

# Make it Märkbar

Connecting Customer Engagement with Sustainability



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### **Make it Märkbar**

**Publisher**  
Deloitte

**Editorial staff**  
Bahare Haghshenas  
Mari Espelid Kristensen  
Andreas Schmiegelow

**Graphic design**  
Manja Dahl Vittrup

**Print**  
Rosenberg Bogtryk A/S

**Circulation**  
600 copies

# A special note

**The word Märkbar in the title of this report might seem odd. It is not an English word. It is a Scandinavian word, which carries multidimensional meanings. And that is exactly why we chose it.**

The immediate English translations of Märkbar are visible, tangible, significant and perceivable. The definition of Märkbar is closely connected to action. It has a human touch and can be felt. In its deepest meaning it influences people in a noticeable way, enabling them to act differently.

We were curious to understand how the CSR and sustainability agenda can be used in a Märkbar way to connect with customers; to improve relationships; to build trust and loyalty; to increase sales and contribute to business development. We wanted to find out if Märkbar could be the solution to meeting the need of a growing number of consumers, who are demanding greater insight and information on the environmental and social impact of the products they consume; who have high expectations of companies' sustainability performance and seek to be involved.

Our journey started with analyzing consumer trends and global reports. We analyzed more than a 100 global business models and cases engaging customers. And in collaboration with a think tank, external experts and through pilot projects we have tested ideas, models and frameworks. In June 2014, we invited 20 Scandinavian businesses to partake in an open innovation day.

What we have learnt is this: Sustainability becomes Märkbar when you connect sustainability with customer engagement. This insight offers opportunities for new kinds of customer relationships and a different competitive advantage. Sustainable customer engagement composed of trust, co-creation, involvement and authenticity will complement price and logistics as the characteristics of the successful businesses of tomorrow. Successful customer engagement requires more than creating sustainable products with the hope that customers will buy them. Instead, it requires strategies that move them to act, connect them to others and enable them to engage with the brand in a meaningful way. It requires new value propositions and new ways of communicating.

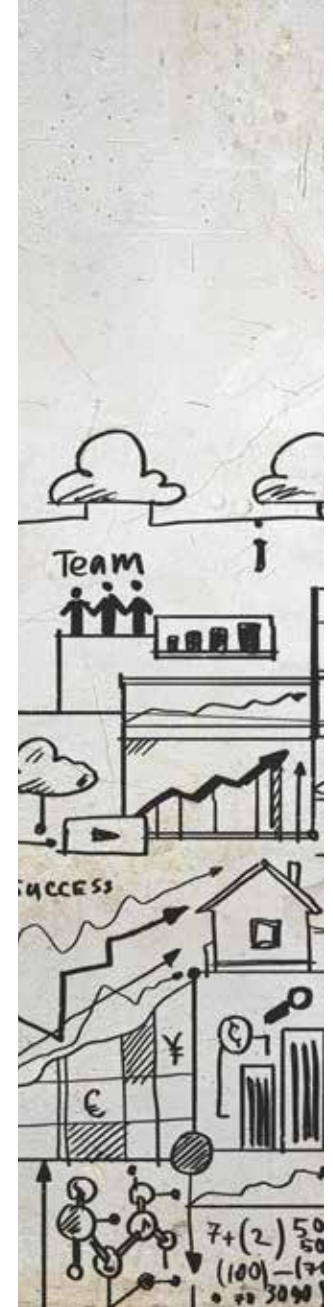
This report is a result of a journey that started with the curiosity to understand how sustainability can become Märkbar for customers. We hope it will give you new insights, inspiration and means to act. Most of all, we hope you will become curious enough to join our journey.

**Bahare Haghshenas**

Senior Manager  
Deloitte - Sustainability

**Anne Mette Christiansen**

Partner  
Deloitte - Sustainability



# Sustainable Customer Engagement



Sustainable Customer Engagement becomes Märkbar when you make your sustainability initiatives visible and tangible, as well as enable your customers to promote and engage in your sustainability efforts through all phases of their consumption of your product or service.

# Connecting the dots

## Sustainability performance and customer engagement

In most organizations sustainability is now generally acknowledged<sup>1</sup> as both a valuable risk-management tool and a long-term contributor to the bottom line.<sup>2</sup> Many businesses have built a sustainability platform, and many have developed strategic approaches to sustainability. However, one strong value proposition associated with sustainability is still waiting to be consistently integrated in most corporate strategies. And that is the potential for leveraging customer engagement through sustainability.

## Expanding the concept of customer engagement

Customer engagement is often thought of as a marketing approach where businesses apply new, non-traditional, interactive methods to increase customer loyalty, advocacy and repeat conversions. Engaged customers are more loyal, and they are stronger and more dedicated brand advocates. This is particularly valuable today where customers are becoming increasingly disloyal and highly influenced by recommendations and reviews from other former or current customers.<sup>3</sup> When compared to the average customer, the highly engaged customer generates a significant premium in terms of wallet share, profitability, and revenue and relationship growth.<sup>4</sup>

Moreover, market research suggests that there is a growing consumer segment labelled “The Seekers”. This consumer segment wants to know how the product is made, what it is made of, where it is made and by whom. This trend is significant in the younger generations – millennials – born in 1983 or later and the future’s largest and most deep-pock-

eted consumer segment<sup>5</sup>. The millennials expect businesses to do more than they do now to alleviate the problems that society faces<sup>6</sup>. They also believe that it is their generation’s duty to save the world.<sup>7</sup> The combination of new communication mediums, consumer connectivity and increasing expectations for transparency and ethical business practices present a great opportunity for companies who are willing and able to engage. It also presents a risk for those who choose not to.

