

The Transformational Company Guide

Quality #2 - Sustainable Customer Offerings



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Transformational Company Quality

2: SUSTAINABLE CUSTOMER OFFERINGS



Transformational companies integrate sustainability into the full life-cycle of product and service design, use and disposal, and advance sustainability through continuous improvement of core products and services.

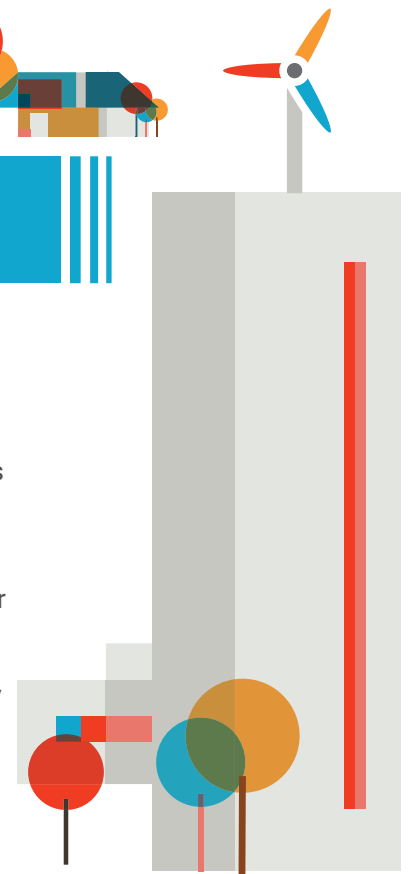
WHAT IS IT?

Growing global resource constraints coupled with changing customer, investor and government expectations are driving companies to redesign existing product portfolios to reduce resource dependencies and invest in new products and services that offer solutions to sustainability problems. Innovative companies are re-imagining and re-tooling business models and product and service designs to create customer offerings that minimize adverse social and environmental impacts and generate positive impact throughout the life of their products. Sustainability commitments are expressed through core products and services and integrated into the core business via a common brand promise. These products measurably improve people's lives with a significantly better environmental footprint. They are cleaner, more efficient, and socially equitable.

Transformational companies set and invest in reaching targets to improve the sustainability profile of their products and their customers. This includes environmental impacts, social impacts (e.g., worker, consumer and community) and the accessibility, usability and affordability of their products (e.g., applying universal design principles where products are usable by all people regardless of income, ability, etc.). To meet the criteria of sustainable development for the future, some products are totally redesigned, or eliminated altogether. With a vision to enable sustainable lifestyles, leaders consider how or if a product or service fulfils real needs and improves lives, or whether it creates desires and fuels unnecessary wasteful consumption.

Here is an overview of the different approaches often taken:

- Shelf editing – a large UK do-it-yourself chain (B&Q) stopped selling patio heaters because of the negative environmental impacts. CVS Health, a large US retail pharmacy chain, stopped selling tobacco products because of its focus on health
- Divesting unsustainable business lines – to concentrate on healthier food offerings more consistent with its corporate health mission, Danone sold off a number of junk-food businesses (e.g., cookies)
- Buying up social and sustainable brands – Unilever bought Ben and Jerry's ice cream, which is a global leader in social value ice cream products
- Giving prominent shelf-space to more sustainable products – Walmart's e-commerce site identifies 3,000 products made by more than 100 companies with a label that reads "Made by a Sustainability Leader"
- Virtualizing the product or offering it as a service – for example, virtual e-books and digital music and leasing lighting (Philips) and carpet services (Interface)
- Developing collaborative consumption and shared-ownership products to reduce consumption impacts – BMW's DriveNow car-sharing mobility service is an example of this
- Consistently increasing the sustainability dimension of core products over time, or adopting



strategies for all products to have one or more social or environmental sustainable features – BASF – the large global chemical company – is an example of the former with their “Sustainable Solution Steering” approach which takes a 360° view on the sustainability performance of their portfolio (see text box); L’Oréal is pursuing the latter method (see text box).

