Ditching "carbon offsetting" for contribution models: An interview with Rupert Staines and Gavin Sheppard

Paul Ferretti spoke to Rupert Staines, Co-Founder and CEO of Vector, and Gavin Sheppard, CEO of Pinwheel, about sustainibility, ditching carbon offsettings and the delicate balance within our oceans.

Temps de lecture : minute

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Rupert Staines, co-founder and CEO of Vector and Gavin Shepard, CEO of Pinwheel, you are both here to discuss why sustainability-focused startups should ditch "carbon offsetting" for contribution models. Coming from two different companies, what do you have in common on this matter?

Rupert: It’s about sharing a passion and a vision. We all need to be better behaved corporate citizens and let alone as individuals and consumers in this world. We come at it from two perspectives in terms of running a business which is all about helping brands grow their businesses and grow their share on a on a marketplace like Amazon, whilst at the same time helping them understand how with working for us, they can help restore the planet as well through funding and contributing to our platform partners. But it's essentially a shared passion and a shared vision.

Whereas Gavin's probably more execution in terms of the actual, let's do it. Let's do the passion of it and we can hopefully sit here and massively support it.

Gavin: Absolutely. Both Rupert and I come from marketing and communications backgrounds, so we've got a sort of a shared history, and in that sense, a shared sense of the power of communications to nudge behaviours - for good or for ill - and a real desire to use those skills to nudge people into making better choices.

When we started Pinwheel, we were aware that the way in which most businesses invested in sustainability wasn't really driving a return on the investment for the planet. That money wasn't having the impact that it ought to have on our shared ecological health, and it wasn't having an impact on the brands either. We sort of come at this from an unashamedly capitalist direction, which is;

If it works for the businesses and they can drive the return on investment from doing this sort of stuff, they'll do it more. And if they do it more and they invest in the right things, then we're going to need billions, trillions of dollars of climate finance if we're to tackle climate change and biodiversity loss, and we can't allow governments to do it. It has to be corporates because that's where the money is.

If we can make that value equation stack up for corporates, then we get a long way to creating the sorts of sums that we need to solve the issues.

Do you think startups and governments can work together to take all climate issues?

Gavin: I think it requires a sort of a tripartite collaboration between individuals, corporates and governments. Governments are really important to set the agenda, set the expectations and the direction of travel. Governments create a great deal of the mood music and the regulatory frameworks for within which businesses take their signals for the things that they ought to invest in. When government is at their best, they lead that conversation and they create the circumstance where innovation can happen. However, I don't think that they can do it alone. It’s about corporates and individuals investing in that and voting not just with their voting card but voting with their pockets and with their choices, by choosing sustainable brands. And that goes for businesses as well; you have a clear choice if you're looking at vector versus somebody else in that area. You know which one is not only going to drive return on this investment for your media spend, but which one is going to drive return on investment for the planet as well. We already see that in choices that consumers and businesses make, and I think that we'll see that increasingly.

Rupert: I think it's painfully obvious that the machine of government doesn't really work particularly well in many, many situations. They can absolutely set an agenda, and that agenda is often driven by the entrepreneurs and innovation that comes from the startup sector. In this country, we're pretty famous for being entrepreneurs, and that innovation needs to thrive. One way of bringing this kind of purpose, this kind of topic to top of mind is to enable and allow the startup community to really drive that innovation and show what's possible. Gavin and I are both entrepreneurs trying to bring a different approach to innovating in this space, in something that we all call sustainability, but that no one has really tackled properly.

Gavin: Startups have also got a huge benefit here, because most of the businesses that I deal with are big established brands, and if you talk to them about their issues in sustainability, they're unpicking decades worth of decisions, from their supply chain through to how you create budget for this sort of work, the whole way in which their business is set up. They may have been doing things like carbon offsetting for years and are now finding it difficult to understand how to transition into a more robust way of doing it.

With startups, you clearly don't have any of those legacy issues. You can hard wire – as Vector have done - the best strategy from the get-go, so you don't have to unpick it later. If you're leading a startup, don't leave this to year two, because you may have to unpick many of the decisions that you make in year one. What's been so impressive about working with Vector is the fact that it's been a core constituent part of their thinking from day one. That's helped them to adopt a really brave and progressive strategy. I don't know whether – even with the best will in the world – that would have been possible if they'd have left it two or three years.

