

Sustainable retail



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EDITORIAL

Planet Alignment

In terms of sustainability, retailers are moving faster and with more innovation than ever. In September 2019, Nike unveiled its “Move to Zero” program that aims to tackle climate change by “zero carbon” and “zero waste” strategies. At the same time, Faguo used LinkedIn to publish their strategy of gradually switching freight from boat to rail, transporting shoes manufactured in Asia into Europe. Just three months after its debut in August 2019 during G7, the “Fashion Pact” now represents 250 brands, including Farfetch, Calzedonia and Decathlon. **This is set around three very ambitious goals: eliminate single-use plastic by 2030, restore biodiversity, natural ecosystems and endangered species, and finally achieve carbon neutrality by 2050.**

“Sustainability” was launched into an easier and predictable market of Fast-Moving Consumer Goods several years ago. It is now disrupting entire categories of fashion, sports, home equipment and even air transport, historically once driven by mass-market sales and globalisation. However, is it possible for retailers to significantly shift core business practices into sustainability without breaking their business model?

Criteo has received the “2019 Award for the best AI-based Solution for Marketing” at the A.I. Breakthrough Awards. We offer retailers unique expertise in terms of marketing management based on data intelligence. We drive more efficient and results-based strategies. As Criteo’s mission is to closely match retailer offers with changing consumer demand, we are fully immersed in the continued rise of sustainability challenges. We have been decoding, measuring and quantifying this disruptive pressure through constant analyses and statistics dedicated to retailers. Just like every retailer, Criteo is on our own journey towards reducing waste and taking care of our communal planet. We are committed to share innovation for customer-facing and employee driven initiatives.

Criteo is pleased to present our latest “Sustainable Retail” report, informing and promoting all sectors towards a “greener” and more prosperous retail business.



Marie Ferry

Head of Retail - Criteo France

Why we believe sustainability is key

At Criteo, we see sustainability as a growing business opportunity for retailers. What are customers saying around the world?

Across the globe, a growing number of consumers are buying products with health benefits. From Europe to Asia and the U.S.A., an array of data clearly highlights this new phenomenon. In 2017, consumers in the E.U. spent €67 on organic food per person each year, compared with €288 for the Swiss. In **France**⁽¹⁾ for example, organic food now accounts for 5% of total food purchases. The growth of organic products rose by 16% last year, in a market reporting declining volumes.

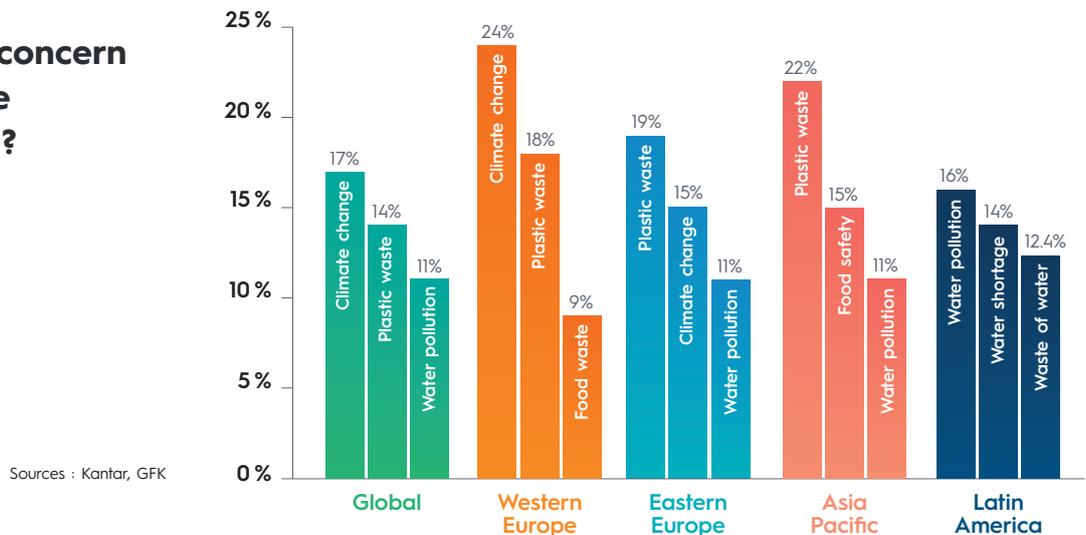
Today, alongside food, many other categories are booming as consumers seek options that are better for the planet's climate and environmental balance. For instance, French sales of ecological nappies grew by 50% in June 2019 (year-on-year evolution) whilst sales of organic deodorants jumped by 43% and eco-friendly laundry products increased by 40%. The second biggest grocery retailer **E.Leclerc** transformed their baby food private label into 100% organic. In the **U.S.**, sales

of organic fast moving consumer goods have jumped by 9% in 2018, with peaks on several categories: +19% for organic sandwich bread, and +7% for organic apples. In **China**⁽²⁾, sales of infant milk also show an amazing upwards trend. Organic infant milk already accounts for 19% of the category and reports an annual growth of 49%. In **Taiwan**, sales of natural shower gels increased by 80% in 2018, while the overall category of shower gels fell by 0.8%.

Today's consumers now make a direct link between their individual consumption and the fragile state of the planet via climate change. This is proven by the growing number of demonstrations to promote climate change awareness.

However, sustainability reveals different priorities for each continent and country. **Kantar** and **G.F.K.**⁽³⁾ interviewed 21,000 consumers in 24

What is your number one concern regarding the environment ?



KEY DATA

countries, asking about their biggest concerns. Overall, climate change was in 1st position (with 17% of the polled answers), plastic waste as 2nd, (with 14%), and water pollution as 3rd. There are important regional nuances to consider as retailers adjust strategies. In Western Europe, consumers were most worried about climate change (24%). This is dramatically different to Asian consumers, who ranked food safety at 15%, water pollution at 11% and climate change at only 5%.

