

# Gatekeepers of Sustainable Innovation

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## Abstract

Green economy is widely recognized as one of an essential drivers shaping businesses and innovation strategies in the coming years. However, only in very few consumer sector companies sustainability and innovation are interlinked in responsibilities of professionals: sustainability issues are often still too remote or marginal to be a key innovation driver for people working with innovation management. Here we aim at depicting alternative strategic approaches for bridging this gap and engaging different groups of professionals in seeing sustainability as a driver for innovation.

The results of this paper and presentation are based on think tank Demos Helsinki's innovation concept called Peloton (peloton is the group that rides together to save energy on a bicycle race and it also means 'fearless' in Finnish). Peloton has been operational for five years with fifteen innovation workshops with hundreds of gatekeeper professionals from distinct, even competing, companies. During the workshops, the companies have co-created dozens of new sustainable innovation concepts. Many of them have become real.

As a result, the Peloton strategy is being proposed as a tool to link smart use of resources and business. The strategy helps businesses to understand who are the key professionals within corporations with potential capabilities of combining sustainability, user-centrism and innovation as well as embedding them as part of job descriptions. Gatekeeper analyses provides a tool that helps to articulate opportunities beyond energy efficiency and the current ecological consumer markets serving only a fraction of the total market size in a new, more user-centric manner. This could help them in finding new alliances within company and link their sustainability targets to business targets.

*Keywords:* behaviour change, sustainable lifestyles, sustainable innovation, innovation, gatekeepers, consumer markets, co-creation, collaborative consumption, peer groups.

## 1 Beyond efficient products

Green economy holds great promise. In past decades, this promise has mainly translated into opportunities in resource efficiency, and with good reason. Cleantech has persistently been one of the fastest growing industries, creating new jobs and attracting investments despite the economic downturn of recent years (EY, 2013). Alongside these technological innovations, resource efficiency has also spurred innovations to improve companies' internal business processes (Kaskinen, et al 2013).

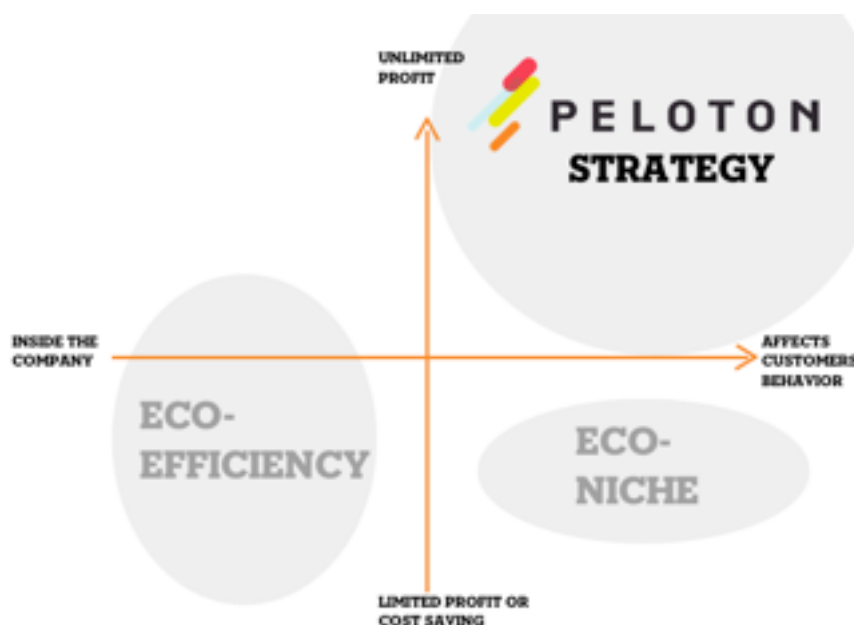
While current efforts towards the smarter use of natural resources exist, raising the prospect of promising economic growth, as of today little attention is paid to the market opportunities beyond them. These opportunities arise from the everyday needs of people, which currently put pressure on natural resource use (Backhaus et al 2011).

Tapping into these opportunities shouldn't be very difficult, considering for example European value surveys which indicate that people are interested in ecological questions and the impacts of their personal choices on the environment (European Commission, 2007 & 2013). This interest has channelled, amongst other things, the introduction of various types of easy-to-use ecological footprint calculators. From these, many people have learned that travelling by plane and eating meat makes their footprints relatively larger than does other activities.

Paradoxically, regardless of this interest, this has not yet generated an array of easy-to-use products and services that nudge people towards ecological choices while simultaneously creating a competitive edge for the companies in question.