Rupert: It does raise an interesting point around how to bring two industries together and shape it in the way that you create a startup addressing both issues. And I think that's where carbon offsetting is somewhat falling apart, because corporates and SMEs have sort of tried to find a way through somewhat forced upon them CSR programmes. Then there's a new move to the next stage where they've got to measure their carbon footprint, and after that there's a whole other industry of people measuring their footprint. And then it's like "What do we do now? Can we buy carbon credits?".

For us, one of the reasons we were able to hardwire this into our thinking and our business plan is because, we, at Vector, are experts in digital commerce. We know how to communicate and how to help brands grow and sell their products more successfully through a marketplace like Amazon. And whether you like it or not, that is the way the world is now. If someone comes up with a different model to capitalism, I'm all for it, but for now we have to do it.

When we initially looked at how to bring the passion and the purpose into this, we spoke to businesses around the digital space who were looking at how to decarbonise digital advertising and digital marketing. You're going into a whole space which is fraught with immeasurable, undoable things that big companies like Amazon, like Google, like Facebook have to tackle it at source.

We can't do that for them. We are simply customers of their tech, of their platforms.

The way to address that is to say “Well, whilst we can do our own bit as individuals and as a business to be as net zero as we can be in our practises, the reality is we wanted something where we could actively contribute funds into projects that we know are going into projects that actively remove carbon or are restoring biodiversity around the globe.” To our mind, that makes so much more sense. That means we can positively communicate our role in trying to help the planet and encourage our employees, encourage our partners and encourage our clients to get on board with that thinking.

We're not doing it because we want to sell off the back of it, we're doing it because we want to start a movement within our industry. We want to say that we should all be doing this because we could genuinely make an impact, and that's ultimately what really matters. It's not about money, it's not about profit, it's about doing the right thing.

Why do startups need to be equally innovative with the sustainability commitments as with the products and services?

Gavin: It's the top three issue for consumers and businesses. Look at all the indicators, they will show you that businesses and consumers want to buy products and services which are sustainable. It’s becoming less of a hero message and more of a hygiene message. People expect businesses to act in a in a sustainable, responsible way. And therefore you have to hardwire that into what you're doing, otherwise you're not even missing a trick, you're being negligent with your business health. Floodings, wildfires, disruption to the food system, these are all issues that, if not collectively dealt with, are going to make running a business and competing in business really difficult.

Gone are the days where that was something we thought that only our children and grandchildren would have to deal with. We must deal with it now and it's only going to get worse. These will turn into unstoppable headwinds for businesses and will affect startup businesses much more harshly.

For all those reasons, both on the managing risk and on the realising opportunities, you'd be mad to start a business now and not have this in your in trade from day one.

Rupert: We absolutely see it on a day-to-day basis talking to clients, seeing briefs, talking to our partners. In fact, when we launched 10 days ago, we got many messages congratulating us around the model that we have for sustainability. That sustainability model made people sit up, think, look and go: “You know what? That's that's really good.”

If that's the impact we're having, you know with our potential clients and partners, then that’s fantastic. Also, it already is helping us in identifying people who want to join our team.

That generation is absolutely in that mindset of “I can't work for a business that doesn't have this front and centre to what they do.”

For us to be able to get out and find people with the talent and skills we need is one thing, but by saying “By the way, this is massively important to us and it's our passion.”, they lean in even further and that's a great thing. So, if we can attract more talent because of it, then that's beneficial.

Are you aiming to have a global impact or are you aiming to stay more UK focused?

Rupert: The question is how quickly can we become global? We've got to run a business and we've got to run it successfully, carefully and be successful in what we do. And ultimately it is global. We already have two American clients, European clients, Amazon is global and the means and the tools that you need to be successful on Amazon means that we can be operating for clients in America, in Europe, in Australasia.

The aim is to be global and it's a matter of time because the bigger we are, the more money goes into Pinwheel. In an ideal world, I'd love us to get to a size where Amazon are turning around to us going “We think we should be doing the same with you. We'll match fund whatever you do”. We're way off that right now. But that's certainly an aim.

So how do revenue contribution models allow startups to make greater sustainability impact?

Gavin: If we look at carbon offsetting, as the sort of previous normal behaviour, it was based on what you call a tonne for tonne approach. You work out how much your carbon emission is, and you seek to buy an equal and opposite amount of carbon mitigation.

