

RETAIL SUSTAINABILITY

REPORT 2022

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MAKE THEIR TOMORROW

CONSUMER INSIGHTS

Over the last ten years, there's been a consistent narrative concerning consumer shopping behaviors. The notion that shoppers want instant gratification above all has led to the popularization of terms like 'on-demand' and '24/7 commerce.' Retailers are increasingly offering same-day, under one hour, and 30-minute delivery. The ability of fast fashion brands to turn a TikTok trend into a product range by the following morning paints the picture that relevance and speed are the most significant markers of a customer-centric brand strategy. Although these markers make headlines, our recent Sustainability Survey and Connected Retail Survey* reveal that consumers are less obsessed with immediacy and more interested in the planet's longevity. While it's not happening overnight, the consumer mindset is shifting toward a long-term view. Retailers who help consumers make decisions that benefit their peace of mind concerning the lifespan of the products they're buying and the impact on the lifespan of the environment will ultimately win out.

*In our Connected Retail Survey, consumers were most likely to report the expectation of 3-4 day delivery timelines



Our Sustainability Survey (conducted March 2022) started by asking participants how they define “sustainability.” The most common responses characterized sustainability as creating high-quality products that withstand the test of time or efforts that ensure that the planet can remain healthy for the long term. This idea of longevity, both for goods and the environment, was a constant, punctuated by words like “secure,” “stable,” and “steady.” The idea of sustainability has often mistakenly been considered an abstract and confusing concept to consumers by retailers, but it’s actually quite concrete.



With sustainability as a more solidified concept for consumers than previously suspected, do shoppers feel like it’s a more pressing issue? Further, is that conceptual clarity motivating a desire for more sustainable shopping options? To put it simply, yes, and yes. 33% of respondents this year selected “more” when asked if they would say they care more, less, or about the same about brands being sustainable as they did a year ago. A little over a year ago, when asked that same question, only 23% selected “more.” This increased interest in sustainability is beginning to impact consumer purchasing habits. For example, when asked to respond on a scale from 1-5, with 1 being “not at all a factor in my decision-making” and 5 being “very much a factor in my decision-making,” this year, 46% of respondents selected 4 or 5. In contrast, last year, 39% gave a top-two box response. Similarly, this year, an increase of 3% of respondents were more likely to say they stopped buying from a brand because of a lack of sustainability efforts.

