RESPONSIBLE RETAIL
How purpose becomes performance
We live in a polarizing world where people are more aware of social, political and environmental issues than ever.

Topics like climate change, Me Too and the global economy dominate the headlines. Everyone is watching and reacting in real time—and ideas spread like wildfire in moments on social media. People—consumers—of all races, genders, ages, sexual orientations and political parties are finding their voices, and speaking their truth.

Through all the trending topics and viral buzz, consumers are searching for meaning and authenticity—62% shop with their values. This has a profound impact on retail, which has been in the throes of an existential crisis for a decade. The reality is that what retailers do now matters more than what they say. Having a purpose is only the beginning. Consumers want to do business with brands that execute on their purpose responsibly in all that they do. We call this responsible retail.
The era of responsible retail

The case for this next evolution of retail is not just a feel-good story. It is a compelling business strategy. Our analysis shows that responsible businesses exhibit stronger financial performance. Brands with consistently high economic, social and governance (ESG) responsibility performance beat their peers in operating margin and total return to shareholders.²

Leaders are taking notice. Ninety-nine percent of CEOs surveyed from companies with more than $1bn in annual revenues believe sustainability will be important to the future success of their business.³ In a major inflection point, the Business Roundtable, an association of US CEOs, broadened the standard for corporate responsibility beyond delivering shareholder value to include delivering value to customers, employees, suppliers and communities.⁴

This view of corporate responsibility is a bellwether of things to come. Relevancy, differentiation and growth in retail will come from more than products, services and experiences. They will come from responsible retailing.

This is not optional

In practice, responsible retail means different things to different retailers. Yet, one thing is a constant—a strong enterprise commitment. This is not about checking the box on occasional initiatives in pockets of the business. This is about being responsible to all stakeholders all the time.

These stakeholders are the usual suspects—consumers, employees, and investors and partners. There is also a new stakeholder that is more important than ever—our planet. Retailers that serve these stakeholders by turning their purpose into performance will gain the competitive edge. Let the evolution begin.
Responsible retail is designing strategies, products and services, experiences and relationships—every aspect of the business—around responsible initiatives.
Responsibility to all stakeholders is at the heart of responsible retail

Align around values to build trust with YOUR CONSUMERS

Respect YOUR EMPLOYEES as individuals and empower them to thrive

Cultivate relationships with YOUR PARTNERS and grow profitably for YOUR INVESTORS

Act with a sustainable mindset as a steward for OUR PLANET
Responsibility to consumers

Align around values to build trust with your consumers

Responsible retail starts with consumers. It sounds simplistic, but the first responsibility that every retailer has is delivering what consumers want. But consumer expectations are evolving fast. Shoppers will continue to make purchasing decisions based on price and convenience, especially amid raging price wars and next-day—even next-hour—delivery. However, these things are yesterday’s differentiators.
With the majority of consumers shopping with their values, being purpose-driven is an act of survival.⁵ Digital native retailers have seized on this focus around values and designed their businesses around it. Take the flurry of Instagram-friendly, direct-to-consumer brands like Bombas, Third Love and Allbirds. These companies communicate their values and reinforce them through inspirational origin stories told by their founders. They also put themselves where consumers are—on digital channels. In the United States, people spent an average of 12 hours a day on media last year—including six hours on digital media.⁶

The mix of consumer behaviors, endless choices and the emphasis on values introduces new complexity into the retail landscape. Legacy retailers scrambling to keep up with digitally native competitors—some of which are dabbling in physical stores to be everywhere consumers are—have questions to ask. What do their consumers truly care about? How can their brand be relevant in the moments that matter? Do their values align with their consumers’ values?

62% of consumers are shopping with their values, therefore being purpose-driven is an act of survival.

Source: Accenture From Me to We 2018
Answering these questions means truly knowing consumers—who they are, what they want, how they shop and what they value. Yet many people feel that brands do not know them well enough to serve them in meaningful ways. How many times do algorithms offer strange product options that have nothing to do with what consumers need? At the same time, consumers don’t like it when brands seem to know too much about them and act on their knowledge in unwelcome ways. When this happens, retailers can quickly lose consumers’ trust—and their business. Nearly 69% of consumers would stop doing business with a brand if data usage became too invasive.\(^7\)

Responsible retailers navigate this tension between consumers’ desire to be “known” and their demand for privacy. They use the art and science of data analysis to humanize their consumer relationships and align them around a shared sense of purpose and common values. All the while, they successfully walk the line between being inventive and invasive.

