

## **Retail Ethics and Green Retailing 2007: More than plastic bags?**

**Centre for Retail Research**

### **Introduction**

In 2006, the Government Statistics department (the ONS) replaced sprouts, vegetable oil and brie as favourites among shoppers by olive oil, broccoli, courgettes and pro-biotic drinks.

A few years ago this would have seemed like satire. As would the idea that UK retailers are keen to reveal their environmental credentials, that a political leader wanted to put a wind turbine on the side of his house, that the chief executive of ASDA-Walmart was to meet the Womens Institute to discuss how to cut packaging, that the *Daily Telegraph* runs articles on *How to Be A Green Consumer*, and MacDonal'd's is to convert part of its distribution fleet to run on chip fat (but it won't *smell* like burgers).



**The future of UK retailing – for the moment at least – is green and very heartwarming.**

Every major supermarket trumpets its green credentials, its *healthy eating* range, its policies to combat carbon emissions and reduce waste, and the ethical producers it uses.

- This season, *People Tree* became the first UK fashion house to gain both Fairtrade and Soil Association accreditation. Over half its latest collection is made from organic and Fairtrade cotton.
- Oasis, Topshop, Tesco and Marks & Spencer stock organic and Fairtrade collections.
- The Co-op has majored on Fairtrade products for some years and its own-brand black chocolate and own-brand coffee is exclusively Fairtrade.

### **Our Conclusions (in case you don't get to the end of this article)**

- ▶ There is a plethora of green announcements by retailers, all keen to show they are environmentally-conscious.
- ▶ Strategically, most large retailers are now committed to environmentalism through – curbing waste, less packaging, product revamps, better use of energy, fewer distribution trips, reducing product-miles by sourcing more products from the UK, using greener energy for their own vehicles.
- ▶ They are attempting to give customers better choices and more relevant information so customers with environmental or humane concerns can shop in confidence.
- ▶ Some retailers have moved closer to environmental organisation such as Friends of the Earth, the Soil Association, and Greenpeace and consult them about policy initiatives.

## **Conclusion: Points to watch.**

- Customers and green organisations will be anxious to see that retailers carry out all their promises and will rub their noses in it if any are unfulfilled.
- Expect greater regulations – from the UK or the EU – which will make what now seem far-sighted approaches obligatory. Let's think what 2012 will look like and what the regulations will be like then! Expect a lot of fuss about all this.
- Customers will expect environmental transparency – “prove your eggs are actually free range” “prove your sweaters are not produced by slave labour” and expect the internet to be used a great deal by savvy suppliers to prove this.
- We all love small shops (well, not all the time) but expect the multiples to be faster and more informative about this than smaller retailers.
- There will be new environmentally-friendly retailers who will set up their stalls on the moral high ground. In a year or two, they may find it tough going against UK multiples on a mission.
- Getting into bed with Greenpeace and Friends of the Earth will prove to be a t-e-r-r-i-b-l-e mistake and retailers will find they will be eaten alive by these characters.

## **Retail environmental strategies**

**According to the Carbon Trust**, UK retailing accounts for 7% (only 7%) of UK carbon emissions and should easily be able to cut these by 10%.

In 2007, **Marks & Spencer** unveiled a £200m "eco-plan" to make it carbon neutral in five years. M&S said "Plan A" was its contribution to the battle against climate change. "There is no Plan B". By 2012 it expects to be carbon neutral, send no waste to landfill and "set new standards in ethical trading".

**Sainsbury's**, which has been in the ethical business for longer than many retailers, criticised rivals for unrealistic environmental promises, whilst claiming that some initiatives launched by rivals such as M&S and Tesco are just 'playing catch-up' to work that Sainsbury's has been doing for years. The company expects to make a new commitment on an ethical issue (the so-called Make a Difference day) every month.

However according to a poll in *The Times*, Marks & Spencer is regarded as Britain's greenest supermarket.

