



Building a better
working world

The next frontier of sustainable choices

EY Sustainability Study
Consumer and business perspective

2023 insights report

Research objectives

Human expectations and desires have always evolved along with society – at times pushing society forward with greater demands and higher expectations. And at times, it is society pulling people into a new reality. Businesses who can get ahead of the curve to anticipate the impact of these societal changes on consumer behaviors will be positioned to thrive over the coming decade. Through this study, we shed light on a giant gap between consumer desires to act more sustainability and their ability to do so. We also explore the gap between what businesses wish they could do and what they feel empowered to do. These gaps create a trust deficit that can only be addressed by furthering our understanding of the underlying causes and barriers.

Focus areas for learning

- ▶ Examine the erosion of trust and better understand consumer dynamics, specifically digging in to understand sustainability and environmental, social and governance (ESG) factors.
- ▶ Seek to understand how consumer-facing businesses can close the moral gap that exists between consumers’ actions and expressed intentions.
- ▶ Focus on the US initially, because US consumers and citizens have one of the world’s lowest levels of trust in the world.

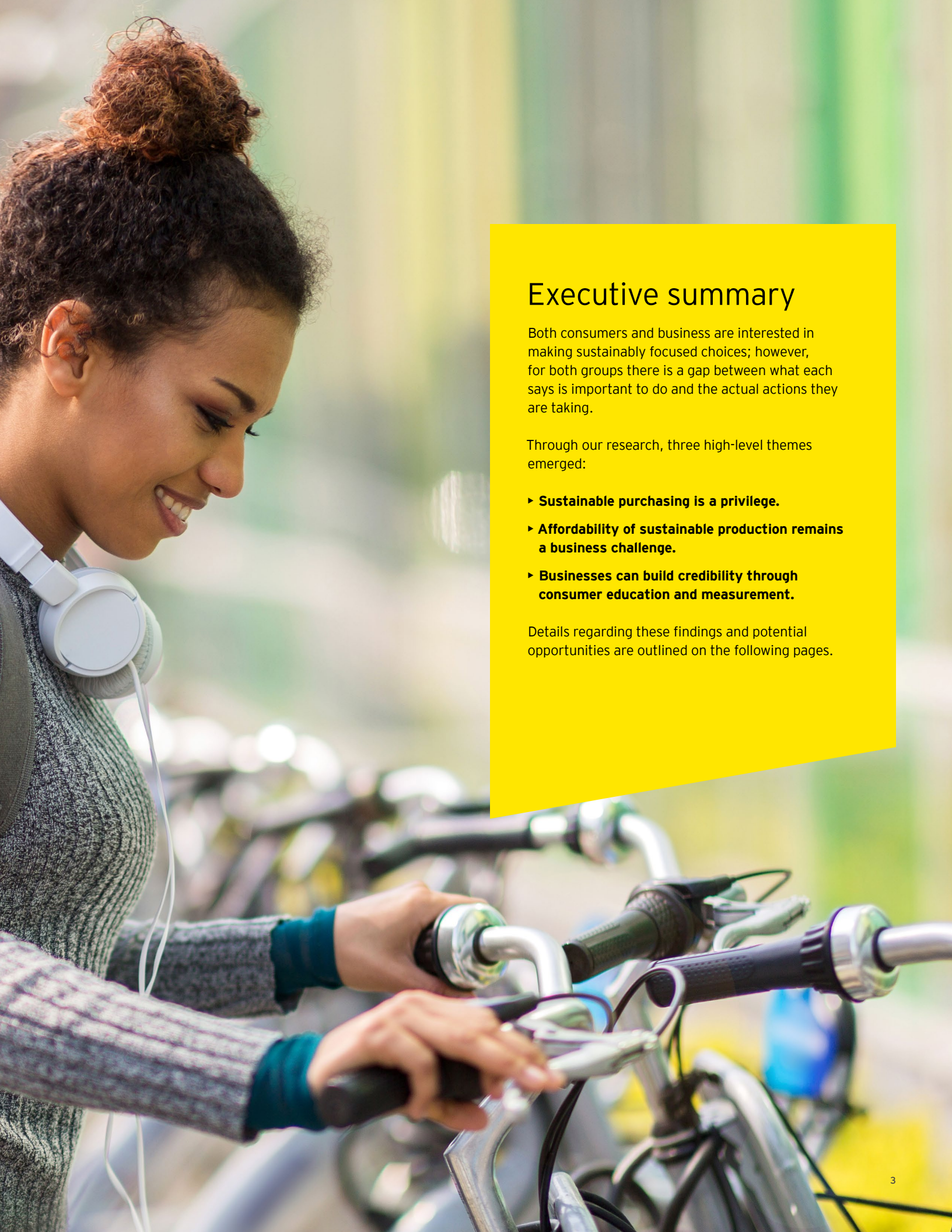
Methodology

In June and July 2022, Ernst & Young LLP surveyed a total of 400 small and medium-sized US businesses and 5,000 US consumers across varied demographics like generations, income groups, primary locations, business sizes and ethnicity.

