

Aligning Your ESG Strategy with Consumer Expectations for Your Category

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Companies have been investing more and more in ESG initiatives as they feel pressure to adhere to new regulations, keep up with trends, and stay ahead of the competition. An important success factor—in terms of both brand positioning and ROI for ESG initiatives—is knowing consumer expectations about ESG. With 59% of global consumers indicating they *'are willing to pay more for products and services that are ethical and sustainable'* and 70% saying they *'tend to buy brands that reflect my personal values'*¹, missing the consumer mark can be a significant missed opportunity.

Once the corporate level priorities are settled, brands need to integrate these in their strategic and tactical plans—and this is where understanding consumer expectations in a specific category becomes critical.

When embarking on ESG initiatives, it is important to consider that what's important to consumers shopping in one category may be less important to them when shopping in another. There are, of course, hygiene factors that everyone must have, but there may be important differentiating points that have not yet been claimed and which are important to consumers.

To demonstrate the importance of category ESG priorities from the consumer perspective, as well as the potential for white space opportunities, we conducted R&D in two different categories: Quick Service Restaurants (QSRs) and Hair Care². We asked consumers which facets of ESG are critical for brands in QSR and Hair Care to tackle and which facets are currently associated—and not associated—with different brands.

ESG Priorities Differ by Category

To determine differences in ESG priorities by category, we asked respondents to rate how important it was for QSR and Hair Care brands to undertake a variety of ESG challenges. The results indicated that **consumers think QSR brands should focus on three broad areas: Employees (prioritise fair pay, good working conditions), waste management (minimising food waste, eco-friendly packaging), and manufacturing (sourcing ingredients responsibly).** (See Figure 1.)

On the other hand, we found that consumers had different ESG priorities for Hair Care brands: **Consumers think Hair Care brands should focus on minimising pollution / waste of their factories, avoiding harming or testing on animals, offering eco-friendly packaging and sourcing responsibly.**

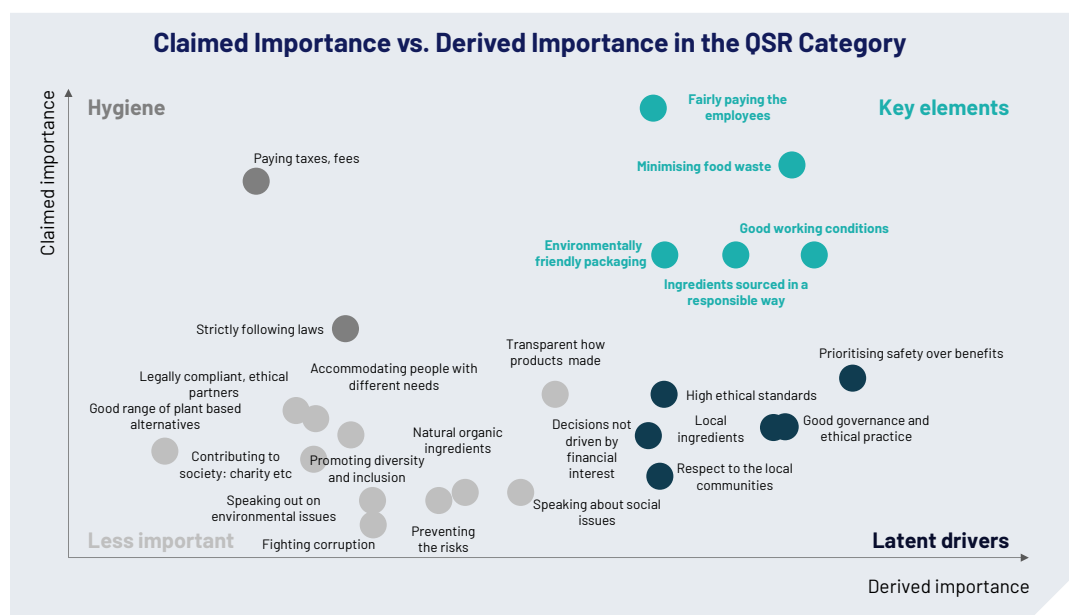


Figure 1

¹Ipsos Global Trends 2024

²Ipsos R&D 2024: QSR in UK (n=600); Hair Care in Netherlands (n=300)

ESG Brand Associations: Winners and Losers

Next, we wanted to determine how brands in the two different categories are performing in terms of developing a brand image that incorporates ESG values. To that end, we asked respondents how well different brands performed on fulfilling the ESG obligations consumers felt were most important in their respective categories.

In the QSR category, one brand (Brand A) stood out on all five ESG issues important to consumers, having created a strong network of ESG associations. The remaining QSR brands we asked about remained undifferentiated on every ESG issue. (See Figure 2.)

In the Hair Care category, one brand also stood out on the ESG issues important to consumers – but two other brands also distinguished themselves.