**The Co-op Group**, is probably the prime mover of all retail environmentalists. In 2007 it won the **Business Commitment to the Environment award** after reducing its carbon emissions by 86 per cent and introducing a policy that prohibits it from investing in 'any business whose core activity contributes to climate change.' The Co-op Group includes a large insurance company and a clearing bank which has made much of its moral stance (eg not investing in armaments companies or totalitarian regimes).

The Co-op also won the **Queen's Award for Enterprise for Sustainable Development** as a result of its pioneering work with Fairtrade starting with Cafédirect which it started selling in 1992 (and Fairtrade Fortnight in 1998) and its other sustainability initiatives. A 2007 BBC Panorama programme on green retailing subjected to majors to an independent audit: the Co-op came out best.

**Tesco's strategy** has involved a £100 million fund for investment in sustainable environmental technology such as wind turbines, solar panels, combined heat and power and gasification and has announced it will cut its energy use per square foot by one-half by 2010 against a baseline of 2000. It will also encourage its customers to use biofuels and help them to save energy in their homes. Its strategy is to be the 'best' supermarket for energy use. The company invested £20 million in 2006 in a range of energy-saving schemes to cut energy consumption by 135 million kWh per year, saving £8.1 million in energy costs, and saving 58,000 tonnes of CO<sub>2</sub>.

The pledges come thick and fast. Marks & Spencer is to ban petrol-fuelled company cars, recycle more coat hangers and give its chickens more room to roam.

**The Waste and Resources Action Programme**, is a scheme with a £8mn budget to help retailers reduce their production, storage and transportation costs. Companies which have successfully applied for funding include Argos, Asda, Tesco, Co-op and Marks & Spencer.

### **New, explicitly ethical entrants to retailing**

**Whole Foods Market.** In 2007, Whole Food Market opened a new 80 000 sq ft up-market organic environmentally-conscious store in the former Barkers store in London. This was the first of a projected 40 ethical UK stores. The US-owned group has 194 stores and sales of £2.9 billion. However the London format is too opulent for anywhere else apart from Oxford Cheltenham or York.



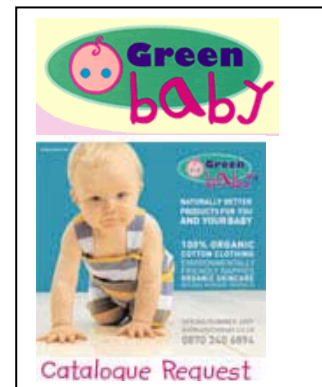
**Natural Kitchen** TV's own Hugh Fearnley Whittingstall with Keith Bird (ex ASDA planning/new concepts) opened Natural Kitchen in May 2007 on Marylebone High Street with an emphasis on natural food from ethical suppliers.

**Nude**, an organic and ethical range of cosmetics is to be launched by Bryan Meehan, the Irish eco-entrepreneur, who started organic food store Fresh & Wild in 1998 (now part of Whole Foods Market) and why has it got to be called 'Nude' anyway?

**American Apparel**, (<http://www.americanapparel.co.uk/>) which focuses on upmarket ethical product sourced locally in the USA combined with excellent service is another 'ethical' retailer.

**Green Baby** ([www.greenbaby.co.uk](http://www.greenbaby.co.uk))

Set up by Canadian mother Jill Barker in the UK, Green Baby provides organic products, washable nappies, wooden toys, toiletries, maternity wear from four London stores and a mail order business.



## Product development to meet customer needs

**A new segment.** There has been a pronounced shift towards using ethical sources and ensuring that merchandise is grown, produced or processed in reasonably good conditions. A MORI poll (June 2007) found 28% of shoppers were looking for locally-produced merchandise – especially women, those over 35 years, and especially in the top two socio-economic groups. 20% were concerned about the carbon footprint of goods - but low prices scored to with 64% of all consumers. Nonetheless there seems to be a significant group, female, older, and high class (and South East oriented) which is particularly interested in environmental/green issues.

