

THE SUSTAINABILITY DISCONNECT BETWEEN **CONSUMERS** & **RETAIL EXECUTIVES**



JANUARY 2022

ABOUT FIRST INSIGHT

We help businesses create more profitable products and experiences with zero-party consumer data.

Our next-gen retail decision platform collects feedback from consumers via digital engagements and turns the data into actionable insights.

These digital testing solutions enable you to drive growth by unlocking value from your target customers. Our solution combines voice of customer data with AI to make your financial goals a reality.

What We Do



Digital product testing



Increase speed to market



Price optimization



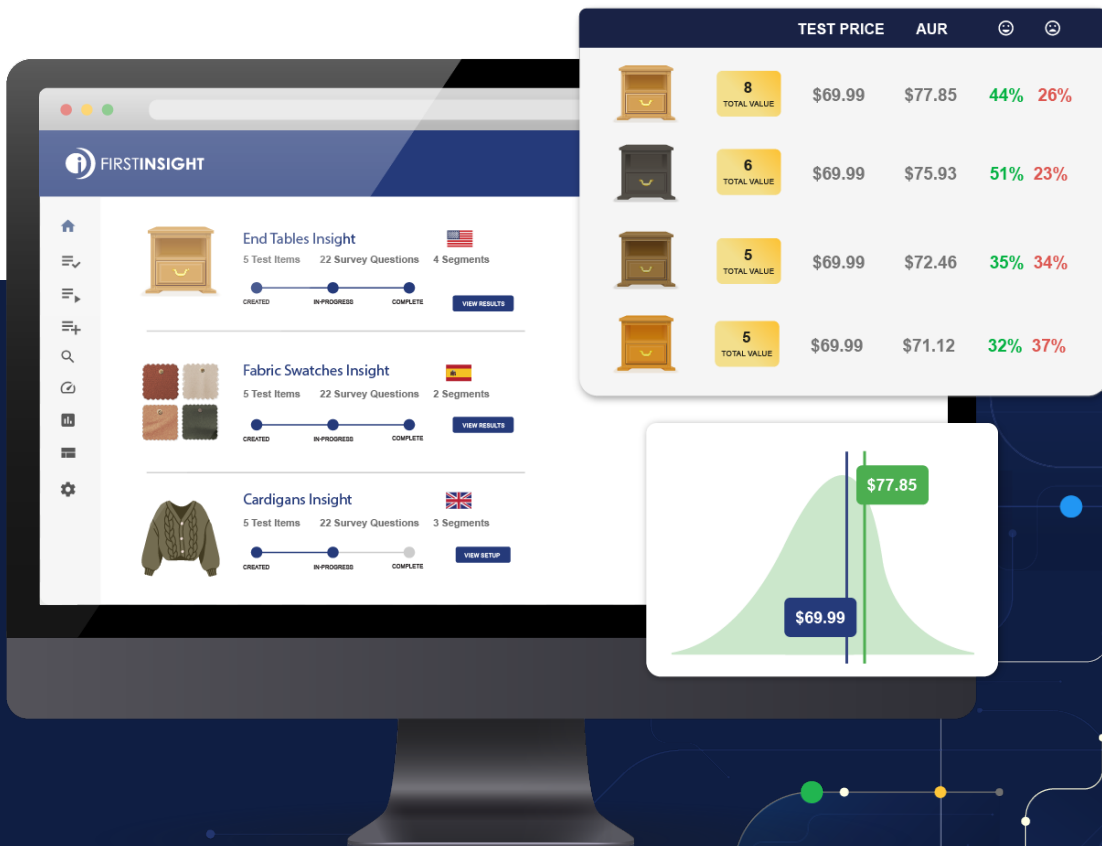
Inform inventory buy-depth decisions



Full-service account management



Quantify and prove value delivery



First Insight and the Baker Retailing Center at the Wharton School of the University of Pennsylvania surveyed consumers and senior retail executives to compare their perceptions of consumer shopping habits, purchase behavior and influences driving sustainable purchase decisions. Results identified a significant disconnect between senior retail leaders and consumers when it comes to sustainability.

