



# Redesigning Business Value:

## A Roadmap for Sustainable Consumption

The views expressed in this publication do not necessarily reflect the views of the World Economic Forum.

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# Introduction and Background

The work of the World Economic Forum and its Partners on sustainable consumption rests on a set of simple, but vital, premises about the systemic nature of the sustainability challenge, and the actions needed to address it:

- Driving sustainable consumption is about more than corporate social responsibility; it is about necessary fundamental changes in the way business is done and the way the world consumes, requiring rethinking of business models, supply chains and how society values goods and services.
- It is about fundamental changes in the way businesses survive and thrive in ten years time - about deep and broad engagement between business and other stakeholders, within and across value chains and industries.
- It is about enabling an expanding global population to consume sustainably, changing consumption patterns in the developed world while creating a model for long-term prosperity in the developing world.
- It requires a step-change in ambitions for the impact that business and consumption have on the human and natural environment, from “less bad” to “actively good”.
- Finally, while realizing ambitions for sustainable consumption will be challenging and take time, the process involves myriad opportunities for business innovation, profit and leadership. That process has already begun; the foundations for a wider economic transformation have already been laid.

Building on the rationale for business engagement, as laid out in The Business Case for Sustainability in January 2009, this report explores the core elements of a long-term vision for sustainable consumption. The objective of this report is to offer immediate, practical ideas on how companies can partner across industry boundaries to begin to realize that vision now, as developed in section 5 of this report.<sup>1</sup> As this document is written to facilitate discussions at the World Economic Forum Annual Meeting 2010 in Davos-Klosters, we hope that the challenges and opportunities presented here will catalyse specific and practical partnerships, to be carried forward by Partner companies through 2010 and beyond.

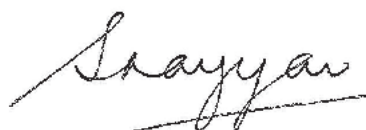
The Project Board of 15 companies identified three specific areas as offering the best opportunities to generate new insights and catalyse new partnerships. Three working groups were convened, on building closed loop systems, eliminating value-chain waste and advancing consumer engagement, with workshops led by Nike, Nestlé and Unilever respectively.

The process of aggregating and then distilling current global experience and expertise builds on a series of meetings and workshops held in Brazil, People’s Republic of China, Denmark, Switzerland, the United Arab Emirates, the United Kingdom and the United States, complemented by interviews and additional research. Throughout the process, over 100 businesses and 250 individuals from business, the public sector and academia have been involved. Along the way, the process has been enriched by valuable contributions from the World Economic Forum’s Global Agenda Council on Sustainable Consumption. Special thanks are due to Deloitte, which is supporting this work as project adviser for a second year.

The work of the Forum and its Partners on sustainable consumption offers a powerful example of Corporate Global Citizenship in action and makes clear that finding solutions to today’s key global societal challenges requires the collaboration of business, government, and civil society.



Robert Greenhill  
Managing Director and Chief Business Officer  
World Economic Forum



Sarita Nayyar  
Senior Director and Consumer Industries  
World Economic Forum

# CEO Foreword

## The world is at a tipping point.

Populations are rising. The availability of natural resources is diminishing. Global economic health is based on consumption. Without fundamental changes, our global economy is at risk.

A prosperous future depends on innovative new products and business models that achieve transformative efficiency – and create new market opportunities.

This transformation will be significantly driven by companies, in part through public-private cooperation and partnerships. Tomorrow's businesses will meet the future by channelling their creativity to form markets that capture the emerging opportunities these shifts offer.

Every period of disruptive change brings winners and losers. The formula for business success during our era of great change will place a premium on innovation, collaboration and smart investments to shape a globally prosperous and sustainable future.

To build a future of sustainable consumption, we need:

- **Innovation:** Sustainability is an enabler of innovation and should be at the core of the design of products and services and the development of new business models and platforms.
- **Collaboration:** New forms of collaboration between business partners, along entire value chains, and with key stakeholder groups will be needed.
- **Investment:** To catalyse a prosperous future, business needs to look beyond short-term pressures and focus on investment for the long term, working to build understanding among investors of the value at stake in long-term planning.
- **Values:** To become relevant in shaping a better future for society, new values-based frameworks are needed to align behaviour in more productive and innovative ways.
- **Leadership:** As business leaders, we choose to lead from the front, because we see that the cost of inaction to our businesses far outweighs the cost of action.

We believe we have the potential to create new business models that build lasting prosperity for the many and not for the few; that make wise use of natural resources; that internalize social and environmental capital; and that focus on innovation to thrive in a low-carbon, dematerialized economy driving smarter consumption.

In addition to our individual commitments to sustainability, we seek collectively to leverage the platform offered by the World Economic Forum to explore and develop practical collaborations around key actionable partnerships.

Within this report are many specific and sensible ideas to ground these aspirations in opportunity for action. Commitment to these principles and actions will set the foundation for transformational change.

We see a tremendous challenge ahead, and success should not be celebrated before progress can be measured and results are shown.

But we also see a great opportunity. If you are reading this foreword, then read on and join the action.



Leo Apotheker  
Chief Executive Officer  
SAP AG



Carl Bass  
President and Chief Executive Officer  
Autodesk Inc.



Paul Bulcke  
Chief Executive Officer  
Nestlé SA



Brian Dunn  
Chief Executive Officer  
Best Buy Co. Inc.



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Irene B. Rosenfeld  
Chairman and Chief Executive Officer  
Kraft Foods Inc.



Tarek Sultan Al Essa  
Chairman and Managing Director  
Agility



# Consumption: Why Change?

## Key insights

Sustainable consumption presents an extraordinary competitive opportunity for businesses, as well as an urgent collective action issue for all stakeholders to address.

## Why sustainable consumption matters

Without a fundamental shift in the way goods and resources are consumed, the world faces the prospect of multiple, interlocking global crises for the environment, prosperity and security. Sustainable consumption is a prerequisite for a more prosperous, safe and equitable global future. The costs of inaction are high.<sup>2</sup>

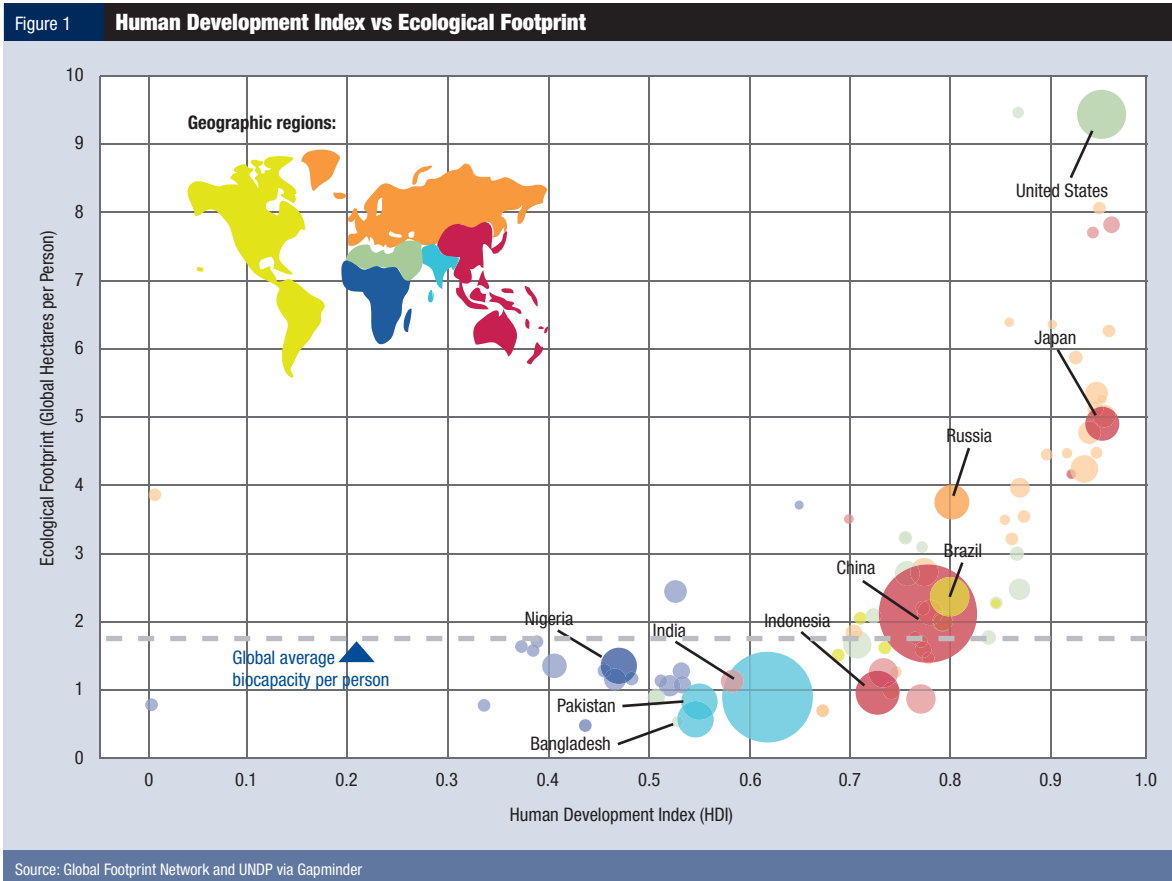
Pressures on current models of consumption are rising. The world's population is forecast to rise to 9 billion by 2050. Seventy million people are expected to join the global middle class every year between now and 2030.<sup>3</sup> Demand for goods and services should follow. Without sustainable consumption, meeting those demands – and the collective expectations and aspirations which go with them – will become increasingly difficult, with more and more severe consequences.

The world's water systems will become progressively more stressed, while some countries may face “water bankruptcy” as a result of rising populations and changing weather patterns driven by climate change.<sup>4</sup> Global food production will become increasingly inadequate, as an expansion of global population is coupled with a shift in diet of the emerging middle class towards more energy and water-intensive products.<sup>5</sup> Globally, competition for scarce resources will increase. It will become difficult, if not impossible, for developed countries to insulate themselves fully from the social and other consequences this may have in poorer countries. Eventually, competition over access to resources, volatility over the price of resources, and widening global imbalances between the “haves” and the “have-nots” could lead to a popular rejection of economic and political globalization.<sup>6</sup>

Such a dire scenario of the future, extrapolating current trends 20 or 30 years from now, is not inevitable. Technological innovation may help avoid runaway climate change and mitigate the worst consequences of global warming already built in to the world's climate system. The capacity for societies to reinvent themselves in the face of adversity is extraordinary.

