



Is sustainability the
new loyalty in retail
and wholesale?

 **BARCLAYS**

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About this research

This report is based on bespoke consumer and business surveys from Opinium Research and analysis by economics consultancy Development Economics, conducted on behalf of Barclays Corporate Banking.* The consumer fieldwork was conducted between 12 – 17 July 2019 using a sample of 2,001 UK adults, aged 18+. The business fieldwork was conducted between 10 July – 15 August 2019 using a sample of 518 senior decision makers in online retailers in the UK.

For the purposes of this report, those aged 18 to 34 are referred to as 'Millennial and Generation Z adults', 35 to 54s are 'Generation X' and the over 55s are 'Baby Boomers'.

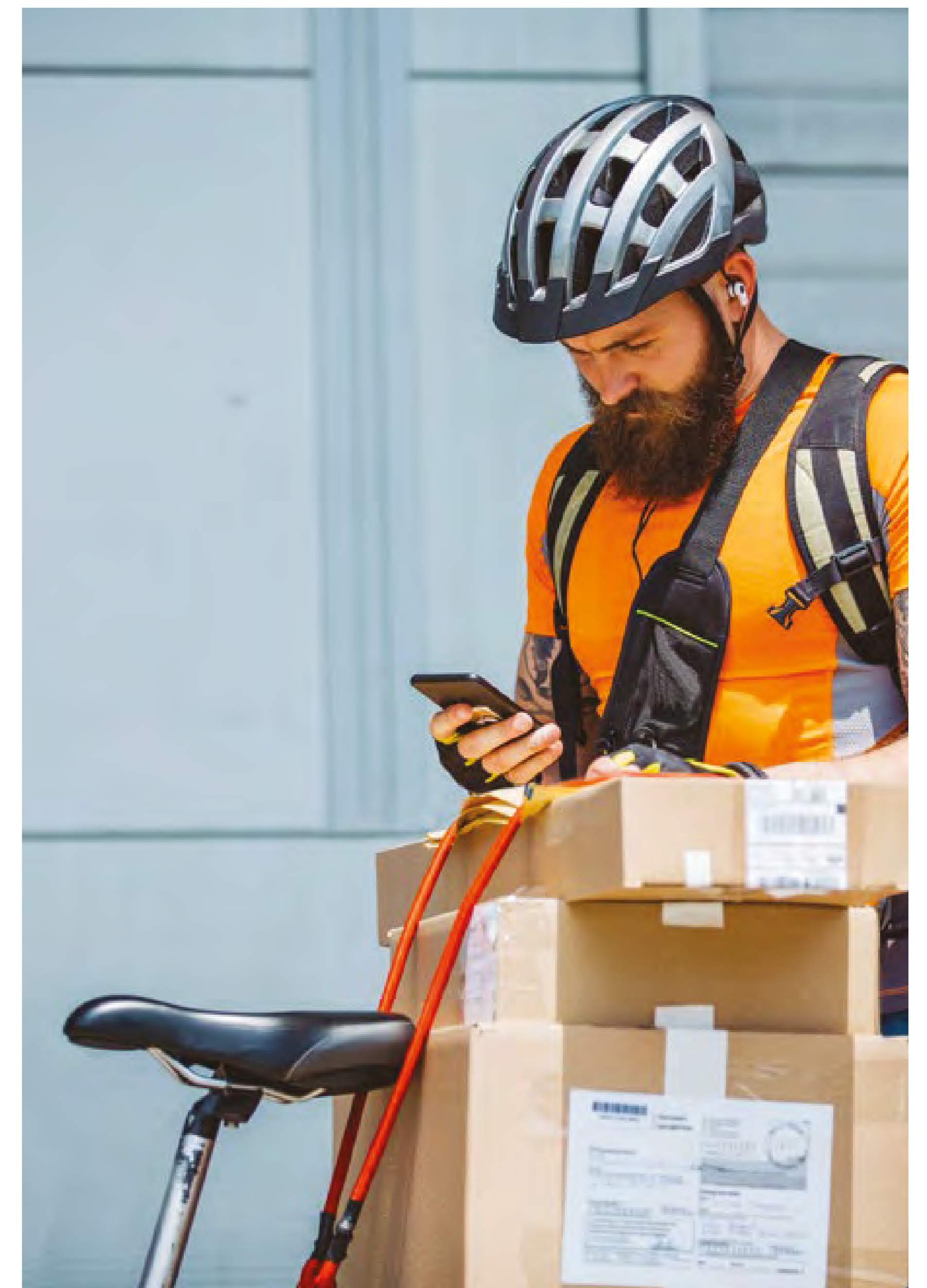
*All results are based on a sample and are therefore subject to statistical errors normally associated with sample-based information.

The push for sustainable deliveries

Research by Barclays Corporate Banking reveals that the UK's online retailers are poised to make unprecedented investment in more sustainable deliveries – from the way products are packaged to the way they are brought to customers' homes. Consumers are generally enthusiastic about these initiatives, though their willingness to help fund them does not match retailers' expectations.

- Retailers in the UK with plans to invest in sustainable delivery options will devote an average of 11.4% of their revenue to this over the next five years
- Nine in 10 retailers (91%) are setting aside resources to make deliveries more sustainable, with 48% channelling significant sums over the next five years because they see this as an enabler for business growth
- The most common areas in which businesses expect to invest in the next five years are reducing packaging (planned by 48%), increasing the use of biodegradable packaging (46%), delivering to central points for local collection (39%) and introducing electric vehicles (37%)
- Consumers are beginning to recognise this effort. A significant 64% of consumers believe that retailers are very or somewhat committed to their environmental responsibilities. However, over a third (36%) say they are not yet doing enough
- Customers appreciate packaging reduction measures, but many would be swayed by other steps too. For example, 85% would use a scheme where delivery drivers took away packaging or plastic bottles as well as dropping off products, while 58% would take up price incentives to click and collect in place of home delivery
- However, retailers face a dilemma over passing on the cost of their sustainability initiatives: 62% of customers expect businesses to absorb all the extra costs of this investment
- Some customers are prepared to pay a premium for greener deliveries, but at an average of just 1.8%. Retailers generally believe customers would accept a premium more than three times higher (5.6%).

“85% of consumers would use a scheme where delivery drivers took away packaging or plastic bottles as well as dropping off products.”



Treading lightly to the doorstep

Impressive levels of new investment in sustainable delivery options will find favour among environmentally conscious customers, says Karen Johnson, National Head of Retail and Wholesale, Barclays Corporate Banking.

