Environmental Sustainability:
The Power of Green

Executive Summary

THE INTERNATIONAL DAIRY·DELI·BAKERY ASSOCIATION™
636 Science Drive, Madison, WI 53711-1073
P.O. Box 5528, Madison, WI 53705-0528
Phone: 608-310-5000; Fax: 608-238-6330
E-mail: iddba@iddba.org; Web site: www.iddba.org

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P.O. Box 5528, Madison, WI 53705-0528

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Environmental Sustainability: The Power of Green
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ENVIRONMENTAL SUSTAINABILITY: THE POWER OF GREEN

Chapter 1: Sustainability: Where It Is and Where It's Going

Sustainability has come a long way in the past two decades and will go even further in the next two years. Does your company have a plan?

Businesses didn't want to hear about global warming or sustainability when the twin concepts first appeared two decades ago. Activists felt that since businesses were causing the problem, they should pay for the solution. Businesses, skeptical about the claims that pointed to them as the culprits, didn't want to pour money into what seemed to offer no return on investment. Predictably, battle lines were drawn.

Today, much has changed. Few businesses argue about the validity of research pointing to the effect of greenhouse gases on climate change and the scarcity of our natural resources. It is clear that the crisis is real. But, at the same time, taking steps to fix the problems is proving to offer the potential for realizing a positive return on investment. New technologies that bring about rapid payback are producing improved efficiency and reducing costs. New methods of producing energy have reached critical mass and have achieved economies of scale, making them increasingly competitive with fossil-based fuels—especially as oil prices continue to rise. Furthermore, government is giving businesses tax breaks and incentives to run their operations with sustainability in mind. The result? Businesses are increasingly finding that "going green" is not only noble, it's also profitable.

Consumers are on board with the sustainability movement as well. High gas prices at the pump, Al Gore's, *An Inconvenient Truth*, and media images of starving polar bears on melting ice caps have made the issue top of mind. Evidence shows that consumers will support companies that want to become part of the solution rather than remaining part of the problem. Evidence also shows widespread disdain for "greenwashing," which the *Macmillan English Dictionary* has defined as an effort "to convince people that you are doing something which is good for the environment by being involved in small, environmentally-friendly initiatives, especially as a way of hiding your involvement in activities which are damaging to the environment."

Clearly, this is a time of change, bringing both opportunity and risk. On one hand, you might choose sustainability initiatives that bring a quick return on investment, ongoing cost savings, higher profits, and the loyalty of customers who appreciate your efforts. But making the wrong choice could bring higher costs, lower profits, and consumer indifference (or, even worse, boycotts). Either way, waiting on the sidelines isn't a viable choice. To one degree or another, your competitors are already in the game, working to conserve energy, constructing environmentally-friendly buildings, and reducing packaging. Consumers are watching, and, in many cases, they're voting with their dollars and their brand loyalty.[1]

> ***"We're finally reaching a critical point of consciousness in America. Hopefully we'll take a step forward and become immersed in solutions—the greening of ourselves, our families, our businesses, cities, and our country."***
>
> Laurie David, producer of the Oscar-Winning Film, An Inconvenient Truth[2]

What is Sustainability?

"Sustainability" is a term that is widely used but little understood. There are many different definitions; here's a basic overview that might be helpful.

Sustainability: The Broad Definition

"To attempt to provide the best outcomes for the human and natural environments both now and in

the future."[3] This definition revolves around balancing human activity to fulfill society's needs while preserving biodiversity and natural ecosystems. Procter & Gamble describes a three-legged stool, i.e., three, mutually-dependent factors. All three legs must work together to provide a simple but stable seat.[4]

Leg 1: Environmental Protection – This covers actions at all levels to prevent and, where possible, reverse environmental deterioration. Examples might include conserving resources (especially non-renewable resources), recycling used products, reducing waste and disposing of it safely, and developing cleaner technologies.

Leg 2: Economic Development – This leg involves improving the quality of human life through increasing per capita income, reducing poverty, and enhancing individual economic opportunities. In some definitions, it also includes providing for better education, health and nutrition, as well as conserving natural resources, and working toward a cleaner environment and a richer cultural life.

