
ENVIRO- MANAGEMENT

**HOW SMART COMPANIES
TURN ENVIRONMENTAL
COSTS INTO PROFITS**

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MEET YOUR “GREEN” CUSTOMERS

In the previous chapter we mentioned a journey. Well, the first stop on this journey has to be our customers. Earlier, we discussed tools to help assess the true cost of decisions that create pollution. The concepts of cost and our customers are inseparable. Customers *will* pay for more environmentally friendly products, and companies that do not pay attention to their customers environmental needs will lose business. Many managers would agree, but just as many managers do not truly understand the relationship between cost and their long-term customers. Some managers do not think of groups like the community at large, governmental regulators, or environmental groups as customers, but they are and their decisions can have a dramatic affect on your business. If we viewed them as customers, just like any others, we would more likely be proactive rather than reactive. Good customer service can only occur when the customer does not have to ask for it.

If you do not think of these groups as your customer, you may be stunned by their actions. That is usually the way we feel when we do not listen and suddenly we are in the middle of crisis management. The New Jersey EPA (NJDEP) group, mentioned in the last chapter, should be someone's customer. They have already begun using life-cycle studies to determine which products are environmentally superior. One project they are working on

involves analyzing predisposal fees for packages and for future products. Many of your external customers are coming to the conclusion that external factors like these are needed to "level the playing field." Such action may also be supported increasingly by citizens (another external customer) who are paying higher and higher landfill and other "after the fact" pollution costs. These front-end fees are most likely a thing of the future. Companies that do not focus attention on long-term customer needs will end up fighting fires, trying to figure out how to react to "sudden" shifts in public opinion.

External customers are everywhere, and it takes constant attention to keep abreast of their needs. The State of California is in the process of developing recommendations (and/or legislation) for a disposal cost fee system so those that generate the waste will pay the *full* cost of waste management, including environmental degradation and state and local waste management programs. It seems only a matter of time until most of our external customers realize that those who initially produce waste *should* foot the entire bill. As landfills close, publicity continues and expectations rise, and more and more citizens/customers will come to resent the fact that they are paying for waste created by those corporations.

In the last chapter, we noted the U. S. customers' opinion about criminal liability. The concern for the environment has been noted in Germany's approach to new packaging laws. It seems to be a worldwide movement. Even in Britain, long noted for lax pollution control and a sluggish economy, there is movement. In one survey, 75 percent of respondents believe that Britain should emphasize protection of the environment at the expense of economic growth, and only 12 percent believe that Britain should emphasize economic growth at the expense of the environment.¹

YOUR CUSTOMERS' ENVIRONMENTAL DESIRES

The point is that if business is supposed to be market driven, guess who the driver is? Today, it is a customer with a decidedly environmental temperament. Eighty percent of Americans say protecting the environment is more important than keeping prices down. Polls tell us that most Americans place a high value on the quality of the environment and the environment that their children will inherit. Several recent polls by *Newsweek*, *The New York Times* and *USA Today* show that over 80 percent of Americans are concerned about environmental problems. An impressive 57 percent to 75 percent said they would be willing to pay more for products and services made more expensive by environmental regulations.² Surveys by Gallup also suggest that about half (52%) of their respondents in a 1990 poll stopped buying particular products because of the poor environmental image of the manufactur-

ing company.² The message is clear. Companies producing products need to make consumers' environmental concerns a top priority because consumers report that the environmental attributes of a product or service play a significant role in which products they buy and which products they avoid.

The depth of consumers' desire for environmentally friendly products and companies should not be underestimated. According to a Roper Poll, when Americans were asked what they believed to be important in the 1990s, 85 percent of them said the environment was *the most important issue*. The concern for the environment was followed by a concern for patriotism and safe sex.³ Think about that, it is pretty important when more people think the environment is more important than either patriotism or safe sex!

