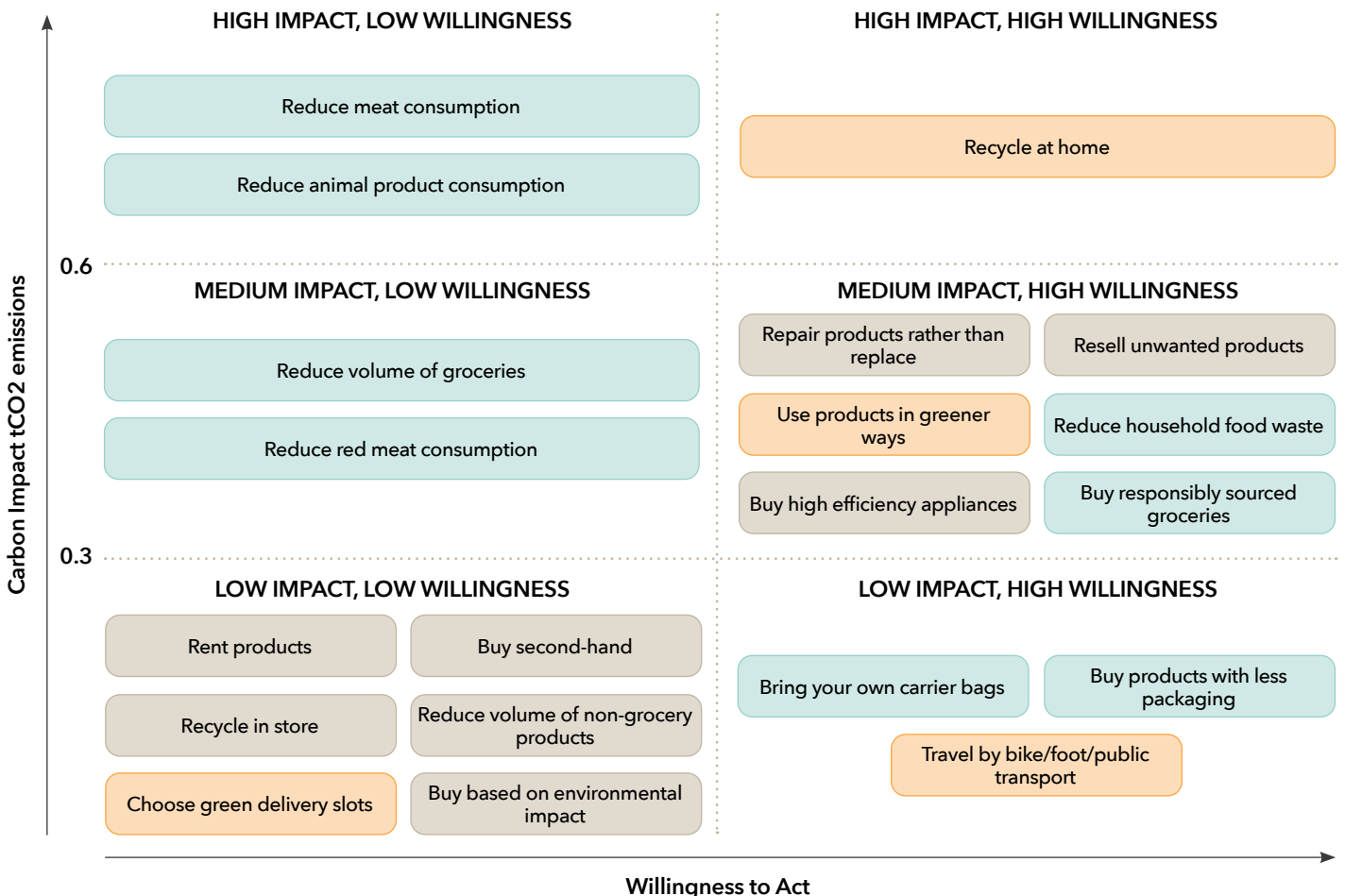
Further to this information barrier, we also see a lower willingness amongst consumers to change behaviour in the areas that will have the greatest impact.

There are a very limited number of actions that have both a high impact and high consumer willingness, and the highest impact actions (dietary changes) were seen to have amongst the lowest willingness of all the actions surveyed.

