



# Trends in the Global Sustainability Landscape: An International Demand Perspective

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## The Supporters


- Australian Research Council
- Alexander von Humboldt Foundation
- Rockefeller Foundation
- Cambridge U. P.
- Various corporations, NGOs and universities



# A Disclaimer

- No animals were harmed in the creation of this presentation
- All materials have been unencumbered by mental process
- The presentation generates heat but only marginally contributes to climate change; although I had to fly to get here
- The presentation is gender neutral

This Presentation is Rated:

<b>I</b>	<b>Intellectual Content</b> 
	<b>Contains scientific thinking</b>
Professional academic: do not attempt to recreate without adequate supervision!	

# Setting the Agenda: Valuation

- Two views of value:
  - Total Value = Consumer Surplus + Producer Surplus
    - **Consumer Surplus** = Willingness to Pay – Price
    - **Producer Surplus** = Price – Economic Cost
  - Profitability as Value
    - $NPV = \sum (Revenue_t - Cost_t)/(1 + r)^{t-1}$

Customer Value and "Extraction"

Efficiency & Productivity

Risk Reduction

Longevity of Assets

Sustainability Strategy

# A Demand & Customer Perspective



We Are What We Choose

# How Do Individual's Value Social Stance?

- Purchasing is contextual
  - Behavior reflects context much more than 'beliefs'
  - Justification occurs when behavior is misaligned with 'supposed' values
- Individuals are very heterogeneous and don't follow a simple as set of patterns that reflect 'good' and 'bad' – Simple models fail
  - AND, individuals lie about values, beliefs and attitudes
- Individuals are 'rational' but complex in their trade-offs
  - Everyone 'cares'; what we need to know is:
    - "How much" they care, and
    - In which behavioral outlets it will be revealed
  - People will purchase based on "social functionality" but not sacrifice product functionality
  - People have rational "technological resistance"
- **However, consumers exist who will act on beliefs given the context**



# Do We Care? The Meaningless Evidence

- Surveys consistently show that people care and will change their behavior to reflect that caring
  - Over one-third of UK consumers are seriously concerned with societal and ethical issues
  - 70 percent of respondents believed that a firm's ethical business practices had at least "some influence" on their purchasing decisions
- YET, this does not translate into behavior

## Lightbulb giveaway is switched off

Matthew Warren, Environment writer | *October 14, 2006*

**A SCHEME to cut greenhouse gases by giving away millions of low-energy lightbulbs and shower heads has been shut down after households installed less than half of the products.**



The screenshot shows a BBC News article from February 20, 2007. The article is titled "Australia pulls plug on old bulbs" and reports that Australia has announced plans to ban incandescent light bulbs and replace them with more energy-efficient fluorescent bulbs. The article mentions that the environment minister said the move could cut the country's greenhouse gas emissions by 4 million tonnes by 2012. A small image of a light bulb is visible on the right side of the article.

**BBC NEWS** [WATCH](#) One-Minute World News

Last Updated: Tuesday, 20 February 2007, 10:56 GMT

[E-mail this to a friend](#) [Printable version](#)

### Australia pulls plug on old bulbs

**Australia has announced plans to ban incandescent light bulbs and replace them with more energy efficient fluorescent bulbs.**

The environment minister said the move could cut the country's greenhouse gas emissions by 4 million tonnes by 2012.

[Ban the bulb? Australia plans to switch to fluorescent light by 2010](#)

