Eco-efficiency: buzzword or business model?

By **Andrea Bell** - March 3, 2016

Is eco-efficiency a viable movement, or just another buzzword? How can we ensure businesses are actually committed to sustainability? Andrea Bell, Think Tank director, WGSN writes.

A few months ago, while dining at a very haute-hippie restaurant in Los Angeles, I was offered "organic" water. Yes, you've read the sentence correctly – "organic" drinking water, which was in fact filtered tap water. Somehow, words meant to describe a commitment to sustainability and the environment (eco-friendly, green, organic) have started to become added-value sales pitches.

Greenwashing or green sheen – the act of labelling something as eco-friendly and/or sustainable to promote the perception that a product or organisation is environmentally friendly – is steadily rising and with it, people's ability to spot the fakes.

AGE OF INFORMATION

"Nothing is secret any more. From Swiss tax evasion to zero-hours contracts and loans to illegal logging companies, people-powered groups […] are shining a spotlight on corporate practices like never before, and, crucially, forcing real change," says Jake Dubbins, managing director of MediaBounty.

The internet gives people the power to expose errors, inaccuracies, and lies at the swipe of a smartphone, and spread their findings. With social media justice on the rise, corporate accountability is essential for consumers.

And while peeling back the corporate curtain may seem risky, research shows eco-efficient practices are no longer a buzzword but a priority. According to Grace Farraj, senior vice president, public development and sustainability, at Nielsen, "an increasing number of consumers in developed regions consider sustainability actions more of an imperative than a value-add."

ECO EFFICIENCY

So what exactly is eco-efficiency? Is this another hype-word popping up in Facebook feeds or being passed around at gallery openings like artisanal cheese and Pabst Blue Ribbon?

Eco-efficiency is best described as a business approach that aims to minimise ecological damage while maximising the efficiency of the company and its production processes. This could be through reduced use of energy, material and water, recycling, or cutting hazardous emissions and by-products. In short, the focus is on maintaining production, but with fewer resources, and less waste and pollution.

People know the eco-industrial revolution isn't going to happen overnight, but they do expect eco-efficient action.

Companies need to look at the supply chain to improve their practices, according to Marie-Claire Daveu, chief sustainability officer and head of international institutional affairs at Kering. Her team uses Kering's environmental profit and loss (EP&L) report to develop eco-efficient solutions at the company's Materials Innovation Lab. So far, the lab has produced a heavy-metal-free leather for Gucci, acquired sustainable wool for Stella McCartney, and sourced Fairmined gold in Peru.

For the majority of companies, the supply chain assessment may seem like a daunting task, but there are free post-assessment resources available. America's Natural Resources Defense Council (NRDC) offers free guidelines, best practices and steps-to-sustainability through the Clean by Design programme.

A report detailing the programme's impact on 33 textile mills in China showed a combined saving of $14.7m per year by cutting water, energy and chemical use. According to the NRDC, the annual return per mill averaged $440,000, with the top five performers saving more than $800,000. More importantly, the mills were able to reduce more than 61,000 tonnes of coal, 400 tonnes of chemicals and three million tonnes of water.

The road to eco-efficiency is bumpy but essential, and requires companies to invest time, energy, and be prepared to make decisions that will impact yearly spending. As H&M CEO Karl-Johan Persson wrote in the company's 2014 sustainability report: "Good sustainability work will require big investments. We will have to be prepared to sacrifice short-term profits for long-term success."

For those decision makers and c-suite that are reading this and either cringing and/or rolling your eyes I'll address the elephant in the room. Does going green translate to the other green, as in cold hard cash?

The answer is yes.

According to the 2015 Nielsen Global Corporate Sustainability Report, in 2015, sales of consumer goods from brands with a demonstrated commitment to sustainability grew more than 4% globally, while those without grew less than 1%. The report also said 66% of respondents would pay more for sustainable goods.

"It's no longer just wealthy suburbanites in major markets willing to open their wallets for sustainable offerings […] sustainability sentiment is particularly consistent across income levels. Those earning $20,000 or less are actually 5% more willing than those with incomes greater than $50,000 to pay more for products and services that come from companies who are committed to positive social and environmental impact."

The bottom line is this: not taking action and accountability towards eco-efficient business practices will likely impact your future bottom line.

Andrea is a seasoned journalist with an in-depth knowledge of the Americas' consumer marketplace and mindset. As Director, Think Tank and Executive Editor, Americas, Andrea drives the department in the Americas from an editorial point of view and acts as content team leader from the New York office.

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