# 21st Century Green Procurement: On the Web

By now, it's something of a cliché to say that the Internet is changing the way we do business. But in fact, many of the Internet's most profound effects on commerce are just starting to be felt and are occurring in areas that may not immediately grab the attention of the general public.

Procurement is one of those areas. In the business-to-business (B2B) sector, there are more than 700 online marketplaces transforming how purchasing is done in scores of industries. It happens in a variety of ways: via online catalogs, exchanges, requests for proposals, auctions, and reverse auctions. Global B2B e-commerce is projected to grow from $200 billion this year to $1.4 trillion in 2002, according to Morgan Stanley Dean Witter.

Following closely on the heels of B2B is a revolution in business-to-government (B2G) transactions. The Federal government has encouraged its purchasers to take advantage of the benefits of e-commerce. Government suppliers are putting their offerings online, making it easier for buyers to source, compare, and purchase products. Of course, the Federal government itself has begun selling on the Internet - for example, via the General Services Administration's GSA Advantage! online catalog, via Buyers.gov, a new site where the government will auction excess inventory, and via the new Federal Logistics Information System (FLIS).

The fact that e-procurement can simplify supply chain management, make product information more readily available, and reduce costs is clearly good news for efficiency buffs and fiscal hawks. It is also a momentous development for environmentally conscious purchasers.

The reason is this: Major obstacles to green purchasing related to availability, performance, and price can be eliminated, or at least greatly reduced, if purchasers embrace e-procurement.

To begin with, consider availability. The Federal government's buy-recycled mandate recognizes that it isn't always easy to identify green vendors, and therefore provides an exception where products "are not reasonably available." What is reasonably available may change, however, when a purchaser can use an online marketplace to instantly locate multiple suppliers of relevant products, and identify which supplier can deliver a certain quantity of product within a fixed time. In fact, as it becomes routine for suppliers to post comprehensive, up-to-date information on the web about product inventory, it will become clear that availability problems have more to do with lack of information than lack of products in the market. As a result, the obstacle of availability should largely disappear.

Green purchasing is also inhibited by concerns about product performance. In fact, the buy-recycled mandate contains an exception where a purchaser determines that a recycled content product is not comparable in performance to a traditional alternative. Too often, however, these determinations are made without sufficient information and simply reflect unfounded preconceptions about the inferiority of green products. The B2B/B2G commerce model should help solve this problem. Online marketplaces can provide users with easy access to essential information about the quality of green products, such as test results, detailed performance data, seals of approval, and ratings and feedback from actual buyers. With this information, buyers will likely find that green products are usually of equal, if not superior, quality compared to non-green products.

Price has been another obstacle to environmental purchasing - and again, Buy Green programs recognize "unreasonable" cost as a permissible exception to mandated purchasing. E-procurement, however, can help dissolve price barriers in a number of ways.

For instance, online marketplaces allow purchasers to compare prices for green products instantly, ensuring that they always get the best value. Increased market transparency should help dispel the myth that green products always cost more than traditional alternatives. Already, purchase prices for some green products (e.g., retread tires, remanufactured toner cartridges) are lower than traditional counterparts. And with e-procurement, prices for all green products should become more competitive. Why? Because suppliers who sell through online marketplaces will have lower marketing and distribution costs and higher sales volume, allowing them to charge lower unit prices even as they generate more profit.

E-procurement will also allow purchasers to make more accurate financial comparisons between green and non-green products; comparisons that go beyond initial purchase price and take into account environmental externalities such as chemical runoff and release of toxic chemicals. Interactive tools will make life-cycle cost analysis easier than ever before, allowing a buyer to immediately compare not just the purchase price, but the relative maintenance cost of the product over any number of years. Just imagine: "Product X costs 10% more today, but click here to see why it will save you 50% over the next five years."

There are also burdens associated with the fact that the market for green products is highly fragmented, with thousands of small and mid-sized companies manufacturing and distributing products. This fragmentation results in high "process" costs (i.e., the time and energy required to search for, compare, and evaluate products), particularly for Federal purchasers who must, in certain cases, obtain multiple quotes or conduct open bidding. But here too, e-procurement can help. Bidding requirements can simply be incorporated into standard interfaces for online purchasing, so that buyers automatically comply with procurement rules.

