

Green is the new black

Doing the right thing for the earth is now being seen as a long-term profit strategy.

By Jenny McTaggart

Maybe it was that moment when former vice president Al Gore's pet project, *An Inconvenient Truth*, won the Oscar for best documentary. Or when Wal-Mart announced it was rolling out "high-efficiency" Supercenters, along with a new packaging scorecard demanding more environmentally friendly packaging from its suppliers. Or when Whole Foods and Wild Oats decided they'd be safer joining rather than fighting each other as elements of their operating philosophies increasingly turned up in the playbooks of "conventional" competitors.

In any event, it's become clear that the "green" movement has found a prominent place in mainstream business strategy.

The word *du jour* for green in corporate America is "sustainability." Companies ranging from General Electric to General Motors are beginning to think about the future of their businesses in a new way, taking an introspective look at all aspects of the supply chain.

It's a mindset that certainly applies to the food retailing industry—ranging from where and how products are made, to what energy is required to get them to the retail level, to the energy efficiency of stores.

At a time when retailers are more concerned than ever about energy costs, and their consumers are beginning to pay more attention to how food is produced, it seems that the stars have aligned, and they're throwing off a

bright-green glow.

While there are almost no green standards for businesses to follow—one of the few is the Leadership in Energy and Environmental Design (LEED) Green Building rating system—that hasn't stopped companies from jumping on the bandwagon.

The major trends that have emerged to date include energy-efficient stores, organic and locally grown foods, sustainable agriculture, Fair Trade practices, eco-friendly nonfood products, and biodegradable, recyclable, reusable, and minimal packaging, including a debate over paper vs. plastic bags.

Of course, green retailing itself won't be sustainable as a strategy unless there are true cost benefits involved. The

experts say there are.

"Ultimately, this has to be about how to turn sustainability into a source of business value," observes Joel Makower, founder of GreenBiz.com and a consultant to General Electric, General Motors, Hewlett-Packard, and Nike. "It can't be just about doing good."

Makower spoke on "Greening Your Business and the Bottom Line" during the Natural Products Expo West show last month in Anaheim, Calif., noting then that while companies have been concerned to various degrees about the environment for the past several decades, the next wave of green in corporate America could be called "natural capitalism."

To be sure, with the world's largest retailers—Wal-Mart and Tesco—getting deeply involved, cost savings are clearly a requisite.

Pure energy

For the global chains, as well as stateside players such as

So, you want to be a green star?

There are varying shades of green in today's corporate mindset, notes Joel Makower, founder of GreenBiz.com and consultant to many large corporations.

"Everyone is asking, how good is good enough? How green do you need to be? It's a problem, because there are no norms and standards right now. We don't know what a green business is," he explains.

In addition, companies have encountered a public relations challenge when they begin to discuss changes in their business practices, because it means they also have to explain what they were doing before, and why—and what's more, what about the practices they *aren't* changing?

"It's like explaining that 98 percent of what you make is bad for the planet, so people naturally want to know why you aren't changing 10 percent, as opposed to just 2 percent," notes Makower.

He advises that companies make an effort to understand what their customers care about before they start going public about green initiatives. "There's a lot of storytelling involved," he adds.

"Storytelling is critical to sustainability."

New retail converts can learn plenty from Lucas Heldford, owner of Spring, a unique store in San Francisco that's built around the concept of a healthy home. During the Natural Products Expo West show in Anaheim, Calif. last month, Heldford shared his experiences of building a green company from scratch.

He advises conventional retailers to "start small," maybe by designing a green department in their stores. Here's a list of his 10 suggestions for companies that want to go green:

- Decide why you want to go green. Is it to capitalize on a trend, or do you want to make a major commitment to the sustainability of your business? "Customers can see through things, so it's better to stay conventional than to market yourself as green, if you're not going to make a major commitment," says Heldford.
- Educate yourself and your team.
- Define your shade of green. "You have a great opportunity to customize green services and products for your customers," he notes.
- Choose your suppliers and vendors wisely.
- Surround your business with good people.
- Embody your green strategy in your business.
- Green your business, and the margins will follow. "The biggest benefit to your bottom line is your brand equity," says Heldford.
- Use high standards to distinguish yourself from the competition.
- Approach green as a living entity.
- Bring in green and let it spread "like a virus," as Heldford puts it.



Kettle Foods operates three company cars on biodiesel, resulting in an annual reduction of eight tons in carbon dioxide emissions.

design and operate a prototype in the field that's 25 percent to 30 percent more efficient, by 2009. In a sustainability fact sheet posted on its Web site,

heating, energy-saving cooling and refrigeration systems, and lighting innovations.

Wal-Mart's making no secret of its ambitions: It wants to

mates will help it save roughly 82 percent on monthly utility bills.

Supply-side equation

Wal-Mart is going beyond energy efficiency in its quest to become a better environmental steward. The retailer has begun evaluating its suppliers on the sustainability of their packaging, and offering suggestions for improvement. In the "packag-



the chain also says it aims eventually to be supplied 100 percent by renewable energy.

Other retailers are likely to benefit, at least to some degree, by Wal-Mart's strategy, as the chain has already declared plans to share its learnings with "the entire commercial industry, including our competitors."

