

"THE TRUE VALUE OF GREEN": WILLINGNESS TO PAY FOR SUSTAINABILITY IN CONSUMER & HOME ELECTRONICS

A study by gfu and Oliver Wyman

July 2022

KEY RESULTS OF THE STUDY



65% of consumers agree that sustainability is **important** to them when purchasing consumer and home electronics, **but the marginal willingness to pay is highly differentiated** between consumer groups, product categories and sustainability attributes



Additional willingness to pay is particularly high for features that have a **positive impact on usage costs**, esp. a higher energy efficiency class (**+36%¹** for 2 levels), as well as guaranteed repair and spare parts availability (**+23%¹**).



The additional willingness to pay for **CO₂-neutral production and recyclability** is significantly lower (**+11% each¹**); consumers would only spend slightly more on **social responsibility in production (+9%¹)**.



Comparing different **categories**, marginal willingness to pay is significantly higher in categories where **energy consumption and service life** are particularly important (i.e. **washing and refrigeration**), and significantly lower in consumer electronics and small domestic appliances



Willingness to pay for **energy efficiency** increases with **age and income** - but it does **not for other sustainability features** without direct financial benefit such as social responsibility

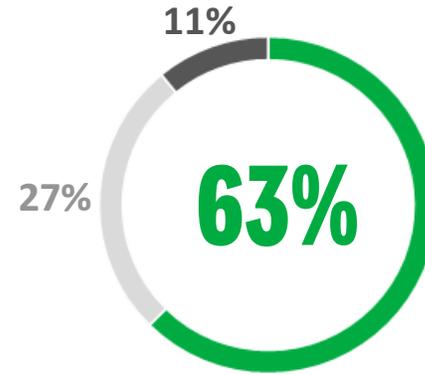


Refurbished products are considered interesting by many consumers for both brown and white goods - however, **the cheaper price** is a far more important driver than sustainability

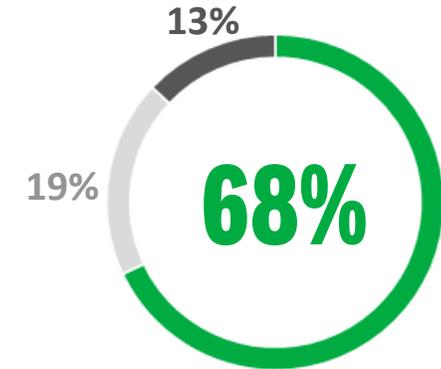
1. markup on base price; unweighted average over 4 categories surveyed washing machines, refrigerators, vacuum cleaners, televisions; value for energy efficiency class excl. vacuum cleaners

CONSUMERS AGREE: SUSTAINABILITY IS IMPORTANT

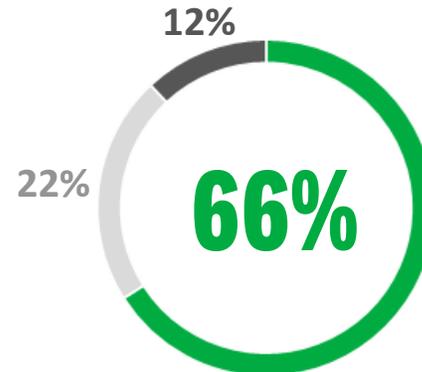
"I would describe my lifestyle
as sustainable"



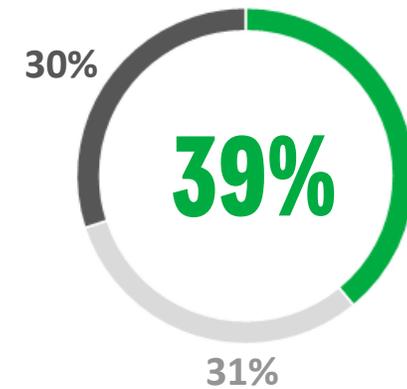
"I buy regional and organic food as much
as possible".



"Sustainability is important to me
when buying electric appliances".



