Helping the World Run Better with SAP Ariba
SAP Ariba Sustainability Study
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Executive summary

Current global challenges
The world is facing some extremely challenging issues: according to the Walk Free Foundation, nearly 50 million people are currently living in slavery. Almost half of the world’s population live on the equivalent of less than US$5.50 per day. It is also estimated that there are over 5 trillion pieces of plastic floating in our oceans. As a member of the United Nations Global Compact Action Platform on Decent Work in Global Supply Chains, SAP Ariba is committed to working to solve these problems and meet the UN Sustainable Development Goals (SDGs).

Consumers are increasingly aware of negative impacts on the environment and question where and how products are made. Increasingly, consumers are choosing brands that promote transparency in their supply chain, use sustainable sources of raw materials, and employ fair human and environmental practices.

SAP Ariba sustainability study
In 2018, SAP Ariba launched a global sustainability study to evaluate the increasing consumer demand for companies to adopt ethical trade practices across their value chains. The study was meant to gauge consumer preferences and willingness to pay a premium if brands are compliant with the UN SDGs.

We surveyed 10,000 people across five countries that represent major markets. We sought a wide range of demographic insights from five industries: consumer products, financial services, retail, manufacturing/automotive, and high tech.

Key findings
The study identified three themes driving consumer behavior: brand loyalty, willingness to pay a price premium, and supply chain transparency. Consumers are more favorable, show more loyalty, and are also more willing to pay a price premium for products from companies with more transparency in their supply chains. Also, 65% of consumers surveyed globally agreed they would be more loyal to a brand if they knew there was adherence to the UN SDGs in supply chain management.

Why SAP Ariba?
We are passionate about purpose and understand the aims and goals of corporate responsibility and sustainability executives. We strive to help the world run better through a positive impact on the environment, on human and workplace rights, and on the economies of the communities we touch.

Next steps
SAP Ariba strives to improve people’s lives through our procurement with purpose initiative. The best approach for customers to derive the most value from the SAP sustainability study includes:

• Read the SAP Ariba Procurement with Purpose Point of View (POV) to further understand how our vision, partnerships, and solutions help customers achieve their sustainability goals
• Participate in the SAP benchmarking survey to evaluate your responses and benchmark against other customers
• Collaborate with us to achieve your sustainability goals through our breadth of solutions and partnerships
Current **global challenges**
Recognizing today’s global challenges

The United Nations has called on organizations to establish a responsible and accountable set of business practices and to apply their creativity and invention to make a positive impact on human rights, the environment, and underserved populations. Seventeen ambitious sustainable development goals (SDGs) have been established to accomplish the much-needed social, environmental, and economic aspects of sustainable development by 2030.

In 2018, there were over 40 million people living in slavery, many of whom worked at the very bottom of the supply chain.¹

Every year, 8 million tons of plastic waste end up in our oceans.²

Almost half of the world’s population (3.4 billion people) live on the equivalent of less than US$5.50 per day.³

UN Sustainable Development Goals (SDGs)

The UN SDGs are the blueprint for the effort to achieve a better and more sustainable future for all. They address global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The SDGs are a collection of 17 interrelated, global goals, each with its own targets. The SDGs are also known as “Transforming our World: the 2030 Agenda for Sustainable Development,” or 2030 Agenda, for short. The SDGs are illustrated below.¹

SAP supports the Sustainable Development Goals

¹UN Sustainable Development Goals https://sustainabledevelopment.un.org/sdgs
The SAP Ariba Sustainability Study
Approach used for the study

In 2018, a global sustainability study was launched with the Reputation Institute to evaluate consumer demand for companies to adopt ethical trade practices across their value chain. Adoption of UN SDGs provides proof of an organization’s commitment to supply chain transparency, ethics, and honesty. The study gauged consumer preferences and their willingness to pay a premium if brands are compliant with the UN SDGs. The study surveyed 10,000 consumers across five countries and assessed sentiment towards the five key industries listed below. Ultimately, the study provides insights into the increasing consumer demand for companies to adopt ethical trade practices across their value chain, as well as preferences and willingness to pay a premium if brands are compliant with the UN SDGs.

**Target audience**
- Global consumers aged 18-64 with 10,000 ratings
- Five target countries:
  - China
  - Germany
  - Brazil
  - United Kingdom
  - United States

**Demographics**
- Gender
- Age group
- Occupation
- Education level
- Income level (household/private disposable income)
- Home ownership
- Hobbies
- Marital status
- Occupation
- Average size of family

**Industries**
- Consumer products
- Financial services
- Retail
- Manufacturing/automotive
- High tech
Key themes driving consumer behavior

Summary of findings

The study identified three themes driving consumer behavior: brand loyalty, willingness to pay a price premium, and supply chain transparency. Consumers are more favorable, show more loyalty, and are also more willing to pay a price premium if organizations have more transparency in their supply chains.

