

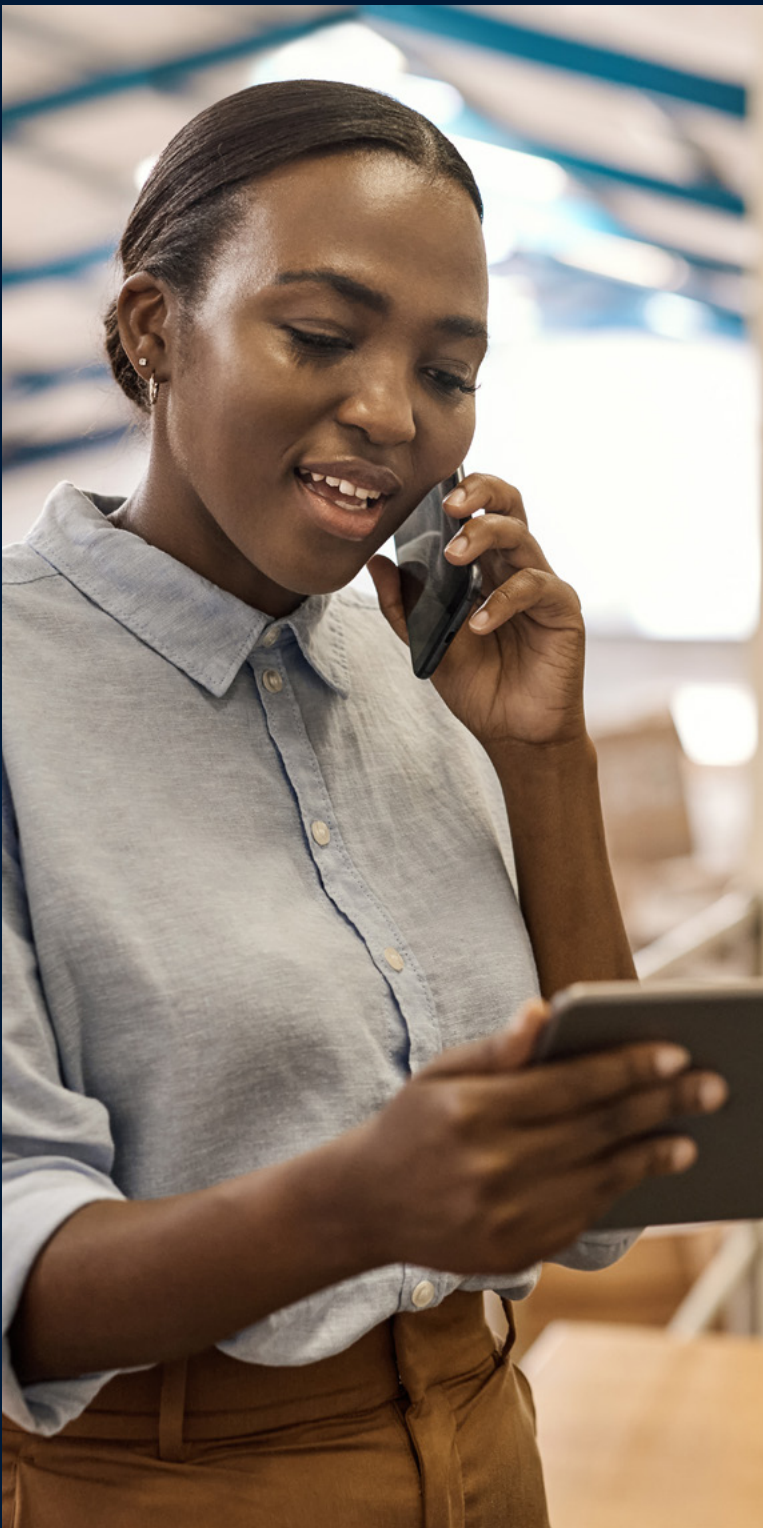


retail
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THE 2021 CORPORATE SOCIAL RESPONSIBILITY SURVEY



Corporate social responsibility (CSR) has become an area of strategic focus for a growing number of retail organizations. For some, it has become their top priority and part of their brand's value proposition. There's a good reason why: Customers, employees, suppliers, business partners, investors and executives all are paying more attention to the measures these companies are taking to create more ethical, environmentally friendly and socially responsible organizations.

But what goals and priorities are driving their CSR investments? What challenges are they facing as they move forward? And what technology are they investing in to support their vision?

To gain a better understanding of where brands are on the CSR spectrum, we asked more than 500 retail businesses about:

- ▶ Their firms' perspectives on CSR
- ▶ Motivators for implementing CSR actions
- ▶ Elements that comprised their strategies
- ▶ Challenges and enablers around future CSR success

Survey respondents represented a relatively even mix of omnichannel retailers, online-only retailers/direct-to-consumer (DTC) brands and marketplace sellers. And what we found was CSR landscape is still extremely varied and diverse, even within the retail industry itself. From **social issues** to **environmental concerns, governance** to **diversity and inclusion**, the range of CSR elements is ever evolving. Brands must navigate customer and employee expectations, comply with regulatory mandates, blend and balance leadership influences, respond to supply chain dynamics and maintain their competitive edge — all while meeting revenue targets in a highly fluid market environment.

This survey, conducted by *Retail TouchPoints* in partnership with Amazon Web Services, provides insight into retailers' CSR strategies and performance. Analysis will identify where leaders are moving ahead, as well as key areas where targeted technology tools can help brands achieve additional improvement.

CSR MATURITY: IT'S A JOURNEY, NOT A DESTINATION

Understanding what motivates a retailer to pursue a CSR strategy is an important first step, and the answers provided by survey participants reveal that company values have become top-of-mind for the C-suite. While many respondents point to a desire to “do the right thing” as a business (**72%**), the desire to adapt to customer preferences and improve brand perception — both at 50% — are primary factors, too. Cost savings (**35%**) and regulatory pressures (**24%**) also play a role in retailers’ focus on CSR initiatives and actions, although their influence is not as significant. This may change over time as more regulations are put into place worldwide.

What’s your company’s motivation for CSR?

