



Sustainability 2022

Annual global report

In partnership with



€499 | SEPTEMBER 2022

RXMST22RP



Introduction



Sustainability continues to grow in importance across the political, social and retail governance landscapes. The past year has seen changes brought about by agreements made at COP26 as well as fluctuating policy in the US and energy provision becoming a major concern for the EU.

It is against this backdrop that the RetailX Sustainability 2022 report is published. Throughout the report, the research and editorial teams have investigated the current state and future direction of sustainability among the world's leading retailers and brands.

RetailX research highlights the extent to which the RetailX Global Elite 250 are sharing their sustainability journeys with customers.

The work of smaller brands and retailers that are known for their commitment to the environment or for being agents of change is also showcased.

As sustainability permeates all areas of retail, so this report covers multiple areas, from the pressures being placed on retailers by legislation and changing customer behaviour,

through operations to final mile delivery and new business models. Companies share their journeys across the retail value chain.

It is interesting to read how fashion brand TFG is mapping the supply chain and trying to ensure equal rights for workers throughout the supply chain. Bicycle delivery is helping French grocer Carrefour with its ecommerce plans for carbon neutrality, while in the UK, Sainsbury's and Tesco are using their customer loyalty schemes to nudge customers into healthier and more sustainable lifestyles.

Of course, retail doesn't stand still. Sustainability and digital are enabling new disruptors to alter what retailing means today. The rise of rental, particularly in the fashion sector, shows how ownership is changing and is not something that retailers should shy away from. The KPIs shared by luxury handbag rental company Cocoon show how brands can start to test the model.

One thing that's key to sustainability is transparency. I hope the contents of this report inform your journey. If you have any comments, or would like to be involved in future research, please get in touch.

Ian Jindal, CEO, RetailX

Contents

Legislation	09
Consumer behaviour	10
Sustainability of the RetailX Global Elite 250	13
Legalities of greenwashing	16
Being a better company	17
Case study: TFG London	20
Selling and educating customers	21
Case study: Tesco	24
Final mile	25
Case study: Carrefour	28
New models	29
Case study: Cocoon	32
Sustainable B Corps	33
Case study: Nespresso	36
Next steps	37
Figures	38
Conclusion	39

Citrix helps retailers reduce their impact on the environment.



From securing more sustainable digital supply chains to enabling 'greener' work for employees.

www.citrix.com



Expert insight

Gerard Lavin



Field CTO EMEA, Citrix

The past couple of years have seen a landscape change in where people work and where the IT applications they use are hosted. This has developed alongside consumer and employee concern about the impact of IT and the overall topic of sustainability.

What are retailers' biggest challenges to addressing environmental sustainability regulations and policies?

One of the big challenges for retailers is balancing consumerism and continuing to be profitable providing products and services to customers that don't have a net negative impact on the environment. At the same time, the customer base that wants them to be more sustainable has to be retained.

Profit and sustainability is not an either/or scenario. The competing requirements have to be weighed, with supply chains optimised to still deliver the great products and services that consumers are looking for, just in a more environmentally friendly way.

How can IT help retailers reduce their organisational impact on the environment?

The biggest positive impact is through managing the product supply chain from product sourcing and tracking core materials, to governance and not transporting half full containers. Blockchain can provide proof of authenticity, while AI and IoT help to make supply chains more efficient.

Computing environments can reduce the impact of users across the retail operation in a number of ways, regardless of whether they work in offices, remotely or in stores:

- Choose long-lasting, lower-powered devices when procuring equipment, which means less energy in use and lower embodied carbon
- Allow hybrid working to reduce unnecessary commuting
- Deliver applications for internal stakeholders and customers hosted by an efficient, on-premises or cloud-based data centre running on renewable energy
- Protect and augment digital interactions with B2B stakeholders and B2C customers

What impact is remote and hybrid work having on carbon emissions?

While a certain percentage of the retail workforce has to work from set locations, enabling people to work from different locations at different times reduces unnecessary travel. Less commuting equals fewer emissions.

This also impacts on recruitment. As the lines blur between physical and digital, customers can move easily between digital channels and have the same experience without having to drive to a bricks-and-mortar store. Employees, therefore, can work from home or from local spoke offices.

With ecommerce continuing to grow, what can retailers do to help lower the impact of customer browsing and buying online?

Green software development means writing code using the most efficient applications, while ensuring accessibility means customers can engage with the brand at a time that suits them. This feeds through to UX design helping customers find what they need as quickly as possible and then delivering their order to them first time.

Citrix (NASDAQ: CTXS) builds the secure, unified digital workspace technology that helps organisations unlock human potential and deliver a consistent workspace experience wherever work needs to get done. With Citrix, users get a seamless work experience, and IT has a unified platform to secure, manage, and monitor diverse technologies in complex cloud environments.

www.citrix.com/en-gb/about/sustainability

Ship, track, return and scale your eCommerce through Intersoft

Simple, smart and scalable shipping
software for a growing eCommerce.

[Book a demo](#)

www.intersoft.co.uk



INTERSOFT

Expert insight

Steve Sneath

Sales Director, [Intersoft](#)

Acutely aware of the precarious position of the environment, everyone at Intersoft wants to influence and enable the company to be as green as possible, as well as help customers with post checkout and the last mile.

Sustainability begins at home

We already have many schemes in place and several more on the horizon. We're using Carbon Trust-certified green energy in the office and our servers are hosted by Azure, a carbon neutral provider. We limit waste to the absolute minimum. A tree will be planted for everyone who signs up to our mailing list at September's eCommerce Expo rather than handing out single-use plastic giveaways.

We're signed up with Love Electric to encourage staff to sacrifice a portion of their salaries for an electric car at a nearly 50% discount. In turn, these cars are charged using our green energy. And we've joined the Cycle to Work scheme, with its benefits for the planet and employees.

As a subsidiary of Royal Mail, we are, of course, influenced by them and the positive steps they are taking. With this

behind us, we can influence our customers. We see what one company is doing to improve its sustainability and we pass that information on. We have some excellent customers with brilliant ideas.

Sharing best practice

Our customer Harrods follows its '[Path to Sustainable Future](#)' strategy based on four pillars. Each pillar works towards a clear, sustainability goal that is aligned to Harrods' people, products, partnerships and operations.

Another customer following good practice is Teemill. Its platform enables anyone to design and sell products using its [circular supply chain](#). Teemill's products are designed to be sent back when they're worn out, so that new products can be made from the recovered material.

Growing customer [musicMagpie](#) is a circular economy pioneer in the consumer tech space. Its highly sustainable business model sees unwanted phones, games, books and other tech sent to them for a cash payment. They then refurbish those items and rent or sell them for the next person to use.

Through Intersoft's multi-carrier software solution, we ensure that we provide carriers who offer a green service. These include DHL's Go Green scheme and DPD, which claims to have the greenest delivery fleet in the country that currently has more than 130 electric vehicles.

Making a difference

All these companies know that making bad decisions can affect people's buying choices. Consumers these days are extremely well-informed and many will choose products and delivery based as much on the company's reputation for sustainability as on price.

Intersoft is at the centre of the ecommerce business, which gives us the opportunity to work with everyone involved in improving the industry's sustainability credentials. It's all about small steps and doing what we can. As an individual, I help my company do the same. This means we can champion the right behaviour and influence our suppliers and customers in the wider world.

All these small steps add up to making a huge difference for our precious planet.

INTERSOFT

Intersoft provides a global shipping, tracking and returns platform for retailers, ecommerce partners and carriers. Using Intersoft Intelligent Shipper® solution, retailers can access multiple carrier integrations through a single API, enabling a fast and flexible onboarding process.

www.intersoft.co.uk



P F S

Your aspirations, our goals: partnering with brands on eCommerce sustainability

Find out how we help major brands deliver on sustainability

www.pfscommerce.com/sustainability-retailx

Brand focused, environmentally friendly solutions



www.pfscommerce.com



hello@pfsweb.com

Expert insight

Patrick Lowe



Area Vice President (AVP)
Business Management at PFS

How do you become a sustainably sound company? Choose a provider who can support and enhance your eco-efforts

Progress your sustainability initiatives without compromising either the customer experience or your bottom line

In the past, brands have been hesitant to fully embrace sustainable practices. It can be tough in our current culture of immediacy to find a happy medium between the allure of [next day delivery](#) and admitting that so many trucks on the road are not conducive to a sustainable future. However, tides are turning. As consumer perception and behaviour has changed, more brands are implementing policies and adjusting their operations in support of eco-friendly practices.

A holistic approach is critical to the success of a sustainable operation, particularly as it relates to your customers' approval. Brands with sustainability built into their growth framework should consider every part of the customer journey. When outsourcing order fulfilment, look to your 3PL

to partner with you on your sustainability initiatives, taking the journey with you. More than ever before, consumers are looking for transparency. They want to see that brands are trying to be more sustainable.

Ten ways to work with your 3PL or BPO to achieve your sustainability objectives

The same way your customers expect a certain standard from your brand, you in turn should be looking for that from your providers. Take a look at our checklist to make sure the companies you partner with are on the same page:

Transparency

- ☑ Are they willing to share details with you of every step of the process?
- ☑ Do they share your company values?
- ☑ Are they visibly improving and making real change with their existing clients?

Packaging and delivery

- ☑ Do they support and use FSC registered packaging? The Forest Stewardship Council are responsible for ensuring that products are made with materials that support responsible forestry
- ☑ Do they offer right-sized packaging? A great option for fitting more on delivery trucks means fewer vehicles on the road for a reduced carbon footprint
- ☑ Are they proactive and adaptive to your brand needs, for example, using high-end branded packaging that remains [sustainable](#) without the standard brown box?

Looking ahead

- ☑ Do they already have a solid plan in place for the future of their sustainability?
- ☑ Are they proactive in supporting existing clients with their goals and do they currently support brands that are focused on sustainability?
- ☑ Are they actively participating in the Carbon Disclosure Project (CDP) or Ecovadis submissions?
- ☑ Do they consider sustainable sourcing a priority?

Finding the right outsourced provider who shares your company values, will benefit your brand now - and well into the future - leading to an advantageous working relationship.

If you would like to learn more about PFS as well as the services and products we offer, contact us [here](#). You can also review how we support our clients' sustainability measures and how we're actively working to make our own operations more sustainable [here](#).



PFS is the premier ecommerce order fulfilment provider. A proven order management platform, as well as high-touch customer care reinforce our operation. With 20+ years as an industry leader, PFS is the BPO of choice for brand-centric omnichannel operations.
pfscommerce.com

Legislating for the climate

While the past year has seen talk about climate change being translated into targets by governmental bodies and industry, far more action is needed

The Conference of the Parties (COP26) held in Glasgow at the end of September 2021 saw the leaders of almost 200 countries come together to discuss the issue of climate change, review the implementation of current agreements including the Kyoto Protocol and the Paris Agreement, push forward developments and ratify measures to alleviate the impact of rising global temperatures.

Countries published their updated climate targets ahead of the 12-day summit. During the event, agreements were made around four goals: securing global net zero by 2050 to keep global temperatures within 1.5°C above pre-industrialised levels; adapting to protect communities and natural habitats; mobilising at least \$100bn (€84bn) in climate finance per year to help developing countries cope with the effects of climate change; and finalising the Paris Rulebook.

COP26 was heralded a success. At the summit's close, UK President of COP26, Alok Sharma, said: "We can now say with credibility that we have kept 1.5 degrees alive. But, its pulse is weak and it will only survive if we keep our promises and translate commitments into rapid action."

Sharma's sentiment was seconded by the UN Climate Change secretariat. Its 2021 annual report marked the outcomes of COP26 as having signalled "a shift from negotiations and setting targets to implementing actions and raising ambition further".^[1]

Accelerating progress, particularly in terms of finance, will be a key theme for the follow-up COP27, which will be held in Sharm El-Sheikh, Egypt, in November 2022. It is hoped that this year's summit will witness the turning point for the world, marking the point that it will collaborate as one international community and work for the common good of humanity and our shared planet.

However, there is still a gap between ambition and action, and there have been a number of geopolitical developments since the beginning of the year that have put extra pressure on climate actions. Countries such as Germany – which is heavily reliant on Russian oil – are trying to maintain their climate targets but also debating the need to revert to using coal. Meanwhile, in the US, the Supreme Court has tried to stall President Biden's climate commitments.^[2]



The United Nations Sustainable Development Goals underpin global actions to end poverty, fight inequalities and tackle climate change while ensuring that no one is left behind

Egypt is urging countries to upgrade their nationally determined contributions (NDCs) in line with the Paris Agreement and set more ambitious goals, including supporting the reduction of emissions by developing countries and adapting to the impacts of climate change.

Under the Presidency of HE Sameh Shoukry, Egypt's Minister of Foreign Affairs, meetings prior to COP27, "will build on the outcomes from Glasgow and discussions during the first semester of 2022, recognising the new headwinds and tailwinds that the overall economic and geopolitical situation in the world presents for global climate cooperation and action".