**New lines.** Criticisms that much processed supermarket food makes you fat has led most chains to produce low-calorie lines or low-fat lines, although these have often been criticised by nutritionists, 'Which?' and others for having large amounts of salt and often being little better than normal processed foodstuffs.

**New regs for Organics.** Organic food is now one of the biggest growth areas in retail having risen by 18% from £4.6 billion to £5.4 billion, according to the latest figures available from the Co-operative Bank. Claiming to support the organic food boom, the EU Commission for Agriculture and Rural Development have decided that a standard EU regulatory label will be mandatory on any products marketed as organic so that consumers could be clear about what they were buying.

Supporters of organic food are unimpressed that the new EU standard for organic food provides for it to contain 0.9% GM. The Soil Association and Organic Growers and Farmers have pledged to ignore this and to hold their limit for accidental GM contamination to 0.1%.

**We're nice shops.** The House of Fraser, Waitrose, Sainsbury's, Makro and Lidl have introduced a nationwide ban on the sale of foie gras pate on ethical grounds. (Does Lidl actually sell this item?)

L'Oreal, the owner of Body Shop, has announced it will stop animal testing and start a natural range of products.

Aldi has announced it will only sell garden furniture made from wood with an FSC (Forest Stewardship Council - sustainable woodland) certificate – its Indonesian Meranti furniture was probably illegal.

12 of Oasis's flagship stores stock explicitly ethical designs, made from 100 per cent organic denim and jersey. Topshop stocks a variety of ethically conscious labels, including Hug, People Tree, Gossypium and Made.

B&Q has stopped selling merbau -- a resilient, dark, red wood grown in Papua New Guinea and Indonesia -- for flooring and was congratulated by Greenpeace. B&Q has had a policy for some years of only selling wood products that were sustainable.

**Tesco Supply Chain.** Tesco has been independently auditing 7,600 farms as part of its *Nature's Choice* rollout plan to ensure standards and sustainability. All suppliers of Tesco wood products meet FSC Tropical Forest Trust (TFT) requirements and this is independently audited.

Tesco was classified as the best of the major supermarkets in a survey by Compassion in World Farming on pig welfare standards. In 2006/07 it launched Finest pork which is 100% British.



**Green is good.** The battle between Sainsbury's and Tesco is particularly strong on green issues. Tesco is emphasising its Localchoice milk, allowing customers to buy milk made by nearby producers (within 100 miles at present). Sainsbury's is to stock exclusively Fairtrade coconuts and its bananas will be Fairtrade only by July 2007.

ASDA intends to source one million garments of its George clothing range from the UK in a new range called 'Made in the UK'. From June 2007, it stocked a new 'Ecopac' range of CDs whose packaging is made from recyclable paper.

**Green underwear.** Marks & Spencer is hoping that next year green underwear will be all the rage, as shoppers show increasing interest in how their clothing is made. MAS Intimates, based in Sri Lanka – will be the first manufacturer to set up a purpose-built eco-factory intended to be carbon neutral. The factory, near Colombo, will use solar power and micro-generation to create electricity and use natural light to help to illuminate the factory floor, reducing energy use. Built on stilts, the building will be surrounded and roofed by local vegetation to minimise impact on the local environment and to keep it cool. Low-energy air-conditioning, based on a water evaporation system, and rainwater collection for use in the building will also be used to cut energy use. M&S is also to stock a range of fleeces made from recycled product and some items recycled from plastic bags.

**Nike** has announced that it will strengthen its efforts to combat potential abuses of the 800,000 workers in its global supply chain with a push to promote labour rights, including the freedom to form and join trade unions. The company announced that it will set up an educational programme on workers' rights to freedom of association, to be implemented in all of its contract factories by 2011.