Businesses with a strong relationship to their end-consumers can benefit from expanding the concept of customer engagement. Rather than considering customer engagement to be only a new, and indeed beneficial marketing approach, an increasing number of innovative businesses with steep growth rates are starting to place customer engagement at the heart of product and service innovation; quality management, risk mitigation, material sourcing, business model development, and so on. And here sustainability is often a significant, if not intended, element. Many examples of sustainable customer engagements depict a win-win scenario, in which businesses can both improve and leverage their sustainability performance and at the same time meet the need and demands from a growing consumer segment. Michelin, for example, is leasing out tires with a pay-per-kilometer program rather than selling them. By doing so, Michelin makes sure that the more than 290,000 vehicles under contract always have optimal tire performance. Their customers save time, money and fuel, and Michelin is able to control and easily collect run-out tires, rethread them, and put the materials back into their production apparatus.



# Millenials on sustainability

## Big demands and high expectations

The Millennial Survey gathered the views of more than 7,800 Millennials (born in 1983 or later) who had a college or university degree and who were employed full-time. There were roughly 300 respondents each in 26 countries.



7/10

RATES TRANSPARENCY AS VERY IMPORTANT WHEN BUYING FROM A BRAND



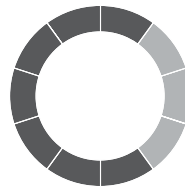
8/10

WANTS TO BE ENGAGED IN COMPANIES' SUSTAINABILITY ACTIVITIES



9/10

THINKS IT IS OKAY FOR A BUSINESS NOT TO BE PERFECT AS LONG AS THEY ARE HONEST ABOUT IT



7/10

EXPECTS BUSINESSES TO DO MORE



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BELIEVES IT'S THEIR GENERATION'S DUTY TO SAVE THE WORLD



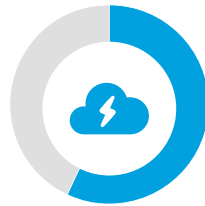
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WANTS TO HEAR MORE ABOUT COMPANIES' SUSTAINABILITY EFFORTS



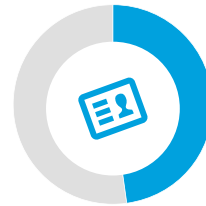
**+ 74%**

OF MILLENNIALS BELIEVE BUSINESSES HAVE A **POSITIVE IMPACT** IN THE COMMUNITIES IN WHICH THEY OPERATE... INCLUDING IN THE AREAS OF:



EDUCATION, SKILLS AND TRAINING

57%



UNEMPLOYMENT

48%



HEALTHCARE / DISEASE PREVENTION

45%

HOWEVER, MILLENNIALS BELIEVE BUSINESS CAN **DO MORE TO HELP** SOCIETY.

68%



RESOURCE SCARCITY

65%



CLIMATE CHANGE

64%



INCOME INEQUALITY

Learn more at [www.deloitte.com/MillennialSurvey](http://www.deloitte.com/MillennialSurvey)  
[#MillennialSurvey](https://twitter.com/MillennialSurvey)

# Mind the gap

## Values

CONSUMERS SAY THAT  
A COMPANY'S TRANSPARENCY  
IS VERY IMPORTANT AT THE  
POINT OF PURCHASE

66%

CONSUMERS SAY THEY  
CONSIDER A COMPANY'S  
SOCIAL AND ENVIRONMENTAL  
OBLIGATION WHEN CONSIDERING  
WHAT AND WHERE TO BUY

87%

CONSUMERS UNDER 40  
SAY THEY ARE WILLING TO  
PAY MORE FOR SUSTAINABLE  
PRODUCTS AND SERVICES

63%

## Actions

GLOBAL MARKET SHARE  
OF ECOLOGICAL  
FOOD PRODUCTS

4%

GLOBAL MARKET SHARE OF  
ENVIRONMENTALLY FRIENDLY  
PERSONAL CARE PRODUCTS

3%

GLOBAL MARKET SHARE  
OF ORGANIC COTTON  
PRODUCTS

0.76%



# The elephant in the room

**While sustainable consumer engagement presents a promising way to create new value propositions and business opportunities, effectively achieving it presents complexities.**

When asked, consumers say they are highly motivated to be sustainable and prefer to buy from companies that give back to society.<sup>8</sup> Consumers also overwhelmingly report that they want to purchase green products, reduce their energy usage, buy second-hand, pay for fair trade and donate to charities. Surveys suggest that they have a clear sense of personal responsibility, want to make the world a better place, and when asked, an increasing majority says they are willing to pay a premium for sustainability.

At the same time, though the market share captured by sustainable products has increased, and in some markets quite significantly, it is still very marginal. The fact is that there is a gap between consumers' attitudes and their actual behaviors. Scientific studies suggest that there are a variety of reasons for this including limited cognitive capacity, resources, time and options as well as structural barriers and cultural norms that impede upon consumers' good intentions. Below we have outlined the most significant barriers to sustainable behavior.

## **1. Limited Availability, Affordability and Accessibility (Triple As)**

Sustainable products are often less available, affordable or accessible. They still hold a small market share and the selection within the same product range is limited. A higher price is usually the strongest argument from customers for not purchasing sustainable products and services. However, time requirements rank almost as important as financial ones when determining the likelihood for consumer action. For example, accessibility becomes particularly important when consider-

ing product systems – such as recycling or take back schemes – as consumers' best intentions are often inhibited when they cannot easily achieve their intended behaviors.

