



THE GREEN ECONOMY

Uncovering the value
of sustainability

RetailWeek

CONNECT

WHITE PAPER

In association with

e-on

METHODOLOGY

Retail Week – in association with energy supplier E.ON – surveyed 50 senior-level retailers in August 2018 that are responsible for sustainability activities at companies with an annual turnover of more than £50m.



RetailWeek
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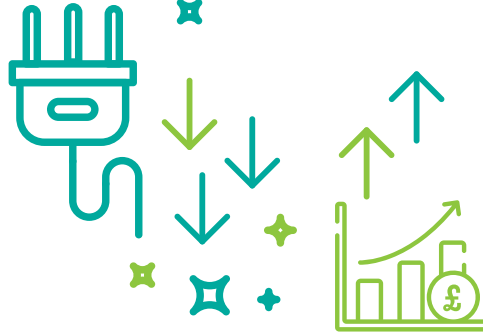
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ENVIRONMENTALLY FRIENDLY RETAILING



20%

reduction in energy costs can represent the same bottom-line benefit as a 5% increase in sales, according to the Carbon Trust

82%
 of retailers surveyed are seeking to reduce their energy consumption



70%

of retailers surveyed say consumer interest in sustainability affects the way they do business



2050

date set by UK Government to reduce carbon emissions by 80%



46%

of retailers surveyed are aiming for more than 75% of their packaging to be recyclable by 2020



Blue Planet II has inspired a change in consumer mindset that retailers cannot ignore



THE CHANGING CONSUMER MINDSET

Sir David Attenborough's heartfelt plea for the human race to tackle the polluted oceans in wildlife documentary series *Blue Planet II* was a seminal moment in television, but it may also prove to be a seminal moment in retail, and business more generally.

Blue Planet II inspired a renewed vigour in the approach to sustainability and a switch in the consumer mindset that retailers cannot ignore.

The rise of the conscious consumer is more than just a trend. It is likely to gain greater momentum and, for retailers, responding positively to this ethical shift is not just the right thing to do, it could be vital to ensure business success in the coming years.

Among consumers, environmental issues are becoming more prevalent –

As more shoppers seek out brands that align with their own ethical values, the 'caring economy' has become a key consumer concern

from plastic waste in the ocean to the rise in weather-related natural disasters. As more shoppers seek out brands that align with their own ethical values, the 'caring economy' has become one of 2018's key consumer concerns and looks set to dominate next year.

Recent research from Morgan Stanley showed that ethics are increasingly influencing purchasing decisions, particularly among younger consumers.

More than half (51%) of all consumers claimed ethical brand credentials were either 'very' or 'somewhat' important when deciding between different retailers for apparel.

For this white paper, Retail Week – in association with E.ON – surveyed 50 senior-level retailers to provide insight into how leaders are approaching sustainability. The white paper highlights how progressive retailers are responding to environmental, social and ethical concerns.

The research finds that more than half of retailers are beginning to understand this change in mindset, with 54% of those surveyed stating that product sustainability and environmental or ethical behaviour are fairly high-priority issues for consumers.

Meanwhile, 70% say that consumer interest in sustainability and

"Consumers are much more interested in the ethics of the organisation they buy from or work for"

Richard Walker, Iceland

environmental or ethical behaviour affects the way they do business.

Business and sustainability

It's clear that focusing on sustainability is 'the right thing to do', but as consumers become more discerning as to where they spend their cash, implementing environmentally friendly policies makes solid business sense too.

Speaking to Retail Week, Iceland managing director Richard Walker says: "Consumers are rightly much more interested now in the ethics of the organisations they buy from or work for, and they are voting with their wallets.

"The businesses that survive and thrive in the future will be the ones with purpose, that listen to their customers, and live up to their social and environmental responsibility."

It is estimated that Britain's eight leading supermarkets create 800,000 tons of plastic waste every year



REDUCING PLASTIC AND PACKAGING WASTE

A recent investigation by *The Guardian* has estimated that Britain's eight leading supermarkets – Tesco, Sainsbury's, Morrisons, Waitrose, Asda, Co-op, Aldi and Lidl – create more than 800,000 tons of plastic waste per year.

To provide context, this figure is well over half of the 1.5 million tons of plastic waste created by UK households annually.

Non-recyclable packaging poses a serious threat to the environment, damaging natural habitats and driving up carbon emissions. *Blue Planet II* underlined the environmental dangers of plastic waste and its harmful impact on ocean life.