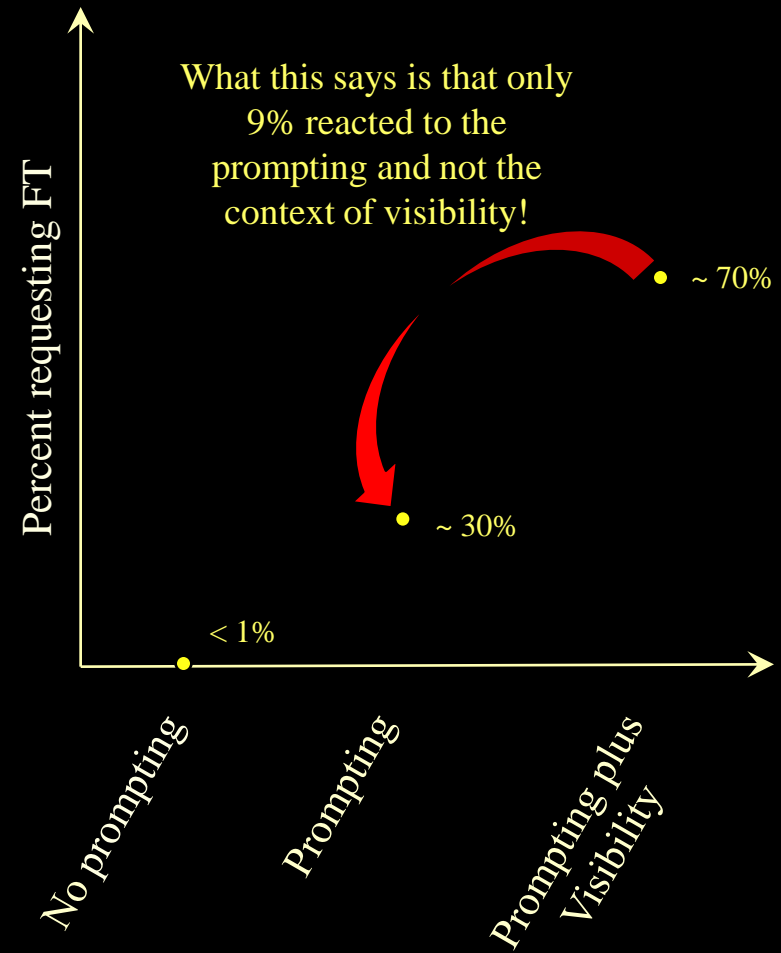
**News Front Page**

- Africa
- Americas
- Asia-Pacific
- Europe
- Middle East
- South Asia
- UK
- Business
- Health
- Science/Nature

# Context and Behavior in the Case of Fair Trade

- A Context Experiment

- Situation 1:
  - Brochures available at checkout
  - FT coffee available and advertised on board next to pricing list (with no extra charge)
- Situation 2:
  - Situation 1 + prompting at the register
- Situation 3:
  - Situation 1 + prompting at the register + lack of privacy



