

SIMPLY

SUSTAINABLE



WINNER  
OF THE  
SME CONSULTANCY  
OF THE YEAR AWARD

How-to Guide: Sustainable Business Models

# Business models eat a business case for breakfast

© 2018 Simply Sustainable Ltd.

[www.simply-sustainable.co.uk](http://www.simply-sustainable.co.uk)

Context  
sustainability

Sustainable  
business models

Integral  
materiality

Climate change  
strategy

## Introduction

A business model describes how a company creates, delivers and captures financial value. Many current business models, even those pursued by companies who take a proactive approach towards integrating sustainability, are inherently unsustainable because they often rely on an unlimited supply of resources. The dominant 'take, make and dispose' approach to production and consumption of goods is one, but by no means the only, example.

Global environmental and social trends – such as population growth, climate change, resource scarcity, technology advancement, poverty and social inequality – are increasingly disrupting traditional business models, with the result that they are becoming less feasible in the medium and long-term. Companies must therefore adapt by innovating with business model design to survive and thrive in the future.

Sustainable business models go beyond incremental change and the creation of new products or services, towards fundamentally changing how the business creates, delivers and captures financial value in a way that directly addresses material environmental or social issues. This is commonly referred to as creating shared value. They are business models that respect **planetary boundaries and social foundations**. As such, they are an essential element of any sustainability strategy for a business that wants to achieve meaningful and transformative change.

Sustainable business models can take numerous different forms including:

- Sharing, leasing or subscription
- Closed-loop production
- Repair and restoration
- Refurbishing and reselling
- Products as a service
- Microfinance
- Cooperative or social enterprises

## Sustainable business model examples

Sustainable business models are becoming more widespread with both new and traditional companies, large and small, implementing them across part or all of their organisation.

### Mud Jeans – leasing

Mud Jeans were founded utilising a sustainable business model and employs a leasing and circular economy approach to its business. The company leases jeans to customers and subsequently, when they are worn out or fashions and tastes have changed, customers send them back and receive a new pair. The used jeans are then recycled into other items. Customers pay a monthly lease fee or annual fee. In addition, they are manufactured and recycled to the highest environmental standards.

### Zipcar – subscription

Zipcar is a car sharing scheme at scale. It is the largest in the world with operations across Europe, Asia and Central America. In London alone, they have over 200,000 members who are able to access vehicles via an app anywhere in London. They have recently gone a step further in creating a resilient business model that is fit for the future by introducing the largest fleet of electric vehicles in London. Apart from the obvious environmental and future-readiness benefits, they are also introducing and normalising electric vehicles to a wider community. Zipcar is owned by Avis Budget Group, a leading global provider of mobility solutions.

### H&M – repair and restoration

H&M, the fast-fashion retail company, is testing a new 'Take Care' initiative in some of its markets. It includes in-store products, guidance, and services that help their customers to freshen up, repair and re-design their garments. For example, it has launched products like trainer wipes, sustainable detergents, patches, repair kits and laundry bags.

### ScottishPower – renewables

ScottishPower announced recently that it is to become a 100% renewable energy operator, making it the first of the 'Big Six' energy companies operating in the UK to quit fossil fuels. The company has agreed to sell its 2,566MW gas generation business, and invest £5.2bn in renewable energy over the next four years.

## Business models eat a business case for breakfast

### FM Conway – closed-loop production

FM Conway is a large infrastructure services company in the construction sector. The company uses existing roads to serve as their quarry, taking asphalt planings from existing carriageways and using their plants to create new materials. Over the past five years they have invested £35 million in developing their own asphalt manufacturing and recycling facilities.

### Citibank – microfinance

Through a number of partnerships with local financial institutions around the world, Citi has expanded its local currency lending to the microfinance sector. As well as providing much needed finance to those on low incomes, this has allowed it to greatly increase its customer base, today reaching more than 200 million customers in over 160 countries.

