

BEING A FORCE FOR GOOD IS JUST GOOD BUSINESS:

HOW SUSTAINABILITY CAN LEAD TO PROFITABILITY

The Importance of Sustainability

In the wake of a tumultuous summer across the world, environmental sustainability has surged to the forefront of global consciousness. China endured an onslaught of scorching heatwaves and devastating floods that not only claimed lives but wreaked havoc on food resources. Across Europe, wildfires ran rampant, leaving a trail of destruction, particularly in Greece. Meanwhile, in the United States, record-breaking temperatures sent shockwaves nationwide, with New York experiencing temperatures a staggering 20 degrees above the usual September norms.

This escalating global challenge cannot be tackled by any single nation alone, and the unsettling truth is that the worst may still lie ahead. However, amidst these disconcerting developments, there is reason for optimism. Both businesses and consumers are awakening to the fact that their actions can have a meaningful impact.



The Time to Act is Now

The silver lining is that businesses need not choose between profitability and environmental responsibility. They have the power to make a difference by mitigating their environmental footprint, and this also aligns with the financial interests of an increasingly conscious consumer base. Today, consumers are making informed choices driven by their personal ethics, and businesses have a unique opportunity to cater to these preferences.

IT MATTERS TO CONSUMERS:

91%

of consumers surveyed in dentsu's 'The Rise of Sustainable Media' study in 2022 wanted brands to demonstrate their commitment to positive choices for the planet and the environment in all aspects of their operations. In that same study, 87% of consumers said they want to do more to combat climate change and would be willing to change which products and services they buy to do so.

IT MATTERS TO EMPLOYEES:

47%

of Gen Zs and millennials in senior positions have rejected a job and/or assignment based on their personal ethics (Deloitte Global Gen Z and Millennial Survey 2022). Moving forwards, alignment of values will be critical in the attraction and retention of talent, suppliers and partners.

An aerial view of a modern city with a mix of greenery and infrastructure. In the foreground, there's a large, curved concrete structure, possibly a bridge or a walkway, with a lush green wall on the left. In the background, there are several high-rise buildings, including one with a red sign that says 'PUTRA'. The overall scene is bright and clear, suggesting a sunny day.

IT MATTERS TO INVESTORS:

85%

of fund-management companies surveyed said ESG is a high priority for them (Index Industry Association Poll, 2021). Investors are making decisions based on ESG performance and reporting, affecting the cost of capital.

IT MATTERS TO GOVERNMENTS AND REGULATORS:

Across the globe, there is increasing regulatory pressure and requirements to report on ESG performance and emissions. The EU climate benchmark regulation requires companies to include Scope 3 data by 2027 (including transition period). German companies are facing a new extremely tough supply chain law – Lieferkettengesetz – which requires them to monitor human-rights and environmental standards across their supply chain. We can only speculate that in time this may become the EU standard.

Doing Good is Just Good for Business

In our [Superpowers 2023 Index](#), we delved into the realm of sustainability within the B2B landscape. Our research involved in-depth interviews with 3,622 recent B2B buyers, allowing us to gain insights from their 6,767 buying experiences across Financial Services, Manufacturing, Professional Services, and Technology brands in key global markets.

This comprehensive study serves as a compass for B2B brands, shedding light on what truly matters to B2B buyers and precisely at what time. It identifies the distinct decision drivers that distinguish success from failure in securing a sale. It also offers valuable insights into the organizational culture within a buyer's company and their perspectives on sustainability.

The main takeaway from our findings is that *“doing good is good for business.”* Among the seven newly significant purchase decision drivers, five are related to socially responsible actions. These included:



Taking care of suppliers, business partners & communities



Aligning with the buyers' personal values and ethics



Being committed to reducing their environmental impact



Being known as a good employer



Having a culture of diversity and inclusion

The **Superpowers 2023 Index** demonstrated that for brands, putting your force for good credentials front and centre ensures success. Business brands that excel across the seven crucial decision drivers (including 'integrates smoothly with processes & operations' and 'supports us with expertise') experience significant commercial benefits, including:



They convert opportunities to sales faster with average sales cycles being 25% shorter



They are almost twice as likely to see increased spend from their customers in the future



They are more likely to be adopted for further products and services



They are much less likely to be left out of consideration for future related purchase decisions



They receive much higher NPS scores (+89 vs +30 for other brands)

A Sustainable Differentiator

So, we know the importance of ESG topics when it comes to buyers choosing a brand to do business with. However, when we dig deeper into the topic of sustainability, we found that only 52% of businesses saw sustainability as a significant area of focus for their business. Given all the evidence we have uncovered in the Superpowers research, it points to a missed opportunity. The door is wide open for businesses willing to genuinely embrace this challenge by demonstrating a true commitment to social and environmental responsibility.