It is encouraging to note that Americans are increasingly willing to translate their concern for the environment into action. Most Americans say they would replace 8 of 17 types of product packaging for the sake of the environment.⁴ In a related 1990 study, it was found that consumers now say packaging recyclability "often or sometimes" affected their decision to buy a product. This was a 15% increase from the previous year. Consumers also said they would be willing to pay 7 to 10 cents more for a product contained in an easy-to-recycle package.²

The fact that consumers are willing to pay for environmentally friendly products is the "up" side for business people, but, there is a down side as well. In the area of accountability about 83 percent of surveyed corporate executives believe that causing damage to the environment is a *serious crime*, but only 49 percent of them felt they should be held personally responsible for such an offense. Their customers see this accountability differently! Although 83 percent of both the public and corporate executives believe damage to the environment is a serious crime, each group differs dramatically with regard to accountability. As already noted, only 49% of corporate executives said they should be held personally accountable, but the vast majority of the American public thinks corporate executives need to be held *directly* accountable.

Most business managers are aware that the degree to which they understand their customers is critical to their success. Japanese and German penetration into the American automobile market could not have been so successful if American manufacturers had not misunderstood their consumers' need for fuel economy and greater quality. Hopefully, most businesses will not look past their customers this time.

Increasingly, customers are asking for products and services that do not produce by-products or waste. One reason for this attitude is that many customers, from private to commercial, are faced with the cost and responsibilities of handling and then cleaning up pollutants. As landfill space diminishes, business will have to come up with *cleaner* products, if they hope to

stay in business. The good news is, at least some consumers understand they will need to pay more short-term cost to reduce long-term cost. Consumers in Europe are already paying a premium for goods that are recycled, recyclable, or nondamaging to the environment. Those willing to pay this premium range from 50 percent in France to 80 percent in Germany, according to current statistics.

Making Money

It should be clear to everyone that consumers have mandated greater environmental responsibility. Business is recognizing that this will be a major challenge. Many businesses that recognize environmental issues believe the challenge will be to stay in business under the weight of more environmental regulation. This is a legitimate concern. The EPA, for example, estimates that by the year 2000 we will spend \$160 billion or nearly three percent of the nations GNP on pollution control.⁵

PROFIT POTENTIAL OF POLLUTION CONTROL

Figures like the ones just mentioned often seem to support many businesses leaders who worry about environmental costs. However, it is unfortunate that too many businesses assume the environment is a *cost-just* like they once assumed quality was a cost. The environment, like quality, may entail some short-term costs, but in the long-term factoring in, environmental issues are not a potential cost, but potential *profit*. Probably one of the most famous examples of profit potential is 3M's approach. The environmental goal of 3M is to lower releases to air, water, and land by 90% and to reduce the generation of waste by 50% by the year 2000. If successful, 3M expects substantial cost savings and improved products to result from achieving the goal. Similar savings should be available for many companies. According to conservative estimates, American companies are producing five times as much waste per dollar of revenue as their Japanese counterparts and double the level of German companies.

While 3M's pollution prevention savings are still subject to conjecture, profit potential from good environmental decision making is a fact. Several of the hundreds of cases where good environmental decision-making produced profits are slowly coming to light and these potential profits are in almost all areas of business.

Consider the case of Melitta, Inc. that introduced a line of unbleached coffee filters to their U.S. markets in July of 1985. After just ten months, unbleached filters accounted for 15 percent to 20 percent of Melitta's con-

sumer sales in the U. S. and as much as 50 percent in some West Coast markets.²

Proctor and Gamble packages a fabric softener in a 21.5 ounce carton container. The fabric softener is intended to be mixed with water. The fabric softener previously used a 64-ounce rigid plastic bottle. These containers say "Better for the environment—less packaging to throw away," and do contain 75 percent less material and *costs approximately 10 percent less* than the company's regular size and formulation of fabric softener. The product's test marketing has been so successful (e.g. accounting for 20 percent of the company's sales test market) that as of October, 1990 it became available nationwide.²

Jim Liggett introduced a new shampoo bar in the U.S. market. The product is made entirely from natural oil and is one of the few shampoos sold without a rigid container. In two years of operation it's sales have increased by more than 280 percent.