[1] <https://unfccc.int/annualreport#eq-7>

[2] www.theguardian.com/environment/2022/jul/06/supreme-court-epa-ruling-biden-climate-policy-global-reaction

Consumer behaviour

Consumers' concerns about the environment continue to be a factor in their purchasing decisions

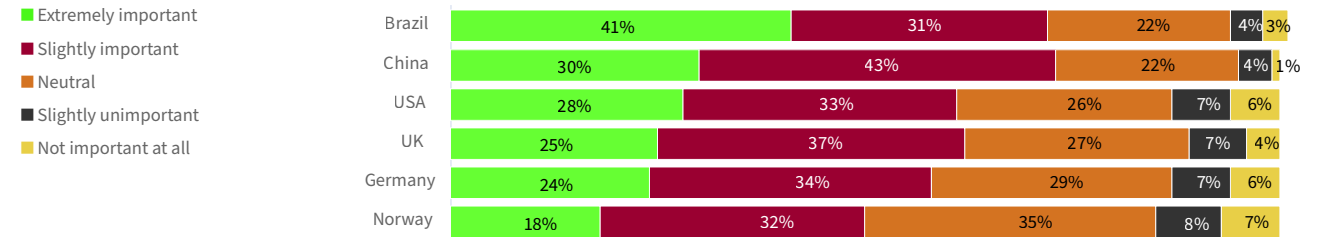
Sustainability, ethical purchasing and the reduce/reuse/recycle mantra have been increasingly playing out in retailing in recent years, with brands and retailers feeling the impact of changing behaviour.

Consumers feel that they can make a difference. In China, 26% of consumers believe their actions are more likely to have a positive impact for change than those of the government or companies. In Brazil, which has a proportionally young population that's educated to high levels or with high incomes, 55% of consumers feel they are the biggest actors of change.

When it comes to taking action, it is millennials that have been making the most changes to how and what they buy. A third say that environmental concerns mean they've made significant changes in their purchasing behaviour over the past five years. A further 35% have made "modest changes", while 21% have made "slight changes".

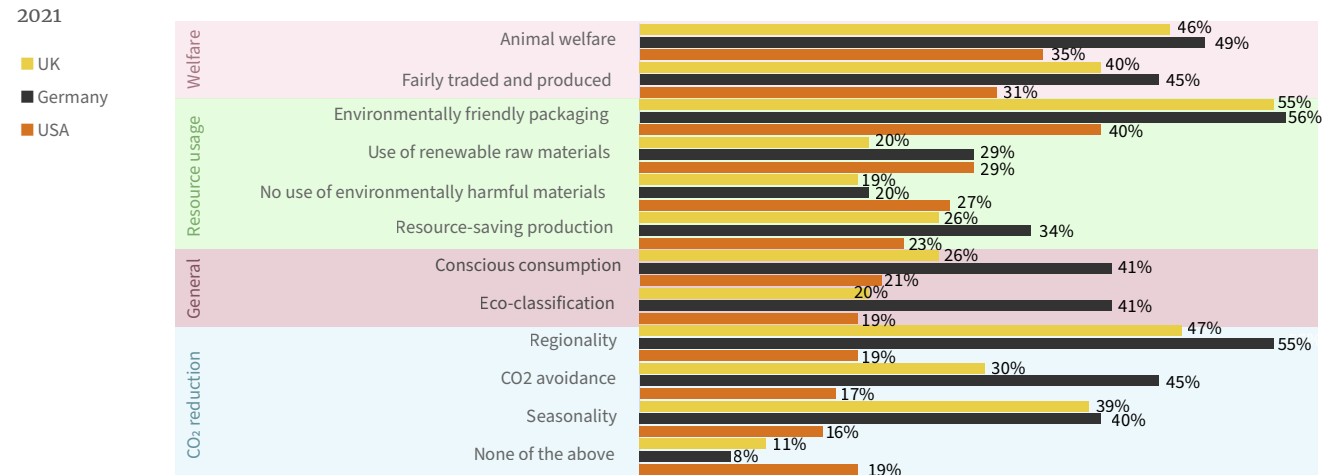
A third of millennials will also choose a sustainable product over an alternative if one is available for everything that

Importance of sustainability as a purchase criterion



Source: Simon-Kucher & Partners, Global Sustainability Study 2021

The most important aspects of sustainable consumption



Note: Based on 1,028-1,044 residents of UK, Germany and USA aged 16+, February 2021
Source: Statista

they buy. This compares with 24% of baby boomers. This behaviour plays out around the world, again with those countries with young, high-income populations more likely to put sustainability above other purchasing criteria.

They are also willing to pay a sustainability premium which, in some countries, can be as much as up to 37%. In Italy, 38% of people are willing to pay a premium, although at 16% it's at the lower end of the range.

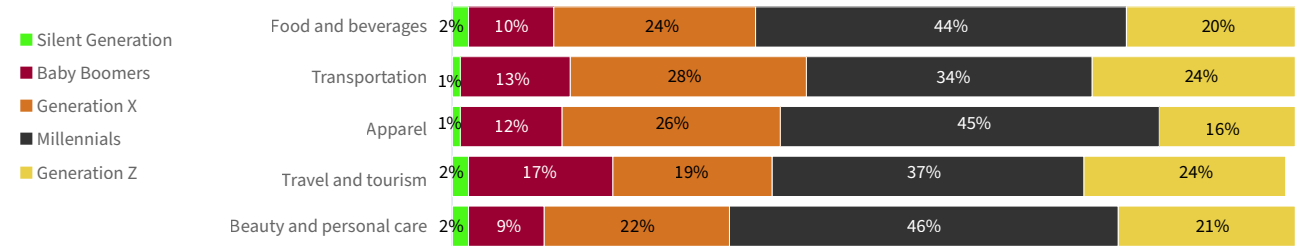
Of course, environmental factors are only part of the sustainability equation. When it comes to consumer concerns, social issues are just as important as environmental ones. In Germany, consumers are just as likely to consider animal welfare and whether an item is fairly traded and produced as they are to analyse whether it has a lower carbon footprint than another.

Across the board, packaging continues to be a major concern for consumers. In the UK, 40% say they worry about the amount of packaging waste from their online orders. Again, though, they are willing to pay for their orders to be delivered – or returned – in a way that lowers their impact on the environment.

These trends will continue, with millennials dominating the markets for sustainable products in the near future. In 2025, this age group will be the largest buying sustainable products across the majority of retail categories in the US.

Market share of generations buying sustainably in various sectors

USA, 2025 forecast



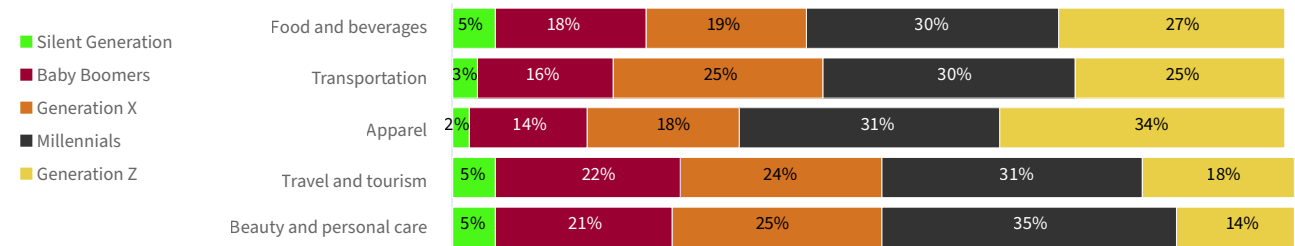
Note: An extrapolation of trends revealed in consumer surveys tracking self-declared "sustainable" purchase habits

Source: Statista

© RetailX 2022

Market share of generations buying sustainably in various sectors

Germany, 2025 forecast



An extrapolation of trends revealed in consumer surveys tracking self-declared "sustainable" purchase habits

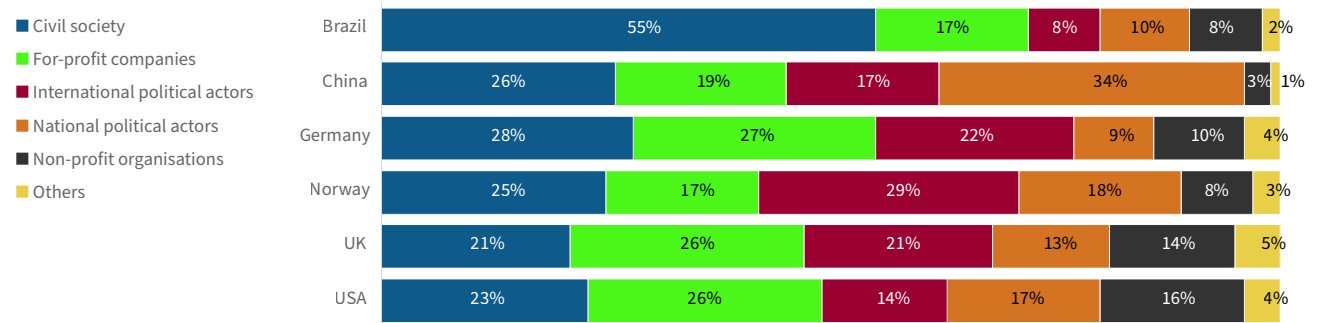
Source: Statista

© RetailX 2022

They will account for 46% of the sustainable beauty sector, 45% of all sustainable fashion bought in the country, and buy or consume 44% of all sustainable food and drink.

With their increasing purchasing power, GenZ should not be discounted. In the UK, this age group already accounts for 31% of the sustainable beauty & cosmetics market, not far behind the 34% attributable to millennials. By 2025, Germany's GenZ consumers will be buying more sustainable fashion than any other age group. With a 31% market share, millennials will be the second-largest group in this sector.

Actors for positive change, according to consumers

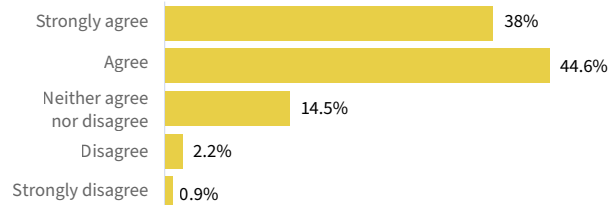


Source: Simon-Kucher & Partners, Global Sustainability Study 2021



Beliefs about supply chain responsibility

Consumer stance on whether retailers should ensure fair workplace practices throughout their supply chain



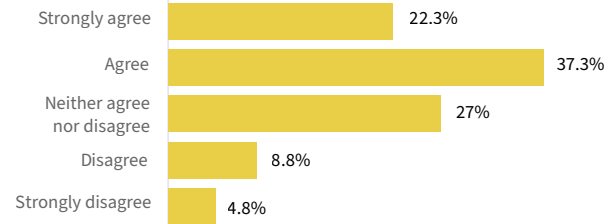
Results are based on 8,941 respondents surveyed across 17 European countries in June 2022 and are stratified by age group and gender. Question: "I want retailers to have fair workplace practices and ensure the companies that supply them also have high standards of staff and community welfare"

Source: RetailX Consumer Observatory - Europe



Willingness to pay for sustainability

Consumer stance on whether they would pay more to avoid harm to the environment



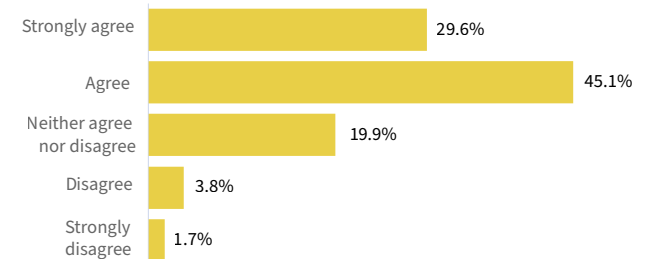
Results are based on 8,941 respondents surveyed across 17 European countries in June 2022 and are stratified by age group and gender. Question: "I would be willing to pay more for products if I knew they were produced and transported in a way that didn't harm the environment"

Source: RetailX Consumer Observatory - Europe



Whether retailers should be sustainable

The percentage of consumers who agree or disagree



Results are based on 8,941 respondents surveyed across 17 European countries in June 2022 and are stratified by age group and gender. Question: "I want retailers to be ecologically sustainable"

Source: Source: RetailX Consumer Observatory - Europe



The Global Elite 250

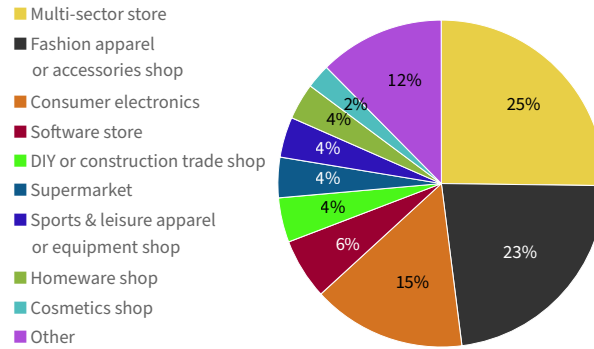
While retailers increasingly include sustainability information on their ecommerce sites, only 10% of the Global Elite 250 share the full details

The majority of the world's leading brands and retailers online include messaging about sustainability on their ecommerce sites but very few go so far as to link to plans and policies from their homepage. So finds research conducted by RetailX.

