



## SHOW NOTES | S4 Ep4

The Current State of ESG & Sustainability | Dealing with shifting perspectives

Special Guest: Juli Lassow

### INTRODUCTION

The fourth episode of our mini-series is titled, **The Current State of ESG and Sustainability**, where we discuss shifting perspectives.

We're joined by a returning guest and friend of Retail Done Right, [Juli Lassow](#).

### INDUSTRY UPDATES | *Our New Segment*

This is our new segment for Season 4. We highlight and discuss recent retail-related news.

- The Robin Report, where friend of RDR, Shelley E Kohan, is the chief strategy officer, published an article titled, In the Evolving Luxury Market, Opportunity Knocks for Disruptors
  - <https://therobinreport.com/in-the-evolving-luxury-market-opportunity-knocks-for-disruptors/>
- A report by CNBC stating that US consumers say the in-store experience has worsened caught our eye...
  - <https://www.cnn.com/video/2023/12/22/us-consumers-say-the-in-store-shopping-experience-has-worsened-post-pandemic.html?&qsearchterm=retail%20theft>
- Cristene spoke about Costco and an article in Business Insider on Costco's reaction to a move to unionize. And it's exactly what you'd expect from them.
  - <https://www.businessinsider.com/costco-ceo-responds-to-warehouse-employees-joining-teamsters-2024-1>
- Stanley is having a moment. A promo last week for the new Cosmo pink tumbler, with additional promotions in Starbucks and Target, caused another run on the brand. The brand has done a hard pivot to include and even focus on women.
  - <https://www.retaildive.com/news/stanley-quencher-tumblers-viral-success/699416/>
  - <https://www.stanley1913.com/products/deco-collection-quencher-h2-0-flowstate%E2%84%A2-tumbler-40-oz?variant=44559764390015>
- Cristene shared that if you want to find one of these special mugs, eBay has listings for roughly double retail. And if you are going to try to get an authentic one - eBay is your best bet as they do the best job policing and removing counterfeit items.
  - [https://www.ebay.com/sch/i.html?\\_nkw=stanley+40+oz+tumbler+pink&\\_sop=12](https://www.ebay.com/sch/i.html?_nkw=stanley+40+oz+tumbler+pink&_sop=12)
- But if you can't get the bespoke and elusive mug, you can still participate - an emerging market for personal rubber tags at the top of the cup. Available on Etsy.
  - [https://www.etsy.com/listing/1635916634/valentines-day-40oz-stanley-heart?click\\_key=8d2d3fed24838ff55a88e46097b3950507c1a2bd%3A1635916634&click\\_sum=52fc5239&ref=shop\\_home\\_feat\\_1&pro=1](https://www.etsy.com/listing/1635916634/valentines-day-40oz-stanley-heart?click_key=8d2d3fed24838ff55a88e46097b3950507c1a2bd%3A1635916634&click_sum=52fc5239&ref=shop_home_feat_1&pro=1)
- Good news. Dutch Bros continues their expansion, they've announced 165 new locations in 2024. They currently have over 800 locations and they've stated their goal is to reach 4,000 locations.
  - [https://vmsd.com/dutch-bros-plans-165-added-locates-in-24/?oly\\_enc\\_id=8486G420205617W](https://vmsd.com/dutch-bros-plans-165-added-locates-in-24/?oly_enc_id=8486G420205617W)
- McKinsey has consistently found that consumers value sustainability in their lifestyle and they back it up – to varying degrees – but they do back it up. In new research from IBM's Institute for Business Value notes “73% of consumers who say sustainability is important are willing to pay more for products branded as environmentally sustainable, up from 50% in 2022.”



- <https://www.ibm.com/downloads/cas/35BVNBNA>
- And IBM's IBV also notes some supply chain transformation that leads right into retail: consumer products "Leaders no longer view operations and sustainability initiatives as separate. Instead, three out of five say they are purposefully aligning sustainability with operations goals to optimize investments and effort to achieve objectives in both areas. Almost 75% of leaders agree they need to recalibrate their metrics and how they report on progress toward their sustainability strategy, but they don't have the capabilities to monitor and measure performance in real time."
  - <https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/sustainable-operations-consumer-products>

## THE CONVERSATION

Juli Lassow joined us for a rich conversation on the state of sustainability.

Cristene kicked the discussion off by asking Juli, "Where have retailers made meaningful gains in the last 12-18 months? I see the tight integration of supply chain and sustainability being one of the easiest ways to make progress - what do you think?"