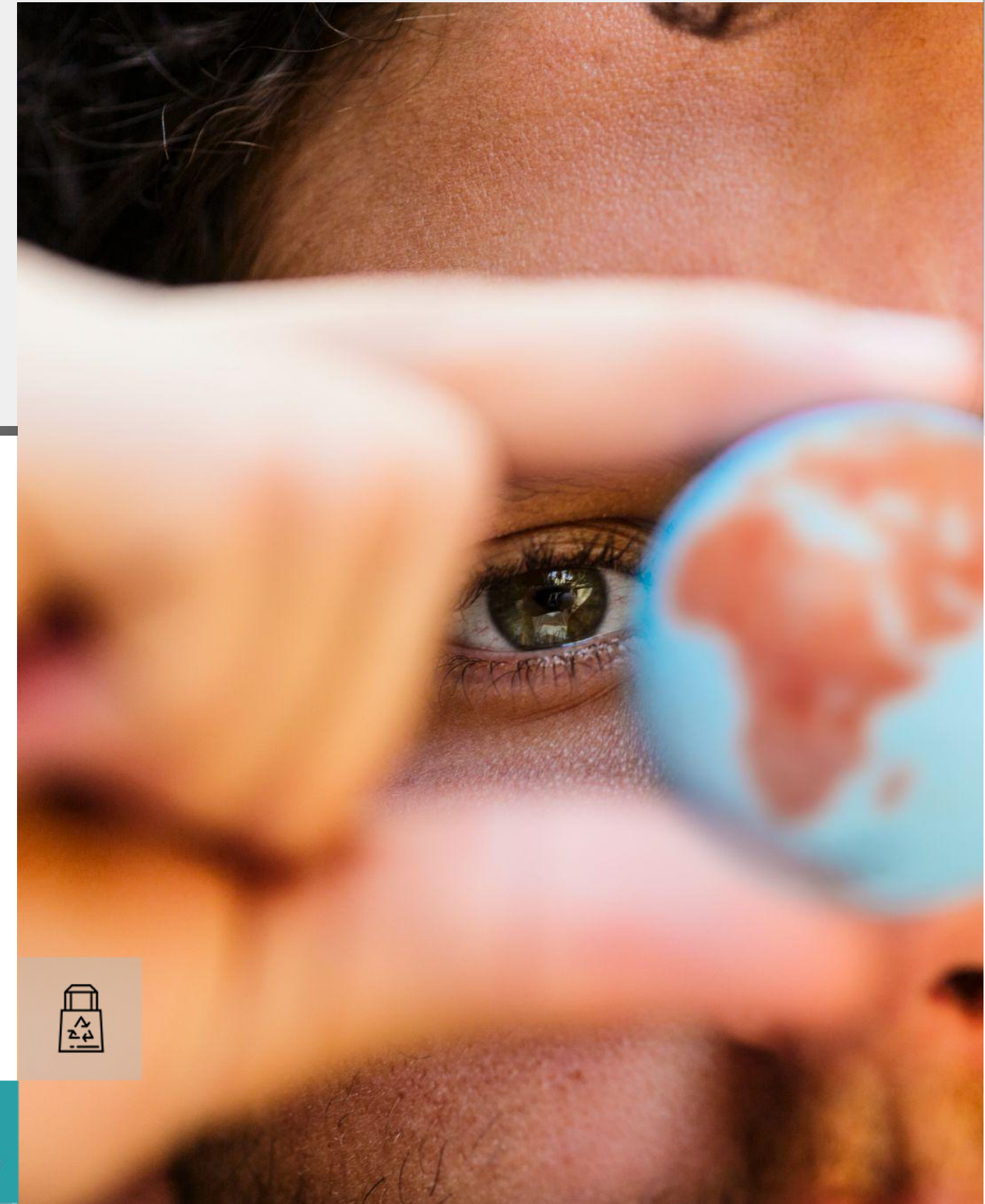


While consumer interest in sustainability is gaining momentum, and the definition of sustainability is clarifying, there's still plenty of room for consumers to become more educated. Last year and this year, survey respondents selected "it's hard for me to understand what makes a brand sustainable" as the second most frequent reason for not shopping sustainably. The first most common response both years was that sustainable brands are too expensive. Making sustainability a more accessible topic for consumers will automatically enable more eco-friendly shopping decisions. Brands have to simply and transparently demonstrate both the big picture reasons for their sustainable practices and their processes for achieving environmentally-protective outcomes, and their products have to remain affordable. Sustainability isn't an "if you build it, they will come" retail scenario. Instead, it's up to brands to educate consumers just as they must educate themselves to ensure scalability.

We also observed consistent results from last year to this year when respondents were asked to choose what they considered to be the most significant sustainability effort. From a vast list of environmentally-friendly measures a corporation could pursue, participants chose "no animal testing" followed by "reducing carbon emissions" as their highest priority for the past two years.

CI&T'S SUSTAINABILITY RETAIL **FRAMEWORK** & THE ROLE OF **DIGITAL**

Over the years, many retailers have demonstrated interest in sustainable initiatives. Quite a few have voiced ambiguous commitments to reducing their footprint by a particular year. Though aware of the importance of becoming more sustainable (whether for consumers, meeting potential government regulations, or genuine care for the environment), very few brands have explicitly communicated their plans to become more sustainable. Digitizing more of the sustainability journey allows retailers to concretely share with customers what they're doing and how effectively they're doing it. Digital solutions in sustainability bring the ability to measure and benchmark progress, optimize resources and power a circular economy.