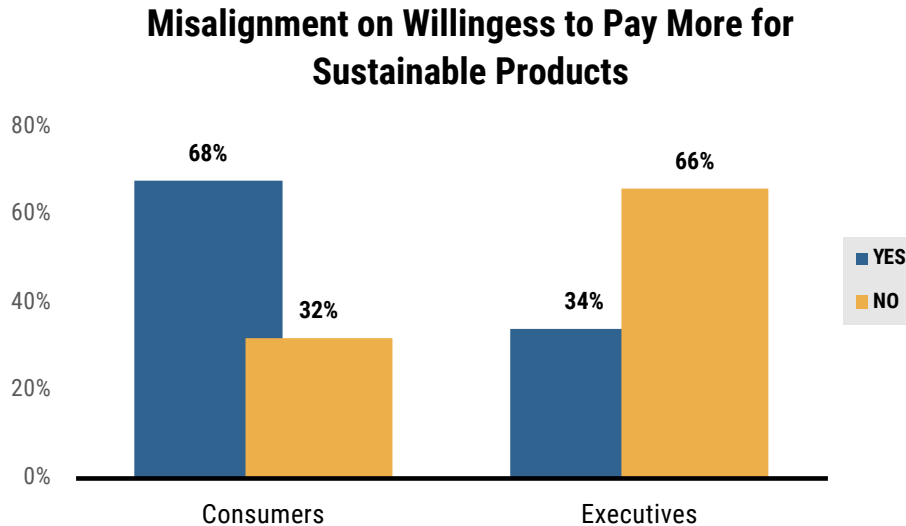
The study found that:

1. Consumers are willing to pay more for sustainable brands and products than retailers expect.
2. Retailers assume consumers value brand name higher than product sustainability, when in fact the opposite is true—consumers value product sustainability over brand name.
3. Almost all retailers believe that consumers expect brands and retailers to be more sustainable, yet approximately 25% of consumers do not have these expectations.
4. While the majority of consumers feel that retailers are sufficiently transparent on sustainability, all retailers believe that consumers do not think they are transparent enough.
5. Consumers shop sustainable brands out of a bigger concern for the environment than retail executives believe.
6. Quality and brand authenticity are other reasons consumers shop resale.
7. Retailers believe price is what motivates consumers to shop resale/recommerce.
8. Consumers are more motivated to shop resale/recommerce formats out of a concern for the environment than retailers believe.
9. Retailers are misaligned on consumer preferences for recommerce formats, and are largely unaware that consumers prefer to shop brand or retailer operated resale channels.
10. A disconnect exists between retailers and consumers on how consumers wish to be compensated for resale items. Almost all retailers assume cash is the preferred method, while consumers say that loyalty points or discounts on purchases are also acceptable.
11. Peer-to-peer recommerce platforms are used less by consumers than retailers believe.

First Insight and the Baker Retailing Center at the Wharton School of the University of Pennsylvania's findings are based on two separate studies. The consumer study is based on the results of a U.S. consumer study of a targeted sample of more than 1,000 respondents fielded in July 2021. The study was completed through proprietary sample sources among panels who participate in online surveys. The second was based on a sample of 51 retail senior-level business executives (C-suite, EVP/SVP, Vice President, and Director roles), and was fielded in October 2021.

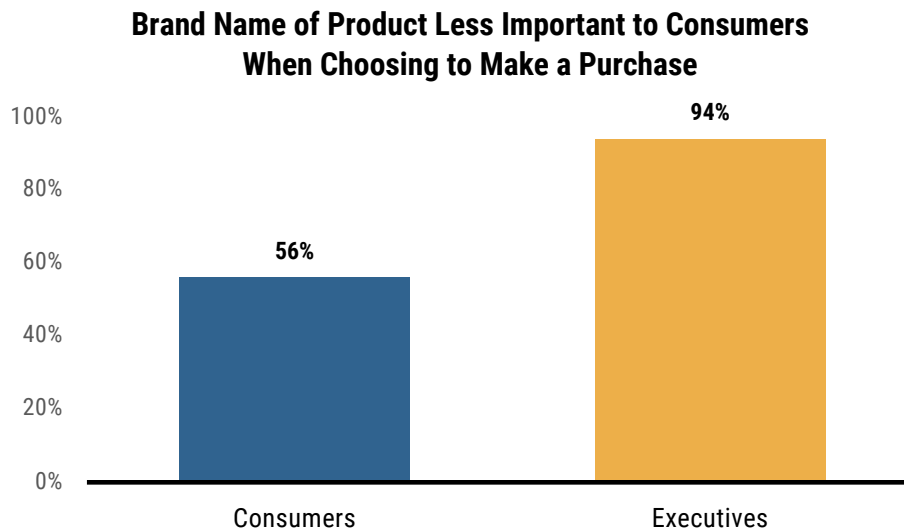
Misalignment on Willingness to Pay

One of the most divergent topics between consumers and retailers is consumers' willingness to pay more for sustainable products. Over two-thirds of the consumers say that they are willing to pay more, with two-thirds of retailers believing consumers will not pay more.



