



Special Report

The Big Business Benefits of Sustainability

Making the Business Case

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Resistance vs Opportunity

It's difficult to change human behavior. Success is still a long way off in the Business-to-Consumer retailing space for green products for a variety of reasons. But not so for Business-to-Business. Supply chain sustainability is a hot topic these days, which is good news for the environment, *and* the economy.

While some companies do their best to persuade customers that their green product is the right one to choose, if you're like me, you're often flooded with doubt. Will it perform as well as your regular household brand? How does the price compare? How is the quality? Perhaps you feel unsure because you've never heard of their brand. And can you *trust their green claims*?

How can this company convince you of the benefits their product has over every other less efficient, highly packaged, chemical laden alternative? It's a tough nut to crack and unfortunately there's no easy answer. Consumers are still a long way from where they could be in making purchase decisions based on the health of the environment.

But while Business-to-Consumer marketing is difficult in the green product industry, public mindset *is* changing. According to advertising giant, Ogilvy, in their paper titled, *From Greenwash to Great: A Practical Guide to Great Green Marketing*, they say:

"*Time* magazine found that 38% of US consumers over age 18 regularly make a conscious effort to purchase products from socially responsible companies".

Encouraging, yes. Are things changing quickly enough? No.

Change will come, but through unexpected channels. Remembering that *necessity is the mother of all invention*, when times are tough, businesses get hit first. And already

some large, progressive organizations understand that unstable times lie ahead if business practices aren't improved.

We will begin to see a flow-on effect from businesses who are committed to doing well by doing good. Many large companies such as Google, Nike, and Amazon have Sustainability Departments where some of the big questions are being answered. They are addressing problems like waste and excess packaging, and are exploring new business models such as the circular economy.

Why? Well, because it's good for the environment.

And... IT'S ALSO GOOD FOR THE BOTTOM LINE.

While the green Business-to-Consumer environment evokes resistance, the Business-to-Business platform presents *opportunity*. There are many motivators for sustainable progress I like to call, **The Big Business Benefits of Sustainable Development**, which I explain in the next section.

Big Business Benefits

By embedding sustainability into your company's sourcing, you can enjoy many financial benefits. These benefits can include:

1. Reduce costs (energy, water and raw material)
2. Reduce waste
3. Attract quality staff
4. Attract investors
5. Meet stakeholder and customer expectations
6. Easily comply with standards and regulations
7. Improve brand image and competitive advantage

Let's take a closer look at these profit boosters.

1 Reduce costs (Energy, water and raw materials)

Energy

Think about your annual energy costs in lighting, heating and cooling, the running of equipment, machinery and technology. Reduce this cost by upgrading to Energy Star appliances when needed, cleaning HVAC filters, using thermostats, solar shades and fans to help control hot and humid temperatures, and weather stripping windows and doors to prevent heat escaping in winter months.

The [United Nations](#) tells us that:

"If people worldwide switched to energy efficient lightbulbs the world would save US\$120 billion annually".

Turning off lights and converting lighting to LED will save your company high utility costs, including wasted energy. Visit

[Energy Star](#) for more tips on how to transform savings in energy into profits.

Water

Often, inefficient production leads to water waste. A quote from Chairman of the Nestlé Foundation, Peter Brabeck-Letmathe in *The Economist*, 2008 reveals:

“I am convinced that, under present conditions and with the way water is being managed, we will run out of water long before we run out of fuel.”

Using sustainable business tools is a way to learn how to see inefficiencies which are sometimes not so obvious. Water and raw material management strategies help to uncover cost savings such as in the following instance. According to the [Environmental Protection Agency](#) (EPA) IBM reduced water consumption and operating costs saving \$3 million annually and increased production by over 30 percent by using business performance improvement tool, Six Sigma.

The EPA also brings to our attention that it is not only the direct cost of fresh water or wastewater that businesses could be paying for. Hidden costs may lurk in the following areas:

- Water treatment costs could be embedded in raw material costs
- Energy costs need to cover heating, cooling, pumping, transferring or the treatment of water
- Utility costs for wastewater cover water treatment for pollution control
- Regulatory compliance costs for the prevention of polluted waterways

Raw Materials

When it comes to raw materials, it's often as simple as:

Use less and save more.

Sometimes, better efficiency might start with something as small as tighter control of office products. Or better product design and conscious use of resources, such as packaging, could end up saving you a great deal of money over a year.

When you look at all areas of your business, it's possible to find many opportunities to become more resourceful.

The goal is to "do more with less".

The [United Nations](#) tells us that:

"Should the global population reach 9.6 billion by 2050, the equivalent of almost three planets could be required to provide the natural resources needed to sustain current lifestyles"

Clearly, we only have one planet that provides us with the resources to live, so better management is crucial to our survival.

2 Reduce waste

Streamlining your operations can significantly reduce waste, and according to the EPA the best way to reduce waste is to generate less in the first place. Efficient purchase and use of raw materials, office equipment and stationery are quick ways of eliminating unnecessary waste.

