



SEIZE THE MOMENT

**The age of responsible
and resilient retail**

Reimagining retail through the lens
of sustainability to enable a more
profitable and resilient future

Responsible Retail



The retail C-suite is emerging from a challenge only few could imagine. With the global pandemic, the industry has never undergone such a colossal trial, and it also has never been presented a more powerful opportunity to demonstrate responsibility and resilience—and emerge stronger.

Now is the moment to adopt the environmental, social and governance (ESG) practices that will allow a company to thrive again.

An undeniable link between society and business

With the onset of the crisis, and a first responsibility to employees, retail leaders acted quickly to protect their workforce and keep them safe. But industry practices, partners and supply chain weaknesses became apparent, revealing the fragility of an unsustainable supply chain.

The ongoing climate crisis continues to exacerbate the vulnerabilities. The scientific community warns that we have fewer than 3,500 days to put a stop to the irreversible damage.¹ Consumers, the financial markets and regulators are aware of the ticking clock, and expect retail leaders to take bold and decisive action. Having a deeper level of data insights will inform and accelerate these decisions and set a foundation for understanding and measuring the impact of retailers' decisions going forward.


Global markets prove the importance of a focus on ESG goals. Those funds with strong ESG principles outperformed their conventional counterparts in the first quarter of 2020, even as the outbreak sent markets crashing.² Businesses with high-carbon models and static and delicate supply chains that don't place the highest values on consumers, employees, investors and the planet are destined to miss this moment to fortify themselves.



99%

of CEOs from companies with more than \$1 billion in annual revenues believe sustainability will be important to the future success of their business.

Source: Accenture UNGC CEO Report 2019

An aerial photograph of a coastline. On the left is the ocean with varying shades of green and blue. A wide, sandy beach runs along the shore. To the right of the beach is a dirt road that curves into the distance. The land beyond the road is covered in dense, dark vegetation. The sky is overcast with grey clouds.

This time of economic recovery offers a chance to do it better, to build it stronger and to do less harm. We see a host of new opportunities to recover and become ready to outmaneuver future uncertainty. It is time to seize this moment and reset your business for a future of responsibility and resilience.

Retail must set the pace



All industries should look at ways to reset and redefine practices that support recovery and growth—and retail businesses are in a unique position to do so.

Retailers are hard-wired for change. From inventories that change daily, with sourcing that has to follow, to flexible store configurations and variable workforces, few sectors have such comfort with radical shifts.

There is great incentive to change. Many large challenges—if left uncorrected—present significant hurdles in the coming years. For instance, the food and grocery segment alone accounts for 26% of global greenhouse gas emissions. It is a situation of waste coming from waste. Almost one-quarter (24%) of food's emissions come from food that is lost in supply chains or wasted and nearly two-thirds of this (15% of food emissions) comes from losses resulting from poor storage and handling techniques, lack of refrigeration, and spoilage in transport and processing.³

Fashion was already past its tipping point. Changes in purchase behavior, an excess of stores, lack of digitalization and outmoded seasonal models were crashing parts of the system. The pandemic merely accelerated the requirement to address the challenges—and they are many. By 2030, global apparel consumption is projected to rise by 63%, from 62 million tons today to 102 million tons—equivalent to more than 500 billion additional T-shirts.⁴ Already, the fashion industry produces 20% of global wastewater and 10% of global carbon emissions.⁵

Sustainability suits all stakeholders

We now know factually and demonstrably that sustainability, when integrated within all business functions, can unlock new opportunities for growth. It is also what consumers, employees and investors have come to expect from businesses.



Investors



Consumers



Employees



Investors

Sustainability is reshaping finance and business. In January 2020, BlackRock chief executive Larry Fink unveiled his updated vision for sustainability as the "new standard for investing" and encouraged companies to report on ESG issues using the Sustainability Accounting Standards Board (SASB) framework. The world's largest asset manager has become the world's largest sustainable investor, confirming his belief that sustainability topics have a material effect on the financial condition or operating performance of a company. Bloomberg terminals already assess the ESG disclosure metrics of companies, sharing their performance more readily than many realize.



