

# Why sustainability means success

How sustainability can be central to your business – with positive impacts on the planet, your brand, and your bottom line

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Why sustainability means success

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## The lightbulb moment that switched me on to the reality of sustainable business

I’ve been working in the sustainability space for 15 years, and my business at Foster Equity is to invest in companies that have sustainable goals at their core, and advise them in making sure those goals are met.

I wanted to start out on this exploration of sustainable business by telling you about my ‘lightbulb moment’ when it came to sustainability.

Back In 2005, I was working at Saatchi & Saatchi in New York when Hurricane Katrina hit the Gulf Coast. It was devastating – the hurricane wiped out most of Louisiana. I was working with our largest client at that time, Procter & Gamble. And we desperately wanted to do something to help.

One of the biggest challenges people face when a natural disaster strikes is getting access to fresh water. So, our idea was to work with P&G’s Tide detergent brand to stand up a mobile laundromat, to give people access to clean clothes. The ‘Loads of Hope’ programme was born.

It took a gargantuan effort, but we got our mobile laundromat down to New Orleans, and provided the community with 300 loads of laundry a day. It was a huge success. It reflected well on the brand, and we felt great to have been able to do something.

Later, I presented this project to P&G’s board – to an emotional round of applause. After that had died down, P&G’s chairman asked me a question.

“Chris, this is great. But what’s the ROI?”

I almost gasped. How could anybody think about this project in commercial terms? But he went on to clarify.

“If we can’t make this sustainable, it’s not going to go on helping people. It’s not going to be able to continue doing good because we won’t be able to fund it.”

And the light bulb went on for me.

Sustainability and sustainable practice has to earn its keep. It has to sit at the core of the business if it’s going to perpetuate and be integral to business.

That experience and that exchange with P&G’s board has informed my career’s purpose over the 15 years since.

And I’m proud to report that Tide’s Loads of Hope is still in operation. It’s helped over 50,000 families. If we hadn’t questioned and built sustainability in, it would have been consigned to history long ago.

This paper will explore how to place sustainability at the core of your business – and why doing so will drive results at the bottom line.



What's your purpose?

## The difference between brand purpose and sustainability

Purpose and sustainability are terms that are often used interchangeably. In reality, they're inter-related, but different.

Simon Sinek famously said: "People don't buy what you do they buy why you do it." Understanding why your company does what it does comes through defining purpose. It's about why your business does what it does.

The need for purpose is more pressing now than ever. But there is a risk that purpose becomes the next 'corporate social responsibility': a focus on feel-good initiatives that aren't linked to strategy, performance, or anything fundamental to the way a company works.

Approaching purpose in this way is a mistake, and a huge missed opportunity. Talking purpose without walking it as an integral and central tenet of your business can also leave you exposed to accusations of hypocrisy – or "woke-washing", as Unilever CEO Alan Jope memorably called it.

This is where sustainability comes in. Sustainability is concerned with how you live out your business's purpose.

### Why

#### Purpose

The why in what you do and what you believe in.

### How

#### Sustainability

The How you do it that allows your company to thrive in perpetuity.

