



greening europe's economy

european network for sustainable consulting



Imprint

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List of Abbreviations:

- SCP Sustainable consumption and production
 - SME small and medium sized enterprises
 - BMUB Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
 - UBA German Federal Environment Agency (Umweltbundesamt)
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Introduction

Greening Europe's Economy!

Green start-ups represent major drivers and change agents in transforming the economy towards sustainability. In the project: "Thinking green: towards an ecological and sustainable economy in Europe" a European network developed guidelines with and for green entrepreneurs.

The overall aim of this project is to facilitate the transition towards a climate-friendly economy, to promote research and innovation and support a sustainable economy able to mitigate and adapt to climate change. Pursuing this objective, this guide aims to boost green entrepreneurship by highlighting the huge need of a green economy that fosters social value and avoids the irreparable losses involved in unsustainable consumption and production.

The aim of eco-entrepreneurs is to develop sustainable products and services, that replace their unsustainable counterparts with environmentally friendly and socially fair ones and represent empowering solutions. Thus, green entrepreneurship provides the means to walk the path of creating environmental and social value through a business.

The guidelines at hand to offer an overview on the most relevant areas and issues for green entrepreneurs.



Juliane Reiber



Luis Morales

1. Green Economy

Green economy is the economy that “results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.” Promoting the paradigm of a green, fair and inclusive economy can help accelerate the shift to a more equal and prosperous society.¹

Sustainability has been considered to being composed of three different spheres – social, economic and environmental. Recently, the aspect of Cultural Sustainability has been included in the concept. Let's take a brief look at all four aspects.

Social Aspects of Sustainability can be considered as the social relationships, interactions, and institutions that affect, and are affected by, sustainable development. It encompasses human rights, labor rights, and corporate governance. It addresses “inter- as well as intra-generational equity” compatible with the harmonious evolution of civil society. It fosters an environment beneficial to the cohabitation of culturally and socially diverse groups and encourages social integration.²

The **Economic Aspects of Sustainability** deal with internal and external implications of business management. Taking into account the financial performance of the start-up and dedicating time and effort for setting up a viable sustainable business plan is a must-do (see chapter 5). Also, understanding the necessary legal requirements, structuring your business, paying taxes, naming your business are essential.

¹ United Nation Environment Programme (derived on April 20, 2014). Annual Report 2010. <http://www.unep.org/annualreport/2010/>

² Polese, M. and Stren, R. (2000). *The Social Sustainability of Cities: Diversity and Management of Change*. University of Toronto Press, Toronto: 15f.

Focusing on the **Environmental Aspects of Sustainability** implies developing business structures and processes that will lead to becoming completely sustainable. It is not simply about reducing the amount of waste you produce or using less energy, i.e. your ecological footprint. It's about focusing on sustainable and responsible product design, optimizing consumption, and reducing CO₂ emissions. A certified environmental management system, i.e. green labeling and certifications are of great help in this sense, since they identify products and services that have a reduced environmental impact throughout their life cycle, from the extraction of raw material through to production, use and disposal.

Cultural Aspects of Sustainability can be viewed as systematically integrating cultural specificities in the conception, measurement, and practice of sustainable development. Sustainable tourism, cultural and creative industries, and heritage-based urban revitalization are powerful economic subsectors that generate green employment, stimulate local development, and foster creativity. Local and indigenous knowledge systems and environmental management practices provide valuable insight and tools for tackling ecological challenges, preventing biodiversity loss, reducing land degradation, and mitigating the effects of climate change.³

³ UNESCO (derived on April 20, 2014). The Role of Culture in Sustainable Development. <http://www.unesco.org/new/en/brasilia/culture/culture-and-development/culture-in-sustainable-development/>

What are, in your opinion, the main aspects that characterize the Green Economy, as compared to the „mainstream“ economy?

“The Green Economy understands the resource equation, and aims to fulfill their ecological and social responsibilities. This is built into their business model - it’s their DNA.”

>> *Ting Lee, sustaineration UG (Germany)*

“I understand Green Economy as a kind of circular economy – in terms of resources (Cadle2Cradle) but also from a social perspective. It is about building a strong partner network that supports each other instead of thinking in terms of competition and optimizing profit. It is basically about “live and let live”, about trust and mutual support instead of a monetization of everything. Money is just a tool to make certain things work, but it is definitely not the core of the company and certainly not the “reason to be” for us.”

