



Earth Day 2023 on the horizon

Consumers continue
to prioritize sustainability



2023

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Brand purpose a key factor

According to a recent KPMG LLP (KPMG) survey, consumers' purchasing decisions are increasingly based on their perception of a company's environmental impact. From sourcing and production to packaging and distribution, consumers want to buy from companies whose mission aligns with their own values.

In an environment marked by increasing margin pressure, retailers and consumer packaged goods (CPG) companies should take note of this trend and continue to look for creative ways to reduce their carbon footprint, energy use, and single-use packaging, among other strategies.

Indeed, our nationwide survey of more than 1,000 consumers in February 2023 not only confirms that most consumers try to exhibit environmentally sustainable behaviors at home and work, but also that their purchasing decisions are similarly aligned with their environmentally conscious worldview.

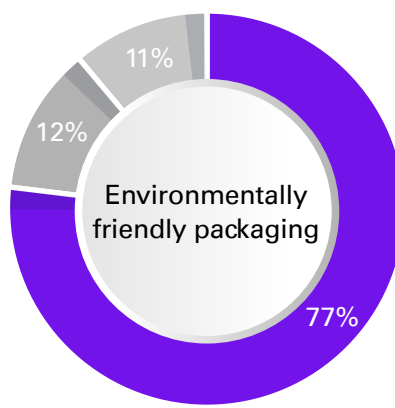
Explore the complete survey findings [here](#).

What are consumers looking for?

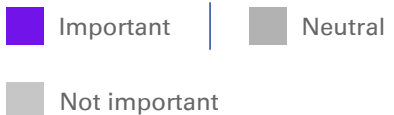
Consumers are increasingly considering environmental sustainability when making their product purchase decisions, with 36 percent citing it as important. As for key factors, more than three-quarters are looking for environmentally friendly products and packaging.

Although more than half said circularity—the concept of eliminating waste as much as possible and maximizing the reuse of materials and products—was a consideration, it was by far the least important measure.

Environmentally conscious consumers' top environmental sustainability purchase criteria

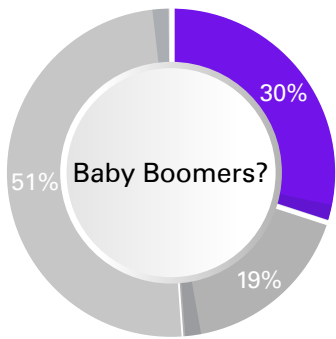
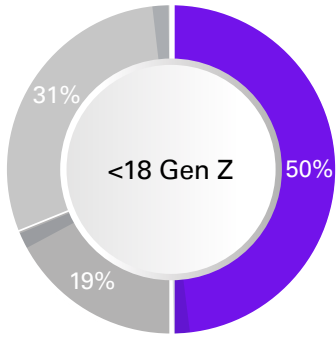


36% of respondents say environmental sustainability is important to their purchasing decision.



Source: KPMG Consumer Pulse survey, 2023.

Environmental sustainability purchase criteria importance by demographic



■ Important
 ■ Neutral
 ■ Not important

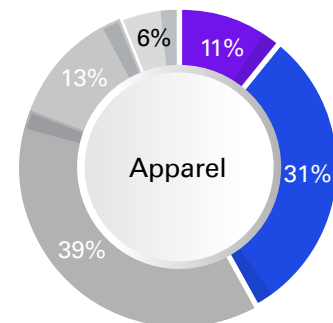
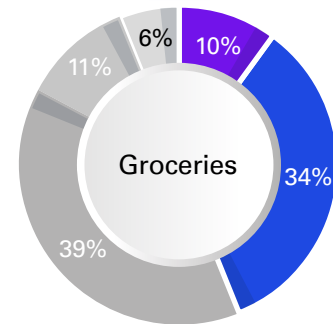
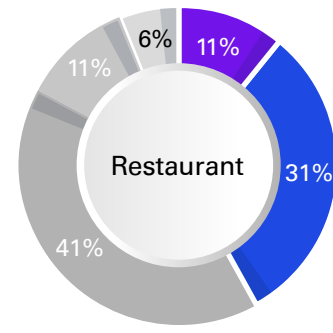
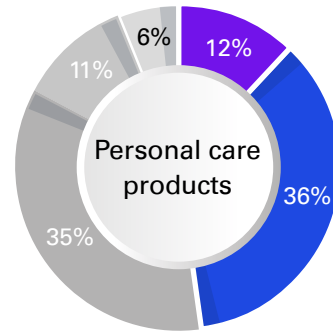
It's no surprise that, from a generational perspective, Gen-Z consumers under the age of 18 are most likely to say that environmental sustainability is an important product purchase factor. Comparatively, environmental sustainability is least important for baby boomers by a significant margin.

