

EMBEDDING ESG IN EXPERIENCE

Strengthening customer relationships and doing right by the world

March 2023

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GAME CHANGERS



Increasingly organisations are coming under pressure to do business more sustainably. 81% of Ipsos Reputation Council Members say that poor ESG (environmental, social, governance) performance now has material consequences.¹ As a result, ESG considerations are a key part of companies' strategic plans and roadmaps.

Communication campaigns are designed to drive awareness and positive perceptions around ESG agendas and address growing concerns among citizens. But it is becoming increasingly difficult for companies to stand out and cut through, as most ESG commitments are, to a large extent, similar in nature. They currently mainly focus on making sure that processes and product/service delivery mechanisms comply with the need to minimise the impact on the environment. In some organisations, ESG commitments are thought of as a necessary cost to the business but this leads

to missed opportunities to leverage ESG to create value for stakeholders.

This paper proposes a shift in paradigm when it comes to ESG strategy. We argue that ESG should not be considered only as a cost or a necessary requirement, and that it is possible to do the right thing for the planet, people and society in a way that adds value and drives business benefits. ESG commitments, if grounded in the reality of customers, can translate into opportunities to create value and drive stronger and mutually profitable relationships that lead to improved business performance.

We outline the crucial role that Customer Experience (CX) can play in making ESG claims and engagements tangible, and share key principles to follow in order to create value whilst doing the right thing.

A CALL TO ACTION

Private companies are under the spotlight to do business more sustainably, with only a small majority of global citizens (57%) confident that businesses are taking action to fight climate change.² The reality is perhaps bleaker. Data from our CX Global Voices survey of CX professionals finds that 36% strongly agree that their company uses and maintains environmentally sustainable practices. 56% strongly agree that their company delivers inclusive and equitable Customer Experience to all customers, regardless of gender, ethnicity, sexual orientation, disability.³ The risks of not answering this call to action are clear, particularly given that globally 68% agree that businesses that do not act now to combat climate change will be failing their employees and customers.⁴

Ipsos Global Trends, a 50-country survey seeking to understand how global values are shifting, shows people do have clear expectations of brands and business when it comes to ESG. Most believe business can be a force for good, with 80% agreeing that brands can make money and support good causes at the same time. And almost two-thirds say they try to buy products from brands that act responsibly, even if it costs more (64%).⁵

Citizens expect multinational companies to give equal priority to improving society and to environmental issues.⁶ Beyond it being the right thing to do, businesses can expect to be rewarded for building strong and impactful initiatives that address environmental, social and governance issues.


ADDING VALUE THROUGH ESG

Delivering on the ESG agenda can create value in many ways, not least of which is competitive advantage. ESG practices should not just be considered as a cost and a way to comply with current and future regulations or with societal norms. The potential for value creation for the company, the employee and the customer should certainly not be underestimated. There are many examples proving that sustainable practices can increase operational efficiency and add value for the customer, for instance:

- Beyond being fair, inclusive recruitment policies add value by:
 - Resulting in a diverse workforce which is more likely to be empathetic to the

- diverse needs of its customers
 - Boosting cultural mix in a workforce which can provide a broader outlook and perspective on people and society, in turn leading to more relevant offers and servicing.
- Reducing waste can lead to operational efficiency and value for money for customers.
- Fair remuneration leads to a more engaged workforce.

Beyond these co-benefits, our research shows that sustainability initiatives have the potential to strengthen the customer relationship, adding value in a way that can be overlooked.



ESG commitments, if grounded in the reality of customers, can translate into opportunities to create value and drive stronger and mutually profitable relationships that lead to improved business performance. ”



Only 36% of CX professionals across the world strongly agree that their company is using and maintaining environmentally sustainable practices.”

Ipsos' CX Global Voices

BUILDING STRONGER RELATIONSHIPS

By delivering on ESG commitments brands can make sure they meet customers' rising expectations when it comes to business being purposeful and ethical. They can also create a sense of authenticity that drives stronger and more meaningful relationships with customers.

Ipsos' CX experts, in collaboration with our Global Behavioural Science Team, have developed 'The Forces of Customer Experience'.⁷ This framework helps organisations better design, deliver, measure and manage experiences that fulfil customers' fundamental needs – both functional and emotional – leading to long-lasting and profitable relationships, improved customer outcomes, including retention, share of spend and advocacy and, ultimately, a better Return on CX Investment (ROCXI).

