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ROI of Sustainability

- 04/21/2008
- by Matt Alderton

When University of Minnesota graduate Osman Rashid and Iowa State University graduate Aayush Phumbhra decided to start a business, their objective was simply to save college students money. Their company, [Chegg.com \(http://www.chegg.com/\)](http://www.chegg.com/), based in Santa Clara, Calif., enables college students nationwide to rent used textbooks in order to save money on course materials.

As the business grew, Rashid and Phumbhra realized that they could save more than students' cash. They could help the environment, as well. "We saw that we had this big opportunity to create a reuse model for college textbooks," says Rashid, CEO of Chegg.com. "Textbooks don't change every semester. They change maybe once every three years, allowing students to reuse a book."

When a textbook is rented, it reduces the demand for new copies, thereby diminishing the impact of textbook publishing on the world's forests, Rashid says. Inspired, Chegg.com launched a textbook rental service last year and even announced its decision to begin planting a tree for every book that's rented through it. Chegg is also currently partnered with Eco-libria, a reforestation group, and has plans to extend its partnerships with other environmental groups in the future.

Chegg.com accomplished what so many companies are now striving to do: It became a "green" business — and has grown as a result.

Return on Sustainability

Like Chegg.com, many companies are discovering that adopting sustainable practices can help protect not only the environment, but also their businesses.

There is a dramatic market shift in progress toward business practices similar to Chegg.com's, according to Andrew Hoffman and John Woody, co-authors of *Climate Change: What's Your Business Strategy?* They say business is reacting to all corners of the emerging green economy by adapting to volatile energy prices and responding to the raised expectations of investors, customers and policy-makers. Companies are reassessing their operations and supplier relationships, raw material procurement methods, shipping and transportation costs, even the pricing of their goods and services — all because the greenest companies are likely to be the most successful.

"You can be completely agnostic about the science of climate change and still see it as a business issue," Hoffman says. "Companies that aren't aware of their exposure to these issues and considering how they will affect their business strategy are going to be caught flat-footed."

Although companies that don't adapt will likely fail in the long term, those that do will just as likely thrive, Hoffman says. Eco-conscious consumers are actively on the lookout for earth-friendly companies, and [green businesses \(http://www.greenbiz.com/\)](http://www.greenbiz.com/) appear smarter, savvier and far more stable than their stagnant competitors.

Saving Money vs. Making It

There are two primary ways to build your bottom line as a sustainable business, Woody says. The first focuses around bottom line protection, the most obvious being saving money with cost-cutting measures, such as reducing your company's energy consumption with facility upgrades and operational adjustments. This strategy has proven extremely effective for companies of all sizes and across industries. Pittsburgh-based aluminum manufacturer Alcoa, for instance, has identified \$80 million in annual savings potential through improved energy-efficiency — of which it has already realized \$20 million.

Another way to build a sustainable business with environmental initiatives is to take advantage of top-line opportunities with office green products and services. "If you're concentrating on products and services that will thrive in a carbon-constrained world, you're likely to have more hits than misses because these markets are undoubtedly growing," Woody says. Just how much they're growing isn't yet clear, as most environmental initiatives are too young to have produced reliable ROI results. There are, however, [ways to measure \(http://www.xerox.com/go/xrx/template/inv_rel_newsroom.jsp?ed_name=NR_2008March25_Xerox_Sustainability_Calculator_Green_Office&app=Newsroom&view\)](http://www.xerox.com/go/xrx/template/inv_rel_newsroom.jsp?ed_name=NR_2008March25_Xerox_Sustainability_Calculator_Green_Office&app=Newsroom&view) environmental initiatives in an office.

After receiving initial results through products such as the [Xerox Sustainability Calculator \(http://www.consulting.xerox.com/flash/thoughtleaders/suscalc/xeroxCalc.html\)](http://www.consulting.xerox.com/flash/thoughtleaders/suscalc/xeroxCalc.html) and other measurement tools, companies large and small are setting ambitious goals.

Strategies for Green Growth

Companies' goals are based on very real opportunities. Even if corporations aren't yet going green, consumers are, says Averill Doering, manager of consumer insights and strategy for Umbria, a Boulder, Colo.-based research company that recently completed a study of online buzz around sustainability. "Consumers have conceded to make small, simple changes in their own lives," she says. "Consumers want companies to make it easy for them, to make it personal and to make it visible."

Umbria's October 2007 "Environmental Sustainability" study, which researched discussions of sustainability by consumers in the blogosphere, found that more than 28 percent of bloggers who are discussing sustainability believe that businesses must be agents of environmental change, and only 21.9 percent believe the same of government.

To take advantage of the emerging eco-economy, consider these strategies:

- **Expand your offerings.** You may have to invest in research and development, but potential returns on green products and services exist, Hoffman says. If a product offers the same or better service at a comparable price and is green, consumers will most likely buy.
- **Market within the supply chain.** Because many large companies are beginning to require sustainability from their suppliers, there is opportunity for vendors to differentiate themselves by being environmentally friendly, Woody says.
- **Build a green brand.** Green companies can easily attract new customers when they pursue and promote sustainability. "Companies that take decisive steps forward in the area of sustainability have the opportunity to increase brand value through improved perceptions of leadership and innovation," Doering says.
- **Join the conversation.** Government regulation will no doubt impact the viability of green opportunities, says Woody, who recommends shaping profits by participating in the policymaking process.

- **Find out how other companies are doing.** [The Dow Jones Sustainability Indexes \(http://www.sustainability-indexes.com/\)](http://www.sustainability-indexes.com/) monitor the financial performance of green companies.

Chegg.com founder Rashid insists the smartest way to make money is to focus on being a trendsetter, staying at the front, while staying environmentally aware. That's what Chegg.com did, and its customers have rewarded the company through positive word-of-mouth marketing, which, in turn, has generated plenty of — you guessed it — green.

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