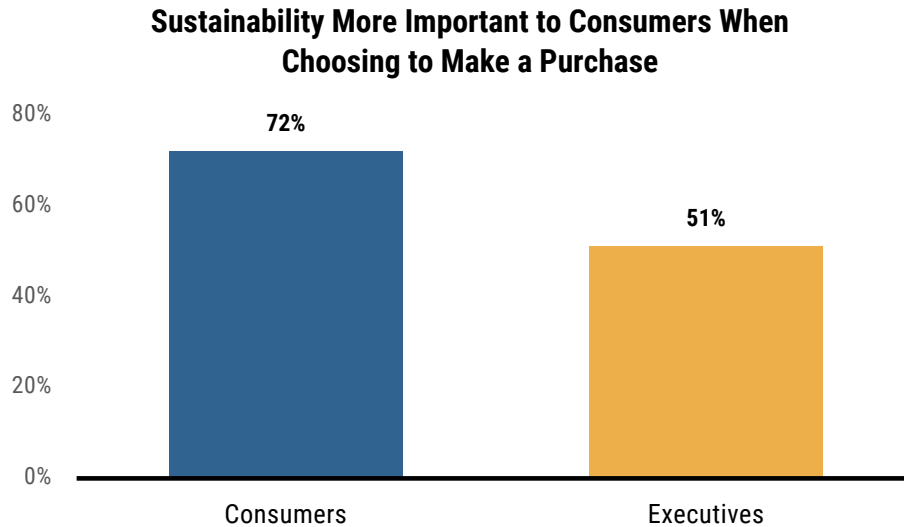
Brand Name of Product Less Important to Consumers When Choosing to Make a Purchase Than Retailers Believe

Another surprising disparity lies in the fact that almost all retailers feel that consumers value brand name over product sustainability, when in fact, only 56% of consumers rank brand name as somewhat or very important.



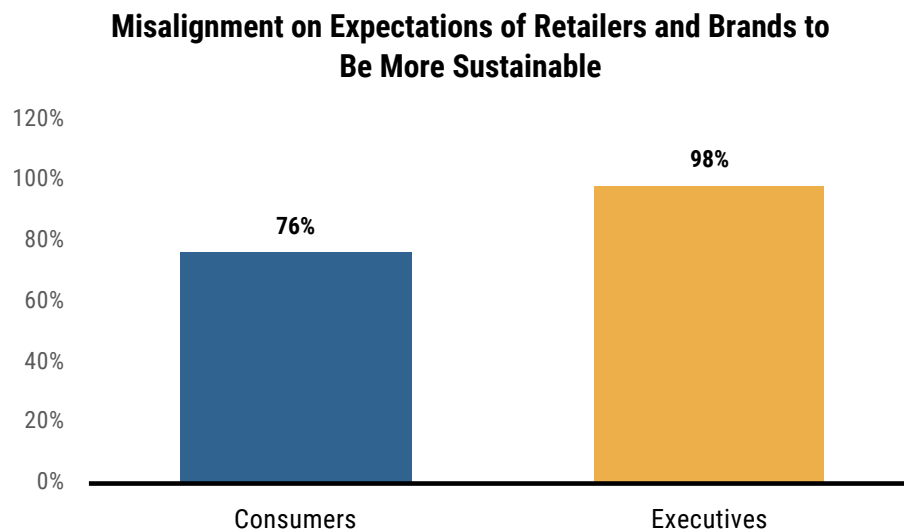
Sustainability More Important to Consumers When Choosing to Make a Purchase Than Retailers Believe

In tandem with the question above, almost three-quarters of consumers say that sustainability is a very or somewhat important purchase consideration, with only half of the retailers believing that sustainability is important to consumers.



Misalignment on expectations of retailers and brands to be more sustainable

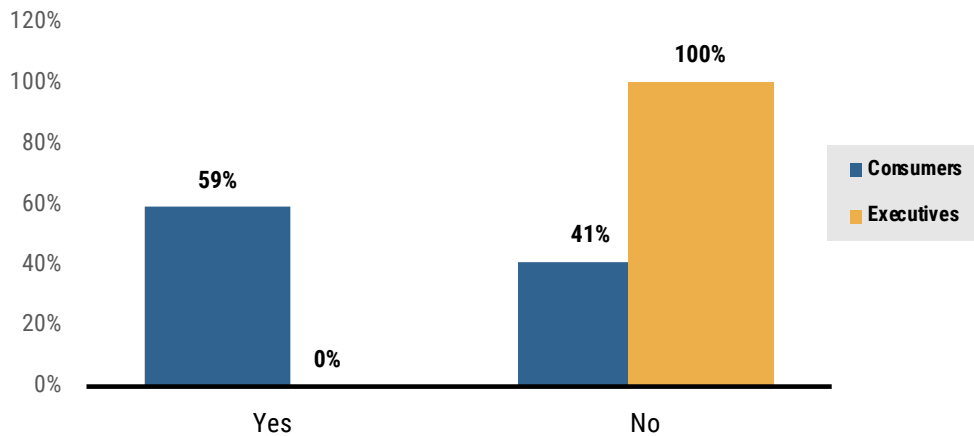
Nearly all of the senior retail executives believe that customers expect them to be more sustainable. While the majority of consumers agreed that retailers should be more sustainable, almost 25% of those surveyed did not have that expectation.