Juli shared that there's been some progress over the past 12 months. A few trends:

- [First, we're seeing retailers and brands begin to meaningfully focus on improving delivery to reduce the carbon impact.](#)
- Returns have had a massive environmental impact when it comes to delivery vehicle emissions, packaging, and product waste – as so many retailers and brands simply dispose of returned products and don't put them back onto a digital or physical shelf.
- To make the last mile – the final stage of the shipping and delivery process – more ecological, brands are switching to electric vehicles, drones, and cargo bikes to avoid fossil-fueled cars. They are also making their return policies less generous – for example, charging for returns – to disincentivize them. Also, they are investing in more true-fit type technology to reduce the consumer's need to buy three sizes of everything.
- [In a topic that is close to my heart, we've continued to see the rise of the circular economy in the past year. Or, as it's increasingly referred to: "zero waste:"](#) Examples include:
  - Recyclable or reusable packaging = like the solutions offered by LOOP – over the weekend, I just read that Wal Mart joins Kroger as another retailer supporting this idea of packaging as a subscription service.
  - Ikea [pledged](#) to become fully circular by 2030. McDonald's and Starbucks joined the trend and [seek to expand](#) their reusable cup programs – by now letting you bring in your own cup.
- These are just a few examples, but the impact is continuing to grow. Accenture [predicts](#) that embracing tenants of the Circular Economy will add \$35B of value from reduced costs in the consumer-packaged goods industry by 2030.
- [We're increasingly hearing about more ethical supply chains:](#)
  - Companies are trying to ensure that their vendors, partners, and suppliers uphold ethical standards for environmental stewardship, sourcing, and worker conditions. A few examples:
    - [Home Depot](#)
    - [Patagonia](#)
    - [Peet's Coffee](#)
    - [Tony's Chocolonely](#)



- [And here's a bonus for anyone that had AI on their podcast BINGO card for the episode - as we dive into 2024, we are also starting to see how AI and cloud are further sustainability efforts.](#)

**Greenhushing** was discussed. Juli explained that Greenhushing is essentially the idea that an increasing number of organizations that have sustainability plans and science-based targets are keeping quiet about their progress on these plans. They're going green, but have "gone dark." The term comes from the sustainability consulting and advocacy firm [South Pole](#).

Cristene spoke about the human side of sustainability too. Because we often only talk about the environmental piece and I think sustaining businesses, the planet and HUMANS as well is important. You sort of need all three.

For retail, decarbonizing is about the devil in the detail - as much as a retailer can control their own actions, Scope 3 encompasses emissions up and down the value chain, from materials to the supply chain and so on to the consumer's final use of a product.

#### Phases of the Life Cycle and Typical Drivers of Impacts



#### The analysis of the literature highlights several key findings across the product value chain:

- 1. Raw material production and extraction** is a leading source of GHG emissions especially for products that use agricultural-based materials, fossil fuel-based materials or mined materials.
- 2. Product manufacturing** is a hotspot for some electronics, household goods and apparel, but in many cases is not the biggest GHG emissions contributor.
- 3. Retail operations** GHG emissions are typically smaller than other value chain phases such as raw material production and product use. They are also impacted by variables that the consumer influences (e.g., products selected, total miles needed for those products and use/waste considerations).
- 4. "Last mile" transportation (from retailer to home)** can be highly variable depending on consumer choices, but typically is not the leading source of GHG emissions.
- 5. Product use and disposal phase** is another leading source of GHG emissions especially for electronics, household appliances and items that need or use hot water (e.g., shower products, cooking foods or washing clothes). Consumer waste also drives GHG emissions, depending on the quantity and the method used to dispose of products when they are no longer needed (e.g., donating, reselling, recycling, composting or landfilling).

It's a crazy big number, especially if you include the distance some items travel to get to store shelves and the lack of sustainable provisions of those manufacturing items.

It's scope 3 emissions that will be the big lever, accounting for 90%, and sometimes up to 98%, of [retailers' greenhouse gas emissions](#), according to the National Retail Federation. And because of their vast scope 3 footprints, retailers are responsible for [roughly 25% of global emissions](#), according to a report from Boston Consulting Group and Ascential's World Retail Congress. - That's from Retail Dive.

<https://www.retaildive.com/news/retail-scope-3-supply-chain-carbon-emissions/626973/>



Jeff shared that The Home Depot announced they are transitioning the majority of their outdoor lawn equipment to battery-operated by 2028.

<https://www.retailbrew.com/stories/2023/09/21/how-home-depot-purchase-order-green-goals>

Packaging was discussed.

<https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

Cristene spoke about Prato, Italy Est. 1955, which collects used clothes such as trousers, sweaters, jackets and wool coats, separates them by color, grades the quality and transforms them back into fibers that in turn are sent to mills to create new yarns and fabric. It's responsible for 15% of fabric reclamation. It's considered a hub of the circular economy.

