

“Green Servicizing”: EPA’s renewed interest in business models that mirror CMS

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The environmental benefits of Chemical Management Services (CMS) are well-established and include: reduced chemical use and waste, better compliance reporting and compliance management, and demonstrated expertise in chemical handling which should reduce risks of spills, exposure and improper disposal. These benefits have engaged US EPA’s interest, as it supports several of the Agency’s goals. The Agency has challenged the Chemical Strategies Partnership (CSP) to explore the feasibility of CMS in non-manufacturing settings such as research laboratories, universities, and K-12 school districts, and is providing support through a Resource Conservation Challenge grant.

CMS’s environmental benefits are not incidental, but arise in substantial part from the basic value proposition to the customer: efficient and high quality chemical management services. Thus, it is also of interest to EPA that CMS, as a business model, has a number of kin. The most closely related are other models that transform the procurement of environmentally problematic goods and services into performance-based arrangements in which the provider is incentivized to *reduce* the customer’s consumption. Examples of these “performance-based procurement” models exist in the areas of energy (ESCOs), waste management services (Resource Management), and logistics (certain approaches to 3rd party logistics), and elsewhere.

Beyond these immediate kin are a broader set of “servicizing” business models. This includes models that employ services to add value in ways that are different from the “business as usual” means to satisfy a customer’s need. In some cases, the customer may no longer purchase the product itself, but the function (or service) that the product provides. In other cases, the changes from “business as usual” are less radical. Regardless, like CMS, these models *restructure the economic relationships that mediate how products deliver function or utility*—and in so doing they often offer an eco-efficiency improvement over “business as usual.”

For the first time since 1999, EPA is examining “servicizing” in a broad sense. The Agency’s Office of Solid Waste (OSW) has commissioned a study seeking information to help determine “the most appropriate, substantive, and effective next steps for using servicizing to aid in decoupling material, water, chemical and energy use from economic growth.” OSW sees servicizing as having an important role in achieving a vision of moving the

American society away from being a waste management society toward a materials management society.

The study seeks to capitalize on large amounts of practical and applied research and policy interest in this area in the past decade, particularly in Europe (where the field is generally termed “Product Service Systems”) and, increasingly, in Asia. However, the focus of the study is the US economy, and specifically the uptake of “high potential” servicizing business models.

“Performance-based” procurement models, including CMS, are a major focus of the study. Recent research in both Europe and Japan confirms that these models, as a class, have special potential to improve eco-efficiency over “business as usual.”

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Mark Stoughton of The Cadmus Group is leading the study. Dr. Stoughton, a longtime affiliate of CSP, recently completed a three-year study of servicizing business models in Japan. He is an invited speaker at the 11th annual CMS workshop in October.

Priscilla Halloran is overseeing the study for EPA, and will also attend the upcoming CMS workshop.