Leg 3: Social Responsibility – The responsibility of governments, businesses, organizations, and individuals to each other and to the environment are considered in this leg. How does each contribute to the well-being of its neighbors?

IDDBA Industry Study Focus

The focus of this year's International Dairy-Deli-Bakery Association (IDDBA) industry study, conducted by Willard Bishop, LLC, is on the first leg of sustainability: environmental protection. Sustainability has become a priority for the Association because its members see it as more than a new industry initiative; they see sustainability as a fundamental change in the way retailers, distributors, manufacturers, and suppliers do business. With members facing important decisions about potential sustainability initiatives but lacking credible information to guide them, IDDBA feels strongly that a customized research study will provide a service to all. This report identifies current initiatives of progressive food industry manufacturers, distributors, and retailers (including IDDBA members) with notable sustainability programs. It is designed to help educate, encourage, and guide those interested in developing environmentally-responsible and profitable programs.

Methodology

The information, insights, benchmarks, and business case illustrations contained in the report are the result of extensive research and analyses of a wide range of industry sources, including:

Online Member Survey – The IDDBA conducted an online survey—titled the 2007 IDDBA Environmental Sustainability Assessment—with 157 IDDBA member companies (and conducted additional follow-up interviews with a subset of respondents) to benchmark member perceptions, expectations, insights, and experiences with environmental sustainability initiatives.

Retailer, Manufacturer, and Supplier Business Cases – We collected information, insights, and best practices from 30 leading companies through on-site visits, telephone interviews, and analysis of published resources.

Extensive Secondary Research – We captured information, benchmarks, insights, and trends from over 200 published sources, including books, industry reports, consumer surveys, magazine articles, press releases, and Web sites focused on environmental sustainability. The most compelling resources have been compiled in a Literature Review outlined in Appendix E of this report.

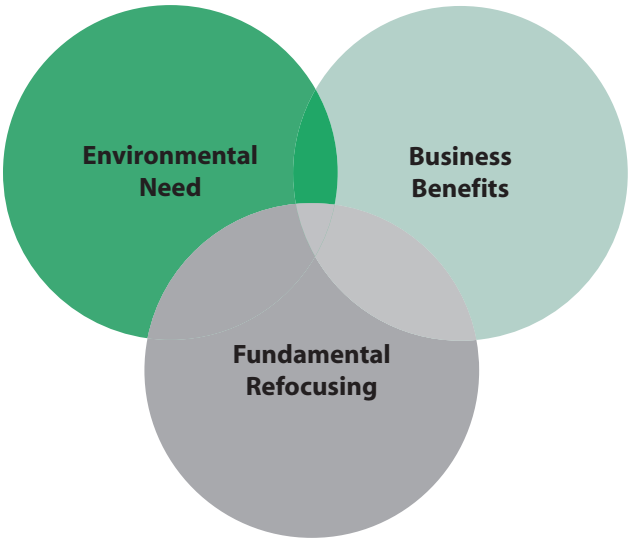
Willard Bishop 2007 Grocery *SuperStudy*™ – Leveraged benchmarks from the Willard Bishop 2007 Grocery *SuperStudy*—a comprehensive, activity-based costing performance analysis of every category, aisle, and department in the supermarket—to help quantify the net impact and return on investment of selected environmental sustainability practices for IDDBA member retailers and manufacturers were reviewed.

IDDBA Environmental Sustainability ROI Calculator – We included calculated financial and environmental benefits from selected environmental sustainability practices through this user-friendly PC-based tool developed as a companion to the report and available to all report purchasers. The tool can be used to determine the net impact of implementing sustainability initiatives.

Why Now? Because It's the Right Thing to Do and It's Proving to Be Profitable!

There are three key dimensions to how environmental sustainability initiatives ensure our future and uncover hidden opportunities.