BASF commits to a sustainable solutions vision and pursues comprehensive sustainable product approach

BASF, the global chemical company, adopted a corporate purpose to “Create chemistry for a sustainable future” and a goal to increase the sustainability contribution of their chemical solutions. To this end they evaluated the sustainability impacts of 50,000 product applications in their portfolio, representing sales of €56 billion. The analysis took a couple of years to complete, involved 1,500 experts, and resulted in over a thousand specific plans for changing or phasing out products. Each product has been assessed as either accelerator, performer, transitioner or challenged and they have plans to continuously increase the number of accelerator products they offer customers. To qualify as an accelerator product, a BASF solution must make a substantial contribution to at least one designated and relevant area of sustainable development while not having significant negative impacts on any other area of sustainable development. Accelerator products contribute to at least one of the following areas:

- Cost savings downstream
- Climate change
- Energy
- Resource efficiency
- Health and safety
- Biodiversity
- Renewables
- Emission reduction
- Water
- UN Millennium Development Goals

To increase the number of accelerator products they ask themselves “with which measures (e.g. R&D, reformulation, product stewardship and phase-out) can we improve the sustainability performance of our solutions; and “how can we and our customers gain maximum value from our sustainable solutions?”. They set measures and milestones to identify new market opportunities, further innovations and reduce potential sales risks associated with the less sustainable solutions in their portfolio.

They traced several thousands of accelerator products back two years and found that their average growth rate outperformed their respective markets. Their goal is to increase the share of accelerators while reducing the impact of the solutions considered transitioners or challenged to minimize business risk. All their business will develop action plans for solutions classified as challenged. By analyzing the sustainability issues, market impacts and regional specifics the units will then develop options for tackling the challenged solutions. BASF seeks to reduce exposure to these products and derive new business opportunities by solving the sustainability concern.

Source and **source** and **source**

L’Oréal’s sustainable product commitment

In 2013, L’Oréal committed that, by 2020, 100% of their products will have an environmental or social benefit. Practically, this means demonstrating improved impact over today’s performance in ways that are quantifiable, measurable and verifiable. By 2020, a product assessment tool will evaluate all new products based on their environmental and social profile and brands will make this information available to consumers to support making informed choices about sustainable consumption.



According to the company, encouraging more responsible consumption – not only by reducing the impact of their products, but by involving consumers in this movement – is a major paradigm shift for their brands.

Source and source

Transformational companies focus on how to go beyond simply making their products less bad, to becoming a force for social good. Seeking to do more than reduce the negative impacts (footprints) of their products, some companies calculate and accelerate their ‘handprint’, the degree to which their customers’ footprint is improved through the use of their sustainably positive products or services.

Leaders also provide customers information on the sustainability impacts of their products through labelling, certification and other means to support informed choices and foster sustainable consumption. They do not see the sustainability forces which are affecting the business operating context as a threat but as an inspiring business challenge, an opportunity to innovate their companies, provide products and services that delight consumers and improve their competitive advantage – while contributing to a sustainable future.

Marks and Spencer sets goals to embed and market sustainability (Plan A) product features

Aim: We will ensure every M&S product we sell has an aspirational Plan A (sustainability) story to tell, based on a transparent value chain and comprehensive reporting. This year, 57% of M&S products (based on volume) had at least one Plan A quality – one year ahead of our 50% by 2015 target. These include Fairtrade, organic, free range, cruelty-free, low alcohol, sustainably sourced raw materials, recycled content, made in a factory that meets social or environmental best practice standards and healthy food. We’ve developed our Plan A qualities with help from Waste Resources Action Programme Product Sustainability Forum and Sustainable Clothing Action Plan, as well as the international The Sustainability Consortium. Next year we plan to publish a list of our Plan A qualities and explain them in full.

Aim: Develop mechanisms to help our customers identify products with Plan A qualities online to encourage their purchase by 2015. Having started with cruelty-free beauty products in 2014, next year we plan to introduce graphic symbols on our website to highlight other products with Plan A qualities.

Aim: By the end of 2016, we will have developed and rolled-out a training programme on sustainability and green claims to all M&S marketing managers.

Aim: Trial and evaluate at least two General Merchandise Sustainable Learning Products or services each year from 2015. This commitment is designed to inspire products and services with better sustainable credentials, such as the Plan A sofa range we launched in 2013/14 (incorporating a Forest Stewardship Council certified wood frame and a wool/flax material that makes it more naturally fire retardant) and a recycled denim throw. We’re planning several collaborative innovations, which we hope to be able to announce in the coming year.

Source

WHY IS IT IMPORTANT?

Increasingly, customers seek products and services that are produced and consumed in a socially and environmentally responsible way. Customers expect companies to contribute solutions to global



social and environmental issues. Equally, businesses are operating in a resource-constrained world, with growing global competition for finite natural resources and a decline in the quality and integrity of the ecosystems that underpin them. This is creating a business imperative to reinvent core products and services to mitigate rising and volatile raw materials prices and longer-term business risk, while reducing costs and increasing revenues from new customer value propositions.

