



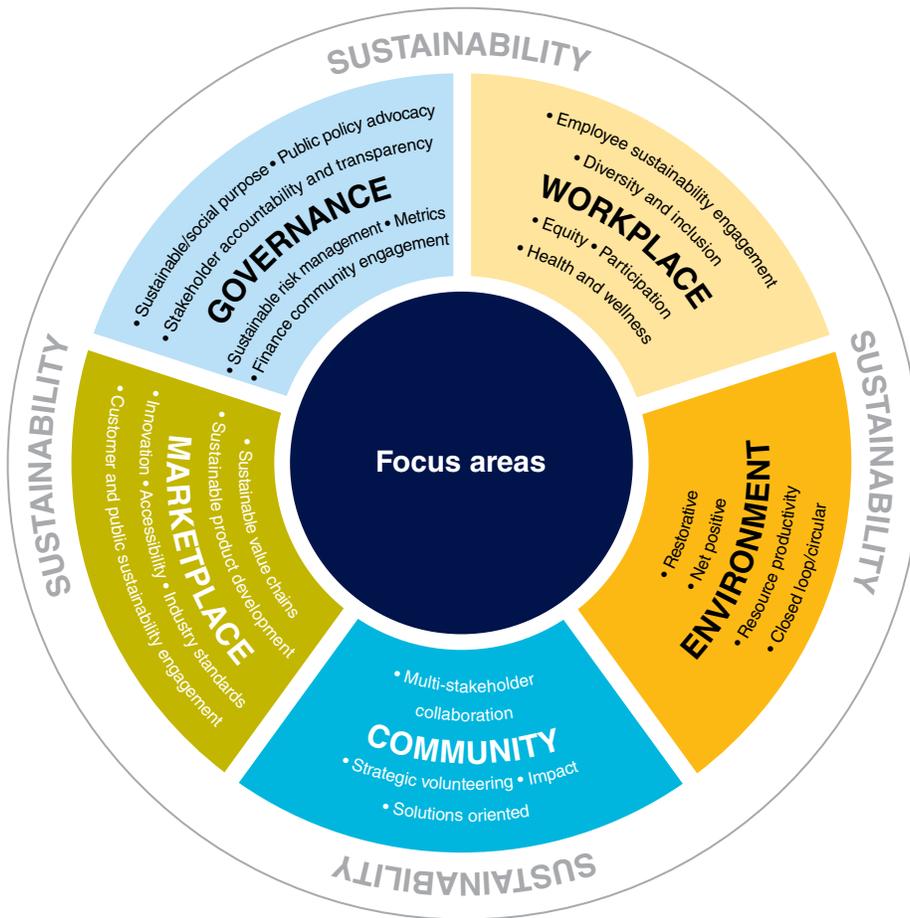
INSIGHT BRIEFING 6

Redefining Products and Brands for Sustainable Impact.

Issue: In an increasingly resource-constrained and socially challenged world, companies must focus on how to go beyond simply making their products less harmful to becoming a force for social good.

Successful companies do not view the sustainability forces that are affecting their business as threats. Instead, companies see the forces as inspiring challenges that present opportunities to be more innovative with their products and services. These companies go beyond pleasing consumers and improving their competitive advantage: they contribute to a sustainable future through their core products.

Corporate Responsibility & Sustainability Institute



About the Corporate Responsibility & Sustainability Institute

The Corporate Responsibility & Sustainability Institute was established by The Conference Board of Canada in 2016 after an extensive consultation revealed the need for a professional body to help practitioners excel in their roles. The Institute brings together business, industry, government, academia, and civil society as partners to envision a sustainable future and identify and address corporate responsibility and sustainability challenges and opportunities. We offer independent research and thought leadership that support collaboration, knowledge transfer, innovation, monitoring, and evaluation of contemporary corporate responsibility and sustainability issues. Our collaborative program of research, education, information dissemination, and engagement accelerates and scales next-generation practices in corporate responsibility and sustainability in Canada.

This briefing was prepared by Coro Strandberg, President of Strandberg Consulting and associate with Canadian Business for Social Responsibility (CBSR). Some sections have been reproduced from CBSR's *The Transformational Company Guide: Quality #2—Sustainable Customer Offerings*.¹

¹ Canadian Business for Social Responsibility, *The Transformational Company Guide: Quality #2—Sustainable Customer Offerings* (Toronto: CBSR, 2015).

Introduction

The Conference Board of Canada's Corporate Responsibility & Sustainability Institute has partnered with Canadian Business for Social Responsibility (CBSR) on an initiative to accelerate and scale corporate responsibility and sustainability across Canada. Together, these organizations are promoting the aspirational qualities to inspire Canadian organizations.

In 2015, CBSR published research into the qualities of a transformational company. A key quality identified in the global research is “sustainable customer offerings.”