<https://www.euronews.com/green/2023/07/18/italys-textile-town-is-leading-the-way-to-a-responsible-closet#:~:text=Italy%27s%20%27textile%20town%27%3A%20a,also%20a%20circular%20economy%20hub.>

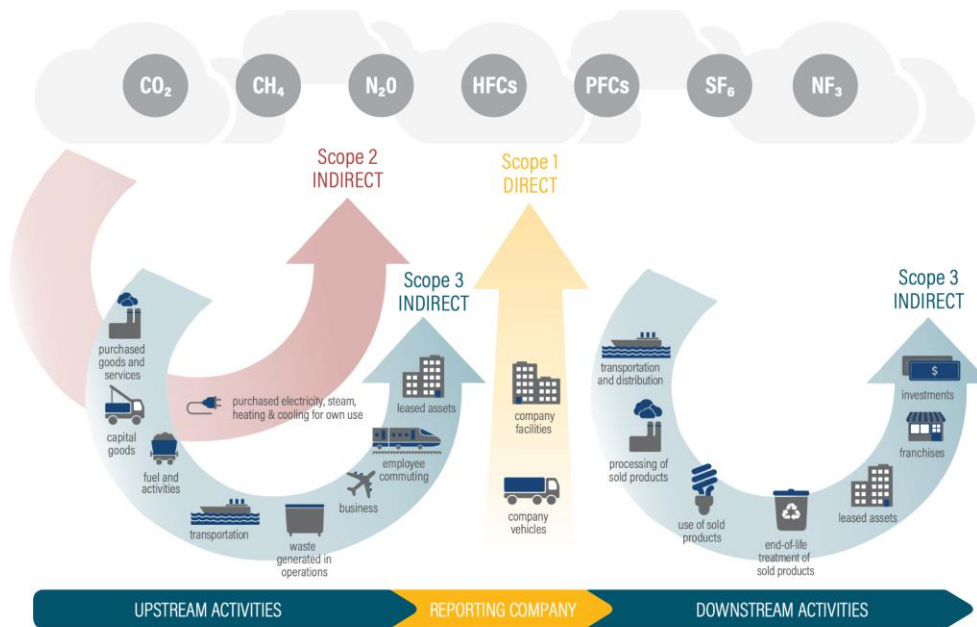
Jeff shared that Cristene was a co-author in a report while at DXC on driving better insights for ESG and sustainability decision making.

<https://dxc.com/us/en/insights/perspectives/dxc-leading-edge/driving-better-insights-for-esg-decision-makers>

There seems to be a big methodological problem with measurement and getting the data to align. There isn't one framework and that creates an inability for people to compare progress. It certainly contributes to the consumer's perspective of greenwashing when different approaches - unsurprisingly - yield different measures.

But those using science-based targets, such as Aldi, Etsy, Gap, eBay, IKEA, Marks and Spencer, Nike, REI and Ralph Lauren, to name a few - those using science based targets seem to have agreed to an approach.

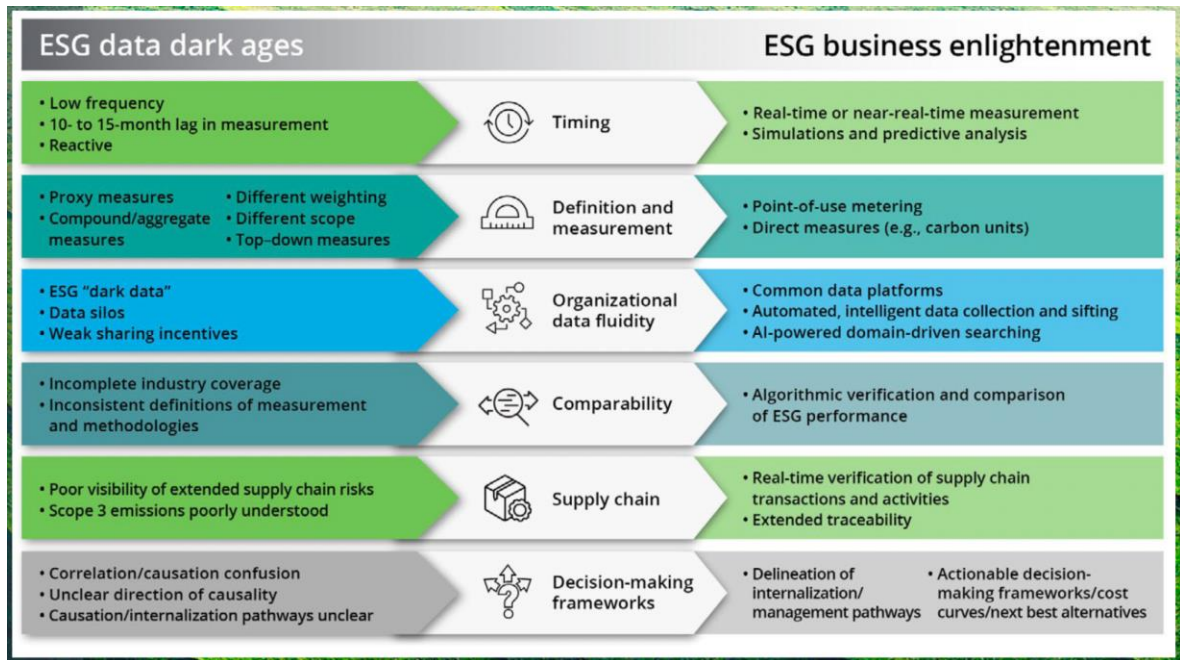
[https://sciencebasedtargets.org/resources/legacy/2019/06/GBT\\_App\\_Guide\\_final\\_0718.pdf](https://sciencebasedtargets.org/resources/legacy/2019/06/GBT_App_Guide_final_0718.pdf)