Highlighting the importance of such messaging to consumers, 52% of the RetailX Global Elite 250 – which includes Apple and Carrefour – have a sustainability section on their consumer-facing ecommerce sites. In 2021, RetailX found that 32% of 1,200 European brands and retailers shared some sustainability information with consumers. This rose to 40% of Europe's Top50.^[1] A future report will break down the Global Elite 250 further.

Not all of the companies in this 2022 study outline their sustainability goals and commitments. Even fewer share with consumers how they plan to meet their targets. Only 44% of the Global Elite 250 share the specific programme of measures they plan to take in order to achieve their sustainability goals.

The Global Elite 250 by sector

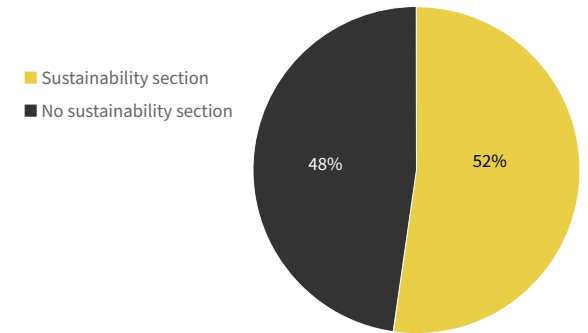


Source: RetailX



Sustainability information on websites

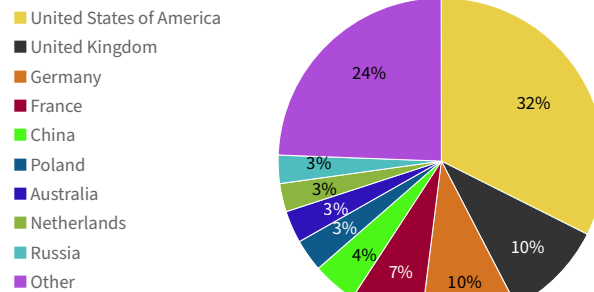
The percentage of RetailX Global Elite Top250 retailers with dedicated sustainability sections on their websites



Source: RetailX



The Global Elite 250 by HQ location

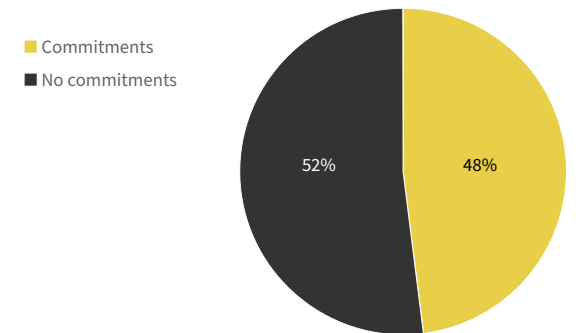


Source: RetailX



Public goals and commitments

The percentage of RetailX Global Elite Top250 retailers outlining their sustainability goals and commitments on their websites



Source: RetailX



There are 23 brands that not only disclose full information to consumers but also go as far as linking to specific sustainability policies from the homepage of their ecommerce site. These reports provide in-depth information on each company's impact on the environment through the production of products, carbon emissions from logistics networks or work carried out to ensure that everyone throughout the supply chain is treated fairly and equally.

The majority of this group of 23 brands provides a link to a modern slavery statement. A gender pay gap report is highlighted by 15% of the brands.

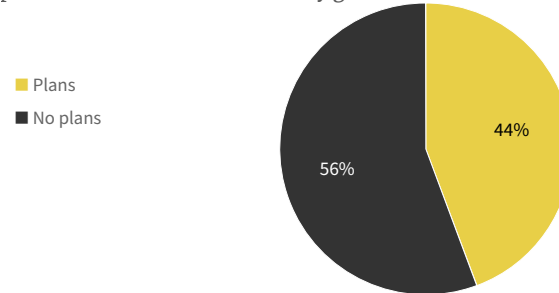
While it is common for publicly listed corporations to publish sustainability reports in line with their annual financial reporting, these are usually aimed at investors and not generally accessible to customers without searching. Therefore, the number of brands including an archive of sustainability information and linking to it from their ecommerce site is not high.

This could be a mistake. As shown in this report, sustainability is of growing importance to consumers, with up to 16% saying they “often” look for information about a lifestyle brand’s sustainability practices before deciding to buy a product.

[1] <https://internetretailing.net/sustainable-ecommerce/sustainability-report-2021-23962/>

Plans of action

The percentage of RetailX Global Elite Top250 retailers with plans to meet their sustainability goals



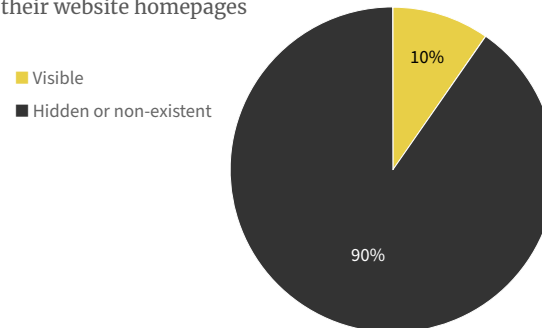
Note: Plan of action refers to an organised programme of measures to be taken in order to achieve their sustainability goals

Source: RetailX

CC BY ND RetailX 2022

Visible CSR and sustainability policies

The percentage of RetailX Global Elite Top250 linking to corporate social responsibility or sustainability policies from their website homepages

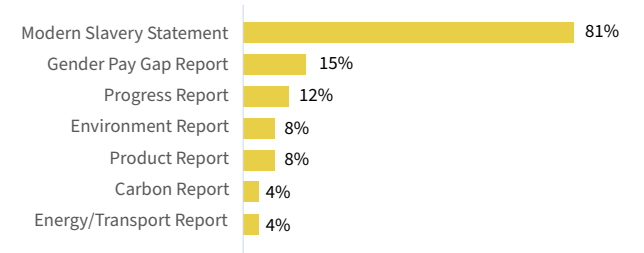


Source: RetailX

CC BY ND RetailX 2022

Publicly accessible sustainability reports

The percentage of RetailX Global Elite Top250 retailers with reports covering the following areas



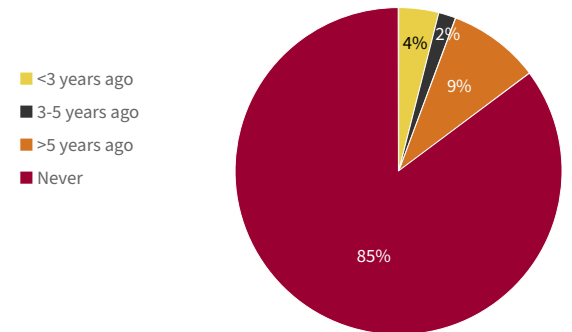
Note: Product reports generally focus on plastic and packaging consumption and waste

Source: RetailX

CC BY ND RetailX 2022

Sustainability reports archive

When RetailX Global Elite Top250 retailers most recently published a sustainability report



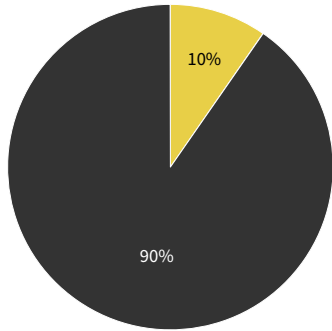
Source: RetailX

CC BY ND RetailX 2022

Transparent supply chains

The percentage of RetailX Global Elite Top250 retailers publishing a list of their suppliers and manufacturers

- Transparent
- Opaque



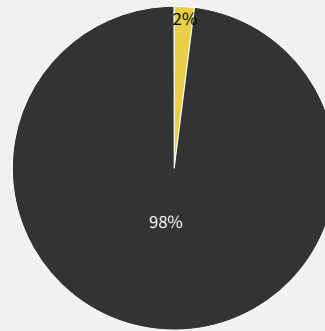
Source: RetailX

CC BY ND RetailX 2022

Product rental

The percentage of RetailX Global Elite Top250 retailers renting products

- Rental scheme
- No rental scheme



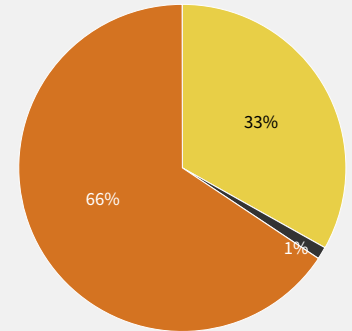
Source: RetailX

CC BY ND RetailX 2022

Recycling schemes

The percentage of RetailX Global Elite Top250 retailers offering a recycling scheme for old products

- All products
- Some products
- No products



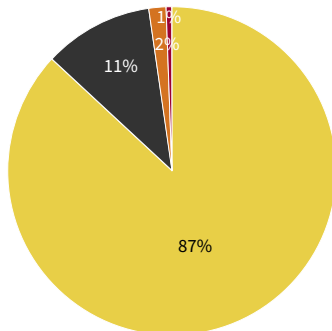
Source: RetailX

CC BY ND RetailX 2022

Information on product returns

The percentage of RetailX Global Elite Top250 retailers sharing what they do with returned products

- No information
- Recycled
- Re-stocked
- Discarded



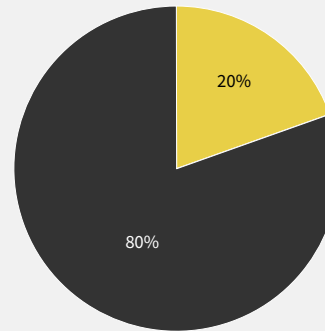
Source: RetailX

CC BY ND RetailX 2022

Mending and repair services

The percentage of RetailX Global Elite Top250 retailers offering mending and repair services

- Offer services
- Do not offer services



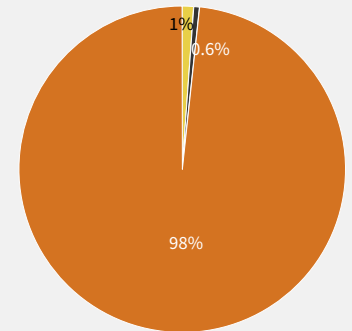
Source: RetailX

CC BY ND RetailX 2022

Support for mending and repair

The percentage of RetailX Global Elite Top250 retailers providing mending and repair instructions for their products

- All products
- Some products
- No products



Source: RetailX

CC BY ND RetailX 2022

Proof is key to sustainability claims

Guidelines helping companies to avoid greenwashing have become law, with fines of up to 10% possible

Greenwashing is becoming a serious offence and not just in the eyes of consumers who are already sceptical of claims made by companies. Enforcement powers, which in countries within the EU have already become legislation, mean companies can be fined up to 10% of their global annual turnover for claims they can't prove are true.

The EU's Omnibus Directive requires member states to fine companies at least 4% of annual turnover in the country in which false claims breaching the legislation occur. Where turnover information is not available, a fine of at least €2m (£1.7m) can be levied. The UK's Competition and Markets Authority (CMA) is also becoming stricter with companies and will enforce existing laws which can see companies fined up to 10% of their turnover.

In September 2021, the CMA and other members of the International Consumer Protection Enforcement Network (ICPEN) published a code of conduct to help businesses

ensure their environmental claims are legal. As outlined in the 2021 RetailX Sustainability Report, these draft guidelines were aimed at helping companies make claims that are truthful, unambiguous and consider the full product life cycle.^[1] Claims must:

- Be truthful and accurate
- Be clear and unambiguous
- Not omit or hide important information
- Only make fair and meaningful comparisons
- Consider the full life cycle of the product
- Be substantiated – businesses should be able to back up their claims with robust, credible and up-to-date evidence

Since publication of the Green Claims Code, the most complaints within retail have been made against the fashion sector, with five out of 21 complaints, according to research by international law firm RPC.

“Complaints to regulators about ‘greenwashing’ are likely to increase over the coming years in light of increasing regulatory scrutiny of green claims,” says Ciara Cullen, a partner in RPC's Retail & Consumer group.

With the CMA proactively investigating specific industries and being given additional enforcement powers, “this will significantly increase the risk for businesses that get environmental claims wrong,” she says.



Authorities are starting to clamp down on false claims and greenwashing in the retail sector

US-style class actions could result in companies having to pay out significant sums to disgruntled customers.

Cullen's warning is not just aimed at the fashion industry. Of the 21 complaints received by the CMA, six related to packaging, five to fashion and three to groceries.

The Advertising Standards Authority has also rebuked a number of companies, including Pepsi Lipton International, which advertised Ice Tea as having a 100% recycled bottle. Even though the small print stated that the cap and the label were not made from recycled material, the poster was deemed misleading by the ASA.^[2]

[1] <https://internetretailing.net/sustainable-ecommerce/sustainability-report-2021-23962/>

[2] www.asa.org.uk/rulings/pepsi-lipton-international-a21-1120048-pepsi-lipton-international.html

The energy for change

Companies are making changes to their own business operations and inspiring entire industry sectors

Programmes which once would have been labelled as sustainability policy or corporate responsibility have taken on a greater urgency as the global economy, climate change and conflicts impact the retail sector.