## **2. Ingrained Habits**

Many behaviors, such as keeping the lights on when leaving the room or brushing teeth with the water running, are so common that consumers become unaware of what they are doing. Low involvement, high frequency purchases such as toothpaste or garbage bags are also examples of habitual and unconscious consumer decisions. These actions are particularly tough to change and often require special interventions or innovations to jar consumers from their daily routines.

## **3. Lack of Trust**

The majority of consumers are suspicious of corporate sustainability pledges and corporate communications are becoming increasingly less influential. Instead, individuals tend to trust the information they share between other individuals and the people they trust: friends, family, other users, and consumer organizations.

To date, much of the research on consumers has measured their attitudes rather than their actual behaviors or the decision making process. Consumer surveys tell what consumers say they want to do and market data gives a picture of what they actually do, but very little is known about what happens in between. This often gives the false presumption that there is nothing that can be done to change consumer behavior. Instead, more advanced methods of studying the "why" and the "how" of consumption can inform strategies to help consumers achieve their intended goals.

Given these limitations, all sustainable products and services should consider the following principles when developing sustainable solutions and communicating them to the consumer:

**1. It has to be easy**

Consumers tend to do as ‘they have always done’ and resist from making choices that demand an effort.

**2. It has to be attractive and personal**

Consumers prefer to make a tangible and attractive choice. Guilt and shame tend to be overused and short-lived approaches to convincing consumers to engage in sustainable behaviors. Instead, positive messages that speak to their personal identities and values are more effective at gaining long-term success.

**3. It has to be social**

Consumers are social creatures and the behaviors of others, particularly their reference groups, have a strong impact on their choices. Companies can no longer rely on one-way communication to engage with their target audiences. Instead they need to become authentically involved with the larger communities, both virtual and physical, that shape consumers’ everyday lives and influence their decisions.

## Consumer segments



22%

### ACTIVES

*Extremely green in attitude and behavior – e.g. carpooling and composting*

---



33%

### SEEKERS

*Concerned about health related sustainability issues and relatively environmentally conscious. However, they are more committed in attitude than in actual behavior*

---



25%

### SKEPTICS

*Not committed, but make an occasional green purchase. Skeptical of green messages and corporate motives. Small potential for increased green behavior*

---



20%

### INDIFFERENTS

*Concerned with environmental messages as e.g. air pollution. Don't engage in green behaviors because of economic and life stage constraints<sup>9</sup>*



# Four frameworks of Sustainable Customer Engagement

There is no precise and simple answer to how businesses can promote and create sustainable customer engagement and bridge the gap between consumer intention and their actual behavior. By analyzing more than 100 businesses that have proven to build a sustainable business model and be Märkbar, we have identified four frameworks that works.

The frameworks share the underlying premise that the consumer is actively participating in the company's efforts, and that values is reaped by both parties. Instead of passively purchasing a "green product," or buying from a charitable company, the consumer is actively participating in creating a more sustainable solution.



*TRANSPARENCY  
ENGAGEMENT*



*PARTNERSHIP  
ENGAGEMENT*



*LIFE CYCLE  
ENGAGEMENT*



*COLLABORATIVE  
ENGAGEMENT*



## Transparency Engagement

The Transparency Engagement framework addresses the particular emphasis that an increasing number of consumers place on businesses' efforts to be honest and transparent about what they do, how they do it, and why they do it. This engagement framework builds on the lack of trust that many businesses meet from their customers and it offers a sense of acknowledgement and assurance to the customers.

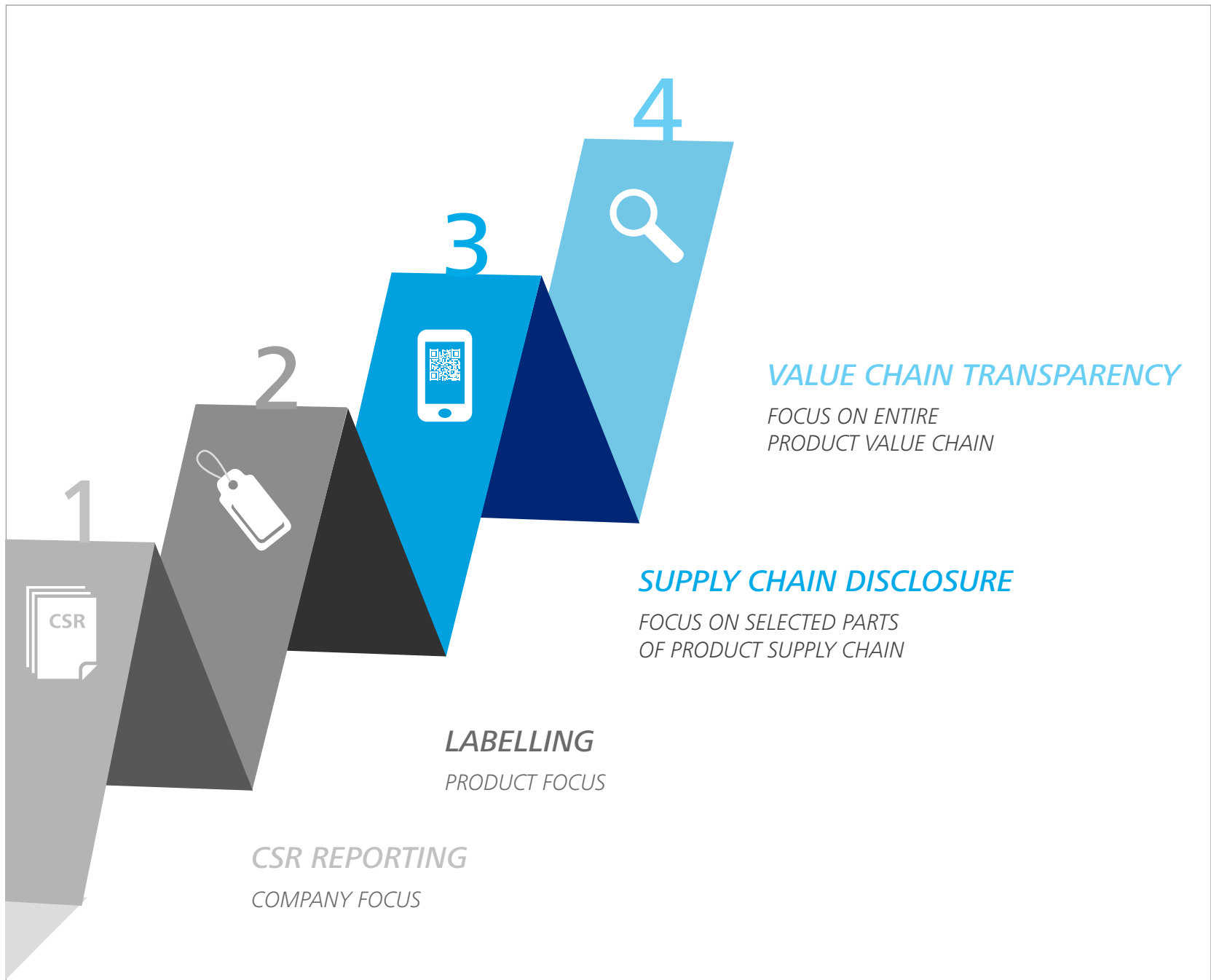
Only very few customers seek information in the corporate sustainability/CSR report. Still, many businesses use their sustainability report as the primary communication platform to engage customers in their sustainability performance and activities. The Transparency Engagement framework therefore, refers to efforts where businesses effectively communicate and inform the consumers of the sustainability performance of a specific product or service using engaging platforms and rich storytelling.

