



## Building a More Sustainable Future for Retail

How data management is integral to achieving retail sustainability goals

Sustainability has become a top priority in the retail industry. Leading companies have increased their focus on becoming good corporate citizens, developing capabilities and measurements to track their sustainability goals. And consumers are welcoming their efforts. According to PWC, sustainability is a growing priority; half of consumers now consider sustainability factors before buying new products.<sup>1</sup>

Retailers that don't want to risk being left behind – or worse yet – greenwashing their success, must start building an organizational strategy around their corporate social responsibility (CSR) initiatives and environmental, social and governance (ESG) goals to ensure they are achieved over time.

In addition to establishing detailed plans and goals, retailers need data management, transparency and the technology that supports it to build a more sustainable future. Ensuring transparent data about retailers' sustainability efforts and what they are doing to reduce their environmental impact is an essential part of the process.

### Catering to sustainability-minded consumers

Consumers have increased interest in and willingness to pay for sustainable products and have become more loyal to companies doing good for the environment and the communities they serve. In response to this increased focus on sustainability, more retailers have started to measure their business from an ESG perspective, tracking the following information:

- **Environmental:** This refers to how retailers impact the environment and their level of stewardship, including operational aspects such as energy use, water use, recycling and climate change. Retailers can influence what is in the market by coordinating with suppliers on product specifications, materials, packaging and in-store product merchandising and marketing.
- **Social:** This refers to how the company treats its people, suppliers and the communities it serves. It encompasses employee and supplier relationships, including workplace fairness and diversity initiatives, as well as assurance that working conditions are fair and safe.
- **Governance:** This is about how a corporation behaves from an executive management perspective. Companies that want to be good corporate citizens are evaluated on tax strategies, executive pay and board composition. Governance can also be evaluated by how a company deals with corruption or bad publicity about their business operations. Additionally, it includes how retailers behave from a policy perspective, including managing data about food labels, nutrition, ethical sourcing and safety regulations.

### What is the difference between CSR and ESG?

Corporate social responsibility (CSR) initiatives are essentially a set of sustainability ideals that a corporation strives to achieve. Environmental, social and governance (ESG) goals, on the other hand, provide an action plan and define performance metrics. Or to put it another way, CSR looks to the future, outlining what a corporation plans to do, whereas ESG looks backward to assess and report on how a corporation performed against its goals.

While all three aspects of ESG are critical for retailers leaning into a more sustainable future, environmental measurements are the most data-intensive, requiring input, coordination and communication from multiple stakeholders deep into the supply chain. For the most part, we will be focusing on the environmental and governance aspects of ESG for the remainder of this white paper.

### The stakeholder influence on sustainability initiatives

Success at sustainability requires engagement with a retailer's larger network. No retailer is an island, as all are interdependent on a variety of stakeholders, including regulators, investors, employees, consumers, suppliers and communities. Moving forward with a sustainability initiative for retailers requires collaboration with suppliers, alignment in industry groups and potentially even partnering on sustainability innovation with competitors to deliver next-level change in the industry.

Let's take a closer look at each of these stakeholders and how they can influence a retailers' sustainability initiatives.



*The myriad of stakeholders that influence a retailer's sustainability initiatives.*

**Investors** have recently increased their focus, measurement, and overall investment in companies with ESG goals. In fact, ESG-dedicated mutual funds have grown in popularity as consumers see both the societal and economic benefits of corporations with this mission in mind. Furthermore, boards and other investment stakeholders have become more interested in ESG issues. According to BlackRock, ESG-focused investing is projected to reach \$1 trillion by 2030.<sup>2</sup> Government bodies such as the EU and SEC will also impact the investor community as they institute mandates for standards and types of reporting.

**Employees** have higher workplace expectations than just a paycheck, a good benefits package and career advancement. To attract and retain today's top talent, companies need to have clear environmental goals, policies and opportunities for employee involvement. While retailers have worked to become good corporate citizens, that same level of dedication needs to be applied to today's war for talent. This requires retailers to understand what ESG goals are important to prospective employees and communicating those measurable goals as a part of the recruitment process.

