

# Environmentally Friendly Retailing

ACRS Secondary Research Report 2008



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# 1 Environmentally Friendly Retailing

## 1.0 Introduction and Executive Overview

*Going green isn't just good for the environment - it's good for business too. By making green a core value, involving the entire enterprise in a process of transformation that embraces all of the supply chain, environmentally conscious retailers are establishing real green credibility and driving significant competitive advantage.*

- Accenture, 2008

With publicity surrounding the threat of global warming on the rise, environmental consciousness is at an all-time high. In fact, the environment is the most important problem currently facing the World and Australia, according to recent research by Roy Morgan International. However, sustainability is a complex issue: is difficult to define, it affects all business functions, in all regions, and is notoriously difficult to manage. And although it presents implications for all businesses, the retail sector often comes under scrutiny as the ultimate touch point between consumers and industry.

The 'green' industry is estimated to be worth, on average, over AUD\$500 billion on a global scale annually and British WWP Group estimate that global consumer spending on green products will reach £340 billion in 2008. In Australia, the Mobium Group has revealed that Australian consumers currently spend AUD\$12 billion on environmentally-friendly goods and services and an overall growth rate of 20 percent is expected to continue, with current trends projecting the market to reach AUD\$21 billion by 2010. Driving growth of the 'green' movement across the globe are a number of factors, including global and local government initiatives, Non-Government Organisation (NGO) initiatives, company initiatives, as well as the influence of the media. The major environmental concerns underpinning these factors include climate change, carbon emissions, renewable energy, eco homes and buildings, global water supply, genetically modified (GM) foods, "food miles", and increased amounts of pollution.

The green movement has created a new niche market of consumers who are highly concerned about the environment and are willing to do and spend more to be environmentally friendly. Green consumers are those who consistently and primarily discriminate product purchases in favour of the environment. Today's green consumers are most concerned with issues such as reducing their "carbon footprint", waste management, and natural ingredients, which in turn means consumers are increasingly demanding greener products from retailers and brands that have adopted green practices throughout the entire supply chain. In fact, green consumers globally will have an estimated annual buying power up to US\$500 billion in the year 2008.

The year 2007 was the year of high-level sustainability commitments in the retail sector, and 2008 has been more about delivery: of more efficient operations and stores; of better supply chains; of changes to product portfolios; and of messages to consumers to engage them in more sustainable consumption habits. There has been a plethora of green announcements by retailers around the world in 2008, with retailers such as Ikea, Co-op, Wal-Mart, Tesco, Topshop, Whole Foods, and M&S demonstrating the most serious commitments by focusing their entire enterprise around green goals and making every effort to maintain green brand credibility with all stakeholders. Despite the environmental, the Australian retail industry is lagging considerably regarding the emerging challenges of climate change and water scarcity. However this gap is set to narrow as Australian retailers acknowledge their impact on the environment, devising policies to reduce energy, the use of plastic bags and the amount of waste going to landfill. The major trends in global best practice green retail include energy efficient stores, offering energy-efficient products, reducing packaging, green marketing and merchandising, as well as green sourcing and distribution.

There is no doubt that green issues will increasingly impact the lives of consumers and the business world for some time to come. They will also specifically recalibrate every point of retailing - cultural behaviours, the organisational model, merchandise strategy and planning, promotion, access, selling environment, and dollars. There are challenges of course, but the successful retailers are going to be those that have robust strategies in place to deal with the rising cost of oil and commodities, that support suppliers in water-scarce areas, and that work to make the sustainable options more available and affordable.

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As a commercial centre within Monash University's Faculty of Business and Economics and Department of Marketing, the ACRS is a bridge between the academic and the commercial retail worlds, enabling clients to access resources and knowledge that may not be otherwise available to them.

The centre engages in the following areas of activity throughout Australia, New Zealand, South East Asia, and Asia:

- Management development programs;
- Presentations, conferences and seminars;
- Retail research, reports and publications;
- Study tours.

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