When a company effectively engages in transparent engagement, they disclose and invite customers to actively investigate, understand and consider the business' concrete activities and sustainability impacts in the value chain of the products or services that it offers.

This approach gives the business the opportunity to create a personalized storytelling of a product or service and often involves tangible ways for the consumer to actually see and feel how the product is more sustainable. For example, the British chain of sushi restaurants Moshi Moshi and the Marine Stewardship Council (MSC) partnered to celebrate Moshi Moshi's 10,000<sup>th</sup> end MSC-certified sushi dish with an eatable QR code made of rice paper, seaweed and octopus' ink. When customers scanned the code, they were transported to a website explaining how the fish they were eating was produced. The campaign resulted in a record number of bookings and gave consumers an active way to engage in the company's sustainability story.

### **Value proposition for a business to use Transparency Engagement:**

- Increased customer trust and loyalty
- Increased accountability
- Market differentiation



## *Eosta / Nature & More*

*Eosta is an international company based in the Netherlands that sells fresh organic and fair trade fruits and vegetables from all over the world. Eosta was established in 1989 and currently employs 80 people. Eosta developed the Nature & More trace and tell system to allow consumers to “virtually” meet the grower.*







Storytelling, transparency and traceability are key elements in Eosta's relationship with its customers. To enable customers and growers to interact and meet "virtually", Eosta developed the Nature & More trace and tell system, which is a kind of communication tool through which customers can enter the world of the grower and learn more about the product. Every product has a unique stamp showing the face of the grower and his Nature & More code. To access the grower, you enter the three digit code on the Nature & More website.

Eosta does not sell directly to the consumer but works with wholesale and retail. Retailers are interested in the Nature & More system because it enables them to meet consumer demand for full transparency and traceability. As society as a whole becomes more aware of the environmental and social impact of the food we buy, more and more retailers wish to use the Nature & More system as cobranding to strengthen their own brand.

"For us, transparency is the key. Customers are skeptical about sustainability because of the widespread corporate "greenwashing". Our philosophy is to make what we do completely transparent. Then it is up to the consumer to make an informed choice. We engage people in our campaigns and then they share with family and friends through social media. But customers are lazy. They are willing to share the message, but they don't want to work – if you want to engage them, make sure you keep it extremely simple. We reached more than a million people with the Bees Love Organic campaign where we gave away free organic flower seeds," says Michaël Wilde, Communications and Sustainability Manager.





## Partnership Engagement

The Partnership Engagement framework refers to efforts where businesses strive to engage the customer and improve sustainability performance by inviting customers to actively participate in partnership with a third-party organization. This is a departure from the common passive charity and donations schemes that companies have done with the hope for a positive impact on their corporate reputation. Instead, more businesses have leveraged their relationships with civil society organizations or the public sector as channels to actively build a stronger relationship with their customers, develop new products and test new markets.