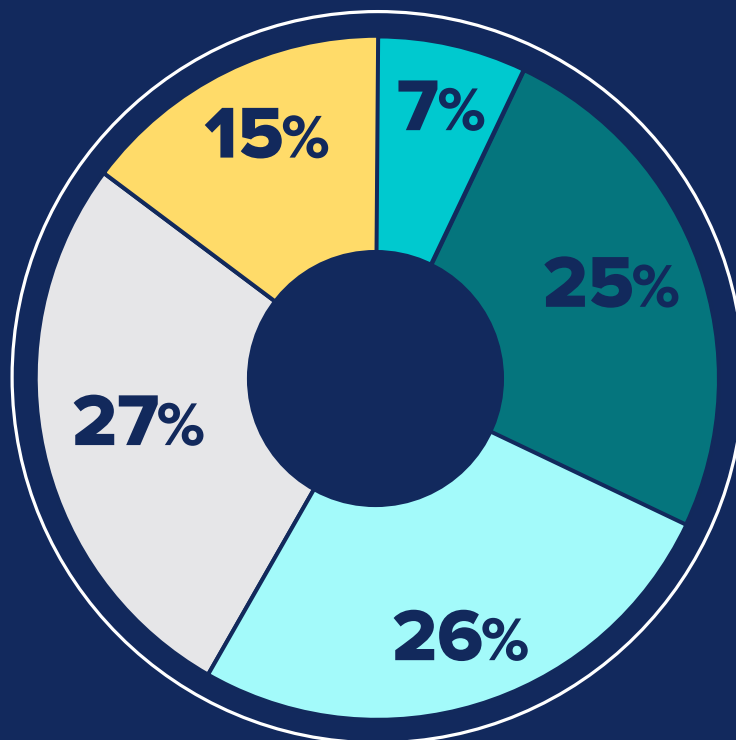
As you would expect, enterprises are more likely to have a specialized sustainability manager in place, at 34% vs 20% for SMEs and a C-Level dedicated sustainability role (e.g., Chief Sustainability Officer) at 30% vs 13%. Surprisingly, only 41% of enterprise respondents hold top management/board/C-Level roles within their organizations responsible for environmental sustainability. True change often begins at the highest levels of leadership, and if corporate boards aren't assuming responsibility, it raises concerns about the prospects for meaningful change.

The door is wide open for businesses willing to genuinely embrace this challenge



When it comes to environmental goal setting, it's no shock that enterprises are more likely to have established formal carbon reduction targets. Companies of all sizes must take responsibility for managing scope 1 emissions within their direct control and scope 2 emissions resulting from their energy consumption. What's truly eye-opening, however, is that only 13% of enterprises and a mere 6% of SMEs include the management of scope 3 greenhouse gas emissions from their broader value chain in their targets. Considering impending regulatory pressures and the fact that scope 3 emissions constitute the largest portion of total emissions, there's a substantial unmet need for companies to seek assistance in reducing their overall emissions.

As in any market, there exists a diverse array of companies with varying behaviors, attitudes, and needs. Our research shows that there are 5 global segments and categories of businesses in terms of their attitudes towards sustainability:



- TRUE BELIEVERS
- OPPORTUNITY HUNTERS
- EFFICIENCY SEEKERS
- STAKEHOLDER DRIVEN
- THE MINIMUM



1. TRUE BELIEVERS (7%)

True Believers (7%) place sustainability at the core of their values and corporate vision. For these organizations, their primary motivation for taking sustainability action is rooted in social and moral responsibility, closely aligned with its importance in their corporate vision and image. When we delve deeper into this segment, the research found that relative to other businesses, 'True Believers' are 28% more likely to have seen increased revenues in the past 12 months, and 19% more likely to have seen increased profits. Additionally, their projected revenue and profit for the next 5 years significantly surpass those of other segments and employee satisfaction is also notably higher within this category compared to other segments.



2. OPPORTUNITY HUNTERS (25%)

Opportunity Hunters (25%) earn their name from viewing sustainability as a fresh market opportunity. For these organizations, their top driver for acting is to tap into new market prospects while also making efficiency enhancements. Interestingly, companies in this segment, like the 'True Believers', exhibit notably higher profitability both presently and in their outlook for the future, particularly in comparison to the 'Efficiency Seekers', 'Stakeholder Driven', and 'The Minimum' segments.



3. EFFICIENCY SEEKERS (26%)

Efficiency Seekers (26%) are businesses that view sustainability principally as a means to enhance operational efficiency. For these organizations, their top sustainability driver is the pursuit of greater efficiency, which, in turn, bolsters their competitiveness in their respective markets.



