

The Retail Sustainable Approach*

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Abstract

Retail through its commercial role can favor the development of more responsible forms of production that design products and production processes in order to minimize or eliminate negative social and environmental impacts: the constant action of product selection, the evolution of the assortments of the different categories offered, the selection of suppliers can favor various actions such as the reduction of environmental impact, manufacturing, transport, use, reuse / recycling and disposal ...But all these potential actions are not considered in ONU Agenda 2030 forgetting to include Retails' responsibility together with Production and Consumption in SDG n. 12 the article on the contrary explains the centrality of retail distribution as real front desk between offer and demand impacting the human lifestyle .

Keywords: Sustainability; Retail; Private Label; Global Markets

1. Large-scale Distribution towards Sustainability

There is no doubt about the fact that economic-social-environmental sustainability is the most important global challenge that humanity will have to face in the coming decades. To face this challenge and give concrete solutions to the broad underlying problems, the most important international and national institutions need to trace clear and precise paths; by doing this, it will clearly emerge how working on the direct and indirect impact of distribution of consumer goods is fundamental in order to achieve a significant change. In terms of ESG, understood as actions adopted by the company on environmental and governance issues, it is taken for granted that distribution companies are called on the same level as all other industries. However, the same is not true if we consider the SDGs, the 17 objectives defined by the UN 2030 agenda: incredibly, objective 12 “responsible production and consumption” doesn’t mention distribution at all!

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The centrality of the production and distribution of both food and non-food consumer goods in an increasingly globalized and interconnected world has been made clear by some recent studies, which have shown how the world of consumer goods and general consumption impacts directly or indirectly 71 of the 169 targets defined.

The resulting impact, direct or indirect, is extremely significant and involves large-scale distribution companies in their entirety given their proximity to the consumer, their role in the reference supply chains and the need to govern a strong energy and land use footprint, due to the necessary technology and the physical dimensions of the operational structures.

2. Sustainability: The Commercial Role the Commercial Role

Distribution plays a central role in determining the paths towards sustainability because it is the central link in the relationship between the protagonists of mass consumption: producers and consumers.

Distribution can and must play an active role both in promoting a transformation to access consumer goods and encouraging citizens to adopt more sustainable lifestyles, along with promoting and stimulating a more responsible production of goods.

Through its commercial role, distribution can favour the development of more responsible forms of production that design products and production processes in order to minimize or eliminate negative social and environmental impacts: the continuous product selection, the evolution of the assortments and the selection of suppliers can encourage different actions such as the reduction of environmental impact, reuse/recycle, waste management, sustainable manufacturing, transport and use of products.

Some concrete examples:

- An action that has characterized the majority of distributors, in recent times, has been the total replacement, anticipating the legal deadlines, of disposable plastic products with products made with compostable / recyclable material.
- Systems that aim at reducing food waste are applied in almost all large-scale distribution chains, which promotes a higher degree of attention - both from the commercial operators and the consumers - to the correct use of products, to the information displayed on the packages, and to a different method to serve and supply goods.
- Actions are carried out on the social sustainability side focusing on the sources of production and sourcing of products. The areas of origin and production are important elements not only to qualify the territories, flavours and traditions of products and assortments, but also to enhance the ability to select and monitor suppliers in order to maximize positive impacts and minimize negative ones on the environment, people and the economy.

3. Sustainability: The Private Label

A decisive role to achieve a more sustainable approach is played by the development of the distributor brand, commonly also referred to as commercial brand, in all large-scale retail chains, both food and non-food.

The Private Label is the strategic lever of large-scale distribution to promote loyalty among consumers-customers. It is an important and identifying tool of the commercial policy of each chain as a direct witness of the commitment to the attention to customers' needs and orientation on their lifestyle and consumption styles: the issue of sustainability inevitably comes into play to give strength and attraction to their brand.

The Private Label has proven to be the driver, the key lever for acting in the various areas that are included in the concept of sustainability through offering "greener" or organic products and services, paying attention to the supply chain, promoting transparent policies and using of technology as an enabling factor, while identifying and measuring objectives.

