Embracing Sustainability to Boost Sales and Increase Loyalty

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Sustainability. Green. Environmentally-friendly. Whatever we call it, it is top of mind. Sustainability is about how your company and its products are affecting, and trying to achieve balance within the economic, social and environmental systems. This isn't just an issue for the "big" companies. Regardless of size, every company and its leadership team needs to be exploring what green and sustainability means for the company and its products. Because strategic planning incorporates opportunity identification, risk management, talent development, and financial strategies, all of which fall within the domain of the C-suite, sustainability which affects all of these should be the concern of the company's leadership team. Practical green and sustainable solutions can help reduce risk, meet compliance, and create market opportunities.

There are many ways for a company to integrate green into their strategic plan. For example in October of 2007, P&G announced a new corporate strategy around three goals: developing and marketing $20 billion in sustainable innovation products; improving the environmental footprint in operations; and the social sustainability area of increasing the number of children in need that they reach. Goals are good, but implementation is where the rubber meets the road. As a result, P&G has a VP of Global Sustainability responsible for operationalizing each of these goals. Companies are finding it is this issue is important enough to appoint someone as a champion of their sustainability initiative.

Green encompasses many factors. These factors can range from developing, manufacturing new green products, to looking at ways to make existing products more "green" by reducing their carbon footprint whether that's in terms of the raw materials they source or the suppliers they use or how the product is packaged, to the energy the company uses from the types of lights in the office to the thermostat settings, to the actual way the product is promoted, such as using more environmentally friendly dyes and papers, more electronic communication channels, and so on. Whatever your approach, as you explore your company's route to sustainability you should also discuss how you plan to market the "green" aspects of your company.

While being green is quite appealing, the journey takes time, investments, resources and commitment. You will want to establish performance targets and success metrics to help monitor the return on this investment. Is it worth the investment? The research suggests that it is. Sustainability is beginning to impact a company's reputation. According to the firm, Conscientious Innovation, more than 70% of consumers link social responsibility to a company's environmental behavior. Given the trend, sustainability in all its forms is becoming a necessary part of the way a successful company does business. And a recent study by Forrester revealed that 63% of US adults claim that they are concerned about the environment as a whole, and these concerns translate into spending changes. As this trend continues it will be important for every company to have a green marketing strategy designed to boost sales and increase loyalty. These two metrics - sales and loyalty - should be used to determine the success of your efforts and the return on your investment.

To get started you will want to create a roadmap to “sustainability” that identifies the strategies and tactics you will deploy. This roadmap should be integrated into your strategic, operational, and marketing plans. It might help to provide some examples of companies who have already embarked on the journey and what they are doing.

Steps every company can take:

1. Establish a Chief Sustainability Officer or a similar position to head your effort. For Mitsubishi this is their President and CEO, Ryoichi Ueda. When the CEO is the Chief Sustainability Officer, it signals the important of environmental and green considerations within the company. At P&G, Len Sauers serves as the Vice President of Global Sustainability.

2. Create a cross-functional team. Herman Miller has what they call an Environmental Quality Action Team (EQAT) which is composed on employees from across the company who address all the multiple components of the green strategy.

3. Assess your carbon footprint. The first thing the team should do is assess your current carbon footprint. The carbon footprint is a way to measure the impact your organization’s activities on the environment in terms of the amount of greenhouse gases produced. Every aspect of your carbon footprint needs to be inventoried from activities having to do with how the company uses energy or the quality of your customer database in order to reduce direct mail waste. For example, Gwen Migita, Director of Corporate Social Responsibility recently reported that at Harrah's Entertainment, which operates 51 casinos worldwide, and significantly leverages direct-mail after a substantial database cleaning efforts was able to cut its mailings to the 40 million customers in its database, saving the company $3.5 million. Often one of easiest ways to start down the sustainability path is by focusing on how to reduce your environmental impact from the extraction of raw materials, the production of goods, the use of those goods and management of the resulting wastes.

4. Develop new opportunities: Reducing your carbon footprint is one side of the equation the other is developing new initiatives. These new initiatives can take the form of new products, which is what Home Depot is doing around their EcoOptions products or be in the form of take back programs where companies will for example take toxic chemicals back. If new initiatives are not something you can tackle solo, consider looking for a partner or making an acquistion, which is what Clorox did by buying Burt’s Bees.

5. Integrate your strategy into your business. The best way to approach green is to look for ways to integrate it into what you already do. For example, Armstrong International, Inc., is looking a number of ways to modify what they do today. This includes exploring how to return hot condensate to be reused, installing double-pane windows and low-fluorescent lighting, using gas-fired hot water heaters to heat their buildings, monitoring air quality in the welding area, reducing trash by 10 percent annually, increasing the amount of recycling, eliminating the use of Styrofoam cups, reducing storm/sewer water discharge, and saving carbon dioxide by replacing travel with videoconferencing. Armstrong has set a target to save 20 percent of the energy they use by 2010 (a potential savings of $120,000 per year).

6. Develop a Plan: The carbon footprint reduction is a good measure of progress but the ultimate goal is to have these investments result in cost savings and revenue growth. Trying to tackle everything can quickly become overwhelming. Apply the concept of Pareto analysis in your decision making. Select a limited number of things you can address that will produce the most significant overall effect – things that will increase sales, garner more customer and employee loyalty and the right return on investment.

Develop the plan to address these items and how you are going to a) communicate this plan and status internally, b) communicate this plan and your achievements to customers, prospects and other external stakeholders and c) measure and report on results. This means your sustainability officer and the company's marketing leadership will need to join forces. While the sustainability officer/department may be looking into the processes, practices and products that enable the company to become "more green" and manages the technical expertise; it is the marketing organization that is responsible for building and communicating the strategy. Your marketing organization needs to communicate how the end-user can be environmentally sustainable through the use of your products as well as the company's progress with its sustainability initiatives.

7. Establish a company culture and align the business plan. All the best laid plans can go awry if the company's business values and culture don't support the effort. Part of the process will require you to set policy, implement changes, review successes and failures. Hold periodic sustainability milestone meetings to demonstrate your commitment, address issues, and measure progress. CEO Lee Scott of Wal-Mart takes this approach. Wal-Mart's sustainability department runs lean with the focus on integrating sustainability into the overall business.

8. Measure and report results: Sustainability and green are new ways for a company to demonstrate its social responsibility and serve as good community citizens. However, companies and organizations are in business to see a financial return. So where should you expect to see the results of your green investments and marketing initiatives? On the increase sales side your efforts should pay off in faster product adoption rates and an increase in the rate of growth in your category. And on the customer loyalty side of the equation, you should expect to see increases in share of wallet and referral rates. Using your performance today as your baseline, monitor the changes in these numbers as you ramp up your sustainability efforts and your promotion of these efforts to track the degree of impact.

In summary, getting your customers to use your sustainable products to help them become more sustainable themselves achieves three key things. First, it boosts your sales and helps build stronger brand loyalty. And it helps your customers become more sustainable in return, creating a ripple effect making your efforts extend beyond just your company.