

# Cities and Sustainability: A New Agenda for Urban Living

December 2022

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The data included in this report are accurate according to Euromonitor International's market research database, at time of publication: December 2022

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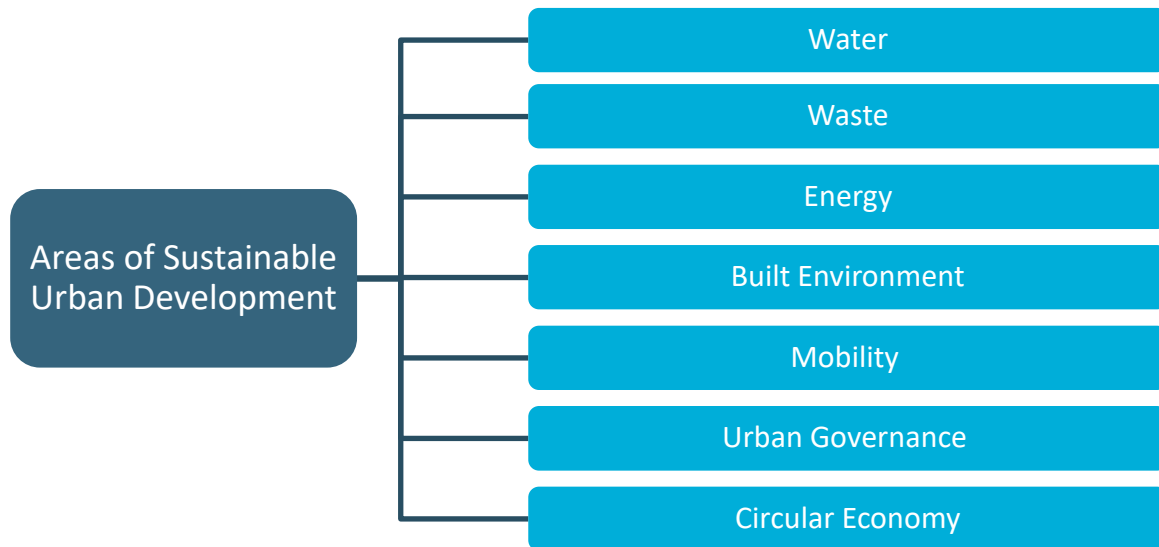
Commercialising sustainability

Key takeaways

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# Introduction

## Scope



This report analyses the main problems caused by rapid urbanisation and the key trends in sustainable urban development.

Unless otherwise noted, all values expressed in this report are in US dollar terms, using year-on-year exchange rates.

In the Voice of the Consumer: Sustainability survey, urban residents are defined as those living in a city with 500,000+ inhabitants.

Sustainability has become a prominent theme in the 21st century, especially in light of rising urbanisation, which is putting more pressure on infrastructure and quality of life. The report analyses sustainability across seven key areas: water, waste, energy, mobility, built environment, urban governance and the circular economy. It concludes by explaining why sustainability is vital for businesses, governments and consumers, and how these stakeholders can better achieve a greener future.

### **Disclaimer**

*Much of the information in this briefing is of a statistical nature and, while every attempt has been made to ensure accuracy and reliability, Euromonitor International cannot be held responsible for omissions or errors.*

*Figures in tables and analyses are calculated from unrounded data and may not sum. Analyses found in the briefings may not totally reflect the companies' opinions, reader discretion is advised.*

## Key findings



Rising urbanisation adds to sustainability challenges

Urbanisation is making cities more populous and denser, and this is expected to continue. Between 2022 and 2040, the world's urban population is expected to increase by 29%, with growth largely occurring in emerging and developing markets. Cities will need to implement strategies that promote sustainable development, and urban planning schemes which mitigate environmental damage.



Cities are major contributors to CO2 emissions

According to the World Bank, cities account for 70% of global CO2 emissions, due to traffic congestion, high energy consumption, waste production and economic activities. Implementing stricter regulations on fossil fuel use, while simultaneously promoting and subsidising low-emission fuels and renewable energy sources, can put cities on a path to net zero emissions.



Seven areas of urban sustainability for cities

Seven areas of urban sustainability have been identified: water, waste, energy, built environment, mobility, urban governance and the circular economy. Cities should seek to promote all seven themes of sustainability to enhance their path towards sustainability and achieving net zero emissions. However, emerging and developing cities face greater challenges, due to inadequate public finances.



Net zero strategies can be economically effective

Following a path to sustainability can bring economic benefits for businesses and governments, while simultaneously making cities more liveable and productive for their residents. With consumers becoming more climate-conscious, businesses need to ensure that their products and services align with the values and beliefs of city dwellers.

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# Why sustainability is important for cities

## Cities are a starting point for sustainable solutions

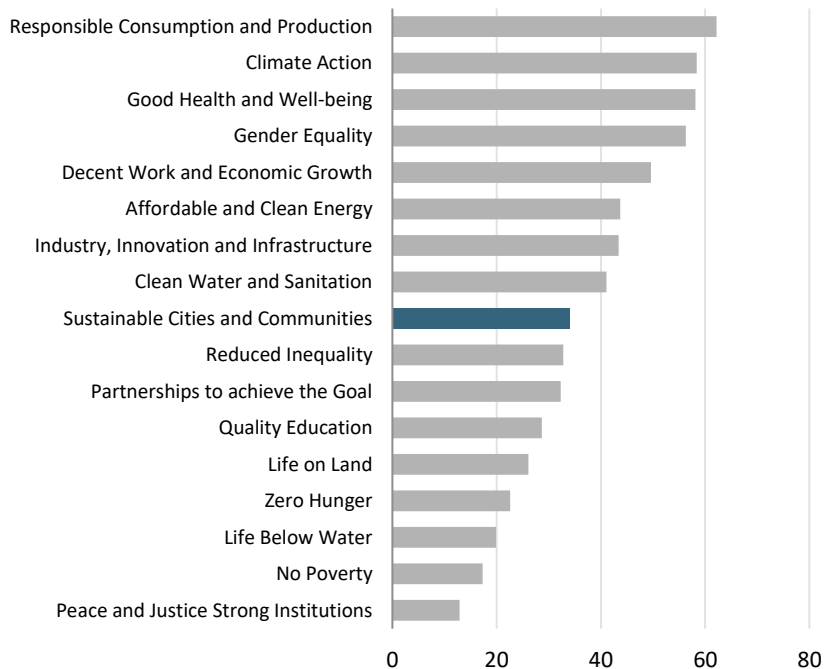
The United Nations (UN) in 2015 established 17 Sustainable Development goals, with the aim of promoting peace and prosperity for the planet. Goal number 11, **Sustainable cities and communities**, seeks to reduce the environmental impact on cities, develop urban resilience, improve access to housing, and promote green public spaces and sustainable transport. According to Euromonitor International's 2022 Voice of the Industry (VOI): Sustainability survey, one third of companies globally are engaging with this goal.

The Paris Agreement on Climate Change, adopted in 2015, seeks to halve global carbon emissions by 2030. By strategically investing in sustainable technologies, including renewable energy, water and waste management, smart transport solutions and green architecture, cities can mitigate climate change. Developing a bottom-up approach in urban governance and adopting a circular economy approach can encourage inclusive policies, cut waste, and reduce poverty and inequality.

According to the 2022 Voice of the Consumer (VOC): Sustainability survey, 71% of residents living in cities with more than 500,000 inhabitants worry about climate change. With governments taking a stronger stance on climate change, this has pushed companies to follow a similar course by making their production environmentally friendly and promoting sustainable consumption.

