CIRCKLO SECTOR REPORT

RETAIL

Retail faces a unique set of sustainability challenges

About this report

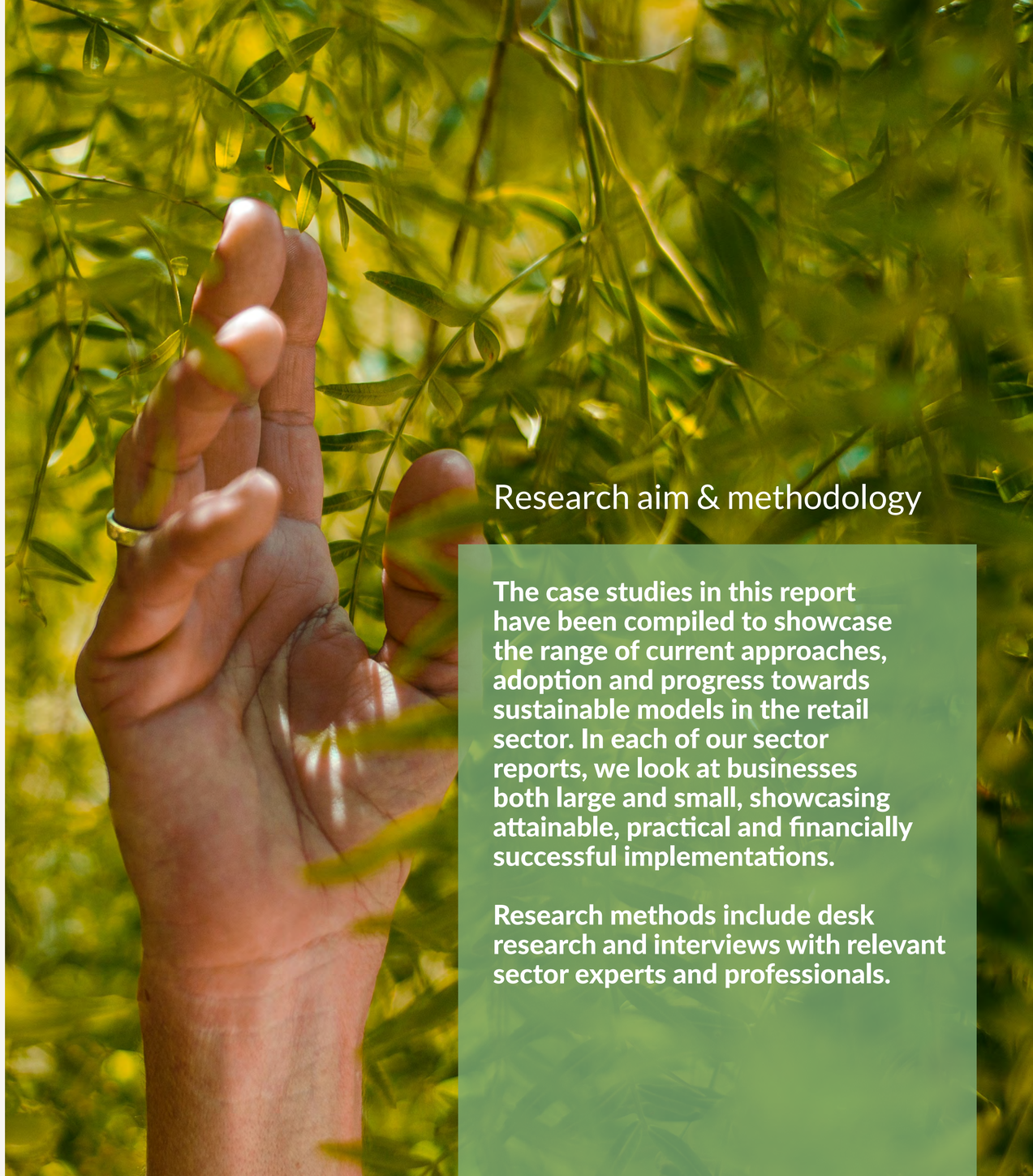
Circklo's Sustainability Sector Reports are designed to help professionals from a variety of backgrounds understand how to implement and scale circular economy practices within their own businesses.

Our Sector Reports contain research and information defining the current "state of circular play" in key commercial sectors and offer definitions and practical advice for planning and creating frameworks and processes, for understanding resourcing and timelines, for implementing activities and for measuring results.

In addition, the reports contain in-depth, real-world examples of circular and sustainability programmes to help you implement successful projects and transformation in your own business. We have also included links to further reading and useful information.

Above all, this report is designed to showcase how attainable sustainability is within businesses of any size. While the global impact of linear models and waste is well-understood, it can often seem overwhelming, and much of the publicly available information on the circular economy is focused on large projects and 'big picture' impact.

At Circklo, we firmly believe that circularity is an ongoing practice which can be successfully embedded in every action taken by every member of a business, driving accelerated growth, lower costs, better customer experiences and a more secure future for any business.



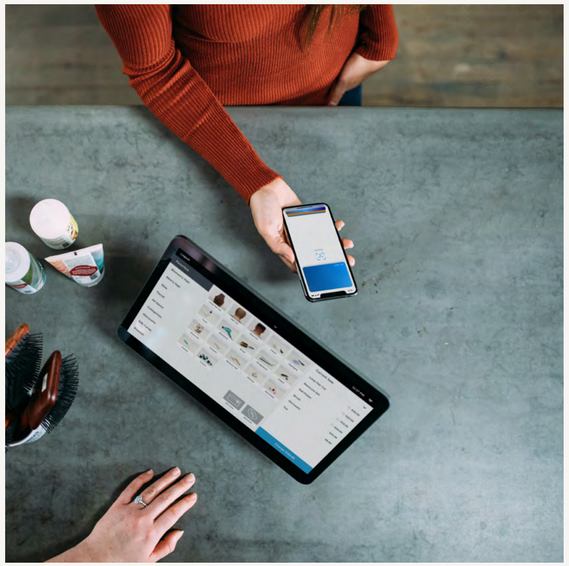
Research aim & methodology

The case studies in this report have been compiled to showcase the range of current approaches, adoption and progress towards sustainable models in the retail sector. In each of our sector reports, we look at businesses both large and small, showcasing attainable, practical and financially successful implementations.

Research methods include desk research and interviews with relevant sector experts and professionals.

About Circklo

Set up in London in 2020, Circklo created the first Business Configurator in the world specialised in digital start-ups for the circular economy. Circklo's main expertise is in developing seed stage start-ups in the sustainability area. It offers start-ups both the opportunity to raise capital and accelerate their business and, also, to configure their business in such a way that purpose and profit can successfully coexist and complement each other in the 21st century digital world, fully using and embracing the principles of circular economy.



Why retail?

There's no doubt that retail faces a unique set of sustainability challenges, challenges which are both distinct from, but also in addition to those faced by the FMCG/CPG and fashion industries.

In our recent report into the FMCG sector, we discovered a wealth of evidence showing that many consumers are willing to change their shopping habits in favour of sustainable brands. In 2016, Nielsen reported that as much as 85% of millennial buyers would be willing to pay more if they knew their regular brands were sustainable, and 84% of all consumers would switch to a new brand with more sustainable credentials.

For retailers, this loss of brand equity is compounded by the rise of the 'Sustainable Mainstream Customer'. When questioned, more than 60% of American shoppers have indicated that while they wish to develop more sustainable shopping habits, they are also looking for products which provide additional benefits: health, cost or environmental.

Increasing consciousness of environmental impact has reached critical mass in the past three years. According to consumer research by J. Walter Thompson:

- 89% "care personally about the planet".
- 92% are "trying to live more sustainably".
- 90% of respondents believe "companies and brands have a responsibility to take care of the planet and its people".
- 83% would always pick a brand with a stronger sustainability record than its competitors.
- 70% would be willing to pay more for products and services that protect the environment and human rights.

Source

In the same report, customers also indicated a desire for greater transparency in packaging and clearer labelling to help inform their buying choices. Indeed, up to 88% of UK/US customers now expect retailers to aid them in making the switch to more sustainable products, effectively providing stewardship, while more than half (62%) also expect brands to absorb any additional cost incurred from this change.

It is worth noting that there is still a large generational shift here. This desire for additional benefits and low costs was more prevalent in the Baby Boomer demographic (76%, vs 40% of Millennial and Gen Z customers), indicating that some older customers view a shift to sustainability as involving a limitation or even reduction in 'normal' levels of quality or service. While this may be somewhat morbidly seen as a medium-term issue which will 'age out', it is concerning given the much larger number of older consumers and their relative access to disposable income when compared to younger generations.

For food retail, this information is particularly relevant given the rise of the discount supermarket brands such as Aldi and Lidl, which were driven heavily by the effects of the 2008 financial crash. As an example, in December of 2009 alone, Aldi saw sales increase by 22.2% in the UK as wealthier shoppers became more conscious of household outgoings.

With similar economic uncertainty in the wake of the coronavirus pandemic, it's notable that retail giant Tesco (ranked as the tenth largest retailer in the world, with revenues of $82.8 Billion in 2018) has begun unveiling strategies designed to combat a repeat of this situation.

While the UK-based giant executed a strategy which managed to return a healthy profit over the long term, there is no doubt that the economic downturn helped discount retailers develop a sizable market segment in territories which had previously been resistant to the 'pile high and sell cheap' approach. Indeed, some still question how sustainable Tesco's recent profit recovery can be, prompting the retailer to comment that it is already prepping for a 'price war' with discounters in the advent of a post-Covid-19 recession.

