

Turning Green to Gold





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“A majority of U.S. consumers are concerned with environmental issues.

They are expected to spend about \$500 billion on green products and services in 2008.”

– 2007 ImagePower Green Brands Survey

The green movement dates back to the 1960s. Yet we saw very little progress for decades thereafter. Eco-minded individuals who hauled recyclables across town, switched to rough, recycled toilet paper, or sacrificed morning sleep to bike to work did not see much improvement in the environment in exchange for their discomfort and inconvenience. We see substantial progress only when governments mandate it or when businesses align their goals and objectives with societal goals and objectives. A December 2006 *Harvard Business Review* article makes a compelling argument:

The prevailing approaches to corporate social responsibility are so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that corporate responsibility can be much more than a cost, a constraint, or a charitable deed — it can be a source of opportunity, innovation, and competitive advantage.

The message is clear. Businesses can be both environmentally responsible and economically successful. But why should convenience store owners focus on environmental responsibility? Why not literacy or healthcare or some other issue? Quite simply, they affect the environment far more than literacy rates or healthcare delivery; it's their sandbox.

Convenience stores:

- Sell and store approximately 80 percent of the motor fuels in the United States
- Sell the highest percentage of immediately consumed packaged goods, which generates a lot of trash
- Require paved parking lots, which creates water runoff
- Operate more carwashes than any other channel of trade, which affects water quality

You can agree that being environmentally responsible is a good thing, but how does it affect your economic interests? It's all about supply and demand.

On the supply side, you can reduce supply and operating costs by using affordable, eco-friendly products and services. You may also be able to expand your labor force by attracting the growing number of employees who prefer to work for eco-minded companies.

On the demand side, you can tap into the growing consumer demand for eco-friendly products and practices and attract employees who want to work for socially responsible companies.

Your company operates within a competitive and social context, so the benefits you realize from being environmentally responsible depend on two conditions: what your competitors are doing and what your community values. You will need to weigh the costs, benefits, risks and opportunities associated with environmental

responsibility, but no matter what course you choose, it will play a role. Consider these market scenarios:

1. Employees and customers demand environmental responsibility
+
No or few eco-minded competitors
=
Expanded labor supply, increased sales and greater market share for environmentally responsible companies
2. Employees and customers demand environmental responsibility
+
Many eco-minded competitors
=
Greater competition for labor, sales and market share (you must become environmentally responsible to compete)

But what if demand is low because your customers perceive that green means expensive? In this case, you should aggressively pursue opportunities to reduce your costs by adopting low-cost, environmentally responsible practices and monitor the market so that you can move quickly in response to a change in demand.



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What are the benefits to convenience and petroleum retailers?

According to a 2008 survey by the research company Economist Intelligence Unit, the chief reasons for businesses to adopt sustainable practices were to attract new customers or retain existing ones. Some retailers describe adopting green strategies as “future proofing” their business. But there are other important reasons:

- Improved shareholder value
- Increased profitability
- Improved ability to identify and manage risks
- Better quality products and services
- Improved relations with regulators and nongovernmental organizations (NGOs)
- Reduced exposure to taxes
- Competitive advantage
- Rising cost of energy
- Increased brand equity
- Innovation
- Current or expected compliance mandates

What do consumers want?

Most green shoppers are young, affluent, educated and female, and there is little doubt that the green movement is gaining in popularity. Surveys in Europe and North America have found that high percentages (between 70 percent and 79 percent) of consumers are

concerned about the effects of climate change and are interested in green technology. Seventh Generation, for example, which produces green cleaning products, has averaged 40 percent growth annually over the last five years.

According to U.K. retailer Tesco, customers are demanding environmental responsibility: “Customers are driving us down this route. They tell us they want to know what they can do and want to see examples of how to contribute. They feel that large companies like us have a duty to drive technologies.”

When major retailers worldwide asked their customers about sustainability issues, here is what they learned: Most U.S. customers are not willing to pay more for green products and services or make lifestyle sacrifices for the sake of the environment. However, they do want retailers to take the lead in addressing sustainability issues on their behalf. And although European consumers have developed green awareness more quickly than their American counterparts, they, too, expect large companies to lead the fight against global warming.

What are retailers doing?

In the public's view, convenience stores generally have a poor social image because of their misperceived links with fuel, fast food, litter, loitering teenagers and increased traffic. The good news is that convenience stores can improve their image, build customer loyalty and create important links with their communities by adopting green practices. Retail consortiums, large companies and individual operators have

developed ambitious, but doable, strategies and goals. Here are a few examples of those goals:

The British Retail Consortium

- Cut energy-related emissions from buildings by 15 percent
- Cut carbon dioxide emissions from store delivery vehicles by 15 percent
- Assess and reduce water use
- Reduce waste that goes into landfills

Tesco

- Achieve a 50 percent reduction in electricity use per square foot by 2010
- Achieve a 50 percent reduction in carbon footprint by 2020
- Divert 80 percent of construction waste from landfills
- Achieve a 50 percent reduction in the carbon emissions needed to deliver a case of goods by 2012
- Create new stores with, on average, half the carbon footprint of a 2006 store by 2020

Walmart

- Use 100 percent renewable energy
- Create zero waste
- Sell products that sustain natural resources and the environment

Later in the NACS Green Toolkit you will find case studies that provide more details about how retailers are meeting their green goals. We hope that the contents contained in the ensuing pages will give you a useful perspective of the role that environmental responsibility can play in making your business even more successful in the future.