

# Sustainability and Profitability: 10 essential questions for business owners and leaders

In today's business landscape, there's a growing emphasis on sustainability — balancing profit-making with environmental responsibility. Sustainability is about ensuring that our actions benefit not just our pockets but also the planet we inhabit.

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For business leaders, from CEOs of large corporations to local entrepreneurs, the challenge lies in integrating sustainable practices without compromising profitability. It's a delicate balance between doing what's right for the environment and ensuring the business thrives.

At *PricingForThePlanet*, we've identified 10 pivotal questions to guide business leaders on this journey. These questions serve as a roadmap, helping businesses navigate the complexities of sustainability while remaining profitable.

By addressing these questions, businesses can carve out a path that benefits the environment, satisfies customers, and ensures financial success. It's a holistic approach to business—one that promises a brighter future for all.

Now, let's delve into these 10 questions, categorised by key topics

# Customer Perception and Value

## ***Are your customers willing to pay more for sustainable products and/or services?***

Assessing the economic value customers place on sustainability is of utmost importance. While it's widely acknowledged that eco-consciousness is on the rise, it's essential for business leaders to determine the tangible financial implications of this trend. Specifically, do customers see enough value in sustainable practices to justify a higher price point?

*Example:* Michelin's commitment to sustainability has proven to be more than just an ethical stance; it directly impacts their bottom line. A recent survey by EPIC Conjoint highlighted the tangible benefits of this commitment, revealing that consumers are willing to pay an additional €16.03 (13.1%) for a Michelin tire with sustainability claims. This underscores the importance of aligning business strategies with eco-friendly initiatives, not just for brand reputation, but also for tangible financial gains.

*Recommended Action:* Engage in periodic market research (called willingness to pay studies) to understand the price elasticity related to sustainable offerings. Simple feedback tools, such as targeted questionnaires or focus groups, can provide invaluable insights into customers' valuation of eco-friendly products.

## ***How do your customers perceive your sustainability initiatives?***

Gaining insight into your customers' viewpoints is paramount. While many business leaders believe they have a grasp on customer preferences, the nuances of customer sentiment can often elude them. In the realm of sustainability, it's imperative to discern whether customers view your efforts as genuine commitments or mere superficial gestures.

*Example:* A post-purchase survey conducted by a footwear manufacturer revealed that 70% of respondents favored the brand due to its commitment to using eco-friendly materials. Yet, a significant 50% felt there were additional areas, such as sustainable packaging or advocacy for environmental causes, where the company could enhance its efforts. Such feedback offers invaluable guidance for refining the company's sustainability strategy.

*Recommended Action:* Implement regular feedback mechanisms, such as surveys or questionnaires, to continuously gauge customer sentiment. A straightforward approach, like a Google survey post-transaction, can be an effective starting point.

# Brand Choice

## ***Why do customers gravitate towards—or away from—your brand due to its sustainability efforts?***

Delving into the motivations behind customer choices is a cornerstone of effective business strategy. While many companies excel at gathering feedback from loyal customers, a significant blind spot often exists: understanding the reasons potential customers turn away. In the context of sustainability, this presents a unique opportunity. As eco-consciousness becomes more prevalent, it's not only vital to understand why customers choose your brand for its green initiatives but equally crucial to discern why others might be deterred.

*Example:* A skincare brand, after launching a new line of eco-friendly products, might find that a majority of their new customers were drawn by the brand's zero-waste packaging. However, upon reaching out to potential customers who explored but didn't purchase, they might learn that some felt the brand's sustainability messaging was unclear or inconsistent, leading to lost sales.

*Recommended Action:* Beyond traditional customer feedback mechanisms, consider implementing outreach programs specifically targeting those who showed interest but didn't finalise a purchase. Sustainability offers a fresh lens through which to engage these potential customers, providing insights that might have previously been overlooked.

# Business Approach

## ***How is your company pioneering sustainable business models and approaches?***

In the modern business landscape, sustainability extends beyond eco-friendly practices—it's about reimagining the very frameworks on which businesses operate. As companies strive to align with evolving consumer values and global challenges, there's a pressing need to explore innovative business models that not only support sustainability but are built upon it.

These models can range from transparent pricing structures that reflect true environmental costs, to subscription or rental models that promote product longevity and reduce waste, to even unconventional approaches like "pay what you want," which can foster community trust and shared value.

*Example:* POPPRI, an innovative online retailer, is combatting the environmental repercussions of fashion waste by offering a renewed life to

unwanted and unsold clothing and accessories. Recognising the potential of auctions as a sustainable sales strategy, they allow customers to bid the price they're willing to pay. This not only ensures that consumers get the best price deal but also promotes the purchase of fashion items that might otherwise end up in landfills. Through this approach, POPPRI empowers its clientele to make eco-conscious choices while simultaneously addressing the issue of fashion waste.

