



# SUSTAINABLE RETAIL '10

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**greeningretail**

It makes good business sense



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consultants inc.



# greeningretail

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# Carrefour

**“...Sustainable development is not philanthropy, it is the measure of good risk development and long-term vision”**

**Robert Halley, Chairman of the Supervisory Board, Carrefour Sustainability Report**



# Tesco

**“...I say that if we want long-term growth, we must go green.”**

**Sir Terry Leahy, past CEO of Tesco**



**Sustainability represents one of the biggest opportunities of the 21<sup>st</sup> century – 90% of the opportunity lies in the value chain...**

**And – it is the right thing to do.**

# High Consumer Awareness



Photograph by James Balog





# Consumer Demand for Green: Strong and Rising

- **17,000 consumers in 17 countries** say that environmentally friendly products are worth it.
- **OVER 50% of the shoppers** interviewed said that sustainability considerations either drive or influence their shopping decisions. (Grocery Manufacturers Association (GMA) and Deloitte Study)
- **Since 2000, green retail sales in Europe have soared by 441%** from EUR10.3bn to EUR56bn today. (Centre for Retail Research)
- **Sales of European green goods set to double by 2015.** (Centre for Retail Research)



# Overview

- **Greening Retail initiative** – What is it?
- **Retail perspective** - broad framework specifically for retailers
- **High level findings**
  - 3 major strategies
  - Key findings
- **Top 5 areas of focus** with case studies illustrating best practices:
  - Governance, energy, waste, supply chain, customer education and marketing
- **Summary**





# Greening Retail Initiative

## Objectives:

***To help retailers reduce their environmental impact and, at the same time, save money and improve their bottom line.***

- Identified Best Environmental Practices of 15 leading retailers around the world
- Communication of results, cases, guidelines, performance indicators, benchmarks, demonstration projects, interactive online database





# Best Practice Retailers

- Aeon
- Alliance Boots
- Carrefour
- H-E-B Grocery
- Home Depot
- IKEA
- LUSH
- Marks & Spencer
- Monoprix
- Monsoon Accessorize
- Mountain Equipment Co-op
- Tesco
- The Musgrave Group
- Wal-Mart
- Woolworths (Australia)





# 14-Point Retail Evaluation Framework

- Corporate Environmental Policies and Governance
- Energy Conservation
- Green Energy
- Solid Waste
- Supply Chain/Purchasing
- Staff Training and Incentives
- Customer Education and Marketing



# 14-Point Retail Evaluation Framework (cont'd)

- Green Products
- Transportation
- Water
- Benchmarks and Indicators
- Return on Investment
- Corporate Social Responsible Reporting
- Environmental Charity Giving



# Selected Findings

## One size does not fit all

- Strategies varied widely

## First at the plate

- Grocery chains, department stores and large space users, specialty stores



*The two most important aims of our company are corporate growth and the reduction of our environmental impact.*

*-Motoya Okada, Aeon president*



# Selected Findings (cont'd)

## Similarities amongst all the companies:

- A deeply held conviction by corporate leaders
- An environmental strategy and plan
- An environmental management structure and appointment of champions with specific responsibilities





# Selected Findings (cont'd)

## Three key sustainability strategies:

- 1) operational – e.g. Carrefour, Tesco, HEB, Alliance Boots
- 2) market transformation – e.g. Home Depot, Aeon
- 3) supply chain – e.g. Walmart, IKEA, LUSH,





# Selected Findings (cont'd)

## Measuring progress

“What gets measured gets managed.”