### What is the purpose of a business?

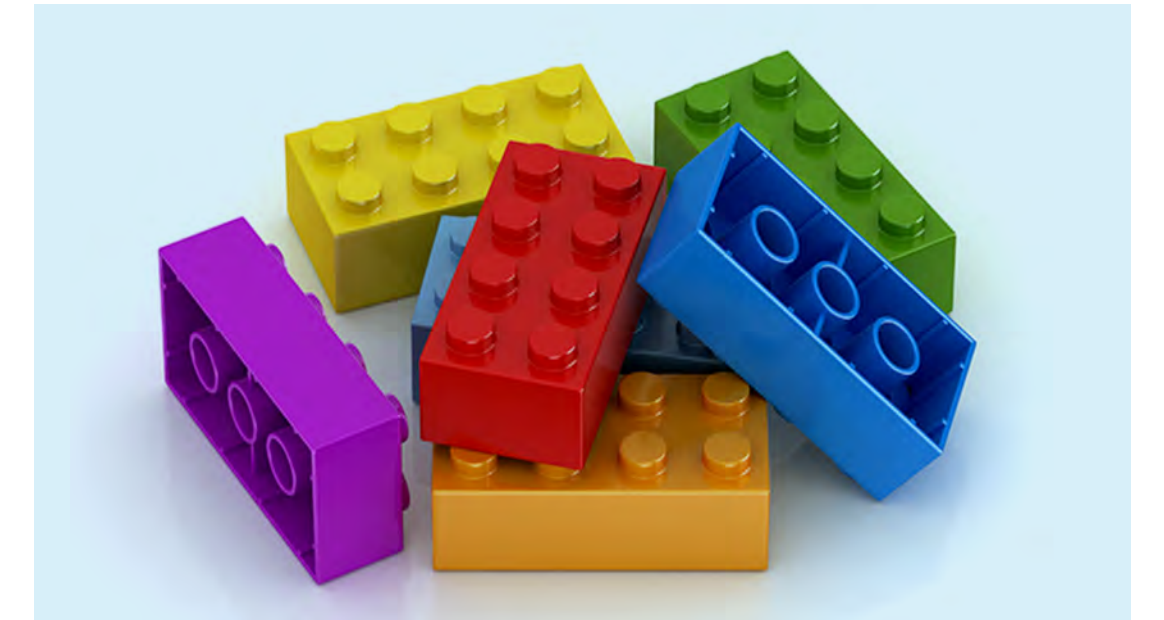
Here's the shift in mindset over time demonstrated by the Business Roundtable – a non-profit association of CEOs of major US companies:

Back in 1999 they said...

"The principal objective of a business enterprise is to generate economic returns to its owners."

Now in 2020 they say...

"Each of our stakeholders is essential – including customers, employees, suppliers, communities, and shareholders – and we commit to deliver value for all of them."



LEGO's purpose is a great example.

"To use the power of play to inspire the builders of tomorrow, their environment and communities"

Note, it's not "build a better brick that has the best adhesion and dominates the category". It sets up a higher order purpose that inspires the brand's team and the wider world.

What's your purpose?

## Sustainability superpowers

A fun way to think about sustainability: finding your company's superpower, and then wrapping sustainable practice around it as its electromagnetic forcefield.

Take Amazon as an example. Amazon's superpower is being able to get you just about anything you want, at any time, and anywhere. Now, they've committed to having a zero carbon footprint by 2040. If you consider the influence that's going to have on their incredibly complex logistical business, it's going to require a fundamental reworking of how they operate.

That's what it means to make sustainable practice your brand's forcefield – ensuring you thrive in perpetuity.



What's your purpose?

## How would your business results look if your impact was built into your bottom line?

One of the key issues when it comes to delivering sustainability is measurement and accountability.

The brains at Harvard Business School lead the thinking on this, and they've come up with the Impact Weighted Accounts Initiative. This method for assessing a company factors in the negative impact the company has on the environment in monetary terms and subtracts it from their declared profit.

Their most recent study on this basis found that 15% of the firms assessed would have had their profit margin completely wiped out. And overall, a third of companies would have decreased profit by 25%.

This way of looking at a company's impact and success is a step in the right direction because it's tied to the bottom line – and helps brands hold themselves accountable.

“...many companies are creating environmental costs that exceed their total profit (EBITDA). Of the 1,694 companies which had positive EBITDA in 2018, 252 firms (15%) would see their profit more than wiped out by the environmental damage they caused, while 543 firms (32%) would see their EBITDA reduced by 25% or more.”



**HARVARD**  
**BUSINESS SCHOOL**

Harvard Business Review

'How to measure a company's real impact' (Sept 20)

Source: data based on analysing IWAI's extensive dataset for 2018

# Millennials and Gen Z now actively vote with their dollars

A vitally important shift in the consumer landscape is the importance of Millennials and Gen Z, and their vastly different attitudes to sustainability compared to the generations that went before them.

Given that Gen Z will soon be the largest consumer group, it's wise to understand what they think.

