

Sustainability in India's Retail

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Abstract: Retailing is defined as a set of activities or steps used to sell a product or service to consumers for their personal or family use. The word 'retail' is derived from the French word 'retailleur', meaning to 'break bulk'. Focus of this work is to review the sustainability considerations practiced by retailers in India with focus on supply chains and store management. Nevertheless, the need for adopting eco-friendly practices and the necessity for going 'green' has been highlighted.

Key words: Sustainability, retail, green, eco-friendly

I. Introduction

The relevance of sustainable practices has increased in the recent years as environmental problems are becoming more severe and consumers have begun to react sensitively towards eco-friendliness of products (Trudel and Cotte, 2009; Laroche et al., 2001). Retailers act as intermediaries between producers and consumers and play a very vital role in supply chains. As consumers are becoming more conscious of the environment and are becoming aware of eco-friendly goods and practices, retailers need to meet this challenge by going 'green' and offering eco-friendly and organic products in stores. It is imperative to mention that as part of social responsibility, it is absolutely essential that the retailers adopt green retail thereby contributing to the reduction of carbon footprint and also adopt eco-friendly practices for sustainable retail.

II. Objective Of The Study And Methodology

The objective of the study is to analyse the eco-friendly practices in retail with relevance to supply chains and store management. Another major objective is to identify areas where 'green' retail can be adopted to contribute for sustainability in retail. The paper discusses the relevance of sustainability in retail in the context of Indian economy. We aim to bring out the issues involved in sustainable retail and the strategies to be adopted by retail CEOs. The authors have made a thorough review of various journal papers, articles in newspapers, magazines and the work is based on analytical and logical understanding of the issue in question.

III. Definition Of Sustainability

"The basic idea of sustainability is quite straight forward: a sustainable system is one which survives or persists" Costanza and Patten (1995, p.193). According to United Nations Environment Programme Finance Initiative, "Sustainable development depends upon a positive interaction between economic and social development and environmental protection, to balance the interests of this and future generations". The most well-known definition of sustainability is that of the Brundtland Commission. Sustainable development is defined as "a development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (WCED, 1987, p.8)

"In order for us to achieve societal sustainability we must use holistic, continuous and interrelated phenomena amongst economic, environmental and social aspects.... and that each of our decisions has implications for all of the aspects today and in the future" Lozano (2008, p.8). Transportation, storage, store management, energy management are important areas where retail managers can implement sustainability.

According to the study conducted by UNICEF, "Save the children", it has been predicted that approximately 175 million children will be affected by climate change-induced natural disasters every year over the next decade. Also, recent studies by Australian scientists have hinted at a possible 2 degree Celsius rise in global average temperature by the end of the 21st century. Are retailers contributing for the climate change? What efforts have been taken to combat this and what needs to be done is the real question that has been analysed. How sustainable is our retail?

IV. Sustainability In SCM And Store Management

Supply chain is defined as "a set of three or more entities (organisations or individuals) directly involved in the upstream and downstream flows of products, services, finances and or information from a source to a customer" (Mentzer (2001).

SSCM is defined as “ the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development namely, economic, environmental and social into account which are derived from customer and stakeholder requirements” (Seuring& Miller, 2008,9.2).

There is an urgent need to change the way the earth's resources are consumed. The process of designing, sourcing, producing and distributing products in global markets play a crucial role as these activities consume a major share of the resources, which has a huge impact on the environment. Hence, Supply chain management activities is a primary factor in promoting environmental sustainability. The main elements of a supply chain include purchasing, operations, distribution, reverse logistics and integration. Robust supply chain management is a great advantage for global retail giants.

The retail industry consumes energy across three primary categories: stores, distribution centres and transportation. The physical retail locations account for a huge percentage of retailer's energy consumption .In a typical 50,000 sqft. retail building, lighting, heating, ventilation and air conditioning alone account for 75 percent of total energy use. On an average, a retail store in a developed economy consumes 14.3 kwh per square foot and spends 1.47 USD per square foot on energy, depending on the price of energy.

According to a study by Carnegie Mellon University, retail distribution centres consume 1kwh of electricity per item shipped .