- Over 80% measure and track energy usage, waste produced and diverted, CO<sup>2</sup> emissions, transportation and water use







# Selected Findings (cont'd)

## Measuring success:

- **Cost savings** – focuses on reducing costs
- **Carbon emissions reductions** – success is a reduction in CO<sup>2</sup> emissions
- **Revenue generation** – success through the sale of green products
- **Return on investment**





# Benchmarks and Measurement Indicators

Best Practices	Top 15
<b>Most Common Internal Benchmarks &amp; Measurement Indicators</b>	
Energy Usage	13
Waste Production/Diversion	13
CO <sub>2</sub> Emissions Calculations	12
Transportation	12
Water Usage	12
ROI/KPIs	9
Packaging Waste	9
Number Of Green Products	6
Plastic Carrier Bags	6
Suppliers Audited	5
Capital Improvement Cost And Return	5



# Woolworths Australia Supermarket Division Carbon Emissions

## CARBON = COSTS

- refrigeration 48%
- Lighting 21%
- air conditioning 19%
- power generator 8%
- bakery 3%
- hot water 1%





# Focus on Five Areas

- **Governance**
- **Energy reduction**
- **Waste reduction**
- **Supply chain**
- **Customer education and marketing**



# Governance

## Number one action for achieving ROI

**Creating management structure and appointing champions with the responsibility of achieving sustainability goals**

- Varies by format and corporate structure
- Small core team/individual



# Governance and Leadership

Summary of Top Leadership Characteristics	Top 15
Corporate Structure	
Environmental Guidance from Leadership	15
Environmental Management System (EMS)	11
Appoint Staff with Environmental Responsibility	11
Draw up an Environmental Plan	10
Integration of Indicators & Business Operation	10
Form Committee with Environmental Responsibilities	6

## Governance and Leadership (cont'd)

Summary of Top Leadership Characteristics	cont'd
Recruit External Corporate Advisors	6
Identify ROI	5
<b>Policies</b>	
Policies with Broad Principles	10
Policies for a Specific Area	8
Review & Update Policies Regularly	8
Disseminate Policies Internally	7
Disseminate Policies Externally	6



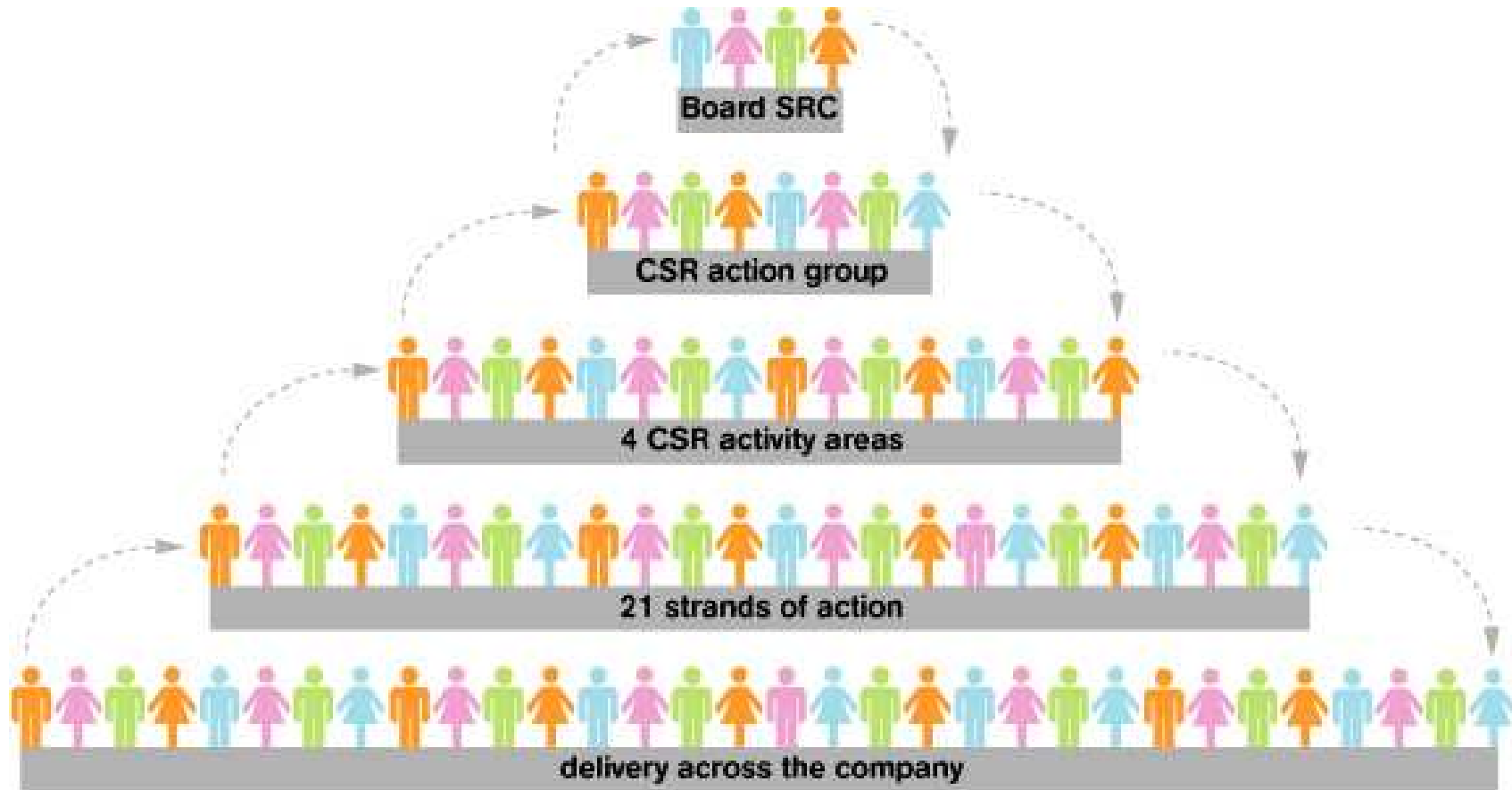
# Governance (cont'd)