### Dell – closed-loop production

Since 2014, Dell has taken the plastics from old computers recovered through recycling programmes, and turned that back into new plastic parts for new products. Materials are collected through the Dell Reconnect Partnership and Goodwill, and the Asset Resale and Recycling Services.

## Resilience and opportunity

Not only do sustainable business models deliver on shared value goals but they also ensure a business is resilient, future-ready and alert to the opportunities of sustainable innovation.

## RESILIENCE

Sustainable business models are a response to fast-moving global environmental and social challenges, enabling a business to adapt to and mitigate the challenges and potential disruption they present. This can include anything from sourcing challenges, material cost increases, price volatility and skills shortages through to changes in consumption patterns, stakeholder attitudes, increased regulation and availability of natural resources.

## OPPORTUNITY

Getting the right people in a room to consider new sustainable business models can lead to innovation that results in significant new revenue streams, new customers and markets and new ways to better serve existing customers.

Studies have found that nearly 50% of companies have changed their business models as a result of sustainability opportunities, with the more ambitious the innovation, the bigger the reward. Nearly 60% of companies that profited from sustainability have done so by changing three or more elements of their business model. And a surprising combination of business model elements delivered the most impressive results. It isn't necessarily the game-changing products, but a combination of innovation in the value chain and a focus on target customer segments that have provided the strongest link<sup>1</sup>.

<sup>1</sup> MIT Sloan Management Review and the Boston Consulting Group: The Innovation Bottom Line

## Business models eat a business case for breakfast

### How to approach sustainable business model innovation

Of course it can be easier for a new company to employ a sustainable business model but much more challenging for a large, established business. Often the only way is to start small, initiating pilot projects to prove their viability before scaling them up.

Through our experience of working with many different businesses to develop transformative approaches to sustainability, we have evolved a practical process for any business to start exploring and implementing sustainable business models. This process is outlined below.



The process requires significant engagement across the business in order to seed concepts, share knowledge, generate innovative ideas and secure support. You should see this as building a cohort of cross-functional advocates across the business who will ultimately generate, develop and support the initiatives.

From the outset, a company must be clear on its **material sustainability issues** and how these may affect the business over the long-term before it can explore how different areas of the business model might be adapted or changed. Keep in mind that changes can take place in the operating model (e.g. in operations, manufacture or the supply chain), the

revenue model (e.g. customers, markets or channels) or the value proposition itself (e.g. product or service offering).

When assessing ideas, it's important to keep your objectives at the forefront to remain focused. For example, you might want to test ideas using a framework with key criteria. Our top tips:

- **Innovation** – does it offer something different?
- **Customers** – will customers respond favourably?
- **Commercials** – is it cost effective and will it generate new revenue?
- **Sustainability** – does it address material issues and risks?

## Business models eat a business case for breakfast

### Summary

In summary, sustainable business models have become an essential component to any modern and transformative approach to corporate sustainability. They represent the business models of the future and sparking this type of innovation now will ensure a business not only builds resilience to significant disruption in the future, but also takes full advantage of the opportunity that sustainability represents.

### About Simply Sustainable

Simply Sustainable is an award-winning consultancy offering top class, bespoke advice on all aspects of sustainability. We offer tailored solutions and thought leadership to help our clients build sustainability into their operations and maximise the opportunities of doing business sustainably. Our services are built around the areas of:

- Sustainability Strategy Development & Integration
- Impact Measurement & Performance Improvement
- Sustainability Communications & Reporting



#### Contact

Nicola Stopps,  
Chief Executive Officer



#### Email

[nicola.stopps@simply-sustainable.co.uk](mailto:nicola.stopps@simply-sustainable.co.uk)



#### Call

020 8088 9009



#### Website

[simply-sustainable.co.uk](http://simply-sustainable.co.uk)



#### Address

SIMPLY SUSTAINABLE LIMITED  
Bourne House  
Prince Edward Street  
Berkhamsted  
Hertfordshire  
HP4 3EZ