RETAILERS AND SUSTAINABILTY IN THE US

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Abstract

This paper provides a short commentary on the *'2015 Retail Sustainability Management Report'* published by the US Retail Industry Leaders Association (RILA). The paper begins by outlining the characteristics of the RILA and providing a summary of the report and it then offers some reflections on its findings. The report provides a positive view of the ways the US retail industry is currently addressing a series of sustainability agendas and strikes an optimistic tone in looking to the future. However the authors argue that the RILA report suggests that the approach to sustainability adopted by the retail industry in the US is primarily, though not exclusively, driven by driven by business imperatives. The accent being on making efficiency gains across a wide range of economic, social and environmental issues rather than on maintaining the viability and integrity of natural ecosystems. More critically the authors suggest that the leading US retailers' commitments to sustainability are currently couched within existing business models centred on continuing growth and consumption, which might be seen to be the antithesis of sustainability.

***Keywords*:** Sustainability; US Retailing; Sustainable Consumption; Economic Growth.

Introduction

Within Europe the European Retail Round Table (ERRT) has claimed that *'retailers are drivers of sustainable consumption and production'* and that *'sustainability is at the heart of the modern retail sector and mainstreamed in ERRT members companies' operations and* strategies' (ERRT 2015, webpage). Further the ERRT has argued that *'as well as focusing on greening their own internal processes and procedures, ERRT member companies recognise that they are in a unique position to promote more sustainable consumption patterns through their daily contact with consumers and their partnerships with their suppliers'* (ERRT 2015, webpage). The Retailers' Environmental Action Programme's 2014 annual report, produced by the Retail Forum for Sustainability, provides a brief outline of the achievements of 21 leading European retailers and 5 retail federations in pursuing sustainability strategies and agendas. More generally In her *'Foreword'* to the European 'Retailers' Environmental Action Plan' 2014 annual report, Pia Heidenmark Cook, Co-chair of the Retail Forum for Sustainability, applauded *'the progress we have made as REAP members and in collaboration'* and emphasised that its commitment *'to make tomorrow's world a sustainable one'* (Retail Forum for Sustainability 2014, p. 1). In a similar vein Kestutis Sadauskas, the other Co-chair of the Retail Forum for Sustainability argued that the retail sector can *'play a leading role catalysing change towards a sustainable, greener and more competitive economy'* (Retail Forum for Sustainability 2014, p. 2).

By way of comparison the publication of the *'2015 Retail Sustainability Management Report'* by the US Retail Industry Leaders Association (RILA) provides an opportunity to review, and to reflect upon, *'sustainability activities in the retail industry'* within the US (RILA 2015). The RILA is *'the trade association for the world's largest and most innovative retailers'* (RILA 2015 p.4) and its members include some 200 retailers, manufacturers and

service suppliers, which together account for over $1.5 trillion in sales and more than 100,000 stores, distribution centres and manufacturing plants in the US and overseas. The RILA's large retail members include Wal-Mart, Home Depot, Target, Costco, Home Depot, IKEA, 7-Eleven, J.C. Penny, Walgreen, Whole Foods Market and Lowes. As such the RILA's 2015 sustainability report might be seen to reflect cutting edge approaches to sustainability within the retail sector in the US. This paper provides paper short commentary on the *'2015 Retail Sustainability Management Report'* published by the RILA. The paper begins by outlining the characteristics of the RILA and providing a summary of the report and it then offers some reflections on its findings.

Retail Sustainability Management Report

RILA launched its original 'Retail Sustainability Initiative' in 2007, to enable sustainability executives to share best practice, to develop new processes and to communicate sustainability initiatives and achievements. Initially it was principally a collective response to increases in regulatory enforcement actions but in the years since then the initiative has gathered momentum and widened its focus. The 2015 Retail Sustainability Management Report sought to *'help companies understand how they compare to others in the industry and how they may want to progress in the future.'* The report is based on information obtained from the responses to an online questionnaire received from 42 retail companies, representing more than 50,000 locations and $620 billion in global revenue.