4. STAKEHOLDER DRIVEN (27%)

Stakeholder Driven businesses are named as such because their actions are primarily prompted by their employees, stakeholders, or customers. In these organizations, the leading driver for taking action is consumer pressure, closely followed by demands from their supply chain, especially in tender situations.

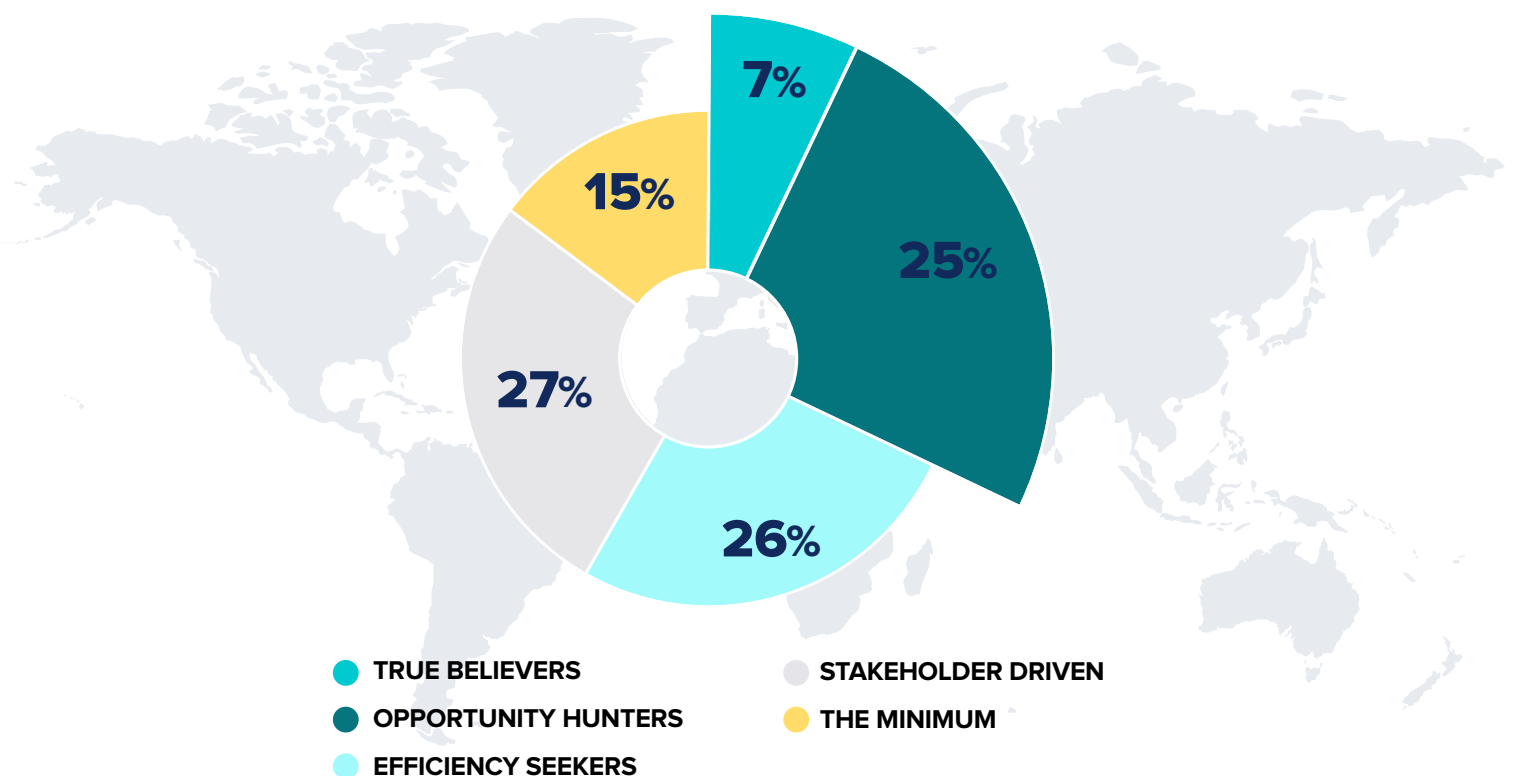


5. THE MINIMUM (15%)

The Minimum are thus called as they primarily consider sustainability as an inconvenience and typically do no more than what is legally mandated. In these organizations, the foremost sustainability driver is a sense of social or moral responsibility, alongside concerns for health and safety, and adherence to regulations.