For food and beverage retailers however, pricing is often the enemy of sustainability. Over the past several decades, Western markets in particular have been conditioned to expect cheap food, often at the expense of sustainable production and nutritional value. In its 2019 report, the RSA was particularly critical of policy aimed at lowering the price – and therefore, the perceived 'value – of food.

“The true cost of that is simply passed off elsewhere in society – in a degraded environment, spiralling ill health and impoverished high streets,”

RSA Field, Farm & Countryside Report, 2019

Moving away from food and beverage retail, the issues and demands of the audience are no less pressing, but it is perhaps easier to envisage some of the solutions and best practices which can shift overall sustainability in a profitable fashion.

For example, shopping products are well-positioned to benefit from operational reform which will allow the introduction of Circular Economy principles (discussed later in this report), extending the life cycle and reducing the component cost for household white goods, while the fashion industry is experiencing a growing internal shift in perception and is making headway in traceability and stock optimisation which have many positive benefits.

While many retailers produce their own products and are able to apply sustainable practices to these (and benefit from the attached consumer recognition), retail stands to gain less from PR-led ‘sustainability projects’, and more from operational reform driven by digital transformation.

As we will see throughout this report, truly transformative innovation in retail is being led by digitally connecting shoppers with experience shopping, increasing the use of AI, the Internet of Things and connected telematics to optimise supply chain and logistics functions, and by a focus on materials science in packaging.

While it is unfair to directly compare many traditional retailers to pureplay ecommerce operations, the rise of Amazon is also emphasising the focus on user experience throughout the sector, leading major retail operations to realise that they can no longer compete on price alone and that, in retail, sustainability does not just mean the provenance of products, but the continued ability to do business in an increasingly competitive landscape.

Executive summary

Sustainability has grown beyond a box ticking exercise for many large retail organisations. Senior teams now realise the commercial imperative of sustainability, although organisational change and the implementation of technological solutions is happening at an uneven pace, and is often constrained to pilot programmes.

As Ethical Corporation noted in 2019, “20% of packaging innovations were rolled out at group level and over 40% were considered to be incremental innovations or small product-level tweaks.”

Key drivers in retail

Consumer demand and changing consumption habits (a process radically accelerated by the 2020 Covid-19 pandemic) have forced many retailers to move quickly and at scale with sustainability initiatives.

A recent Accenture study found that in the UK alone, 62% of consumers preferred to buy from companies which are reducing their plastic usage, while a further 66% wanted greater transparency from businesses about how materials were sourced.

Despite driving demand, **consumers are also keen to benefit from brand stewardship.** There is a keen desire to associate with businesses who offer information and services encouraging greener behaviour, and an awareness that they may fail to carry out ethical behaviours without assistance.

According to data from J Walter Thompson:

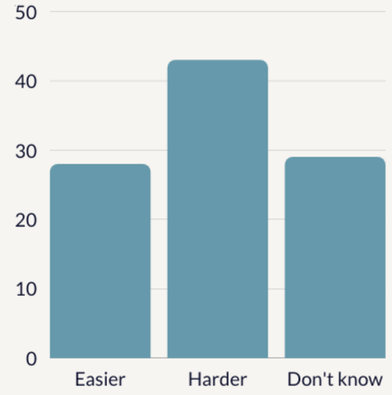
Among the 89% of people who said they recycle at home, only 52% always do so. Out of the 85% who avoid single-use plastics, just 20% do so all the time.

Responding to a survey by Barclays, 85% of customers agree they would "take part in a scheme where delivery drivers took away packaging or plastic bottles as well as dropping off products."

In the same survey, respondents revealed a clear generational gap – older customers are more cynical about brands sustainability credentials. 18% of millennials and Gen Z respondents believe brands have 'very responsible' recycling options for packaging, dropping to just 9% for Baby Boomers.

There is a key opportunity for retailers here; while 88% of US and UK consumers report that they want brands to help them live more sustainably, almost 43% believe that many brands actively make this harder due to an irresponsible approach to sourcing and packaging:

DO BRANDS MAKE IT EASIER OR HARDER FOR YOU TO BE ENVIRONMENTALLY FRIENDLY AND ETHICAL IN YOUR DAILY LIFE?



USA and UK combined percentages.
Survey of 1,004 respondents in the USA and UK. November 2018 for Futerra by OnePulse.

By showcasing their sustainability credentials retailers have a clear opportunity to engage new, mindful consumer segments and gain market share.

In 2018, UK frozen food retailer Iceland underlined this by producing a 'banned' Christmas ad campaign in conjunction with Greenpeace. The ad, which makes a statement against the use of palm oil, received more than 15,000,000 views on Twitter when it was shared by a variety of celebrities, and the brand received far more coverage and awareness than previous, celebrity-led seasonal campaigns had managed.

Retailers who are able to build trust effectively around sustainability have a huge advantage over competitors. One only has to look at the enormous success of businesses like Rent The Runway (shown right), now worth more than $1Bn, to understand that consumer behaviour has altered to an extent where radically different retail models are now viable.

In order to truly capitalise on these shifts however, retailers need to consider the varied effects and perceptions of implementation. For example, technology in particular is a key driver of sustainable change in the industry, but customers and political bodies have expressed concern about the effect of increased automation on the jobs market.

It is also important for retailers to move sustainability beyond siloed sustainability teams, and implement change throughout the organisation.

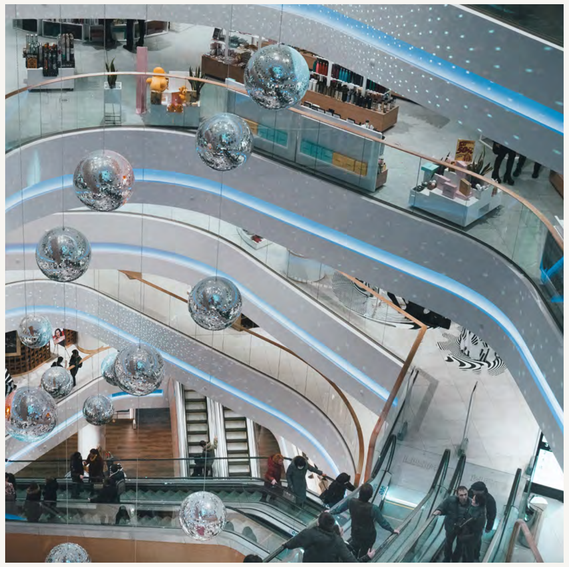
42% of the top 50 global grocery retailers have established a sustainability function, and 14% now have a "Chief Sustainability Officer." But only 10% of these grocery retailers actually measure and incentivize personal performance against key performance indicators of sustainability, and only eight of the top 50 grocers evaluate how sustainability efforts translate into financial outcomes.

Source

There is often a temptation to view sustainability through the lens of 'offset', rather than embark on ambitious change and reaping its commensurate benefits, organisations believe that, for example, tree-planting initiatives can be used to offset carbon produced through 'business as usual'.

While these efforts are laudable and are not without benefit, sustainability in retail is most effective when seen as a result of widespread systems change. Businesses need to consider changing corporate policy, reviewing and altering the way their workforce operate through a well-articulated vision, and simultaneously encourage widespread change in the behaviour of their customers.


Premiär
erbjudande
Beauty
Bar
Beauty bar
Rental Service
Repair & Remake
Café: It's Pleat
Repair &
Remake



Available business models

While sustainable programmes are often limited within large retail organisations, there is a number of clear business operating models developing which offer hope for widespread adoption in the future.

Typically, these models can be adopted piecemeal and applied to single product lines or particular aspects of a business, negating the need for immediate (and costly) change across the entire organisation.

We have defined sustainable models as being hierarchical:

- Process models attempt to redefine and transform the entire production, distribution and reuse life cycle of a given product, creating an entirely sustainable looped system.
- Life cycle extension models involve extending a product's usable life either through repair or remarketing.
- Service models remove ownership entirely, instead promoting a subscription service for physical goods.

While not all retail products are suitable for these models, the sector does have a uniquely broad range of products and services which offer more nuanced application than immediately obvious.

Some key recent examples include:

Process Model

H&M:
Long a leader in sustainability, the international clothing retailer has been working with a number of partner organisations to increase traceability of textiles throughout their life cycle. Parent brand H&M currently works with Eon, using the CircularID platform to enable traceability across all garments.

Enhanced traceability allows producers to recover raw material at the end of a garment's useful lifecycle for reintroduction into the manufacturing process.

H&M is also applying this technology in different ways to appeal to customers shopping at different price points. The company's high-end imprint COS currently partners with VeChain, implementing traceability into luxury items through its bespoke 'MyStory' platform.

Coverage in Creamandpartners explains:

"By using MyStory and VeChain's blockchain technology, COS was able to communicate clearly with customers and promote their sustainability efforts in an educating way. Customers who scan the QR or NFC tag using their smartphones will be able to view the entire traceability history of the product, complete with pictures and videos of the manufacturing process which involves various sustainable materials."

Image courtesy of H&M

Product life extension

John Lewis:
The UK-based department store chain is currently piloting a 'cash for old clothes' scheme in conjunction with Stuffstr, a specialist start-up focused on recirculating clothing.

The initiative is noteworthy as it combines customer data, and offers sustainable practice as a 'perk' or added extra, in exchange for brand loyalty.

Shoppers who sign up for a 'My John Lewis' account can access the returns service through an app which allows them to scan used clothing and receive an offer price. The retailer currently accepts quantities valued at more than £50GBP, collects them via a courier, and repairs or recycles garments. It is interesting to note that the store does not resell repaired clothes in their own outlets, but distributes them through partner services.

