

## National Retail Federation's Sustainability Retailing Consortium<sup>1</sup>

In early July 2010, Dan Butler, VP, Merchandising and Retail Operations of National Retail Federation (NRF), was enjoying the comfort of his office, happy to be avoiding the stifling heat and humidity of the Washington, D.C. summer.

As he reflected on the prior few years, Butler was generally pleased with the progress made with the Sustainability Retailing Consortium (SRC) that he had created. SRC's goal was to educate and create collaborations among NRF's members to produce industry-wide solutions on environmental sustainability. As sustainability became an increasingly visible topic in the larger corporate landscape and continued to gain prominence in legislation and in the media, he wondered: Was he addressing the right set of issues for NRF's members? If not, where should he focus? Were there similar initiatives being implemented in other industries, and what could he learn from them? In turn, could his learning at NRF be of use to others to affect change at the industry level?

### *National Retail Federation (NRF)*

As the world's largest retail trade association, NRF's members include retailers of all sizes and channels of distribution, as well as chain restaurants and industry partners from both the US and abroad. In the US alone, NRF represents an industry comprising 1.6 million companies employing 25 million workers, generating revenues of \$2.3 trillion.

NRF's stated mission is '...to advance and protect the interests of the retail industry and to help retailers achieve excellence in all areas of their business.' Although primarily responsible for government relations (or, as their recent annual report puts it, '...engages lawmakers from both political parties to protect and further retail's interests on a wide range of issues...'), NRF also houses the NRF Foundation, a non-profit arm that conducts industry research, develops education and workforce development programs, and promotes careers in retailing.<sup>2</sup> NRF's network of conferences, trade shows, educational sessions, and research partnerships, as well as methods of outreach to its membership, are considered to be among the best of any trade association. For example, out of the roughly 18,000 attendees at their annual conventions, over 3,500 attend educational events organized by NRF.

Four divisions carry out much of its day-to-day tasks: Association for Retail Technology Standards (helping to develop technology standards in retailing), National Council of Chain Restaurants (helping to shape public policy toward chain restaurants), Retail Advertising and Marketing Association (advocacy for retail marketing and advertising/media professionals) and Shop.org (an association of online retailers). NRF also publishes *STORES*, a monthly magazine that covers issues of importance to senior managers in retailing.

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<sup>1</sup> This case was developed by Michelle Mejia (F'10) under the supervision of Professor Anant K. Sundaram at the Tuck School of Business, with funding from the Allwin Initiative for Corporate Citizenship, solely as a basis for class discussion. We are grateful to L. J. Mohan of Polo Ralph Lauren Corp. for suggesting the case, to Dan Butler of the National Retail Federation for his insights, and to Pat Palmiotto for comments. © September 2010.

<sup>2</sup> According to *The Hill*, a daily newspaper that publishes when the Congress is in session, NRF is viewed one of Washington's '...most powerful trade associations.'

## *Sustainability Retailing Consortium (SRC)*

Following a successful managerial career at Macy's and Hecht's, Butler joined NRF in December 2000. During the decade that he had spent there, he had taken on many different roles. In mid-2006, Tracy Mullins, President of NRF, met with Butler. Environmental sustainability seemed to have become a topic of much visibility and debate in the media and on Capitol Hill, and she asked Butler to explore whether this was an area of sustained importance or just a fad. And, if it was important and here to stay, should NRF do something about it?

Tasked with the challenge, Butler sought to understand whether sustainability was an issue that would have long-term implications for the retailing world, and if so, what those implications might be. After spirited conversations with many NRF members and significant research, Butler felt the answer was a resounding 'yes'. "In the past, the NRF had addressed issues of sustainability as and when they occurred. We worked to provide our retailers the tools and support they required of us on an ad-hoc basis. But I soon realized that the issue was not only of fundamental long-term importance to retailing, but one for which we had to develop a comprehensive strategy", he recalled.

Butler created a dedicated committee called the Sustainable Retailing Consortium (SRC). It brought together knowledgeable executives from retailers, manufacturers, vendors, and firms engaged in sustainable retailing efforts. Primarily positioned as a networking and knowledge-sharing group, SRC monitored trends in, and evolution of 'green' efforts in the industry that it felt could be disseminated to the broader community of retailers.

As it learned more, SRC developed a structure for its activities which fell into the following three categories: (1) Industry tools: These would be how-to's, calculators, and checklists intended to aid NRF's members to assess and monitor their company's sustainability efforts; (2) Committees: These would be member-driven groups to address key areas of environmental concerns for the retailing industry, ranging from product development to buildings to supply chain initiatives. (3) Webinars: These would be expert-led, web-based seminars to address specific issues of salience to NRF's member base. (More details on each of the three are provided in the next section.)