Companies are encouraged to bear this finding in mind as they seek to engage the next generation. In that connection, the Gen-Z cohort is likely to lean into their sustainability values as employees and consumers.

Retailers and CPG companies know the environment is a motivating influence for many consumers. Consumers want environmentally sustainable products and retailers need to have those products on their shelves and think about their role in the overarching environmental, social and governance (ESG) conversation.

Looking at product segments, consumer purchase decisions are most likely to be based on environmental sustainability considerations in the personal care (48 percent), grocery (44 percent), restaurant (42 percent), and apparel (42 percent) categories. Although the pet supplies, accessories and toys segment is toward the middle of pack, the affinity people have for their pets suggests this is an area where sustainability may play an increasing role in consumer decision-making moving forward.

Impact of environmental sustainability on purchase decisions by category



■ Extremely likely
 ■ Likely
 ■ Neutral
 ■ Unlikely
 ■ Extremely unlikely

Source: KPMG Consumer Pulse survey, 2023

Underscoring the seriousness of consumers' penchant for environmental sustainability, approximately 40 percent who cite it as an important determinant of purchase decisions—and more than 20 percent overall—say they would not buy from a company whose products are deemed not to be environmentally sustainable.

For their part, retailers and CPG companies should assess their product assortment and push themselves to raise the bar to meet consumers' demands for environmental sustainability from a product perspective.

Consumers talk the talk and walk the walk

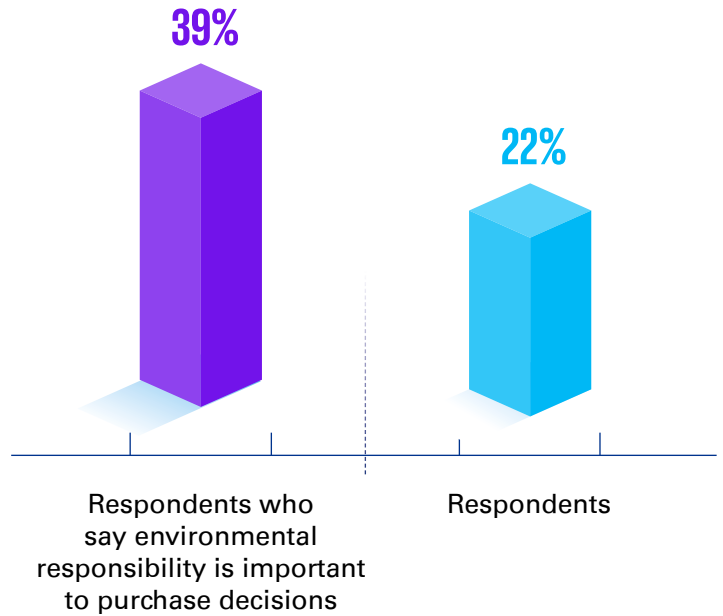
Amid the current economic pressure, consumers seek value but are drawn to purpose-driven brands that offer environmentally sustainable products. This profile is likely to define the consumer of the future.

According to the survey, consumers are not only voicing their desire for environmentally sustainable products, but they are also exhibiting personal behaviors that affirm their passion for the environment. In homage to the Ellen MacArthur Foundation's concept of the circular economy—an economy that is restorative and regenerative by design¹—more than 50 percent of consumers report that they try to reduce electricity or water usage, reuse single-use plastic bags, or recycle plastic household items at home.



¹ Source: Ellenmacarthurfoundation.org, What is a circular economy?