While not an entirely new idea, the programme marks a route into the sustainable fashion market which the group has not taken before. Speaking to The Guardian about the scheme, Sustainability Manager Martyn White noted:

Images courtesy of H&M

"We already take back used sofas, beds and large electrical items such as washing machines and either donate them to charity or reuse and recycle parts and want to offer a service for fashion products."

Service Models

IKEA:
Ikea is currently trialling furniture subscription/rental services in 30 global markets, as part of the company's commitment to design all of its products to be reused, recycled or resold by 2030.

Rather than a single, homogeneous trial, the furniture giant is trialling separate models in different markets. In Sweden for example, there is a B2B focus, with Ikea providing furniture to companies, while in The Netherlands the company is developing packages aimed at students.

This switch to subscription-based retail is not a new idea. Indeed, Ikea is entering a somewhat crowded marketplace in some territories, with established brands like Fernish (shown below) actively appealing to an upper-middle urban market segment. However, Ikea's example is interesting in terms of scale. The rental furniture market has been fallow in many western markets since the early 1980s, but the omnipresence of Ikea products is likely to drive customer acceptance.

Eiffel Dining Chair, Teal

$6 / month Retail price: $130

How long? 12 months

How many? 1

Add to cart

DETAILS

A taste of Paris at your table.

Pop a bottle, and turn up the accordion music; the Eiffel Dining Chair brings a ...
View more

Dimensions
Depth: 22.0 in
Width: 19.0 in
Height: 34.0 in
Weight: 18.0 lb

Defining sustainability for retailers

While the circular economy is only part of the wider sphere of sustainability, it offers a solid point of reference for retail because it is directly applicable to the practicalities involved in the physical production and movement of goods, but also in the changing behaviours required to successfully implement circular practices.

The retail industry is uniquely positioned to benefit here. Beyond cost savings and optimisation, sustainability now offers a very real opportunity to connect directly with the customer and to foster not only brand loyalty, but brand advocacy.

In 2020, loyalty to brands has been severely tested by the Covid-19 outbreak. Many companies have faced backlash based on the way they engaged with their staff and their customers during this period, and as economies begin to reopen, many of those who performed poorly (or were perceived to perform poorly) may face increased financial impact when compared to competitors who were seen to 'do the right thing'.

This offers us a microcosm – a lens to view retail customer behaviour through. Sustainability is now a key front in the battle for customers. Multiple studies have underlined that consumers are willing to pay higher prices for sustainable products but, as we have mentioned, customers are also looking for brands who can guide them in ethical, sustainable behaviours.

Above and beyond even this, the modern customer is searching for brands that align with their own ethical beliefs. In a 2019 study by CGS, 20% of Generation Z consumers noted "ethical business and manufacturing" as a top purchasing priority. 28% of customers overall also stated that sustainability was a key driver in brand loyalty.

The modern customer expects more from their shopping experience, and has access to multiple information streams which can affect their financial decisions. Tiny optimisations can affect this behaviour – better bathroom lighting may affect which gas station a customer is willing to stop at - but customers are looking for transparency. Claims about sustainability will be investigated and tested, and those businesses who are honestly committed to change will benefit from greater brand value and improved customer lifetime value (LTV).

Perhaps a better question for retailers to ask is not "how much more will a customer pay for a sustainable product?" but to reframe this for their customers, and help them to understand the true costs associated with non-sustainable retail experiences.

The key technologies impacting sustainable retail

Artificial intelligence (AI)

What is... AI?

The theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.

The applied use of Artificial Intelligence has the potential to affect every point of the retail cycle – from product design to logistics, to marketing, display, pricing and customer experience, so it is perhaps best to consider AI as an overarching 'meta-tech' field, linking other technologies and processes together effectively.

AI IN RETAIL/CONSUMER: PRIMARY USE CASES BY VALUE CHAIN

Product development Product Development	Design optimization Design forecasting Design stimulation Product prototyping
Supply chain management Sourcing Operations Manufacturing	Intelligent warehousing On-demand production Workflow management Real-time product targeting
Channels Retail stores	Store location Optimization Work-flow management Price optimization Market segmentation & targeting
Sales & marketing Sales Marketing	Sales planning & forecasting Assortment planning Competitive intelligence Smart merchandising
Customer management Consumers	Customer relationship management Digital fitting rooms & visualization Customer insights analytics Customer service chat-bots
Regulatory, security & strategy Regulatory Security Strategy	Standard certification detection Safety risk prediction Fraud detection Vendor credit compliance assessment

Source

The Retail sector has already forged ahead with AI usage, and there are multiple cases of supply chain optimisation in the market. However, this type of optimisation is very much the thin end of the wedge. For chain retailers, the ability to tailor SKUs to individual stores offers immense value.

H&M is one business that has already seen positive results from this type of application. In 2018, the company began using AI to quickly analyse and cross-reference data from receipts, returns and loyalty card use in its Swedish stores. This allowed the business to discover whether particular stores hosted more male or female customers, and identify items which sold particularly well – including unexpected popularity for several high-ticket items which were typically understocked.

Continuous application allowed H&M to cut SKUs by 40%, removing menswear in bulk and replacing it with higher-price leather bags and cashmere products.

Speaking at the National Retail Federation's Big Show in 2020, H&M's Head of Advanced Analytics and AI, Arti Zeighami said:

"How you make sure the right product is in the right place at the right time and is transported into the warehouse. Utilising data analytics allows us to do that. You see a significant impact. And we're thinking of how can we do this for our entire production?"

H&M's AI department is expressly tasked with reducing waste and making the business more sustainable, as detailed in its 2018 sustainability report.

In another interesting use case, Walmart also deployed AI throughout its supply chain. However, in the case of the 'Eden' stock control system, algorithms are also being deployed to check the potential shelf-life of perishable items before they are distributed to stores, reducing peripheral waste.

In 2018 Walmart reported that the system had saved the company more than $86 million, and predicted a saving of more than $2 Billion over a five year period.

Above and beyond reducing waste, there are also suggestions that AI could be applied to pricing, allowing stores to factor in elasticity in an intelligent and automatically applied manner. AI has the advantage of being able to consider cross-elasticity within set pricing boundaries (for example, optimised against the pricing of competitors on key products), and applying new pricing in near real-time. After a price is updated, AI can also begin examining new customer behaviours, reducing the reliance on survey data and qualitative analysis to bring insight to market much more quickly.

Robots

In many industries, talking about robots usually refers to virtual robots offering process automation. In retail, the applications are much wider, and often involve the more 'traditional' image of robotics – physical machines which move objects, and interact with workers and customers in a variety of useful ways. Indeed, Boston Consulting predicted the global business spend on robotics to reach $87 billion by 2025, with more than half of that investment coming from the retail sector.

The industry standard for robotics use clearly comes from Amazon. The retail giant currently has tens of thousands of robots working in its warehouses, where humans pick ordered objects from inventory shelves before sending them to robot packers for dispatch.

However there are multiple other niche use cases available. As early as 2016, US homeware giant LOWE's introduced the 'LoweBot', a physical robot which roams the aisles primarily as an inventory tool. The robot also includes a multiple-language interface, allowing it to answer customer questions and guide them effectively through larger stores.

While robots which work directly with customers remain fairly novel, there are clear advantages for retailers wishing to ensure accurate data entry during stocktaking. Robots also represent an effective increase in labour time for repetitive tasks. Autonomous robots have previously been used to carry out non-stop order fulfilment, cutting labour costs by as much as 80%, while utilising a space some 25% smaller than that required by a human worker.

Internet of Things (IoT)

What is... IoT?

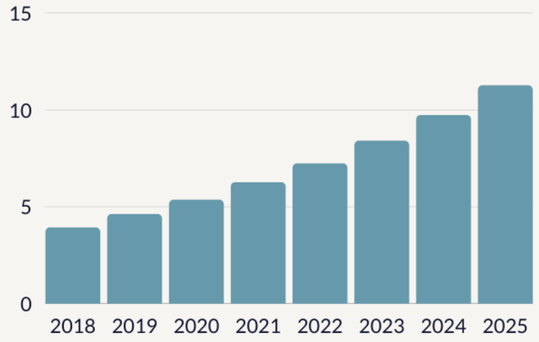
The interconnection via the internet of computing devices embedded in everyday objects, enabling them to send and receive data.

Another overarching technology, the IoT has a multitude of functions and implementations.

While the idea of attaching sensors to products, or embedding them in logistics is hardly ground-breaking, the constant and far-reaching connectivity offered by IoT can be viewed as a driver for much larger change, including allowing brands to transform their models entirely to increase their sustainability and resilience.

IoT is not limited merely to products themselves however. Sensors can be used throughout the retail environment to create a number of experiences and effects.

SIZE OF IOT IN RETAIL INDUSTRY IN US

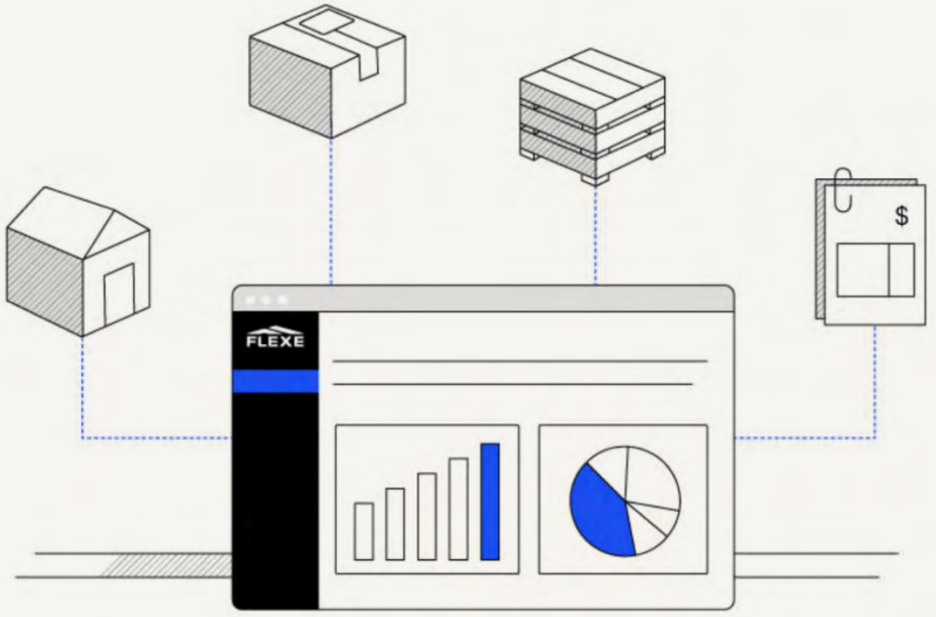


From 2018 to 2025 in billion US dollars.