The strongest barriers to this were the perceived increased cost of doing the action vs current habits, as well as a general lack of motivation.

However, there was some good news in that the most impactful non-grocery actions were seen to have a high willingness, which could mean that promoting more sustainable practices in these areas may be an easier feat.

CONSUMERS ARE LESS WILLING TO ACT ON THE HIGHEST IMPACT ACTIONS

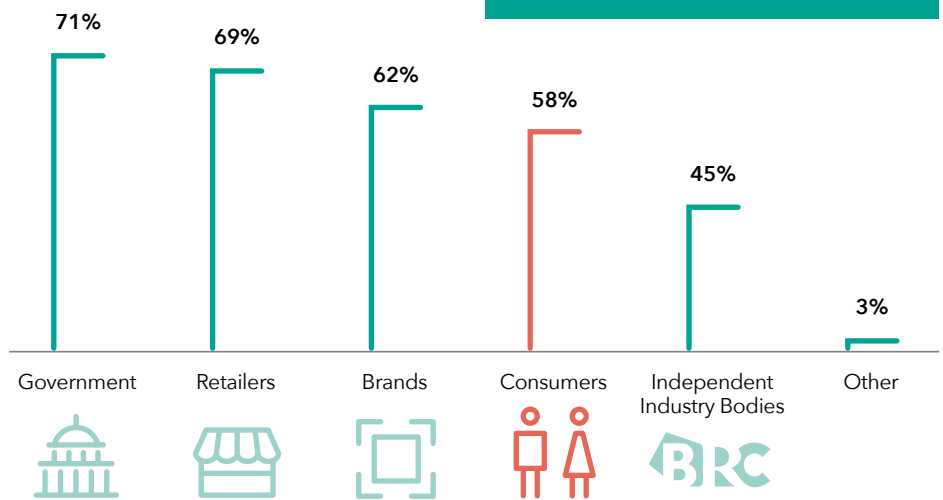


There is also a wider accountability challenge

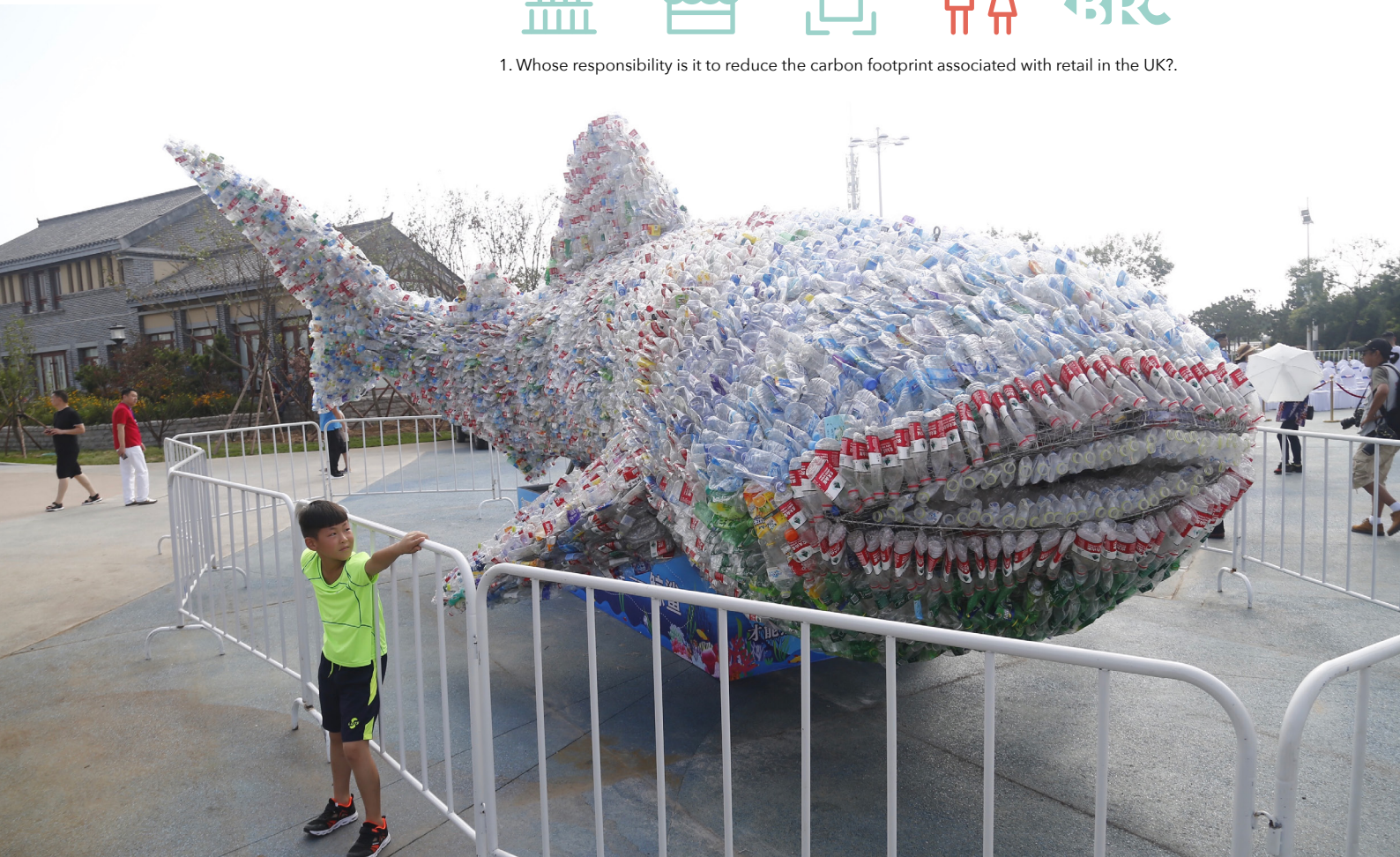
The industry also faces a challenge around accountability. Whilst consumers are willing to take responsibility for reducing their carbon footprint, generally consumers believe they are less accountable for resolving these issues than government or retailers are. Addressing this attitude to make consumers feel more like they have the power to make a change may help to encourage quicker and longer lasting adoption of carbon reducing.

