

# Sustainable innovation: Staying true to your brand promise

by Paula Oliveira

Two years ago, the Best Global Brands magazine published an article titled "Sustainability and its impact in brand value." The core idea was that sustainability (however we define it) influences brand value in three different ways:

- 1. Sustainability creates new sources of revenue.** Sales generated through innovative products and services which are built around the idea of sustainability, such as hybrid cars (Honda and Toyota) and detergents that wash at lower temperatures, saving energy (Ariel 300).
- 2. Sustainability positively influences customers' choices.** A brand that is associated with sustainability equities can create a halo around its products and services, making customers more willing to choose it (Body Shop and GE).
- 3. Sustainability guarantees the longevity of the business.** By adjusting their supply chain, raw materials, processes and disposal of products to the new realities of the planet, companies will adapt their business for the future (Coca-Cola, Nokia).

Two years on and these ideas have proven true – not only to sustain brand value in the aftermath of one of the worst recessions since The Great Depression, but also to help smaller or regional companies raise their profiles on the global stage. But we've also seen that when these principles are not consistent with the business strategy and values, they can actually create skepticism around the brand or simply distract the business from its core purpose, negatively influencing brand value.

## Sustainable brands in fast-developing markets

Large companies from fast-developing markets have traditionally invested in social and environmental projects. This is because issues like lack of clean water and environmental deterioration are all too apparent in these regions. Solutions come in various forms, such as building basic infrastructure in the communities where the business is based, setting up a foundation or developing innovative products that not only bring new money to the company, but also improve the lives

of people involved with them – either as consumers or suppliers.

Most Brazilians would agree that Natura, the native cosmetics, fragrances and personal care brand, is a great example of a fast-developing market brand that invests in corporate citizenship initiatives. It has had a presence in the domestic market for over 40 years, delivering great products, consistent profitability and strong social and environmental consciousness. It uses sustainability as an innovation trigger. Its EKOS line, which honors the Brazilian biodiversity by using ingredients produced by less privileged communities in Brazil, illustrates this approach. Natura is also heavily involved with programs that celebrate nature and entrepreneurship to promote social transformation, starting with its own sales force. Valued at R\$ 4,652 (US\$ 2,629) by Interbrand, Natura is now the sixth most valuable brand in Brazil and has been exporting its successful and sustainable brands to Latin America and Europe.

This is true for other large businesses in fast-developing economies as well. Management guru C.K. Prahalad provided great examples in his book, *The Fortune at the Bottom of the Pyramid*, which focuses on how business can create profitable products and services, while also providing the less privileged with better access to the consumer market or to relevant technology that could improve their lives. Examples from the book include ICICI, the second largest banking institution in India and its microfinance programs in rural areas, which are based on the successful Grameen Bank model from Bangladesh; and CEMEX, the Mexican cement manufacturer and one of the global leaders in the sector, which found ways to make profits while housing the poor, instead of leaving NGOs and the government with the responsibility. Both brands have successfully identified innovative ways to live up to the new saying: "Making money while doing good." They also managed to improve equities that were associated with their brands both nationally and internationally.

#### The downside

However, while sustainability is a proven way to ensure that brand value continues to grow, it should not be used as an alternative to staying true to a brand's values or customers. Case in point: Nokia, Toyota and BP.

Nokia, the global leader of handsets, has achieved great success in fast-developing markets through sustainable innovation. For example, through ethnographic studies, Nokia learned that customers at the bottom of the social pyramid in some Asian countries share their handsets. This led it

to develop cheaper devices with multiple address books. Another effort was a bicycle charger kit, specifically targeted at fast-developing markets where electricity might be scarce or unavailable. But while Nokia may have excelled in this area, the brand lost sight of its traditional customers and was not responsive enough when the 3G era started, losing ground to the likes of Apple, Blackberry and even Samsung, who is closing the gap with Nokia for the leadership (in volume) of the mobile phone market. This had an impact of -15 percent in Nokia's brand value. Sustainability, in this case, was not enough – the brand should have also focused on smartphone innovation.

Another recent example is Toyota. The brand became famous for its focus on quality. It was also one of the first automotive companies to develop hybrid cars, which gave the company its reputation as one of the most sustainable companies in the world. And then, something happened: It forgot its brand essence in the name of profits, regardless of the safety risks to its loyal customers. The event had an impact of -16 percent in Toyota's brand value, reflecting a decline in the faith of its customer base.

Then there's BP, which, prior to the spill, had focused on communicating its "Beyond Petroleum" promise. Unfortunately, BP message was not in line with the realities of its organization, and the recent oil spill in the Gulf is likely to be listed in risk management books until the end of time. Not that you would be surprised, but brand value losses this year left them off the list.

These cases confirm our strong belief that there is a lot of value to be derived from sustainable initiatives through products and services innovation, operational efficiency and marketing excellence. But, above all, a brand should be true to its core ideas. They should be at the heart of all business initiatives, creating value internally and for society as a whole. ■

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