But avoiding such a scenario cannot be left to chance. Concerted action is needed to improve the likelihood that prosperity can indeed be achieved for a far greater number of people – with the life and business opportunities that that implies – without environmental degradation affecting the opportunities of future generations. Achieving wider global prosperity within a resource-constrained world is the greatest economic and political challenge of the 21st century.

At present, virtually no country combines a high level of development as measured by the United Nations' Human Development Index with a sustainable ecological footprint (see Figure 1 below).<sup>7</sup>



### Why sustainable consumption matters to business

In 2009, The Business Case for Sustainability provided a cogent argument for sustainability as an issue that should be incorporated into the strategy and operations of business, not just as a matter of stakeholder responsibility but as a matter of business survival and value creation:

- **Managing resource risks:** Sustainability matters to business because it reduces exposure to volatile and rising resource prices, to the risk of increased scarcity of resources and to the risk that these (carbon, water, waste) are radically re-priced in the near future. Embracing models of sustainable consumption across the value chain will provide stronger resilience against external shocks.
- **Shaping the regulatory environment:** Principles of sustainability are increasingly being incorporated into the regulatory environment. If businesses wish to flourish in this environment, they must make themselves active participants in its construction.
- **Engaging consumers as citizens:** The biggest drivers of corporate sustainability investments are consumer concerns, employee interest and government legislation.<sup>8</sup> For business, driving sustainable consumption can be an effective long-term strategy for deepening authentic engagement with consumers and employees.
- **Engaging consumers as customers:** Consumers increasingly want to be treated as customers, demanding not only more sustainable products and services, but also greater transparency over sourcing and content of existing ones. At the same time, the speed, spread and changing patterns of use of the media are forcing businesses to adopt pre-emptive strategies to manage their reputational risk on sustainability issues. Engaging proactively with the sustainable consumption is one way of managing these challenges in depth.
- **Driving innovation:** Businesses are the chief engines of value creation and innovation in society. The challenge of sustainable consumption presents an opportunity to enhance both, particularly when new partnerships and collaborations are opened along the value chain.

- **Capturing opportunity:** In the end, sustainable consumption matters to business because there will be winners and losers in the new economy, and those that move most swiftly are likely to reap the greatest benefits. Embracing sustainable consumption now offers a pathway to future markets and profitability.

*“A world in which things simply go on as usual is already inconceivable. But what about a world in which nine billion people all aspire to the level of affluence in the OECD nations [today]? Such an economy would need to be 15 times the size of today’s global economy by 2050 and 40 times bigger by the end of the century.”*

*Prosperity without Growth*, United Kingdom Sustainable Development Commission, March 2009

### Why sustainable consumption matters now

The world economy is emerging from the deepest global recession in decades. To some extent, the depth of the recession has obscured the extent of the sustainability challenge – in some cases, where investments in improved resource development and management have been cancelled or deferred as a result of recession, it may have made things worse.

The global consumption trajectory remains largely unchanged. According to the World Wildlife Fund, resource consumption could increase to 200% of global carrying capacity by the 2030s.<sup>9</sup> As argued below, incremental improvements in sustainability are not enough. A more fundamental, transformational shift in the way the world produces, consumes and manages value chains is needed.

The appetite for new business models has never been greater. In 2010, therefore, not only are the positive arguments for sustainability enhanced, but so is the opportunity for businesses to rethink the role of sustainability and to reconfigure their organizations to adapt.

*“Companies that take the lead on sustainability will be market makers rather than market takers.”*

*The Business Case for Sustainability*, World Economic Forum, January 2009



## Current Trends towards Sustainability and Why a More Fundamental Shift is Needed

### Key insights

Despite the recession, moves towards sustainability are accelerating, supported by a shifting consumer agenda, the rise of sustainable investment, increasingly supportive policy frameworks nationally and internationally, and attempts to redefine concepts of value and prosperity, incorporating environmental and other factors. These are positive trends – but even collectively, they are not enough to forestall environmental threats under most scenarios; yet, they also fail to catalyse opportunities for business and other stakeholders.

### Shifting consumer agenda

Consumers are becoming more active participants in the creation of the sustainable economy, demanding greater transparency over the origin and contents of the goods they consume, and increasingly aware of the broad sustainability challenge facing the world. This is a necessary but not sufficient first step towards a transformational change in consumption habits.

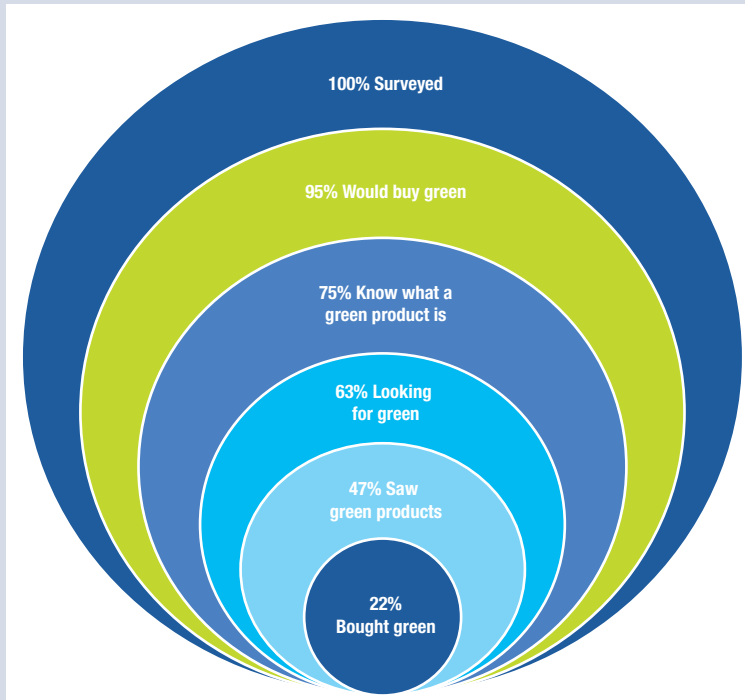
Part of the challenge is that there is not, as yet, any globally recognized definition of the sustainable consumer. Preferences and levels of consumption vary hugely between different societies, driven by level of income and culture:

- Consumers in the developed world are becoming increasingly sensitive to concepts of environmental harm and sustainability, but consumption levels there are already high. Achieving sustainability implies very substantial improvements in resource use and waste management as well as changes in product types and different models of consumption. A Deloitte study found that consumer behaviour is still principally dictated by price, quality and convenience, rather than by origin of products and sustainability content.<sup>10</sup> Sustainable consumption remains niche. The disconnect between awareness and action is stark. For business models and consumption models to shift fundamentally, all consumption has to become sustainable.
- The developing world presents both the greatest opportunity for a growing consumer market and one of the greatest challenges in terms of achieving wider prosperity for current generations without undermining the sustainability of long-term prosperity. The prize is there for the sustainable economy to be built in emerging markets, without entering a phase of high-input/high-output consumption that characterizes the developed world. Concerns about the environment are often just as strong amongst people in the developing world as in the developed world, and in some areas stronger as they are often more directly affected, for example water pollution.<sup>11</sup>

### Sustainability in hard times

In emphasizing the systemic vulnerabilities of the current global economic system, the recession has refocused the attention of consumers, businesses and policy-makers on the challenges of achieving greater systemic resilience and enhanced long-term prosperity. Since 2008, public and business attitudes towards their vulnerability to resource prices and potential scarcity have shifted. Sustainability is becoming part of corporate and consumer culture.

Figure 2 **Willingness to “buy green”**



This figure suggests an unfulfilled, latent demand for green products that could be realized through the right product development, in-store communication, and product availability. However, even if consumers did “buy green”, what would this mean, and would it be enough to put us on a track to sustainability? Consumer engagement is only one piece of the puzzle, and it needs to move beyond the belief that society can consume its way to sustainability.

Source: GMA/Deloitte Study, *Finding the green in today's shoppers: Sustainability trends and new shopper insights*, 2009

The need for this shift can be seen in upward trends in resource prices. While the global recession temporarily eased the immediate pressure on the prices of energy, food and natural resources that was manifested in 2008, commodity prices have resumed their inevitable upward path since the beginning of 2009. Long-dated oil prices have increased to nearly US\$ 100 a barrel, some US\$ 20 higher than two years previously. Despite the deepest recession in more than a century, global consumption fell by only 0.3%.<sup>12</sup>

Fears that the economic downturn would distract attention from the importance of sustainable consumption have not been realized as public attitudes and demand for sustainable products have remained remarkably constant through the recession. For example, some 95% of American consumers say they are willing to “buy green”<sup>13</sup> (see Figure 2 above) and 44% say their “green” buying habits have not changed, and more than one-third report that they are more likely to buy sustainable products.<sup>14</sup> The market for products is, in fact, predicted to grow significantly: a recent report for the German government suggests that Germany will earn more money from green products than from car production by 2020.<sup>15</sup>

Though business action and investments have necessarily been constrained by financial conditions, sustainability has also remained high on the agenda of business. The MIT Sloan report found that less than one quarter of survey respondents said that their company had decreased its commitment to sustainability during the recession.<sup>16</sup> Many of the actions undertaken by businesses have positive, clear bottom line implications in the near to mid term – reducing energy use and its cost, reducing water use and its cost and reducing the use of carbon. But while these actions have clear benefits to individual businesses, the real prize – sustainability along and across value chains – is far from being achieved.

Governments, meanwhile, are increasingly directing public investments towards projects that measure or enhance sustainability. For example, the US government has required federal agencies to make improvements in their environmental and energy performance. Across the world, fiscal stimulus packages launched in response to the financial crisis have given a significant role to “green growth” – not just in the US and Europe, but also in Brazil, India and China.<sup>17</sup> This may herald the beginning of a broader shift to sustainability criteria being increasingly important in the award of government contracts.