### SDGs With Which Companies are Engaging, 2022

Respondents selected, %



Question: Which Sustainable Development Goals (SDGs) does your company engage with? Source: Euromonitor International, Voice of Industry: Sustainability, n=341, fielded in January 2022

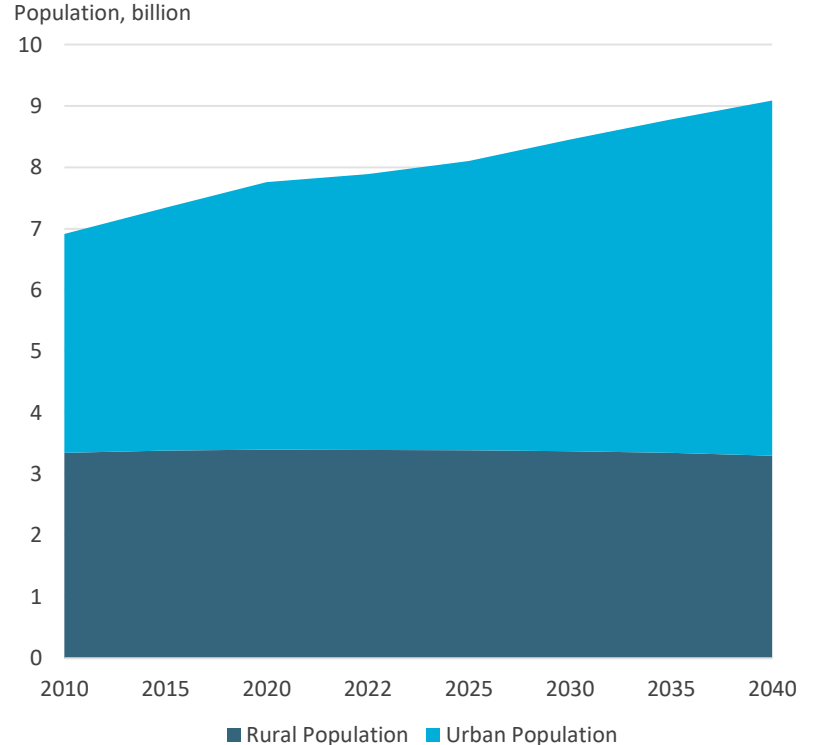
## Large-scale urbanisation leads to environmental degradation and a decrease in quality of life

Urbanisation is surging as people seek higher standards of living in cities. While in 2000, 2.8 billion people lived in cities, by 2040, this is predicted to reach 5.8 billion – equal to 64% of the global population. Being a driver for economic development, cities account for over 80% of GDP, according to the United Nations (UN); however, they are the main source of global carbon emissions and energy consumption.

Rapid urbanisation, combined with inadequate urban planning, is leading to numerous challenges for cities, which include excessive greenhouse gas emissions, traffic, air pollution and health problems for residents. Large-scale urbanisation can result in a lack of space for affordable housing, or mass transit systems being incapable of handling large volume increases in the local population. In addition, it can expose more people to natural disasters. According to estimates by the UNDRR (United Nations Office for Disaster Risk Reduction) by 2050, the urban population exposed to cyclones will rise from 310 million to 680 million, while exposure to major earthquakes will increase from 370 million to 870 million.

According to the 2022 Voice of the Consumer: Sustainability survey, 50% of urban residents think that climate change will impact their lives over the next five years more than it does now. Introducing more sustainable urbanisation can help reduce loss of life, promote better living quality and reduce environmental degradation.

Urban and Rural Population Dynamics, World 2010-2040

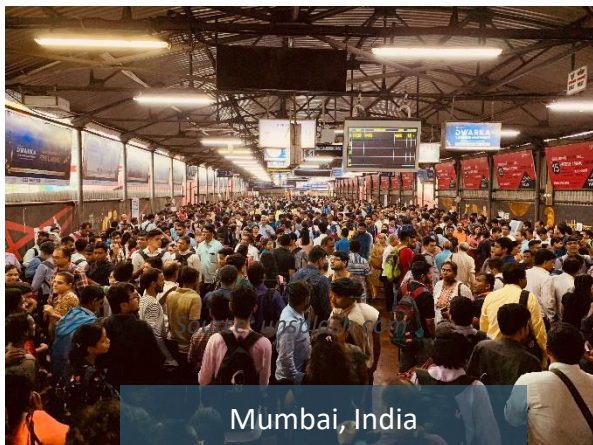


Source: Euromonitor International, from national statistics

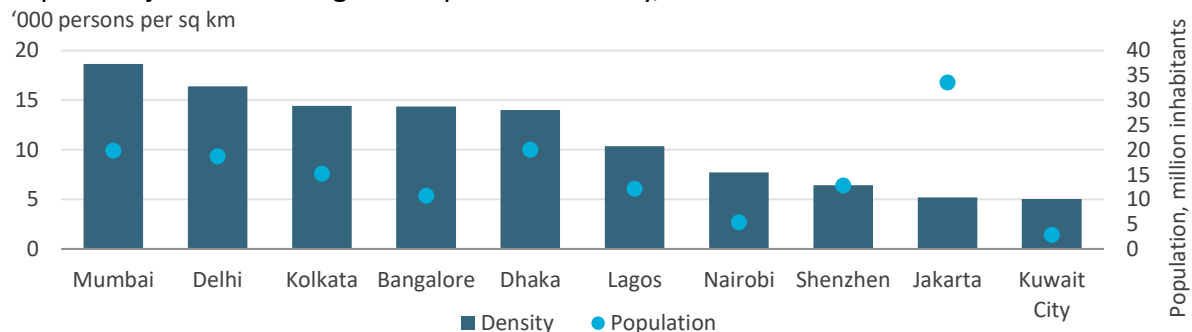
## The increasing density of urban areas leads to inefficient and gridlocked mobility

Over 2022-2040, 95% of urban expansion will come from developing and emerging markets. Indian cities are the most exposed to high population concentrations. Mumbai is the global leader in population density among major cities, and the 10th largest by population size globally. In 2022, it had 18,700 people per square kilometre, while in New York, the density was only 970 people per square kilometre, and in London, 1,900.

High and rising population density without adequate urban planning creates the conditions for traffic gridlock. According to the navigation provider TomTom's 2021 Congestion Index, which measures the extra amount of time needed to complete an average journey compared to uncongested periods, Mumbai, Bangalore and New Delhi had the highest levels of congestion among 34 Asian cities. In fast-growing cities, infrastructure modernisation is needed through investment in mass transit systems and micro-mobility for affordable travel. While success has been seen in some cities, inadequate public funding and bureaucracy remain key bottlenecks.



Top 10 Major with the Highest Population Density, 2022



Source: Euromonitor International, from national statistics

Note: From a total of 126 major cities.

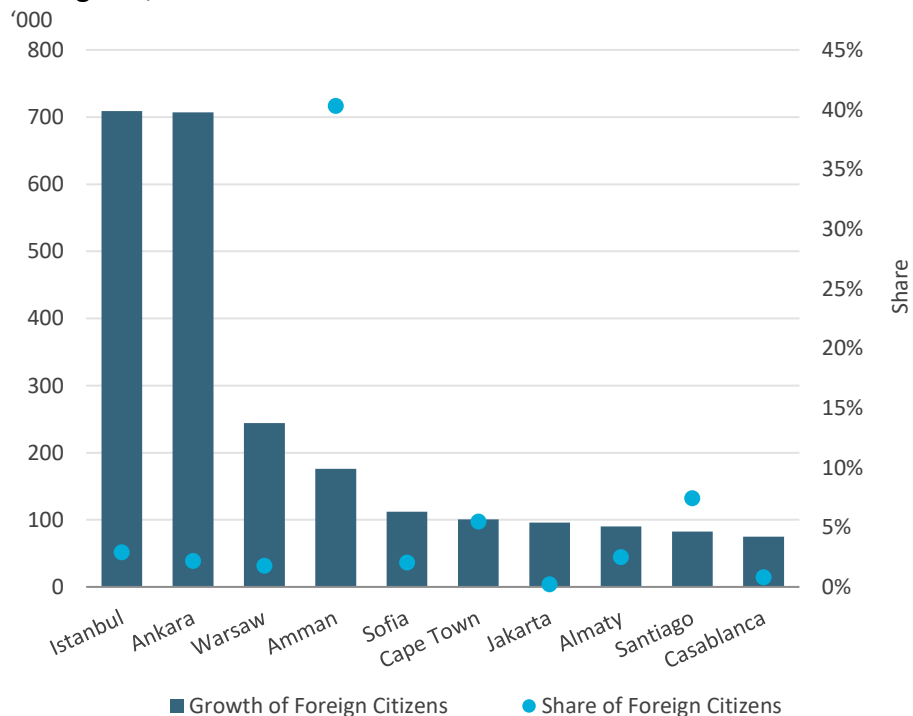
## Urban migration increases the risk of economic and social inequality

Migration, both internal and international, is the main driving force of urbanisation, especially in the big cities, namely megacities (cities with 10 or more million inhabitants). In addition, according to UN-Habitat, 60% of global refugees are hosted in cities.

Big cities are major destinations for both low-income workers and high-income expats, therefore urban areas typically have greater income inequality than rural areas. In 2022, consumer expenditure per capita in urban areas was three times higher than in rural areas, indicating not only higher incomes of urban residences but also patterns of overconsumption. This leads to particularly intense resource usage and energy consumption.

Slum creation is one of the biggest issues, with the UN estimating that there are one billion slum dwellers globally. The high density of such populations and their low income levels cause spatial segregation. In 2018, more than 24% of the world's urban population lived in slums, according to the UN. The worst situation is recorded in Sub-Saharan Africa, where slums account for more than half of urban households. One of the major problems of slum areas is that they act as a drag on economic growth and reduce life expectancy. Social and economic inequalities should be addressed by urban governance as one of the core sustainability areas.

