



# Capturing the Green Premium

Aspen Institute

12 JULY 2023



# Agenda

Introductions

The Green Premium & Commercial Opportunity

Breakout discussions

- B2B / Industrials
- B2C
- Retail / Distribution
- Service / Tech

Wrap up

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## ➤ Introductions

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Wrap up

# Introductions



**Nancy McGaw**  
New York

The Aspen Institute -  
Senior Advisor

*Business and Society Program*

- Senior Advisor Aspen Institute Business and Society Program
- Founder First Movers Fellowship Program
- Author of:
  - *Whitewater Management: Insights from the Aspen Leaders Forum on the Evolving Sustainability Profession*



**John Pineda**  
San Francisco

BCG - Managing Director & Partner

*Pricing and Sustainability*

- Fellow of the Henderson Institute, (Sustainability and the Green Premium)
- Co-author of:
  - *Winning in Green Markets: Scaling Products for a Net Zero World*
  - *Beyond List Price*
  - *Building a Strategic Pricing Organization*



**Dave Young**  
Boston

BCG - Managing Director & Senior Partner

*Total Societal Impact*

- Fellow of the Henderson Institute, focused on Sustainable Business Model Innovation
- Co-author of:
  - *Winning in the 20's: Optimize for Both Social & Business Values*
  - *The Quest for Sustainable Business Model Innovation*
  - *Total Societal Impact, A New Lens on Strategy*



**Lauren Taylor**  
Dallas

BCG - Managing Director & Partner

*Customer-centric sustainability*

- Global leader for customer-centric sustainability innovation, and Demand Centric Growth®
- Co-author of:
  - *Overcoming the Eight Barriers to Making Green Mainstream*
  - *Identifying the Sources of Demand to Fuel Growth*
  - *Consumers are the Key to Taking Green Mainstream*



**Elfrun von Koeller**  
Denver

BCG - Managing Director & Partner

*Sustainable Operations*

- Global leader for Scope 3 / Sustainable procurement and Product Development in Consumer Products
- Co-author of:
  - *Climate Action Starts with Supply Chains*
  - *Your Supply Chain Needs a Sustainable Strategy*
  - *The Zero-Based Factory*

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Introductions

➤ The Green Premium & Commercial Opportunity

Breakout discussions (45 mins)

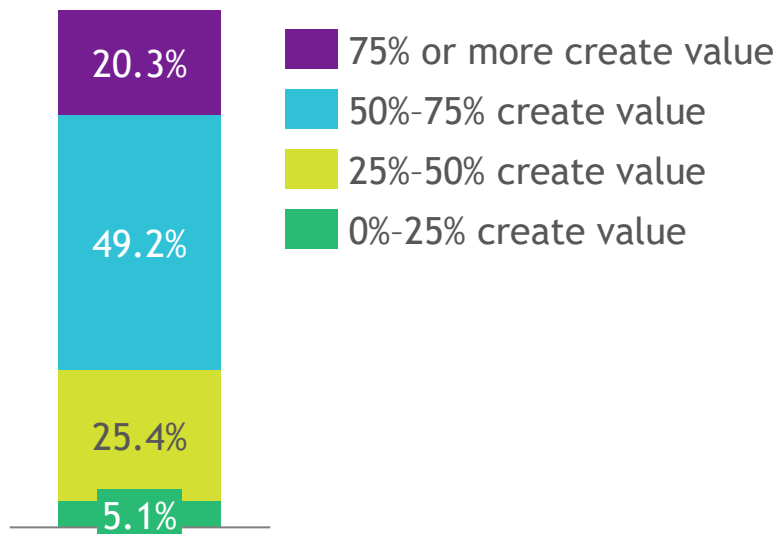
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Wrap up