Generations (birth years)	Income (consumer)	Business size
Gen Z:* 1997-2007	Low income: ▶ <\$5,000 ▶ \$5,000-\$50,000 ▶ \$50,001-\$100,000	Tier 1: 1,000-1,500 employees
Millennials: 1981-1996	Middle/medium income: ▶ \$100,001-\$500,000 ▶ \$500,001-\$1m	Tier 2: 500-1,000 employees
Gen X: 1965-1980		Tier 3: 100-499 employees
Baby boomers: 1946-1964	High income: ▶ \$1,000,001-\$5m ▶ >\$5m	Tier 4: 11-99 employees
Silent generation: 1928-1945		

* Only adult Gen Z (18+) participated in this survey.





Executive summary

Both consumers and business are interested in making sustainably focused choices; however, for both groups there is a gap between what each says is important to do and the actual actions they are taking.

Through our research, three high-level themes emerged:

- ▶ **Sustainable purchasing is a privilege.**
- ▶ **Affordability of sustainable production remains a business challenge.**
- ▶ **Businesses can build credibility through consumer education and measurement.**

Details regarding these findings and potential opportunities are outlined on the following pages.

Sustainable purchasing is a privilege

Those already burdened by social inequities are also disproportionately impacted by climate change

Consumers, notably high-income groups and younger generations, care about sustainability, but say transparency and affordability are major barriers to actually *buying* sustainable products.

- ▶ 76% of high-income consumers say they care about purchasing goods from businesses that align to their values, while only 54% of low-income consumers state that they care.
- ▶ 74% of high-income consumers say they always/often shop with companies that align with their values around environmental and social issues, while only 53% of low-income group state the same.

Young and affluents are more likely to seek sustainability-related information.

- ▶ On average, 64% of high-income consumers say they always/often look for information on a company's values from one of the sources (product page, company website, product packaging, etc.), while only 27% of the low-income group reports doing so.

Trust factors are fragmented across demographic groups.

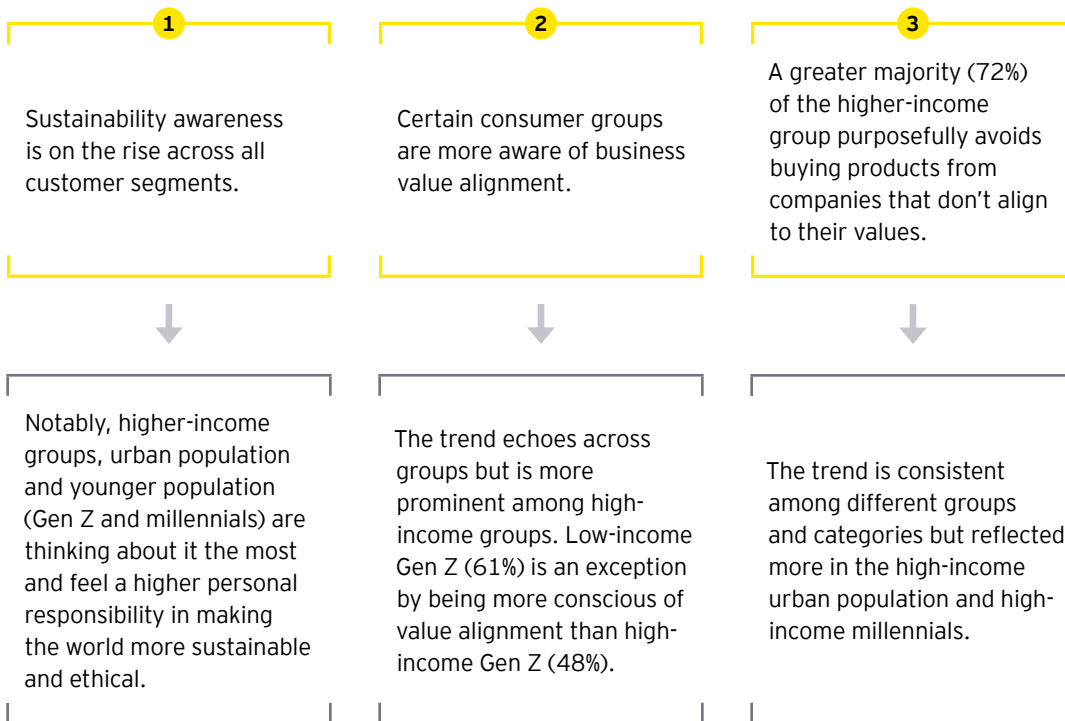
- ▶ Although millennials and the affluent and the urban populations say they trust businesses to keep their word, these companies need to increase sustainable engagements with the low-income groups, Gen Z, older population, and the rural population to build more trust.
- ▶ 68% of high-income respondents say they trust companies to keep their word, while only 33% of low-income consumers state they do.



