

# Challenge for Sustainable Business Model Innovation: Consumers' Perception of Sustainability

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## Abstract

Sustainability has become one of the world trends and a challenge for companies in recent years. The ability to innovate existing business models or move to new sustainable business models represents an important element to improve companies' sustainability performance. However, many business model innovations are not successful. The authors consider consumers' perception of sustainability and sustainable business development in the context of their purchasing decisions as one of the key prerequisite for successful sustainable business models innovation. The aim of the paper is to examine consumers' perception of sustainability in the Czech Republic and to compare the research results with the results of other research and studies in order to identify differences or possible specifics in consumers' perception and behavior. Consumers' perception of sustainability and its consequences for purchasing decisions of Czech population were examined by means of quantitative research using an online questionnaire among Czech population over the age of 18. The research sample was presented by 1070 respondents. A quota selection of respondents according to gender, age, level of education, region and size of place of residence was carried out. Our research results confirmed that sustainability is an important topic for Czech population and it is also an important factor influencing their purchasing behavior. It can be concluded that the results of our research correspond to the results of other studies conducted in the Czech Republic, but also abroad.

**Keywords:** Business model, consumers, innovation, sustainability.

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## I. INTRODUCTION

Sustainability issue has become a phenomenon of today's world. There are many studies and researchers that emphasize the role of the concept of sustainability in the context of benefits for business and long-term business success. Among the most frequently mentioned benefits

belong: creating business opportunities [10], [20], increasing stakeholder confidence [7], increasing customer satisfaction and loyalty [4], which can have a positive impact on companies' economic results, but also strengthening the performance of the company [3], [5], [17], [24]. Research conducted by [2] confirmed that companies with a strong link to sustainable activities achieve satisfactory financial results and have a long-term positive impact on society and nature. Reference [14] showed in its study that a company's green initiative becomes a competitive advantage and has a positive effect on the company's performance too. Reference [15] has a similar view, according to which marketing initiatives, such as raising awareness of the benefits of sustainable products, can help improve a company's reputation and market position in comparison to its competitors. According to recent Grant Thornton's International Business Report [8] the most common reasons for prioritizing sustainability are improvement of operational efficiency (connected to principles of circular economy) and costs reduction (42%), followed by the desire for business' sustainable recovery from the COVID-19 pandemic (41%). The third most important driver is the effort on improving access to capital and investment (37%). The role of sustainability in employee and customer loyalty is also highlighted.

Recently, in connection with the previously mentioned positive impacts and possible benefits of sustainability for business, we have witnessed the massive development business models innovation that integrate sustainability into their value proposition, value creation and delivery activities, or value capture mechanisms [1], [6], which should help entrepreneurs to achieve benefits that sustainability brings. The ability to innovate existing business models or move to new sustainable business models is now seen as an important resource of competitive advantages and key leverage to improve organizations' sustainability performance [6], [22]. However, many business model innovations are not so successful or fail [6], [19].

It is therefore necessary to focus and examine in more detail the main factors affecting the success of the business. Customers are the basis of a successful business model and its suitability and viability [21]. Customers are the heart of every business model, without a customer, no company can function in the long run [18], [27]. And it will not be different in the case of business model innovation in terms of sustainability. Results of McKinsey's survey [13] indicate that sustainability practices generate value more likely when the business engage customers and business partners in addressing sustainability issues (e.g. collaboration in order to create more sustainable product portfolio).

Therefore, the basic preconditions for the positive impact of sustainability on business are its customers, their perception of sustainability and consumer behavior in relation to sustainability. The authors consider consumer's perception of sustainability, their attitudes in this regard and the factors that influence their purchasing behavior of products and services as key factors for the functioning of innovative sustainable business models and the positive impact of sustainability on businesses and their long-term prosperity.

The aim of the paper is to examine consumers' perception of sustainability and sustainable business development in the Czech Republic in the context of their purchasing decisions. We consider this to be one of the key prerequisite for successful sustainable business models innovation. This research will bring valuable knowledge both for companies operating on the Czech market and for multinational companies or companies from other countries aimed at Czech consumers and thus complements other studies carried out in the world mapping this

issue. Subsequently, the results of our research will be compared with the results of other research and studies conducted in the world in order to identify differences or possible specifics in consumers' perception and behavior.