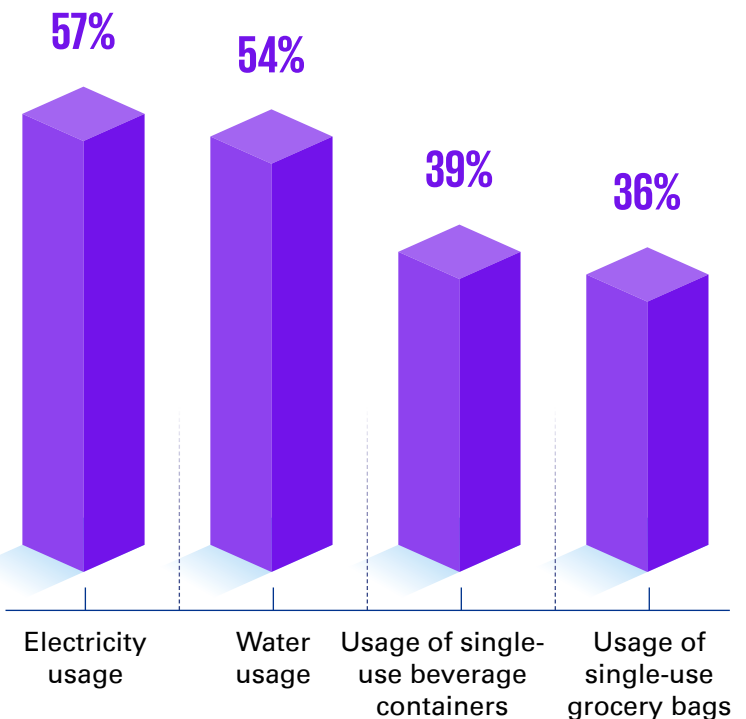
Consumer likelihood of boycotting a company they believe is not environmentally sustainable



Source: KPMG Consumer Pulse survey, 2023

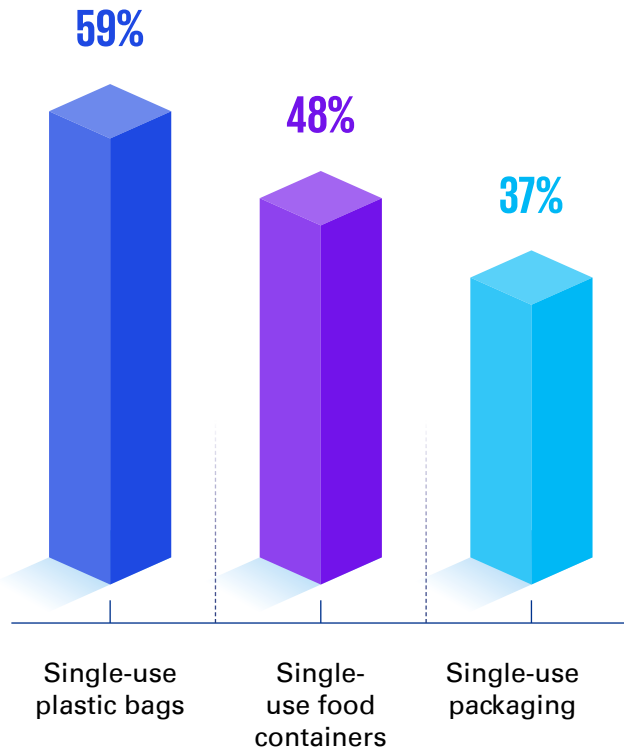
Environmentally sustainable consumer behaviors to date

Reduce... Source: KPMG Consumer Pulse survey, 2023.



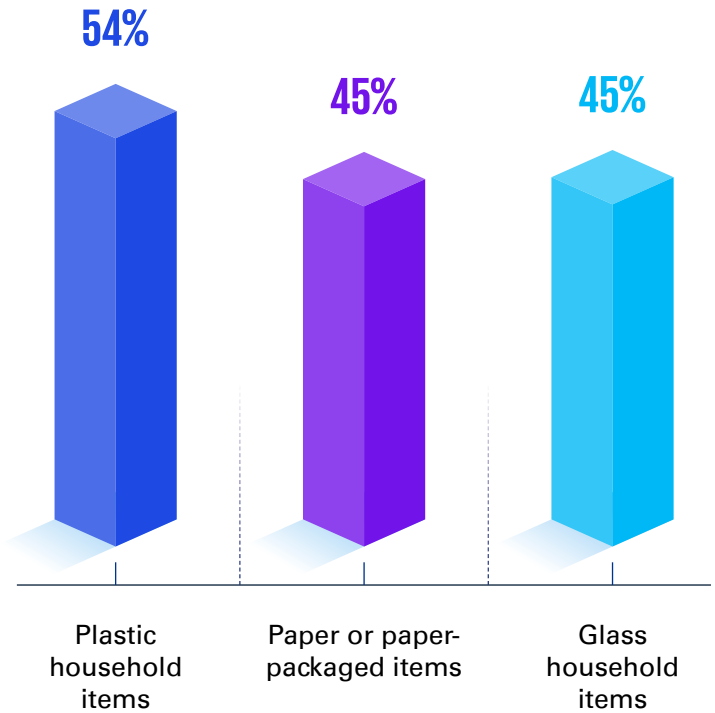
Environmentally sustainable consumer behaviors to date (continued)