*“If anything, the recession has focused the mind. It’s hard to tell whether the emphasis on the environment] is due to the recession or the age we are living in. Whatever is driving it, what is clear is that investment is not slowing down.”*

Bob Gordon, British Retail Consortium (Financial Times, 25 November 2009)

### Rise of sustainable investing

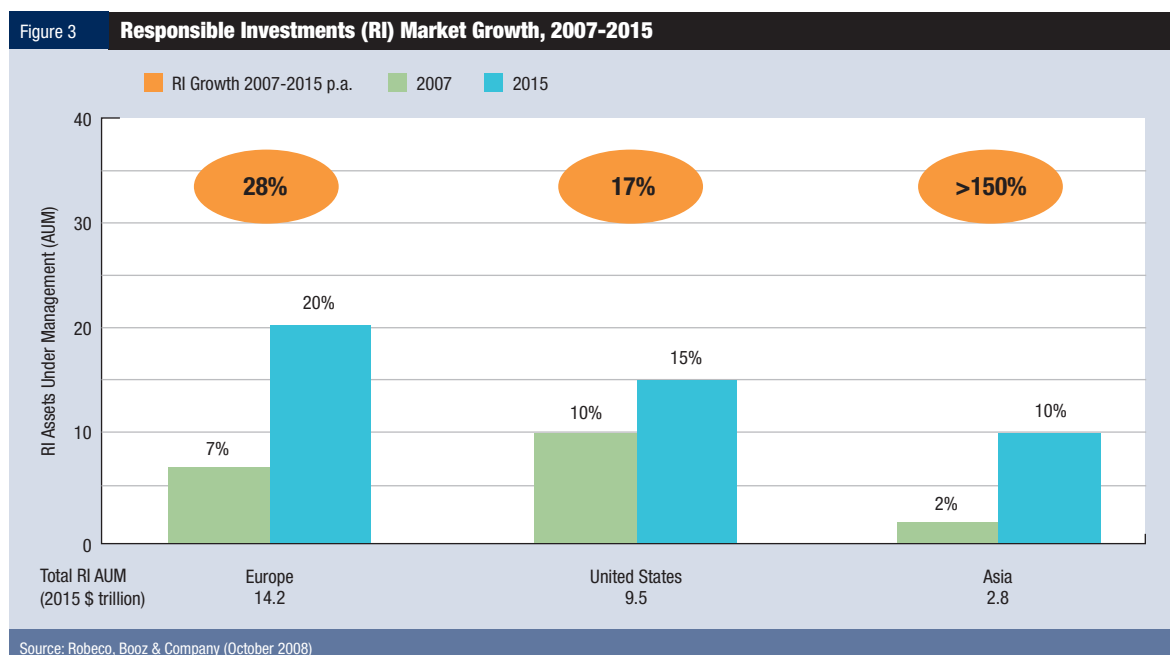
In line with changes in consumer, business and government attitudes, investment patterns are increasingly supportive of the shift towards sustainable business models.<sup>18</sup> The penetration of responsible investments<sup>19</sup> is expected to rise rapidly over the next few years – from under one-tenth of assets under management to approximately one-fifth, or US\$ 26.5 trillion (see Figure 3 below). This represents an extraordinary depth of funding availability for sustainable businesses, at a time when funding for other businesses has become far more difficult to obtain.

In September 2009, the non-profit Global Impact Investing Network (GIIN) was launched at the meeting of the Clinton Global Initiative in New York, with the aim of sharing information on what works and what does not, defining and agreeing common language and measures of performance – the Impact Reporting and Investment Standards (IRIS) – and helping influence governments to produce regulation which acts as an enabler of impact investing.

This is part of a series of collaborative initiatives involving the financial industry, including:

- The UN Principles for Responsible Investment, which have attracted more than 640 signatories so far, with combined assets under management of over US\$ 14 trillion
- Ceres, which directs the Investor Network on Climate Risk (INCR), a group of more than 80 leading institutional investors with collective assets of more than US\$ 8 trillion
- The P8 Group, which brings together senior leaders from some of the world’s largest public pension funds to develop actions relating to global issues and particularly climate change

The investment community, and the financial means which it represents, is driving sustainability forward. Just as government is beginning to create the appropriate regulatory framework for businesses to invest, sustainable investment could be the financial enabler which allows aspiration to become reality, and which rewards companies for investments made in sustainable infrastructure, products and innovation.



### The evolving public policy framework on sustainable consumption

A key enabler for a fundamental shift towards sustainable consumption is a workable public policy framework at the national, regional and global level. Here, progress is mixed. Slowly, the sustainability agenda has moved from the outer limits of global public policy discussion – with the controversial 1970s *The Limits to Growth* report – towards its core. The 1980s Brundtland Commission was followed up in 1992 by the Rio summit.<sup>20</sup> In 2002, the Johannesburg Plan of Implementation (JPOI) called for a 10-year framework of programmes to accelerate “delinking economic growth and environmental degradation”, leading to the current Marrakech Process on Sustainable Consumption and Production, under the auspices of the United Nations.<sup>21</sup> The gradual institutionalization of sustainability issues in global policy frameworks is welcome, but progress here has been patchy, and awareness among business is insufficient.

Though sustainability is increasingly being linked to existing public policy frameworks on climate change and biodiversity, there is not yet specific global regulation of sustainability. Nor is there global policy consensus on the framework and approach needed. The Marrakech Process is designed to provide a framework for global, regional and national sustainable consumption and production programmes. So far, while all regions have identified priorities and programmes, there is great variance in their progress. Only 35 countries worldwide have developed or are in the process of developing their national sustainable consumption and production programmes. In some countries, these programmes represent major progress; but collectively, they are not enough.

- In Europe, the European Union has taken important steps to promote sustainable consumption, most significantly the July 2008 Action Plan on Sustainable Consumption and Production, expected to significantly boost demand for sustainable products. The EU Ecolabel scheme, set up in 1992, is currently being revised. Green Public Procurement, allowing public bodies to take account of sustainability considerations when purchasing products and services, is a major part of that action plan.
- In Africa, the permanent African Ministerial Conference on the Environment approved a 10-year framework for sustainable consumption and production in 2005, identifying priorities in energy, water and sanitation, habitat and sustainable urban development, and industrial development. Several African countries are pursuing their own programmes, and a pilot project on eco-labelling in Africa is underway.
- In the Asia-Pacific region, several countries have engaged in reform of the tax system, green procurement, enhanced disclosure requirements or product stewardship tools to level the playing field for sustainable products and services. China and India have become actively involved in the Marrakech Process, pointing to the increasing interest of the world’s largest growth markets in configuring their economies for sustainable growth.
- In the Americas, while neither the United States nor Canada has adopted specific policy frameworks for sustainable consumption and production, legislation and regulation on environmental issues is increasingly shifting growth models towards sustainability. In Latin America, regional environment ministers have launched a regional sustainable consumption and production strategy.

In spite of pressures from local concerns in more and more geographies and the increasing involvement in global governance processes, the sustainability agenda has not yet become a sufficiently mainstream part of public policy. That process needs to deepen and accelerate.

*“Fundamental changes in the way societies produce and consume are indispensable for achieving global sustainable development... Governments, relevant international organizations, the private sector and all major groups should play an active role in changing unsustainable consumption and production patterns.”*

*Johannesburg Plan of Implementation, 2002*

### Redefining prosperity, redefining value

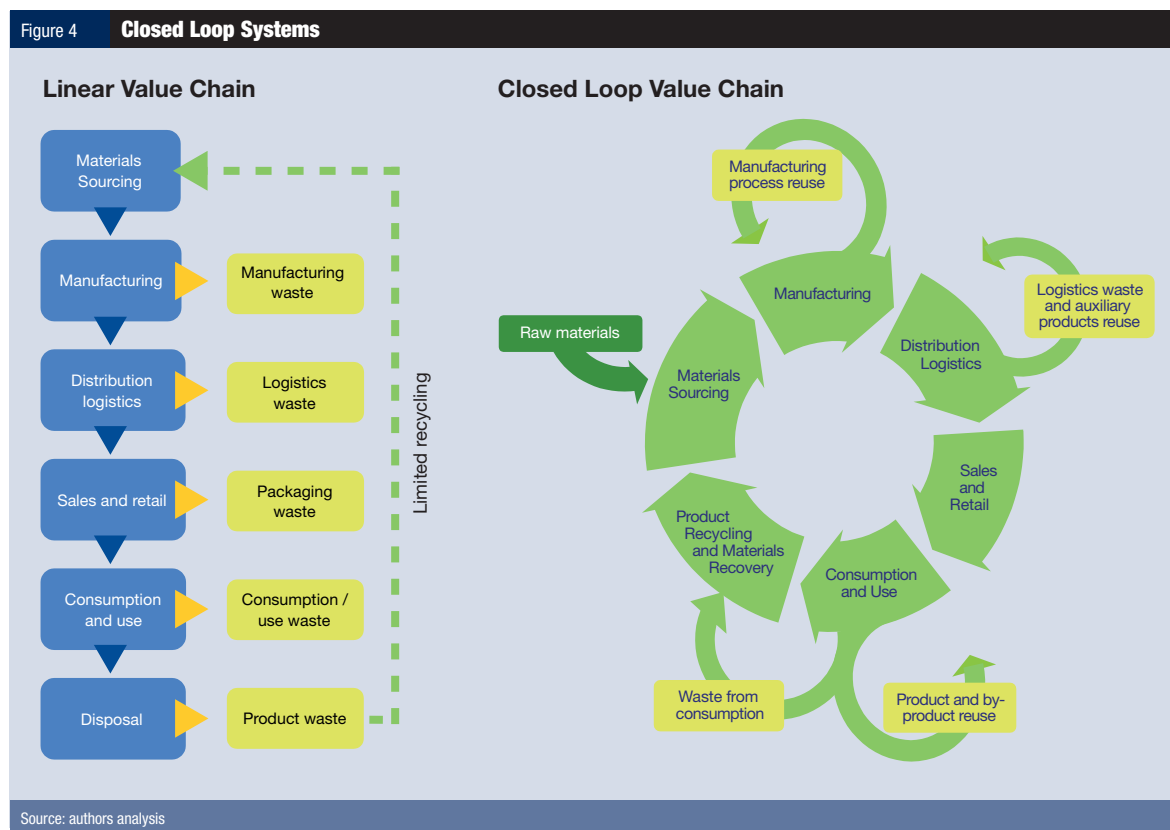
Governments, consumers and businesses are redefining what constitutes prosperity and value. Focus has increasingly shifted from measurable throughputs of resources and purchases of goods to less easily defined concepts such as well-being, welfare and quality of life. Amartya Sen, the Nobel Memorial Prize in Economics-winning economist, has redefined “development” in terms of enhancing life opportunities, choices and freedom, taking higher incomes in developing countries as a necessary but insufficient condition for that to be achieved.<sup>22</sup>

The intellectual argument for broadening measures of prosperity – and for more accurately valuing environmental and other externalities in national and business accounting – has been ongoing for decades. What has changed in recent years is the seriousness with which redefining prosperity has been adopted by governments. The idea of introducing measures of sustainability into measures of national income was boosted in September 2009 with the publication of a report commissioned by French President Nicolas Sarkozy, *The Commission on the Measurement of Economic Performance and Social Progress*.<sup>23</sup> As national accounting standards move towards measures that incorporate sustainability, it is highly likely that the incentive structures that states create – for businesses and for individuals – will shift accordingly.