**Food miles.** Many supermarkets are trying to reduce the food miles their products travel. However this is only part of the environmental equation. For example, growing tomatoes in Spain in natural conditions is likely, for much of the year, to be more environmentally friendly than growing them under glass in the UK heated by gas or oil. Sir Richard Branson has criticised Marks & Spencer for its policy of cutting food imports from Africa (to reduce food miles), which he claims will leave millions of farmers in poverty while doing little to stop global warming.

It's obviously not easy, being green.

### **Can we produce it?**

The market for organics and 'real food' (or slow food) is generated in the UK by (a) ethics and interest, (b) a rapidly growing market, and (c) premium prices for the products. However the rapid growth in demand for organic food and real food is creating real problems:

- True organic food cannot be switched on like a tap. It takes some years of organic cultivation before a farm can sell its stuff as 'organic'
- Organic and 'real food' producers face the danger that agribusiness may turn its attention their way eliminating or slicing their profit margins.
- They fear that the desire of multiples to (a) show how environmentally-conscious they are, and (b) sell organics and real food cheaply may kill off the specialist shops, farm shops, etc that are their main markets at present.
- International increases in food input prices, accentuated by the rush towards biodiesel (which uses what otherwise would be food), may make life hard for organic and real food producers because they may not be able to pass on the price increases fully.

Mid-summer 2007, high demand and poor weather, will make it a terrible year for production of organic and real food. Yet to develop the market, farmers and retailers need price-stability and lots of new products.

### **Informing the consumer: working with the consumer**

**Is organic organic?** There has been concern that some food labelled as organic is not. 10% of wild sea bass is actually farmed, and perhaps 1 billion imported eggs have been passed off as 'free range' in the past five years, and there are suspicions that many fresh or organic products have actually clocked up thousands of 'food miles'. The Soil Association is considering preventing the use of its labels or the term 'organic' on products that travel thousands of miles.

**Recycling.** Most superstore retailers provide recycling facilities as surveys show that customers will recycle more if it is easier for them to do so. The Tesco mobile phone recycling scheme is one of the largest in Europe recycling 720,000 handsets, saving over 144 tonnes of harmful electronic waste going to landfill, giving customers

163 million Clubcard points and raising £1.7 million for charity over the last three years.

**Origin.** The Food Standards Agency is pressing the European Union for a change to the "country of origin" food labelling system which allows imported meat to be sold as British. The move has the backing of ministers, and shoppers are also being urged by food and farming minister Lord Rooker to challenge supermarket managers about the origin of meat. The move is intended to persuade retailers to be open with consumers.

**Carbon-label plan.** Tesco plans to put carbon labels on all of its 70,000 products have stalled over the definition of what a food item's 'carbon footprint' should include. The fact that system is a bit of a mess at the moment, does not mean that the idea is bad one.

There has been concern that Tesco internet CDs and DVDs are not supplied from the UK but are flown to Switzerland from the UK and then shipped back to the final postal address in the UK. Tesco argues, sensibly enough, that as all these are made in China the additional miles are irrelevant.

## **Product Traceability**

**Expect customers to want to know more about the products retailers want them to buy.**

(Please note that the next sub-section is dependent on Trend Briefing (<http://www.trendwatching.com/trends/stillmadehere.htm>).

**The banana producer, Dole,** lets customers "travel to the origin of each organic product". By typing in a fruit sticker's three-digit Farm Code on Dole Organic's website, customers can read background info, view photos of the farm and workers and learn more about the origin of Dole products (<http://www.doleorganic.com/>)

**Chippindale Foods,** Yorkshire-based supplier and intermediary, offer full egg traceability via their site [wheresyoursfrom](http://wheresyoursfrom.com). You click the code from the egg into their website and it shows you when and where the egg was produced.



Over the next year, we should expect to see more websites such as **Responsible People**, which gives advice on how to be an ethical consumer and where to get things from.

([http://www.responsiblepeople.co.uk/page\\_1175760996171.html](http://www.responsiblepeople.co.uk/page_1175760996171.html))

Oxford-based **Omlet** (<http://www.omlet.co.uk/>) shows you how to keep chickens, rabbits or ducks and provides and an Eglu to do this in.