The documentary series increased public appetite for a reduction in plastic and non-recyclables, and led to UK Prime Minister Theresa May announcing a

consultation that could result in plastic straws, for instance, being outlawed.

Are retailers taking it seriously?

The findings in this report demonstrate that retailers are not only aware of this consumer trend, but the majority are actively tackling the issue of plastic and non-recyclable packaging waste within their businesses.

The retailers surveyed cite using recyclable packaging (64%) and creating recyclable products (58%) as their top priorities within the sustainability field.

In addition, 25% say a reduction of waste and plastic packaging is the biggest sustainability-related focus for their company.

Although just 4% of those surveyed claim that more than 75% of their current packaging is recyclable, 46% say they

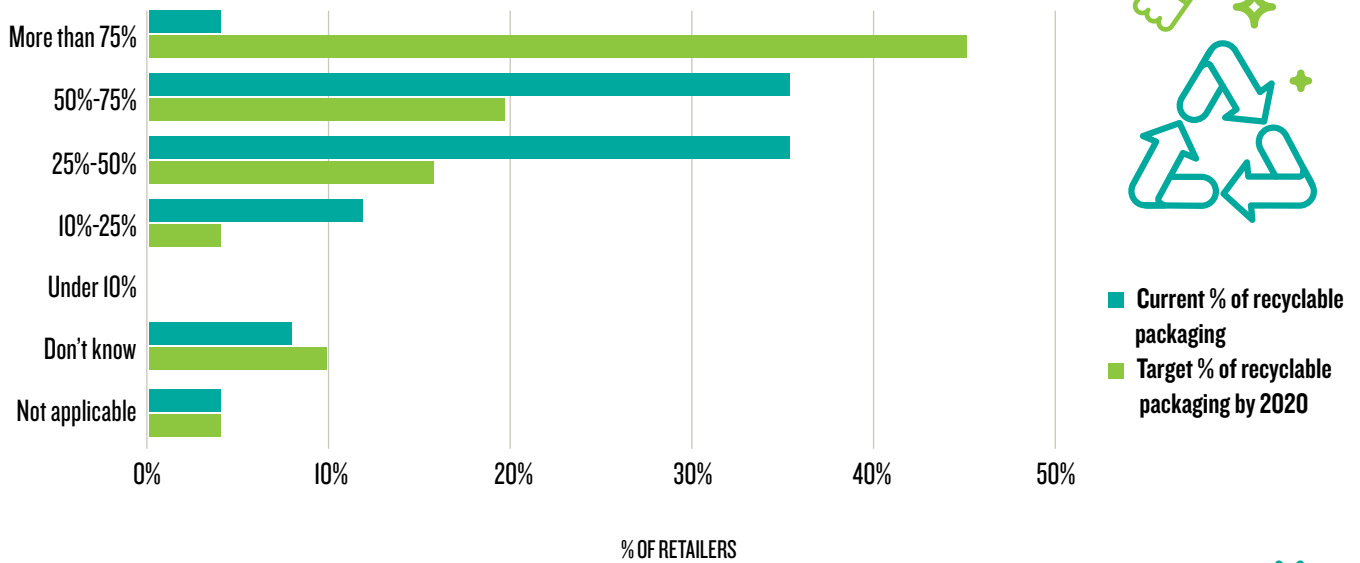
aim to hit this target by 2020, suggesting a significant focus on eco-friendly packaging over the next few years.

Several forward-looking retailers are racing ahead of the competition, with Iceland implementing a swathe of innovative sustainability policies regarding plastic.

Meanwhile, Waitrose has vowed to eliminate all of its disposable coffee cups by autumn this year and Ikea has pledged to remove all of its single-use plastics by 2020.

Waitrose has vowed to eliminate all disposable coffee cups by autumn 2018

HOW MUCH OF YOUR PACKAGING IS RECYCLABLE?



■ Current % of recyclable packaging
■ Target % of recyclable packaging by 2020



Iceland managing director **Richard Walker** says sustainability has long been a priority for the retailer

Asked how customers have reacted to such innovative initiatives, Walker revealed that shoppers were surveyed before the launch of the Plastics Pact this year, and 85% of respondents agreed cutting environmentally damaging waste was the right thing to do. He said: “We have had an incredible reaction from customers, with thousands of supportive messages arriving from people of all ages and backgrounds.”

The cost of sustainability initiatives can run into the millions – removing palm oil from Iceland’s own-label products is predicted to cost nearly £5m – but its head of sustainability and CSR, Hil Berg, says the business isn’t looking at it that way. “Having a successful, profitable business provides you with the ability to focus on doing the right thing,” she says.

