Towards more sustainable solutions

State of sustainability in the building materials sector

BMF member research: September 2024

YEAR 2 RESEARCH RESULTS

BMF

Excellence in building materials supply

Sustainability in building materials is evolving quickly

The BMF's second state of sustainability survey highlights how quickly sustainability in the building materials sector has evolved between 2023 and 2024.

Top drivers for sustainability remained ethics and compliance, and half of suppliers still see sustainability as a major source of value creation.

Sustainability slipped as a top-3 priority for all business types apart from suppliers, but it became a more important topic among merchants.

The approach of merchants, especially smaller ones, to sustainability shifted from no goals to regulatory compliance.

For the few merchants without sustainability goals, the biggest barrier to adopting more sustainable building materials was low customer awareness of the need for sustainability. Customers unwilling to pay more for sustainability slipped to second place.

Suppliers were more optimistic about the premiums their customers would be willing to pay for sustainability while distributors were less optimistic.

Renewable energy, underfloor heating, insulation, doors and windows remained the 4 categories where customers are believed to be willing to pay the largest premiums.

5% of BMF members, a tiny fraction of the building materials industry, provided information on the percentage of their product portfolios with EPDs. On average:

- 53% of suppliers' product portfolios had EPDs and
- 20% of the merchants' product portfolios had EPDs.

A continuum of maturity in sustainability appears to be emerging that can help the BMF provide targeted advice and support to members on their sustainability journeys.

At one end, smaller merchants starting their sustainability journeys need help keeping abreast of changes to legislation and would value tools and tips that simplify compliance.

At the advanced end, larger suppliers that have for years used sustainability as a major value creator for the contract market would value help communicating the benefits of sustainability to merchants and their customers.

Introduction

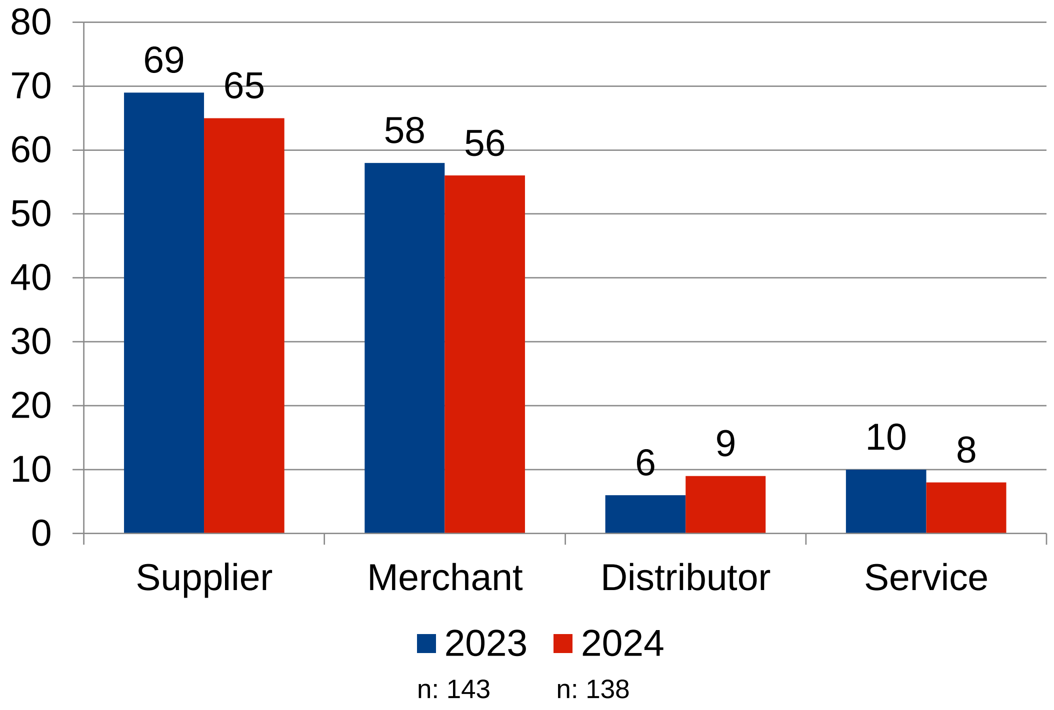
- The BMF's second state of sustainability survey was conducted among BMF members in July and August 2024.
- It highlights how sustainability in the building materials sector has evolved since the first landmark report at the same time in 2023.
- This annual research was conducted by the industry research and strategy specialist, CMDi, on behalf of the BMF.
- It measures progress towards the goal of accelerating the transition of the industry to more sustainable building materials as set in 2022, by the BMF's working group on sustainability.

Methodology and sample

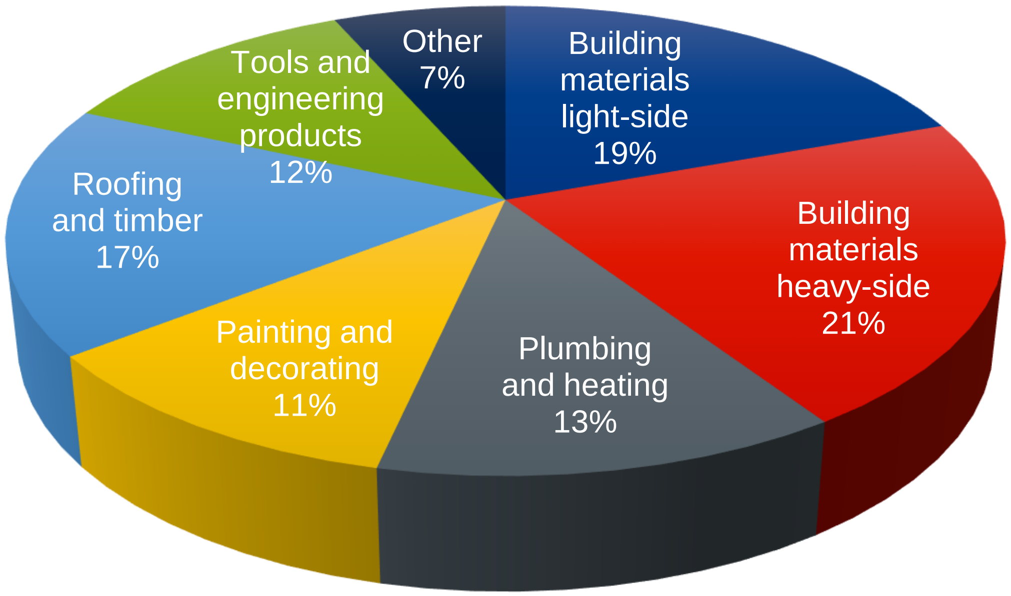
There were 138 responses from suppliers, merchants, distributors and service members. More suppliers responded, possibly because more of them regard sustainability as a top-3 priority.

The survey covered all turnover bands and age groups across light-side and heavy-side building materials, plumbing and heating, painting and decorating, roofing and timber, tools and engineering products.

Survey sample

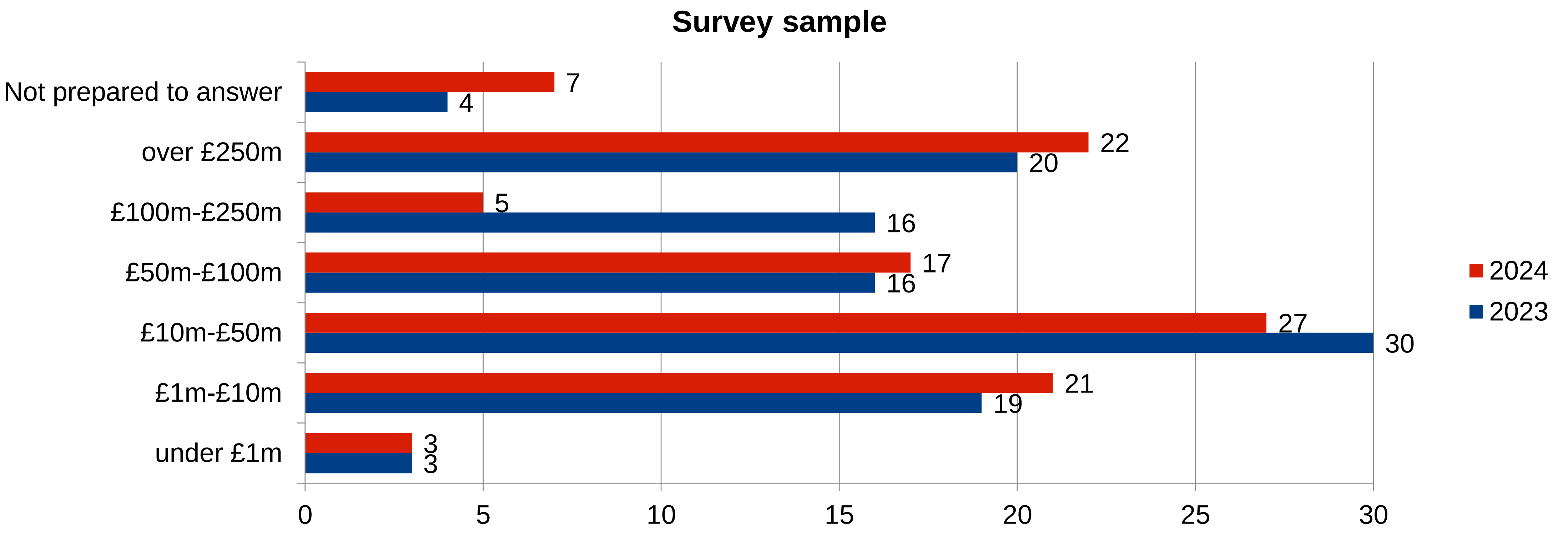


Categories covered



Methodology and sample

Businesses in the £100m-£250m turnover bracket were under-represented in 2024 compared to 2023. The small numbers of respondents in the under £1m and £100m-£250m turnover brackets mean that results for these groups cannot be considered as representative.



Key takeaways

Sustainability slipped as a priority

Sustainability was within the top 3 priorities for half of members in 2024, down from two thirds in 2023.

Gain for suppliers

Two thirds of suppliers had products with EPDs in 2024, up from half in 2023.

Gain for merchants

Only 16% of merchants did not have sustainability goals in 2024, down from 29% in 2023.

Levers & barriers

Members need

- Updates on regulations and compliance.
- Standard approach for using EPD data.
- Demystify sustainability for merchants and consumers.

Levers

A quarter of suppliers are driven by ethical decisions and a quarter of merchants are driven by legislative compliance.

Barriers

Low customer awareness of the need for sustainability became the top barrier.