We identified the key dimensions, which we then validated to be strong predictors of 'emotional attachment' and relationship strength.

Of particular relevance to ESG, Belonging is about customers, and, indeed, employees, feeling organisations care about the greater good, have a purpose beyond commercials and that they connect to their values. A brand's ability to build a sense of Belonging is key to building a truly meaningful relationship with a sense of purpose and authenticity. Our data (CX Forces R&D) shows that delivering on Belonging can differentiate an organisation's experience and help not only meet, but also exceed customers' expectations. Customers who feel a sense of Belonging with an organisation are far more likely to say that their experiences are better than promised. The relationship holds true across sectors, with higher levels of Belonging being associated with an experience that exceeds expectations.

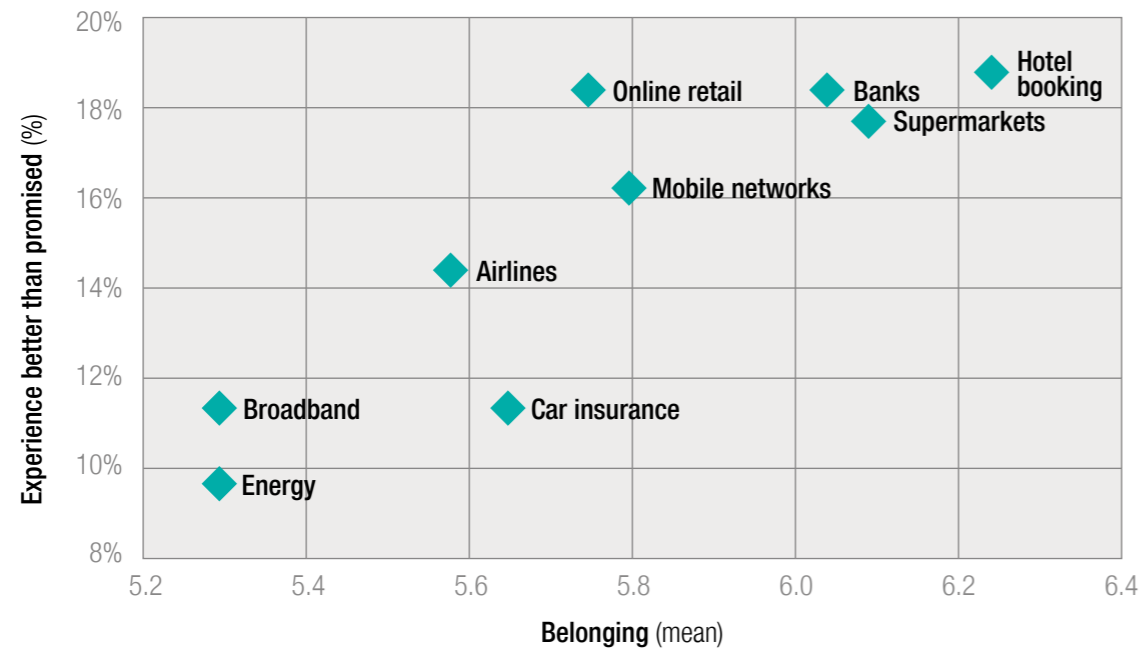
Figure 1 How the Forces of CX build strong relationships

Some Forces are hygiene factors, while others add value and differentiate the experience – all work together to strengthen your customer relationships.



Source: Ipsos R&D

Figure 2 Link between a brand's ability to build a sense of Belonging and exceeding customer expectations



Source: Ipsos R&D (UK data)

DRIVING A RETURN ON ESG INVESTMENT

Alongside positive impacts for people and the planet, we can quantify the impact that ESG initiatives can have on customer behaviour and revenue.

For a leading telco organisation, we were able to quantify the impact of Social Responsibility on customer retention. We did that by combining survey and behavioural data using ROCXI (Return on CX Investment) modelling, a powerful data integration technique that quantifies the link between key aspects of customer relationships and business/financial outcomes.