>> *Theresa Steininger, WW Wohnwagon GmbH (Austria)*

2. Green and sustainable start-ups

Green entrepreneurs, in comparison to traditional ones, seek to create a business model that is not only economically profitable, but also creates environmental and social value. Entrepreneurship provides the means to walk the path of turning environmental and social value into business value.⁴

Starting a business, especially a green business, means dealing with a high degree of uncertainty, such as who your customers might be, how the value-chain will look like, pricing strategies and so on. Additionally, you want to analyze your social and environmental values (see chapter 3) and how this differentiates you from other, similar start-ups. But first, how can be ensured that the business is truly “sustainable”?

⁴ Regional Activity Centre for Cleaner Production (September 2012). Greening the Entrepreneurial Spirit of Mediterraneans. Training Program on Green Entrepreneurship and Eco-Design, Barcelona.

- Sustainability is the very core of the business philosophy
- Principles of sustainability are incorporated into each of the business decisions, such as redirecting financial flows to a greener economy, efficient use of natural resources, cradle-to-cradle, human rights and human well-being
- Provision of environmentally friendly and socially fair products or services that replace non-sustainable products and/or services
- The business is greener and possibly more social in its production and delivery of products and services in comparison to traditional ones.

Which aspects of the Green Economy do you consider most relevant in your company?

"I started the project IDIKA because I could not ignore anymore that our everyday consumption of clothing is having such a huge negative impact on the environment and on the people involved in the production chain. So many human beings are suffering exploitation and so many ecosystems are destroyed just because other people living far away from the textile production regions are demanding every time more cheap new stuff to wear.

I would like to contribute to a process of change in the industry – informing about the issues and offering to the consumers an alternative to fast fashion, providing them the option to consume more responsibly. In the way I see my business, the social, environmental and financial benefits are equally important."

>> Cordula Müller, IDIKA Moda (Spain)

What are your company's objectives?

"With IDIKA Moda, I wish to foster responsible consumption and promote the idea that one can dress stylish and be sustainable at the same time. Also, IDIKA should be an enduringly successful business and will hopefully become one of the leading platforms for sustainable and fair fashion in Spain."

>> Cordula Müller, IDIKA Moda (Spain)

"To create standards and tools to positively influence agroecology and food sovereignty. To be the change I wish to see."

>> Alyssa Jade McDonald-Bärtl, BLYSS GmbH (Germany)



2.1. Main barriers for green start-ups and entrepreneurs

Why do start-ups fail? That's one of the most pressing questions in need for answers. Entrepreneurs and start-ups face a variety of barriers and difficulties when setting up and developing their businesses. Sometimes these obstacles are country specific, while others are encountered almost universally. In January 2015 the network conducted an interactive video-workshop in Madrid, several start-ups from Spain, Germany, France and Austria participated. The following obstacles described are the collection of the results gathered during the workshop:

Financial problems:

Financial problems are the most existential problems encountered by entrepreneurs and start-ups. They range from the actual "running out of cash" to a lack of seed capital to a lack of understanding with regards to green economy and sustainability by financial institutions. Structural and governmental difficulties such as unspecific governmental incentives and policy instruments also play a major role.

Governmental problems:

Governmental problems are regarded as most strenuous for start-ups. Bureaucratic hurdles, slow and inefficient administration hinder the progress needed by start-ups. Oftentimes, little to no public funding is available for start-ups, depending on the region, of course. Further on, regional structures and municipalities are not ready or prepared for new structures and the new dynamics. Difficulties with public procurement of innovation, administrative burdens complete the picture.

Business model:

The main reasons why start-ups fail are inadequate business models. Oftentimes new entrepreneurs are too optimistic about acquiring customers – how, to find and keep (!) customers, how to market their product or

service successfully. Also, the product itself, reaching strategic partnerships, or setting up distribution channels might pose problematic.

Educational problems:

There's a lack of awareness and interest concerning ecologically sound products and services. Many potential customers are often unaware of what is happening in their region regarding sustainable development and the values provided by sustainable products and services.

Market problems:

Sometimes, when setting up a business, the realization that there is little or no market for the product or service provided comes too late. Hence, it's essential to do an extensive market research prior to launching a business. Not only is accessing one's own regional or national market difficult, accessing the European market is even more so.

Team management:

Dealing with the complexities of human resources, hiring personnel and keeping your staff motivated, is essential to successfully launch your business and stay in business.

Marketing problems:

It's essential for start-ups become known. Start-ups, since so submerged in setting up their business, often underestimate the need for visibility. Also, prejudices by society regarding sustainability and eco-design create marketing obstacles. Many start-ups still communicate insufficiently and ineffectively on the positive impacts of their business solution.

What are or have been the most daunting challenges to develop your green start-up?