To set the standard for sustainability-based innovation, we compiled a list of criteria brands must meet to qualify as “best practice retailers” addressing climate change. These criteria are best achieved by using digital technologies.

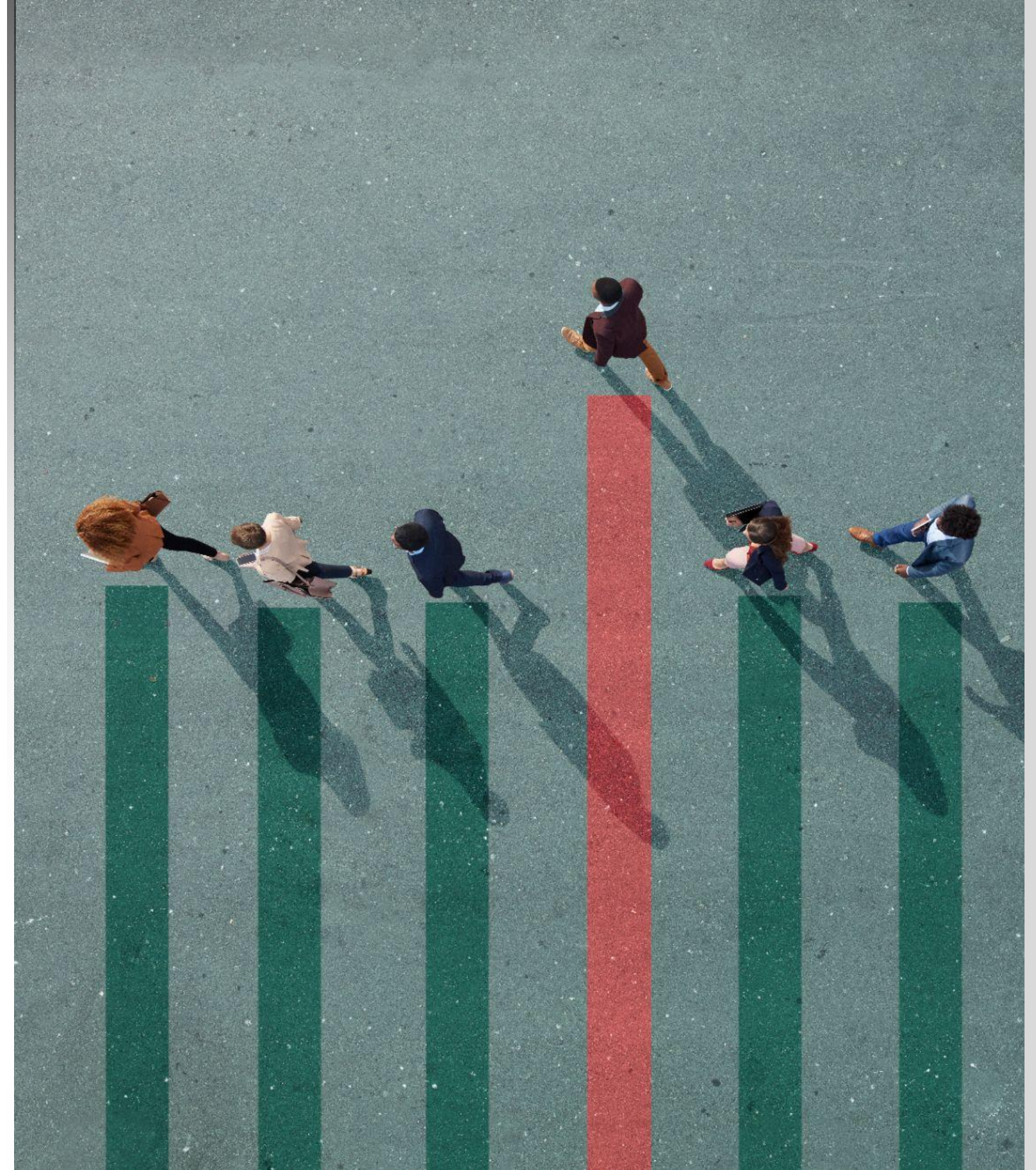
RETAILERS ON OUR “BEST PRACTICE WATCH LIST” MUST MEET THE FOLLOWING FOUR MAIN CRITERIA:

- 1 Tackle initiatives within at least two categories along the “path of opportunities.”*
- 2 Incorporate their efforts into their ‘homepage brand message.’**
- 3 Communicate their sustainability goals for the future:
 - Quantify the sustainable goals they’re addressing with consumers.^
 - Have a detailed timeline for achieving them.^
 - Transparently explain how the goals will be achieved.^
- 4 Have demonstrated progress towards these goals.

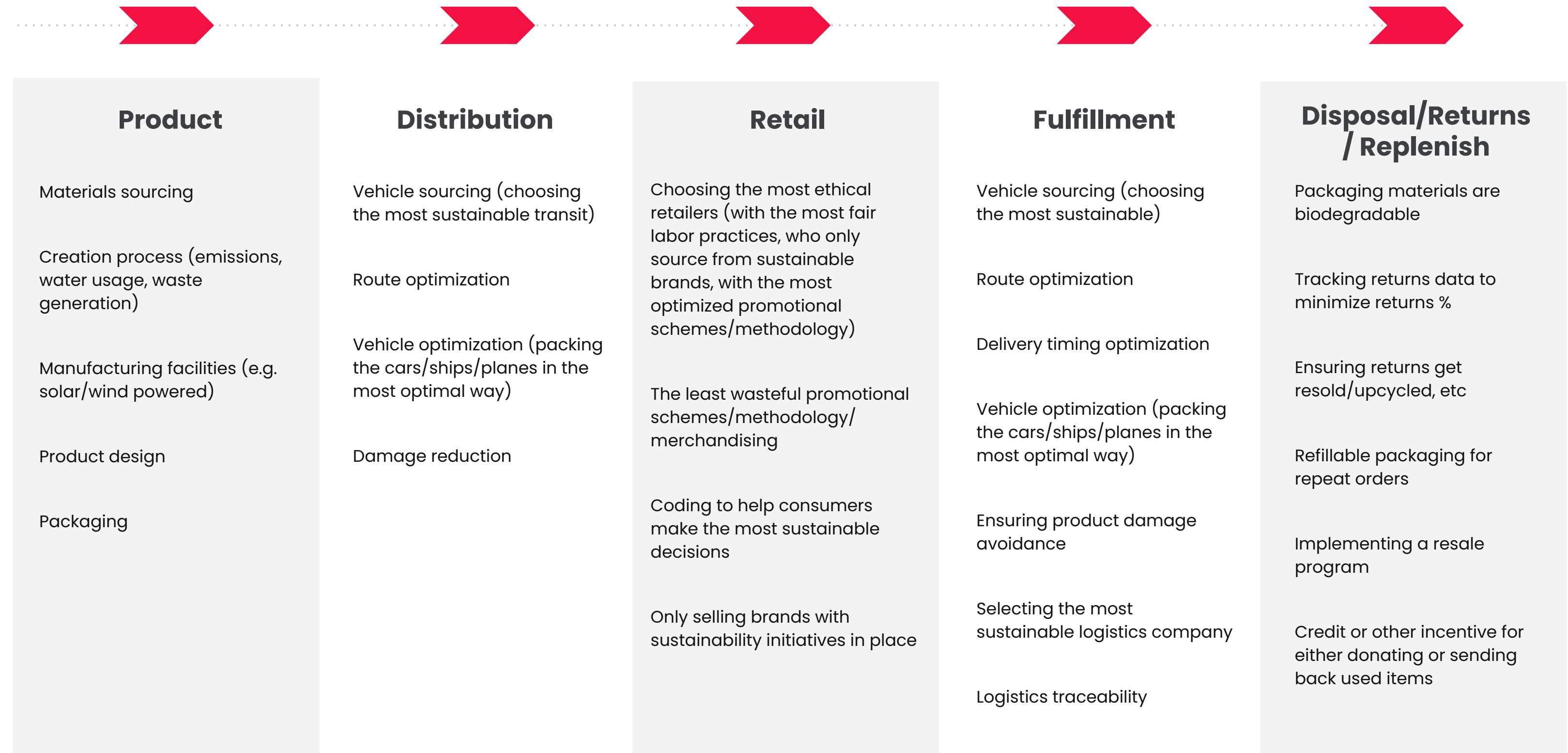
*Path of opportunities page (next slide)