Percentage of product portfolios with EPDs

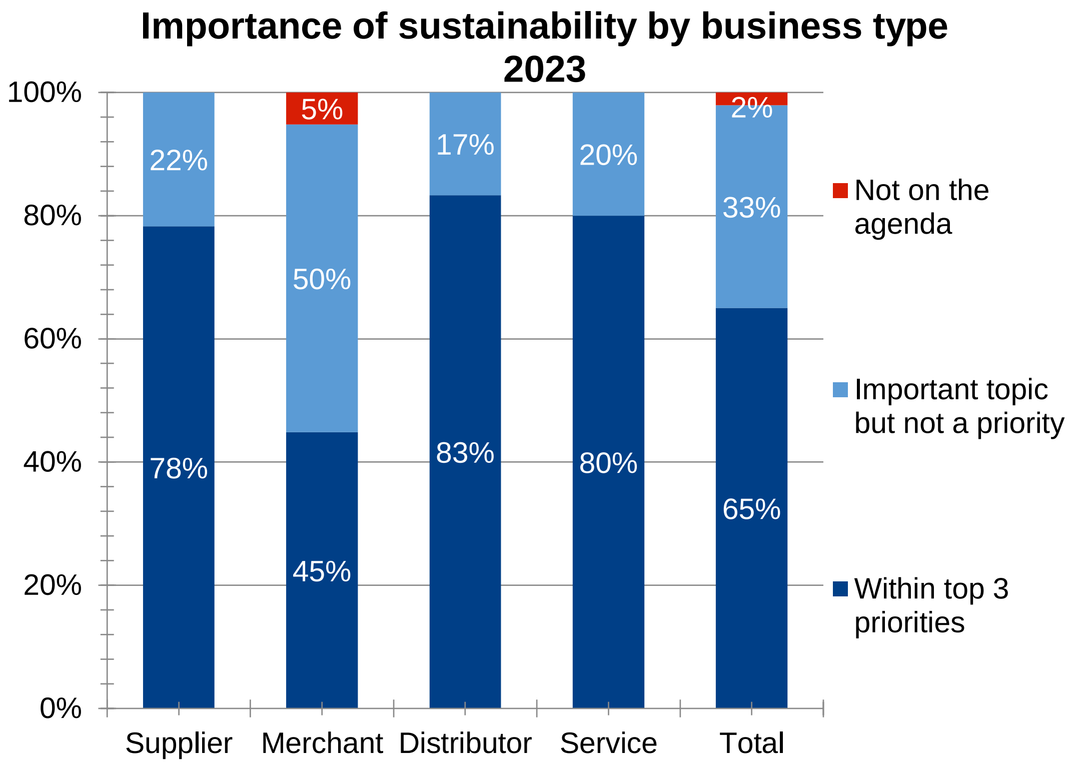
24 — Performance framework metric	Percentage of product portfolios with EPDs 2024
40% of product portfolios to have EPDs by 2025 with 100% by 2030, targeting a baseline and annual updates from 2025	Suppliers **53%** n: 32 Merchants **20%** n: 15

- Only 5% of the BMF's 980 members provided information on the percentage of their product portfolios with EPDs.
- The CPA estimates that there are nearly 24,000 companies in the construction products industry. Without knowing the actual number of product portfolios with EPDs and the total number of product portfolios across the industry, it is not possible to calculate the percentage of product portfolios across the industry with EPDs.
- It may be more pragmatic to measure the percentage of companies with any products having EPDs. Otherwise, focus will be on pushing the very few companies that declare the percentage of their product portfolios with EPDs to improve their percentages.

Sustainability slipped as a priority

Sustainability dropped in importance for most business types. Only slightly fewer suppliers ranked it within their top 3 priorities, but distributors showed the most disappointing decline.

Merchants ranking sustainability within their top 3 priorities also declined noticeably and those saying it was not on the agenda increased, albeit off a low base.



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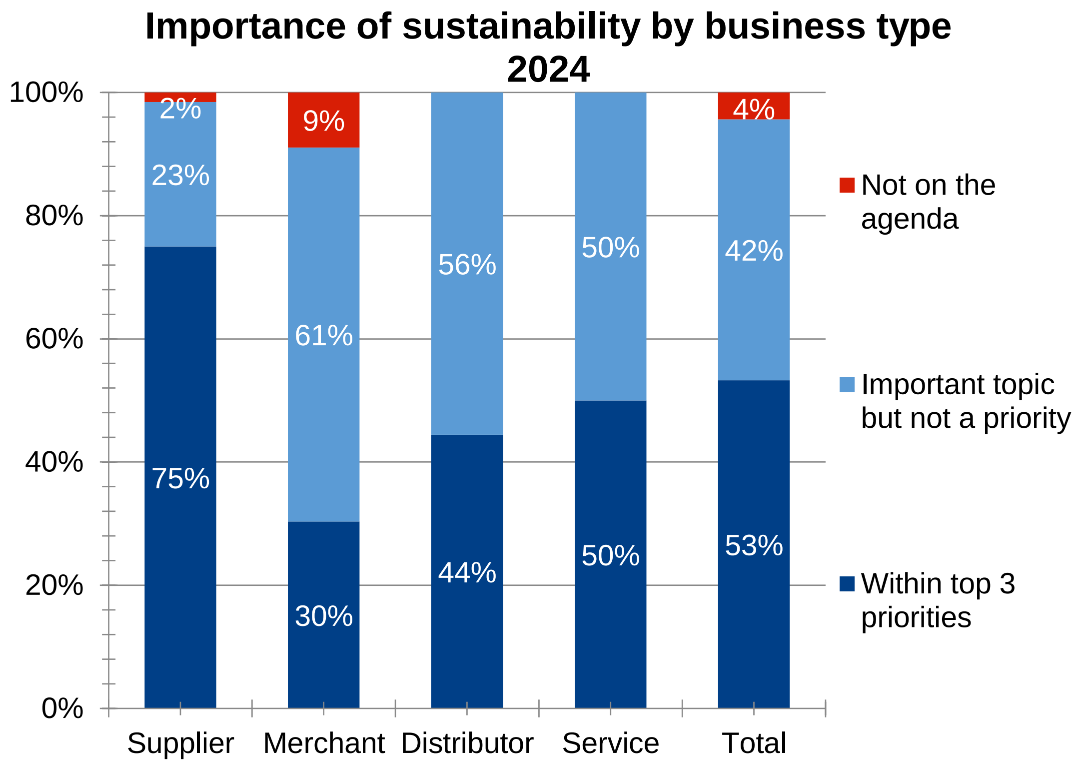

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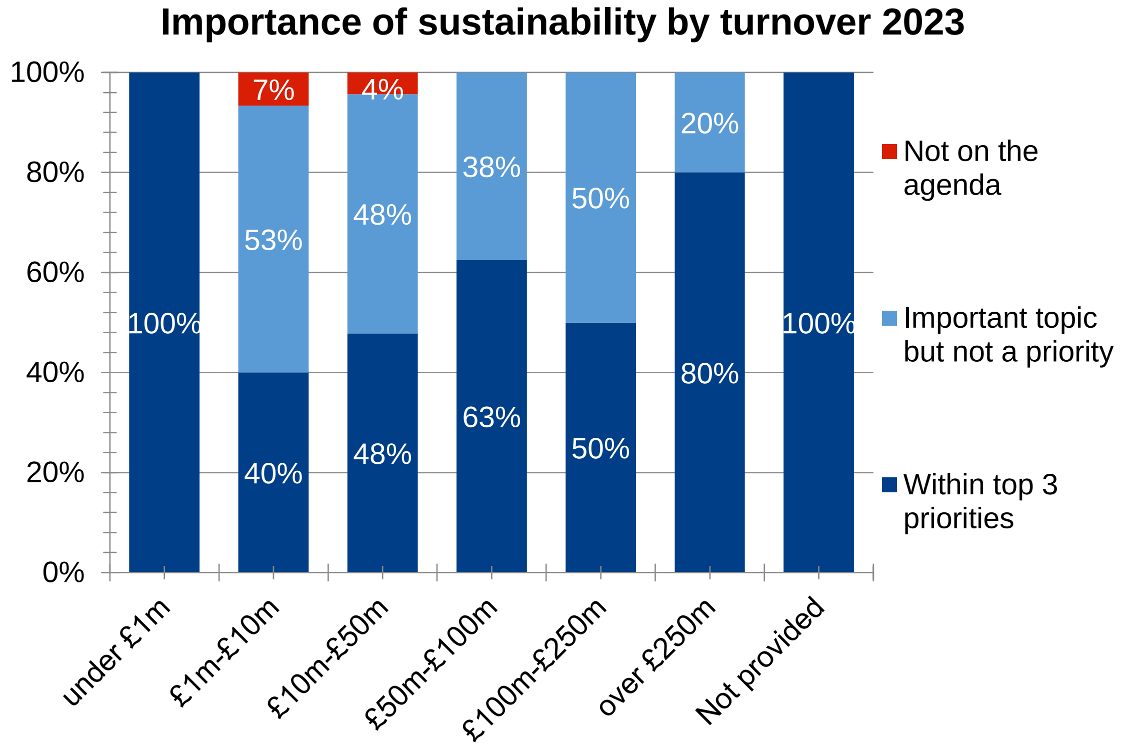
Sustainability becomes a higher priority as turnover increases

Sustainability dropped in importance for small and very large businesses. Slightly more businesses under £50m do not have sustainability on the agenda and only 24% of businesses £1m-£10m have it in their top 3 priorities.

Most surprisingly, fewer businesses over £250m turnover ranked sustainability within their top 3 priorities with it slipping from 80% to 68%.



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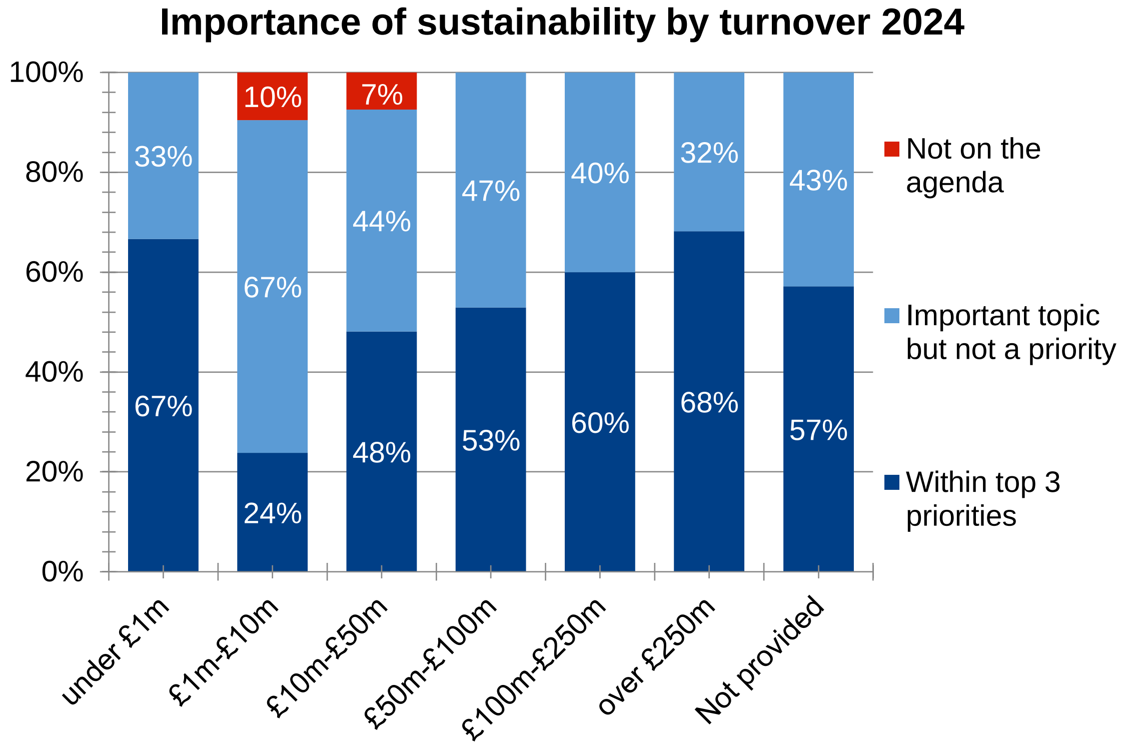