India's aggregate greenhouse gas emissions have increased from 1.2 billion tons CO₂e in 1994 to 1.7 billion tons CO₂e in 2007, a compounded annual growth rate of 2.9% pushing India to the 5th rank in aggregate GHG emissions in the world (Indian network for climate change Assessment,2010). With liberalisation and globalisation after the 1990s, and allowing FDI in single brand and multi-brand retail, firms are required not only to supply high quality and innovative goods but also develop sustainable supply chains. Of late, great emphasis is being laid on emission and waste reduction, climate change mitigation and energy conservation. In India, the SCM is in a nascent stage with the exception of a few retailers. Some retailers have adopted cutting – edge technology to generate operational efficiency, reduce costs and to improve customer experience.

The RAI(Retailers Association of India) in the report on “ Strategic issues of Retail CEOs“ by PWC have identified three sustainability issues that the retailers are confronted with. They are (1) Climate change (2) Waste(3) Supply chain.

1. Climate change : The measurement of retailers' carbon footprints and those of their products is vital to enable retailers understand and mitigate its impact on climate change.
2. Waste: There is need for widespread awareness of reduction of waste at all links in the supply chain and the need for re-cycling, re-using and use of eco-friendly material in packing.
3. Supply chain: Responsible procurement becomes more relevant in the context of sustainability.

Challenges in SCM in India

1. Indian retail is heterogenous. There are regional variances in demand patterns
2. Indian consumers are value conscious and demand lower prices. Hence, the retailers have to be cost efficient.
3. There is absence of strong infrastructure system and it is a great challenge to reach consumers in remote areas.
4. Lack of sufficient and suitable cold chains leads to heavy wastage mainly of farm produce.
5. Supply chain expertise and manpower availability are the major challenges of the retail sector.
6. Supply chains in India involve multiple intermediaries, which leads to high lead times, high costs and huge wastage.
7. Vendor-managed inventory and integration with suppliers are inadequate

Green Marketing

Green marketing involves procuring and supplying products or services that have a lesser or reduced effect on human health and the environment as compared to similar products or services that serve the same purpose. Green marketing has the potential of impacting sustainable consumption and has a great bearing on the demand and supply curve. The objective of green marketing is to enable companies to purchase and supply products or services of a high quality at a reasonable cost and at the same lowering the impact on the environment . As consumers become more conscious of their environment, there are new challenges for corporates that lead to innovation. Retailers will have to take initiatives to make green products affordable and contribute in solving the environmental issues to make the earth a better place to live for the generations to come. The current state of green marketing initiatives in India are only in the initial stages due to absence of consumer demand for green products, focus on operations and improving profitability by retailers, placing profits before environmental and other social issues.

It is needless to mention that some of the retailers are making efforts towards 'green' retail by adopting eco-friendly measures like reducing carbon-foot prints, reducing the number of plastic bags given to customers, asking customers to bring their own bags, using recycled paper for printing bills, restricting the use of air-conditioners, using bio-degradable products for packaging etc

Following efforts need to be done by retailers

1. Creating awareness – Printing sensitized taglines on the products (example - go green – save earth)
2. Sponsoring green events like World Environment day
3. Reduce power consumption
4. Using materials for refrigerants that have will lower the global warming
5. Using re-cycled paper for printing of bills
6. Use of eco-friendly bags like paper/jute bags as against plastic bags

V. Strategies To Be Adopted By Retail CEOs

Following areas have been identified for the retailers to implement sustainable retail practices.