PERCEIVED RESPONSIBILITY FOR REDUCING RETAIL CARBON FOOTPRINT (% all Respondents)¹

Takeaway: Overall, government, retailers and brands are considered more responsible for reducing the UK's retail carbon footprint than consumers



1. Whose responsibility is it to reduce the carbon footprint associated with retail in the UK?.



The Way Forward

To shine a light on the path towards net zero, we have considered what is really required to change behaviour in a meaningful way. We see four stages of play going forward, which help to make some important conclusions on what action is required from retailers:



1

Firstly the industry needs to decide which are the priority areas to try and drive changes in consumer behaviour in. Alignment on these priorities is crucial – cohesive industry wide action is what will be needed to achieve lasting change.

2

In the short term the industry then needs to better educate consumers to raise awareness on how these actions will move the dial on their carbon footprint. The BRC can play an active role in sharing best practice and lobbying for clearer policy.

3

At the same time, retailers need to take stronger actions to really incentivise consumers to change their behaviours in these areas - after all our research has shown that financial incentives will be the most powerful driver of consumer change. The industry must look to find “win win win” solutions that save consumers money, benefit the environment, and work for retailers.

4

Longer term, if such measures fail to make lasting change, this is where the government may be required to step in with tougher regulation (and greater consistency of reporting frameworks) to ensure that consumers change their behaviour in the areas that matter most and the industry can meet its net zero targets.

What actions does the retail industry want to double down on?

The first important step the industry needs to make is which actions it will focus its efforts on and what will be the most efficient way to achieve net zero.

We see encouraging dietary changes in some form as a key pillar in the way forward, due to the sheer size of carbon contribution. However, there are stronger barriers here in terms of consumer willingness to change when compared to other actions, and so represents one of the more difficult battles and one that non-grocery retailers are omitted from altogether.

For this reason there also needs to be an array of non-diet related actions that are adopted in parallel to help the industry achieve net zero. There will be merit in the accumulation of small victories in the areas where consumers are more willing to change, such as retailers providing more opportunities to recycle products and assisting consumers in their ability to repair and resell.

Deciding on how to approach this path forward is the critical first step the industry will need to take to ensure it is set up for future success at achieving net zero.