Misalignment on whether brands and retailers are transparent enough about sustainability efforts

Retailers are misaligned, even on good news. Every retailer thinks that consumers do not feel that they are being transparent enough on sustainability efforts, when, in fact, the majority of consumers do feel that retailers are sufficiently transparent with their sustainability efforts.

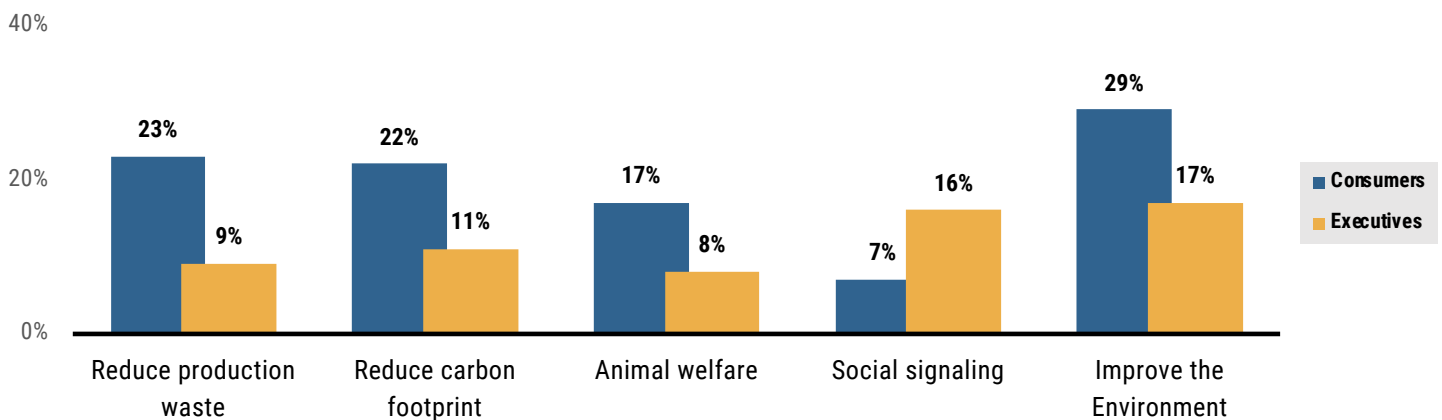
Misalignment on whether Brands and Retailers Are Transparent Enough About Sustainability Efforts



Environment and Other Social Reasons More Important to Consumers When Choosing to Shop Sustainable Brands Than Retailers Believe

Consumers are shopping sustainable brands out of a desire to help the environment—by reducing production waste, by reducing their carbon footprint, out of concern for animals – and less so to be recognized as a good citizen (social signaling). The retail executives rank social signaling as the biggest consideration for consumers, equal to the desire to improve the environment.

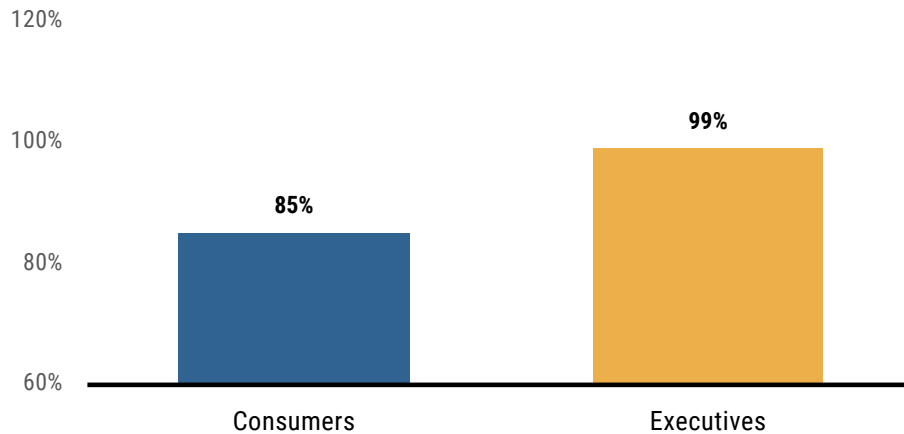
Why Consumers Prefer Sustainable Brands



Senior Retail Leaders Believe Quality/Value of Product Is More Important to the Consumer

