



Highlights

- Retail companies are among the least likely to expect to make any changes as a result of climate change over the next two to three years.
- Retail and consumer goods companies are significantly more likely to think that regulation is *not* an effective way of encouraging businesses to reduce their environmental impact.
- Retail and consumer goods companies are significantly more likely than other sectors to be positive towards carbon tax.

Appetite for change: Business and the environmental agenda—Retail and consumer goods sector findings

Climate change a question mark for retail and consumer goods sector

This global PricewaterhouseCoopers study consists of almost 700 interviews in 15 countries and includes interviews with 118 retail and consumer goods companies on the subject of environmental regulation, legislation and taxes. In the battle against climate change, political leadership is critical, and businesses are looking to governments to lead the way. On the other hand, retail and consumer goods executives have strong opinions about what kinds of measures will be effective.

The results show that, in order to expand positive feelings in the short term, governments may need to take special action with retail and consumer goods businesses, as they currently feel least engaged of all sectors by government policies.

Much to gain?

Interestingly, findings show that both retail and consumer goods companies are significantly more influenced than other sectors by four factors:

- **The potential to gain competitive advantage with customers by acting in an environmentally beneficial way.**
- **The need to keep up with competitors.**
- **The desire to protect the economic sustainability of the business by reducing demands on finite natural resources.**
- **The need to be seen as leaders in this area.**

Consumer goods companies are also more influenced by:

- **Potential cost savings from energy-efficient measures.**

In brief

The research investigates:

- What is the real impact of climate change and the environmental debate on retail and consumer goods companies?
- How do they view current policies and the role of government?
- Which environmental policy tools would they be most supportive of and why?
- What ingredients do they see as necessary for a global climate change deal?

Not yet on board?

For the bulk of companies in our research climate change is perceived to be a real issue. The majority of companies have already had to change the way they do business as a result of climate change, and most (87%) expect more changes in the next few years. Consumer goods companies are also expecting changes—a full 72% believe there will be at least some changes and 20% believe the changes will be significant.

Retail companies, however, see the landscape somewhat differently. The study shows that retail companies are among the least likely to expect any changes as a result of climate change over the next two to three years—26% believe that there will be no changes. “For the sector as a whole, this is unsurprising up to this point,” according to Clare Bolton, PricewaterhouseCoopers global retail and consumer tax leader. “However, some global retailers are now acting like global regulators, demanding their suppliers reduce the environmental impacts of their products, so this is certainly going to change.”

That the sector is not uniformly on board with climate change is borne out by another study, PricewaterhouseCoopers’ *13th Annual Global CEO Survey*, in which about half of consumer goods CEOs said they did not have a strategy to respond to the challenges posed by climate change as of a year ago; more than one-third said they weren’t preparing for impacts in the next year; and more than 40% said they did not think they would need to reduce emissions significantly. In the same survey just 33% of retailers said they had a strategy last year to respond to the challenges posed by climate change, and 38% said they weren’t preparing for the impacts of climate change initiatives in the coming year.

Doubts about government leadership

At the same time, retailers and consumer goods companies are clearly not happy with how governments are currently performing on climate change issues. Retailers especially have doubts. Two-thirds of retail executives and 57% of consumer goods executives believe that governments have not encouraged businesses to change environmental behavior to any large extent. This result is perhaps affected by the fact that governments are only now waking up to the importance that all sectors play in reducing environmental impacts, so efforts have not yet been as focused on the sector.

Retail companies are also significantly less likely than other businesses to be confident about there being joined-up thinking between government departments and agencies on environmental matters—in fact, 85% of retailers are not confident about this. About half of consumer goods executives believe the same, and about half of consumer goods and retail executives believe that government does not engage effectively with business on environmental policies.

Fifty-seven percent of consumer goods executives believe that governments have not encouraged businesses to change environmental behavior to any large extent.

Can tax and regulation help?

Retail and consumer goods companies are significantly more likely to think that regulation is not an effective way to get businesses to reduce their environmental impact; they are much more likely to favor voluntary agreements than other sectors. This is likely because as businesses they are relatively less regulated, and thus may believe they can manage impacts effectively through cooperation. Both retailers and consumer goods companies are significantly more likely than other sectors to believe that current tax incentives are not sufficiently motivating to change behavior—more than 70% in each case. Both would rather see cash financial incentives be greener and ways to make it cheaper to be more environmentally friendly.

The research found that carbon taxes, emissions trading and incentives have widespread support in the business community. 64% of all interviewees endorse the idea. Retail and consumer goods companies are significantly more likely than other sectors to support a carbon tax (62% and 63% respectively).

According to Toby Kent, PricewaterhouseCoopers advisory director, “This may, however, be related to the fact that the sectors tend not to be as carbon-intensive, and thus exposed, as many others.”

Summary

Relative to other sectors, many retail and consumer goods companies are only starting to believe the impacts of climate change. The need to keep up with competition and to be seen as leaders, however, is propelling them in the direction of change. As they move forward, they look to strong government leadership to set direction and lead the behavioral changes necessary to stop global warming. They have strong notions about what will and won't work—and believe that current taxes, regulations and incentives are ineffective, inconsistent and unclear. There is potential support for government-led measures such as a carbon tax to reduce emissions. What's more, global leaders in the sector are already wielding their influence to demand that business partners behave in a more environmentally-friendly way.

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