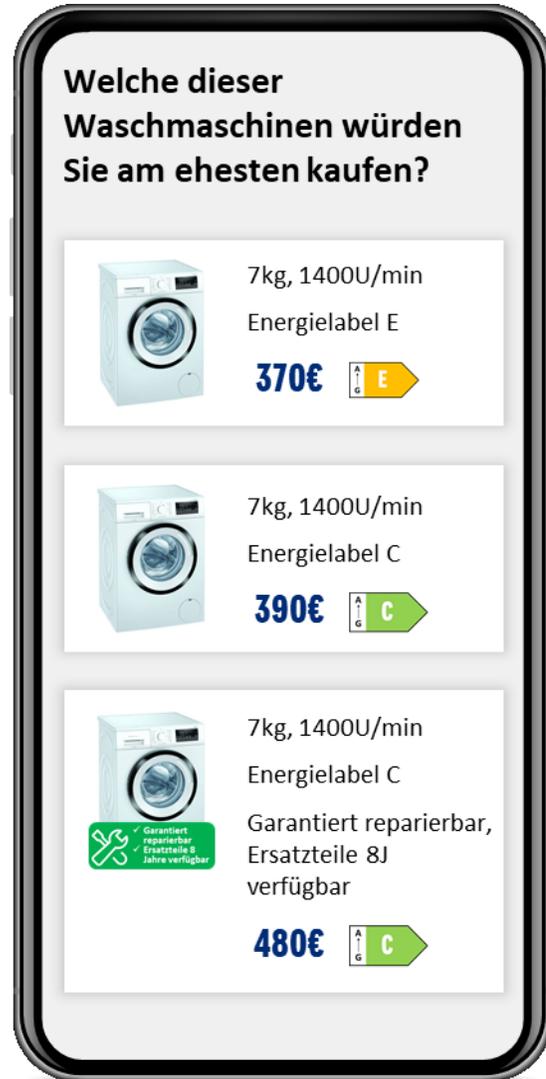
"I am actively supporting climate
protection".



■ (Fully) agree ■ Neither ■ (Fully) disagree

Source: Oliver Wyman Consumer Survey 2022 (n=1,300)

ARE CONSUMERS WILLING TO PAY MORE FOR SUSTAINABLE PRODUCTS? WE APPROACHED THE QUESTION USING CONJOINT ANALYSIS



Test persons have to choose 13 times per product category between 3 product configurations with different prices.

A statistical model¹ determines the isolated, relative utility scores per attribute, from which the marginal willingness to pay per attribute can be derived