- **Wal-Mart** – 14 sustainability value networks through which to implement CSR/sustainability. Small group (10) in US dedicated to Environment. Balance integrated throughout management team
- **LUSH** – Informal senior management group – ‘The Mafia’ makes all key decisions including environmental. Green Helpers in stores
- **Home Depot** - Environmental Council, develops long term strategy. Green teams – implement
- **Alliance Boots** – one of most advanced, formal sustainability management. KPIs embedded in objectives and compensation



# Governance (cont'd)

## CSR MANAGEMENT PROCESS – Alliance Boots





# Energy Reduction

- **Energy costs:**
  - Vary widely by type of retailer and region
  - One of the most significant areas of opportunity for decreasing costs.
  - Can be approx 1% of total sales
  - Top ROI actions



# Energy Reduction

Summary of Top Practices	Top 15
<b>Less Lighting</b>	
Changing Habits (lights out in empty rooms)	15
Reduced Lighting	10
Use Automatic Controls	8
Daylighting	7
<b>Energy Efficient Fixtures and Bulbs</b>	
LED, Fluorescent, T5, T8 (other efficient bulbs)	13
Reduced Wattage	7
<b>Building</b>	
Heating/AC Replacement	7
Test/Showcase Store	4
LEED Certification	4
Government Programme – Support/Awards	3
Building Materials	2



# Energy Reduction (cont'd)

Summary of Top Practices	Cont'd
<b>Refrigeration Changes</b>	
New, More Efficient Refrigerators	6
Secondary Loop Refrigeration Technology	3
Doors on Cases	3
Re-commissioning or Replacing Components	3
<b>Track ROI/Increase in Profit/Payback Period</b>	
CO <sub>2</sub> Calculations	8
Gross Savings	7
Energy Savings	5
Payback Period	3
Annual Rate of Return	3
Increase in Net Profit	3