Environmental Sustainability – Key Dimensions



Dimension 1 – Environmental Need

What is the issue? The business world and the natural world are inextricably linked. Natural resources are the asset base that provides for successful economic systems. Depleting our natural resources weakens this asset base and can have direct and indirect, but far-reaching, consequences (oil runs out equals no gas; soil erosion equals no agriculture).[5]

What is being done? State and federal mandates currently under consideration might give your company tax breaks and incentives to upgrade its processes and systems. Mandates could also place limitations on your operations in ways you haven't anticipated.

Carbon Markets. See side bar on the next page for information on carbon markets and how they work.

Positive Impacts – Here are some success stories describing what governments and companies have been able to accomplish by embracing sustainability. For a look at the state of our environment, see Appendix A: Environmental Issues to Watch (in the complete study).

U.S. Federal and State Government

- BBC News has reported that the ozone hole over Antarctica is expected to close within 50 years (2057). The ban on chemicals that thin the ozone layer, the Earth's protective film of gas, is showing signs of success, enabling the ozone layer to repair itself.[9]

- The American Lung Association, New York, NY, stated that the U.S. Environmental Protection Agency (EPA) successes in regulating pollutants will result in measurably safer and more breathable air in every U.S. city by 2010.[10]

- Utility companies such as Southern California Edison, Rosemead, CA, have executed an innovative plan that provides one million compact fluorescent lightbulbs free of charge to low-income customers. These bulbs use one-fifth to one-quarter of the energy required by standard incandescent bulbs. The plan also incorporates a large-scale community outreach program to recycle the bulbs.[11]

- Major cities, including Chicago, Los Angeles, and the District of Columbia, hosted Green Festivals during Earth Month in April 2007, featuring 200•speakers and 400 green businesses in each city, to increase awareness of environmental issues and promote environmentally-friendly products, services, and technologies.[12]

Consumer Packaged Goods (CPG) Industry

- PepsiCo, Purchase, NY, purchased one billion kilowatt hours of renewable energy credits for $2 million in April 2007. The credits are equal to all the electricity used by PepsiCo's U.S. facilities. This would be enough power to supply 90,000 American homes for one year.[13]

- The Home Depot, Atlanta, GA, expanded its Eco Options label program from its Canadian stores into the U.S. in April 2007. These labels help consumers easily identify products that Home Depot considers environmentally friendly.

- Wal-Mart, Bentonville, AR, launched three 30-second television ads on national broadcast and cable stations featuring the benefits of buying energy-efficient lightbulbs, organic cotton clothes, and concentrated laundry detergent.[14]

What Are Carbon Markets?

What are carbon markets and how do they work? Under stricter regulations than we generally have now in the United States (but common in other parts of the world), a company is given credits representing the right to emit a specific amount of a pollutant such as carbon dioxide. These credits limit total emissions to a capped level. If the company pollutes beyond its cap, it has to buy credits from another company that pollutes less than its allowed limit or face stiff penalties. This transfer of credits is a "trade." In essence, the buying company is penalized for polluting, while the selling company is being rewarded for having reduced emissions.

Carbon markets are springing up everywhere and are growing in numbers and importance. Today's carbon markets include:

- European Union Emission Trading Scheme
- New South Wales Greenhouse Gas Abatement Scheme
- Regional Greenhouse Gas Initiative (in the Northeastern and Mid-Atlantic states of the United States)
- Chicago Climate Exchange

While proponents consider this an optimal way to ease climate change, critics say enforcing caps presents a problem. Monitoring and verifying actual emissions can be costly, and in the first phase of the European Union's program, the government gave out too many carbon credits.