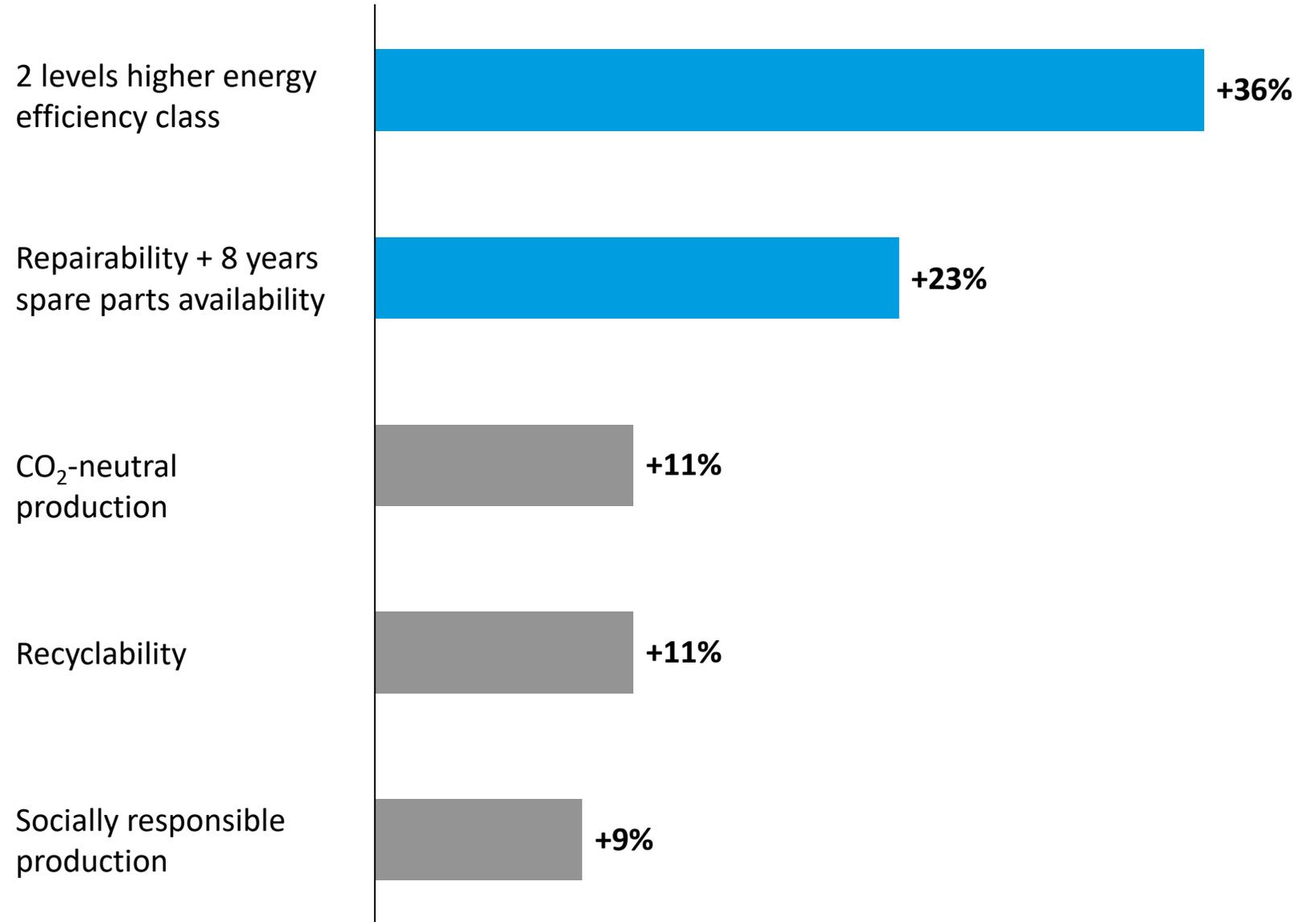
Configurations are identical in features and characteristics, except for the 5 sustainability characteristics to be examined

Benefit: Test persons get a good feeling for trade-offs between characteristics and price; variations in prices lead to an approximation of price thresholds.

1. More precisely: "conditional logit model based on a choice-based conjoint analysis with a continuous pricing approach"