## II. RESEARCH STUDY

### A. Basic research questions

|            |                        |       |        | Sex    |        | Education         |                        |                     |                    |
|------------|------------------------|-------|--------|--------|--------|-------------------|------------------------|---------------------|--------------------|
|            |                        |       |        | Male   | Female | Primary education | Vocational certificate | Secondary education | Tertiary education |
| Age groups | 18 - 24 years old      | %     | 6.636  | 5.967  | 7.35   | 21.311            | 3.15                   | 6.801               | 3.529              |
|            | 25 - 34 years old      | %     | 17.103 | 15.19  | 19.149 | 12.295            | 14.698                 | 16.625              | 27.059             |
|            | 35 - 44 years old      | %     | 17.664 | 20.796 | 14.313 | 18.033            | 17.06                  | 18.136              | 17.647             |
|            | 45 - 54 years old      | %     | 18.972 | 19.892 | 17.988 | 10.656            | 19.423                 | 22.922              | 14.706             |
|            | 55 - 64 years old      | %     | 18.411 | 15.552 | 21.47  | 21.311            | 24.934                 | 11.083              | 18.824             |
|            | More than 65 years old | %     | 21.215 | 22.604 | 19.729 | 16.393            | 20.735                 | 24.433              | 18.235             |
|            | Total                  | Count | 1070   | 553    | 517    | 122               | 381                    | 397                 | 170                |

**Table I** Characteristics of respondents according to age groups – sex, education  
Source: own processing, 2022

The aim of the research study was to find out the current opinions and attitudes of the population of the Czech Republic on the topic of sustainability. Following research questions were formulated:

RQ1: Do Czech consumers consider fulfillment of the principles of sustainability to be an important factor in their purchasing decision?

RQ2: How much are Czech consumers willing to pay for sustainable products or products made by sustainability companies?

RQ3: What factors do the Czechs consider important when making a purchase decision?

#### B. Research method

Consumers' perception of sustainability and its consequences for purchasing decisions of Czech population were examined by means of quantitative research. For this research study, an online questionnaire method was used among Czech population over the age of 18. The questionnaire contained three groups of questions, namely demographic questions, introductory questions and main questions. The demographic questions were included to gather information about respondents such as age, sex, education, region in which respondents live, and size of the city of residency. Introductory questions were designed in order to assess orientation of respondents in sustainability or sustainable business development, how they know this topic and how they would characterize it. The main questions were focused, for example, on factors influencing purchasing decisions or questions related to sustainable products and interest in sustainable activities of companies. Data collection was carried out in January 2021 through online questionnaire.

#### C. Research sample

The research sample is presented by 1070 respondents, all of them were inhabitants of the Czech Republic. A quota selection of respondents according to gender, age, level of education, region and size of place of residence was carried out in order to achieve a representative sample of the Czech population over the age of 18. Characteristics of respondents according the factors of selection are seen in more detail in tables below.

The characteristics of different age groups of respondents according to their sex and the highest level of education attained is shown in Table I 51.68 % (553) of all respondents were men. In terms of education, respondents with completed secondary education or vocational secondary education are the most frequently presented in comparison to respondents with only primary education completed. For example, from the age group from 18 to 24 years old, there are 5.967 % (33 respondents) of all men respondents and 7.35 % (38) of all female respondents. Respondents in age group make up to 21.311 % (26) of those who have only primary education finished, 3.15 % (12) of all with vocational secondary education etc.

The characteristics of different age groups of respondents according to region and size of the city of their residency is presented in Table II 51.87% (555) respondents come from Czechia, 7.568% (42) of those living in Czechia are respondents from 18 to 24 years old, 15.856% (88) of respondents living in Czechia are 25 to 34 years old. In absolute numbers, there are 23.64% (253) respondents with permanent residence in a municipality with more than 100 001 inhabitants, 4.743% (12) of such respondents are from 18 to 24 years old and 24.111% (61) from 25 to 34 years old, etc.