(Select all that apply)

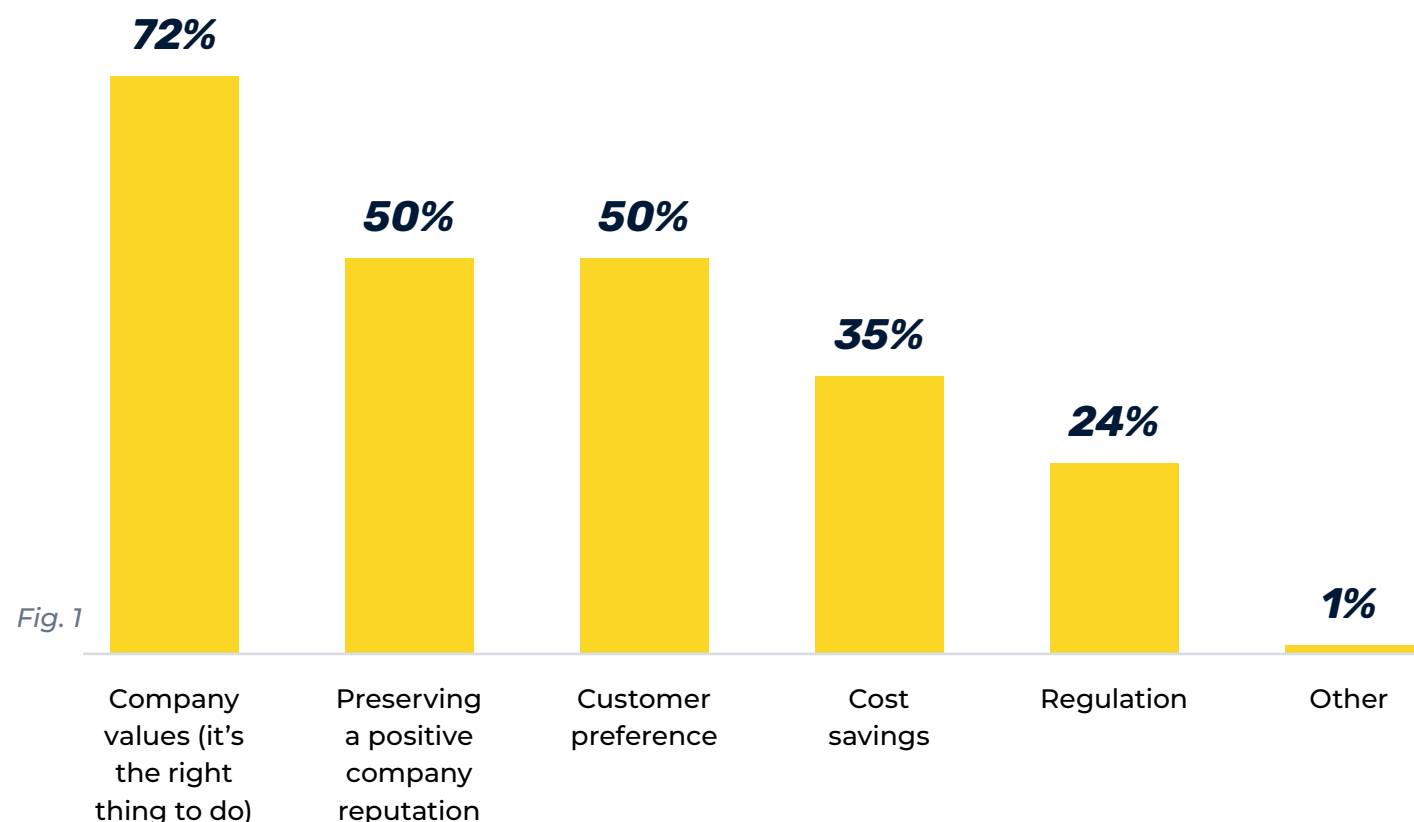


Fig. 1



IT'S NO SECRET THAT TODAY'S CONSUMERS CARE DEEPLY ABOUT CSR.

A staggering **83%** of respondents say alignment with their beliefs and values is important for the companies they buy from, according to a [report](#) from PR firm 5WPR. Furthermore, [research](#) from PwC concludes that **83%** of consumers think businesses should be actively shaping best practices around environmental, social and governance (ESG) social issues.

BUT CUSTOMERS AREN'T THE ONLY ONES FOCUSED ON CSR ISSUES.

PwC [research](#) confirms the importance of CSR issues across the organizational structure, with **91%** of company leaders saying they believe their company has a responsibility to act on ESG issues and **86%** of employees reporting they would rather work for a company that cared about the same issues they do.

In our survey, retailers list consumers (60%) and company leadership (50%) as primary drivers of change for CSR strategies, followed by employees (43%) and competitors (25%). Given the number of stakeholders interested in CSR success, executive staff, boards, talent strategists and others on the leadership team can help to position their companies by nurturing a strong culture of CSR engagement and transparency.

Regardless of an organization's enthusiasm, the survey highlights the reality that CSR is a continuum. A small segment (16%) of respondents says their firms are starting to think about CSR, but most organizations are either implementing some CSR actions (43%) or have already incorporated CSR into their operations (30%).

Who do you feel is driving change in your company's CSR?

(Select all that apply)