### Is it enough?

Unfortunately, these current trends towards sustainability are welcome but insufficient. The shifts above are focused on incremental, rather than transformative, change. While they may improve sustainability at the margins, they are rooted in a model of consumption that is itself unsustainable. Working within the existing paradigm means that, despite best efforts, incentives for business investment are not sufficient. Collaboration across value chains is deficient. Public policy frameworks are neither ambitious enough nor adequately coordinated at the global level. The shifting consumer agenda is too limited.

Section 2:  
Current Trends  
towards  
Sustainability and  
Why a More  
Fundamental Shift  
is Needed



Ambitions must be raised, and visions broadened to the system as a whole. Changes in lifestyles and consumption habits will be needed from consumers, not just an expansion of the number of “green” consumers; businesses will need to define new business models, focused on value creation rather than material throughput; work towards closed loop systems (see Figure 4 above); and governments will need to institute enabling policies and regulations that price resources at their true cost and measure sustainable prosperity at its true worth for future generations.

In many businesses, the first steps on the path towards a sustainable future have already been taken, and in some cases substantial investment programmes are already in place. Most of those have involved reducing the resource intensity of production, with clear and rapid gains – in terms of environmental benefits, reduced costs, increased profitability and a leadership position within the business community. But the sustainable future is not just about greater resource efficiency within businesses, or even about greater resource efficiencies within and across value chains. It is not just about making standard business practices “less bad” – it is about mainstreaming those practices which are “actively good”. The old paradigm for the global economy – focused on throughput of resources, consumption of products, limited measures of prosperity and underpricing of externalities – is being discarded. A new normal must be defined, and a path set out to achieve it.

“*Current global consumption patterns are unsustainable... it is becoming apparent that efficiency gains and technological advances alone will not be sufficient to bring global consumption to a sustainable level; changes will also be required to consumer lifestyles, including the ways in which consumers choose and use products and services.*”

*Sustainable Consumption Facts and Trends from a Business Perspective*, World Business Council for Sustainable Development, 2008

## Where Do We Want to Go? Defining the “New Normal”

### Key insights

The challenges of sustainable consumption require rethinking the fundamental tenets of the economy. The world economy must move towards a “new normal”, bringing about systemic change in consumption, production and the way in which value is created.

The new normal for the global economy is one in which consumption is decoupled from negative environmental and social impacts, driven by a combination of innovation, evolving consumer values and more accurate product costs. In the end, it is not a world defined so much by scarcity and sacrifice, as a world defined by innovation and a new abundance.

The “new normal” is an economy in which:

- **Consumers are the driving force:** Through more meaningful engagement and co-creation, consumers are positively engaged with the benefits of sustainable consumption to themselves, their families and their communities. They are empowered through meaningful information about products in the marketplace, which has been improved with better metrics and more standardized communication platforms. Consumers view a product as a means to a solution or enhanced experience rather than a product as an end in itself.
- **Consumption is about loops, not lines:** Through better design and life-cycle thinking, consumption and production ecosystems become closed loops, producing no outputs as waste through their life cycle. As such, the concept of waste disappears, as all by-products retain an intrinsic value to feed into other systems. Even food spoilage and waste are minimized and turned into biofuels, compost or animal feed.
- **Collaboration is a key:** Companies view the areas in which they collaborate as important as the areas in which they compete. This collaboration happens both along and across the value chain through management, reduction and elimination of impacts that transcend the boundaries of direct control of any single company. Product waste and duplication is improved through interoperability of products.
- **Core business practices are sustainable:** Company competitiveness and profitability are inextricably linked with their achievement of sustainability objectives. The depth of this relationship goes to the core values ascribed to products and services, materialized through life cycle design and innovation. Relationships with suppliers and buyers are based on greater trust through which long-term contracts and relationships are emphasized, providing greater traceability of both products and their impacts.
- **Public policy frameworks support sustainable consumption:** Governments pursue policies to enhance well-being of citizens and the environment, as much as traditional economic growth. Natural resources such as water or carbon are priced according to their value within the structure of the economy and environment as a whole, while externalities which are currently unpriced or underpriced, such as landfill waste or toxins, are appropriately accounted for through market mechanisms.

This “new normal” is in many ways so different from today that it is difficult to visualize. The following two pages provide another perspective on the concepts above from the viewpoint of a CEO looking back from 2030.

## Looking back from 2030

*Speech made by Adreanna Lopez, Chief Executive Officer of ConsumerGoodsInc from 2012-2021, to celebrate her acceptance of the Nobel Prize for Economics in October 2030.*

“Thank you. I want to start by acknowledging two groups of individuals without which ConsumerGoodsInc’s combination of commercial success, consumer engagement and sustainable innovation would have been impossible to achieve. First, our employees, now more than a million strong, whose involvement in every stage of redefining our strategy has been crucial. Second, our customers, who have been so important in helping us shift to our model of “shared value”. Unlocking our customers’ ideas as innovators and mobilizing their engagement as citizens has been vital to our success.

ConsumerGoodsInc has, indeed, achieved astounding success since its foundation in 2010, when I joined a small executive team to explore how the type of model developed by eBay could be applied to our sector. It was not the easiest of times to launch a new corporate entity. At that time, the consumer goods industry was just coming out of the worst financial crisis in 75 years, and emerging into what some called the “long crisis of globalization”. At the time, our industry’s business model saw the ever-increasing consumption of goods as the end goal. That model was needlessly wasteful of natural resources, mispricing scarce resources and failing to capture the huge efficiency gains available both along and across the entire value chain. It was a model that, in the end, could provide neither the long-term growth that we needed as businesses, nor the long-term prosperity we needed as global citizens. It was, in short, unsustainable.

But the confluence of environmental and economic crisis which the industry experienced in 2010 spurred us to rethink our businesses and, in the process, to develop and capture new markets. And, in committing to long-term economic, environmental and social sustainability across all our business lines, we were part of the shift from a world of resource consumption to a world of value optimization.

ConsumerGoodsInc was instrumental in leading the way for two major changes in how our industry and, by association, the global economy operates today.

First, with our Waste Partners programme, we revolutionized the way we worked with players through our entire value chain to eliminate the concept of waste. As a result, today’s consumers take a world without waste for granted: operating a low-carbon, closed loop value chain with efficient resource use and collective stewardship across life cycles is part of businesses’ licence to operate.

Our efforts to find ways to reduce our material footprint were small to start, but became larger and larger as other companies started to imitate us, and we realized that, by facing what were essentially systemic challenges, we were also creating massive opportunities. As an industry, we began to innovate ways to deliver the “smart” prosperity we are familiar with today. In 2012, we transformed the Waste Partners programme from a closed, supply chain system to an open-source platform that our consumers could join – not only could they feel more secure about their purchasing decisions by knowing exactly what waste we were producing in which countries, they could advise us on material choice and help us make connections to other businesses that turned our excess material into a valuable input elsewhere. As more and more stakeholders, including our competitors, joined the programme, the bottom-up wave essentially forced policy-makers to provide the right incentives to allow true valuation of all materials and externalities.

If sustainability started off as the creed of efficient resource management, it has ended up helping us build a new economy which values resources and products differently. This is at the heart of ConsumerGoodsInc’s second key contribution to today’s economy – our True Value for Money movement, which started almost accidentally as a campaign launched in 2016. Through this movement, we worked with our customer base to rethink the value proposition of the goods and services we provide. As a result, today we produce nothing more than is required to enhance and improve consumer

lifestyles and well-being. While we have not yet managed to convert all our product ranges into dematerialized services and experiences, we have certainly managed to get across the message that we are no longer selling “stuff”; we are enhancing people’s well-being overall.

Sustainability to us has therefore been a catalyst for innovation, not just in terms of the facilities and technologies – the smart grids and local generation technologies which now allow 80% of houses to run on local power sources, and the breakthroughs in waste reprocessing and capture that have taken us so close to zero waste – but also innovation in defining what value means to the economy and how it can be delivered. In doing so, ConsumerGoodsInc has helped unlock significant financial rewards.

And while those rewards have spurred fierce competition within the industry, new forms of collaboration have been a key in ensuring that we race to the top. Open source architectures make it easy to share non-competitive information across entire value chains, and we have developed targeted industrial ecosystems that combine competitive advantage with benefits to our wider community and society. We have also put the consumer at the core of the collaborative process to help us design more high-impact, high-value consumer experiences that can profitably fulfil needs and aspirations without costs to the global commons.

But the roots of our success, as I see it, are wider still. ConsumerGoodsInc, like many of our competitors, has invested boldly in thousands of small, experimental initiatives, models and promising technologies that we felt could transform our businesses. We constructed new languages and metrics to communicate more clearly with our boards and external investors, and we have found patient capital to suit our long-term commitments. We have been open about what has worked and what has not, since we knew the journey was about learning as well as succeeding. We have accepted that every CEO should be judged on his or her contribution to the firm’s entire stakeholder group, with the environment as a critical component. And we

have been surprised along the way by some of the advantages of embracing an agenda for sustainable consumption – we benefit from greater levels of employee and customer loyalty than any other large consumer goods company.