SAP Ariba was able to understand what drives consumer behavior through the development of a series of hypotheses that were tested through the study. The responses were used to determine the most important drivers for consumers and therefore the key findings.
<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Key findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consumers will be more loyal/trusting of brands that adopt UN SDGs in their supply chains.</td>
<td>• 65% of consumers surveyed agreed that they would be more loyal to a brand if they knew they were adhering to the UN SDGs.</td>
</tr>
<tr>
<td>• There is a correlation between awareness of UN SDGs and attitudes towards industries.</td>
<td>• 68% of consumers would be more favorable towards a brand if they knew they were adhering to the UN SDGs.</td>
</tr>
<tr>
<td>• Overall, consumers are willing to pay a price premium for brands with transparent supply chains and that adopt the UN SDGs.</td>
<td>• 48% of consumers globally would be willing to pay a price premium for products across industries if they believed that the supply chain was well managed.</td>
</tr>
<tr>
<td>• Consumers with higher incomes will be more willing to pay a price premium than those with lower incomes.</td>
<td>• Consumers with a high income are 14% more willing to pay more for brands with greater supply chain transparency.</td>
</tr>
<tr>
<td>• Respondents employed full-time and with higher educational levels will be more likely to have greater purchasing power and therefore would be more likely to pay a price premium.</td>
<td>• Respondents employed full time are most willing to a pay a premium (53%).</td>
</tr>
<tr>
<td>• Households with more children may be less willing to pay a price premium.</td>
<td>• Consumers with one or more children are 13% more likely to pay more for products and services with a well managed supply chain.</td>
</tr>
<tr>
<td>• Millennials will be the age group most willing to pay a premium.</td>
<td>• Millennials are most willing to pay a premium (53%).</td>
</tr>
<tr>
<td>• Consumers prefer buying from companies that are open and transparent in their supply chains.</td>
<td>• 52% of consumers say that they prefer buying from companies that are open and transparent in their operations.</td>
</tr>
<tr>
<td>• Most consumers agree that supply chains have ethical issues.</td>
<td>• Over 50% of consumers surveyed believe supply chain practices have ethics issues.</td>
</tr>
<tr>
<td>• There are differences in attitude towards UN SDGs in Western countries vs. China and Brazil.</td>
<td>• Consumers in emerging markets are 27% more willing to pay a premium for more transparent supply chains.</td>
</tr>
</tbody>
</table>
Brand loyalty
Key regional findings

Supply chain transparency is critical as it can impact the reputation of both B2C and B2B brands.

68% of consumers globally would be more trusting towards a brand if they knew the brand adhered to the UN SDGs in its supply chain practices.

65% of consumers globally would be more loyal to a brand if they knew the brand adhered to the UN SDGs in its supply chain management.
Brand loyalty
Key gender and age group findings

Across all markets, **women would be 6% more loyal to a brand** than men if they knew it was adhering to the UN SDGs. In China we see the largest discrepancy between men and women with an 11% difference between likeliness to be more loyal.

Willingness to be more loyal is relatively even across age groups. Though **millennials** in particular are not brand loyalists, \(^1\) **67% of consumers in this age group** stated they would be more loyal to brand that adheres to UN SDGs. This is a significant insight for businesses trying to increase market share with consumers within this age group.

**Q:** Would you be **more loyal** to a company or brand because it has adopted the UN SDGs in its supply chain practices?

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\(^1\)https://www.forbes.com/sites/forbesagencycouncil/2017/09/26/brands-need-to-step-up-their-game-to-win-over-millennials/#7abd8cfd1b32
There is a general consensus that industries provide a positive influence on society. Nevertheless, over 50% of respondents on average globally believe supply chains have ethics issues across all industries. The consumer products, retail, and technology industries are ranked the highest on this topic.

However, 60% of consumers believe the technology industry can improve consumers lives through its supply chain practices, and 53% of consumers believe it has a positive economic contribution to society. The study suggests that consumers are expecting the technology industry to create impactful improvements to supply chain transparency, and that consumers would be willing to pay premium if this happens.
Price premium
Willingness to pay a price premium

Having a positive influence on society is almost 2x more important than other factors to consumers when making purchase decisions, particularly in the technology, consumer products, and manufacturing/automotive industries. This aspect is weighted as more important in most instances than other key drivers, such as high-quality products and services.

Adoption of the UN SDGs by companies provides a tangible set of parameters and will act as proof of a brand’s efforts to increase supply chain transparency.