As of July 2010, SRC had 250 participating firms. Of those, 50% or more are retailers, and the remainder were partners such as consulting firms and vendors. Member companies covered a broad scope. Their diversity added to the complexity of issues to address within the sustainability space. Broadly speaking, the retail industry was viewed as encompassing four sub-industries: general, specialty, grocery and online (e-tailing). Each sub-industry had its own unique sustainability concerns:

General: As the name implies, companies falling into this category offer a broad product mix. Members of this sub-industry, such as retail giant Walmart, typically view sustainability through a supply chain, LEED building, and waste reduction lens.

Specialty: Companies within this fragmented group encompass many areas, from fine jewelry (e.g., Tiffany and Co.) to casual apparel (e.g., The Gap). Sustainability concerns varied widely depending on business model, target customer segment,

and types of supply-sourcing. Tiffany, for example, is greatly concerned about sourcing, to ensure that gems and metals are mined and obtained in an environmentally and ethically responsible way. The Gap, on the other hand, focuses its attention on the impact of its store footprint and focuses on energy and waste reduction, as well as sustainable store design.

Grocery: Grocery retailers tend to focus on reducing the impact of their physical (store) footprint, and look towards energy and waste reduction as important components of their sustainability efforts. Further, with the pioneering efforts of grocery firms such as Whole Foods, broad moves towards organic and sustainable foods, as well as ‘fair trade’ sourcing, have gained importance.

E-Tailing: E-Commerce companies, such as eBay and Amazon.com, typically seek to affect sustainable change through energy efficiency, packaging, and logistics as their primary environmental impact comes from their warehouses, inbound and outbound shipping, and data centers.

### *SRC Member Resources*

1. Industry tools: SRC offered three tools for its members: the Sustainability Scorecard, the Carbon Calculator and an e-Training tool.

Sustainability Scorecard. This scorecard was created to help retailers develop their sustainability programs and give them a tool to benchmark efforts with the rest of the industry. It was designed to be used by those just starting to develop sustainability efforts, as well as those with advanced programs. Results are unique to a company and only company employees can see their company’s results. As of September 2010, over 250 companies had used this tool.

Carbon Calculator. In partnership with Verisae, a company that provides consulting services in implementing clean-tech software, SRC developed a tool to calculate a retailer’s carbon footprint and benchmark progress against that of other retailers. This tool would be used to make basic calculations, such as converting raw emissions data (refrigerant gases, fossil fuel consumption, and electricity use) into a carbon footprint baseline.

E-Training. This is an online tool developed to educate suppliers and retailers on what sustainability means and how they can improve their presence in the ‘green’ marketplace. It focuses on four areas: energy and climate; material efficiency; strategic partnerships with non-profits; and ‘greentailing.’.

2. Committees: SRC brings together its retailers through several committees and working councils that explore specific issues including store design, energy use and management, recycling and supply chain. Collaboration and knowledge-sharing are viewed as central to their success, and members who sign on are assumed to be open to both sharing and learning from each other’s practices. There are working councils cover green building design, stakeholder education, recycling and waste reduction, green supply chain/logistics/transportation, renewable energy, green products and partnerships, consumer trends and behavior, regulatory compliance, and leadership.

While the Councils cover a wide range of issues, Butler identified four as currently being of the greatest interest: consumer trends, supply chain, green building, and regulatory compliance.

3. Webinars: Webinars are designed and conducted in partnership with topic-experts, and address topics that most industry sub-groups found relevant to their sustainability efforts. As of August 2010, SRC had hosted three webinars, each attracting between 125 to 250 registrants: implementing sustainability initiatives (“The Sustainability Journey: Turning Talk into Action”); retail consumers and sustainability (“What Retailers are Learning about their Customer and How They are Responding to Sustainability”); and financial implications of sustainability efforts (“The Bottom Line of Greening Retail: Retailer Case Studies”). The webinars are made permanently available for viewing on NRF’s website for all its member firms.

### *Next Steps*

Reflecting on the time that SRC had been in existence, Butler felt proud of what NRF had accomplished while acknowledging that developing these initiatives has been challenging. By providing a forum that encouraged industry-wide collaboration and knowledge-sharing on an issue of societal significance, he felt that he had put in place a mechanism to expand the scope of impact. At the very least, he had started an industry-wide conversation on sustainability.

But he was less sure of whether the intended impact from a group of firms working together had transcended that from initiatives undertaken by individual companies. Although he had not yet conducted such an assessment, he felt strongly that it should have had a meaningful impact, since resources expended by a large number of individual firms to reinvent a wheel that someone else already had invented are resources they could have used more profitably elsewhere.

Yet, he pondered whether NRF should continue to take such a high-level approach, or change strategic direction and focus on a smaller set of areas. Moreover, as retailers became savvier in the space, how should SRC’s initiatives evolve? Were there more impactful and value-added ways to educate members and to share best practices? And, finally, could the positive outcomes and the lessons learned from working collectively on innovative practices in retailing carry over to other industries?