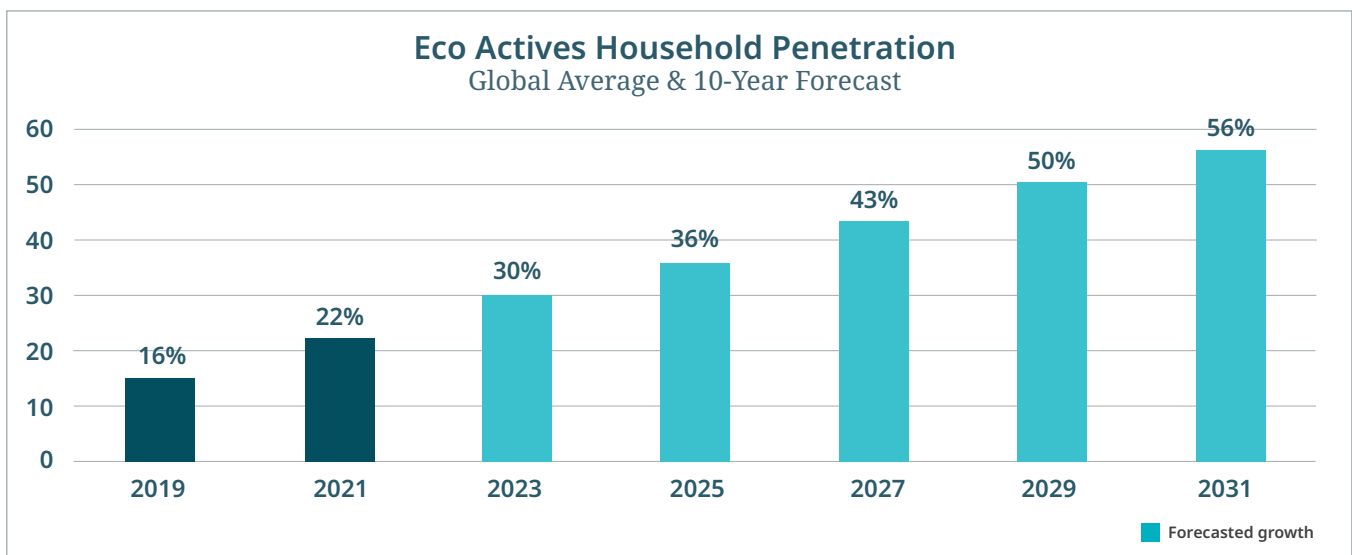
**Consumers** increasingly rely on digital shopping, often researching products online before going to the store. While price and convenience are still important purchasing criteria, purpose-driven, values-based shopping has increased in importance. Consumers want more specific product information and proof that products and services are meeting specific sustainability standards.

According to Kantar's 2021 study<sup>3</sup>, there are three main consumer segments: Eco Dismissers (38%), Eco Considerers (40%) and Eco Actives (22%). Eco Actives are environmentally focused and will most likely make choices based on the sustainability characteristics of the brand or retailer. This consumer segment is forecasted to double over the next eight years, presenting a growing market opportunity for retailers.

**Suppliers** are typically the biggest contributors to a retailers' total sustainability footprint due to their extensive impact from both product manufacturing and business operations. Retailers that partner with suppliers in agriculture and manufacturing to deliver higher standards can drive improvements in the sustainability practices of third-tier suppliers and far-reaching parts of the supply chain. When it comes to sustainability, retailer-supplier partnerships can create a win-win scenario of building more efficient practices, improving data management, and jointly reducing waste, pollution and other environmental impacts.

**Community** is an important stakeholder in the framework because environmental activities that benefit local consumers can make tremendous impact. Retailers have a unique opportunity to source locally, support local farming and provide customized support for communities in their market areas, which can tip the scale to create a better world going forward. Local community involvement from brick-and-mortar retailers can demonstrate dedication to CSR goals and brand authenticity. The key is to establish measurable ESG goals – such as dollars donated, time devoted to a charity or educational support, etc. – that can be shared with community groups.

