

Balancing Act for P&G: Going Green At Right Price

Alexander Coolidge | June 1, 2014

CINCINNATI -- Procter & Gamble is cutting 3,000 office jobs over the next two years. It's selling its pet food business and may jettison other units. It's deep into cutting \$10 billion from costs by 2016.

In the midst of all that, it's taking steps to save the planet from environmental doom.

Addressing environmental concerns has become a top priority for corporate America, as urgent in 2014 as the next major product launch or business acquisition. Recycling, reducing packaging and cutting waste can add up to millions of dollars saved – savvy business moves for any company. For consumer products giants like P&G, the actions also are critical to earning priceless consumer goodwill.

Turn consumers off with perceptions of environmental misdeeds and they're just fickle enough to buy the competitor's toothpaste or shampoo.

Show them a cold-water laundry soap that promises to save energy, and shoppers will buy the detergent by the grocery cartful if the price is right.

"Consumers want to feel good about their consumption and the things they buy," says Robert Dahlstrom, chairman of the marketing department at Miami University and the author of *Green Marketing Management*, a book on selling to environmentally minded consumers.

Nearly one-fifth of consumers consider sustainability issues when making purchases. "The big risk is they will buy another brand," Dahlstrom said.

There's no way Procter & Gamble, the world's largest consumer products company, can avoid having an impact on the environment in some way. With more than 130 factories in 40 countries, the Cincinnati-based business makes everything from disposable diapers to hairspray.

Last year, the Dow Jones Sustainability Index dropped P&G from its list of 100 North American companies deemed corporate leaders in the field. P&G had been on the list for seven years; index officials declined to discuss the company's removal.

Kimberly-Clark, the maker of Huggies diapers and Kleenex tissue, joined Colgate-Palmolive as the only two consumer product companies on the index.

P&G also is the second-highest producer of greenhouse gases among consumer products companies, after PepsiCo, according to Bloomberg.



Greenpeace protest signs hang from Procter & Gamble headquarters in March.

The financial data and news service also said that greenhouse gas emissions are down 12.9 percent since 2008 at Kimberly-Clark, compared with a 10.7 percent decline at P&G in that period. Kimberly-Clark's energy consumption is down 19.5 percent, while P&G's is down 4.7 percent.

P&G officials didn't discuss the company's performance compared with its peers, but they said the company generally has a higher impact due to its size. "Our numbers are naturally higher in total than other companies simply because we're so much larger," said Len Sauers, P&G's vice president of global sustainability.

Sauers said most consumers demand a balancing act: They want responsible products, but they still want good products at an affordable price.

"Two out of every three consumers wants to be sustainable but are not willing to sacrifice product performance or value," Sauers said.

This spring, P&G vowed to begin policing its entire palm oil supply by 2015 and weed out oil from dirty suppliers by 2020. The actions followed a protest by Greenpeace in March when activists unfurled a pair of 60-foot banners at the company's headquarters.

Also this spring, Procter & Gamble joined with Wal-Mart Stores Inc. in the \$100 million Closed Loop Fund, which helps U.S. cities boost recycling programs. And P&G said that by 2018 it will cut the water content in laundry detergent by 25 percent, saving 45 million gallons of water annually.

P&G CEO A.G. Lafley said the company is committed to producing the most earth-friendly products, but ones that satisfy consumers' needs at the best price.

"People have told us that they want sustainable products with no tradeoffs," Lafley said in P&G's annual sustainability report.

Andrew Behar, chief executive of shareholder advocacy group **As You Sow**, says P&G's high profile makes the company a tempting target for groups like Greenpeace. His group has urged the Cincinnati company through shareholder proposals to consider paying for broader recycling efforts.

"P&G can make a big difference – when a company of that scale makes a small change, it can lead to big changes," Behar said.