America, long noted by many as a "throw away" society, is starting to see some fundamental changes occurring. Schroeder Milk Company serves a regional market around Minneapolis/St. Paul. It offers milk customers returnable/refillable heavy duty containers that can be reused 50 to 150 times. The wholesale price of milk in these containers is 10 to 14 cents less than milk in nonrefundable containers, but there is a 40 to 50 cent deposit per jug. In the two years since its introduction, the price of milk has not changed, but milk shipped in these reusable containers has *doubled*.³

Cloth diapers are another environmental profit success story. U. S. births between 1988 and 1989 have increased only *2 percent*, but the demand for cloth diapers, as measured by the number of customers, has increased by *56 percent*. In reality, there is some dispute over the relative benefit of cloth diapers versus disposable diapers. However, it is the customer that makes the difference and they cite a concern for reducing solid waste as an important reason for selecting cloth diapers.²

Speaking of cotton, Treekeepers makes 100 percent cotton, reusable canvas shopping bags sold through grocery store chains as an alternative to paper and plastic grocery bags. When introduced in California in 1989, consumers showed remarkable acceptance. In one year shipments grew dramatically from 500 units in January 1990 to 10,000 units per month and sales of \$50,000 per month in March and April of 1990.

Reusable markets also extend to books. In fact, believe it or not, there is a growing market for reused books. Half Priced Books, the tenth largest used-book store chain regularly advertises "Books should fill our minds, not our land." In two years, revenues from the 33 store chain doubled from \$10 million to \$20 million.²

THE ENVIRONMENTAL FACTOR

The rules for being successful are continuously being rewritten and that is true for the 1990s. In the last ten years, business priorities have had to shift due to changing consumer attitudes. One example of how these rules have changed comes from the Toro Company. The company first introduced a grass mulching mower in the late 1970s, but then had to withdraw from the market in the early 1980s due to insufficient customer demand—but things change.

In the fall of 1989, Toro introduced an improved grass mulching mower for their 1990 season. In its first year on the market their grass mulching mower accounted for approximately one-quarter of Toro's lawn mower sales. Based on initial spring stocking sales, the grass mulching model was expected to account for well over one-half of 1991 lawn mower sales.² In hindsight it makes sense; with diminishing landfill space, it becomes increasingly difficult for consumers to get rid of yard waste. Things change. Now mulching mowers make sense. Like so many other environmentally friendly products, it also makes *dollars* and cents.

While personal needs are also important to consumers it would be a mistake to think that consumers make buying decisions strictly on their own personal needs. Often consumers buy products based as much on the company's reputation as anything else. For instance, the Body Shop International began business in 1988. They sell naturally-based skin and hair care products which are advertised as being developed in an environmentally and socially responsible manner. Their cosmetics are not tested on animals and the containers can be recycled. (Most other countries allow refilling of containers, unlike the U. S. where refilling is prohibited by FDA regulations).

The Body Shop also points out to prospective customers that its products are biodegradable. So what are the results? The company entered the U.S. market in late 1987 and by May of 1988 there were eight shops, all selling at higher than forecasted levels. As of February 1990, another 27 shops were opened.²

As you can see, environmentally conscious customers present opportunities for companies that are focused on generating revenue and market share. In order to carve out your niche, define your customers' environmental concerns. Nordstrom, the retailing giant, knew their customers had environmental concerns and wanted to tap that resource. That is why they sell Waterman fountain pens that are made to last a lifetime instead of being disposed of time after time. They also sell "once again" pins that are creative keepsakes to be worn and passed down from generation to generation. These "once again" pins are made by two sisters who go to estate sales and antique shops to collect materials for pins from days gone by. Nordstrom also sells

something they call the "Incredible Paper Making Kit" that turns junk mail (or any other type of paper) into hand crafted stationary in half an hour. The store's four strongest cosmetic lines emphasize environmentally friendly features as well. Sales have increased over 60 percent between 1991 and 1992 and the company continues to increase their in-house share.⁷

THE POWER OF GREEN MARKETING

Nordstrom and others have gotten on the green bandwagon. Many are making changes, recognizing the growing customer preference for green products and services. Few though, have taken the concept of green marketing as far as The Home Depot. This retailer has been on the forefront of the consumer environmental movement.