# Sustainability should be part of firms' overall value creation strategy - but it is challenging to get credit

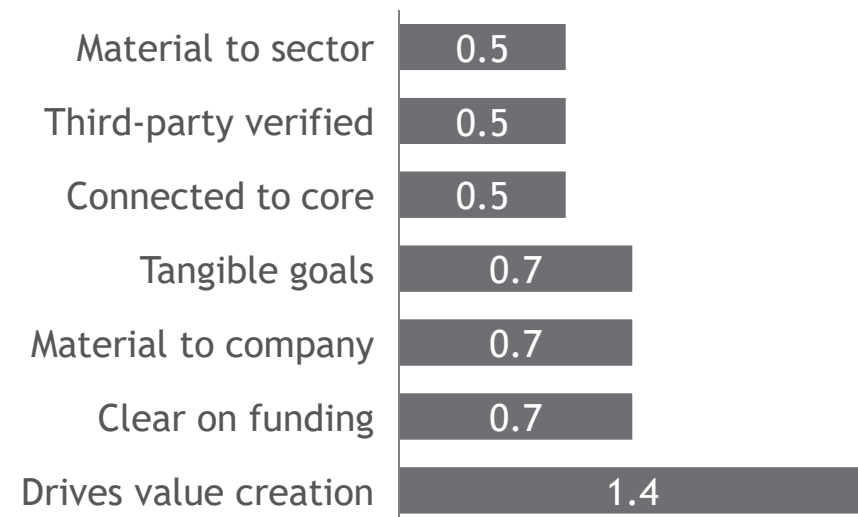
Only 20% of companies create value with 75% or more of their sustainability announcements

*Breakdown of companies by the percentage of their sustainability announcements that create value<sup>1</sup>*



Sustainability announcements that created value included some or all of the following 7 elements

*Impact on value of each business case element included in a sustainability announcement, average day 3 rTSR (%)<sup>2</sup>*



1. The metric is the change in the company's total shareholder return relative to the market as a whole three days post-announcement. Dataset is 1,010 sustainability-related announcements by 59 companies in automotive, mining, and consumer goods between January 2015 and December 2022. 2. Change in the company's total shareholder return relative to the market as a whole three days post-announcement for the period January 2015 through December 2022; covers 1,010 announcements from 59 companies in mining, automotive, and consumer goods Source: S&P Capital IQ; BCG ValueScience Center; FactSet financial data and analytics.



# And while consumer concerns are rising about sustainability, few are adopting sustainable products as they often fail to meet core needs and/or cost more