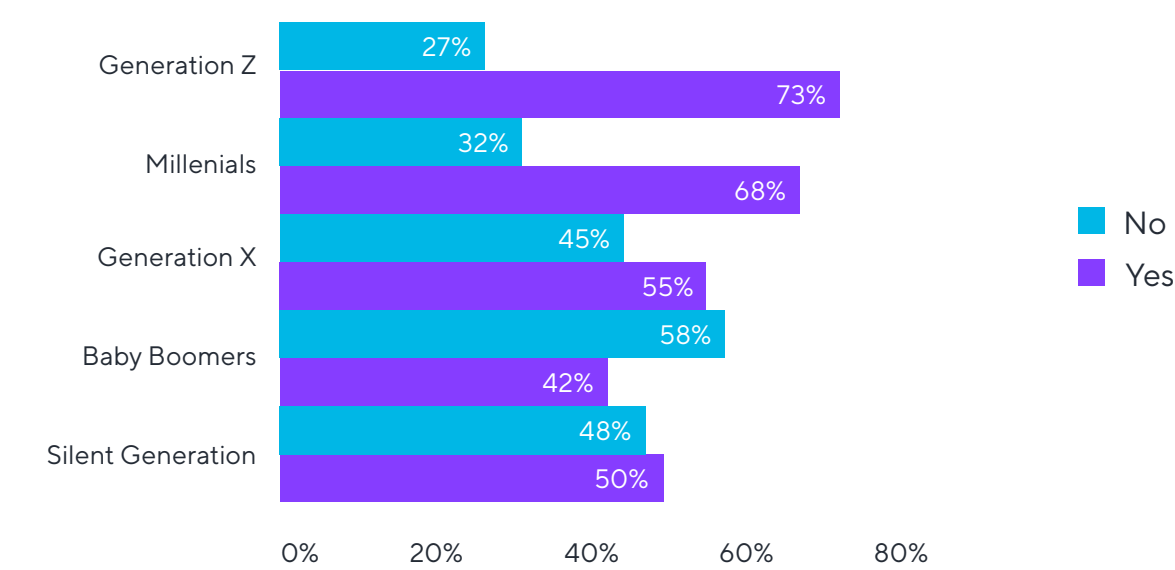
On a claimed basis, First Insight found that 73% of Gen Z and 68% of Millennials say they are willing to pay more for sustainable products. Taking the two generations together, more than half say they're willing to pay in excess of 10% more for sustainable products.

Behavioural studies bear these claims out – and point to sustainability being key to business growth. A study by Stern School of Business across the FMCG category between 2013 to 2018 found that while sustainability marketed products made up 16% of the market, they delivered more than half of the market growth.

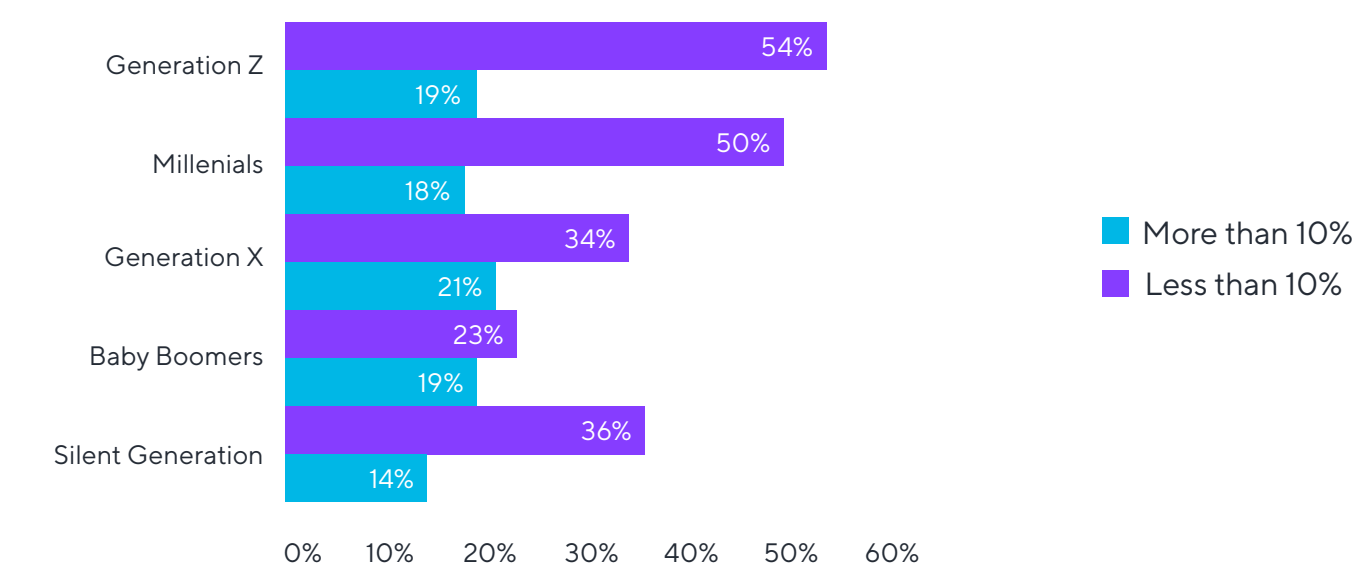
And these sustainably marketed products grew about five times faster than the ones that were not marketed or had no sustainability practice in their marketing or in their products in general.

