



Sustainability | Leadership | Innovation

ACCOUNTING FOR SUSTAINABILITY



## 2014 WINNER CASE STUDY

### LESSONS IN DRIVING BUSINESS SUSTAINABILITY

#### A GLASS ACT

**Ethical product, sustainably produced and sold with all profits to charity.**

##### THE BUSINESS

Belu Water is a company with great liquid assets. It describes itself as 'the UK's most ethical mineral water brand'. It seeks to set environmental benchmarks in the bottled water industry and one of the ways is to use recycled materials made in the UK so its business is carbon neutral. The company donates all of its profits to help alleviate water poverty through a long-term contractual partnership with the charity WaterAid.

##### THE IDEA

Belu has pioneered a new way to reduce the environmental footprint of the bottled water industry. Campaigning, it argues, is not enough. Instead, its approach is to champion an environment-led business model, which operates with consciously low overheads and with fully costed margins so that all profits can go to benefit WaterAid. 'Our model is unique,' says Laura de Poitiers, Belu Water's Finance Manager. 'It raises consumer awareness of a more positive choice and highlights their responsibilities as consumers.'



Belu actively pioneers new products in the industry such as its clear 'Ethical Glass' bottle which is 18% lighter than the old Belu bottles

##### THE INNOVATION

Belu was initially launched as a campaigning brand, designed to be disruptive in the market. Its mission, says de Poitiers, was to demonstrate the true application of 'best ethics' in one of the toughest markets and against some of the largest global brands while trading sustainably and profitably.

But words don't mean much without deeds. So Belu's next innovation was to decide to donate all of its profits to water-based charities. The mechanism for this is a novel share-owning arrangement. Belu's shares are owned by the Belu Foundation, a registered charity. This ensures no Belu profits ever create individual wealth. Since 2011, Belu has partnered with WaterAid and has pledged to give the charity £1m by 2020. By the end of December 2014, it had already donated £644,178, which will be enough to transform the lives of 42,945 people living in the world's poorest communities.

**We are driven by ethics that ensure pursuit of the best possible product and business model from both an environmental and charitable perspective. We make decisions based on ethics and overall planetary cost, rather than price alone.**

##### FINANCE FUNCTION LEADERSHIP

The twin decisions to adopt high environmental standards and donate profits to charity mean that Belu's finances must be managed carefully to maximise the long-term financial contribution to WaterAid. One result of this is sometimes the finance function has to take decisions to improve the organisation's carbon footprint, which may result in a short-term cost to the business, to ensure its long-term sustainability. 'This choice allows us to be more sustainable and offer a better proposition to our customers,' says de Poitiers. Another consequence of this approach is that Belu never takes on business at low or no margin, as this would not benefit WaterAid. 'We forecast the impact of any new customers thoroughly,' says de Poitiers.

Belu employs only eight people and sets out to keep its cost base to a minimum. 'We are very aware that every £15 of overhead spend represents a life that is not being transformed through WaterAid,' says de Poitiers. As a result, Belu focuses on careful planning, budgeting and performance management to ensure it does not incur costs that cannot be covered by projected revenue.

Belu's journey to its present success has not been without difficulties. The company was founded in 2004 but by 2007 lost £600,000 on sales of £1.5m. It made a small profit on sales of £2.8m in 2008 but slipped back into loss in 2009 and 2010. The company appointed a new Chief Executive Karen Lynch, a former Barclays Executive. She made significant changes to the company's business model. She abandoned retail sales in favour of wholesale. She replaced the in-house sales team with an agency and she signed the agreement with WaterAid to manage Belu's charitable work. These changes persuaded loyal investors to stick with the company which has grown profitably.

Since the end of 2013 Belu has had a positive balance sheet for the first time in its history. The company delivered revenue growth of 28% in 2013 and further growth in the first quarter of 2014.

**‘ We forecast the impact of any new customers thoroughly. ’**

The environmental gains are also impressive. In 2013, Belu measured its carbon footprint as equivalent to 594g of carbon dioxide per litre of product sold which was a reduction of 4% on 2012 and 25% on 2011. Furthermore, Belu has created the only 'Green Glass bottle' in the UK to be used for still and sparkling mineral water. It is a low-carbon product and is being sold in restaurant chains such as Zizzi, Bella Italia and Strada.

In one such instance, de Poitiers says, 'Switching to our Green Glass bottles has reduced Zizzi's bottled water carbon footprint by 36%'.

## POSITIVE LONG-TERM IMPACT

Key features of Belu's business model are designed to deliver positive long-term environmental, social and financial impacts. The company publishes a yearly impact report which measures and describes the key performance indicators in the business.

The business supports UK manufacturing and works in rural areas with high unemployment. It refuses to burn additional oil to transport water, so it will never export its products. It takes full responsibility for its carbon footprint. What it can't reduce it offsets through responsible carbon projects.

Belu actively pioneers new products in the industry such as its clear 'Ethical Glass' bottle which is 18% lighter than the old Belu bottles. This means it is a more efficient use of raw materials. The reduced weight means more bottles can be transported on every vehicle which further reduces carbon footprint.

'By being a benchmark for ethical best practice in the industry, we aim to have a significant positive impact on the £1.5bn UK bottled water market,' says de Poitiers.



Belu Water funds clean water projects in the world's poorest communities

'We are driven by ethics that ensure pursuit of the best possible product and business model from both an environmental and charitable perspective. We make decisions based on ethics and overall planetary cost, rather than price alone. This means we are free to set a best practice example to both consumers and other brands in the industry.'

## LESSONS FROM THE CASE STUDY

An eagerness to seek out partners and work constructively with them has been important in Belu's success. 'When you work with a partner you can often find ways to solve both of your problems at the same time,' explains de Poitiers.

For example, Belu partners with its supplier of light-weight glass bottles, which it uses for its own water and also sells to other companies. Similarly, it partners with a water cooler wholesaler – linking the partner's knowledge of the cooler market to Belu's brand and customer base.

Another lesson from Belu's success is to look for simple solutions. 'Sometimes people try to over-think an issue,' says de Poitiers. 'Finding a simple answer is often a case of stepping back and thinking about another way of doing it.' For example, Belu produced a new 750 ml glass water bottle in partnership with the Cobra Foundation, the charity established by Cobra Beer that has existing relationships with the Ethnic Restaurant Association. Accordingly, restaurant owners had a real incentive to choose the Belu brand as all profits were donated to clean water projects in South Asia. This simple project significantly increased Belu's annual donations to WaterAid.

'If you're going to do something, do it differently and brilliantly,' adds de Poitiers.