Cities with the Highest Growth of Foreigners 2011-2021, and Share of Foreigners, 2021



Source: Euromonitor International, from national statistics

## High air pollution due to unsustainable practices reduces the economic potential of cities

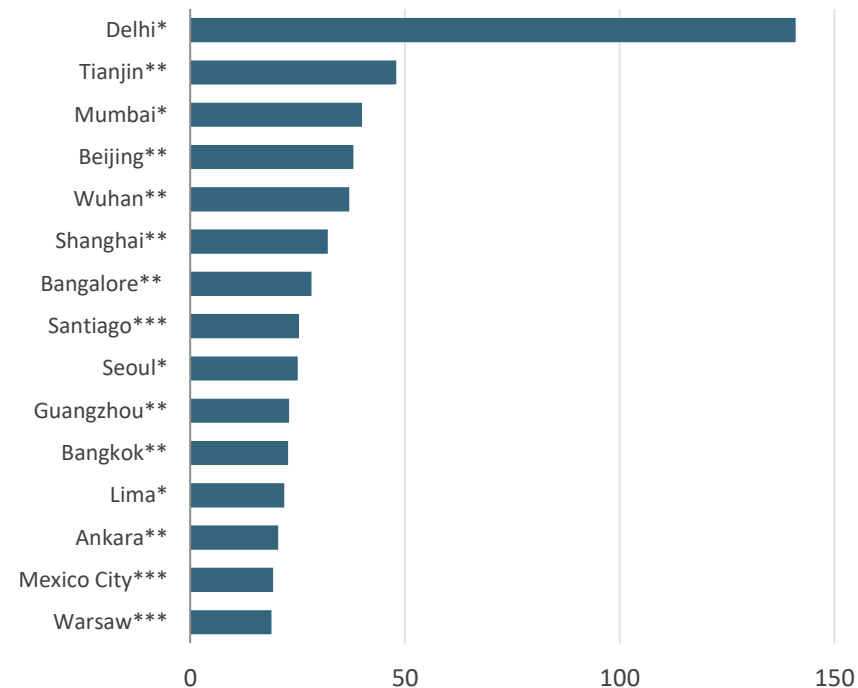
Air pollution is one of the major by-products of unsustainable economic policy. In large cities, increasing traffic congestion, outdated waste management, inefficient manufacturing technologies and overconsumption contribute to greenhouse gas emissions. According to studies by the OECD, excessive air pollution has an economic cost, with a  $1\mu\text{g}/\text{cubic metre}$  rise in fine particulate concentration causing a 0.8% decrease in GDP per capita.

PM2.5 is the most dangerous pollutant type, as small particles penetrate the lung barrier and enter the blood system, causing respiratory and cardiovascular diseases and cancer. According to the WHO, the annual average concentrations of PM2.5 should not exceed  $5\mu\text{g}/\text{cubic metre}$  to provide air quality that does not impact citizens' health. In most global cities, however, especially those in emerging and developing market economies, this indicator is several times higher, exceeding the norm by more than five times in Indian and Chinese cities.

According to the World Bank, cities account for 70% of CO<sub>2</sub> emissions globally. Implementation of green technologies through long-term investment is needed, but this is often less achievable among less affluent economies. According to the VOI: Sustainability survey, 32% of companies pointed out that the high cost of implementation and limited budgets are the main reasons for not investing in sustainability.

### Top 15 Cities by Mean Concentration of PM2.5, 2019-2021

Micrograms per cubic metre



Source: Euromonitor International, from national statistics

Notes: \* recorded in 2019, \*\* recorded in 2020, \*\*\* recorded in 2021

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# Areas of urban sustainability

## Sustainability goals need to be directed at seven main areas



Water



Waste



Energy



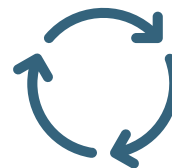
Built Environment



Mobility



Urban Governance



Circular Economy

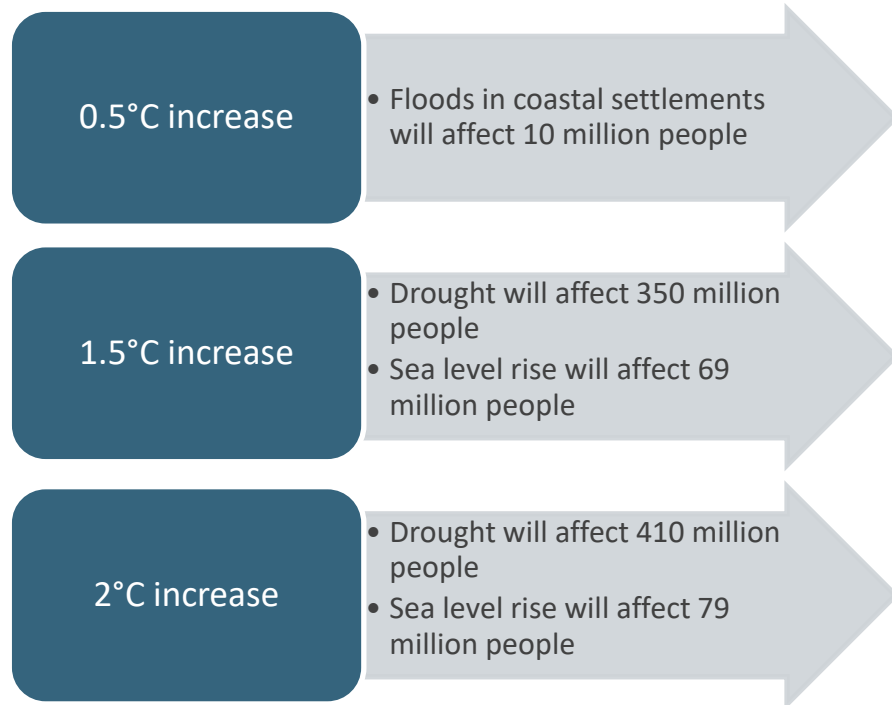
## Water: Climate change increases risks of floods, droughts and poor sanitation

Water management is one of the key challenges for cities. Urban residents in developing countries often have only limited access to safe drinking water and proper sanitation. According to the UN, in 2018, 3.6 billion people had inadequate access to water at least one month per year, and this will increase to more than five billion by 2050. With urbanisation rising, water management is becoming more pertinent and is pushing cities to focus on clean water supply.

In recent years, green infrastructure, such as vegetated rooftops, absorbent gardens and other similar measures, have been introduced to help reduce stormwater and polluted water runoff to sewers and streams. Water conservation and recycling, dedicated retention areas, and coastal protection have also become essential elements of sustainable water management. Water management has become a key issue in some cities, not least Cape Town, where in 2017-2018, water levels hovered at 14-29% of dam capacity, leading to curbs on water use for consumers and industry.

With the threat of rising sea levels, coastal cities face a growing risk of having their water supply affected. This includes Bangkok and Jakarta, which are facing geological challenges caused by groundwater depletion. According to the World Bank, by 2050, one third of Bangkok could be underwater.

### Potential Consequences of a Temperature Rise



Source: UN-Habitat

## Water case study: Lisbon ensures water supply with a recycled water programme



Image source: [unsplash.com](https://unsplash.com)

### Characteristic

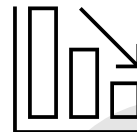
Lisbon's Strategic Plan for Water Reuse (2019-2025) aims at optimising the use of recycled wastewater for non-drinking purposes by creating a citywide recycled water network.

### Context

Water scarcity has become increasingly severe in Portugal, which experiences long droughts, while 75% of water consumption is used for non-drinking purposes. Previously, there was no legislation for reused water quality, distribution and pricing.

### Consequence

Lisbon's project is driving policy within the EU, with other cities following its lead. The plan is part of a wider Water Efficiency Strategy, focusing on resilient green infrastructure with minimum water needs.



**10%**

Project's cost savings through recycled water



**48%**

of Europeans are trying to use less water



**56%**

of companies are planning to invest in water management over five years

Sources: *Euromonitor International Voice of the Consumer/Industry: Sustainability Survey 2022*, [c40knowledgehub.org](https://c40knowledgehub.org)

## Waste: Zero-waste strategies help to reduce air and underwater pollution

Waste is a key source of methane – the most powerful greenhouse gas, based on its ability to trap heat radiation. According to the UN, it has been responsible for an estimated 30% of human-caused global heating since pre-industrial times. According to the World Bank, in 2020, the world generated 2.2 billion tonnes of solid waste, which is set to grow by 73% by 2050.