While conserving electricity and switching to renewable energy were quick wins on the path towards lowering carbon emissions, energy use has risen to prominence this year on the back of rising prices that affect every office, warehouse and retail store, as well as every customer.

In 2021, Amazon announced 18 large-scale wind and solar energy projects in Europe and the US to increase its procurement of renewable energy by 40%. In all, the company, which claims to be the largest user of renewable energy, has 274 projects in place and plans for its operations to be 100% reliant on renewable energy by 2025, five years ahead of target.

Not all retailers have the investment funds or ability to scale at such a pace, though. With energy prices rising, some retailers are considering reducing opening hours if

the situation escalates further. In Austria, Spar convenience stores are cutting the amount of time their outside advertising displays are illuminated, while French grocery chain Carrefour will reduce its electricity for ad hoc uses at times when demand on the country's national grid is high.

“Carrefour’s aim is simple: be in a position to reduce the energy consumption of its stores, warehouses and shopping centres as much as possible when warnings are issued, and fulfil our duty to lead by example. Given how many stores we have and the role that we play in our sector, engaging with thousands of suppliers and millions of customers, we want to be part of the national effort and show that we can, by doing lots of little and big things, as a company, but also on our own, make a difference,” Carrefour Group CEO Alexandre Bompard says.

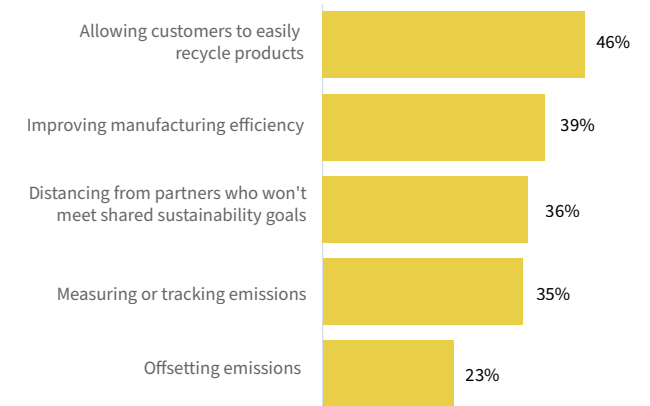
The grocery sector is already conserving energy through the use of freezers with doors or lids that close, the use of waste to heat stores or incorporating solar panels into the roofs of new stores.

Fuel costs have also been rising and as consumers buy more online, it’s predicted that by 2025, an additional 38,885 extra HGV round trips per day will be needed in the UK alone in order to keep up with delivery demands. Since existing infrastructure is already creaking, logistics experts warn that this could become a crisis if UK central government and devolved administrations don’t take

active leadership roles, including creating regulatory frameworks and incentivising investment.

“Without urgent action, it’s highly likely the supply and logistics challenges of today will, in a few years’ time, be remembered simply as a minor inconvenience,” says Walter Boettcher, head of research and economics at commercial real estate firm Colliers. “It’s a scenario that, if left unchecked, could paralyse the UK economy for a

Leading sustainability initiatives ecommerce brands are investing in



Based on 350 commerce strategy and decision makers at retail companies, September 2021

Source: Forrester Research, Shopify. Accessed via Statista

© RetailX 2022

substantial period and block an already uncertain path to net zero.”

In his report, *‘Clicks & Consequences – accommodating the rise of e-commerce’*, Boettcher comments: “The distribution model in place for the growing volume of ecommerce is not without its problems. One being that it has a substantial environmental footprint that may equal, if not exceed, that of traditional bricks-and-mortar retailing. Furthermore, the anticipated large-scale repurposing of bricks-and-mortar retail assets into other uses could unwittingly exacerbate the problem and act to undermine the path to net zero.

“From a commercial property perspective, there are questions about whether and how future growth in consumer spending in general can be adequately accommodated, let alone the inexorable rise of ecommerce. Much attention is focused on last mile delivery solutions but the real existential questions have more to do with the sustainability of bulk transport from port quays to inland warehouses and on to urban agglomeration hubs.”

Retailers and carriers have been switching to electric vehicles for final mile deliveries but for longer trips and larger load capacity, other fuels are being investigated as well. Green D+ Hydrotreated Vegetable Oil provides a 100% renewable diesel replacement derived from waste

and residue oils and works as a direct replacement for diesel, while hydrogen or compressed natural gas requires tractor units to be replaced.

The latter is the route taken by white goods retailer AO, which is replacing the diesel-powered tractor units which move large appliances between its distribution centres with a fleet running on compressed biomethane. Studies have shown that the switch to compressed natural gas can reduce a fleet’s carbon monoxide by 80% while also producing 45% fewer hydrocarbons than other fuel types.

AO also operates its own state-of-the-art white goods recycling facility, highlighting the circular model that is increasingly being adopted by brands in acknowledgement of the responsibility they have for the product journey from shop to the graveyard.

REDUCING WASTE

There are many ways in which retailers and brands can reduce their impact and cutting waste has obvious cost implications as well as reducing what goes to landfill. From product sourcing – and all the ethical, fair working, animal rights and environmental issues that go with it – to packaging, supply chain and reducing returns, retailers are trying to increase their sustainability ambitions. There are numerous frameworks for different aspects of the journey, from measuring supply chains to logistics emissions to industry-specific benchmarks. Retailers and brands are

increasingly showing that cooperation within and across industries is key to innovation and change.

In South Korea, beauty companies Kao Corporation and Kosé have joined forces to address challenges around people, society and environmental protection. They are researching and sourcing environmentally friendly materials for packaging, promoting upcycling and raising awareness about diversity, skincare and related issues. Kao’s company mission includes “walking the right path” and its actions based on this philosophy have earned it a place in The Ethisphere Institute’s ranking as one of the world’s most ethical firms for the past 16 years. It is the only Asian company to do so. Fellow beauty company L’Oréal has been ranked for the past 13 years, with Natura & Co and oral care powerhouse Colgate-Palmolive also appearing in the ranking for more than a decade.

These changes require investment but leaders are showing that there is a return on investment. “The cost of inaction is higher than the cost of action, which makes it an enormous opportunity,” former Unilever CEO Paul Polman warned delegates at the 2022 World Retail Congress.

Delivering the annual lecture at the meeting in Rome, he said companies that fail to tackle climate change are “failing humanity” and heading to the “graveyard of dinosaurs”, and they should ignore this at their peril. “Less bad is simply not good enough. A tyrant who starves fewer

people than a decade ago but has all the resources to feed them is still a tyrant,” he told delegates.

He believes that retailers should go beyond net zero targets and become net positive. “We have to start thinking restorative, reparative and regenerative,” he said.

POSITIVE IMPACT

As with omnichannel retailing, sustainability is a journey but unlike omnichannel, there is a definite deadline and a non-negotiable target. Whether a retailer is talking to suppliers to ask for a more sustainable product alternative, switching to renewable energy or mapping its entire supply chain in order to make changes relating to every part of scope 3 emissions, there are always more steps ahead. What counts as being a better organisation is something that only each business can answer because every company is at a different place in the journey to 2050 net zero targets.

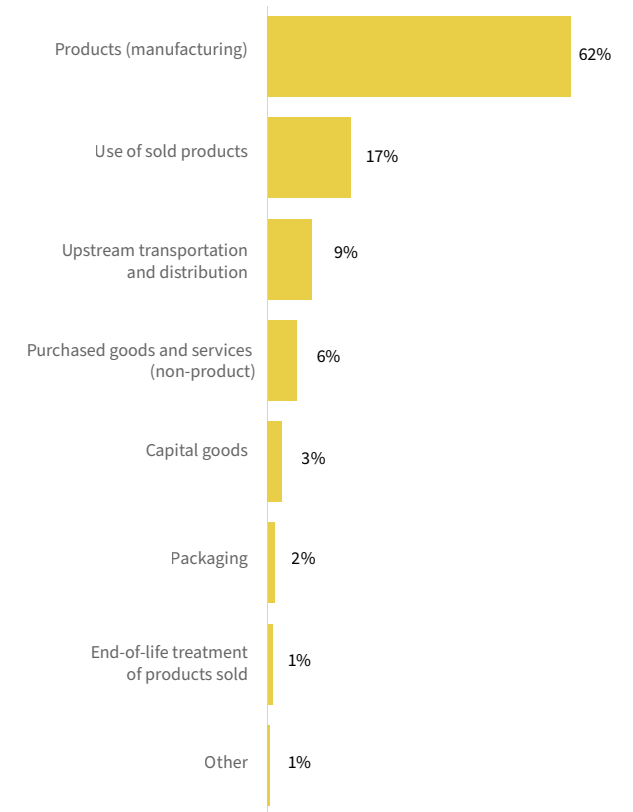
For example, TFG London – whose brands include Phase Eight, Whistles, Hobbs and Damsel in a Dress – has implemented a sustainable supply chain platform enabling it to map supply chains and ensure that suppliers are conforming to contract terms and legislation, and that communications, such as new policies, are read and agreed to. One project that the company’s head of sustainability, Francesca Mangano, has been running involves mapping the logistical supply chain and

collaborating with workers’ rights groups Human Rights at Sea and Anti-Slavery International. This is to ensure that the welfare and rights of people working at sea and in road haulage are protected and that migrant workers are treated the same as domestic employees.

Others use their entire company as a force for change. Pioneers such as The Body Shop are well known for their activism but there are many smaller companies doing the same. Dutch company Tony’s Chocolonely is an “impact company that makes chocolate”, putting social impact before profit. Its vision is to make all chocolate – its own and that produced by every other company – 100% slave-free by inspiring the industry to change. Clothing brand Finisterre is aiming to improve ocean health through its business decisions and also by actively supporting marine restoration projects and connecting and training ocean activists globally through its Sea7 initiative. Its Finisterre Foundation is also working to remove barriers and enable access to the seas for everyone.

Every business decision has implications. Targets are not set and then ignored; like a digital map they are revisited and altered as necessary on a regular basis. The Sustainable Apparel Coalition’s pausing of the use of the Higg Materials Sustainability Index by retailers such as H&M because of potential greenwashing claims shows again that being open and collaborating could be a win-win for all involved.

Breakdown of a fashion retailer’s scope 3 emissions



Source: Zalando sustainability report 2021

CC BY ND RetailX 2022

TFG

London

Company: The Foschini Group

Headquartered: South Africa

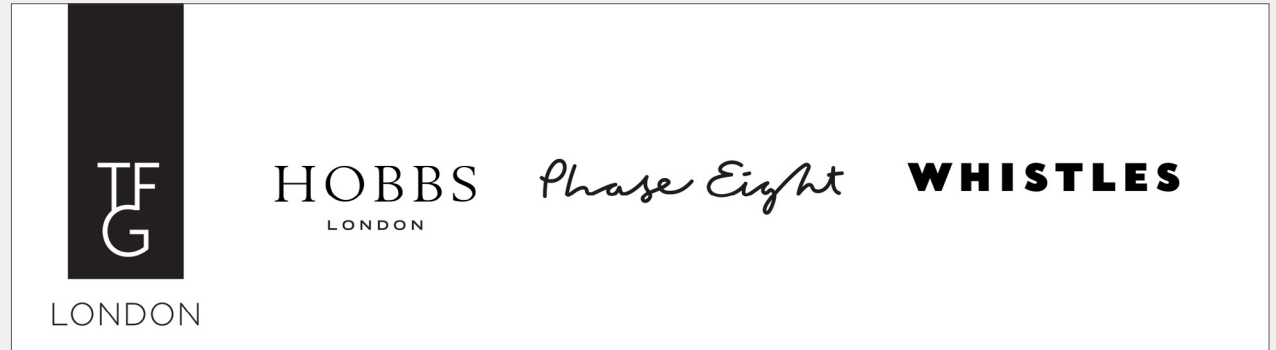
Founded: 1925

Online: www.tfglondon.com

TFG switches to IT for supply chain transparency

TFG London, whose brands include Phase Eight, Whistles, Hobbs and Damsel in a Dress, has implemented a sustainable supply chain platform recognising that the first step to enabling a successful ethical trade programme is transparency.

First tested by its Whistles brand, the platform allows the business to contain all supplier processes in one system. This enables it to map supply chains and ensure that suppliers are conforming to contract terms and legislation, and that communications, such as new



TFG London is focused on mapping its supply chain

policies, are read and agreed. Previously, when policies were updated, they were sent by email and the company followed up to ensure they were agreed to. The platform shows the situation in real time, while also informing TFG London of the status of orders.

It has simplified many processes, explains the company's head of CSR and sustainability, Francesca Mangano, including the ability to clamp down on counterfeiting by tracking orders for labels and moving forward the net zero roadmap.

Set against a baseline of 2018, the company has been able to understand its current situation and set targets

for the longer term. "We understand it's the nature of supply chains to be continuously evolving but it's crucial to us to ensure we partner with suppliers who share our values," says Mangano. "Our aim for 2022 is to focus on continuing to map our supply base beyond our second tier and the Segura platform will allow us to do this."

The working conditions of people within its supply chain are of particular concern to the business. TFG has implemented the UN Guiding Principles on Business and Human Rights, ETI base code and ETI human rights due diligence framework in order to improve the working conditions of people involved in the production and distribution of its garments.

