

An eBook excerpt from *Saving The World At Work* by Tim Sanders

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In researching this book, I've interviewed countless business leaders, looking for stories of pioneering innovators who chose to add social value before a market existed. Among the most exemplary is Horst Rechelbacher, founder of the personal care products company Aveda.

Horst (who goes only by his first name) was born in Austria in 1941. His mother dispensed medicines at an apothecary and concocted natural teas, tonics, and extracts for ailing customers. His father, a shoemaker, designed custom shoes out of wood. Due to dyslexia, Horst wasn't a good student. His teachers encouraged him to pursue a trade, so he dropped out of school and found a job at a hair salon. He started out as a cleaner, but at age fourteen became apprenticed to a hairstylist.

Horst's skill impressed his boss, who sent Horst to numerous competitions; by 1958, he'd won two junior national hairstyling championships. Many European championships followed, and soon Horst was invited to the United States to perform in national hair shows. In 1964, after Horst had performed in a Minneapolis hair show, his car was violently rear-ended by a drunk driver. Sustaining numerous injuries from the accident, including a broken back, Horst soon piled up more than \$20,000 in hospital bills. Hospital administrators then seized his passport, fearing he'd flee back to Europe without paying his bill, so Horst went to work as a stylist at a local salon. Within a year, a banker client gave him a loan to start his own salon, Horst & Friends, which soon became one of the city's most successful.

At this point, Horst became interested in hair-care products, conferring with a chemist friend and developing his own brand of hair spray, a strong aerosol polyvinyl chloride (PVC)-based product. The product performed better, had a slightly less offensive smell, and required less spray to hold hair than other sprays. Shortly thereafter, Horst's mother voiced her disapproval of his career because she found the salon experience unhealthy: PVC based hair sprays and certain hair products are potential causes of lung cancer, from which several of Horst's friends later died. Horst's own health was deteriorating; his mother nursed him back to vitality with herbal remedies, reintroducing him to nature's solutions.

Inspired, Horst soon concocted new plant-based products; his first breakthrough was a clove-based shampoo. In 1967, after hearing a moving lecture by an Indian researcher and yogi, Horst spent six months in the Himalayas studying Ayurveda (the ancient Indian system of preventative health care), meeting with local scientists and shamans, and deepening his connection with nature's medicine chest. These travels convinced him that business had to be in harmony with nature. Realizing that the hair-care industry wasn't sustainable—most of its ingredients were in limited supply and ate up precious natural resources—he tackled the puzzle of creating care products that were as good for the environment as they were for the human face.

By 1978, Horst had developed an idea for a company that included concept salons, beauty academies, and a full line of personal-care products made entirely of plants and essential oils. After returning to India to further his Ayurveda training, he formed his company, Aveda, Sanskrit for "all nature's knowledge." Horst was convinced he could create plant-

based hair-care products that would outperform chemical-based competitors. His initial mission statement read: "Our mission at Aveda is to care for the world we live in, from the products we make to the ways in which we give back to society."

In the beginning, Aveda struggled to gather distribution and make word-of-mouth sales; neither salon owners nor customers seemed concerned about hair products' health or environmental implications. But Horst had faith the market would grow, and by 1991, Aveda was clearing more than \$50 million in annual revenue and gaining market momentum.

As one of the earliest adopters of sustainability, Horst was invited to speak at the 1992 Earth Summit in Rio de Janeiro. A year later, he returned to Brazil to meet with leaders from local tribes to discuss possible partnerships synergistic with his product vision and the needs of indigenous people. Back in Minnesota, Aveda chemists discovered that uruku, a rain forest plant, contained a reddish-brown pigment useful in makeup.

This discovery gave Horst a basis for a partnership with the Brazilian tribesmen. He lived among them for several days, observing their daily rituals and habits. Finally, he decided to pursue a business arrangement with the Yawanawa tribe; his company partnered with them to take a clear-cut piece of land and build a village called Nova Esperanca, or New Hope, where they gathered and transplanted over a quarter million seedlings of uruku for Aveda's product line. The company now had an endless supply of low-cost pigment and the tribespeople had an alternative income source to selling logging rights to the remaining rain forest.

Horst was also turning evangelical about the power of natural, nonpoisonous business practices. He eliminated all but 5 percent of petrochemical and synthetic ingredients in his product line; he ensured the bottles in which the cosmetics were sold were comprised of almost 50 percent recycled plastic; he had his R&D team toil away at an innovation to replace the plastic with corn and sugar-beet based packaging that could be reused as compost to grow plants. Horst's dream was to infect his competitors and his industry, so he also introduced a revolutionary line of plant-based fragrances to tackle another problem: synthetic fragrances, which he believed were poison. The product, dubbed Love Pure-Fume, was an immediate cult hit.

