

Retail Therapy

Sustainable retailing gets the green light



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Retailing can be a messy business – manufacturing, storage, distribution, packaging, store refits and point of sale changes can all contribute to global warming, waste, carbon emissions, landfill and pollution. Consumers are increasingly aware of the impact that their consumption can have on the environment, and with Al Gore’s prophetic “An inconvenient truth” bringing environmental concerns to the big screen, these same consumers have increasing expectations regarding the environmental credentials of the businesses they choose to shop with.

Thought leaders get ‘first mover’ advantage

Within the global retail industry, thought leaders are recognising that environmentally responsible retailing is not only a point of competitive marketing advantage, it is also a mindset by which a business can leverage its operational effectiveness as it reviews performance and strategies in key cost areas like energy consumption, transportation, packaging and waste disposal.

Tesco’s leading the field

Anticipating and responding to the priorities and demands of the every changing consumer is what keeps retailers relevant and competitive, and is hard to ignore the increasing interest in (and concerns regarding) the environment that many consumers now express in surveys and opinion polls. Tesco have for a long time been recognised as a retailer that demonstrates expertise in understanding and responding to customer expectations, and at the recent World Retail Congress in Spain, CEO Terry Leahy identified ‘green consumerism’ as a key and critical business focus for the future of retail. Tesco is already ‘ahead of the game’ in terms of recycling, labelling, store design, energy management and promotion and reward (the retailer recently introduced ‘green points’ as a component of its loyalty card scheme that rewarded shoppers for environmentally responsible shopping and for using the recycling facilities that exist at many stores for unwanted mobile phones and printer cartridges).

Wal-Mart’s strategic intention

Wal-Mart in the US has also embraced environmental responsibility, investing for example in the development of a hybrid truck fleet, opening energy efficient pilot stores, switching to more efficient LED lighting in key store locations and engaging suppliers in key environmental performance measures. Wal-Mart’s website now features a detailed strategic overview

outlining how the retailer will optimise its environmentally-responsible activities over key areas such as stores, packaging, distribution, energy consumption and recycling. By way of illustration, the company states on its website:

- Our experimental store in McKinney uses solar power to help meet its energy needs.
- We developed an innovative system for recycling plastic bags. The "sandwich bale" has enabled us to divert 1,100 tons of plastic from landfills so far.
- We helped one of our suppliers reduce the packaging on one of their popular toys. As a result, we were able to distribute it using 230 fewer shipping containers, so we saved 356 barrels of oil and 1300 trees

Wal-Mart is also engaging the next generation of consumers in a reward based educational program called the Kids Recycling Challenge:

“Wal-Mart Foundation partnering with elementary schools in 12 states delivers the opportunity for students to recycling their household shopping and grocery bags. Once elementary schools in the 12 states register for the program on www.kidsrecyclingchallenge.com Wal-Mart Foundation sends each school two collection bins and 60 gallon plastic collection bags. Students collect their plastic bag waste throughout the year and bring them to the local Wal-Mart stores to recycle on Monday, Wednesday and Friday during recycling hours. Each school receives a \$5 credit for each 60-gallon plastic collection bag brought to their local store. At the end of the program year the school that collects the most 60 gallon plastic collection bags can win a monetary award associated with first, second and third place. Additional awards are given to those schools for places 4th through 10th place. To help deliver a message of responsible steward the elementary school that places first is awarded an educational assembly based on the principles of reduce, reuse and recycle. From the conception of the Kid's Recycling Program; which incorporated California and Salt Lake City only; elementary students have saved 350 tons of plastic from our landfills! Participating schools have earned \$327,000 in the process.”

As Wal-Mart illustrate, sometimes, it is the little things that can make a difference. Last year, their team partnered with a packaging supplier to improve the packaging of the Kid Connection toy line. Realising that using less packaging saves money and preserves resources for future customers the Wal-Mart team partnered with a packaging supplier to improve packaging in the Kid Connection toy line. By making the packaging a little smaller, they saved; 3,425 tons of corrugated materials, 1,358 barrels of oil, 5,190 trees, 727 shipping containers, and \$3.5 million in transportation costs.