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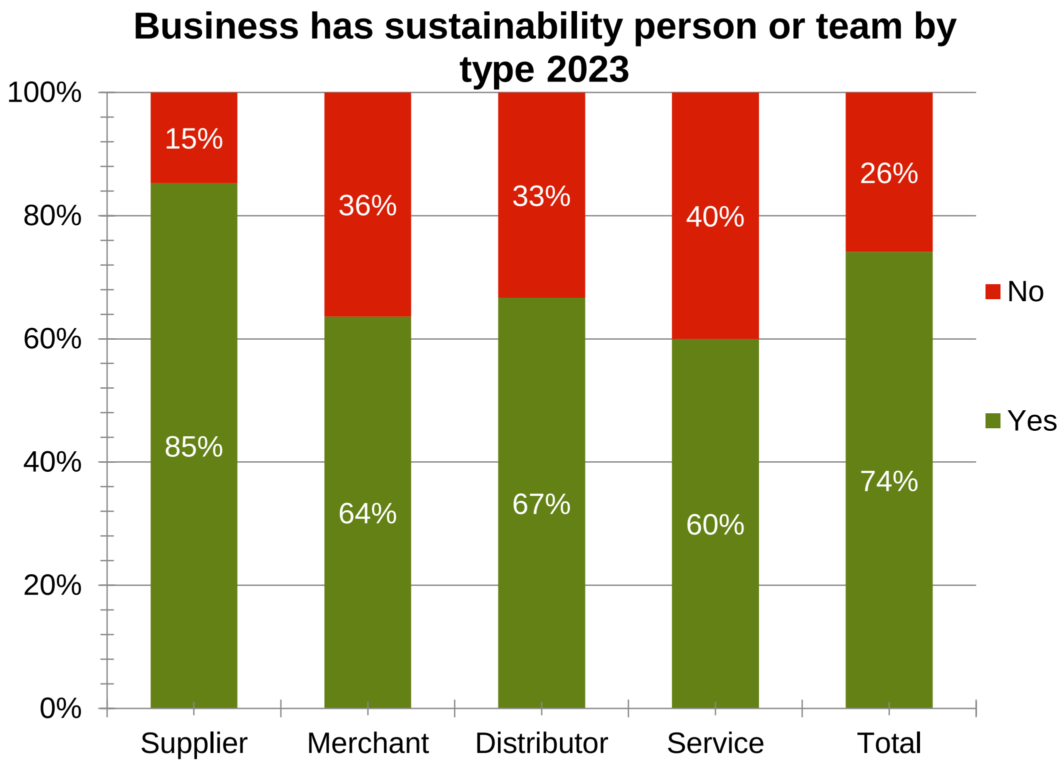
Resources dedicated to sustainability are holding steady

Overall, three quarters of businesses had dedicated sustainability people both in 2023 and 2024 with suppliers and service members leading.

The percentage of suppliers and distributors with sustainability people remained steady while it increased for service members.



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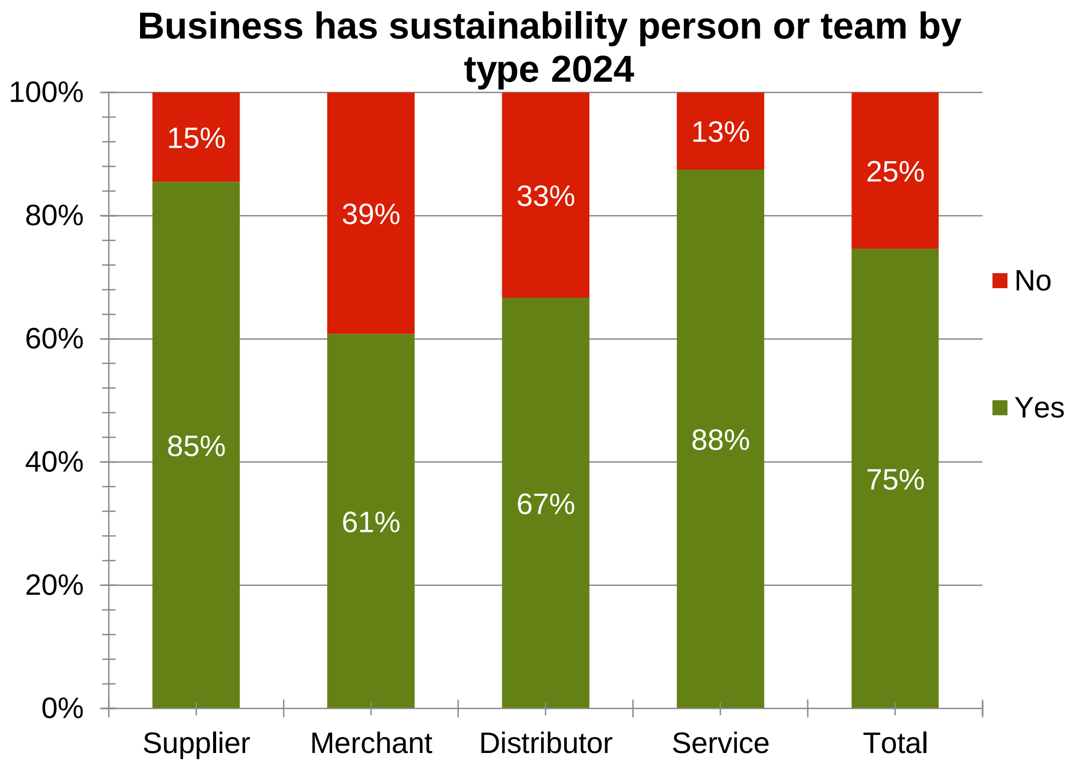

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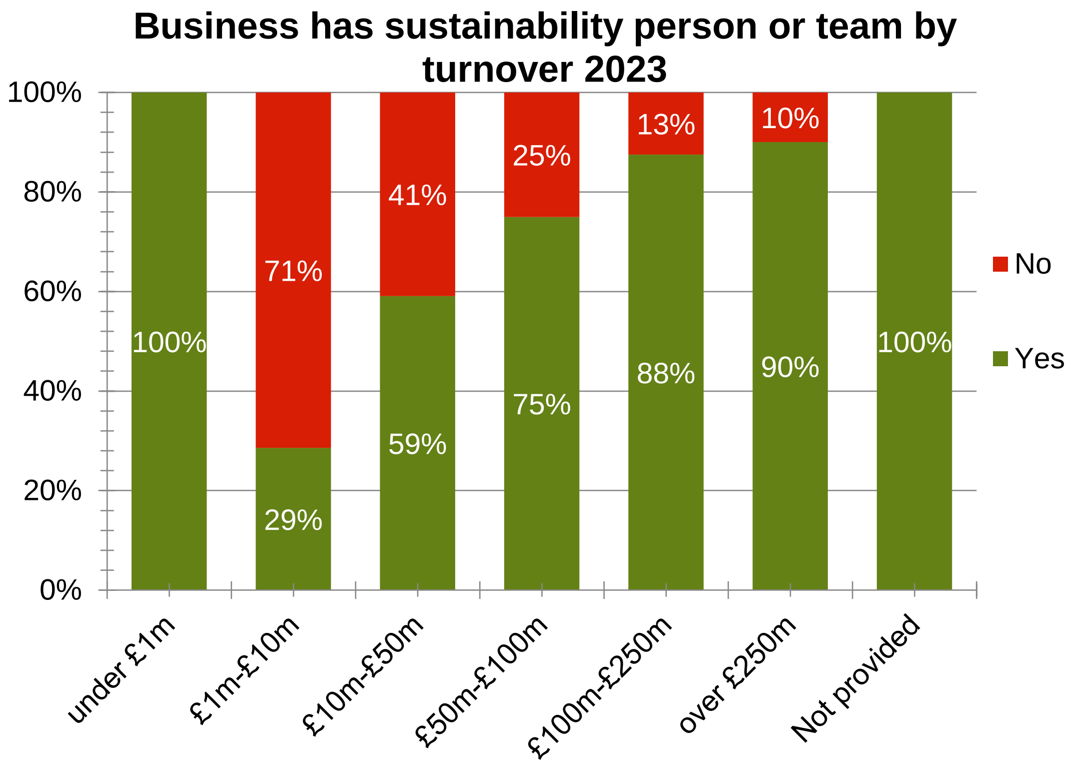
Dedicated sustainability resources increased for all size businesses

In 2024, more respondents provided turnovers, and more of these, across all turnover brackets, had dedicated sustainability people.

Encouragingly, more businesses in the £1m-£50m turnover bracket had dedicated sustainability people.



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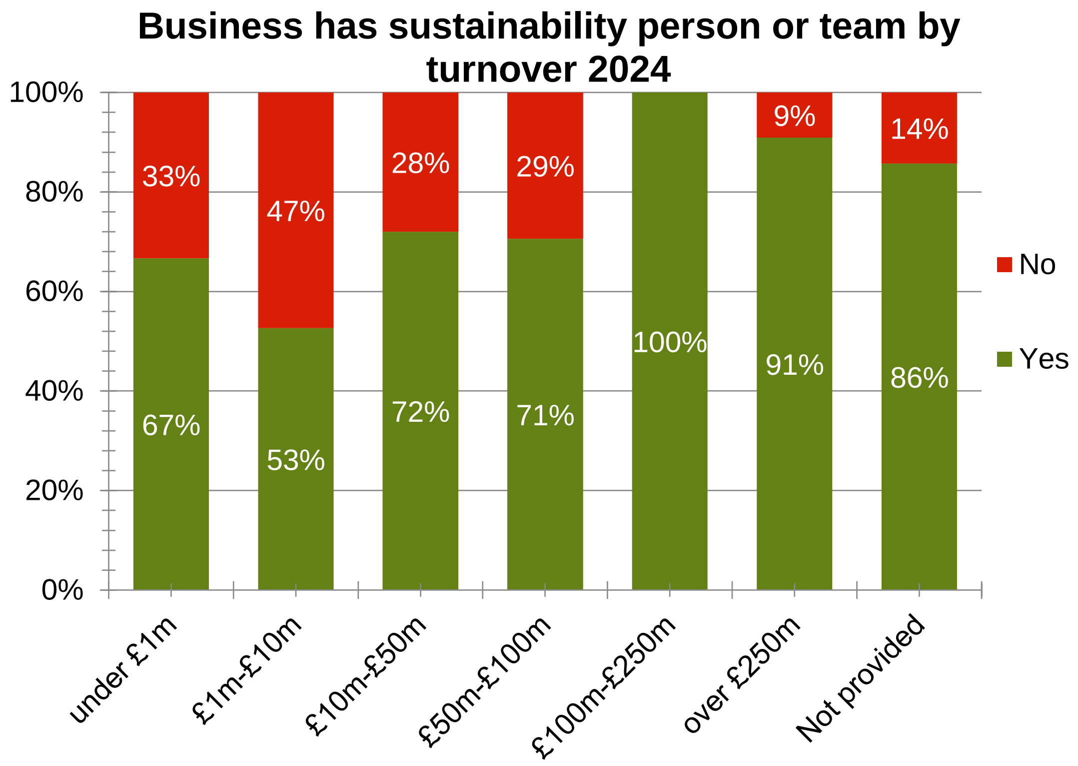

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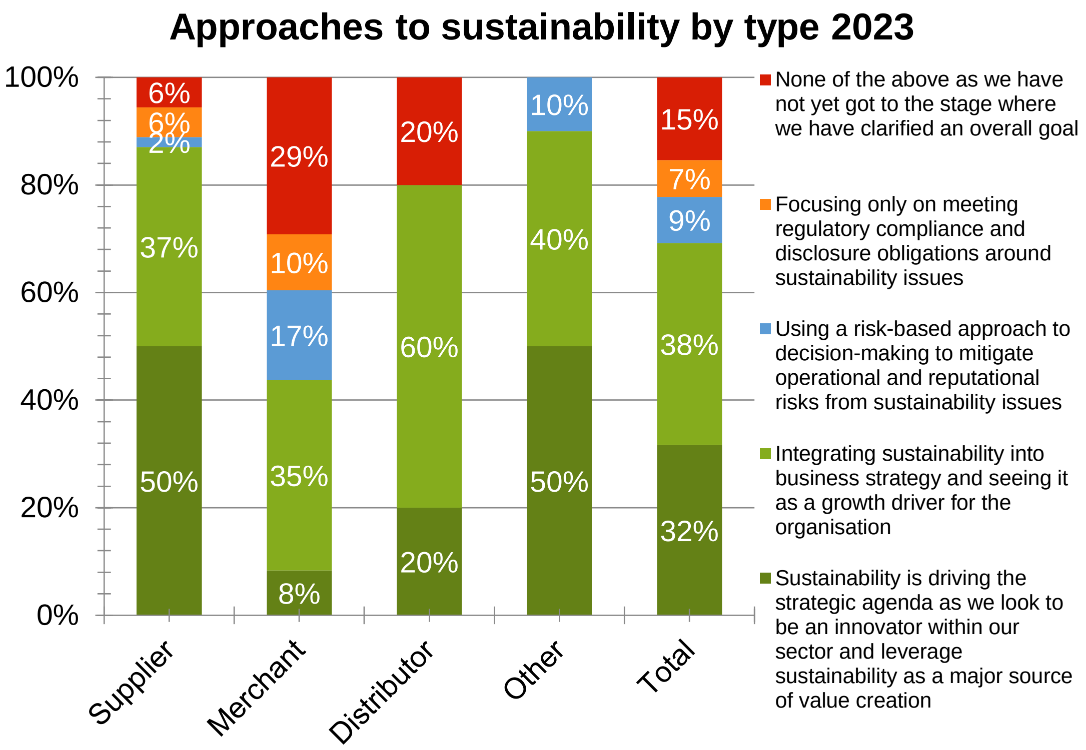
Suppliers continue to create value through sustainability

Encouragingly, more businesses have sustainability goals, but more merchants have taken a compliance-focused approach. Half of suppliers are still creating value through sustainability, but they are the exception.

