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RETAIL PROJECT

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ADDITIONAL MATERIALS COVID19 & SUSTAINABILITY OF RETAIL BUSINESS

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1. COVID-19 & Sustainability in retail

According to Retail Gazette the Covid19 pandemic hit a reset button in customers behaviour and the different strategies followed by retail companies. At the same time, it has been an accelerating factor in driving already existing trends and bringing them on the surface. Sustainability is one of those trends, having remained at the forefront of consumers' minds.



Many retail players experienced a significant shift in customer preferences and expectations during the COVID-19 pandemic: 65 percent of German and UK consumers now say they will buy more high-quality items that last longer, and 64 percent of Chinese consumers will consider more environmentally friendly products. “For our first ten years, sustainability was not even in the top five reasons why customers choose our company. Now it is one of the top two reasons” said the CEO of one fashion company. “Customers want to see data on the environmental impact. Transparency is crucial.”

Across the world, firms are taking actions to improve their impact on society with initiatives including social responsibility audits at factories and suppliers, attention to social inclusion, gender, and racial representation targets and open up to assets under management for environmental, social and corporate governance funds (NEF Spotlight: The path forward for retail's sustainable future, 2021). As the whole retail

industry recovers post pandemic it is evident that sustainability should be listed at the top of every retail company's agenda.

For this reason, a vast number of retail companies are speaking up to ensure that the global recovery is green. Many of the technologies required for a green recovery already exist, and now is a good time to invest in them. There is already evidence to indicate that money invested in green stimulus seems to result in a better return on investment (ROI). A coalition of 150 companies, containing mostly retailers, encouraged policy makers to invest COVID-19 recovery funds in green initiatives in line with the Paris Agreement.

2. Consumers & Sustainability during COVID-19

The impact of the COVID19 pandemic has become evident in the habits of retail consumers also. According to the research report "COVID-19: New habits are here to stay for retail consumers" published in August 2020, the focus of consumers for living, working, and shopping is still at their homes with the surge in digital and omnichannel adoption, particularly among new or infrequent users, looks set to continue. Moreover, their personal situations are strongly influencing their attitudes and behaviours including levels of comfort while venturing out. The same report acknowledged that consumers are now shopping mindfully and cost-consciously with demand for local and value brands increasing.



72% of consumers are limiting food waste with 90% likely to continue post-crisis

61% of consumers are making more environmentally friendly, sustainable or ethical purchases with 89% likely to continue post-crisis

Retailers are now more than ever trying to rebuild with resilience and responsibility. They are limiting food waste and making more sustainable or ethical purchases with the majority likely to continue this behavior into the longer term. After the huge challenges that retail industry suffered in the past and with pandemic being the most challenging, long term trends have accelerated with retail sustainability to be taken into strong consideration.

There are high expectations from consumers for retail SMEs to act responsibly, supporting social and environmental issues. With 67% of consumers believe in the assumption that companies will see long-term recovery by investing in sustainable and fair, solutions and strategies.



3. What companies could do?

With numerous surveys highlighting behavioural changes of consumers towards sustainable and ethical practices, retail companies are gradually taking specific actions focusing on their existing capabilities. With the changing environment, retail companies should share and exchange best practices, while emphasising the considerations required to make true progress as they emerge from the crisis.

NEF contributes actively to protecting the environment and combating climate change by producing biofuels, biogas and electricity from solar energy. NEF delegates highlight the following best practices to be adopted by retail businesses:

Put sustainability at the heart of the organisation. NEF delegates highlight that sustainability can be aligned quite well with retail players' strategic and operational goals. For example, reducing wasted packaging also reduces costs. Increasing sustainability requires a whole set up and rethink of your inventory management, from waste and marked-down products to packaging and fulfilment.

Step one: Think about your operation in its entirety

Step two: Answer seriously the question of how does your product get to the customer?

Many firms are hesitant to transition to sustainable alternatives out of fear of



compromising on quality or damaging the company's brand. The first step is therefore to train/educate staff (both employees and managers) and start a probationary period.

