Executive Summary

While consumers increasingly express interest in sustainability, many may not be ready to put their money where their mouth is.

Our global survey of more than 30,000 consumers in 64 markets confirms that the price premium for sustainable features can often be a deal breaker for shoppers. Conducted in collaboration with Nielsen, our research generated additional insights on consumers’ subjective perceptions, attitudes, preferences, and buying behaviors related to sustainability. Insights include how consumers define it, how they view companies’ and policy makers’ efforts to achieve it, which features attract consumers to sustainable brands or turn them away, and where they rank sustainability features among their buying criteria.

Despite growing interest in sustainability, consumers generally don’t prioritize sustainability among their buying criteria. Price, function, performance, quality, and convenience remain their primary considerations. Our research found that, for example, when purchasing major home appliances and choosing a daily mode of transportation, consumers generally prioritize utilitarian, functional features over energy efficiency, country of production, and environmental impact.

However, sustainability features can be a meaningful brand differentiator for buyers once their core purchasing criteria, which include an acceptable price and decent quality, have been met. Hence, through sustainable offerings that also satisfy consumers’ core buying criteria, companies can better society while also supporting their business objectives: their sustainability-mindedness helps customers and employees to align with values they identify with, thus also creating long-term value for owners and investors.

Most consumers across the world associate sustainability with recycling and other environmental issues. They place it ahead of issues including fair price and fair labor conditions. However, there is significant geographic variation in how consumers understand sustainability. Given the nuanced associations, brands might want to consider which is more effective: differentiated labels for their array of sustainability initiatives or universal labels such as “sustainable.”

Globally, environmentally friendly production is the sustainability feature with the biggest impact on consumers’ brand choices. In comparison, social issues such as fair labor/wages and a ban on child labor, as well as policy aspects such as intellectual property rights, equal pay, and free speech, are less likely to inspire purchases. Given that protecting the environment resonates broadly with consumers, it can be a gateway for brands to reach new customers interested in sustainability, especially considering the recent attention on climate issues.

Lack of fair labor conditions can cause consumers to switch brands. At the same time, the top reason for consumers to not buy brands with fair labor conditions is that they do not know which brands are more fair. This suggests an underused potential for brands to communicate their socially responsible labor conditions and build positive brand associations.

Communications about labor aspects, along with certifications, can enhance brands’ appeal to consumers. Looking ahead, social aspects like fair labor and fair trade may play a bigger role for consumers, particularly in light of the discussions about income inequality, minimum wage, and gender pay gap.
Premium price is the leading reason for consumers not to buy brands with environmentally friendly practices or strong positions on social issues. Four potential ways brands can overcome this resistance are: (1) focus on cost efficiency to minimize price premiums; (2) offer sustainable goods and services that are superior in some way to unsustainable alternatives (such as natural products that are less harmful and taste or smell better or unique upcycled apparel and furniture lines) and may increase consumers’ willingness to pay a slight premium; (3) educate customers on the sustainability benefits their brand offers and create emotional attachment, which can help reduce price sensitivity; (4) introduce pricing schemes that reward repeat purchases of sustainable products.

In the long run, potential carbon and other taxes similar to those on single-use plastic bags in some countries might help level the playing field, reducing sustainable brands’ price premium over regular brands.

Consumers often don’t know about, are confused about, or don’t trust companies’ sustainability initiatives and claims. And this can affect purchasing. Brands have an opportunity to clearly communicate the sustainability benefits of their customers’ buying choices in meaningful, concrete terms such as the amount of packaging saved or the enhancement of certain labor conditions. To strengthen awareness and trust, companies can seek certification from independent organizations and inclusion in app-based directories that provide information about products’ sustainability features.

Brands’ taking a position on social causes can attract new customers, but it can also deter them. Endorsing social causes that appeal to consumers seems to drive a greater gain of purchases than supporting social beliefs that don’t appeal to consumers generates a loss. Still, almost half of all consumers say they refrain from buying brands that take strong positions on social causes for one of three reasons: they don’t think brands should take positions at all, they don’t agree with the position taken, or they don’t want their purchases to be perceived as political statements.

Hence, brands should know their customers well and tread carefully, focusing on causes that authentically fit the brand’s positioning and aligning their own actions accordingly. Knowing employees is equally important, considering how their expectations for their employer have been changing to address social and political issues.

At a global level, consumers believe governments—ahead of tech companies and other policy and business organizations—should care the most about sustainability, but governments aren’t living up to those expectations. Consumers therefore look more to companies to fill the void, which is an opportunity for brands to innovate, differentiate themselves, and delight consumers with initiatives around sustainability, thus fostering emotional attachment, willingness to pay, and word-of-mouth promotion to ultimately create financial value. Our research shows that tech companies, utility providers, home appliance makers, financial institutions, retailers, and hotels exceed consumers’ expectations regarding their sustainability efforts compared to other sectors, indicating valuable reputational benefits from these sectors’ sustainability efforts.

Companies don’t have to go it alone when innovating; they can create cost efficiencies and leverage the power of a larger network by collaborating on industry-wide programs to, for example, develop novel sustainable materials or recycling technologies.