

Advanced Sustainable Retailing Training

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LECTURE 7:

7.Key Behavioral Mechanisms to Enable/Influence Sustainable Retail Supply Chain



Learning Objectives

- Brief Introduction
- Key Behavioural Mechanisms to Enable/Influence Sustainable Retail Supply Chain
- Using the Five Mechanisms to Scale Sustainability



Key Behavioral Mechanisms to Enable/Influence Sustainable Retail Supply Chain

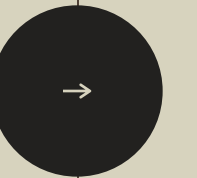
Retailers can help infuse sustainability in the retail supply chain through the five mechanisms described next.





Incentive Alignment Mechanisms

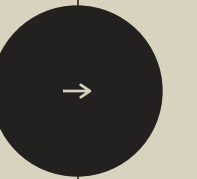
- Incentives affect customers, merchants, manufacturers, wholesalers, and others. Aligning incentive and opportunity to sustainability may impact value and profit maximising players' behaviour.
- Amazon, Walmart, and Target may align supply chain incentives for sustainability. Aligning incentives is the best method to advance supply chain sustainability objectives.
- Best Buy offers campaigns to recycle unwanted appliances and computers, while Henkel gives unique tokens to redeem food for used plastic.
- Retailers may provide suppliers and partners monetary and non-monetary incentives to boost supply chain sustainability. Target, both in stores and online, marks items without a set of typically undesired chemicals to encourage suppliers not to use them.





Infrastructure development and investments to facilitate long-term sustainable behaviour

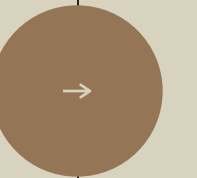
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Mechanisms for developing and enforcing norms

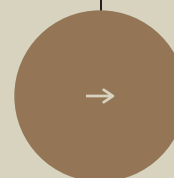
- Norms play a critical role in helping structure economically efficient relationships among independent parties. Retailers can not only help to develop norms favourable to promoting sustainability but also enforce them through mutual reinforcement.
- For example, studies show that promoting norms such as "75% of guests reuse their towels" led to increased towel reuse among hotel guests. Consumers are also more likely to reduce their energy use when their usage is compared to their neighbours.
- Sustainability norms also influence suppliers, as individual companies and industry organisations set new standards to which suppliers must conform. As an example, the American Cleaning Institute's Cleaning Product Ingredient Safety Initiative provides specific guidelines to its members. These non-binding guidelines provide sector-wide norms that are accepted and followed by manufacturers of cleaning products sold in retail stores.





Governance Mechanisms

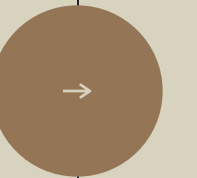
- The development, maintenance, and support of sustainability initiatives require adequate governance at many levels, from local, state, and national governments to shareholders and even customers (Aras and Crowther 2008; Young 2016).
- For example, corporate governance mechanisms such as those related to ESG (environment—sustainability—governance) have led to specific actions that are documented and disseminated widely to shareholders and customers.
- Yet, to this day, while companies have shown improvement in addressing the impact of social and labour issues within their own operations, they may be neglecting the risks that exist among their suppliers.





Information Exchange and Education

- Information communication and education are crucial from many angles. The Suston-EOG (2019) Retail Sustainability Survey found store managers and small retailers had low to intermediate knowledge about key sustainability themes such as product CO2 footprint, micro plastics, and the Higg index. Suppliers' ignorance and failure to meet environmental targets raise similar difficulties. Retailers share sustainability information and efforts via several channels.
- Walmart's 2019 Environmental, Social, and Governance Report informs shareholders, and its sustainability consortium helps suppliers exchange knowledge.
- Best Buy's recycling infrastructure provides customised information to residents of each state to help them recycle appliances and electronics in a manner consistent with state and local laws. The Centre for Retail Compliance (2018) informs customers and retailers on the environmental effect of items, greenhouse gases, chemicals, toxins, and trash.





Using the Five Mechanisms to Scale Sustainability

- Retailers can use all five mechanisms to ensure the widespread adoption and entrenchment of sustainability in their supply chain, although the relative efficacies of these behavioural mechanisms can vary based on various contextual factors such as the focus of the sustainability initiative, the size of the firm undertaking the sustainability effort, and the resources available to the focal company.
- We believe that retailers who utilise several mechanisms simultaneously and systematically are more likely to succeed than those who use a single method sporadically. As an example, setting norms, aligning incentives, and enforcing governance and oversight are more likely to ensure the success of a supply chain sustainability initiative than relying on norms alone or on governance mechanisms that fail to align participants' incentives.



SALE



Conclusion





Conclusion

- With changing societal norms and consumer attitudes, the need for businesses to consider and incorporate sustainability into their core strategies has never been more important. Retailers, as customer-interfacing entities, are in a unique position in any supply chain to influence both upstream suppliers and downstream customers.
- As described in this course , retailers can address sustainability in retail supply chain using the circular-economy concept. Retailers can ensure that all supply-chain participants reuse, reduce, and recycle and address societal issues to attain sustainability goals.
- Achieving these goals requires implementing specific behavioral mechanisms to gain commitment from suppliers and consumers, and we describe ways in which retailers can accomplish these goals. We hope that retailers, scholars, and others will benefit from the insights in this article to make the needed and necessary progress on sustainability.

Thanks

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