## CONSUMER CHALLENGE

Large “Say-do” gap as sustainable products do not often meet core consumer needs

75%

concerned about sustainability<sup>1</sup>

57%

adopt sustainable behaviors

18%

act by purchasing sustainably

7%

pay for sustainability premium



## PROFITABILITY CHALLENGE

Sustainability is a tension to profitable growth given increased cost to produce



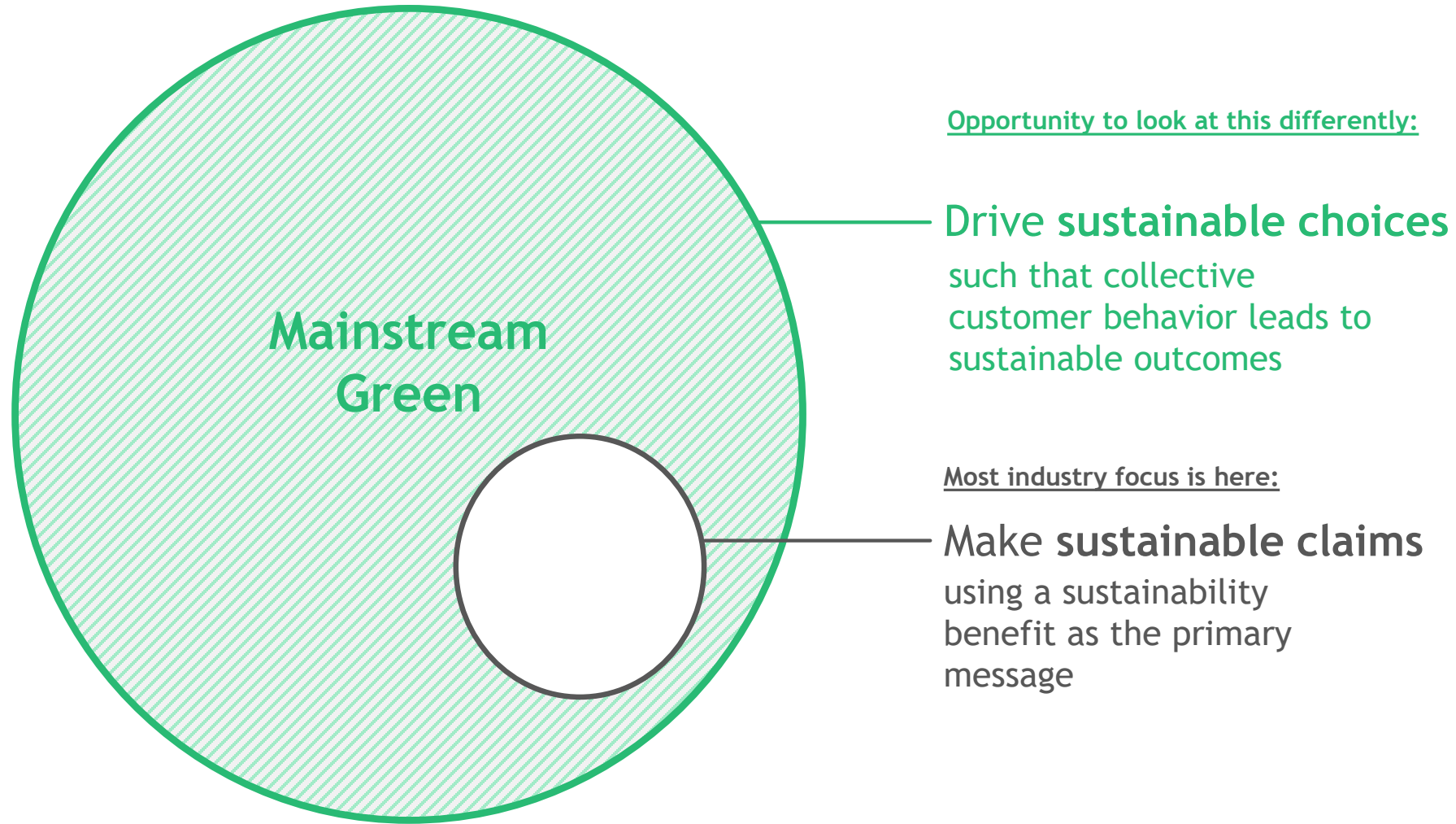
Cost of transforming supply chains to green products are significant; **Est. 1-5% premium<sup>2</sup> across value chain to produce over existing products ...**



... And without consumer demand, companies **lack the volume to get scale/experience benefits to drive down costs**