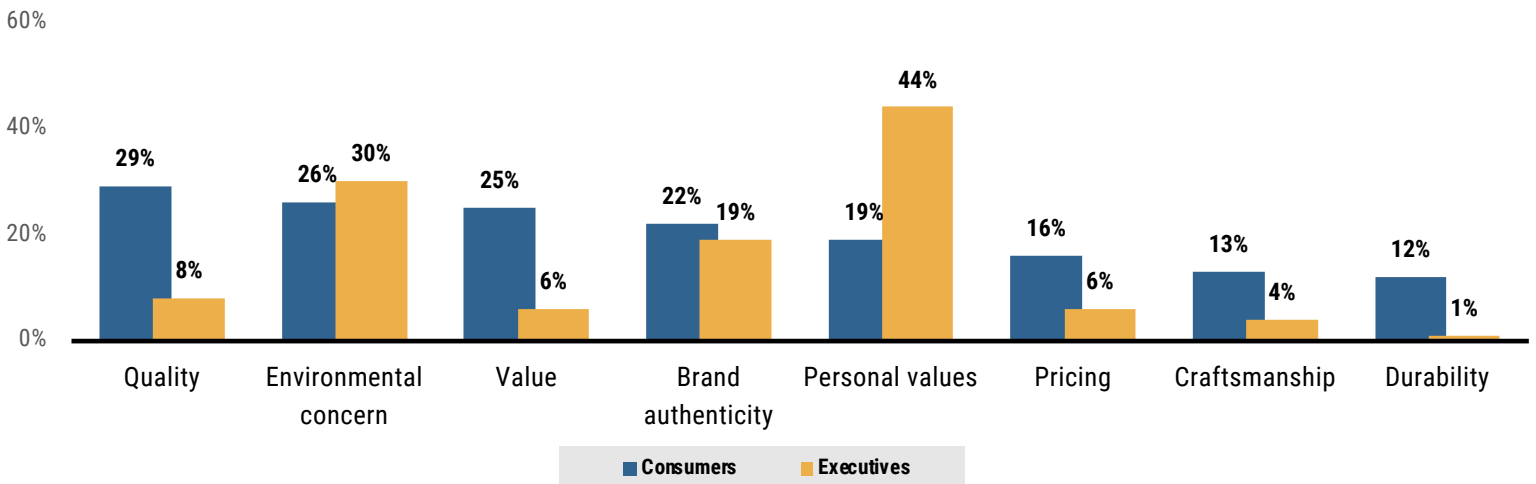
Product quality and value are highly ranked considerations for both retailers and consumers, yet retail executives think it ranks 16% higher than consumers do.

Senior Retail Leaders Believe Quality/Value of Product is More Important to the Consumer



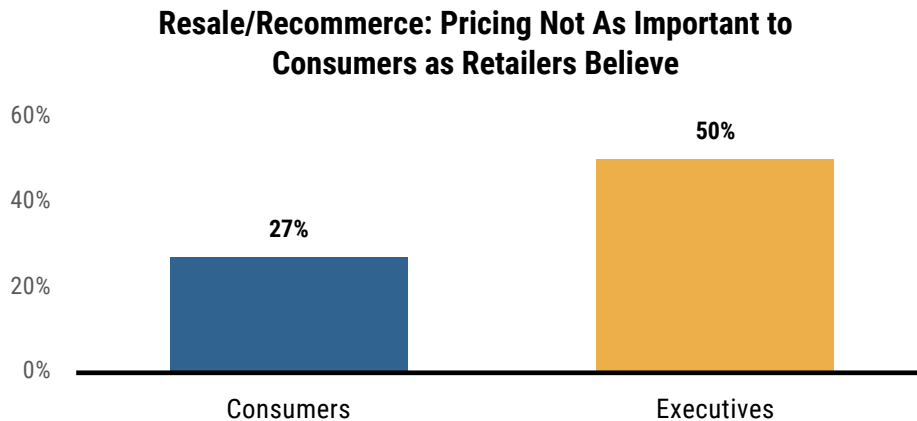
When considering consumers who already shop sustainable brands, retailers believe that personal values and environmental concerns rank highest. While consumers do buy sustainable brands for those reasons, other compelling answers include Quality, Value, Brand Authenticity, Pricing, Craftsmanship, and Durability.

