



Sustainable ambitions under pressure

In 2009, research by academics at Heriot-Watt University in Edinburgh found that home delivery produces 20 times less carbon dioxide than if a customer takes their car to the shops.

A couple of years later in 2011 and ecommerce had already become accepted as enviro-friendly, with three in four shoppers believing it to be so, according to an IMRG poll. Therefore, given that online shopping now accounts for £1 in every £4 spent, surely all's well with the retail industry's sustainability ambitions? Not quite.

Multichannel retailing has complicated matters. What if customers opt not for home delivery but click-and-collect instead? How

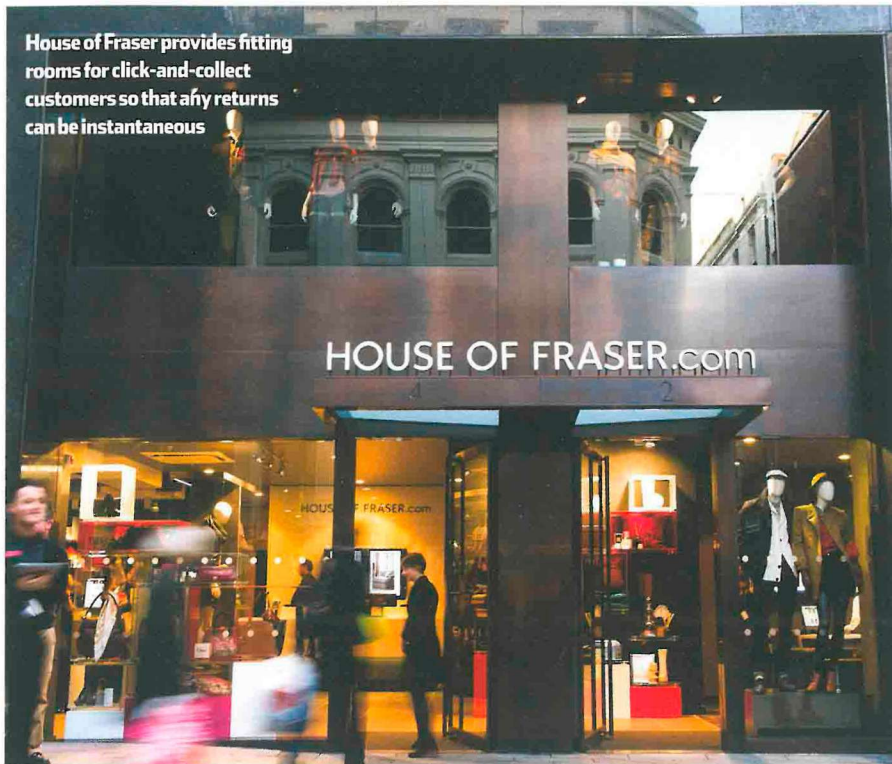
Shopping habits are changing – consumers are switching channels, convenience shopping for their groceries and demanding that retailers keep up. But what does this multichannel, multi-shop world mean for sustainability and retailers' environmental footprint? **David Burrows** investigates

will they collect their goods – in store using their car, or on the way home from a locker in the train station? What if the item is sent back? What packaging did the product arrive in and was it recyclable or, if it needs to be returned, re-sealable?

And that's just fulfilment. Changing shopping patterns have also caused the grocers to put the brakes on big out-of-town stores so they can focus on small and convenient infrastructure to support their online offers.

"The physical and virtual infrastructure is blurring and this means tracking your environmental impact is much more tricky," says Andrew Noone, associate director at resource efficiency consultancy Anthesis.

House of Fraser provides fitting rooms for click-and-collect customers so that any returns can be instantaneous



Environmental returns

There is a fundamental assumption that giving people a returns option online is the best thing you can do for them, says Clear Returns boss Vicky Brock. "But however seamless it is, a return isn't a great experience because most people buy something to solve a problem," she says.

Clear Returns has calculated that in 2012 clothing returns accounted for 46,250 tonnes of carbon emissions due to extra delivery miles. The personalisation of the shopping experience should pave the way for retailers to encourage people to buy what they need, when they need it.

"Returns might be convenient," says Martin Koehring, a sustainability expert in the Economist Intelligence Unit, "but they can push up the overall environmental impact. Retailers can encourage fewer deliveries by being more precise in what they offer."

The in-store experience will also become more important. House of Fraser is among those providing fitting rooms next to click-and-collect facilities. At Westfield malls in London customers can use the Collect+ app to highlight outfits they might like to purchase, which are then waiting to be tried on when they arrive at special fitting rooms. Items can then be returned on the spot.

