

# Consumer-Driven Market Shaping in the Era of Climate Change

20 August 2020



By Dr Bora Oesja, Marketing Lecturer, Australian Institute of Business.

Markets are complex ecosystems that extend far beyond a single party. By viewing markets as ecosystems, it is clear that consumers, firms, governments, and other parties are all market actors, connected and interdependent. Market shaping at the core is related to permanent successful changes within the market ecosystem that increase value creation.

In an attempt to understand what makes a market-shaping event successful, Lipnickas et al. proposed that [effort reduction](#) for market actors is key and can act as a catalyst to creating system-wide changes. Such effort reduction can be applied in the short, or long term. Interestingly, market actors (such as consumers and companies) can be willing to expend more short-term effort to reduce their total long term effort expenditure. This means that if companies perceive long term benefits, readjustments to their practices will be made early in order to maintain a beneficial position in the future. In fact, all market actors within the ecosystem will adjust accordingly in order to reduce their longer-term effort. While each market actor can influence market-shaping, the latter could also be triggered by an event. Climate change has become increasingly important in changing consumer behaviour and hence triggering consumer-driven market-shaping via consumer activism and purchase behaviour.

## Climate change and sustainable consumption

It is widely accepted that the global climate is changing and that action needs to be taken in order to save the planet. Embracing and practicing a philosophy of sustainability is becoming a greater priority for communities due to the impacts of climate change. Just from March 2020, the hashtag #climatechange has been tweeted more than 300k times and retweeted twice as many times (with more than 2 million people "favouriting" it).

According to Euromonitor International's Lifestyles Survey 2019, the percentage of respondents globally that worry about climate change has increased from 55 % (2015) to 60% (2019), with 54% thinking they can make a positive contribution via their purchasing behaviour. As a result, the percentage of respondents that feel good about buying ecologically or ethically sourced products also grew (from 24% in 2015 to 28% in 2019 globally).

Maria Coronado Robles, a senior sustainability consultant, states that eco-anxiety is affecting shopping decisions, with a shift towards sustainable products which result in a more guilt-free shopping experience. As an outcome, authentic, natural, fair trade, ethical is becoming credentials that add value to brands. Euromonitor International predicts the [2019 Ethical Living megatrend](#) to be one of the most significant market disruptors going forward.

With an increase in environmental awareness, consumers have been looking for alternative eco-friendly products. While some consumers are willing to increase their short term effort by paying the premium price that sustainable products often come within order to lead to long term benefits, others have turned to reuse. This has led to a key 2020 trend that Euromonitor has labelled 'Reuse is the new recycle ([reuse revolutionaries](#))'. Interest in sustainable products peaks after the age of 30 and is usually higher among consumers with young children. However, while the demand for second-hand products is on the rise, there is no one-size-fits-all solution. For example, consumers in Latin America, the Middle East and Africa prefer to buy longer-lasting products, while the minimalist movement is stronger in Asia and second-hand products are becoming attractive in Western markets (Europe and US).

Consumers are also concerned about carbon emission and are more aware of air pollution and its potential to drastically impact health. What Euromonitor has labelled as "We Want Clean Air Everywhere" consumers, is also a powerful [2020 trend](#) supporting a carbon-free world. Consumer climate activism, from travel backlash to going vegan, aims to protect the planet from ecological disaster.

### Industry response to consumer sustainability trends

In an attempt to respond to the consumer sustainability trend, companies have increased their short term effort by building and implementing ethical and sustainable practices for the purpose of increasing value and diminishing long term effort.

According to Euromonitor International's 2019 Global Survey on Sustainability, 42% of companies across all industries are planning to invest in clean energy over the next five years and are finding ways to turn air pollution into business opportunities. Interesting examples across industries include IKEA, Cambridge Mask Co., D-Bronzi and Pernod Ricard.

In 2019 IKEA opened a [sustainable store](#) allowing customers to explore best practices for upcycling, recycling and reducing waste production. Another example is Cambridge Mask Co., a UK startup that began producing fashionable [face masks](#) as a means to assist in protecting consumers from the negative effects of air pollution. Climate activists use these face masks in social media posts to increase pollution awareness.

As consumers have become more environmentally aware, more companies are creating products that assist in protecting their skin from the negative effects. An American skincare company, D-Bronzi / Drunk Elephant, introduced [D-Bronzi Anti-Pollution Sunshine Drops](#). Companies are also utilising big data to find solutions that help consumers reduce the impact of pollution on health. Plume Labs, a French company, launched a mobile [air quality measuring device](#). The smartphone app provides a detailed analysis of air pollutants (such as nitrogen dioxide) in real-time thus helping people avoid locations that are prone to high levels of pollution. Moreover, companies are incorporating environmental awareness and sustainability in their corporate social responsibility. For example, Pernod Ricard has launched an initiative leading to painting giant murals [using airlite paint](#). The paint neutralises air pollutants when exposed to sunlight.

With sustainability now influencing brand perception and leading to the consumer trend of reuse, businesses are aiming to meet ethical demand by shifting to reusable or refillable options. Technology that optimises usage of materials is set to disrupt the manufacturing process. Companies from all industries are launching alternatives that claim to be more environmentally friendly. Examples include KitKat / Nestlé Japan, Ecover/ SC Johnson in UK and Feel the peel/ Carlo Ratti in Italy. In 2019, Nestlé launched [recyclable paper](#) packaging for KitKat products. The packaging can also be reused as it contains instructions to turn it into an origami figure. Ecover / SC Johnson launched "Too Good to Waste," a dishwashing detergent made from beer waste. Like KitKat, they tackle the packaging as well by making the bottle and cap from post-consumer recycled plastics. [Feel the Peel](#) is a juice bar that uses orange peels to make 3D-printed cups. The orange peels are used to produce a disposable cup used to drink the freshly squeezed juice.

As this article has illustrated, massive changes in consumer behaviour are underway, many of them linked to better environmental responsibility. Any business ignoring these megatrends faces an increasingly uncertain future. It is important for companies to juggle between sustainability (higher consumer short term effort) and convenience (low consumer short term effort) as consumers still rank efficacy, value and aesthetics as desired characteristics.



### Bora Qesja

Senior Lecturer, Australian Institute of Business

Bora has over ten years of experience working in academia and industry. Bora obtained her PhD from the University of Adelaide, Australia (where she taught for five years) funded by the ARC Training Centre for Innovative Wine Production, graduated with honours from a MSc in Luxury Goods and Services from the International University of Monaco (Monaco), and has a BS in Bioinformatics from Jacobs University (Germany) which equipped her with strong analytical skills. Dr. Qesja continues her

engagement with the industry as a consultant, with the latest project ('Riverland on the Verge') resulting in a permanent Virtual Reality fixture (for promoting the tourism of the Riverland Wine Region) in both the National Wine Centre (Adelaide) and Riverland Wine Centre.