# Energy Reduction (cont'd)

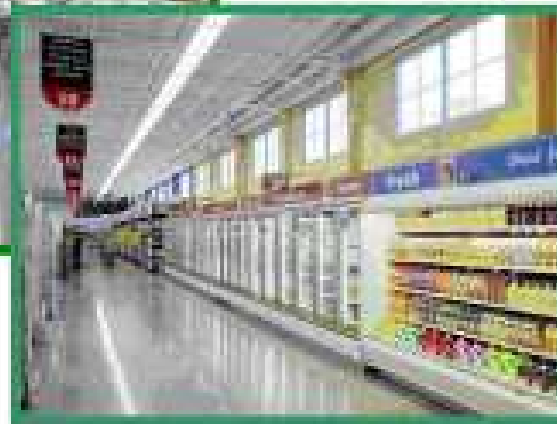
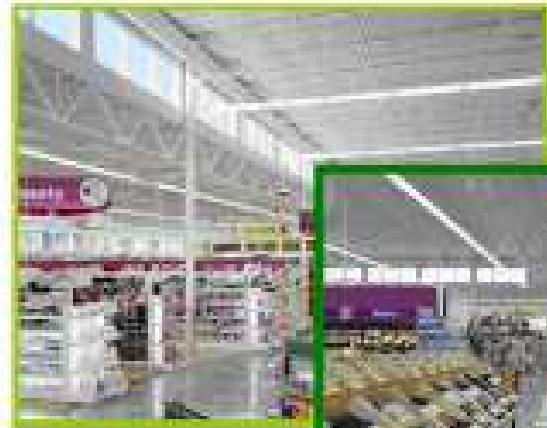
- **HEB** - actions to decrease energy costs:
  - Appointed energy manager. All management bonuses on net income
  - Manager of Planning and Design - LEED certified
  - New lighting in Head office - \$70,000 saved in 1 year
  - Lighting retrofits – generally a 3 to 12 month payback
  - Daylighting and T8s
- **Calgary Co-op stores** - reduced lighting by 50%  
\$2,500 per store per year savings



# Energy Reduction (cont'd)

- **Carrefour**
  - lighting is 20% of total energy costs
  - decreased energy use by 40%
- **Walmart**
  - relamping, reduced lighting, refrigeration efficiencies
  - reduced wattage alone resulted in saving of \$18,000 to \$20,000 per store

# Energy Reduction (cont'd)



# Walmart Refrigeration







# Walmart Geothermal Energy





# Waste Reduction

- **Major cost savings** realized through reduction of waste haulage fees from stores and DCs, tippage fees for biowaste, lower transportation costs, sale of selected waste, reduction of packaging
- **Recycling** - store level, supply chain, DC
- **Reduce** – packaging, waste
- **Reusing** – consumer packaging

# Waste Reduction

Summary of Top Practices	Top 15
<b>Reduce</b>	
Reduction of Packaging Weight	5
Life Cycle Assessment of Packaging	4
Eliminate Individual Item Packaging	4
Reduction of Packaging by Suppliers	3
<b>Reuse</b>	
Bags	9
Other Product Return	4
Customer Education	3
Biomass Packaging	2
Reused Materials in Store Construction	1
Reusable Packaging During Transportation to the Store	1
Reusable Packaging & Materials at Store	1



# Waste Reduction (cont'd)

Summary of Top Practices	Cont'd
Packaging that Customers Take Home	1
Plan for Damaged Goods	1
Donate Unwanted Goods to Charity	2
<b>Recycle</b>	
<b>Recycling at Store</b>	<b>8</b>
Recycling Materials During Manufacturing	5
Closing the Loop	4
Recyclable Packaging	3
Recycling After Customer Use	3
Composting at Store	2
Compostable Packaging	2
Products Made from Recycled Materials	1
Recycled Content in Products	1



# Waste Reduction

- **Alliance Boots**
  - head office and store waste reduction programs yielded savings of \$3.7 mil
- **Target Stores**
  - 80% trashless packaging in softgoods –
  - savings of \$4.5 mil
- **Musgrave**
  - food waste – 95% recovery/diversion to pet/animal food and biodiesel



# Waste Reduction (cont'd)

- **Home Depot**
  - ‘cradle to cradle’ solution for paint
- **GAP**
  - reuse boxes in DCs saving \$3.5 mil
- **LUSH**
  - customer incentives to reuse packaging, many products have no packaging - saved 2.5 to 3 million plastic bottles
- **IKEA**
  - targeting 75% waste diversion, recycling, damaged goods recovery program – saved \$600,000 to \$700,000/year in Canada