Finally, online marketplaces allow suppliers and purchasers to take advantage of valuable services related to purchasing.

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Online tracking of product orders means no more expensive phone calls or lost faxes. Replenishment services remind buyers ahead of time when they need to refill an order. Automated reporting makes it easier for purchasers and supervisors alike to keep track of spending and compliance with Buy Green mandates. All these are services that are much harder, if not impossible, to deliver offline.

In short, the B2B/B2G revolution may transform not just how we buy, but what we buy - making it easier and cheaper to procure products that are environmentally preferable.

# Buying "Green" Made Easy

## Government

Green procurement online is quickly becoming a reality. The General Services Administration currently sells recycled content, energy efficient, and environmentally preferable products through GSA Advantage! (see www.fss.gsa.gov/environ).

At www.jwod.com, the online catalog of the Javits-Wagner-O'Day (JWOD) Program, users will find an Environmentally Friendly Products Store.

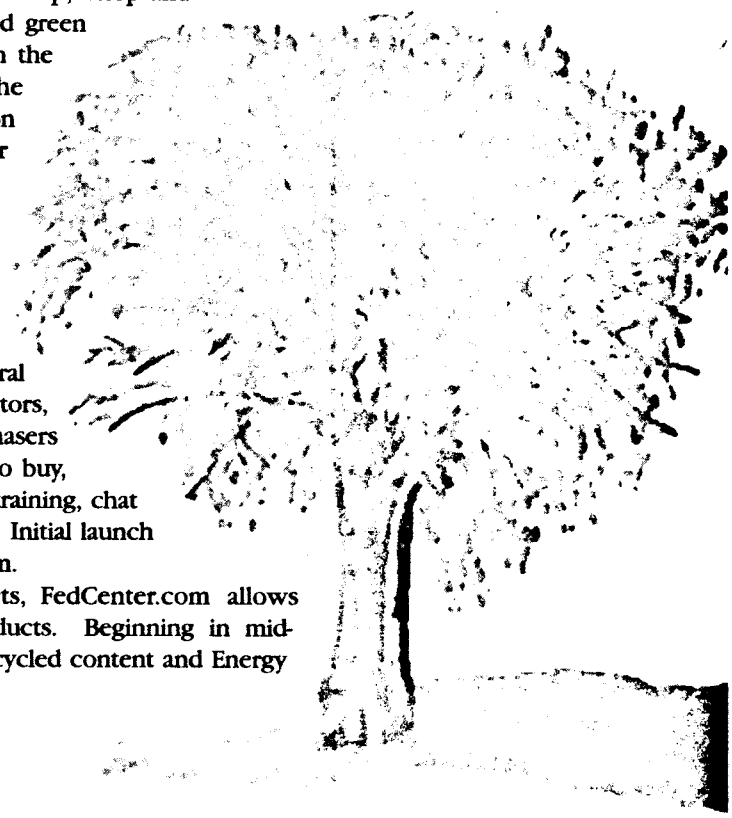
The Defense Logistics Agency (DLA) has made it easier for Federal purchasers to identify "green" products through the Federal Logistics Information System (FLIS), which is commonly known as the Federal Catalog. More than 7 million items of supply are included in the Federal Catalog. A new element has been added to help customers satisfy Executive Order 13101 and the increased emphasis on "buying green." This new element, called an environmental attribute code (ENAC), indicates whether items have positive environmental attributes, or whether they are considered "green." Currently there are four attributes: recycled content, energy efficiency, water conserving, and low volatile organic compound. The presence of an ENAC in the Federal Catalog indicates that a product meets strict, definable environmental standards and criteria from an approved certifying organization, or that a product may be third-party or "service-preferred" as an environmentally preferable alternative product.

In late summer 2000, a new DLA, World Wide Web-based Environmental Product guide (EPRO) will debut. The site will exclusively showcase "green" products and serve as a one-stop, "shop and buy" source for both stock-numbered and part-numbered green products. Customers will be able to shop directly from the guide and order through standard requisitions or the government purchase card. For more information on FLIS or EPRO, visit http://www.epro.dlis.dla.mil or http://www.buygreen.dlis.dla.mil.