In 2019 the value of UK online retail sales is expected to reach £80bn, according to economic modelling conducted on behalf of Barclays Corporate Banking. This represents a leap of 17% since 2018. Getting purchases into customers' hands on this scale forms a huge operational element for both online-only and multi-channel retailers. So it is heartening that our research confirms that the delivery process, from packaging of items to drop-off at the doorstep, is a growing focus of sustainability efforts.

Barclays' new research shows that initiatives to make deliveries greener are among the top tools businesses are using to improve their sustainability, alongside encouraging their staff and consumers to recycle.

Retailers are investing en masse in a variety of initiatives. Online-only retailers are devoting an average of 12.8% of revenue for this purpose over the next five years, and multi-channel retailers 10.7% – in both cases significantly more than they did last year.

“More than half (57%) of retailers believe making deliveries more sustainable will help them improve their reputation.”

A trigger for growth?

This is the right thing to do, but it is also a smart business move. Businesses of all types are recognising the need to demonstrate that they are curbing their environmental impact, as a minimum, and should be going further to make an active contribution to society. Unilever recently led the way in promising to offload its unsustainable brands. Many fashion retailers are launching ethical, sustainable clothing ranges (among them Boohoo, featured on page 16).

The logistics of fulfilling customer orders has to come under scrutiny in this context. Environmentally conscious consumers want to know that their purchases will have minimal impact on waste and emissions. They are particularly frustrated by excessive packaging.

Most businesses see more sustainable deliveries as a way to help them boost growth. More than half (57%) of the 518 retailers who responded to our survey believe making deliveries more sustainable will help them improve their reputation. Almost as many expect it to strengthen customer loyalty (51%) and attract new customers (51%).

Two cheers for retailer action

Some initiatives have the potential to be game-changers. Encouragingly, they include many collaborative efforts. Tesco is among those set to trial Loop, an online shopping service based on refillable rather than recyclable containers.¹ It is working alongside other retailers and recycling firm TerraCycle.

Certainly, customers are becoming more aware of these efforts. Asked about their view of online retailers, 64% say businesses are committed or somewhat committed to cutting carbon, reducing waste and being environmentally responsible.

When it comes to specific actions, though, attitudes are more critical. Just over half of consumers (52%) are impressed by retailers' performance in recycling services: this is the proportion who agree that retailers are acting very or quite responsibly in this area, against 24% who disagree.

Impressions are poorer in other areas of action. Relatively few are convinced that retailers are doing enough when it comes to packaging (44% positive, 45% negative), delivery vehicles (30% positive, 45% negative) or offering transparency around their packaging and sustainability (38% positive, 39% negative).

Executive summary

Customers do see businesses as being the most active sector in the drive for sustainability of goods and services – 26% agree with this, against 22% who say government is doing most. Overall, however, there is much to do before customer perception catches up with retailers' actions – offering retailers an opportunity to improve their messaging in this area.

Who pays for sustainable delivery?

There is also a significant difference of opinion over who should be bearing the bulk of the cost for this progress. Retailers typically believe their customers would be willing to pay 5.6% more for more sustainable deliveries.

In reality, customers themselves told us they would be prepared to pay an average premium of just 1.8%. And six in 10 (62%) expect retailers to absorb all the extra costs of sustainability.

This may come as an unwelcome surprise to many retailers. In an environmentally conscious society, it might be reasonable to expect a greater willingness to pay for a more sustainable service. However, closer study of the findings offers reasons for optimism.

A generational split

Younger people are notably more open to the concept of contributing to a sustainability premium. Only four in 10 (40%) of Millennial and Generation Z adults, those aged 18 to 34, see these improvements as a burden to be borne exclusively by businesses, compared to three-quarters (76%) of the over-55 Baby Boomer generation.

This indicates that attitudes will shift over time – a process retailers should be seeking to encourage by engaging with consumers on this issue.



Even if attitudes were to remain as they are today, however, our modelling suggests this could translate to an extra £2.1bn in sales values above current growth trends by 2022. This would represent valuable resources for reinvestment in ongoing sustainability initiatives.

Customer-winning initiatives

Our findings offer further hints for retailers on the relative popularity of sustainability initiatives. Most businesses are currently focusing on reduced packaging and more sustainable packaging materials, both of which are popular among customers.

However, our research reveals several areas not currently prioritised by retailers that could potentially win business. These include the collection of packaging for recycling via delivery drivers (85% of consumers said they would use this) and deposit schemes for returning plastic (33% would like retailers to offer this).

In addition, 58% would use a click and collect service rather than home delivery, given a price incentive. This suggests that more retailers could capitalise on the popularity of click and collect, which offers cost and carbon savings for retailers as well as driving footfall to stores. Even online-only retailers could benefit by following Amazon's example and partnering with a store retailer to offer this extra convenience for customers.

A commitment to sustainability has the potential to sway buying decisions. By mapping their efforts more closely to the desires of the demographics they serve, and by finding creative ways to engage their customers in these issues, retailers stand to reap significant rewards.



Karen Johnson

National Head of Retail and Wholesale,
Barclays Corporate Banking

Rating retailers' green credentials

Candid consumer responses reveal where retailers are seen to be doing well on sustainability – and where they fall short.

Online purchasing is now a universal habit. The practice is firmly established across all age groups, with an overall majority buying clothes, gifts, technology and shoes and accessories in this way.

There are some striking regional differences, perhaps triggered largely by differences in accessibility to specific types of store in predominantly rural or urban areas. For instance, Northern Ireland shoppers are most likely (80%) to shop for clothes online, but least likely to buy groceries (27%) or furniture and homeware (38%) in this way.

Age group plays a part too. For example, online grocery shopping has gained most traction with the Generation X group of 35-to-54-year-olds (48%), and is least popular with Baby Boomers (32%). This may partly reflect many retailers' practice of offering free delivery only for a minimum grocery spend that can be achieved more easily by family households.

“45% of the 18 to 34 age group see the issue as important and say ‘I try to do my bit, but I know I could do more.’”



Carrot or stick?

Consumers are acutely aware of their personal environmental impact. Almost half (45%) claim they do as much as they can to be sustainable.

This effort is most pronounced among the over-55 age group, with over half (54%) suggesting they currently do everything they possibly can to promote sustainability. Millennial and Generation Z consumers have a more pragmatic perspective: 45% of the 18 to 34 group see the issue as important but characterise their approach as “I try to do my bit, but I know I could do more”.

Asked what influences are effective in making them more sustainable consumers, Baby Boomers often claim to be self-motivated, with 46% of over 55s saying they need neither incentives nor deterrents. By contrast, more than half of Millennials/Generation Z (54%) and the Generation X demographic (52%) say their behaviour is influenced by the ‘carrot’ approach, such as a discount for bringing a reusable coffee cup.