SPENDING MORE ON SUSTAINABLE GOODS? ONLY IF IT PAYS OFF FINANCIALLY

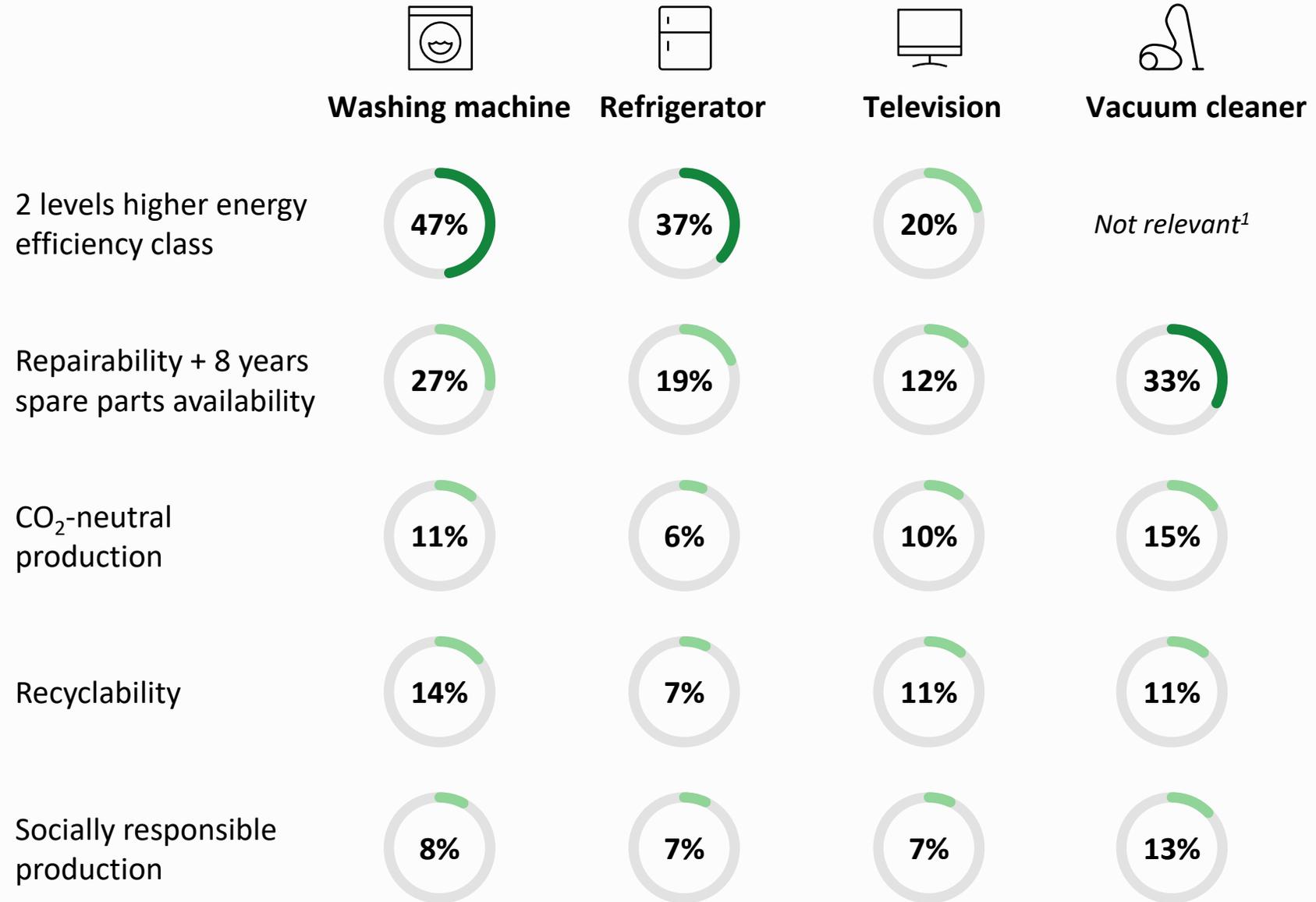
% marginal willingness to pay compared to base price



Unweighted cut across washing machines, refrigerators, televisions, vacuum cleaners; energy efficiency class excl. vacuum cleaners
Source: Oliver Wyman consumer survey 2022 (n=1,300, p>0.01)

INCREASED WILLINGNESS TO PAY ESPECIALLY FOR MORE ENERGY-INTENSIVE PRODUCTS

% marginal willingness to pay
compared to base price



1. energy labels may no longer be used for vacuum cleaners as of 2019
Source: Oliver Wyman consumer survey 2022 (n=484-724 per category, p<0.01)

RESPONDENTS ARE WILLING TO PAY MORE IF THEY SEE A DIRECT BENEFIT FOR THEMSELVES



With **current gas and electricity prices**, I believe it **always pays to** invest in greater energy efficiency. For the planet it does anyway.

I take it as a given that companies selling products in Europe must meet the **highest social requirements**. That **must be standard**, not a sales argument! **That's why I don't want to have to pay more for it.**