Cities have been actively pursuing waste reduction strategies through enhanced waste disposal schemes, improved access to recycling points and incentive schemes to minimise waste. This is because waste imposes serious health and environmental costs, with urban residents of developing countries being most impacted by unmanaged waste.

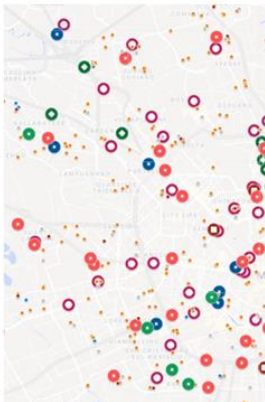
With consumers' climate consciousness increasing, the shift to less waste-intensive consumption is ramping up. According to the 2022 VOC: Sustainability survey, 58% of urban residents plan to reduce plastic use, while 45% prefer sustainable packaging when shopping. This creates growing demand for sustainable products, which companies are responding to as part of the shift to zero waste. For example, according to the 2022 VOI: Sustainability survey, 76% of companies have plans to invest in waste management and recycling in the next five years.



## Waste case study: Milan's Urban Food Policy Pact aims to decrease food waste



- Donors of food (markets, GDO)
- In charge of food distribution (NGO, CSO)
- Local Food Waste Hub Donors
- Soup Kitchens
- Beneficiaries of Waste Tax Reduction
- Public Markets equipped for food recovery
- School Canteens
- Cooking sites for school canteens



### Characteristic

Milan's Urban Food Policy Pact is an international agreement among cities across the world to develop sustainable food systems. The policy was first launched by Milan's municipality in 2015 to minimise waste and conserve biodiversity.

Milan has managed to improve resource use by boosting the collection of domestic biowaste, reaching a 62% rate of waste collection in 2021. 106 out of 418 schools in Milan have started donating food surplus to food banks.

### Context

Food is a significant contributor to global waste, with 17% of total global food production wasted, according to the UN. Cities have started to implement policies to tackle the issues caused by urban food waste.

### Consequence

Milan aims to cut food waste by half by 2030, and is sharing its food system findings and innovations widely.



**61%**  
of food waste  
comes from  
households



**8-10%**  
of global  
greenhouse gas  
emissions are  
associated with  
food waste



**61%**

of Europeans aim  
to reduce food  
waste

Sources: Euromonitor International Voice of the Consumer Sustainability survey 2022, milanurbanfoodpolicypact.org

Image source: milanurbanfoodpolicypact.org

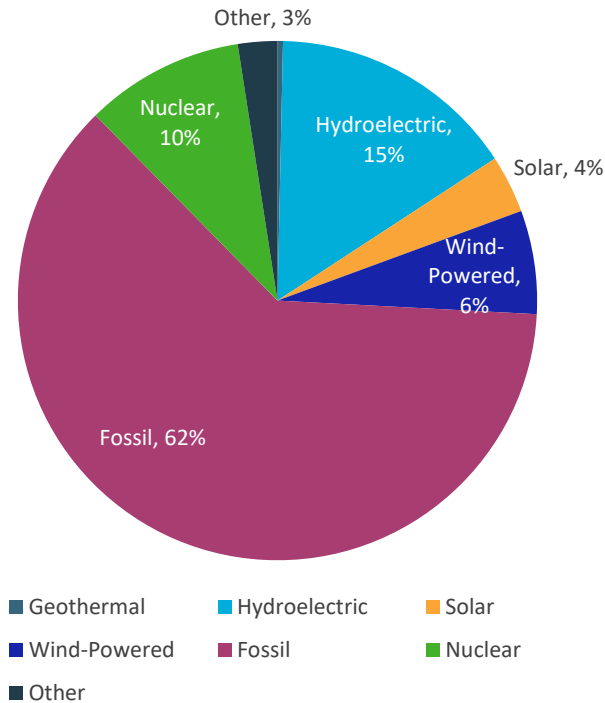
## Energy: Sustainable energy requires renewable sources, smart distribution and consumption

Generating electricity and heat by burning coal, oil and gas makes a considerable contribution to greenhouse gases, such as carbon dioxide and nitrous oxide. According to the UN, in 2021, cities consumed 78% of the world's energy, meanwhile, the energy sector accounted for 75% of greenhouse gas emissions.

To minimise consumption and pollution, cities are shifting towards renewable energy sources, such as solar, geothermal, wind, water and biomass. According to the UN, in 2020, 29% of electricity globally came from renewable sources. Cities are pioneers in adopting renewable technologies, with over 100 global cities getting at least 70% of their electricity from renewable energy sources, according to estimates from the CDP (formerly the Carbon Disclosure Project). For example, Barcelona is aiming to become energy self-sufficient, with 100% renewable sourcing by 2050.

The reduction of energy consumption has gained importance with the energy price increase in 2022, caused by Russia's invasion of Ukraine. According to the VOI: Sustainability survey, 43% of urban residents globally reduced their energy consumption in 2022. Consumption management includes adopting energy-saving techniques such as efficient heating, cooling, lighting, public transport, electric vehicles, water distribution systems and roof solar panels. In addition, smart distribution includes a combination of renewable energy sources to overcome shortages (lack of solar energy at night, or wind during calm periods). The use of distribution smart electric grids also helps balance power generation and user needs.

World Electricity Output by Energy Type, 2022



Sources: Euromonitor International, *Economies and Consumers 2022*, International Energy Association

## Energy case study: Cape Town shifts towards decentralised and renewable energy



Image source: [unsplash.com](https://unsplash.com)

### Characteristic

Cape Town's Small-Scale Energy Generation (SSEG) programme promotes rooftop solar systems and small wind turbines in the commercial and residential sectors, allowing consumers to sell electricity generated back to the grid. The city has partnered with local NGOs and industry associations to develop and subsidise training in solar installation. 68% of SSEG installations have been in the residential sector.

### Context

South Africa's energy supply is dominated by coal, which supplies the country's electricity. In the absence of national legislation regarding SSEG, the city developed suitable tariffs and automated billing systems that allow the purchase and sale of electricity.

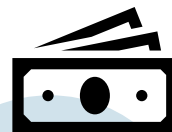
### Consequence

The city's legislation has been adopted by other local municipalities in South Africa and is now being incorporated into national legislation. With 40 municipal partners in the programme, the project is the first step to shift from coal-based electricity generation in South Africa.



13,000

SSEG systems in  
Cape Town  
municipality



77%

of companies in  
MEA are planning  
to invest in energy  
management in five  
years



21%

of South Africans  
try to have a  
positive impact on  
environment  
through everyday  
actions

Sources: Euromonitor International Voice of the Consumer/Industry: Sustainability Survey 2022, [sagen.org.za](https://sagen.org.za)

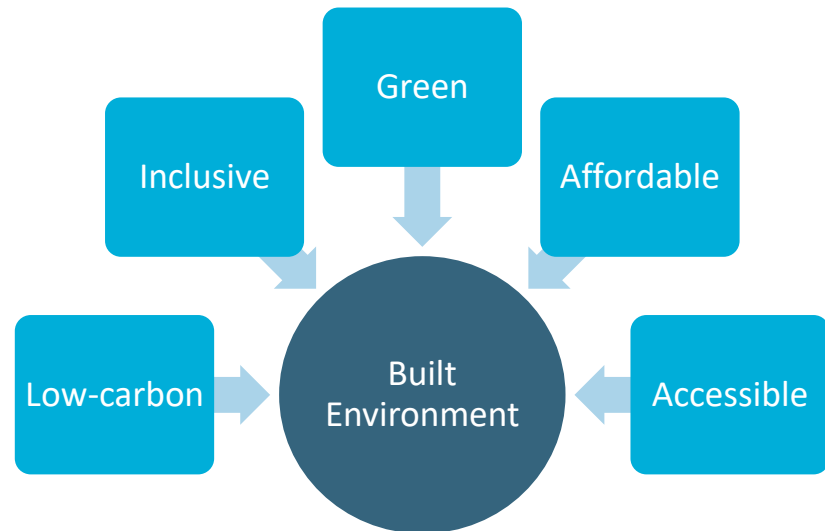
## Built environment: Green architecture and public spaces contribute to quality of life

An affordable, accessible, green, inclusive and low-carbon built environment is at the core of sustainable urban development; however, rapid and uncontrolled urbanisation, rising housing prices, gentrification and migration make access to affordable and decent housing problematic. The built environment is a crucial sector of the economy, accounting for roughly 10% of global GDP.