It is great to see that more merchants and distributors integrated sustainability into business strategies as a growth driver, but they are not leveraging it to create value.



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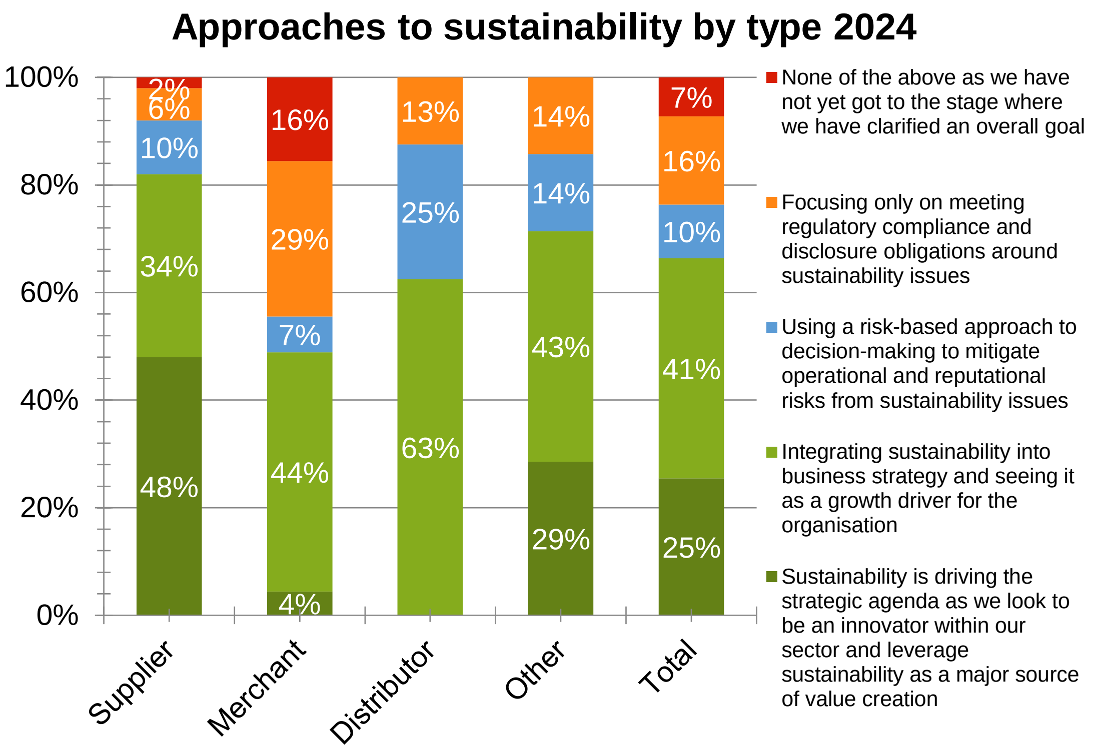

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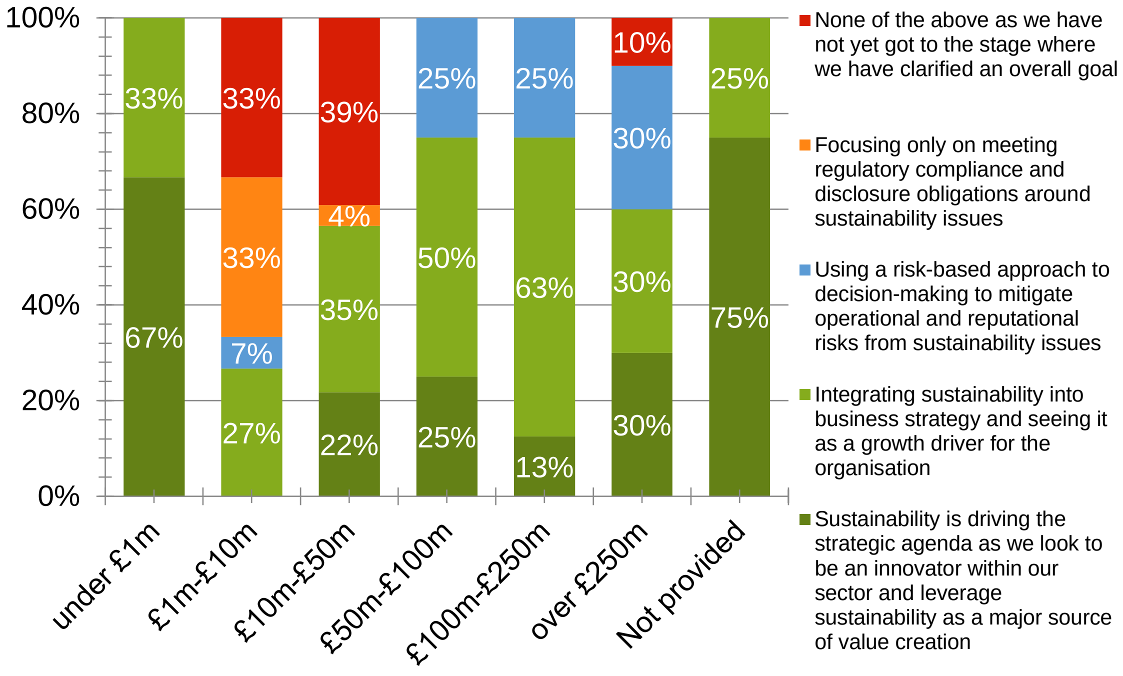
More businesses under £50m have sustainability goals

More £1m-£50m businesses had integrated sustainability into business strategies as a growth driver and more £50m+ businesses were leveraging it as a major source of value creation.

The good news is more businesses under £50m turnover had sustainability goals since 2023. However, more businesses with turnovers above £10m choose to focus on compliance only.

Approaches to sustainability by type 2023



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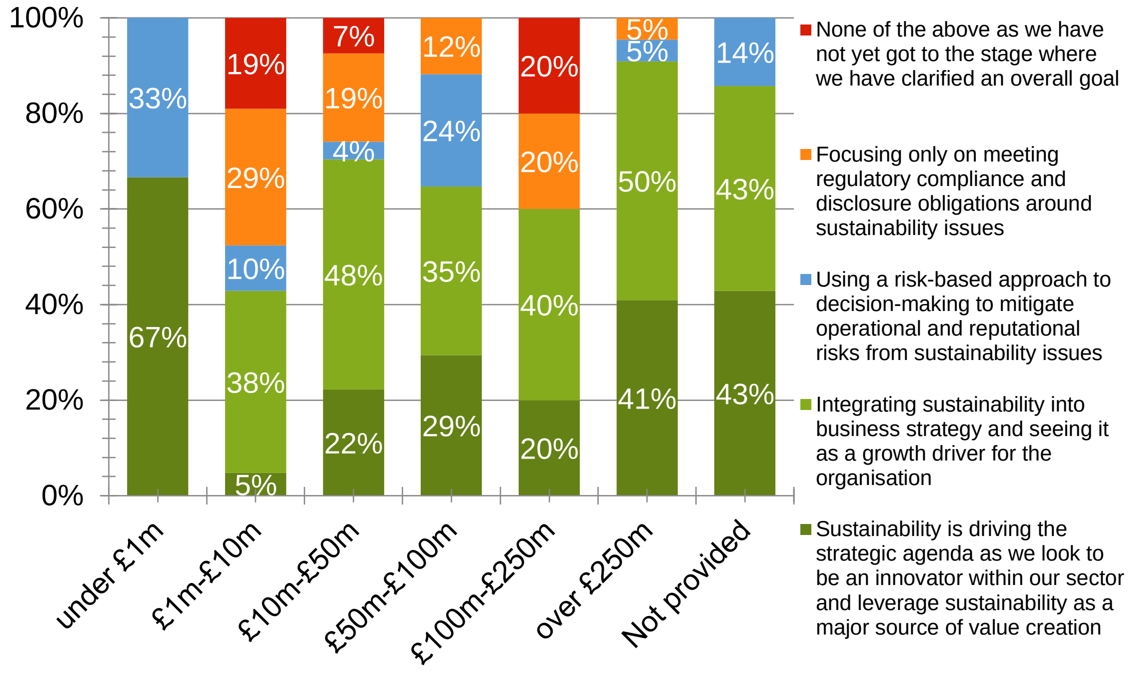
Approaches to sustainability by size 2024



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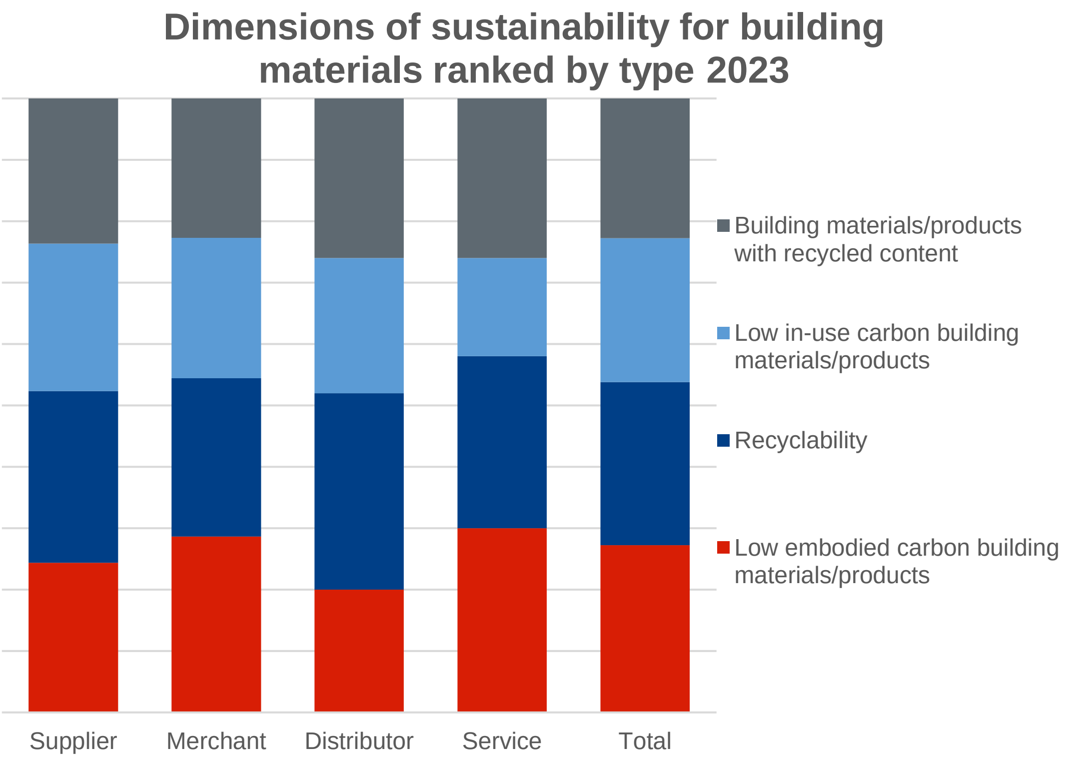
All dimensions of sustainability are important

No dimensions of sustainability stood out as more or less important, so the differences are hardly significant. Traceability was added, and it was ranked as marginally more important than in-use carbon.

