

Welcome Remarks

P&G: Steps Forward in Sustainable Innovation

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Summary:

P&G is an old company and looks at the long-term. P&G pursues long term value creation by doing what is right for the consumer. Sustainability is part of that, and the company must tackle major challenges:

- Consumption is growing and outpacing natural sources. P&G seeks to address this challenge by shifting to renewable resources.
- Water is not distributed on earth everywhere that it is needed. P&G is searching for solutions to solve dependence on and scarcity of water, including reducing the water content of liquid products.
- Soon there will be more plastic in the ocean than fish. It is not easy to replace plastic in consumer products. This is a massive challenge for P&G.
- The trend toward fast fashion has led to textile waste becoming the second in quantity in landfills; plastic is first. It's necessary to prolong the life of clothing.
- P&G aims to make its factories zero waste to landfill and powered by renewable energy.

P&G has to work to resolve these problems but still satisfy what consumers need and delight them and meet shareholder expectations. Their supply chain is massively complex.

P&G seeks to operate at the intersection of: (1) Delight for the customer, (2) Environment, (3) Value for the shareholder. The more the company can find solutions at this intersection, the more success they will find.

Examples of where P&G has opportunities at the intersection and associated constraints:

1. **Cold water washing.** The vast majority of household impact is heating water for laundry. P&G seeks to eliminate the need to heat. Cold water washing is at the intersection (above) but the consumer perceives that heating is the best way to get clothes clean but also that hot water can damage clothes. Consumers want to cleanliness of hot and the protection of cold water. From a business standpoint, P&G needs to resolve this tradeoff in the minds of the consumer. Tide's cold-water product achieves success at the intersection. Its enzymes clean better in cold water than in warm water and it offers a payback for consumers.
2. **Packaging.** Focusing on the intersection, P&G created a new Tide product for shipping – the Tide Box. They reduced the amount of plastic, reduced space in the truck, increased the

concentration and achieved a product with 30% less water to ship and 60% less plastic. The idea for the box existed for 10 years, but it only became possible today with the materials available and the right design.

3. **Renewable resources.** Historically P&G has tried to formulate with biobased ingredients, but they were not as efficacious. The solution came with the development of Tide Purclean, with plant-based ingredients; the same cleaning, no tradeoff; which justifies the tide bulls eye logo.

P&G is looking for more solutions at the intersection and to get them to the market fast. What makes them possible is talent of the companies in the room – suppliers and startups, able to solve these challenges.

Key Takeaways:

- The biggest barrier to sustainability is inertia and complacency. Inertia: with every step in the right direction, 100 voices are saying it's not good enough. Don't let perfection stand in the way of progress. The P&G Ecobox is not perfect - the plastic is not recyclable. Coldwater Tide is not perfect – P&G has to charge a premium for the enzyme. Tide Purclean is not perfect, P&G has to charge a premium for the biobased ingredients.
- P&G is changing its culture. Everyone at P&G cares about sustainability but in a big company there are different definitions of success. There is a need to align incentives around the intersection and if we do, it's harder for internal barriers to exist.
- P&G is studying and driving consumer behavior change. It's difficult. Best approach is “nudges” through advertising, messaging on packaging to suggest better behavior, e.g., Europe – “turn to 30” (i.e., 30 degrees. In Europe there are numerical temperature settings on washing machines); in Canada – “brave the cold,” why are you afraid of cold when it comes to washing? We have gotten to 50% consumer use of cold; we want to hit 80%.
- The next important step in sustainability is the next step. All of us need to take the next step.