Marks & Spencer is one of those retailers that understands this, having made a commitment to commission research to provide a "better understanding of the carbon footprint of our multichannel retail operations". In a recent interview with *Retail Week*, M&S head of Plan A Munish Datta said that, "multichannel poses different challenges for sustainability. It can incrementally add energy demand, which can make it challenging in terms of gaining deeper efficiency."

So what are some of the "different challenges" businesses are likely to face, and which of them will have the biggest impact on their environmental footprint? Where will the pressure points be and how can they be managed?

The first thing to recognise is that ecommerce has changed the method of shopping rather than the overall size of the market, says Martin Koehring, a sustainability expert in the Economist Intelligence Unit. "Multichannel retailing doesn't mean that people shop more [which is seen as environmentally harmful], but they do shop differently," he explains.

Some of the environmental impacts have therefore been shifted around – most notably

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road miles. Many retailers have targets in place to increase the efficiency and, in turn, reduce the emissions of their logistics operations. Those signed up to the British Retail Consortium's A Better Retailing Climate initiative managed to cut emissions from store deliveries by 34% between 2005 and 2014. The cost benefits and regulatory triggers have made it an operational priority.

But these improvements have been made largely during a period of a more simplistic approach to retail. Take food, for instance: for a long time supermarket chains would open their next big store and people would come and shop there. But that has changed – retailers have taken on a lot more complexity to make their convenience-hungry customers' lives simpler, but the benefits will come (see box, overleaf).

"If you were designing a supply chain from scratch, you wouldn't build a load of shops, ask people to drive there and then take their purchases home with them, because it's just not efficient," explains Nick Miller, head of FMCG at supply chain consultant Crimson & Co. "You'd centralise things and deliver it to their homes."

Delivering a green service

Multichannel retailing is forcing retailers to do just that and the direction of travel for fulfilment is faster and cheaper, while greener doesn't often factor. But Miller believes it should. "More could be made of home delivery in the sustainability piece – and that could help the image of multichannel retailers," he says.

Meanwhile, some retailers have been pushing greener final mile logistics for years. Online grocer Ocado offers an option for its customers to choose a green delivery – this flags up when a van is already booked for a drop off in the same area, allowing customers to "minimise the carbon impact of their delivery". But if customers were offered a choice of delivery options – fastest, cheapest or greenest – which would they go for?

Research by consultancy West Monroe last year showed that 42% of US consumers would be willing to spend 5% more for climate-friendly transport as part of their online shopping experience. More than three quarters (76%) also said they'd be willing to wait longer for the delivery if it meant the environmental impact was reduced.

The findings were broadly similar among the Europeans surveyed. The option for cheapest and

greenest could therefore be a winning combination, with longer lead times allowing for better route planning and less road miles, says Liam McElroy, managing director for ecommerce and retail at logistics company Wincanton.

Ethical supply chains

However, what people say and what they do are often different – especially when it comes to sustainability. Myriad surveys, just like West Monroe's, have shown a willingness from consumers to pay more for eco-products and services but this is rarely, if ever, reflected to the same extent in sales.

Mike Watkins, head of retailer and business insight at Nielsen, says that talking about the environmental or fiscal costs of distribution to customers is fruitless because people just don't get it. What they do 'get', more than ever, is the global supply chain, he says.

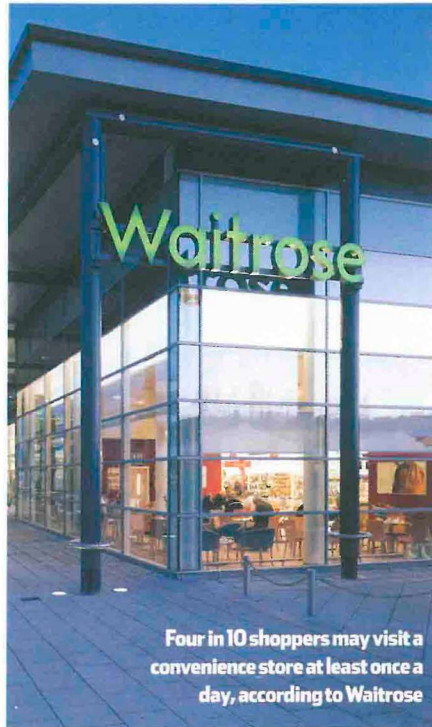
The horsemeat scandal and the Rana Plaza disaster have put supply chain ethics firmly in the spotlight. When it comes to the CSR expectations of your customers, 'British' and 'local' are numbers one and two, says Watkins. Provenance is not always possible for food retailers, let alone those that sell clothes. But again multichannel retailing is changing the rules of the game.

