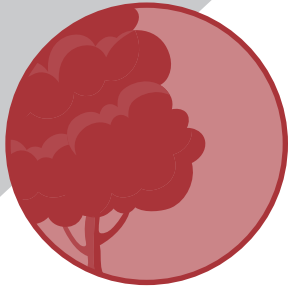


RETAIL SUSTAINABILITY IN AN OMNICHANNEL WORLD

Embracing Technology and Data to
Educate the **Socially Conscious Consumer**





INTRODUCTION

For decades, retailers have lived by the mantra that to be successful, they must provide the right products at the right price.

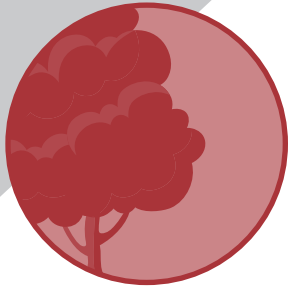
This standard business practice is by no means going away. But with the emergence of new technologies and information sources, consumers have come to demand more from the companies they buy from. In addition to having a compelling and personalized experience across all channels, consumers also want to learn more about the products they're buying — how they're made, how they're delivered to the store and, eventually, how they end up in their possession.

In the new world of retail, transparency and sustainability trump product price. The modern consumer wants to buy from brands and retailers that do good for their communities and the entire globe, implement sustainable business practices and even develop eco-friendly products.

According to research from [Nielsen](#), 64% of consumers in Asia-Pacific and 42% in North America check product packaging to ensure sustainable impact. And more than half (52%) of global consumers said they make at least one purchase from one or more socially responsible companies within a six-month period.



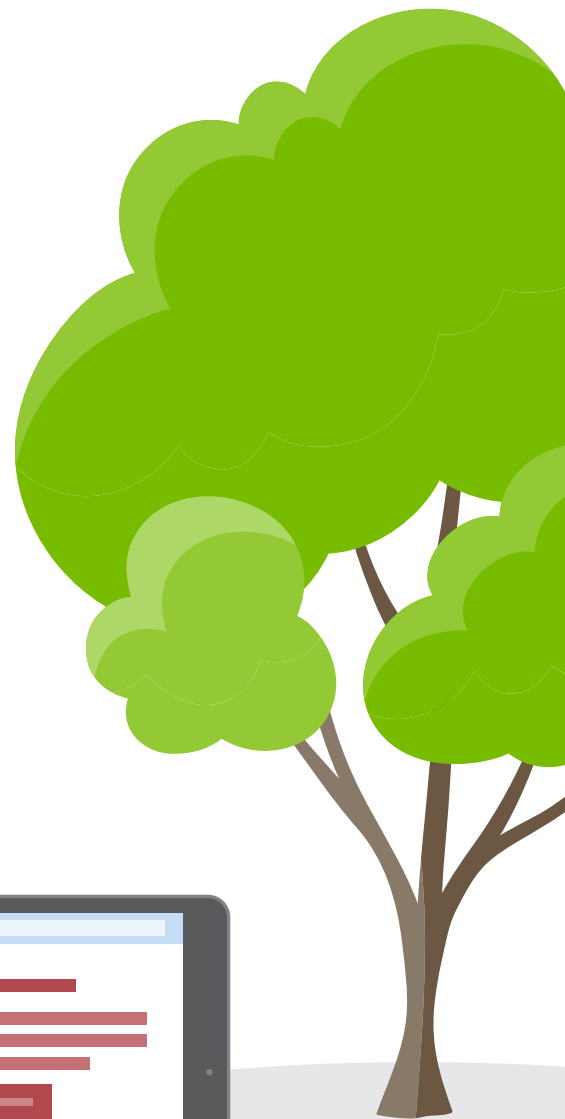
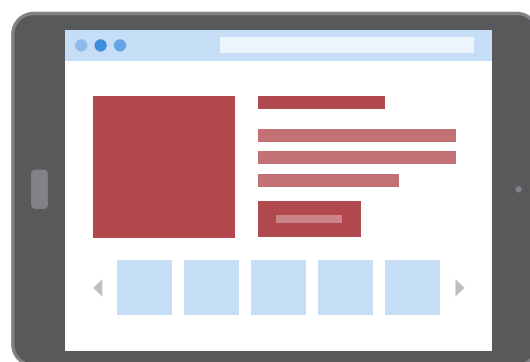
In the new world of retail,
**TRANSPARENCY &
SUSTAINABILITY**
trump product price.



