THE IMPACT OF ESG ON THE B2B BUYING PROCESS
Purpose is Profit for B2B Companies

Not long ago, most companies considered maximising profits as their principal purpose. Today, purpose has a higher meaning, and a company’s response to environmental, social and governance (ESG) issues is an increasingly important measure of its success. Employees, investors, and consumers are choosing to work with, invest in and buy from companies based on their responses to issues like racial and economic injustice, global conflicts and the climate crisis.

While business-to-consumer (B2C) companies often make headlines for their ESG commitments, business-to-business (B2B) companies are also being held accountable - not only for their own ESG commitments but also for those of their partners and their wider supply chain. This is highly influential on the UK economy, as the B2B sector accounts for an estimated 44%1 of its business turnover.

As part of our ongoing series on the mindset of the B2B buyer and to better understand how ESG considerations are impacting the B2B buying process, FleishmanHillard UK, in partnership with Opinium Research, surveyed 450 B2B decision-makers and interviewed business leaders involved in the B2B decision making process.

What does this mean for communicators and marketers? Firstly, ESG commitments are not only a core part of brand reputation for B2B companies, but they are also becoming a key purchase decision making factor. ESG goals and considerations should be embedded into every aspect of the organisation. Commitments should be stated publicly and reported on rigorously. Most importantly, communicators and business leaders should continue to spur each other into action because when businesses unite, they can be a powerful force for good.

Our research showed that ESG considerations top the list of reasons for companies to seek a new B2B partner. These businesses need suppliers that can help them do more than tick the ESG box. They need partners they can trust to do right by the environment, employees, and the community. Yet, most B2B buyers (76%) say that organisations aren’t doing enough to communicate their ESG commitments.

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Tracey Nugent
Director

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1 Business Intelligence Group
**KEY FINDINGS**

ESG IS BECOMING AN INCREASINGLY IMPORTANT CONSIDERATION IN THE B2B PROCESS:

- **50%** of businesses considering looking for a new supplier say that improving their own ESG credentials/standards is the top reason for their search (page 5).

- **76%** of decision-makers believe companies should do more to communicate their ESG commitments publicly (page 8).

- **46%** of businesses (65% of large businesses) say ESG considerations have become more important to their decision-making process over the last two years and 53% of business leaders (73% of large businesses) say ESG considerations will become more important over the next two to three years (page 6).

- **42%** of companies have already switched suppliers or business partners at least once because their provider did not have adequate ESG credentials and commitments (page 5).
HALF OF B2B BUYERS ARE CURRENTLY CONSIDERING FINDING NEW SUPPLIERS

The pandemic was a catalyst for one of the largest shifts in the employee workforce, with a third of UK workers saying they’re considering leaving their current job.

But change in the corporate world is not restricted to the workforce, it’s also shaking up long-standing B2B partnerships. According to our research, half (50%) of business decision-makers are currently considering leaving current partners and/or finding new suppliers. This is especially the case for larger businesses (83%) while nearly half (42%) of small businesses are considering finding new suppliers.

Businesses that have gone through the process of looking for new suppliers will on average consider four suppliers before coming to a decision. Those that make it onto the shortlist need to find ways to distinguish themselves from their competitors.

So it’s worth looking at the main reasons why businesses are on the hunt for new suppliers...

“As we strive to achieve our own sustainability goals within SAP, we have recognized the immense value of partnering with like-minded organizations to raise the profile and importance of such efforts throughout the world.”