**Regulatory bodies** are becoming more important globally as a stakeholder group for retailers. This is because sustainability is gaining in urgency as the impacts of climate change are having worldwide repercussions. Environmental laws can vary by country, state, province and even at the municipality level. Retailers need to be able to comply with these diverse rules, and this requires a strong digital foundation and governance practices to successfully execute. The United Nations (U.N.) has had tremendous influence on the retail industry, with many leading retailers already establishing sustainability programs that align with some of the U.N.'s Sustainability Development Goals (SDGs).



Source: Kantar, euromonitor, GfK

## How to integrate U.N. Sustainability Development Goals into a CSR plan

Since the U.N. first published its SDGs<sup>4</sup> in 2015, there has been an increase in alignment and commitment from retailers around the world. Retailer enlistment on specific goals varies based on the type of products and services they provide, the markets they serve and what is important to their customers.

For retailers, the most common U.N. SDGs related to sustainability include<sup>5</sup>:



**Goal #2 – Zero Hunger:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture. How retailers and suppliers can address it:

- Reduce food insecurity and extend life of food by donating damaged or nearly expired products to local food programs for distribution to those in need.



**Goal #8 – Decent Work and Economic Growth:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. How retailers can address it:

- Work with suppliers, consumers and partners to improve resource efficiency in consumption and production of products sold at retail.



**Goal #9 – Industry, Innovation and Infrastructure:** Build resilient infrastructure, promote inclusive and sustainable industrialization and faster innovation. How retailers can address it:

- Build and operate efficient facilities that generate sustainable value and lower energy.
- Review plans for remodeling store infrastructures with sustainability improvements.



**Goal #12 – Responsible Consumption and Production:** Ensure sustainable consumption and production patterns. How retailers can address it:

- Improve energy efficiency across the value chain and encourage their suppliers to follow suit.
- Enhance on-pack labels, shelf tags and online product display pages with relevant and accurate attributes and certifications.
- Use a data-driven scoring feature to measure sustainability of suppliers and products.
- Communicate sustainable product features on digital channels to educate consumers.
- Reduce packaging materials, increase use of recycled plastic and lower emissions.

*“Corporate social responsibility covers a huge range of business activities and has now come of age.... This is now a function that is at the heart of every business.”*

- Alex Gourlay, Co-COO, Walgreens Boots Alliance<sup>6</sup>

- Reduce products with single-use plastics and develop multiuse packaging programs.
- Encourage suppliers to reduce packaging for delivery and in-store use.
- Reduce food waste and improve local donation processes and partner programs.
- Establish circularity (re-commerce) programs.



**Goal #13 – Climate Action:** Take urgent action to combat climate change and its impacts. How retailers can address it:

- Create an overall vision and action target to reach net zero for Scope 1 and Scope 2 emissions.
- Move toward a lower emission fleet for stores and encourage a more sustainable supply chain from suppliers, reducing both Scope 1 and Scope 3 emissions.
- Improve efficiency of stores, offices and warehouses through more renewable energy sourcing, including solar, to reduce Scope 2 and Scope 3 emissions.



**Goal #15 – Life on Land:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land

degradation and halt biodiversity loss. How retailers can address it:

- Evaluate process for sourcing raw materials to determine if it is affecting biodiversity and/or increasing deforestation.
- Leverage the business agility honed during 2020 to adapt their business models to protect the environment and natural resources.
- Evaluate and build a fair trade sourcing program.
- Understand and minimize deforestation impact.
- Gain certification of products to ensure no deforestation took place as part of the production process.

## The retail opportunity and sustainability imperative

The bar for sustainability in retail is continuously being raised to include areas outside of the enterprise such as local communities and the supply chain. A retailer may have already made outstanding sustainability achievements in the past, but stakeholders are looking at current performance and future promises as a benchmark for good corporate citizenry. In fact, many retailers have refreshed their entire sustainability plan, making 2022 the new basis for reporting.