The questionnaire initially focused on a number of contextual issues relating to how the respondent companies manged sustainability and the responses suggested that responsibility for managing sustainability varied considerably amongst the large retailers. In some companies a single executive is responsible for sustainability, in others responsibility is shared amongst a team and in the majority of companies' executives have responsibility for sustainability alongside the management of other operational functions. Responsibility for setting sustainability goals also varies and while it is the senior executives that set such goals within some companies, elsewhere this responsibility lies with functional departments and sustainability teams. Retailers reported that sustainability was often seen as a driver for innovation but other benefits claimed for pursuing sustainability strategies included brand enhancement, employee retention, reputation management, customer satisfaction, regulatory compliance, support for entry into new markets and cost savings.

The main body of the report is structured around the RILA's '*Sustainability Management Maturity Model'*, developed jointly by Deloitte and the RILA. While the first version of the model, which underpins the 2015 report, specifically focuses on environmental impacts the RILA suggests that future versions may also look to examine social and community dimensions of sustainability. The model can be used by individual retailers and more widely across the retail industry as a whole. The model enables retailers to

- Identify both the maturity of their sustainability programmes and opportunities for improvement

- Encourage internal discussions about the development of sustainability programmes
- Access increased funding for sustainability programmes
- Guide management development and training to support and enhance sustainability programmes
- Promote sustainability at all levels across the company and
- Evaluate internal and external perceptions of the effectiveness of sustainability programmes.

More specifically the model included seven themes namely: *'strategy and commitment'*, *'people and tools'*, *'visibility'*, *'retail operations', supply chain'*, *'products'* and *'environmental impact.'* These themes are, in turn, divided into a number of dimensions to provide some 27 dimensions in total that are seen *'to define an effective retail sustainability program.'* Retail Operations, for example, includes*' stores and corporate office, warehouses and distribution centers'* and *'data centers and applications'*, People and Tools includes *'shareholder engagement', employee engagement'*, *'funding mechanisms'* and *'business innovation mechanisms'* while Environmental Issues includes *'energy and greenhouse gas emissions'*, *'water and wastewater', 'waste and recycling'* and *'chemicals and toxins.'*

For each dimension the report outlines what is seen to be the current leading practice amongst the responding retailers. In addressing strategy, for example, leading practice was characterised as being when *'sustainability strategy aligns across departments and with overall corporate strategy'*, when a retailer *'incorporates internationally recognized standards into long term strategy'* and has *'balanced scorecard system in place for reviewing strategies and projects.'* In a similar vein leading practice for stakeholder engagement was when the retailer identified a *'comprehensive list of Key Performance Indicators through stakeholder engagement processes'* and *'incorporates feedback from key stakeholders into sustainability strategy.'* For energy and greenhouse gas emissions leading practice was when *'capital expenditure decisions consider energy cost implications'* and when a retailer *'relies on alternative energy for 25% of energy needs through Renewable Energy Certificates and onsite generation.'*

In reviewing the retailers individual responses to its survey/its conclusions to the report RILA suggested that *'retail sustainability programs'* have adopted *'a specific development trajectory'* and that they *'typically begin with a focus on their own operations- with an emphasis on energy and waste reduction in stores and distribution centers- and then turn to addressing the product and supply chain impacts.'* At the same time RILA argued that *'the leading retailers go one step further by engaging consumers and other stakeholders in the company's journey, and help consumers to understand the full impact of their product purchases.'* More generally the report drew attention to the issues of materiality and independent external assurance, both of which are assuming increasing importance in corporate sustainability reporting. Materiality, which is concerned with the identification of those environmental, social and economic issues that matter most to the company and its stakeholders, along with risks identification, is one of the 27 dimensions seen to define

sustainability management.. More specifically the report argued *'defining the issues most material to the business critical for all corporate functions, and resources are best directed at those issues with the potential for a significant material impact.'* The report also recognised the importance of independent external assurance, simply defined as a process used to provide confidence as to the degree of reliance that can be placed on information in sustainability reports. Under the reporting and communication dimension in retailers characterised by leading practice *'sustainability statements are independently audited.'*