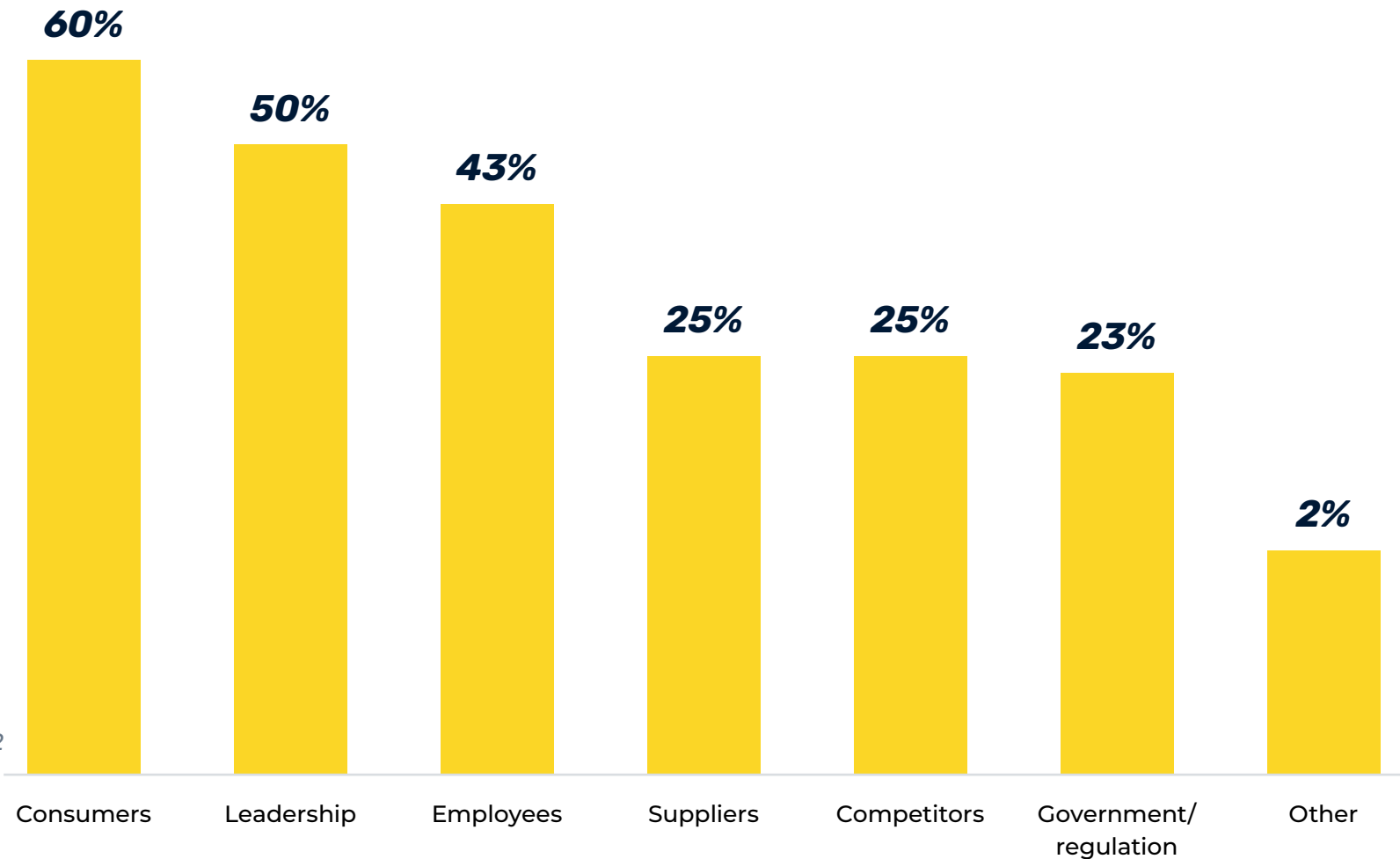


Fig. 2

Notable differences become apparent when looking at the mature end of the CSR spectrum. Among large firms, **8%** say they're driving CSR innovation and **7%** see their CSR position as a competitive advantage. These figures far exceed those reported by smaller retailers, with only **2%** driving innovation and less than **1%** achieving a competitive advantage through their efforts.

Retailers in the UK and the U.S. also report different maturity levels in their CSR growth curves. More UK retailers (**34%**) have incorporated CSR into their operations, for example, than those in the U.S. (**28%**), and a higher percentage feel they're driving innovation in CSR — **10%** for UK brands compared to **5%** for U.S. brands. The state of environmental protection reforms and other sustainability initiatives — along with vastly different political pressures — likely influence where domestic businesses and their overseas counterparts sit on the CSR maturity path.

No business has CSR completely figured out, and some companies are farther along in the process than others. But no matter their current CSR position, leaders in retail businesses shouldn't wait until their strategies and implementation plans are perfect, because the perfect CSR strategy doesn't exist. You must simply start, iterate and improve — and remember to seek opportunities large and small that can help you affect positive change at every step in your journey.

Where do you feel your company is on the CSR maturity curve?

(Companies of all sizes)

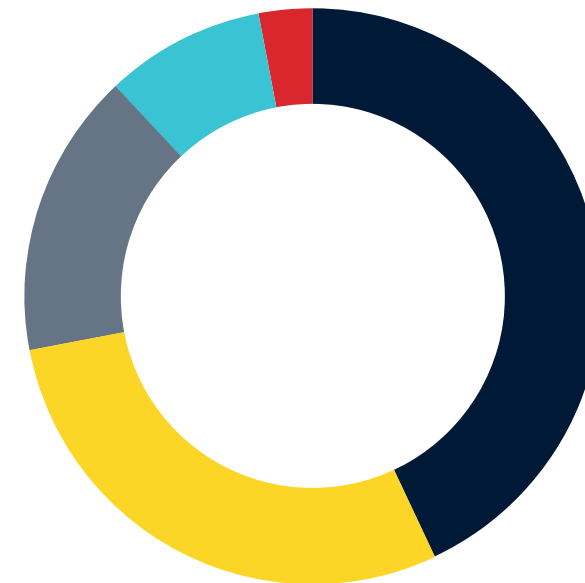


Fig. 3

- 43%** We are doing some things about CSR
- 29%** We have incorporated CSR into our operations
- 16%** We are starting to think about CSR
- 9%** We are driving innovation in CSR
- 3%** CSR is our competitive advantage

EMBEDDING CSR ACROSS THE ORGANIZATION

Although many respondents pointed to their consumers as justification for investing in CSR, there are differing opinions of which demographics they believe care most deeply about sustainability, social good and other CSR issues.

Survey respondents report that millennials are most influenced (40%) by CSR initiatives, with Gen Z (18%) a distant second. Gen X (15%) and baby boomers (12%) round out the customer base in third and fourth, respectively. Interestingly, 15% of participants say their customers aren't influenced by CSR initiatives.

Which section of your customer base is most influenced by CSR initiatives?