# Waste Reduction



**Waste compactor -  
turning waste into \$\$**



# Supply Chain

**Research indicates that between 80% and 90% of the total footprint of the retailer comes from the products it carries**

- Retailers as gatekeepers - ensuring safety and high standards for their consumers
- Environmental stewardship increasingly important to consumers
- Working with suppliers of products and services to reduce their footprint – challenging to implement but can result in significant savings longer term





# Supply Chain and Purchasing Practices

## Top Practices

Establish a Procurement Policy	14
Set Out Standards for Suppliers	12
Audit Suppliers	7
Support Suppliers in Going Green	6
Form Supply Chain Partnerships	6







# Supply Chain (cont'd)

- IKEA
  - I-Way – Code of conduct for purchasing and distribution, supplier audits, FSC certified wood – 4 levels.
- LUSH
  - all products handmade in own factories, all essences natural and fresh
- Walmart
  - product packaging scorecard and ultimately product sustainability index system, require all suppliers to comply in 2010

# Walmart Sustainability Index

## Sustainability Supplier Assessment Questions

<p><b>Energy and Climate</b> Reduce energy costs and greenhouse gas emissions</p> 	<ul style="list-style-type: none"> <li>1. Have you measured and taken steps to reduce your corporate greenhouse gas emissions? (Y/N)</li> <li>2. Have you opted to report your greenhouse gas emissions and climate change strategy to the Carbon Disclosure Project (CDP)? (Y/N)</li> <li>3. What are your total annual greenhouse gas emissions in the most recent year measured? (Enter total metric tons CO<sub>2</sub>e, e.g. CDP 2009 Questionnaire, Questions 7-11, Scope 1 and 2 emissions)</li> <li>4. Have you set publicly available greenhouse gas reduction targets? If yes, what are those targets? (Enter total metric tons and target date, e.g. CDP 2009 Questionnaire, Question 23)</li> </ul>
<p><b>Material Efficiency</b> Reduce waste and enhance quality</p> 	<ul style="list-style-type: none"> <li>• Scores will be automatically calculated based on participation in the Packaging Scorecard in addition to the following:</li> <li>5. If measured, please report total amount of solid waste generated from the facilities that produce your product(s) for Walmart for the most recent year measured. (Enter total lbs)</li> <li>6. Have you set publicly available solid waste reduction targets? If yes, what are those targets? (Enter total lbs and target date)</li> <li>7. If measured, please report total water use from the facilities that produce your product(s) for Walmart for the most recent year measured. (Enter total gallons)</li> <li>8. Have you set publicly available water use reduction targets? If yes, what are those targets? (Enter total gallons and target date)</li> </ul>
<p><b>Nature and Resources</b> High quality, responsibly sourced raw materials</p> 	<ul style="list-style-type: none"> <li>9. Have you established publicly available sustainability purchasing guidelines for your direct suppliers that address issues such as environmental compliance, employment practices, and product/ingredient safety? (Y/N)</li> <li>10. Have you obtained 3rd party certifications for any of the products that you sell to Walmart? If so, from the list of certifications below, please select those for which any of your products are, or utilize materials that are, currently certified.</li> </ul>
<p><b>People and Community</b> Vibrant, productive workplaces and communities</p> 	<ul style="list-style-type: none"> <li>11. Do you know the location of 100% of the facilities that produce your product(s)? (Y/N)</li> <li>12. Before beginning a business relationship with a manufacturing facility, do you evaluate their quality of production and capacity for production? (Y/N)</li> <li>13. Do you have a process for managing social compliance at the manufacturing level? (Y/N)</li> <li>14. Do you work with your supply base to resolve issues found during social compliance evaluations and also document specific corrections and improvements? (Y/N)</li> <li>15. Do you invest in community development activities in the markets you source from and/or operate within? (Y/N)</li> </ul>

