

Does Green Make Cents? The Business Case, or lack thereof, for Going Green

By Ed Finegold

Environmentally-friendly and sustainable business practices are controversial. Skeptics will wonder whether recycling office paper and shutting off the lights really makes a difference when colleagues are flying all over the world in kerosene burning, CO2-spewing airliners every day. For communications operators, like most major enterprises in an age of climate-change fear politics, green initiatives are promoted regularly in external communications. But they aren't the first foot forward, in most cases, and it is difficult to find any evidence suggesting that green business practices improve customer loyalty and satisfaction in a broad or measurable way.

The Reticent Tree-Hugger

Credo Mobile is a small MVNO, owned by Working Assets and using Sprint's network, that bills itself as "more than a network; a movement." In reality, it's several movements, most of which represent left-leaning political agendas spanning everything from putting solar panels on the White House to boycotting Texas Governor Rick Perry's prayer event. Its current customer acquisition marketing targets AT&T, calling the company "right wing extremists" and highlights,



among other things, the \$169,500 the company donated to election campaigns "of global warming deniers elected to Congress in 2010." One percent of every Credo subscriber's charges go to donations to support Credo's political agenda.

From a green perspective, Credo highlights its mobile phone recycling and its use of soy-based ink on bills printed on recycled paper. The company also claims to plant, "100 trees for every ton of paper we use," and to offset, "all emissions produced in the shipping and charging of our phones over their lifetime," as well as, "the carbon footprint of our corporate operations."

Bill Kula, Director of Media Relations for Verizon Communications, when asked whether Verizon has measured increased customer loyalty and satisfaction

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among customers who have adopted online billing and payment, admits that the company has, “not done such a measurement,” but says that, “customer retention is significantly high among customers who have adopted online usage.”

He says that Verizon knows, “that customers who engage with our online and mobile properties have a lower churn rate than those who do not,” and that while there are many contributing factors, Verizon, “believe[s] the ‘green’ factor is one of them.” Kula adds that the, “pace of adoption” of paperless billing, “is slowly accelerating.” Promotional campaigns tend to bump it along a bit faster, he says, as, “usage for mobile billing has more than doubled in the past year.” And Kula states frankly that, “while the ‘going green’ factor appeals to a small segment, studies have shown that customers are more interested in savings or a chance to win free services.”

Verizon has been running sweepstakes to encourage elimination of paper billing and payment methods. The pitch is simple – customers who switch to paper free billing are entered in a sweepstakes to win \$10,000.00. Those who also sign up to pay their bills automatically from a bank account get a second entry into the sweepstakes. The secondary messaging tied to paperless billing – somewhat understated compared to the sweepstakes promotion – promotes a green angle.

Though the desire to go green may not drive paperless billing uptake in big ways, Kula points out that Verizon’s wireless segment, “has generated approximately \$1 million in cost savings year to date.” through paperless billing and payment. So, while going green may not drive uptake in big ways, there is a measurable byproduct in regards to expense reduction that results from paperless billing’s efficiency. Kula further adds that in a recent survey of roughly 2,400 Verizon Wireless customers, 61 percent said that they would download a smartphone app to access account, billing, and support functions and would be most likely to view and pay bills, and view and update account profiles using a mobile app.

The ‘A’ Stands for ‘Arbor Day’

AT&T has a range of sustainability initiatives that are similar to enterprises in many markets in regards to recycling and efforts to reduce energy consumption. AT&T maintains an alliance with the Arbor Day Foundation and takes credit for helping to plant

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more than 250,000 trees in 2010. The company says more than 14 million of its customers, across all segments, have opted-in to paperless billing; again, this is roughly 10 percent of its consumer customer base across wireless and wireline, based on figures from its most recent 10-Q. That uptake translated into 667 million sheets of paper saved, which AT&T claims is equivalent to roughly 96,000 trees. Furthermore, the company recycled more than 3.5 million wireless devices in 2010, which is about 12.5 percent less than two quarters worth of net subscriber additions.