Together, we have helped build “a new normal” for the world economy. And while smarter regulations from governments and incentives for sustainable investing have been essential to us achieving our goals, we are proud that it has been business, in partnership with consumers, investors and other stakeholders, which has both led the change and embodied the change to a more sustainable and successful path for the economy as a whole.

Finally, I want to point out that, despite the fears that many had in 2010, all this has been achieved without sacrificing established lifestyles, while bringing nearly all of the world’s 8 billion consumers online in all global markets, the very markets where many of ConsumerGoodsInc’s most innovative ideas were produced.

It is an amazing honour to accept this prize, and almost ironic that, while shifting global perceptions of waste and value, we were merely doing our best to innovate our way to success in a fragmented and competitive market in a tumultuous landscape. It is even better to celebrate this success knowing that the model we pioneered has been accepted, adopted and often improved, reaching the lives of almost every citizen on the planet right now, without compromising the lives of future generations to come. Thank you.”



# Section 4 How We Can Get There

## Key insights

Businesses need to “own” the sustainability agenda within their organizations, starting with the board and then engaging with employees and other stakeholders. The obstacles to building sustainable consumption are definable, and the means to overcome them are achievable. The opportunities this will create are now visible – they are within grasp.

## Making the journey

In 2010, the challenges of balanced business ecosystems seem far off. Getting there involves a difficult journey, but it is not an impossible one. Four practical, achievable steps will help vanguard companies start this process, highlighting the obstacles that must be overcome and the opportunities that can be seized by businesses, leaders and citizens in the process.

The first step is to firm up the foundation, as the current leading business practices of today become standard business practice and sustainability strategy is integrated into business. This is “relative sustainability”, where steps being made are important but still incremental from where we are today. The second step is rebuilding business, in which sustainability is integrated throughout the business, new business models are piloted and demonstrated as being viable. The third step, new value chains, is the beginning of a major shift to new business models, in which sustainability is integrated across value chains and entire chains are moving towards zero net waste. The final step leads to balanced systems, in which innovation drives sustainable value chains and value is redefined for all stakeholders. This results in a low-carbon system with closed loops and zero waste both along and across value chains, in which sustainable society and sustainable lifestyles are realized.

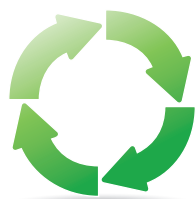


A picture of this four-step journey emerged from discussions during the Driving Sustainable Consumption roundtable workshops and different Forum events. The above visualization is explained in more detail in the following pages, with more information on the barriers, enablers and specific strategies to help companies change the way they do business. Also included are four mini case studies to help bring each of the steps to life.

When taken in the context of the rest of the roadmap, these four steps can simplify the journey and help catalyse action through individual companies and along entire value chains.

# Roadmap for Sustainable Consumption





## New Value Chains

- Sustainability integrated across value chains
- Towards zero net waste
- Start of major shift to new business models

- Industry collaboration
- External trust
- Innovation adoption

- Markets/policy (e.g. carbon tax)
- Access to markets, technology, funding
- “Sustainability-literate” citizens
- “Co-opetition”: competitive versus collaborative platforms

- Embed sustainability within business ecosystems to prepare for true cost of resources
- Collaborate strategically to use all value chain waste as input
- Share risks and benefits of shared infrastructure, intellectual property, research and development
- Work with suppliers to prototype new business models
- Refocus value towards all stakeholders

The new mobility company, Better Place, will offer networks for electric cars in 2010 through an innovative model in which consumers subscribe to miles rather than buy a car from one company and obtain fuel from another. This vertical business model requires partnerships with technology suppliers, manufacturers, cities, and renewable electricity suppliers.



## Balanced Systems

- Sustainable value chain innovation
- Redefined value
- Low carbon, closed loops, zero waste
- Sustainable society, sustainable lifestyles

- Societal collaboration
- Governance
- Regulation

- Ecosystem-replicating systems
- Resources accurately priced (e.g. water priced/traded)
- Cross-industry collaboration as normal business practice
- Partnership between consumers, business and government

- Refocus value for all stakeholders through corporate citizenship
- Embrace interlinked, closed loop systems along value chains
- Drive external trust through transparency and authenticity
- Shift from products to services, de-impact remaining products, innovate on value creation
- Reflect true cost of resources in all pricing decisions of resources, inclusive of externalities

While there is not yet a case study for a sustainable society, some steps have been made towards eco-cities as models for the future. Of note, Dongtan in China has attracted attention for systems solutions that incorporate living spaces, mobility and natural spaces. Mazdar in Abu Dhabi aims to be the world's first city with a carbon-neutral, zero emissions ecology.

### What it takes

Getting to the summit of sustainable consumption is not a single process, it is many. Nor is getting to the summit outlined above the work of a single company. It will be achieved through the effort, collaboration and innovation of many companies, working with their suppliers, collaborating across value chains and engaging with their customers. Governments must be involved to set the appropriate frameworks and incentives. Society as a whole must be engaged. Some will move quickly, others more slowly. Once the summit is defined, and the intention to reach it is acknowledged, the journey will become easier.

The journey consists of changes on four levels:

- First, a change in business leader mindsets, to support the goal, and to begin to change consumer behaviours and corporate attitudes towards the provision of value
- Second, organizational change, to embed sustainability into the core of businesses and institutions, so that it becomes a part of the business ways of thinking and working
- Third, industry-wide change, by promoting collaboration across suppliers, customers, investors and talent pools to build sustainability into extended value chains
- Fourth, systemic change, involving major public policy changes to shape not just businesses, industries and societies but the global economy and trading system

While businesses can and do have a major influence on systemic change – demanding a clear and consistent policy framework from governments to allow for long-term investment decisions – the three first levels of change are the starting point for corporate leaders, and they are the starting point here.

*“Developing a new business model requires exploring alternative ways of doing business as well as understanding how companies can meet customers’ needs differently.”*

Why Sustainability Is Now the Key Driver of Innovation, *Harvard Business Review*, September 2009

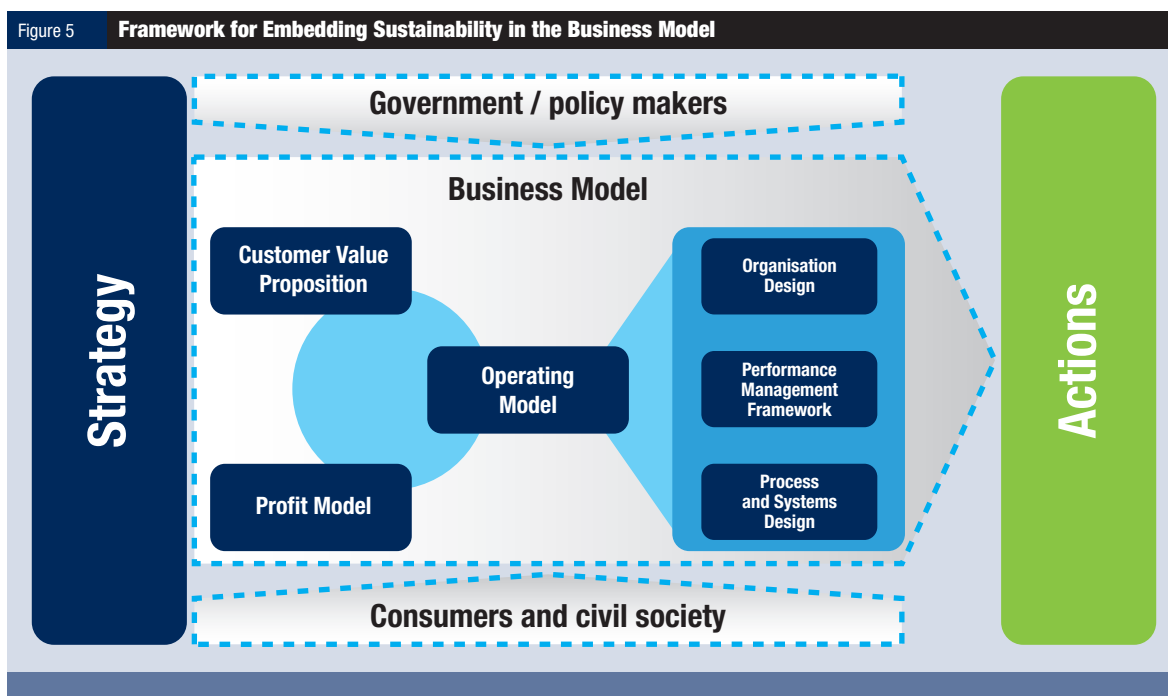
### What can individual businesses do to build sustainability?

To overcome these obstacles and to unlock these opportunities, organizations need to fundamentally change the way they think and act.

- 1. Make the journey towards sustainability as tangible as possible.** Leaders need to sign up to clearly defined targets and performance metrics for measuring their success in achieving sustainability. They need to take collective accountability for these goals. Initial focus should be on gathering momentum and creating positive energy around sustainability by mobilizing action groups to achieve quick wins and celebrating success.
- 2. Engage all levels of the company.** Embracing sustainability needs to start at the level of the board, introducing it as a core component of strategy, seen as a critical determinant of future growth and profitability. This requires a compelling and shared vision of what sustainability means for their business, and how it can drive shareholder value and deliver tangible financial benefits. But once the leadership team of the company is fully committed, sustainability must be embedded throughout the business, through education and alignment of visions of the company’s role and future.
- 3. Change the business model.** Mainstreaming sustainability into the company will have implications for the customer value proposition and profit model. This requires a cross-functional programme with the right people, a robust governance structure and a clear mandate to drive sustainability throughout the organization. Performance should then be evaluated against a set of agreed critical success factors.

- 4. Shift values and culture.** Corporate culture and values may need to evolve in order to reflect the objectives of achieving genuine sustainability. Rewards packages and other performance drivers will in most cases need to be updated to incentivize sustainable behaviours. As sustainability will be vital for future growth, activity should focus on driving sustainability innovation by establishing design incubators to test initiatives in a safe environment.
  