Educating consumers

Retailers have an important part to play in helping consumers change their purchasing behaviour

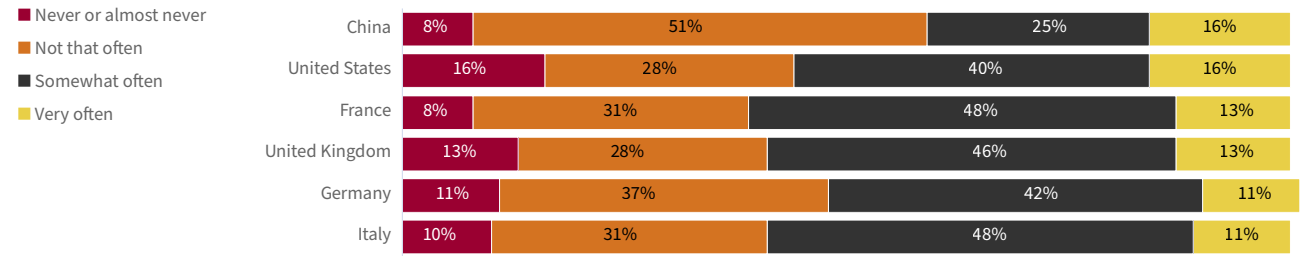
Consumers believe that they, along with retailers and governments, are responsible for bringing about positive climate change, with many saying they want to do more to help the environment. Retailers understand that they are responsible for the environmental impact of their products from design through to end of use and it is through these scope 3 emissions that retailers and consumers can work together to make major changes.

One way is through the development of products that are sustainable from day one. Dutch health and beauty retailer Kruidvat launched its own range of vegan and natural colour cosmetics in 2020, with prices starting at €2.79. The company believes that sustainability is not just an important trend for the beauty industry but is becoming a base factor for new brands and product launches. “Customers base their decision on performance and price but they expect the products to have added values like vegan and natural ingredients,” it says.

On a larger scale, P&G says it has helped consumers save 15m tons of carbon by innovating with laundry

Actors for positive change, according to consumers

How often purchasers look for information about lifestyle brands' sustainability practices when deciding to buy a product, 2022



Note: Based on 10,004 residents of the shown countries aged 18–55, April 2022. Results stratified by region, age, gender, income, and education level

Source: Stifel, Morning Consult. Accessed via Statista

© RetailX 2022

powder that works at a low temperature while educating customers to switch their washing machines to cold water. “We have leveraged innovation and sustained consumer education to help reduce the largest portion of our carbon footprint – the energy needed to heat water during product use,” the company says.

Its Tide and Ariel brands will continue this drive with new education campaigns which are predicted to avoid an additional 30m tons of carbon emissions by 2030 – more than ten times that of P&G’s yearly global operations.

These two example show that while some consumers are able and willing to pay extra for sustainable products, not everyone is, meaning products have to be designed to

be inherently sustainable from the start and sold at price points that are accessible for everyone.

Retailers can also help consumers make the most sustainable decisions when choosing between multiple products. For its 11.11 annual shopping festival, Chinese platform Alibaba established a dedicated vertical for eco-friendly, low-impact goods. This put the spotlight on 500,000 products from more than 2,000 merchants across a range of categories, including food and beverages, home furnishings, electronic appliances and maternity and baby.

More than 2.5 million consumers bought something from the green marketplace during the shopping festival. During the first minute, Tesla sold more charging stations for its

electric cars than it had during the entire festival in 2020. In the first hour, 25,000 water-saving toilets were sold and in a nine hour period, more than 120,000 energy-efficient home appliances were purchased.

REWARDS AND TAXES

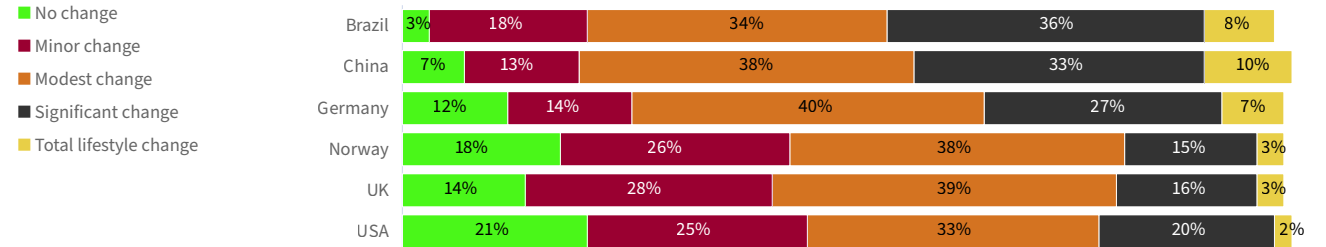
Alibaba incentivised consumers to buy eco-friendly products by offering additional discounts and issuing more than £12m-worth of 'green vouchers'. The platform also operates a rewards programme, with consumers earning 'energy points' for every environmentally friendly purchase they make. These points are then converted into trees which are planted by Alibaba's e-wallet, Alipay. The 1,000 tons of green energy points earned by shoppers during 11.11 2021 resulted in Alipay Ant Forest planting almost 59,000 trees.

Using rewards as a way to alter consumer behaviour is nothing new – grocers have long used their loyalty programmes to nudge customers into buying certain items. Since 2020, Sainsbury's has operated a summer holiday fruit and vegetables challenge rewarding customers with bonus loyalty points when they buy from this category.

Its 'Great Fruit & Veg Challenge' uses a series of targets encouraging customers to buy more fruit and vegetables each time they shop. The targets are based on each customer's usual purchase history so they're personalised to increase purchases or change behaviour.

Consumer lifestyle changes related to sustainability

Measured over the past five years



Source: Simon-Kucher & Partners, Global Sustainability Study 2021

© RetailX 2022

"It's easy to get stuck in a rut eating the same fruit and veg, and we're always looking for ways we can encourage people not only to add more of the fruit and veg they love to their baskets, but also try new things," says Sainsbury's chief marketing officer, Mark Given.

"Last year, more than 500,000 people took part and collected over 83m Nectar points. We also know that our customers continued to keep up their fruit and veg intake for at least six weeks after the challenge ended."

Sainsbury's fruit and veg challenge is just one way in which it is 'Helping Everyone Eat Better'. The retailer is also reformulating its own products to cut calories, sugar and salt, while introducing more plant-based meals.

CONSUMER THOUGHTS

Grocery shoppers in the UK believe companies should be taxed heavily if they produce or promote unhealthy choices, thus putting the onus of educating consumers into purchasing the best products in the hands of retailers. According to a NielsenIQ study, 54% of UK consumers say they pay attention to labelling and food nutritional values when grocery shopping, with sugar (45%), fat (41%) and salt (31%) content having the biggest impact on purchase decisions. But rising food prices mean that intent can't always be matched by purchasing behaviour.

Also, consumers aren't necessarily acting on their main environmental concerns. Among UK grocery shoppers, these are reducing food waste (45%), buying local/

British (36%) and minimal/no packaging (26%). Although consumers say they want to switch to sustainable product packaging, their shopping behaviour doesn't always reflect this desire, the study shows.

“With 49% of households focusing on value for money when buying new food and drink products, UK shoppers find themselves in a bit of a fix as they struggle to balance tight budgets with their health and sustainability values,” NielsenIQ UK thought leadership activation manager, Katrina Bishop, says.

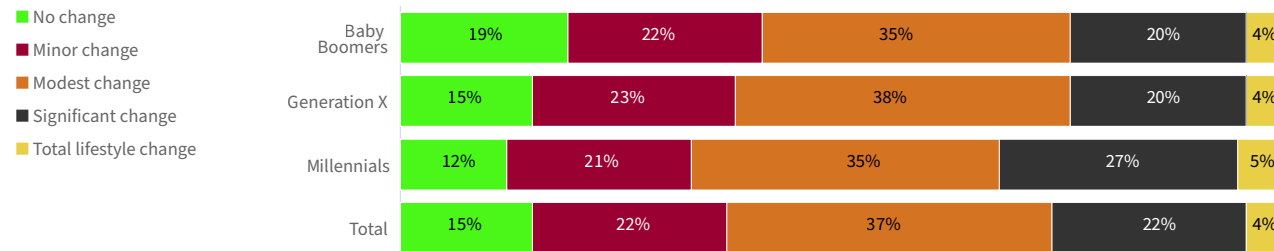
“We may see a slight shift in priorities from shoppers as they seek to find alternative ways to balance this. For example, cutting back on grocery spending and on meat may result in cooking with fresh vegetables rather than seeking out meat alternatives.”

Inflation is affecting consumers in other countries as well, so sentiments in the UK are likely to be echoed in other countries, too.

The grocery sector is an important one for sustainability efforts since food accounts for 34% of global greenhouse gas emissions. Grocers contribute only a small percentage of that but they are in a position to influence both producers and consumers. With land use and agriculture accounting for the largest share, anything that can be done to reduce food waste has a major impact.

Shift in consumer purchase behaviour related to sustainability

By age group, over the past five years



Source: Simon-Kucher & Partners, Global Sustainability Study 2021

© ⓘ ⓘ RetailX 2022

LABELLING

What the study also shows is that consumers look at product labels. As reported in the 2021 Sustainability Report, there are a number of schemes in place and being developed that not only show the levels of fat, salt and sugar in products but also highlight their carbon footprint.

For example, the Love Food Hate Waste labels link the length of time a product takes to grow with an explanation of how not to let an item go to waste. Simple messages put the agricultural processes into the consumer's mind. These include: “Juicy pears take 6 months to grow. Keep fresh in the fridge not in the fruit bowl” or “It takes 10 whole months to grow the wheat for this bread – so make the most of it, freeze what you don't eat and defrost for later.”

Labelling isn't just for the grocery sector. Drivers in the US city of Cambridge are seeing signs on petrol pumps warning them that “burning gasoline, diesel and ethanol has major consequences on human health and on the environment including contributing to climate change”. Product labels don't need to be physical. QR codes and digital labels can show a garment's journey, provide care instructions, explain how to recycle component parts, or prove authenticity when reselling. By digitalising hang tags, global brands can direct customers to their local website in their native language, where the brand can engage with them on a local level on environmental issues, campaigns or the product. This sort of customisation has never been possible with small, physical garment tags which, once printed, can't be updated.



Company: Tesco

Headquartered: UK

Founded: 1919

Online: www.tesco.com

Tesco uses Clubcard and signage to help customers buy better

Tesco is on a mission to halve the environmental impact of the average basket of groceries. The UK's leading grocery chain is moving towards this goal in a number of ways by working with suppliers as well as making it easier for consumers to make better-informed purchases.

It has nudged customers into eating 90m more portions of fruit and vegetables over the past year and, since 2019, has removed 1.7bn pieces of plastic

packaging. Where packaging is still needed, the amount has been reduced and made reusable and recyclable.

Tesco recognises that customers want to be more sustainable. 62% of its customers say they want to make more sustainable choices while 86% also want to eat more healthily. However, price, time, confusion and inspiration are often barriers to its customers buying healthy products or those that are packaged in a more sustainable way.

In May 2022, in a bid to help customers overcome some of these purchasing barriers, Tesco launched a campaign to help shoppers find products that are healthier or have a lower environmental impact.

Under the 'Better Baskets' banner, it highlights to shoppers: products that are high in fibre; plant-based options; low and no alcohol drinks; snacks and treats with fewer than 100 calories; and items that are reusable or have reduced or recyclable packaging.

The campaign goes further by linking with Tesco's Clubcard loyalty programme. The scheme gives members a number of benefits, including discounts against a changing range of products at checkout. As Tesco campaign manager Maria Elbourne points out:



Tesco has linked its loyalty scheme to healthier products to halve the environmental impact of the average basket of groceries

“Many of [the Better Baskets] products are on Clubcard Prices, meaning making better choices doesn't even have to cost customers more.”

As well as reducing the environmental impact of groceries, Tesco aims to increase sales of healthy products as a proportion of total sales to 65%, grow sales of plant-based meat alternatives by 300% and remove a further 50bn calories from its own products by 2025.

Reducing the final mile

Electric vehicles aren't the only answer to lessening the impact of ecommerce fulfilment

Stand at the entrance to a housing estate or cul de sac on any weekday and watch the flow of different delivery vans and mopeds delivering post, online orders, groceries and other goods. Since consumers are doing more and more shopping online, the volume of parcels is rising and, subsequently, that final mile is being driven more often.

Across Europe, the majority of consumers shop online at least once a month. Many of the mature ecommerce markets experience a much greater frequency of purchasing, with some consumers making multiple orders each day. A lot of the behavioural changes that happened during the pandemic are sticking. Yodel's parcel volumes are 30% above pre-pandemic levels and have remained at that high level even with fewer people working from home.

It is not surprising that carriers and retailers are switching to electric vehicles and delivery methods with less impact on the environment. Evri, which says it aims to become the

UK's most sustainable delivery business, has been trialling a variety of options in different locations to explore how they affect delivery efficiency as well as congestion and carbon emissions.

Early data from a trial in Bristol with Zedify – which is testing pedal-powered electric vehicles such as cargo bikes – shows a 13% increase in efficiency plus a 98% reduction in carbon emissions when parcels are delivered by bike rather than by a traditional van.