# Ethics versus Function: And the Winner Is?

Ethics	Function		
Good	Good	53%	
Bad	Good	23%	25%

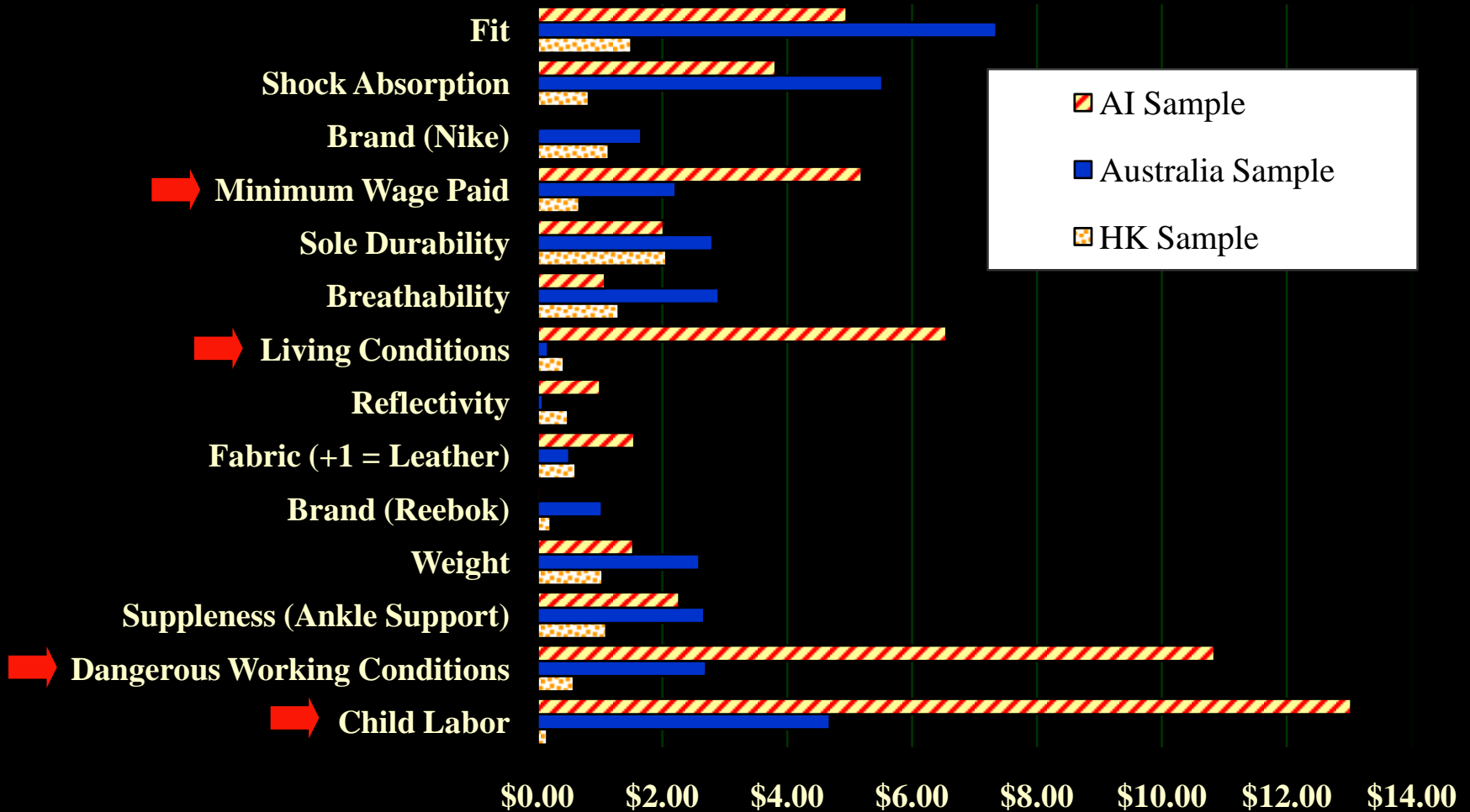


Ethics	Function		
Bad	Good	48%	
Good	Bad	11%	41%

Delayers



# But There is Value Three: Dollar Value of Product & Social Features



# Extracting the Value Using Context: How to Do it Successfully

- Sustainable Housing Developments
  - Regulatory requirements => higher fixed costs
  - Competitive environment => consumers do not have to accept these costs (they can purchase non-eco housing)



# A Failure to Understand Context and Extracting Value



## Encouraging Community Action

Detailed city blocks will be jarral of bright lights

Daily dialogue and call to action

**THE CHALLENGE**  
To provide individual businesses, homes and retailers that faced the global warming problem with a way to do it.

**THE SOLUTION**  
"Earth Hour" offered Sydney visitors a simple method of contributing to switch off their lights for just one hour on March 23rd.

**THE RESULTS**

- 976 businesses amongst Sydney-area with a \$1.6 billion worth of lights turned off that night.
- The city cut energy consumption by 13.2% throughout 2008, the equivalent of saving 4600 tons of the toxic CO2 gas.
- Global coverage in over 100 countries.
- Other cities now want to "celebrate" Earth Hour in 2009.

Explosive through retail outlets

Other Community Generation: EDM, My Space network, YouTube, banners, websites, advertisement, 100+ blogs.



# An Inconvenient Reality in the Way of an Inconvenient Truth: What Does it Imply for Initiatives Like This?

## tenthingstodo

Want to do something to help stop global warming?  
Here are 10 simple things you can do and how much carbon dioxide you'll save by doing them.

### 1. Change a light.

Replacing six regular light bulbs with compact fluorescent light bulbs will save 400kg of carbon dioxide a year.

### 2. Drive less.

Walk, bike, carpool or take public transport more often. You'll save 1.5kg of carbon dioxide for every 5km you don't drive!

### 3. Recycle more.

You can save 1,000kg of carbon dioxide per year by recycling just half of your household waste.

### 4. Check your tyres.

Keeping your tyres inflated properly can improve your car's fuel efficiency. Every litre of petrol saved keeps 2.5kg of carbon dioxide out of the atmosphere!

### 5. Use less hot water.

It takes a lot of energy to heat water - use less hot water by installing an energy efficient triple A rated showerhead (3 tonnes of carbon dioxide saved per year) and washing your clothes in cold or warm water (225kg saved per year).