It's a compelling body of evidence pointing towards the fact that sustainability practice really does mean success.

Are you willing to pay for more sustainable products?

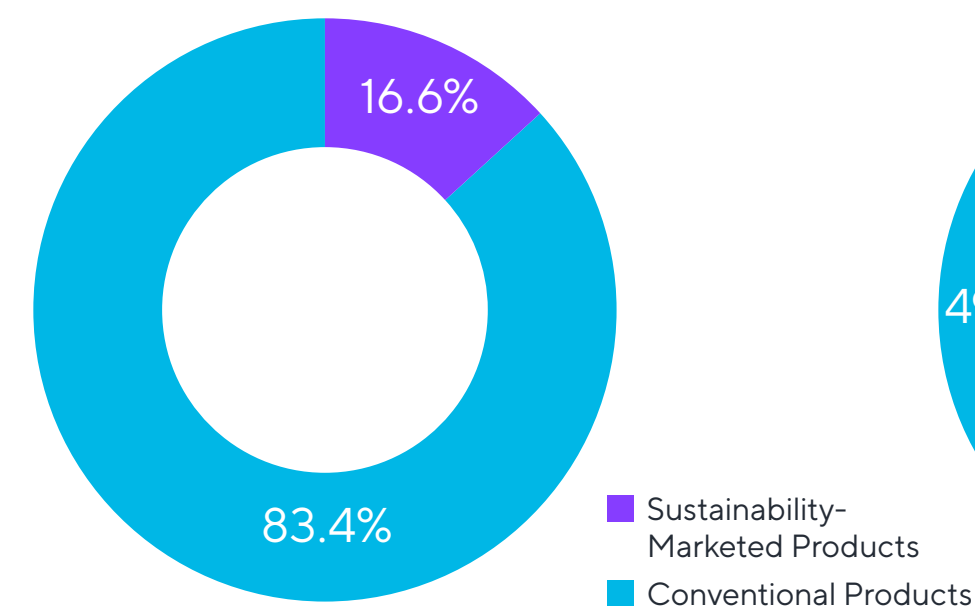


How much more are you willing to spend for more sustainable products?

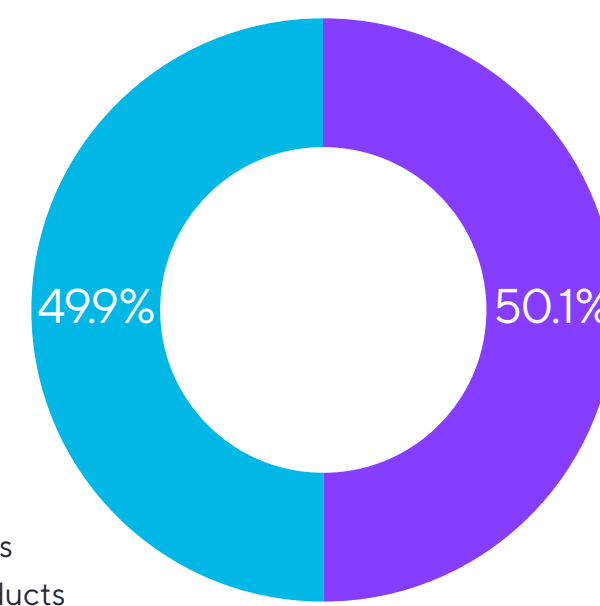


Source: First Insight -The state of consumer spending: Gen Z shoppers demand sustainable retail, Jan 2020