**A “homepage brand message” is a brand message on the main page of a retailer’s website. A clickable link like “sustainability” on their homepage to direct shoppers to a sustainability philosophy page is not enough. There must be some content on the initial page of the brand’s site that talks about a commitment to sustainability.

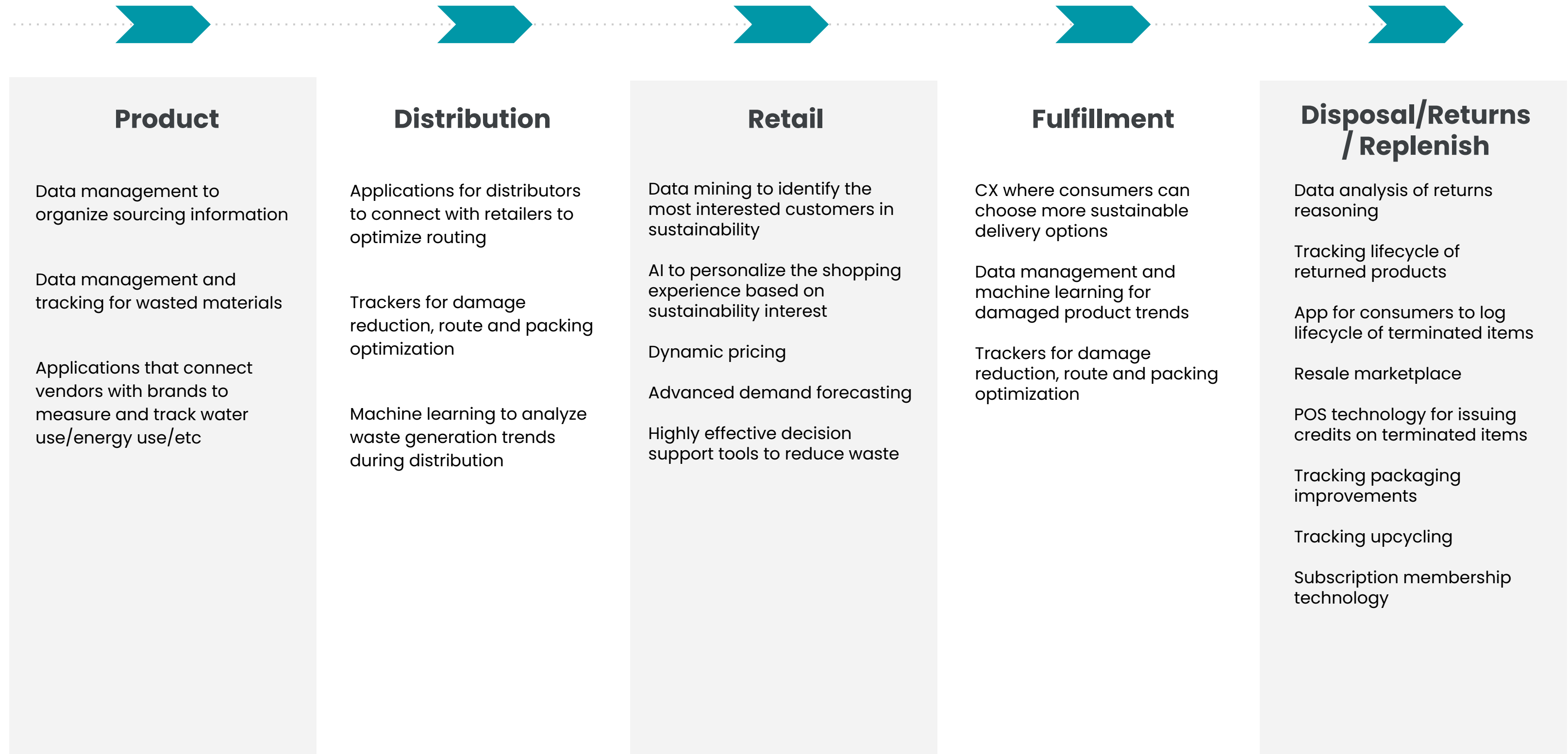
^The intention was to make these requirements, but it was nearly impossible to find brands whose goals met all three criteria. As a result, these can be considered “ideal states” versus requirements.