1. Transportation: Many global retailers have set up malls near railway terminals in order to switch over transportation of goods by rail from road. They have also relocated their warehouses to reduce the road miles. They have taken initiatives to use more efficient vehicles to lower the emission levels. These initiatives, have to be learnt from global retailers and adopted by Indian retailers to save the planet.
2. Carbon footprint – A carbon footprint is a total set of greenhouse gas emissions caused by an organization, product or event. Green building concepts have emerged and retailers need to focus on reducing the carbon footprint.
3. Use of renewable energy - Use of renewable energy like solar, wind etc helps in reducing carbon emissions. Many global retailers have already invested in renewable energy and have goals in place to use 100% renewable energy to power their operations. For example, Wal-mart has signed an agreement with Duke Energy to purchase 15% of their energy from a wind farm. Some of the global players have installed solar panels to meet their energy needs and are also in a position to sell them to the power grid.
4. Energy efficiency ratings on the label in products helps in developing awareness among consumers and make them conscious in energy usage.
5. Using more efficient lighting, motion detectors that switch off when not needed should be adopted by retailers.
6. Use of natural lighting to reduce energy costs and increase sales revenue. Major retailers have saved approximately 250 million kwh a year from day lighting.
7. Water footprinting- "corporate water footprint" is defined as the total volume of freshwater that is used directly or indirectly to run and support a business. It includes direct water used by the producer and also indirect water used in the supply chain. It also demonstrates as to how water efficiency leads to savings in carbon, energy as well as costs.
8. Use of indigenous products helps not only the local manufacturers but also in reduction in miles that the products have to travel otherwise. It also provides a great employment opportunity for the locals and would lead to balanced development.
9. Waste management of packaging material – Retailers will have work with suppliers in reducing wastage of packing material. Recycling of waste needs to be encouraged and promoted.
10. Retailers should ensure that in the supply chain, trucks do not travel empty after making deliveries. There should be an efficient reverse logistics system in place.
11. Creating customer awareness- Retailers should create awareness among consumers and convince them to adopt green initiatives.
12. Retailers need to discourage "buy two get one free" offers and instead promote greener products.
13. Suppliers should be encouraged to produce eco-friendly products and ensure that it will not deplete the natural resources.
14. Suppliers have to be ensured that they receive a fair price for their products.
15. Embed energy efficiency criteria within supplier selection criteria.
16. Train procurement staff on energy efficiency.
17. Encourage use of cycle or public transport against use of cars to reduce carbon emissions, tackle congestion and work towards lowering the environment pollution. Incentives or discounts may be offered to customers. This not only protectst the environment but also improve the health of human beings. Thus, there is an indirect social advantage.
18. Encouraging more kiranas so that every local resident have access to a food store within 10 minute walk of 500 m distance. This would also promote traditional retail, which is currently having a major pie of 92% of the total retail in the country.

19. Manufacturing – Incentives should be given to encourage manufacturing of eco friendly products (example – solar water heaters, solar lighting etc.)
20. Encouraging R&D in manufacture of eco-friendly products. More research is needed in designing, pricing and promoting products with specific environmental attributes like lowering emissions, reducing wastage and increased energy efficiency.
21. Policy makers have a great role in putting in place regulatory mechanisms and enacting legislations and enforcing them like mandatory certification for products, stores, transporting vehicles, warehouses and in all activities in the retail chain, right from manufacturer till it reaches the consumer.
22. Extended producer responsibility (EPR) policies have two objectives. Shifting responsibility for life cycle environmental performance of products towards the producers and a war from municipalities and providing incentives to manufacturers to incorporate environmental considerations into the design of their products. Example : Sweden car manufacturers are responsible for accepting end-of-life vehicles. Similar policies on take-back of products should be adopted.
23. 'Frustration free packaging' initiative by online retailer Amazon.com duly partnering with the suppliers ensures that packages are not only made easy to open but also completely eliminates plastic in design and replaces it with recyclable cardboard.
24. Danish Council on Corporate Social Responsibility on the principles of the UN Global Compact recommends that companies and government officials formulate a strategy for sustainable supply chain management
 - a. Policy formulation on SSCM which demonstrates our desire to create social and environmental improvements in the supply chain.
 - b. Identifying and fixing responsibilities by the management for the preparation and implementation of policies by companies.
 - c. Creating a whistle-blower function for employees and suppliers to report if they discover that violations are taking place.
 - d. Identifying suppliers who are most likely to violate standards in view of their current problems.
 - e. Identifying ways and means by which the suppliers are continuously motivated to create lasting social and environmental improvements.
 - f. Laying down clear cut code of conduct in the contract agreement with the suppliers.
 - g. Systematic procedure for evaluating supplier compliance should be in place.
 - h. Engaging in dialogue and co-operation with local and international stakeholders, trade unions, local authorities and more specially with NGOs.
 - i. Clearly laid down principles on action that would be initiated in case of gross violations by the supplier, reprimanding them by black listing after giving due opportunities for correction.
 - j. Companies need to openly communicate the challenges they face, both positive and negative through the report on Corporate Social Responsibility(CSR)

VI. Conclusion

As retailers have a major role to play in caring for the environment- political, social and ecological, they need to adopt a holistic approach for a sustainable retail by encompassing strategy, design and execution to increase revenue, manage risk, enhance brand and reduce cost in their day to day operations. The retailers need to emulate the best global practices to save the planet to make it a better place to live for generations to come. It is needless to mention that a major responsibility lies with the Government not only in enacting legislations towards 'green' initiatives, but also in ensuring its effective implementation, which no doubt can be achieved only with the co-operation of the various stakeholders.

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