Being responsible to consumers means using data for good to build trust-based relationships with them. It is about enriching people’s lives while respecting their privacy, protecting their data, and sharing their values.
Responsibility to employees

Respect your employees as individuals and empower them to thrive

Employees represent brands to consumers. They are retailers’ best—or worst—ambassadors. For good or bad, actions of just one employee can go viral in mere minutes. Trader Joe’s recently enjoyed the spotlight from a heartwarming viral video of employees dancing for a crying toddler in a checkout line. On the other hand, who could forget when Starbucks was trending because of the action of one manager in one store. The company had to act and was praised for addressing the issue by closing all its stores so employees could attend anti-bias training.8
Responsible retailers prioritize their responsibility to employees. They understand that if they treat their employees well, they will treat consumers well—and everyone wins. These brands have policies, programs and cultures grounded in treating employees as individuals and acknowledging their needs and desires—their humanity. Employees feel empowered, enabled and motivated to bring their best selves to work, which is essential to their ability to deliver meaningful and relevant experiences to consumers.

Creating this nurturing environment begins with the day-to-day experience, such as supporting a healthy work-life balance. Consider the practices at outdoor clothing brand Patagonia. The retailer has a stellar reputation for employee retention—with just a 4% turnover rate—thanks to work-life friendly policies like providing onsite childcare, paying for nannies to go on business trips with employees and encouraging employees to spend time outdoors. As the Chief Human Resources Officer has said, the company wants employees “to be who they are.”

Employees’ innovation mindset—their willingness and ability to innovate—is six times higher in the most equal cultures than in the least equal ones. Source: Accenture Getting to Equal 2019

To support a positive work environment for employees, retailers must also create inclusive cultures that welcome diversity. After all, a culture of equality is good for people, and good for business. More and more retailers are coming to understand this. Take Gap Inc., for example. The company created an employee council to reinvent its marketing, merchandising and hiring to support inclusivity across its seven brands.

YOUR EMPLOYEES

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Being responsible goes beyond today’s environment. It involves preparing employees for tomorrow’s. As intelligent machines become part of the retail workforce, retailers have a responsibility to guide employees through this revolution. The key is to understand how the human-machine dynamic positions people to do more fulfilling work and advance their careers. Responsible retailers lead the way in incorporating technology into job functions and continually reskilling employees to foster growth. The retail workforce craves this support—54% believe intelligent technologies will create opportunities for their work.12

By treating employees as people, not workers, responsible retailers create powerful brand champions. With a thriving workplace of empowered individuals, they lay the foundation for a thriving retail business.

54%
The retail workforce craves support—54% believe intelligent technologies will create opportunities for their work.

Source: Accenture Retail People Power 2018
Cultivate relationships with your partners and grow profitability for your investors

Retailers must meet consumers’ and employees’ changing demands while answering to another stakeholder group—investors. The rise of ESG investing signals the growing influence of social responsibility on investment decisions. And as always, investors expect retailers to deliver profitable growth.
Serving all these stakeholders can be a herculean task. Retailers sometimes get caught between competing demands where delivering for one group fails the other. As the industry continues to evolve, each retailer must as well. This means creating new revenue streams through new business models. In fact, retail executives expect that evolving and reinventing their business models will generate two-thirds of their profits by 2021.13

When it comes to reinvention, going it alone is often impractical. Partners are key because they bring speed and scale. Women’s apparel brand Ann Taylor knows this firsthand. With clothing subscription services taking off around them, the company wanted to act fast to get a piece of this hot market. Instead of building its subscription rental business from scratch, the company built its “Infinite Style” offering with a turn-key, clothing-as-a-service platform14 allowing consumers to have three items rented with unlimited swaps for $95 per month.15

Assets in sustainable investment strategies jumped by 34% between 2016 and 2018—reaching $31 trillion. Companies with high ESG ratings have lower risk and higher valuations.

Source: Global Sustainable Investment Alliance 2018 Investment Review and MSCI
This is just one example of countless retail partnerships that exist today. Responsible retailers understand the importance of these partners—ecosystem partners and suppliers and vendors. They build these key relationships around mutual responsibility, transparency and accountability. Retail executives know this is hard. Just over half (53%) say that working with business partners on responsibility-related topics is the top barrier to being a responsible business.16

Finding alignment with partners can be challenging, but it is non-negotiable. All stakeholders are paying close attention to social and environmental issues that touch the industry—everything from exploitative labor practices in factories and wage equality to sustainable garment production. To ensure that they stay on the right side of these issues, responsible retailers must know where their partners stand. They must screen prospective partners to ensure they share a common purpose and values.