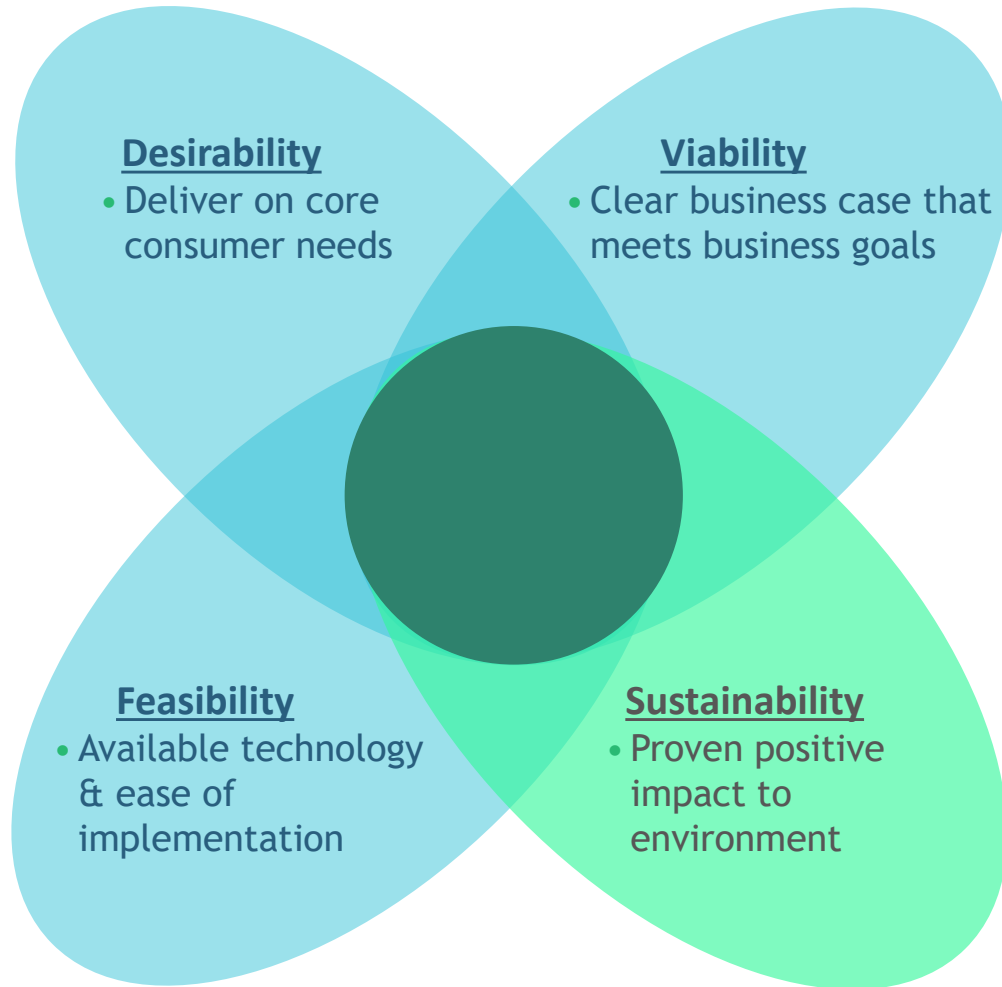
1. BCG climate and sustainability consumer survey - example for home care customers, June 2022; 2. WEF abatement curve, BCG analysis; average was 1.83% across auto, fashion, food, construction, and electronics  
Source: Consumer survey of 11,971 consumers across 8 countries (US, Japan, Germany, France, Italy, China, India, Brazil)

# Opportunity to reach a broader audience and capture a premium for reasons beyond sustainability alone





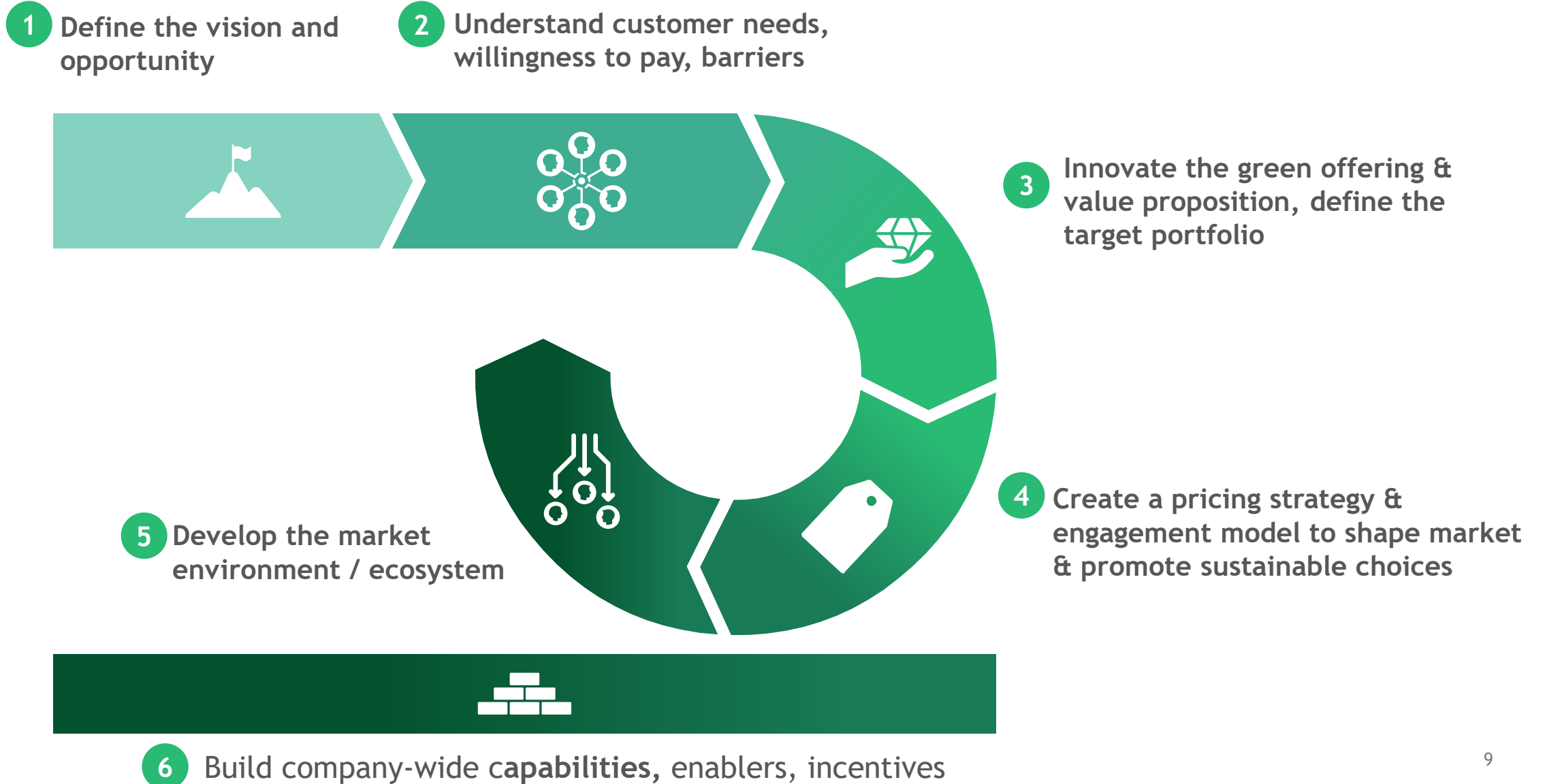
# To create long-term impact, companies must balance four key priorities