Most carbon markets adopt market-based mechanisms centered on carbon credits that represent a reduction of carbon dioxide emissions. The *Harvard Business Review* stated that these initiatives generally have similar approaches to certifying their credits. It's conceivable that world-wide regulation can be established by either linking or consolidating these markets.[6]

How to stay within the threshold? Reducing a company's carbon footprint can be complicated, but some very creative ideas have proven successful. For example, Shell Oil Company pumps carbon dioxide from a refinery in The Netherlands into 500 greenhouses producing fruits and vegetables. The plants absorb the carbon dioxide, thus helping Shell redistribute emissions of 170,000 tons of the "greenhouse gas" each year.[7]

Bunge North America, St. Louis, MO, a company that manufactures fertilizers and crop nutrients for farmers, builds enclosed, lined pools to capture the methane from farm animal waste so it can be used as fuel for electric generators. By preventing methane from escaping into the atmosphere, the farmer can use the gas to generate electricity. Bunge creates a credit, which it can sell on the carbon market. The farmers involved in Bunge's methane program get to keep 20% to 30% of the traded value.[8]

For more information on carbon markets, please visit: www.pointcarbon.com.

- The new Western U.S. distribution center for Tesco, Cheshunt, United Kingdom, will include the largest solar panel roof installation in California and use LED lights in all of its refrigerated cases.[15]

Dimension 2 – Business Benefits

What's the buying power of consumers concerned about environmental issues? This shopper segment is called LOHAS, which stands for "Lifestyles of Health and Sustainability." It includes shoppers who prefer to buy goods and services from companies that have implemented meaningful environmental and social responsibility programs.[16] According to the Nielsen Company, there are more than 63 million LOHAS consumers in the United States today, accounting for about 30% of the market and over $200 billion in purchasing power. These consumers are willing to pay up to 20% more

for cleaner/greener, more responsible products—as long as the products taste good or work well.[17]

According to a recent LOHAS study by the Natural Marketing Institute, Harleysville, PA, the largest CPG segments include:

- Functional/fortified foods and beverages: $36.02 billion (up 18% in 2006 from 2005)
- Vitamins, minerals, herbal and dietary supplements: $13.54 billion (up 4%)
- Organic foods/beverages: $15.16 billion (up 19%) Natural foods/beverages: $13.54 billion (up 9%)
- Natural/organic personal care: $6.05 billion (up 24%)[18]

The Natural Marketing Institute reports that this $200+ billion consumer segment is expected to jump to $420 billion in three years and then leap to $845 billion by 2015.[19]

To gain this segment's attention, companies need to link innovative ideas that achieve cost savings and incremental sales to the effective use of natural resources.

Dimension 3 – Fundamental Refocusing

The "greening" of the corporate world is taking shape. More environmentally-friendly packages are appearing on store shelves. More efficient wind and solar energy programs are coming down in price and gaining wider use. However, environmental sustainability is no passing fad.

One key factor that separates a fad from a trend is the speed of its arrival. If something new appears out of nowhere and appears to dominate the market overnight, it's probably a fad. But, when something new slowly builds momentum, perhaps over years, and works its way into every part of the business, it's likely a real trend.

Although sustainability is just now making headlines, it has been building momentum slowly for the past several decades. Higher oil prices are driving moves to greater efficiency and conservation; mass media is driving public awareness of the problem; and governments are enacting more stringent regulations.

Governments are taking leadership roles in improving the environment. Actions taken by governmental bodies include:

June 2007 – The Group of Eight (G8) international forum for the governments of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States announced a breakthrough deal to combat climate change by committing to cut global emissions significantly by 2050. Together, these countries represent about 65% of the world's economy.[20]

March 2007 – The U.S. Environmental Protection Agency proposed a new Clean Air Locomotive and Marine Diesel Rule to set stringent emission standards for locomotive and diesel engines.[21]

January 2007 – In his State of the Union address, President George Bush announced his "Twenty in Ten" plan to reduce U.S. gasoline usage by 20% in the next 10 years.[22]

September 2006 – California Governor Arnold Schwarzenegger signed into law the California Global Warming Solution Act of 2006, which mandates that carbon emissions be cut to 1990 levels by 2020 and to 80% below 1990 levels by 2050.[23]

By working with lawmakers and interest groups in the beginning stages of developing environmentally-friendly laws and regulations, IDDBA members can help ensure that future legislation promotes sustainability at all levels.

Chapter 2: Why Sustainability Really Matters to Your Company

It's not just about "doing the right thing;" it's about competitive differentiation and incremental profits.

