



Sustainability in Retail. Has the Tipping Point Arrived?

The term “tipping point” became widely known in business circles following publication of Malcolm Gladwell’s national bestseller. Part business, part social psychology, the book explained how various ideas, products and trends all, at some key point in time, “tipped,” and passed a threshold of popularity.

Examples as wide-ranging as Hush Puppies shoes and lower crime rates in New York were cited as proof-points for the phenomenon. Gladwell also illustrated how some products, often high-tech in nature, experienced exponential growth as they zoomed by their tipping-point thresholds. As proof, he cited fax machines (1987) and cell phones (1998).

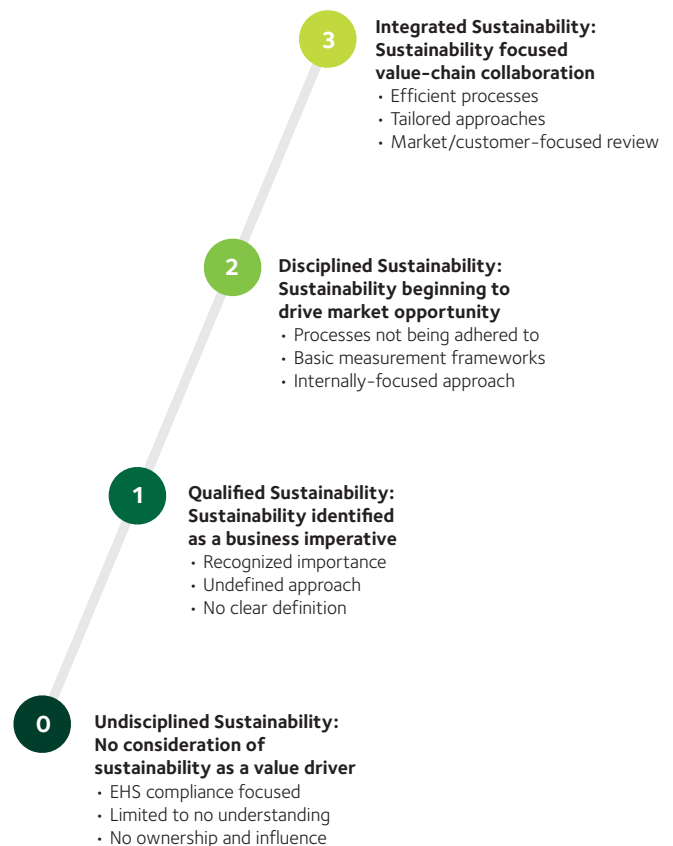
Which brings us to the concept of sustainability – specifically in the food and retail industry. Once the domain of a few well-meaning companies, sustainability is now in a growth phase, with a broader array of sustainable practices, products and technologies being put in place by an ever-expanding roster of companies.

As this range of sustainable practices and solutions grows, so will the level of “Sustainability Maturity” at many companies, as illustrated in the chart at right. New technologies and processes are leading the way into the top half of the spectrum, as more companies embrace approaches that tackle higher-impact sustainability issues.

“Sustainability is becoming a core consideration for the retail industry, affecting strategy, operations, workforce engagement, and connection to consumers and community.”

**2012 RETAIL SUSTAINABILITY REPORT
RETAIL INDUSTRY LEADERS ASSOCIATION (RILA)**

The Sustainability Maturity Model



Using Global Reporting Initiative factors and a unique set of indicators, Accenture created the Sustainability Maturity Model. Together, Waste Management and Accenture leverage the model to measure the level to which companies think strategically about sustainability related issues and the activities companies are undertaking related to sustainability.

Why sustainability?

Reasons behind its emergence

As sustainable practices in industry have grown, so have the reasons for embracing the concept. Initial proponents did so because it was “the right thing” to do, matching a corporate mission of environmentalism. Later, that idea broadened as more retailers and restaurants came on board, realizing that pointing to sustainable approaches was also good for their reputations. Now, as sustainability fully takes hold, companies can add an important final reason for embracing it – doing so is good for their bottom line.

According to Steve Fass, business development manager for Waste Management, “Retailers are seeing that often there is alignment between the societal and economic benefits.”

Thinking about the growth of sustainability, perhaps the relevant question isn’t “if” it’s reached the tipping point, but “why?”

Start with the real world. Growing pressure to embrace sustainable approaches has increased on several fronts. Rising landfill costs is one reason. As these costs rise significantly, they provide a tangible business reason for stores and restaurants to look at every possible way to reduce the amount of waste they generate and increase the amount they divert. Another outside factor is regulatory pressure. In Vermont, food waste recycling is now mandated. In California, retailers are now required to meet minimum recycling parameters. Sustainability laws have long been in place overseas, as well – in Europe, they’ve been on the books since the 1970s. Here in the U.S., the legal door is now open for further requirements.

Leveraging technology to up the sustainability factor

Technology is another factor in sustainability’s growth, especially when it comes to minimizing waste. Today, innovative packaging techniques and materials have upped the sustainability factor by either reducing the amount of packaging needed or allowing it to be recycled. At Waste Management, enhancements in recycling facility technologies on the back-end have enabled the company to make it easier for its customers to submit materials for recycling on the front-end. In the food industry, restaurants and schools are now implementing new organic-waste programs in the same spirit of waste diversion and sustainability. Supporting all these efforts are innovative data technologies making it simple and intuitive for retailers to identify, sort and, perhaps most importantly, measure the materials they’re diverting from traditional waste streams. It’s an age-old truth of business – what gets measured gets done.