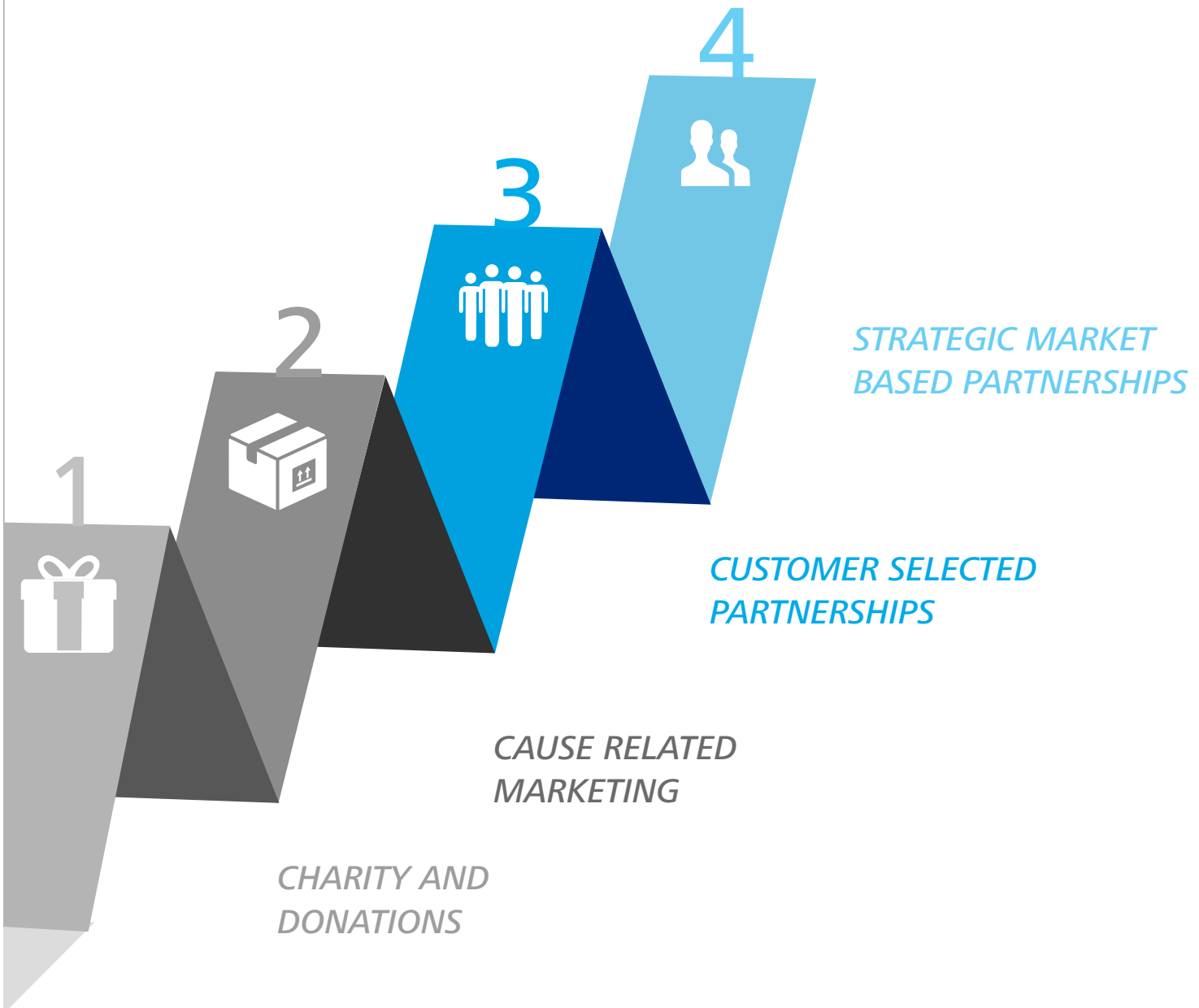
This way of actively engaging consumers with third-party partners is in line with many studies that have suggested that consumers increasingly would rather do good with their purchases than give to charity. A recent survey from the marketing agency Good.Must.Grow, for example, indicates that for the second year in a row 30% of US consumers plan to increase their purchases towards socially responsible companies in the coming year. Meanwhile, only 18% plan to increase charitable giving in 2014, which is a decline from 21% in 2013. Examples

of companies utilizing the partnership engagement platform include the Swedish fashion company Hennes & Mauritz who organized votes on their website, inviting customers to vote for the charitable cause they found most relevant or pressing. Another example is the US company TOMS who's business model is founded on the charity-idea one for one, empowering the customers to do good through their purchases. For every pair of shoes you buy, TOMS donates a pair of shoes to a child in poverty.

The Partnership Engagement framework addresses customers' preferences for doing good, increases positive self-satisfaction and creates brand recognition.

### Value proposition for a business to use Partnership Engagement:

- Accommodate customers' needs
- Increased capitalization on donations
- Access to markets



## *Palsgaard*

*Palsgaard is a Danish company founded in 1908 that specializes in the manufacture and supply of stabilizers and emulsifiers for bakery, dairy, fine foods, margarine confectionery as well as sustainable functional agents for the polymer industry. Palsgaard is headquartered in Denmark with approximately 250 employees. With 13 global subsidiaries and a number of agents and distributors around the world, Palsgaard covers a global market. The company has production facilities in Denmark, the Netherlands, Mexico and China as well as a brand new energy and environmentally optimized factory in Malaysia.*





Palsgaard produces stabilizers and emulsifiers globally according to the company values: Loyalty, Responsibility and Commitment. In daily life the employees and their customers refer to this as Palsgaard being a company of Heart working people®. In Mexico, this has led to a partnership with the non-governmental organization CTDUCA that helps people and children with Down's syndrome. People suffering from Down's syndrome are often intolerant to a range of foods, including milk. Milk contains a protein that stimulates the growth of neurotransmitters in the brain resulting in enhanced learning capabilities.

In cooperation with CTDUCA, Palsgaard's research team in Mexico developed a replacement for the milk protein. The replacement, called T2, can, if taken on a regular basis, improve cognitive, psychological and social abilities in children with Down's syndrome, improving their lives significantly.

"T2 is not a 'typical' Palsgaard product, and it is not part of the emulsifier product range. But it has given us a great insight into a new market, access to a new consumer group and definitely enhanced global awareness of our company as well as awareness in Mexico", says Jakob Thøison, CEO of Palsgaard.