As seen in Figure 4-1, the company has published and adopted a set of environmental principles that guides its managerial thinking. Its practice of supporting and selling products that are manufactured, packaged, and labeled in an environmentally friendly manner is especially noteworthy. It has an extensive process for determining the accuracy and informative nature of product labeling appearing on its shelves. In addition to verifying supplier claims, it is also trying to eliminate unnecessary packaging, encourage recycling, and train employees to understand environmental issues.

The Home Depot employs a full-time marketing/management staff and hires outside consultants to investigate its impact on Wetland sites, to see if the company might endanger animal species if a potential building site is proposed. When necessary, it hires outside environmental engineers to investigate any prior use of hazardous materials. While all of this is noteworthy, their most innovative approach involves a demonstration project.

OUR ENVIRONMENT: THE ULTIMATE HOME IMPROVEMENT PROJECT

- We are committed to improving the environment by selling products that are manufactured, packaged, and labeled in a responsible manner, that take the environment into consideration, and that provide greater value to our customers.
- We will support efforts to provide accurate, informative product labeling of environmental marketing claims and impacts.
- We will strive to eliminate unnecessary packaging.
- We will recycle and encourage the use of materials and products with recycled content.
- We will conserve natural resources by using energy and water wisely and seek further opportunities to improve the resource efficiency of our stores.

- We comply with all environmental laws and will maintain programs and procedures to ensure compliance.
- We are committed to minimizing environmental, health, and safety risks for our employees and our customers.
- We will train employees to enhance understanding of environmental issues and policies and to promote excellence in job performance in all environmental matters.
- We will encourage our customers to become environmentally conscious shoppers.

THE HOME DEPOT/GREEN CROSS ENVIRONMENTAL CLAIMS QUESTIONNAIRE

PRODUCT _____

PART 1

A. General Vendor Information

Vendor Company Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Contact Name: _____ Title: _____

Phone: _____ Fax: _____

Subsidiary of (if applicable): _____

B. Product Information

Brand Name (as used on label): _____

UPC Code(s): _____

Product Number(s): _____

General Description of Product: _____

Home Depot SKU #(s) (if applicable): _____

Please attach a Material Safety Data Sheet (MSDS), product sample, and additional information or documentation to support claim(s) as needed. If your manufacturing facility has received a Toxic Release Inventory (TRI) rating, please include appropriate documentation.

PART 2

C. Environmental Claim Information for Product

Complete this section ONLY if claim is for a product)

Vendor's Statement of Claim:

Complete #1 - #5 where applicable to claim:

1) If the product claim is for "bio-degradability" or "photo-degradability", please list all product ingredients. Check those ingredients which are claimed to be bio- or photo-degradable.

<u>Chemical Name</u>	<u>Common Name</u>	<u>CAS No.</u>	<u>% Weight</u>	<input checked="" type="checkbox"/>

If the product is a liquid or powdered formula, please list all ingredients regardless of claim made.