Zedify COO James Nellist commented: “We're thrilled to be supporting Evri on their sustainability journey. It's fantastic to see a leading parcel carrier embracing an innovative approach to sustainable urban logistics. Zedify offers a genuine, scalable alternative to diesel vans and electric vehicles (EVs) in cities. As demonstrated by this trial, it's not only the dramatic cuts in emissions which stand to be gained, but with a 13% increase in productivity, cargo bikes are proving they can keep last mile costs under control, too. We look forward to expanding the partnership into our network of UK cities, to achieve even greater efficiencies for Evri and their customers.”

Cargo bikes are not just a UK phenomenon. Dutch courier network Bringly is expanding its sustainable same day delivery network in Germany. The company is connecting urban cycle couriers through its software to deliver parcels from stores and hubs in ten German cities.



Swapping diesel vans for EVs isn't enough to tackle acute congestion or achieve net zero, believes cargo bike company Zedify

In the Netherlands, Sweden, Italy and France, H&M is enabling its customers to receive or return items using a bicycle delivery service, while customers in Sweden, Norway and parts of Germany can have their order delivered to climate-controlled smart lockers. Grocers are also adopting electric vehicles, with Waitrose & Partners

in the UK aiming to have moved away from fossil fuels completely by 2030, netting them a saving of an estimated 70,000 tonnes of CO₂ every year. Amazon – which in 2020 used EVs to deliver 20m parcels in the US and Europe – will have 100,000 such vehicles in its fleet by the end of this year, all of them designed specially for the company by EV startup Rivian.

Retailers and carriers alike have also been testing delivery on foot. As a measure of what this means, Evri claims that eight people with the aid of two of its electric vans delivered 75,000 parcels on foot in London, enabling it to keep six of its diesel vans off the road.

Although making the switch to electric vehicles, cargo bikes and on-foot delivery options reduces delivery emissions, there is more that retailers and carriers could do to not only cut emissions but also increase efficiency. The main one being reducing failed first-time deliveries.

SORRY YOU'RE OUT

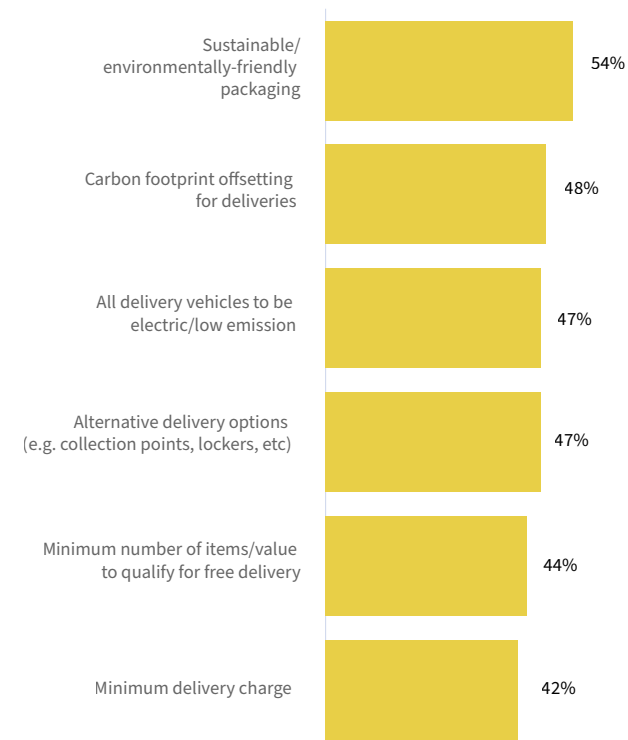
It's estimated that 8% of online orders aren't delivered at the first attempt, all at a cost to retailers, carriers and the planet. Rather than waiting for a failed first delivery, consumers could divert their parcel from a home delivery to another method before it is sent out to them. In-flight changes from home delivery to collect from a locker or shop have the potential to reduce a parcel's carbon footprint by up to 90%, according to Evri.

One place to which they are being redirected is parcel lockers and pick-up drop-off locations (PUDO) such as convenience stores. PUDO is widespread in Scandinavia, where PostNord has invested widely in the infrastructure so people are never very far from a collection point. The majority of ecommerce parcels are collected rather than delivered to consumer homes. This includes a mix of items specifically chosen for delivery to a collection point and those that have been delivered there by a carrier having failed with a first delivery to the customer's home.

Of course, any advantage for the planet needs a parcel locker or PUDO location to be in a convenient location for the consumer and not require them to make an additional journey to collect their parcel. As published in previous InternetRetailing sustainability reports, a consumer who travels to the shops by car needs to buy 24 non-food items in one journey to account for the equivalent CO₂ emissions of a single online delivery.

As Tim Robinson, CEO of PUDO technology company Duddle, explains, PUDO was originally the premise of carriers and postal incumbents. The increasing volumes of ecommerce orders – and later returns – saw Duddle launching its own network of carrier-agnostic PUDO points, mainly at train stations, so shoppers could collect their online orders on their way home from work. If a carrier is paid £3 to collect an order from a retailer and deliver it to the customer's home, 40% of that cost is the final mile

Sustainable delivery measures European consumers would like to see from large retail businesses



Note: Based on 10,669 European respondents, 7-18 January 2021

Source: UPS

© RetailX 2022

consisting of the van and impact of a missed delivery and having to leave a ‘sorry you’re out’ card.

Doddle and other PUDO networks negate some of that cost and, in the right circumstances, additional level of traffic and mileage as carriers make repeated delivery attempts.

Another country that has really embraced PUDO is Poland, where InPost and others have invested in a network of lockers; in some locations banks of them from three or four companies are placed together. It’s believed that Poland has the world’s highest density of parcel lockers per 100,000 consumers, with as many as 25,000 installed.

About 50% of all orders are delivered using this method in the country and 97% of the population say they have collected an online order from a locker at some point.

Polish marketplace Allegro has been a big driver behind consumers embracing this way of receiving parcels since it took the decision to push lockers as a first-choice delivery option for orders. The marketplace highlights how retailers can influence the delivery choices that consumers make at the checkout.

The experience in Poland also shows how multiple lockers can negate any emissions reductions since a number of companies still have to deliver to the same location. Is it therefore possible to operate a carrier-agnostic network

or collaborate and consolidate parcels further back in the delivery process? This is being done in Singapore, where a network of 1,000 lockers is available for all carriers and retailers to use, although the country is smaller and more densely populated than Poland. During an initial trial, it was found that four times as many parcels could be delivered to the lockers as prior doorstep deliveries.^[1]

INCREASING EFFICIENCY

Along with eliminating failed deliveries, reducing overall mileage and improving the efficiency of existing vehicles also lessen the environmental impact of ecommerce. Yodel has installed sat-nav and driver monitoring technology in its fleet. The technology “allows us to map the best routes and to monitor the driver’s behaviour so they don’t exceed speed limits and they don’t have excessive breaks between deliveries and we get more fuel economy,” Yodel CEO Mike Hancox explains.

Carriers everywhere are increasing efficiencies and investigating – if not investing – in more sustainable delivery methods as urban low emissions zones are introduced, making driving in city centres more inconvenient or expensive.

Retailers are helping by enabling consumers to actively choose a cycle delivery or low impact delivery method, or pay to offset the emissions from their parcel delivery, thus taking positive action. Telematics and suggesting timed

delivery slots to customers for when another customer order is being delivered also decrease the impact of the final mile on emissions.

The question is whether consumers would choose a delivery method based on the most sustainable route or method. According to Metapack, almost 32% say they would pick an environmentally friendly final mile solution over other considerations. So, for carriers and retailers, choosing a technology driven route as a starting point to zero-carbon deliveries could be win-win all round.

However, sustainability is not the main issue that retailers are taking to the table when talking with carriers. “Price is still the most important thing when you talk to most retailers, but it’s definitely going up the agenda in terms of the decision-making tick boxes that they’re looking for,” Hancox says.

Sustainability is only going to grow in importance. Carriers can’t invest to the point that they start to lose money, but they do have to think cleverly and tactically about how they can do more to reduce the CO₂ emissions of the ecommerce final mile.

[1] www.ti-insight.com/briefs/poland-suffers-from-parcel-locker-overload



Carrefour

Company: Carrefour

Headquartered: France

Founded: 1959

Online: www.carrefour.fr

Bicycle delivery helps Carrefour achieve its ecommerce plans for carbon neutrality

Carrefour aims for its ecommerce operations to be carbon neutral by 2030, ten years ahead of the total group. Among the pillars for how this will be achieved is insight into the future trajectory for grocery shopping and how consumer behaviour and local models will help to lower the impact of final mile deliveries.

While distribution centres fulfil grocery orders for delivery on a future day, quick commerce, whereby

the customer receives their online order in 90, 30 or even 15 minutes, has been gaining popularity in the last couple of years. Due to the short timeframe within which delivery is promised, product has to be kept close to the location of consumer demand, something that instantly reduces mileage and makes delivery on foot or by bicycle achievable. It also means products are consolidated into larger deliveries into local fulfilment hubs – something that was achievable previously only by having local, urban stores and by those retailers able to offer a ship from store service.

Carrefour's urban stores have been offering local fulfilment via UberEats since 2020 but in October 2021, Carrefour became an early investor in French quick commerce company Cajoo and partnered with UberEats to enable customers to order online from a range of 2,000 grocery items and have them delivered in just 15 minutes. The service saw orders picked from Cajoo's network of dark stores in Paris, Lyon, Bordeaux, Toulouse, Lille and Montpellier. Customers could order via Carrefour's own Carrefour Sprint service, which previously offered delivery in 30 minutes, or Cajoo or UberEats' mobile apps.

Cajoo was acquired by its German competitor Flink, with Carrefour becoming a shareholder and its exclusive



Carrefour will leverage Flink's capabilities and hubs network to accelerate its own Carrefour Sprint quick commerce service

partner for groceries in France in May 2022. The move will enable the French grocer to leverage Flink's capabilities and network of hubs to accelerate its own Carrefour Sprint quick commerce service.

Moving towards the circular economy

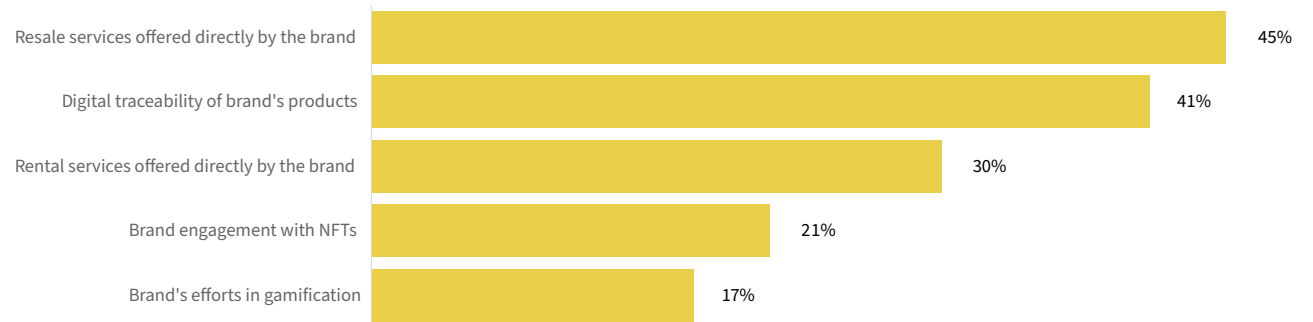
Circular design means looking at products in new ways to ensure reuse, repair and recyclability from day one

A department store has opened in London that sells only items which are sustainable. Brands have also been making similar moves online to partition product ranges in order to showcase their paths towards achieving a lower environmental impact.

A new brand setting up today would not be in a bad position if it chose an aspect of sustainability as its USP. It's much simpler to embed sustainability from day one than to transform a business that has been built up over 150 years. For example, luxury fashion brand Another Tomorrow started its business not by hiring designers or marketing experts but by employing a sustainability team which carried out "analysis of best practices from both a science and industry perspective," notes the company's CEO, Vanessa Barboni Hallik.

This work highlighted the trade-offs inherent in the fashion industry, even though the brand was building its supply

The most exciting digital features offered by brands according to luxury consumers

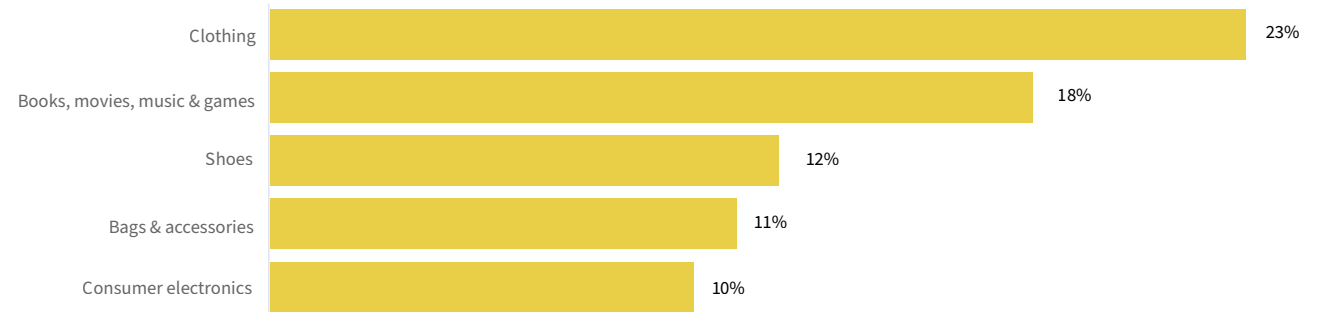


Based on 6,101 Vogue and GQ luxury consumers, October 2021
Source: Klarna, Vogue Business. Accessed via Statista

© RetailX 2022

Secondhand purchases by category

UK



Based on 2,536 residents of UK aged 18-64, April 2021 - March 2022
Source: Statista Global Consumer Survey

© RetailX 2022

chain from the ground up. She explains that as an industry, the fashion sector can “use whatever perfect chemical management programme you want but if we continue to overproduce at the levels that we are now and have things going into landfill, it really doesn’t move the needle”.