Reuse...



Source: KPMG Consumer Pulse survey, 2023.

Recycle...



Source: KPMG Consumer Pulse survey, 2023.

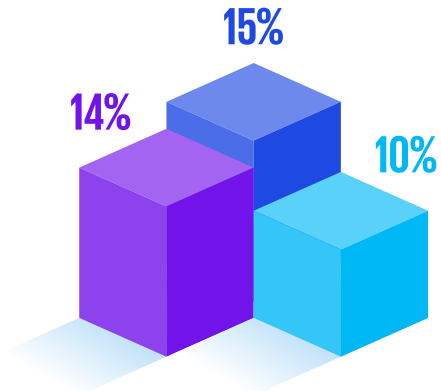
Only **8%** of respondents report that they have not taken any environmentally sustainable actions and do not plan to in 2023.

As companies consider the most effective product positioning and value proposition, consumers are doing things to preserve the environment, such as reducing energy usage and reusing plastic containers, and plan to continue these behaviors going forward.



New environmentally sustainable consumer behaviors, 2023 (planned)

Refuse...



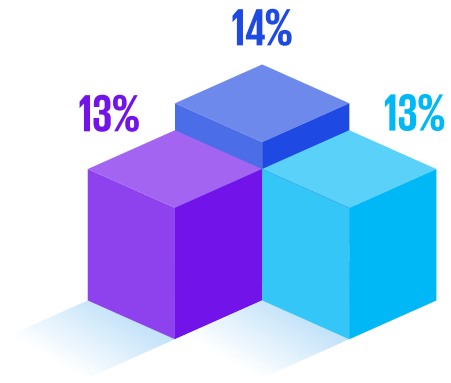
- Single-use plastic items

- Unnecessary product packaging

- Some or all animal products

Source: KPMG Consumer Pulse survey, 2023

Reduce...



- Plastic packaging by purchasing alternatively packaged items

- Usage of Single-use grocery bags

- Usage of single beverage containers

Source: KPMG Consumer Pulse survey, 2023

Keeping these new buyer tendencies in mind, companies should consider whether their products help consumers achieve their sustainability goals—for example, offering laundry detergents that can be used with cold water or in a shorter cycle, introducing

more reusable packaging, and instituting takeback programs for old/obsolete products and materials, all of which represent potentially differentiating marketing opportunities.



