

Conscious consumerism: Driving business change for the better

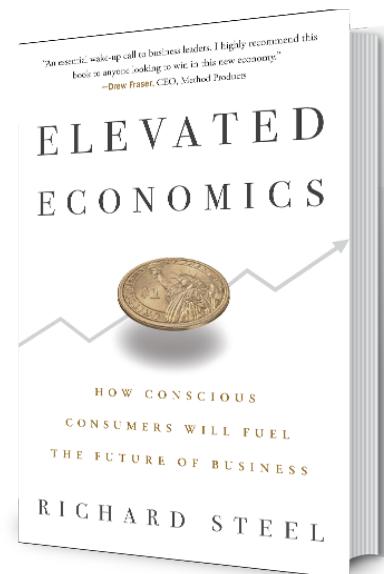


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“As business leaders, the new economy has brought each of us to the most significant inflection point of our careers. Don’t miss it.” – Richard Steel.

You cannot profit from a dying planet. As per the New York Times of 12 June 2018, “Earth will survive. We may not”. *Elevated Economy* charts a course for business leaders who have realised the magnitude by which the consumer today is demanding change and who want to equip their businesses for survival in this new economy. It is written by Richard Steel, an alumnus of Harvard Business School and adviser to the White House Business Council.

While the book is focused on business leaders, the trends and challenges identified are relevant to the world that all of us face. Steel’s writing style allows for easy reading. The book starts off by highlighting the change in the



demographics of today’s consumer. It is this consumer who no longer buys based on product, price, place and promotion – this consumer has also included a fifth “P” which refers to Purpose. This new consumer is building a new economy, one that is driven by a desire to improve rather than just produce.

Steel interviewed many business owners as part of his research and includes many examples of actual businesses who have been doing good – practical

implementations throughout the supply chain. The book is aptly titled *Elevated Economics* as it is all about a change in demand (driven by the new consumer) through a commitment to environmental and social goals, while still making companies more profitable. Steel refers to when Harvard Business School was created, during which Dean Edwin Gay said that “the purpose of business is to make a decent profit decently”.

The author incorporates interesting statistics throughout the book. Statistics such as the fact that Starbucks spends more on their employee benefits than they do on coffee, emphasises that success is greatest when shared. There is reference to numerous applications in business, such as Adidas’s initiative to manufacture a sports shoe from recycled plastics that came from contaminated oceans. The author ascribes Elon Musk’s success with Tesla not simply to the fact that “he gave consumers the chance to buy a new car, but a chance to buy a car that could save the world”. In the US, Kentucky Fried Chicken has recently unveiled an experimental menu with

items that contain no chicken, but are instead plant-based .

It comes as little surprise that the new consumers of the *Elevated Economy* are the Internet-enabled Millennials and Generation Z beneficiaries of the “Great Wealth Migration”. In this wealth migration, it is estimated that about 45 million US households will hand down about \$68trillion over the next 25 years and the same will happen elsewhere in the world. This migration gives these new generations considerable power to demand not only that companies make a positive impact on the world around them, but also that companies involve their customers in their good work by allowing them to give back.

Much has been written about artificial intelligence that will presumably push people out of the job market. Steel points out that “it is in this environment that there is a growing need for businesses to establish themselves as forces for good, worth protecting for our collective future”. He eloquently points out that “being a change agent in this new elevated

economy doesn't require a company to be perfect. It requires a company to be trying".

Succeeding in business requires consistent humility. Steel proposes that there are four cornerstones that companies have to incorporate if they wish to survive in the new Elevated Economy: diversity and inclusion, pay equality, impact in the community the company operates in (rather than simply making donations to a charity), and building a brand based on "values, not value".

Closer to home, we at Prudential together with the rest of the broader investment world have certainly been made aware of the demands from the new customer when looking at the number of funds now run on the principles of impact investing. Investors are increasingly scrutinising how asset management firms are

incorporating environmental, social and governance (ESG) factors in their investment philosophy. Already in 2019, net inflows into US sustainable funds totaled \$21bn. Inflows into such ESG funds are expected to reach \$100bn per year. We are excited about the possibilities that this brings about, also in our own economy.

In his concluding chapter, Steel points out that the next few decades of economic progress "doesn't just have to be great .. it can also be good" which aptly describes what is possible if we look after our planet and each other. This book serves as a testimony of what is possible when leaders step up to a challenge. It should not be seen as a doomsday prophecy. In the words of Walt Disney when he opened Disneyland in 1955, "to all who come to this happy place, welcome". ■

Miranda joined Prudential in January 2016 as Regional Sales Manager. She is currently responsible for the management of retail distribution in the Gauteng region. With more than 20 years' industry experience, Miranda has served in a range of roles including: business development, manager research, portfolio management and asset consulting to large pension funds. She holds an MSc (Engineering) degree and is a CFA Charterholder.