Your business is already affected by environmental sustainability for two important and interlocking reasons:

There are limits to the world's supply of raw materials, and since expanding global economies are competing for these materials, costs are increasing for everything. As supply shrinks and demand grows, costs will rise even higher.

Consumers and stakeholders are sounding the alarm on environmental issues they believe could ultimately produce worldwide famine and ecological disaster. They monitor company responses to sustainability issues and then vote with their dollars. Information (and misinformation) spreads at warp speed via the Internet, sparking skyrocketing sales for some products and boycotts for others.[25]

How do you respond to these challenges? Although the need for a coordinated and enterprise-wide response should be clear, some companies continue with "business as usual." But a growing number of companies are gaining considerable competitive advantage by implementing innovative solutions to environmental issues. There are many ways to respond, each with its own set of tangible and intangible benefits.

Cost Savings and Competitive Differentiation

Tangible benefits include immediate and long-term cost savings. For example, if your company monitors trends in raw materials and technology, then you can anticipate higher costs in ingredients and make plans to phase production into less-costly but acceptable alternatives. Progressive retailers are beginning to demand that their suppliers use certain kinds of packaging, which presents an opportunity to anticipate these changes and work together to be a part of the decision-making process. This will produce both cost savings and competitive differentiation. Tangible opportunities are everywhere and include not just waste disposal, but producing less waste in the first place; not just handling regulatory burdens, but working with government so that new regulations make good business sense; not just more miles per gallon, but fewer miles driven.

Intangible benefits are also everywhere, but they're more difficult to measure because they often depend on impressions and perceptions. What impressions do consumers have about your company in terms of sustainability? Do they see you as part of the problem or part of the solution? Do they trust your brand? Their perceptions will be even more critical in the sale of your products and will become more important in your efforts to have key, progressive retailers stock your products. Positive perceptions can also help you attract and retain the best employees.

The Game Has Changed Forever

The twenty-first century demands a new look at corporate governance, ethics, and leadership; in return, a new world of support and profits awaits today's most innovative players. There are significant rewards for companies that can anticipate rapidly changing consumer demands for new products and stay a step ahead of government regulations. Efforts in redesigning systems to solve environmental issues will keep companies innovative, flexible, and stronger competitors.

Ideally, government bodies would welcome expert analysis and advice from corporations to help them more fully understand different perspectives, appreciate the ramifications of their decisions and, ultimately, pass environmentally-sound regulations.

One instance where corporation expertise could have been leveraged is when San Francisco's Board of Supervisors outlawed the use of non-biodegradable plastic bags at large supermarkets and at large chain pharmacies.[26] On the surface, this seemed like a fine idea, since each year San Francisco shoppers throw away about 200 million plastic bags.[27] More importantly, these bags can take up to 1,000 years to decompose, littering the planet, and threatening wildlife. To the Board of Supervisors, enacting this legislation probably seemed like a no-brainer. But it wasn't.

Consider the pros and cons of plastic bags vs. paper bags (in the chart) based on information obtained from the U.S. Environmental Protection Agency and industry trade groups.

Consider also that plastic bags made of corn byproducts or other biodegradable materials are relatively new, expensive, and untested. As could have been predicted, the affected supermarkets argued that the ban was not as reasonable as it initially appeared. And according to an industry expert, San Francisco's recycling infrastructure may not be able to handle the new volume of

Pros and Cons of Plastic vs. Paper Bags[28]