**Izzy Lane** (<http://www.izzylane.co.uk/>) makes (pricey) shetland skirts and suits from their flock of 250 Shetland sheep. Some of the knitwear is made from the wool of Wensleydale sheep, an endangered breed. They have 250, most of which were destined for the meat markets before Izzy Lane saved them. The clothing is made in Bradford and the cloth is woven in Selkirk using Victorian machinery. For each Izzy Lane garment, the full provenance, from the fleece through the whole manufacturing process to the garment itself, is known.

### **Information and Misinformation**

New regulations from the UK's Food Standards Agency (FSA) mean that whole milk (ie 100% cow's milk or proper milk) is regarded as being unsuitable to be advertised to children, along with crisps, fizzy drinks, pizza and burgers and chips. Asda has been refused the right to advertise milk to kids. Skimmed milk, which before 1971 could only be sold as pigswill, can be advertised to children.

The attempt by the British Egg Information Service to economise by running the old 1960s Tony Hancock egg adverts on TV has been banned by the Broadcast Advertising Clearance Centre because the adverts do not promote a balanced diet. If you sincerely promise not to sue the Centre for Retail Research you can watch them here:

<http://www.gotoworkonanegg.co.uk/>

<http://news.bbc.co.uk/1/hi/uk/6220684.stm>

The whole thing has the feel of a PR stunt, so don't take it too seriously.



### **Plastic Carrier Bags**

The campaign about plastic carrier bags gets more intense.

From May, the market town of Modbury in Devon banned all shoppers from using plastic carrier bags. People will instead be provided with

biodegradable cornstarch, recyclable paper or reusable cotton and jute bags.

In 2007, hundreds of rich fashionistas queued outside Sainsbury's to buy a bag designed by Anya Hindmarsh (a designer, see left for an example) carrying the slogan "I'm not a plastic bag". For a while this became the latest must-have accessory.

In February 2007, the retail industry agreed to reduce the overall environmental impact of carrier bags by 25 per cent by the end of 2008. This is a comprehensive objective aimed at cutting the total amount of raw materials and energy used in bag manufacture and minimising the effect of their disposal. This will involve: reducing the environmental impact (using alternative materials and lighter weight bags); encouraging customers to take or use fewer bags; and enabling the recycling of bags, eg by offering collection facilities.

7 billion plastic bags are given away annually in the UK of which only 1 in 200 are recycled, according to The Guardian. Environmental groups complain that the bags use up natural resources, consume energy to manufacture, create litter, choke marine life and add to landfill waste. It goes without saying, of course, that all those copies of The Guardian, its supplements and blasted wallcharts **never** add to global warming.

London Councils are to urge the Government to allow them to set a charge of 10p per bag in London. Retailers would oppose this as being too comprehensive.

Waitrose is trialing baglessness: free carrier bags have been removed from all checkouts at the Saffron Walden store and at selected checkouts in fourteen other stores for a two-week trial in May. No results provided yet.

Meanwhile The Guardian is campaigning to encourage shoppers and retailers to support the first ever national plastic bag-free Christmas. *We Are What We Do* hopes to persuade retailers to tell shoppers that they will not automatically get a plastic bag, and to display a colourful logo saying "Plastic Ain't My Bag". Who thinks these things up?

## **Reducing waste through better processes**

In order to meet new EU rules on packaging it seems likely that there will be tougher penalties for retailers and suppliers that over-package. The important thing is **the EU Packaging Directive** which is concerned with minimising the creation of packaging waste material and promoting energy recovery, re-use and recycling of packaging. These measures are implemented through the Packaging (Essential Requirements) Regulations 2003 ("the 2003 Regulations") and the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 ("the 2007 Regulations").

