

The Green Economy Looms Ever Larger

Contributed by Euromonitor International
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Both large and small companies are turning greater attention to the implications of climate variability and change on their businesses.

The green economy is increasingly framing decision making with low-carbon, resource-efficient and socially inclusive growth one vision of the future. Volatile costs of raw materials, supply-chain disruptions and changing consumer preferences and demands can weigh heavily on strategic planning.

- The World Health Organization calculates that each year the health of 235 million people is affected by climate change, particularly due to malaria, diarrheal disease and malnutrition;

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- A climate model produced by the United Kingdom Meteorological Office predicts that by 2080, 30% of the earth's surface will be subject to extreme drought, compared with 3% at the beginning of the twenty-first century.

In this atmosphere, sustainability is a watch word for companies and consumers alike. The dictionary definition of sustainable includes words like "maintain," "support," or "endure." But the modern day concept of sustainability is often defined as growth "that meets the needs of the present without compromising the ability of future generations to meet their own needs." Sustainability means exploiting natural resources without destroying the environment, but what does it mean to consumers? And how should business react?

Euromonitor International's Annual Study of global consumers , for which the fieldwork was carried out in August 2011, questioning 16,000 consumers in eight countries (USA, UK, France, Germany, Japan, China, Brazil and India) identified a strong interest globally in green issues:

- More than half (51%) of respondents felt strongly about the descriptor "sustainably produced;"

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- Despite the strong interest shown in green/ethical products, the share of respondents who trusted their labels ranged from just 29% for "free range" to 42% for "locally sourced."

For many consumers sustainability is a catch-all term for green , organic, local, ethical, recyclable, energy-efficient, fair trade and even downshifting and health and wellness.

We have identified Green Thrift as a key consumer trend for 2012 . As thrift has become more universal, brands with green credentials who still manage to offer competitive prices have performed best. Added to which, the consumer interest in trading pre-owned goods is in full swing, fuelled by greater acceptance of used, also called 'pre-loved' items, by consumers affected by the economic downturn.

The number of unknowns and the long term nature of climate change make it difficult for companies to build climate change into their strategic planning. However, among the 72 companies that responded to the UN's 2010 Caring for Climate survey:

- 86% of respondents saw climate change adaptation as a business opportunity. And 83% saw it as a risk;

- However, only 31% of surveyed companies have instituted formal processes for evaluating and developing solutions for customers facing changing climate conditions.

Increasing costs for natural resources and raw materials; water scarcity; energy security; threats to human health; and greater exposure to natural disaster and changing weather patterns are perceived as the key risks facing business. Implications that cause particular concern are the potential damage to brand reputation and negative consequences for consumer spending.

Meanwhile, in terms of opportunities:

- 56% of companies surveyed see accessing new markets for climate adaptation- related products and services as an opportunity of "high" or "very high" importance to their company. For instance by identifying new market opportunities in water- energy- and resource-efficient products.

In the coming years, consumer needs and desires will continue to dovetail with societal and environmental concerns. Corporate Social Responsibility policies will continue to become central to companies' operations - increasingly viewed in conjunction with improving the sustainability of supply chains, managing the use of natural resources and cutting costs. In 2012, the World Economic Forum highlighted the importance of three critical actions that businesses need to take:

listen to what consumers want and need, observe their actual behaviour and lead by designing better products and services.

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