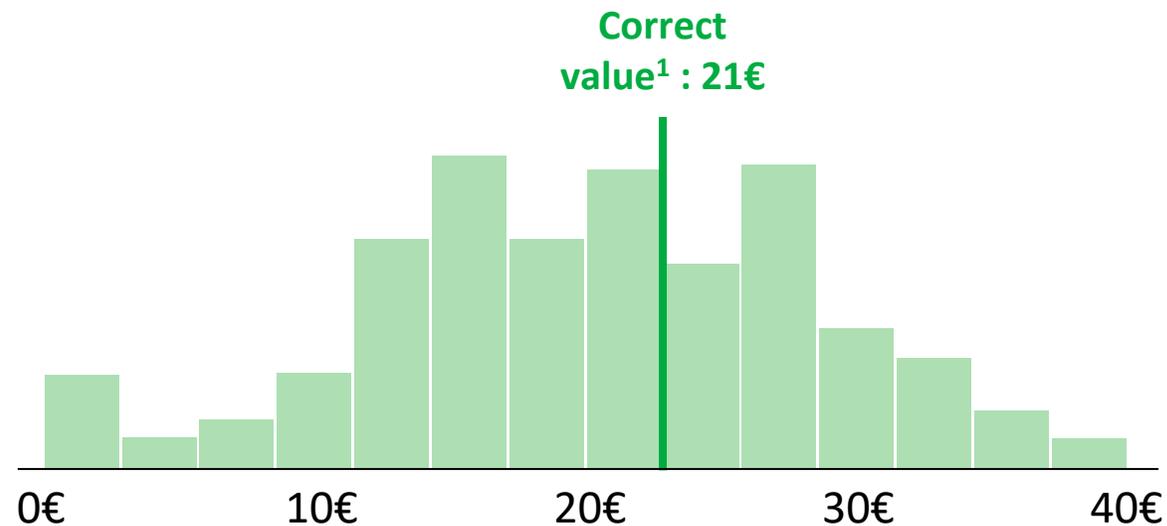
In the past, you still repaired a washing machine when it was broken, but **today we simply throw away far too much**. I always prefer to buy an appliance that I can repair long after the warranty is over.

CONSUMERS HAVE LITTLE SENSE OF THE ACTUAL MEANING OF ENERGY LABELS

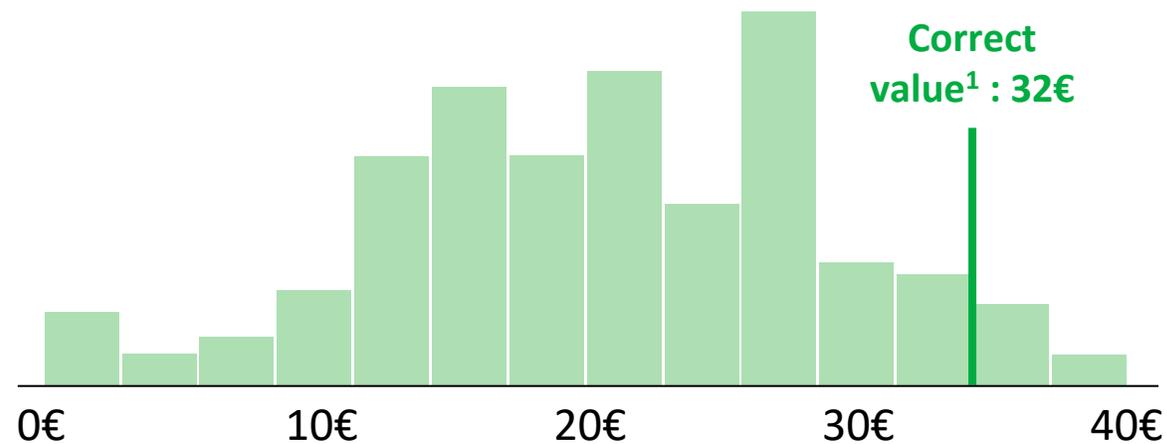
Estimated and actual impact of energy class C vs. E



Washing machine
Base cost:
91€ p.a.



Refrigerator
Base cost:
103€ p.a.



1. Data from Coolblue Germany, as of June 14/15, 2022
Source: Oliver Wyman consumer survey 2022 (n=613 for refrigerators, 724 for washing machines); Coolblue

WILLINGNESS TO PAY INCREASES WITH AGE, ESPECIALLY FOR ENERGY EFFICIENCY



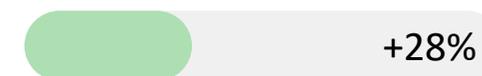
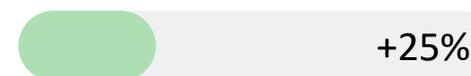
Younger than 35 years

Older than 35 years

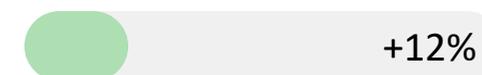
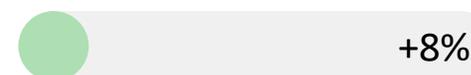
2 levels higher energy efficiency class