Whether these initiatives deliver measurable customer loyalty or customer satisfaction gains is not something on which the company was able to comment specifically. As much as AT&T makes an admirable effort to demonstrate its commitment to sustainability, it’s not clear whether customers are excited by it in ways that translate into sales or loyalty. With that said, green business appears to be a must-have in today’s image-driven market, even if in reality it is a “nice-to-have” for customers.

Sustainable, or Not So Much

Sprint appears to take sustainability seriously. The company has multiple programs, including free wireless device recycling and buy back, to promote waste reduction. In 2010, Newsweek ranked Sprint sixth among its “500 Greenest Companies in America.” It offers at least three different “eco-friendly” wireless phones made with materials like corn-based bio-plastic and lead-free paint. On a strategic level, according to Sprint’s website, the company’s headquarters in Overland Park, Kansas sources 80 percent of its power from a wind farm in Spearville, Kansas, which saves the equivalent of more than 146,000 barrels of oil per year.

But here’s the twist – according to an Associated Press report dated April 28, 2011, citing Sprint-Nextel,

the company experienced a net loss of 114,000 subscribers and \$439 million in the first quarter of 2011, continuing a net subscriber loss streak that dates back nearly four years. Though the company won more than 1.1 million subscribers to its pre-paid brands Boost and Virgin Mobile, Sprint chalked this victory up to, “cheap service plans.” So, Sprint may be the greenest of the bunch among major U.S. telecom operators, but the numbers show that its notable sustainability efforts aren’t necessarily translating into big customer wins in the marketplace.

O2’s UK Counterpoint It is possible that sustainability and green business practices are more attractive to customers outside of the United States. O2 spokesperson, Sarah Taylor, shared data from a recent survey in which Telefonica UK (O2 is the mobile brand for this operating unit of Telefonica) found that 44 of its customers said that green business practices do in fact influence their propensity to buy mobile phones from a specific provider.

Taylor says that O2’s, “renewed drive on sustainability is coming direct from the top,” adding that CEO Ronan Dunne, “has made it his personal ambition to see O2 recognized as a UK leader on sustainability by 2012.” She says that O2s maintained ISO 14001 compliance since 1999 and that the company has had a sustainability taskforce as part of its, “governance structure” since 2009. She says CEO Dunne chairs this taskforce that meets every six weeks himself which consists of, “top management from the across the business” and drives O2’s sustainability strategy. To convert strategy to action, a sustainability working group made up of “middle managers” executes projects focused on, “anything from carbon reduction and green working to culture and communications, or sustainable stores,” Taylor says. She adds that O2 has partnered with Forum for the Future, a non-profit group focused on sustainability in business and government, to assess its performance independently.

In terms of customer facing activities, Taylor says that O2 has paid out nearly £15 million to consumers in an effort to recycle old mobile devices. She also says that while 44 percent of its customers take sustainability into account when purchasing mobile service, 11.5 percent of the customers O2 surveyed stated that its sustainability record, “would have a strong influence on them deciding to buy a phone from O2.” O2, she says, believes that

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customer expectations are increasing in regards to sustainability and that 15 percent of O2’s customers are aware of the consumer-facing sustainability grading system it launched in August 2010 while four percent of customers have already used it.

Finally, Taylor says that when it comes to sustainable business, “you have to remember there’s investments before revenues.” She says O2 has invested more than £3 million up front to achieve an 18 percent improvement in energy efficiency and, “carbon savings of over 30,000 tons.” These kinds of investments clearly make sense for O2 because the company has been able to demonstrate that sustainability is important to nearly half of its customer base, making a difference not only the expense side of the equation, but on the sales side as well.

Ultimately, environmental stewardship, green initiatives, and sustainable business practices are all good things. Anyone that doesn’t wish to protect the environment that all people share is free to leave the planet at any time. But O2 appears, thus far, to be a rare case where a telecom operator has actually been able to make a connection between its altruistic environmental efforts and tangible, top line business results. The general inability of other operators to make such a connection may be evidence that no connection yet exists, but more simply may result from a lack of measuring those specific relationships.