Making these actions attractive to consumers

THE INTERVENTIONS AT OUR DISPOSAL

Once a firm path forward has been determined in terms of what actions the industry wishes to prioritise, we see four main types of intervention that can incentivise changing consumer behaviours:



Financial Incentives

Use financial discount or incentives on greener products, and rewards green behaviour to drive meaningful and consistent behavioural change



Education

Drive awareness and understanding by providing consumers information about their footprint and the impact of their choices



Enforcement

Mandated changes that will force consumers to change behaviour and adopt more sustainable practices



Social Pressure

Use social perception to nudge consumers to drive good behaviour

We see encouraging dietary changes in some form as a key pillar in the way forward, a cornerstone in the path to net zero due to the sheer size of carbon contribution.

Different parties can play a role in each of these, and the first step will be retailers using these incentive measures to encourage consumers to make more sustainable choices. Incentivising consumers to act sustainably is likely to yield the most win-win-win situations for retailers, consumers, and the environment, and so succeeding here may be paramount to avoiding harsher intervention measures further down the line.

Across all consumers surveyed, 83% stated that financial incentives/discounts would encourage them to change behaviour (the highest of all the actions surveyed) with education being the next best measure at 79%. This varied by age; **young people (aged 35 and below) were far more influenced by financial measures than any other policy** and those aged 55+ were most responsive to educational measures.

Our research also highlighted which consumer groups will be most open to change. Younger age groups most commonly perform the actions identified and have the highest willingness to change, especially around dietary actions. The willingness to change behaviour across all actions, but most significantly dietary changes, reduces significantly with age - those aged 65+ are the least willing to adopt new behaviours overall.

In the short-term, retailers are in good positions to be able to use a combination of educational measures and incentives to drive consumer behaviour towards sustainable choices. Realistically, no amount of interest in the environment is going to trump concerns about price and value immediately - although win-win-win situations can be achieved that have money saving benefits for consumers as well as driving the net zero agenda.

We have already seen non-grocery retailers make significant steps in the right direction; M&S, Schuh, and H&M all offer vouchers when old clothes and shoes are recycled instore; Hunter offers a 15% discount when you exchange old Hunters for a new purchase (and old boots and recycled to make playground surfaces); MAC offers a free lipstick if you take six used items into store; and resale platforms such as Mulberry have exchange and renew initiatives that promote increased longevity of products, particularly for high-end goods.

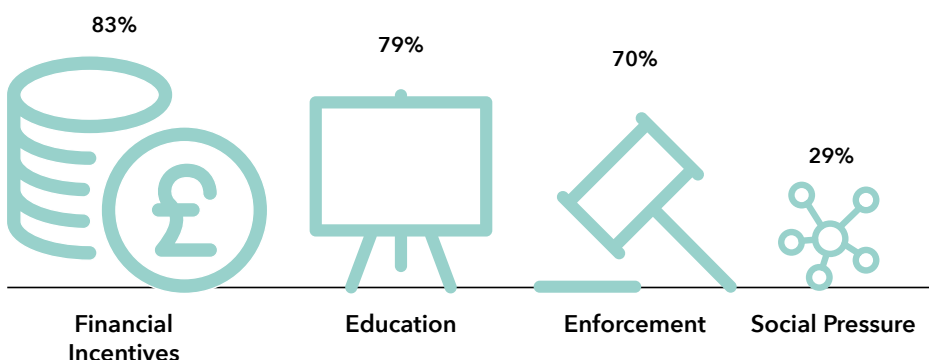
These initiatives are a great starting point and need to be built upon across the whole industry as we progress on the path to net zero.

Further action may be required in order to invoke all the changes necessary

As we have seen previously above there are some instances where consumers are far less willing to change their behaviours than others. This creates situations that may require a tougher stance from both retailers and the government. In these scenarios, retailers should aim to be a first mover by adopting a tougher stance to help push through change that the incentives alone cannot, such as financial incentives. These may represent difficult business decisions to make but will be an important part of ensuring retailers are able to maintain progress in the long run.

If retailers are not able to push consumers to make enough change, the government may take the view that to deliver on its promise and eliminate the 30% of household greenhouse gases it contributes, a level playing field needs to be reset on its behalf. This could create a strong mandate for government intervention, like that which we have seen them take before, in the plastic bag charge and more recently the high fat, sugar and salt legislation.

WHAT INTERVENTIONS WOULD GET YOU DO THIS ACTION ON A REGULAR BASIS?