### 6. Avoid products with a lot of packaging.

You can save 545kg of carbon dioxide if you cut down your garbage by 10%.

### 7. Move your thermostat down 2 degrees in winter and up 2 degrees in summer.

You could save about 900kg of carbon dioxide a year with this simple adjustment.

### 8. Plant a tree.

A single tree will absorb one tonne of carbon dioxide over its lifetime.

### 9. Turn off electronic devices.

Simply turning off your television, DVD player, stereo, and computer when you're not using them will save you thousands of kilograms of carbon dioxide a year.

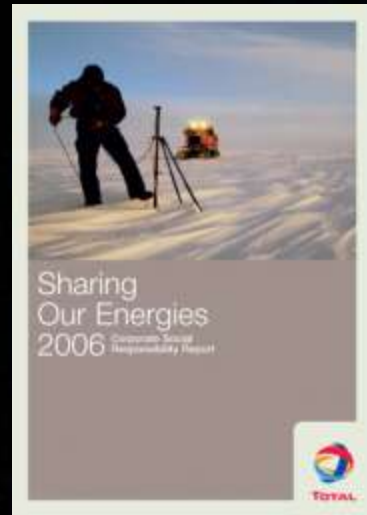
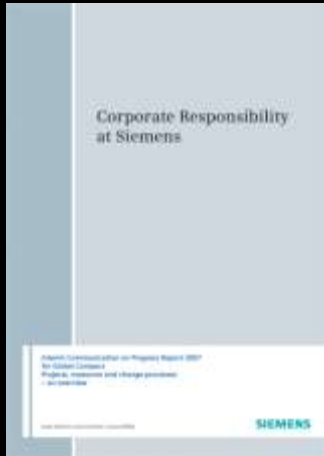
### 10. Be a part of the solution.

Learn more and get active at [www.climatecrisis.net](http://www.climatecrisis.net).



We're all on thin ice.

# International Context and Implications



# Is the Sustainable Earth Flat?

- Some general beliefs about what matters
  - Wealth, Education, Culture, Infrastructure



- **Wealth:** More value to be distributed (true but maybe not relevant). Ordering!
- **Education:** Better understanding (false)
- **Culture:** Us vs. them (false, true only in manifestation & communication)
- **Infrastructure:** ability to act (true)

What appears to matter is  
CONTEXT again



# How Does This Impact Valuation?

- Two views of value:
  - Total Value = Consumer Surplus + Producer Surplus
    - **Consumer Surplus** = Willingness to Pay – Price (Less CS)
    - **Producer Surplus** = Price – Economic Cost (Less PS)
  - Profitability as Value
    - $NPV = \sum (Revenue_t - Cost_t)/(1 + r)^{t-1}$

Less/more value to be extracted; and potentially more difficult to extract

Efficiency & Productivity?

Risk Reduction?

Complexity Costs

Longevity of Assets?