Plastic Pros	Plastic Cons
Use 40% less energy in production than paper bags.	Made from non-renewable petroleum.
Far lighter and more compact to transport, saving on truck fuel.	Can take up to 1,000 years to decompose.
Occupies less landfill space when disposed.	An estimated 500 billion to 1 trillion plastic bags are used worldwide each year (about 380 billion in the U.S.).
Can be recycled, though few are. Rates are 5.2% nationally.	Hundreds of thousands of sea turtles, whales, and other marine animals die yearly from swallowing plastic bags. Sea turtles mistake them for jellyfish, one of their dietary staples.
Cost a penny or two to produce.	Compostable plastic bags degrade only in industrial-scale composting plants, not in home compost bins; they also contaminate the waste stream if well-intentioned consumers put them in recycling bins, because they can't be recycled with ordinary plastic bags.
Paper Pros	**Paper Cons**
Made from a renewable resource.	Trees must be cut down, removed by trucks, and transported to pulp plants at a high cost in fossil fuels.
Generally contain at least 25% recycled content, with an industry goal of 55% recycled content by 2012.	Production generates 70% more air pollution than plastic bags and 50 times the water pollution.
Are recyclable and compostable. More than 1 in 5 make it to the recycling bin—a far higher rate than for plastic bags.	Each costs an estimated 5 to 8 cents to produce.
Some grocers knock a nickel off your bill for each bag you reuse.	Bulky and heavy, paper and cardboard products are the single biggest user of landfill space.

Source: Environmental Protection Agency, Greenfeet, American Chemistry Council, Reusable Bags, American Forest and Paper Institute

biodegradable bags. Bottom line: whether or not the Board would have decided differently, it could have at least made a more informed decision by understanding the perspectives of the companies being impacted. By opening the floor to a full analysis and keeping the major players informed, it may have minimized the controversy.

On the right are two bag manufacturers with solutions to the plastic bag controversy.

Change Brings More Opportunities

Although the three key dimensions (environmental need, business benefits, and fundamental refocusing) approach to environmental sustainability is a relatively new concept, it's already giving forward-thinking companies a competitive edge. New materials and new technologies tied to energy efficiency are producing fast payback on initiatives that just a decade ago were viewed solely as expenses. At the same time, the population is becoming more concerned about environmental and ethical issues. Shoppers want products that are made from sustainable materials and with sustainable methods; they're becoming increasingly loyal to companies known for their sustainability efforts and ethical business practices. It's no longer enough to simply find the proper balance between price and product quality and then go to market. Today we're in a period of rapid change, and rapid change has always produced the greatest opportunities and rewards for those who accept it and adapt.

Eco-Edge Continuum

Not all companies share the same level of commitment to, or recognize the strategic importance of implementing environmental sustainability initiatives throughout their organizations. The most progressive, successful companies excel in three key areas:

- Level of management commitment.
- Organizational intent.
- Involved stakeholders.

These three factors determine a company's place on the Eco-Edge Continuum—a self-assessment platform developed during the study—that helps companies benchmark their performance and

Crown Poly
www.crownpoly.com

This company offers a bulk bagging system called the Pull-N-Pak® for produce, meat, and bakery. These bags focus on source reduction to be more environmentally friendly. Cathy Brown, General Manager, Crown Poly, Los Angeles, CA, summed up the company's vision of source reduction. "If a company does not produce extra materials, then the issues of landfill, treatment, transportation, and recycling are eliminated." The Pull-N-Pak® system features a plastic density of 7.25 microns, which is a large improvement from the 11-13 micron thickness of traditional bags. In addition, these bags hold 50% more than standard roll bags (resulting in fewer bags needed). The strength comes from the reinforced sealed bottom which creates a stronger bag and reduces bag usage by 25%.

Better Bags
www.betterbags.com

Since 1990, Better Bags, Inc., has successfully used water-based inks in its printing processes, beginning at a time when the inks were still in the initial stages of development.