"I think the most important in my case is the prejudice people have about working with waste, usually people don't think garbage can become beautiful, so that is probably the biggest barrier that I have to confront. Also another big trouble for me is the lack of funding sources to get my business on rails."

>> *Roberth Rojas Zambrano, El Cartonista (Spain)*

What strategies have you implemented to overcome those challenges?

"Getting a great image and being known by a great amount of people and get a reputation by several happy customers of El Cartonista who can support that image and reputation. My work on that direction is done mainly on social networks on the internet, and it is growing fast, in some point, I will be big enough to see those barriers vanishing by themselves."

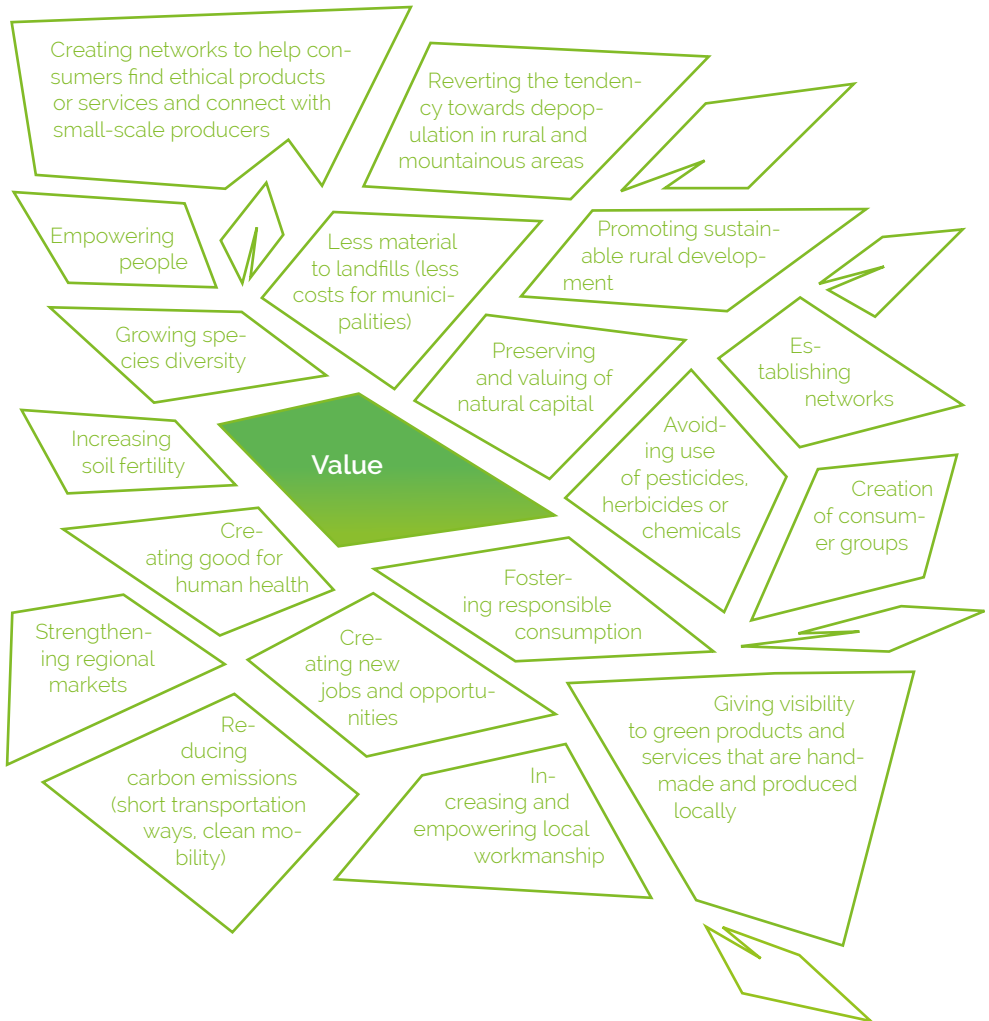
>> *Roberth Rojas Zambrano, El Cartonista (Spain)*

2.2. Key opportunities for green business development

Sustainable and green entrepreneurs create social and environmental value. The aim is to develop products and services that are sustainable, that replace their unsustainable counterparts with environmentally friendly and socially fair ones and that represent empowering solutions. Despite the seemingly critical economic situation - especially in southern Europe - and modest awareness of sustainability's benefits, start-ups in those regions regard many of the shortcomings of today's economy as potential opportunities green businesses could tap into. In those regions, there is a low starting point which creates room for policy mechanisms to promote economic competitiveness addressed at sustainable SMEs. Further on, innovation, new funding mechanisms such as crowdfunding, eco-bonds or green banks can develop and grow. In other regions, the

political and economic situation is more rigid and settled. Green start-ups also face an array of difficulties, similar to the ones described above.