## Life Cycle Engagement

The Life Cycle Engagement framework refers to efforts where businesses strive to engage customers in parts of or the entire life cycle of a specific product. Often the business-customer relationship ends at the counter. How the customer uses the product, maintains the product, or discards the product is seen as beyond the reach and relevancy of the producer. They may inform customers on, for example, how to prolong the life-time of the product, but they do not engage actively in what customers actually do. The Life Cycle Engagement framework is a response to this. The aim of this engagement is to improve sustainability performance by trying to change customers' behavior in the pre-purchase, purchase, use and discard phases of products' life cycle. Intermarché, a French supermarket chain, has managed to change their customers' behavior in respect to 'inglorious fruit and vegetables'. Instead of discarding these, Intermarché has launched an eye-catching advertising campaign, where they are selling the traditionally unsellable ugly fruits and vegetables at a 30 % discount. And to show consumers that the 'ugly ones' are just as tasty as their 'beautiful sisters', they have produced special 'ugly' soups and juices that customers can buy. The initiative is a huge success, the 'ugly' fruits and vegetables are torn away from the shelves, the chain has achieved very positive publicity and they have had a 24 % increase in total number of customers.

The Life Cycle Engagement framework is an umbrella concept covering a wide range of customer engaging activities from choice editing and nudging to guidelines for product use and take-back schemes. Many time activities and logics from the three other engagement frameworks can be spotted and integrated in a life cycle perspective. This type of customer engagement addresses a wide range of value opportunities for both businesses (e.g. revalorization of products at end of life cycle) and customers (e.g. cost reductions).

The Life Cycle Engagement framework addresses customers' need to contribute by actions. It gives the customer a strong relationship with the product and the brand, as well as increases the customer's perceived value of the product. In some cases this also means cost reductions.

### Value proposition for a business to use Life Cycle Engagement:

- Strengthens a long term customer relationship throughout the products' life cycle
- Contributes to resource optimization
- Market differentiation



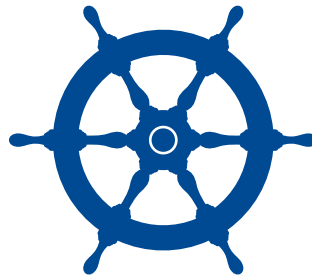
## 1. Pre-purchase phase engagement

*Engaging with customers in regard to their attitude towards the company and sustainability in general*



## 2. Purchase phase engagement

*Engaging with customers to support a sustainable purchase behaviour by choice editing, nudging, information etc*



## 4. Discard phase engagement

*Engaging with customers in regard to how, when and where customers discard company products*



## 3. Use phase engagement

*Engaging with customers in regard to use of company products e.g. by incentivizing sustainable use or by behaviour adapting and awareness-raising product functions*

## Nudie Jeans

*Nudie Jeans is a Swedish clothing brand founded in 2001 with 100 employees. The company's growth rate was 17% from 2012-2013 and the turnover in 2013 was \$47 million. Nudie Jeans' main markets are Germany, Australia, Japan, Sweden and the UK.*







Nudie Jeans produces organic denim jeans with the brand mantra break-in, repair, reuse and recycle. Their entire supply chain is transparent and allows consumers to trace the product to the factory where it was produced. Nudie Jeans also urges consumers to break-in their denim before they wash it, which means wearing the denim for 6 months before the first wash. The philosophy is that less washing reduces resource consumption as home washing constitute 30-40% of the resource consumption for a garment.

Furthermore, Nudie Jeans has integrated repairing tradition as a part of their core business, offering free repair kits to their customers, operating five repair stores, and cooperating with another six, around the globe, which in total repair more than 400 pairs of jeans per week. Old and unwanted denim is turned into new products and carpets, raising consumer awareness of the value of the material.

“We get very positive response from customers when we tell the whole story about our products and engage them in the product use, for example through the repairs and the recycling projects. In the long run this will also strengthen our brand”, says Palle Stenberg, CEO Nudie Jeans.



## *The Guldsmeden Hotels*

*The Guldsmeden Hotels Group is a chain of boutique hotels that encompasses seven properties in Denmark, Norway and Bali - all of which are Green Globe and Gold-Ø certified. The hotel group has 170 employees, and the average occupancy is approximately 80%. The revenue just reached 100 million DKK per year.*





Guldsmeden Hotels focuses on food and food waste. They are Gold-Ø certified, meaning that 90 percent or more of their food is organic. And the hotel group run a food waste program “Love food, hate waste”, which has reduced food waste significantly. They engage and encourage customers by using nudging activities, such as leaving napkins with messages to urge people not to take more food than they can eat, placing the salads before the meat, place smaller portions at the buffet and use small plates instead of larger ones. The results - about 80 percent of the customers finish their food without throwing anything away.

“The food waste program demands a great deal of us in terms of communication with our guests, in order to explain why the buffet table is not filled up 10 minutes before closing, and in order to explain the small plates etc. However, when guests are aware of what we attempt to do, they are very positive and we believe it is actually to our advantage. Guests respect the effort and become more loyal to our concept as a whole”, says Sandra Plesner Weinert, owner of Guldsmeden Hotels.





## Collaborative Engagement

The Collaborative Engagement platform refers to businesses applying modern network technologies to engage with customers to create shared value. Collaborative Engagement is not a new idea. Rather, it is the revival of the basic insight that there is power in numbers. If we work together, we can accomplish big things. Collaborative engagement, also referred to as 'sharing economy' or 'collaborative consumption', covers a diverse range of business models to have one thing in common: they mobilize engagement with the customers to optimize resource efficiency. Business activities included in this are: function sales, where the businesses provide access to product functions instead of selling the product; facilitation of customer-2-customer markets; and open innovation.