Sustainability Strategy

# How Do People Value Issues (A Global View)?

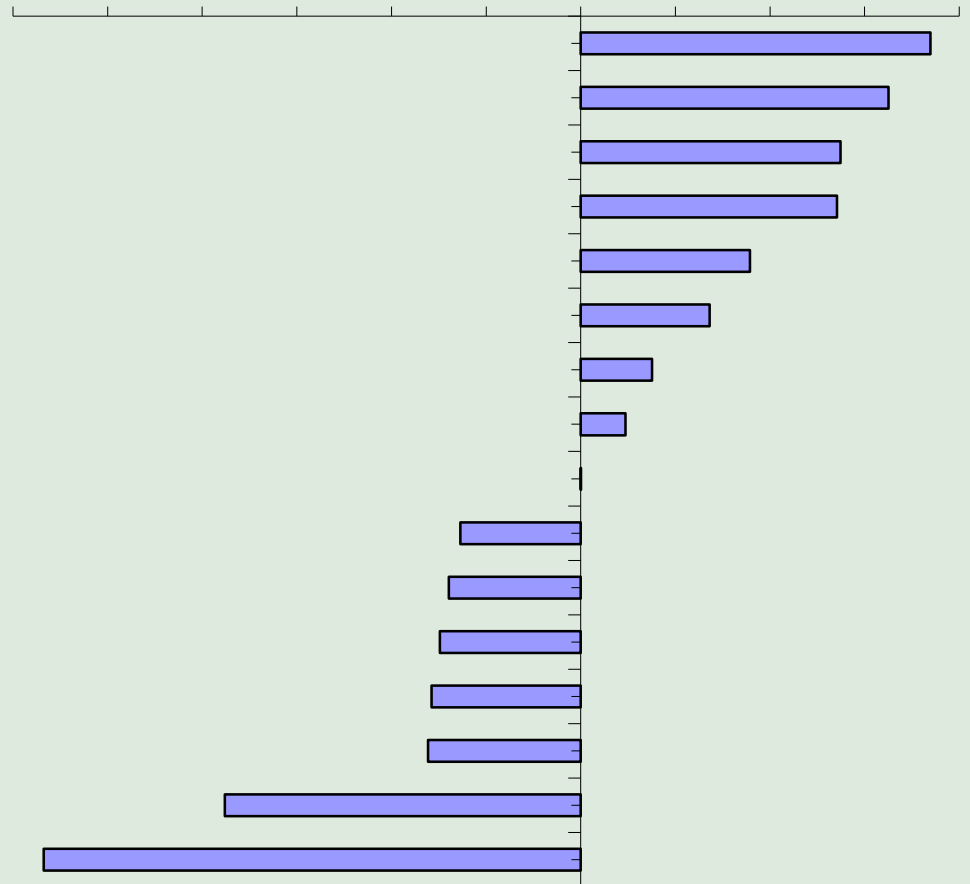
Most Important

-3.00 -2.50 -2.00 -1.50 -1.00 -0.50 0.00 0.50 1.00 1.50 2.00

- Local crime and public safety
- Right to basic services
- Environmental sustainability
- Food and health
- Worker/employment rights
- Civil and personal liberties
- Equality of opportunities
- Global security
- Individual economic well-being
- Global economic well-being
- Societal economic well-being
- Animal welfare
- Global social well-being
- Societal social well-being
- Minority rights
- Commercial rights