What are possible social and environmental values green entrepreneurs bring to society?



Do you know any areas where green businesses can flourish (opportunities in your community/region)?

"Anywhere, anytime."

>> *Ting Lee, sustaineration UG (Germany)*

"It is not in a region, industry or mythical creature, it is in all our hands every day. As a consumer, as a business leader, it is in our own daily decisions about where we give our resources and support. Every purchase and every denial is either in the step of a sustainable future or putting the nail in mother nature's coffin."

>> *Alyssa Jade McDonald-Bärtl, BLYSS GmbH (Germany)*

2.3. Strategies: overcoming barriers and exploring opportunities

In the previous sections, we outlined the main obstacles faced by entrepreneurs and how we can create value to the environment, society and economy. Now we need to take a look at how to overcome those barriers and obstacles. Two levels must be analyzed: the individual standpoint and a more general and broader view.

On the individual level, one can make sure to develop a successful business plan (see chapter 5), take care of sufficient funding (see chapter 7) and start working on networks and business partnerships (see chapter 4).

On the more general, broader level, the emphasis must lay on the adaptability and resilience of green businesses in the face of climate change and other major environmental and humanitarian challenges. Key is to map, invest, boost and green key sectors such as renewable energies, green technology, agriculture, etc. Connectedness and networking play a fundamental part in bringing forward sustainability and green economy.

When networking we are generating the exchange of information, knowledge, practices and experiences. We are creating a diverse community from different sectors, technologies or regions. We can connect rural and urban areas and develop joint (several members) and global (as a network) communication strategies.

In order to bring forward green start-ups and green economy, one possibility is to set up an **online platform** for connecting and engaging a varied community. This can help reaching out to and building a bridge to rural and remote areas; sharing skills can be facilitated and exchanging information, knowledge, experiences, best practices can be improved.

Further on, **funding** mechanisms and opportunities can be shared online as well as providing advice and training, fostering multi-angle debates, joint marketing and communication campaigns, project management and co-working. Physical gatherings such as international fairs, conferences, workshops of researchers, politicians, entrepreneurs, advisors and start-ups will bring forward sustainability and green economy. Researching, studying, understanding and sharing the reasons why green start-ups fail will be essential. Also, the real impact on green businesses of policies promoting sustainability and also of those not directly related need further research. Key to bringing forward the Green Economy is to lobby and influence decision-makers at national and European level on favorable policies for green SMEs.

3. Innovation: Eco-innovation and creating social and environmental value

Sustainable entrepreneurship involves innovation on all levels. What is meant by creating social and environmental value? What are the principles of eco-innovation?

In practice, innovation comes from a variety of sources and mechanisms, e.g. international benchmarking involves adapting successful business models to the local context. Creatively applying innovation from other sectors to one's own is meant by cross-sector inspiration. For eco-entrepreneurs value creation and innovation can be a meaningful tool to reach certain business goals. Means of value creation are e.g. repairing, redesigning, development of a functional innovation, and a more holistic system innovation.

"Eco-Innovation provides a win-win solution to improving economic competitiveness and sustainability as it starts at the company strategy level and extends influence beyond the company gates to the supply chain. Eco-innovation aims at reducing impacts on the environment, enhancing resilience to environmental pressures or achieving a more efficient and responsible use of natural resources. The growing market, reputational and regulatory pressures in response to rising resource scarcity and environmental degradation reinforce therefore the business case for eco-innovation."⁵

⁵ United Nation Environment Programme (derived on April 20, 2014). Eco-Innovation. <http://www.unep.org/ecoinnovationproject/>

What have been the most important green innovations in your business and in the industry (your sector) in general?

"We literally go end to end in the cacao industry, from growing cacao and mentoring other farmers, to teaching chefs, and being part of change at industry body. This is participation, and using the knowledge we have from small scale agriculture and using it where it makes the difference.

We work with 450 farmer families in Ecuador on 2 cacao plantations, and see the impact of climate change. We have 30% less cacao yield every year directly due to climate change of increased earth quakes, more rain, more mosquitos and as a result, people we work with are getting sicker due to mosquito borne illnesses.

As a social enterprise, all of our chocolate costs are re-invested into an eco-system of sustainable business practices earth care (23%), social care (21%), regulation (23%) research and development (33%).