One retailer that's done a lot of its own homework on energy efficiency is Salisbury, N.C.-based Food Lion, the largest U.S. subsidiary of the Brussels-based Delhaize Group. Food Lion claims to have far more Energy Star stores, as designated by the U.S. Environmental Protection Agency, than any other U.S. retailer. The company was named Energy Star Partner of the Year in 2001 and 2002.

Its latest demonstration of commitment is its participation in EPA's GreenChill partnership, an initiative in which companies pledge to go above and beyond regulatory requirements in protecting the ozone layer and reducing greenhouse gas emissions.

Food Lion estimates that since 2000, it has successfully reduced energy consumption by more than 25 percent, or 2.45 trillion BTUs—a sales equivalent of nearly \$1.34 billion.

With such dramatic cost savings tied to energy-efficient technology, it's no wonder that Cincinnati-based Kroger recently opened what it calls its greenest store in Miami Township, Ohio. The unit features 100 six-foot skylights and other environmentally friendly technology, which Kroger esti-

Solar panels are helping companies like Wal-Mart and Kettle Foods generate electricity in a natural way.

Kroger, Food Lion, Giant Eagle, and Pathmark, energy efficiency is one of the top green concerns—and one that appears to have a more immediate, measurable return.

In the Food Marketing Institute's *2005-06 Annual Financial Review* research, 87.5 percent of retailers reported an increase in energy costs from the previous year. Not surprisingly, 64 percent said they're creating more energy-efficient stores when building or remodeling.

Bentonville, Ark.-based Wal-Mart just opened its second so-called "high-efficiency" Supercenter in Rockton, Ill. (The first of four high-efficiency stores planned for 2007 opened in Kansas City, Mo. in January.) Wal-Mart expects the new store to use 20 percent less energy than a typical Supercenter, thanks to advancements such as integrated

ing scorecard” program’s first month, 2,268 vendors had logged on to its site, and 117 products had been entered into the system.

The scorecard implementation is Wal-Mart’s next step in moving toward achieving a 5 percent reduction in packaging by 2013.

A number of suppliers are taking on green initiatives of their own, of course. Mainstream vendor Smithfield Foods, for one, has joined the Chicago Climate Exchange, the world’s first—and North America’s only—voluntary, legally binding greenhouse gas emissions reduction, registry, and trading program. In doing so, the Smithfield, Va.-based company is committing to cut its greenhouse gas emissions in the United States by a minimum of 6 percent by 2010.

Austin, Minn.-based Hormel Foods Corp., meanwhile, has incorporated the movement into

the executive suite, adding the position of director of environmental sustainability and appointing Dennis L. Boik, who joined Hormel in 1971 as a plant engineer, to the new post.

Likewise, major distributor United Natural Foods, Inc., based in Dayville, Conn., has appointed Thomas A. Dziki v.p. of sustainable development.

Looking more closely at its own practices, Northfield, Ill.-based Kraft Foods is working with the Rainforest Alliance to help farmers in Côte d’Ivoire, the world’s largest producer of cocoa, meet the conservation organization’s standards for eco-friendly and socially responsible cocoa farming.

For many organic suppliers, sustainability is a natural business objective. Nature’s Path Foods, based in Richmond, B.C., has reduced its package

sizes by 10 percent without reducing net weight—which has the effect of saving water and trees, and reducing transportation/fossil fuels by 20 percent. The company also has intensive recycling programs at its factories, which has helped it reduce its trips for landfill by up to 60 percent.

“We are committed to carbon output reduction of 20 percent less than 2005 levels by 2012, and we ultimately want to be carbon-neutral by or before 2020,” says Jyoti Stephens, sustainability and stewardship manager at Nature’s Path. “Our next plant will be LEED-certified.”

Also in the Pacific Northwest, Salem, Ore.-based Kettle Foods is home to one of the largest

The green consumer

LOHAS (Lifestyles of Health and Sustainability) is the name given to the market segment focused on health and fitness, the environment, personal development, sustainable living, and social justice—basically, the “greenest” consumers around. That market has been estimated to include 50 million folks and account for \$229 billion in the United States.

But the market isn’t limited to hardcore green shoppers. “Conscientious consumerism” is on the rise among the mainstream as marketers, retailers, and consumers come to the realization that their actions have ethical, social, and environmental consequences, according to New York-based Packaged Facts. The market research publisher estimates that U.S. retail sales of grocery products making some sort of ethical claim topped \$32.8 billion in 2006, an increase of 17.4 percent from 2005. By 2011, the figure could grow to \$57.3 billion, the group predicts.

commercial solar power arrays in the region. Its 616 solar panels generate 120,000 kilowatt-hours of electricity—enough to make 250,000 bags of Kettle Potato Chips every year. The remaining energy the plant consumes is 100 percent wind power, the company says.

To benchmark industry practices in sustainability, the Grocery Manufacturers Association and Food Products Association has tapped Deloitte Consulting, LLP for a new research project. The study will measure GMA/FPA members’ practices, assess retailer expectations, and identify models of success in environmental sustainability management.

“Sustainability is a key focus area for manufacturers and retailers,” notes Grant LaMontagne, v.p. of sales at the Clorox Co. and chairman of GMA/FPA’s sales committee. “We see this report as a starting point for our industry. It will greatly assist us in developing joint manufacturer and retailer responses to this important issue.”



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