“We never pass the cost of our large environmental campaigns on to the customer. They are very much a matter of internal investment from the business owners.

Being privately owned provides a level of agility and an increased amount of self-determination to do good that many of our competitors simply don’t have.”

Berg says financial success on sustainability initiatives is hard to measure, but that the business didn’t do it for a boost in immediate sales. “It’s a long-term investment, but the initial public reaction feels very positive.

“We’ve even seen an increase in job applications over the past few months from environmentally motivated young people who have stated they want to work for Iceland because of our sustainability agenda.”

ICELAND’S FIGHT AGAINST PLASTIC

One of the leading UK retailers when it comes to sustainability, supermarket chain Iceland has launched a number of initiatives designed to reduce its environmental impact.

The grocer recently pledged to remove all own-label plastic packaging by 2023, beginning with the launch of its first meal ranges in paper-based trays; an initiative that is predicted to save 150 tons of non-recyclable black plastic in one year.

Other initiatives include banning palm oil from Iceland products and selling plastic-free chewing gum. It has also introduced vending machines that work in reverse, where customers are compensated for returning plastic bottles.

Speaking to Retail Week, Iceland managing director Richard Walker said that the supermarket had a long history of “doing the right thing” when it comes to environmental issues, with this kind of campaigning “in the DNA of the business”.

He pointed to Iceland’s sustainability work throughout the 1980s and 1990s, which led to it being the first UK retailer to pioneer the use of natural refrigerants in place of harmful chlorofluorocarbons (CFCs). It was also the first to remove artificial additives from its own-label foods, and Walker added that Iceland led the fight against GM foods.



The environmental issues caused by energy overuse are well documented. Simply put, scientific evidence shows that burning fossil fuels to create energy releases CO₂ into the atmosphere, contributing to a greenhouse effect that heats the planet. As the temperature increases, ice caps melt and sea levels rise, making Earth less habitable for both humans and animals.

In a bid to reverse this damaging phenomenon, the UK Government has set a target to reduce the UK's carbon emissions by 80% by 2050 against a 1990 baseline, as part of the Climate Change Act.

Provisional figures released by the Department for Business, Energy & Industrial Strategy show that CO₂ emissions dropped by 3% from 2016 to 2017, contributing to a total 38% drop in

emissions since 1990. The energy sector experienced the biggest decrease from 2016-17, with emissions dropping by 8% due to the increased utilisation of renewable energy sources in place of coal and other fossil fuels.

The British Retail Consortium has also set an industry goal of a 25% reduction in carbon emissions by 2020, as part of its campaign, A Better Retailing Climate.

Pushing for a commitment from retailers to reduce the environmental impact of the products they sell, the campaign highlights that improved energy efficiency will result in "reduced energy costs and longer-term security of price and supply of energy".

The cost to businesses

In addition to the environmental benefits reaped by reducing carbon emissions,

businesses can save significant amounts of money by cutting their energy expenditure. According to the Carbon Trust, a 20% reduction in energy costs can represent the same bottom-line benefit as a 5% increase in sales, while publicising such efforts is likely to engender trust in retailers among increasingly environmentally conscious consumers.

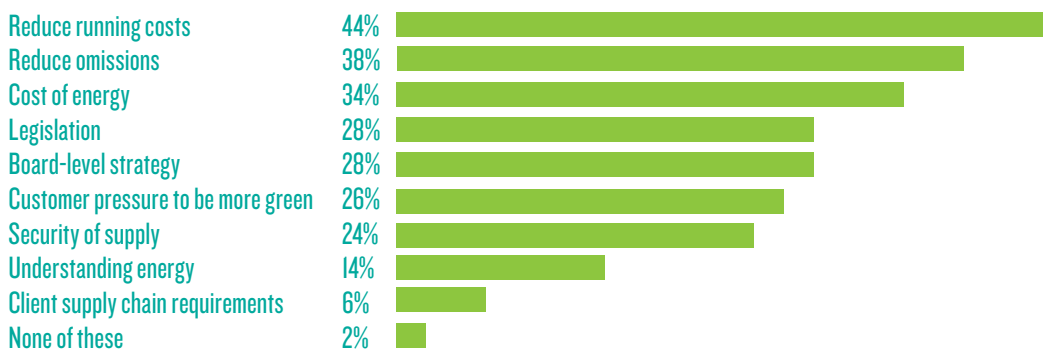
Of the retailers we surveyed, 82% say they are seeking to reduce energy consumption. Manufacturing is key, with 26% of respondents naming it as the focus area for slashing energy overspend. When it comes to approach, 40% are prioritising cutting carbon emissions and increasing energy efficiency, while just over a quarter are concentrating their efforts on renewable energy supplies.