Consumer alignment of values

Today's consumers feel more personally responsible for making the world a more socially and environmentally sustainable place.

KEY HIGHLIGHTS



KEY FACT

56%

of all respondents care about purchasing goods from businesses that align with their values.

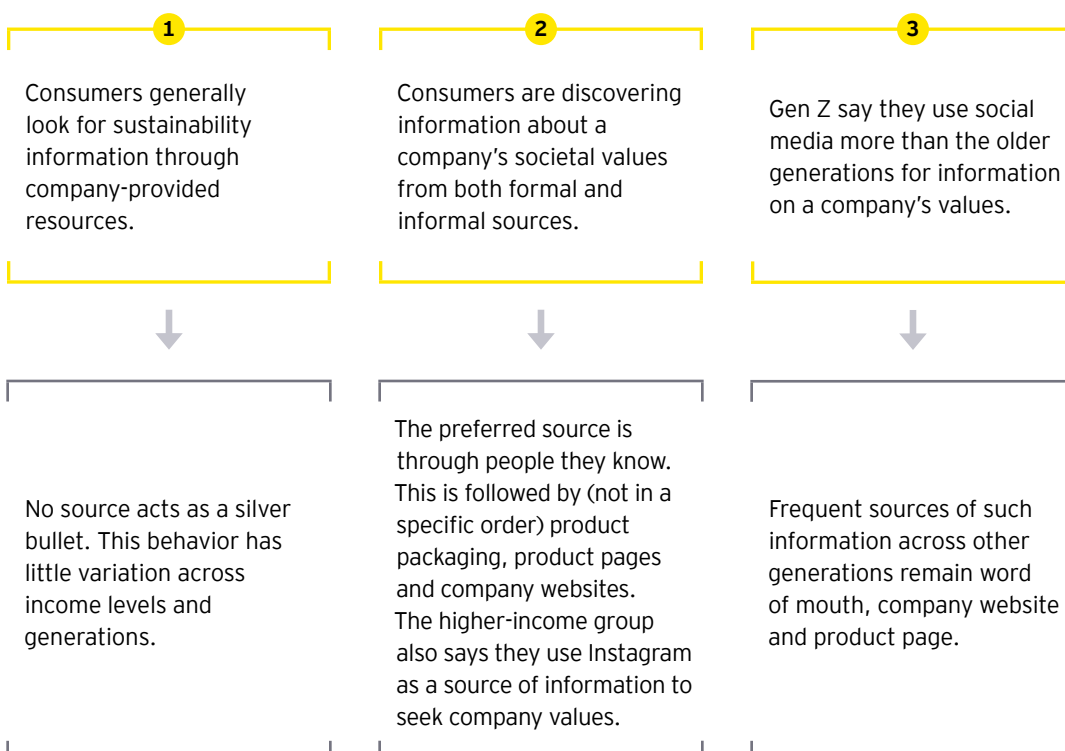
KEY FOCUS AREA

Sustainability as a concept is continuously gaining a foothold across consumer segments, notably pronounced among Gen Z, millennial and affluent consumer segments. However, companies need to improve engagement and options among the rural and not-so-affluent segments to ensure sustainability remains a key factor among all consumers.

Sources of consumer awareness

In a fragmented information environment, consumers are looking for information around brand values and impact from different sources.

KEY HIGHLIGHTS



KEY FACT

41%

of consumers say they seek sustainability information through people they know.

KEY FOCUS AREA

Companies need to do a better job of communicating their societal and organizational values to the not-so-affluent population and older generations. This can be done by leveraging both online and offline channels across the value chain.

Consumer trust

The trust level consumers have in companies to keep their word varies across demographics.

KEY HIGHLIGHTS

1

When it comes to sustainability sources, most consumers say they tend to trust smaller companies, people they know and third-party accreditation.



With the exception of the high-income group, consumers generally show lower trust in podcasts, blogs and social media influencers.

2

Trust varies across generations and income categories.



Approximately 68% of high-income group respondents, almost half of the urban population, millennials, and African American/ Black consumers show greater trust in companies to keep their word, while Gen Z, the older population, rural population and Native Americans trust them less.

KEY FACT

52%

of consumers say they have more trust for companies that publicly share long-term sustainability/responsibility goals.