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# Walmart Sustainability Index

The index is being introduced in three phases:

- Step 1: Supplier Sustainability Assessment
- Step 2: Lifecycle Analysis Database
- Step 3: A Simple Tool for Customers

<http://walmartstores.com/sustainability/9292.aspx>





# Consumer Education and Marketing

Realization of good public relations value in promoting green

## Considerations:

- Readiness
- Building brand differentiation and trust
- Pitfalls of over-promising and under-delivering, 'greenwashing', liability

**3 main forms of communication** - sustainability reporting, integration into marketing and advertising, partnerships with charitable organizations



# Consumer Education and Marketing

Summary of Top Practices	Top 15
Product Labels	11
Website	10
Posters in Store	9
Regular Publications	8
Community Events	8
Create Community Dialogue	6
Through Sales Associates	4
In-Store Demonstrations and Workshops	4



# Customer Education and Marketing

## LUSH – Naked campaign





# Customer Education and Marketing

- **Tesco**

Loyalty Club card promoting green practices, carbon labeling

- **Marks & Spencer - PLAN A**

CSR reporting for 6 years

- **Alliance Boots and Walmart**

word of mouth – 100,000 ambassadors

PSP's – personal sustainability programs

- **Aeon**

Environmental Foundation – e.g. community tree plantings







# Where to Start

- **Commitment from the top**
- **Environmental management structure and responsibilities**
- **Develop a strategy and plan** – identify what is most meaningful for company, involve stakeholders
- **Take stock of current activities against 14 point framework** – we have checklist to use as diagnostic to assess, identify and rank opportunities
- **Setting goals and ranking by ROI/Cost/CO<sup>2</sup>**
- **Implementation**



# The Bottom Line of Greening Retail- It makes good business sense

## **Marks & Spencer on PLAN A - Because There is NO PLAN B**

“Our sustainability plan has helped to deliver not only benefits to the environment and people across our supply chain but also savings to our customers and our business..... We know our customers expect us to take the lead on ethical and environmental issues, and we will continue to deliver”.

*Sir Stuart Rose, Chairman of Marks & Spencer*



HOME CONTACT US

The goal of the Greening Retail program is to help retailers reduce their environmental impact and at the same time, save money and improve the bottom line.

[Best Practice Database](#) | [Resources](#) | [Featured Retailer](#) | [In the Spotlight](#) | [Our Partners](#) | [Our Sponsors](#)



Greening Retail undertakes research, develops resources and programs, and facilitates demonstration projects to help retailers implement environmental best practices. Greening Retail works in partnership with sector leaders, government agencies and other organizations to provide retailers with the strategies and tools they need in order to take action.

To help retailers find and adopt environmental best practices, we are doing six things:

- **Documenting Best Practices of Leading Retailers:** interviewing leading retailers around the world to discover how they are successfully carrying out good environmental practices.
- **Providing On-Line Resources:** making information, tools and links available to retailers on-line.
- **Courses and Seminars:** partnering with universities to incorporate the wealth of information obtained through our program into existing and new courses.
- **Guidelines, Standards and Certification:** working in partnership to assess the need for and feasibility of developing Greening Retail guidelines, standards and a system for certification.
- **Communications, Partnerships and Publications:** working with sector associations, universities and governments to publish and broadly disseminate program findings.
- **Demonstration Projects:** working with leading retailers to demonstrate environmental best practices, measure results and develop benchmarks.

### The Latest Greening Retail News

September 21, 2010

**For Retailers, Tackling Climate Change on Training Agenda**

Vocational qualifications awarding body ED and Home Retail Group have teamed in partnership to develop the first qualification to improve understanding of environmental sustainability in the sector.

[READ MORE](#)

### Best Practice Database

Find examples of best practices for your operation

[READ MORE](#)

Download the Greening Retail Brochure [here](#). - 640K

### NEW RESEARCH REPORTS

Best Environmental Practices of Leading Retailers Around the World

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