We guarantee a fixed price for our cacao from families who work in cooperatives. We never haggle about price, and we pay at least 7 times what the bankers in London trade the beans from West Africa to do. It is because we pay not just for cacao, but for the pre and post forest care. We don't force exclusive relationships with BLYSS, because we have our own standards. We only use about 50% of the beans we see because the others don't meet our standards. We pay for them, but we don't use them, and they are able to be re-sold to other chocolate companies. This is fair and a great use of forest resources, nothing is wasted, and there is always opportunity to grow and improve.

We support the role and leadership of both genders, and ethnic backgrounds. The locations we work with are still in developing stages of understanding about equal opportunity and this is a principle we work with very intensely.

We positively reinforce recycling, and again, do our best from the HQ to be the change we wish to see on that. Our work through the BlyssfullyYours program, which is our social project collaboration which collects old laptops which is a great example of how we want to re-use, encourage re-use and recycle, while also sharing resources that might not be present in the first place –technology and education via the laptops which we install local language education software on.



The following measures have been specifically innovative:

- *Developed policies for biodiversity in agroecology*
- *Have traceable sourcing policies which incorporate traceability of raw materials down to the origin*
- *Raw materials are sourced by sustainably managed ecosystems*
- *Production processes and facilities avoid physically degrading ecosystems*
- *Our partners have good health and safety policies*
- *Policies to ensure accuracy of reporting, elimination of fraud and prevention of corruption*
- *Apply standards that conform with the UN Guiding principles of Human Rights*
- *Minimize use of waste going to landfill – through technology recycling program*
- *Have alliances with certified charitable organizations in Ecuador and Europe*
- *Have a program where we pay people from our team to do charity work and participate in charity programs*
- *Support development of women in leadership positions within our partners*
- *Quick-check labor practices of our suppliers and partners*
- *Ask our suppliers about their practices of paying 'local living' wage to their employees*
- *Invest in community development activities in the markets in Ecuador*
- *Choose suppliers based on trusted references and reputation*
- *Make packaging out of recyclable and re-usable materials*
- *Have a process for managing WEEE waste (waste from electrical and electronic equipment)*
- *Apply standards that conform with the UN Guiding principles of Human Rights*
- *A policy for no purchase of product or supplier that involves hazardous chemicals"*

>> Alyssa Jade McDonald-Bärtl, BLYSS GmbH (Germany)



4. Stakeholders

A stakeholder is anybody who can affect or is affected by an organization, strategy or project. Some definitions suggest that stakeholders are those who have the power to impact an organization or project in some way. An example for a definition is: "People or small groups with the power to respond to, negotiate with, and change the strategic future of the organization."⁶

Others authors suggest this definition excludes those who are affected but do not have any power to respond to or negotiate with the organization, and therefore prefer a more inclusive definition which extends to all actors who are affected by a change. This wider definition is more compatible with notions of democracy and social justice stakeholder management. Stakeholders are crucial to the success of any entrepreneurial project: Neglect them and they will actively work against you. Manage them well and they will actively promote you and your project.

The first step in stakeholder mapping is to identify your stakeholders. Get your project team together and list everybody that you can think of who is, or will be affected by the project. Straight away, a stakeholders' engagement strategy is mandatory. It begins with the stakeholders' consultation, which can perfectly include processes of public participation, surveys, events, and continues with partnerships and integration of stakeholders' engagement in the project or start-up cycle.

⁶ Eden, C. and Ackermann, F. (1998). *Making strategy, The Journey of Strategic Management*. Sage Publications, London: 117.

When referring to stakeholders, it is quite common to introduce the concept of co-creation. Co-creation is “an active, creative and social process, based on collaboration between producers and users that is initiated by the firm to generate value for customers.”⁷

Co-creation involves users and other stakeholders – citizens, designers, business developers, private companies, non-profit organizations – identifying problems and developing innovative solutions that create social and/or environmental value while remaining economically sustainable. Creating new solutions with people, not for them, can help drive innovation that creates positive impact. By focusing on users' own experiences and resources, co-creation can help identify truly valuable solutions. Entrepreneurs should embrace co-creation to deliver products and services that fit user needs.



⁷ C.K. Prahalad and Venkat Ramaswamy, Co-Opting Customer Competence, 2000

Who are your key stakeholders? And how do you engage them? Examples of stakeholders: clients, providers, public administration, NGOs, media, partners, etc.

"Our main stakeholders are parents and mums and dads to be. We engage them directly at the point of sale when they see our products and indirectly via the media, blogs etc. We have learnt that it is important to understand and listen to our (potential) customers. We need to know which sizes they prefer and which flavors they would purchase."

