Summary

More with Less: Scaling Sustainable Consumption and Resource Efficiency

Prepared in collaboration between the World Economic Forum and Accenture, January 2012
Context

In the four years since the World Economic Forum’s Sustainable Consumption Initiative started, an estimated 450 million people have been lifted out of poverty; and the number of households in the emerging and developed world living on an income of more than US$ 3,000 per annum has increased by 28%. This generation of mostly young, urban consumers from emerging markets presents huge opportunities for social progress and markets. They will create new demand for products and services, and place additional strain on the planet’s finite resources. Current approaches will struggle to address this additional demand.

Adjusting the system now, at the scale required, can safeguard the potential economic value at stake.

Chief executive officers of leading companies asked the World Economic Forum, through its Sustainable Consumption Initiative, to examine how this adjustment could be made with the impact and speed required, to achieve sustainable consumption; and how businesses, governments and consumers can build on the plethora of pilot initiatives that exist today, to move beyond and create systems change.

The challenges and solutions for scaling sustainable consumption and resource efficiency were examined through the lens of consumer engagement (demand), value chains and upstream action (supply), and the policies and enabling environment required to accelerate change (rules of the game).

There is Real Economic Value at Stake

Rethinking business for resource and environmental constraints creates significant opportunity, but there are also risks and costs associated with inaction. Organizations that effectively weave resource efficiency into their core strategy and operations can drive revenue growth and cost reduction, and manage risk better – to strengthen their brands and reputation.

The economic value at stake flows from a global and country level, all the way to individual companies.

Sir Martin Sorrell
Chief Executive Officer, WPP

What is Sustainable Consumption?

Over the past three years of the Forum’s work, ‘Sustainable Consumption’ has gone by the Brundtland definition: Consumption that meets the needs of the present without compromising the ability of future generations to meet their needs. As an African elder at the Rio +10 conference in 2002 phrased it, “Enough, for all, forever”.

Given population growth, the limitations on the planet, changes in the climate, and the scarcity of water and other essential supplies, responsible consumption is critical.

Sir Martin Sorrell
Chief Executive Officer, WPP

US$2 trillion
the potential savings generated by adapting to resource constraints in 2030

US$37 billion
the savings generated by the consumer goods industry in 2030 through energy efficiency

6th
largest source of CO₂ emissions if the top 50 consumer goods and retail companies were a country

150 million
the number of people joining the global middle class each year until 2030

35%
the annual growth in global mobile phone subscriptions

80%
of emerging market consumers say they have more trust in a brand that is ethically and socially responsible

72%
of Europeans are prepared to pay a premium for green products

1.2 billion
people living in water scarcity

US$21 billion
value of the e-waste recovery market in 2020

54 to 179%
the increase in agricultural yields if sustainable farming practices are adopted
Sustainability Forces across Demand, Supply and Rules of the Game are Reshaping Industry Dynamics

Sustainability concerns are changing industry economics, as well as the forces of demand, supply and the ‘rules of the game’. These three factors, in turn, are likely to exacerbate an already volatile business environment – putting future growth opportunities at stake.

Demand is being driven by new consumers. Interest in environmental issues remains small, yet could easily change:

— Three billion new middle-class consumers by 2030: Each year until 2030, at least 150 million people will be entering the middle-class, bringing almost 60% of the world’s population into a middle-income bracket. Over the same period, energy demand is projected to increase by 40%.

— Consumers care most about price, performance and convenience: Around 50% of consumers recently surveyed in over 40 countries by Aegis Media, stated that they do everything they can to protect the environment; however actions do not reflect this – with only a small proportion buying ethical brands and paying more for organic food.

Commodity price volatility and supply-side constraints could limit growth:

— Commodity price volatility is creating uncertainty and limiting growth: Growth in commodity prices over the past 10 years has undone 100 years of declining prices. Between 2000 and 2010, prices of widely-used commodities such as cotton, palm oil and cocoa increased by 75%, 230% and 246%, respectively. In July 2011, cotton prices were the highest they had been in 300 years.

— Water supply will not keep up with demand under business-as-usual: Analysis suggests that the world will face a 40% global shortfall between forecast demand and estimates of available water supply, by 2030.

Current rules of the game highlight the need for change at a systems level:

— GDP growth, resource extraction and environmental impact continue to be linked: Historical models of GDP growth and economic progress have been dependent upon fossil fuel consumption, the extraction of material resources and growing carbon dioxide emissions, leading to negative environmental impacts across the world.

— Despite innovations, resource efficiency has not improved enough over the past 30 years to counter the environmental impact of economic growth.

