THE POWER OF THE ESG X BRAND COLLABORATION

Positively shaping expectations and driving brand success

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A large majority of people (80%[1]) believe that businesses can do good and still make a profit. This kind of belief can shape the expectations people have of brands. As such, one of the first steps brands should take is to get clear about the role they can and will play in Environmental, Social and Governance (ESG) issues, keeping in mind that whatever they do in the ESG space must be relevant for and to the brand. Having a clear understanding of where you stand in your ESG brand journey is an essential starting point for brands; without this clarity, being perceived as greenwashing or having a 'green sheen' seems inevitable.

With brand owners getting advice from many directions and stakeholders, this will not be new news. Many businesses and brands are already acting on, or beginning to act on, their ESG goals and commitments, underscoring the business imperative is a given. Even if in time the terminology around ESG changes, the business imperative will remain. It stands to reason, then, that brand owners want to understand the potential impact of these activities on their brands and seek guidance on how to navigate the ESG landscape so they can make informed decisions that benefit their brand and address their ESG imperatives.

In this paper we demonstrate:

1. The opportunity brands have to fill an ESG awareness gap to get ahead of the curve.
2. Why it's important that brand ESG perception is congruent with brand ESG action.
3. How ESG activities can work in service of the brand to strengthen brand equity.
4. The impact of not having ESG associations. *Spoiler: it can be risky.*
5. The power of ESG as part of the whole brand offering.

Figure 1: Few people are aware of what brands do in the three areas of ESG

ESG

E	S	G
Environment	Social	Governance
43%	**47%**	**50%**
Don't know	Don't know	Don't know

Source: Ipsos ESG Brand Database

1. GETTING AHEAD OF THE CURVE

Ipsos' ESG Brand Database tells us that awareness of brands' ESG activities could be better, with few people actually aware of what brands do in the three areas of ESG (Figure 1).

Yet, many people need and want to know what businesses are doing: on average globally, 61% of people feel that companies need to provide more information on climate change, and 59% think that businesses are not working hard enough to tackle climate change[2]. People also care and want to play their part in safeguarding tomorrow. We see this in 64% of people saying they try to buy products from brands that act responsibly, even if it means spending more[3].

But there can be little impact for brands without awareness. Or worse, people might fill the awareness gap with their own, possibly negative, assumptions about the brand and its ESG practices.

Brand owners who assume people have little to no awareness of what they are doing and recognise that people care, have an opportunity to fill the gap. By building awareness of their ESG efforts now, brands can be ahead of the curve later.

64%

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2. THE IMPORTANCE OF CONGRUENT ACTIONS IN SHAPING EXPECTATIONS

Awareness brings with it expectations. People's expectations of brands are shaped by many influences, including the brand and competitor brands' activity. The difference in a brand's own ESG activity is that it has the potential to both help or harm a brand.

It is not enough to only say what a brand is doing (hello 'green sheen') in the ESG space. Brand owners must ensure they tangibly demonstrate (with evidence) what is being done in the name of the brand. **Then, knowing how the brand's actions are being received is necessary to ensure that people's perceptions of the brand are congruent with what the brand is doing.**

Different brands have different ESG priorities, so knowing how a brand fairs individually on E, S, and G and collectively is an essential and valuable insight.

Distinguishing between E, S, and G supports brand owners in many ways. Here are four:

1. Knowing whether the perception of their brand on E, S, and G is aligned with the brand ESG priorities.
2. It supports brand portfolio management by telling the brand owner whether the E, S, and G balance across their portfolio aligns with their overall ESG priorities.
3. How the brand or brands stack up on ESG versus the competition means maximising strengths and benefitting from competitor weaknesses in ESG areas relevant to the brand.
4. Inconsistencies between people's perceptions and what a brand is communicating could indicate something is amiss in the brand's ESG messaging; for example, there may be contrary views of the brand in the market, influencing people's perceptions.

Ipsos' proprietary ESG Brand Metrics provide brand owners with the insights to be able to navigate these brand management challenges. They provide a competitive evaluation of how a brand is perceived on Environment, Social and Governance individually with the ESG Brand Scores and overall, with the Single Sustainability KPI. These metrics are derived from two questions, one importance and one performance question.