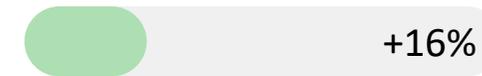
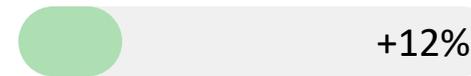
Repairability + 8 years spare parts availability



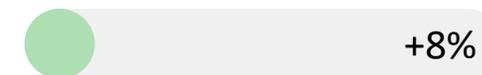
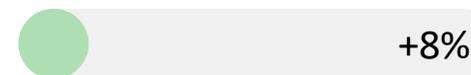
CO₂-neutral production



Recyclability

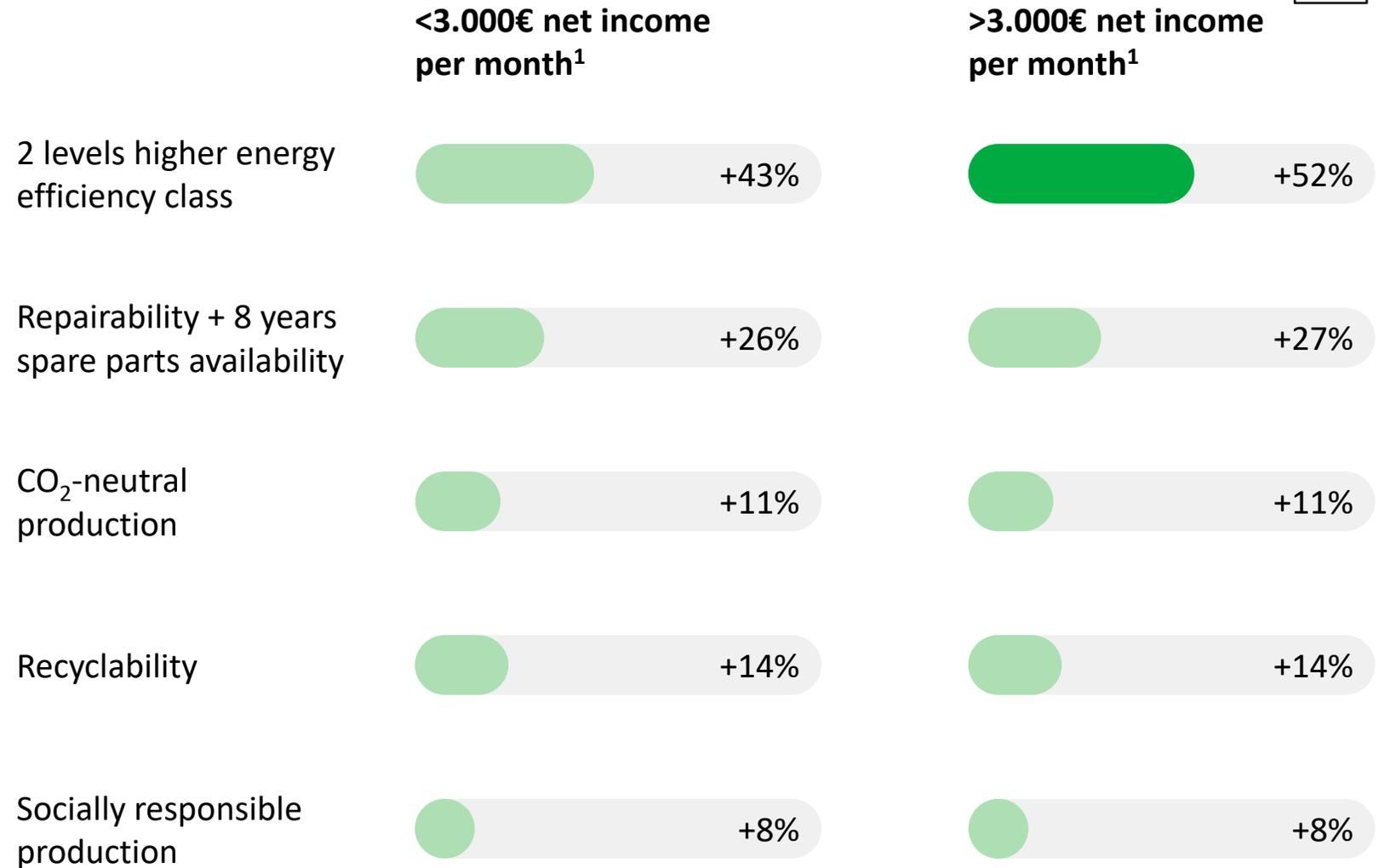


Socially responsible production



Source: Oliver Wyman consumer survey 2022 (n=222-502 per break-down, p<0.01).

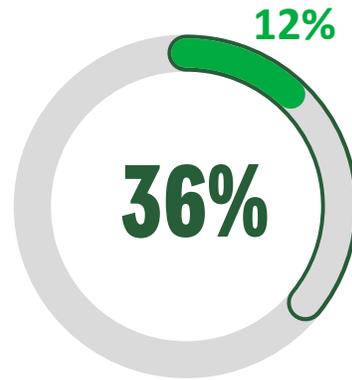
HIGHER INCOME CONSUMERS ALSO PAY MORE ATTENTION TO ENERGY EFFICIENCY



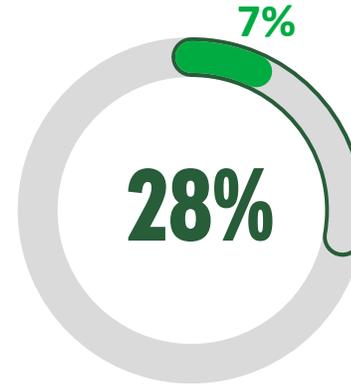
1. Monthly net household income
Source: Oliver Wyman consumer survey 2022 (n=222-502 per break-down, p<0.01).