— The High Level Panel on Global Sustainability recommends that governments increase sustainable procurement and reform the US$ 400 billion of fossil fuel subsidies distributed globally last year.
Action is Being Taken to Realize this Value, but Barriers and Complexities Keep Us from Achieving Change at Speed and Scale

Action is being taken to address sustainable consumption challenges and to capture some of the value at stake. Businesses today are offering innovations for greener choices through sustainable sourcing initiatives, shifts from products to services, collaborative consumption, renewable power, and some progressive environmental standards.

However, examples remain isolated and confusing for consumers, limiting the potential for consumer-business engagement on the issue of sustainable consumption. Solutions and best practices currently being deployed are often locked in a serious case of ‘pilot paralysis’, and are not commensurate with the scale of the response required. Barriers to scaling up best practices occur across the forces of demand, supply and rules of the game.

Barriers Include:

- **Consumers lack incentives for sustainable consumption and are confused by mixed messages.** Survey results show that despite the presence of eco-labels, 70% of British consumers remain uncertain about the environmental performance of the products they buy.

- **Supply chains are complex, opaque and interconnected.** In the cotton industry, for example, there are eight stages between the field and retailer, with many stages of blending during the production stages, which limits assurance of sustainable sourcing.

- **Technology remains costly and inadequately deployed.** Fewer than 20 facilities in the world are certified to melt down and recycle the cathode ray tubes of old television sets, and all are in Asia. E-waste, which at present largely originates in the US and Europe will travel across multiple countries and continents for recycling – putting the environmental benefits into question and causing additional social concerns.

- **Policy incentives remain weak.** Trade systems and tariffs rarely differentiate between unsustainable and more sustainable alternatives, preventing a potential increase of 7–13% in the traded volumes of sustainable products.

- **Short-termism dominates the landscape, and traction in fast-growing markets remains low.** A recent study showed that 55% of FTSE 100 company sustainability targets were to be achieved within 1–2 year timeframes, while only 18% looked out to 2018–2020.

There are many private corporations involved in public–private partnerships aimed at addressing a variety of global issues but more action is needed. The private sector has an enormous wealth of unique expertise that should be shared to help realize global aims.

Feike Sijbesma  
Chief Executive Officer and Chairman, Managing Board, Royal DSM

"We have to move away from the dominant logic that looks at the pure investment cost to one that looks at the entire life cycle of an investment. Business leaders have to ask themselves: ‘How will this work in 50 years time?’ In that way, we can ensure that longer-term sustainability principals are appropriately influencing our investment decisions."

Klaus Kleinfeld  
Chairman and Chief Executive Officer, Alcoa

"Technology remains costly and inadequately deployed. Fewer than 20 facilities in the world are certified to melt down and recycle the cathode ray tubes of old television sets, and all are in Asia. E-waste, which at present largely originates in the US and Europe will travel across multiple countries and continents for recycling – putting the environmental benefits into question and causing additional social concerns."
There is an Impatience for Change, and Business Can Lead the Way

The high-level discussions that informed this project uncovered an impatience for change and desire for more actionable engagement. Governments must act to shape demand for sustainable products and services directly through public procurement, and indirectly shape behaviours and attitudes through policy. Business leaders, on the other hand, increasingly recognize that their companies can and must act to enable scale, and ensure the success of businesses themselves. Harnessing the power and reach of business to achieve this scale, while securing competitive advantage in a resource-constrained world, will require transformational change across three dimensions. None of these dimensions is new in its own right, but a holistic approach is missing in current methods. In order to bring solutions to scale there is a need for a critical mass of stakeholders to work together across demand, supply and rules of the game. The examples highlighted demonstrate practices with potential. There continues to be an urgent need for progress; transformation at scale needs to happen in every business and every country through a commitment to action:

— **Demand**: Collaboration is needed to incentivise sustainable consumption and make it the simplest and cheapest choice for consumers. Technology will be a critical enabler of consumer and business engagement.

— **Supply**: A concerted, scalable plan of action across key areas of supply will enable multiple suppliers, manufacturers and retailers to aggregate their sustainability efforts – and provide greater clarity to consumers.

— **Rules of the Game**: More sustained public-private partnerships will increase trust, and create the right enabling environment for the sustainable choice to become the default choice for consumers and businesses alike.

The World Economic Forum can play an enabling role in bringing businesses and associations together to aggregate and amplify the scale of business actions, and use its multi-stakeholder platform to support existing commitments. Over 2012, the Forum will help to support new collaborations, building on its track record of stimulating and incubating substantive partnerships.

Sustainability is no longer an intellectual exercise. It is a matter of commitment.

Mark Parker
Chief Executive Officer, Nike

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**Transform Demand** through consumer interactions:

- Make sustainable consumption more personal and relevant to consumers. Clothing retailer Patagonia is asking consumers to match its pledges to reduce, repair, reuse, recycle and re-imagine products before buying new Patagonia products.