>> Alberto Jimenez, Smileat Ltd

"My stakeholders are my clients, providers and partners like Slow Fashion Spain and other eco fashion labels. As mentioned earlier, the main channels to communicate with them are online in the social networks, in the market hall in Madrid and on fairs. To engage the stakeholders we participated in campaigns organized by Slow Fashion Spain like "#YoCompro #YoDecido" about responsible consumption before Christmas and the Fashion Revolution Day.

Most important lessons learned by interacting with them:

- *Clients are really happy to finally find fair and eco fashion*
- *People are willing to consume less to be able to buy a product made in an ethical and sustainable way*
- *In these times of crisis the retail price is crucial*
- *Demand for clothing made in Spain*
- *Skepticism towards certifications*
- *Many people not comfortable with buying clothes online. They want to see and touch the garment and try it on before they take the decision to buy. "*

>> Cordula Müller, IDIKA Moda (Spain)



5. Sustainable Business Plan

Sustainable entrepreneurship aims to solve social and environmental problems by applying business principles. A sustainable business plan outlines the steps one needs to take to build a sustainable business. It describes where you are now, where you want to be and your strategy to achieve your goals. It emphasizes the advantages of sustainability for the business.

A sustainable business plan consists of a narrative section as well as financial worksheets. A business plan is essential for internal as well as external planning purposes.

Key chapters of a sustainable business plan are:

Executive Summary:

The executive summary of a business plan highlights the main characteristics of your business. It briefly describes the business idea and the concept of the business. Special focus needs to be placed on sustainability and creating social and environmental value, i.e. its contribution to economic, environmental and social sustainability.

General Start-up Description:

In this section, further details are provided on all aspects and areas of the business venture. What kind of business? Which sector? What's the business idea? What is your business philosophy? Important is a brief mission statement followed by your goals and objectives. Outline the sector/industry you are in. Include (a brief) research on industry development (short, medium and long term). And most importantly, how can you take advantage and develop a successful business? What are your strengths, skills, your experiences? Which marketing strategies will you choose to attract customers, and who is your target audience? Which legal form will your business have? Last but not least: what about finances?

Market Analyses:

An important step in writing a business plan is to do research – qualitative and quantitative. Focus on your industry, your product or service. Check out your competition, who succeeded, who failed? (See chapter 6). Quantitative research includes an overview of companies in your sector (and country) according to their size (small, medium and large). What is their geographic focus (local, regional, national, international)? What was the annual turnover of the whole sector in the last three years (domestic/international)? Also, what's the volume of product units sold in the last three years (national/international)? Focusing on qualitative research, is crucial to find out, what has happened in regards to sustainable development/green economy in your sector. What was achieved economically and also, politically? Will you have the support of local/regional politics? What about the supply chain? What are the main reasons enterprises are willing to enter or leave the market?

Products and Services | Creating Value:

This section, is about the product or service provided by the new start-up in the future. Since sustainable business ideas are characterized by being designed as to bring more value to customers, special focus must be placed on highlighting the value generated to the customer. First, center on outlining the main characteristics of the service or product, and also, what kind of value is being created for customers and other stakeholders (see chapter 3)? Describe in depth your products or services, i.e. technical specifications, drawings, photos, sales brochures etc. For each section, also describe the sustainability aspects, such as re-use, recycling, disposal, end-of-life or cradle-to-cradle approach? What's the technological innovation provided in your venture in comparison with the status quo in your field? In case you have a real product, you want to outline in detail your production strategy, including sustainability strategies. If possible, present this information numerically.

Communication, Sales and the Importance of Customers:

Key to success is setting up strategies on how to make your product or service visible to the public. As always, also focus on the importance of the sustainability aspects of your business. There are several ways to make your product/service known to potential customers, such as direct marketing, advertising, sales promotion and, increasingly important, social networking and social media sites. For consumers see chapter 6.

Management and Organization:

This chapter is about the people behind the idea and the business. The description of your business plan as well as the organizational aspects of the start-up is particularly interesting for financial institutions. Outlining and highlighting the experience – professional and academic successes – of all team members will facilitate the quest for funding. Further on, describe organizational aspects, such as the prospective business structure as well legal and tax issues. Innovative strategies of human resource management should also be included.

Finances | Financial Plan:

One of the most important sections of your sustainable business plan, both for the founders and potential investors, is your financial plan. Your financial plan aims at depicting the financial future of your venture. A good starting point is a sales forecast. In this forecast, you project your sales over the next three years. In order to see what your sales actually cost you, you will need to create an expenses budget. Also, create a cash flow statements, income statement, deal with assets and liabilities, break-even analysis.



