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Otto Incorporates Sustainability into Core Business Processes for High Performance

As a global leader in its industry, the Otto Group also wanted to ensure that its corporate social responsibility program was world-class—and that it made a genuine contribution to its brand reputation, marketplace differentiation, stakeholder trust and drive to achieve high performance.

• Consulting • Technology • Outsourcing

Client background

The Otto Group is a leading retail and services company, headquartered in Hamburg, Germany. It increased its consolidated revenues to €10.1 billion (\$14 billion) as of financial year 2009–2010. There are 123 major companies belonging to the Otto Group, such as OTTO, Baur, Bonprix, Crate & Barrel, Cofidis, EOS, Heine, Schwab, Sportscheck, and 3 Suisses. The corporation has 47,952 employees who conduct business in 20 countries worldwide.

The Otto Group is the world's biggest online retailer for fashion and lifestyle products, second only to Amazon. Its widely diverse product portfolio covers clothing, furniture and household appliances.

Business challenge

Since the 1980s, the Otto Group has been a leader in corporate social responsibility with a particular focus on environmental issues. The Founder's son, Dr. Michael Otto, is the archetype of an environmentally engaged business executive in Germany.

However, competitors have begun stating overambitious sustainability targets. Consequently, the corporation decided it wanted to sharpen its corporate social responsibility strategy to align better with existing corporate strategy, identify future initiatives and gain a clearer understanding of its current sustainability value. The Otto Group selected Accenture Sustainability Services to review a large number of sustainability initiatives along the corporation's entire supply chain.

Why Accenture

Accenture had previously delivered systems integration and technology projects for Otto Group, which formed the basis of a solid working relationship. In addition, Accenture had showcased its sustainability capabilities in supporting the launch of the "Cotton Made in Africa" initiative. This program encompassed the establishment of a cotton supply chain in Central Africa and associated marketing strategies.

Current market drivers are tightening supply, sharpening demand and intensifying regulation. Accenture's profound understanding of how to integrate sustainability into business process as part of a wider drive to achieve high performance was thus crucial in Otto Group's decision. Accenture's strong value-based sustainability approach helped differentiate itself from competing companies.

How Accenture helped

The corporation's board asked Accenture to analyze the status quo of Otto Group's corporate social responsibility activities, assess their impacts and, if needed, revise the strategy.

Accenture's well-structured approach was instrumental in generating to the project's achievements from start to finish. We worked on four phases across a strict 14-week time plan to analyze current corporate social responsibility initiatives, map them both to the corporate strategy and upcoming important stakeholder issues, highlight gaps, and define a revised strategy.

We closely collaborated with the Otto Group's Corporate Social

Responsibility division, and conducted cross-divisional and interactive strategy workshops. Each of the five workshops was designed both to gather the relevant information from the divisions, and to communicate our preliminary results in order to assure the company's commitment.

In order to create a business case for sustainability, Accenture first performed an "as is" analysis evaluating the Otto Group's sustainability initiatives in a consistent qualitative and quantitative way. We initially conducted strategy contribution workshops to evaluate the corporate social responsibility initiatives' perceived input to the corporate strategy. Additionally, we developed a rigorous business case based on a set of four value drivers. We factored in, for example, the benefit from preventing a scandal-related revenue risk by using a complex Monte Carlo simulation.¹ In another business case, we compared the revenue growth from organic cotton products against general cotton apparel.

Second, Accenture conducted a comprehensive analysis of stakeholder expectations. This analysis included external interviews with major corporate social responsibility thought leaders, governments, suppliers and competitors; and internal interviews with the client's C-level across divisions and subsidiaries. The qualitative, half-structured interviews took up to 90 minutes each, and focused on assessing the stakeholders' assessment of future corporate social responsibility initiatives. The comprehensive interview results also suggested many new ways to improve stakeholder relations. In addition, we analyzed competitors and summarized high-level retail industry trends.

Third, Accenture conducted a gap analysis to identify whether the group's corporate social responsibility initiatives were living up to expectation. During this process, Accenture developed a "field of action" for each corporate social responsibility segment to enhance Otto Group's standing in that segment. These fields of action included a set of cutting-edge initiatives that created the potential for a revived differentiation of the client's core business.

Accenture's evaluations used precise templates, which were based on a sophisticated and coherent standard: business cases, competitor analysis and corporate social responsibility flagship ideas. The selected eight future flagship projects were analyzed in terms of:

Financial potential

How much would the project contribute to earnings before interest and tax? Accenture's industry experience proved invaluable, and each underlying assumptions was tested with client experts.

Implementation effort

As part of this work, Accenture created a road map that defined concrete actions and responsibilities, thus identifying challenges and the overall time horizon.

Support needed for Corporate Social Responsibility

What capabilities will the Corporate Social Responsibility division need in order to drive the integration of sustainability initiatives into the core business? The question of organizational "depth of governance" was also addressed in this area.

These three types of analysis addressed the question: "Is the company doing the right things?" A fourth analysis looked at positioning, asking, "Is the company doing the things right?" Accenture tackled crucial implementation necessities, developed a rough implementation plan and developed business cases for transformation. We set up a functional framework encompassing five key supporting factors to facilitate a successful integration of corporate social responsibility into the client's core processes:

- Top management commitment.
- Clear governance structures.
- Transparent set of performance indicators.
- Thorough project management.
- Leadership learning.

Here, our main solution was to initiate a cross-divisional C-level driven steering committee to coordinate current initiatives, and to conceptualize the future corporate social responsibility agenda "Innovation and Accountability." Accenture was the facilitator, providing project management, strategy and supply chain consulting assistance.

High performance delivered

Accenture helped the Otto Group create value in a three-fold way:

- **Identify the contribution of corporate responsibility.** Creating solid corporate social responsibility business cases was an eye-opener. For example, we demonstrated that the group's social responsibility management system contributes substantially to earnings before interest and tax by mitigating risk.
- **Design a corporate responsibility strategy.** By combining the various project insights, we were able to design new fields of action, and highlight the necessary capabilities for the corporate social responsibility division.
- **Highlight future corporate responsibility potential.** Accenture helped identify future flagship initiatives to build Otto Group's leadership in certain corporate social responsibility areas.

Accenture's unique approach has helped the Otto Group integrate its corporate social responsibility strategies with its core business operations, positioning the group to take advantage of new opportunities and achieve high performance over the long term. In summarizing Accenture's performance, Hans-Otto Schrader, CEO of the Otto Group simply said: "Very good. Expectations exceeded".

¹ Monte Carlo methods or experiments are a class of computational algorithms that rely on repeated random sampling to compute their results.

About Accenture Sustainability Services

Accenture Sustainability Services helps organizations achieve substantial improvement in performance and value for their stakeholders. We help clients leverage their assets and capabilities to drive innovation and profitable growth while striving for a positive economic, environmental and social impact. We work with clients across industries and geographies to integrate sustainability approaches into their business strategies, operating models and critical processes. Our holistic approach encompasses strategy, design and execution to increase revenue, reduce cost, manage risk and enhance brand, reputation and intangible assets. We also help clients develop deep insights on sustainability issues based on our ongoing investments in research, including recent studies on consumer expectations and global executive opinion on corporate sustainability and climate change. Find out more at www.accenture.com/sustainability or contact us at sustainability@accenture.com.

Contact us

Accenture is committed to helping forward-thinking organizations position sustainability as a key lever to long-term success. To find out more about how Accenture can help you meet your sustainability imperatives and chart a course toward high performance, visit www.accenture.com/sustainability or contact us at sustainability@accenture.com.

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