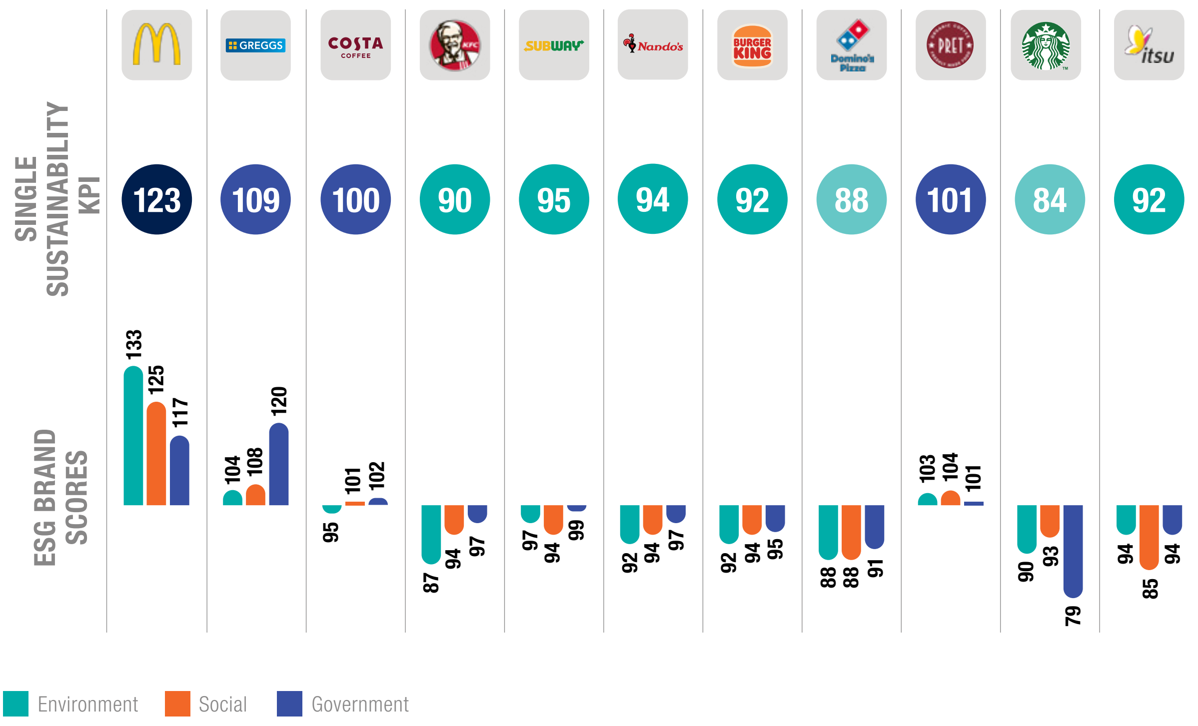
How the brand or brands stack up on ESG versus the competition means maximising strengths and benefitting from competitor weaknesses in ESG areas relevant to the brand.”

Looking at the UK Fast Food category (Figure 2), through the lens of our ESG Brand Metrics* we can see McDonald's dominates this market.

The Single Sustainability KPI indicates McDonald's overall strength, while the individual ESG Brand Scores show how the brand is doing on E, S, and G. Greggs has an advantage over McDonald's in governance. If this pattern across E, S, and G is congruent with McDonald's priorities and messaging, then Greggs' strength in governance is not an immediate concern for them but is something they can monitor.

McDonald's is the obvious story, but what about brands such as Pret, Costa or Starbucks? Pret and Costa are both average, but the direction is favourable; they both have some work to build this up. A brand in a similar situation might want to focus on building awareness and offering tangible evidence of what is being done in its ESG priority areas. On the other hand, Starbucks is underperforming compared to competitors on E, S, and G, with governance being a particular concern. Brands that find themselves in a similar position should investigate what is being said about the brand that is not within its control (social media data can help with this). If the brand owner knows of some negativity around the brand, this metric highlights the impact the negativity is having on the brand.