The most popular motive among our respondents (44%) for driving an energy-efficiency policy is reducing operational costs, while more than half admit that high energy bills are affecting the competitiveness of their business. However, 26% are motivated by mounting consumer pressure to be more green.

As consumer interest in the ethics of the organisations they buy from increases, retailers are clearly aware of the impact their reputation has on their bottom line.

Supermarket chain Tesco has made significant strides towards cutting energy use and switching to renewables, reporting a staggering £200m decrease in bills per year. Furthermore, Sainsbury's has committed to switching to 100% LED lighting by 2020; a move predicted to reduce the retailer's energy usage by 58% and its greenhouse gas emissions by 3.4% annually. The supermarket has already cut its absolute carbon emissions by more than 20% since 2005, although it still has a long way to go to hit its 2020 target reduction of 30%.

WHY DO RETAILERS WANT TO BE MORE ENERGY EFFICIENT?





SUSTAINABILITY AT MARKS & SPENCER

Leading retailer Marks & Spencer has a public commitment to building a more sustainable future. Plan A 2025 outlines M&S' roadmap to reduce carbon emissions by 80% and turn the business into a zero-waste retailer within seven years. M&S' original Plan A, launched 11 years ago, has helped to save the retailer more than £750m through efficiency strategies.

When setting energy-efficiency targets, understanding how the business uses energy was the first step to finding a more sustainable

way of working. By partnering with E.ON, M&S has reported energy savings of 34% across its UK stores, equating to 200 tons of CO₂.

By connecting the lighting, heating, ventilation and air-conditioning systems of 550 stores to E.ON's Energy Management Centre, M&S was able to monitor its energy usage data 24 hours a day, seven days a week. E.ON's smart energy controls uncovered how much energy was being used in each store and highlighted inefficiencies across the business.

E.ON'S ACTION POINTS FOR RETAILERS

- **Consider green alternatives**
A number of brands are providing inspiration when it comes to biodegradable packaging, such as Iceland's paper-based meal trays. Also invest in environmentally friendly office supplies, including carbon-neutral paper and furniture.
- **Get an official energy audit to assess areas for improvement**
A full energy audit – conducted by qualified energy surveyors – will identify the areas where your business is losing energy, and provide information on steps you can take to reduce this loss.
- **Make simple upgrades**
A trusted energy partner can help to ensure that any existing assets are configured in the most efficient way, and advise you on the value in upgrading or installing new solutions into the business. An immediate step could be to replace light fittings with environmentally friendly LEDs.
- **Monitor your energy assets**
Ongoing monitoring safeguards your business from inefficiencies, as support can be provided proactively rather than waiting until a dent in your profits has already been made. Monitoring ensures that gains are maintained and not lost over time.

PARTNER COMMENT

More than 80% of retail organisations surveyed are looking to reduce their energy consumption and the research shows that the main driver behind energy policy is running costs. The cost of energy is important for customers, and many companies focus on procuring the lowest pence per unit, but the cheapest unit is the one that is not used at all. Selecting a partner that can help with reducing consumption is key.

Many customers do understand how much they're consuming, but not necessarily how, where and when, and that's particularly challenging for customers with more than one location.

Most organisations also tend to be quite lean in terms of the number of people that are focused on managing their energy consumption, as it's not their core business.

It's here that a partner like E.ON can do the heavy lifting, starting with helping businesses to understand the problem. We provide analysis and a visualisation of how, when and where their current energy is being consumed. We work together to create a strategy and then help implement it.



Step one is ensuring that a business' existing assets are configured in the most efficient way possible. This is about getting the basics right – that said, there will always be environments where there is a need to upgrade or replace equipment. Building a solid business case here is key to understanding what the investment is and what the payback period will be.

Finally, ongoing monitoring and maintenance is key in order to protect any energy-efficiency gains.

Richard Oakley,
Customer Account Director, E.ON

ABOUT E.ON

E.ON offers a range of innovative and tailored energy solutions, including Building Energy Management Systems to monitor and manage your energy, and battery storage to optimise your energy and improve security of supply.

We can provide a fully managed end-to-end service delivering solutions to help make your business more profitable.

For more information about our business solutions visit eonenergy.com/solutions

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