'Win-win-win'  
portfolio

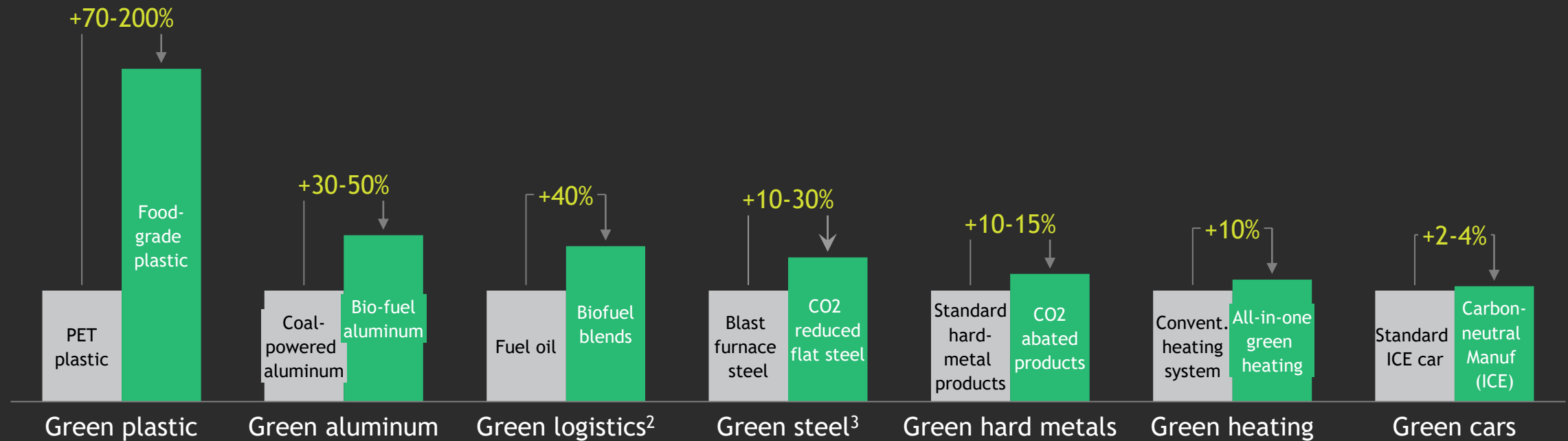
*Better for...*  
*...customers*  
*...companies*  
*...environment*