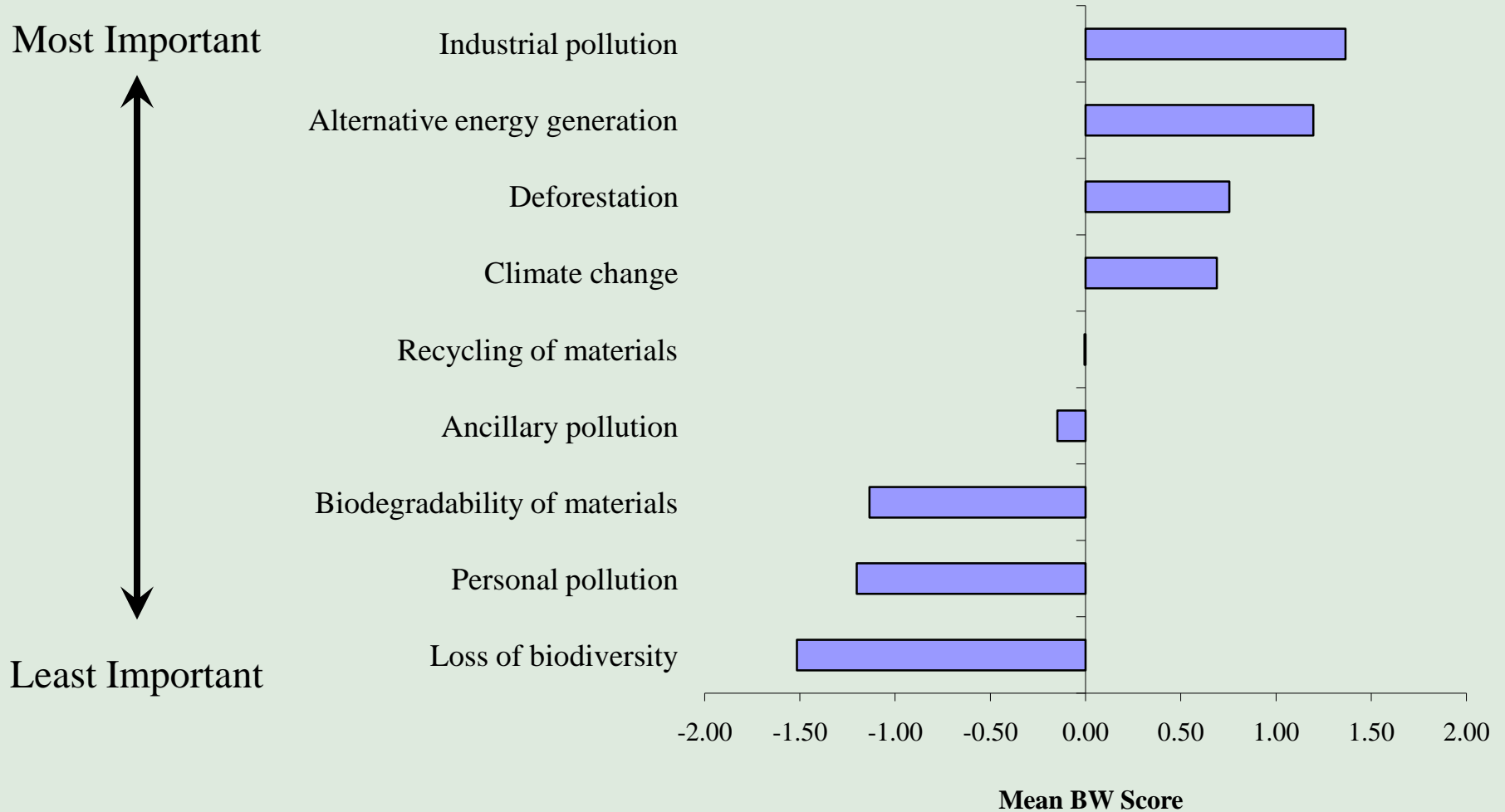


Least Important

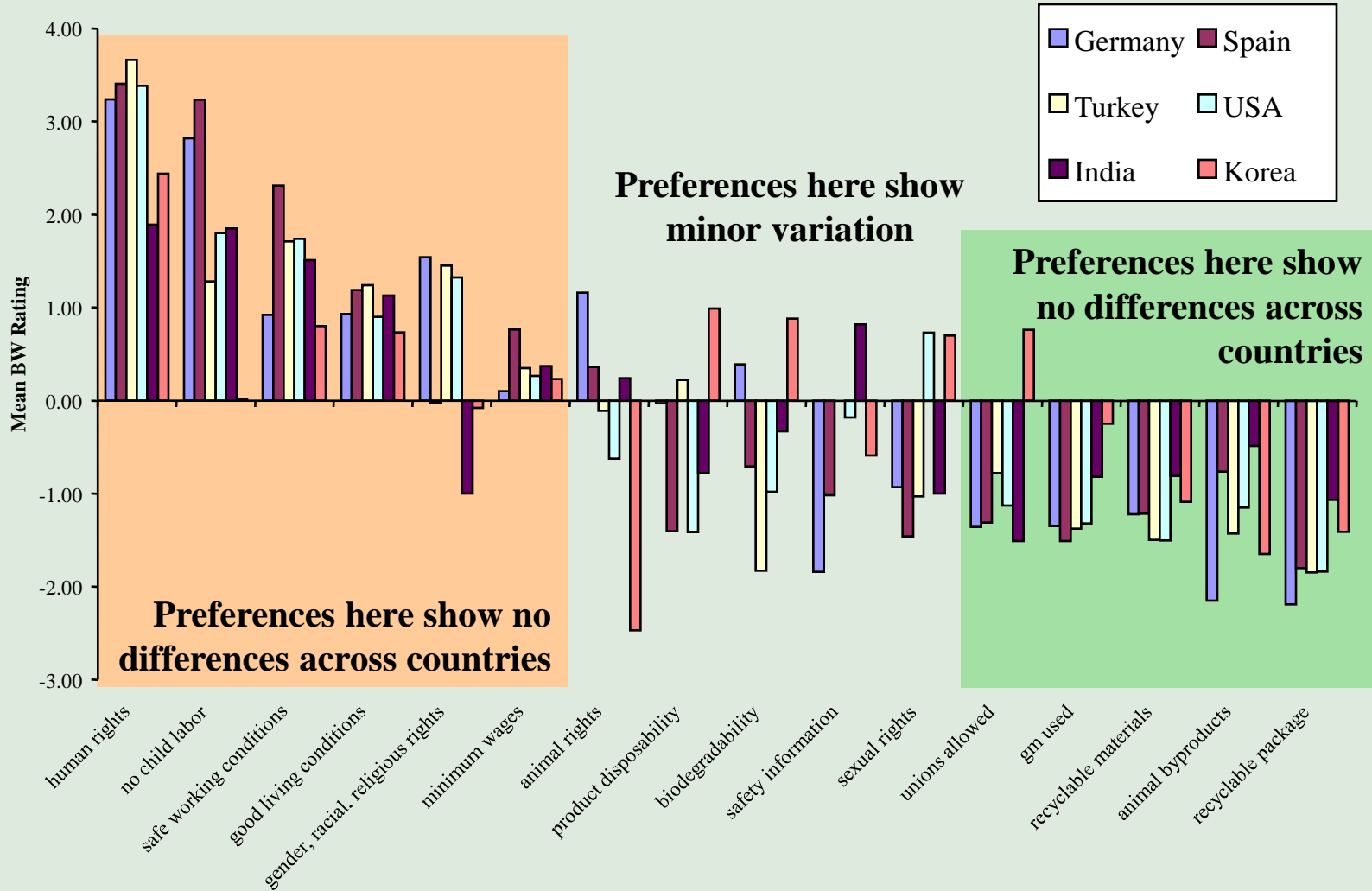


Mean BW Score

# How Do People Value Issues (A Global View)?



# Does Value Differ Across Countries? Not Really



# What Are the Lessons?



*[We must] make the best of mankind as they are, since we cannot have them as we wish*

George Washington speaking of his troops (1775)

Human beings behave in selfish, quasi-rational, habitualistic ways that do not align with the interests of others. To expect them to do so just because it is right is irrational and will lead to disappointment and misguided strategies and policies.

*The problem with people who have no vices is that generally you can be pretty sure they're going to have some pretty annoying virtues*

Elizabeth Taylor



Individuals are heterogeneous and do not hold to universal logics of behavior. To believe that there is such a thing as "doing good" from the standpoint of a consumer or a corporation is putting dangerous emphasis on a very strong social assumption.



*Some people have much more pull than other people. But when I say that the public has ultimate responsibility, I'm not saying it in a moral sense. I'm just saying it in the sense of what is it that's really going to bring change.*

The demand side of the equation is important and appealing to the median individual won't work. Finding the appropriate leading segments is critical.

# Some of the work herein can be seen in the following papers (with links)

- Published papers:
  - [“Do Social Product Features Have Value to Consumers?”](#) *Intl J. Research in Marketing* (with P. Auger, J. Louviere and P. Burke), forthcoming
  - [“Do What Consumers Say Matter? The Misalignment of Preferences with Unconstrained Ethical Intentions.”](#) *Journal of Business Ethics*, 76, 4, December 2007 (with P. Auger).