It is these tradeoffs for which Barboni Hallik had to develop a filter mechanism so the brand could convey to customers what and how decisions had been made. “I’m a big believer that there is no such thing as perfection but you have to be able to communicate the compromises that you’re making,” she says.

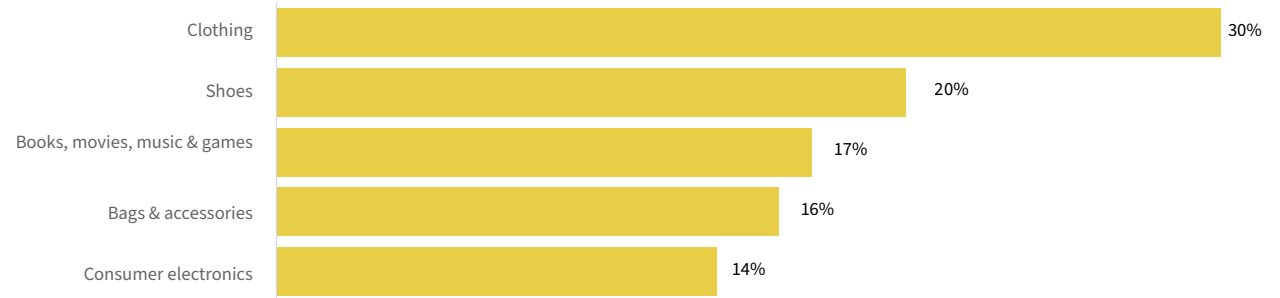
TECHNOLOGY-ENABLED PROOF POINTS

Jesse Baker, founder and CEO of sustainability marketing tech company Provenance, believes these glass-box brands – those that are totally transparent and in which most employees have a voice in the public domain – are the future. “Brands have to be authentic with what they’re putting out there,” she says, acknowledging that perceptions have changed hugely over the past few years.

What brands are saying has to be proven, too. Consumers are so wary of greenwashing that companies are, in essence, marking their own work, so third-party auditing is essential to overcome such issues. For this, Baker believes, “technology is essential”. For example, when a brand claims to have reduced waste in its supply chain, technology can provide proof points and an integrity

Secondhand purchases by category

USA

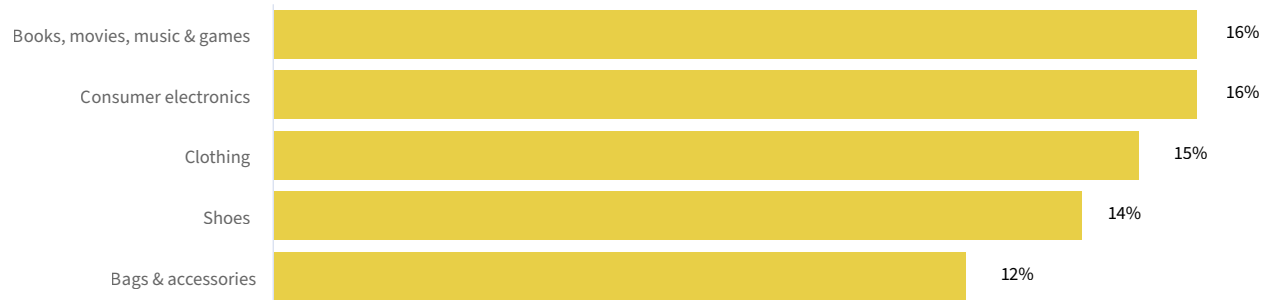


Based on 7,605 residents of USA aged 18-64, April 2021 - March 2022
Source: Statista Global Consumer Survey

CC BY ND RetailX 2022

Secondhand purchases by category

China



Based on 4,033 residents of China aged 18-64, April 2021 - March 2022
Source: Statista Global Consumer Survey

CC BY ND RetailX 2022

layer to ensure that claims are backed up by evidence, are transparent and that the consumer can trust them.

Another Tomorrow ensures traceability of its garments through a QR code on the care label so its authenticity can be proven should it be resold. The brand launched its own resale site with set fees for garments. It handles authentication and the transfer of garment along with fees between buyer and seller. In this way, Another Tomorrow keeps control of its brand and hopes to prevent items from being resold on peer-to-peer sites while also building in the longest possible lifecycle for its products.

EXTENDING THE PRODUCT LIFECYCLE

Resale on secondhand sites, such as Vinted for fashion, musicMagpie for mobile phones or eBay, has a role to play in the circular economy because it keeps items in use beyond the requirement of the original purchaser. In some product categories, buying secondhand is nothing new. There has always been a strong market for used cars and it's one of the factors that drives the market for new vehicles as recent price rises in the secondhand market attest since the availability of new vehicles has dropped.

The market for secondhand smartphones and other consumer electronics is buoyant, with consumers around the world more likely to search specifically for a “used iPhone” on Google than they are to run a generic search for a “secondhand phone”.

What retailers do has an impact on consumer behaviour as well. eBay UK's recent link-up with television reality show *Love Island* triggered a more than 1,000% increase in listings for secondhand clothes on its platform.

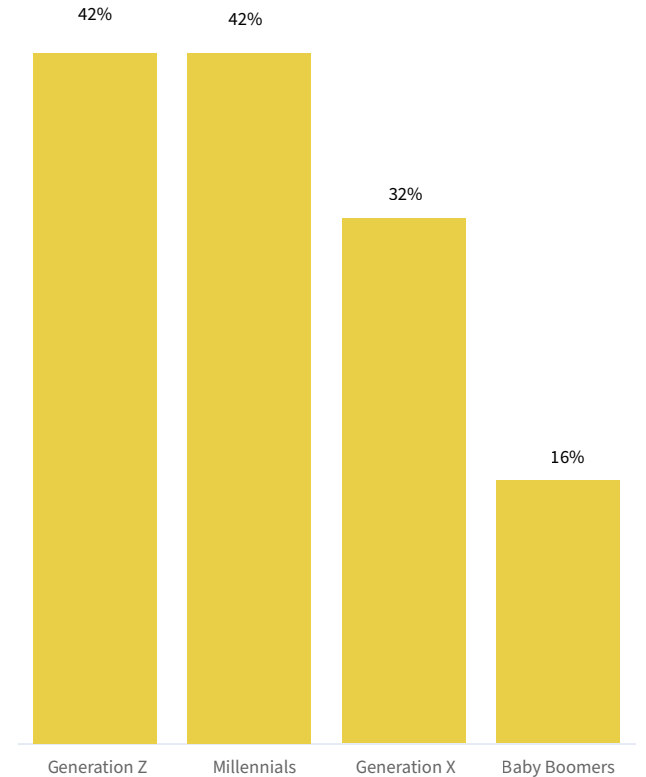
Repair, either by the consumer using instructions from the brand or by the brand itself, also offers a way to extend product lifecycle. Rental, too, is becoming an acceptable part of the fashion industry, as shown by the upsurge of brands offering product hire through their own site or via third-party fulfilment.

The instances of brands designing better for the environment from day one and highlighting to consumers their power to consume or acquire product in new ways is growing across the retail industry.

Whether it's Zara's use of Piñatex pineapple leaf fibre as a leather alternative for shoes or dresses partly made from polyester produced through carbon capture by LanzaTech, Paynter producing jackets in limited runs or Huit Denim making unique jeans from its waste, these models show that brands and consumers are thinking that things can be done differently.

As Barboni Hallik says: “The whole goal is that you develop these business models that incentivise really high-quality, long-lifecycle products, and therefore you end up selling fewer new products.”

Willingness to buy secondhand apparel



Based on 3,500 global respondents aged 18+, March - April 2021
Source: GlobalData, Thredup. Accessed via Statista

© RetailX 2022

C O C O O N

Company: Cocoon

Headquartered: UK

Founded: 2019

Online: www.cocoon.club

Turnaround time is key for rental return on investment

Cocoon offers customers a membership subscription for the rental of designer handbags. Its membership models include monthly, quarterly or flexible, enabling members to swap bags at different times, make fewer or increased swaps, or keep bags for anything from a week up to three months. Different bags have different values so the membership options adjust accordingly.

“Designer handbags are durable, well made and designed to last,” Cocoon co-founder Ceanne Fernandes-Wong says, explaining one of the reasons



Cocoon's membership models allow customers to rent designer handbags

why she chose this product category. Members can rent the latest trends or experiment with different brands and designs without having to purchase a bag outright.

Turnaround time on rentals is key to the business model, so one of the company's core KPIs is utilisation rate. Once a bag has been rented and returned, it is closely inspected to ensure that it is the same item that was sent out. Its condition is assessed against existing photographs and it's cleaned ready to be rented again.

Cocoon is riding a rising tide in which consumer behaviour is changing, and companies such as this are helping GenZ to partition their wardrobe into things

they want to keep, sell and rent. It is also “feeding a younger generation into the brands they buy long term,” Fernandes-Wong explains.

Cocoon owns all the handbags available to its members so it is able to offer the collection it chooses rather than having to work with brands not ready to enter the rental market or those that prefer a more exclusive model.

Some brands do work with Cocoon and the platform shares data to help them understand the rental model as well as customer behaviour since, as Fernandes-Wong says, “Luxury houses have to think about where the consumer is coming from in five years.”

The route to B Corp certification

Is the better business label worth the challenges of B Corp certification?

Businesses of all sizes are publicising their commitments to sustainability, targets and ambitions while understanding that there are more changes they can make. Benchmarks and frameworks enable structures to be put in place with which to measure their current position and formulate achievable targets.

B Corp certification stands out because it requires a business to adopt stakeholder governance and, in some countries, to make changes to its articles of association that are legally binding. This means that directors have to consider all relevant stakeholders, not just shareholders, when making business decisions. In some jurisdictions, this results in a triple bottom line of people, planet and profit, while in others, purpose and profit are put on an equal standing.

Tom Kay, founder of clothing brand Finisterre, believes this legal commitment for directors to do what they say they are doing not only ensures that they behave in a certain

way but also gives “a wider and more balanced view of the role of business in society”.

B CORP PROCESS

Becoming a B Corp is a rigorous process that starts with a business impact assessment. These questions cover all areas of operations through the lens of environmental and social responsibility. Specific focus is given to governance, workers, environment and customers.

Proof needs to be provided to substantiate all answers, which, for some questions, could mean up to a thousand proof points being provided by any company operating in multiple markets.

Nespresso UK’s sustainability lead, Mary Child, says that it is a very data-intensive and complex process since it requires the involvement of all business departments. For example, Nespresso’s HR department had to share diversity policies, while the supply chain part of the business needed to prove how it works with suppliers. The company managed the process through a team based at its global headquarters, with country-level sustainability leads feeding in information.

Nespresso was challenged by B Lab, the organisation behind the B Corp certification process, on how it works to improve the lives of producers, particularly in geographies that were previously conflict zones.



Finisterre is one of more than 4,000 B Corps in 77 countries and 153 industries

© Finisterre

The impact assessment works through a process of positive scoring, with companies awarded points for positive impact rather than points being taken away for

negative behaviours. In order to pass the auditing and be certified as a B Corp, a business must gain at least 80 points. A typical company would score 50.9.

B Lab also gives special credit for innovative solutions, such as the new approaches to meals taken by Mindful Chef and HelloFresh, with the organisation understanding the opportunity to lead the way within a sector.

HelloFresh's "commitment to doing business differently will be an inspiration to others and really help spread the idea that we can redefine success in business to be as much about people and planet as it is about profit," said Kate Sandle, B Lab UK's director of programmes and engagement at the time of HelloFresh's certification in August 2021.

The process also provides a framework for improvement and a benchmark against which changes can be assessed. HelloFresh UK took 18 months to complete the full certification, a process which its CEO, Laurent Guillemain, describes as demanding but rewarding.

"One of the more challenging elements was canvassing our large network of suppliers and partners for proof points," he says, explaining how the assessment process supplies a framework "to obtain important environmental data from our suppliers, allow us to set metrics with them and work together to reduce our impact on the planet which also

helps us to strengthen our relationship with them – one of our biggest priorities."