“Transformational companies integrate sustainability into the full life cycle of product and service design, use, and disposal, and advance sustainability through continuous improvement of core products and services.”²

Growing global resource constraints—coupled with changing customer, investor, and government expectations—are driving companies to change the way they do business. Companies are redesigning existing product portfolios to reduce dependencies on dwindling, finite resources and investing in new products and services to increase sustainability. Innovative companies are reimagining and retooling their product and service designs to minimize adverse social and environmental impacts and generate positive impacts. They set and invest in targets to improve the sustainability profile of their products and their customers. This includes environmental and social impacts related to workers, consumers, and communities. It also means re-evaluating the accessibility, usability, and affordability of products—such as applying universal design principles where products are accessible by all people regardless of income and ability. Rather than a niche green product suite, these organizations express their sustainability commitments through core products and services that measurably improve people's lives with a significantly smaller environmental footprint. To meet the criteria of sustainable development for the future, some products are totally redesigned or eliminated altogether.

When their designers invent or renew a product, they ensure that its formula is enhanced through improved biodegradability and water impacts, the use of renewable or responsibly sourced raw materials, or improvements to the product's in-use energy efficiency. Innovation teams look for ways to add beneficial social or environmental features to make their products not just less bad, but more good.

Drivers and Benefits

Increasingly, customers seek products and services that are produced and consumed in a socially and environmentally responsible way. Customers expect companies to contribute solutions to global social and environmental issues. Equally, businesses are operating in a resource-constrained world, with growing global competition for finite natural resources and a decline in the ecosystems that underpin them. This creates a business imperative to reinvent core products and services to mitigate rising and volatile raw materials prices and longer-term business risk. Consequently, this leads to reducing costs and increasing revenues from new customer value propositions. Depending on the approach, these are some of the

2 Ibid.

benefits that await companies that transition their product portfolios to sustainability. The benefits allow companies to:

- meet evolving customer expectations;
- increase revenues through marketplace differentiation;
- build a positive brand and reputation with key stakeholders;
- win supply contracts;
- reduce costs from reduced materials and energy use;
- anticipate and prepare for government regulations and standards;
- improve supply-chain security;
- foster innovation;
- attract, retain, and engage employees.

Sustainable Product Development Approaches and Examples

Here are four examples of companies transitioning their product portfolios to generate sustainability benefits.

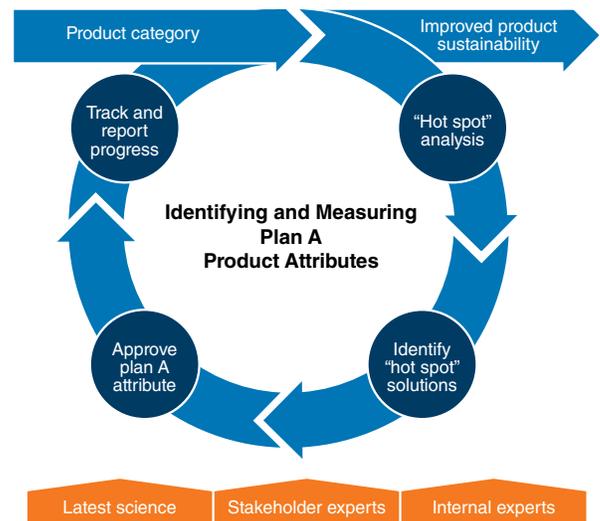
Marks & Spencer

Marks & Spencer (M&S), a global U.K.-based retailer, has an ambition that all of the three billion products it sells every year are well on the path to being truly sustainable by 2025.³ Exhibit 1 depicts the company’s approach to sustainable product development.⁴

As can be seen in the exhibit, M&S conducts thorough scientific reviews of its products and their supply chains to zero in on social and environmental “hot spots.” By identifying the key impacts, the company can pinpoint where to focus its efforts. To supplement this scientific evidence, M&S meets with stakeholders to understand their views and perspectives. As well, internal specialists collaborate with other consumer products companies and independent experts to ensure the research and analysis are robust. As science and stakeholder views develop, and the company’s own thinking and expertise evolves, the research and analysis are continuously updated.

Through this due diligence—hot spot analysis and risk assessments—M&S typically finds a handful of big impact issues within each product category. These are prioritized for both internal cross-functional collaboration and external engagement of suppliers and customers: the next step on

Exhibit 1
Marks & Spencer’s Approach to Sustainable Product Development



Note: “Plan A” refers to Marks and Spencer’s sustainability vision and strategy.
Source: Marks & Spencer, *How We Define Plan A Product Attributes*.

3 Marks and Spencer, *Plan A 2025 Commitments* (London, U.K.: M&S Corporate, 2017), <https://corporate.marksandspencer.com/documents/plan-a/plan-a-2025-commitments.pdf>.