# Capturing the Green Opportunity: How to commercialize sustainability



# A few examples of green price premiums in B2B / B2C

Price premiums (%) observed in the market (EU, US, SEA<sup>1</sup>)

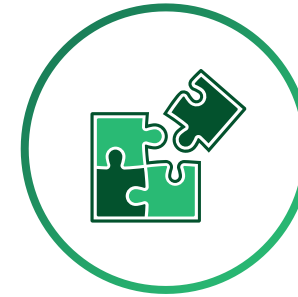
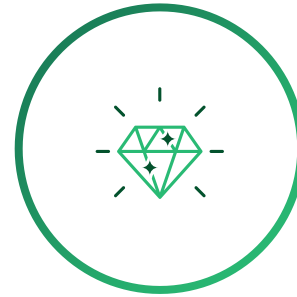


1. Southeast Asia 2. Observed premia for biofuel blends with both FAME and HVO, in a 30% and in a 10% blend vs. Bunker fuel oil from Rotterdam and Singapore 3. Comparison for Long & Flat Steel, Co2 reduced ~50% of Scope 1,2,3  
Source: Platts, Metal Bulletin, BCG

# For discussion | How broad is the opportunity to capture a green premium?

Incremental

Transformational



## No market premium

## Risk & Compliance

## Niche / Choice

## Mainstream

## Transformational

- Existing ESG initiatives but no clear opportunity to capture a green premium from the market

- Focus on compliance (e.g. RFPs)
- Reduce commercial risk of missing out on opportunities (avoid a “gray discount”)

- Capture value from a segment of customers willing to pay a high premium for sustainability
- Mix of green-gray portfolio choices

- Sustainability deeply embedded in core company business model (e.g., innovation cycle, GTM, company value proposition)

- Sustainability drives a reimagination of the business model and value creation focus (e.g. to circular value chain and ecosystem)

*Risks not getting full credit for sustainability initiatives*

*Increasingly table-stakes but less differentiated*

*Might limit the market size, best when green offer is scarce*

*Might impact profits and priorities in short-term*

*Substantial shift in vision and capabilities*

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# Breakout discussions topics and facilitators

Industry group  
Breakout

B2B / Industrials

B2C

Retail / Distribution

Service / Tech

Industry  
Sustainability  
Champion  
Facilitator



**Scott  
Tew**  
North Carolina



Vice President,  
Sustainability & Managing  
Director, Center for Energy  
Efficiency & Sustainability



**Jennifer  
Gootman**  
New York



Global Head of  
Sustainability & ESG  
Strategy



**Jennifer  
Silberman**  
Maryland



SVP, Chief Sustainability  
Officer



**Suzette  
Carty**  
Kentucky



Head of Global ESG

**BCG**  
Facilitator



**Dave  
Young**  
Boston



**Elfrun  
von Koeller**  
Denver



**Lauren  
Taylor**  
Dallas



**John  
Pineda**  
San Francisco



# Table Structure

- ✓ We have organized four tables across broad industry groups; please select the group that best reflects your industry or interest
- ✓ Each table has an industry Sustainability champion who will facilitate the discussion and a BCG facilitator who will help clarify and capture insights from the discussion
- ✓ Our goal is to capture ideas on the building blocks for capturing a green premium and shifting the market to more sustainable choices



## Agenda for the discussion (45 mins)

### Introduction by table Industry Sustainability Champion

- Share name, role, and background
- Share your example of a favorite product or service that commands a green premium (ideally from your industry but can be from other markets)

### Table participants introduce themselves

- Name, role, and background
- Favorite product or service that commands a green premium

### Live discussion - Building blocks for capturing a green premium

- We have provided four categories for discussion. Ideally we would like your group's input on at least two
- Each category has teaser questions, but you don't have to answer all of them or stick to them. They are thought starters!
- BCG facilitators will capture input live

### Chatham House Rule applies



# Teaser questions | Building blocks for capturing the green premium

## The Green Premium opportunity

How does your business define sustainability? (e.g., carbon-focused, water, waste, etc.)