As an example, AWM has been pioneering smartshelf technology for some time, allowing retailers to display current stock levels and create urgency, combined with dynamic pricing in-store.

Beacons are one of the more obvious IoT devices, and have been widely adopted in retail, allowing stores to merchandise more efficiently and provide a better in-store experience by optimising the flow of customer traffic.

Outside of its owned spaces, IoT is also driving the creation of new marketplaces within the retail ecosystem. One standout example is Flexe (right), a North American business which uses connected stock monitoring to allow retailers to share warehouse space, paying only for what is needed and reducing waste space and the time needed to retrieve or relocate products to different stores.



VR/AR

Also useful in training, VR and AR have long been the darlings of the in-store experience, and more recent applications have begun allowing customers to take experiences home with them as well. According to Gartner data, around 100 million customers will utilise AR to shop online or in-store in 2020 alone.

Gucci are one brand pioneering the enhanced 'try before you buy' experience, allowing users to try on designer shoes in a variety of environments before committing to purchase, experimenting with colours, materials and more to find their perfect match.

The benefits of reduced returns here should be apparent. In a slightly more mainstream market position, IKEAs 'Place' application is designed to provide a 98% accurate sizing for customers designing their home.

Indeed, a recent report from BPR suggested that 48% of consumers say they would be more likely to purchase from a retailer offering AR, but currently only around 15% of global retailers are offering these experiences.

Blockchain

Digital ledgers have fairly straightforward applications for supply chains and inventory, however it is when products actually meet consumers that blockchain's value becomes fully realised.

Once data enters a blockchain, it is almost impossible to falsify or alter it, allowing retailers to offer customers detailed, verifiable insight into the provenance of goods as they purchase.

This has been most readily adopted by the food and beverage sector, allowing customers to understand their production and supply chain clearly, and make choices around more ethical consumption based on this. There are also an increasing number of interesting cases in the luxury market, where blockchain identifiers can be used to cut down on counterfeit goods and guarantee items – as seen in DeBeer's diamond-tracking application, "Tracr".

Speaking to DigiDay in 2019, IBM Blockchain's Marie Wieck has underlined the importance of blockchain in providing credibility to sustainability claims made by brands:

"We're seeing use cases that get at the sourcing decisions, like 'I want to support sustainable farmers,' or 'I want to support local retailers'. Retailers and CPG companies are using blockchain for good as part of their own corporate social responsibility efforts, including, for example, fair-trade certification".

3D printing

The ready application of 3D printing to provide shorter supply chains and increase the availability of bespoke product lines in localised retail hubs should be self-evident. However, many retailers have so far failed to adopt the technology at scale because of a perception that it can currently only provide low-quality outputs at fairly low resolution.

In fact, 3D printing has advanced in leaps and bounds in the past five years, with commensurate costs falling at similar rates, and modern industrial printers can now provide a range of high-quality components in a variety of materials, including high-speed metal component manufacture.

For retailers, cost reduction is not limited to transport costs. Cost-per-part is affected directly, as 3D printing is able to circumvent traditional, complex manufacture processes. In addition, this technology provides the ability for retailers and suppliers to test new products rapidly through on-site prototyping. This localised infrastructure can be married to market research to try new products in stores where they are most – and least – likely to sell, providing a true advance market picture in an extremely short time period. Rapid prototyping also has applications in connection with materials science, allowing retailers to test products in new, lightweight materials for strength and usable lifespan and iterate designs, rather than needing to produce untested units at scale.

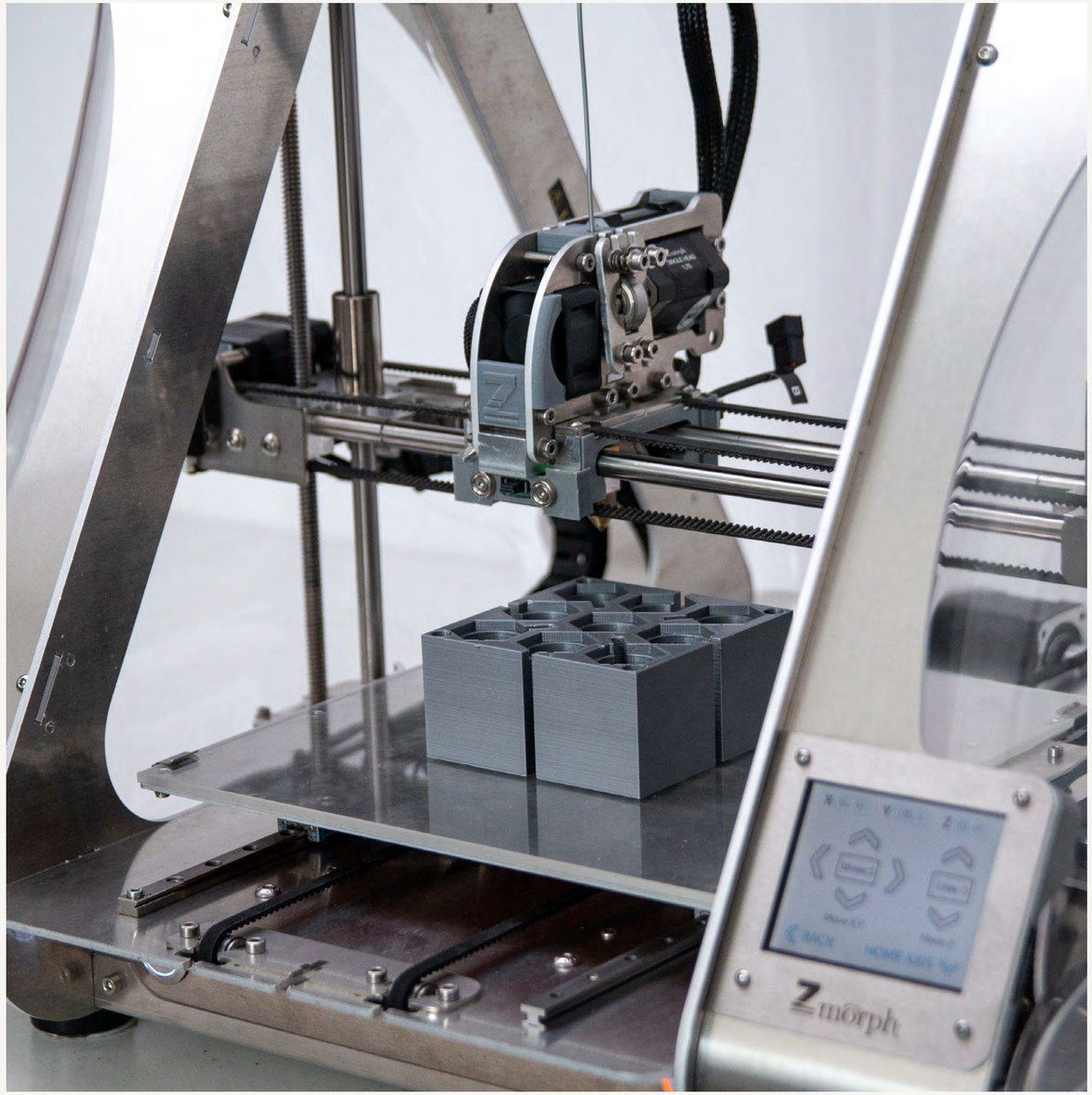
While these advantages are extremely attractive, from a sustainability point of view there are still improvements to be made. The European Council for an Energy-Efficient Economy has highlighted the need for 3D print operations to focus more intently on operational energy usage, with a need to ensure that this does not undo the results of lower waste and transport.

One of the largest use-cases in retail comes from Swedish giant IKEA. Always a leader in sustainability and material reduction, in 2018 they partnered with UNYQ, a manufacturer which previously specialised in medical prosthesis, to produce a range of 3D printed chairs for the gamer market.

Marcus Engman, Director of Design at IKEA Range & Supply has said:

"By teaming up with UNYQ, IKEA wishes to learn how you could utilise photometric and 3D-scanning in combination with 3D-printing to make it possible to personalise products for better ergonomics and a more individualised appearance".

The company has also pursued further partnerships globally, providing customised add-ons to its popular ranges to increase accessibility.



Drones

Based on the prevalence of companies like Amazon, it is most common for retailers to think of drones as a hyperlocal delivery option, but there are more widespread uses, several of which are already providing considerable dividends for the sector.

A number of sources have suggested the use of drones in real-estate management may be a coming trend for retailers.

In addition to providing security, many large retailers rely on local brokers and scouts to find new locations. While several of the advances we have looked at in this report may herald the decline of the traditional ‘big-box’ outlet, centralised drone deployment represents a fast, accurate and cost-efficient real estate scouting opportunity for chain retail.