*The global fashion industry contributes to 10% of global CO2, and grocery retail accounts for 2% of all electricity use worldwide. These are just two examples of the far-reaching environmental impact of retail operations.<sup>7,8</sup>*

Success means collaborating and using technology differently, as well as using data in a more governed and traceable manner. Siloed disconnected technology and old duplicative processes may be obstacles to achieving sustainability goals. Following are some impactful goals from well-known retailers:

**M&S** started its journey to become the most sustainable retailer in 2007 with the launch of “Plan A,” its sustainability plan.<sup>9</sup> With over 100 commitments grouped into categories of products, packaging and people, the company reports to recognized standards such as SASB, GRI and others, which limits the opportunity for greenwashing. M&S has used an embedded sustainability strategy that has had worldwide impact through the following:

### Past Achievements

- Classified 87% of packaging as easily recyclable
- Reduced Scope 1 and Scope 2 emissions by 53% since 2007

### Future Goals

- 30% reduction in the volume of plastic food packaging by 2027
- Move from carbon neutral to carbon net zero by 2035

**Home Depot**, as the largest home improvement retailer in the world, has many stores, warehouses and an extended supply chain of its own and extensive supplier base. Over its more than 40 years of history, the company has made significant strides in operating sustainably, not only in how it operates, but in how the building materials it markets and distributes can make a difference in the world.<sup>10</sup> Several notable improvements in recent years include:

### Past Achievements

- Decreased average store electricity consumption 44% in 10 years
- Reduced carbon emissions by more than 127,000 metric tons in 2020

### Future Goals

- Remove Expanded Polystyrene (EPS) and PVC from private brand packaging by 2023
- Enable 100% renewable electricity for its facilities by 2030

With sustainability strategy and execution shifting from meeting government regulation compliance to a source of long-term competitive advantage, cost savings and revenue enhancement, retailers need a comprehensive evaluation of the long-term impact of these initiatives on the business.

Many retailers have had sustainability program wins, but they have been relatively small wins. With the global risk of climate change coming to the forefront, retailers have an opportunity to reframe the situation and their business and set more aggressive and meaningful goals that have investor and marketplace implications. Retailers know this fact as shown in a recent study by McKinsey and RILA that stated that 80% of retailers believe that company actions matter to consumers and those actions ultimately affect purchase decisions (64%).<sup>11</sup> In other words, consumers are watching retailers’ sustainability moves and using their individual purchasing decisions to align to their environmental perspectives.



## Five strategies for establishing or reinvigorating sustainability programs

Sustainability goals set before 2020 are out of date. Stakeholder perspectives have changed, technology has improved, and competitive retailers are aggressively pursuing more impactful goals. Below are five goals that will help your company reimagine and reassert its sustainability goals.

### 1 Understand sustainability status before you start planning

Collect feedback on your CSR program status and determine what goals will be most important to the future goals of your markets, customers, stakeholders and industries. Approach this exercise strategically by identifying what the company won't do, so it does not get overwhelmed by too many targets or take on a target that's not in the corporate wheelhouse. It is also important to understand how these goals will be good for your business financially, as well as for the world.

### 2 Tie corporate sustainability goals to U.N. SDGs and other standards

There's no need to reinvent the wheel when it comes to creating sustainability goals. Leading retailers such as The Home Depot, WBA, M&S and others tie their corporate sustainability goals and activities to the U.N. SDGs for the vision. Additionally, most companies tie to sustainability standards such as SASB, which focuses on the material financial implications of sustainability, and GRI, which has a thorough review of ESG factors and was adopted in the U.N.

The SEC in the U.S. and the European Union's European Financial Reporting Advisory Group (EFRAG) are also important financial frameworks to adopt for financial reporting. By referencing familiar definitions and benchmarks and continued agency collaboration, business and governments are moving slowly to a common language for retailers to use when communicating with suppliers and other businesses with the same goals. Furthermore, by using those benchmarks, retailers can help explain sustainability-related investments to the investor community.