4 Marks and Spencer, *How We Define Plan A Product Attributes* (London, U.K.: M&S Corporate, 2015), <https://corporate.marksandspencer.com/documents/plan-a-our-approach/how-we-define-plana-product-attributes-june2015.pdf>.

the journey to improve products' sustainability impacts and features. Developing or joining sector and cross-sector sustainability collaborations

is an opportunity to drive sustainable product improvements where the challenges of flying solo are too great.

L'Oréal

L'Oréal is another company taking a comprehensive and step-wise approach. In 2013, the company adopted its "Sharing Beauty With All" sustainability commitment with this product goal:

"By 2020, we will innovate so that 100 per cent of products have an environmental or social benefit. Every time we invent or update a product, we will improve its environmental or social profile against at least one of the following criteria:

- The new formula reduces the environmental footprint.
- The new formula uses renewable raw materials that are sustainably sourced or raw materials derived from green chemistry.
- The new packaging has an improved environmental profile.
- The new product has a positive social impact."⁵

The company developed a Sustainable Product Optimisation Tool (SPOT) to measure the environmental and social performance of its products, simulate options, identify improvement opportunities, and measure reduction impacts. According to L'Oréal, its skincare brand, *La Roche Posay*, used SPOT during the 2016 revamp of its *Gommage Surfin* facial scrub and achieved a 10 per cent improvement in bio-degradability.⁶ Over 100 L'Oréal products have been optimized with SPOT so far.

L'Oréal's brands are also identifying and conducting campaigns on aligned causes to create customer awareness about social and environmental issues.

For example, skin and hair care product, *Garnier*—the second-largest brand in the L'Oréal group—supports UNICEF in aiding children. These children, for whom proper hygiene is essential, are facing humanitarian emergencies, natural disasters, war, or epidemics. With *Garnier's* support, UNICEF is distributing up to 5,600 emergency supply kits to help 300,000 children.

The company reports that by the end of 2016, 46 per cent of its brands had taken steps to build consumer awareness, up from 34 per cent a year earlier.⁷ Plus, 82 per cent of products launched in 2016 had improved environmental or social performance.⁸

5 L'Oréal, "L'Oréal Announces Its New Sustainability Commitment for 2020 'Sharing Beauty With All,'" press release, October 23, 2013, <http://www.loreal.ca/media/press-releases/2013/oct/1%E2%80%99or%C3%A9al-announces-its-new-sustainability-commitment-for-2020-sharing-beauty-with-all>.

6 L'Oréal, "How Sustainability Is Reshaping the Work of L'Oréal's Brands," *The Monthly Digest*, April 2017, <http://www.monthly-digest-loreal.com/en/article/quand-le-developpement-durable-redessine-le-travail-des-marques-chez-loreal/>.

7 Ibid.

8 Ibid.

BASF

Other sectors beyond retail and consumer goods are holistically advancing their product portfolios in a sustainable direction.

BASF, the world's largest chemical producer, has a 2020 target to increase the proportion of sales from its most sustainable products (which it calls "Accelerator" products) to 28.0 per cent, up from 26.6 per cent.⁹ For products classified as "Challenged," BASF develops action plans, including research projects, reformulations, or replacing one product with an alternative product. One example is polyfluorinated substances, which are used in paper packaging coatings for their water

and oil-resistant properties.¹⁰ Strict government regulations are anticipated in the future as these substances biodegrade with difficulty. As a result, the company's sustainable product strategy (called Sustainable Solution Steering) classified them as "Challenged" in their use for paper coatings. BASF discontinued sales of polyfluorinated substances and introduced an "Accelerator" product alternative whose chemical properties prevent the substances from accumulating in the environment.

Maple Leaf Foods

In 2017, Ontario-based Maple Leaf Foods announced its ambition to be the most sustainable protein company on earth, heralding a significant pivot in its corporate strategy and product portfolio.¹¹

To guide its growth and business practices, it adopted an industry-first set of "Sustainable Meat Principles," which state that sustainable meat is:

- nutritious, healthy, and safe;
- accessible, affordable, and eaten in moderation;
- produced adhering to environmental standards that measurably reduce impacts across the life cycle;
- from animals that are raised with care, with minimal use of antibiotics and to standards that respect the Five Freedoms of animal welfare;

- produced through a resilient, fair, and efficient food system that makes optimal use of land and natural resources;
- produced by a company that is responsive to the needs of society.

These commitments will guide sustainable products growth, as it expands into plant-based proteins and more sustainable meat products. (See "Different Sustainable Product Approaches.")

9 BASF Online Report 2015, *Creating Value (Ludwigshafen, Germany: BASF, 2015)*, <https://report.basf.com/2015/en/managements-report/our-strategy/sustainability-management/creating-value.html>.