Consumers

People's values are increasingly becoming infused in their shopping habits. Consumers are more environmentally and socially conscious, turning to brands that not only talk about responsibility—but demonstrate it. In fact, 64% of US shoppers buy from brands with environmentally friendly values and a strong purpose, and 81% plan to buy more environmentally friendly products over the next five years.⁶ And more than half of consumers agree that they are going to continue to make more sustainable food choices post-crisis.⁷



Employees

Employees want to work for ethical, responsible companies. People increasingly care about workplace culture and believe it's important to help them thrive in the workplace (as reported by 77% of women and 67% of men).⁸

54%

of consumers agree that they are going to continue to make more sustainable food choices post-crisis.

Source: Accenture Consumer Research April 2020

What had already begun to transform the retail sector before the pandemic will now accelerate as we see more consumers, employees and investors favoring companies that have an authentic ESG strategy across all business disciplines.



Technology turns the key

Progressive CEOs are experiencing the enormous benefit of harnessing the speed of technology innovations to drive sustainability outcomes.

63%

Of CEOs said technology will be the single most critical accelerator of the socio-economic impact of their companies.

Source: Accenture UNGC CEO Report 2019

The technology revolution **has already begun**

Technology accelerates and enables the end-to-end transformation needed to make retail companies more sustainable. Sustainability at its heart is about managing waste, reducing impact and building systems capable of regeneration. Technology makes all of that possible.

Retailers are using:

Cloud technology

to improve costs and scalability, and advance AI capabilities and API platforms.

Risk and opportunity modelling tools

to overlay risk factors onto supply chain maps to model long-term scenarios for strategic operations and sourcing planning.

Sustainable materials innovation,

such as bio-based and materials derived from waste byproducts, to advance circularity and reduce waste for both product and product packaging.

Blockchain

and other technologies to gain end-to-end visibility, product traceability and drive more sustainable processes.

Reusable, recyclable, compostable

and even edible packaging to minimize materials and collection expenses.

Artificial intelligence/predictive

analytics to decipher customer interests, capture social sentiment and thin slice POS data to focus merchandising decisions and drive significantly higher sell-through.

3D product printing

at scale to achieve on-demand production models that align to demand and eliminate waste.

How to responsibly rebuild

Retailers are in a powerful position to make changes that drive sustainability across functions while enabling a profitable future.

Leaders across all sectors of retail are thinking about ESG not as a problem to solve, but as the solution to cleaner, more efficient, less wasteful practices. They have publicly made commitments to make changes in operations, products, services, culture and the entire supply chain.

The strategies outlined below show how retailers can accelerate enterprise-wide transformation, rebuild a resilient business and succeed in this new era.

Committed to change

CEOs worldwide recognize the business imperative of sustainability and have made commitments to address the risks inherent in non-sustainable operating models. Key areas include:

- Raw material sourcing
- Chemicals management
- Supply chain
- Labor
- Energy management
- Data security
- Product sourcing and packaging



Equip the workforce for change

Workforces today must be elastic—able to dynamically adapt to changing global and local conditions and carry out business whether in person or in virtual work environments. By building an elastic workplace, retailers can create a highly extensible environment that allows scale at speed.

Technology helps make this possible. The global pandemic forced many businesses to set up their employees to work remotely, and as intelligent technologies become part of the workforce, retailers have a responsibility to guide employees through this revolution.

Most seem open to the change. In fact, our research indicates that more than half of the retail workforce believes intelligent technologies will create opportunities for their work.¹⁰ As retailers look to the future, they need to evaluate where and how the work gets done, and how technology can support through remote working, analytics and automation.

Having responsible and fair Inclusion & Diversity practices will also help create opportunities for growth. Brands and retailers need to ensure basic protections are in place by auditing factories, safeguarding living wages and supporting good quality of working life.

54%

of the retail workforce believes intelligent technologies will create opportunities for their work.

Source: Accenture Retail People Power



Start with a sustainability SWOT analysis

You must know where you stand today—the strengths, opportunities, weaknesses and threats that can support you or stand in the way of operating sustainably and profitably. Take time to assess the current situation—what should remain, what can you learn, how can employees become part of the solution?

A short internal sprint can go a long way toward prioritizing next steps and clarifying the ROI. Establishing a holistic, prioritized action plan can maximize the efficacy of the work to come—all while reducing costs and inefficiency.