In this paper we present a fresh approach for linking the smart use of resources with business. Our argument is that there is a promising business case in B-to-C markets that could help people radically reduce their consumption of energy and natural resources in everyday practices. The markets already have an offering for one ecologically aware consumer segment, that of the consumer segment which prioritizes the ecological impact of consuming above other qualities. Their share is most of the countries about 20% of the total market size, which underlines the demand for making sustainable lifestyle choices easy and attractive for the remaining market segments (Lohas 2010).

As a result of our work with a number of B-to-C, over the past five years we at Demos Helsinki have created the so-called “Peloton strategy” as a tool for companies to enter the markets (peloton is the group that rides together to save energy on a bicycle race and it also means 'fearless' in Finnish). As indicated in picture 1, Peloton offers a way to bypass the paradox of green economy by looking at the opportunity beyond resource efficiency and eco-niches. Therefore Peloton aims not just at making current choices more ecological but most importantly at changing consumers’ behavioral patterns and affecting their lifestyles. Furthermore, the change of behaviour is closely linked with the ways people live, eat, and move about, given that 80 % of average consumer’s energy use is linked with these activities (EEA, 2010 & Suomen ympäristökeskus, 2009).



**Figure 1:** Peloton strategy is about creating and scaling up behaviour change businesses

We argue that the main reason why resource smart consumer markets don't already exist is the lack of understanding in companies of their role as the change agent for the behaviour of their customers. Specifically, people working in the customer interface and those responsible for product and service creation are in crucial positions in terms of the implementation of this type of strategy. In Peloton strategy these professionals are defined as the gatekeepers of the new markets of sustainable lifestyles.

The views presented in this article are based on both academic and action research. The latter refers to hypotheses made based on our experiences of collaboration with companies and their stakeholders.

## **2 Peloton strategy affects behaviour**

There are two approaches in the Peloton strategy. The first is that of better efforts in the marketing and service design of the existing resource-efficient product selection. This strategy is relatively easy to implement. It requires making the relevant employees understand the potential long-term value their services have for their customers, and letting them restructure the service accordingly. These professionals are what we call gatekeepers, as they have the potential to take the advantage of individuals' positive environmental attitudes and turn them into a business case.

Most of the companies we worked with have managed to shift attention from the environmental impact of the enterprise (traditional corporate responsibility approach) to ways of benefiting from the behavioural change of the customers. A good example representing the above described approach is from our practical work with hardware store chains. Built environment absorbs a huge amount of resources. It is a widely known fact that the most efficient way to cut emissions is through energy refurbishments. Still, the average family buying an old house and wishing to refurbish it is unlikely to easily find a service that can help them do the refurbishment in an energy-conscious way.

In our concept creation workshop, retailers discovered two things about their businesses when trying to grasp this market opportunity. Firstly, their hardware stores can and should access this market – it would do wonders for customer retention and value. Secondly, if they wish to access it, they need to understand customer needs much better and make the shift from selling goods off the shelf to providing solutions to customers' individual needs. As a result the biggest hardware store chain in Finland launched an energy refurbishment services and started training shop assistants into energy efficiency specialists.

The second approach goes through new market creation in the form of new products and services. This approach is often linked with collaborative consumption as a means of mobilizing required resources. We call this a game changer -strategy, as it replaces the most resource-heavy forms of consumption by fundamentally changing the way markets work.

The business model of Airbnb is a good example of the strategy. Via technology and peer communities the company managed to enter and disrupt a heavily competed hospitality market with an offering distinctly different than that of traditional accommodation providers. Airbnb is a service providing a platform for individuals to rent unoccupied living space and other short-term lodging to guests.

It is not only the business impact of Airbnb that is different compared to its competitors. Given that it makes more efficient use of the built environment, also its ecological impact differs significantly from others in the market. The hotel needs to be designed, built and maintained as a single use facility, and is left empty most of the time. InterContinental Hotels has counted that the average carbon footprint of one night in their hotel in US is 59 kg / CO<sub>2</sub>. Stay of a customer adds to the inefficient use of the built environment, whereas the stay at someone's empty room, home or second home makes more efficient use of resources already taken.

Both examples above underline the importance of introducing new dimensions to service concept innovation. Namely, implementing the Peloton strategy requires understanding of users' preferences and the relation of these preferences to energy use. In particular, we have realized that in order to succeed, service providers need to excel at the point of delivery. Therefore, an understanding of people's decision making and the relevance of these choices in terms of energy intensity are key in terms of new product and service creations.

### 3 Peloton strategy affects behaviour

How then do we identify the types of business that both increase resource efficiency significantly and create new economic value to customers and company alike?

Figure 2 demonstrates the different types of choices people make with the respective emissions. The horizontal axis indicates how often people make the decision in question. The vertical axis shows the ecological impact of the decision.

For example, choosing between shopping bags and buying clothes doesn't have as large of an ecological impact as flying to a summer holiday destination, driving the car to work every morning or renovating a house. In Peloton strategy we focus on the strongest business case, i.e the top of the quadrat, given that those decisions relate to high levels of emissions.