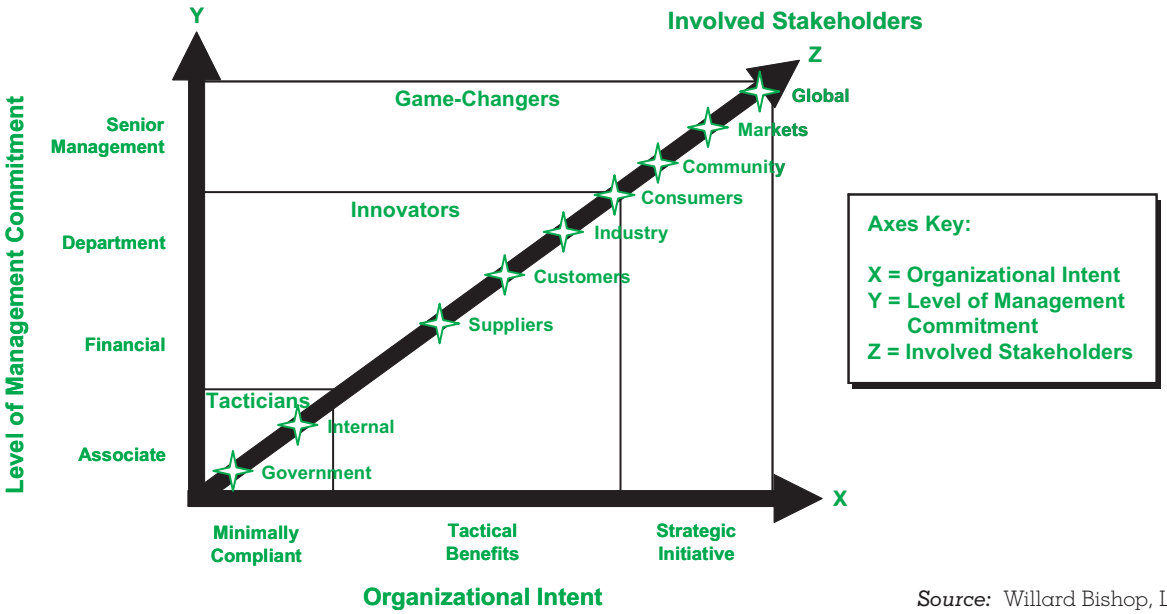
Better Bags, Inc. offers Bio-D Bags, a biodegradable plastic packaging solution. These bags, once their useful life is over and they are discarded into trash can liners, landfills, or composting sites, will break down into carbon dioxide and water within a period of 15 to 24 months, depending on the conditions in the trash can liner, landfill, or composting site.

These Bio-D bags offer a viable option for removing petroleum-based products from the environment through the oxo-biodegradation process, which adds a special additive during the manufacturing process of conventional plastic to produce "totally degradable" plastic.

"The environment is not renewable; we need to take all precautions to preserve it."

Rafael Alvarado, President and Chief Executive Officer, Better Bags, Inc.

Environmental Sustainability - Key Decisions



Source: Willard Bishop, LLC

actions today, and sets a path for future improvement. The Eco-Edge Continuum is a gauging system that can be used to help organize and understand the various strategic levels of a company's commitment to sustainability. We will begin the process of introducing this system here to assist in differentiating the development stages of environmental sustainability.

Chapter 7 provides guidance and a framework for building a Sustainability Development Plan that will help them plan, prioritize, evaluate sustainability initiatives and advance to higher levels on the Eco-Edge Continuum.

Eco-Edge Continuum Dimensions

The self-assessment process begins by plotting your company's commitment and goal levels within the three dimensions outlined below:

Level of Management Commitment (Vertical Axis)

The Y axis considers the level of management commitment behind a company's sustainability project. This commitment is crucial to success. While small-scale initiatives can often be completed by mid-level associates, development and execution of major projects generally requires senior management support and participation in setting direction and aligning the necessary teams.

Organizational Intent (Horizontal Axis)

The X axis measures the long-term ambition of your sustainability programs. For example, is your company looking to follow major trends and update when needed (Minimally Compliant)? Or, does your company have the capabilities and commitment needed to make significant changes tied to sustainability improvements (Strategic Initiative)?

Involved Stakeholders (Diagonal Axis)

The Z Axis considers your target markets and how they might be expanding or otherwise changing as a result of your sustainability initiatives. For example, does a planned improvement affect only internal associates (Internal)? Or, does this change in process or strategy affect the market for an entire country, region, or demographic (Global)?

Each of these measures is important, but success on just one axis isn't enough. Cross-referencing the performance of these dimensions leads to the Eco-Classifications framework system that represents the broad Sustainability Development stages.