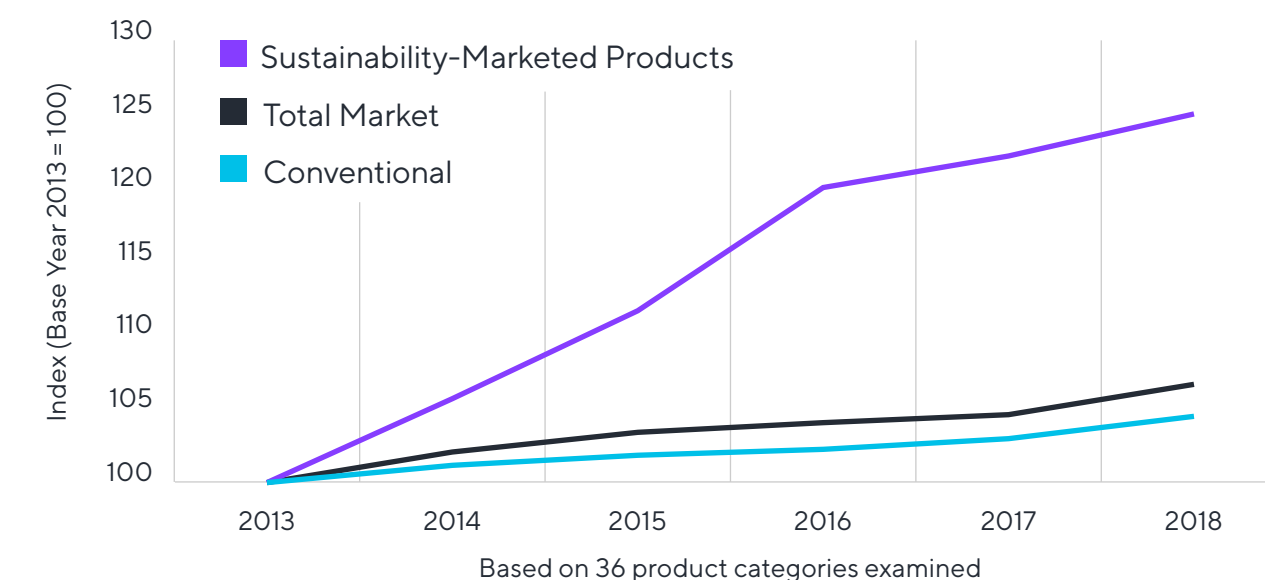
\$ Share of Market (2018)



\$ Share of Market Growth (2013-2018)



Sustainability-Marketed Products grew 5.6x faster than conventionally marketed products, and 3.3x faster than the CPG market.



4.45% Sustainable 5-YR CAGR

1.35% Total Market 5-YR CAGR

0.80% Conventional 5-YR CAGR

Source: Stern School of Business

## Consumers look to business for leadership

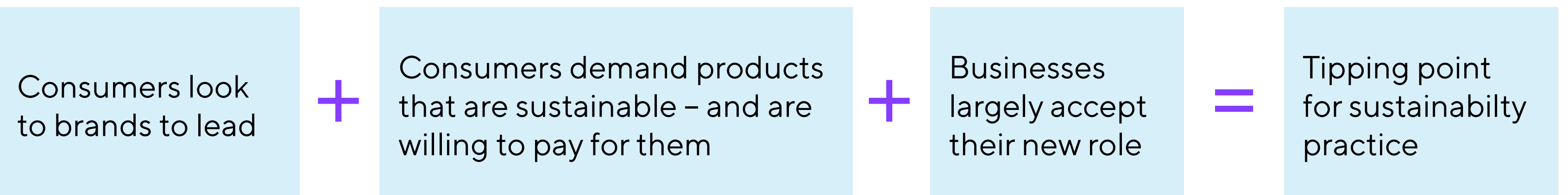
The last point on our business case for building sustainability practice into your brand's core, is that consumers expect business to take the lead. The Edelman Trust Barometer is a remarkable source – it provides an insight into consumer attitudes to brands, businesses, the media, governments and NGOs across the world.