PATH OF OPPORTUNITIES



THE ROLE OF **DIGITAL**





BRANDS & RETAILERS TO WATCH

We audited upwards of 50 retailers, and it was extremely challenging to find examples that met all of our requirements. As a result, the retailers who passed our test all ended up being DTC brands. There are clearly glaring opportunities for multi-brand retail to catch up. We did not include resale and rental platforms in our audit because of their inherently green models. Still, they play an integral role in pushing retailers and consumers alike to consider more sustainable options. Additionally, we intentionally selected global brands to balance out the US-specific consumer data at the start and to raise the bar on the US retail landscape's sustainability performance. A final noteworthy comment: this report is not intended to be a sustainability brand roundup (there are many of those in existence), but rather a display of some of the most creative brands and retailers raising the bar on sustainability commitments. Now, without further ado, here's a quick list of our favorite sustainability box-tickers:

BRANDS

NÄZ

[NÄZ](#) met every one of our criteria, even the ideal criteria for its sustainability goal-setting, thanks to their hefty impact report, readily accessible via the website. While Näz is actively working to achieve holistic sustainability in every aspect of its business, a few key differentiators caught our attention. For example, Näz collects data on its returns to determine the most frequent causes so that the brand can address returns at a root-cause level versus a symptom level. In addition, they maintain a graph showing the different reasons and frequencies for each type of return on their site. Another creative tactic employed by the brand is its recent partnership with clothing care product Ecox. They focus on the importance of caring for purchases and equipping patrons with the ability to do so by pledging to send 100 orders a free sample of the eco-friendly brand's clothing care detergent. Näz also has a page full of tips on extending the life of each item depending on its fabric.





The level of transparency [ASKET](#) provides on its website is truly revolutionary. Every single item on the site is listed with the percentage of traceability, and the total cost breakdown of each product is available on the product page. While ASKET'S communication is its most prominent differentiator, its sizing strategy is an additional prime example of how the brand thinks counter-industry to ensure sustainability. ASKET'S sizing is intended to preempt the need for returns due to poor fit, and there are no seasonal drops to protest trend-driven purchasing. Perhaps most unique, though, is the recent introduction of the brand's "Climate Leave Policy." Five extra days of vacation are provided to motivate employees to travel by train when possible instead of by air. Lastly, ASKET openly admits on its site that while quantifying the full impact of all products was the goal for the summer of 2021, it simply wasn't feasible. The brand now has its sights set on accomplishing this milestone by the end of this year. The accountability and disclosure provided by this brand are aspirational for the industry.



[CARIUMA](#) is another brand doing its utmost to help the planet. From responsible sourcing for its shoes to auditing its traceability annually, the retailer is turning over every sustainability stone. Two particular aspects of the brand's strategy should be considered positive since other brands did not cite them as frequently. First, Cariuma carefully selects eco-friendly partners for fulfillment and returns processes. DHL GoGreen is used for express delivery, neutralizing shipment emissions, and Happy Returns is used to manage returns in bulk versus individually. The icing on the sustainability cake (with natural frosting, of course) is that inventory is stored in a solar-powered air-conditioned facility that runs on environmentally optimal electrical. This is precisely the comprehensive sustainability thinking we're hoping to see.