- 5. Engage all internal stakeholders.** Managing and implementing change will require internal stakeholder engagement and communications initiatives to build sustainability into the company's DNA and create support and demand for sustainable ways of working. For progress towards absolute sustainability to be self-sustaining rather than managed, all internal stakeholders need to be involved. A sense of ownership of sustainability issues within an organization is directly linked to the understanding of sustainability issues.<sup>24</sup>
  
- 6. Implement sustainable practices across and along value chains.** Once sustainability is embedded in the company itself, the next challenge will be to establish optimal levels of sustainability and remove waste across their value chain, involving suppliers, customers, talent pools and investors in the task. The key will be building collaborative partnerships based on trust and mutually beneficial aims, and establishing standard metrics for measuring sustainability and success. Companies will need to "role model" sustainable behaviours and be seen to lead the way by implementing sustainability initiatives and measures across their value chain. This should include implementing parameters and measures for suppliers, proactively engaging with customers and investors to build their awareness and encourage more sustainable consumption, and attracting and recruiting people from the talent pool who are dedicated to achieving absolute sustainability.

The framework shown below<sup>25</sup> helps businesses align their operating model with changes in their Customer Value Proposition and Profit Model. The framework shows the key components of the operating model, which can be updated to identify specific actions.



Section 4:  
How We Can  
Get There



# Section 5 Ideas to make it happen

Over the course of the past year's work on the Driving Sustainable Consumption project, business leaders, sustainability experts and academics were asked to give their concrete, actionable ideas on how to address the sustainability challenge and unlock its opportunities. Specifically, they were asked the following questions:

- What are the most important enabling actions that private sector collaboration should start on now?
- What are the existing initiatives, platforms or processes that can be leveraged?
- Who else might be needed to catalyse international and cross-industry action?
- What is the role of national and international governments in enabling change?

A selection of these ideas is collected below. These ideas are intended to stimulate debate at the World Economic Forum Annual Meeting 2010; broaden participation from other industry groups; set in motion the process of cross-industry, cross value chain, multistakeholder action necessary to achieve the ambitions of the CEO Foreword; and bring the new normal of sustainable consumption closer to realization.

Having identified the nature of the journey ahead, and looked at how businesses and other stakeholders can rethink what they do, this section of the report aims to provide concrete steps that could be taken now – examples of potential collaborations that could begin to make a difference, immediately.

Of the 10 ideas listed below, a selection will be taken forward by the World Economic Forum in 2010 with support from the Driving Sustainable Consumption Project Board companies and the Global Agenda Council on Sustainable Consumption. These ideas are explored in more details on the following pages.

1. Catalyse opportunities for business towards creating a consumer movement for sustainable consumption
2. Connect corporate executives and university leaders, with a view to creating a pipeline of future talent for sustainable businesses
3. Index, compare and contrast the existing metrics and tools for measurement of sustainable consumption
4. Bridge perspectives between investors and companies on the role of sustainability in driving long-term value creation
5. Create an innovation platform for sustainability which connects open-sourced intellectual property to developers and markets
6. Collaborating while competing: explore business models, tensions and solutions, and regulatory implications
7. Launch a pilot to measure and manage waste in the food value chain, and share key learnings
8. Launch a consumer industry pilot on reverse logistics, and identify key barriers and opportunities for scalable solutions
9. Develop a track to bring the business voice into the United Nations Process for Sustainable Consumption and Production
10. Look at the implications for business in moving beyond gross domestic product (GDP) as the main measure of social progress



### 1. Catalyse opportunities for business towards creating a consumer movement for sustainable consumption

**Proposal:** Create a project to systematically explore the role of social capital in creating collective action and to work with appropriate stakeholders roll out pilot projects to create a movement with consistent messaging around sustainable consumption.

**Measure of success:** Creation of an action plan and dialogue leading to establishment of a few key pilot projects.

**Time frame:** 4-5 months strategy work, followed by establishment of key pilot campaigns to report progress at the Annual Meeting 2011

**Background and rationale:** Sustainable consumption is not only about the top billion consumers, it is about the right of all global citizens to consume efficiently and sufficiently, within the limits of natural systems. Policy and business can only push the societal issue of sustainable consumption so far without a strong pull from individuals as consumers and citizens. Choices made as voters and citizens provide enormous legitimacy for deeper corporate and government action. Unlocking this, however, requires a fundamental global shift in consciousness to inspire and mobilize participants in a movement around the world.

#### Questions to be considered

- How can such a movement capture the top-down elements into a framework which unifies messages to magnify their effect?
- What is the role of social networking via Internet, mobile phones and word of mouth to reach 7 billion citizens?
- How can such a movement learn from other successful campaigns, i.e. anti-tobacco?

#### Stakeholders

- Business community including global brand companies, media and communications companies
- Various experts: Global Agenda Councils on Decision-making & Incentive Systems, and Marketing & Branding
- Civil society, labour and religious leaders
- Governments, in particular the five governments sponsoring the Global Redesign Initiative



### 2. Connect corporate executives and university leaders, with a view to creating a pipeline of future talent for sustainable businesses

**Proposal:** Create a holistic education and engagement programme, engaging governments and educators from primary schools through to universities, to provide a more literate talent pool for companies and countries to better compete, taking sustainability to the next level. Such an effort might include increased collaboration between business and universities, and between civil society and primary educators, to help equip the talent pool with the knowledge

and skills to meet the challenges of sustainable development.

**Measure of success:** The key measures of success on the way to the objective would be, initially, the establishment of a dialogue between talent executives and university leaders, and subsequently the commissioning and delivery of a policy study into how sustainability can be integrated into curricula and job training programmes and a broad dialogue geared to achieving that in practice.

**Time frame:** Initially until Annual Meeting 2011

**Background and rationale:** Education and training at all levels can equip individuals and societies with the skills, perspectives, knowledge and values to live and work in a sustainable manner. Conversely, lack of a workforce skilled or literate in sustainable development is a major barrier to sustainable development. Increased awareness of this has

focused attention on identifying which skills most need to be developed in society, and what knowledge is most important in terms of promoting the understanding and practice of sustainable development. The United Nations has declared 2005 to 2014 the Decade of Education for Sustainable Development (DESD), which “envisions a world where every person has the chance to benefit from educational opportunities and to learn the lifestyles, behaviours and values necessary to create a sustainable future”.

**Questions to be considered**

- How can a long-term, international, collaborative educational initiative be funded in an area some countries perceive as a source of competitive advantage?
- How can the education and engagement programme be run most effectively?
- How can examples of such cooperation be leveraged? (e.g. the DESD and experiences on other issues such as the US Federal Communications Commission and the Office of National Drug Control Policy)

**Stakeholders**

- Sustainable Consumption Institute, University of Manchester
- Civil society organizations
- Government – education departments
- Media/communications company



**3. Index, compare and contrast the existing metrics and tools for measurement of sustainable consumption**

**Proposal:** Create an index of existing tools and metrics for measurement of sustainable production and consumption along the value chain (from the supply chain, production and manufacturing to consumers use). This should include an exploration of what integrated value chain measurement software and tools (e.g. information sharing platform) might look like to measure key metrics (e.g. resource use, emissions and waste), enabling greater

transparency across the value chain promoting greater stewardship and responsibility beyond single company boundaries.

**Measure of success:** Completed index/map of global tools and metrics.

**Time frame:** Annual Meeting 2011

**Background and rationale:** In order to quantify the sustainability of processes and products, it is necessary to think along the whole value chain and to draw up information together with customers and suppliers on the effects of products on the environment throughout their entire life cycle. Different tools and metrics for measurement have been developed by different stakeholder groups (e.g. non-governmental organizations such as the Global Reporting Initiative, business/trade associations and business themselves), but there is not currently any uniform approach to carbon labelling or reporting of products, let alone the environmental life cycle impact. Only a comprehensive, uniform definition and measurement of the complete life cycle, taking into account production, use and disposal, can allow the relative sustainability of different products to be adequately compared, guiding consumer behaviour, fostering collaborative business innovation and providing a basis for appropriate government regulation.

**Questions to be considered**

- How can existing value chain/life cycle assessments and carbon footprints be extended to include all environmental impacts?
- What are the information needs of the consumer and how can companies improve the effectiveness of shopper communication?
- How can a measurement system be developed that will enable the sharing of the required data between the different stakeholders on a non-competitive basis?

**Stakeholders**

- Project Board companies
- Global Agenda Council on Sustainable Consumption
- Consumer research
- Government/regulators, e.g. environmental regulators
- Certification bodies and assurance providers



**4. Bridge perspectives between investors and companies on the role of sustainability in driving long-term value creation**

**Proposal:** Create a dialogue series between corporations and investors on the role of sustainability in driving long-term value creation and how to make sure that sustainability criteria are mainstreamed into investment strategies.

**Measure of success:** Dialogue series with Ceres at Forum regional events.

**Time frame:** Forum events throughout 2010

**Background and rationale:** Broad empirical evidence indicates that sustainable investing leads to higher investment returns. Booz & Company (2009) estimates that the market for sustainable and socially responsible investing combined will grow from 7% of global assets under management in 2007 to 15-20%, or around US\$ 26.5 trillion, in 2015. With investors getting more and more focused on sustainability issues, this will further drive the trend towards sustainability in corporations.

**Questions to be considered**

- What can financial institutions and corporations do collectively to accelerate the trends towards sustainability and sustainable investing?
- How can the market system be changed so that it better rewards long-term (sustainable) value creation as opposed to short-term performance? What are the key barriers to focusing on long-term value creation?

**Stakeholders**

- Publicly listed companies from different industries
- Ceres, Global Reporting Initiative, UNEP Principles for Responsible Investment
- Investors: large asset owners, asset managers and specialized sustainability investors
- The World Economic Forum's Global Agenda Council on the Future of Long-term Investing



**5. Create an innovation platform for sustainability which connects open-sourced intellectual property to developers and markets**

**Proposal:** Create a regional platform (e.g. Europe, Americas) for a “safe space to fail”, built upon the development of shared spaces for open collaboration, e.g. Green Exchange. This can have specific focus areas, e.g. closed-loop issues, to propose and prototype solutions to specific closed-loop system challenges, potentially built around prototyping shared solutions to spur cross-company collaboration. One output might be a platform

for sharing anonymized information, to close any information gaps and set the foundation for a “commodity exchange” or “clearing house”.