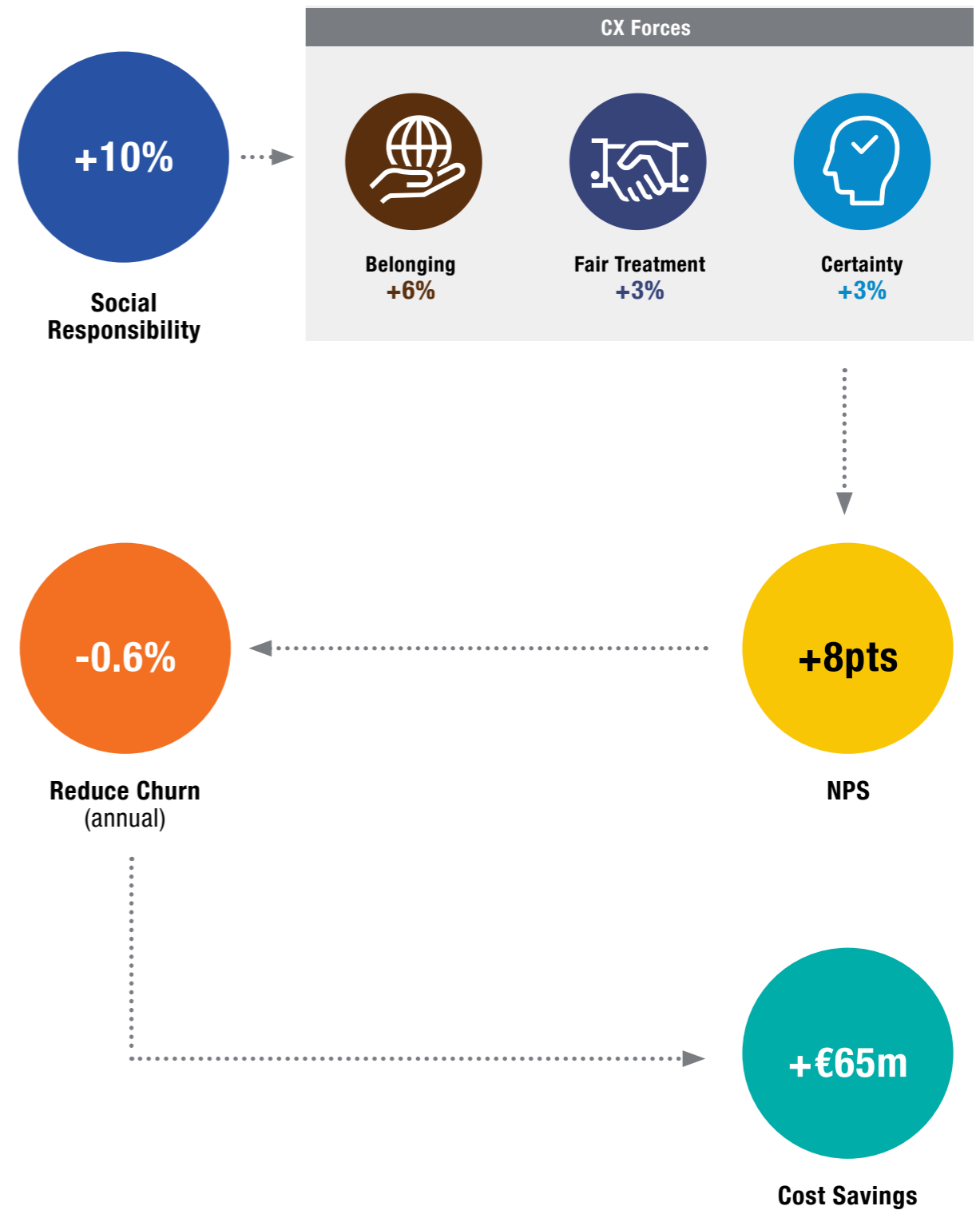
In the survey, customers were asked to rate the brand on relationship dimensions, and how socially responsible they perceived the brand to be, based on their dealings with them.

The analysis showed that perceptions of Social Responsibility among customers impacted the CX Forces of Belonging, Fair Treatment and Certainty, which in turn had a significant impact on advocacy and retention.

We were able to quantify the impact of becoming more socially responsible on relationship strength, retention, and associated revenue gains.