Figure 2: Ipsos ESG Brand Metrics (UK Fast Food 2022)



Source: Ipsos

** Ipsos proprietary ESG Brand Metrics (Single Sustainability KPI and ESG Brand Scores) offer clients an indication of people's impression of their brand(s) E, S and G conduct and in a competitive context.*

3. ESG SUPPORTS BRAND EQUITY

People's ESG-related expectations contribute to shaping how they feel about a brand. Brand equity, as measured by Brand Desire, is the summary metric of people's positive brand expectations and an indication of the overall strength of the brand in the market. Understanding the relationship between ESG and equity will offer brand owners insights into the role ESG expectations play and their impact on brand equity.

Correlations (Figure 3) tell us there is a positive relationship between Brand Desire* and the Single Sustainability KPI. This means that the two metrics move together in the same direction, most of the time – a change in one should see a change in the other.

Figure 3: Correlation of Ipsos Sustainability KPI with Ipsos Brand Desire

$$R = 0.62$$

$$R^2 = 0.45$$

This is essential information for brand owners because what is said and shared about a brand in the context of ESG will impact a brand's equity, whether positive or negative. That said, a strong brand equity does not necessarily mean strength in ESG and vice versa. This might feel contradictory given the correlations, but correlations indicate the metrics are likely to move together, not that that they are equally strong or weak, as demonstrated by the examples that will follow.

No matter how prominent or not a brand chooses to make its ESG activities, they matter to the equity of the brand.

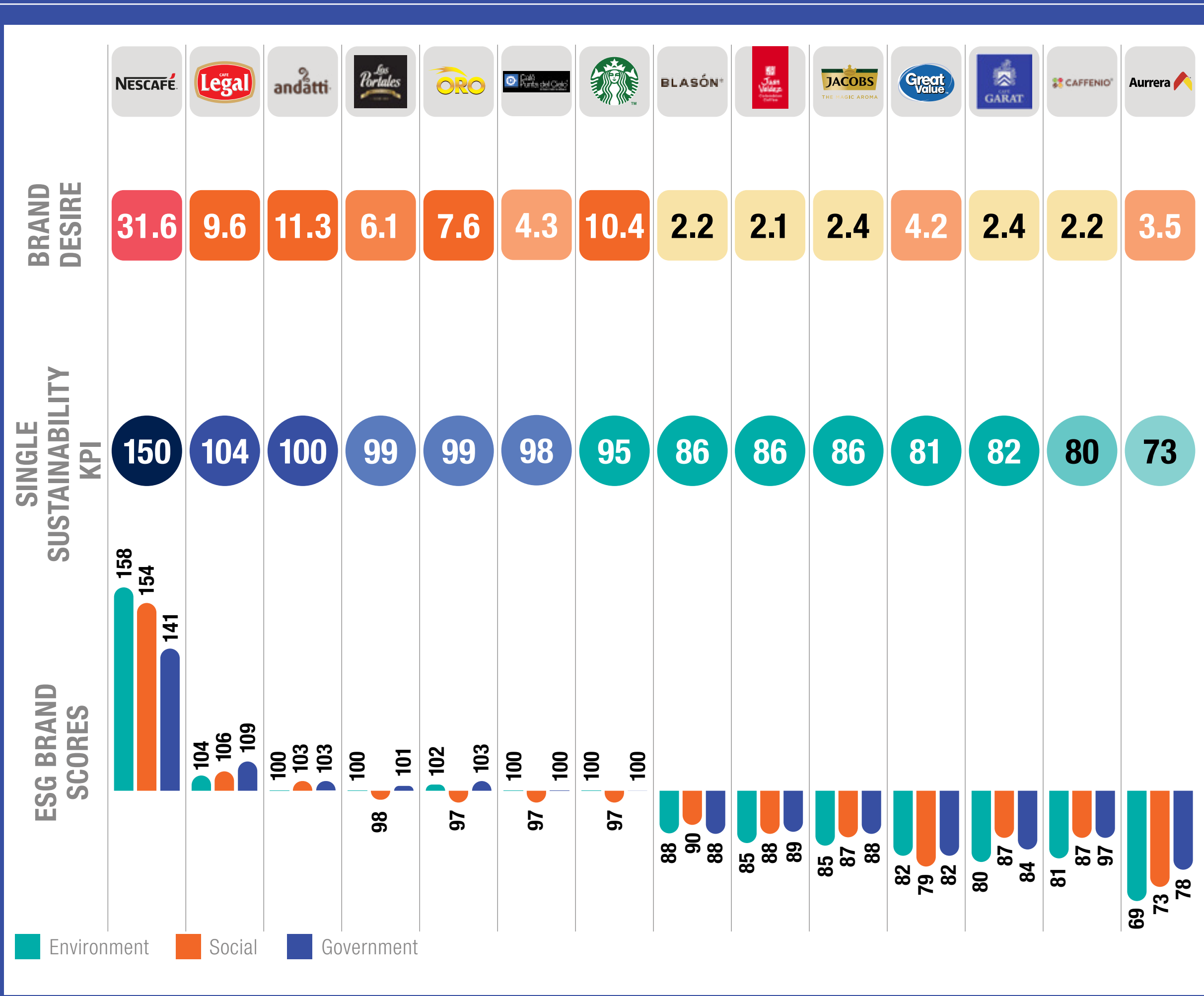
When we look at our Single Sustainability KPI alongside our Brand Desire score, we can offer brand owners clear guidance to navigate the ESG landscape in such a way that the brand ESG activities serve to positively impact overall equity of the brand.