The Collaborative Engagement framework redefines the business-customer relationship and offers a whole new way of doing business. The most significant value opportunity for customers of collaborative engagement is the opportunity to benefit from idle assets. It gives customers a financial flexibility, offering access to products and services without the need for ownership and financial investments. The

business models are often logical for the customer to engage in and offer an easy solution to an existing need. An example is Ricoh, the printer company, that sells prints rather than printers. This allows Ricoh to maintain and prolong the life of their printers and re-use valuable printer components, while customers are relieved from the burden of discarding environmentally harmful run-out machines. Airbnb, the 'hotel chain' with more than 500,000 rooms, all owned and run by their customers, has built a business that is growing 200-300 % per year, and which is completely dependent on customer engagement<sup>10</sup>.

### Value proposition for a business to use Collaborative Engagement:

- Re-sale of products (functions sales)
- Pro-longed product value (facilitation of customer-2-customer markets)
- Development of tailored products and services in collaboration with customers (open innovation)

## TECHNOLOGY

```
graph TD; Technology[TECHNOLOGY] --- Service[Service provision]; Technology --- CoInnovation[Co-innovation]; Technology --- Market[Market facilitation];
```



### Service provision

*The company provides access instead of ownership. The relationship with customers continues until product functions are no longer demanded by the customers*



### Co-innovation

*The company collaborates with customers in regard to products and services. Relationship with customers may include e.g. product or service innovation and development*



### Market facilitation

*The company facilitates new relationships of collaboration and exchange between customers*

## Philips

*Philips is a Lighting, Healthcare and Consumer Lifestyle brand founded in 1891 with 110.000 employees. Turnover in 2013 was €25 billion.*

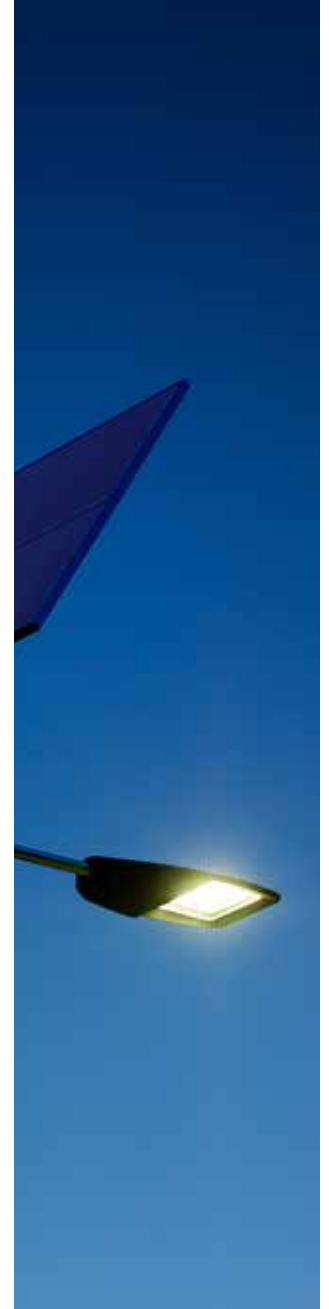




Philips has been producing lamps, light sources and luminaires for over 120 years and is recognized as the global leader in lighting. Traditional light sources have a limited life span, which means customers return within a reasonably short timeframe to buy a replacement product. With the shift to LEDs, the lifetime has increased considerably. Hence, the versatility of LEDs allows for new types of light installations and customers take significantly longer time before they return. In other words, the shift from traditional light sources to LEDs has enabled Philips to rethink their business model and to move toward offering lighting solutions. So, next to selling lighting products, Philips now also offers light as a service.

With the new business model, Philips is dealing directly with the end-user, which makes it much easier to understand and respond to the customer's real needs. During the course of the contract, Philips frequently reviews the performance of the installation with the customer and continuous feedback from the customer provides valuable insights for marketing and product development. As part of their service, for example, Philips can agree with the customer to upgrade lighting over time to more energy efficient LEDs. Because Philips is delivering the solutions as a service that in many cases is paid for by the achieved energy savings, the customer is able to upgrade their infrastructure without long term impact to capital and operating budgets.

"Light as a service is a new business model. It is just starting. Next to better meeting the needs of our customers, retaining ownership gives us options to optimize the residual value of the lighting installation. We can refurbish the product or reuse parts. Customers react positively as it takes away their worries on maintenance and upgrading, and they now always have the most efficient lighting installation", says Bart Goetzee, Senior Director Philips, Group Sustainability.



## GoMore

*GoMore, a Danish car-pooling and peer-to-peer car rental company. Founded in 2005, it currently has 18 employees and counts 185,000 members, with 15,000 new members joining every month. GoMore's main user segment is 20-45 year olds. They have more than 1,600 cars for rental. GoMore is currently growing with 200% a year and has recently expanded its services to Sweden and Norway.*







GoMore's customers are amongst the most engaged with more than 125,000 ratings between users on GoMore's website and 500+ ratings on Trust Pilot. GoMore is used by more than 750 customers on a daily basis and is estimated to have saved over 4.5 tons of CO<sub>2</sub> since February 2013. Even though the environmental factor is secondary, GoMore's users talk a lot about it, which creates positive brand associations. The main drivers are that it is cheap, fun and comfortable. And users get really excited when they find out that car-pooling is a fun way of transportation, and this results in a lot of positive online recommendations.