The consumer view

These differences may be partly explained by the younger groups' relatively time-poor lifestyles and an awareness of how this can squeeze sustainability to the margins of busy schedules. Nevertheless, with only 6% overall believing that the issue is not a big problem and 10% professing themselves confused, the vast majority are clearly alert to the potential impact of what they buy and how it reaches them.

Divided opinion on business

Questioned about the sustainability commitment of online retailers, consumers reveal a diverse spread of opinion. Slightly more than half (51%) of consumers acknowledge that businesses are doing more in areas such as waste and carbon emissions. A further 13% say businesses are working hard on these issues. Over a third (36%) say they are not doing enough.

These attitudes are relatively even across the generations and all parts of the UK, with men slightly more critical than women in their judgment of business commitment.

And when it comes to the relative performance of different stakeholders, the commitment from businesses comes out on top. More than a quarter (26%) see the business world as doing most to achieve sustainability in goods and services, ahead of government (22%) and charities (20%).

“Over a third of consumers (36%) say businesses are not doing enough in areas such as waste and carbon emissions.”

Track record scrutinised

A growing number of retailers now offer packaging recycling and even, in some cases, the recycling of used goods, such as clothing and printer cartridges. Asked how they rate these services, 39% say businesses are quite responsible in the recycling options they provide, and 13% very responsible; 24% say they are not at all responsible.

The survey findings suggest consumers are split between those who are still frustrated by excessive packaging of their orders and those who see improvement. 45% do not see businesses as responsible in this respect, while 44% say they are very or quite responsible.

Asked whether they feel retailers are open and honest about their packaging and sustainability, there is a similar division – 39% are negative and 38% positive. On the provision of sustainable vehicles, such as electric cars or e-cargo bikes, the negative opinion is more emphatic: 45% say businesses are not at all responsible and only 30% have a positive view.

In general, the over-55s are less impressed than younger consumers by retailers' performance in these categories. For instance, 18% of Millennials/Generation Z adults say retailers' recycling services are very responsible, compared to 9% of Baby Boomers. This chimes with the Boomers' more emphatic responses about their personal environmental commitment; it is a reminder to retailers that contrary to expectations, the younger generations are not the most demanding when it comes to sustainability.

How do consumers view online retailers' approach to environmental sustainability?



How do consumers rate their experience of how environmentally responsible retailers are?

	Very or quite responsible	Not at all responsible
Packaging	44%	45%
Delivery vehicles	30%	45%
Recycling services	52%	24%
Transparency on packaging and sustainability	38%	39%

War on packaging tops green initiatives

The survey reveals retailers' preferred methods of achieving more sustainable delivery – and the business benefits they hope to gain from their investments.

Retailers report investing an average 8.4% of revenue in 2018 to make deliveries more sustainable. For the next five years, this proportion will be considerably ramped up to 11.4%.

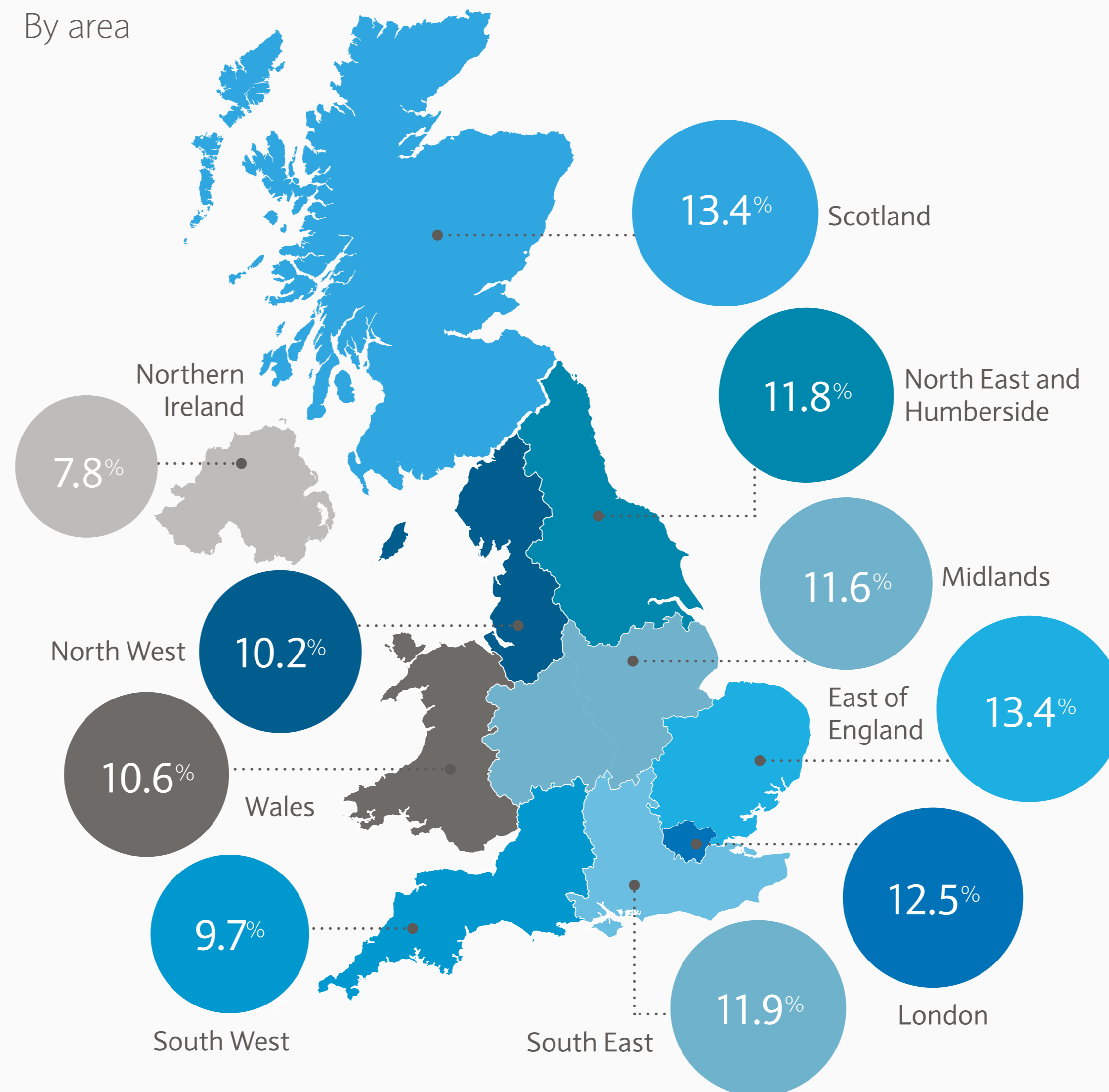
Large businesses will invest 12.3% of revenue and medium-sized firms 10.9%. Small businesses, too, are delving deep, preparing to commit 9.7% of revenue – a big leap on the 6% they currently invest.