An analysis of the trends on the development of the retailer brand highlights how the different chains, in the sectors of large food consumption and goods and products for personal and home care, have been oriented towards expanding the sphere of products linked to sustainability. Some examples are all the initiatives that aim at maximizing the use of recyclable and/or recycled packaging such as the introduction of paper/cardboard trays instead of polystyrene and plastic, the use of compostable materials, the reduction of the thickness of plastic packaging, and the use of blends with recycled plastic materials.

The set of these initiatives may appear to be limiting given the breadth of the objectives involved in addressing sustainability, and it may seem that the focus is only on the last stretch of a much more complex and articulated path, but it should not be underestimated that this part of the work is bringing out new and more significant contents, such as the creation and sale of vast ranges of "climate neutral" products that offer much more consistent aspects of communication and information to the consumer and that demonstrate how the commitment to the "objectivity of information" is a binding commitment of one's own identity.

The packaging of the private label thus becomes a tool of information and privileged orientation between the retailers and the consumers. Moreover, its connection with communication tools such as websites and social media can favour clear messages to the customer and transparency, both on the correct use of the product and the service offered, and on its relationship with the production areas and sourcing markets.

4. Large-scale Distribution towards Sustainability: The Non-Food Sector

It is important to underline that the commitment to a sustainable offer and to support behaviours and relationships with customers that lead to more responsible consumption actions is not exclusive of the large food distribution chains, but also the wider and more articulated world of goods linked to the non-food sector such as clothing, household and furnishing articles, electronic products, etc.

In the clothing sector, forms of responsible procurement have been implemented for some time through the selection and monitoring of its suppliers, and at the same time forms of reuse of recycled fibres obtained from used garments are already in place, which develops significant economic circular activities for the creation of new value towards the consumer.

In the home-products and furnishing sector, we can find policies that tend to eliminate the consumption of virgin raw materials and to gradually compensate and neutralize their environmental footprint.

In consumer electronics, in addition to the now consolidated approach to inform about energy saving, the use of distributing regenerated products has been developed to reduce the consumption of rare materials and to promote the reuse of products, through rental formulas of the same.

5. Large-scale Distribution: The Role in Different Supply Chains

Fostering responsible production means researching and selecting products and services made in ways that are socially advantageous, economically sustainable and environmentally compatible.

The commitment of the large-scale distribution business system to strengthen the strategic vision of the supply chain system is a consolidated commitment, and it strongly characterizes relations with production companies both nationally and internationally.

This is a commitment that primarily takes care of the optimization of the logistical flows and of the reduction of inefficiencies generated by limited interface connection (optimization of loads and use of space), of out of stock and delivery frequencies, and of IT integration.

Having developed and launched extensive work on these aspects over time has allowed the construction of solid and structured systems. These, adequately expanded in their contents and functions, also thanks to the use of increasingly precise processing skills and powerful, are making it possible to build information and quantify the impacts of the footprint generated by individuals and by different processes. In this way they give objectivity to the demand for monitoring and for transparency in the commitment to reduce and balance one's own environmental footprint.

The joint action of industry and distribution (with companies such as GS1, the international platform born from the definition of the EAN code with its universal use), and the research activities of universities and IT companies, have allowed to develop systems that are capable of accurately providing the information necessary to guide the development of production, logistics systems, and marketing activities aimed at delivering information capable of qualifying the relationships with customers and stakeholders.

We are at the first steps of a process, today supported by objective and quantifiable data, which will have to deeply innovate the management of the value chains (and their impact), and which will have to increasingly evolve and encourage the use of circular economy models.

The transition to the circular economy will be the main commitment to impact the realization and design of the processes of the supply chain system that reduce and contain negative impacts on the environment.

In this context, attention to the territory will be essential, not only for the purposes of environmental protection, but also to ensure balance and growth of local communities.

6. Large-scale Distribution and the Territory

The system of large-scale distribution companies is by its nature a widespread system throughout a country and its territory. In Italy specifically, it finds strong and important relationships between large-scale distribution companies and the territories that they preside, defining a model of proximity and relationship which is functional to the principles of sustainability in terms of size and proximity to consumers-citizens, with respect for the local culture as well as its biodiversity. This is in synthesis the expression of a direct responsibility towards each stakeholder.