Q: Would you pay more for products based on how an organization manages its supply chain?

48% of consumers globally would be willing to pay a price premium for products across industries if they believed that the supply chain was well managed.

Only 17%

Higher-income respondents were only 17% more likely to pay a price premium than lower-income respondents. This relatively low percentage difference emphasizes the importance of sustainable supply chain practices for consumers across the board.
Willingness to pay a price premium
Key income bracket and age group findings

Consumers with higher incomes are willing to pay more for brands with greater supply chain transparency.

58% High income
52% Middle income
42% Low income

53% of millennials are willing to pay more for brands with greater supply chain transparency.

Millennials are also the most aware of the UN SDGs of any age group. As millennials enter more senior positions, their purchasing power will increase. Across industries and regions they are the most willing to pay a premium for well-managed supply chains.
Willingness to pay a **price premium**

Key findings tied to number of children and disposable income

**13%**

*Consumers with children* are 13% more willing to pay more for well-managed supply chains.

The **global core persona** willing to pay a premium for responsible supply chain management is a **full-time employed, young to middle-aged individual** and is earning the equivalent US$75,000 (globally). This person **has children** and most likely is making purchasing decisions based on the future for his or her children.

**53%**

Age 25-34

**53%**

Employed full-time

**59%**

High income

**56%**

Have children
Willingness to pay a price premium

Key industry findings

Consumers are willing to take action and pay more for a well managed supply chain, mostly in the technology industry. Improvements here in supply chain management are the most impactful, as consumers are most willing to pay more for sustainable supply chain management in high tech.

Of all industries surveyed the technology and manufacturing/automotive industries rank the highest with over 50% of consumers agreeing that they are actively working towards making supply chains transparent. The financial industry ranks the lowest, and the consumer products industry also ranks relatively low, which is a challenge for an industry that supplies many day-to-day products such as food.
Willingness to pay a price premium
Key regional findings

Respondents from emerging markets had a greater familiarity with the UN SDGs and were also more willing than their Western counterparts to pay a price premium. Consumers from Brazil and China were 27% more willing on average to pay more for brands with transparent supply chains.

The global challenges the UN SDGs seek to address are more prevalent in the emerging markets surveyed. It is therefore no surprise that consumers from these regions are willing to pay a premium for sustainable products, as they are much closer to these challenges and therefore feel a greater sense of urgency to overcome them. They also have heightened expectations of brands to seek out sustainable sourcing. These findings regarding emerging markets have been corroborated by other, similar studies.¹

Q: Would you pay more for products based on how the companies that make them manage their supply chain?

Supply chain transparency
Key findings on UN SDG rankings

Globally, the goals of no poverty; good health and well-being; and sustained, inclusive, and sustainable economic growth; and full, productive employment and decent work for all were ranked as the most important UN SDGs.

No poverty was ranked most important as well as the most difficult to achieve, other than in the United States, where health and well-being was ranked as the top UN SDG.

Q: How would you rank the following selection of UN SDGs, from most to least important?

<table>
<thead>
<tr>
<th>UN SDGs¹ featured in the survey</th>
<th>Q: How would you rank the following selection of UN SDGs, from most to least important?²</th>
</tr>
</thead>
<tbody>
<tr>
<td>No poverty</td>
<td>No poverty 32.4%</td>
</tr>
<tr>
<td>Good health and well-being</td>
<td>Good health and well-being 22.1%</td>
</tr>
<tr>
<td>Gender equality</td>
<td>Gender equality 9.7%</td>
</tr>
<tr>
<td>Decent work and economic growth</td>
<td>Decent work and economic growth 19.0%</td>
</tr>
<tr>
<td>Reduced inequalities</td>
<td>Reduced inequalities 9.7%</td>
</tr>
<tr>
<td>Responsible consumption and production</td>
<td>Responsible consumption and production 7.1%</td>
</tr>
</tbody>
</table>

¹UN Sustainable Development Goals https://sustainabledevelopment.un.org/sdgs; ²Percentages refer to how many respondents thought that SDG was most important.
Supply chain transparency

Key regional findings

52% of consumers globally purchase from companies based on how they manage their supply chains. This average increases to 72% in Brazil and China.*

67% of consumers globally would pay a premium to an industry that promotes healthy living and well-being. The UK ranks the promotion of healthy living and improved well being as highest in terms of willingness to pay a premium in comparison to other UN SDGs.

*Percentages refer to what respondents globally base purchase decision on supply chain management.
Supply chain transparency
Key regional findings – cont’d

In three markets (Brazil, United States, and Germany) the greatest driver for consumers is whether an industry has a positive influence on society, while the UK is particularly focused on openness and transparency as a key driver for purchasing decisions. Consumers in China prioritize the quality of the product, and it is the only market that ranks product value first. However, positive influence on society ranks as a close second place, showing that is also of significant importance to consumers in China.