Retailers reporting the biggest planned investment are based in Scotland, the East of England (both 13.4% of revenue) and London (12.5%). Department stores are the segment with the highest level of investment intention (13.5%), perhaps reflecting a growing focus on online sales amid declining footfall in stores. As the next section suggests, click and collect services are helping some stores to mitigate the latter trend.

“Retailers reporting the biggest planned investment are based in Scotland, the East of England and London.”

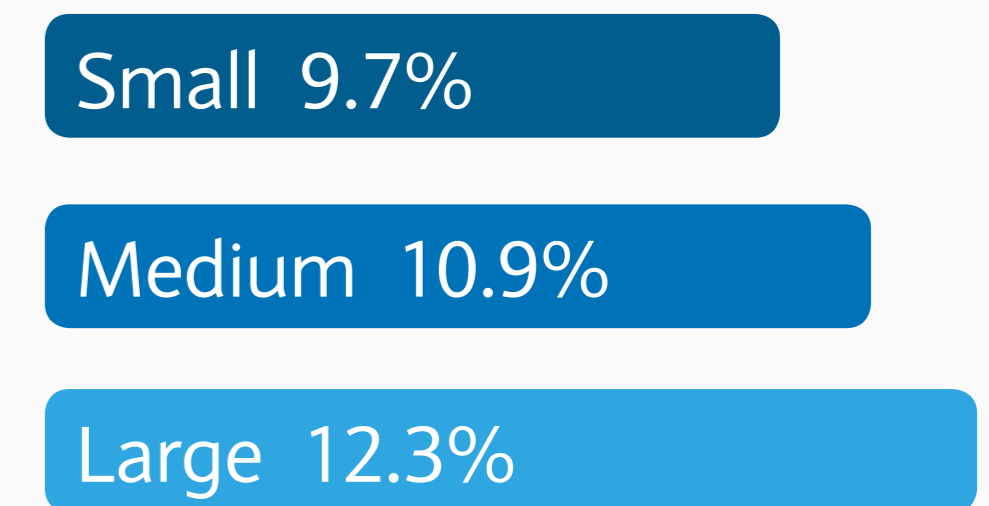
Revenue businesses plan to invest in sustainable delivery over the next five years:

By area



of retailers are setting aside a significant amount to enable more sustainable delivery options

By business size



Retailer action

Why retailers invest

Overall, more than eight in 10 businesses will allocate a significant amount to sustainable delivery options in the next five years. This includes 48% which see this type of investment as an enabler to business growth and 35% which see it as a slow-build, long-term improvement to their operations. A further 11% will invest a minimal amount, while only 4% say they have no plans to invest in this area.

Against a background of tightening margins, what is motivating this investment? The chief factor is the imperative to improve reputation: 57% of retailers, including 66% of larger businesses and 64% of multi-channel operations, believe they will gain in this way.

Top sustainable delivery options retailers are looking to invest in for the future:



Strengthening brand reputation is likely in turn to affect customers' brand loyalty – and improving customer loyalty and winning new customers are the next most common drivers, each cited by 51% of respondents. A similar proportion, 50%, believe that sustainable delivery options will help them save on costs, and 46% say they will improve efficiency. Only 12% say these initiatives would not help them to grow their business.

Recent developments

Over the past 12 months, a reduction in packaging has been the goal most commonly pursued in retailers' sustainability efforts. Just under half (47%) of business respondents have already invested to cut packaging. This has been a particular feature of multi-channel operations (54%), perhaps because their packaging is more visible in store.

Delivery recycling schemes have been adopted by 43%, while 32% have run schemes for donation to charity partners. Almost a third (32%) of retailers have offered discounts or vouchers to customers who return packaging. For instance, MAC Cosmetics provides free lipsticks for customers who return six packaging containers via its long-standing 'Back to MAC' policy.² This is a particularly popular measure for online-only retailers, 42% of which have used it.

Other common initiatives include offering customers the chance to offset their carbon footprint, generally by contributing an extra charge via an official scheme (31%). Three in 10 businesses offer a deposit for returning plastic (30%) or the choice to pay more for a greener delivery, such as via electric vehicles (29%).

Future investment plans

For the future, there will continue to be a focus on reduced packaging. Again, many more multi-channel (57%) than online-only (28%) respondents intend to invest in this area. Developing technology may also be encouraging more businesses to invest in biodegradable packaging materials, a move cited by 46% of businesses.

Of the business respondents, 39% will invest in delivery to collection locations close to customers' homes. This solution is particularly favoured by businesses in Wales (55%) and London (54%). Electric vehicle investment is another popular measure in the capital, cited by 50% of London-based firms and 37% overall.

Around a third of businesses are planning to change delivery routes to cut fuel use (35%), offer defined time slots for delivery (34%) or provide return schemes through online shopping (32%). Fully automated processing, making use of robotics, is being considered by 28% of retailers: for example, the Co-op is trialling robot deliveries (see page 14).

Delivery methods such as lockers (22%), e-bikes (20%), e-scooters (16%) and drones (16%) appear less frequently in investment plans. Around a fifth of retailers are also considering schemes where the delivery driver unloads purchases directly into the home or fridge (20%) and the use of reverse vending machines, which give customers a deposit or refund when they return empty containers (18%).

How can retailers earn loyalty?

Customers are willing to contribute far less than retailers imagine to green delivery schemes, but their responses offer good news for businesses too.