Being able to demonstrate that delivering on ESG commitments can strengthen relationships between customers and companies and have an impact on financials is a powerful way to unlock resources and boost the ESG agenda.

Figure 3 An example of the impact of improving Social Responsibility on customer relationship strength, retention and revenue gains



Source: Ipsos R&D (UK data)



If there is a gap between what the brand says and what it does, customer expectations are violated and cognitive dissonance takes place.”

EMBEDDING ESG IN CUSTOMER EXPERIENCE

To reap the relationship rewards of ESG commitments, brands must be able to ground these efforts within the Customer Experience to establish a meaningful connection.

1. GOING BEYOND THE FUNDAMENTALS

Brands risk being lost in a sea of sustainability sameness if they fail to connect with their customer base beyond the ESG fundamentals such as reducing waste, using renewable energy where possible, reducing inequality, and paying their fair share of taxes. These are quickly becoming hygiene factors, which all brands must address, but only lay the groundwork for a better relationship rather than engaging customers to feel truly connected.

2. DELIVERING ON PROMISES

ESG commitments can be thought of as brand promises, indeed, they are part of the overall brand promise. Brand promises come from marketing and communications activities, what is said or written about brands, and importantly from customers' experiences or interactions with brands. These promises set expectations⁸ that the Customer Experience needs to deliver on. If there is a gap between what the brand says and what it does, customer expectations are violated and cognitive dissonance takes place. Our research shows that when CX consistently fails to meet expectations, customers will most likely:

- **Adjust their attitude towards the brand** (love them less)
- **Adjust their behaviour towards the brand** (stop using or use them less).

Conversely, when the experience consistently reinforces the brand promise, customers are more likely to grow closer to the brand and use it more in the future. We know from our Global CX Voices study that closing the gap between promise and delivery is a top priority for organisations globally (47% agree). When building sustainable initiatives and communicating them, brands should consider how they will deliver on their promises and, importantly, avoid accusations of greenwashing.

3. GROUNDING ESG IN EXPERIENCE

When it comes to ESG engagements it is crucial for organisations to demonstrate, via the experience, that the promises made are grounded in reality. Commitments, therefore, need to be tangible and related to an organisation's offer (and possibly USP) as this puts organisations in a better place to be able to deliver and demonstrate them via the Customer Experience. Concrete engagements, in line with a brand's core offering, that can be demonstrated via the experience, are more likely to be impactful than broader, more remote and disconnected (and common place) engagements.

A recent analysis in the tech sector compared the impact of various types of sustainability related commitments on customers' likelihood to recommend the brand. Our analysis found that engagements that were aligned to the purpose

(core offering) of the brand were more than twice as likely to impact customers' attitudes and behaviour than generic claims relating to environmental issues.

Figure 4 Examples of tangible commitments that can be demonstrated via the Customer Experience



TELCO

- Democratising access to digital
- Educational programmes about new technologies
- Guidance on use of social media for young people

DIRECT TO CONSUMER

- Green deliveries
- Recyclable products
- Low waste packaging

BANKING

- Accounts for the unbanked
- Responsible lending
- Financial education



ESG related engagements that were aligned to the purpose (core offering) of the brand were *more than twice as likely* to impact customers' attitudes and behaviour than generic claims relating to environmental issues. ”



DESIGNING THE EXPERIENCE OF THE FUTURE

The volatile world in which we live clearly impacts our expectations, needs and opinions. Health, societal, environmental and economic factors all impact what customers expect of the brands they have a relationship with; of the experience that they will receive. Leveraging CX Service Design principles and solutions such as CX Journey Mapping to redesign or improve the experience that customers have, to meet or even exceed their expectations is more important than ever.⁹

More specifically, to derive more value from ESG, as well as to improve ESG practices as a good in-and-of themselves, organisations need to re-think their customer journeys to identify where opportunities lie to embed the appropriate practices, and be able to demonstrate commitments to customers and employees and foster stronger and mutually profitable relationships.