Why Do You Choose to Shop Sustainable Brands?

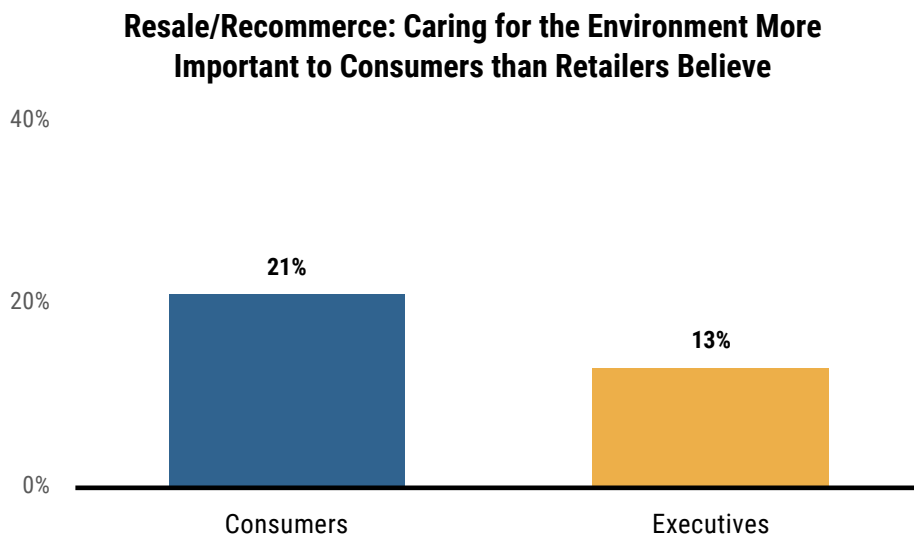


Senior Retail Leaders Out of Touch on Why Consumers Prefer the Resale/Recommerce Model

When shopping the resale/recommerce market, pricing is not as important to consumers as retailers believe. Half of retailers think that consumers prefer to shop resale/recommerce because of price, when, in fact, only a little more than one-quarter of consumers agree that price is the reason they shop resale/recommerce.

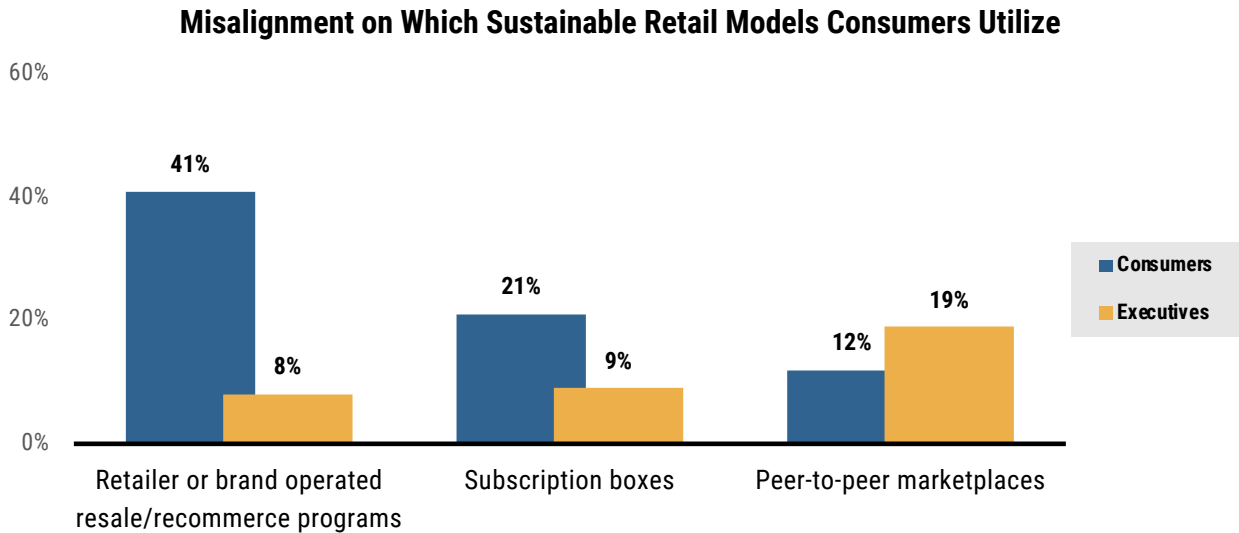


Similarly, environmental concerns are a bigger factor in leading consumers to shop resale/recommerce than retailers believe. Among consumers, 21% say they are motivated to shop resale to care for the environment, while only 13% of retailers - almost 40% less - believe this is why consumers shop resale/recommerce.