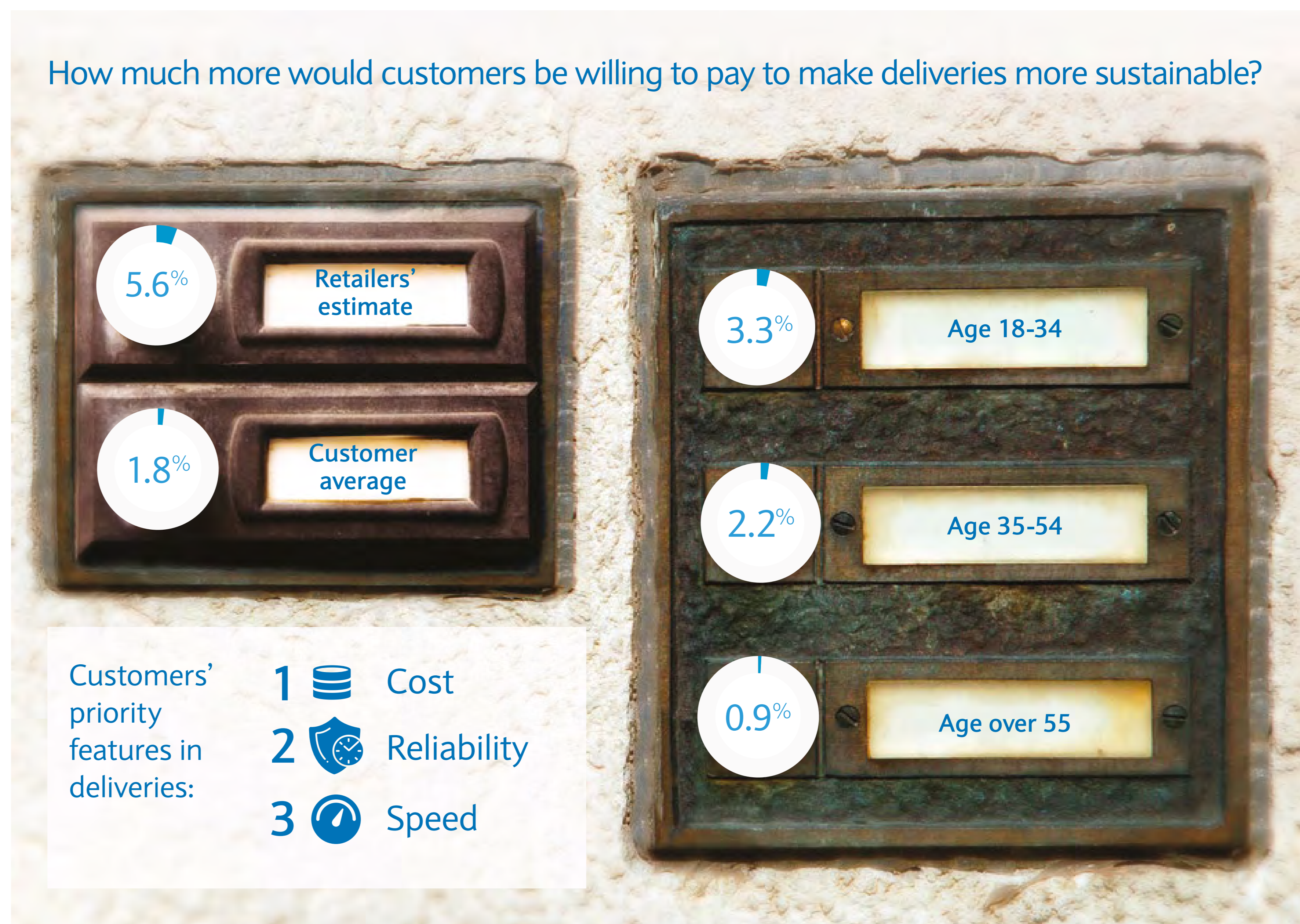
The most glaring gap in perceptions exposed by the research relates to the potential contribution of consumers to new advances in sustainable deliveries.

On average, retailers believe customers would be willing to pay a premium of 5.6% for greener deliveries. Bigger businesses have higher expectations, estimating their customers would contribute an extra 6.2%. Online-only businesses put the figure higher yet, at 7.5%.

In reality, the average premium customers would be prepared to pay is just 1.8%. And 62% of consumers believe they should pay nothing at all, expecting retailers to absorb the full costs of sustainability initiatives.

Customers' priority list

In part, the discrepancy arises because retailers underestimate the importance to customers of delivery cost. Businesses believe speed is the most important delivery feature for customers. Consumers themselves put cost at the top of the agenda, with speed in third position after reliability.



Bridging the gap

Customers' priorities among other factors are correctly identified by business, with defined time slots following speed in order of importance. Reduced packaging and low or zero-carbon deliveries are at the foot of the league, though both are given more weight by Millennials and Generation Z adults than by other age groups.