Depending on the approach, these are some of the benefits available from integrating sustainability into the full life-cycle of product and service design, use and disposal, and advancing sustainability through the continuous improvement of core products and services:

- Attract customers and meet future expectations of tomorrow's customers
- Increase revenues by differentiating in the marketplace
- Build a positive brand and reputation with key stakeholders
- Win supply contracts
- Reduce costs from reduced materials and energy use
- Anticipate and prepare for government regulations and standards
- Improve supply-chain security
- Foster innovation
- Attract, retain and engage employees

"Incrementalism doesn't light people up. It is radical change that excites people."

~Steve Howard, Chief Sustainability Officer, IKEA

Source

By rethinking design and production processes, companies can achieve higher sales performance, increased profit margins and significant cost savings. Companies that pursue strategies to improve the sustainability impacts of their core offerings will reduce and avoid social and environmental risks, enhance their social licence to operate and grow, while ultimately helping to create a more sustainable society. In so doing, they advance an industrial revolution that turns the making of things into a positive force for people, the economy, and the planet.

Dow accelerates its product 'handprint'

In 2006, we launched our current set of 2015 Sustainability Goals, which focus not only on the Company's footprint in our own operations but also our handprint through the positive impact of Dow products and their role in global sustainable development. These efforts are focused on addressing global challenges like health, water, food, climate change, and energy. Two such products include Omega-9 Heart Healthy Oils and DOW FILMTEC™ ECO Reverse Osmosis Desalination Technology, which address global challenges in health and nutrition and clean water, respectively.

Source

HOW TO DO IT?

Here are some general guidelines on how to improve the sustainability impacts of your product portfolio.

- Identify the top environmental and social dependencies, impacts and opportunities across your product's lifecycle from how it's extracted, harvested and made, to how it's used and disposed.



You can do this by conducting a life-cycle assessment to prioritize the hot spots and improvement opportunities. The ISO has environmental [life-cycle assessment standards](#) which can be used as a guide and a [life-cycle assessment tool to evaluate product social impacts](#) is now available.

- Adopt social and environmental criteria to guide product design teams. These can be based on the life-cycle review and / or on industry guidelines or standards developed by third party industry groups, such as [The Sustainability Consortium](#)
- Collaborate internally and with suppliers or customers as necessary to improve the product's sustainability impacts and features.
- Trial your approach by greening or adding social features to a few products in your portfolio, depending on where demand is highest or impacts are greatest, and assess customer take-up.
- Develop or join sector and cross-sector collaborations to drive improvements, where the challenges of going it alone are too great.

Industry collaboration to determine and measure product sustainability

The Sustainability Consortium (TSC) is a global, university-based collaboration of companies and academics established to assess and share scientific research on the social and environmental footprints of consumer products. It has guidelines and data on over 100 product categories from bread, books, and computers to clothing, TVs, and toys. The organization is a data amalgamator, gathering the best peer-reviewed science on the lifecycle impacts and 'material' environmental and social issues for a given product category. The group identifies the 'hot spots' in the value chain that create the most risk and footprint. For example, in the case of computers, key issues might be how much energy it consumes during use, or the inclusion of metals in the design that come from controversial "conflict minerals" in the supply chain. For other product categories, the largest issues may be things like overall carbon footprint, water use, resource depletion, or worker health and safety. TSC boils the analysis down to about 10 to 15 questions that manufacturers and consumer products companies can answer, which generates a score for each product. The scores are unique for each category, so a company like Kimberly-Clark could have a different score in diapers (Huggies) than in "household papers" (Scott). This information can help a company identify where to spend time with designers, suppliers or customers to improve the product's sustainability profile.

Source

How IKEA mobilized to innovate sustainable products and drive sales

Reflecting on IKEA's 2014 sustainability achievements, Steve Howard, IKEA's head of sustainability, points to this top driver: "I think it comes down to setting an agenda for transformational change in the business and then really driving that change through innovation". He elaborates on the following example:

"We went to our lighting team and we said, 'How quickly can we get a 100 percent LED range? They came back and said the end of financial year 2015 and we said, 'Let's do it.' We then worked with all our suppliers to design products that were as efficient as possible and then we made a big volume play to bring the cost right down."

The net result is a lighting range that will be 100 per cent LED by the end of 2015 and an accompanying surge in customer interest. "We've seen a big response from customers in the last 12 to 18 months as they recognized this is a better product," Howard revealed. "I think people are starting to get familiar with LED technology. Then you get the peer-to-peer recommendations. At a certain point the value proposition became clear."

It was only by making a big commitment to the technology that IKEA was able to bring the cost down to a point that customers would accept. "People were using bulbs that cost 50 pence or a pound," Howard recalled. "They may have got the value proposition of LEDs but the price differential was too high. But now we've got the price point right down. You can get payback in four to five months and then it's payback for 20 years."