Each industry has additional standards that are relevant to their business models that should be adopted. For example, the fashion industry – especially fast fashion – disproportionately contributes to land fills. The European Commission recently proposed Ecodesign for Sustainable Products Regulation (ESPR), which includes the creation of a digital product passport (DPP).<sup>12</sup> The DPP essentially makes it easier for companies to create and participate in circular programs by standardizing information on the

lifecycle of a product and establishing uniform traceability capabilities. The DPP ultimately helps consumers make product decisions by providing transparency into the item's production and provenance.

### 3 Assess and integrate into business strategy

This is the time to connect your CSR initiatives with your ESG measures to best reflect status and future performance. Additionally, with a more aggressive set of goals, the company needs to assess if the organizational structure will be able to deliver these goals, or if the added responsibilities require a change in the organizational structure. Do you have the technology and data structures in place to manage and analyze your progress on goals? What additional training is needed to equip the team for success?

### 4 Inquire, educate, enlist and encourage involvement across the supply chain

Success in sustainability goes beyond a retailer's four walls and requires asking strategic questions such as:

- How will you educate the vendor community (product or service vendors) about your new goals and enlist their support?
- Are your data sharing methods capable of requesting content enhancements, proof of product certification and other required evidence?
- What other vendors do you need to work with to build out new sustainable tactics such as enhancing return processes, reducing energy consumption at sites, etc.?
- How will your strategy extend to marketing partners, ecommerce teams and store level associates to ensure common messaging and optimal benefits?

### 5 Integrate digital processes, data management and reporting

As the new goals become active and the program generates momentum, it is important to document progress through predefined data sources and reporting. Capturing and organizing this data can be a colossal task without an established master data management (MDM) strategy. MDM, with its built-in governance and workflows, will help to capture, enhance and process trustworthy data. Having this foundation can help retailers ensure accurate and timely progress reports.

## Achieving sustainability goals with MDM

With MDM, companies are well equipped to advance sustainability goals in several ways. It enables retailers to establish better data processes and collect data in one central location. MDM also leverages data governance to ensure compliance across markets. This has proven to be hugely beneficial to retailers, as it enables companies with a single view of products to provide consistent data internally and across all the various digital touchpoints and sales channels. MDM simplifies data and processes, improves operational efficiency, resulting in reduced costs for retailers.

While having complete, accurate and trustworthy data on your products, for example, is a great start, retailers can potentially miss out on the insights that exist between data domains. For example, connecting supplier information with product data can unveil **new zones of insight** into how a product was produced (giving insight into fair trade) or the distance between the production facility and the store location (giving insight into localization).

**Multidomain MDM** connects and optimizes the value of high-quality data across core business entities using a single, purpose-built platform. By enabling more intelligent context across domains, Multidomain MDM can help companies track and calculate the number of fair trade products sold or the number of suppliers that met the sustainable sourcing criteria or certification (in alignment to U.N. SDG #15 for sustainable sourcing). End consumers are interested in this information too, as they are more frequently evaluating brands and retailers based on fair trade certifications or other verified sustainable measurements.

*MDM simplifies data and processes, improves operational efficiency, resulting in reduced costs for retailers.*

Retailers that want a scalable Multidomain MDM solution should look for solution partners to support them in this journey. Managing sustainability information across domains requires an ability to introduce governance around processes and create a trusted and transparent context between the domains, providing a 360° approach to sustainability and a unified data foundation to measure progress. Multidomain MDM further supports data transparency by enabling ESG progress to be shared with partners and consumers to build long-term loyalty.

Learn more about **Stibo Systems' approach to multidomain MDM** and its **CSR program**.

### Sources:

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## About Stibo Systems

Stibo Systems, the master data management company, is the trusted enabler of data transparency. Our solutions are the driving force behind forward-thinking companies around the world that have unlocked the strategic value of their master data. We empower them to improve the customer experience, drive innovation and growth and create an essential foundation for digital transformation. This gives them the transparency they require and desire – a single, accurate view of their master data – so they can make informed decisions and achieve goals of scale, scope and ambition. Stibo Systems is a privately held subsidiary of the Stibo A/S group, founded in 1794, and is headquartered in Aarhus, Denmark. More at [stibosystems.com](https://stibosystems.com).