Respondents were given a list of 23 drivers to rank. The diagram represents the top 2 drivers influencing purchasing decision in each market.
Supply chain transparency
Key regional findings – cont’d

80% of consumers in developing countries would pay a premium if it meant reducing the environmental footprint. Related to the UN SDG for responsible consumption and production, environmental stewardship has been a pressing challenge for businesses and consumers across markets. Globally, 68% of consumers would be willing to pay a premium to an industry that actively works to reduce its environmental footprint. This ranks highest among all the other UN SDG goals. The diagram below also shows the premium each market would be willing to pay.¹

Q: Would be more likely to pay a premium to an industry that actively works to reduce its environmental footprint? (percentages below)

United States – 66%
Actively works to reduce environmental footprint

Brazil – 80%
Actively works to reduce its environmental footprint

UK – 58%
Promotes healthy living and improved well-being

Germany – 55%
Manages supply chain ethically (treats suppliers fairly, fights child and forced labor/abusive conditions)

China – 79%
Actively works to reduce environmental footprint

¹Out of a list of global challenges as follows: actively works to reduce environmental footprint; promotes healthy living and improved well-being; manages supply chain ethically (treats suppliers fairly, fights child and forced labor/abusive conditions); makes a positive economic contribution to society; promotes supplier diversity and inclusion; helps improve and support local communities
Conclusions

The study revealed key insights about expectations within specific markets, industries, and demographics, which offer growth opportunities for businesses. Below are the three main takeaways from the survey’s results.

**Millennials’ engagement with responsible supply chain management:**
The data indicates that 67% of the millennial age group would be more loyal to a company or brand if it adopts the UN SDGs in its supply chain practices. In order to grow market share and loyalty within this demographic, it’s important that brands focus on responsible supply chain practices.

**Influence of the technology industry:**
Consumers want to engage in more positive consumption and have an expectation that the technology industry will be a vehicle to help reach this goal through the development of tools and solutions that increase transparency.

**Rising expectations in emerging markets:**
Consumers in emerging markets are most likely to be loyal and trusting of a brand that adheres to the UN SDGs. The global challenges that the UN SDGs seek to address are more prevalent in the emerging markets surveyed. Consumers in these regions therefore have greater expectations that brands will seek sustainable sourcing.
Why SAP Ariba?
Why collaborate with SAP Ariba?

SAP Ariba has deep industry experience that is relevant to purpose. As with all of SAP, we help the world run better and improve people’s lives by offering solutions to the toughest business challenges. Our solutions and services help organizations stay ahead of trends, make better decisions faster, and innovate through simplification.

Purpose-focused procurement is a new dimension for CPOs, who until recently have based their decisions primarily on price, quality, and time. Purpose was mainly taken into account on a risk-based approach in line with the global movement towards low-cost country sourcing. It will become a high priority on every organization’s agenda in order to be perceived as relevant, admired, and innovative by customers, employees, investors, partners, and communities.

We have the skills and tools to measure the effectiveness of your purpose efforts against your organization’s goals and targets. Our source-to-pay solution portfolio provides:

• The only platform able to link social impact metrics with deep business context and network relationships
• Scalable artificial intelligence in the cloud
• Embedded risk intelligence for impactful sourcing and procurement best practices
• Scalability of assessments, work flows, collaboration, and flexible data modelling for varying risk
• A due diligence framework for risk exposure to modern slavery as part of supplier management
• The largest business-to-business platform in the world with over three million suppliers
Next steps
Achieving the purpose vision will require significant focus and executive commitment along with a business partnership with SAP Ariba to drive a successful outcome. SAP Ariba brings unparalleled experience and a strong track record that will help organizations run and grow their business more effectively for years to come.

The best approach for customers to derive most of the value from the SAP Ariba sustainability study includes:

- Read the SAP Ariba Procurement with Purpose Point of View (POV) to further understand how our vision, partnerships, and solutions help customers achieve their sustainability goals: [https://www.ariba.com/about/procure-with-purpose](https://www.ariba.com/about/procure-with-purpose)
- Participate in the SAP benchmarking survey to evaluate your responses and benchmark against other customers
- Collaborate with us to achieve your sustainability goals through our breadth of solutions and partnerships

“We have committed our people and products to address the world’s biggest economic, environmental, and societal issues. … Through Ariba Network, companies are able to combat enforced labor with total transparency as to where products are coming from … .”

Bill McDermott, CEO, SAP