How did you come up with your business model? Briefly explain its key points and major innovations

"Tyroler Glückspilze are the very first producers of mushroom-spawn ("seeds of mushrooms") in Austria. Our company is one of the very few in Europe that are certified for organic farming. Many other producers use conventional brood for organic mushroom spawn production. Therefore, our goal is to establish organic mushroom farming as a new branch in Austria. Various innovations as well as cooperating with research establishments such as the Mushroom Research Center Austria (MRCA) and universities made it possible, that in the future many more organic mushroom species will be introduced and a variety of new products will be developed.

Since I was interested in mushrooms and mushroom-farming since my childhood, I founded the Mushroom Production Center GmbH in 2012. Under the company-owned brand „Tyroler Glückspilze“, we produce mushroom substrate and spawn used for the cultivation of gourmet-mushrooms such as Champignon, Shiitake or Reishi and distribute them to organic mushroom farmers. Further, we focus on the production of organic medicinal mushrooms for our dietary supplement as well as on the production of mycorrhiza fungi for fertilizer."

>> Mark Stüttler, Tyroler Glückspilze

"The idea for SMILEAT was born in Dublin when I realized that while most of the organic fruit and vegetables in Ireland originally come from Spain, there is no Spanish organic baby food brand. This is how we started to develop our business model."

>> Alberto Jimenez, Smileat Ltd

6. Consumer & Marketing

Sustainable consumption and production (SCP) can be defined as „the use of services and related products, which respond to basic needs and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardize the needs of further generations.“⁸

In recent years, there have been major developments regarding the field of sustainable consumption. Nowadays, sustainability strategies of start-ups and established businesses are characterized by a stronger focus towards the market and the consumer – it's about delivering value to the customer while decreasing the environmental and social impact. Also, more importantly, sustainable consumption has entered public awareness and is now turning into a big consumer trend. Consumers are increasingly aware of what they consume, how it is produced and what social and environmental impacts it generates. The broad terms "Sustainability" and "Green Economy" have found their ways into consumers' minds. Consumers wish to consume without worries and are increasingly demanding sustainable goods, i.e. products that are organic, regional, seasonal, and fair-trade and that are produced in an employee-friendly way. Due to the big demand, businesses are now using sustainability as a selling point. Many companies now mark their products as sustainable and nearly all include sustainability issues and goals into their official reports.

Key to success for green entrepreneurs is to develop their very own marketing strategies. For that matter it is important to understand their potential consumer's problems, interests, beliefs, desires as well as the consumers surrounding.

⁸ Norwegian Ministry of the Environment (1994). Oslo Roundtable on Sustainable Production and Consumption.

How do you differentiate your start-up from the “competition”, especially regarding your marketing and communication strategies?

“We designed a unique product. The Wohnwagon is a 25m2 unit for independent living. It has its own photovoltaic-system, water treatment system with a green filter on the roof, combines solar-wood-heating, biotoilet etc. We were working together with research institutes to develop a product that offers a completely new perspective on the question: What do you really need for a good life? We put this philosophical question in the core of our marketing activities and tried to make people think about their way of living. We started a discussion and involved many people in it from the beginning; I think this is how we managed to create a special dynamic about our topic.”

>> Theresa Steininger, WW Wohnwagon GmbH (Austria)

“The key differentiation to other fashion stores lies in the fair and sustainable production of the clothing. The target group of my business consists of people who are health and environmentally conscious and socially committed. I don’t see the big multinational fashion companies as my competition because we have different target groups. So in the communication I try to focus on the message of fair trade and sustainability. As I don’t have a big budget for marketing, I use mainly the internet, email, social networks online and offline for marketing and communication. I don’t see other eco fashion labels as competition either. We all have the same vision of a more sustainable and fair fashion industry. That is why we try to cooperate and collaborate spreading the message and to achieve together the goal of making fair and eco fashion more popular.”

>> Cordula Müller, IDIKA Moda (Spain)



7. Finance

“At its most basic definition, finance is the act of allocating capital to individuals and businesses that want to make productive use out of it. [...]”⁹

The financial side is of crucial importance for sustainable start-ups. In this chapter, we provide a short overview of the most common as well as most recent financial instruments and options available for start-ups. Understanding, raising and properly managing financial resources is a must for any business to succeed and fulfil its goals. In this sense, to determine the viability (financial feasibility) and readiness for investment of a business idea, we turn to a financial plan and real sales figures, e.g. first year of operations to back it up and attract potential investors. Besides traditional investors and banks, a new wave of funding mechanisms such as crowd-funding, financial cooperatives, micro-credits, ethical banks, etc. are emerging, well in line with the inherent characteristics of green businesses and growing in popularity and reach.