**Measure of success:** Innovation brainstorming session meeting, taking information sharing to the next level by bringing together key stakeholders to create an innovation marketplace.

**Time frame:** Forum's Annual Meeting of the New Champions, Tianjin, People's Republic of China, 13-15 September 2010

**Background and rationale:** Business models can go beyond merely selling products and services to understanding their real impact in terms of advancing well-being or meeting needs. A number of large corporations and small enterprises have already proven that business models can be developed which support sustainable consumption by individuals and institutional consumers. These cases demonstrate the financial viability of sustainable business models, but they also show that longer periods of experimentation may be needed to achieve multiple, scalable, sustainable business models. Exploring what has worked in the past, and providing an open space for innovation in the future, can reveal where and how businesses have set up successful models, and provide inspiration for the development of future strategies.

#### Questions to be considered

- How might collective intellectual property be shared and built upon within a landscape that still encourages competition?
- What initiatives could further foster the uptake of sustainable business models?

#### Stakeholders

- Interested Project Board companies, venture capitalists
- National and regional governments
- Universities, research laboratories and institutions



#### 6. Collaborating while competing: explore business models, tensions and solutions, and regulatory implications

**Proposal:** Explore how far the limits of multistakeholder cooperation and collaboration can be pushed while businesses remain competitive and focused on delivering shareholder value. Such a dialogue would necessarily engage with experts in strategy and intellectual property, as well as key stakeholders from regulatory bodies.

**Measure of success:** Creation of a dialogue series, stakeholder-mapping exercise (including regulatory constraints) with report.

**Time frame:** Report produced for Annual Meeting 2011

**Background and rationale:** Many businesses are blocked from collaborating in certain strategic areas by a diversity of barriers including mindsets, lack of strategic collaboration experience, and even regulation. Businesses might take a cue from natural systems, in which symbiosis thrives within highly competitive environments, allowing collaborators to better compete. The concept of business ecosystems could be modelled on natural ecosystems, ones that are characterized by having closed loops, energy and resource efficiency, and limited or no waste.

#### Questions to be considered

- What are the factors that can help catalyse new business ecosystems or collaborative innovations?
- What is the platform to catalyse such ecosystems?
- What lessons on business ecosystems can be learned from other industries as well as from natural ecosystems?
- How can power struggles associated with the dichotomy of competition and collaboration be overcome along value chains? What defines power: revenue share, stakeholder materiality?

#### Stakeholders

- Project Board companies from along the value chain, e.g. supplier, manufacturing, logistics and transport, retailer, communications and waste disposal
- Strategists, academics and experts in both business and natural competition and collaboration
- Governments/regulators on the specific issue of competition law



### **7. Launch a pilot to measure and manage waste in the food value chain, and share key learnings**

**Proposal:** Create a real-life case study to showcase the possibilities of reducing waste along entire value chains through a business ecosystem approach. Cross value chain pilot to explore the role of cross-industry collaboration that will map the data and standards currently available and used to quantify spoilage and waste in the food and beverage value chain. This will also help to illustrate the business opportunity and competitive advantages of working beyond company boundaries.

**Measure of success:** Pilot project for the food and beverage value chain, measuring and mapping waste as well as identifying opportunities.

**Time frame:** Linking to Tools and Metrics (Idea 4 above) to run over mid-2010 and explore via engaged company operations through to the Annual Meeting of the New Champions 2010, with report on learnings at the Annual Meeting 2011

**Background and rationale:** Food losses occur at all levels of the food system, from farming, processing and wholesaling, through to consumers. This represents a massive set of inefficiencies for all stakeholders along the value chain in terms of water and energy use, wasted calories and a significant contribution to global greenhouse gas emissions. While there is data available for quantifying the losses and waste, it is often limited in scope to particular countries, companies or product categories. There is a clear need to map the different data and standards that have currently been developed for data collection and reporting, in order to quantify the magnitude of the food loss/spoilage and waste across the whole value chain, “from farm to fork”.

#### **Questions to be considered**

- What standardized data is currently widely available across the whole value chain (from agriculture to disposal)?
- Should any selection criteria be used to narrow the scope of the mapping process: Greatest environmental impact? Greatest business/financial opportunity? A particular product category?
- How can a neutral platform contribute to overcoming issues of confidentiality?

#### **Stakeholders**

- Business organizations and standards bodies, e.g. Consumer Goods Forum, GS1, International Organization for Standardization
- The Food & Beverage community of the World Economic Forum
- Civil society organizations, e.g. Consumers International
- Policy-makers, intergovernmental and international organizations, e.g. Food and Agriculture Organization of the United Nations



### **8. Launch a consumer industry pilot on reverse logistics, and identify key barriers and opportunities for scalable solutions**

**Proposal:** Facilitate the creation of a reverse-logistics pilot programme based on the extended producer responsibility (EPR) concept, in which the producer is economically and legally responsible along the whole life cycle of the product. In this model, the producer has to create “green processes” for all life cycle stages, including design, manufacturing (for example, creating products with 100% recyclable materials) and all processes involved until the product is recycled at the end of its life cycle.

**Measure of success:** Pilot project(s) established with the World Economic Forum facilitating information-sharing between them and learnings from cross-industry experiences and experts.

**Time frame:** Ongoing with review/report at the Annual Meeting 2011

**Background and rationale:** There are currently cultural barriers in three sectors that this pilot project could potentially help overcome:

- Consumer: lack of awareness and demand – can be overcome through communication and exposure to information about products that have green processes through the whole life cycle of the product, especially when combined with appropriate economic incentives
- Private Sector: lack of willingness to fund recycling services in a reverse logistics programme – can be overcome by incorporating the cost in the price of the product, via small-scale pilots that do not involve large capital expenditure, with a focus on the business opportunity and benefits to the brand and bottom line highlighted
- Government: poorly developed reverse logistic public regulation in some countries and lack of infrastructure – can be overcome via partnership with business and understanding how this can help to solve issues such as land scarcity, and environmental and social externalities associated with landfill operations

**Stakeholders**

- Consumer industries companies, manufacturers, producers and retailers
- Logistics and transport operators, waste collection and recycling companies
- Civil society consumer organizations, e.g. Consumers International
- Local and national governments



**9. Develop a track to bring the business voice into the United Nations Process for Sustainable Consumption and Production**

**Proposal:** Achieve strong private sector engagement in the design of the next phase of the Marrakech process on Sustainable Consumption and Production by leveraging the collective experience and influence of key business platforms. Crucial among these are the World Business Council for Sustainable Development (WBCSD), the Consumer Goods Forum and the World Economic Forum. Collective input would be delivered to the May 2010 Meeting of the Advisory Committee of the UN Commission on Sustainable Development in New York.

**Measure of success:** Set of recommendations for the 2010 Meeting of the Advisory Committee of the UN Commission on Sustainable Development; creation of a second phase for greater business influence established from the outcomes of the meeting

**Time frame:** Recommendations by May 2010; second phase post-May to Annual Meeting 2011 and beyond

**Background and rationale:** Solutions to promote sustainable consumption are needed more urgently than those that governments can achieve alone. It is in the interest of the private sector to help make existing international processes and agreements work as well as possible. The Marrakech process is a UN-led, global multistakeholder process to support the implementation of sustainable consumption. Business engagement has so far been low, principally because businesses do not view the Marrakech process to be of urgent and substantial business relevance (yet). This is in stark contrast to, for example, the policy processes of the European Union on sustainable consumption, and the UN-led processes on climate (UNFCCC) and the Convention on Biological Diversity, all of which are seen as being both urgent and highly relevant to the business community.

**Questions to be considered**

- What is the most effective way for business to engage constructively with this process?
- What can be learned from the Marrakech process and the UNFCCC process?
- How can different businesses and organizations work together to ensure that efforts are not duplicated and any existing initiatives are leveraged most effectively?
- Which key recommendations from business should be highlighted in this process?

**Stakeholders**

- Various business communities of the World Economic Forum
- Key business platforms, e.g. WBCSD, Consumer Goods Forum
- UNEP and UN DESA (lead UN agencies for the Marrakech Process)



**10. Look at the implications for business in moving beyond gross domestic product (GDP) as the main measure of social progress**

**Proposal:** Leverage World Economic Forum events throughout 2010 to host a multistakeholder dialogue series on new macroeconomic models of growth, building on efforts made to develop frameworks to measure and foster broader societal well-being (Commission on the Measurement of Economic Performance and Social Progress chaired by Joseph E. Stiglitz, Professor, Columbia University, USA; the OECD Global Project on Measuring Progress of Societies; and the European Commission’s Communication of August 2009 “GDP and beyond”, among others).

**Measure of success:** Awareness and education of governments and business leaders on different metrics for benchmarking progress.

**Time frame:** One-year dialogue series

**Background and rationale:** Today, the success of most economies is considered in terms of growth in GDP, narrowly defined, largely ignoring environmental and social considerations. But in recent years, the long-running debate on the adequacy of GDP as the sole measure of economic success and the principal objective of government policy has become increasingly heated. Various proposals have been made to create new, more comprehensive measures of well-being and progress which may, in turn, encourage a refocusing of government and broader societal objectives. Personal consumption and expenditure is currently a key factor in the measurement of GDP, contributing 65-70% of GDP in countries of the Organisation for Economic Co-operation and Development (OECD). In the long term, boosting personal consumption in the OECD is not a panacea for either economic or social problems.

**Questions to be considered**

- What does a redefinition of progress or a shift beyond GDP mean for business?
- How might such an effort build on previous initiatives, notably the OECD’s newly launched wikiprogress portal ([www.wikiprogress.org](http://www.wikiprogress.org))?

**Stakeholders**

- Global Agenda Councils on Sustainable Consumption and Benchmarking Progress in Society
- Business input into dialogue series
- Forward-looking companies from various industries
- International organizations, e.g. OECD

## Section 6 Moving Ahead

The ideas presented in this document are only a first step towards a distant summit. Consumption is a key driver of growth in the economy and also a driver of degradation of many social and environmental factors. It is clear that this needs to change and, as the dust settles from Copenhagen and the world starts questioning what to do and how to do it, the ideas presented in this report will provide some first steps in the right direction.