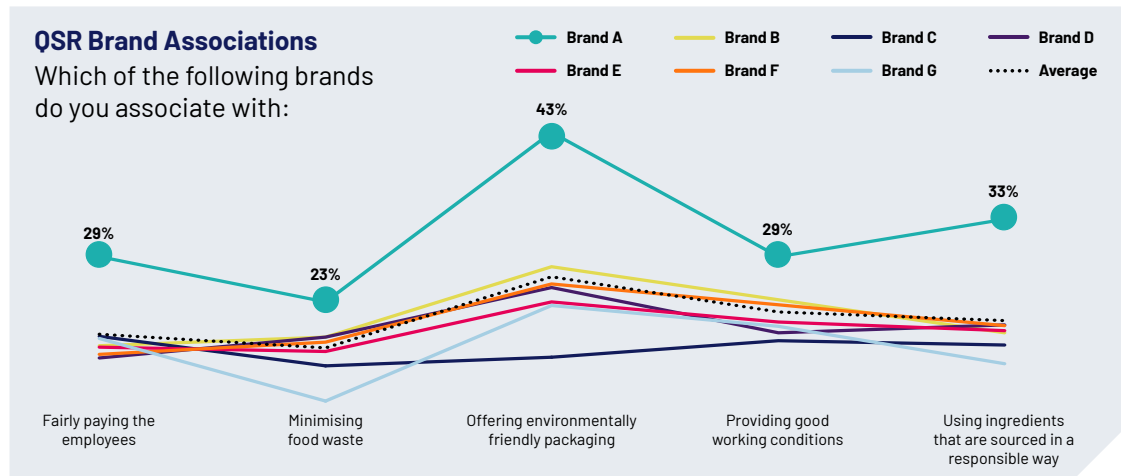


Figure 2

Unleashing White Space Opportunities

Finally, we sought to find out if different white space opportunities existed in the ESG space for the QSR category vs. the Hair Care category. **For QSR, the biggest opportunities for brands are proving they are not driven by financial interests, prioritising customer safety and prioritising local ingredients.** (See Figure 3.)

For Hair Care, the biggest opportunities for brands are clearly indicating the product impact on the environment, minimising pollution / waste of their factories, preventing risks that can impact others and being transparent about how products are made.

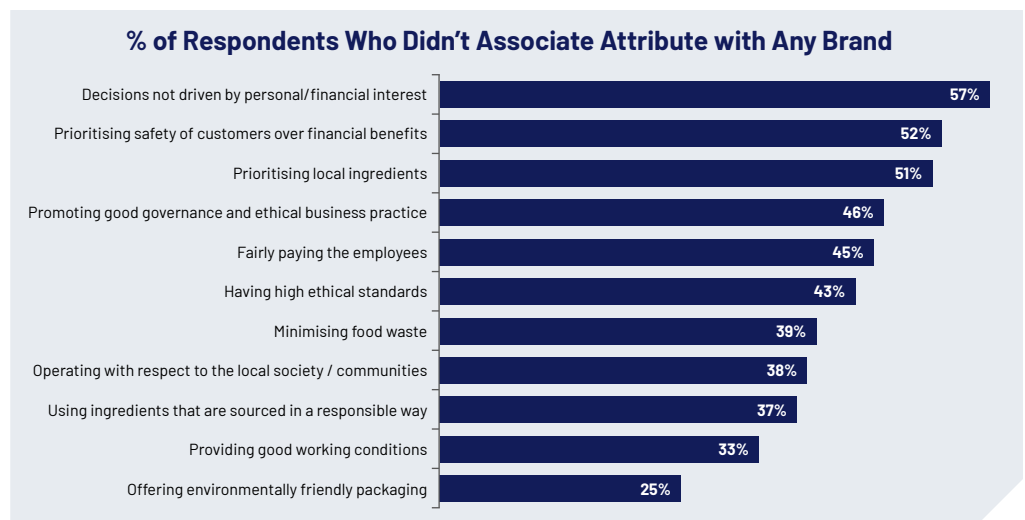


Figure 3

Find ESG Areas Where Your Brand Can Lead

Despite the buzz around ESG, taking on ESG initiatives is challenging for most marketers. Understanding which ESG areas consumers expect your category to be present in and where your brand can play are essential when making decisions about which initiatives consumers will be engaged in and how to communicate to them.

To help ensure success, we recommend you:

- Choose ESG benefits that build on your brand heritage and assets so that they are a natural fit with your brand.
- Make your ESG activities and accomplishments evident to consumers (and not just to shareholders).

- Adapt how you speak about your ESG activities depending on consumers' expectations and beliefs.
- Monitor the ESG landscape for your category and stay attuned to evolving consumer values and perceptions of your brand.

Integrating ESG into your brand proposition is a complex endeavor – aligning your ESG strategy with consumer expectations for your category and brand is an important first step towards success.