  - [“Measuring the Importance of Ethical Consumerism: A Multi-Country Empirical Investigation.”](#) in P. Madsen & J. Hooker (eds.), *Controversies in International Corporate Responsibility*, Charlottesville VA: [The Philosophy Documentation Center](#), 2007 (with P. Auger and J. Louviere). [This paper is an overview of several published and unpublished studies].
  - [“The Importance of Intangible Social Attributes in Individual Purchasing Decisions.”](#) January 2007 (with P. Auger & J. Louviere). A shorter version of this paper is in the Best Paper Proceedings of the Academy of Management, Philadelphia, 2007. It was also nominated for the Carolyn Dexter Award for the best international paper. View the shorter paper [here](#).
  - [“Using Best-Worst Scaling Methodology to Investigate Consumer Ethical Beliefs Across Countries.”](#) *Journal of Business Ethics*, 70, 3, 2007 (with P. Auger and J. Louviere).
  - “The Other CSR,” *Stanford Social Innovation Review*, Fall 2006 (with P. Auger, G. Eckhardt and T. Birtchnell). Available through <http://www.ssireview.org/> or a open version through [EthicsWorld](#).
  - “Consumption Ethics Across Countries,” *Consumption, Markets, and Culture*, 8, 3, 2005 (Paper and Video) (with G. Eckhardt and R. Belk).
  - “What Will Consumers Pay for Social Product Features?” *J. Business Ethics*, 42, 3, 2003 (with P. Auger, J. Louviere and P. Burke).
- Unpublished working papers:
  - [“Global Segments of Socially Conscious Consumers: Do They Exist?”](#) January 2008 (with P. Auger and J. Louviere).
  - [“Why Don't Consumers Behave Ethically? The Social Construction of Consumption.”](#) July 2006 (with G. Eckhardt and R. Belk).
- Documentary & Rants:
  - A documentary entitled: “Why Consumers Behave Ethically” is available from Insight Media. To learn more and view a trailer click [here](#). The documentary builds on the ethnographic research and complements the SSIR paper.
  - [“A Penny for Your Uninformed Opinion.”](#) *Living Ethics*, Spring 2007 talks about the meaninglessness of surveys.