GoMore's customer segment shares the characteristic that they have finished their education and lost their right to student discounts with public transportation. A third of their users are drivers and two thirds are passengers.

"Although the majority of our users might not be choosing our services because of our sustainable nature, it ensures great exposure in the press. The exposure, in turn, brings in more customers. And the enthusiasm with which they rate GoMore is undoubtedly supported by the fact that not only is it a fun way of transportation, it is also good for the environment. In that sense, sustainability becomes a driver that makes all other aspects of the company stand stronger," says founder and CEO, Matias Møl Dalsgaard.



*Do it  
yourself*

# How to get started

**So, how do you get started? How do you make sustainability Märkbar to your customers to boost business? Basically, what you need is to consider the following five steps. Remember, your company does not need to be 100% perfect or have everything in place to get started. What is important is that you take the first step.**

1

## **Understand your customers' CSR drivers**

- Analyze existing customer data from your Marketing/Communication team through a CSR lens
- Understand your customers' CSR benefits and drivers - segment the information into categories and markets
- Identify your customers' material issues and sweet spots

2

## **Involve your organization**

- Analyze what could provide key stakeholder involvement in regards to your customers throughout the value chain, from design to front line/sales
- Understand and listen to your internal critics
- Identify key stakeholders across the organization to involve and engage in the process

3

## **Learn from the market**

- Analyze what you can learn from other companies, do not forget to look at the small companies as they tend to be more innovative
- Invite representative groups of customers to learn and co-develop

4

## **Build a business case**

- Build an idea that taps into your customer's CSR drivers and benefits
- Focus on a few topics/areas that resonate with your customers and company values
- Identify Key Performance Indicators (KPI), while also looking at customer sales, satisfaction and reputation benefits
- Create a business case that is disruptive, and gives the customer an unexpected feeling/understanding/experience

5

## **Communicate and engage**

- Segment and tailor your communication and offerings
- Create a story that resonates with your brand and company values
- Communicate only a few issues, be specific, be personal, keep it simple
- Create a structured dialogue between the CSR team, front line/sales staff and the customers, for ongoing improvement of communication and a better understanding of needs

# Join our journey

**We believe that you can make your sustainability efforts Märkbar by connecting sustainability with customer engagement. We believe that this will create stronger and more loyal relationships as well as meet the expectations of a growing number of customers. And thus result in increased sales.**

With this report, we hope you have gained new insights, inspiration and means to act. Most of all, we hope you have inspired you to join our journey.

You are welcome to contact us for further dialogue.



**Bahare Haghshenas**  
Senior Manager, Deloitte Sustainability  
bahahag@deloitte.dk  
+45 31 31 04 31



**Anne Mette Christiansen**  
Partner, Deloitte Sustainability  
amchristians@deloitte.dk  
+45 30 93 65 13



**Riikka Poukka**  
Manager, Deloitte Sustainability  
riikka.poukka@deloitte.fi  
+358 505758217

# Contributors to our journey

## Think Tank members

Neutral: Christina Larsen

Neutral: Frederik Bech

Pandora: Julie Lindberg Skovmand

Pandora: Claus Teilmann Petersen

Tryg: Sune Bille Larsen

Tryg: Birgitte Kofod Olsen

Velux: Eva Fog Bruun

Velux: Mikkel Skott Olsen

## Thanks also to

Brødrene Hartmann: Charlotte B. Merlin

Copenhagen Business School: Sarah Bly

Copenhagen Business School: Nønne Bjerg Linnet

Coop: Ulla Riber

Danske Bank: Sebastian Naerbout

Georg Jensen: Maria Hyllehøj

Georg Jensen: Erik Olsen

Lego: Sarah Hempel

Marimekko: Anna-Leena Teppo

Microsoft: Mia Ranta-aho

Royal Copenhagen: Pia Halldorsson

SOS Børnebyerne: Rune Sandholt

The Goodvertising Agency: Thomas Kolster

TopDanmark: Carina Carøe Sørensen

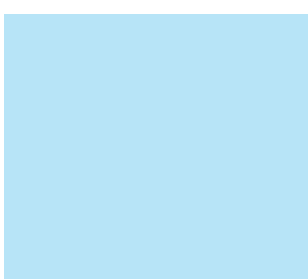
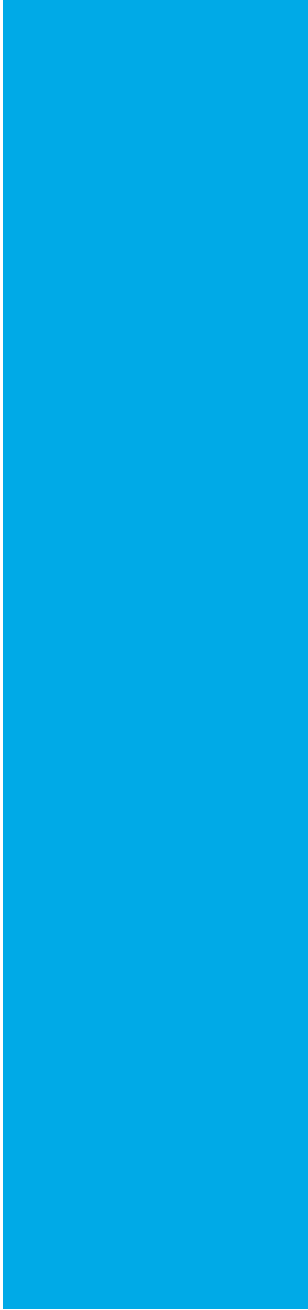
TopDanmark: Pernille Fogh Christensen

Tryg: Julie Lehman Carlsen

*Thank  
you*

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