NORDGREEN is dedicated to becoming more sustainable in all areas with biodegradable packaging, full traceability of tier-one suppliers, plans to ship less via air, and a commitment to plastic collection equal to its plastic waste. Though the brand is championing many different eco-friendly initiatives, it's the Danish-owned manufacturing facility in China that added another layer of distinction. Denmark repeatedly outscores most countries on sustainability. The fact that Nordgreen abides by Danish environmental regulations abroad firmly places both the company and its country of origin as a leader in the sustainability world. Further, Nordgreen not only offsets its plastic use during production, but it also offsets the estimated plastic use of all its employees. This brand raises the bar on what "responsibility" means in this arena.



The Common Good Company.

COMMON GOOD is another example of a brand doing pretty much everything under the sun to reduce its carbon footprint, so much so that it was unclear what its upcoming eco-related goals are. Their materials are sustainable, sent out in reusable and compostable packaging, and they avoid air shipping whenever possible and offset it when it's a must. However, the intentionality behind the companies Common Good relies on is what we wanted to highlight. Common Good uses Powershop, "Australia's greenest energy provider" for its electricity needs, and Bank Australia for financial needs. Bank Australia has its own goal of net zero by 2035 and refuses to work with fossil fuel companies, among other harmful industries. This type of network-based thinking, where every single partner, collaborator, and provider has to also have matching environmental practices is incredibly impactful and demonstrates a real commitment to the cause.

RETAILERS

If we applied the same criteria to multi-brand retailers to see if they meet CI&T's sustainability standards, most would be disqualified due to the "homepage message" requirement. However, if more multi-brand retailers incorporated sustainability into their overarching brand message, it would create a massive impact. For now, consumers can only find those values on one specific page. They would only access that page if they were intentionally looking at the brand's sustainability strategy. As sustainability becomes more "table stakes" at the industry and consumer demand levels, retailers will need to match that energy at their core. Future-ready retailers are already sending the sustainability message on their homepage as part of their holistic brand values.

A few multi-brand retailers still felt worthy of mention, even if a homepage message was nonexistent. Denmark-based grocery store Coop includes a sustainability [tracker](#) in its consumer-facing shopping app, allowing consumers to discover items in their haul that are more or less environmentally friendly.

Enabling low-effort learning opportunities for consumers to adjust their shopping behaviors means retailers can become change drivers. Supermarket ORGA Whole Food in Korea is a zero-waste grocer, [merchandising](#) items with different sustainability themes. Shoppers can choose which type of impact is most important to them, and they can navigate the store by prioritizing those sections.



Target has started merchandising efforts that emphasize sustainable options. They recently announced "zero" stickers on items that are in some way a more sustainable option than others within the category (compostable/recyclable packaging, reduced plastic, etc.). Online, consumers can filter shopping trips by sustainable priority if they start by accessing the "zero" page. It would be exciting to see both website and app filterable by various sustainable criteria without starting from the "zero" portal in the future. Target's sustainability journey doesn't stop there, however. The retailer also has solar panels that contribute to powering 25% of its stores. In addition, a newly-established partnership with ThredUp means loyal customers can find resale Target clothing on the platform. This partnership could be enhanced by incentivizing customers to log when they've contributed their items to the ThredUp page via Target's wildly successful app. If the partnership eventually permits Target loyalty program members to document the contribution of their items via the Target app, they could offer discounts on future purchases with the retailer. This approach would create a solid data trail for Target to better track the lifecycle of its items.

While some studies show that online shopping has a lower carbon footprint than in-person shopping, there are still repercussions to the environment as e-commerce usage rises.



