The Business Role in Sustainable Consumption

WBCSD/WEC/WWF Meeting, January 30, 2012

Meeting summary and highlights

Key messages for the business role in sustainable consumption:

- **Collaborate across the value chain to address environmental "hotspots", be it with the company, suppliers, or consumers.**
- **Assess consumers' sustainability value proposition directly to better understand how they integrate sustainability in their "moment of truth" at the shelf.**
- **Achieving sustainable consumption at market scale will require new thinking on business models, transformational innovation in the development and use of consumer products, and new forms of collaboration that, together, will enable business to achieve marketplace success while solving societal problems.**

Overview

On January 30, 2012, approximately 100 companies, members of civil society, government, and academic institutions came together in a meeting jointly convened by The World Business Council for Sustainable Development (WBCSD), World Environment Center (WEC), and World Wildlife Fund (WWF). The focus of the meeting was on the role business can play in sustainably meeting the world's future consumption needs given the megatrends of an increasing population, diminishing resources, and a burgeoning middle class.

Presentations[1] and discussions were grouped into four themes:

- **Vision 2050 Sustainable Consumption:** How do some leading companies view their role in promoting sustainable consumption and why do they think it is important to the success of their businesses?
- **Sustainable Value Chain Case Studies:** What are some creative ways companies are working across their networks and with consumers to increase benefits for the entire value chain while reducing impacts to the planet?
- **Innovative Business Models:** Representatives from different business sectors discussed changes in their business models to promote sustainable consumption.
- **WWF's Perspective on the Role of Business in Sustainable Consumption:** What does WWF, a leading global environmental organization, believe business's role in sustainable consumption to be and how is WWF working with companies around the world to support sustainable consumption?

Peer experts presented their work and comments during presentations and panel discussions– all aimed at the role of business in sustainable consumption.

WWF – Think About It ...

The tone for the meeting's discussions was "doing more with less", set by WWF:

- Current global consumption levels with 7 billion people already use more resources than one planet Earth can provide.
- As global population grows to an expected 9 billion by 2050, with disproportionate growth in the middle class, we will need 2.5 Earths to meet current demand trends.
- We must learn to intensify production of agronomic crops in a sustainable way such that we do not irreparably damage ecosystems that provide invaluable ecosystem services.

[1] Speakers came from the following organizations: AkzoNobel, Henkel, Nestle Waters North America, Nokia, Proctor &Gamble (P&G), PepsiCo, The Coca-Cola Company, Wal-mart, WBCSD, WEC, and WWF

- We can strategically make a difference by focusing on the largest companies that are also responsible for the majority of commodity trade globally to voluntarily improve practices.
- We must work with governments globally to ensure the remainder of crops produced is grown sustainably.

Vision 2050 for Sustainable Consumption

The WBCSD's 2010 *Vision 2050 – the new agenda for business* provides a 2050 vision, namely, "9 billion people living well and within the limits of the planet". The role of consumption in that vision is given in the WBCSD's 2011 *A vision for sustainable consumption – innovation, collaboration and the management of choice*. This vision is based on the following assumptions and goals:

- Changing consumption: this includes thinking about bringing quality of life to those currently at the bottom of the pyramid and an additional million people joining the middle class.
- The need for better products and services, enlightened consumers, maximized total value, new measures, and a cohesive and responsive marketplace. Constant dialogue between all actors in the value chain is needed for products and services to be designed for and accessed by consumers.
- Creating and managing choice through innovation, choice influencing, choice editing, and educating the consumer.
- Key "must-haves" for success are: more collaboration and information exchanges throughout the value net, a deeper understanding of consumer behavior, innovative technology, evolving business models, and a commitment to reinforce trust.
- Sustainable consumption is a complex and daunting challenge for businesses; it necessitates an increased pace of change; business models and products need to make efficient use of resources, and enable more sustainable consumption patterns.