In the Mexico coffee category (Figure 4), the market leader, Nescafé, dominates ESG. Legal comes in after Nescafé with some positive traction on ESG, but their equity could be stronger in the market. Pret in the UK (Figure 5) is in a similar situation.

When a brand finds itself in a situation like Legal and Pret, where their ESG efforts serve them well, they can use this strength to build their equity. There are many ways to do this, the most apparent being with communications, but a brand's ESG efforts should also be infused in everything it says and does. In the Fast Food and Coffee brand illustrations, brands with a strong Single Sustainability KPI and strong Brand Desire (Nescafé and McDonald's) utilise multi-media campaigns to widely communicate their ESG efforts, rather than relying only on narrow reach methods like packaging or in-store communications. Keeping in mind the ever-present danger of the 'green sheen,' any communication must be supported with evidence and be authentic and relevant for the brand.

** Brand Desire: The Ipsos proprietary measure of brand equity*

Figure 4: Ipsos ESG Brand Metrics (Mexico Coffee 2022)



Source: Ipsos

Figure 5: Ipsos Sustainability KPI and Ipsos Brand Desire (UK Fast Food 2022)

Source: Ipsos

While a brand will not necessarily be in the same position on ESG and equity, it is a powerful collaborative relationship. Any efforts that positively shape ESG expectations will likely also positively shape the overall expectations of the brand.

When examined together, ESG efforts and Brand Desire can offer more about a brand's ESG journey than they do alone.

4. THE RISK OF NO ESG ASSOCIATIONS

Many different factors impact whether a person considers a brand or not. Understanding ESG's role in this mix can help to understand how to positively shape people's brand expectations (and ultimately Brand Desire) through the brands ESG activities.

When we look at what *stops* people considering McDonald's, the ESG-related items show up in the top ten* (Figure 6) stated barriers to consideration. This tells us that if people perceive a brand as not having ESG activities, then the brand is actively disregarded, not even considered as a brand to choose.

Then, when we look at the derived drivers of brand consideration (Figure 7), we see the opposite. ESG and ESG-related items appear towards the bottom of the list, while functional and emotional items all appear in the top ten.

Figure 6: Top ten stated barriers to consideration of McDonald's (ESG Brand Tracking 2022)

Barrier / ESG-related barrier

01	Does not serve the kind of food that appeals to me	06	They are not trustworthy
02	Poor quality food	07	They don't act in an environmentally responsible way
03	Their menu doesn't have what I want	08	Their business is not ethically managed
04	Their food doesn't suit my dietary requirements	09	They are contributing to the food waste problem
05	They do not offer healthy food choices	10	They don't act in a socially responsible way

Source: Ipsos

** Top 10 of 25 attribute statements*

Figure 7: Top and bottom derived drivers of brand consideration (ESG Brand Tracking 2022)

UK FAST FOOD

TOP 10

- Their food tastes great
- Somewhere I am happy to be seen with my friends and family
- Ordering from them is quick and easy
- A restaurant I feel I can trust
- Their prices mean I can afford to buy from them
- Food is good quality
- Menus have something for everyone
- Offer the best value for money
- Buying from them is a treat in inflationary times
- Their food tastes great