## Commercial

At least two commercial, electronic market places will help government buyers to purchase green products. A new company called GreenOrder.com is creating an online marketplace geared to the needs of Federal government employees and Federal government contractors, expanding later to serve state and local government purchasers and the private sector at large. More than just a place to buy, GreenOrder.com will feature news and articles, online training, chat forums, and other valuable green procurement resources. Initial launch will take place in September, 2000 at www.greenorder.com.

While not designed to offer solely green products, FedCenter.com allows government purchasers to find a broad range of products. Beginning in mid-September 2000, purchasers will be able to search for recycled content and Energy Star products within each product category.



***Green products are easily identified in the Environmental Products Guide (EPRO) by this tree symbol.***

# Partnering With Small Business To Create "Green" Opportunities

America's 25 million small businesses employ more than 50 percent of the private work force, generate more than half of the nations's gross domestic product, and are the principal source of new jobs in the United States economy.

Small businesses:

- hire a larger proportion of employees who are younger workers, older workers, and workers who prefer to work part-time,
- provide 67 percent of workers with their first jobs and initial on the job training in basic skills,
- provide approximately 75 percent of the net new jobs added to the economy,
- provide 47 percent of all sales in the country, and
- account for 35 percent of Federal contract dollars.

The Federal government has launched outreach efforts to help make small businesses aware of the advantages of becoming "green." One initiative involves the Procurement Marketing and Access Network (Pro-Net) system. Pro-Net is an electronic gateway of procurement information, for small businesses and about small businesses; it is a search engine for contracting officers, a marketing tool for small firms, and a link to procurement opportunities and other small business information. Pro-Net is an online database of more than 200,000 small, disadvantaged, and women-owned businesses. Pro-Net, which is maintained by the Small Business Administration (SBA), is free to Federal and state agencies, as well as prime and other contractors seeking small business contractors, subcontractors, and/or partnership opportunities.

The White House Task Force on Recycling and SBA are working together to add a "green" identifier to Pro-Net, where small businesses that sell "green" products and services can be readily identified. This will be a plus for small businesses in that it will allow them an opportunity to market their green potential and open up greater procurement opportunities for them. It will also be a plus for Federal government contracting officers and other potential users who are required by law, Executive Order, and the Federal Acquisition Regulation to buy recycled content and other green products. Pro-Net will also contain a link to web sites that contain information on green products. Vendors who provide recycled products and services will be identified first, to be followed by those vendors who provide environmentally preferable products and services, including biobased products.

The Task Force and SBA have partnered in the past to provide information concerning "green" purchasing to small businesses. Materials and brochures on Executive Order 13101, Greening the Government Through Waste Prevention, Recycling, and Federal Acquisition, were distributed throughout the country to Small Business Development Centers to inform small businesses of "green" procurement opportunities and greening the government efforts.

Federal government agencies can take a leadership role in promoting green small businesses. Each agency's Office of Small and Disadvantaged Business Utilization/Office of Enterprise and Development (OED) can get the word out to small businesses by :

- featuring articles in trade publications and other media sources,
- providing information to groups that support small businesses,
- presenting information at meetings and networking sessions,
- hosting "green" products/services events,
- using videos, posters and brochures, and
- posting to websites.

An example of one agency's leadership effort to "green" small business is the General Services Administration's (GSA) new initiative to expand its environmental program to the Small Business community. Last year, GSA awarded $10.6 billion in contracts to small businesses. "We are a big buyer," Administrator Dave Barram said. "That's not lost on us. We know that when we say,'this would be a good thing to do,' it matters to somebody who is trying to make a profit." Jackie Robinson, Associate Administrator, Office of Enterprise Development (OED) added, "With GSA influencing $10.6 billion in the Federal Supply Schedule procurement program, it's easy to see how significant the impact that "Greening Small Businesses" can be."

What does all of this mean to small businesses ?

- As small business owners learn about contracting opportunities, they will also receive information about the agency's environmental focus.
- Small businesses with environmental products will be encouraged to get on the appropriate Federal Supply Service (FSS) Schedule(s). The more environmental products on Schedule, the greater the selection for the customer.
- Standard solicitation clauses already encourage vendors to include their environmental information in their submittal. These clauses will be emphasized to promote to vendors that GSA is looking for "green" products.
- GSA employees will point out to small businesses the benefits of offering environmental products on Schedule by highlighting the marketing advantages and the annual sales of environmental products.
- Small businesses can tout to Federal customers the environmental benefits of their products such as "energy efficient," "made with recycled content" or "contains no ozone depleting substances."