The Purpose of Purpose is Purpose

Many companies have made significant strides in the realm of sustainability by setting ambitious targets and taking concerted actions to achieve them. However, our findings from the sustainability segments reveal that most are driven by external pressures such as employees, partners, suppliers, customers, communities, investors and regulators, with only 7% worldwide falling into the category of 'True Believers.'



What is cause for concern is that a substantial 25% of global companies are looking to capitalize on this sustainability trend, seeking to profit by positioning themselves as more sustainable. To these companies, a cautionary note is in order. If you merely pay lip service to something as vital as environmental sustainability, you run the risk of being exposed and be seen as greenwashing which can lead to litigation, fines and of course long-term reputation risks.

A high-profile case illustrating this issue emerged in May 2023 with a groundbreaking class-action lawsuit filed in California. This lawsuit specifically targeted a leading airline's assertion that it is "the world's first carbon-neutral airline", a claim that the airline has widely promoted across various channels. The lawsuit alleges that their carbon neutrality claim is unequivocally false, as it relies extensively on questionable offsets that provide little to no meaningful contribution toward mitigating the climate crisis. The lawsuit contends that customers, believing in the airline's carbon-neutral claim, purchased tickets under the impression that they had no adverse environmental impact. Many customers might not have made those purchases had they known the truth behind the carbon neutrality claim.

The emergence of such lawsuits has undeniably shifted the risk landscape for sustainability communications overnight. Marketers, alongside their legal departments, understandably find themselves on edge. However, instead of viewing this as a negative development, we should welcome the scrutiny of sustainability claims.

Just as with heavily regulated sectors like financial services, this scrutiny ensures transparency and accountability. In fact, this increased scrutiny benefits us all. The more organizations take concrete actions and openly share their progress, the less risky it will be perceived to act in an environmentally responsible manner. As a result, we can collectively make greater progress in addressing environmental challenges.

We should welcome the scrutiny of sustainability claims



One well known example of a company that lives and breathes their purpose to fight against climate change is Patagonia. Patagonia has long been esteemed as an exemplar for brand purpose. In 2022, Yvon Chouinard, the 83-year-old founder, relinquished his ownership of the company to a trust. When explaining why he'd taken this action he said, "Instead of going public, you could say we're going purpose. From now on, all Patagonia's profits will be used to fight against climate change". At the time of the deal, Patagonia's asset worth was around £2.6 billion. That's one way to put your money where your mouth is!

We All Have a Role to Play


Having a clear brand purpose that involves caring for the wider community, embracing strong values, and promoting diversity and inclusion isn't just about maximizing profits, although we know there is a correlation. While profitability is a positive outcome, what's more important is that these principles matter to the people we work with and the world we inhabit, especially for B2B buyers.

Given the pressing concerns around the environment and climate change, it's crucial to commit to reducing our environmental impact across the board. This commitment isn't just about business; it's about doing what's right, something that resonates with mindful individuals and businesses alike.

As a dentsu company, we're fond of quoting the conservationist, David Brower, who said "there is no business to be done on a dead planet". Dentsu's purpose is based on doing what is good for business, good for people and good for society, and sustainability is intrinsically linked to all three. As Simon Sinek well-said: "People don't buy what you do; they buy why you do it and what you do simply proves what you believe."

If there is one takeaway we'd like to emphasize after reading this, it is that now is the time to act; be disruptive, be agents of change, be true believers in a more sustainable future. And you needn't go alone. Now is the time to find a partner to support you on this exciting yet complex journey for your business.

With increased shareholder, societal, and legislative pressures, businesses need data and insights to move through the disruption while maintaining stakeholder engagement. [Get in touch](#) to learn more about our comprehensive suite of sustainability products across Creative, Media, Digital, and CXM.



***“People don’t buy what you do;
they buy why you do it.
What you do simply proves
what you believe.”***

- Simon Sinek,
Author & International Speaker

Get in Touch

With over 1,000 B2B experts globally, Merkle B2B brings together market-leading B2B capabilities to power exceptional business experiences for the world's leading companies.

Recently awarded top International B2B Marketing Agency by B2B Marketing, Merkle B2B provides specialist and integrated services across media, creative, insight, data, technology, marketing automation and commerce.

Merkle B2B strives to innovate at the forefront of the dynamic B2B industry, creating experiences that inspire people, help grow businesses, and transform outcomes.

www.merkle.com/en/services/b2b.html

This research was conducted by B2B International, insights experts at dentsu and part of Merkle B2B.

Whether you are looking to create powerful customer experiences driven by buyer insights, increase the strength of your brand, better understand the opportunity within a new market, assess your new or existing product/service portfolio or position yourself as a thought leader, their research solutions can help.

www.b2binternational.com