**Table II:** Characteristics of respondents according to age groups – residency (region, size of the city)  
Source: own processing, 2022

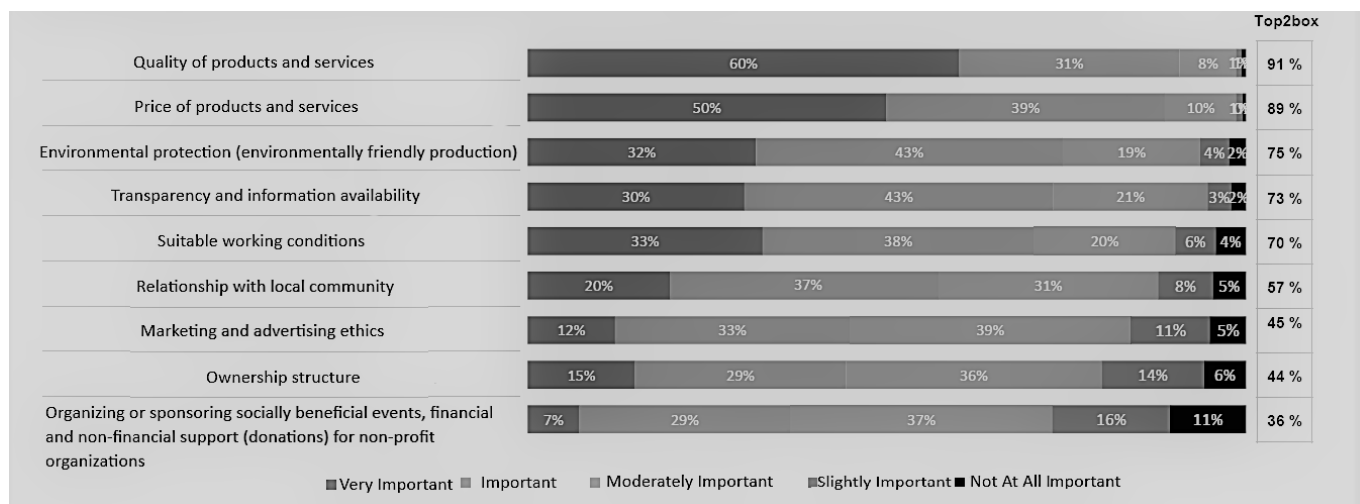
|               |                                    |              |        | Region |         |         | Size of the city of residency<br>(according to number of inhabitants) |                          |                            |                                 |                                     |
|---------------|------------------------------------|--------------|--------|--------|---------|---------|---|--------------------------|----------------------------|---------------------------------|-------------------------------------|
|               |                                    |              |        | Prague | Moravia | Czechia | Up to<br>1000<br>inhab  | 1 001<br>-5 000<br>inhab | 5 001 -<br>20 000<br>inhab | 20 001<br>- 100<br>000<br>inhab | More<br>than<br>100<br>001<br>inhab |
| Age<br>groups | 18 -<br>24<br>years<br>old         | %            | 6.636  | 4.225  | 6.166   | 7.568   | 4.878   | 7.66                     | 9.945                      | 6.329                           | 4.743                               |
|               | 25 -<br>34<br>years<br>old         | %            | 17.103 | 23.239 | 16.622  | 15.856  | 20.732  | 12.34                    | 7.182                      | 19.409                          | 24.111                              |
|               | 35 -<br>44<br>years<br>old         | %            | 17.664 | 16.901 | 17.158  | 18.198  | 14.634  | 21.277                   | 21.547                     | 16.034                          | 15.02                               |
|               | 45 -<br>54<br>years<br>old         | %            | 18.972 | 16.901 | 19.303  | 19.279  | 21.951  | 21.277                   | 18.232                     | 16.034                          | 18.182                              |
|               | 55 -<br>64<br>years<br>old         | %            | 18.411 | 19.014 | 18.767  | 18.018  | 16.463  | 14.468                   | 20.442                     | 20.675                          | 19.763                              |
|               | More<br>than<br>65<br>years<br>old | %            | 21.215 | 19.718 | 21.984  | 21.081  | 21.341  | 22.979                   | 22.652                     | 21.519                          | 18.182                              |
|               | <b>Total</b>                       | <b>Count</b> | 1070   | 142    | 373     | 555     | 164   | 235                      | 181                        | 237                             | 253                                 |

### III. RESULTS

RQ1: The fulfillment of the principles of sustainability play an important role by half of the Czech population in their purchasing decisions, as it is very important factor for 14% of population and important factor for 36% of population. Just 8% of population sees the principles of sustainability as slightly important factor in their shopping behavior. Only 5% of population considers the principles of sustainability as definitely not important in purchasing behavior.