The Federal government has been very aggressive in its

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# Greening Building Design: Eloquent and Environmental

Construction and renovation of Federal buildings provide significant opportunities to use green products and sustainable design concepts. Recognizing this, the Environmental Protection Agency (EPA), the General Services Administration (GSA), the Department of Energy (DOE), and the Department of Defense (DoD) have developed tools and infrastructure necessary to green the Federal buildings of the future. In his July 25, 1998 radio address, President Clinton stated that the Department of Defense and six other Federal agencies would adopt "sustainable design" guidelines for all new federal buildings. Since then, building green has caught on in a tremendous way, not only within the Federal government, but in the private sector as well. Less than one year later, Executive Order 13123, Greening the Government through Efficient Energy Management, was signed, stating that Federal agencies will incorporate sustainable design principles in the siting, design, construction, and commissioning of new facilities.

The first tool needed was the sustainable design guidelines. An interagency working group on sustainable design, convened under the DOE Federal Energy Management Program, developed six principles for sustainable design. The principles cover the essential topics of site, energy, water, materials and resources, indoor environmental quality, and operations and maintenance. The principles can be viewed electronically in the Whole Building Design Guide at www.wbdg.org, an online resource offering practical suggestions for incorporating sustainable design to all agencies and the private sector.

Another necessary tool is the relevant provisions of the Federal Acquisition Regulation (FAR). The sections of the FAR addressing acquisition planning, design requirements, and architect and engineering firm selection all provide for the specification and use of energy efficient, recycled content, and environmentally preferable products. The FAR requires use of specifications that identify materials manufactured with recovered content material, as well as the development of a construction strategy. As a result, agencies such as DoD, GSA, and EPA are requiring architecture and energy firms to specify recycled content and environmentally preferable products.

Specifications, solicitations, and contract clauses are also needed for green building. EPA's Environmentally Preferable Purchasing program is gathering examples of contract language and specifications for green products, including construction products. This data base, found online at http://notes.erg.com, will help construction designers and contractors include sustainable materials in building. GSA developed clauses for its leases, as described in the box accompanying this article.

Believing that good building design incorporates environmental and energy considerations as well as aesthetics, Federal agencies have been leading the way to sustainable building design. As a result of Executive Order 13123, GSA and the Navy require architect and engineering contractors to have experience in designing green buildings and require projects to meet Leadership in Energy and Environmental Design (LEED) certification. LEED, a green building rating system that can serve as both criteria and measurement for building projects, was developed by the U.S. Green Building Council, a national coalition representing all segments of the building industry. Membership in the U.S. Green Building Council has been growing as architects, engineers, product manufacturers, and municipalities want to learn more about sustainable design and how to make it a part of the way they do business. This is essential to change the standards of the construction industry and to continue the trend towards sustainability.

Both a building's overall design and the individual products used in the building's construction and finishing can be green. Recycled content, sustainably harvested, rapidly renewable, and biobased materials must become a part of our standard selection considerations. Fortunately, several Federal programs help us to identify these products. The Environmental Protection Agency's Comprehensive Procurement Guidelines direct agencies to purchase certain recycled content products, including many construction and landscaping products. Similarly, the Energy Star products and Energy Star buildings programs point to opportunities for energy efficiency.

Agencies can support environmental initiatives by becoming leaders in the field. While the governmental funding processes can slowdown an agency's ability to

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"greening of the government" efforts. In the future, a proactive partnership between the Federal government and small business can help us expand our "greening" opportunities and play an important role in protecting the environment, increasing the number of green products and services, and promoting new markets for green products, services, and technologies. We invite small businesses to join with us in the future to create more "green" opportunities.

For more information on the White House Task Force's efforts, visit the web site at http://www.ofee.gov. Information on Pro-Net can be found at http://pro-net.sba.gov. To learn more about the GSA OED efforts, visit the GSA website at http://www.gsa.gov/planetgsa or the OED website at http://www.gsa.gov/oed.