Suppliers and distributors placed slightly greater importance on embodied carbon while merchants prioritised recyclability.



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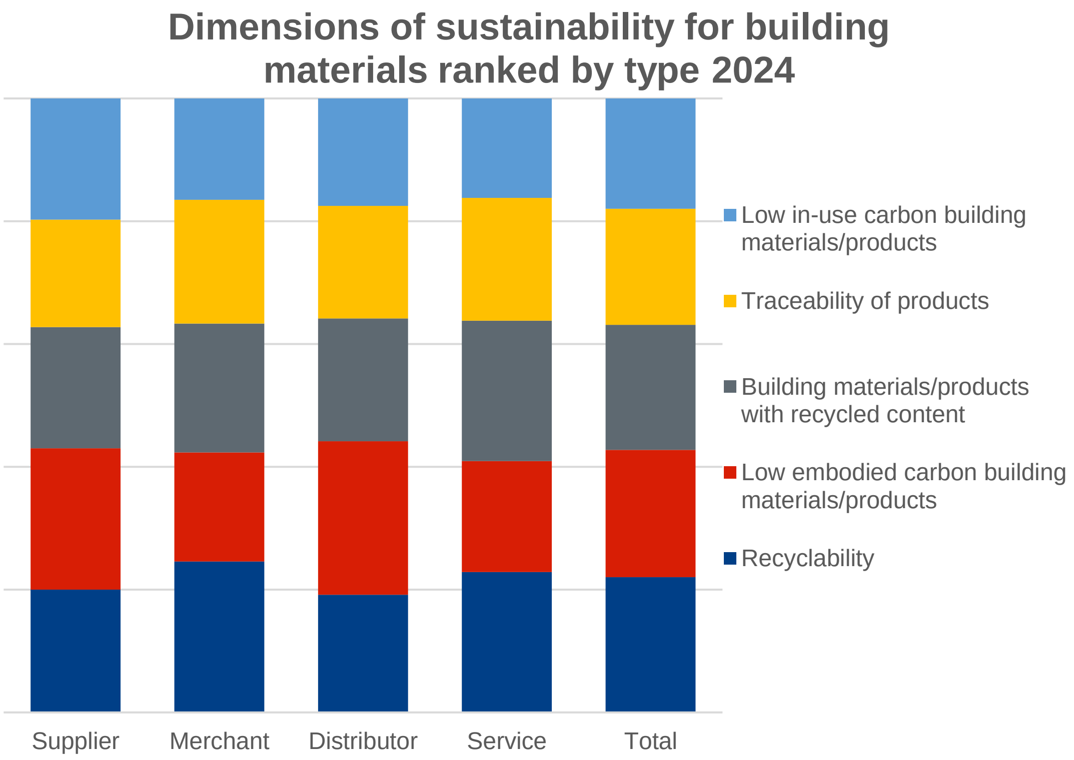

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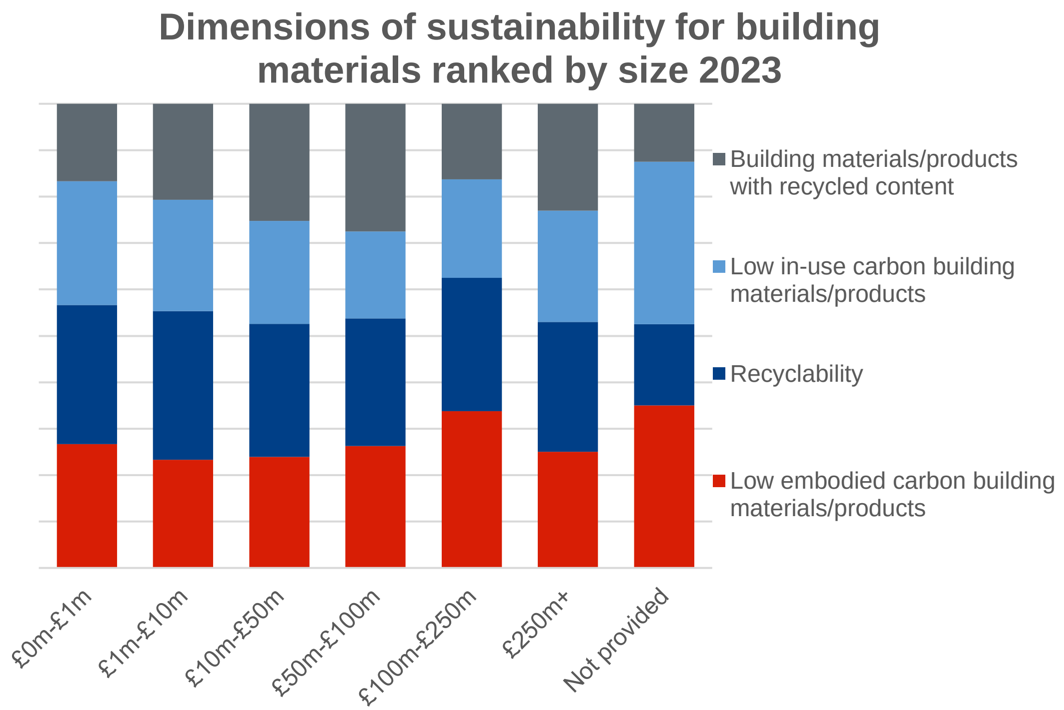
Traceability decreases in importance with size

Traceability was deemed marginally less important by larger companies. However, no other dimensions of sustainability changed much in importance between turnover bands.

Since there is no clear pattern, apart from all dimensions being important, and the sample for each turnover band is small, fluctuations are likely to reflect individual responses.



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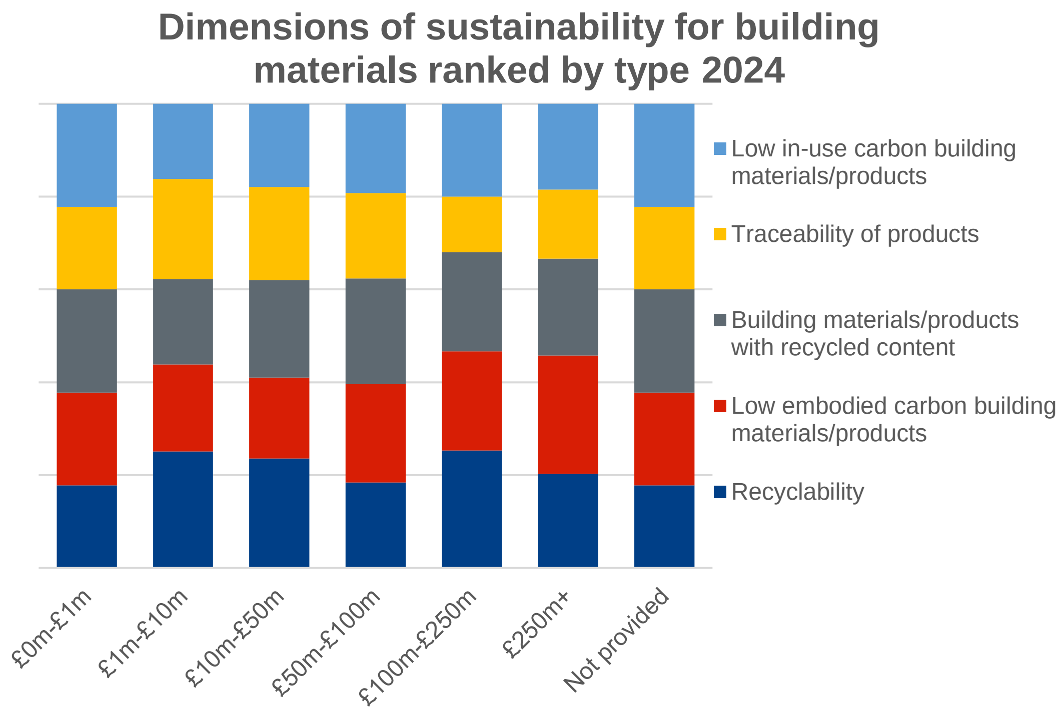

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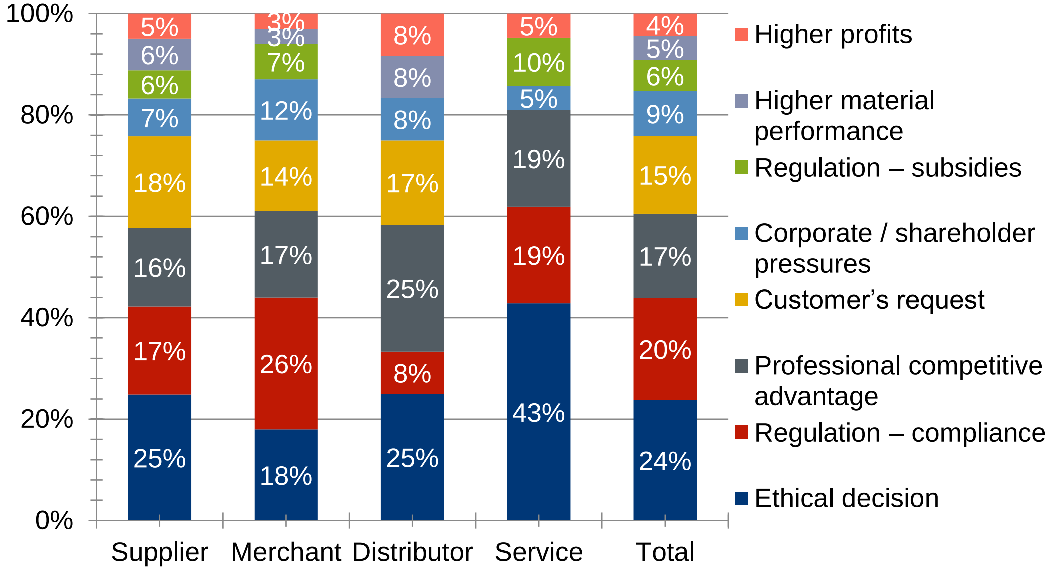
Ethics and compliance remain the priority drivers

The gap had narrowed so ethics and compliance were almost equal as drivers. Merchants and distributors seemed most reactive with a quarter considering sustainability only to comply with regulations.

Suppliers are driven more equally by a range of factors. Subsidies, product performance, profits and stakeholder pressures remain least compelling, but profit pushed subsidies into last place as a driver.