How consumers learn about sustainable products

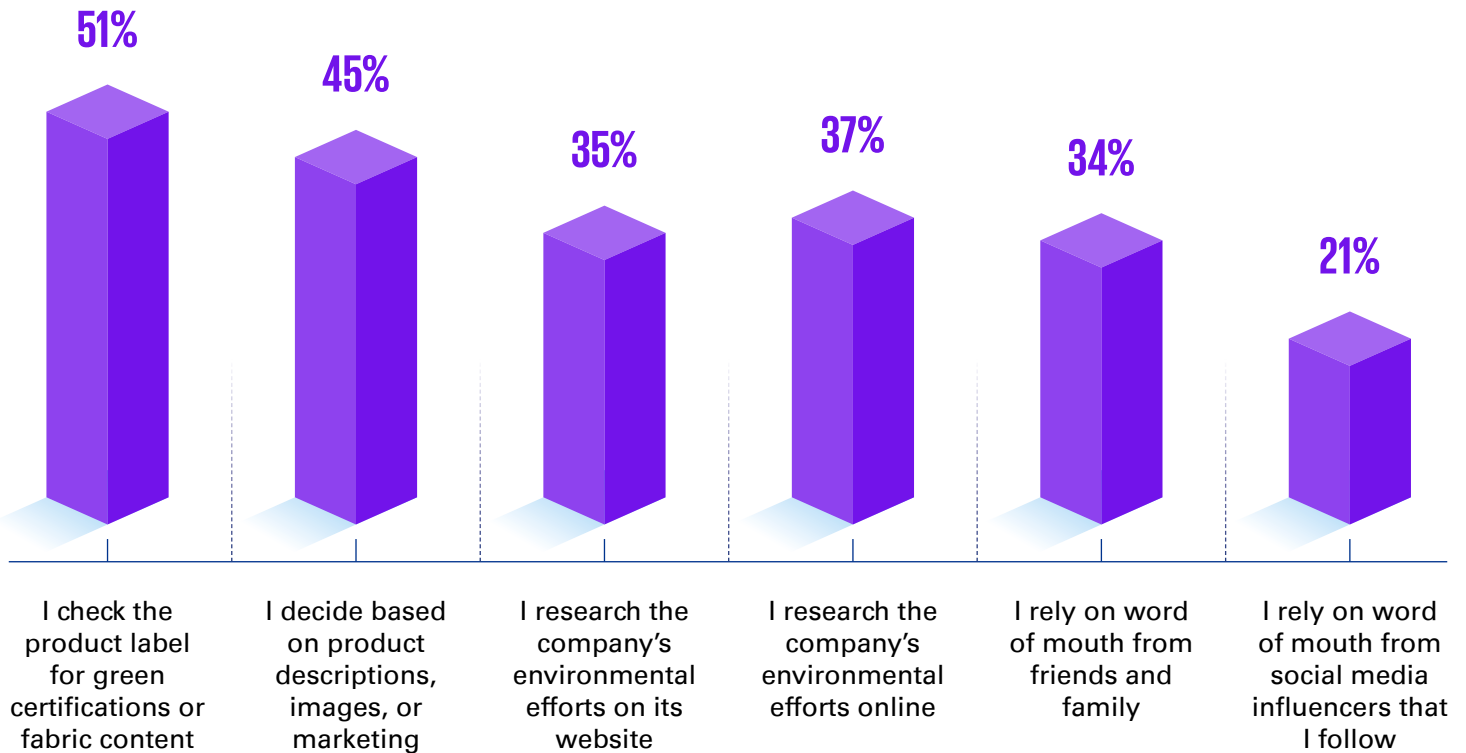
The survey confirms that many consumers are passionate about sustainability. But it's not enough for CPG companies to make products that have the sustainable attributes consumers value and for retailers to carry these items.

How should companies communicate those features to consumers? Conceptually, sustainability should be embedded in the overall product strategy and marketing, but mostly it's through product labels and packaging.

Approximately half of consumers in our survey (51 percent) said they check product labels and make purchase decisions based on content descriptions and certifications featured on the packaging. Clearly, CPG companies that have consumers who are motivated by the environment and who actively exhibit sustainable behaviors at home and at work, must ensure their products have the sustainable qualities consumers desire. Equally important, however, is to highlight those characteristics on the label.



Consumer indicators regarding product environmental sustainability



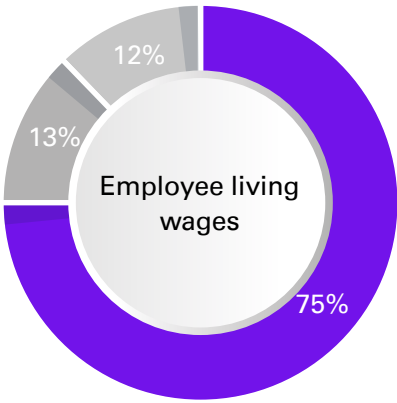
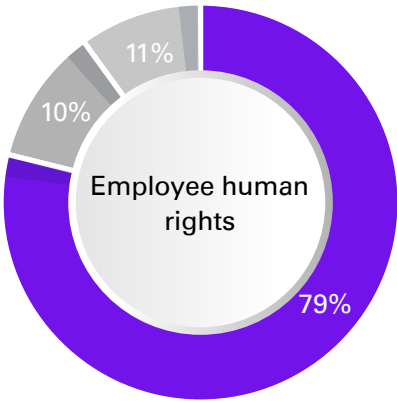
Source: KPMG Consumer Pulse survey, 2023

Consumers' view of social responsibility also impacts purchasing decisions

While social responsibility is not as significant a factor in purchase decisions as environmental sustainability, one in three consumers cite it as important. Of those consumers, 79 percent say employee human rights are important and 75 percent say employee living wages are important.