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KEY TAKEAWAYS

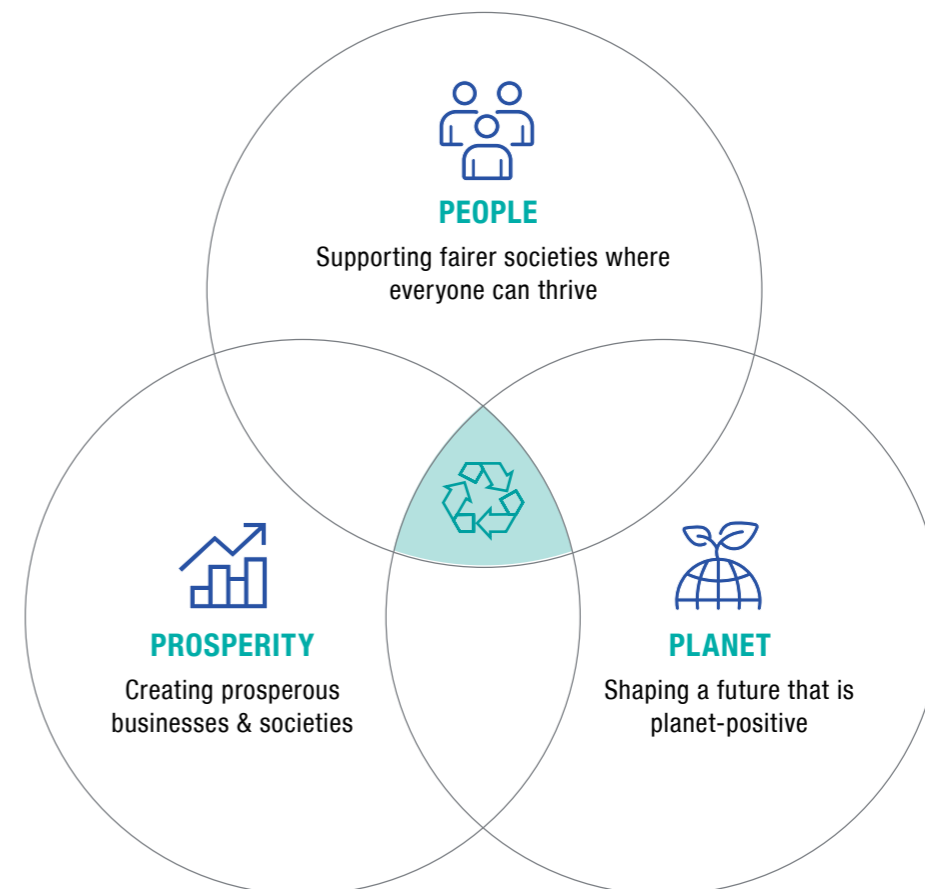
ESG engagements need to be tangible and relevant to your offer and your customers. The ability to demonstrate engagements via the experience is key to fostering stronger relationships.

Quantifying the Return on CX Investment for ESG (ROCXI: ESG) is a powerful way to measure the success of ESG initiatives and build a business case for further investment.

CX Service Design principles and solutions such as CX Journey Mapping are required to truly embed sustainability in the Customer Experience; to create value, drive stronger relationships and drive desired customer behaviour outcomes: increased retention, share of spend, advocacy and operational efficiency – whilst doing the right thing by people and our planet to drive a more prosperous future for us all.

Ipsos' CX Maturity Assessment can help organisations measure their level of CX maturity, including when it comes to embedding ESG in experience, to benchmark against best-in-class and create action plans for improvement.

Figure 5 People, Planet, Prosperity



FURTHER READING



The Forces of Customer Experience – The science of strong relationships in challenging times
<https://www.ipsos.com/en-uk/forces-customer-experience>



Bridging the Brand Experience Gap – How to align brand promise and customer experience for business success.
<https://www.ipsos.com/en/bridging-brand-experience-gap>



CX Service Design – Designing experiences that create emotional attachment and drive brand growth
<https://www.ipsos.com/en/ipsos-views-cx-service-design>



The Key To Your CX Success – Finding the right customer experience KPI for your business
<https://www.ipsos.com/en/key-your-cx-success>

FURTHER LISTENING



Customer Perspective: An Ipsos podcast
<https://www.ipsos.com/en/customer-perspective-podcast-about-cx-and-channel-performance>



People, Planet, Prosperity
<https://www.ipsos.com/en/listen-people-planet-prosperity-ipsos-esg-podcast>



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