GLOBAL DIRECTOR, SOCIAL BUSINESS AND ENTREPRENEURSHIP AT SAP

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<th>Percentage of buyers with responsibility for purchasing these products who say they’re currently considering finding a new partner</th>
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<tr>
<td><strong>62%</strong> Logistics, transportation or haulage</td>
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<td><strong>60%</strong> Warehousing or physical storage</td>
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<td><strong>60%</strong> Virtual conferencing tools</td>
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<td><strong>57%</strong> Supply chain solutions</td>
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<td><strong>55%</strong> Recruitment or other consultancy services</td>
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<td><strong>54%</strong> Software, e.g. CRM systems, cloud storage</td>
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<td><strong>54%</strong> IT infrastructure and hardware</td>
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<tr>
<td><strong>51%</strong> Raw Materials (metal, wood, produce)</td>
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<tr>
<td><strong>51%</strong> Marketing and/or communications support</td>
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<td><strong>50%</strong> Food and beverage</td>
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Among businesses considering new suppliers, the main factor prompting them to do so is improving their own ESG credentials/standards and of their suppliers. Half of B2B buyers considering looking for new suppliers say this is a factor in their decision, making it the most common reason. 42% of business decision-makers have also proactively chosen to switch suppliers because their existing partner did not have adequate ESG credentials and/or commitments.

Which factors are prompting your company to consider searching for a new supplier?

- To improve the ESG credentials of your business and its suppliers: 50%
- Availability of additional sources of revenue: 34%
- Existing product/supplier obsolete: 30%
- Government regulatory requirement: 25%
- Procurement-led requirement: 22%
- Management/leadership changes: 22%
- Increased competition in the marketplace: 20%

ESG is the top reason B2B buyers are considering new suppliers

Businesses that have switched suppliers due to inadequate ESG criteria

- Small: 30%
- Medium: 45%
- Large: 39%

Many times: 17%
Once or twice: 18%

ESG issues in procurement are more important than ever before and will continue to grow in importance

While ESG is not the top deciding factor for procurement (that would be value for money), nearly half (46%) of business decision-makers say it has become more important over the past two years. In addition, most businesses (51%) think it will continue to grow in importance in the next two to three years.

Those who work in agriculture, financial services and IT computing businesses are most likely to say ESG factors have increased in importance over the past two years.

“The pandemic has not changed our view towards our suppliers’ ESG commitments, but it has forced us to better understand their suppliers and therefore be able to influence their supply chain and manufacturing choices. In 2021, we mapped out our ESG risks per category and assessed the 100 most exposed suppliers accordingly. What we see is that most of the time we do not have to choose between price and ESG performance as they are not linked.”

TRISTAN VUILLIER, SUSTAINABILITY PROGRAMME MANAGER, OVHCLD
ENVIRONMENTAL AND SOCIAL STANDARDS ARE THE MOST IMPORTANT ESG PILLARS WHEN IT COMES TO PURCHASING

While governance issues were deemed most important by a minority of B2B decision-makers, our research found environmental standards (31%) and social standards (30%) to be the most important when considering new suppliers.

Overall, only 15% considered governance standards to be the most important pillar, though this increased among larger firms to 35%, which could be linked to the greater focus among larger businesses on compliance, board diversity, and risk mitigation. This category included factors like compensation of employees and board executives, board and company diversity, tax strategy and accounting standards, tackling bribery, corruption and modern slavery, and preventing fraud.

One in eight businesses (12%) did not consider ESG important at all, rising to a quarter (24%) of micro businesses.

“At Akamai, we have seen increasing interest around sustainability from our customers, stakeholders, and employees. As a result, we are investing more time and energy into using our approach to support our customers and partners in understanding, acting, and ultimately reducing their carbon footprint*”.

MIKE MATTERA, GLOBAL DIRECTOR OF CORPORATE SUSTAINABILITY, AKAMAI TECHNOLOGIES
B2B buyers want organisations to do more to communicate their ESG commitments

B2B decision-makers generally agree (68%) that ESG reporting needs to be better regulated to ensure more transparency and consistency in how organisations present their credentials.

They would like to see companies make more use of their own websites (44%), ESG reports (39%) and third-party analyst reports and independent ESG verification ratings (27%) to report their ESG commitments. Most B2B buyers believe that businesses with strong, well-communicated ESG commitments have a key competitive advantage.

76% say that companies should do more to communicate their ESG commitments to external audiences via public channels such as traditional and social media.