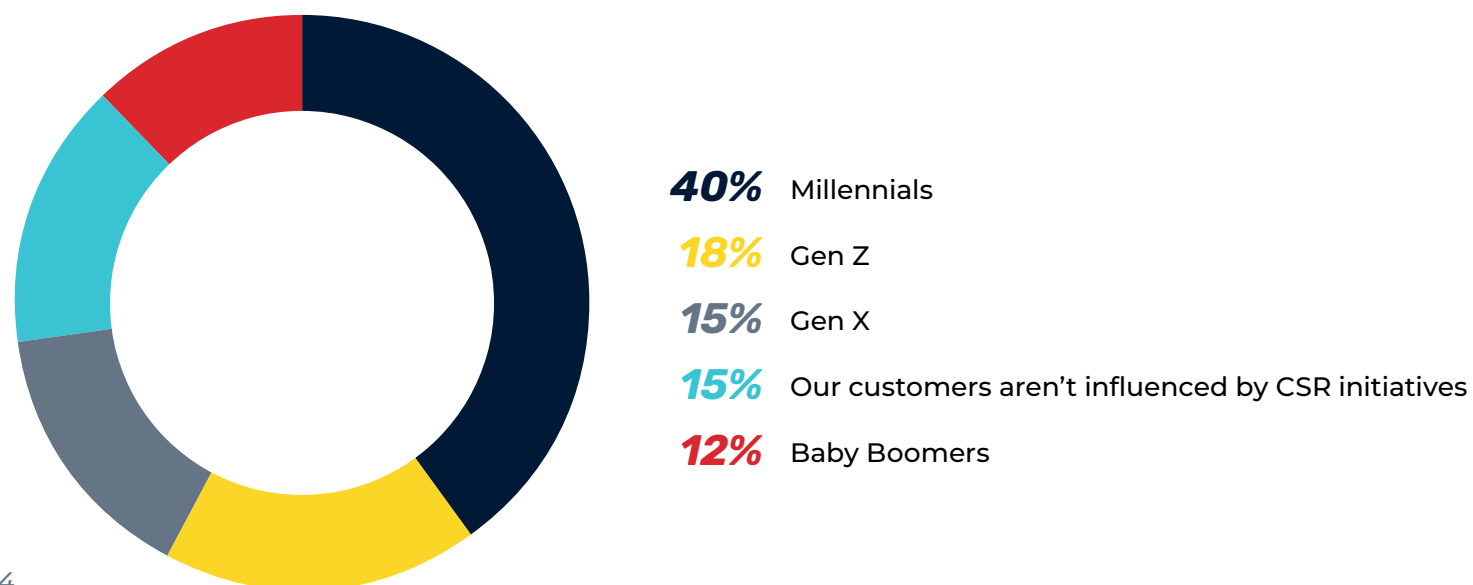


Fig. 4

Aligning brand values with consumer behaviors and expectations means that every CSR strategy will be unique. The range of opportunities to achieve CSR success further widens when considering how CSR is defined in the overall marketplace, as well as among specific organizations and their customer bases. As indicated in Figure 8 of this report, different companies have very different ways of defining and prioritizing CSR within their businesses. After all, it encompasses a multitude of different issues. Retailers have the latitude to develop a CSR strategy that reflects their brand culture and aligns with values and beliefs that their customer segments embrace.

Looking inward, **85%** of respondents say internal teams have clarity on their company's CSR goals, and **73%** report that team goals or incentives are tied to the company's CSR performance. This points to strong involvement among leadership and boards of directors in the formation and ongoing evaluation of CSR strategies and performance. When blended with customer expectations and values, retailers can implement specific CSR actions that engage customers and drive internal accountability.

Does your team have clarity on your company's CSR goals?

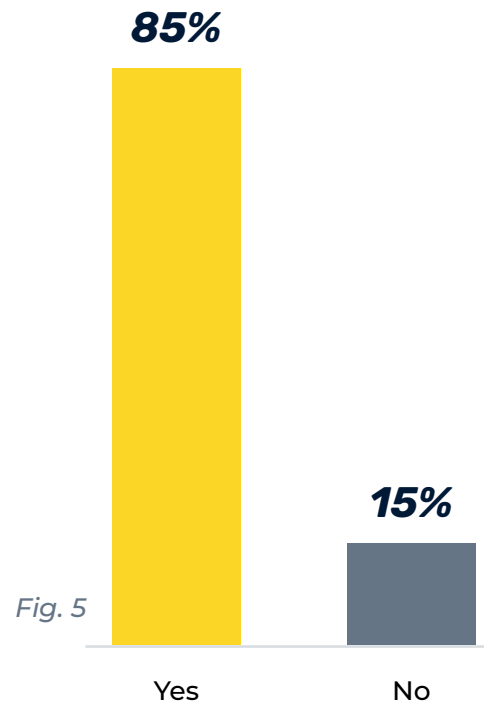
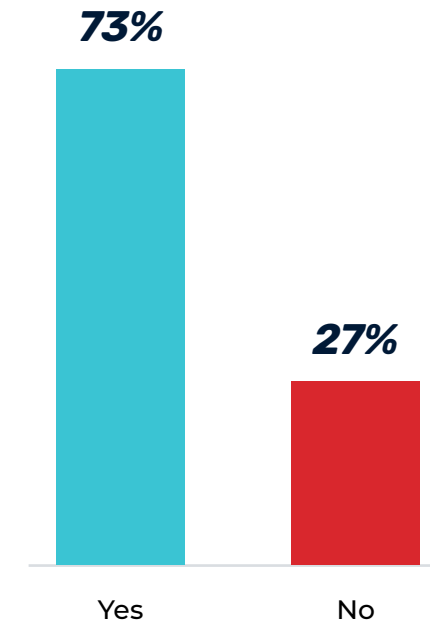


Fig. 5

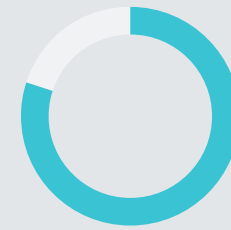
Are your team's goals or incentives tied to your company's CSR performance?



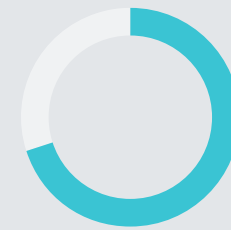


EXTERNAL TRANSPARENCY IS A CSR IMPERATIVE

Research from KPMG shows:



80% of companies worldwide report on sustainability



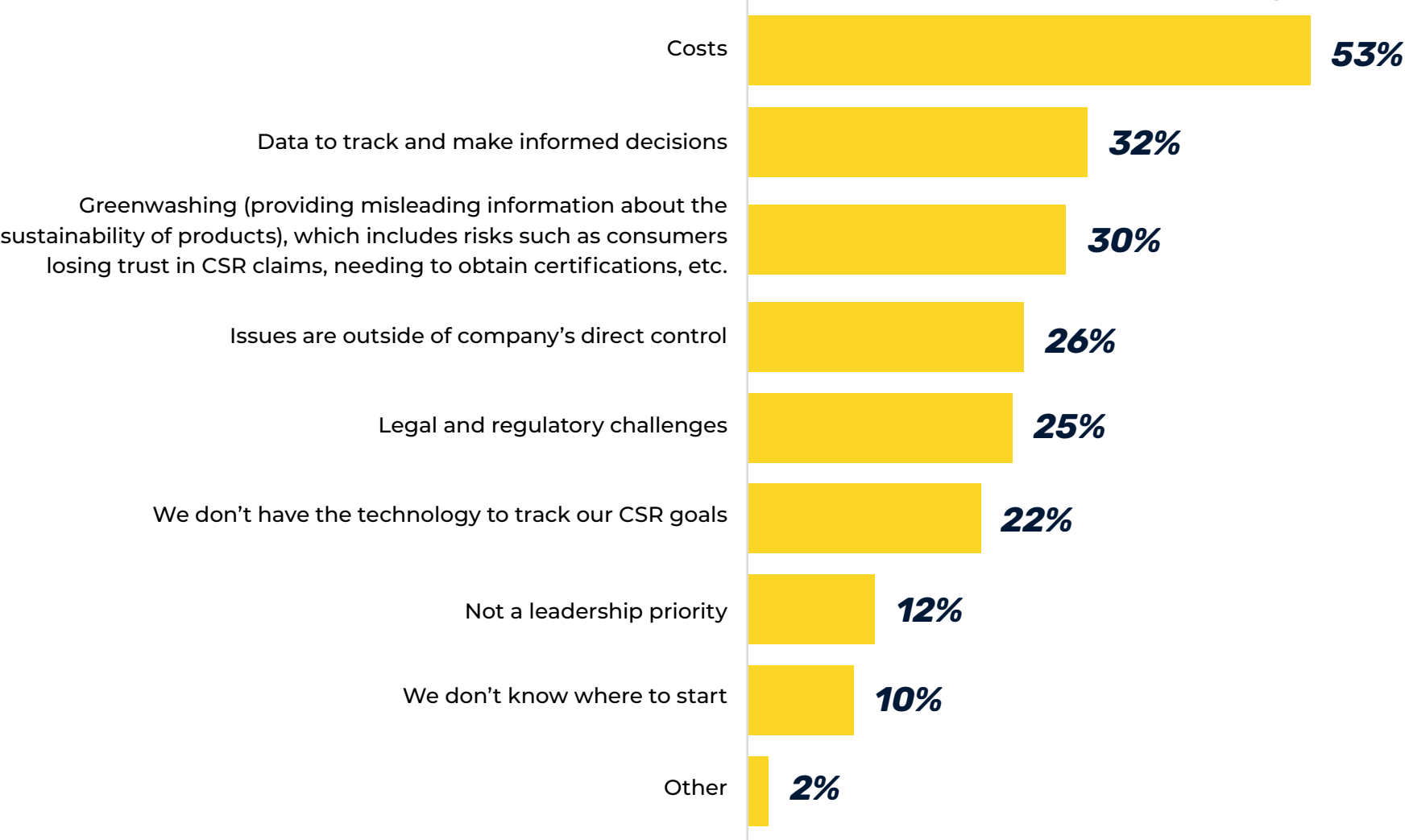
63% of retail organizations disclose carbon reduction targets in their reporting