How broadly does your organization define the opportunity to capture a green premium? E.g.

- Defensive / avoid losing market access
- Niche / Choice
- Mainstream
- Transformational

## Customers and Consumers

What are examples of customers that are willing to pay a green premium?

What did you learn from those customers? (drivers of choice and willingness to pay, barriers to adoption)

Is it too greedy to charge a price premium?

## Offer, commercial model, and ecosystem innovation

What green innovations have you seen that command a premium in the market?

What have you seen work in making sustainability feasible and core to the innovation cycle in your companies?

Are there innovations in the commercial / pricing model (e.g. subscriptions) that you have tried or seen work?

## Incentives & Obstacles

As a Sustainability leader, what incentives and enablers have you found most encourage other functions (e.g. product, marketing, sales) to embed sustainability in their thinking?

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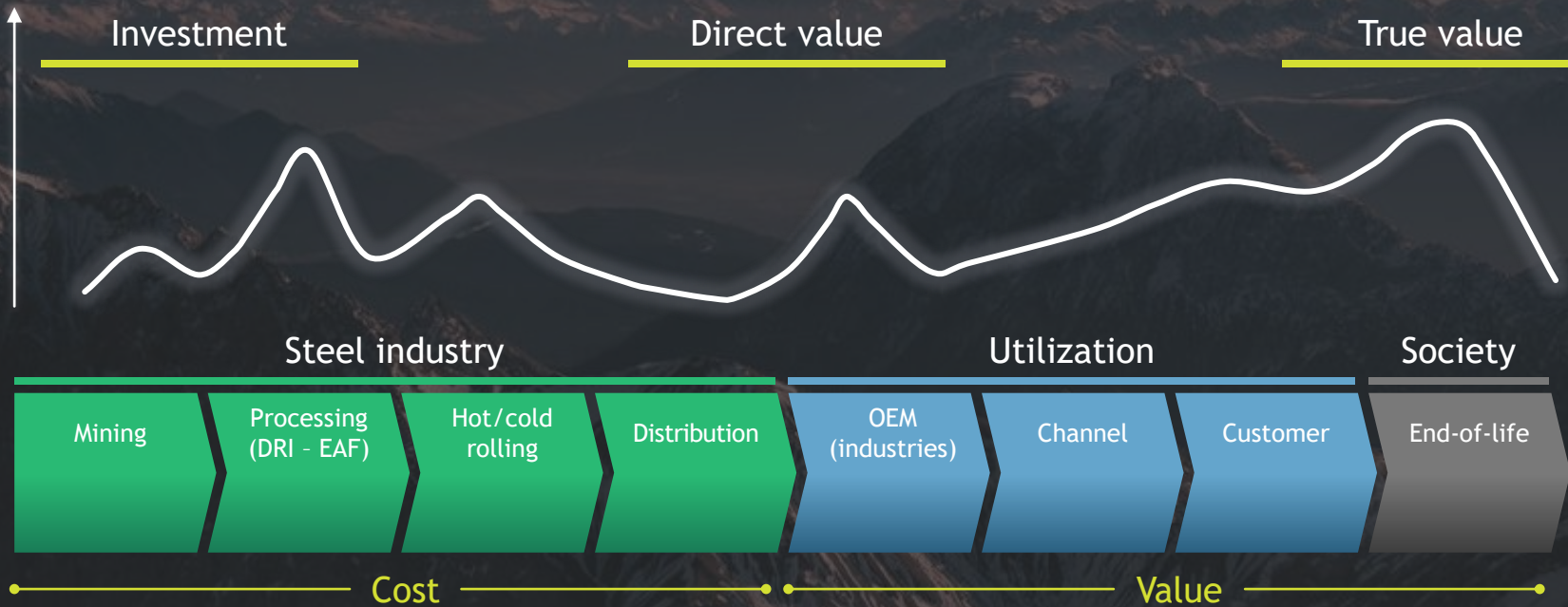
[bcg.com](https://www.bcg.com)