BOTTOM

- Always try to use recyclable packaging
- Taking action to reduce food waste
- Honest and transparent in how they run their restaurants
- Do the right thing for their employees
- Making visible changes to have a more positive impact in the world

MEXICO COFFEE

TOP 10

- Is a coffee for everyday drinking
- It is a brand that I trust
- Is good value for money
- Helps me wake up better
- An easy and quick way to enjoy great coffee
- Offers me a wide variety of flavours
- Has the best coffee flavour
- Is a brand for pampering myself
- Is the coffee with the best aroma
- Worth paying more for

BOTTOM

- Is the brand I use when I want to impress
- Is taking active steps to care for the environment
- They do the right thing for their employees
- Has a strong sense of social responsibility
- They make a positive contribution to the community

INDIA SPORTS APPAREL

TOP 10

- Make products which are comfortable to wear
- Make products for a variety of different activities and sports
- Help me feel confident when I wear their products
- Is a brand that understands my needs
- Make products which are designed for performance
- Offer the best value for money
- Have trendy and fashionable designs
- It is a brand with a strong heritage
- Make products that fit my lifestyle
- Make products from high quality materials

BOTTOM

- They are taking active steps to care for the environment
- They do the right thing for their employees
- Uses sustainably sourced materials
- They make a positive contribution to the community
- Have a strong sense of social responsibility

Source: Ipsos

This is an intriguing position; people expect the brands they choose to have ESG credentials, but it is not ESG that is the deciding factor. This position is also reflected in other documented ESG and brand perspectives:

1. The ‘say-do’ gap – people say they want sustainable products, but actions don’t always support this desire[4].

2. ESG is a co-benefit not the benefit – people are not willing to make changes to their behaviour for the sake of ESG alone[5].

This raises a powerful question brand owners might want to ask themselves: *Just how much is the brand being penalised because it does not meet people’s expectations regarding a brand’s ESG credentials?*

It seems that even though ESG does not directly impact consideration it is risky business to ignore ESG. Investing in building ESG awareness and ESG associations is critical to a brand’s success.

5. THE POWER OF ESG AS PART OF THE WHOLE

Building ESG awareness and associations is not the end though. We know that association with ESG credentials is needed, and that functional and emotional associations top the bill for brands when it comes to consideration. What is important to remember in this is that it’s not all about ESG, it’s about the whole brand offering.

While ESG contributes to shaping people’s expectations, it is not the only factor at play. This raises the question; what role do the ESG associations play in brand consideration? This is just as critical.

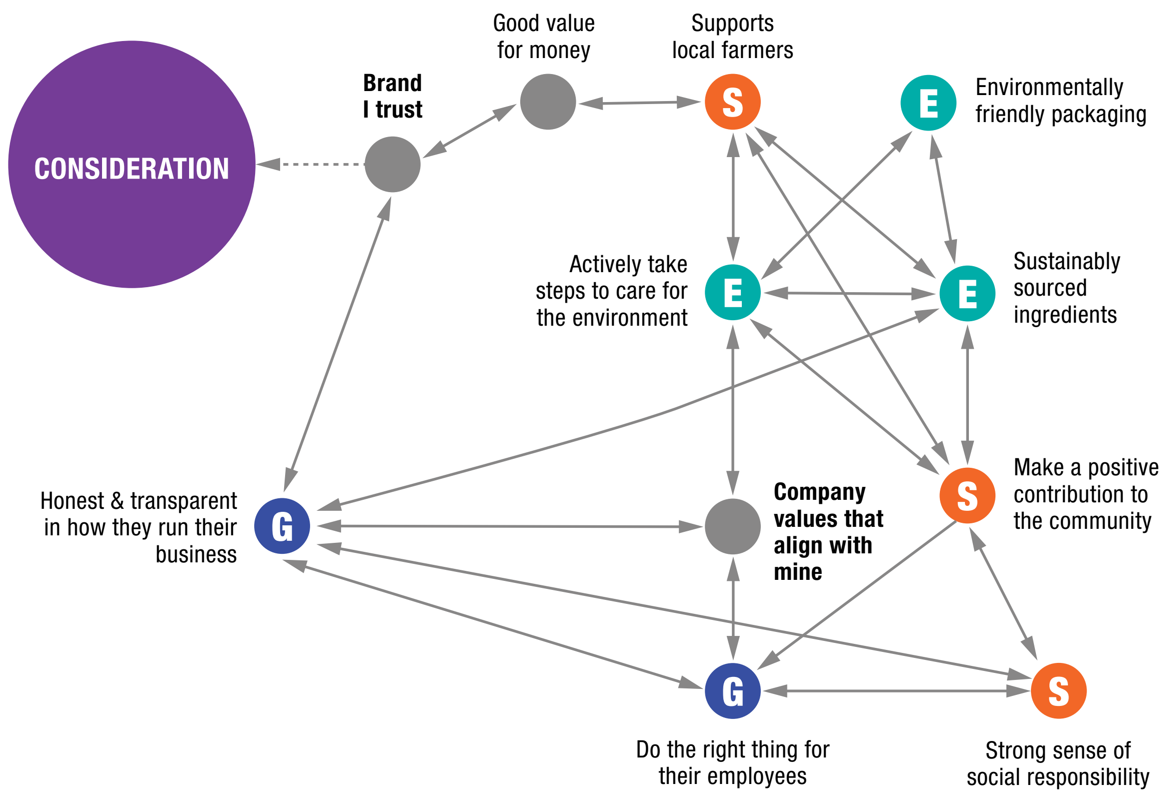
What is important to remember in this is that it’s not all about ESG, it’s about the whole brand offering. While ESG contributes to shaping people’s expectations, it is not the only factor at play. ”