The five elements of a vision for sustainable consumption in 2050

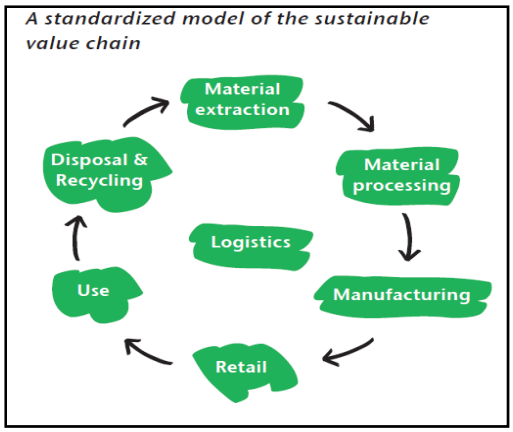
Key Discussions and Outcomes:

- Educating the consumer via choice editing and/or influencing is key to changing consumer behavior.
- New business models to enable sustainable consumption must be relevant to the situation, and may include a variety of crop or other commodity certifications, including working with local farmers to switch crops.
- Investors should also be engaged in this dialog to help lift innovative business practices and technology. Businesses will be better able to respond to uncertainties and potential inertia in the markets.
- Governments must be involved in incentivizing sustainable crop practices. They should level the playing field through necessary regulations, and then allow business to take the lead.

Sustainable Value Chain Case Study Panel

Case studies were presented from three companies. Common themes across these case studies included:

- Companies are targeting 75% of consumers, who are the "sustainable mainstream"; they are eco-aware and will not accept trade-offs in product/service performance.
- Lifecycle assessment is being used to prioritize the focus of product and service innovation across the value chain, identifying the area with the greatest opportunity for change or "hotspot", translating sustainability into business opportunity.
- Examples of hot spots discussed include: reducing energy in the consumer use phase of laundry detergent by changing effectiveness of cold water washing to be the same as hot water washing; using less adhesive that is equally as effective as more of a prior formulation; and developing alliances with upstream partners to reduce the overall greenhouse gas emissions.



- Additional case studies can be found in WBCSD's 2011 *Collaboration, innovation, transformation*.
- In the development of new products and services, supply chain alliances are being formed to quickly enable the development process.
- Consumer education is essential for changing buying habits in a way that is culturally meaningful.

Key Discussions and Outcomes:

- Companies are not seeing a trade-off between cost and performance for their innovative sustainable consumption products; either top line profits will increase or bottom line costs will decrease.
- Companies are targeting mainstream consumers, where data have consistently indicated across years and geography that they will welcome more sustainable solutions if those solutions are affordable and provide a similar level of performance.
- Messaging to consumers is crafted to appeal to meaningful values, whether on cost savings or protecting the environment.
- Corporate alliances can work effectively at the global scale, leveraging national market and political knowledge.

Innovative Business Model

In this three-company panel session moderated by WEC, the following themes where discussed:

- A growing number of consumers like the concept of sustainable products, when the products/services deliver expected performance without cost increases.
- Corporate goals of sourcing renewable energy are being applied to long-term energy contracts and other performance indicators, which incentivize investments for innovation.
- Transparency matters in the manner in which businesses respond to product safety; emphasizing quality and safety is a foundation of providing products and services.
- Relationships make a difference when collaborating in the supply chain, with attention to nurturing trust in a culturally sensitive manner.
- Given the limitations of individual companies and NGOs in achieving global scale change, the search for innovative institutional collaboration is a powerful driver to integrate the value proposition of business with the needs of civil society.
- What is the role of government in these collaborations? Government needs to set rules and require all to play. Government needs to lift the floors, while corporations need to lift the ceilings.

WWF's Perspective on the Role of Business in Sustainable Consumption

- In terms of role of business in sustainable consumption, WWF's focus is on conservation partnerships. Their work with corporations focuses on maximizing opportunities for mutual interest across three areas to leverage change: philanthropy, marketing, and strategic/transformational partnerships.
- As part of an integrated strategy to protect priority places, WWF seeks to work with companies to improve the sustainability of global trade in key commodities, with work organized around global challenges: forestry, fisheries, freshwater, finance, agriculture, aquaculture, and climate; and the markets, places, and policies that impact and are impacted by them. (See http://www.worldwildlife.org/globalmarkets for more information.)
- With consumption and energy demand expected to double by 2050, and agricultural commodity demand expected to triple by 2050, approaching corporations through partnerships is an important approach to address these challenges.
- Sustainability is pre-competitive and illuminates the power of collaboration.
- Key lessons learned through partnerships with corporations include: walk before you run; solicit broad buy-in internally, and on both sides; partnerships should be inclusive; shared work plans mean shared ownership and outcomes; maintaining independence is critical.

The meeting was sponsored by KPMG

This meeting summary was prepared by graduate students and faculty from Virginia Tech's XMNR Program.

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