65% agree that businesses with strong ESG commitments have a head start in the sales process.

73% want organisations to provide clearer and more transparent ESG reports.

64% think those who don’t communicate on ESG commitments risk losing out on business opportunities.

B2B buyers also expect other organisations to review ESG priorities regularly (71%) and want them to invest more money in ESG initiatives (65%).
Business decision-makers value straightforward communication on products and services

Suppliers often produce a wide range of content to entice business decision-makers to shortlist them. However, according to our research, most business decision-makers value simple, straightforward communication around the supplier’s products and services above other types of content.

A third (34%) of businesses listed information on products and services as the most useful content that suppliers can provide to support business purchase decision making. In comparison, a fifth said case studies or review articles (both 22%) would be most valuable.

One in five (20%) businesses listed ESG reports or published ESG commitments as valuable content when making decisions about suppliers – higher than the number who selected annual reports (18%). Given the increasing emphasis being placed on ESG, and the relative lack of information about it, companies should be investigating ways to include ESG in all their communications channels.

Top five types of supplier content preferred for informing procurement decisions

- Information on products/services: 34%
- Case studies: 22%
- Industry analyst reports: 21%
- ESG reports: 20%
- Review articles comparing similar products: 22%
ESG MAY BE THE REASON TO SEARCH BUT VALUE FOR MONEY IS STILL THE DECIDING FACTOR

ESG may be a growing factor in the decision to look for a new supplier, but when it comes to choosing a B2B provider, business decision-makers are still most concerned about the bottom line, with value for money reported as the most important factor to look for in a new supplier.

This is true for businesses of all sizes, however our research suggests that the larger the business, the more weight decision-makers give to ESG commitments compared to other more traditional factors, such as value for money, reliability, and customer service.

Uniquely, decision-makers in large businesses said they valued a supplier’s ESG commitments over its customer service.

The most common pain points for buyers during the B2B buying process include:

- **32%** Budgeting / securing funding or unexpected and incremental costs
- **31%** Not having enough information available
- **30%** The process taking too long
- **28%** Too many providers to choose from
- **27%** Providers that don’t understand their business or their end customer
- **22%** Ensuring a supplier’s ESG commitments adhere to their own standards

Key attributes when selecting a supplier

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<td>Micro</td>
<td>46%</td>
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<tr>
<td>Small</td>
<td>37%</td>
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<tr>
<td>Medium</td>
<td>32%</td>
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<tr>
<td>Large</td>
<td>42%</td>
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<table>
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<tr>
<th>Customer service</th>
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Understand what your employees, partners, and customers care about and what they expect from your business. Employees will want to support and champion issues that are personally important to them. Partners and customers are more likely to want to work with companies who contribute to their own ESG goals.

Know your audience

ESG commitments are becoming a deciding factor in the B2B buying process and companies will walk away from B2B partners who don’t have adequate ESG credentials. Work to understand your company’s direct and indirect impact on the environment and society. Make ESG commitments that are true to your brand and embrace objectives that are good for your business, your employees and your customers.

Set your priorities

Three-quarters of B2B decision-makers want companies to do more to communicate their ESG commitments. Be clear in communicating ESG values and expectations internally and for your external stakeholders. Provide a plan to achieving your goals.

Invest in ESG and give value to your commitments

Methodology

FleishmanHillard commissioned Opinium to conduct a survey of those responsible for procurement decision making in UK businesses (excluding sole traders). The survey covered attitudes regarding the impact of ESG issues on purchasing decisions now and in the future.

Survey completes were spread across different business sizes (by employee) to ensure that the views expressed covered a diverse range of the business community. The business sizes covered in the report are defined as follows.

- Micro business (2-9 employees)
- Small business (10-49 employees)
- Medium-sized business (50-249 employees)
- Large business (250+ employees)

The sample covers 450 decision-makers who completed the survey between the 13th - 24th January 2022.
To find out how FleishmanHillard can help you evaluate and communicate your ESG commitments, please get in touch:

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