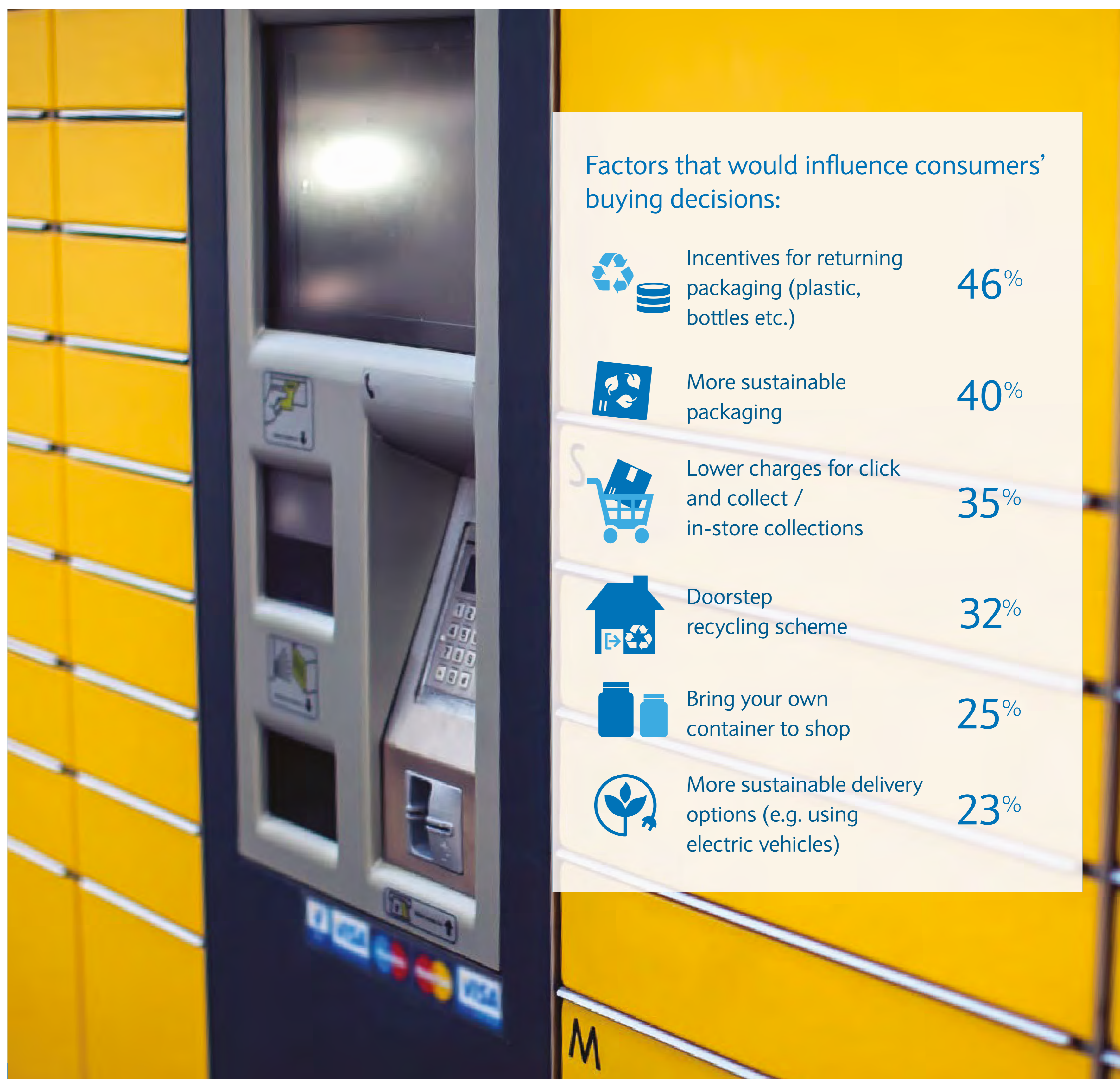
Young would contribute more

On closer inspection, there are some big variations in consumers' attitude to a proposed sustainability premium. The first is regional. London customers would be prepared to pay on average 2.9% extra, far outstripping those in any other region, while only 48% in the capital expect businesses to shoulder all the costs.

By comparison, people in Scotland (69%) and Wales (68%) are much readier to assign the full costs of greener deliveries to providers. Among Scottish consumers the average proposed premium is 1.5%. In Wales, as well as in the East of England, customers' pockets would stretch to only 1.6%.

More strikingly, there is a big generation gap. While three-quarters (76%) of the over-55s expect businesses to absorb all the costs, only 40% of the 18-to-34s take this attitude. Correspondingly, the average over-55 would pay a 0.9% sustainability premium; 18-to-34-year-olds would be prepared to pay 3.3% extra.

This is good news for retailers. Assuming the attitudes of the current younger generations do not harden as they age, it would be natural to expect more open attitudes to prevail over time. Retailers have an opportunity to encourage and lead this process, by building consumer awareness of their efforts to rise to the challenges of sustainable deliveries.



Capturing the imagination

There are also some gaps between the sustainability initiatives being planned by retailers and the schemes with potential to influence customers' buying decisions.

There are some good reasons for this. The most effective measures are not always those most visible to consumers. For example, changing delivery routes to cut fuel use is a useful exercise, in which 35% of retailers are investing. It is, however, largely an operational measure, with little obvious impact for the customer experience, so only 14% of consumers rate it as desirable.

Effective sustainability measures are valuable, even if customers don't notice them. Nevertheless, it is obviously in retailers' interests to pursue schemes that capture the public imagination and participation, where possible.

Support for delivery recycling

Both parties agree on the pre-eminence of packaging initiatives. The 48% of retailers which are investing in reduced packaging is more than matched by the 57% which would like to see their providers offer this. And the 40% of customers who say their buying decisions would be affected by the use of more sustainable packaging will be well-disposed towards the 46% of businesses planning to invest in biodegradable packaging materials.

Some retailers encourage customers to post back their packaging for recycling. For example, meal delivery service Pasta Evangelists sends customers a free postage label to facilitate this.³

Barclays Corporate Banking research suggests customers would welcome instant removal of their packaging for recycling by a delivery driver. A significant 85% of consumers would use such a scheme, a proportion that remains fairly consistent across location and age group.

The caveat is that only 8% would currently be willing to pay to use this service. Nevertheless, the figures point to a strong wish for a feature that was offered by only 43% of businesses in the past year.

Click and collect appetite

Another significant finding is the majority (58%) who would take up the chance to click and collect in store for a lower fee. This feature would actively influence buying decisions for 35%.

Some retailers already incentivise their customers to use this service: for instance, House of Fraser offers a £10 voucher to spend in store for customers who opt for click and collect.⁴ Nor is it an option restricted to multi-channel providers – Amazon, for example, recently formed a partnership to allow customers to pick up their orders from Next stores.⁵

“Effective sustainability measures are valuable, even if customers don't notice them. Nevertheless, it is obviously in retailers' interests to pursue schemes that capture the public imagination and participation, where possible.”

Click and collect is a fast-growing market: one estimate suggests it will account for 12.9% of global spend by 2023.⁶ While it comes with its own challenges, such as the floor space and staff time required to handle click and collect items, it offers a net saving on cost and carbon footprint – and is clearly a convenient option for many customers.

Unmet customer appetites

Similarly, the appetite for use of reverse vending machines – which 41% of consumers say they would be likely to use – is outstripping the 18% of retailers which plan to invest in this technology over the next five years. Reverse vending has been trialled recently by major retailers such as Co-op, Morrisons and Iceland.⁷

Other measures favoured by many customers are not necessarily high on retailers' agendas. Almost half (47%) of consumers would like to see delivery providers offer vouchers to return packaging, for instance.

Generational differences are less pronounced when it comes to specific schemes, but there are some significant regional differences. Consumers in London are especially likely to be swayed by incentives for returning packaging (54%), for example – perhaps because urban flat-dwellers are likely to lack space and because communal recycling facilities may be oversubscribed in high-density areas.

Customers' willingness to contribute financially to receive more sustainable deliveries may lag behind retailers' hopes – but this could be more than outweighed by the potential gains in loyalty by offering services with wide consumer appeal.

Strategies for success

With a targeted and creative approach to sustainability initiatives, retailers can foster loyalty and win new customers.

Communicate

If your initiatives are to help build loyalty, customers need to be aware of them – even if they involve changes that don't directly affect their service. Find creative and digestible ways to deliver these messages – for example, mentioning them at the point of checkout, with a link to further details for those who are interested. Take every opportunity to reach key influencers via social media too.

Engage

Consider trialling schemes to harness customer participation. For example, our research suggests a high level of potential engagement in initiatives that enable customers to hand back packaging to their delivery driver. While the impact on delivery schedules requires careful planning, removing packaging from the customer's hands at the point of delivery is an idea with obvious appeal.

Incentivise

Weigh up the potential gains against the cost of offering incentives. For instance, the click and collect market is growing: a price incentive to make use of this option could deliver cost and carbon savings as well as driving more in-store trade. Reverse vending machines have yet to go mainstream, but appeal widely to consumers.

Collaborate

Launching its new drive to cut plastic packaging by half by 2025, Sainsbury's co-hosted an industry summit for suppliers, manufacturers, customers and other businesses.⁸ Meanwhile Tesco says it will ban suppliers' products if they have excessive packaging.⁹ Successful sustainability is a joint effort: subscribe to industry-wide initiatives, and work with your supply chain partners, to ensure sustainability in the customer delivery process and throughout the product journey.