Cristene responded by stating that this is hard and it requires commitment. It's why you have to get to "ESG Business Enlightenment." You need to be able to get very serious around six dimensions of measurement:

- How often -the timing.
- What are you measuring - definitions and KPIs
- Organizational data fluidity - such as a common platform from the Science Based Targets initiative
- Comparability - the ability to benchmark AND using algorithms to be able to recommend adjustments and improvements much more quickly.
- The supply chain, where we need extended transparency - seeing from sourcing to reclamation
- Decision frameworks that enable action based on near past and planned decision data.

The big change that better data and the six dimensions bring is that you can LOOK FORWARD - and use math and science to make better forward-looking decisions.



## CONCLUSION

Jeff concluded our discussion about **returns**. By some estimates, returning purchases in America reached [record levels](#) in 2022; the portion of purchases returned has [jumped](#) twofold, to 16 percent from 8 percent of sales between 2019 and 2022. And returning things online has become so easy — that people return items bought online at [three times the rate](#) they return things purchased in stores.

Because it's easy and free on our end, it's tempting to think our unwanted shoes whiz off to whichever distribution hub from whence they came. We think they'll be refurbished and sent along to someone else. But that's not at all what's happening. It's an ugly process, where many items are dumped into a pit of despair. As is true for many things online — bullying, disinformation, conspiracy theories — when something is easy and "free," it usually exacts [a terrible, if largely hidden, cost](#).

<https://www.fastcompany.com/90926478/free-returns-environmental-impact-retailer-sustainable-solutions#:~:text=The%20transportation%2C%20labor%2C%20and%20logistics,returned%20products%20now%20end%20up.>

The [massive costs](#) of return packaging, processing and transportation are easy to imagine. But what many online shoppers don't realize is that many returned goods don't get resold at all.

This was originally a strategy to encourage people to shop online - but it's getting expensive, for [both retailers and the planet](#). We don't have 2023 numbers yet but in 2022, we saw [\\$800 billion in lost sales](#).

The [transportation, labor, and logistics](#) involved raised retailers' costs even higher. Items that go back to a retail location - a store, basically - not only costs less, they can be restocked more quickly. They also have a reduced impact on the planet because they often have a shorter return trip to the sales floor. When consumers are offered information on the impact of returns, they often choose a less planet-intensive means of doing it.



We know return policies are changing. And we are seeing better methods to increase efficiencies - like Return Bar. We need to continue to improve here. But the bigger part of this is helping consumers make better choices upfront. This is another area where technology is really changing the game. But more on this in an upcoming episode.

## HEROES & CHANGE MAKERS

Cristene selected **STUART TREVOR** <https://stuarttrevor.com/> What about a clothing company that doesn't produce any clothes?

When Stuart Trevor was asked to start a new fashion brand he replied 'the world doesn't need a new clothing company'. And then he thought to himself - hold it...what about a clothing company that doesn't produce any clothes?

To quote Stuart of Stuart Trevor, "Creativity to me has always been about doing more with what we have already. The world has scarce resources, yet the fashion industry acts as if there is an unlimited supply of material. It's a disaster for our planet. We will do our best to create clothes that people love and want to keep."

Juli selected the leadership team at **WALMART** as they've really stepped up their sustainability efforts. When Walmart leans in on something you can really start to see some seismic shifts and reusable packaging specifically is an important consideration for consumers to move away from the idea of single use plastic. Juli loves to see that they're leaning in on it.

Jeff selected the **RETAIL INDUSTRY**. We recorded this while I'm attending the [NRF Big Show](#) which is a showcase for the Retail industry. We're adaptable. Positive. Early adopters. Always focused on the customer.

Retail is an underappreciated industry and to see this display of the depth and breadth of our capabilities, offerings, impact, it's empowering.

This is **RETAIL DONE RIGHT**. Thank you for listening. And please join our conversation.

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Let's go shopping!

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