

August 2009

## Sustainability Software: Forget Cap and Trade, Let's Track and Save

by Bruce Richardson

For the past few months now, I've been tagging along with Dr. Stephen Stokes, head of AMR Research's Sustainability Strategies service. Although I'm intrigued by Stephen's expertise and analysis of energy management, emissions management, water conservation, and waste, I'm equally as interested in tracking the trajectory of the sustainability software market.

I've accompanied Stephen on meetings with **Clear Standards** (now part of **SAP**), **Hara Software**, **Oracle**, and one startup still in pre-launch mode. I also attended Oracle's second annual Green Customer Strategy council. While my research pales next to the 70 or so briefings Stephen has had with software and service providers, management consultants, manufacturers, and retailers, I think we share some similar observations.

Of course, environmental challenges and environmental management systems (EMS) have been around for years now, delivering a blend of compliance reporting and risk management. What's new is the accelerating customer interest in being able to track consumption and performance relative to operating costs and sustainability goals. And the enterprise software market is responding accordingly.

### Who's the buyer?

At this point, we've identified at least three different potential buyers: the vice president of energy or facilities, the chief sustainability officer (CSO), and a sustainability council. The energy role is obvious if the company's focus is on conservation or increased efficiency. The CSO versus the sustainability council approach is interesting if you're a vendor.

If a company has a CSO or a dedicated corporate sustainability department, there's the starting point for a sales call. The challenge here is that most of these people have never bought software. When I asked one sustainability manager if she had a budget for software, she replied, "It's worse than that. IT has no idea what I'm talking about." There's one other potential challenge: The CSO often reports to the general counsel.

Several Oracle customers said they have a sustainability council that consists of senior vice presidents or directors/vice presidents responsible for manufacturing, engineering, marketing, and government affairs. Based on a small sample size, we found CIOs aren't always part of these groups. Anecdotal evidence suggests that the most effective councils are those where sustainability is rapidly being embedded into the corporate culture, with quarterly reporting requirements.

In some cases, the council meets on a regular basis to discuss tactics and the progress made toward reaching specific corporate goals, like reducing greenhouse gases (GHG) by 25% within five years, for example. I suspect, though, there are some companies with councils that meet only to complete their annual sustainability reports. A further twist is that some firms have a hybrid sustainability council that consists of senior executives and a representative from the sustainability department.

At the very least, it seems likely that vendors will have to prepare sales tools for prospects on how to buy sustainability software as well as how to sell projects to senior executives and CIOs. There will likely be several distinct sales cycles: first to the sustainability team or operations, with additional sales presentations to senior executives and/or IT, and finally to the board.

## What are they buying?

Stephen's soon-to-be-published research shows that instead of compliance and mandatory reporting factors associated with carbon pricing, the primary corporate drivers are operational efficiency and brand. The former often takes the form of savings in energy usage.

One of the challenges is real-time access to energy usage data (we'll discuss this more in just a minute). When I ask vendors if their customers know how much they're spending on energy, I usually get a small list of companies that track this data. For example, one told me, "**Wal-Mart** knows."

The focus on brand often relates to a company's commitment to reducing GHG emissions. You may recall that last May, **SAP** pledged a 51% reduction in greenhouse gases by 2020. The company didn't have software to automatically collect baseline data, relying instead on a combination of estimates and spreadsheets.

## What about water management?

While most of our discussions have been about carbon, we're somewhat surprised that water usage and conservation aren't viewed with similar urgency. After all, in her presentation to the Green Customer Strategy Council, Oracle's Linda Jackman, group vice president of the Utilities Global business Unit, opened by noting that the world is losing 6% of its fresh water each year.

One of Hara's first customers is a leading global beverage manufacturer. The company is currently using the Hara tool for GHG emissions. As you can imagine, water is strategic to the company, and it's being considered for a future phase of deployment.

As Stephen pointed out in June, the developed world has major opportunities for improving water utilization efficiency. This domain is being pursued by a significantly smaller set of vendors like **HydroPoint Data Systems** and **Locus Technologies**. We anticipate there will be more new entrants as the sales volume ramps.

## What role should utilities play?

When Stephen and I first met with Hara executives in late May at **Kleiner Perkins'** headquarters, I remember thinking that electric and natural gas utilities may be key influencers in the future of this market. I had this

naïve idea that it would be great to have all global energy providers present consumption data in an electronic format. It would be easy to envision the kind of dashboards you could build to track and slice consumption.

In a follow-up meeting with Hara a few weeks ago, Chris Farinacci and Udo Waibel explained that there's a standard, EDI 810, for electronic bill presentment, which has been adopted by over 100 utilities. If you want to see what it looks like, check out **EnergyCAP's** website.

## Issue: How to manage real-time consumption with 90-day-old data

While this seemed like a potential solution, I discovered another speed bump. Many companies use third-party bill consolidators for auditing rates and rate shopping as well as managing billing and usage. One executive told me that her firm receives the bills from the utilities and immediately sends them to their consolidation partner. By the time she gets the consolidated view, the data may be 90 days old.

The data latency seems ridiculous when other parts of the business are expecting information in real time. Plus, energy data and rates are changing daily, if not hourly. Does this process need to move from the past to (at least) the present? And wouldn't doing so require a real end-to-end environmental and energy management business process approach, which also includes water and waste?

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## What do you think?

Stephen's Sustainability Strategies service has some exciting research scheduled for delivery over the next few months. I've seen some of the detailed work he's completed on a brilliant piece that looks at the overall sustainability landscape. You'll be stunned by how many vendors are already targeting one or more facets of the market. He also does an incredible job of explaining how the market will shift and transform over the next 5 to 10 years. This will be a must-read report for all AMR Research clients.

In the meantime, where does your company stand on sustainability? Do you have a CSO, a sustainability council, or a hybrid? Or is this the domain of the facilities department? Are you focused on energy efficiency, your company's brand, water management, or all of the above? What role would you like your local and global energy utilities to play going forward? Is the energy and emissions management market a logical extension of ERP, or do you see this as the domain of specialty vendors?