Under what conditions do the ingredients and/or product degrade: _____

Other Properties (e.g., pH, water soluble): _____

2) If the product claim is for energy efficiency, what is the basis of comparison for this claim? _____

3) If the product claim is "recyclable," is the product recyclable in whole, or in part: Whole ____ Part ____

If part, please specify: _____

What is the current recycling rate for that product? _____

Do recycling facilities exist in all locations where this product is sold?
___ Yes ___ No If no, where do facilities exist? _____

Material	% Recycled Content	Source*

5) If the product claim is not covered under #1-4, please justify claim below:
 (e.g., ozone-safe, landfill safe, safe for incineration, environmentally friendly):

PART 3

D.Environmental Claim Information for Packaging
 (Complete this section ONLY if claim is for packaging)

Vendor's Statement of Claim	Does claim pertain to Inner or Outer Packaging:
_____	_____
_____	_____
_____	_____

General Properties of Packaging:
Include all components

Physical Dimensions: _____

Composition of Colorants, Pigments or Inks: _____

Primary Packaging*		
<u>Materials</u>	<u>Weight</u>	<u>% wt. of total</u>

Secondary Packaging*		
<u>Materials</u>	<u>Weight</u>	<u>% wt. of total</u>

* Source: Post-Consumer/Pre-Consumer Waste/Industrial Scrap
 See attached Standards

Tertiary Packaging*
Materials

Weight

% wt. of total

Note: "primary" refers to the inner packaging, closest to the product.

Are any of the packaging materials multi-layer, co-extrusion, wax or plastic coated, or do they contain wet-strength additives? If so, please specify: _____

Complete #1-4 where applicable to claim:

1) If the packaging claim is for "bio-degradability" or "photo-degradability", please list all packaging ingredients. Check those ingredients which are claimed to be bio- or photo-degradable.

<u>Chemical Name</u>	<u>Common Name</u>	<u>CAS No.</u>	<u>% Weight</u>	<input checked="" type="checkbox"/>

Under what conditions does the packaging degrade? _____

2) If the claim is "recyclable," is the packaging recyclable in whole, or in part:
_____ Whole _____ Part

If part, please specify: _____

What is the current recycling rate for that material? _____

Do recycling facilities exist in all locations where this product is sold?
_____ Yes _____ No If no, where do facilities exist: _____

3) If the packaging claim is for "recycled content", complete the following information:

<u>Material</u>	<u>% Recycled Content</u>	<u>Source*</u>

* Source: Post-Consumer/Pre-Consumer Waste/Industrial Scrap
See attached Standards

4) If the packaging claim is not covered under #1-4, please justify claim below:
 (e.g., ozone-safe, landfill safe, safe for incineration, no heavy metals in inks): _____

Authorization

As an authorized representative of _____,
 I declare that, to the best of my knowledge, the information provided herein is true and correct.

Vendor's Signature _____

Printed Name _____

Title _____

Date _____

Figure 4-1
(Courtesy of The Home Depot. Used with permission.)

In Atlanta, they have a buy-back center demonstration project where customers can recycle and be paid for home improvement and traditional household recyclables they drop off at the center. The Home Depot is the first retailer that has a voluntary take-back system similar to the mandated system that is the law in Germany.

The recycling center in Atlanta is a 50-50 joint venture with the recycler Mindis Recycling. Both companies hope it will be a money maker. They call their center the Recycling Depot and it is located adjacent to The Home Depot retail building supply store. The Recycling Depot is a 217 foot long drive, that works like a drive through the lumber yard. It accepts building materials like copper pipe, aluminum gutter, as well as more traditional consumer recyclables such as paper, glass, and plastic. As a customer brings the material to the Recycling Depot, it is weighed and the customer is given a ticket that can be exchanged for cash. The cash is based on the volume and grade of materials. Often after they are paid, many Recycling Depot customers run next door to The Home Depot store to buy more stuff.

The Recycling Depot began when The Home Depot hired Mark Eisen as their environmental marketing manager. He and Terry Kinskey, a district manager, became aware of Mindis Recycling Mart (a buy-back center that also sells environmentally related products) where customers are paid by the pound for loads of leftovers. The two saw the on-site Mindis Mart as an ideal way to marry the sale of building materials with the idea of keeping them out of landfills. As a result, the Recycling Depot was born, where builders were paid to bring in discarded home improvement materials (aluminum, copper wire) to be recycled and resold to a network of companies.