KEY FOCUS AREA

Gen Z, affluent and urban consumers tend to have more trust in companies that offer sustainable products. But consumers rely on various touchpoints to source information, requiring companies to communicate their sustainability efforts in multiple ways, providing the opportunity for new approaches.

Consumer barriers

Lack of transparency around brand values and impact, affordability and availability make it more difficult for consumers to act sustainably.

KEY HIGHLIGHTS

1

Consumers say they want to better understand the impact of their behavior.



High-income groups, the younger generations (Gen Z and millennials) and the urban population all have a strong interest in understanding the impact of their behavior as it relates to sustainability, such as product sourcing, waste produced, social justice and carbon footprint.

2

Consumers are challenged by affordability issues, as well as inconveniences involved in purchasing sustainable products and services.



One-third of the high-income group and more than one-fifth of the urban population say that it is hard to find products that align with their values around the common good.

KEY FACT

50%

of consumers feel affordability is preventing them from buying sustainable products.

KEY FOCUS AREA

Improving consumer education and availability of sustainable products and services would help overcome known consumer barriers to purchasing sustainable options.

Affordability of sustainable production remains a business challenge

Affordability remains a big barrier to actioning sustainable purchasing, with businesses continuing to pass the cost of change onto consumers

Businesses surveyed say the cost of capital is a major challenge to adopting sustainable business values and associated practices.

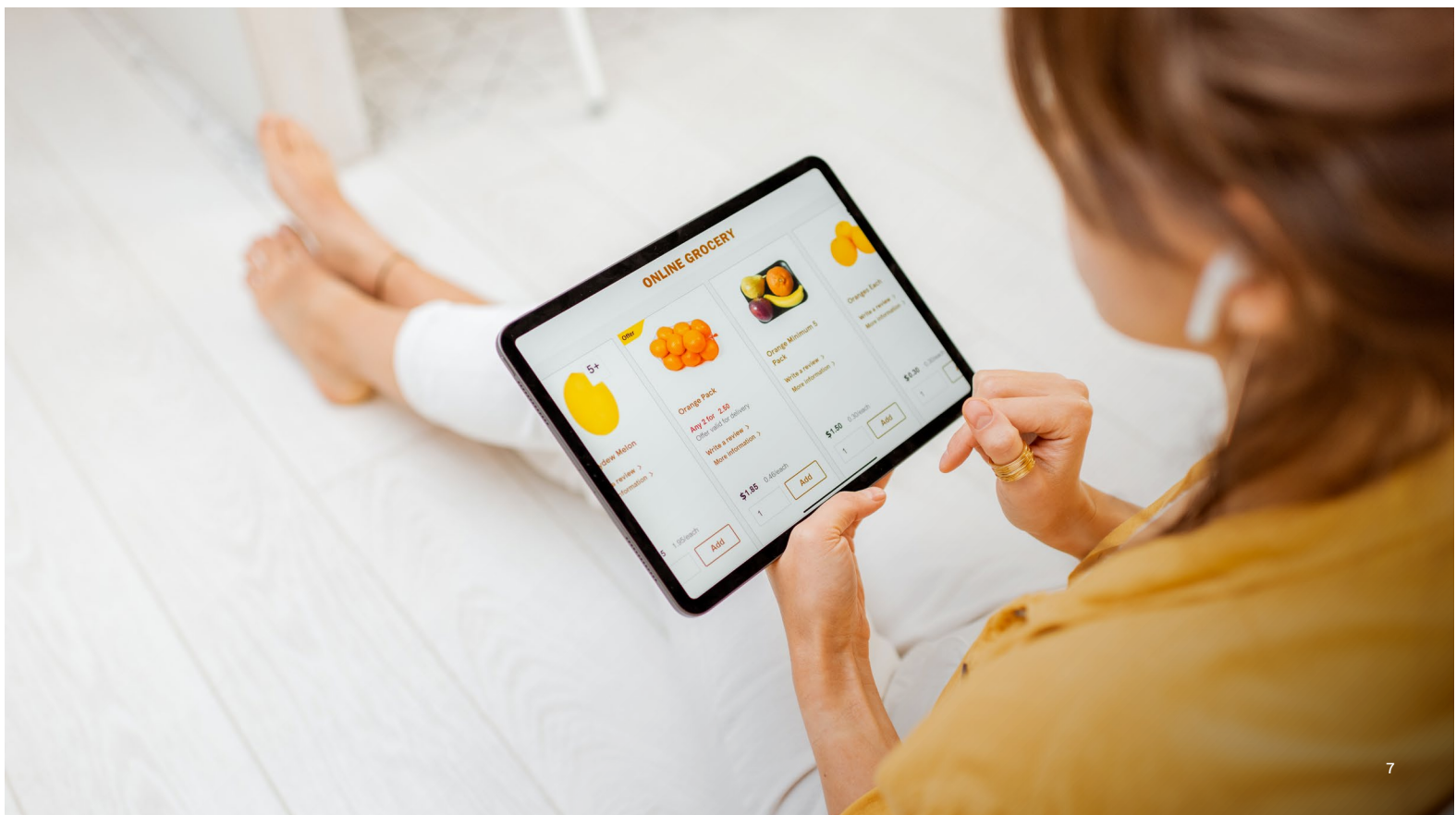
- ▶ Approximately 40% of businesses surveyed say the cost of capital is a key difficulty in adopting sustainability practices.