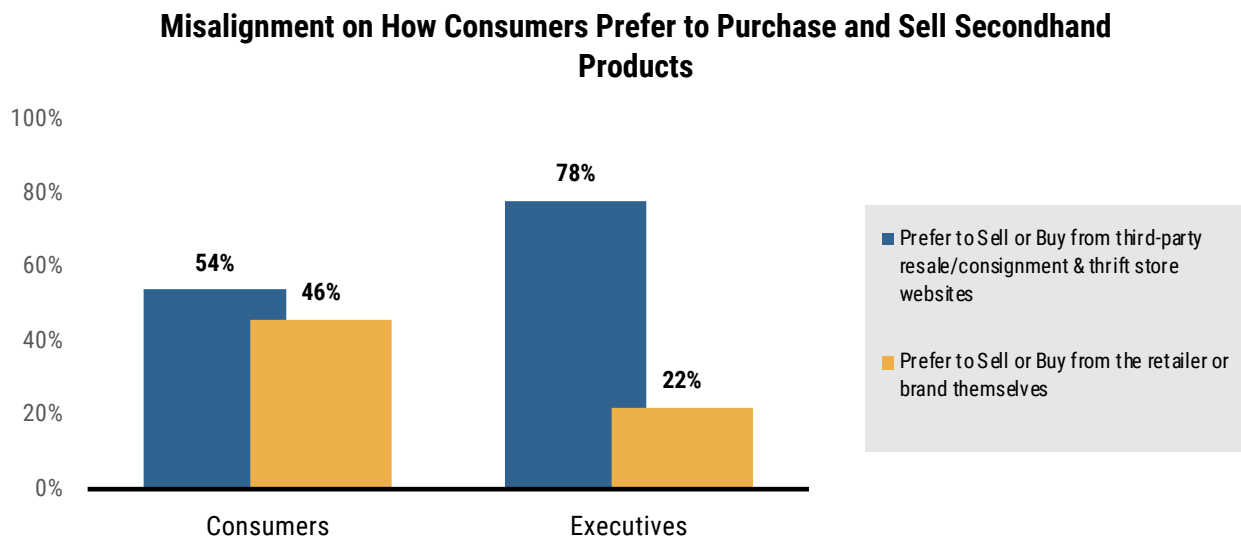
Misalignment on Which Sustainable Retail Models Consumers Utilize

Consumers prefer to use retailer or brand-operated resale/recommerce and subscription box programs much more than the retail leaders realize. Retail executives assume that peer-to-peer marketplaces, such as Depop, are more important to consumers than the data suggest.



Misalignment on How Consumers Prefer to Purchase and Sell Secondhand Products

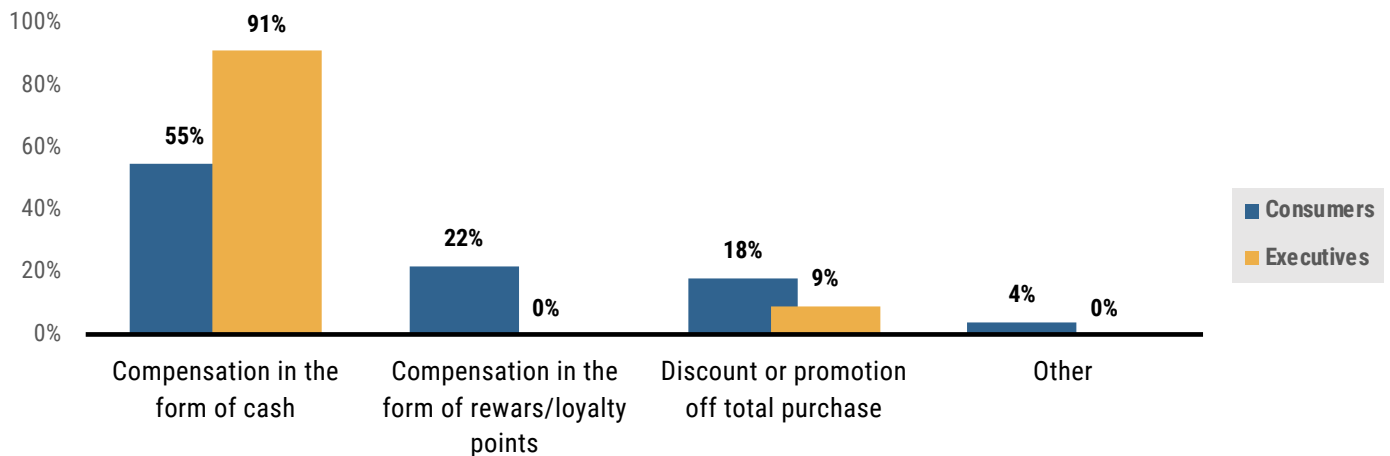
Retailers may be missing out on a big business opportunity, as 46% of consumers say that they prefer to purchase and sell through brand or retail operated resale platforms, with only 22% of retailers recognizing that consumers prefer this option.