Innovative ways to reduce resource use and cut greenhouse gas emissions in buildings include the use of natural materials, boosting renewable energy use, smart heating and cooling systems, and enhanced ventilation and insulation. For example, the Sustainable City in Dubai, spanning 46 hectares of land, has nearly every building covered with solar panels, buildings are built from lightweight and well-insulated materials and green spaces are provided to reduce surface temperature.

Urban design focusing on a sustainable built environment can also assist in promoting community-based gardens and farms to solve food challenges. Urban farming has become a new trend, with private investors and city municipalities investing in local agriculture. This has seen Atlanta become the first major city to hire an Urban Agriculture Director, in 2015, to boost the movement. With food security a key topic, an effective and adaptable built environment can help cities mitigate and solve existing global supply chain challenges.

### Key Traits of a Sustainable Built Environment



## Built environment case study: Bahnstadt district helps to cut gas emissions



Image source: [unsplash.com](https://unsplash.com)

### Characteristic

In 2022, Heidelberg in Germany created a zero-carbon Bahnstadt district. The houses in the district have low annual CO<sub>2</sub> energy use emissions. The street lighting uses LED technology and adjusts the lighting to demand, while 66% of roofs have trees and grass. Smart monitoring of energy consumption promotes energy savings.

### Context

Bahnstadt is Heidelberg's first passive house district and one of the largest such neighbourhoods in the world. Developers usually do not apply standards that are higher than those required by law and passive house standards are not required in Germany.

### Consequence

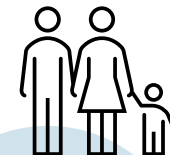
The project is a trial for Heidelberg's 100% Climate Protection Masterplan, which aims to cut greenhouse gas emissions by 95% by 2050.

The project has already created over 6,000 jobs, while energy use reduction has led to overall cost savings and allowed the making of 20% of Bahnstadt's buildings social housing.



**0.13**

tonnes is the houses' annual CO<sub>2</sub> energy emissions vs 2 tonnes in other districts



**6,800**

residents in the district



**38.5%**

of Germans see energy efficiency as a feature of an ideal house

Sources: Euromonitor International Voice of the Consumer. Sustainability Survey 2022, [sagen.org.za](https://sagen.org.za)

## Built environment case study: Singapore builds its first sustainable “forest town”, Tengah



Image source: Housing and Development Board

### Characteristic

A former industrial, but still forested area of Singapore is being regenerated to create the state’s first smart and sustainable 700ha town – Tengah. Key features will revolve around nature and community, including a car-free town centre with vehicles running underground, smart buildings, green zones, and priority for walking and cycling.

### Context

Cities globally are preserving and creating urban green spaces to meet demand for modern homes incorporating nature in their surroundings.

### Consequence

New real estate projects that incorporate public green spaces together with modern living standards are expanding globally on various scales. The project is in line with the Singapore Green Plan 2030, which targets the developing of over 1,000ha of green spaces by 2035, and ensuring that every household has a park within a 10-minute walk.



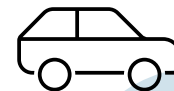
**36%**

of Singapore residents look for location with limited air pollution for an ideal house



**42,000**

eco-homes will be built in the area



**39%**

consumers in Singapore try to reduce their carbon footprint by driving less

Sources: Euromonitor International Voice of the Consumer Lifestyles Survey 2022, Euromonitor International from national statistics/UN, Voice of the Industry Survey 2022

## Mobility: Sustainable mobility solutions are being promoted for consumers and businesses

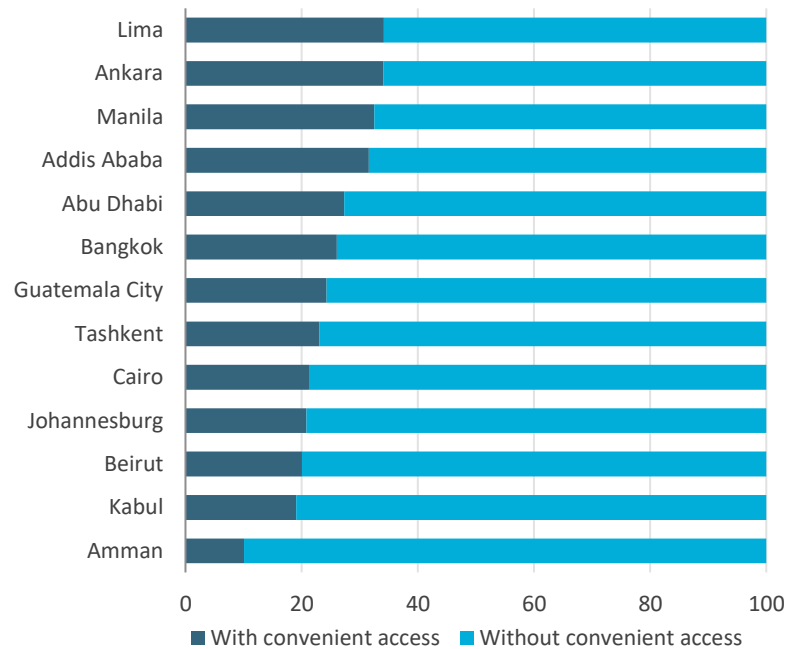
Mobility is the lifeblood of a city because it supports the transporting of people and goods across communities. The shift to sustainable mobility has become an essential goal for municipalities, with the International Energy Agency estimating that transport accounted for 37% of CO2 emissions from end-use sectors in 2021.

Sustainable consumer mobility in cities follows several traits: improving public transport access, enhancing shared mobility services, promoting zero and low emissions vehicles, investing in micro-mobility-friendly infrastructure and encouraging better walkability. The end goal of sustainable urban mobility involves the near-total removal of passenger cars for private journeys, and Mobility-as-a-Service (MaaS) is being viewed as the solution; for example, Whim, a provider of MaaS, aims to remove one million private cars from the roads by 2030 through its subscription service.

Commercial mobility is also increasingly using more sustainable means of transportation. This follows pressure from regulatory bodies to move towards lower carbon-intensive transportation, for instance, the EU's Green Deal aims for nearly all vans and heavy duty vehicles to be zero emissions by 2050. Businesses are shifting their focus to align with the sustainability goals of the future. According to the 2022 VOI: Sustainability Survey, 25% of businesses in Europe are either planning to invest, or are already investing in electric vehicles.

### Select Emerging and Developing Cities With Access to Public Transport, 2021

% of population



Source: [data.unhabitat.org](https://data.unhabitat.org)

Note: chart shows the Proportion of the population that has convenient

## Mobility case study: Making commercial transport sustainable in Berlin



Image source: [unsplash.com](https://unsplash.com)

### Characteristic

Deutsche Post DHL is testing the transportation of parcels on the Spree river in Berlin using a solar-powered ship. It is equipped with solar panels on its roof and a battery to store power for sunless days.

### Context

The solar system is capable of generating enough electricity to power the ship and meet the onboard electricity needs. The solar ship supports Deutsche Post DHL's green sustainability strategy. In Germany alone, Deutsche Post is investing EUR600 million in electric mobility and innovative delivery solutions per year.

### Consequence

The solar-powered ship is a part of a pilot project which is the first of its kind in Germany. If the model proves to be successful, the project will be implemented in other parts of the country.



600

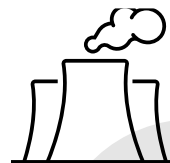
EUR million

DHL's investment in green mobility in Germany



37%

of German urbanites try to drive less or take public transport



2.4

times PM2.5 is higher in Berlin than WHO recommends

Sources: Euromonitor International Voice of the Consumer. Sustainability Survey 2022, European Environmental Agency, [deutschepost.de](https://www.deutschepost.de)

## Urban governance: Keeping the balance between interests of different social groups

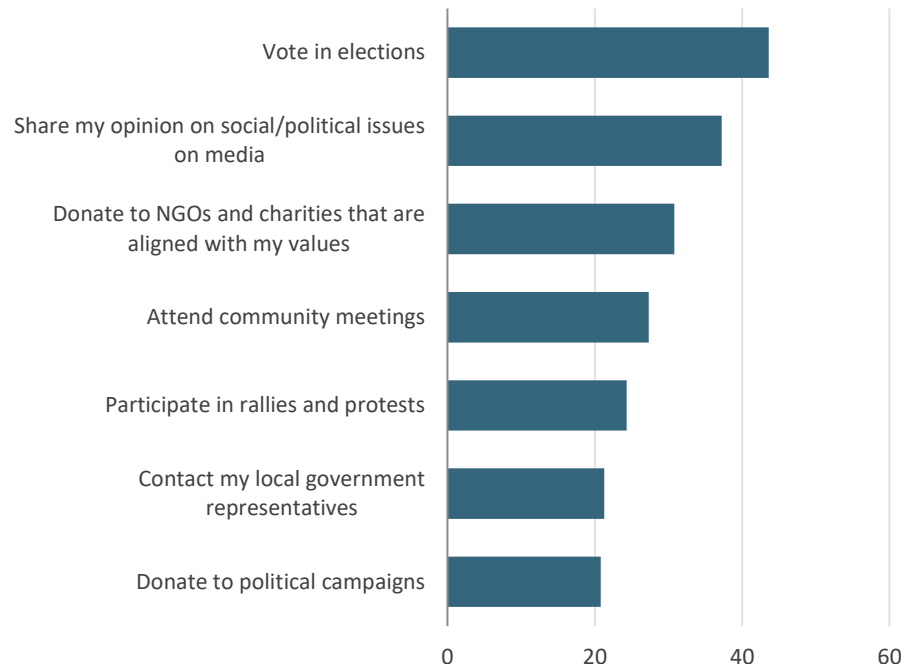
Sustainable urban governance aims to reduce social and economic inequalities by taking into account the needs of all inhabitants. The increasing density of populations in cities, with a high concentration of groups with different cultural, social and economic backgrounds, can contribute to a collaborative effect for positive economic development but simultaneously brings the risks of social tension.