There are issues with that, in that it assumes that a tonne of carbon is interchangeable. It's not. It assumes you can accurately count your carbon emissions and you can accurately count the amount of carbon which has been mitigated somewhere else, neither of which are true, and that those carbon tonnes are interchangeable, which is also not true.

The more robust approach and one which is supported by people like WWF, is what we call a “money for money approach”, which is effectively saying “We will link our sustainability budgets to our own financial performance”. You can do that with the share of revenue, profits or whatever financial metric you choose, but effectively doing that links your sustainability spending to your success. So, as you grow, those sustainability budgets automatically grow. It breaks the old polluter pays model, which is based on emissions, because you could pretty convincingly say you’re just a small team, you’ve got an office and a renewable power contract, your emissions are almost 0, when in reality we live in a carbonised economy and professional businesses are responsible for a certain footprint, both in carbon and on biodiversity.

Doing this means that, much more fairly, people are able to contribute and to link that contribution to their growth. It also means in terms of how you spend that money, you are not handcuffed to carbon projects. If you remove that filter of the projects that you invest in, you can invest in much more powerful stuff.

Rupert: As a business like Vector, we are contributing to projects and there's some sustainability goal on behalf of multiple constituents who we can't measure on behalf of. We don't have the responsibility to do that for them. But the fact is, the more money they spend with us, the more money they make through us, the more we fund these projects.

In effect, we are funding on their behalf. The more we put that to them, the more we will get them to lean in and say “Look, you can contact Pinwheel, hear the details, go create your own sub platform with them, invest in your own projects and take this to the next level with your employees and your staff”.

How can a revenue Contribution model support B2B startups by attracting partners and customers With ESG commitments?

Rupert: Deloitte actually did some research on this.

31% of consumers say that biodiversity influences their purchase decisions.

About quarter of consumers say that carbon credentials do

26% say that it justifies paying more for product and service.

There's another important point which we haven't yet touched on, which is to offer a choice to consumers and to businesses about the way in which those funds are invested. So what Vector are doing and what all Pinwheel clients are doing is giving some sort of choice in the projects that are supported to either their employees, customers, or clients. Now that is a really important point of driving trust in the whole process. Research from Boston Consulting Group said that given a choice of the that a business supports drives trust in the brand for 73% of people, Engaging employees and customers in the process to put it front of mind really builds trust in the brand and we know from multiple sources over the years that brand trust equals brand loyalty, and brand loyalty equals profits.

Profit and purpose go hand in hand.

Gavin: Even in the case of Amazon, they themselves recognised that stability is a hugely important part of their business going forward. And they have already committed well more than £8M. They're going to be transitioning from a fossil fuel fleet to an electric fleet delivery, so innovation will continue to happen. But they also direct to consumer, and offer to sellers on their platform the climate friendly pledge, which means that if you fulfil certain criteria, certain certifications around packaging efficiency, delivery efficiency, etcetera, you can apply for a climate friendly badge. As a consumer you can choose to see only climate friendly products in whatever category you're looking at. So that's hugely important.

We hope that that approach will enable us to attract brands who have got similar purpose Speaker and vision in their own DNA.

How does the interplay between biodiversity and carbon create stories that are compelling for staff and consumers?

Gavin: If we take what Vector is doing with sea turtle preservation for example, sea turtles are a keystone species and the delicate balance within our oceans that lies on sea turtle populations being healthy. Plastic in the water is damaging for sea turtles because they mistake if with jellyfish. And then it gets stuck in their system and causes a very, very painful death. So if you can support sea turtle populations in the way that Vector are, you also by extension support sea grass, because sea turtles farm it. sea grass sequesters carbon 35 times faster than a land-based tree.

Supporting sea turtles means you support sea grass, and if you support sea grass, it acts as a plastic filter for oceans.

Thanks to these sorts of interventions, you can have an exponentially large impact and you can tell wonderful magical stories to staff and to consumers which bring them on board with the message, help them understand the issues, encourage them and encourage them to do more in their own lives.

It's so much more powerful than simply saying we're going to buy a little bit of carbon and offset our emissions.

Rupert: It’s the stories and the interconnectedness of our planet.

If people understand that we are just one big organism, then they start to realise the kind of impact that they can have as an individual in their own environment.

Article by Paul Ferretti