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Sustainability is the biggest issue facing retailers this decade

Helen Dickinson's Retail Bulletin Column – April 2012

By the end of this decade the challenge of building a sustainable retail business will have changed the retail sector as fundamentally as technology has done over the last 20 years.

Twenty years ago, no one knew exactly how technology would alter the way retail business is conducted. However those who met the challenges and opportunities it posed with innovative solutions, have proved to be the most successful businesses.

Just as the opportunities and threats relating to technological change created uncertainty in the past, there is currently a lack of clarity around the sustainability agenda, from regulation and the reliability of data to customer and investor appetite.

This is proving to be a barrier to responsiveness within the sector, but must be overcome as global socio economic and resource developments demand action.

The sector needs to deal with the significance of the shift east. If each of the major economic markets grew in the next 20 years at the same rate as the last 20, China's consumption would be three times bigger than that of the US. The magnitude of this increased consumption must be addressed. The growth of the middle class worldwide is predicted to result in two billion more people all wanting to consume at a rapid pace.



But even if we put the exponential growth of the middle classes aside, if retail sales continue to grow at the same rate on a country by country basis over the next twenty years that will equal \$90 trillion – five times greater than today. It would mean that the increase in consumption over the next 20 years will be twice as big as it was over the last 20.

Based on how we use them today, the world's resources simply will not be able to support that.

However, we must acknowledge that the retail sector is ahead of the majority of the business community in addressing sustainability. Recent KPMG research found 81 percent of retail and consumer goods businesses have a sustainability strategy compared to the corporate average of 62 percent.

The strategies retailers have drawn up are often far reaching. Some are looking at sustainability in a broader sense beyond, for example, their own direct carbon or waste footprint, and using the strategy to develop a fuller understanding of what sustainability means for their business. This has led to better understanding and management of issues like supply chain risk and the security of supply of core materials.

Retailers are trying to become as efficient as possible and reduce their consumption of resources by undertaking energy and waste efficiency projects. These also have the added benefit of reducing their running costs. However, many in the retail sector are also using innovative technologies to go beyond the quick wins.

In some cases retailers' focus on sustainability has been broadened to include their product ranges. Some are launching sustainable brands or lines, recognising that there is a demand for goods which have a neutral impact on the environment over the whole product lifecycle.

Retailers are also prepared to take a transparent approach to sustainability by setting meaningful targets and reporting publicly against their strategy, which means they can be held to account for their progress.

So in 10 years time, when we look back and assess the factor that

fundamentally impacted retail business in the same way technology did over the last 20 years, then sustainability will be the answer. It will have made another step change – it won't be separate, but all encompassing. A sustainable business will be the only type of retail business that will exist.

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