According to the OECD, on average, only four out of 10 people trust their national government. To increase trust and represent the interests of different social groups, governments should give them a chance to participate in the decision-making process. Demand for participation in political decision-making is growing. According to the 2022 VOC: Sustainability survey, 42% of urban residents are actively involved in political and social issues, and this proportion has increased by six percentage points since 2020.

Increasing inflation globally has led to declining real disposable incomes and a reduction in the purchasing power of urban citizens, which is raising the risk of poverty and hunger. To mitigate such risks, cities should increase their efforts to provide access to public goods and services for all groups of residents, including public health, education, transport, food banks, social services and tech hubs.

### Sociopolitical Actions of Urban Residents, World 2022

Respondents selected, %



Question: Which of following activities, if any, do you typically do to be active in political and social issues? Source: Euromonitor International, Voice of Consumer: Sustainability, n=10,591, fielded in January 2022

## Urban governance case study: Helsinki engages citizens in municipal decision-making



Image source: [unsplash.com](https://unsplash.com)

### Characteristic

The city of Helsinki has created a platform – Participation and Interaction Model – where its residents generate ideas, vote in the participatory budgeting initiative, send the city feedback, take part in volunteer opportunities and many others.

In return, participants get GoGift gift cards accepted by many shops and services.

### Context

Resident engagement is important to make urban planning decisions and services relevant for different groups of residents.

Helsinki is one of the global leaders in open data, transparent decision-making and participation in municipal activities.

### Consequence

The platform increases residents' engagement in influencing municipal activities. It will help promote more diverse future social initiatives that incorporate people of different backgrounds.



100

of sustainability activists are involved in political issues



700

active participants in the community

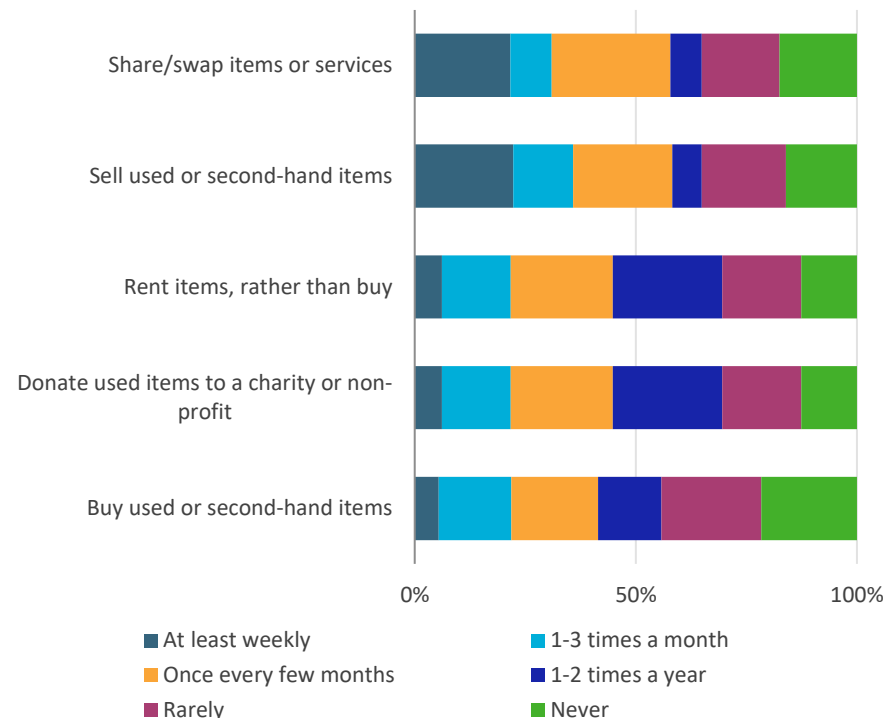
## Circular economy: Circularity as a key part of sustainable urban development

Overconsumption remains a major challenge to achieving global sustainability goals. This is primarily a test for urban consumers, who are anticipated to account for 80% of global consumption in 2022. It has come at a high cost to the environment, which is bearing the burden of excessive waste, pollution and environmental degradation. Conscious consumption is needed to balance buying decisions with social and environmental principles.

A key element of the conscious consumption narrative revolves around the “Three Rs” – reduce, reuse and recycle – which underpin the circular economy model. This involves less waste production, boosting the reusability of products and promoting recycling. As initiatives around the “Three Rs” have grown, such as sharing services, recycling, refurbishing, second-hand retailing and P2P platforms, the negative stigma around second-hand goods is being reduced. According to the VOC: Sustainability survey, 21% of urbanites bought second-hand products at least monthly in 2022.

Looking ahead, urban consumers will need to be more watchful of their consumption habits, especially those in emerging and developing markets, which are projected to account for 60% of global consumption growth over 2022-2040. Incentives, education and awareness will need to be promoted to avert overconsumption.

### Second-Hand Buying and Selling by Urban Consumers, 2022



Source: Euromonitor International, Voice of Consumer: Sustainability, n=39,832, fielded in January 2022

# Circular economy case study: Amsterdam's City Doughnut concept aims at circularity

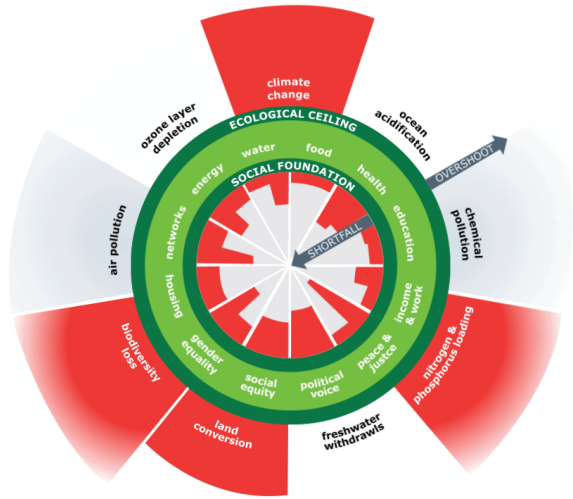


Image source: [c40knowledgehub.org](https://c40knowledgehub.org)

## Characteristic

The City Doughnut concept, supported by the Amsterdam Circular Strategy 2020-2025, aims to turn Amsterdam into a circular city, sustainably using scarce resources with conscious production and consumption. The programme includes 200 small projects, and 40 businesses, NGOs and research institutes.

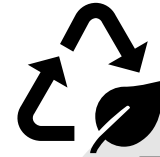
## Context

According to official city resources, a third of the city's food is wasted. 40% of all waste produced in the city is related to the built environment.

## Consequence

The City Doughnut, as a strategic and policymaking tool, enables the examination of the city's resources. It creates space for other circular projects and initiatives, accelerating and scaling up the process.

Amsterdam aims to become 100% circular and climate neutral by 2050.



52%

of Dutch residents recycle items



84%

of Dutch urban residents buy second-hand items



55%

of European companies plan to invest in circularity

Sources: *Euromonitor International Voice of the Consumer Sustainability survey 2022, Lifestyle Survey 2022*

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# Commercialising sustainability

## The cost of inaction is far greater than the cost of action

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According to the UN, between 2000-2019, over 7,000 disasters took 1.23 million lives, affected 4.2 million people, and caused nearly USD3 trillion in global economic losses. To avoid even larger scale catastrophes in the future, actions are required on a global level.