The result of all this innovation is a 58 percent year-on-year increase in IKEA's sales of products that help customers save energy, reduce water use, curb waste levels or generate their own power. And a significant, if as yet unquantified, environmental saving.

[Source](#)

WHO IS DOING IT?

Beau's All Natural Brewing Company based in Vankleek Hill, Ontario, produces craft beer for the local market (including Ontario, Quebec and New York State). Its vision statement is: "Crafting beer. Inspiring community. Oh yeah!". It takes a sustainable value chain approach to the production of its beer so it can offer customers a beneficial product: 20% of its hops is locally sourced, all of the company's beer is certified organic and all of the spent grain goes to local organic farmers for feed. As well, the company features certain of its products as social value added. For example, in 2011 Beau's launched its "Greener Futures Project", an exclusive customer beer club that offers premium-priced limited-edition beers not available to the general public, the proceeds of which are invested in the company's sustainability improvements such as solar panels, renewable energy sourcing, and waste and wastewater initiatives (over 2014-2015). On the social side, every year the brewery offers 2 – 3 beers where the profits are shared with a local community organization (\$20K in 2014).

The company is also focused on sustainable packaging solutions, including 100% recycled cardboard packaging, 4-packs rather than 6-packs to reduce packaging, crown caps rather than twist-offs which increase the recyclability of the reusable glass bottles and 100% post-consumer recycled labels.

To mobilize and inspire its staff, all 123 employees receive education and training on the company's social and environmental mission. In 2013 the company became a "B Corporation", an eco-certification of its strong social and environmental sustainability practices.

The company has experienced 100 times growth in the past eight years and sold 3.5 million litres in 2014. According to the CEO, documenting and standardizing their sustainability procedures helped it grow stronger, with their efforts attracting attention from restaurants and the media: "We became junkies for measurement-type of activities because it's rewarding. And people in the community skeptical of our claims were more open to it. It opened doors for us that wouldn't be open otherwise." [\(Source\)](#)

Loblaw Companies Limited (Loblaw), Canada's largest retailer, is committed to providing customers with products that are healthy, nutritious, safe, local and responsibly sourced. As of 2013, all President's Choice "Free From" poultry and pork are sourced exclusively in Canada and raised without the use of antibiotics or hormones; while the animals are fed a vegetable and grain diet. Loblaw is also targeting to source fresh pork from suppliers that have made the transition to loose housing environments by 2022. For President's Choice eggs, Loblaw is working with egg farmers and suppliers to transition eggs to be free-run. Loblaw is committed to source palm oil in all its control brand products from sustainable sources by the end of 2015. For seafood, the company is the first and only major retailer in Canada to commit to sourcing 100% of its seafood from sustainable sources – currently at 88% of target.

Socially, Loblaw strives to be the nutrition and health destination in Canada. To achieve this goal and help customers make healthier food choices, Loblaw rates all of its food products based on their nutritional value, using a "Guiding Stars" in-store tool. The company has removed artificial flavours and colours from all branded products, and is committed to remove artificial sweeteners and lowering sodium in processed products. [\(Source\)](#)



WHERE CAN I GO FOR MORE INFORMATION?

- The Sustainability Consortium is an industry collaboration with a purpose to develop science-based sustainability assessments of consumer goods to drive a new generation of products and supply networks that address environmental, social, and economic imperatives. It includes members of over 100 of the world's largest retailers, consumer product companies, and NGO and academic partners and is run by the University of Arkansas and Arizona State University. Corporate members include Coca-Cola, PepsiCo, P&G, J&J, Kellogg's, L'Oréal, and Unilever.
<http://www.sustainabilityconsortium.org/>
- How to Design Sustainable Products, Network for Business Sustainability
<http://nbs.net/knowledge/how-to-design-sustainable-products/>
- Handbook for Product Social Impact Assessment
<http://product-social-impact-assessment.com/handbook/>
- Cradle to Cradle Products Innovation Institute administers a certifiable guidance and evaluation system for product designers and manufacturers
<http://www.c2ccertified.org/>
- Biomimicry is an approach to innovation that seeks sustainable solutions to human challenges by emulating nature's patterns and strategies
<http://biomimicry.org/what-is-biomimicry/>
- UL Environment is a third-party certifier of environmental claims
<http://industries.ul.com/environment>
- Conference Board of Canada webinar on sustainable customer offerings ([link](#)). Contact publications@conferenceboard.ca and quote CBSR to see if you qualify for free or discounted access.