Businesses have two primary paths to recouping sustainability-related cost.

- ▶ 46% of businesses surveyed say they would recoup the cost by increasing the sales volume of all products, while 43% say would increase sales price over all products to recoup the cost of shifting.

Consumers will typically make sustainable purchases only if those goods first meet their practical expectations of low price and high quality.

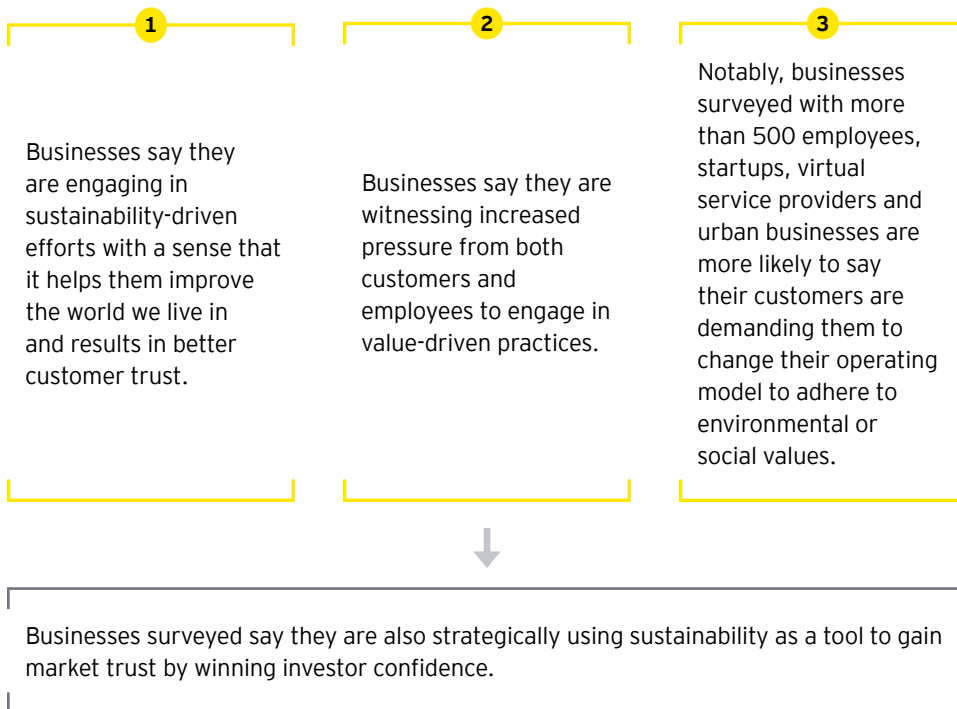
- ▶ 35% of consumers say they buy ethical/sustainable products because they have better quality, while approximately one-third say they tend to buy ethical/sustainable because they have a good price point.



Sustainability values and drivers for businesses

Businesses say they feel a responsibility toward sustainability and are feeling both consumer and employee pressure to adopt related practices.

KEY HIGHLIGHTS



KEY FACT

46%

of businesses say they are engaging/would engage in value-driven efforts because it improves the world we live in.