Consciously thinking about the design of your product and its packaging are a major factor when it comes to cutting down on waste. Tim Frick discusses this in length in his book, *Designing for Sustainability*, and explores ways to green digital products and services. He stresses that efficiency is the result of good design.

Adding to the idea of thoughtful design, Giselle Weybrecht, author of *The Sustainable MBA: A Business Guide to Sustainability*, writes:

"Proctor & Gamble's program to 'Design manufacturing waste out', for example, has saved the company over US\$500 million and eliminated 2 million tonnes of waste water."

Check out the [U.S. Small Business Administration's](#) (SBA) guide on reducing workplace waste, by clicking their link.

But the cause of waste is not always obvious. Failure to test the market can be another money bleeder. Get 'The Profit' star Marcus Lemonis' take on the subject in [this video](#) and find out why he calls this clothing brand "reckless".

3 Attract quality staff

As more people become aware of today's environmental crisis, they are putting pressure on the companies they buy from... and work for. Being a part of an organization that values social responsibility helps bring fulfillment and a sense of pride to employees. Attracting and retaining quality staff in any business is a challenge, so making sure that the company advertises its sustainability goals makes it easier to attract staff with similar values. The flow-on effect from this is companies end up competing for talented employees, who help their companies innovate and compete.

4 Attract investors

Just like consumers, investors and shareholders are also becoming more aware of sustainability issues. They want to see the company has solid growth potential. By embedding sustainability issues into investment analysis, we see environmental and social criteria are becoming a standard part of lending assessments. Companies with improving sustainable practices will continue to attract capital from investors and banks.

5 Meet stakeholder and customer expectations

As environmental awareness continues to grow, so do expectations. Eco-conscious consumers want their favorite

brands to meet their green standards as well as deliver a product that meets their needs.

While sustainability reporting is still a long way off from being where it needs to be, it *is* improving. Often reported separately to the main financial statements, and sometimes considered a sub category of financial accounting, there is progress being made to include a company's sustainable accomplishments. Transparency and accountability in reporting People, Planet and Profit (Triple P) levels are being encouraged, especially thanks to a growing number of awards, such as [Ernst & Young's Excellence in Integrated Reporting](#), [PWC's Integrated Reporting Award](#), and the [Corporate Register](#).

In fact, there is an increased need for transparency. Customers, investors, and other businesses are asking about a company's sustainability efforts. And sometimes it doesn't stop there. Sometimes they are asked about their suppliers, and suppliers of suppliers. There is a need for value chain transparency, and people want good *and* bad results to be shared publically on company websites and in annual reports.

Stakeholders also want to see that the company they invest in, work for, or supply to, has long term growth potential. And that's only possible if resources are preserved and secured for future use. A green vision for the company will help steer the company towards a steadier future.

6 Easily comply with standards and regulations

Companies must follow an increasing number of standards and regulations. These range from health and safety, product ingredients or content, performance, waste water management, labeling and so on. Some voluntary regulations, such as from the [Global Reporting Initiative](#), are expected to become industry standards.

Other standards and regulations are mandatory, such as the European Commission's Waste of Electrical and Electronic

Equipment (WEEE) recycling initiative. The Commission recognizes the vast environmental problem electronic waste causes, and is:

“expected to grow to more than 12 million tonnes by 2020”.

It address the problem with two legislations:

- The Directive on waste electrical and electronic equipment (WEEE Directive)
- The Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS Directive)

Giselle Weybrecht, author of *The Sustainable MBA*, also describes the idea of a “take-back” law to “require manufacturers to take back all vehicles or electronics equipment sold in a particular country and recycle or dispose of them safely after use.” She continues to add that standards and regulations are likely to increase, both in number *and* stringency. The costs involved in not conforming or leaving it to the last minute should be considered in a business case.

7 Improve brand image and competitive advantage

These days, having a sustainable brand could help differentiate you from the rest of the crowd. Retaining current customers and attracting new ones because of your position can lead to an edge over your competitors and an increase in your market share.

Weybrecht continues her ploy for sustainable business by giving the following example. She tells us about Sri Lankan apparel manufacturer, MAS. Competing with low-cost rivals, the company decided to have a different edge. Because of its inspiring employment practices, its green plant, and organic and fair trade products, the company has attracted the business of Victoria’s Secret, GAP, Marks & Spencer and Nike.

Summary

Sustainable business in most cases is quite simply, more efficient operation. It is consciously thinking about the use of resources available now and using them in a way that doesn't jeopardize them for future use. It is less wasteful and more resourceful. Sustainable principles can be built into any existing business. It doesn't matter how you start, but how you *continue*. The economic realization of benefits in greater efficiency and leaner consumption is to be considered on every level, in every area of the company. Conscious design and stakeholder engagement is key to progress. Sustainable practices can save money, give access to new markets and new customers, grow your brand, and inspire change.

If you are already embracing the benefits of sustainable business practices in your company, and are ready to share your success story, contact me today to discuss ways I can help you do that.

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