It is acknowledged that the ideas presented here and those which will be actively pursued over the course of 2010 are only steps, and that collectively they will not be enough to put the world on the right track, but they will allow the learning curve to become steeper and will hopefully enable some of the innovation that will be required to make the more transformational changes that will be needed.

Leadership from all stakeholders is required to overcome the challenges, and the business community need not wait to make sustainability a key business imperative and a virtuous source of innovation and value creation. This will require new alliances and partnerships across industry boundaries to engender new competitive advantages.

In order to stimulate the transition towards a low-carbon, closed loop economy, the World Economic Forum is committed to play a leading role. Together with its Partner companies and other constituent groups, the Forum aims to develop specific initiatives in 2010, each focusing on practical ideas to create a more sustainable future.

The journey towards sustainability will not be a smooth path. Still, with prototyping, learning and a collective effort, it can be achieved. Join us to help make it happen.

# Annex

## Project Process Overview

The Driving Sustainable Consumption project was instituted at the World Economic Forum Annual Meeting in Davos in January 2009. Since then, it has involved a global effort, bringing together businesses, academics and policy experts.

The World Economic Forum has held workshops and events at meetings and summits around the world:

- World Economic Forum on Latin America, Industry Partnership Meeting for Consumer Industries – Rio de Janeiro, Brazil, 14 April 2009
- Annual Meeting of the New Champions 2009, CEO Insight Group – Dalian, People's Republic of China, 12 September 2009
- Cross-Industry Strategy Meeting, Consumer and Mobility Industries – New York, USA, 30 September 2009
- Summit on the Global Agenda – Dubai, United Arab Emirates, 20-22 November 2009

The Project Board has provided guidance for the project through monthly WELCOM calls and at two meetings, held in the United Kingdom and the United States.

The Global Agenda Council on Sustainable Consumption has offered further advice and support via regular WELCOM calls and in the council meeting at the Summit on the Global Agenda in Dubai.

Focus on specific sustainability themes was undertaken via three working groups and, for sustainable finance, by conducting background research and interviews, as summarized below.

The process was supported by background research from both Deloitte and the World Economic Forum, and by extensive interviews and discussions with experts globally.

## Project Working Groups

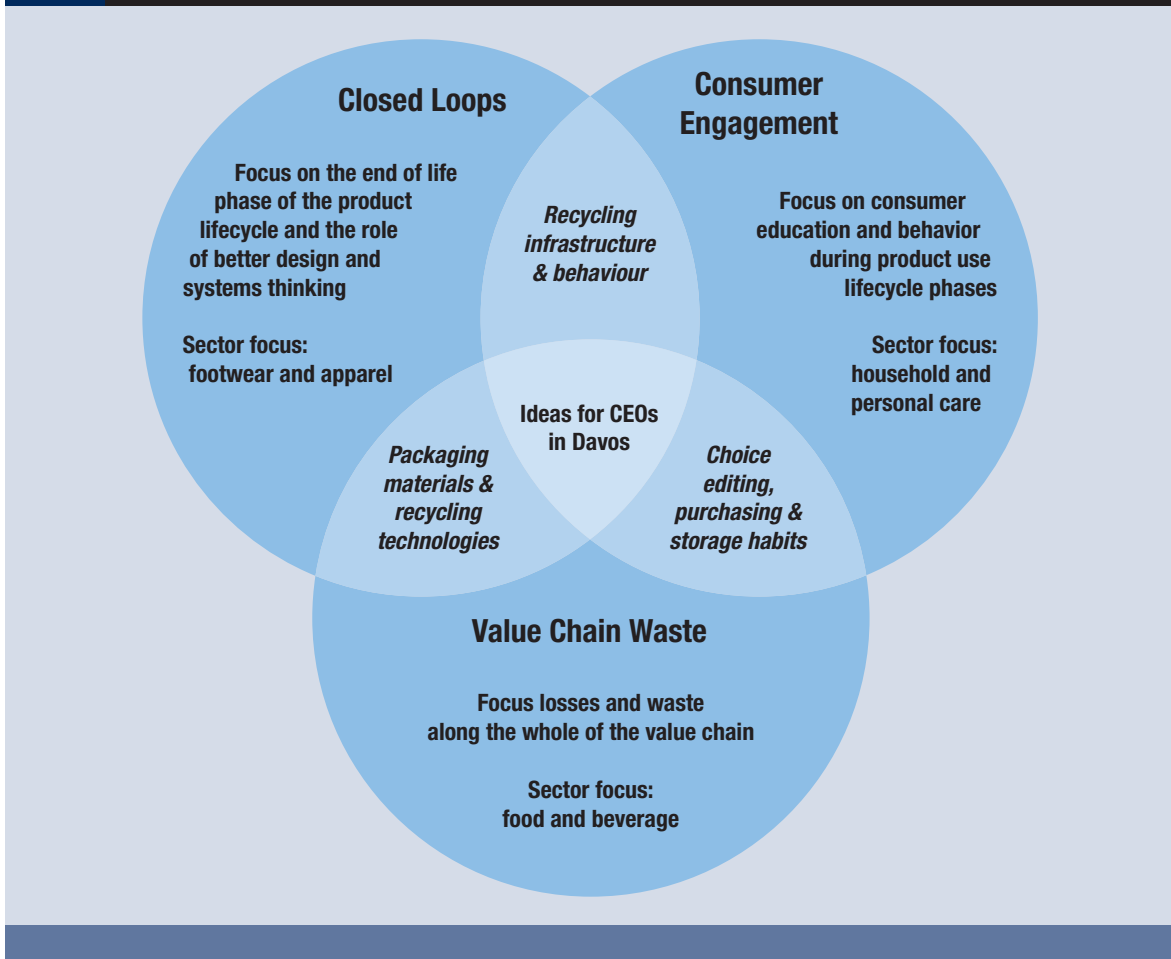
A significant element of the work of the Driving Sustainable Consumption project has been a focus on specific sustainability themes identified as “collaboration hotspots” – key challenges or sets of challenges, both along and across value chains, where the involvement of multiple stakeholders is necessary to adequately explore complex solutions.

In consultation with the stakeholders of the project, three such challenges or sets of challenges were identified, and three working groups set up to address them, led by companies that are members of the Project Board:

- The Closed Loops working group, led by Nike
- The Value Chain Waste working group, led by Nestlé
- The Consumer Engagement working group, led by Unilever

Figure 6

**Working Group Overview**



Each working group was supported by a series of expert interviews and a briefing paper giving an overview of the challenge and providing examples of current leading practice. These briefing papers will be made available online at: [www.weforum.org/DrivingSustainableConsumption](http://www.weforum.org/DrivingSustainableConsumption)

Three roundtable meetings were convened in October 2009, bringing together over 50 experts and cross-industry representatives from along and across the value chain to develop insights and opportunities for transformative collaboration. These sessions enabled participants to develop and prioritize options for achieving genuine sustainability, in the light of stated ambitions for sustainability within and across value chains.

Each workshop produced ideas for collaboration that have since been further developed with Project Board companies and the Global Agenda Council into the ideas presented in section four of this report.

In addition, a background paper has been produced to provide an overview of the role of finance in catalysing the shift towards sustainable consumption and production. This paper describes and explains the pivotal role that finance plays in supporting the transition towards a sustainable economy.

This overview paper will be made available online at: [www.weforum.org/DrivingSustainableConsumption](http://www.weforum.org/DrivingSustainableConsumption)

## Participants, Authors and Acknowledgements

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### 1. Participants

#### Project Board Companies

- Agility
- Autodesk
- Best Buy Co.
- Deutsche Post DHL
- Edelman
- Kraft Foods
- Nestlé
- Nike Inc (Chair)
- Novozymes
- S. C. Johnson & Son Inc.
- Saatchi & Saatchi S
- SAP
- SAS
- Sealed Air Corp.
- Unilever

#### Working Group Roundtables

##### *Closed Loops*

Lead company: Nike Inc

Participants:

- Autodesk
- Best Buy Co.
- Business Shaper
- Cambridge Programme for Sustainability Leadership
- Design Futurist
- FCR
- GreenOps
- MBA Polymers Inc.
- Nike Inc
- RecycleBank
- SAS
- S. C. Johnson & Son Inc

##### *Value Chain Waste*

Lead company: Nestlé

Participants:

- Agility
- Business for Social Responsibility
- DuPont
- Ecole Polytechnique Federale de Lausanne (EPFL)
- EUROOPEN
- European Environment Agency
- Firmenich
- Fost Plus
- International Union for Conservation of Nature
- Nestlé
- Sealed Air
- Tetra Pak International
- The Natural Step
- Syngenta

##### *Consumer Engagement*

Lead company: Unilever

Participants:

- Cambridge program for Sustainability Leadership
- Carrefour Group
- Consumer Focus
- Consumers International
- UNEP/Wuppertal Institute Collaborating Centre on Sustainable Consumption and Production
- European Environment Agency
- Ikea
- Metro Group
- Novozymes
- SAS
- Tesco
- TNT
- Unilever
- University of Manchester
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# Endnotes

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- 19 Sustainable investing means including environmental and social factors in investment decisions whereas responsible investing (RI) is overarching and also includes socially responsible investing which takes ethics as the starting point rather than profit maximisation.
- 20 *The Limits to Growth* report has been widely criticized as having failed to take into account technological innovation as a major factor in boosting long-term growth. But the fundamental thesis of the report – of a disconnect between growth and resource availability – was correct. The Brundtland Commission, officially the World Commission on Environment and Development, led to the publication of *Our Common Future*, published in 1987
- 21 More information on the Marrakech Process can be found at <http://esa.un.org/marrakechprocess/>
- 22 See Amartya Sen, *Development as Freedom*, Oxford University Press, 1999
- 23 An English version of *The Commission on the Measurement of Economic Performance and Social Progress* report is available at [www.stiglitz-sen-fitoussi.fr/en/index.htm](http://www.stiglitz-sen-fitoussi.fr/en/index.htm)
- 24 See *The Business of Sustainability*, Massachusetts Institute of Technology, 2009
- 25 Deloitte Framework for Embedding Sustainability in the Business Model



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