The importance of CSR actions and their high-level relationship to corporate accountability and success are reflected in the Edelman **Institutional Investor Trust Report**, which found that **99%** of investors expect the Board of Directors to oversee at least one ESG area.

Among the top three hurdles identified as roadblocks to CSR progress, cost was overwhelmingly No. 1 (**53%**) across all organization sizes, and proved especially challenging for small organizations, at **58%**. Gathering and analyzing the data to track CSR metrics and to make informed decisions landed in second place at **32%**, and problems related to greenwashing — such as misleading information about product sustainability and the need to obtain certifications to prove authenticity — ranked third (**30%**).

What are the top hurdles preventing your company from achieving its CSR goals? *(Select up to three responses)*

Fig. 6



Despite these difficulties, **78%** of large retail organizations report being either confident or extremely confident they'll achieve their CSR goals this year. The figure drops to **53%** among smaller brands. With cost a ubiquitous challenge for retailers, the outlook from big companies may be bolstered by greater availability of resources and internal support among the workforce.

Larger brands and retailers also have an advantage when it comes to achieving internal alignment and support for CSR initiatives: **93%** of these respondents say there's clarity on their company's CSR goals, versus **76%** in the smaller business segment. Moreover, **85%** of big retailers tie goals and incentives to CSR performance, while only **60%** of small companies do the same. Larger organizations, especially public companies, are typically held to different reporting standards for CSR; they are feeling more pressure to report on their efforts and actions for the shareholder, stakeholder and investor communities. However, a lack of internal transparency and accountability will certainly impact internal support and confidence in CSR initiatives, regardless of a retailer's size.

How confident are you that your company will achieve its CSR goals this year?

(Companies of all sizes)

