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Building the business case

First in a series on connecting sustainability to top-line revenue

By Jennifer Rice

Your company has been progressing nicely up the sustainability curve from compliance to cost savings. The next logical step is reputation and revenue generation, and it's here that many sustainability pros hit a roadblock.

Without a CEO mandate, business units usually have little incentive to deviate from what's been working in the past. Sustainability and CSR initiatives have safely been tucked away behind the scenes, dealing with internal and supply chain issues that reduce risk and cost to the business. Objections to customer-facing sustainability initiatives range from "Why put our neck out and risk greenwashing charges?" to "It's still a niche market" and "Why would we promote our values for commercial ends? We're doing this because it's right, not to make money from it."

Perhaps they do see that sustainability is beginning to go mainstream, but it hasn't become a burning platform for action. And this is the big opportunity for sustainability pros. It's time for you to change the conversation.

As pointed out in a recent [EthicalCorp](#) article, "Corporate responsibility teams could do more to articulate a clear business strategy for their company that will grow sales.... Social and environmental issues are increasingly seen as new business opportunities, rather than risks to be managed. But translating this knowledge into practical business plans is easier said than done."

You'll need to craft a compelling story and business case for taking sustainability to the next level within the organization. And that story must be told using the language of numbers, making a clear connection between sustainability and top-line revenue.

How you do that is the subject of a new series of articles that will cover:

- identifying your total addressable sustainability market and your share of that pie
- learning what you can do to protect your current base and attract new customers
- prioritizing initiatives that will get the most bang for the buck

Business Case

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- enabling customers to experience your company as a sustainable brand through key touchpoints
- engaging customers to boost loyalty and grow the sustainability market
- communicating in a simple, relevant and credible way with customers

Let's tackle the first one now. TAM, or total addressable market, is the sum of all of the potential sales that your company could make if it didn't have any competition. In the sustainability world, we need to identify your *TASM*, or total addressable sustainability market, to begin building the business case.

TASM is based on an understanding of how many buyers are motivated by sustainability-related attributes when they purchase or recommend a product. It's crucial to your strategy, and yet secondary data on this information is slim. LOHAS is a well-known segmentation model originally designed for health & wellness, but it may or may not apply to your category. I would question whether the same segmentation model holds true across all categories including food, electronics, personal care and energy.

Without knowing exactly how many buyers in your market care enough to adjust their purchase and loyalty behavior, it will be hard to justify any customer-facing initiatives. Even if the market is small for your category, it may be growing at a rapid enough pace to make a dedicated effort worthwhile. Side note: don't believe what consumers tell you; TASM should be based on behavioral data, not a poll.

Step two is knowing what share of this market you currently

own versus your competitors. Are you leading or lagging? If you increased share by one percentage point, what is the resulting revenue that you could use to fund additional projects? If you cede competitive advantage among this group to a competitor, what percent of your customer base is put at risk?

In the next issue, we'll discuss how to protect and grow your sustainability customer base.

"Defining your Total Addressable Sustainability Market (TASM) is critical to your business case."

Proving Values-Based Business is the Most Fruitful

An interview with Triple Pundit

In an interview with Gennefer Snowfield for her Philanthropy In 5 series at TriplePundit.com, I shared my thoughts on the subject of values-based business and aligning philanthropy with strategy.

1. How do you define for-profit philanthropy?

To me, for-profit philanthropy simply means values-based business. I subscribe to Peter Drucker's observation that "every single pressing social and global issue of our time is a business opportunity." Profit is still important, but equally so is the awareness of where and how that business fits within the overall ecosystem, and what unique contribution that business can make in the world. It's about humanizing brands and leveraging their power to make a real difference, not just to make more stuff.

2. Please describe your philanthropic business plan and charitable activities.

I created Fruitful Strategy to help businesses live and breathe their values in a way that can be experienced by all stakeholders. Values shouldn't be relegated to signs on a wall; they should build and strengthen

brands by guiding every aspect of the business including operations, customer experience and even product innovation. So my service itself is my "charitable activity," as I feel that this is the best way for me to leverage my skills to help transform the world through business.

