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CONSUMERS have come to expect more from brands and retailers. They demand better value, higher quality, more convenience and, increasingly, expect businesses to meet sustainability standards.

Numerous studies have shown that consumers are becoming more aware of the severity of the ongoing environmental crisis and want their brands to have similar priorities.

A study by IBM last May found that nine in 10 global consumers say Covid-19 has affected their views on sustainability. And in 2022, roughly four in five consumers say sustainability and health and wellness benefits are important to them when choosing a brand.

They say they are willing to pay a significant premium for products that align with their priorities and 50% of consumers claim that they would pay more for sustainable brands.

However, consumers may not always walk the talk.

While 62% of consumers say they're willing to change their purchasing habits to reduce environmental impact, these claims are somewhat aspirational.

IBM found that there is a significant gap between what consumers say they are willing to do and how they actually spend their money.

"Less than one-third (31%) say that sustainable or environmentally responsible products made up most or all of their last purchase. This 'intention-action gap' has been observed in many recent studies, highlighting a consumer need that hasn't yet been effectively met," shares IBM Consulting partner and sector leader for consumer goods, retail, travel and transport Charu Mahajan.

Many tend to forget this intention upon entering stores.

This makes it difficult for businesses to navigate consumer demand as they may have incurred additional cost to meet sustainability criteria. Already, they are dealing with a whole host of other challenges including rising costs, labour shortages and supply chain disruptions.

And if customers are not necessarily paying for sustainable products, businesses – particularly smaller retailers with tighter margins – may have to bear the brunt of this "intention-action gap".

Nonetheless, Charu opines that companies cannot afford to ignore the call for sustainable or greener labels.

"The trifecta of cost, convenience and value has historically driven shopping behaviour amongst consumers. But this foundation shifted during the pandemic.

"Purpose-driven consumers – people who choose brands based on how well those brands align with their values – now represent the largest segment (44%) of global consumers across all major product categories, followed by the value-driven consumers at 37%," she says.

For consumers to shop more sustainably, especially in the emerging economies of South-East Asia, it comes down to the basics: price, quality and selection.

In Malaysia, Charu notes that consumers display high levels of environmental awareness but show moderate outcomes in pur-

# Managing a tightrope

## Businesses can capitalise on consumer demand by marrying affordability and sustainability

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Charu Mahajan



chasing green products.

While some supermarkets are finding ways to change the attitude of consumers through efforts such as reducing plastic usage or promoting the use of electronic methods, local consumers have raised concerns about finding green items, which can be expensive in some supermarkets.

"Evidence suggests that the difficulties in finding stores that sell green products, as well as the products' comparatively high prices, encourage consumers to overlook the benefits of such items.

"This creates a valuable opportunity for retail and consumer product companies. If they can make it easier and more affordable to shop sustainably without sacrificing quality, they can capitalise on consumer demands while also protecting the planet," she says.

This, she adds, mostly boils down to making the right choices when it comes to vendor selection.

As sustainability is mainly affected along the supply chain, there are opportunities for SMEs to select the right business partners that can help them meet consumer needs while balancing their other cost requirements.

Some of the considerations that small businesses should bear in mind when forging partnerships in this regard is to identify and ensure that partners' values align with theirs. There must be stronger incentives behind wanting to partner on the sustainability agenda rather than merely to jump on the bandwagon.

Companies should also prioritise their sustainability focus in areas where their consumers are most willing to engage with them. Therefore, they should look at partnerships

that can help them develop practical and easy to implement solutions.

"Also, have a champion or trend-setter as a partner. Your partners have to be more than a collaborator. They should have a well-defined stand on sustainability and should be able to generate momentum with consumers, the industry, non-governmental organisations and, even, the government.

"Your partner should also help solve the problem with you. This means that they need to double down on the vision, resources, education, technology, and communication needed to drive your sustainability agenda and together solve a sustainability challenge in the market by engaging the community of consumers, governments, or special interest groups."

On their own, SMEs should also aim to reduce their use of energy or switch to renewable energy, proactively source for sustainable raw materials, implement recycling programmes, encourage employees to adopt sustainable business practices and obtain green business certifications.

Charu points out that small businesses have the advantage of building more personalised relationships with their customers and partners by leveraging on the sustainability agenda.

They can quickly find ways to creatively showcase sustainability efforts or communicate their values by engaging directly with the local community or consumers that they serve.

A recent report from Kantar found that, over a 12-year period, brands with a perceived positive sustainability impact have grown in brand value faster than those with a

low perceived impact.

And SMEs should seize this opportunity to realign their supply chains and build partnerships that will bring them further even as companies are in the midst of reorganising their operations to prepare for the post-pandemic market.

"Small businesses can make a big impact and consumers and customers respond well to companies that choose to place value on the planet and people instead of pure profit, especially since millennials – one of the most socially conscious buying groups – are increasingly driving the market," says Charu.

She also encourages SMEs to establish clear standards, make sustainable shopping easier, appeal to consumers' personal preferences and go beyond the product.

"Consumers are looking for ways to improve their own lives as well as protect the environment. Brands can make sustainable choices more appealing by playing up the health and wellness benefits of their products.

"Good for the planet, good for me' is an easier sell than sustainability on its own.

"Consumers are also looking for multiple ways to align their purchases with their values. Help close the 'intention-action gap' by making it easier for them to understand how a given product supports sustainability, including the environmental impact of fulfilment, transportation, and packaging."

For example, courier and logistics companies can offer differentiated delivery timelines and fees to end-users. Consumers who opt for longer delivery timings linked to lower carbon footprint will get to pay lower than those wanting more expedited delivery timelines that might have a higher carbon footprint.

Such options make it easier for consumers to understand the impact of their decisions on the environment and the cost associated with making more sustainable choices.

Roughly one in five consumers want more information about what makes products sustainable; where these products are sourced, produced, and manufactured; how to re-use, return, or recycle them; their health and wellness benefits; as well as how their purchase will contribute to social responsibility or environmental sustainability.

"In short, consumers want to know their choices are making a difference. And they're willing to reward the companies that help them connect the dots.

"With clear, trustworthy information at their fingertips, consumers are better positioned to make more sustainable purchases. And companies that help shoppers understand their environmental impact will have the chance to build loyalty with a new generation of conscientious consumers," says Charu.