CONSUMERS ARE INTERESTED "REFURBISHED" CONSUMER AND HOME ELECTRONICS

 Washing machine



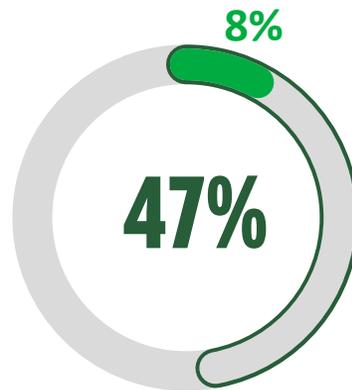
 Refrigerator



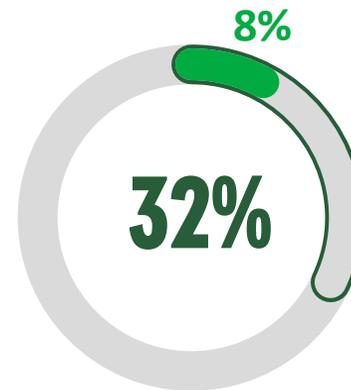
 TV



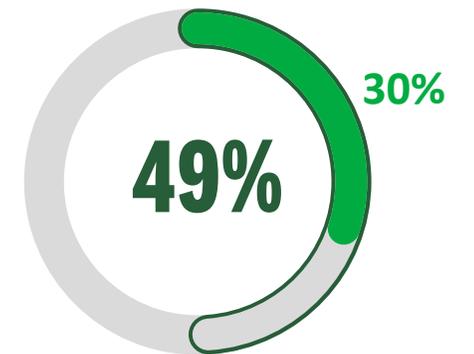
 Vacuum cleaner



 Coffee machine



 Smartphone

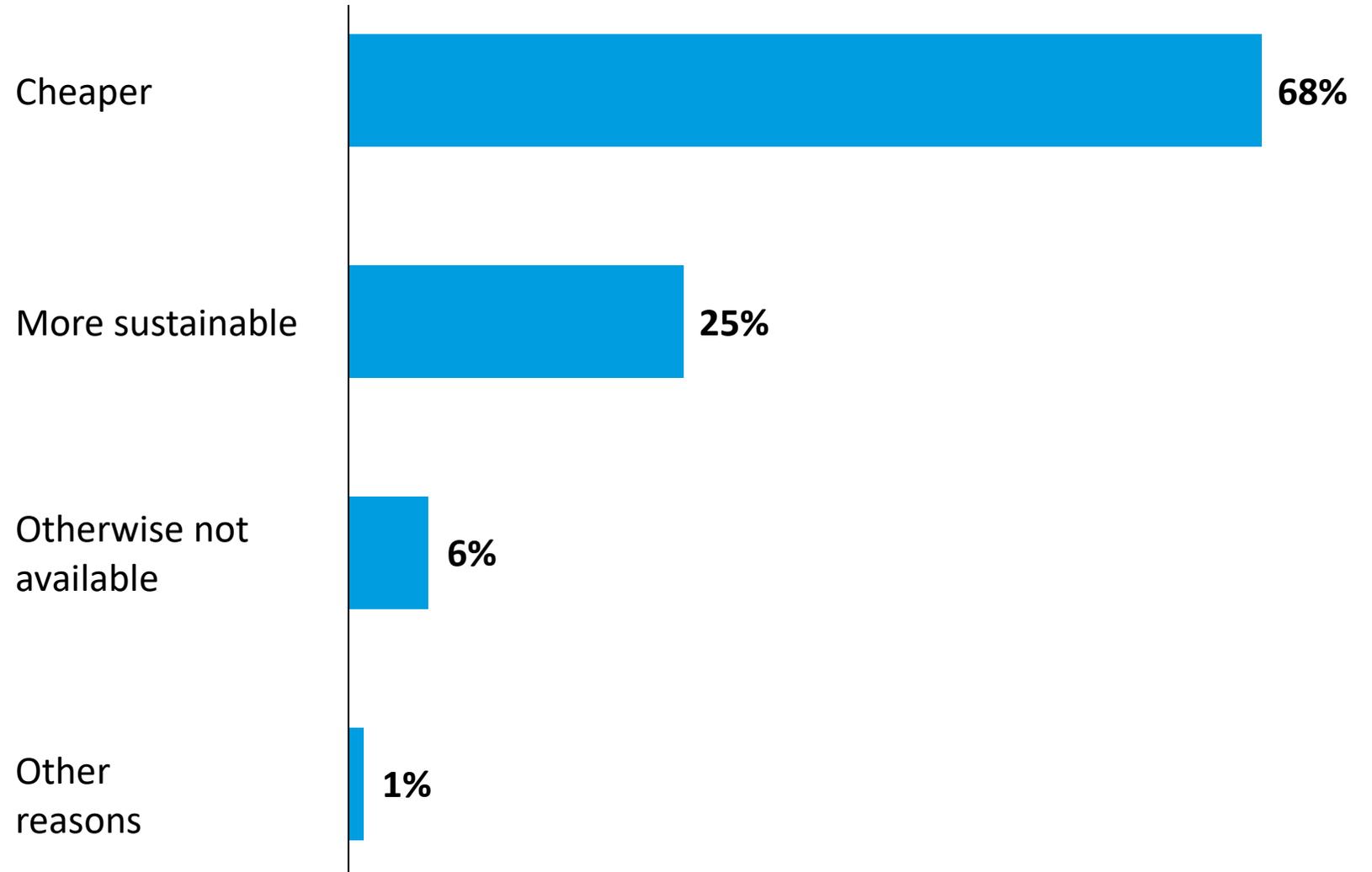


 I would buy refurbished

 Already bought refurbished

Source: Oliver Wyman Consumer Survey 2022 (n=1,300)

**HOWEVER, THE MAIN
MOTIVATION WITH
“BUYING REFURBISHED”
IS THE PRICE**



Source: Oliver Wyman Consumer Survey 2022 (n=1,300)



Sustainability is relevant to consumers and willingness to pay for it exists - but not unconditionally



Manufacturers and retailers must clearly highlight the benefits of sustainability



This communication requires targeted marketing to different consumer groups, especially around the topic of energy efficiency



A differentiated approach to sustainability pricing is required between product categories, even within the home appliance segment



Refurbished items are increasingly interesting for consumers – second hand can be an attractive new revenue model for manufacturers and retailers



The “refurbished” market will grow substantially in the coming years

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