According to the New Climate Economy Report, bold climate action could bring an economic gain of USD26 trillion over the period to 2030 compared with business-as-usual.

The Global Commission on Adaptation claims that investing USD1.8 trillion by 2030 could generate USD7.1 trillion in total net benefits in five areas: early warning systems, climate-resilient infrastructure, dryland agriculture crop production, global mangrove protection and resilient water resources.

According to the UN, replacing the costliest 500 gigawatts of coal capacity with solar and wind would cut annual costs by up to USD23 billion per year and yield a stimulus worth USD940 billion, or around 1% of global GDP.

## The main beneficiaries of sustainability



Governance/Cities



Companies/Business



Consumers/Urban  
Residents

## Governments gain better population health, increasing retailing taxes and investments



Source: [unsplash.com](https://unsplash.com)

By improving urban infrastructure and implementing sustainable urban planning practices, governments can reduce the potential cost of public healthcare, including sick leave pay.

Green cities are more attractive to highly qualified workers, which became more flexible after COVID-19, and hybrid work styles. According to the World Economic Forum, there is a strong correlation between the state of the environment and foreign direct investment (FDI). For example, a significant improvement in air quality in Shanghai may lead to a USD1 billion increase in FDI inflows yearly, while an improvement in water management in Beijing may turn into an extra USD750 million in FDI per year.



Source: [unsplash.com](https://unsplash.com)

New business opportunities create jobs and promote small business development. The Danish government claims that cycling boosts retail spending, as consumers more often buy food and beverage products on the way in comparison to a car journey.

32% of all high street and supermarket spending comes from people who have get to the shops by bicycle. On average, every time a person rides 1km on their bicycle in Copenhagen, the city experiences an economic gain of USD0.75. If that ride replaces an equivalent car journey, the gain rises to USD1.55. With 1.4 million km cycled every day, that is a potential benefit to the city of USD1-2 million daily.

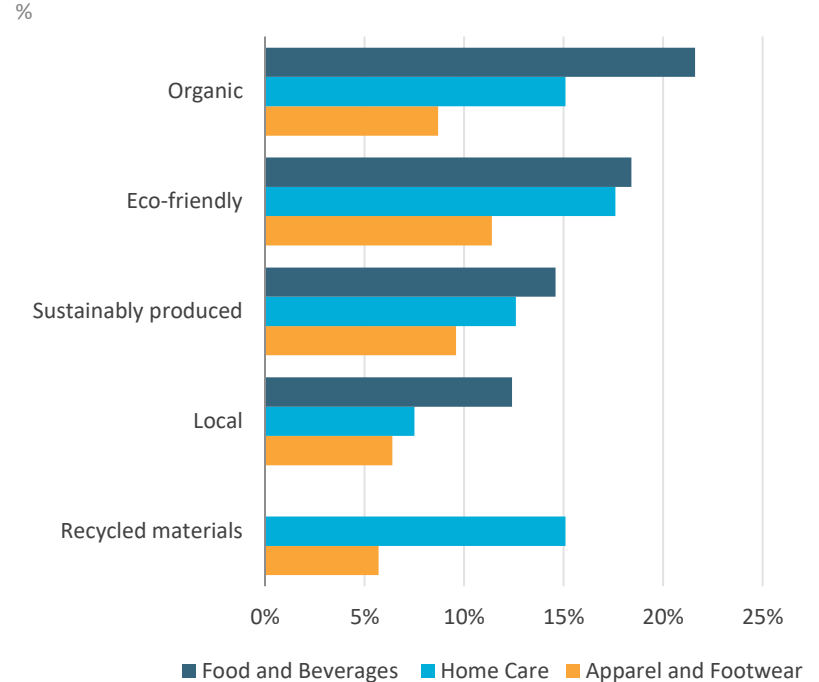
## Brands can benefit by aligning products with climate-conscious consumption

As the importance of climate change is growing on the global agenda, more companies are offering sustainably manufactured products. This includes recycled packaging, local sourcing and manufacturing, organic production, usage of alternative energy, etc. Businesses benefit from positioning their products to the growing clientele of climate-conscious consumers.

According to the 2022 VOI: Sustainability survey, 71% of respondents expect that climate change will affect their business via changes in consumer demand, as changing behaviours, needs and preferences will impact purchasing decision-making. Meanwhile, 25% of urban residents globally already buy products and services from purpose-driven brands and companies to positively impact the environment or lead a more sustainable life.

By implementing sustainable strategies and promotion in the media, brands can increase customer loyalty and expand their customer base. Using sustainable technologies and claims, brands can increase their margins, as consumers are willing to pay more for sustainable products that align with their values. For example, sustainably-positioned organic cheese is almost twice as expensive as traditional cheese. In cities, higher income levels make it easier for consumers to follow their principles. This creates substantial opportunities for businesses in the sphere of sustainable development.

### Willingness of Urbanites to Pay More for Products with Sustainable Claims, 2022



Source: Euromonitor International Voice of the Consumer: Sustainability Survey 2022, n=39,832, fielded in January 2022

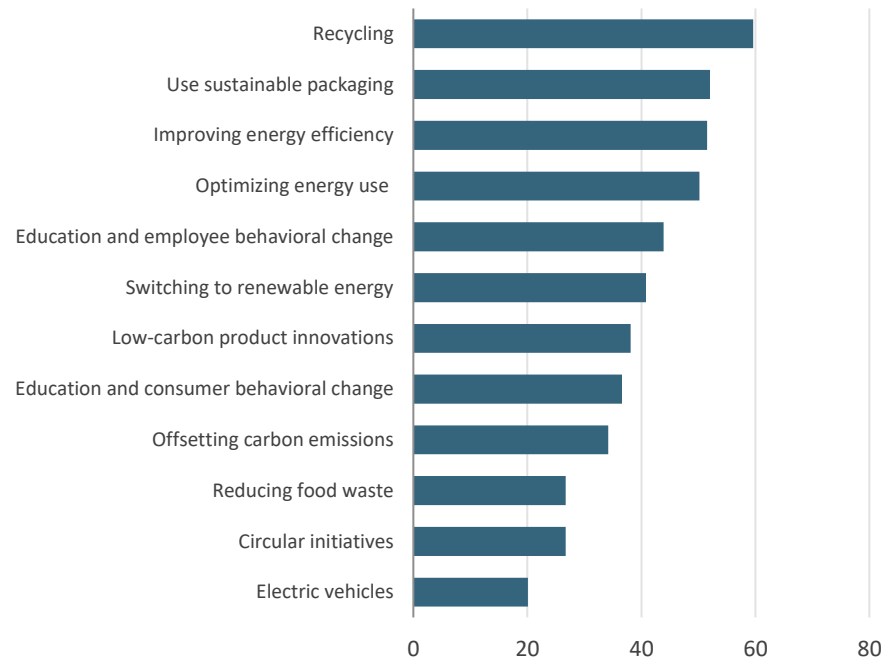
## Businesses invest in green technologies to improve brand reputation

Sustainable technologies usually need long-term investment, and most companies still prefer to make short-term decisions to expand investment in carbon-intensive assets. Nevertheless, following consumer demand and government regulations, companies are increasingly investing in green technologies. According to the 2022 VOI: Sustainability survey, for 82% of respondents, climate action is very or extremely important for their business, with most channelling investment into better recycling and energy usage.

The key reasons for investing in sustainable initiatives include customer perception and brand reputation, as well as keeping in line with brand image and ethos. Governments also play an important role in motivating companies to invest in green tech, with 41% of the 2022 VOI: Sustainability survey respondents agreeing that their business invests in sustainability to comply with legislation.

According to one third of survey respondents, a key challenge preventing companies from investing in green initiatives is the high cost of implementation and limited budgets. The lack of internal knowledge about available solutions is another obstacle for many companies. Further government initiatives, such as changes to tax regimes, and campaigns to increase awareness, may help businesses to prioritise sustainability.

World: Climate-Related Actions in Which Companies Invest, 2022  
% of respondents



Question: Which Climate-related Actions is Your Company Currently Investing in or Planning to Invest in Over Next Five Years? Source: Euromonitor International Voice of the Industry: Sustainability Survey 2022, n=617, fielded in January 2022

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# Key takeaways

## Challenges on the way to sustainable urban development

### Limited resources

The main problem for both governments and businesses is a lack of resources, as green technologies require long-term investment and adaptations in business models. In the current times of high inflation, and political and economical instability, short-term survival strategies will make net zero goals less achievable.

### Decreasing purchasing power

High inflation reduces real disposable incomes. This makes consumers switch to necessities and cheaper alternatives rather than buying more expensive sustainable products. For example, high electricity costs could hamper the sale of electric vehicles in Europe. With a more challenging business environment, companies could revert to products and services which may not align with the demands of climate-conscious consumers.