33% of respondents said social responsibility is important to their purchasing decision.

Socially responsible consumers' top social responsibility purchase criteria



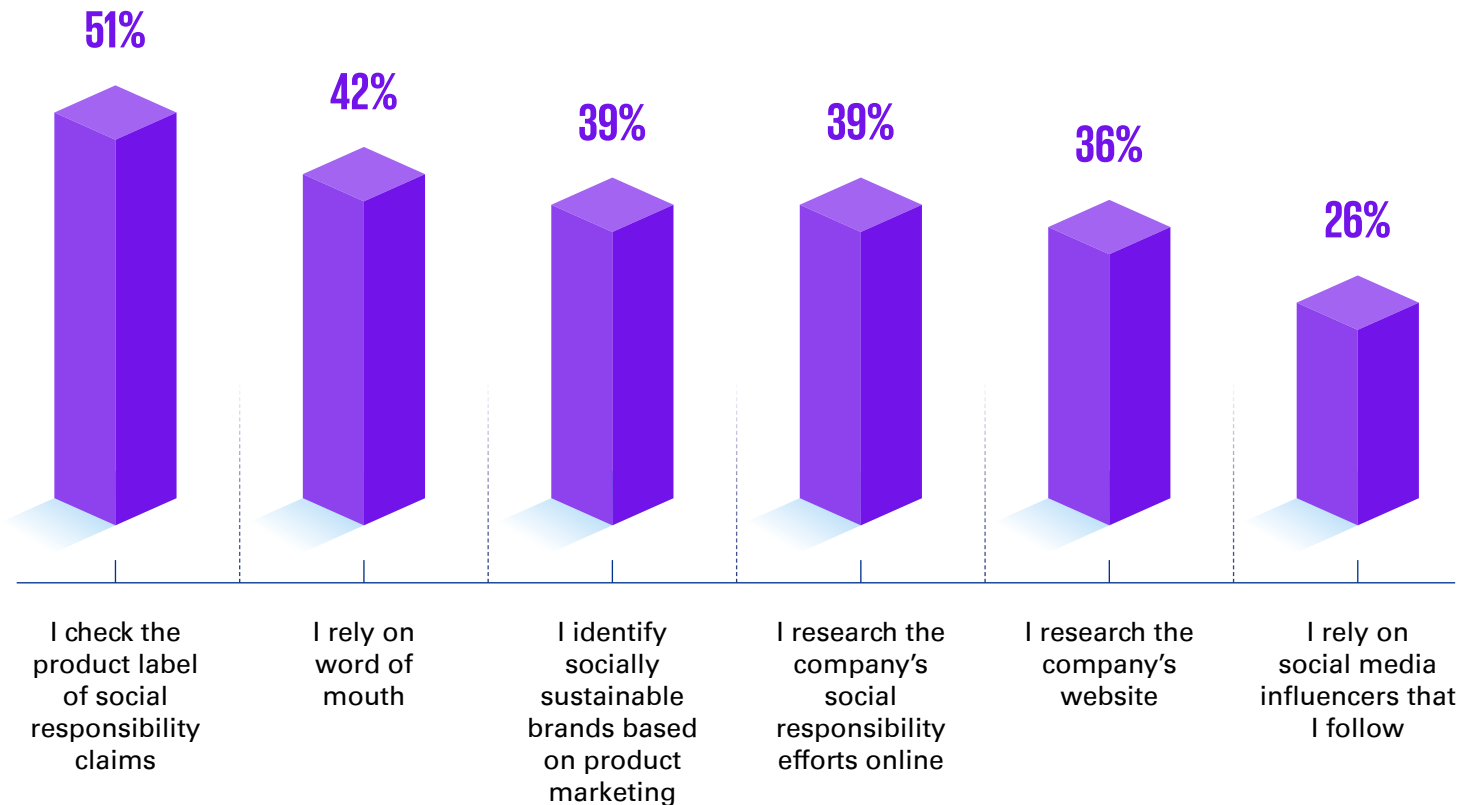
■ Important
 ■ Neutral
 ■ Not important

Source: KPMG Consumer Pulse survey, 2023

Interestingly, of consumers who say a company's perceived social responsibility is important to their purchase decisions, the same amount (51 percent)

learn about that product feature by reading labels as do those for whom environmental sustainability is important.

