

FACTS OF THE MATTER

We dug through the mountain of data on sustainable retailing to bring you some very interesting insights...

■ *By Team STOrai*

- A Retail Industry Leaders Association (RILA) study found that retailers' programs typically begin with a focus on their own operations—with an emphasis on energy and waste reduction in stores and distribution centers—and then turn to addressing the product and supply chain impacts. Retailers that lead in sustainable practices go one step further by engaging consumers and other stakeholders in the company's journey, and help consumers to understand the full impact of their product purchases.
- Retail companies that perceive sustainability to be a source of competitive advantage are more active in sustainable supply chain engagement – and derive more benefit from those activities – than do companies that address sustainability from more of a risk management standpoint.



► LED lights have become commonplace in retail stores



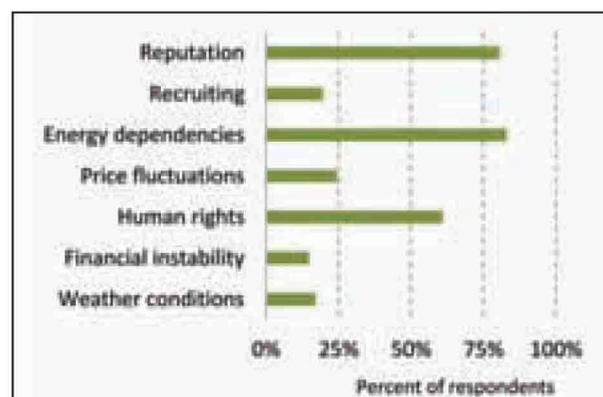
► **Benefits of Sustainability**

- Retail leaders are integrating sustainability strategically into their business model and pursuing tactics i) directly with supply chain partners, ii) internally at various functions and levels of the organization and iii) externally through collaboration with other players in the industry – often through industry-led working groups – as well as governments and non-governmental organizations, which offer guidance and support for various initiatives.
- When it comes to sustainable retailing practices, a report by SmartCentres, Canada found that, one size does not fit all. Company strategies varied widely according to such factors as merchandise category, number of stores, format, size and ownership structure.
- Although the framework for achieving sustainable best practices varied among retailers, there were common threads. These include:
 - A deeply held conviction by the CEO/owner/founder/senior management that the company must reduce its impact on the environment
 - An environmental strategy and plan
 - An environmental management structure
 - Staff who were appointed with environmental responsibilities at the head office and store level

80%
OF RETAILER'S CARBON
FOOTPRINT COMES FROM
PRODUCTS THAT ARE
CARRIED

- External advisors to assist in developing the strategies and providing advice
- Sustainable strategies, actions and indicators integrated into existing operations and management structure
- Policies with broad sustainability principles and specific functional or issue-related policies
- Policies disseminated internally and, most often, externally
- Regular updates of sustainability policies and achievements, typically every one to three years.

- A global study of retailers revealed three strategic focuses, either individually or in combination: operational, market transformation and supply chain. The operational approach focuses largely on bricks and mortar, in both stores and warehouses, and centres on facility retrofits and energy savings. The grocery chains typically pursue this route first. Consumer market transformation focuses on transforming the market with three main approaches: merchandising and marketing, operations and research and development. Home Depot provides an example of this strategy. Consumer engagement or market transformation programs through merchandising and marketing are the most advanced methods and



► **Risk Mitigating Benefits of Sustainability**

All too often politicians and businessmen have said to me: 'You're a businessman, so surely you're opposed to the green agenda?'

They think: 'You cannot make a profit and go green.' They think: 'A consumer society cannot be a green society.' And they believe that developing economies cannot afford to go green.

From my perspective this is all muddled thinking. I fundamentally disagree and I say that if we want long-term growth, we must go green.

- SIRTERRY LEAHY, FORMER CEO OF TESCO

form the cornerstone of their strategy. Their vision has been to search out and develop sustainable products and provide them to their customers at good prices in their Eco Options program. Home Depot's objective is to maximize social influence and reduce the consumer's environmental footprint through the profitable sale of these products coupled with consumer education.

Supply chain market transformation focuses on the supply base and more broadly includes transportation. Research has shown that the largest portion of a retailer's environmental footprint is its supply base. Wal-Mart estimates it to be 90 per cent of their footprint. Private brand retailers have tended to be the pioneers of this strategy since

they have more direct control over their manufacturers and have merchandise made to their specifications. IKEA, for example, has a very extensive and sophisticated network of controls, purchasing requirements and auditing processes.

Over 80 per cent of the companies measure and track energy usage, waste produced and diverted, CO₂ emissions, transportation and water usage. Energy and waste top the list. Many publish goals for reduction and track progress from benchmarks.

ROI is a central focus of environmental best practices. Both large and small leading retailers realize that sustainability provides a very healthy return on investment and further differentiates their businesses. There were three main

approaches to measuring success:

Cost savings—focuses on reducing costs

Carbon emissions reduction—success is a reduction in CO₂ emissions

Revenue generation—success through the sale of green products.

Managing the supply chain is critically important because research indicates that between 80 and 90 per cent of the retailer's total footprint comes from the products that are carried.

The four focal points for retailers in conserving energy are lighting (changing habits, reduction of wattage and retrofits), various building improvements, refrigeration, and tracking usage and reductions. **C**