UNETHICAL MARKETING CLAIMS

The Home Depot, like others mentioned here, have recognized a consumer need and are generating revenue by designing products and services to fit those environmental desires. There are a multitude of opportunities for companies wanting to tap these environmental needs. Companies like The Home Depot make good business sense in trying to satisfy those desires.

There is money to be made in consumer environmentalism. Unfortunately, a few businesses are out for the quick buck and don't worry about a little dishonesty and fraud to satisfy their own desires. Unethical practices soon create their own pressure, as is the case with misleading and unethical marketing chains. For this reason, the Federal Trade Commission (FTC) defined the legal penalties and procedures for punishing those who make fraudulent claims. The FTC's definition of acceptable and unacceptable claims can be seen in Appendix A.

While some unscrupulous businesses may see an opportunity in using exaggerated claims, there is a bright side to this practice. As consumers become more knowledgeable, they will increasingly rely on sources of information they can trust. The organization that builds on that consumer trust, builds on their future.

The Home Depot, in order to safeguard their own environmental reputation, makes sure any supplier's environmental claims are properly documented. Its purpose is to provide guidance to its consumers whenever environmental claims appear on packages and products. For this reason, all vendors are required to participate in its Evaluation Program. The analysis includes all claims involving the packaging, labeling and products' environmental friendliness. One tool the company provides its customers with is an Environmental Report Card, seen in *Figure 4-2*, that provides a detailed accounting of each product's environmental burdens associated with packaging and production.

The Home Depot asks any vendors asserting an environmental claim to fill out an Environmental Marketing Claims Questionnaire, as seen in the Appendix. Vendors complete the questionnaire for as many products as they want, then submit the requested information (and a small claims processing fee) to Scientific Certification Systems (SCS), an independent environmental claims evaluation organization. SCS reviews the documentation provided by vendors to determine whether claims meet proper "green marketing" regulations and guidelines established by the Federal Trade Commission and specific states. This review also provides vendors with information about the appropriate types of claims for products.

