



# THE GREAT GREEN WAY

## Sustainability and energy management strategies in retail

**P**oliticized and publicized to an almost inescapable effect, “sustainability” might just be the rallying cry of our times. In the downturn economy, businesses are looking to cut costs any way they can. Couple that with a growing urgency for environmental action, and suddenly sustainability looks like the Win-Win of all win-wins. Green, for lack of a better word, is good. Green works.

But what works on paper isn't always put into

practice. Are retail companies actually adopting strategies for better energy management? What are their underlying motivations for doing so? Does an organization's size play a factor in their ability to execute sustainability initiatives for a lasting benefit?

Prenova and *Chain Store Age* conducted an online survey of more than 250 retailers to get a better understanding of how the retail industry is approaching the topic.

# EXPENSE CONTROL IS THE NEW TOP-LINE

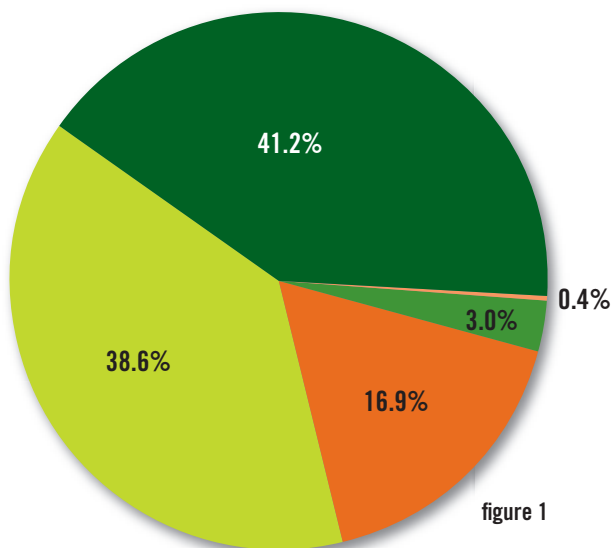


Without question, sustainability is a serious concern for retailers, regardless of the sales volume of the chain or the number of stores. In the survey, the largest percentage of retailers, 41.2% (Figure 1), said that sustainability is a “key component” of their strategy, and 38.6% said that sustainability is “important but not one of our top priorities.” Only 3% said “sustainability isn’t something we worry about.”

It should be no surprise that given the current economic climate the leading factor driving most retailers, regardless of their size, to adopt energy management strategies is the cost-savings benefit. When asked about their primary motivation for pursuing an energy management/sustainability strategy, 51.5% of the respondents (Figure 2) chose “saving money,” while only 18% chose “reducing environmental impact.”

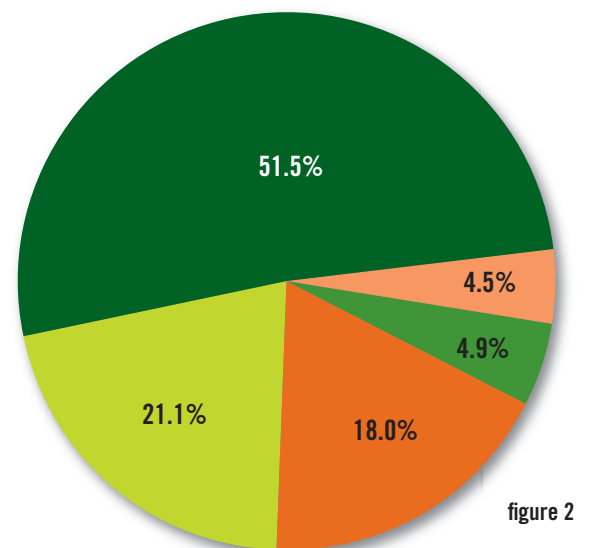
Not only does this seem to debunk the idea that sustainability is merely an image-enhancing luxury, it also shows a major shift in retail strategy. In this slow-growth/no-growth market, few retailers are planning significant new store openings; the focus is on making existing stores as profitable as possible, and, what’s more, as efficient as possible. While the budgets for capital investments and major infrastructure updates are slim now, retrofitting exiting stores to better control expenses is becoming a business imperative.

