

SUSTAINABILITY

Consumers, brands must meet halfway to propel sustainable models: IBM

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Consumers are looking to companies to be transparent about sustainable practices. Image credit: IBM

By NORA HOWE

While sustainability is entering a threshold of standard business practice, protecting the bottom line is still of utmost concern and some company leaders are skeptical of the profitability of planet-first approaches.

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According to a [recent IBM survey](#), however, 51 percent of consumers admitted that environmental sustainability is more important to them now than it was one year ago. Wasteful business models are certainly less expensive than their conscious alternatives, so for businesses to successfully balance sustainability and profitability, consumers must be willing to put their money where their mouths are.

"Historically, sustainability had been seen as a luxury good," said Sheri Hinish, global lead of [IBM Consulting Sustainability Services](#), Washington, D.C. "Ecofriendly products tended to be more expensive, and for many, saying yes to those products meant saying no to something else.

"So when forced to make a trade-off between affordability and sustainability, consumers typically prioritized their pocketbooks," she said. "But, their mindsets are shifting, and consumers are now weighing convenience and cost efficiency against the existential need to preserve the planet for future generations."

In February 2022, IBM surveyed 16,349 consumers across Brazil, Canada, China, France, Germany, India, Mexico, Spain, the U.K. and the U.S. The survey was designed to explore how perspectives of environmental sustainability have changed since 2021, which consumers are taking action in their personal lives and the obstacles preventing them from doing more.

State of sustainability

In addition to being generally more concerned with environmental issues, 49 percent of consumers pay a premium for products branded as sustainable or socially responsible.

That being said, these consumers are still finding challenges that often prevent them from making better choices while shopping. More than four in five say a combination of better product quality, better value and more information on impact would influence them to buy more sustainable products.

IBM suggests that consumers want a full range of environmentally friendly options, with differences clearly communicated, so that they can make the impact and investment that works for them.



To attract private investors, companies must disclose how environmental changes are affecting their business. Image credit: IBM

To reach net-zero emissions by 2050, annual clean energy investment alone will need to more than triple by 2030 to about \$4 trillion, significantly lifting global economic growth.

More than half of consumers and nearly 66 percent of investors agree that climate risk impacts financial risk and that the return on investment in environmentally sustainable companies will be higher than that of other companies over the next 5 years.

And while consumers urge companies to make sustainable changes, only 27 percent trust corporate statements, as greenwashing has become a prevalent issue in brand marketing.

More than two-thirds of personal investors say they think they can make a more positive impact on the environment by investing in the sustainability of their home and travel than by investing in company shares or bonds.

Companies that want to attract more funds from conscientious investors must consider the confluence of money, time and information. While financial concerns, such as initial costs and the cost over time, top the list of barriers, 70 percent of private investors cite other issues.

"There is a short-term cost to investing in sustainable strategies, but most companies do understand that there is a larger long-term gain, and holistically, it is about more than cost alone," Ms. Hinish said. "Challenges such as not knowing where to begin, setting the right goals, not having the technology and services in place to implement, being able to measure progress and getting stakeholder buy-in can cause as much, if not more, wariness as the short-term cost."

Forty percent say they do not have enough time to research and implement more sustainable investments, while 18 percent say information is unclear, unavailable or nonexistent.

IBM suggests that companies should clearly communicate the financial and environmental returns of their initiatives as it could attract purpose-driven investors.



Nordstrom is the first major U.S. retailer to offer a recycling program for all brands of hard-to-recycle beauty packaging. Image courtesy of Nordstrom

Further, 77 percent of consumers want more sustainable choices at home. This number increases to 92 percent among those who are highly committed to sustainability a group IBM deemed as "people + planet guardians."

Despite their passion for protecting the planet, however, these consumers still face obstacles when it comes to taking concrete action.

Based on the survey, there was a discrepancy in how people perceived the ease of activity and actually doing it. Roughly 40 percent of "people + planet guardians" find it easy to recycle products, compost food waste and recycle electronics; however, far fewer are actually engaging in those practices.

Low-carbon transportation

As consumers strive to decrease their carbon footprints, travel and transportation companies are investing in innovative technology centered on decreasing carbon emissions.

Nearly 35 percent of consumers have stopped using personal cars that run on gasoline, or use them less due to environmental concerns.

Electric vehicles (EVs) have also made significant headway, with nearly 40 percent of consumers traveling by private electric car at least once per month last year a number that increased to 71 percent in China.



Bentley will produce its first EV in the U.K. Image courtesy of Bentley Motors

Brands themselves are going full throttle on electrification strategies, too.

British automaker Bentley Motors launched its Beyond100 strategy in 2020 with the goal of becoming exclusively electric and carbon-neutral end-to-end by 2030. Earlier this year, it accelerated this strategy when it confirmed the U.K. production of its first EV.

Starting in 2025, the marque will launch a new electric model each year as it transforms its entire portfolio. Bentley is committing to investing 2.5 billion pounds, or \$3.38 billion at the current exchange, on sustainability over the next decade, as it designs, develops and produces its first battery-electric vehicle at Crewe ([see story](#)).

Similarly, Jaguar Land Rover recently published its 2030 sustainability goals, which includes reducing greenhouse gas emission across its operations by 46 percent in the next eight years.

Approved by the Science-Based Targets initiative (SBTi), this goal underscores the company's journey to a 1.5 C

emissions reduction in concurrence with the Paris Agreement. Jaguar Land Rover also plans to cut average vehicle emissions across its value chains by 54 percent ([see story](#)).

"In 2021, the automotive industry saw 6.5 million EVs sold, with 3.2 million sold in mainland China, 2.3 million in Europe and over 500,000 were sold in the United States," IBM's Ms. Hinish said. "Consumer purchasing and travel behaviors show that consumers are ready to make more sustainable change when it comes to their automobiles.

"As a result of this shift, we have heard from a number of our clients in the automotive industry that they are looking for ways to reduce the cost of EVs without sacrificing product quality or brand reputation," she said. "With 30-35 percent of the cost of today's EVs is related to the battery, a reduction in production costs could mean a reduction in costs for environmentally-conscious consumers."

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