3. How do you communicate the impact of these efforts to your customers?

I enjoy writing, so my primary method of communication is through my blog, articles, white papers, and interviews like this one. I'm also on Twitter (@jennrice), which I'm finding to be a tremendous tool for connecting with like-minded people and spreading the word.

4. Why do you think it's important for companies to adopt philanthropy as part of their revenue model?

I'm hard on companies who think of philanthropy (charitable giving) as a way to show that they're a good corporate citizen. Corporate philanthropy is the moral equivalent of going to church on Sundays. If

Values-based Business

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you're expecting to earn your gold star and absolution so that you can act however you want the rest of the week, you need to think again. But if it's part of who you are, then the rest of your actions speak for themselves. Within the context of a values-based business, philanthropy is transformed from a box to check to the natural outflow of a conscious mindset. And done in the right way, by strategically selecting non-profits or causes that are aligned with your brand and value proposition, everybody wins.

5. What would you say is the most critical element in successfully implementing philanthropic endeavors?

Align your cause with what makes your company unique. It should be an investment in brand-building, which then can attract employees and customers who share those values. And I'm not talking cause marketing; this is about baking that cause into your DNA and customer experience, which then gives your marketing department something more substantial to talk about. Don't fall into commodity "me-too" status with your sustainability and CSR efforts; make it an extension of who you are.

10 Questions

for sustainable brand leadership

- ✓ What share of values-based buyers' dollars are you capturing in your category?
- ✓ How much credibility does your brand enjoy among these buyers relative to your competition?
- ✓ How are you helping to grow your sustainability market through awareness and education?
- ✓ Have you defined the most appropriate brand strategy for your sustainability initiatives?
- ✓ How deeply is sustainability embedded into your products and services?
- ✓ How are you helping values-based buyers to easily find, learn about and buy products that meet their sustainability criteria?
- ✓ How differentiated is your sustainability approach relative to competitors?
- ✓ How consistently are you communicating your sustainability message across business units and product lines?
- ✓ Are you translating sustainability into language that's meaningful to customers?
- ✓ Are your employees educated, engaged and rewarded for building a sustainable brand?



"By strategically selecting non-profits or causes that are aligned with your brand and value proposition, everybody wins."

The Elephant Under the Table

Is a sustainable brand an oxymoron?

If you couldn't make it to the Sustainable Brands conference in Monterey last month, you missed a lot of good content, networking and discussion. The big question that came out of the conference for me was, "what does capitalism look like in a dematerialized world?" In other words, is a sustainable brand an oxymoron?

Sustainability is bigger than using harm-free materials or using less energy. It requires a fundamental shift in thinking, a long-term view and an exploration of new business models. It means redefining what success looks like, such as measuring the number of PCs leased and recycled instead of millions of units shipped per quarter. It's the difference between GM and ZipCar. In the not-too-distant future we'll be building products to last, reversing the trend of consumerism and disposable thinking.

This vision of the world is quite threatening to the status quo. We're facing a tidal wave of change in the coming years, and companies can choose to disrupt their own businesses or be

disrupted by an innovative niche player with less to lose and a willingness to skate to where the puck will be rather than where it is right now.

And that puck is speeding towards the future fairly quickly. A recent study by [A.T. Kearney](#) showed firms with true commitment to sustainability outperformed industry peers by 15% in the financial markets in the economic downturn. Another study by [Aberdeen Group](#) found that top sustainability performers realized 16% higher customer retention rate than their peers in 16 of 18 industries evaluated.

It's time to start asking what the sustainable version of your category could look like in five to ten years, and if you're positioned today to be a leader or laggard in that world. Perhaps capitalism will never be truly sustainable but, as in horseshoes, getting close counts. Let's all take a good hard look at the elephant under the table -- what we sell and how we do business -- and ask ourselves if there's a better and more efficient way to solve customers' needs.

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