Three events in 1997 changed the course of the company's history. First, Aveda discovered that a key ingredient of Love Pure-Fume, sandalwood oil, had been stolen from forests in East India; the sourcing of the product wasn't sustainable and would eventually lead to deforestation. The company immediately ceased production of the fragrance, took the product off the shelves, and sought out a socially responsible source for sandalwood. Love Pure-Fume didn't return for five years, until a sustainable source was found in Australia.

The second major event was Horst's realization that if Aveda were to compete globally, it would have to go public. Absent significant resources, the firm couldn't gain market share from its chemical competitors or the new crop of natural products from other companies he had inspired.

Third, Horst had a chance meeting with Leonard Lauder, the chairman of cosmetics conglomerate Estée Lauder, who was interested in acquiring Aveda to serve as the high-end, high-purpose brand in the Estée empire. Horst trusted Lauder, who assured him that Aveda's mission would remain intact. Horst was also convinced that by placing Aveda inside

Estée Lauder as its crown jewel, he might influence the company's new parent. The same year, Lauder purchased Aveda for \$300 million in cash. Horst stepped down from his role as CEO but remained as a consultant on the Aveda board after the acquisition. During this time, Estée Lauder searched for a new leader for Aveda—one who could combine business skills with the same vision Horst had infused into the company. Two years later, Dominique Conseil, a Frenchman who'd been running L'Oréal's business in Japan, was given the job.

When Conseil took up residence at the corporate headquarters in late 2000, he picked up where the founder had left off: the mission, not the money. In 2001, Conseil's Aveda launched a joint venture with Rare, an American-based conservation consulting company, and the Global Greengrants Fund to empower indigenous people to become economically self-sufficient without sacrificing natural resources. (It was Conseil who, in 2002, struck a deal with an Australian tribe for sandalwood and relaunched Love Pure-Fume.) Conseil continued to leverage relationships with customers and suppliers to raise consciousness. In 2004, retail stores and salons that sold Aveda products expanded their Earth Day promotions to an entire Earth Month. And the company required suppliers to increase the level of postconsumer content in their bottles and packaging.

Most notably, the head of Aveda's packaging development group issued a challenge to Wheaton Plastics (now ALCAN) to increase the postconsumer content of its hair-care product bottles from 45 to 80 percent. Wheaton delivered the required ratio, saved Aveda a million dollars in shipping costs (thanks to dramatically reduced bottle weight), and helped the company spare 140 million tons of unsustainable virgin plastic material. ALCAN took this idea to other product manufacturers, along with the projected cost savings, and helped other companies see the Aveda way.

At the same time, Aveda's marketing group challenged their print advertising suppliers to print on partially recycled paper or lose its business. By the end of 2003, Aveda had announced it would buy ads only in publications that had at least 10 percent postconsumer recycled content. Meanwhile, *The Yoga Journal* silently switched from 10 percent recycled to 100 percent virgin paper in July of 2004. When Aveda ad buyers got wind of this, they stopped advertising in the magazine. By the November 2004 issue, *Yoga Journal* had returned to using partially recycled paper.

Next, Aveda wanted to make an impression on one of the world's biggest publishers, Time Inc. Aveda ad managers asked magazines to fill out sustainability surveys to determine with whom they would advertise, in the process educating publishers about the contribution of publishing to global warming. Inspired by this dialogue, Time Inc. participated in a 2006 study that measured the carbon emissions created by the company's *Time* and *In Style* magazines. The study revealed that a single paper mill Time Inc. used was responsible for almost two-thirds of the company's total carbon emissions.

The corporation then issued an edict that all paper suppliers must reduce their greenhouse-gas emissions by 20 percent by 2012. Aveda educated its customers too; a 2005 survey had revealed that 56 percent of Aveda customers were aware of the company's mission and wanted to participate. When Aveda launched a radical new concept for lipstick, refillable cardboard lipstick shells, these customers responded favorably. According to Conseil, consumers bought not just one refillable case for three lipsticks as suggested, they bought one for six. And they told their friends, becoming a central part of Aveda's ongoing marketing program.

Since Aveda's acquisition by Estée Lauder in 1997, the annual revenues have grown four times, a rate significantly faster than that of almost all other leading consumer goods manufacturers. As Aveda grows, so does its influence.

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