

Industry Summary: Energy & Power Systems

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"Green" issues have been dominating advertising, news, and the public conscience heavily in recent months. Due to rising price of traditional petroleum based-fuels, natural disasters seen by many as a result of environmental negligence, and overall popularity of environmental causes, looking "green" to consumers has become of increasing importance to almost all industries.

But what does it mean to be "green"? Is the "green" movement coming to a crest or just picking up speed? How important is "green" in B2B selling versus the perceived importance in the B2C relationship? These questions as well as challenges to the idea that "green" is good business practice were the major theme of the discussion at the 2008 Frost & Sullivan Growth, Innovation and Leadership Global Congress on Corporate Growth's Energy track.

Participants in the track were from all aspects of the energy value chain: from suppliers of large gas turbine equipment to small Uninterruptible Power Supplies; equipment manufacturers to service companies; large publicly traded corporations to universities to non-profits. Insightful presentations and healthy discussions ensued that reflected the opportunities and concerns of the economy as a whole on the green question. The major themes that emerged from this discussion were how to position being green, and how much did green influence business decisions.

Its Not Easy, Seeming Green

How and why a company calls itself "green" can be rife with complexity. Is the "green" moniker a reflection of the company's primary business – such as a waste recycling company – or a comparison to its competitors in a wholly different market? Many chemical companies find themselves in the position that it is extremely difficult to reconcile their processes with little to no environmental impact and still be able to manufacture their products. Finding ways to invest in green technologies and support environmental initiatives has been one way this industry has tried to mitigate its environmental footprint, even possibly head off government imposed environmental restrictions, and still deliver a profitable and quality product.

British Petroleum (BP) exemplifies another challenge: on the one hand, the company is one of the world's largest producers and users of solar power and has been called by Business Week (amongst many others) as one of the "greenest" companies of in the world. However, critics will always emerge when a major player in an industry associated with some of the highest amounts of pollutants wants to refer to itself as "green".

Lastly is the issue of how is "green" even measured? In the United States in particular, there are little to no standards by which a company or product can be certified as "green". The US Green Building Council has been doing this for buildings with their LEED certification, which has seen exponential growth in recent years. However in terms of products, packaging, carbon and other emissions the US does not have many if any standards by which a company can measure itself. This can lead to two quandaries for the industry: One, who is "green washing", or using green as a marketing campaign with little to no substance behind it; and two, most in the industrial space anticipate there will be increasing legislation but do not know what it will look like. Which pollutants will be addressed and by when? How stringent will regulations be and at what rate will they increase? What bodies will exist to regulate this – The government? NGOs? Certification organizations such as UL or ISO? Or will a new class of service provider come in to fill this gap, with or without government incentive, such as the US GBC has done for buildings?

These frustrations are mounting as companies see competitors "green washing" while they try to define what green even means. As one person pointed out in the roundtable discussions at the GIL event: "If everybody is green, then is anybody green?" However, whether green carries weight when it comes to another type of green – the bottom line – may make some of the concerns and issues with green branding moot.

When Green is (or isn't) Green

Despite the good marketing and PR associated with green, in many B2B situations – and some B2C ones as well – the greener solution will not necessarily win if it is not also the less expensive/higher value solution. Most of the participants in the GIL Energy track felt that their value proposition has to reflect the economic benefits of green issues – such as higher energy efficiency – over those that may be less tangible, such as a sense of responsibility to the environment and community. That is where the true value of green can be seen – when companies and consumers feel that their choices are good for business without being worse for the environment.



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What was interesting part of the discussion however was that while it is the bottom line that will often be the more important consideration in a service or product, the green/sustainability mindset still drives which options are put forth initially. For example, one would not expect a manufacturer of a product to switch from a slightly more expensive, environmentally conscious paint to a lead-based one to save a few dollars in today's world.

At the end of the day, being prepared for what clients expect and what the government will mandate is of the utmost importance for having a thriving business. And while those decisions will be based on what impacts the bottom line, it seems green has entered the collective subconscious enough that options available will have to be "greener" in nature.