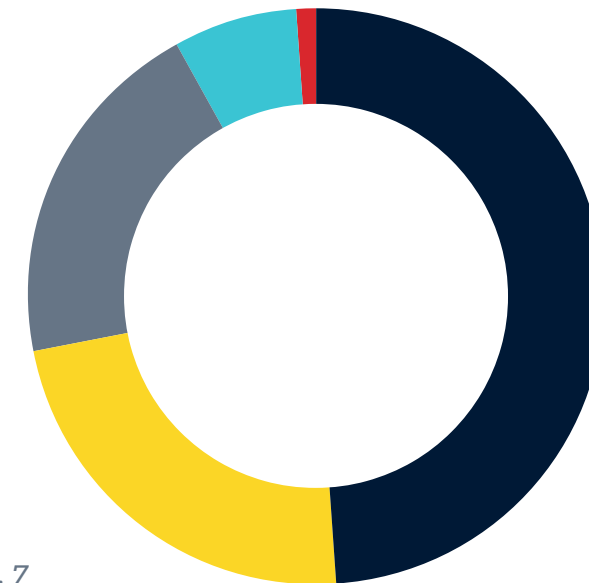


Fig. 7

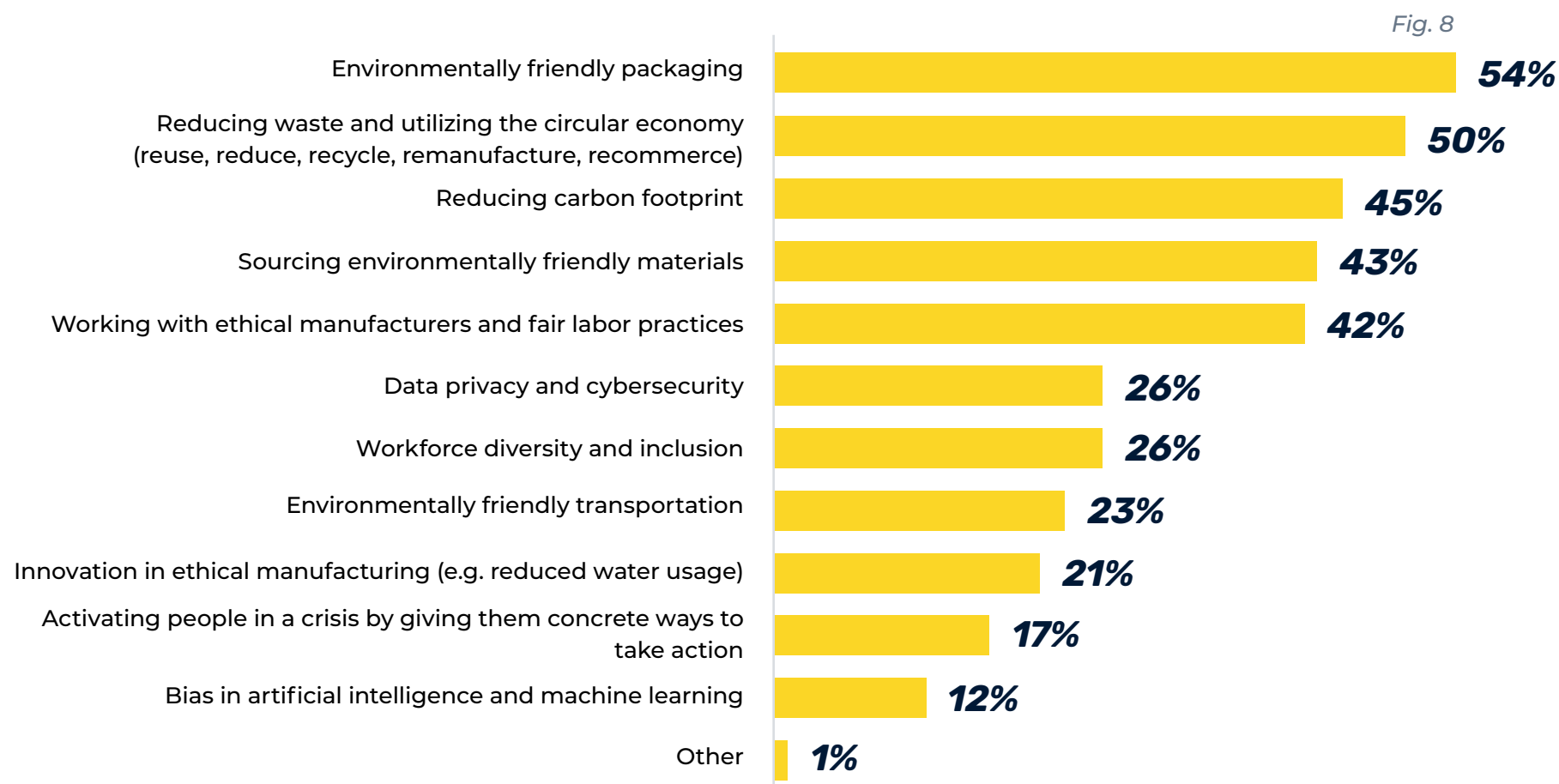
- 20%** Extremely Confident
- 49%** Confident
- 23%** Neutral
- 7%** Not Confident
- 1%** Not Confident at All

BUILDING THE RIGHT CSR STRATEGY

CSR strategies take many forms, even within a single industry such as retail.

Each organization's market segment and customer demographics play a role in the structure of CSR initiatives. Factors such as corporate missions, leadership focus and local pressures and opportunities can all influence a brand's actions and goals.

What are the most critical elements of your company's CSR strategy?



Differences based on company revenue and territory were apparent. Manufacturing innovations ranked markedly lower (**13%**) for organizations reporting revenue under \$20 million than for retailers with higher revenue figures (**31%**). However, smaller companies focused more (**59%**) on initiatives around environmentally friendly packaging, while larger brands ranked this element at **50%**.

Regional disparities also came into play, further highlighting the different stages of CSR development among domestic and overseas markets. In the U.S., reducing carbon footprint (**40%**) trailed responses from UK retailers (**51%**). However, U.S. brands emphasized providing people with concrete ways to respond in a crisis (**20%**) while only **10%** of UK responses said the same.

Some CSR elements may be difficult to quantify. Workforce diversity and inclusion (**26%**) is one of those, but it remains an important factor for long-term success. The business case for workforce diversity and inclusion is compelling. Research from McKinsey & Company [revealed](#) that organizations with ethnic and cultural diversity in their executive teams were **36%** more likely to have above-average profitability than those in the fourth quartile. To achieve breakthrough thinking and discover new innovations, retailers need new ideas generated from within. Diversity at the leadership level can help create a competitive advantage by building the culture to make those innovations happen.

Our survey revealed that five elements appear most often in retail CSR strategies.

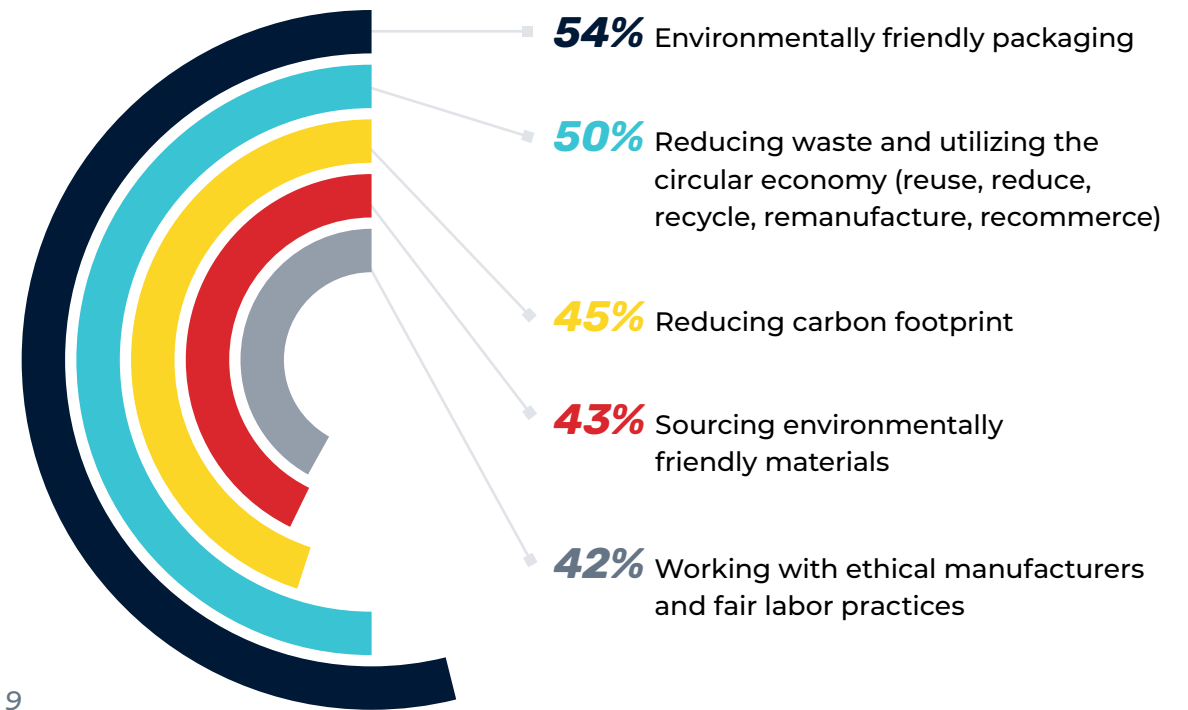


Fig. 9

What technology does your company use to address CSR initiatives?