The 2020 survey found that governments are widely perceived to have failed – and consumers expect brands to step into the void and lead on important issues.

“Public trust in institutions and governments is at an all-time low, and many increasingly look to businesses as the key agents for change on major societal issues.”

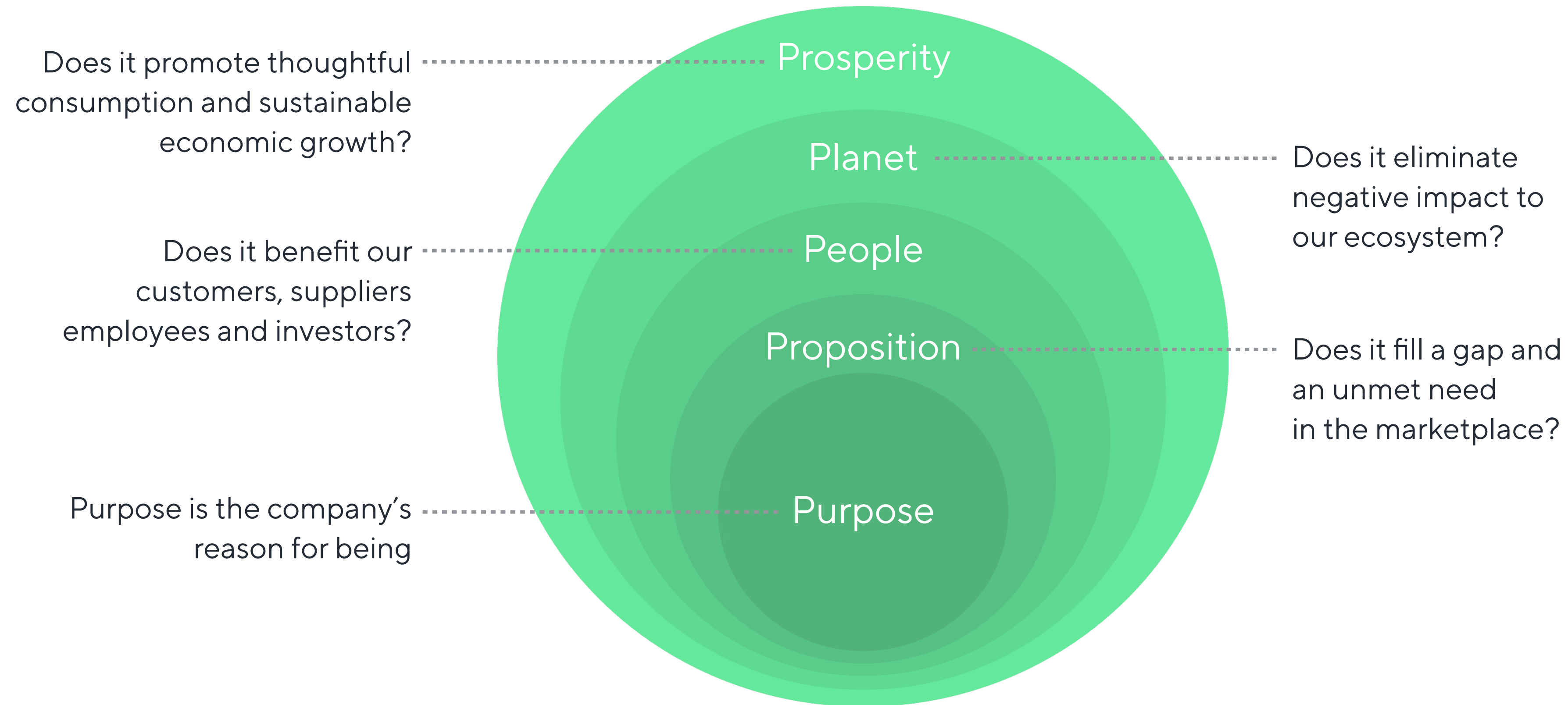
2020 Edelman Trust Barometer

## We've reached a 'moment' for sustainability





# The 5 Ps of sustainable practice



## Short-termism is the most dangerous blocker

The enemy of long-term value creation through sustainable practice is short-termism.