Think laterally

Besides switching to more easily recyclable materials, London-based perfumer Miller Harris has created real silk scarves to wrap goods – so that the packaging becomes a covetable and reusable item in its own right.¹⁰

Finance

Barclays is dedicated to helping companies take action to address the environmental and sustainability challenges facing our planet. Speak to your Relationship Director today to find out how our Green Solutions could support your company's green agenda.

Driven by a sense of purpose



Autonomous robots may now be helping to deliver the Co-op's groceries, but customers are firmly in the driving seat when it comes to shaping the group's sustainability initiatives.

The Co-operative Group is no ordinary business. As the largest mutual in the UK, owned by members and customers, it has always done things differently. And its early ventures into the field of online deliveries have been typically distinctive.

Earlier this year the group began to fulfil orders via a dedicated website for the first time – sending zero-carbon electric bikes out on delivery missions on the streets of London.

Meanwhile, in Milton Keynes, the Co-op has paired up with Starship Technologies to trial the use of autonomous robots. After being loaded in store, the robots carry groceries up to two miles to customers' homes, armed with GPS and sensors for detecting obstacles. Customers receive a text with a link to unlock their robot when it arrives.

Zero-emission fulfilment

Of the hundreds of thousands of orders delivered across the group's platforms and partnerships to date, 80% have been fulfilled using zero-emission methods, says the group's Chief Executive, Steve Murrells.



Case study

The Co-op is now starting to scale up its delivery services, offering delivery via multiple methods in London, Manchester, Edinburgh, Plymouth, Exeter, Leeds, Salford, Milton Keynes and Brighton.

“We don’t serve the whole of these cities yet – we’re continuing to test and learn,” says Steve. “But we’re committed to ensuring the majority of our food deliveries are made through low or zero emissions means.”

Short-term targets, long-term goals

These developments are part of a long-standing sustainability commitment that has seen, for example, the group halve its greenhouse gas emissions in the decade from 2006. It has now committed to a further 50% reduction by 2025.

“Last year alone, we cut our emissions by 20%,” says Steve. “We see stretching short-term targets as imperative in the delivery of longer-term strategies to safeguard the environment and tackle climate change.”

The Co-op has also taken the lead by replacing single-use plastic carrier bags in over 1,000 of its food stores with the UK’s first widely-available compostable carrier bags.

It was the first UK retailer to launch a deposit-and-return scheme trial, using reverse vending machines to improve recycling and reduce litter at major music festivals last summer. And it is set to eradicate plastic that can’t be reused or recycled from its own-brand packaging by 2023.



Direct line to stakeholders’ concerns

The Co-op has an advantage over most businesses in having first-hand knowledge of its customers’ appetite for sustainability measures. Its members and customers play a key role in driving new initiatives.

Last year, for instance, its AGM debated motions on plastic recycling. And recently members were encouraged to submit ideas on packaging reduction schemes; one of the most popular has now been implemented in store.

“Our members and customers tell us that recyclable packaging, honest labelling, healthy eating, tackling food waste and British sourcing are important to them, which is why we’re focusing on these areas and more to 2030 and beyond,” Steve says.

All these goals are brought together under the umbrella of the Co-op’s Future of Food strategy – developed not just with members but in wider partnership with suppliers, academics and industry experts.

Championing Fairtrade produce is another important part of this strategy. The issuance of a recent £300m sustainability bond, for which Barclays was a lead arranger, enabled the Co-op to allocate the proceeds exclusively to its work supporting and promoting Fairtrade, including Fairtrade producers and their communities.

An enabler for growth

Sustainability is seen by the group as a platform for growth. Some investments – such as the £23m being ploughed into installing natural refrigeration in food stores this year – will inevitably take a while to pay back. But ultimately, the Co-op’s bottom line benefits alongside wider society, Steve points out.

“As a result of sustainability investments in our properties this year, for example, we’ll make operational cost savings of £3m,” he says.

“The Co-op has been able to grow while reducing its climate impact at the same time. A decade ago, people would’ve said that was impossible.”

For the Future

The Boohoo Group might just be at the start of its journey towards more environmentally-conscious production, but it intends to deliver sustainability in the same way as it conducts the rest of its business – by listening to what its customers want.

The success of the Boohoo Group has been built on taking a customer-centric approach, says Tom Kershaw, Director of Sustainability and Responsible Business.

Tom stresses that businesses need to take a responsibility to manage their own environmental and social impact, but recognises that: “We also have an important role to play in educating our customers and meeting their demands for more sustainable options.”

Following its acquisition of Karen Millen and Coast in August 2019, the Boohoo Group now comprises seven brands, and a major focus for the business is the 16-25 age group, especially for its Boohoo and Nasty Gal labels.

“What we are seeing is an increase in consumer interest in brands’ sustainability credentials, and this demographic is particularly engaged with how we reduce our impact.”

“If we join forces as an industry then we can do so much more to improve the sustainability of fashion.”



Case study

Transparency is key

Industry research and Boohoo's own consumer data both show that ethical sourcing and transparency in the supply chain are rising up the customer agenda, as Tom explains.

“We want to ensure we are improving transparency within our supply chain and can offer our consumers a product that is more sustainable. We are also focused on providing solutions that help customers get more life from that product and options to dispose of it sustainably at the end of its perceived ‘life’.”

To this end, Boohoo encourages its customers to use reGAIN, an app offering incentives such as vouchers in exchange for unwanted clothes.

First steps to sustainability

The focus on their customer's environmental expectations builds on the success of group-wide initiatives. In 2018, for example, the group diverted 100% of waste (some 65 tonnes) at its Burnley Distribution Centre from landfill – 68% of which was recycled. At its Manchester site, the company monitors and reports on all wastage and recycles all paper and plastic waste, in addition to all cardboard and plastic waste from its warehouse.

Energy efficiency has improved too, with energy efficient storage heaters installed in many offices, and lighting at head office and in the warehouse replaced with a motion-activated system. LEDs are also being used wherever possible.

Yet despite these successes and new initiatives such as its recycled clothing collection service ‘For the Future’, the group remains realistic about its progress on what it views as a long journey.

The final green mile

Tom's own appointment as Director of Sustainability is indicative of Boohoo's commitment to further building its green credentials, and the organisation has pledged to improve sustainability across the full product lifecycle.

Around 40-50% of its product is currently manufactured in the UK, keeping its journey and associated carbon emissions to a minimum. The group now plans to work with third parties to further understand – and reduce – its carbon footprint.

“Our dispatch bags are recyclable and made from 100% recycled material,” adds Tom. “Also, when we are buying a fashion style, we take a ‘test and learn’ approach – buying small quantities initially and only rebuying in bigger numbers if the style does well. That approach has defined how the business operates and we want to continue that in our sustainability strategies – we want to test an initiative and, if it does work, enhance our work in that area.