Packaging and shipping required of most online purchases make for an imperfect substitute for brick and mortar trips. Solely digital retailers such as Thrive Market focus on minimizing the impact of getting items delivered by guaranteeing that items arrive in recyclable, compostable, or reusable packaging. Thrive Market also offsets all of its shipping and incentivizes shoppers to aid the accuracy of its demand forecasting by operating as a membership model.

Returning to Australia for an additional sustainability best practice example, Woolworths has set big goals to hit environmental milestones by 2025. The company's sustainability page offers a link to a [report](#) mapping the journey that lies ahead for Woolies to continue to set the bar. For example, Woolies says that with the help of its partners, it will ensure that none of its food goes to landfills by redistributing 100% of unsold edible food. Though the report doesn't elaborate on how partners will help, setting up a backend marketplace for unsold edible food is one possibility. Dynamic pricing is another digital tool that could help achieve this goal.

KEY AUDIT TAKEAWAYS

While there were only a few clear, bright sustainability stars that met our exact audit criteria, many brands are taking the initiative to make the earth a happier place. We applaud all efforts being taken and look forward to sustainability mainstreaming as a retail movement.

A few common throughlines surfaced throughout the audit process, highlighting some key challenges for retailers to establish themselves as sustainability champions. First, goals with timelines would be a helpful requirement, although it's challenging for retailers to predict precisely when they'll be able to achieve certain sustainable milestones. Missing these marks should not be a cause for shame. Still, it's understandable why so many retailers felt compelled to share goals without deadlines. Next, many retailers struggled to keep every pledge on their site updated. Though there is an inevitable lag between accomplishing and reporting, very few retailers changed every pledge date to reflect current progress. We didn't disqualify a retailer if there were some obsolete pledges on a site, but it was noted. Lastly, and most surprisingly, some retailers neglected to share any upcoming goals on their sites. While we appreciate how effective their sustainability work has been, there should be future objectives for us to include a brand in this report.



MOVING FORWARD



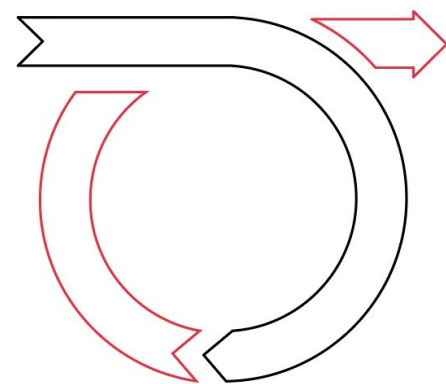
"Stopping Climate Change Is Doable, but Time Is Short, U.N. Panel Warns," reads a New York Times headline on April 4th. The [article](#) paints a clear picture of the steps required for a more optimistic outlook on the planet's future. Consumers increasingly understand the work needed and the importance of doing so now. It's up to brands to get innovative in their environmentally-driven initiatives, fully inform shoppers how and why their practices are best in class examples of sustainability efforts with transparent communication, and reward the consumptive decisions made in support of retailers' sustainable moves.

Ultimately, no matter which digital solutions pave the way to a more eco-friendly outcome, a winning retail strategy for a sustainable future must have full buy-in from shoppers. Messaging that simplifies and clearly explains to consumers why and how sustainable goals are being met will successfully bring them along for the journey. Consumers are just beginning to express a commitment to sustainable retail behaviors, and it's up to brands to use that momentum for good.

WHAT **WE DO**



OUR CAPABILITIES BUILD DIGITAL PRODUCTS AND SOLUTIONS FOCUSED ON YOUR NEEDS.



We use **Lean, Agile, & DevOps** practices to deliver insights and results, in short cycles.

E-COMMERCE INTEGRATIONS

World-class B2B and B2C plug-ins to keep the connected retail journey trackable and modern.

PLATFORM BUILDING, CX & DESIGN

Design and implement custom websites, apps and platforms to ensure seamless paths to purchase.

CDP, DATA, AI & MACHINE LEARNING

Data management, data analysis, AI and ML capabilities to accelerate performance.



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