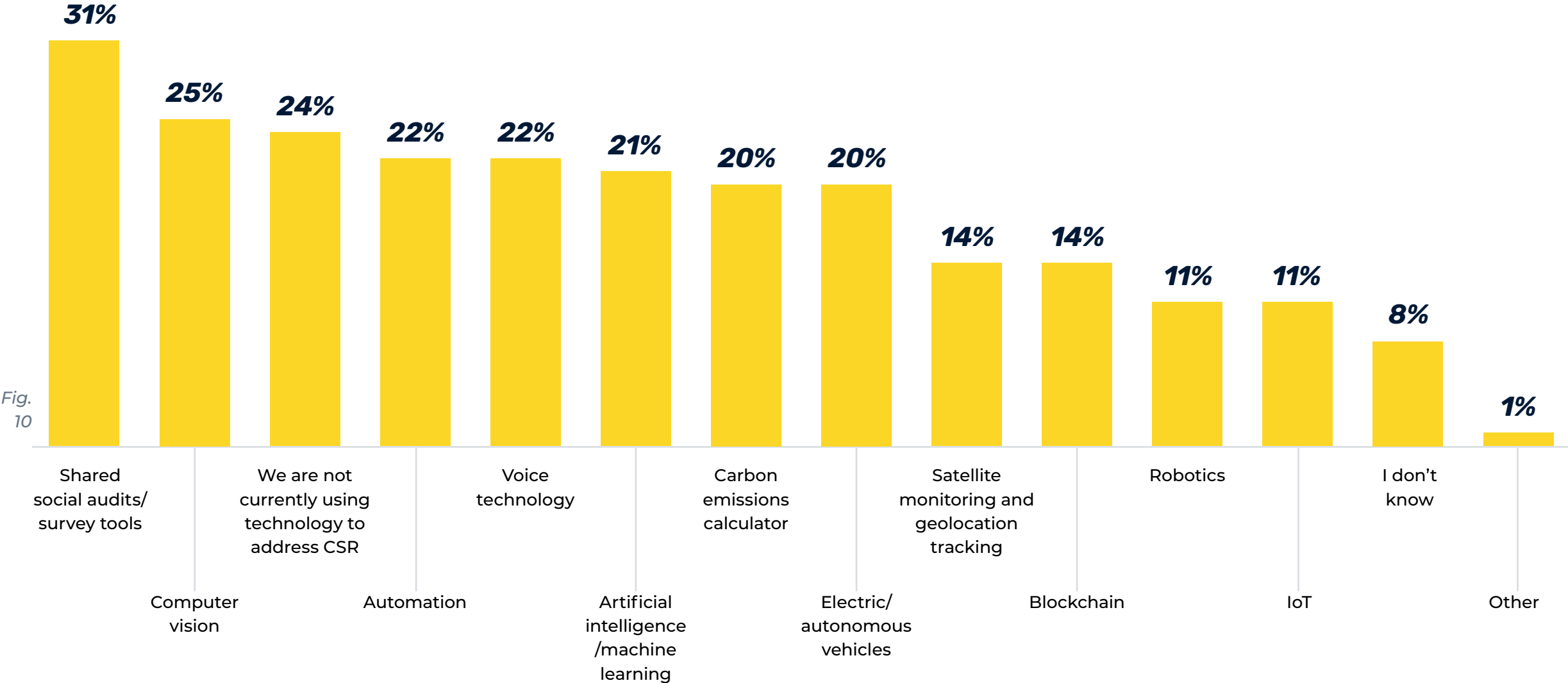


Fig. 10

Targeted technologies — along with updated processes and practices — can help retailers solve CSR challenges and achieve their CSR goals. Retailers in the survey say they use shared social audits and other survey tools (**31%**), along with computer vision (**25%**) and voice technology (**22%**). However, a large segment (**46%**) of smaller firms don't use any technology at all to move their CSR initiatives forward. Among large retailers, only **3%** reported no help from technology in managing and tackling their CSR strategies. With a notable chunk of brands reporting they don't use technology, there's a clear opportunity for retailers (and the solution providers that support them) to further elevate and optimize their CSR programs.

Though automation (**22%**) and AI/ML (**21%**) weren't at the top of survey respondents' lists, they're sure to play a more vital role in CSR efforts in the years to come. Cost and other deployment barriers have fallen for these technologies, making powerful tools more widely available to everyone from small brands to global retail leaders.

Retailers may also need to weigh the value, timeliness and feasibility of initiatives against customer demands and market pressures. For example, how can a brand balance flexible fulfillment and fast delivery offerings against carbon footprint reduction goals? Innovative technologies will increasingly help organizations uncover meaningful metrics, more accurately track their progress and achieve better results from their CSR initiatives.

New and emerging CSR trends will also likely be facilitated by technology, such as the role blockchain plays in enabling recommerce and improved product traceability. It's just one solution that can help retailers and brands achieve their CSR goals, and advisory firm BDO **found** that **48%** of upper-middle market retail organizations already have blockchain/distributed ledger technology (DLT) deployments underway.

TOP PRIORITIES OF CSR LEADERS VS. LAGGARDS

CSR leaders are those who say they are driving innovation in CSR and that it is a competitive advantage. These organizations are more likely to:



Have clarity and alignment around CSR goals.



Have goals and incentives tied to CSR performance.