These funding mechanisms can be essentials for start-ups at crucial stages of its development like birth (to be able to operate) or growth (to scale up). Traditionally, banks (loans), business angels (equity or loans), or the public administration (subsidies or loans), were the major and only sources of funds available for entrepreneurs. Nowadays, the possibilities have multiplied and a wide range of new and non-conventional funding mechanisms have arrived for the benefit of green businesses and the democratization of the economy, including:

- Family and friends: Many start-ups and new enterprises rely on and need the trust of people to invest in the new business until it is established enough. However, one should be very careful and always put the mone-

⁹ University of California, Berkeley (derived on April 20, 2014). Sustainable Finance. <http://responsiblebusiness.haas.berkeley.edu/programs/sustainablefinance.html>

tary amount given by friends and family in writing. Examples are promissory notes or short-term loans.

- Crowd-funding: a project raises funds (and markets itself) through a myriad of small contributors (the people, the crowd) that, usually by means of an internet-based platform, make donations (incentivized by rewards or gifts), pre-buy products/services, or acquire equity. It has become a common means for green and social start-ups, non-profits and alike.
- Financial cooperatives: a group of individuals come together to set up a cooperative to democratically manage a common fund (addition of savings), and grants fair and affordable loans to its members. Sometimes the legal form of a cooperative is not necessary, and the process (peer-to-peer lending) simply means that a group of (unrelated) people lend money to each other. Usually, special online platforms or websites are used.
- Micro-credits: small loans adapted to the needs (quantities, return periods ...) of small business owners, and invested by companies or non-profits. Financial cooperatives usually offer this type of loans.
- Ethical banks: a new banking philosophy based on transparency (the lenders know exactly where their money goes), ethical investments (funds are only invested on sustainable projects) and fair and affordable conditions for borrowers. There is an emerging number of this kind of banks in Europe today.

What sources of funding are available to you?

"All self-funded from life savings. Not one grant, award or partnership.

It has been so important to remain independent of 'other people's potentially different interests."

>> *Alyssa Jade McDonald-Bärtl, BLYSS GmbH (Germany)*

"Public and private funding",

>> *Alberto Jimenez, Smileat Ltd*

"Private savings. My objective is not to depend on external funding."

>> *Cordula Müller, IDIKA Moda (Spain)*



Project Management Organisation



UnternehmensGrün, the German Federal association of green economy, was founded as early as 1992.

Representing more than 160 members, the association campaigns for a sustainable economy in Germany.

It is a nonpartisan, non-profit and financially independent entrepreneurs association. Together with the experts from within the ranks of its members and the executive board, UnternehmensGrün contributes to the legislative process, is consulted in hearings of the German parliament (Bundestag) and develops concepts for sustainable economic development. The association draws on a wealth of experience in sustainable development and green start-ups and green entrepreneurship. UnternehmensGrün is a founding member of Ecopreneur.eu.

www.unternehmensgruen.org/en

Project Partners



Ecopreneur.eu is the alliance of national green economy associations. The alliance represents more than 1.000 sustainable businesses. Since many years, the founding member organiza-

tions contribute actively to the political decision-making process in their respective countries. Ecopreneur.eu is the alliance of entrepreneurs, unified in their acceptance of responsibility for our economy, our environment and our society. Together they set a course for sustainable economic policies.

The alliance advocates a genuinely sustainable economy. Ecopreneur.eu lobbies on a national and European level for subsidiarity and decentralization of economic, ecological and social structures. A regulatory framework is needed which rewards ecologically and socially responsible economic behavior, and penalizes resource-wasting economic activities.

The main objectives are:

- Green New Deal and reformation of the European economy
- Promotion of social innovation
- Focus on regional economic structures and small and medium-sized companies

www.ecopreneur.eu



Greenbiz Spain is a social enterprise that works at the heart of an ecosystem of actors and organisations to foster the green economy in Spain and globally. We contribute with business solutions that are economically viable and socially empowering to the main environmental challenges of today society.

www.greenbiz.es

Good to know:

The Borderstep Institute Berlin is working on projects on green start-ups as well. A recommended publication is:

Fichter, Weiß et al. (2014) "Analysis of the support system for green start-ups in Germany" http://www.borderstep.de/wp-content/uploads/2015/03/The_support_system_for_green_start-up_companies_in_germany.pdf

For more information see: <http://startup4climate.de/>

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