Finally, drones can provide extremely accurate stock control and increased warehouse efficiency. In the US, Walmart has begun deploying drones.

Go beyond delivery and look at security, and the way Walmart is using it for stock control at scale in larger distribution centres. Drones are able to efficiently mimic the movement of forklifts inside the centres, vastly reducing the time and effort involved in scanning stock.

CASE STUDY

Amazon

The Climate Pledge

COMPANY STATS:

Founded: 1994

Locations: HQ in Seattle, USA

Employees: 840,000

Revenues (2020): $386bn

Image courtesy of Amazon

Amazon is the major force in online retail, with a presence worldwide and a dominant market position in many countries.

The position it occupies means that it can make a huge positive impact in terms of the environment and waste reduction. For example, it currently ships around 2.5 billion packages per year itself, with roughly the same amount being shipped by other couriers and postal services.

Amazon has been working on various sustainability schemes over the past decade and, most recently, has committed to The Climate Pledge, which calls on companies to be net zero by 2040, ten years ahead of the Paris Agreement target of 2050.

Objectives and targets of The Climate Pledge

Amazon has set targets and goals across several areas, including environmental preservation projects, sustainable packaging, and zero emissions goals.

Renewable energy

Amazon has set a goal to reach 100% renewable energy by 2025. To meet these goals, Amazon has outlined five strategies:

- Energy efficiency: to increase the energy efficiency of operations through innovation.
- Off-site renewable projects: Amazon will invest in large scale renewable energy projects.
- On-site solar: The deployment of rooftop solar power systems on the buildings Amazon operates.
- Site energy contracts: to increase the use of renewable energy through the choice of site energy contracts.
- Policy engagement: to support public policy that increases access to clean energy for both Amazon and its customers.

Shipment Zero
Amazon's target is to make all of its shipments carbon neutral, with 50% net zero by 2030.

This covers everything from the fulfilment centre where customer orders are picked and processed, to the materials used in packaging and the way they are transported to the customer.

Amazon's aim is to reduce emissions from three main sources:

- Electricity used to power fulfilment centres.
- Vehicles emissions from the delivery process.
- Emissions from manufacturing and transporting the materials used for packaging.

Electric Vehicles

Amazon plans to have 100,000 electric vehicles on the road for use in deliveries by 2030. It already uses some electric vehicles around the world, but plans to expand this rapidly.

Sustainable Packaging

Amazon aims to make 100% of its packaging recyclable by 2030. The use of appropriate materials is one way to achieve this goal, while customers will be encouraged to recycle more.

Another strand is Amazon's Frustration-Free Packaging (FFP) programme, which encourages manufacturers to package the products they sell on Amazon in packaging that is easy to open, 100% recyclable and ready to ship without the need for additional Amazon boxes.

Right Now Climate Fund

Amazon established this fund, worth $100 million, to contribute to the restoration and conservation of forests, wetlands and grasslands worldwide.

Amazon will work with The Nature Conservancy on projects which help to reduce carbon usage, enhance natural environments and protect wildlife.

Image courtesy of Amazon

Climate Pledge Fund

Amazon's Climate Pledge Fund is an investment programme, initially worth $2 billion, to fund innovative companies with products and solutions which work towards a low-carbon economy.

Organisational and value chain challenges

The sheer size of Amazon's value chain presents some major challenges when seeking to implement more sustainable practices.

Packaging, and the transportation of the goods contained within, accounts for much of Amazon's total carbon footprint.

Efforts to reduce this footprint are varied and require cooperation with suppliers, partnerships with other companies, and its own initiatives.

One example of the latter is Amazon Day Delivery, which is a relatively new option for Prime members. We're all used to making impulse purchases from Amazon at various times and days of the week, and these orders often arrive piecemeal.

This means more delivery trips, more packaging used, more emissions and more waste. Instead, shoppers can consolidate their deliveries into one pre-selected day and save these multiple journeys.

Returns are another issue. A company the size of Amazon naturally generates huge numbers of returns, all of which further contribute to emissions and packaging waste. Amazon has addressed this itself to some extent with packaging free returns for some items, and an increased number of drop off slots.

It also seeks to reuse as many of the returns it takes as possible. Kara Hurst, Head of Worldwide Sustainability at Amazon explains the approach:

"When we receive a returned product from a customer, the first thing we do is understand if we can re-sell this product back. We might need to repair or refurbish it and then we can resell it as an open box.

"To avoid waste, we launched a donation partner program through "Fulfilment by Amazon (FBA) donations", which reduces our overall operational footprint by making sure that products that cannot be sold are donated to those in need. We have a whole series of responsible actions on what the next steps are for these products."

Amazon resells many of its returned products via Amazon Renewed, and also works with partners such as Avides, which handles returns management in several European countries for Amazon, as well as repair and reuse for many returned Amazon purchases.

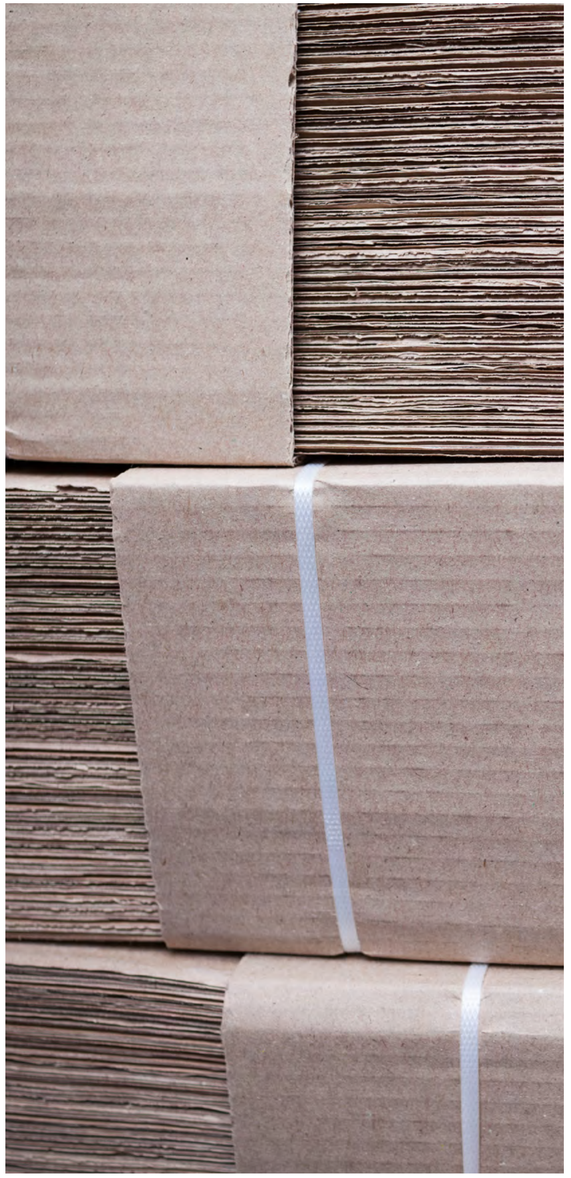
In addition, Amazon Second Chance offers options for returning unwanted goods to be recycled, and information on how customers can recycle every type of Amazon product or packaging they receive.

Partnerships are also key to reduce packaging waste and emissions. To this end, Amazon works with the Recycling Partnership, which aims to increase recycling in the US.

Charity partnerships also help to reduce waste, and include those with Feeding America and Good360 in the US and In Kind Direct in the UK through which Amazon donates surplus food and products for good causes.

Partnerships on packaging have helped to reduce the amount of material used, and to avoid Amazon adding its own packaging to that supplied by the manufacturer. It has worked with Hasbro, Philips, Fisher Price, and Procter and Gamble on packaging.

The aim, as demonstrated by Procter & Gamble's Tide Eco Box, is to make packaging less frustrating and easier to open for customers, and to reduce the amount of material used in packaging and transportation.



The importance of digital transformation

Amazon is fundamentally a digital company, created in the first wave of ecommerce. It has a huge physical footprint though, and reducing this requires a transformation in the way it works and in its relationship with suppliers.

Amazon is often a model for others in terms of digital transformation. The main lesson is, perhaps, Amazon's customer-centricity. It has succeeded to a large extent through understanding what customers want, and what makes them happy.

It frequently achieves high customer satisfaction ratings, thanks to overall speed and quality of delivery, and responsive customer service. The famous question mark emails from CEO Jeff Bezos illustrate the importance Amazon places on customer satisfaction.

It also understands what customers want in terms of user experience. The Amazon website and app are designed to be as easy to use as possible for customers. From quick one click checkout options to saved card and address details, it aims to remove any friction from the process of spending money on Amazon.

A willingness to innovate and experiment are another key strand. Amazon has had failures, like the Fire Phone and Destinations (an attempt to break into the online travel market), but innovations like Marketplace and Prime have been key to the company's growth.

Innovation can be key to driving a more sustainable business model, innovation in packaging and transportation, changing manufacturing process and materials, and finding novel uses for waste are all important.

Impact and results

Amazon's Climate Pledge is still a work in progress, with many of the targets set for 2025 and beyond. However, Amazon has made some progress towards these goals already, as set out in its June 2020 Sustainability report.

Renewable Energy

- The target is 100% renewable energy by 2025. In 2019 it reached 42% of renewable energy use across the business.
- Amazon has 91 solar and wind projects with the capacity to 'power more than 680,000 US homes'.
- Amazon announced four new renewable energy projects in March 2020. For example, the Australian renewable energy project will produce the annual electricity of around 23,000 local households.