Packaging focus

As the example above highlights, packaging is a big concern, and the implications for carbon emission levels and landfill are particularly significant. Organic suppliers like the US-based Nature's Path have reduced their packaging volumes and improved recycling at their plants, many other retailers, like Meijer, are moving towards selling reusable plastic bags, in their case to reduce the impact that the 30 million bags per month that their customers use. Metro has sold 1.7 million reusable bags in its Canadian stores in just over 12 months, again proving the point that consumers are more than ready to shop with the environment in mind. In the UK Asda has reportedly removed packaging from over 60 pre-packaged products, and plans to reduce packaging on private label by 25 percent. Customer feedback relating to the initiative has been very positive.

The benefits of “green-tailing”

Many other forward thinking retailers from many sectors are proactively working to improve their environmental performance, and reduce the impacts of their activities on the planet. At the same time, many of these retailers are discovering that environmentally-responsible retailing is not only a powerful marketing platform, but an intelligent way to reduce operating costs and improve business efficiency. As well as Wal-Mart, Asda, Carrefour and Delhaize have all investing in energy efficient and environmentally friendly store initiatives, and the benefits seem to be tangible and valuable – US retailer Food Lion has reduced its energy consumption by over 25 percent, and Kroger's greenest store in Ohio will, it is estimated yield a reduction in utility costs of around 80 percent.

Category appeal

An environmentally conscious consumer also presents a niche opportunity for those with entrepreneurial aptitude – in the UK, sales of environmentally friendly and more energy efficiency products in categories such as washing machines and dishwashers have been very strong, with sales of energy saving light bulbs increasing by nearly 60 percent over the year.

The Australian perspective

With the environment firmly on the agenda for both consumers and retailers, and with the energy costs incurred by retailers and distributors continuing to rise, it is a great time for Australian retailers time to think about how their environmental impacts can be reduced, how environmental marketing can be leveraged, and how greater profitability can be yielded from cleaner, greener trading. Australian consumers are especially sensitised to their environment, influenced as they have been by their experiences of recent floods and droughts and

concerns expressed in the media over the future of the Great Barrier Reef, threats to native flora and fauna, deforestation, nuclear power, and pollution of the “great outdoors”.

Australian retailers have a responsibility to the country and to the consumer to quantify the effect that their activities have on materials consumption, carbon emissions, waste, pollution and transport infrastructure, the environment and the consumer and then strategise to minimise the detrimental impact of their activities in a positive and proactive way. This means more than simply removing plastic bags from stores and claiming the moral high ground - it means investing in environmental audits, reviewing store design and operation, assessing logistics and transportation effectiveness, reviewing energy usage and energy sourcing, partnering with suppliers and stakeholders, and educating both employees and consumers in key areas.

Conclusion

If any Australian retailers are taking the lead in strategic, as opposed to tactical environmentally responsible retailing, then they seem to be keeping relatively quiet about it. Where are our environmentally friendly stores? Where are the retailer supported education programs for schools and colleges? Where are the competitions and incentives aimed at the next generation of consumers? Where are consumers recognised and rewarded for shopping in an environmentally friendly way? Australia has a well noted tendency to lag behind other countries such as the US, Canada and the UK in key areas of its retail operation, but this is one area where Australia, because of its unique location and environmental heritage should be leading the retail world, not following it. Australian retailers – it’s time to rise to the challenge of sustainable retailing and show your true colours and be green.

About the author

Steve Ogden-Barnes is a program director with the ACRS, developing and delivering retail courses, seminars, and workshops in Australia and New Zealand. A recent trip to the 2007 National Retail Federation Conference in New York revealed the increasing significance of sustainable retailing for both businesses and consumers in a competitive environment. Steve has subsequently researched this evolving retail dimension which offers opportunities for the protection of the environmental, energy and transport efficiency, customer alignment and marketing leverage.



About the Australian Centre for Retail Studies

The Australian Centre for Retail Studies provides research driven education to those involved in the retail sector through broad based research and information generation, management education programs and the promotion of retailing as a career.

As a commercial centre within Monash University's Business and Economics Faculty 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

The ACRS builds skills, knowledge and understanding at all levels of management from first line appointees to CEOs; because of its unique retail focus the Centre offers advantages over other general management training providers.

Enquiries

Please contact us if you have any enquiries about Retail Therapy or the centre itself. Also if you would like further information about this paper or contributing please feel free to contact **Jeff Rogut**.

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