The B Corp assessment process enabled HelloFresh to identify the blind spots in its operations where it wasn't tracking its own impact. "The assessment process also allowed us to reassess how we obtain and use valuable feedback from our workforce," Guillemain explains. "For consumers and investors, the label helps add a valuable proof point to our sustainability efforts."

As Nespresso – which completed the certification process in 2022 – shows, large corporations can gain B Corp status as well as smaller or independently-owned firms. The requirement is that companies operate as an autonomous business, with full control over all functions. This has allowed brands such as Nespresso and Lily's Kitchen (which are owned by Nestlé) and The Body Shop (owned by Natura) to become B Corps.

COOPERATION

While certification is a challenging process for many companies, being a B Corp has lots of advantages, not least the validation of what a business is trying to achieve. "It's important for customer and employees," says Finisterre's founder, Tom Kay.

He adds that "people want to work for B Corps" because they want to feel that they are doing something bigger

than the brand, whether that's working on activism, circular materials or recyclability.

Certification leads to greater cooperation with other businesses since being a part of the B Corp network breaks down a lot of competitive barriers. Finisterre, for example, has found it easy to talk to other B Corps about particular suppliers and business issues, while HelloFresh says it has helped the business connect and partner with packaging suppliers and enabled it to build more sustainable packaging solutions.

The B Corp Beauty Coalition of 26 B Corps in the beauty sector was set up in 2022 to develop standards and share best practices. The group aims to make it easier for customers to navigate the category as well as influence the wider beauty industry to improve its social and environmental footprint.

This work has relevance and reach beyond the beauty industry because it addresses the broader purpose of businesses to tackle complex issues, believe Katie Hill, executive director for B Lab Europe. She says the organisation "sees this proactive leadership of the individuals in B Corps as paving the way for many others in different industries to follow suit. Indeed, the B Corp movement is built on the premise that changing the way business operates to benefit people and planet is achievable when working together."

RECERTIFICATION

Becoming a certified B Corp is not the end of the journey but the start of a continuous path towards providing a framework around which companies can improve. The assessment has evolved over time. Businesses are expected to recertify and show material improvement every three years to ensure that their business goals remain aligned with the B Corp criteria.

Finisterre found the recertification process stricter than when it certified originally. The level of data mapping, such as the in-depth carbon mapping required and proof points, have increased, explains Kay.

Finisterre improved its B Corp score when recertifying and some its achievements since then – such as the formation of the Finisterre Foundation which aims to help open up access to the ocean for everyone – will help it to raise its score again in another three years. Its score currently stands at 93.2, up from 80.8 in 2018.

Mindful Chef increased its score by 33% in its recent recertification, growing its score for the ‘Environment’ section by a massive 249% and highlighting the initiatives implemented by the carbon-neutral company over the past three years. These include the introduction of carbon management plans with annual assessments as it strives to be net zero by 2030, a move towards low carbon recipes and a number of projects within the area of quality and

regenerative farming. Its overall score of 107.3 puts it in the top 3% of global B Corp food companies.

“The hard work of being a B Corp never stops,” says Mindful Chef co-founder, Myles Hopper. “We’re always figuring out new and exciting ways to use our business as a force for good and we’re really excited about what’s coming up, including a ground-breaking biodiversity and soil health project in Q4 2022 to further drive down our impact from farm to fork.”

ADVICE TO OTHERS

Two things that all B Corps have in common are their wish to work with other businesses across the B Corp network while also raising awareness of the movement with other corporations they encounter.

Child advises other businesses to take steps towards becoming certified. It may be a challenging process but the cooperation that ensues is critical since sustainability is such a cross-functional topic no one business, government or NGO can tackle it alone. “It requires collaboration and different businesses to work together to solve these very complex challenges,” she concludes.

Kay’s question to other retailers is “Why wouldn’t you become certified?” If you’re in business today and are signed up to being a better business addressing a particular social, environmental, circular or sustainable

agenda, “what’s to stop you from being certified as it will help you to grow in the right way”.

The lead taken by companies such as these, and the increasing urgency of the sustainability agenda, has meant a raft of companies has completed the process of B Corp certification in the past year.

In 2021, B Lab received more than 6,000 applications for certification from businesses around the world, a 38% increase on 2018, with the total number of companies certified for the first time rising by 18%.

Any company wanting to investigate the certification process can carry out a quick analysis to gauge how they would fare. The business impact assessment tool on the B Lab website takes around four hours to complete.

“To date, our global community includes more than 4,000 B Corps in 77 countries and 153 industries, and over 100,000 companies manage their impact with the B Impact Assessment and the SDG Action Manager.”

<https://bcorporation.uk/>



NESPRESSO

Company: Nespresso

Headquartered: Switzerland

Founded: 1986

Online: www.nespresso.com

Nespresso proves that B Corps can be part of a large corporation

Nespresso started what was to become a three-year journey to becoming a B Corp in 2019. In April 2022, it was certified as a B Corp by independent auditor B Lab. This is not the end of the coffee brand's journey to putting people, planet and profits on an equal footing; it is just a new start.

“B Corp provides a framework to accelerate our action and continuous improvement as well as a network for collaboration with other businesses,” says Nespresso UK sustainability lead, Mary Child.

She adds: “It confirms to customers that we’re doing business in the right way, that we’re transparent and legally accountable.”

Nespresso had 30 years of sustainability practice to call upon when completing its business impact assessment. This has seen it helping to rebuild local economies by working with farmers following civil unrest in the DR Congo and launching its AAA Sustainable Quality programme. This programme supports farmers’ sustainability, advising on areas such as how to improve the soil, as well as seeking to increase their wellbeing and financial security. It has also planted five million trees in and around coffee plantations.

The business will be carbon neutral by the end of 2022 and by 2050 at the latest, it aims to reach net zero. In order to do so, its sustainability plan revolves around three pillars:

- Caring for the climate – regenerative agriculture, soil improvement, agro forestry, transition to organic farming, increased recycling, smaller logistics footprint
- Caring for the community – farmers’ livelihoods, fair-trade retirements, female empowerment
- Circularity – moving away from linear processes to improve the design of its coffee machines to make



© Nespresso

Nespresso works with stakeholders to improve the lives of farmers and increase the number of consumers who recycle pods

them better for the environment, using 80% recycled content in packaging, looking at how machines can be refurbished and recycled, and helping customers extend the lifetime of their machine through proper care. It also has 14,000 points from which customers can recycle coffee pods.

Nespresso’s plans are linked to the wider targets of its holding company, Nestlé.

Child is currently working on Nespresso’s improvement plan so that when it recertifies with B Lab in 2025, it will have made gains on its work to date.

Taking steps to sustainability

Sustainability is a journey – there is always more that any retailer or brand can do to reduce its impact on the environment or to leave the planet in a better state for the future. Some of the steps are as simple as switching to a renewable energy supplier. Or it could involve working closer with suppliers to reduce the impact of the entire product supply chain.

1. APPOINT A CHIEF SUSTAINABILITY OFFICER IF YOU DON'T HAVE ONE YET

2. TURN OFF THE LIGHTS AND SWITCH TO RENEWABLE ENERGY SOURCES

The RE100 are all committed to using renewable energy sources to power their businesses.

3. REDUCE WASTE

Improvements can be made by reducing packaging throughout the supply chain and not having empty space in trailers. The plastic packaging tax is now enforceable in the UK so get ahead and look at ways to reduce other packaging, share sustainability messaging on boxes for customer orders or switch to ink with a lower impact.

4. SWITCH DELIVERY TO ELECTRIC VEHICLES

Many supermarkets have tested final mile delivery using more environmentally friendly methods of transport including bicycles and electric vehicles. It will become more important to invest in this area as more urban areas introduce low emission zones.

5. DEVELOP A HUMAN RIGHTS POLICY AND MAKE HUMAN RIGHTS PART OF MANAGEMENT EDUCATION

Does the company have an anti-slavery plan? How do you ensure equal rights for workers throughout the domestic and international supply chains?

6. SET A TARGET TO BE CARBON NEUTRAL BEFORE 2050

Marks & Spencer became the UK's first major retailer to become carbon neutral in 2012, with 100% of its electricity coming from renewable sources. Since 2012, the retailer has offset more than 2m tonnes of carbon emissions.

7. EDUCATE CUSTOMERS INTO MAKING MORE SUSTAINABLE BUYING DECISIONS

Scope 3 emissions account for the largest share of retail's CO₂ footprint, with product use by the customer being the largest share for many. Do you know the carbon footprint of products? Can you design-in fewer emissions in use or help the customer reduce their impact in other ways?

8. INVESTIGATE BECOMING A B CORP

More than 4,000 companies report on the triple bottom line of planet, people and profit. Is it time to investigate whether becoming a B Corp is right for your business?

9. DESIGN CIRCULARITY INTO PRODUCTS

What components can be switched out for a more sustainable solution? Is pineapple leather the right choice for you or is rental, buy back and recycling into playgrounds a better option?

10. BE TRANSPARENT AND PROVE YOUR COMMITMENTS

Does science, technology or an independent body back up your sustainability claims? Consumers, authorities, employees and investors will no longer stand for greenwashing from businesses or brands.



Figures

Consumer behaviour

Importance of sustainability as a purchase criterion	10
The most important aspects of sustainable consumption	10
Market share of generations buying sustainably in various sectors, USA 2025	11
Market share of generations buying sustainably in various sectors, Germany 2025	11
Actors for positive change, according to consumers	12
Beliefs about supply chain responsibility	12
Willingness to pay for sustainability	12
Whether retailers should be sustainable	12

The RetailX Global Elite 250

The Global Elite 250, by sector	13
The Global Elite 250, by HQ location	13
Sustainability information on websites	13
Public goals and commitments	13
Plans of action	14
Visible CSR and sustainability policies	14
Publicly accessible sustainability reports	14
Sustainability reports archive	14
Transparent supply chains	15
Information on product returns	15
Product rental	15
Recycling schemes	15
Mending and repair services	15
Support for mending and repair	15

Being a better company

Leading sustainability initiatives ecommerce brands are investing in	17
Breakdown of a fashion retailer's scope 3 emissions	19

Selling & educating customers

Actors for positive change, according to consumers	21
Consumer lifestyle changes related to sustainability	22
Shift in consumer purchase behaviour related to sustainability	23

Final mile

Sustainable delivery measures European consumers would like to see from large retail businesses	26
---	----

New models

The most exciting digital features offered by brands according to luxury consumers	29
Secondhand purchases by category, UK	29
Secondhand purchases by category, USA	30
Secondhand purchases by category, China	30
Willingness to buy secondhand apparel	31

Conclusion

Sustainability continues to move up the board agenda. For some companies, being net zero or planet positive encompasses the whole company ethos of why the business exists. Tony's Chocolonely is just one example of a business putting its impact before profit – its vision is to make all chocolate 100% slave-free. For others, legislation and pressure from a changing society are driving the changes they are making.

Whatever position a company is in currently, one part of switching to a more sustainable business model stands out. Sustainability is a journey. There is an end point, yet each business has its own starting point and roadmap.

However, cooperation is required across the industry and within product sectors because it's not something that one person, business or government can achieve alone. Farmers, button manufacturers, shipping companies, printers and data centres, to name a few points along the retail supply chain, are all involved.

Wherever you are on the journey, and whatever position you hold within your company – whether it's a Global Elite 250 brand or an SME building a niche in a particular sector – I hope you found something of interest in this RetailX report.

Sustainability is a topic that we cover all year round, so if you'd like to be featured, share your journey, your project or just your thoughts, please get in touch via: research@retailx.net

RESEARCH:

Researcher Anna Segarra Fas

For questions about our research and to send feedback, please email Anna via: research@retailx.net

Research Director Martin Shaw

CEO Ian Jindal

EDITORIAL:

Research Editor Emma Herrod

Managing Editor Jonathan Wright

Production Editor Katherine Rake

DESIGN:

Designer Lauren Fruncillo

MARKETING:

Marketing and Circulation Addison Southam

marketing@retailx.net

SALES:



Commercial Director Andy James andy@retailx.net

Group Creative Solutions Director Marvin Roberts

marvin@retailx.net

We update the country reports every year and more regularly at www.retailx.net. Subscribe to get updates and access to additional charts: www.retailx.net/my-account

The Ecommerce Country and region Reports are published by Global Retail Research BV, a subsidiary of RetailX, and distributed to a variety of media partners. To become a distribution partner, please contact marketing@retailx.net
© RetailX Limited, 2022.

This report may not be stored in a retrieval system, distributed or sold in whole or in part without the publisher's express permission. Fair quotation is encouraged, with a link to the report's URL on RetailX.net. All charts and figures marked with  are provided under the Attribution-NonCommercial 4.0 International (CC BY-NC 4.0) license (<https://creativecommons.org/licenses/by-nc/4.0/>). You are welcome to use these in full with a link to this report, retaining the copyright notice .

This report is based upon our reasonable efforts to compile and analyse the best sources available to us at any given time. Opinions reflect judgment at the time and are subject to change.

RetailX

123 Cannon Street,
London, EC4N 5AU
Tel: +44 (0) 20 7062 2525
Printed in Great Britain.

Global Retail Research BV

Van Heuven Goedhartiaan 13D
1181LE Amstelveen
The Netherlands