**WHICH OF THE FOLLOWING STATEMENTS BEST DESCRIBES HOW YOUR ORGANIZATION THINKS ABOUT SUSTAINABILITY?**



- Sustainability is a key component of our strategy
- Sustainability is important, but not one of our top priorities
- Sustainability is a concern, but we're not doing much about it
- Sustainability isn't something we worry about
- Not applicable

**WHAT IS THE PRIMARY MOTIVATION FOR PURSUING THE STRATEGY?**



- Saving money
- Not applicable
- Reducing environmental impact
- Enhancing corporate image
- Other

# A CALL FOR LEADERSHIP

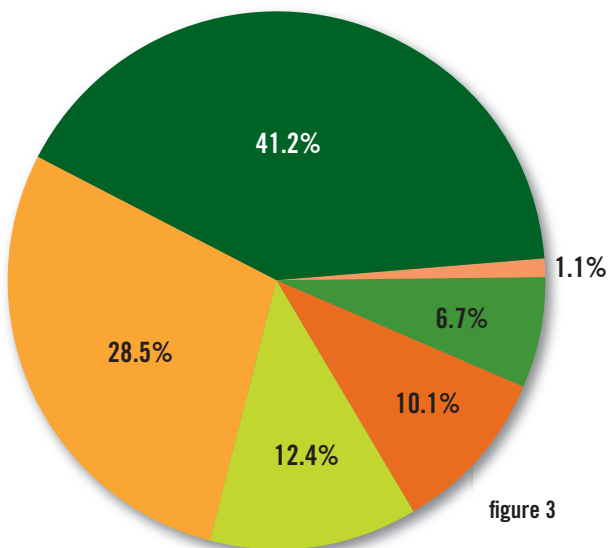
With the retail industry clearly embracing sustainability, the next questions are: who's doing it well, and how are they benchmarking their results?

When asked, "How successful has your company been at implementing sustainable business practices?" the majority of respondents said they are "about average" or "slightly ahead of their peers" (Figure 3). Only 10.1% said that they are "industry leaders," a group that is spread pretty evenly across a range of organization sizes.

It's interesting to note, however, that even though most respondents said that pursuing sustainability/energy management is important to their organization, 43.8% say that they do not have a "formalized strategy" (as opposed to the 53.2% that say they do). Those who do not are primarily small-size retailers with annual revenues of under \$250 million.

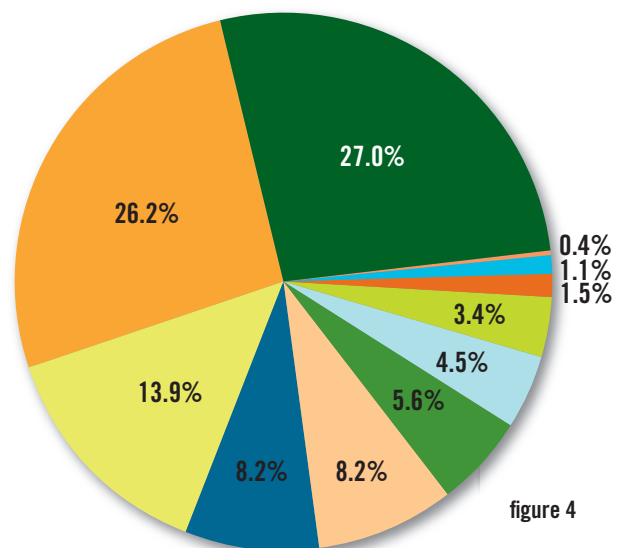
Why are the smaller-sized retailers slower to formalize their strategies? Is it simply that larger retailers have more resources to dedicate to the initiatives? Of those surveyed, only 13.9% of respondents (Figure 4) — generally the larger-sized retailers — say that their sustainability strategies fall under the responsibility of an "energy management department," whereas the majority of smaller retailers seem to parcel out the responsibilities to disparate groups, including facilities management, construction and finance.

**HOW SUCCESSFUL HAS YOUR COMPANY BEEN AT IMPLEMENTING SUSTAINABLE BUSINESS PRACTICES?**



- We're about average
- We're slightly ahead of our peers
- We're slightly behind our peers
- We're industry leaders
- We haven't tried
- Not applicable

**WHICH DEPARTMENT IN YOUR COMPANY HAS PRIMARY RESPONSIBILITY FOR CONTROLLING ENERGY COSTS?**



- Store management
- Facilities
- Energy management
- Other
- Construction
- Finance
- Real estate
- Not applicable
- Don't know
- Procurement
- Information Technology

# BUILDING THE NEW STANDARD



The chart at the right (Figure 5) shows what steps retailers are currently taking to help control their energy costs. As you can see, the most common strategy is the adoption of energy-efficient lighting, which is generally considered the tip of the iceberg: an easy-to-implement, low-cost solution for virtually any business. For smaller companies relying on a DIY approach to sustainability, energy-efficient lighting is a great first step. More advanced initiatives, however, such as LEED building and renewable energy projects, may require a specialized energy management team. While it may be OK to get around that now, it won't be once the economy strengthens and retailers start building again. New buildings, of course, don't get retrofitted. The current political and economic climates have brought sustainability to the forefront, and, as a new standard for building, it will continue to play a critical role in the future success of retailers.

**WHAT STEPS IS YOUR COMPANY TAKING TO HELP CONTROL ENERGY COSTS/ENERGY CONSUMPTION?**