In addition to the basic but fundamental purpose of a distribution company (providing services and products to one or more communities), we must bear in mind that the system of large-scale distribution companies in our country is mainly made up of companies with a strong territorial identity. This is the result of the fact that these chains were founded by entrepreneurs that belonged to those same territories, who developed them through a network made up of territorial, cultural and social proximity, which not only had common origins, but also common social and economic development paths that involve families, suppliers, service companies, local entrepreneurs, community services, education, schooling and culture.

It is therefore essential for large retailers to pay attention to the production system of the territory, not only to serve environmental protection purposes, but also and above all to ensure the balance and growth of local communities which are often their own community.

Traditional products and quality are important factors as much as the attention to health and the environment.

The sustainable production method and its economic, social and environmental impact can be an important promotion and qualification lever that the large-scale distribution company can communicate to those who live in that specific territory, but also to all corporate stakeholders, customers and consumers outside that area.

Large-scale distribution has a substantial impact on territorial structures and on land use. The logistics structures, the physical size of the stores, the roads infrastructure necessary to govern traffic flows and to provide service to customers have a consistent footprint in land consumption and energy consumption.

The progressive need to contain the energy consumption used for air-conditioning, lights, refrigeration, information systems, the handling of goods, etc. has meant that progressively, but constantly, new forms of energy efficiency have been introduced with the use of renewable sources. Given the availability of exposed surfaces, this

has led to a progressive integration/replacement of energy sources, almost totally oriented towards self-sufficiency.

Similar attention is paid to the use of materials and technologies necessary to the construction of points of sale and the renovation of existing ones, with particular care of thermal efficiency in order to favour a significant reduction of the energy footprint.

The new trends in lifestyles and consumption are also influencing the use of the spaces inside the points of sale, transforming them from spaces that only serve the shopping purpose to spaces that, depending on the moments of the day and days, can be integrated with other forms of business and customer service: the fresh food department becomes a restaurant, other areas are available for business meetings, trainings and presentations. The physical space becomes not only multifunctional but it also integrates the “service dimension” of the chain.

7. Final Considerations and Emerging Issues

The role of large-scale distribution companies in the path towards environmental, economic and social sustainability is central and fundamental as it influences the protagonists of consumption: producers and consumers.

It is a long and complex path that is increasingly integrating the choices and guidelines indicated by the institutions and competent authorities. The need to make supply chain relationships evolve towards models of production and consumption increasingly oriented towards circularity calls for a collaborative system.

The last few years have been characterized by a growing attention to these issues but have seen initiatives on a voluntary basis; the strong shock caused by the pandemic crisis could initiate a better defined and structurally more significant phase for organically pursuing the objectives of sustainability.

An important and decisive element for obtaining these results is the possibility, now new, of using information technologies and the digitalization of processes to create reliable databases and measurements, in order to bring out the organic nature of the results produced by the different actions.

An important challenge will be to give a clear and transparent account of the activity carried out. This should be done via publishing sustainability reports that address the most significant impacts of the company and its value chain on the environment, on people and on the economy, overcoming the declarations of principle and the often highly emphatic "advertisements".

There are moments that have been built to make this process clear and public: in Italy Green Retail Forum and Green Retail Evolution are two initiatives promoted by Planet Life Economy Foundation, aimed at fostering a dialogue between the protagonists of mass consumption, distributors and producers, on the theme of environmental, social and economic sustainability. The ten-year activity of the Green Retail Forum has made multiple solicitations available to the community which, progressively but constantly, are finding concreteness and implementation in the system.

The UN agenda should therefore re-evaluate the role of distribution and attribute to it a civil intermediation responsibility in which, instead of price and growth pressure, the best service is determined by the value of what is sold and bought and by the best impact on the quality of life.

Service and quality of life that today and tomorrow will be pursued balancing the physical presence of the stores with the capillarity provided by virtual remote suppliers, taking into account that there is always a trade-off between quantity and quality, between individuality and relationship, and if the market does not determine it, it is up to the regulator to define it.

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