



The So What from BCG Podcast

How Can My Shopping Save the Planet?

Shalini Unnikrishnan

GEORGIE FROST: When you're buying something, what stops you from making the ethical choice? Is it time, price, cynicism, or is it transparency--you simply don't know enough about the product? Despite grand pronouncements and targets by governments and businesses, progress in encouraging consumers to buy sustainable and ethical products is slow. Could a big part of the problem be that too often people are left out of the equation? I'm Georgie Frost, and this is "The So What from BCG."

SHALINI UNNIKRISHNAN: This is a test of leadership for many of the companies, of their boards, of their CEOs, of their C-suite, and of their shareholders to make these moves.

GEORGIE: Today, I'm talking to Shalini Unnikrishnan, global lead for societal impact in the Consumer and Social Impact practices at BCG.

SHALINI: If you think about people-centered design, what you want is to really dig into what are the motivations, what do people really care about when they're using that product. What makes them happy? What is giving them satisfaction from that product? Then thinking about, well, how do I create that experience sustainably? And putting that at the center of the innovation process, of the marketing process, of the pricing process, of every part of how I'm taking that product to market.

Here you can take the example of Tesla, for instance. Before them, there were plenty of car companies that came and said, well, I tried electric vehicles. Nobody really wants them. They've failed. People don't want to pay the premium, etc. And fast-forward, we've seen what design that people really want, features that people really want that happens to be green and electric, can do, and it can fundamentally disrupt an entire industry.

GEORGIE: Isn't it at a price point that people want as well, particularly with Tesla?

SHALINI: It is at a price point that people want. We are seeing, though, that if you look at the data, let's say in North America, **in the last five years of purchases of everyday categories, this is a study done by NYU that showed that in**

the top 30, 40 categories of everyday purchases, so you're talking about the diapers and the trash bags and so on and so forth, people are paying a premium, that sustainably marketed products are 15% or so of the categories but greater than 50% of the growth. And there is a price premium of 30-something percent on average. Now it does vary on categories, and it varies in...

GEORGIE: A bin bag is slightly different than an electric car, though. I think a lot of people might be able to stomach the 15p or 15 cents or whatever it is, extra, but when you're talking about things that are worth a little bit more, but there are also, there are other elements to, for example, an electric car, charging points, availability, those sort of things I imagine you also need to factor in when you're designing this people-centered approach.

SHALINI: Absolutely. Absolutely. I think one of the key things is no product has to address every part of the market, right? So that's an age-old consumer segmentation theory. In the same way, the innovator, the Tesla, doesn't have to appeal to every single consumer in the market, but what they are doing is proving a business model. What they are doing is proving demand. And now we have the Chevy Volt that goes with the Tesla as well, right?

And so over time, that creates the ability to have a wider range of products in the market. So we don't have to constrain ourselves just because it hasn't solved all the problem yet. And then we get to, of course, none of this can work by purely innovating cool products. It has to happen in the right ecosystem. **And this is where we come to a really important part of making progress, which is recognizing that this happens only when we completely rethink collaborations and supply chains and ecosystems.**

No one company is going to be able to solve this. No one government is going to be able to solve this challenge. And finding new friends, finding new people that you're going to collaborate with is going to be a really important part of this journey.

So you can take the problem of plastic waste. You'll have the consumer company put up their hands and say, well, I've

made it recyclable. What else can I do? You'll have the downstream players talk about their challenges. You'll have upstream players talk about their challenges. **In reality, what we need is ecosystem action across the spectrum, is people working together, companies working together, public and private sector working together to design new systems.**

I was recently working with a very large consumer company, and they'd spent a year looking at what it would take to meet their sustainability goals. And they have bold sustainability goals, not just around being net zero, but around nature and being nature-positive, around equity and inclusion. They went through the process of identifying lots and lots of things they could be doing. It was an entire company process to identify all the little initiatives they could be doing, tweaking their own product, the packaging, the production, the energy mix, etc., etc.