Retailers that are socially responsible and implement a sustainability strategy can realize significant gains. After all, 55% of consumers say they will pay extra for products and services from companies committed to social and environmental impact, as noted by the same Nielsen report.

Disruptive brands such as **LUSH**, **The Honest Company** and **TOMS** are testament to the fact that consumers use their wallets to show appreciation for socially responsible businesses. Since its inception in 2011, The Honest Company has exceeded the \$1 billion valuation mark. And over the past five years, LUSH's sales have more than doubled, according to company representatives. Chief Operating Officer Andy McNevin [revealed](#) that by the end of 2015, the brand expects to generate \$870 million in global sales, and \$1 billion by the end of 2016. Compare this to 2011, when LUSH recorded \$475 million in global sales.

This brief will outline how retailers can mirror these innovative brands by ensuring transparency across the entire retail lifecycle: from the C-suite, to store employees and, eventually, customers.





UNDERSTANDING THE SOCIALLY CONSCIOUS CONSUMER

Over the past few years, heightened consumer demands have forced retailers to accelerate product lifecycles. To keep pace with shopper expectations, some retailers have resorted to inefficient, and at times unfair, practices.

Take, for example, fast fashion retailers that have come under fire for manufacturing items in unsafe factories and offering workers minimal pay. Some of these workers have ended up in the crossfire of disasters such as the [2013 building collapse](#) in Bangladesh that claimed more than 900 lives.

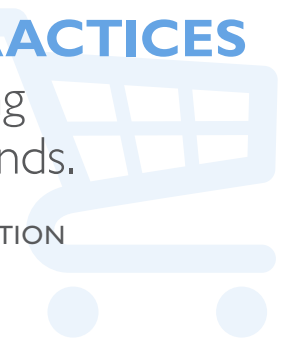
Consumers are starting to take notice of these events and, in turn, are demanding more visibility into how products are made – whether they want to buy packaged snacks or a handbag. Moreover, they are spending their attention and dollars with businesses that embrace sustainability and social good.

Whether businesses are “green” has become a core motivator for consumers’ buying decisions. For instance, more than half (55%) of consumers have considered an online retailer’s overall carbon footprint while shopping, according to research from [Dotcom Distribution](#). Results from the survey of 500 people also indicated that 64% of shoppers consider the sustainability of supply chain practices when deciding between brands.

64%

of shoppers consider the **SUSTAINABILITY OF SUPPLY CHAIN PRACTICES** when deciding between brands.

- DOTCOM DISTRIBUTION





Consumers want to give their time and money to businesses that align with their core beliefs, whether these businesses create organic products, are Fair Trade certified or give back to the local or global community in some way. This helps consumers reaffirm that they are spending money with and are loyal to brands that are doing business the right way.

Millennials are the consumer group leading the charge toward sustainable retail. Up to 59% of consumers born between 1980 and 2000 think it's important for packaging to be sustainable throughout the supply chain, including disposal, according to [Stora Enso research](#). Perhaps even more eye-opening is research from [Aflac indicating that 92% of Millennials](#) are more likely to purchase from companies they deem ethical.

We're past the age of conspicuous consumption, where people simply want to buy items to show off their wealth. Instead, consumers are more selective in what and how they buy. They want to do business with brands and retailers that have a strong ethical foundation, and have the systems and processes in place that allow them to stand by their beliefs.

To integrate sustainability into their organizations, retailers must first understand who their target consumer is and how they can best meet that consumer's needs from a product design, development and delivery perspective. They also need to consider which social causes directly impact the day-to-day lives of their consumers. From there, retailers must implement the appropriate systems, such as Enterprise Resource Planning solutions, that allow them to better track business practices and measure the bottom-line impact of their strategies.



THE MANY FORMS OF SUSTAINABLE RETAIL

Retailers can embrace sustainability and social responsibility in a myriad of ways. Below is a breakdown of some different approaches and examples of brands that are making moves in these areas:

ESTABLISH AND LIVE BY STRONG BRAND VALUES

LUSH fans praise the bath and beauty retailer for its strong brand ethics. In addition to manufacturing vegetarian-friendly products, LUSH also bans animal testing for its products and supports different social and environmental causes throughout the year by releasing unique products. For example, the brand ran a campaign to generate awareness regarding the detriments of shark finning with its #savesharks campaign. The brand developed a themed, limited-edition soap and was able to raise \$210,000 for the cause.