Retail Week's Retail 2015 report, published in association with Kurt Salmon, asked 25 of the country's top executives about the challenges they are facing. Front of mind for most was multichannel retail, mobile commerce, swift fulfilment services and store contraction. Only one mentioned sustainability or ethical sourcing. But with multichannel forcing retailers to rethink their supply chains and operations, there has rarely been a better time to ensure that all is in order.

Drawing on the research for that report, experts at Kurt Salmon suggest that "end-to-end visibility will not only enable optimisation of the supply chain, achieve increased sales and reduced costs, but also enable the retailer to answer any ethical and environmental questions that the consumer might have".

And if they don't, then others will. Behind the Lines is seeking investment to launch an app that will allow shoppers to check ethical information about products. Consumers would be able to use the app to scan

A convenience truth



Four in 10 shoppers may visit a convenience store at least once a day, according to Waitrose

British retailers have long been addicted to space, but many are back-tracking. Waitrose boss Mark Price has previously suggested that the big four supermarkets have an estate "for how people shopped two decades ago". Nowadays, four in 10 people may visit a convenience store at least once a day, according to Waitrose's Food & Drink report 2014. Meanwhile, IGD estimates that £3bn less will be spent in stores larger than 25,000 sq ft by 2020.

This is good news for the environment. Not only are shoppers racking up less miles driving to and from stores, but regular, smaller shops should also reduce food waste.

On the other hand, shrinking shops will not necessarily help retailers reduce their carbon footprints. Renewable technology is more commercially attractive at scale, says Andrew Noone, an associate director at resource efficiency consultancy Anthesis. However, with a captive audience and limited range, retailers could make sustainability gains by offering products with lower impacts, he believes.

an item's barcode and see a rating on a number of ethical practices, from the environment to workers' rights and product sustainability. The ratings could also be customised based on the individual's priorities and shared on social media.

The role of social media is something that all retailers are grappling with – not least how to use the information it provides. But big data and the personalisation of the shopping experience brings its own ethical challenges, of course. Research for Retail Week and Serco's Putting Personalisation into Context report in April showed that 80% of shoppers want to receive tailored vouchers and discount codes in stores.

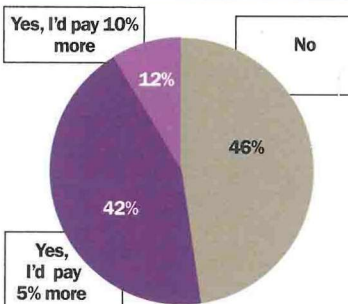
This was, in part, because many feel bombarded by irrelevant offers and advertising. But does this open the door for some more sustainable retailing too? Dax Lovegrove, director of

sustainability and innovation at Kingfisher, certainly thinks so. "Multichannel provides the opportunity to promote eco products," he says, adding: "In fact, that's the bigger prize."

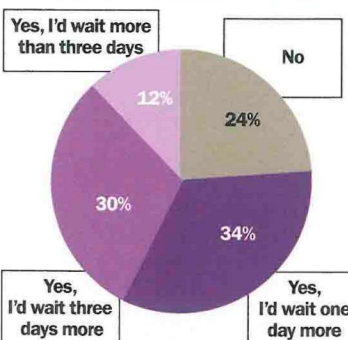
Like many other retailers, the DIY group is moving towards cleaner vehicles and fuels because "we need to manage our logistics footprint," explains Lovegrove. "But the bigger prize here is greener homes." Houses are responsible for 30% of the UK's carbon emissions, he notes, adding: "People will often plan their projects online and as they make those decisions we want to be promoting greener offers to make their homes [more energy efficient]." This isn't restricted to online either. The move to convenience among food shoppers, for instance, has meant the supermarkets have had to roll out smaller stores with limited ranges (see box).

Whether the ability to nudge people towards more sustainable products is easier online or in store, it's too early to say. Indeed, it's early days in understanding the impact multichannel retail will have on the sector's sustainable ambitions – and few retailers say they are yet in a position to provide answers. But experts are hopeful that the new ways of retailing will be greener. "There hasn't been a great deal of research on this topic yet but from what I've seen the sustainable benefits of [multichannel] outweigh the negatives," concludes Mark Driscoll, head of food at Forum for the Future.

Would you pay more for a greener delivery service?



Would you wait longer for a greener delivery service?



Source: West Monroe, 2014