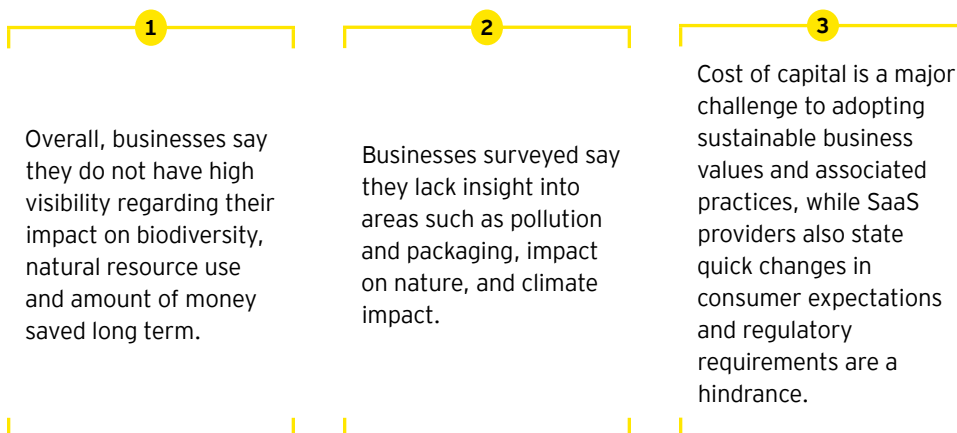
KEY FOCUS AREA

Though businesses say they feel the responsibility to be more sustainable, increased pressure from customers and employees is pushing businesses to consider it more seriously. Partnering with established or emerging initiatives and showing a willingness to collaborate with competitors for the common good can signal a company's commitment to stakeholders.

Barriers to sustainability for businesses

Echoing consumers, affordability and transparency are the major barriers for businesses to engage in sustainable practices.

KEY HIGHLIGHTS



KEY FACT

39%

of businesses feel cost of capital is a major barrier for them to adopt sustainable business values and associated practices.

KEY FOCUS AREA

Businesses need to have high visibility across the business impact of sustainability factors. One option could be developing a dashboard that offers a composite score of sustainability impact that can offer consumers easily digestible information such as product category, location and delivery. This will enable them to make an informed decision and engage in more in sustainable practices.

THEME 3

Building credibility through consumer education and measurement

Sustainability provides businesses an opportunity to build trust with consumers, but they say they require support or tools to make the transition without passing the cost onto their customers

Businesses said they seek knowledge to help them do better.

- ▶ When presented with a hypothetical platform concept to help businesses adopt better sustainability practices, businesses were most interested in features that educate them about their impact and help them target their efforts to the right consumers.
- ▶ 61% of businesses say they would be willing to pay for publicly quantifying their company's impact across all value areas via a third-party scoring assessment, with the ability to embed the score into product pages on their website.

Consumers and businesses are aligned in their desire to do more.

- ▶ Approximately 50% of consumers say they prefer to understand the overall environmental impact of their purchases.
- ▶ 57% of businesses say they are willing to pay for a dashboard that produces an overall impact score using third-party metrics.

A gap exists between consumers' stated desires and businesses' willingness to deliver.

- ▶ Consumers say they value access to sustainable shipping options (46%), but not many businesses of the types surveyed (small to medium-sized) are willing to absorb the cost (19%).





Businesses say they seek to remove capital barriers that hinder sustainability transition

KEY HIGHLIGHTS

1

Of all the ways they may attempt to recoup the cost of sustainability practices, most businesses say they would consider increasing sales revenue over all products, either by increased sales volume or increased sales price.

2

When presented with a hypothetical platform concept to support them in adopting sustainability practices, businesses say they are most interested in features that educate them about their impact and help target their efforts to the right consumers.

3

Midsize and established businesses, more so than smaller ones and startups, respectively, say that access to tools such as publicly quantifying their business's impact through third-party scoring and embedding scores into product pages, a dashboard to produce an overall impact score, and matching customers to their products based on shopping/browsing history, will help them implement business values and associated practices.

KEY FACT

57%

of businesses say they are willing to pay for a dashboard that produces an overall impact score using third-party metrics.

KEY FOCUS AREA

Businesses surveyed said they are also looking for education that helps them understand their sustainability impact. They are looking for innovative ways to balance price, quality and convenience to engage in sustainable practices. One way could be to give consumers cost-based delivery option time frames with environmental implications for each. This will also be a win-win situation for the businesses.

Key takeaways





Key takeaways: consumer

Societal values

- ▶ Today's consumers say they feel personally responsible for making the world a more socially and environmentally sustainable place.
- ▶ The concept of sustainability as an important value associated with products is gaining a foothold across customer segments. It is notably pronounced among younger and affluent customer segments.

- ▶ 56% of overall respondents say they care about purchasing goods from businesses that align with their values.
- ▶ 76% of high-income consumers say they care about purchasing goods from businesses that align to their values.

Awareness

- ▶ Consumers are looking for information about brand values and impact from different sources like product packaging, people they know, product page, company website and social media.
- ▶ A description about the sustainable/ethical aspects of the product would help consumers quickly identify a product that is ethical.

- ▶ 41% of consumers say they often seek sustainability information through people they know.
- ▶ 41% of consumers state that a description about the sustainable/ethical aspects of the product would help them quickly identify if it's ethical.

Trust

- ▶ Consumers' level of trust in businesses varies across generations and income categories.
- ▶ High-income groups, the urban population, the younger generation and African American/ Black consumers show greater trust in companies to keep their word.

- ▶ 52% of consumers say they have more trust for companies when they publicly share their long-term sustainability/responsibility goals.
- ▶ 52% of millennials say they trust companies to keep their word, while only 23% of baby boomers do.