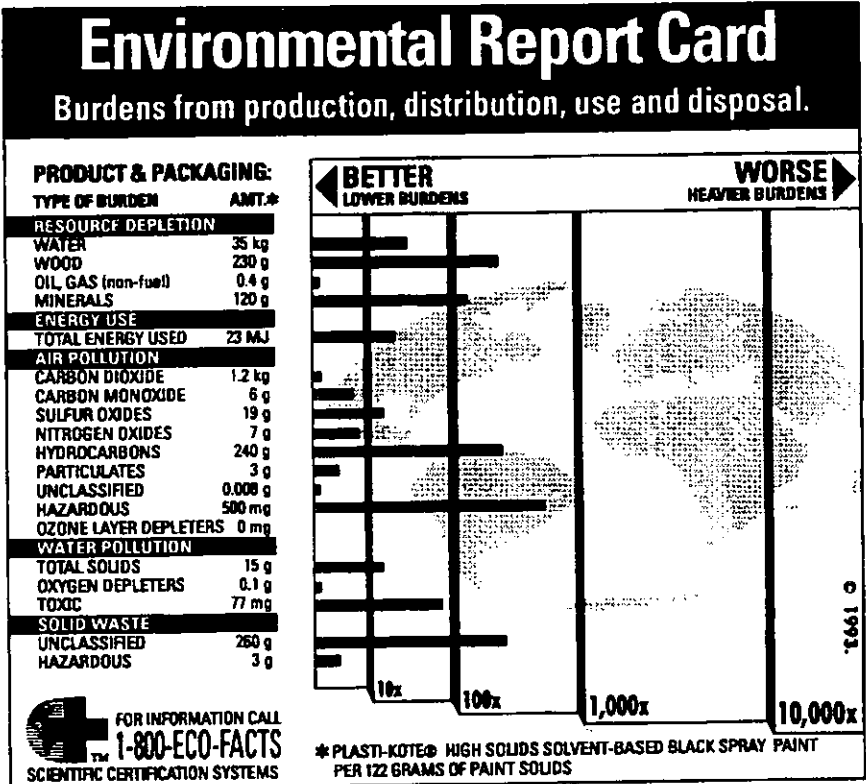


Figure 4-2

Certifying Ethical Claims

In addition to examining vendor claims for The Home Depot and other retail chains, SCS provides a more comprehensive claims certification program. Under this program, SCS scientists conduct on-site inspections and audits to determine whether specific environmental claims, such as recycled content and biodegradability, can be substantiated. If the claim is documented, SCS issues a certificate and certification artwork that specifies the nature of the claim which has been verified. (See Figure 4-3).

SCS also has developed a program to determine the overall environmental profile of products based on the science of "life-cycle inventory" assessment similar to that seen in Chapter 3. This evaluation considers the full range of resources depleted, energy used, air pollution, water pollution, and solid waste generated for the product and its packaging. These environmental "burdens" are tracked from the time raw materials are used, through manufacturing, product distribution, use, and final disposition.



Figure 4-3

The results of the evaluation are listed on an "Environmental Report Card," such as that pictured in Figure 1-2. The report card provides a common frame of reference for comparing products within a specific category (e.g., spray paint to spray paint) as well as across categories (e.g., paper bags to plastic bags).

SCS, which was started in 1984, independently evaluates a product and its claim. This makes it possible for the products to be differentiated environmentally. The address for the organization is: **Scientific Certification Systems, 1611 Telegraph Avenue, Suite 1111, Oakland, CA 94617-2113, Phone: (510) 832-1415, FAX: (510) 832-0359.**

THINK GLOBAL, THINK GREEN!

The EPA as a competitive advantage may be a little hard for some business managers to accept, however, certifiers like SCS and others should be thought of as a competitive advantage for the U. S. rather than a nuisance because it allows you to benchmark yourself. Companies should recognize that it is a mistake to think that environmental issues are American issues. Often, environmental sentiment is stronger overseas than it is in the U. S. Up until recently, U. S. customers have not worried about pollution to the extent they have overseas. With its abundant resources and land, it simply was not recognized as a severe problem. Sometimes having too much makes you less competitive, just as expecting too little can reduce competitiveness. Japan was a fertile ground in which to sow quality seeds because it has very few natural resources. The country's lack of ample space, land, and raw materials made it more receptive to dollar reducing and quality increasing concepts

like TQM and JIT. These techniques emphasize the need to be frugal and make the best possible use of all your resources. The focus is on process improvement and employee involvement. As a result, Japan and others less fortunate than us in terms of natural resources, were able to enhance their quality and lower costs.

The opposite is true of the United Kingdom (U. K.). In the U. K., environmental regulations are less restrictive than in some other 'developed' countries. As a result, potential export markets for U. K. companies are not available increasingly because the focus of the companies is on minimum domestic standards which can lead to noncompliance abroad.⁷ In the U. K., at least, stronger environmental legislation could be helpful for developing international markets.

American manufacturers are embracing increasingly a set of international standards called ISO 9000 that encourages excellence in everything from design to quality control. Now the International Standards Organization has created new standards to promote environmentally sound manufacturing and products. Companies that meet these standards will be able to label their products "environmentally sound"—a very powerful marketing tool. John Donaldson, chief of standards and code and information at the National Institute of Standards & Technology believes U. S. companies already meet tougher environmental regulations than most foreign rivals and also believes that such standards may give them a competitive advantage.⁶ Who would ever have thought that the EPA may turn out to be a competitive advantage. While many business people might have difficulty with believing the EPA could help create a competitive advantage, most would appreciate the value of benchmarking.