RQ2: As our research found, a total of 61% of Czechs are willing to pay more for sustainable products. Most of them (54%) are also willing to pay up to a quarter more for sustainable products, 6 % is willing to pay premium 26-50% of a price and 1 % of population is even willing to pay up to 51-75% more.

RQ3: As regarding factors influencing purchasing decision, the quality of products and services is the most important factor (91%) when Czechs decide which company to buy from.



**Fig. I** Important factors in Czechs purchasing decision

Source: own processing, 2022; Notice: Top2box – merging “Very important” and “Important”

Followed by the price of the product, which is an important factor for 89% of population. Then, sustainability related topics are following, such as environmental protection (75%), transparency and information availability, suitable working conditions or relationship with local community, etc. We can conclude that sustainable factors occupy third and further places in the order of importance of the factors, look at Fig. I.

#### IV. DISCUSSION

Our research results confirmed that sustainability is an important topic for Czech population and it is also an important factor influencing their purchasing behavior. As part of the discussion, we analyzed the results of other domestic and foreign studies. According to [11], a sustainability brand can make consumers pay more for the final product than for other conventional "unsustainable" products. Reference [9] also recognize that a sustainability-based brand increases business performance in the long term, and that consumers prefer it to other brands without a sustainability label. Reference [12] confirmed this trend with its worldwide survey. In 2019, according to its survey, 57% of consumers worldwide were willing to pay more for products made from recycled materials, and in 2021 this share rose up to 62%. An equal proportion of consumers are willing to change their shopping behavior to help reduce the negative environmental impact of manufacturing and their activities. Research [16] confirmed that sustainability-labeled products have lower price elasticity than unlabeled products, and sales of "sustainable" products have grown more than seven times faster than conventional products in the last five years. Other significant findings include the fact that more than 4 out of 5 private investors plan to invest in the next 12 months based on sustainability factors [12].

The Global Sustainability Study 2021 [25], conducted by Simon-Kucher & Partners, reveals that there have been major shifts in consumer's view on sustainability since 2016, as more and more customers are taking sustainability into account when making their purchasing decisions. There are significant differences in sustainability perception between generations as well as between countries and industries. In Austria 42% of consumers have made distinctive changes towards sustainable purchasing behavior in last 5 years, followed by Italy (41%), Spain (35%) and Germany (34%). Millennials and Generation Z are more inclined to sustainability and sustainable purchasing in comparison to Baby Boomers or Generation X. Their influence is even strengthened as they continue to represent a larger share of all consumers and are more likely willing to pay premium prices for sustainable products. According to this study, on average, 34% of consumers is willing to pay on average about 25% premium for sustainable products [25].

When we compare results of our research study with another study carried out in the Czech Republic by Ipsos Global Reputation Center in 2021, we gained very similar results. This CSR & Reputation Research also shows that CSR and corporate sustainability has impact on consumer behavior. 53% of Czechs considers sustainability as important factor in purchasing decision making process, that goes both ways – approx. 25% of Czech consumers have made purchase based solely on company's sustainable activities, whilst 20 % of Czech consumers have boycott company's product as a result of their disapproval with company's action [23].

It can be concluded that the results of our research correspond to and are very similar to the results of other studies conducted in the Czech Republic, but also abroad. Consumers' perceptions in European countries can be assessed as similar, and in some respects there is even a higher interest in sustainability among Czech consumers.

## CONCLUSION

Following the research results obtained, future research will examine in more detail the expectations of consumers and the factors that influence their purchasing behavior and motivate them to promote sustainability and purchase sustainable products or services. Selected factors (such as age, gender, level of education) that affect the perception of the sustainability of the Czech population in purchasing behavior will be examined in more detail to determine whether individual groups of respondents perceive sustainability in a different way and whether it is possible to identify customer segments for whom sustainability is a more important purchasing factor and focus in more detail on their motivational elements. This is very valuable information that companies can use to set appropriate strategies and innovate business models and to constantly improve them on their path to prosperity and sustainability.

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