PRODUCE CERTIFIED ORGANIC OR FAIR TRADE PRODUCTS

Boll & Branch, a New Jersey-based brand, develops bedding, towels and blankets from organic cotton. The company is Fair Trade certified, and gives consumers an in-depth look into its operations by creating blogs about its factory workers. The Honest Company also is a notable brand that uses eco-friendly ingredients and is certified organic.



STAND BY A CHARITABLE ORGANIZATION OR CAUSE

Warby Parker and TOMS both incorporate charitable giving into their business models. For each eyewear purchase, Warby Parker donates a pair of glasses to someone in need. Because TOMS has expanded its product line over the past few years, it also has expanded its charitable efforts. In addition to donating a pair of shoes and glasses for a purchase, funds from TOMS bags purchases are used to provide training and materials to help women worldwide give birth safely.



REFINE PRODUCT PACKAGING TO REDUCE WASTE

Depending on the product and shopping channel (store versus e-Commerce), brands and retailers can refine their packaging to reduce waste. This is a low-hanging-fruit opportunity, as 57% of consumers say that green packaging is important to them and 61% considered green packaging when deciding where to shop, according to [Dotcom Distribution's](#) research.



IMPLEMENT MORE ADVANCED SUPPLY CHAIN AND ALLOCATION PROCESSES TO MINIMIZE PRODUCT MOVEMENT

Retailers such as [Best Buy](#) and [Macy's](#) have rolled out omnichannel delivery and fulfillment processes to get products to shoppers faster. It is undeniable that offerings such as buy online, pickup in-store and ship-from-store are convenient for shoppers, but they also are very environmentally savvy and help retailers decrease their carbon footprint.



ROLL OUT PRODUCT RECYCLING INITIATIVES

[Levi Strauss & Co.](#) has expanded its [recycling initiative](#), which allows consumers to drop off their unwanted clothing and shoes at local stores. Garments are then delivered to I:CO, a clothing collection partner, which ensures items are re-worn, repurposed or recycled.



INVEST IN ALTERNATIVE ENERGY METHODS

Many retailers are investing in new energy methods. Take, for instance, retail behemoth [Walmart](#), which has more than 335 renewable-energy projects that provide more than 2.2 billion kilowatt-hours of renewable electricity each year. [Microsoft](#) also was recognized by the Environmental Protection Agency as [Green Power Partner of the Year](#) for its focus on driving energy efficiency across the business. For example, Microsoft has been 100% powered by renewable energy since 2014, and in 2015, the company purchased more than 3.2 billion kilowatt-hours of renewable energy and made further investments in renewable energy projects.

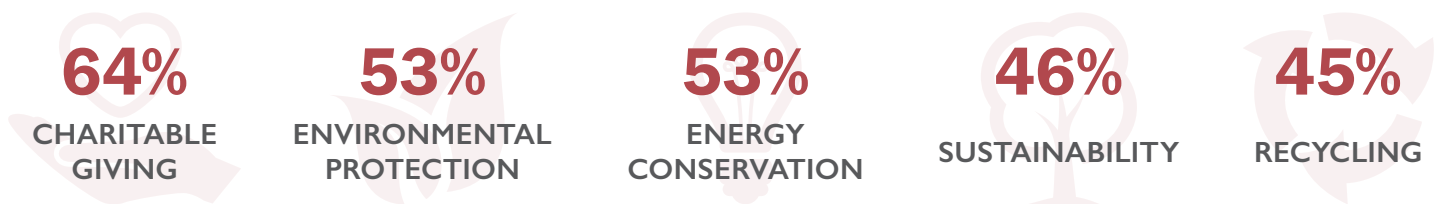




TRANSPARENCY: THE KEY TO SUSTAINABILITY SUCCESS

Retailers across different product categories are beginning to realize the potential bottom-line impact of social responsibility, and the increasing need to differentiate by embracing sustainability.

But retailers' focus areas vary based on a number of factors, including their product categories and their target audiences. According to [research](#) from *Retail TouchPoints* and UXC Eclipse, the top priorities among C-level executives include:



Regardless of their strategic initiatives, to be successful in their sustainability efforts, retailers need complete visibility across the entire organization, including product development and supply chain operations. In fact, supply chain transparency is the hidden yet imperative foundation of sustainable business practices and charitable giving. With end-to-end supply chain transparency to track product development, allocation and delivery, retailers can take a hard look at their operations and determine which improvements are needed to be more efficient from a time, financial and economic perspective.