Senior Retail Leaders Out of Touch on How Consumers Prefer Compensation When Selling Secondhand Products

Another potential business miss for retailers is the way that consumers prefer to be compensated when they sell previously-owned items. Almost all retailers believe consumers simply want cash. While 55% of consumers do prefer cash, other viable compensation methods include rewards or loyalty points as well as a discount off another purchase.

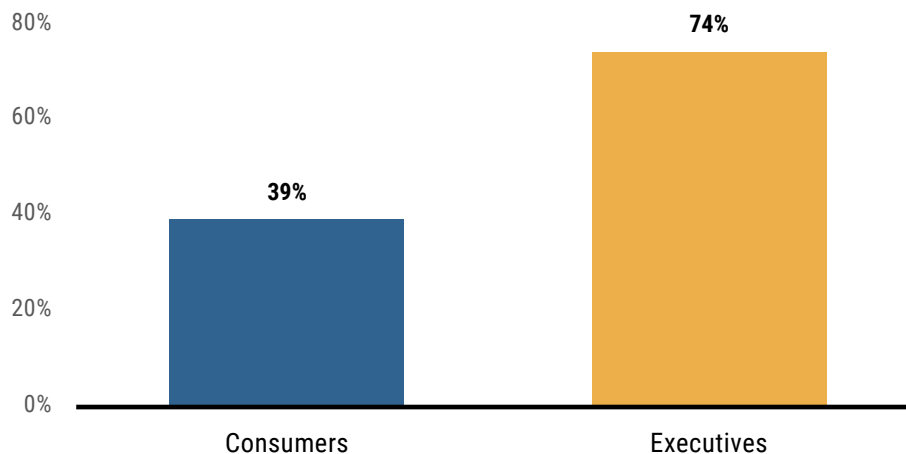
Senior Retail Leaders Out of Touch on How Consumers Prefer Compensation When Selling Secondhand Products



Senior Retail Leaders Out of Touch on Consumers' Utilization of Secondhand Markets

Consumers are not nearly as active as sellers in secondhand markets as retailers believe they are. Nearly three-quarters of retailers feel that consumers like to resell items through outlets such as ThredUp or Poshmark, while only 39% of consumers do.

Senior Retail Leaders Believe Consumers Sell Items to Secondhand Markets More Than They Actually Do



Conclusion

This new report reveals that retailers must listen more closely to the voice of the customer on issues as critical as sustainability. It demonstrates that consumers clearly want more than performative measures from retailers and brands when it comes to ESG priorities, which will only increase in importance as Gen Z grows in influence. Furthermore, it shows that aligning with consumers on sustainability topics is better for business. Acting on consumers' sustainable shopping preferences will guide retailers with both product selection and pricing. Transparency around sustainability efforts will help brands and retailers differentiate themselves in the market, while testing consumer-validated resale formats can improve retailers' sustainable product assortments and bottom lines.

Methodology

First Insight's findings are based on the results of U.S. retail executive and consumer studies conducted in partnership with the Baker Retailing Center at the Wharton School of the University of Pennsylvania. The executive survey was based on a sample of 51 retail senior-level business executives, and was fielded in October, 2021. The consumer study of more than 1,000 respondents was completed through proprietary sample sources among panels who participated online.

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About First Insight

First Insight, the world leader Voice of the Customer for Retail, is transforming how companies make better decisions leading to a sustainable future. Customers include some of the world's leading vertically integrated brands, sporting goods companies, department stores, CPG, mass merchant retailers and wholesalers. For further information, please visit www.firstinsight.com.

About The Baker Retailing Center at the Wharton School of the University of Pennsylvania

The Jay H. Baker Retailing Center is an industry research center at the Wharton School of the University of Pennsylvania. The Center develops insights, through programs and resources, with our faculty, students, and industry leaders that influences industry research and encourages discussion on trending retail topics. Our faculty are world-renowned researchers, and our board members are globally recognized omnichannel and direct to consumer brands and retailers. The center was established in 2002 through a generous gift from Jay and Patty Baker. Jay Baker, former President and Director of the Kohl's Corporation, is a 1956 graduate of the Wharton School. [Learn more about the Wharton/Baker Retailing Center.](#)