10 Ibid.

11 Maple Leaf Foods, "Maple Leaf Foods Pursuing Ambition to be the Most Sustainable Protein Company on Earth," news release, June 6, 2017, <http://www.mapleleaffoods.com/news/maple-leaf-foods-pursuing-ambition-to-be-the-most-sustainable-protein-company-on-earth/>.

Different Sustainable Product Approaches

1. Shelf editing

A large U.K. do-it-yourself chain (B&Q) stopped selling patio heaters because of the negative environmental impacts, while retail pharmacy CVS Health stopped selling tobacco products because of negative health consequences.

2. Giving prominent shelf (or online) space to more sustainable products

Walmart's e-commerce site identifies 3,000 products made by more than 100 companies with a label that reads "Made by Sustainability Leaders."¹²

3. Divesting unsustainable business lines

Danone sold off a number of junk-food businesses, such as a cookie company, to focus on healthier offerings.

4. Buying up green brands

Unilever bought Ben and Jerry's, a global leader in mission-driven business.

5. Offering products as a service

Virtual e-books and digital music save on materials and packaging, while Philips and Interface have led on leasing lighting and carpeting services, respectively.

6. Cutting down on obsolescence

Whether planned by producers or perceived by consumers, products quickly rendered obsolete could be made more durable and adaptable. Patagonia guarantees that it will repair any of its products for free over the lifetime of the product.¹³

7. Entering into consumption

Shared-ownership models, such as those of BMW's DriveNow car-sharing mobility service, are an example of this, which can lower impacts and costs.

8. Committing to sustainability at the core

In 2013, L'Oréal committed that, by 2020, 100 per cent of its products will have an environmental or social benefit. (See description in this briefing.)

Resources

The Qualities of a Transformational Company Website and How-To Guide

Published by Canadian Business for Social Responsibility, these resources profile the 19 qualities that businesses will need to scale, accelerate sustainability and corporate social responsibility, and create business and societal value.

<http://cbsr.ca/transformationalcompany/>

Marks & Spencer: How We Define Plan A Product Attributes

Marks & Spencer summarizes its approach to reconfiguring its products to comprehensively improve its sustainability impacts in this short report.

<https://corporate.marksandspencer.com/documents/plan-a-our-approach/how-we-define-plana-product-attributes-june2015.pdf>

12 Joel Makower, *Two Steps Forward: 7 Reasons Walmart Has Given Me Hope About Green Marketing*, GreenBiz, <https://www.greenbiz.com/article/7-reasons-why-walmart-has-given-me-new-hope-about-green-marketing>.

13 Lauren Hepler, *Fix More, Buy Less: Can Patagonia Help Rebrand Repairs?* GreenBiz, <https://www.greenbiz.com/article/fix-more-buy-less-can-patagonia-help-rebrand-repairs>.

BASF Sustainable Solution Steering Booklet

This booklet provides a detailed overview of BASF's methodology to enhance the sustainability performance of its product portfolio.

<https://www.basf.com/en/company/sustainability/management-and-instruments/sustainable-solution-steering.html>

The Sustainability Consortium

The Sustainability Consortium (TSC) is a global, non-profit organization working to transform the consumer goods industry by partnering with leading companies to define, develop, and deliver more sustainable products. TSC's research database houses scientific evidence on environmental and social hotspots and improvement opportunities within a product's life cycle. It covers nearly 90 per cent of the total impacts in all consumer product categories across eight industry sectors. TSC is run by the University of Arkansas and Arizona State University.

<http://www.sustainabilityconsortium.org/>

Transformational Quality #2 Sustainable Customer Offerings

This is an eight-page summary on the imperative and opportunities for developing sustainable products. It includes case studies, suggestions on how to get started, and additional resources.

<http://cbsr.ca/transformationalcompany/wp-content/uploads/2015/11/2-sustainable-customer-offerings.pdf>

Sustainable Customer Offerings—Webinar

Three panellists share their perspectives on sustainable customer offerings, why it is relevant to businesses, and how to advance these ideas in your company.

Panellists include:

- Gretchen Digby, Director of Global Sustainability Programs, Ingersoll Rand
- Dr. Angela Griffiths, Director of Research and Advisory Services, UL Environment
- Coro Strandberg, President, Strandberg Consulting and Fellow, The Conference Board of Canada's Institute of Corporate Responsibility & Sustainability

<https://www.conferenceboard.ca/e-library/abstract.aspx?did=7085>

Developing a Sustainable Product Portfolio—Webinar

This webinar profiles the latest thinking in sustainable product innovation. Two experts describe strategies to improve the sustainability impacts of your products and create customer value.

Panellists include:

- Tim Faveri, Vice-President, Sustainability and Shared Value, Maple Leaf Foods
- Coro Strandberg, President, Strandberg Consulting, and Fellow, The Conference Board of Canada's Institute of Corporate Responsibility & Sustainability

<http://www.conferenceboard.ca/e-library/abstract.aspx?did=9388>

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