*Recommended Action:* Engage in strategic brainstorming sessions focused on sustainable business model innovation. Consider models that not only reduce environmental impact but also resonate with evolving consumer behaviors and expectations such as circular economy. Collaborate with stakeholders, from suppliers to consumers to consultants, to co-create models that drive both sustainability and business growth.

### ***How does placing sustainability at the forefront give your business a leg up over competitors?***

In today's market, sustainability is not just a buzzword—it's a competitive differentiator. As consumers become more environmentally conscious, businesses that embed sustainability into their core operations and values often find themselves better positioned to capture market share. Whether you're a niche startup or an industry giant, understanding and leveraging the competitive advantages that come with sustainable practices can set you apart in a crowded marketplace.

*Example:* As explained by Ron Giuntini in our book "Monetizing and Pricing Sustainability", a classic example is Caterpillar, one of the world's leading remanufacturers. With a global presence through its remanufacturing division, which boasts over a dozen large shops and generates over \$5 billion in annual revenues, Caterpillar has carved out a niche that not only contributes significantly to its profits but also sets it apart from competitors. While remanufacturing might represent less than 10% of the company's total revenues, it often accounts for way more than 10% of its profits. This strategic focus not only showcases Caterpillar's commitment to sustainability and resource efficiency but also attracts a dedicated customer base that values these practices. This loyalty can lead to repeat business and positive word-of-mouth, giving Caterpillar an edge in a competitive market.

*Recommended Action:* Conduct a thorough analysis of your industry landscape to identify where sustainability can offer a unique selling proposition. Engage with your customer base to understand the value they place on sustainable practices. By aligning your business strategies with these insights, you can carve out a distinct position in the market, driving both brand loyalty and profitability.

# Communication

***Is your sustainability report (or Communication for Smaller companies) aligned with client expectations and the sustainability narrative your marketing team projects?***

In an age of information transparency, the authenticity of a company's commitment to sustainability is under constant scrutiny. Whether you're a FORTUNE 500 company or a small-to-medium enterprise, the way you communicate your environmental impact and practices plays a pivotal role in shaping client perceptions. It's essential that the sustainability claims made in official reports align seamlessly with the messaging disseminated by marketing teams. Any disparity can erode trust and damage brand reputation.

*Example:* A local organic food store might promote its commitment to zero-waste and local sourcing in its marketing campaigns. If their sustainability report reveals a significant carbon footprint due to some imported products, it could lead to customer skepticism. Conversely, a multinational corporation that highlights its global reforestation efforts in its impact report should ensure that its marketing campaigns across regions echo this commitment.

*Recommended Action:* Regularly review and cross-reference your sustainability or environmental impact reports with marketing materials and campaigns. Ensure consistency in messaging and take proactive steps to address any discrepancies. Engage in open dialogues with clients and customers to understand their expectations and perceptions, refining your communication strategy accordingly.

# Tracking and Technology

***How do you track your journey towards becoming more sustainable, and are there mechanisms for consistent reviews and improvements?***

In the quest for sustainability, continuous monitoring and adaptation are key. As the business environment and global sustainability challenges evolve, it's imperative for companies to not only set green benchmarks but also to regularly measure their progress against these goals. This iterative process ensures that sustainability efforts remain relevant, effective, and aligned with both internal objectives and external expectations.

*Example:* A tech firm aiming to reduce its carbon footprint might implement advanced analytics tools to monitor energy consumption in real-time. Quarterly reviews could then assess this data against set targets, leading to informed

decisions about potential infrastructure or policy changes. Corporate incentives might even be based on this objective as well.

*Recommended Action:* Implement robust tracking tools tailored to your sustainability goals. Schedule regular review sessions, involving both leadership and operational teams, to assess progress, celebrate milestones, and recalibrate strategies as needed.

## Risk Management

***How do you pinpoint and tackle challenges related to sustainability, such as changing regulations, resource constraints, or the impacts of climate change?***

The path to sustainability is fraught with uncertainties and evolving challenges. Proactive identification and mitigation of risks associated with sustainability can be the difference between a resilient, future-ready business and one that's caught off-guard. Whether it's adapting to new environmental regulations, navigating resource scarcities, or preparing for climate-induced disruptions, forward-thinking risk management is crucial.

*Example:* An electronics manufacturer operating in Europe might face the challenge of adhering to the new CSRD (Corporate Sustainability Reporting Directive) regulations. Failure to comply could result in significant compliance fees. Recognizing this, the company could invest in training programs for its compliance teams and implement advanced reporting tools to ensure adherence. Meanwhile, a small local bakery, also keen on sustainability, might be concerned about the increasing costs and scarcity of organic ingredients due to climate change. To address this, the bakery could explore local sourcing or even start a small urban farm to grow some of their own ingredients, ensuring both quality and sustainability.

