



BSR Conference 2010

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Sustainability Trends and Strategy

Breakout Session Summary

Thursday, November 4, 2010 | 10:15 a.m.-12:30 p.m.

Speakers

- » **Ed Maibach**, Professor, Communication, and Director, Center for Climate Change Communication, George Mason University
- » **Eric Ostern**, Senior Manager, Corporate Responsibility and Community Relations, Unilever
- » **Henrik Sundström**, Vice President, Group Sustainability Affairs, AB Electrolux
- » **Peder Michael Pruzan-Jorgensen**, Managing Director, Europe, Middle East, and Africa, BSR (moderator)

Highlights

- » Key trends for the next 20 years include population growth and a growing middle class, increased consumption, changing consumer demand, increased demand for transparency and accountability, and resource constraints.
- » Sustainability trends are now often framed as business fundamentals and are no longer just the domain of CSR/sustainability departments.
- » Companies need to take a long-term perspective when identifying trends, scenarios, and the implications for their business.

Memorable Quotes

"Growth and increased consumption provide a business opportunity for us. It is critical to double the size of our business while reducing our environmental impact."—Eric Ostern, Unilever

"One of the most important things we have to do is to change the demand from the market; that is going to be key."—Henrik Sundström, AB Electrolux

"Marketing techniques are very powerful social change techniques—we can improve the world through marketing."—Ed Maibach, George Mason University

Overview

Pruzan-Jorgensen opened the session with a presentation that outlined trends: planetary boundaries, population growth, increased consumption, urbanization, hunger, water scarcity and access to safe drinking water, air pollution, increased energy prices, rise of biotechnology and nanotechnology, destruction of biodiversity and ecosystems, species extinction, climate change, mineral depletion, and increases in the number of recycled products. Pruzan-Jorgensen introduced the panelists, who shared their perspectives on the most important trends, their implications, and how companies are responding.

To frame the discussion, Maibach explained the difference among: a) trends, which play out over a long period of time in a linear fashion and can be identified early and projected relatively accurately; b) blips, which dissipate quickly and are inconsequential to our lives; and c) tipping points, which are trends that start linearly, and can change overnight at a very accelerated rate. He warned that if we focus only on trends and neglect to consider tipping points, we will be unable to make strategic decisions.



Sundström believes the most important trend is the growth of the global middle class, noting a 40-percent increase in the next decade. This population growth magnifies all the other trends such as climate change and chemical use.

Ostern believes that overall population growth is particularly relevant and corresponds with increased consumption. He identified the four core benefits of integrating these trends into Unilever's business: 1) changing consumer demand—people want ethical and responsible products at the same price and quality; 2) retailers' increasing focus on sustainability and demands on their suppliers; 3) tremendous innovation that can be generated through sustainability; and 4) cost reductions.

Ostern explained Unilever's "brand imprint" proprietary process to understand the meaning of the social, economic, and environmental trends for each brand and the implications that need to be considered. The brand imprint helps to infuse and integrate CSR into the business and the product development process. After the brand imprint process, Unilever sets stretch goals, such as Lipton sourcing 100 percent of tea from Rainforest Alliance Certified sources by 2015.

Maibach believes the three most important—and intertwined—trends are: changing consumer demand, calls for greater transparency and accountability, and inadequate and confusing sustainability metrics for consumers. He provided two options for companies to address these trends: 1) pay attention, adapt, and anticipate; or 2) participate in shaping and driving the process.

Sundström pointed out that companies too often focus on the short term, which they have to do to survive, yet they neglect to dedicate resources to assess future possibilities and challenges and align business models with trends. AB Electrolux overcomes these barriers by integrating trends into its product development process.

In response to a question about gaining internal buy-in for stretch goals even when the plan to achieve the goal is unclear, Maibach explained the difference between building "will" and building know-how, which are two independent processes. He asserted that building "will" must come first for change to occur. Ostern highlighted the importance of establishing milestones for both achieving the goal and for changing the mindset within the organization. Sundström stated that he believes the process is more important than the target itself. Setting a target forces an organization to discuss the issues, and to consider and assess the trends of the future.

In response to a question about how these trends apply to Asia, where the concept of sustainability is less developed and consumers do not consider it in their purchasing decisions, Ostern replied that product ambition differs by market. For example, in India, where water is scarce and costs more, Unilever created a detergent that utilizes two fewer buckets of water. The company then communicated the product's value proposition: Consumers save money by saving water and their clothes are just as clean.

In response to the question of the role of business in shaping consumer demand, Maibach referenced the example of Walmart, which set a goal of selling CFL lightbulbs, thereby changing the nature of the dialogue and the distribution process.

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