However there are marked variations in the retailers' responses to the 27 dimensions seen to define sustainability. Thus strategy *'currently ranks as one of the most mature components for the industry'* with metrics and measurement, warehouses and distribution centers, waste and recycling and collaborative involvement all being similarly classified. By way of contrast responses on a number of dimensions including, materiality, goals, employee engagement, indicate that the retail industry *'plans to make significant improvement'* or *'to grow significantly over the next two years.'* For other dimensions including incentives, marketing campaigns, supply chain transparency and traceability and stakeholder engagement, the retailers' responses indicate that nearly all the companies are just starting on the process of active engagement. On some dimensions, including business innovation mechanisms, stores and corporate offices and product, energy and greenhouse gas emissions and packaging design and development, retailers reported that they will be *'excelling in 2017'* while on other dimensions including point of purchase consumer education and data center and applications, as *'ones that will grow least in the next two years.'*

Nevertheless the RILA concluded in a positive manner arguing *'retail sustainability programs are following the same dynamic as other critical business functions, namely to hone their focus, align business resources and expand their breadth of activities'* and that *'as more retailers build their sustainability strategies and report on their successes , they will further solidify the business case for sustainability.'* Further the RILA claimed that *'the leading companies are already taking advantage of this development dynamic by leveraging the key ingredients for success: engaging executives, investing in people and systems, measuring and tracking progress, setting goals and storytelling, and they are getting a wide range of benefits from it.'*

Reflections

The publication of the RILA's 2015 sustainability management report provides a broad picture of current approaches to sustainability amongst retailers in the US. More generally at a time when concerns are being increasingly voiced about unsustainable patterns of production and consumption it would seem to offer welcome recognition that leading retailers recognise the vital role they play in promoting more sustainable patterns of consumption. That said a number of issues merit discussion and reflection. Firstly while the 27 dimensions identified in the report are deemed to define an effective sustainability programme the report does not offer a definition of sustainability nor recognition that the concept has a number of different and contested meanings.

However defining sustainability is not straightforward. Diesendorf (2000) argued that sustainability can be seen as *'the goal or endpoint of a process called sustainable*

development.' The most widely used definition of sustainable development is that provided in *'Our Common Future'* namely *'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'* (World Commission on Environment and Development 1987). More specifically there are sets of definitions that are based around ecological principles which focus on conserving natural resources and protecting fragile ecosystems on which ultimately all human life depends. There are also broader definitions that include social and economic dimensions along with environmental and ecological goals that seek to meet human needs in an equitable manner. Arguably more pointedly Roper (2012) distinguished between *'weak'* and *'strong'* sustainability and while '*weak sustainability prioritises economic development strong sustainability subordinates economies to the natural environment and society, acknowledging ecological limits to growth.'*

However while the RILA does not explicitly offer a definition of sustainability within its 2015 sustainability management report, the authors' reading of the report clearly suggests that the RILA and its members have implicitly constructed a definition of sustainability which is driven more by commercial, rather than environmental or social, goals. More specifically the dominant, though not exclusive, emphasis is on efficiency gains and cost reductions. Thus while three of the four dimensions included in environmental issues are designed to reduce overall energy and water use and waste, for example, they also serve to reduce costs. In a similar vein a number of individual elements within the transportation and logistics dimensions are focused on cost saving measures such as '*using reusable containerisation for* nearly all products', *'packaging and transportation system designs concurrently occur to optimise flow of goods and minimize space and energy usage'* and *'develops innovative shipping mechanisms to maximize load capacity.'* In some ways this echoes Banerjee's (2008) more general argument that *'despite their emancipator rhetoric, discourses of corporate citizenship, social responsibility and sustainability are defined by narrow business interests and serve to curtail the interests of external stakeholders.'*