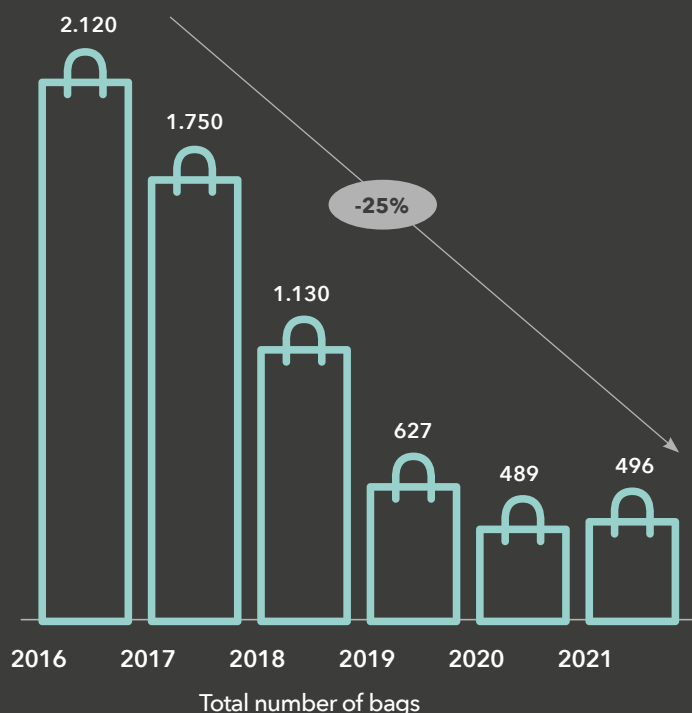


CASE STUDY

Carrier bag charge

In 2015, the UK government introduced regulations that required large retailers to charge a minimum of 5p per single-use plastic carrier bag, ending the common practice of bags being freely available. This measure was introduced to discourage excess usage due to the environmental cost associated with single-use plastic; namely the time taken for it to biodegrade (around 300 years) and the pollutant effect it has during this time. The charge was later increased to 10p and required for all businesses, with coinciding reporting requirements to track the number of bags and proceeds from the initiative.

UK SINGLE-USE PLASTIC BAG SALES BY LARGE RETAILERS



This intervention led to a sharp reduction in the number of single-use plastic bags sold by retailers as consumers are incentivised to bring their own re-usable bags to store. The measures have also encouraged some retailers to adopt additional sustainable practices, e.g. Morrisons moved to paid paper bags instead of plastic and Ocado offer cash incentives to customers if they return plastic bags to drivers for recycling.

This case study shows the power of government intervention on directing consumer behaviour (even if there are more powerful places to aim it at when tackling carbon contribution).

Whilst these interventions have been beneficial in reducing plastic bag usage and limiting fat, sugar and salt content within foods, such measures create a large regulatory and financial burden on retailers and consumers alike.

We see these measures as an unavoidable reality if the retail industry is not able to enact enough change in its carbon output to achieve net zero on its own. To avoid this, the industry needs to work cohesively to lay a clear path towards net zero that will create significant change on its own, without the need for further intervention.

This case study shows the power of government intervention on directing consumer behaviour ...

Closing Thoughts

Having spoken directly to thousands of UK consumers, we have understood the level of awareness, understanding and engagement they have in addressing the carbon footprint associated with their retail industry. This research has elevated several challenges that the industry will need to face into.

The scale of change required is sufficiently large that we don't believe consumers will get where we need them to make lasting change on their own. Particularly given the major frontier lies from changing diets, where there is less willingness to change behaviour. Here we see signs that consumers will require more active incentivisation from retailer and government to allow the industry to reach carbon neutrality.

The goal of net zero is ambitious, but not unachievable if the industry is successful in driving real behavioural change in consumers. We see four stages playing out over the next few years as we drive towards the net zero agenda:

1. Firstly the industry needs to decide which are the priority areas to try and drive changes in consumer behaviour in. Alignment on these priorities is crucial - cohesive industry wide action is what will be needed to achieve lasting change.
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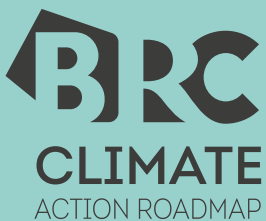
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