This map (Figure 8) of brand consideration offers a couple of pathways for coffee brands in Mexico, starting with *shared values* and ending with *trust*. Along the consideration pathway between aligned values and trust are ESG items. Particularly:

- *'Actively take steps to care for the environment'* – Environmental.
- *'Supporting local farmers'* – Social.
- *'Honest and transparent'* – Governance.

We know trust can be ephemeral and difficult to interpret. In this example it appears trust has two connotations: trust as acting with honesty and integrity and trust as functionally delivering value for money – both relatively enduring and clear attributes. 'Honest and transparent' connects social and governance attributes, reinforcing that a brand's ESG activities must be faithful to the brand and tangibly demonstrated to avoid undermining trust.

Figure 8: Structural map showing drivers of brand consideration (ESG Brand Tracking 2022)



Source: Ipsos

Clearly, even if ESG statements are not top associations for brands, their role in driving consideration is critical for brands to understand because these ESG associations act as beacons for brand owners. When done right, they mark the path with tangible ways to positively impact brand choice. There are, of course, other pathways to impacting coffee brand consideration in Mexico, but in this instance, the ESG pathway is a powerful multi-pronged one.

Awareness of their brands' pathways will guide brand owners on how ESG associations powerfully integrate with other brand associations to positively shape expectations so that only their brand can meet them.

To end where we started. Everyone has a role to play in acting well today to safeguard tomorrow. Brands are no exception. If we now consider ESG and Brand as a collaboration, it opens opportunities for brand owners to fully understand the impact of their ESG activities and positively shape people's brand expectations. ESG x Brand means people know what a brand is doing in the ESG space and have ESG associations congruent with what the brand is doing. ESG x Brand is when a brand's ESG activity is integral and true to the brand and positively contributes to its brand equity. This all plays a role in meeting the ESG business imperative and contributing positively. This is, after all, what people are expecting.

Everyone has a role to play in acting well today to safeguard tomorrow. Brands are no exception. ”

KEY TAKEAWAYS FOR BRAND OWNERS TO GUIDE THEM ON THEIR BRAND ESG JOURNEY:

1. **Assume consumers have low awareness:** Communicate your ESG actions now to be able to leverage them later.

2. **Make sure you know how consumers perceive your ESG activities:** This is essential to understand whether views of the brand are congruent with its ESG imperatives.

3. **Don't forget the relationship between ESG and Brand Equity:** Tailoring brand communication on ESG can positively impact brand equity.

4. **Don't underestimate the role ESG plays in brand choice:** It might not be the primary driver of consideration, but it plays a powerful role in pathways to brand choice.

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FURTHER READING

1 **Ipsos ESG Watch**
https://www.ipsos.com/en-us/ipsos-esg-watch

2 **Ipsos Brand Success**
https://www.ipsos.com/en/brand-success


59%
think that businesses are not working hard enough to tackle climate change.

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