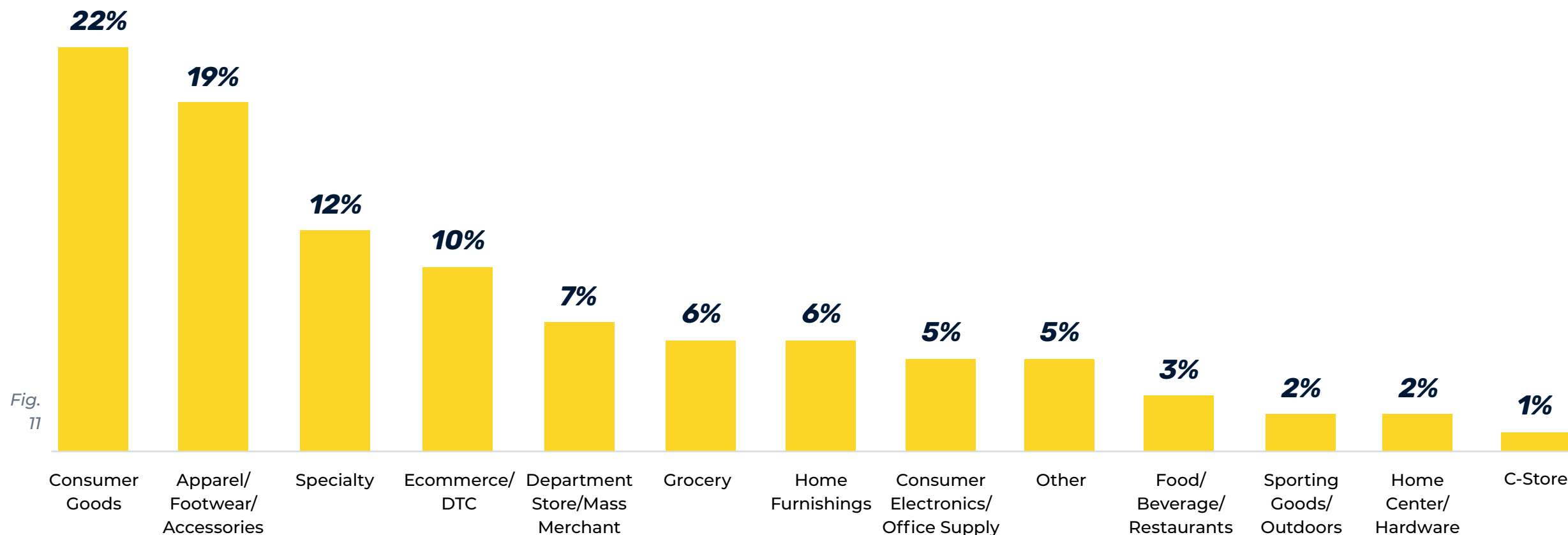


Use technology, such as automation, AI/machine learning, IoT and computer vision to support CSR.

SURVEY DEMOGRAPHICS

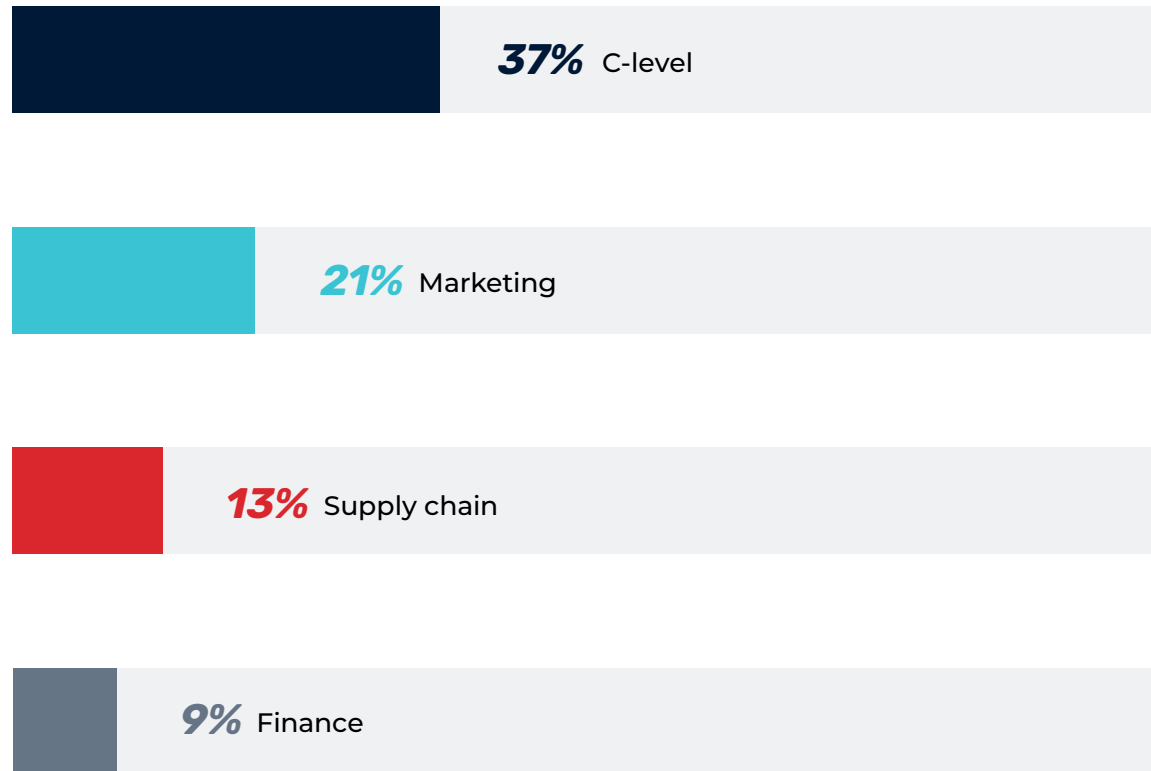
Survey respondents covered a diverse range of retail organizations, including strong representation from brands in consumer goods (22%), apparel and footwear (19%), specialty (12%) and ecommerce/DTC (10%).

Subindustry of Respondents



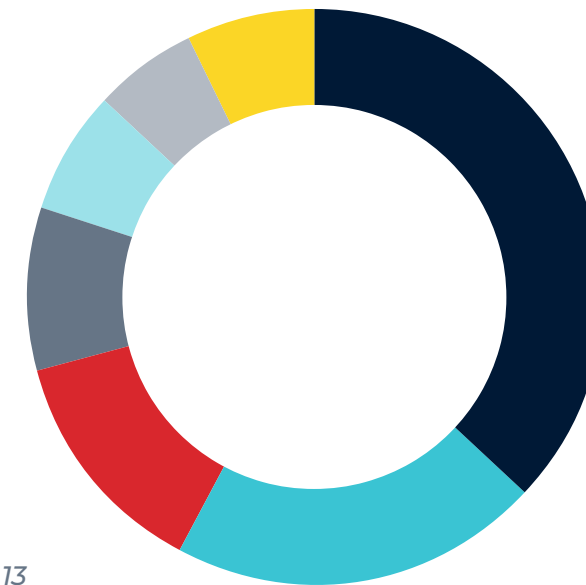
Top 4 job roles and functions represented:

Fig. 12



Respondent job role/function

Fig. 13



- 37%** C-level
- 21%** Marketing
- 13%** Supply Chain
- 9%** Finance
- 7%** IT
- 6%** HR
- 7%** Other



USE THIS DATA TO DRIVE YOUR CSR STRATEGY FORWARD

CSR strategies rely on resources and effort from nearly every functional area within a retail organization. The blended insights revealed in the survey are reflective of the variety of internal stakeholders who play key roles in developing CSR strategies, implementing specific initiatives, evaluating the results and optimizing further actions.

Driving innovation in CSR begins with a single step, but the right expertise and technology tools can help put you on the path to your unique success. While the future of CSR in retail is still being written, one thing is clear: consumers and shareholders are paying more attention to the efforts that retailers are making to leave a more positive mark on the world.

That's why it's time for organizations to go beyond good intentions and implement mechanisms that can fundamentally change the way they do business. We recommend organizations implement the capabilities they need to measure their progress toward ethical commerce goal attainment. They also should bake CSR goals into the way they assess and incentivize functional teams. These two steps will give organizations a future-focused plan to achieve CSR success.



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