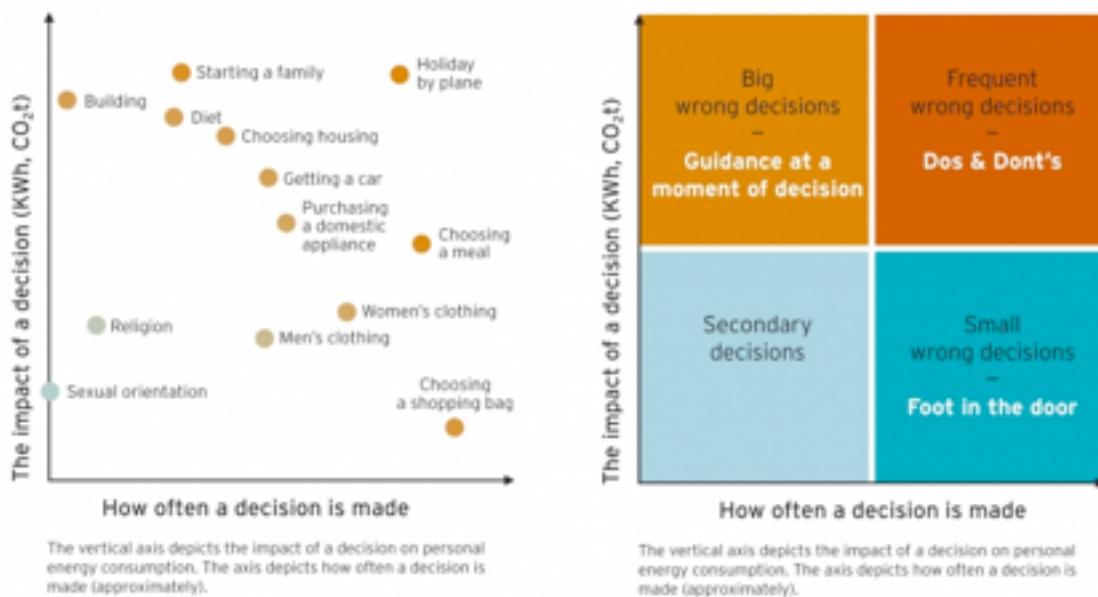
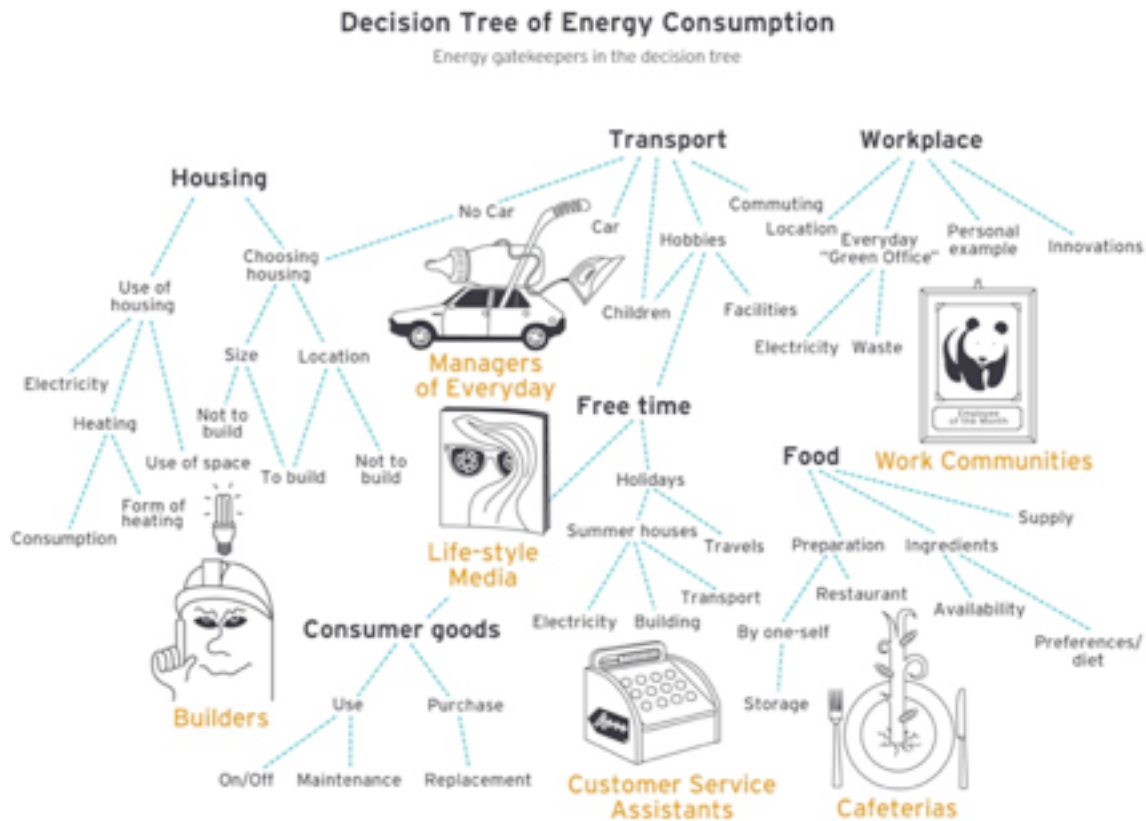