Factors which led companies to consider sustainability by type 2023



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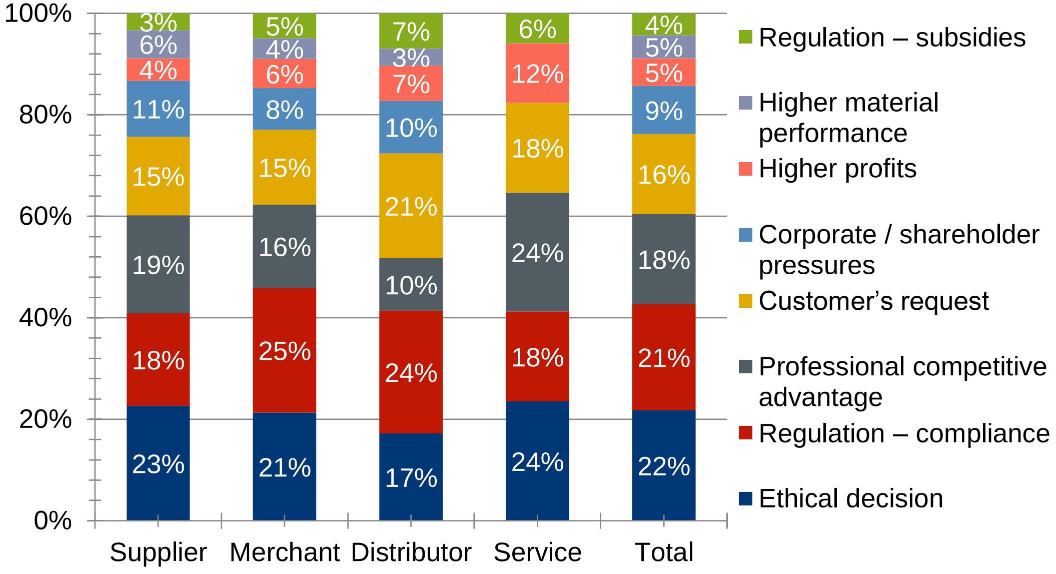
Factors which led companies to consider sustainability by type 2024



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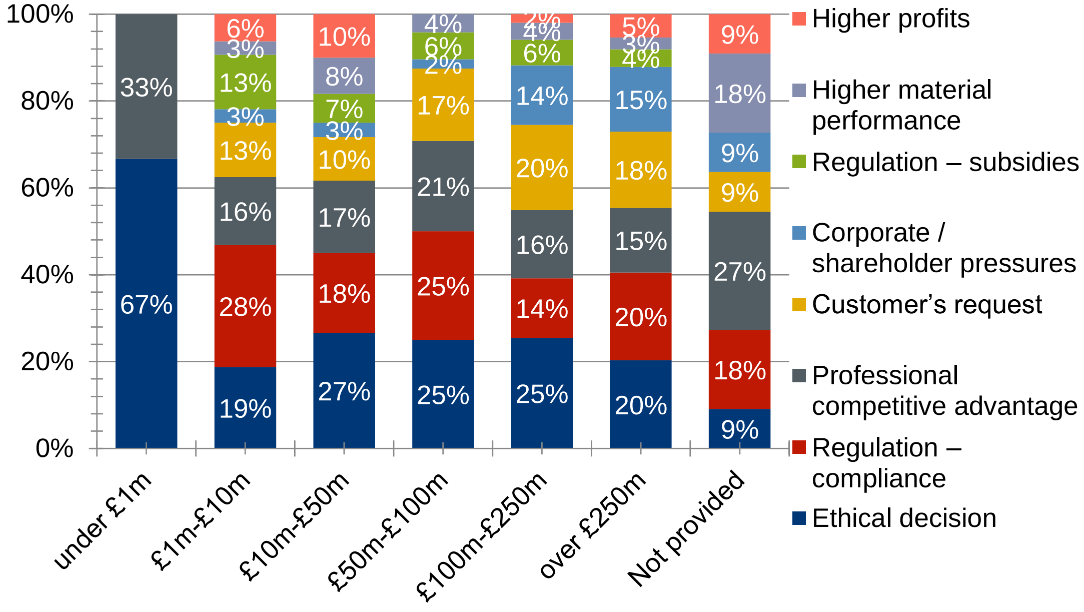
Large businesses are driven by more factors including shareholders

Since 2023, it has become clearer that corporate shareholder pressures to consider sustainability increase with the size of the business.

Very large businesses are still driven more equally by a range of factors.

Factors which led companies to consider sustainability by size 2023



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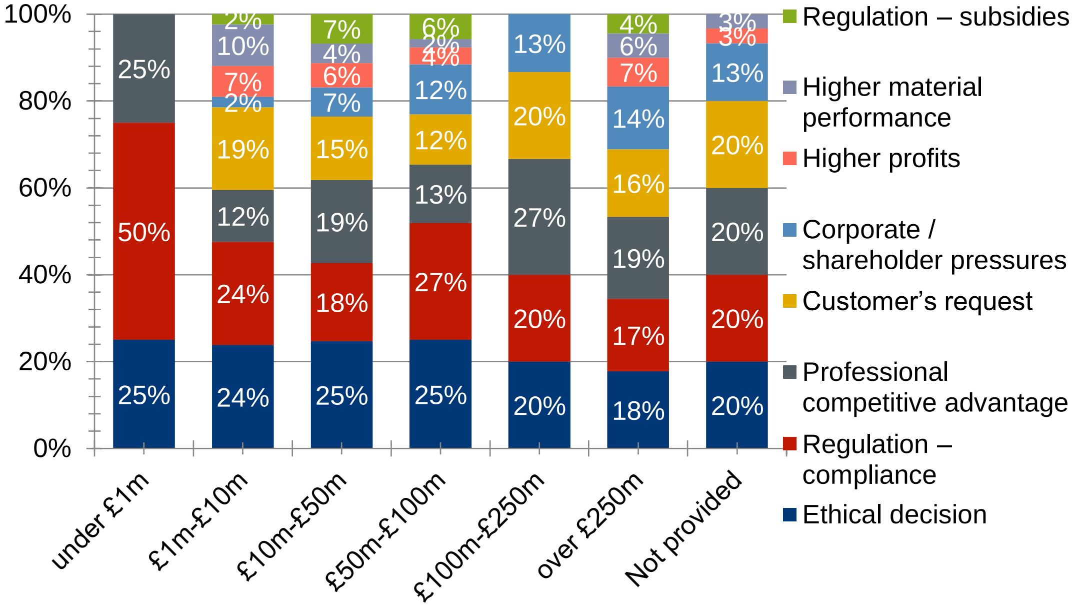
Factors which led companies to consider sustainability by size 2024



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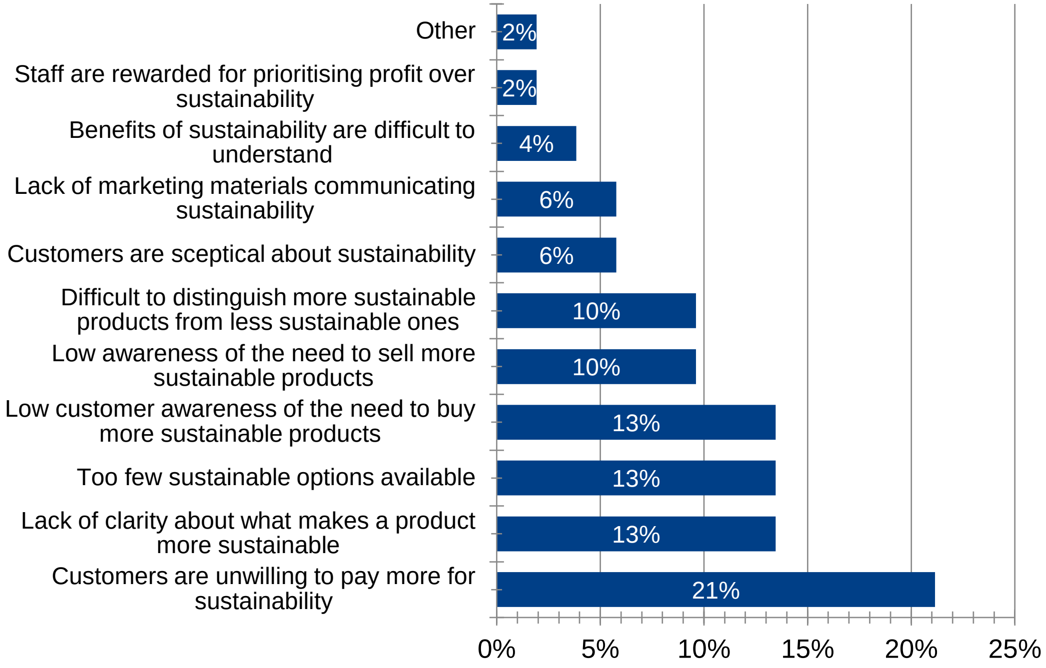
Only 7 merchants had no sustainability goals

It is good news that only 7 merchants reporting no sustainability goals. The barriers that stopped them are their barriers specifically and not representative of all merchants without sustainability goals.

Low customer awareness of the need for sustainability became the top barrier and there seemed to be more sustainable options available in 2024 than in 2023.

Barriers stopping merchants moving to more sustainable materials and products 2023



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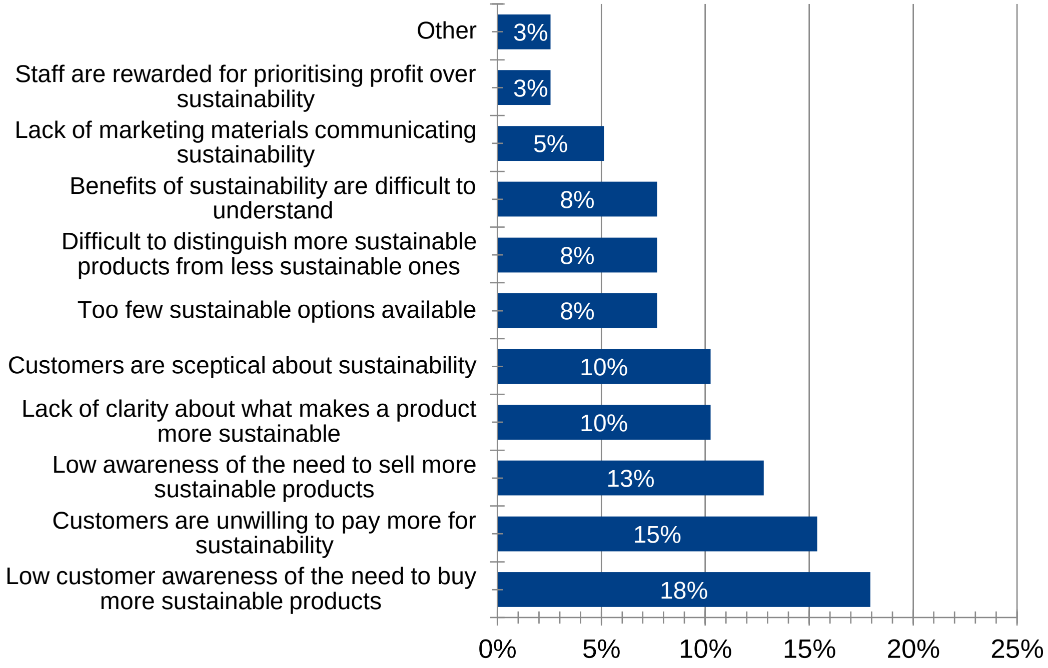
Barriers stopping merchants moving to more sustainable materials and products 2024