Electric Vehicles

- Amazon ordered 100,000 new electric delivery vehicles from the US manufacturer Rivain in 2019.
- It plans to have 10,000 of these on the road delivering by 2022 and all 100,000 by 2030.

Sustainable Packaging

- Since 2015, Amazon has reduced the weight of packaging by 33% and reduced the packaging material used by more than 880,000 tons, which equates to 1.5 billion shipping boxes.
- 100% of shipped packaging in Germany is renewable.

Right Now Climate Fund

Through this fund, Amazon is backing various projects, including:

- Amazon has announced projects to sustainably manage forest land and wildlife in the Appalachian region, with the aim of a net reduction of up to 18.5 million metric tons of CO_2 in the atmosphere by 2031.
- It is funding The Nature Conservancy's Urban Greening programme, which uses nature-based solutions to help cities become more resilient to climate change.

Key Takeaways

- Sustainability projects take time. The goals were outlined by Amazon in 2019 and many targets are set to be achieved in five to ten years or more. Projects like this require a long-term commitment and constant progress towards objectives.
- Digital channels play a huge role. For Amazon, digital channels play a part in consumer education and information, on ways to recycle for example. They can also help make its operations more sustainable, by selling on returned items via Amazon Renewed.
- Effective leadership. This is backed from the very top, and has been driven by CEO Jeff Bezos. It's also driven by senior employees with responsibility for change, such as Head of Worldwide Sustainability Kara Hurst.
- Sustainability and long-term growth go hand in hand. A more sustainable business model reduces waste and leads to cost savings. This may be from returns which are repaired and re-sold, or by using more cost-efficient renewable energy in its facilities.

CASE STUDY

Inditex

Closing the loop

COMPANY STATS:

Founded: 1985
(earlier brand founded 1963)

Locations: Arteixo, Spain

Employees: 176,000

Revenues (2020): €20.4bn

Image courtesy of Inditex

Inditex is the largest fashion group in the world, with more than 7,000 retail stores across 96 markets. It also reaches more than 200 countries through its online retail channels.

It owns eight of the world's most recognisable fashion brands, including Zara, Pull & Bear, Bershka, Massimo Dutti, Stradivarius, Uterqüe, Oysho and Zara Home.

Inditex uses an 'agile fashion' model (sometimes referred to as 'fast fashion') whereby lead times for manufacturing and store replenishment are relatively short compared to other fashion retailers.

A multinational company operating across so many markets will leave a footprint on the environment, but Inditex sees its responsibility in this area. In 2018, it was voted the world's most sustainable company by the Dow Jones Index, for the third year in a row.

The company has been working towards a more sustainable model for some time, with four consecutive Environmental Plans, which started in 2002, with the latest from 2016-2020.

Objectives and targets of Inditex Sustainability Plans

Inditex describes its sustainability programmes as a work in progress, 'a never ending task'. So, over the past two decades, it has had four programmes, and recently announced a new set of targets.

In its 2019 annual report, Inditex sets out its commitment to the UN's 17 Sustainable Development Goals (SDGs), identifying targets where its business model aligns with these goals.

Our Customers

Inditex aims to help people make responsible purchasing decisions.

Our People

A commitment to safe and healthy work environments, promotion of equality, and improving quality of employment.

Integrated Supply Chain Management

To ensure traceability and that health, safety, quality and sustainability standards are applied throughout the value chain.

A Socially Responsible Supply Chain

Iniditex introduced a Code of Conduct for manufacturers and suppliers to establish standards covering health and safety, non-discrimination, and a socially sustainable chain.

Circularity and Efficient use of Resources

To incorporate innovative technologies to reduce consumption and emissions, and to close the productive loop of garments.

Contribution to Community Welfare

A commitment to the development of society through participation in social initiatives.

Inditex sets out a commitment to a circular economy to integrate the concept into its business model by 2023, ensuring that none of the waste generated by its activities ends up in landfill.

There are three strands to this:

- **Closing the Loop**
  This is a commitment to reuse and recycle items and to prevent textiles being sent to landfills. Customers and employees can drop off their used clothing, footwear and accessories at collection points in 2,299 Inditex stores in 46 markets, as well as at other designated locations. Inditex has partnered with non-profits to achieve this and to find a use for recycled goods. The aim is to have an active collection and recycling scheme in 100% of stores by 2020.

- **Zero Waste**
  The aim of this programme is to classify, collect, recycle and recover the waste generated at Inditex facilities. Waste is classified according to the European Waste List (EWL) and recycled thereafter.

- **Green to Pack**
  This programme sets the quality standards around the use packaging, with the aim of increasing the use of recycled materials, and extending the life of packaging and ease of reuse. This helps to reduce consumption of resources and to make the transport of goods more sustainable.

Images courtesy of Inditex

Organisational and value chain challenges

For a company like Inditex which operates fast fashion brands, a drive towards sustainability is a challenge. It can create a huge environmental footprint - indeed, the Ellen Macarthur Foundation estimated in 2017 that the equivalent of one garbage truck per second is incinerated or landfilled.

This requires a thorough examination of the value chain, and the use of technology to record and monitor all the materials used in products, followed by an assessment of each supplier according to its own sustainability criteria.

In 2019, the Inditex value chain consisted of 1,985 suppliers, working with 8,155 factories, with work provided for 2.9m people.

The major challenge for Inditex has been to manage such a large value chain and to implement sustainable policies at all levels to make a big difference to its environmental impact.

Effective oversight and management of such goals has to come from the very top and, to achieve this, Inditex has expanded its sustainability teams, and now has more than 6,000 employees around the world working on sustainability.

It also recently appointed Javier Losada as Head of Sustainability, with Miguel Díaz as Chief Sustainability Officer and has a Sustainability Committee at board-level, a recognition of the drive towards sustainability. This committee advises the Board of Directors on sustainability, and oversees and controls the company's sustainability goals.

Image courtesy of Inditex

The importance of digital transformation

The drive to become a more sustainable organisation has to be backed by a strong business model, and digital transformation plays a key role.

As Executive Chairman Pablo Isla stated in 2019's Annual General Meeting:

"Our digital and sustainability transformation is only possible thanks to the solid business model performance, which is generating the funds needed to reinvest in the company's future"

Over the six years between 2013 and 2019, Inditex invested more than €2 billion in introducing technology designed to enhance the customer experience, and to enable the integration between physical stores and online sales channels.

According to Isla:

"We are now offering our customers an integrated and unique experience in which they can swap the store for the online platform, and vice versa, at any stage in the process to best suit their needs."

Online expansion has played a key role. Some fast fashion brands have been relatively slow to embrace ecommerce, partly due to the relatively low margins on some products. Indeed, Primark doesn't sell online at all.

For Inditex, the aim has been to expand its online reach so that the group's products can be purchased anywhere in the world. So, for example, Zara.com operates in 106 markets where the champion doesn't run any physical stores.

Bridging the physical and digital space is also key, as it gives every customer the choice of when and how to shop. For example, Zara has a connected checkout to pay for online orders in-store, and returns can be made through a choice of channels, while integrated stock management means shoppers can check store stock levels for online purchase and fast collection.

Many of the Inditex sustainability goals are still in progress, but the company has reported progress in its 2019 report.

Overall progress:

- All Inditex headquarters and logistic platforms are eco-efficient
- 100% Zara stores will be eco-efficient in 2020 (one year ahead of target).
- In 2019, Inditex launched to market a total of 7,589 tons of items made with recycled materials.
- 19% of the group's garments were sold under the Join Life label in 2019.
- In 2019, Inditex increased the use of recycled materials by 250%, and the use of sustainable cotton by 105%
- 100% of the cotton, polyester and linen used in Inditex products will be recycled or will come from sustainable sources in 2025.

Progress towards Inditex Circular Economy goals:

Green to pack

- More than 14,000 tons of the company's own cardboard has been recycled for new boxes of Zara online shipments.
- Zara Home has eliminated plastic from its online orders.
- Zara has ended the use of plastic bags in its stores.
- Inditex aims to eliminate the use of plastic in all its stores in 2020.
- Recycled cardboard is used to make the boxes for Zara online orders. The quantity of cardboard collected in 2019 was more than 14,000 tons.

Zero waste

- 91% of hazardous and non-hazardous waste from headquarters, logistics centres and factories was sent for reuse and recycling, preventing the use of new raw materials.
- Recycling and reuse now covers other areas. For example, alarm tags from stores are now reused, with 1,302 million collected in 2019.
- In 2019 Zara began implementing the 'Single Hanger' project in stores - the development of a single hanger for transporting garments from textile suppliers to the stores and for display in stores.

Closing the Loop

- 2,299 Inditex stores with the Closing the Loop used clothing collection scheme in place. - Collections are available in 202 markets.
- Since 2015, more than 49,479 tons of garments, footwear and accessories have been donated through the scheme.
- This donation programme is now active in 2,299 stores in 46 markets, in collaboration with 45 partnerships with nonprofits for the resale of used garments.
- By 2020, 100% of stores will have an active garment collection scheme.

Financial results

- Inditex's net sales increased by 8% to €28.29 billion in 2019, and to 19.82 billion in 2020. Like-for-like sales growth was 6.5% in 2019.
- Inditex online sales grew by 23% to €3.9 billion, and now accounts for 14% of total group sales.
- Net profits grew by 6% to €3.64 billion.