And at the end of the day, they were 25% of the way through the journey, and that's it. That's all they could find within their business and even within the core suppliers that they have. The remaining 75% of the answer needed to be fundamental changes to their business, to who they're partnering with, how they're sourcing their entire procurement structure, suppliers, all of that. So we have set out on a very big journey here. I think at some point we have to realize that it's not going to come with little tweaks and changes. It's going to be big things that need to be changed.

GEORGIE: I always have to caveat this, but I do think this all sounds absolutely in the direction that we should be going. Who doesn't want us to be more sustainable, more ethical, more green? However, as a business and in a capitalist system that works on quarter-to-quarter growth, you would be looking at those sorts of stats and thinking 75% of my entire business model needs to change. And we're in a situation we mentioned earlier about consumers. Do consumers really want it? Do consumers really want to buy green and ethical? When companies are shown very clearly by the media, very publicly to be doing the wrong thing, people are still buying it. And what I think of immediately is things like fast fashion. How then as a company, as a leader of a company with shareholders, do you then get everyone around a table and say 75% of our business model needs to completely change? They're not doing it over there. That company there aren't doing it. I'm not entirely sure our consumers are really behind this either, but I think we should do it for the right reason.

SHALINI: It's not easy. Let's start off there, right? If there were easy answers, we would've done this by now and moved on. It will require some companies to step ahead of others. There is now mounting evidence five years ago, 10 years ago, some of these even longer, some of the leading companies already stepped out. Patagonia already stepped out, Unilever already stepped out, even before some of this

evidence was mounting. They've had great value created from this.

Now, there is mounting evidence that capital and investors are going to value companies that do recognize that they need to get going on this journey. So, that's helpful, and it helps companies have an ability to actually have a conversation with their investors and their shareholders and say, "This is why I'm doing this." And there are good reasons to do it. It's because this is where growth is.

As I mentioned before, sustainable products are small, but they're the biggest part of the growth. I'm doing this to capture the new pockets of growth. I'm doing this because there is a sustainability scarcity that will emerge for many of the commodities that I am going to need as climate change begins to have more and more effect on agricultural outputs and other outputs. Some of these commodities are going to start fluctuating. There's much more risk in the system, and this is about creating resilience. This is about creating access to scarce commodities, making sure my business is strong for the future. So it's preparing for growth, ready to capture growth, and it's preparing for resilience and for the risks that are coming.

And by the way, in that process of getting growth and getting resilience, capital markets are shifting, and there's a large amount of capital that is looking for sustainability targets. And I can take advantage of being a first-mover and capturing that. It's more efficient. It can save me money. So, more and more and more arguments building up for businesses that want to tell that story. It's not without risks. It is not without getting uncomfortable. You've had a certain business model that's worked for a really long time, and this is a disruption. **But we've seen over and over again that any time there are big disruptions, whether that's a digital disruption or all the way back to industrial revolution, the companies that get going and that start and that ride that wave are going to come out more successful and more resilient in the long run.** So this is a test of leadership for many of the companies, of their boards, of their CEOs, of their C-suite, and of their shareholders to make these moves.

GEORGIE: Where do you start?

SHALINI: I start always with the purpose of the company. What are you trying to accomplish for whom? Who are your stakeholders? And for each of those stakeholders, what's the value that you're creating? Climate action, sustainability action, equity, diversity, any of these agendas are anchored in purpose, and they are core to the company rather than something that is being done to the side of the business. That is much more likely to succeed. And to me, that is the simplest but most important starting point for a business.

GEORGIE: But what if your company's purpose is to find fossil fuels, to do massive shipments across oceans, to make petrol cars?

SHALINI: Yeah, this is a great conversation to have with that leadership. Is the purpose to find fossil fuels, or is the purpose to provide energy that powers mobility? Is the purpose to identify energy that powers the production of products that create value in our lives? And if that purpose is understood and described properly, these companies that are facing some of the biggest challenges will also be able to make their transition to a resilient and profitable future.

GEORGIE: All of this seems to start, go forward, and end with people, people-centered designs, people in leaderships who are willing to take risks. What happens to companies that don't put people at the center?