“As our partners in the logistics sector start to offer more environmentally friendly delivery options, we're looking at what we can do to make the ‘final mile’ to our customers' homes more sustainable.”

“Challenging our day-to-day decisions from a sustainability and environmental perspective must become normal practice.”

A united effort

While the sustainability collections launched so far have been popular, Tom acknowledges that the group has been subject to criticism for not doing enough – an accusation also directed at many other businesses across the UK.

He says that any organisation should listen to criticism in this area, whether it's from customers or other bodies. He references the findings of the Environmental Audit Committee in January 2019 that, at the time, grouped Boohoo's commitment to sustainable fashion and labour markets amongst the ‘least engaged’ when compared to 16 leading fashion retailers.

Tom turned those findings into an important learning experience. This led to the realisation that, while making good progress, Boohoo had the opportunity to do much more. “We are now looking to commit to WRAP's Sustainable Clothing Action Plan 2020, and other industry initiatives that look at the use of microfibres and supply chain sustainability.

“Traditionally, Boohoo might not have been part of these industry conversations, but we welcome engagement with the committee and other industry working groups. If we join forces, then we can do so much more to improve the sustainability of fashion.

“Just as in our own lives, challenging our day-to-day decisions from a sustainability and environmental perspective – and making achievable steps to improve – must become normal practice,” he concludes.

On a mission to slice bananas' environmental costs



Every Fyffes banana in a UK fruit bowl has been on a 5,000-mile journey. How can the fruit be delivered more sustainably?

Consumers who fume at the bags encasing their groceries may soon find at least one popular product has gone plastic-free. Fyffes, the leading tropical fruit producer, is trialling an alternative.

“We’ve developed a paper band to go around the bananas,” explains Andy Denham-Smith, Fyffes Group Managing Director. “We’re still working on mechanising it, but it will allow us to avoid plastic while identifying the bananas – organic fruit, for example, has to be differentiated by law.”

A tougher challenge is to minimise plastic during the bananas’ two-week sea journey from tropical farms to markets around the world. The highly perishable cargo needs careful preservation in what Andy describes as “the ultimate just-in-time delivery system”.

“Plastic is important if the bananas are to retain their freshness and moisture,” he says. “We can eliminate bags for each bunch of bananas and transport them loose in boxes, but each box then needs to be lined with polythene.” With 65 million boxes of bananas moved every year, that still requires a lot of plastic, Andy accepts. “However, it does give us a fantastic opportunity to recycle – we can collect all those bags and reuse them.”

Environmental progress

Once on dry land, the bananas continue to get sensitive handling. Before delivery to retailers, they are stored in ‘ripening centres’, where temperature control is paramount. In recent years the group has switched these centres from direct-expansion air-conditioning to the more eco-friendly hydronic system, using chilled water. Remote monitoring ensures that electricity is only activated when required. This move has helped Fyffes to reduce its environmental footprint: “Over 20 years, we’ve doubled our sales but cut our electricity use by a quarter,” says Andy.

Fyffes’ longer-term ambition is to install solar panels in the group’s vast warehouses, including its five UK premises, providing it can be done cost-efficiently. The maritime industry’s move to ultra-low-sulphur fuel, to be implemented by January 2020, will further reduce the CO₂ footprint of the bananas’ long journey.

“Consumers too will ultimately have to contribute – whether that’s a shift in mindsets to buy local, seasonal produce, or paying more to improve sustainability.”



While suppliers must continue to invest, Andy believes consumers too will ultimately have to contribute – whether that’s a shift in mindsets to buy local, seasonal produce, or paying more to improve sustainability. UK consumers, he points out, currently spend among the lowest proportion of disposable income on food, after the US.

“People will have to learn that there’s a premium to be paid if they want to have a choice of strawberries from five different countries throughout the year, for example,” he says.

Social responsibility

Fyffes’ global sustainability strategy, launched earlier this year, lays out plans to achieve UN Sustainable Development Goals by 2030, with a shorter three-year timeframe as a first step. These are wide-ranging: much of Fyffes annual £1m-plus sustainability expenditure is devoted to data-gathering and benchmarking to inform the group’s social responsibility targets, says Andy.

“We don’t have the expertise to do all these studies in-house, but we need to ensure that we’re eliminating the risk of human and labour rights risks like modern slavery while promoting the living wage and gender equality throughout our supply chain,” he adds.

“It’s complex because agriculture is one of the least-developed sectors and we work in some of the least-developed countries – though modern slavery is very much a live problem within the UK too.

“It is taking time, but meeting these goals is not a nice-to-have: it’s the minimum we need to do as a company looking to source and trade responsibly,” he concludes.

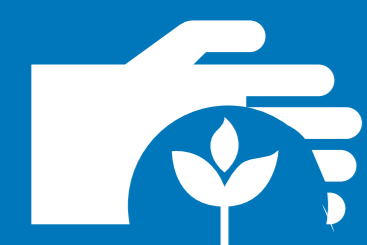


“Meeting these goals is not a nice-to-have: it’s the minimum we need to do as a company looking to source and trade responsibly.”

Connecting you to possibility

Barclays is dedicated to helping companies take action to address the environmental and sustainability challenges facing our planet.

Our flexible financing and deposits can fund a variety of green and environmental projects including energy efficiency, renewable energy, green transport, sustainable food, agriculture and forest, waste management and greenhouse gas emission reduction:



Green Loans

Can provide funding for a variety of green and environmental projects from £3m upwards.



Green Trade Loans

Supporting your green working capital needs from procurement through to final sale of goods.



Green Deposits

Earmark cash balances against 'green bonds' held on Barclays' balance sheet.



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About the author

For further information and to find out how our sector specialist team can help your business respond to the issues outlined in this report, please contact [Karen Johnson](#). To find out more about how Barclays can support your business, please call **0800 015 4242*** or visit [barclayscorporate.com](https://www.barclayscorporate.com)



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Karen joined Barclays in 2015 to lead the large corporate team in the North West. Karen has over 25 years' banking experience working with owner managed businesses through to large corporates. She has worked in a senior capacity in roles spanning business development, business turnaround, real estate and large corporates.

Karen is currently National Head of Retail, Wholesale and Healthcare for Corporate Banking and Co-Chair of the Corporate Banking Diversity and Inclusion Council. In addition, Karen has responsibility for leading on our North West external Diversity and Inclusion initiatives. Key campaigns during the last two years include the Women in Business Awards and launching the 'This is Me' North West to raise awareness and reduce the stigma around mental health.

*Calls to 0800 numbers are free from UK landlines and personal mobiles, otherwise call charges may apply. To maintain a quality service we may monitor or record phone calls.

Additional sources

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