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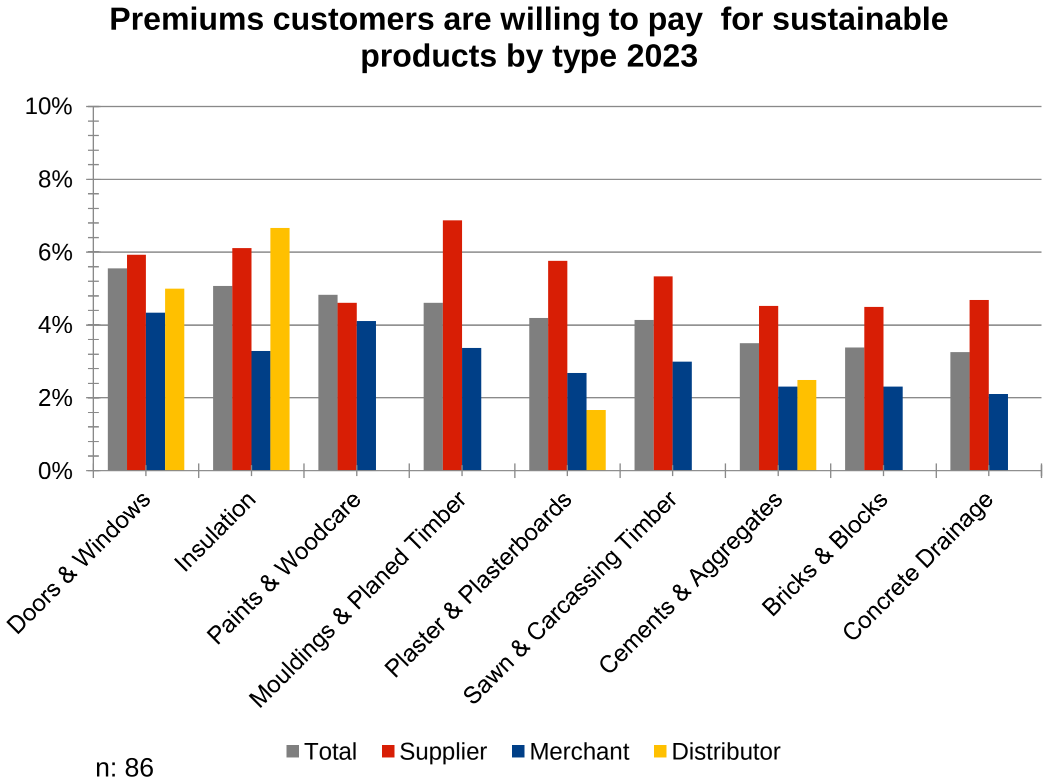
In 2024, suppliers became even more buoyant about value

Members still believed their customers were only willing to pay a 5% premium for sustainability. Premiums still varied by category, but differences reduced between categories and increased between business types.

Renewable energy, underfloor heating, insulation, doors and windows remained the top-4 performers in terms of the premium customers are expected to pay for sustainability.



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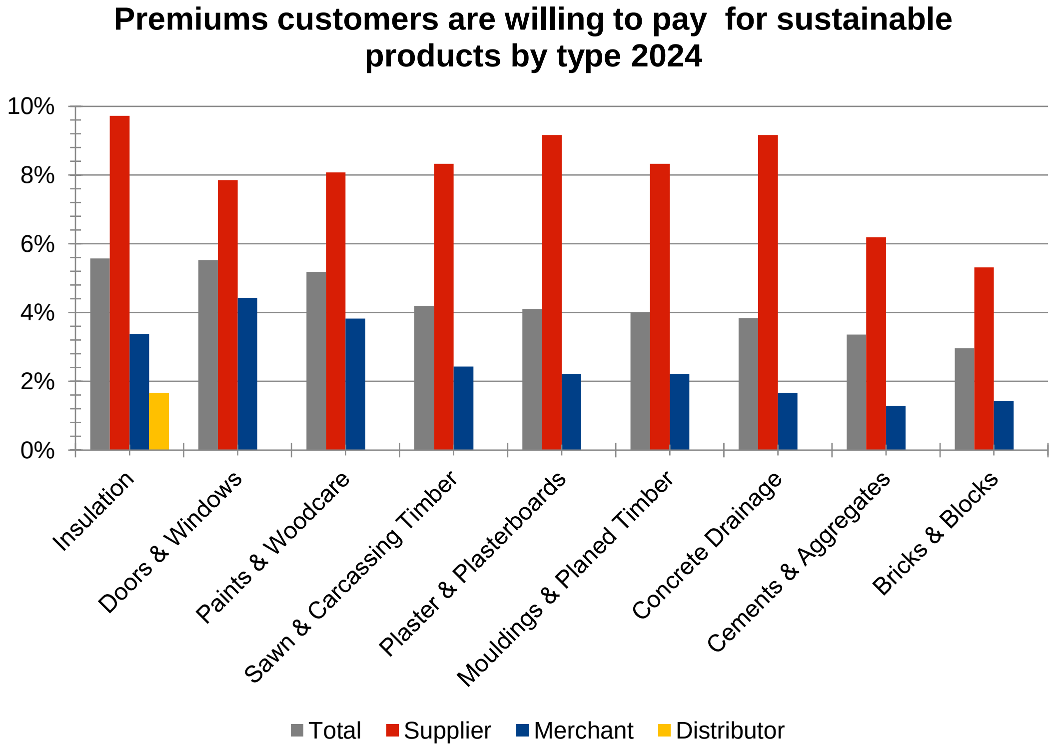

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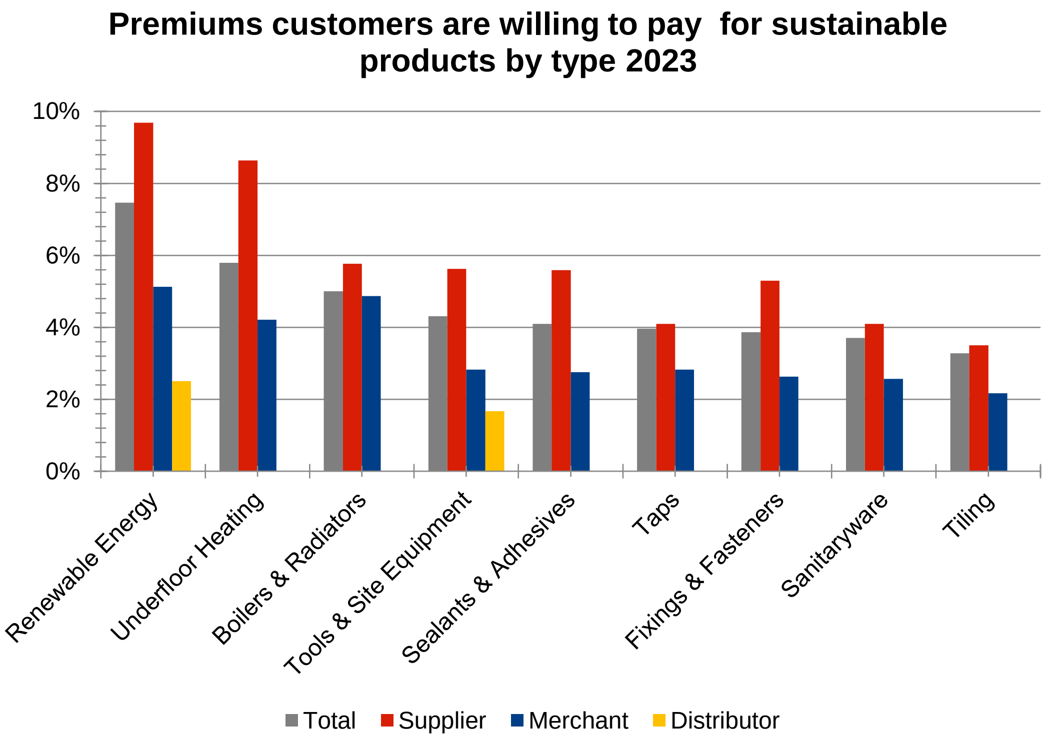
Suppliers believed customers would pay a 5%-10% premium

Suppliers believed their customers were willing to pay a 5%-10% premium depending the category. Merchants and distributors expected customers to pay less of a premium than last year.

Most disappointingly, the premium that distributors believed their customers would pay declined 1%-2% on average in 2023 to 0% in 2024.



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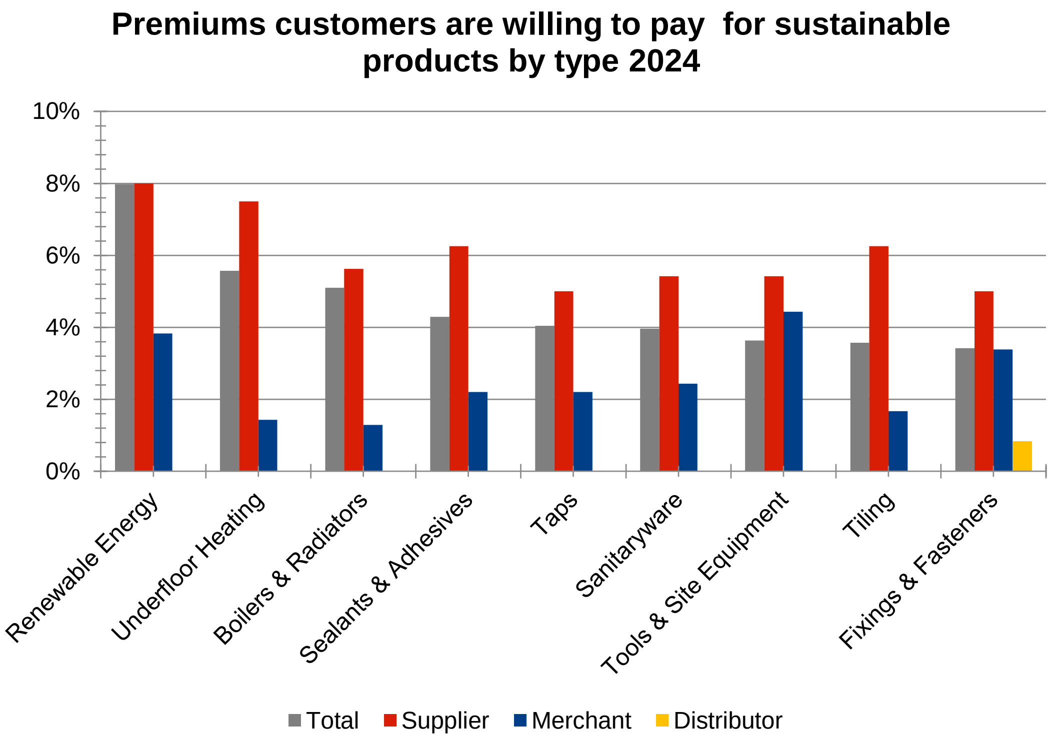

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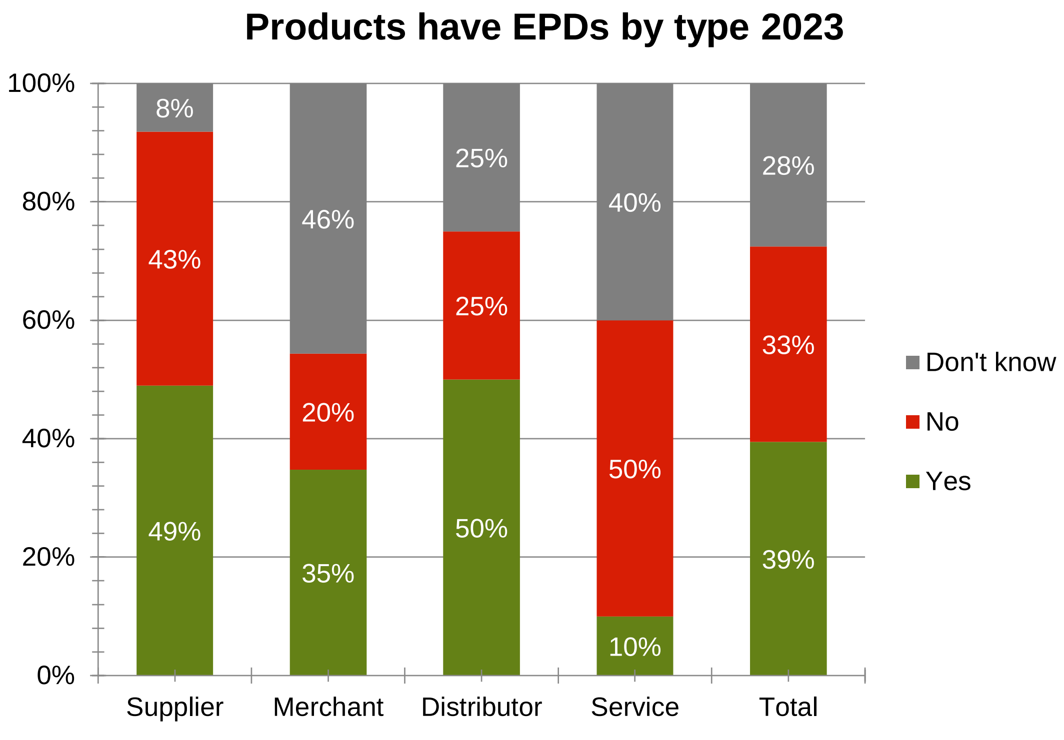
Two thirds of suppliers had products with EPDs in 2024

Two thirds of suppliers had products with EPDs in 2024, up from half in 2023. There was more uncertainty among merchants about whether they had EPDs, and far more distributors did not have products with EPDs.