Fig. 5a and b Matrix of Big Decisions (source: Demos Helsinki 2011)

**Figure 2:** Impact of everyday decisions on personal energy consumption (Demos Helsinki, 2009).

As mentioned above, in terms of energy and resource, the most important decisions people make in their lives relate to transportation, housing and eating. Hence, not very surprisingly, the decisions placed in the top of the quadrant belong to these categories. Therefore, at Peloton we work with companies to change behaviours regarding those activities. We call these companies 'gatekeepers' of sustainable lifestyles.

The decision tree in picture 3 sheds light on the decision-making processes that relate to living, moving about and eating. Impacting those decisions is the foundation of the Peloton strategy. Each decision identifies a place for a new business. For example, freeing the individual from car-use is rich in new business opportunities - not just rental cars, car-pools, taxis, public transport et cetera - but also in the services that enable children's hobbies and grocery shopping to take place without the need for a car. Even human resources and office management services fall into this category. Each business seeking to deploy the Peloton strategy should look at what decisions create their customers' footprints and look at ways to offer alternatives for these decisions.



**Figure 3:** Gatekeeper professions of sustainable lifestyles (Demos Helsinki, 2009).

Figure 3 also indicates that there are many gatekeeper businesses; banks that negotiate loans for property; restaurants and grocery stores that define people's diets; lifestyle media that creates the idea of normal homes and diets; children's hobby-providers that either require a private car or don't; or hardware stores that sell materials for refurbishers and renovators. In Peloton we have worked with a total of 11 different groups of gatekeepers: food retailers, lifestyle media, parents-peer-communities, restaurant chains, hardware stores, rental housing companies, real estate managers, HR- and business services and food journalists - all of whom have recognized the potential of new energy-smart products and services.

#### 4 Co-creation with peer groups

In recent years an approach that involves other stakeholders in the concept development, also known as co-creation, has been spreading throughout business world (Pfitzer et al, 2013). Nearly all business developers underline the advantage of creating new products or services with the stakeholders in order to identify the problem and to design and implement solutions to match their offering with the preferences of users.

For gatekeeper businesses co-creation with peer groups can offer a route to the new markets for products and services. According to empirical studies, social approval and norms, often conveyed by peer example, significantly increase success of persuasive appeals on household energy conservation (Shultz et al 2007). Hence when successful, collaboration with peer groups help companies in making adoption of a new product and behavioral patterns faster. In addition, working with amateurs - be it urban farmers, bikers, runners or canoeists - may have insights to topics that the majority of users find relevant much later. This gives the company involved a forerunner's advantage to tailor its offering for the markets.

The co-creation process starts with recognition of relevant groups. In Peloton we have a good example of such collaboration with Biolan, a Finnish company that manufactures products and services for ecological farming and green area management, and Dodo, a Finnish environmental organization. Members of Dodo provided Biolan with valuable insights on urban farming, including the process, use context and needs of farmers while Biolan brought Dodo the products they needed on their farming sites.

Pfitzer et al (2013) recommends that companies be candid about seeking both business as well as social value as a result of the collaboration. Expressing motivations and objectives facilitates communication when both parties are well aware of what the other seeks from the co-operation.

## 5 Conclusions

In this article we have introduced a new opportunity in the green economy that reaches beyond resource efficiency and the current ecological consumer markets serving only tenth of the total market size. The opportunity arises from the everyday needs of people which currently put a pressure on natural resource use. As a result of our work with a number of B-to-C, over the past five years we created “Peloton strategy” as a tool for companies to enter the markets. This article presented some of the key elements of the strategy including the decision tree, two approaches for the concept creation and co-creation as a tool of implementation.

Based on the experience we have on working with companies, there seems to be a positive by-product that comes with implementation of the strategy that deserves mentioning. Gatekeepers by profession are satisfied by the fact that by doing their job well they can help people live according to their values and save the planet. In other words the cognitive dissonance caused by the ever increasing ecological consciousness and our day-to-day jobs can be turned into an asset. This can have a serious impact on the productivity and innovativeness of the workforce and therefore makes for interesting further research.

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