Managers and investors alike too often fixate on short-term performance metrics, particularly earnings per share, rather than on the creation of value over the long term. There's also evidence, including the median scores of companies tracked by McKinsey's Corporate Horizon Index from 1999 to 2017, that the tendency toward short-termism has been on the rise.

The best business leaders don't skimp on safety, don't make value-destroying decisions just because their peers are doing so, and don't use accounting or financial gimmicks to boost short-term profits. Such actions undermine the interests of shareholders and all stakeholders and are the antithesis of value creation.

Businesses make a vital contribution by creating value for the long term. Doing so in a sustainable manner calls for meeting the concerns of communities (including the environment), consumers, employees, suppliers, and shareholders alike. A short-term focus necessarily shortchanges some or all of these constituencies.



Managers fixate on short-term performance metrics rather than on the creation of value over the long-term



The best business leaders don't skimp on safety, don't make value-destroying decisions and don't use financial gimmicks to boost short-term profits.



Businesses make a vital contribution by creating value for the long term. It calls for meeting the concerns of communities, consumers, employees, suppliers, and shareholders.

# Unilever's sustainability journey



Unilever launched its Sustainable Living Plan in 2010, and has since been on a remarkable and transformative sustainability drive.

A decade on from the Sustainability Living Plan, the company has evolved to be truly purpose driven, with a single sustainability business strategy based on three core beliefs to 'make sustainable living commonplace'.

This is a mindset shift that elevates sustainability away from another business performance metric to a core principle.



## Sustainable Living Brands

Unilever's Sustainable Living Brands communicate a strong environmental or social purpose, with products that support Unilever's sustainability goals.

All of Unilever's brands are on a journey towards sustainability, however the 28 Sustainable Living Brands are those that are furthest ahead.

The brands that have delivered positive impacts include:

- + Dove, which has helped over 35 million young people with self-esteem education
- + Vaseline, which has reached 3 million people living on the frontline of poverty and disaster with skin healing programmes
- + Ben & Jerry's, which campaigns for social justice and climate change
- + Rin, whose Career Academy works with women across rural India

The sustainable living brands have grown much faster than the rest of the portfolio and have delivered the majority of total business growth.

## Unilever's Sustainable Living Brands

- + Grew 69% faster vs rest of the business
- + Delivered 75% of its business growth



“Two-thirds of consumers around the world say they choose brands because of their stand on social issues, and over 90% of millennials say they would switch brands for one which champions a cause”

Alan Jope – CEO Unilever

## How L’Oreal ‘shares beauty with all’



L’Oreal’s sustainability commitments are covered under their global program ‘Sharing Beauty With All’.

This programme is categorised into four areas: innovating, producing, living and developing sustainably.

Categorised under ‘Developing Sustainably’ is the Solidarity Sourcing Program that we’ve collaborated closely with L’Oreal on in Asia.

Established in 2010, the programme directs a proportion of the group’s global purchases to suppliers who give people typically excluded from the job market access to work and a sustainable income.

### MONITORING INDICATORS UP TO 2020

#### TOTAL BENEFICIARIES



90,635 ✓

people from underprivileged communities who gained access to employment.

#### SOLIDARITY SOURCING



70,912 ✓

people gained access to employment.

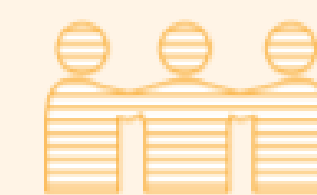
#### VOCATIONAL TRAINING IN THE BEAUTY SECTOR



18,443 ✓

people in difficult social or economic situations participated in free vocational training in the beauty sector through the *Beauty For a Better Life* programme, supported by the Fondation L’Oréal.