Key Takeaways

- The whole value chain has to be considered. Inditex has integrated its sustainability policies into all phases of the product life cycle, from the design and sourcing of materials, through to sales, manufacturing, and logistics.
- The importance of investment in R&D and innovation. To make processes more sustainable, or to find renewable materials, investment and collaboration with innovative partners can make a big impact.
- Digital transformation is key. The group's digital transformation has enabled it to sell across online channels and in more markets than before. A focus on the customer experience has also contributed to impressive ecommerce growth, while the improvement in use of technology helps Inditex to monitor and manage its value chain more effectively.
- Sustainability and long-term growth go hand in hand. The leadership team at Inditex understands that radical change towards a more sustainable business model had to be underpinned by strong business performance. The group's results over the past few years, and growth in profits underline this.
- Sustainability matters to customers. Fast fashion has been criticised for its environmental impact in the past, and consumer awareness of sustainability issues is growing. Inditex realises that long-term customer acquisition depends in part on their perception of the brand's environmental policies and practices.

CASE STUDY

Walmart

Making a difference

COMPANY STATS:

Founded: 1962

Locations: Bentonville, USA

Employees: 2.3 million

Revenues (2020): $559 billion

Image courtesy of Walmart

Walmart is the world's largest retailer, operating more than 11,000 stores in more than 27 countries around the world. With 2.3m employees, it is also the largest private employer worldwide.

It operates under the Walmart brand in the US and Canada, but also has other brands, such as Asda in the UK, the Seiyu Group in Japan, and Flipkart in India.

With such a vast worldwide footprint, Walmart is responsible for a lot of consumption and creates a serious environmental footprint. However, this also means that Walmart can play a key role in driving adoption of more sustainable business models.

Objectives and targets of Walmart's ESG Goals

On its website, Walmart claims to be 'a leader in sustainability, corporate philanthropy and employment opportunity'.

It has been ramping up its activity in this area over the past decade. In November 2016, Walmart CEO Doug McMillon outlined the company's goals towards greater responsibility as a retailer, and these Environmental, Social and Governance (ESG) goals have been tracked in the company's Global Responsibility and ESG reports.

It's environmental goals cover climate change reduction, working towards a more sustainable supply chain, and reducing waste.

Climate change goals:

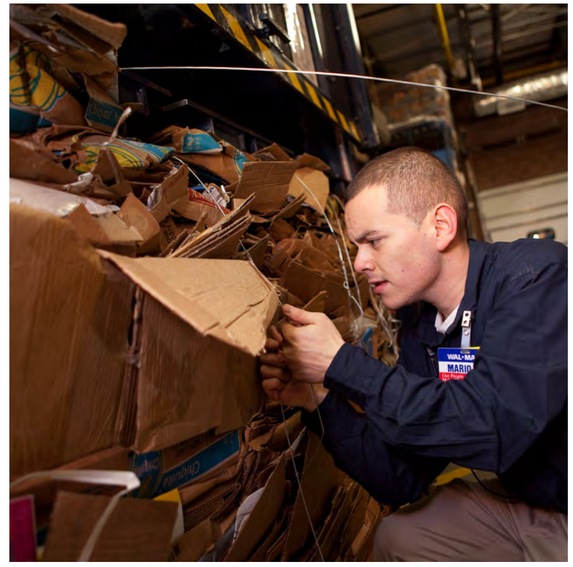
- To reduce emissions created by Walmart's operations by 18% compared to 2015 levels.
- 50% of operations to be powered by renewable energy sources by 2025.
- To source or produce 7 billion kilowatt hours (kWh) of renewable energy globally by the end of 2020. This would be a 600% increase over 2010 levels.
- Double the number of on-site solar energy projects at US stores by 2020, compared with the 2013 figure of 240 installations.
- To reduce the total kWh-per-square-foot energy intensity required to power the company's buildings around the world by 20% at the end of 2020 (compared to 2010).
- To reduce CO2e emissions by 1 billion metric tons (MT) by 2030.
- Work with suppliers to reduce greenhouse gas emissions in the China value chain by 50 million metric tons.

Sustainable value chain goals:

- To sustainably source 20 key commodities by 2025.
- By 2025, all Walmart US Sam's Club, Asda, Walmart Canada, Walmart Mexico, and Walmart Central America fresh and frozen, farmed and wild seafood suppliers will source from fisheries who are third-party certified as sustainable, actively working toward certification or engaged in Fishery Improvement Projects.
- Crops: to encourage suppliers to develop plans to optimise the use of fertilizer.
- Animal welfare - to increase the humane treatment of farm animals in accordance with 5 Freedoms of Animal Welfare.
- To source US private-brand coffee more sustainably by the end of 2020.
- Source 100% of all Cavendish bananas and pineapples sold in Walmart US, Sam's Club, and Asda from supplier farms that have received third party certifications.
- To source apparel and soft home products sourced from supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment for Walmart U.S.
- To source pulp/paper products with zero net deforestation in 100% of Walmart private-brand products by 2020.
- Conserve 1 acre of land for every acre developed by Walmart stores U.S.

Waste reduction goals:

- To increase the proportion of waste materials diverted from landfill and incineration.
- Achieve zero waste to landfill from operations in key markets, including US, UK., Japan, and Canada by 2025 in accordance with Zero waste International Alliance guidelines
- To increase customer recycling.
- Reduce food waste by increasing food donations.
- Improve product labelling to reduce waste.



Images courtesy of Walmart

Organisational and value chain challenges

Turning such a huge operation into a more sustainable one brings with it some major challenges.

Making progress towards targets requires co-operation not only within the company but throughout the value chain; from suppliers and partners as well as public bodies and local authorities.

For example, addressing value chain issues requires investment in technology and new practices for manufacturing and agriculture, as well as processes that enable them to ensure greater transparency and ability to track along the supply chain.

There's also the willingness of suppliers to adopt more sustainable practices, not to mention the costs and availability of more sustainable products.

Walmart's environmental initiatives are steered from the top. Chief Sustainability Officer Kathleen McLaughlin oversees the company's ESG goals, and Walmart has established an ESG Working Group which meets four times a year, and a smaller ESG team which reports directly to the CSO and the board.

One key area for Walmart has been to improve the business' sustainability efforts by using the assets and infrastructure it already has. For a company with 2.3 million employees, changing their daily habits can make a big difference in areas such as electricity consumption.

This also applies to logistics. Walmart reports that it has logged almost 300 million fewer truck miles by improving the tracking of its truck fleet.

A retailer like Walmart, which sources lots of different products from multiple sources, does face a challenge in achieving sustainability goals in all of these areas. To help suppliers, it launched a Sustainability Index to gather and analyse data on product life cycles, from sourcing, manufacturing and transporting, to selling, customer usage and end of use.

This allows Walmart to identify key areas for improvement and to set different goals for each supplier. Walmart also has a certain amount of leverage over suppliers, though McLaughlin says that suppliers also have their own compelling reasons to be more sustainable:

"...most companies in the consumer sector have a multitude of reasons for needing to work on emissions. We made it easier for suppliers to go to leadership and boards and... articulate the business benefit".

Source

Kathleen McLaughlin, Chief Sustainability Officer
Image courtesy of Walmart

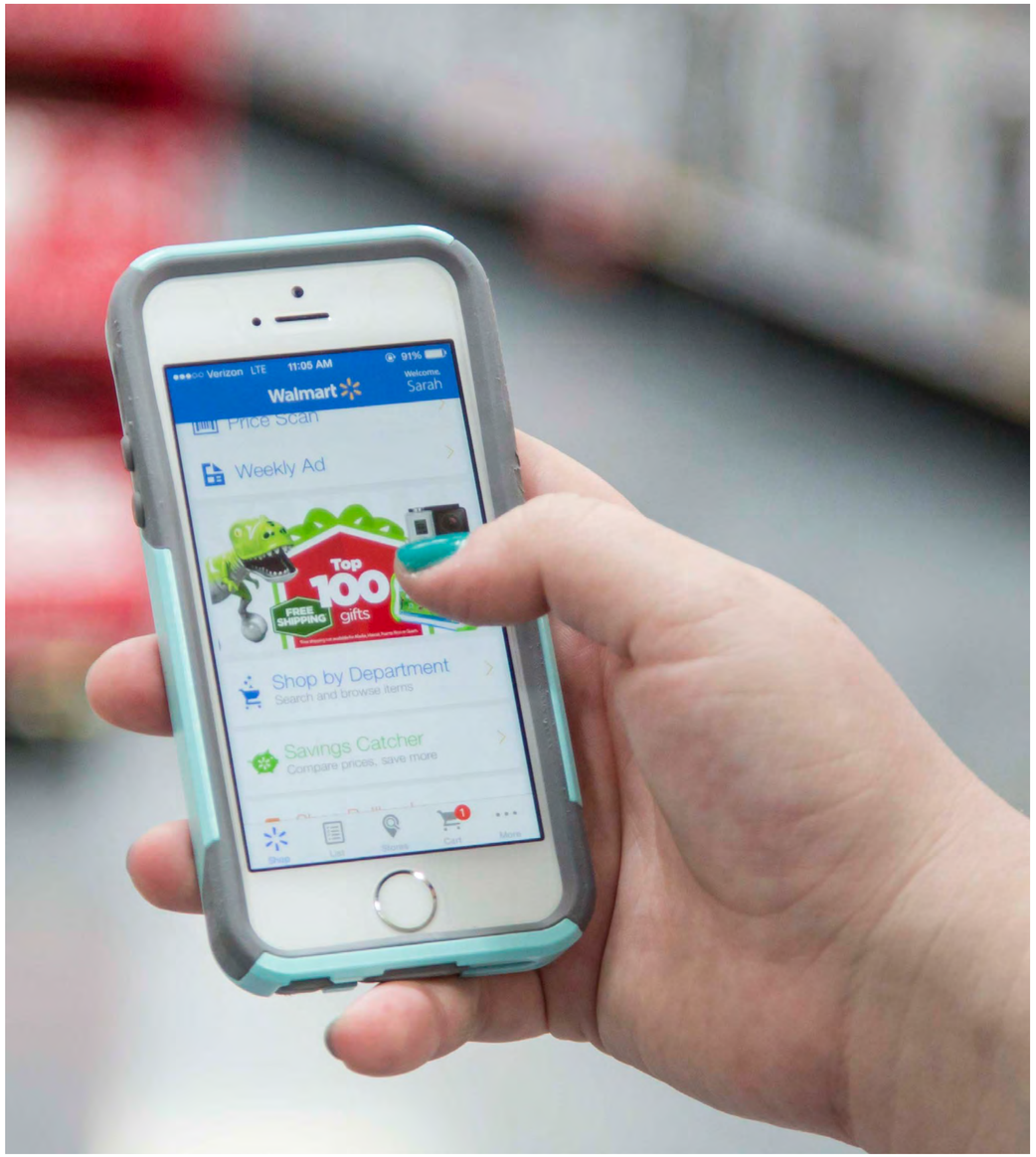


Image courtesy of Walmart

The part played by digital transformation

Walmart has been facing the challenge of competing for customers with Amazon, a company which now dominates online retail in the US and beyond.