# Thank You and Questions?

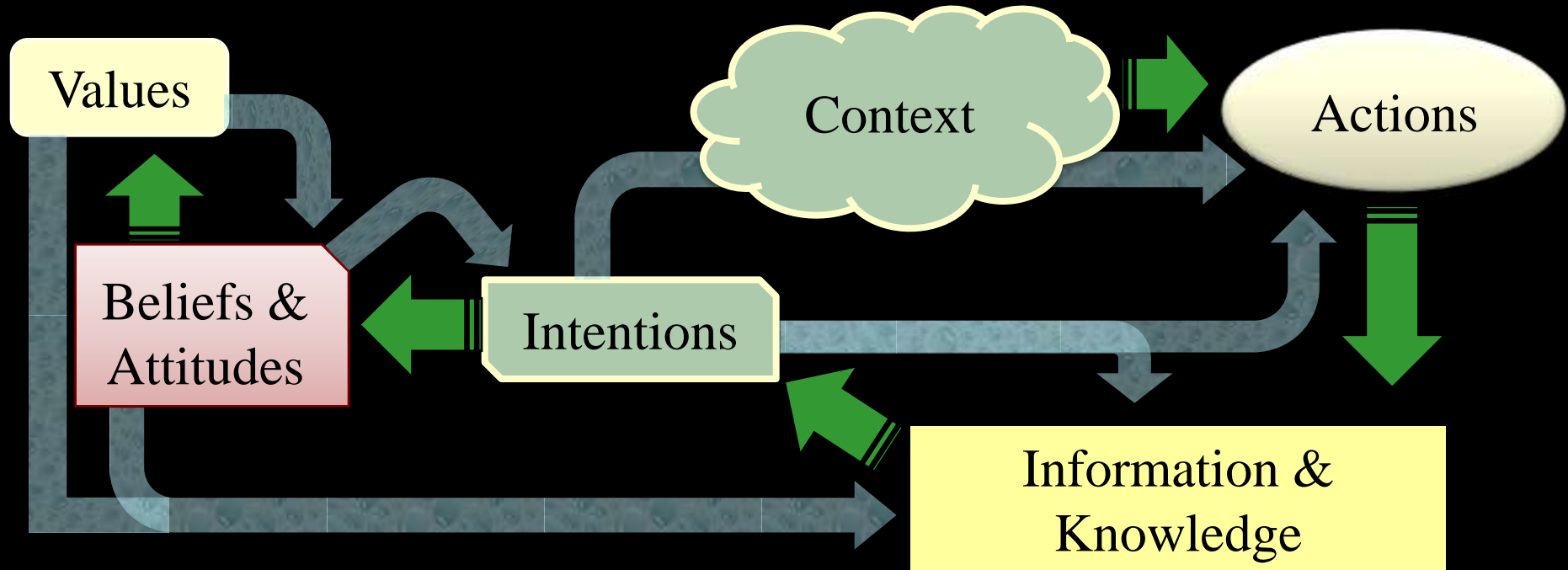


For More Information:

[www.agsm.edu.au/tdevinney](http://www.agsm.edu.au/tdevinney)

# Our Model of Individual Ethical Behavior

- Reality (maybe) looks more like this:



- What do you study?
  - Context, process and causality, decision models, feedback, information usage, inconsistencies, rationales
- What do you emphasize?
  - Context and behavior, complexity of behavior, the process of rationalization

# The Complexity & Simplicity of Consumer Value: Why Making Gross Generalizations Fails