While the RILA report identified 27 dimensions contributing to sustainability management programmes and recognised the importance of materiality in identifying the environmental social and economic impacts of their operations there was no information on how the retailers were assessing materiality. In embracing materiality current best practice is focused upon engagement with a wide range of stakeholders, the identification and prioritisation of material issues and target setting. A rigorous approach to materiality that is integrated into a company's core business strategy can be seen to be an appropriate way to publicly demonstrate a company's commitment to sustainability. Within the RILA report there was no attempt to prioritise any of the 27 dimensions or to distinguish between perceived orders of magnitude of importance and impact. Schendler and Toffell (2013), for example, argued that while many of the world's largest companies *'are working to reduce energy use and waste, and many have integrated sustainability into strategic planning……such actions don't meaningfully address the primary barrier to sustainability, climate change.'* Schendler and Toffel (2013) further argued that many businesses that claim to be sustainability leaders *'don't recognise the primacy of climate change'* and that such an approach is *'misguided'* in that many businesses include *'climate in a basket of equally weighted issues'* and that such an approach is *'misguided'* in that *'climate vastly trumps those other environmental issues.'* Although the issue of climate change transcends all

business sectors large retailers have a significant role to play in influencing the extent to which society can reduce energy use and greenhouse gas emissions.

Thirdly the concept of sustainable consumption described for example, *'the most obdurate challenge for the sustainable development agenda'* (Cohen 2005) or to growing concerns about unsustainable consumption described as *'the mother of all environmental issues'* (European Environment Agency 2012) is conspicuous by its absence from the RILA retail sustainability management report. This is not surprising! On the one hand any moves to encourage more genuinely sustainable patterns of consumption would be a major challenge for retailers and would require a fundamental restructuring of the retailers' existing business models to promote the comprehensive integration of sustainable consumption into a new core business strategy. On the other hand retailers would be clearly concerned about consumer reaction for *'sustainable consumption is seen by some as a reversal of progress towards greater quality of life'* in that *'it would involve a sacrifice of our current, tangible needs and desires in the name of an uncertain future'* (European Environment Agency 2012).

Finally there are more fundamental issues around the underlying tensions between sustainability and economic growth, dependent as it is currently is on continuing consumption of the earth's natural resources and in the demands it makes on society. On the one hand the mainstream business approach to sustainability is rooted in the general belief that continuing economic growth will be accompanied by the more efficient use of resources. This trend which is seen as either relative or absolute decoupling (relative decoupling refers to using fewer resources per unit of economic growth while absolute decoupling refers to a total reduction in the use of resources) underpins many conventional definitions of sustainability and the vast majority of corporate sustainability strategies and programmes. However Wiedmann et. al. (2015) argued that *'achievements in decoupling in advanced economies are smaller than reported or even non-existent'* and this may be seen to undermine the currently dominant approaches to sustainable development. On the other hand Mansfield (2009) argued that conventional approaches to sustainability fail to recognise *'the political nature of the socio-economic processes that produce environmental degradation poverty and injustice.'* In a similar vein Jackson (2006) has argued that *'it is entirely fanciful to suppose that deep emission and resource cuts can be achieved without confronting the structure of market economies.'* More pointedly Castro (2004) has questioned the very possibility of sustainable development under capitalism and argued that economic growth relies upon the continuing and inevitable exploitation of both natural and social capital.

Conclusion

The RILA 2015 Retail Sustainability Management Report is to be welcomed in that it tries to provide a snapshot of current practice and forward thinking about sustainability within the retail community in the US. The report looks to strike an optimistic note concluding that as increasing numbers of retailers develop their sustainability strategies and report on their sustainability achievements so they will strengthen the business case for sustainability. More generally the authors would argue that the RILA report suggests that

the approach to sustainability adopted by the retail industry in the US is primarily, though not exclusively, driven by driven by business imperatives. The accent being on making efficiency gains across a wide range of economic, social and environmental issues rather than on maintaining the viability and integrity of natural ecosystems and on reducing demands on finite natural resources. More critically the authors suggest that the leading US retailers' commitments to sustainability are currently couched within existing business models centred on continuing growth and consumption and that these commitments represent a weak approach to sustainability. As such this echoes Roper's (2012) belief that weak sustainability represents *'a compromise that essentially requires very little change from dominant economic driven practices but effectively works to defuse opposition, increase legitimacy and allow business as usual.'*

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