#### HIRING PEOPLE WITH DISABILITIES\*



1,280 ✓

people with disabilities work for L’Oréal.

# Heineken Brewing a Better World



Heineken has extensive sustainability programmes operating globally, focusing on three pillars of activity –People, Planet, and Prosperity. Much focus has been placed on sustainable water consumption and carbon emissions – and the statistics on this page speak for themselves in terms of what the brand has achieved.

Some of the recent projects and achievements that Heineken has undertaken include water balancing in Spain, where the brand partnered with the Valencia Government to restore part of the Poyo ravine with indigenous vegetation, saving 400,000 cubic metres of water every year.

The brand has also commissioned its second brewery to use 100% renewable energy. The new brewery, in Austria, follows the Tiger Beer brewery in Singapore, which harnesses the energy of the sun through 8,000 solar panels on the roof of a building.

Tiger Beer’s brewery was the first solar powered brewery in the world when it opened in 2015. It’s delivered a CO2 reduction of around 20% for the factory.

Removal of plastics and replacement with sustainable alternatives has been a focus as well. In the UK, the removal of plastic rings and shrink wrap saves more than 500 tonnes of plastics every year. Heineken has also been working with the supply chain, seeking commitment for sustainable sourcing through implementation and adherence to their supply code.



**33%** decrease in water consumption in breweries since 2008.

**49%** decrease in breweries’ carbon emissions since 2008.

**39%** reduction in accident rates since 2015.

**95%** of markets selling Heineken® devote 10% of their media spend to responsible consumption campaigns.

## Drawing conclusions

No one champion stakeholder can delivery sustainability alone.  
It's important to recognise that brand owners, procurement, marketing and manufacturing need to collaborate with partners, agencies, suppliers and communities.

## Here's a recap of our key points...

# 1

Purpose is the 'why' in what you believe in. Sustainability is how you practise it to help your company to thrive in perpetuity.

# 2

Sustainability is no longer just a 'nice to have' because consumers now actively 'vote' with their dollars for sustainable brands.

# 3

Many look up to businesses as the key agents for change. It is now time to create a better world through better business.

# 4

To make a difference, sustainability and sustainable practice need to sit at the heart of the business model.

# 5

Value creation through sustainable practice is not short term or long term, it should be in every term.

# 6

For sustainability to earn its keep, position it as a business driver that contributes to the overall business model.

# 7

Sustainability is everyone's responsibility – don't be afraid to take it up and start the conversation.

Explore how we can transform your approach to sustainability to drive both marketing and business success.

**Talk to Indicia Worldwide today.**

Alan Thorpe

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Let's talk →



## Meet the authors



**Chris Foster**  
Founder, The Next Practice

Former Worldwide COO at Saatchi & Saatchi, Chris is a widely published keynote speaker on many topics including the sustainable organisation and innovation. He's CEO of The Next Practice, a future-focused communications group, and is the founder of FosterEquity (FeQ) – a marketing services company that fosters purposeful brands for thoughtful consumption.



**Tim Lane**  
Managing Director Sales,  
Asia Pacific, Indicia Worldwide

Tim has proven himself in project management and client services, as well as sales. His work establishing and managing our business in Australia and Asia means he's exceptionally experienced when it comes to sustainable marketing activation in the region.



**Conrad Mendoza**  
Managing Partner APAC,  
Indicia Worldwide

Conrad is a well-rounded business development leader with more than 18 years of regional and country experience. He's an expert when it comes to C-level consultative sales, product, channel program management and data-driven marketing.



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We create new value across the full remit of marketing. We've built this business to support our clients in a unique end-to-end way – finding operational efficiencies and delivering marketing that performs.

Present in 37 countries, and working with more than 500 brands around the world (including some of the biggest brands on the planet), we present a new way of delivering marketing – helping clients to spend less, but achieve more.

### Some of our clients



Talk to Indicia Worldwide today.

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