Some retailers are codifying these expectations, going beyond standard contract clauses to include supplier codes of conduct. For example, the German global supermarket chain Lidl has ten standards it expects its business partners and their business partners to comply with to keep its business—these range from a ban on discrimination to environmental protections.17

Strong partner relationships make or break retailers’ ability to develop the breakthrough business models that drive growth. As such, retailers’ work with partners ultimately informs how well they deliver to investors.
Responsibility to the planet

Act with a sustainable mindset as a steward for our planet

Environmental consciousness and consumerism have become movements that influence mindsets and behaviors. Whether their concern is about polluting the ocean with microplastics, crowding landfills with old clothes, or wasting food, people are awakening to the impact of their own consumption patterns—and to the retail industry’s part in them. So much so that retailers have a “new” stakeholder to serve that is billions of years old—the planet.
The move toward sustainability is so pervasive that retailers cannot be fully responsible to consumers, employees, investors and partners now without taking responsibility for their environmental footprint. Clearly, this is the right thing to do. It also makes practical business sense. The natural resources that the industry depends on are finite. Business continuity demands that retailers ground their work in sustainability.

With consumers paying more attention to environmental impacts—whether it be with FMCG, clothing or food—we are seeing mindful consumption on the rise. One way that responsible retailers do this is through circular economy business models. Resale and rental models have taken off in retail. Over the past three years, the global resale market has grown 21 times faster than the retail apparel market. While much of this activity is in fashion, other retail segments are jumping in as well. Take IKEA. In response to consumers’ environmentalism, the Swedish furniture brand is exploring rental models for its ready-to-assemble furniture. The company expects to test subscription-based rental models in all of its markets this year.

### Percentage of shoppers that buy from brands with environmentally-friendly values and a strong purpose:

- **US:** 64%
- **UK:** 59%
- **China:** 74%

Source: Accenture Packaging & Refillables Survey 2019
Responsible retailers also address environmental impacts across the supply chain. This takes transparency among all partners and a collective focus on resource optimization and efficiency. Consider last-mile delivery, which accounts for half of retailers’ supply chain costs. In the world of same-day delivery, getting a package to its final destination is taking a toll on the environment, increasing emissions pollution. A string of startups is developing robots and drones that can deliver packages in a less-expensive and more environmentally friendly way.20

Retailers are also taking action at the intersection of sustainability and profitability. By “chasing the waste” across the end-to-end supply chain—including water, chemicals, unclean expensive energy, packaging and more—they are creating operating efficiencies that reduce environmental impacts.

As retailers evolve business models and supply chain practices, they will find that successful sustainability initiatives often come from working with other brands. The ability to see the potential for “strange bedfellows” to come together for sustainability is a hallmark of responsible retail. The partnership between McDonald’s and Ford is one example. The automaker asked McDonald’s to connect it to its coffee suppliers so that Ford could use a part of the coffee bean that is wasted during roasting in the housing of car headlights. Not only is the material renewable, but is lighter as well.21

There are many ways that responsible retailers can reduce the industry’s negative effect on the environment. Making a real difference means investing in processes and practices that support a more sustainable future.

82% of US shoppers, 90% of UK shoppers and 78% of Chinese shoppers are open to buying from brands with environmentally-friendly values and a strong purpose in the future.

Source: Accenture Packaging & Refillables Survey 2019
Clear vision. Bold moves. Strong voices.
The imperative for responsible retail is just that—an imperative

What used to be a nice-to-have among some retailers has become vitally important to all retailers. Performance depends on it. Consumers demand it. With endless choices, they never have to settle for anything less than brands that demonstrate responsibility.

This takes unwavering leadership and strategic investment from the chief executive officer and the entire executive team. Retail CEOs have relied on other executives—the chief information officer, chief financial officer and chief digital officer among them—to navigate previous enterprise-wide transformations. These partners will continue to be important. In addition, a chief communications officer who can ensure the company consistently tells the right brand story to all stakeholders will play a critical role.

In a world where retailers face jury by social media at every moment—and things can change for good or for bad in an instant—how a retailer executes on purpose and responsibility is more important than ever. In their journey to responsible retail, brands need to act in tune with their values and ensure that their stakeholders—consumers, employees, investors and partners and the planet—are with them every step of the way.
References

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