31 suppliers had EPDs out of the 47 who answered this question. However, it is not known how many suppliers across the industry have EPDs. Measuring EPDs across the industry remains a challenge.



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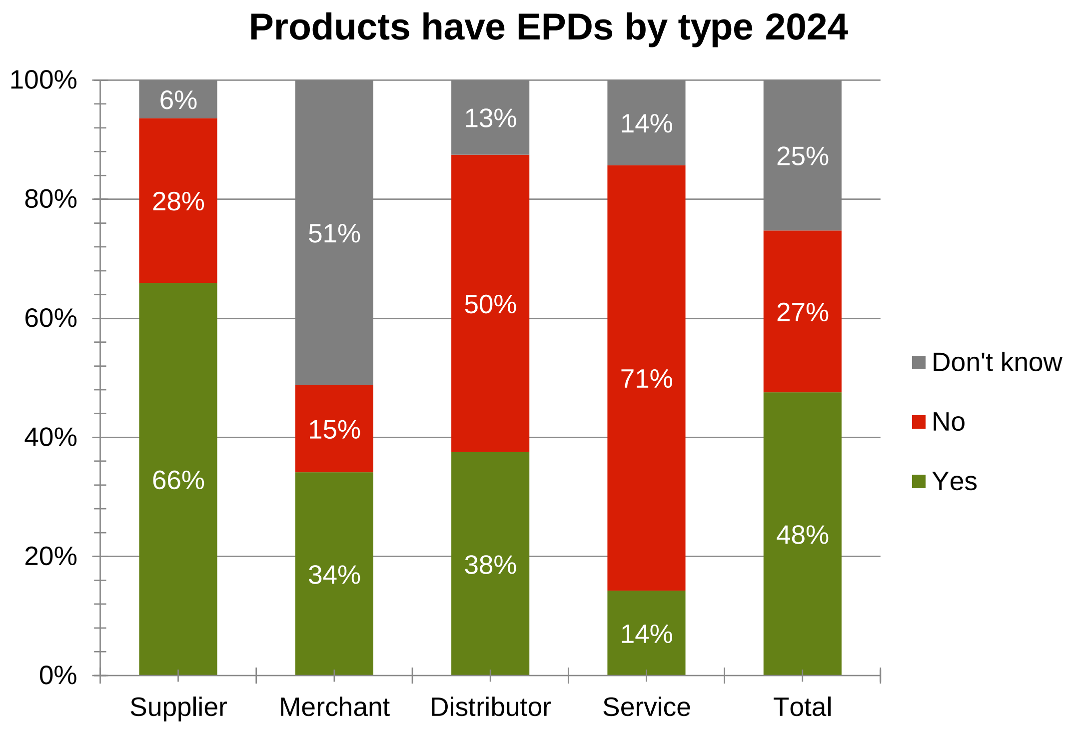

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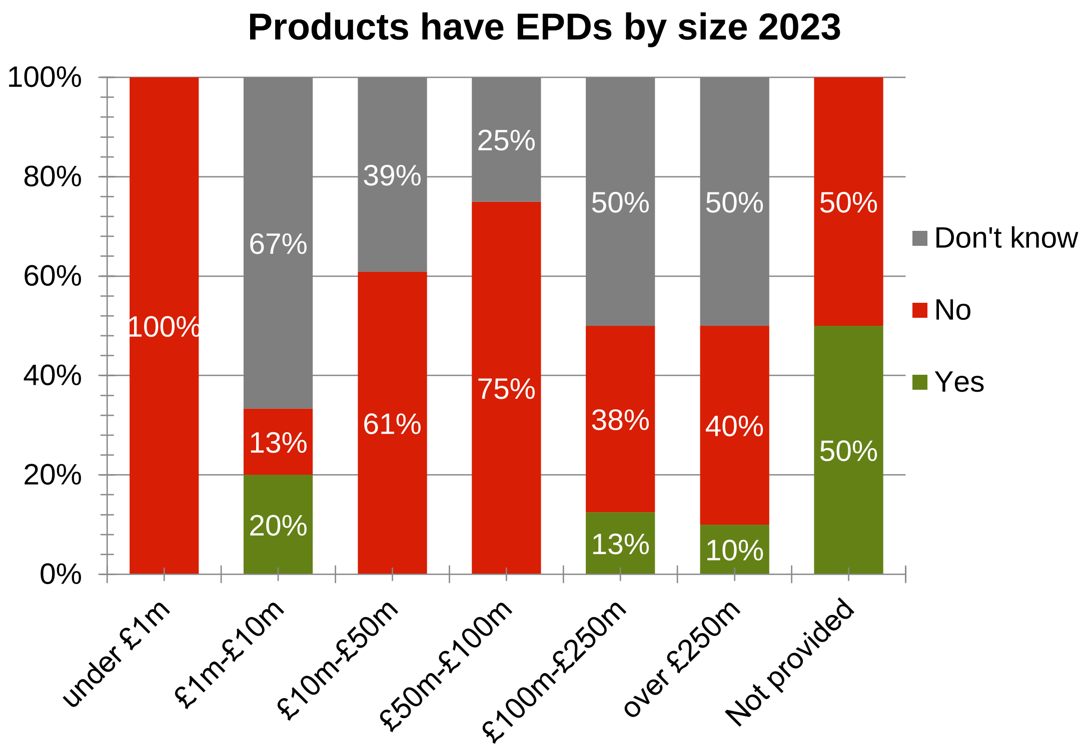
In 2024, many more companies over £10m had products with EPDs

There was a large increase in companies having products with EPDs above the £10m turnover mark. Over 80% of companies with turnovers over £250m had products with EPDs.

The overall trend is for more larger companies to have products with EPDs. The lack of knowledge among respondents about whether they have EPDs also decreased significantly for all business sizes.



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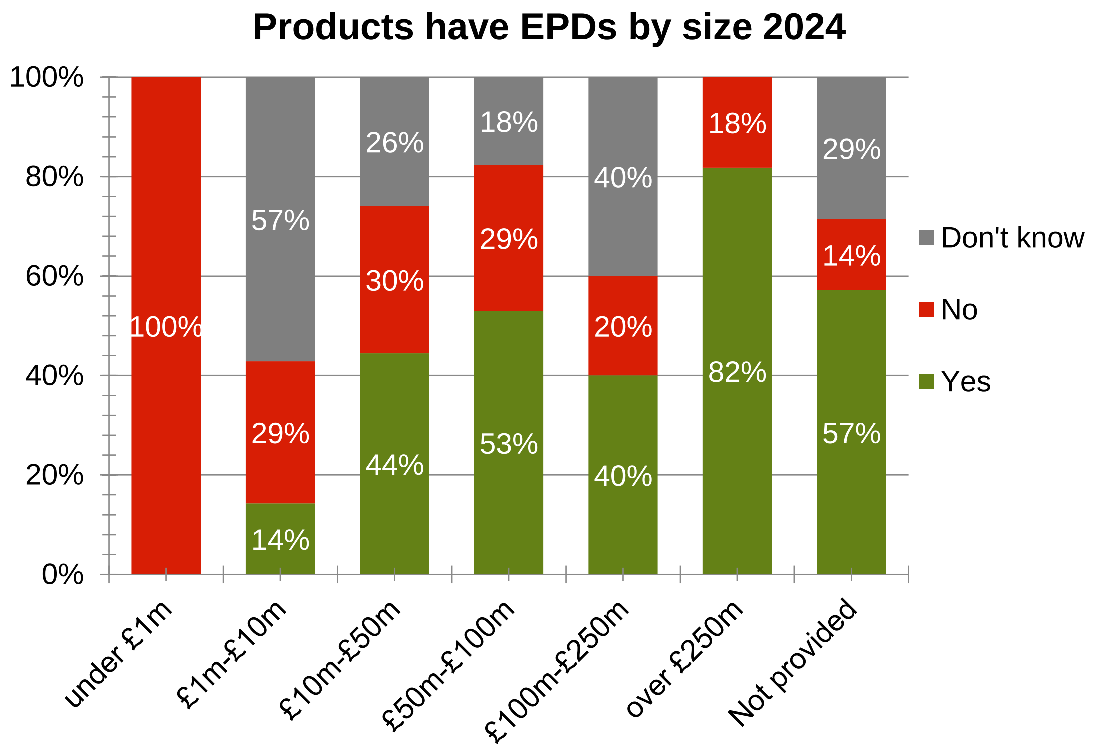

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Help members want from the BMF

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“Keep us up to date on requirements for complying with regulations.”

“Demystify sustainability for both merchants and consumers.”

“Standardised approach to using EPD data.”

“3-5 key things about sustainability we need to be aware over the short to medium term.”

“Simple guidance on how to be more sustainable.”

“Details about EPDs specific to our products.”

“Tools or a shared resource to reduce administration around data collection.”

“How to communicate the benefits of sustainability to merchant customers.”

“Products that have come to market which add to sustainability.”

Conclusions

State of sustainability in 2024 compared to 2023

- In 2024, sustainability slipped as a top-3 priority for all business types apart from suppliers.
- Encouragingly, more businesses in the £1m-£50m turnover bracket had dedicated sustainability people, which points to its growing strategic importance.
- Half as many smaller merchants reported having no sustainability goals, but more than twice as many had adopted a compliance-focused approach to sustainability.
- Ethics and compliance remained the priority drivers for sustainability with shareholder pressure increasing with size.
- Premiums still varied by category, but differences reduced between categories and increased between business types with suppliers being more buoyant than in 2023 about the premiums they expect customers will pay and distributors more negative, with them expecting customers to be willing to pay no premium at all for sustainability.

Implications

Actions to take

- A continuum of maturity appears to be emerging with smaller merchants moving from having no sustainability goals to making deliberate decisions to focus on legislative compliance only.
- Therefore, the BMF needs to keep smaller members updated on changes to legislation with practical advice and tools that simplify compliance.
- Once members are successfully managing compliance, the BMF can provide advice and support for moving up the continuum towards increasingly proactive approaches where appropriate.

No sustainability goal → Legislative compliance → Risk mitigation → A growth driver → Major value creator

Towards more sustainable solutions

State of sustainability in the building materials sector

BMF member research results: September 2024

For more information visit: www.bmf.org.uk

Contact: jeremy.harris@bmf.org.uk

Please let us know what help and advice you need to start or continue your journey towards a more sustainable future. Contact: oz.bham@bmf.org.uk

Research and report by CMDi.co.uk on behalf of the BMF

Download the report:
www.bmf.org.uk
Look under 'Information Centre' tab for 'Sustainability'.

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