SHALINI: Yeah, I think what you end up with in that situation is potentially great technical answers that really struggle getting adopted, with having the energy and the momentum of the organization to make it successful.

So we have seen many examples of products, solutions, services, business transitions, etc., where companies have had great ideas and great products, but they never take off. And there's lots of reasons for them, but I strongly believe one of those is not really thinking through the people aspect internally, or your consumers and your customers, etc. And by the way, this is not just about the person in the grocery store picking up products, right? That's not the only people part of it. It's the other end of the spectrum. If you are a company, I don't know, making bags of chips, the people to think about are also the farmers that are involved in producing that crop who are about to go through probably the greatest transition since the green revolution if they do change to regenerative practices and so on. So it is a people transition up and down that value chain throughout.

GEORGIE: And yet we live in a digital era where tech is being advanced, automation, algorithms. How does that marry up?

SHALINI: Could we do this all in the metaverse, right? Well, digital, I think, is the most powerful enabler on this journey. It's going to be very exciting to see that intersection of digital and sustainability and how that's going to create the solutions that we need for tomorrow.

I'm personally very excited in BCG for the team that has been working on leveraging artificial intelligence to help companies dynamically understand their very complex carbon footprint and be able to run scenarios and simulate their business decisions and democratize sustainability throughout the organization because digital is creating different interfaces to that very complex data to different parts of the organization and helping them understand and grasp and make decisions

with sustainability data in the same way that you would with financial data.

To me, that's one of the most powerful tools we are going to have as we move forward, is where can digital create a dialogue at the intersections? Because the value is not in silos anymore. The value's going to migrate to the intersections. How does digital help us talk across these boundaries that we've created of: you work in this sector, and I work in that sector, and you are my competitor, and X and Y? Digital is going to be powerful at helping conversations and partnerships and collaborations to happen at intersections and boundaries.

GEORGIE: How do you see this in the future? In this ideal—silo-less, everyone connected—how would it look?

SHALINI: I think you would still have, absolutely have competition and the innovation that competition spurs and the advancements that competition spurs. None of this is meant to be anti-competitive. It's not meant to be some fuzzy, theoretical approach. It's meant to have us rethink some of the boundaries and find new sources of advantage.

At the core of this, sustainability is a source of advantage. This is not about a "kumbaya," let's all the good to each other and be happy solution. **This is about finding new sources of advantage, and the new sources of advantage are coming from understanding, number one, our consumer differently and reengaging with that consumer, reengaging with that farmer, really understanding how are we going to create products and so on that really understand the audience.**

It's going to come from new collaborations. You see pharmaceutical companies, airline companies, across the board you're seeing companies come together pre-competitively and co-investing in solutions, where actually instead of every one of them designing sustainable aviation fuel, they are co-investing to create that technology that they can all benefit from. They will still compete to get you and I on the cheapest and best way to our wonderful island vacation in the summer, but that doesn't mean that they can't generate advantage from pulling in their resources pre-competitively.

GEORGIE: You mentioned there about engaging with your consumers. How can companies best do that?

SHALINI: I think the first step is to listen. A while ago, we did this piece of work where we were trying to understand why there were so many financial services products aimed at the small-business holder. So think of the corner shop in Indonesia or in Nigeria or the small shop in that's in rural Tennessee, a lot of financial solutions aimed at helping them digitize, helping them save, so on and so forth. The adoption is very low. Sometimes they try it out. The stickiness to those

solutions was very low. So we went out and did this anthropological kind of survey. It wasn't about asking them about financial services.

We actually asked the shop owners, men and women in Indonesia, in India, in Nigeria, in Mexico, etc., what's money for? What's happiness to them? What's a good day? What's a bad day? What do they do with the extra money? What does happiness mean, so on and so forth. From that, we uncovered an incredible set of rich insights.

We talked about who do they trust, why do they trust who they trust. So what you could discover for product design for this company from those insights was actually what really mattered to people, what kind of incentives would motivate them, who the message or the marketing message should come from because those would be the more trustworthy individuals, etc.