It was initially slow to adopt ecommerce, but it has been rapidly accelerating , buying up companies such as Jet.com, Bonobos and delivery startup Parcel with the intention of acquiring new technologies and expertise, and expanding into new markets.

Walmart has been using technology for inventory and value chain management, and to achieve its sustainability targets. Tech has also been key to improving customer experience.

This may be tech used to provide faster shipping options for online orders, but also to improve the in-store experience.

Competing with Amazon is a serious challenge for any retailer, but Walmart does have one key advantage in its physical footprint. It has a store within 10 miles of 90% of the US population, which makes it well suited to provide services like buy online, pick up in store (BOPIS).

Digital technology has been key to Walmart's recent transformation of its retail stores. One such tech is the use of Bossa Nova' inventory robots, which now operate in more than 1,000 stores, scanning shelves for missing items and managing inventory more efficiently.

Other initiatives include the use of Pickup Towers which allow customers to collect online orders in stores, and the expansion of more convenient checkout options such as Scan and Go.

Impact and results

Some of Walmart's ESG goals are set to be reached over the next five years, but the company reported progress in its most recent (2019) ESG report.

Climate change goals:

- Walmart reduced emissions created by its operations by 4.2% from 2017 to 2018.
- 28% of its operations were powered by renewable energy sources in 2019.
- Walmart has sourced 2.3 billion kilowatt hours (kWh) of renewable energy, with a further 2.1 billion already sourced and soon to go online.
- The company now has 350 solar energy projects at its stores, with contracts signed for a further 120. (The 2020 target is 480).
- Walmart has achieved a 13% reduction in the total kWh-per-square-foot energy intensity required to power its buildings.
- Walmart has reduced CO2e emissions by 151 million metric tons (MT) (The target is 1 billion by 2030).
- Greenhouse gas emissions in the China value chain were reduced by 3.45 million metric tons.

Sustainable value chain goals:

- To sustainably source 20 key commodities by 2025.
- Almost 100% of seafood sold in Walmart US, Sam's Club, Asda, Walmart Canada, Walmart Mexico, and Walmart Central America is from sustainable sources.
- 17 suppliers are now participating in schemes to optimise the use of fertilizer.
- 89% US private-brand coffee is sustainably sourced.
- 100% of all Cavendish bananas sold in Walmart US, Sam's Club are now from supplier farms that have received third party certifications. 80% of Walmart US and 60% of Asda pineapples meet the same criteria.
- 45% apparel and soft home products are sourced from supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment for Walmart U.S.
- 1.4 million acres of land have been conserved by Acres for America since 2015.

Waste reduction goals:

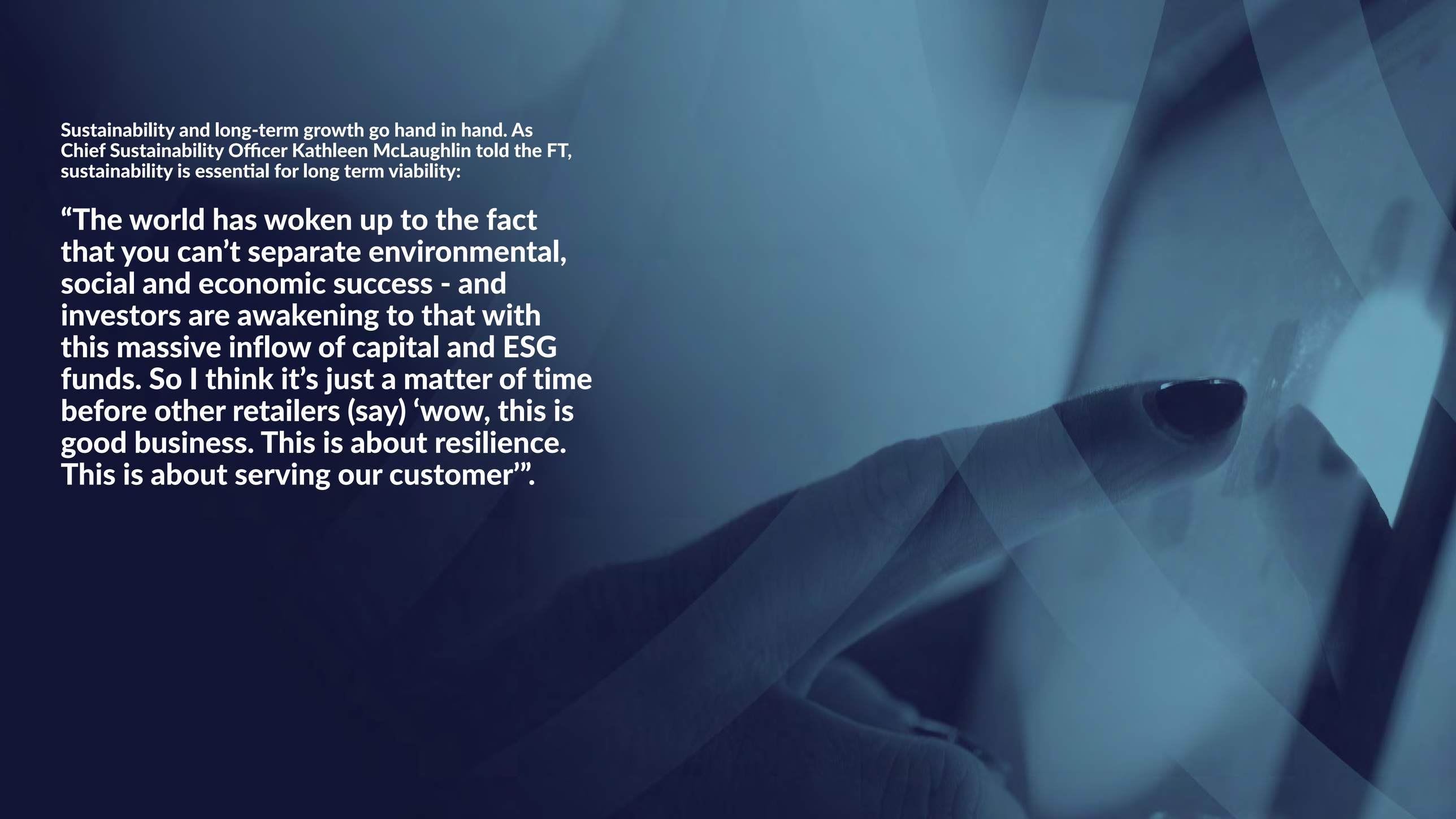
- 78% of waste materials have been diverted from landfill and incineration.
- Percentage of waste diverted from landfill in key markets: US (81%), Canada (87%), Japan (77%) and Asda UK (85%).
- 24 million pounds were collected through customer recycling programs at Walmart Argentina, Chile, Japan, Mexico and the UK in 2018.
- 720 million pounds of food were donated globally by 2019.

Financial performance:

- For Q1 2019, Walmart's net sales increased by 10.5%.
- Total revenue was $134.6 billion, an increase of $10.7 billion (8.6%).
- Ecommerce sales grew by 74%, with grocery and in-store pickup the strongest categories due to Covid-19.

Key Takeaways

- Using existing infrastructure to improve sustainability. Large companies can achieve huge cost savings and waste reduction simply by reviewing their own properties and activities, before taking suppliers and source materials into account. In Walmart's case, improving every employee's use of electricity and more efficient journeys to its fleet of trucks was a key factor.
- The importance of defining clear sustainability targets for partners and suppliers. It's easy to ask suppliers to reduce waste or use more sustainable source materials, but clear targets and definitions help them to take the practical steps to achieve these goals.
- Sustainability can take time to reward investment. For suppliers, a move towards more sustainable practices is a sensible long-term strategy but it can take time to produce results. For example, a switch to regenerative practices in agriculture can take four years to provide a return on the investment.
- Digital transformation is key. Walmart's adoption of technology has been vital in working towards sustainability goals and driving revenues. The tech it has introduced over the past decades has enabled it to analyse and manage value chains more efficiently, to provide a better online shopping and delivery service, and to improve the in-store experience for its customers.



Sustainability and long-term growth go hand in hand. As Chief Sustainability Officer Kathleen McLaughlin told the FT, sustainability is essential for long term viability:

“The world has woken up to the fact that you can’t separate environmental, social and economic success - and investors are awakening to that with this massive inflow of capital and ESG funds. So I think it’s just a matter of time before other retailers (say) ‘wow, this is good business. This is about resilience. This is about serving our customer’”.

CIRCKLO

Read more reports by Circklo

circklo.com