

The State of Sustainable Retailing

October 1, 2008 – RILA's Environmental Sustainability and Compliance Conference last month featured a unique, interactive session that examined best sustainability practices in the retail sector and provided session participants the opportunity to benchmark their own practices against the best. The approximately 175 participants in this session quickly became very engrossed in the questions and enjoyed the immediate feedback of the responses made possible by the use of the audience response system (ARS). While the results of this session cannot be considered a scientific survey of the retail industry generally, it provides insight into the attitudes and practices of the retailers and suppliers present at the event.

The demographics of the participants were approximately as follows: 70 percent retailers and 30 percent vendors/solution providers. The full retail spectrum was represented, from one small general merchandiser (1%), grocery stores (7%), department stores (9%), small box specialty stores (13%), big box specialty stores (13%), mass merchandisers (14%) and unidentified others (13%). It is important to note that the numbers are the percentage of the total audience represented by people in each category, not the number of distinct companies or brands in each category. For example, mass merchandisers had 14 percent of the people in the room, that is, 24 people. This does not mean that there were 24 different mass merchandiser companies or brands in the room. Mass merchandisers typically each had several participants in attendance, so as a category they are high in overall people numbers but lower in company or brand numbers.

One of the key themes that emerged from this and other sessions at the conference that used the ARS technology is that sustainability-related issues and practices are here to stay, an opinion expressed by the overwhelming majority of participants (95%). The majority of participants (67%) reported that their company leadership is either deeply committed (36%) or supportive in principle (31%) to introducing more sustainable practices in their business. Breaking down the 67 percent majority that reported leadership commitment helps us to see where this commitment is emerging in the retail industry: 86 percent of the department stores, 78 percent of the mass merchandisers, 55 percent of the big box specialty stores; 54 percent of the small box specialty stores, and 27 percent of the grocery stores represented in the room indicate that company leaders recognize the importance of sustainability practice to their business today. An additional 25 percent responded that their leadership is in the process of developing a leadership point of view on sustainability. When asked about all the attention being paid to sustainability in the business world today, 52 percent of the participants indicated that they think this is just the beginning; that we haven't seen anything yet. An additional 43 percent expressed the opinion that sustainability will become as important to business as the Internet.

The business basis—as opposed to other non-business motivating factors—for the growing commitment to sustainability practices indicated above is also unambiguous. In response to a question on the most important reason that their company is going “green,” 41 percent selected economics, 31 percent selected customer demand, and 18 percent selected employee demand, yielding a very strong 90 percent identifying business reasons for their commitment to sustainability, not NGO (i.e., activist) pressure (6%) or government regulation (4%). When questioned on what sustainability is, 76 percent stated that sustainability is a “value creation strategy.”

The data indicate that not only are a majority of the participants' leaders committed to, or supportive of, establishing more sustainable practices, a significant percentage of participants are in businesses that are taking real actions toward sustainability. For example, 89 percent report having waste reduction programs, of which over half make strong efforts to both reduce waste coming into their operations as well as eliminate waste going out; 71 percent report using a restricted substances list (RSL) to guide the specification of materials in products they purchase or manufacture, of which 14 percent go beyond an RSL to using only substances in all their products that are known to be safe for living systems; 66 percent of participants report strategies and action plans to reduce energy consumption including transportation use; 49 percent indicate that their product researchers, designers and developers either follow mandatory environmental standards in the RD&D process of owned-brands today, or have plans under development to do so; 43 percent report integrating environmental standards and specifications into building design and construction *beyond* those required by law; 42 percent have water use reduction plans in place of varying intensity; and perhaps most surprising of all, 42 percent of participants report having already taken steps to calculate and reduce greenhouse gas (GHG) emissions, over half of which report having corporate leadership that is accountable for making annual progress in this area.

Where are companies today compared to where they will need to be in the future? The Nattrasses presented a sustainability learning curve that looks at the evolving corporate understanding of, and focus on, sustainability issues and practices over the past 40 years, and asked participants to indicate where they felt they were on that learning curve. Six percent of participants indicated that they are still in the compliance stage with goals focused predominantly on meeting regulatory requirements; 23 percent reported that they are focused on cost-avoidance, going beyond compliance when needed to avoid financial or reputational risk; 40 percent are focused on eco-efficiency, understanding that good resource stewardship saves money as well as the environment; and 26 percent, the true leaders in sustainability practice, have sustainability as a key value in their company, with leadership driving sustainability integration throughout company operations.

Where do companies think they will need to be in the future? The final question to the participants in this session was whether they expected their business to be more or less influenced by sustainability issues over the next three to five years than it is today. A resounding 93 percent responded that they expect their business will be more influenced by sustainability than today, and only seven percent feel it will be about the same as it is today. Not one person responded that s/he believed that business is likely to be less influenced by sustainability in the future. When taken as a whole, audience responses indicate a very high level of agreement exists among the participants at RILA's first sustainability conference: not only is sustainability here to stay, sustainable practices are good business and will be a growing influence on the retail business world over the next three to five years.

Brian Nattrass, Ph.D., and Mary Nattrass are managing partners of Sustainability Partners. For more information, you may reach them at BrianandMary@sustainabilitypartners.com.