It starts from listening and really understanding what lies underneath people's motivations and why people act the way they do. And then I think the other side of it is it comes from narrative and storytelling and recognizing that just creating the solution doesn't mean that people can get it. We're surrounded by a cloud of information right now. **Let your product elevate out from the others, having a good narrative that's simple and easy for people to understand, and removing the clutter from around all the other information that people are getting.** If you get those two pieces right, there's a lot of space to engage with consumers and change their behavior.

GEORGIE: It's one thing to listen, but I imagine a lot of what people say is very different. So you're listening to lots of different messages. And I haven't read your research on this, but I imagine from Indonesia, India, Nigeria, rural Tennessee, I think that the responses and cultures will be very different and will reflect different responses in people's answers. So if you are a company that has to factor that in, that is something that will be quite difficult to measure or not?

SHALINI: It is. The simple answer is you have to customize. We customize products all the time. Why not customize technical solutions? Why take a solution that's worked and been designed in a city in the US and try to make it work in a developing country? We have to customize, and it's not always going to be a transfer like it was in the past of a solution created in the West and then taken to developing countries. We're going to need innovation and solution design happening everywhere. We are going to need collaboration to happen and solutions to be traded across.

So the simple answer is yes, and that's OK. Let's actually work with those cultural needs, etc., and design something different. But maybe there is also a point to be made, as we looked across these countries, there's plenty that's similar as well. At the end of the day, there are a lot of values, and

there are a lot of things that are quite common across people no matter where we are. We all have aspirations that are common. There is value around family. There's value around safety. There's value around well-being and health and wellness of my child, etc. There's just so many values that are common that I don't think that it's as complicated as we may think it is.

GEORGIE: I was listening to another podcast that was talking about barriers. Now, there was a bed company. and a lot of people, a lot of customers, kept going onto this site, designing their own bed. And when it came to the purchasing, they stopped, and the company couldn't work out why until they did a bit of research. And they found out that the biggest problem was people didn't know what to do with their existing bed. So, as part of the process, they said, "We'll remove your bed for free." And as a result, you can imagine, sales went up. By that, I mean, do companies focus a little bit too much on trying to push products without thinking about what is holding people back? And this feeds back into that argument about sustainability. If we want consumers to be more sustainable, are we focusing enough on the reasons why we're not, what is holding us back?

SHALINI: Yeah, I think it's a great point. We see it over and over again, that if we can get rid of simple barriers that we all are actually quite willing to change our behaviors.

There's a toilet paper company. It's actually quite successful. They're called Who Gives A Crap. They don't do plastic packaging. The loo rolls are wrapped in paper, and they're made from sustainable materials and so on and so forth. All that's great, but the simple thing that they do is they deliver loo rolls to your door on a subscription service that works for you. **The reality is that the simplicity of that solution is as important as the sustainability of that solution.**

And over and over again that we see, you take Patagonia, for example, yes, they've got sustainability deeply embedded in what they're selling and the products they create. But they have tied that very closely to a central thesis of their marketing positioning, etc., which is quality. They say fast fashion or clothes that are disposed of are part of the problem. We want things to last. That's better for the environment. We design for things to last.

I don't know if anyone has done the disaggregation of how many people are buying Patagonia for just the fact that they're green or just the fact that they're higher quality or the intersection of both, but those two are actually very closely linked. And it is a sustainability argument to have a higher-quality product as well as it's a value argument. If I'm paying this higher money or this larger sum of money, it should be a higher-quality product that lasts me longer. So, it's a great point. There are important ways in which we need to understand the barriers for people to buying products and what appeals to people and not make it just about, I've

created a better widget, and, therefore, people will just buy it.

GEORGIE: Thank you very much to Shalini and to you for listening. We'd love to know your thoughts. To get in contact, leave us a message at thesowhat@bcg.com. And if you like this podcast, why not hit subscribe and leave a rating wherever you found us? It helps other people find us, too.