Barriers

- ▶ Consumers take responsibility for sustainability through their purchasing habits, but say a lack of transparency around brand values and affordability are key barriers.
- ▶ Availability and convenience are also barriers to making sustainable choices. Products that align with values can be harder to find and not as easily accessible.

- ▶ 50% of consumers say affordability is preventing them from buying sustainable products.
- ▶ 34% of high-income consumers and approximately 20% of low-middle income consumers say it's hard to find a product that aligns with their values.



Key takeaways: businesses

Societal values

- ▶ Businesses say they are engaging in value-driven efforts with a sense that it helps them improve the world we live in and results in better customer trust. They say they are also strategically using sustainability and associated practices as a tool to gain market trust by winning investor confidence.

- ▶ 46% of businesses say they are engaging/would engage in value-driven efforts as it improves the world we live in.

- ▶ 41% of businesses surveyed say they have tried to attract investors for their businesses through sustainability values during the past year.

Enablers

- ▶ Businesses say they are receiving increased pressure from both consumers and employees to engage in value-driven practices. Notably, medium-sized businesses (more than 500 employees), startups, virtual service providers and urban businesses are realizing it more.

- ▶ 93% of medium-sized businesses (500 to 999 employees) state that their customers care if the business follows ethical values.

- ▶ 79% of all startups state that customers are demanding that they change their operating model to adhere to ethical values.

Barriers

- ▶ As with consumers, the small and medium-sized businesses surveyed said affordability and transparency are the major barriers to engaging in sustainable practices.
- ▶ Businesses say they do not have high visibility of their impact on biodiversity, natural resource use and amount of money saved long-term. This is more prominent among smaller businesses.

- ▶ 39% of businesses surveyed say cost of capital is a major barrier for them in adopting sustainable business values and associated practices.

- ▶ Approximately 70% of businesses surveyed say they lack insight on environmental aspects like climate impact, impact on nature, and pollution and packaging.

Recoup plans

- ▶ Businesses continue to pass costs of sustainability along to consumers. Systemic intervention and innovative methods, including ease in access to capital and access to the right tools, can help.
- ▶ Businesses can give cost-based delivery option time frames to consumers (one hour/one week) to reduce environmental impact.

- ▶ 42% of businesses say they intend to increase sales volume of sustainable products to recoup the cost of shifting to a more value-focused model.

- ▶ 44% of businesses say they are willing to pay to match customers with their products and brand based on their shopping history and stated value.

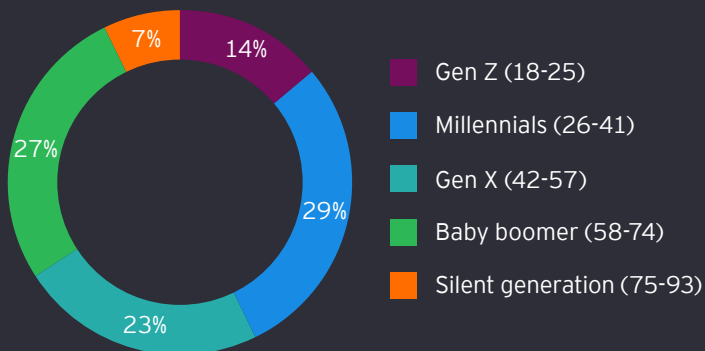
Survey demographics



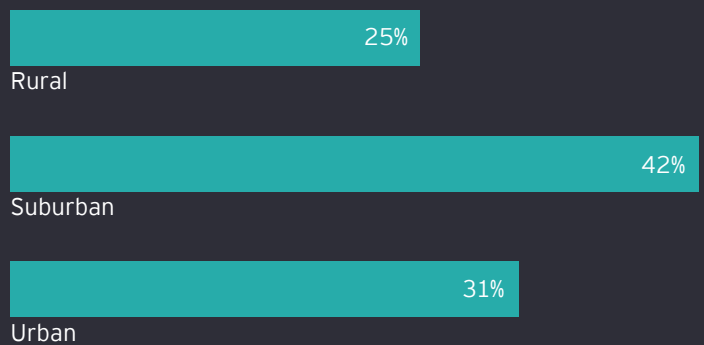


Consumer demographics

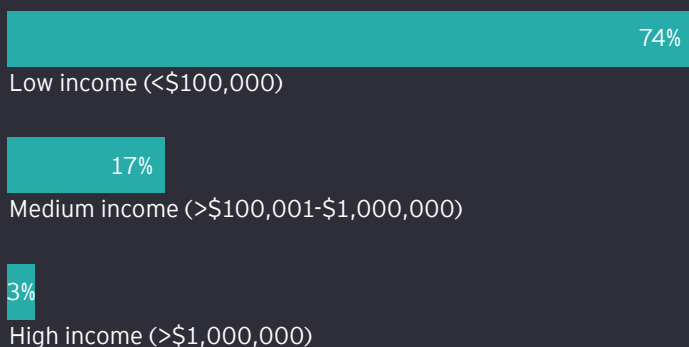
Percentage of respondents by age (at time of survey)