# In B2B, also important to understand where the value peaks are along the value chain

Example: Steel industry

Sustainability value green ingredients



Cost and value of green innovation is separated

**Investment:**  
Cost of green innovation is at the beginning of the value chain

**Direct value:**  
Direct cost reduction at OEM<sup>1</sup> - value often not enough to cover cost

**True value:**  
Emotional customer value and societal impact - hard to capture for steel



1. For example through avoidance of CO<sub>2</sub> penalties  
Source: BCG



# Additionally, Green premium is typically lower downstream from direct customer

33%

of sales of the **Forbes Global 2000** (\$14T) are already subject to companies' **net zero pledges**

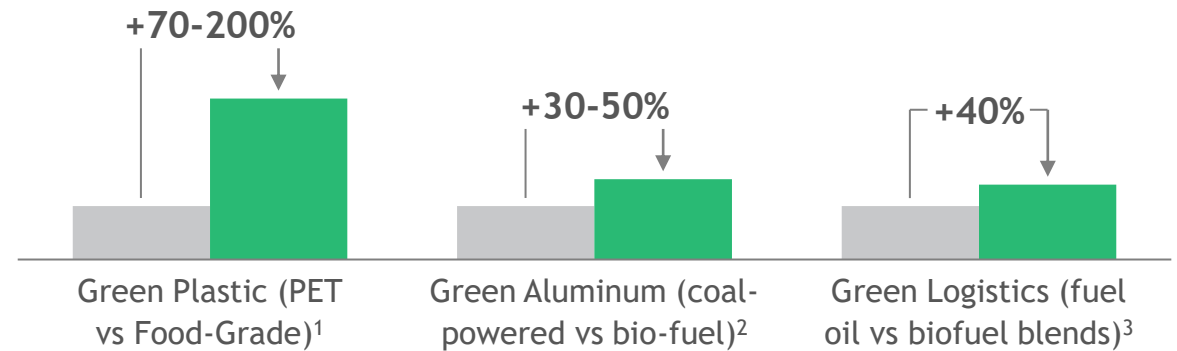


**Upstream (scope 3) commitments** drive demand for green technologies across B2B value chains

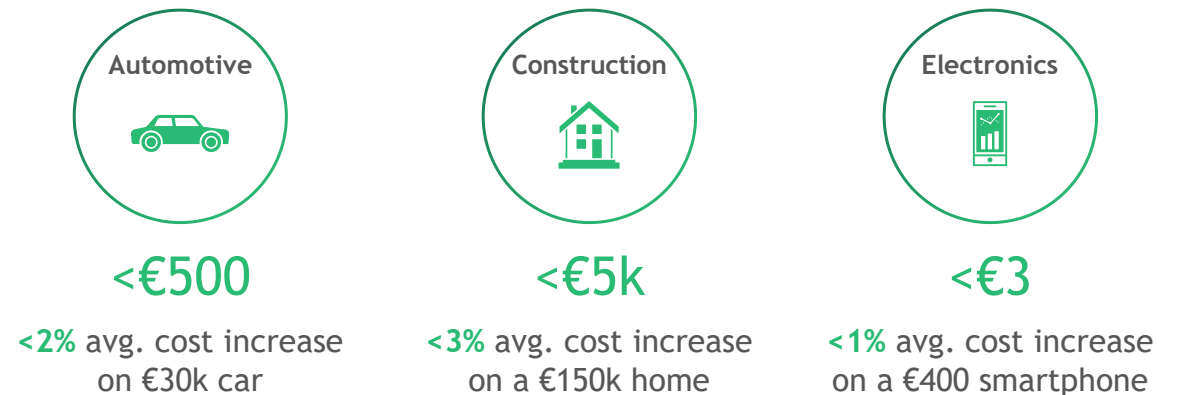


## Green premiums on raw materials can be high as technologies scale...

Premium (\$) per kg observed today in specific instances



## ...but full decarbonization has low impact on end price



1. Based on Industry trends, expert interviews (2020-2025); 2. Platts and from Metal Bulletin; 3. Bunker fuel oil from Rotterdam and from Singapore compared with hypothetical biofuel blends with both FAME and HVO, in a 30% and in a 10% blend; 4. Low-carbon differential P1020A; Source: Taking stock - A global assessment of net zero targets (2021)