A key to effecting change is to make sure that the organisation can implement the

main principles of the circular economy: reduce, reuse, refurbish, repair, and recycle.

“Making sure the organisation can implement the principles of the circular economy (reduce, reuse, refurbish, repair, and recycle) will be key to realizing change.”

Offer customers a choice. Customers are demanding to be part of the sustainability conversation, and they are increasingly using their buying power to make their voices heard. Retail players should offer customers the option to choose sustainability. For example, retailers can offer their customers the option to choose eco/sustainable packaging. While not looking quite as attractive, it is better for the planet, thus, many customers are choosing sustainable options over less sustainable options.

Set targets and ensure progress is real. Many leading consumer companies are setting aspirational goals. Alan Jope noted Unilever's commitment to be 100 percent of carbon for their entire home-care business will come from renewable sources by 2030. However, it is crucial that these are translated into concrete midterm actions. For example, for a retailer to achieve the goal of using 100 percent recycled plastics by 2030 you can start with eliminating plastics or using honey-cane based plastics in a few of your product lines. It is important to show your audience including employees, investors, and customers, that you can implement the targets set and to ensure that you made some realistic progress.

Consumers are demanding concrete, quantifiable and demonstrable actions in order to achieve these goals. According to Clarisse Magnin, a McKinsey senior partner “authenticity” is of mayor importance, but at the same time, customers are increasingly expecting that efforts are backed up by data. Brand transparency can produce lifelong consumers. Investors and customers regularly look for indicators to gain confidence in company’s progress towards their sustainability commitments. The so-called “greenwashing” risks are causing a public backlash, as demonstrated by the “Pull Up or Shut Up” movement on social media.



Collaborate with others, especially the broader supply chain. A CEO of a responsible business alliance stated that the industry is not moving at the speed and scale needed to have the impact that the climate and our societies demand.

In order to scale up your effort, it is important to reach beyond

your own organisation.

While it’s the responsibility of retail players to set an example at their own companies. Retail players should also act in concert with one another and focus on supply chains: some suppliers who have only limited exposure to customers demanding responsible conduct, might be unwilling to shift their practices without prodding.

Use industry metrics and standards. According to Scott Miner, cofounder of Guggenheim partners, it is sometimes inconspicuous what net zero is. Dr. Leila Fourie, CEO of the Johannesburg Stock Exchange, concurred: “Net zero is still subjective, with eight out of ten ESG funds still investing in oil, gas, and carbon-emission-type industries.” More than 460 sustainability logos are currently in existence as more and more retailers are pulling out of the fair-trade alliance to launch their own certification. Consequently, there is unnecessary confusion for consumers. Therefore, firms should make use of industry-standard objectives such as the Sustainable Development Goals (SDGs), measurement techniques such as the

Higg Index (suite of tools for the standardised measurement of value chain sustainability) for fashion, and certification such as B Corp Certification for responsible businesses.

Prices still matter. The impact of pricing depends on and differs by industry and by



purchase value. Thus, retail owners and managers need to ensure that sustainable products are not just “add-ons” to the product line. They need to ensure that the pricing of sustainable options is in line with other options, or that these products provide distinct benefits. For example, an executive at a car distribution company admitted that the biggest dissuasive factor to buying electric cars is still price with a large majority of potential consumers stating that they are amazing and good-looking cars but few of them buy electric cars, which is an extreme struggle for retailers.

4. Conclusions

From leaders, CEOs and managers to small retail business owners it is crucial that actions should be taken that can make retail more environmentally friendly, socially caring, and economically responsible. From setting ambitious targets, to creating industry coalitions, it is now important that all retail leaders work to bring the rest of the industry along, to correspond and address consumers’ needs and behavioural changes, as a COVID-19 aftereffect.

Retail partners across the industry need to work together with government, policy makers, customers, and suppliers to define standards, change operations, and create new products. As the world emerges from the pandemic, retail should lead the way with focus not only on the direction but also with the speed towards applying methods and practices driven by social and environmental criteria.