The key phrase from the legislation is '**essential requirements**'. The volume and weight of packaging must be limited to the minimum amount necessary to maintain levels of safety, hygiene and acceptance for the packed product and for the consumer. Packaging must be manufactured to permit reuse or recovery. Noxious or hazardous substances in packaging must be minimised. The 2003 Regulations also apply heavy metal limits to the packaging.

Under the 2003 Regulations, retailers can face fines of up to £5,000 per offence in the Magistrates' Court or unlimited fines in the Crown Court for failing to comply with the essential requirements or heavy metal limits. However, many environmental groups have criticised the 2003 Regulations because they feel that they contain too many loopholes and as such large companies are not being caught.

The **WEEE Directive and regulations** started in July 2007 and require retailers and suppliers to recycle the products they sell either by accepting them at the store or by funding local authorities or private recycling schemes. That includes all those fridges, batteries, electric toothbrushes and TV sets.

Ikea is to switch its entire company-car fleet to hybrid vehicles (Honda Civic) as a prelude to switching all its vehicles to greener operation. It is also promoting economy amongst its 9,600 UK employees by distributing 60,000 low-energy light bulbs.

Sainsbury's has started to use a fleet of zero-emission vans for its home deliveries service. The retailer has ordered an initial eight Edison electric vans for its online fleet as part of its green commitment to switch 20 per cent of urban deliveries to electric vehicles by September 2008.

Marks & Spencer became the first UK retailer to commit to using the new plastics recycling plant in Dagenham, while Asda is asking customers to return over-packaged items. The recycling plant is a result of a £12 million joint private and public sector funding agreement and will be the first in the UK to recycle polyethylene terephthalate (PET) from water, soft drinks and cosmetics bottles into material for food packaging. Marks & Spencer is committed to sending plastic waste from its London stores to the plant for recycling. The retailer will also encourage its suppliers to source recycled plastics from the plant to make M&S packaging.

Meanwhile, Asda is inviting customers at York and Dewsbury to bring back examples of over-packaging so that it can put pressure on suppliers to reduce waste. Asda aims to reduce over-packaging on all of its own-label food products by 25 per cent over the next year and says that if the trial study is successful, the shopper-led programme, called "Leave It with Us", may be extended to every Asda store across the UK.

Sainsbury's announced in June 2007 it would print its till receipts double sided, to save paper.

Tesco has announced that customers will be able to recycle paper-based food cartons in 100 stores and has opened its second wooden eco-store in Shrewsbury. The wind turbines at our store in Diss, Norfolk, produce enough energy to run all

15 tills (is that *all?*) and the company aims to save over 10,000 tonnes of CO<sub>2</sub> by developing customised heat and power technology for our stores. Tesco is investigating 'energy efficient stores' that use technology, renewable energy generation and energy efficient practices. Diss was the first store (2005). The store uses 20% less energy – saving 720,000 kWh or 310 tonnes CO<sub>2</sub> a year – through clear perspex sections in the roof, five wind turbines on the roof, photocell lights in loading areas which are triggered by low external light and light movement sensors to ensure lights in offices and other staff areas are only on when in use, energy efficient bakery ovens, and a cold air recycling system which takes cold air from chilled areas to warmer areas of the store reducing the need for air conditioning. The second store is at Swansea.

Co-operative Insurance has warned that UK companies wanting significantly to reduce their carbon dioxide emissions are being hampered by red tape surrounding green wind energy. It claims that its concerns are shared by ten large companies including Alliance Boots and J Sainsbury, all keen to realise benefits of wind and other renewable technologies. Local bureaucracy, poor planning guidance for councils and the lack of a long term energy strategy are among the issues concerned.

Tesco is also trying to improve logistics efficiency by using suppliers' vehicles to make store deliveries on their return trips (rather than travel empty), using double-decked trailers that carry 67% more products per load, reducing weekly deliveries to Tesco Express stores. They estimate they have saved 8 million fewer delivery miles for suppliers, cut 54,000 deliveries from their operations pa reducing miles by 2.5 million.