Eco-Edge Classifications

The next step in gauging your company's environmental sustainability position is to cross-reference the three points on the Eco-Edge Continuum dimensions. The intersection point will identify your company's level of development in environmental sustainability and the specific Eco-Edge Classification your company is currently working within. Here's a detailed description for each classification:

Game-Changers – These companies believe sustainability will be a critical, long-term success factor and they will invest broadly and heavily in related initiatives. These players look well beyond their current environment for solutions. Senior management views sustainability as a long-term strategic advantage and will make substantial financial investments with little expectation for returns—except in the distant future. They work collaboratively to develop new technology and require behavioral change from their suppliers. Sustainability permeates their brands and their corporate culture.

> **Example:** A carbonated soft drink company with limited presence in a third-world country supplies water purification systems to assist in basic development. In the long run, the company is looking to establish a new marketplace that is already familiar with their brand.

Innovators – These companies believe they can gain cost savings and/or pricing opportunities through environmental sustainability initiatives. They often take a proactive approach to sustainability and understand that returns are not immediate. By looking beyond government requirements and moves by competitors, innovators find new solutions that meet the needs of their customers. More and higher levels of management are involved in finding solutions and they appreciate the value of sustainability in strengthening their brand equity. They'll often invest financial and technical resources to reduce operational costs and increase revenue.

> **Example:** A cereal company sends its oat hull waste to an energy plant to produce renewable energy, and in return, the energy plant provides energy to the cereal supplier at a lower cost.

Tacticians – These companies minimize near-term cost exposure and react to future requirements instead of planning for them. They focus on short-term changes in direct response to competitive pressures, customer requests, and government regulations. Managers are generally in charge of addressing compliance issues and look for solutions with low investment costs and quick returns.

> **Example:** A company doesn't proactively seek to minimize its pollution, and holds out as long as it can against the time when government regulations force it to act.

It's easy to see that environmental sustainability will have a greater impact on how companies go to market than ever before.

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Bringing the Eco-Categories to Life – Wal-Mart Packaging Scorecard[29, 30]

On February 1, 2007, Wal-Mart rolled out its "packaging scorecard," targeting a 5% reduction in packaging across its global supply chain by 2013. This scorecard helps the company's suppliers measure the sustainability of their packaging—including consumer packaging, master cases, and shipping materials. Here are the metrics Wal-Mart uses in its scorecard:

Wal-Mart Packaging Scorecard Key Measurement Areas	
15% based on carbon dioxide per ton of production	10% based on recycled content
15% based on material value	10% based on recovery value
15% based on product-to-package ratio	5% based on renewable energy
15% based on pallet cube optimization	5% based on innovation
10% based on transportation	

Suppliers will have a one-year trial period before Wal-Mart begins evaluating its packaging performance. Wal-Mart's Matt Kistler, Senior Vice President of Marketing, Research, and Insights for Sam's Club and captain of Wal-Mart's Packaging Sustainability Network, said the company is developing incentives to encourage buyers to make sourcing decisions based on packaging scores and on the company's other sustainability priorities. *"There will be performance goals attached to our merchandising groups,"* he said. *"Reducing packaging benefits the environment and ultimately improves the bottom line for Wal-Mart and (our) suppliers."*[31]

Companies selling products to Wal-Mart can also be classified according to our three Eco-Edge Classifications:

Game-Changers – Through strategic collaboration, these companies became aware that sustainability is a future area of focus for Wal-Mart and responded proactively with totally redesigned products and packages.

Innovators – These companies worked on packaging improvements over the last few years and were willing to share information and take the lead in making changes prior to mandates.

Tacticians – Deferring actions until standards, regulations, and implementation timelines appeared, these suppliers must now catch up if they want to work with high-achieving partners.

It is immediately clear that companies that have worked with sustainability practices in mind over recent years have an advantage here. They should be able to meet Wal-Mart's expectations quickly and easily and will not have to suddenly make investments or go through the disruption of changing materials or production in order to meet a sustainability-related deadline. Of course, the greatest opportunity is to increase collaboration levels by sharing successes and challenges.

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