### Lack of awareness

According to Euromonitor International's Voice of the Industry: Sustainability survey, many companies do not implement sustainable initiatives, due to a lack of awareness as to what exactly they should do and how they will benefit from it. Meanwhile, "greenwashing" – meaning the misuse of the green labels and positioning – is negatively impacting the trust that green labels had just started to gain in the mass market.

### Low effectiveness

Green technologies are still far from perfect, as they consume energy and water, and still produce greenhouse gas emissions. For example, electric vehicles may not produce tailpipe emissions, but if the energy is sourced from non-renewables, their positive impact is much reduced.

Urban development challenges can be overcome only with close cooperation and collaboration between the main beneficiaries – governments, business and residents – with the overall coordination and motivation of international organisations.

## Sustainable urban development against climate change and inequalities



While developed cities have matured, urbanisation is surging in emerging and developing markets. With rising incomes and a growing appetite for consumer goods, reducing greenhouse gas emissions in emerging and developing market consumers will be a challenge.

International bodies will be required to take a more active role in consulting with emerging and developing market municipalities on the most efficient and sustainable methods of urbanisation.



Sustainable urban development aims to decrease the negative environmental impact of greenhouse gas emission and mitigate social and economical inequities.

It requires green technologies in areas such as water, waste, energy, mobility, urban space and housing, as well as the development of inclusive governance and a circular economy. Municipalities need to prioritise sustainability to ensure all sectors of the economy are working towards reducing negative externalities.



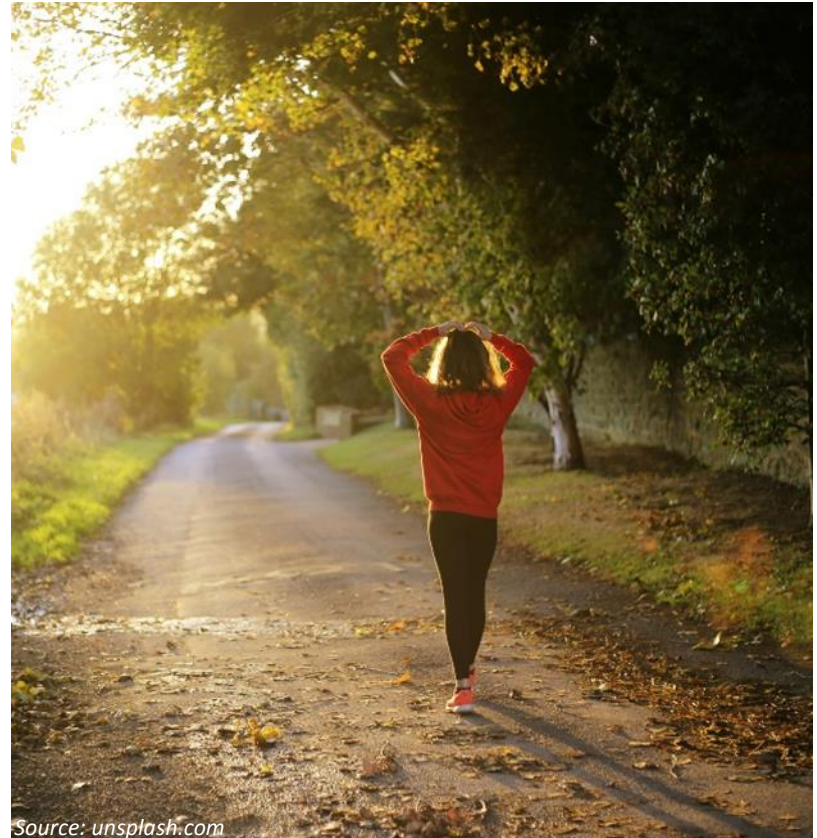
Despite the high level of investment needed for green and sustainable technologies, in the long term, such initiatives can be beneficial for governments, businesses and residents because it can reduce the environmental damage for future generations.

From a governance perspective, improved democratic processes could help residents better voice their concerns. This can create cities which are more responsive to the demands of local communities.

## Urban residents improve their life quality due to the sustainable development of their cities

With urbanisation rising, municipalities are increasingly focused on promoting better liveability in cities by improving the physical and mental wellbeing of residents. For example, according to the Centre for Urban Design and Mental Health, cities are associated with higher rates of most mental health problems compared to rural areas: an almost 40% higher risk of depression and over 20% more anxiety. Investment in green and recreational space, ensuring better air quality and the promotion of healthier diets can all contribute to improved overall health. This can benefit economic productivity, with residents being less likely to suffer from preventable diseases.

With municipalities placing a greater emphasis on sustainability and liveability, this will prompt residents to be more sustainability-minded in their purchasing decisions. According to the 2022 VOC: Sustainability survey, one third of urban residents bought sustainably produced items to positively impact the environment or lead a more sustainable life. As environmental concerns are increasing, this trend is expected to be reinforced over the forecast period. However, challenges related to ensuring equal access to sustainable and ecological products and services remain. This could create inequalities in the race to net zero emissions, with developing and emerging market cities falling behind due to inadequate economic capabilities and differing priorities.



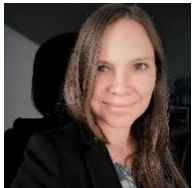
Source: [unsplash.com](https://unsplash.com)

# City of the future: Underpinned by sustainability



## For Further Insight please contact

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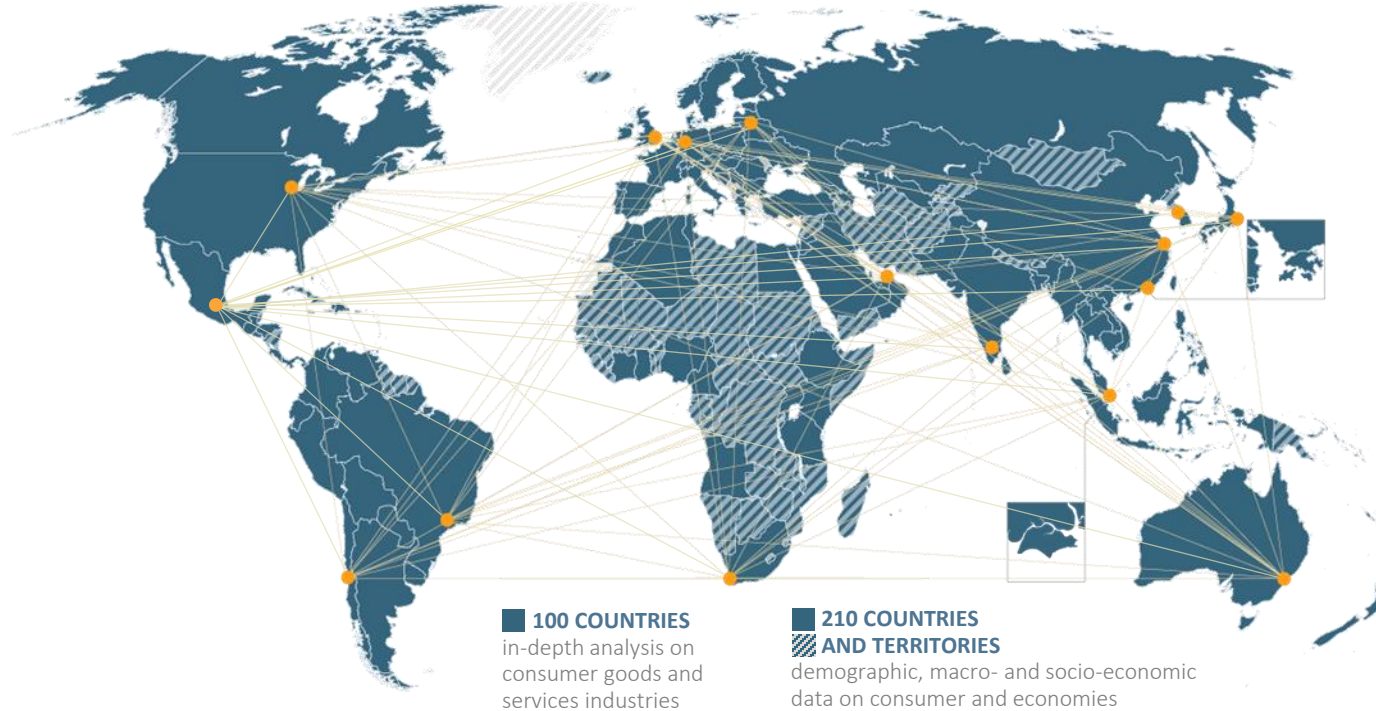
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