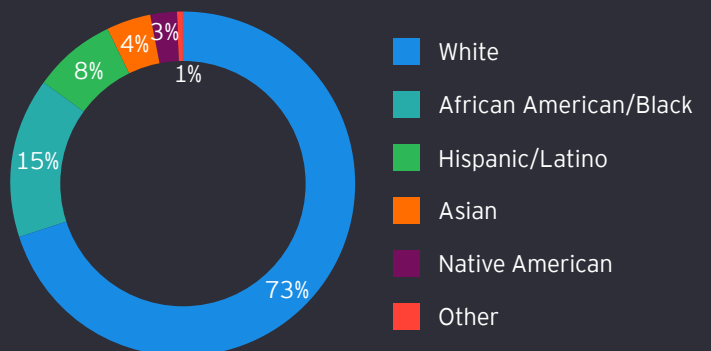
Percentage of respondents by location



Percentage of respondents by income



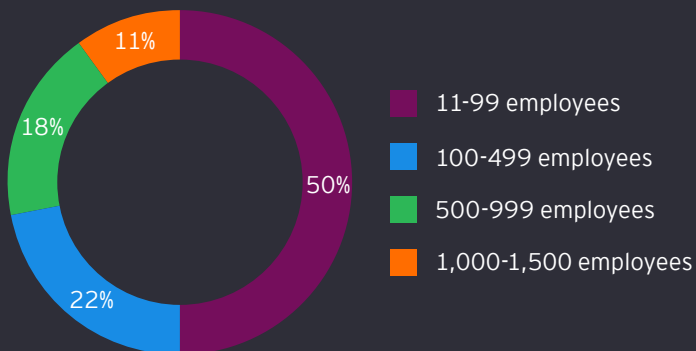
Percentage of respondents by ethnicity



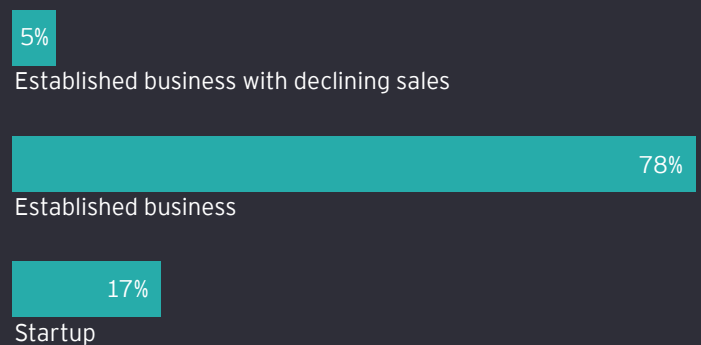


Business demographics

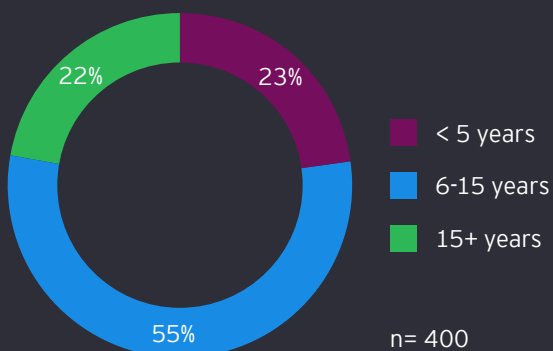
Percentage of respondents by full-time equivalent employees



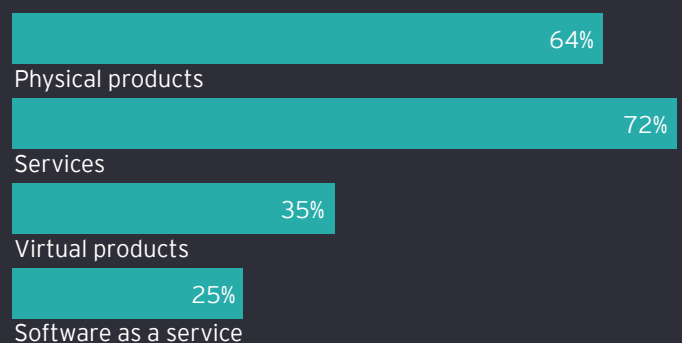
Percentage of respondents by lifecycle



Percentage of respondents by business age



Percentage of respondents by business product





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EY Knowledge

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