Consumer indicators regarding product social responsibility



Source: KPMG Consumer Pulse survey, 2023

Looking at demographics, 41 percent of Gen-Z consumers under the age of 18 are most likely to say that social responsibility is an important product purchase factor versus 33 percent of all consumers. As with environmental sustainability, baby boomers are least likely to consider social responsibility important in their purchase decisions.

Executives at C&R companies are taking notice, with 28 percent acknowledging that their organizations are taking a more proactive approach to societal issues.² And many leading consumer goods companies, like those across virtually all industries, are publishing annual corporate social responsibility reports covering the steps they are taking to incorporate these considerations into their business practices and investment decisions.



² Source: KPMG 2022 U.S. CEO Outlook for Consumer & Retail.

What does it all mean?

The survey leaves us with three clear interconnected conclusions: many consumers are exhibiting sustainable behaviors at home and at work; they are making purchasing decisions based on sustainability; and they are learning about sustainable product attributes primarily by reading labels.

Simply stated, we suggest retailers and CPG companies:

- Evaluate their product assortment to ensure it aligns with consumer priorities and needs (helps them use less plastic, less water, less electricity, etc.)
- Optimize the breadth and depth of their offering to ensure it dovetails with the company's overall product strategy
- Leverage data and analytics to improve the customer experience in stores and online by maintaining in-stock levels of the most popular environmentally sustainable products
- Prioritize environmental sustainability and social responsibility goals in both everyday decision-making and long-term investments in an effort to deliver truly sustainable growth for consumers as well as the planet.
- Determine if your product labels are appropriately highlighting the sustainability characteristics of each product. (To learn more on this topic click [here](#)).



KPMG is here to help

KPMG is a leading provider of professional services to the consumer and retail (C&R) industry, with 4,500 U.S.-based C&R partners and professionals and 21,000 globally. We serve 78 percent of the top 100 C&R companies within the Fortune 1000. Our experience includes knowledge of all major international markets. This strongly positions us to assist our clients in pursuing opportunities in response to industry, marketplace, and regulatory changes.

We help C&R companies—from small start-ups to large multinational operations—navigate the changing ESG landscape. With client-centric, industry-focused advisory, tax, and audit services, we work with clients to drive greater shareholder value and embed and sustain positive change across numerous areas, including:

- Current-state ESG diagnostics
- Materiality and maturity assessments
- ESG strategy design
- ESG roadmap building
- GHG baselining and decarbonization strategies
- DEI strategy, planning, and execution
- Human rights assessments
- Product, packaging, and R&D strategies
- Circularity assessments
- ESG technology gap assessments and implementation
- Reporting readiness, planning, and gap assessments
- ESG assurance
- ESG tax planning

Contact us



Matt Kramer
Partner, National Sector Leader,
Consumer & Retail
T: 614-619-5206
E: mattkramer@kpmg.com



Duleep Rodrigo
Principal, National Advisory Leader,
Consumer & Retail
T: 949-278-2899
E: drodrigo@kpmg.com



Julia Wilson
Principal, Advisory,
Strategy and ESG
T: 404-805-2110
E: juliawilson@kpmg.com



Rob Fisher
Principal, Advisory,
ESG Leader
T: 804-782-4226
E: rpfisher@kpmg.com



Maura Hodge
Partner,
ESG Audit Leader
T: 617-988-5959
E: mhodge@kpmg.com



Erik Oliverson
Partner, Tax,
ESG Leader
T: 312-320-2757
E: eoliverson@kpmg.com



Scott Kelsey
Managing Director, Audit
ESG Growth Leader
T: 757-650-9105
E: skelsey@kpmg.com



Blythe Chorn
Managing Director, Consulting,
ESG Leader
T: 214-405-0598
E: bchorn@kpmg.com

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