Finally, as sustainable practices broaden and take hold, they become both easier and more efficient to implement. Like any new technology, it’s a natural process to get better at something as you get more experienced in producing it. The same idea applies to a process as it does to a product. Companies learn, both from themselves and from others, as best practices take hold. Doing business in a sustainable manner becomes the norm and sustainability processes naturally become integrated in, say, how food is served or how clothes are merchandised and sold.



Fass says, “Businesses are finding all kinds of ways to incorporate sustainable business models and all kinds of benefits from doing so – from operational efficiencies to consumer goodwill.”

Accepting the sustainability challenge

As the sustainability tipping point is approached, some of the biggest names in retailing are leading the charge – Walmart, JC Penney, Dell, Nike and REI have all introduced new approaches, products or technologies that embrace sustainability.

The Dell example is interesting in that the company straddles both sides of the manufacturing/retailer spectrum. This allows them more control in sustainability efforts that typically involve more upstream factors like manufacturing and labor. However, the end results of their efforts are now being adopted by traditional retailers who are making decisions on which products to carry based on sustainability issues.

One example of Dell’s efforts involves product packaging. Their all-encompassing approach has led to several tangible changes, including:

- Significant reductions in package size
- Openness to innovative package designs with sustainability in mind – one example, multi-pack designs where 10 servers are held in one package rather than in 10 separate ones
- Greater use of sustainable (recyclable) packaging materials that can be recycled at the residential level – examples include bamboo and mushroom-based packaging

Perhaps the greatest testament to the power of sustainability is the fact that its rise to “tipping point” status has been taking place during what has, in general, been a challenging economic time period. Rather than stagnating throughout the recession as one might expect, retailers have redoubled their efforts – first focusing on their own operations, then reaching into their supply chains.

A sustainability action plan

We've reached the point where sustainability programs and processes are more than add-on approaches. Instead, they are integral components of a store or restaurant's business plan. No longer "nice to have" initiatives that the PR department can talk about, they have become an elemental aspect of every operating decision.

To put a waste minimization approach in action and embrace sustainability requires a wide-ranging approach. Here are six considerations:

1. Analyze waste streams – often this means working with waste haulers that track material volumes and perform audits of the waste content to illuminate reduction opportunities.
2. Set clear goals – waste reduction goals are set at the corporate level to communicate intentions, build accountability and inspire action. Aim to reduce waste by a certain percentage (reduce landfill waste by 20%).
3. Start with reduction and reuse – retailers achieve this by updating procurement policies to minimize the volume of disposable material entering their facilities and engaging employees to reduce material consumption.
4. Maximize recycling – for materials that can't be eliminated or reused, look next at recycling. Everything from plastic, aluminum and cardboard to cooking oil can be recycled. Donation banks can find a new life for used furniture and durable goods. Food waste can be composted or used to make alternative fuels.
5. Continue down the sustainability path – as initial programs take hold, look to become even more innovative by directing operational wastes to product manufacturers, thereby closing the waste-to-product loop. For example, Worldwise, a producer of pet products, creates products with Walmart's recycled water bottles, cardboard, hangers and bags.
6. Involve people – employee engagement is an essential part of waste minimization. An effective recycling program is designed for ease, understanding and convenience – with participation integrated into employee training and reinforced by clear performance feedback.

Looking ahead – Becoming “Strategically Sustainable”

For retailers and restaurants open to the concept, sustainability can be a catalyst that transforms their operations – in ways that go beyond the environment. Those that set a goal of “Strategic Sustainability” and commit to achieving it can become a cleaner, greener company – and a stronger one, as well. Far from being the “flavor of the day,” establishing a fully sustainable approach will become a foundation to build upon for years to come. There are several key tenets that can help make it a reality:



Strategic Sustainability

Think broadly and allow sustainability to reach its full potential – this means introducing sustainability as a strategic initiative, not simply a tactical one. Doing this from the outset will reinforce to leaders and employees throughout the organization the far-reaching benefits and impacts that are expected.

Materials Management

Use sustainability as a driver to look at things differently – for example, materials can be viewed as valuable resources, not disposable ones. Doing so can begin to transform the way approaches to waste are designed and implemented, leading to a revitalized level of recycling, organics, composting and utilization of renewable energy.

Branded Solutions

Make sustainability part of the brand – as initiatives take hold they can integrate into the brand itself, becoming another key differentiator that can, and should, be promoted to customers and prospects.

Sustainable Product Certification

Make sustainability tangible – as companies progress to higher levels of sustainability, they can look to third parties for outside reinforcement and certification of their processes and products. This can lead to added credibility and continued separation from others just starting to implement sustainability tactics.

Sustainability Reporting

Measure progress and celebrate success – metrics can help everyone within the organization take ownership of sustainability and share the credit as advancements and goals are realized.

As the tipping point of sustainability is reached and exceeded, expect more new initiatives and ideas to be launched. If the pattern holds, we will soon be entering the “exponential growth” phase of sustainability, with many retailers and restaurants achieving long-term solutions that are both innovative and customized for their business.