Reset expense and operating models

All expenditures have an impact on the bottom line—and on the environment. Retailers have long focused on traditional store, business unit or functional P&Ls rather than looking at a consistent and deeper level of detail that tracks change and impact on the environment. Engaging a zero-based approach can help you spend smarter on “should costs” and identify bold choices that free up cash for growth initiatives and lower impact operations.

A zero-based budget links resources to strategic priorities across the organization—such as operationalizing the ESG commitments. In effect, the budgeting process is a glue that enables planning, motivation, evaluation and coordination that gets everyone pulling on the same oar. Ultimately, in this phase you’re connecting top-down ambition with bottom up operational plans, enabling your organization to efficiently scale to meet challenges and gain a competitive advantage. Along the way, use analytics to track every dollar spent, whether in SG&A or in COGS, and its associated impact on the environment and society.



Optimize the supply chain

Retailers that will successfully emerge from this moment will be those who develop new supply chain designs with agility, resilience and modular flexibility to future-proof operations. Maintaining a linear supply chain only maintains the fragility. Consider new models that include partnerships, collaborations, shared services and/or multiple overlapping functions in proprietary facilities that create flexibility across functions, categories and geographies.

Your redesigned supply chain should look less like a chain and more like an asset-light network, untethered to classic organizational silos. The network should be connected at all levels of input, leveraging IoT, robotics where applicable, AI and machine learning to go beyond a functioning delivery mechanism to an intelligent system that forecasts its own potential inefficiency or interruption—whether a pandemic, changes in demand or trade regulations. A diversified, cloud-managed supply network will give your business competitive superpowers, while crushing most of your ESG commitments.



Source smartly and responsibly

As we move beyond building plans by prior sales and begin to count on data, the retail sector can expect increasing accuracy—which will be necessary to stay competitive. Even pre-pandemic the industry was desperate for new platforms that could trim the guesswork and lag. Data-driven, sustainability-enhanced sourcing protocols have begun to answer that call with improved efficiencies and reduced impact on the environment.

As we rebuild revenue and re-establish cost basis and margin goals, next-generation product creation, development and sourcing should embed lean, responsible ESG practices and agility from the outset. Programmatic solutions in lead time management, responsible vendor partnerships, onshoring, traceability and land to market ecosystem strategies will help reshape your product network.

Advanced analytics will enable precision at scale. Actionable data insights can direct your merchant's curation and segmentation of merchandise selections. These technology tools can help maximize sell-through and minimize waste because you can predict what consumers will buy, as well as when, where and how they will purchase. Then, AI can help you get to market faster and deploy inventory more efficiently and effectively across all channels.





Capture the power of data

By design, most retailers have data in droves, as well as access to external data sources as consumers increasingly use digital and social channels, but it is often in outdated or impractical formats, and capabilities and security are lacking. Legacy systems housing the data are often outmoded and inefficient, making it difficult to maximize its insights.

Having your data in flexible, modern, digitally decoupled and API-enabled systems is critical to understanding customer and product insights as they relate to sustainability.

To gain intelligent insights and unlock new sources of growth, make your data visible, transparent, trustworthy and accessible through intelligent platforms on the cloud. The sustainable analytics borne from the data will help forge an ongoing capture to record your ESG progress and the implications of your decisions as you use the data to look forward and build predictive and prescriptive models—ultimately allowing you to broadcast it to all stakeholders.

Designed to endure

The retail industry has proven decade after decade that it is adaptable and resilient. Recent changes happening in the world can serve as a wake-up call to rebuild yet again—but with new ambitions to be more responsible to shareholders, employees and the planet.

Retail can demonstrate to other industries—and to the world—that it is going to be a leader in making sustainable practices priority number one. Sustainability has become essential to ensure long-term health and growth. Embracing these opportunities will not only pay off in environmental impacts, moves toward sustainability will also have impact on brand awareness and loyalty, operational efficiency and profitability.

Let's not miss this call for transformation

At a moment when competitive advantage has become an existential imperative, the benefits to reshaping our businesses with ESG management and unprecedented advances in data insights have never been clearer, and the opportunity to do so never more available. Seize this moment to rebuild for a stronger future.

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