Consumers aren't just interested in seeing how products are manufactured and sourced; they also want to know how the overall business is giving back. To show the consumer and ensure sustainable business practices, retailers need to have a holistic view of detailed product and supply chain data. Leveraging this information they can build, refine and verify whether their efforts will be good for the business as well as consumers.

Let's use omnichannel delivery and fulfillment as an example. An increasing number of retailers are fulfilling e-Commerce orders from stores or strategic hubs closer to the customer. With the right data on where and how many products are located across their network, retailers can move products and fulfill orders more strategically while reducing costs and their carbon footprint. At the same time, they are improving customer service by getting goods to shoppers faster – potentially even at a less expensive shipping rate.

Retailers also need to access key data to determine the value of their sustainability efforts. If they cannot measure the success of omnichannel fulfillment, green packaging or any other initiative, they cannot demonstrate how it's improving the business and the customer experience. By gaining access to the right data, retailers can prove the value of sustainability and better educate customers and employees.

Visibility across the entire organization is **VITAL TO SUCCESSFUL SUSTAINABILITY.**





EMPOWERING CONSUMERS AND EMPLOYEES

With the appropriate data in tow, retailers can raise awareness of their sustainability efforts, whether it's through cross-channel marketing programs, in-person events or even in-store technology.

Detailed data, paired with powerful technology, can enable retailers to communicate effectively with brand fans and followers, as well as their store associates and corporate employees. For example, retailers can use the following channels to educate consumers and employees:



SOCIAL MEDIA

Retailers can collect social data in an effort to better understand customer wants, needs and priorities, especially when it comes to sustainability and charitable giving. This can help retailers shape their efforts as well as determine the impact or value of their current initiatives.



INTEGRATED SUPPLY CHAIN OPERATIONS

With the right systems in place, retailers can offer all employees access to data from across the supply chain. This allows them to get a detailed look into everything from the raw ingredients to the production process, distribution parameters and retail store information.





IN-STORE MOBILE DEVICES

Retailers arm store associates with smartphones and tablets so they have access to information anytime, anywhere. In addition to standard product prices, colors and sizes, retailers also can incorporate detailed information regarding how they create and source products. Associates can access this information using their mobile devices, and better educate consumers about the retailer's sustainability efforts while consumers are in-store.



DIGITAL SIGNAGE AND RFID

Although these innovative use cases are currently few and far between, smart stores can help further empower shoppers by offering instant access to digital content and media. Imagine having product displays that tout digital screens. An RFID tag attached to a product can trigger the display screen and serve content regarding the brand's sustainability efforts, product ingredients and how the item was delivered to the store shelf.



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CONCLUSION

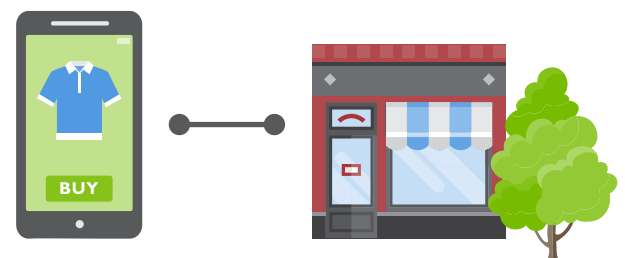
We're living in an era in which a growing number of consumers expect transparency from retailers to educate themselves about the products they purchase. With access to a wealth of products that can be delivered anytime and from any location around the globe, retailers can differentiate themselves by showing consumers how they commit to social and charitable causes – rather than trying to compete on price alone.

Leveraging processes, data and technology, retailers can integrate “green” principles into all aspects of their business. By making sustainability part of the entire infrastructure, it ultimately becomes part of an organization’s DNA, leading to a variety of benefits including:

- Optimized supply chain efficiencies
- Increased cost savings and improved waste management
- Enriched education and empowerment
- Enhanced customer satisfaction and loyalty

However, these benefits cannot be realized unless retailers break down business barriers and extend information across the entire enterprise – from the executive team, to store employees and customers. Transparency is key to building a foundation for successful sustainability. Once it becomes an intrinsic part of the business, it will translate into a retailer’s brand identity and satisfy consumers’ demand for information.

Transparency is key
to **BUILDING A
FOUNDATION** for
successful sustainability.





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Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.