*Recommended Action:* Conduct comprehensive sustainability risk assessments, considering both current challenges and forecasting future scenarios. Develop a multi-pronged strategy that includes risk prevention, mitigation, and response mechanisms. Joining a coalition or industry group focused on sustainability can be invaluable. Such coalitions often provide resources, shared knowledge, and collective bargaining power, helping members stay updated on the latest regulations, trends, and cost-effective solutions. Additionally, engage with experts, local communities, and industry peers to share knowledge and co-create solutions.

# Ecosystem building

## ***Are you forging alliances with businesses, NGOs, or governmental bodies to advance sustainability in your industry?***

Collaboration is a powerful tool in the sustainability journey. By joining forces with other entities, businesses can amplify their impact, share resources, and tap into a broader pool of expertise. Whether it's partnering with NGOs that have on-the-ground insights, collaborating with other businesses for shared solutions, or liaising with governmental bodies to shape policy, these alliances can significantly accelerate a company's sustainability goals.

*Example:* Collaborating with NGOs like Human-I-T offers businesses a unique opportunity to amplify their corporate social responsibility (CSR) efforts and enhance their brand image. By partnering with Human-I-T, businesses can showcase their commitment to both environmental sustainability and digital inclusivity. In an era where consumers are increasingly conscious of corporate ethics, such partnerships can be a significant differentiator in the market. Donating unused or outdated technology not only diverts e-waste from landfills but also aids in bridging the digital divide, a cause that resonates with a broad audience. Furthermore, businesses can benefit from comprehensive social and environmental impact reports provided by Human-I-T, which can be leveraged in marketing campaigns and sustainability reports. This collaboration not only drives positive societal change but also positions businesses as leaders in sustainability and community engagement, fostering customer loyalty and attracting new clientele who prioritise ethical consumption.

*Recommended Action:* Actively seek out and evaluate potential partnerships that align with your company's sustainability vision. Engaging in industry forums, attending sustainability conferences, or even initiating dialogues with potential partners can open doors to fruitful collaborations. Remember, in the realm of sustainability, collective action often yields more significant results than isolated efforts.

## Think long term

### ***How do you maintain momentum in your sustainability journey?***

Sustainability is not a one-time initiative; it's a continuous commitment that requires constant evolution. To ensure that the drive towards sustainability remains strong, businesses must foster a culture of continuous learning and innovation. By encouraging employees to test new ideas, learn from outcomes, and iterate, companies can stay ahead of the curve. Recognising and rewarding innovative sustainability ideas not only leads to tangible

improvements but also boosts employee engagement, fostering a sense of ownership and loyalty towards the company's green mission.

*Example:* Schneider Electric, a global leader in energy management, has taken a proactive approach to sustainability through its Sustainability Impact (SSI) initiative. The SSI translates the company's six long-term commitments into 11 transformative and innovative programs, ensuring that their sustainability goals are both ambitious and actionable. To ensure transparency and accountability, program results are published quarterly and undergo an annual audit. Moreover, by linking these results to short-term incentive plans for the company's managers, Schneider Electric ensures that its leadership is directly invested in achieving these sustainability milestones. A significant enhancement to the SSI in 2021 is its focus on local impact. By promoting local actions in the 100+ markets where Schneider Electric operates, the company empowers its leaders and collaborators at all levels to drive meaningful change in their communities. This approach not only reinforces Schneider Electric's commitment to global sustainability but also encourages its employees to think innovatively and act locally.

*Recommended Action:* Establish regular feedback loops and platforms where employees can pitch sustainability ideas. Consider setting up innovation challenges, workshops, or brainstorming sessions focused on green solutions. Recognize and reward standout ideas, ensuring that the spirit of innovation is celebrated and becomes an integral part of your company's DNA.

## The Path Forward in Sustainable Business

In the evolving landscape of business, sustainability stands out as a beacon guiding companies towards a future that's not only profitable but also responsible. The ten questions we've explored are more than just queries; they're reflections of the challenges and opportunities that lie ahead for businesses of all sizes.

From understanding customer perspectives to fostering innovation from within, these questions challenge business leaders to think critically about their sustainability journey. They highlight the importance of collaboration, the need for continuous adaptation, and the immense value of employee engagement.

But perhaps the most crucial takeaway is this: sustainability is not a mere checkbox or a fleeting trend. It's a commitment to a better future, a promise to stakeholders, and a strategic imperative for lasting success.

As businesses navigate the complexities of the modern world, these questions



serve as a compass, ensuring that sustainability remains at the heart of every decision, strategy, and innovation. By addressing these questions head-on, businesses can not only thrive in the present but also pave the way for a greener, more prosperous future.

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