- Leverage the power of technology to drive engagement and transparency. The GoodGuide iPhone app (available in the US) rates over 140,000 consumer products against criteria such as the environmental sustainability and ethics of the companies that produce them.

- Make the sustainable choice the default choice. All timber products in Kingfisher’s B&Q UK stores are sourced as ‘proven well-managed’ from forests, and supply chains audited to third-party standards such as the FSC.

**Transform Supply** through value chains and new business models:

- Implement visionary leadership and seamless integration across the organization. Unilever’s Sustainable Living Plan aims to double sales while halving environmental impact, and obtain all agricultural raw materials from sustainable sources.

- Embrace a range of strategic options to optimize supply chains, maximize efficiency, and partner with key stakeholders. Such actions could reduce costs, drive revenue growth, improve risk management, and strengthen brand and reputation. Wal-Mart is looking to double its fleet efficiency by 2015 and is also road-testing a diesel hybrid truck. DuPont’s Zytel® PLUS nylon can reduce vehicle weight and improve the durability and carbon footprint of car engines.

**Transform Rules** of the Game through public–private partnerships:

- Support substantive policy interactions with governments to change rules of the game. The China GreenTech Initiative is an international collaboration platform where companies can innovate to help deliver governmental targets for the 12th Chinese Five-Year Plan.

- Help shape the rules of the game such as the greening of public procurement, reform of subsidies, and improvements in regional trade agreements. The Clean Energy Ministerial is an informal adjunct to the ongoing international climate negotiations, leveraging the strength of public–private collaboration.

- Shape finance and investments for a longer-term perspective in markets and cash-flows. The Equator Principles – created by the IFC – are a framework for addressing environmental and social risks in project financing.
Sustainable Consumption at the World Economic Forum

This summary document highlights the growing impatience for a step change in the speed and scale at which we move towards achieving sustainable growth. However, it cannot do justice to the richness of the conversations, debates and dialogues that have contributed to this process over the past year.

During 2012, the Forum will develop specific partnerships to test the pathways to scale of sustainable consumption. A robust business-led initiative could achieve step changes in sustainability across several key themes. The aim of the proposed next phase would be to deliver a set of global corporate stretch goals, based on existing or new initiatives, in 10 key areas that show potential for clear and substantive progress. This initiative would catalyse change by aggregating pledges on each theme for an amplified message.

The World Economic Forum, along with key partners, will incubate this initiative in order to develop a program of practical action for launch in time for Rio+20. Through the spring of 2012, CEO champions identified in Davos will work to mobilize additional CEOs and companies around each theme. After a launch at the Rio+20 Summit, support and monitoring would be provided to the engaged companies in order to have a successful and timely implementation of pledges.

To learn more about the World Economic Forum’s Sustainability work and to download the final report, please visit the website where the full report and past reports can be downloaded, or contact: Randall Krantz, Director, Head of Sustainability Initiative at randall.krantz@weforum.org.

Acknowledgement of Project Board Companies

Throughout 2011, this project has been informed by the 27 Partner Companies involved in the project through collection of insights from CEO interviews, regional workshops, strategic dialogues and expert consultations. In 2011, for the first time, the Forum’s regional events played host to more significant efforts: In both Brazil and India, a full day of linked private sessions explored issues such as water, renewable energy, agriculture and sustainable consumption in a local context, attracting more than 100 global and local leaders from business, government and civil society.

We would like to thank the following Industry Partners of the World Economic Forum for their participation and leadership in the Sustainable Consumption Initiative over the last four years: Aegis Media, Agility, Alcoa, A.P. Møller-Maersk, Best Buy Co., BT Group, DuPont De Nemours International, Edelman, Kraft Foods, Marks & Spencer, Metro Group, Nestlé, Nike, Novozymes, Omnicom Group, Publicis Groupe, Royal DSM, SABMiller, S. C. Johnson & Son, SAP, SAS Institute, Sealed Air, Tesco, Unilever, Wal-Mart Stores, Wesfarmers and WPP. While the views expressed in this study do not reflect the totality of opinions, the participation and guidance of their chief executive officers, chairpersons and presidents have been critically important. Collectively, their insights have been invaluable.

“Technology will drive ever greater transparency throughout supply chains, empowering customers and asking for greater levels of engagement between sustainable business models and consumers.”

Marc Bolland
Chief Executive Officer, Marks & Spencer

“Historically demand has been driven by ‘I want to own that’. Increasingly it’s becoming ‘I want the utility of what that product delivers’.

Nigel Morris
Chief Executive Officer, Aegis Media North America