Environmental benchmarking against the best is critical for global industries. It might be worth noting that both German and Dutch companies believe their national legislation will continue to be tighter than the rest of Europe. Having higher standards can be a plus. Having lower standards is absolutely a minus, because you can't sell to other countries. If this sounds somewhat familiar, it ought to; it is a story that has already been told, only the last time you heard it it was quality, rather than the environment, that was the central character.

It is the opinion of many that what happened in the area of quality can easily happen with the environment. The ideal quality system would be to take 100 percent raw materials and to convert them into 100 finished goods with no waste and no inefficiencies. This same definition would be a good one for an environmental system as well. Improving operational and managerial efficiencies not only improves the quality of products and services, but also improves environmental competitiveness. In order to avoid being behind the competitive curve, you will need to benchmark against the environmental best. Do not wait for foreign companies to grasp the environmental initiative, as they did with quality issues.

Surely, most businesses today would recognize the potential of environmentally friendly products, and benchmark themselves against the best. Despite this recognition by many, most managers still fail to explore fully the enormous power of integrating environmentalism into corporate decision making. It's an opportunity that must not be missed.

It is an old story where some see problems and others see opportunities. One such individual is Ben Cohen of Ben and Jerry's Ice Cream. He has launched a new business focusing on concern for the Brazilian rain forest. One goal of the new company is to increase the demand for harvested rain forest products, rather than its lumber. They are trying to create a demand for forest products rather than slash and burn. At last report they were selling as much of a new ice cream with Brazil nuts as they could make.

Expect environmental opportunities to grow as consumer demand for better environmental decisions increases. Customers are increasingly putting their money where their convictions are. The Social Investment Forum represents 375 investment advisors and eight mutual funds that impose environmental screening on the companies in which they invest. The total assets of investment funds dedicated to sound environmental and social practices have risen from \$40 billion in 1984 to \$450 billion in 1990.¹

There is enormous potential for profit where products and the companies that make them are seen as environmentally friendly, but as we will see, the potential for environmental profit extends far beyond your immediate customers needs and desires. There are long-term customers that also play a role in your success.

CLOSING THOUGHTS

Change without direction is simply movement. Environmental change should only occur if you can decide where you want to go. As the adage goes "the customer is always right," so a business mission should be defined as to what the customer wants.

The problem in the past has been that far too many saw their customer in short terms. They only saw one aspect of their "customers," usually those who initially purchased their products or services. Little attention was paid to their *long-term customers*. In this chapter we looked at our short-term external customer's demands for more environmentally friendly products and services. These short-term customers are the ones buying your goods and services and it is true that their needs must be addressed—but they are not your only customers.

Long-term customers of a business include its regulators, legislators, the community in general and even national environmental pressure groups.

Long-term customers can also be the internal ones within a company, including all departments, functions, and managerial levels.

In the end, it will be the organizations that best satisfies both short- and long-term customer needs. Competing in the global workplace of the 1990s begins by changing the *definition of who is your customer*.

Monsanto was one of the first to perceive its customer as long-term. Monsanto's success at identifying environmental opportunities occurred because it was one of the first to broaden its definition of its customer base. Many organizations that deal with environmental cost see environmental regulators as their customer. Monsanto broadened customer base to go beyond simply meeting environmental regulations and to redefining the customer as the general public. Changing its definition meant changing the way it managed environmental issues. In its case it meant adopting a TQM approach to the environment. The company's TQM approach required that environmental concerns be fully integrated into ongoing business programs and long-term business strategies. That's an issue we will look at later.

This also involves focus on all customers. While Monsanto still has environmental regulators in their customer base, other "customers" include local plant communities, environmental organizations, customers of its products and suppliers of its raw materials. To help focus on new customers, like local communities and environmental organizations, the company uses advisory groups, public outreach programs and environmental groups. For Monsanto, a key to this approach, as with any new customers, is identifying what its customers' concerns and needs are and incorporating those concerns into its operations. You can not do that unless you know what you've got, environmentally speaking, and that is the subject of the next chapter.

ENDNOTES

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