In China, in particular, awareness and public concern has been particularly sensitive due to notorious food-safety crises, including 'Melamin milk' in 2008. Recently, China refused to accept plastic waste for recycling from Western countries, a policy / practice enacted by countries like Malaysia and Indonesia.

As many governments take strong measures, retailers are in the forefront of this transition. They face a new type of consumer pressure, and this is not always predictable. According

to a study by Kantar, GfK and Europanel⁽³⁾, customers have changed their behaviours. 82% now buy reusable cleaning products like washable and reusable rags or towels and 72% shop with a reusable bag. 62% use a refillable drinking bottle when they go out and 58% avoid buying plastic cutlery for birthday and barbecue parties. 37% wash with bar soap instead of liquid soap to reduce plastic waste.

This environmental worry is far reaching. In late 2018, the "flygskam" movement, literally "the shame of flying" gained pace in Sweden, in the face of the climate emergency. And this trend seems to gain traction globally. According to Ipsos⁽⁴⁾, 38% of Chinese are willing to use transport that generates less carbon than airplanes, even if it is less convenient or more expensive. In Europe, this figure falls between 10% and 15%, so 1 in 6. Are you ready to act to make a difference?

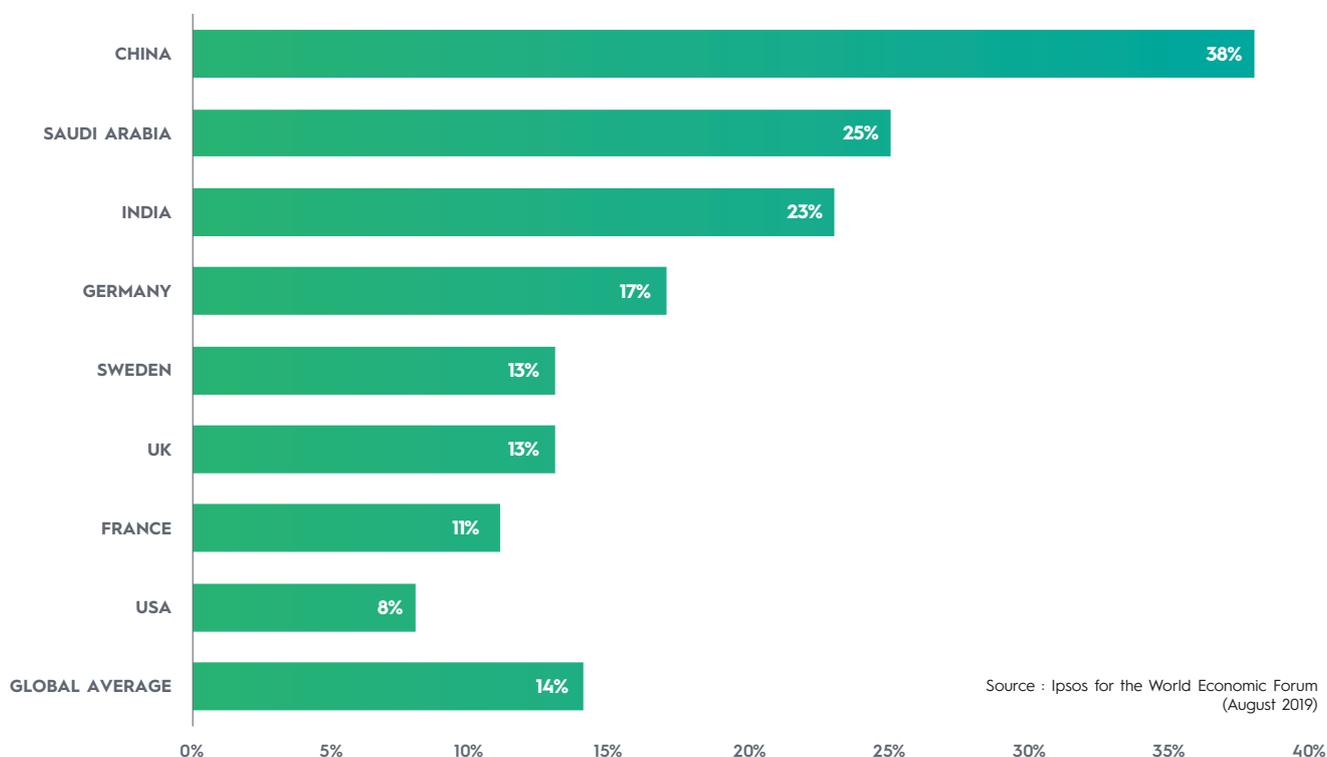
⁽¹⁾France: 3WRelevanC, data to June 2019 in supermarkets

⁽²⁾China: Nielsen, Annual data to late August 2017

⁽³⁾Kantar, GfK and Europanel study: Who cares, who does ? (one answer authorized)

⁽⁴⁾Ipsos study for the World Economic Forum (August 2019)

Choosing a form of transportation with a lower carbon footprint



■ "I would use a form of transportation with a lower carbon footprint than an aeroplane (e.g. rail) even if it was less convenient or more expensive than flying"

Green at the heart of the reactor

Sustainable development impacts the entire retail value chain, from product design to end-of-life.

PRODUCT COMPOSITION It is no surprise that manufacturers are remixing product components. Product design must be the origin of all sustainable journeys for good reason. "What emerges from analysis is how the critical carbon emissions arise directly from products", explains Jules Coignard, C.E.O. of the Circul'R company. In fashion, often perceived as 'disposable', brands have been developing new collections based on sustainable or recycled materials for some years. **Patagonia** was an early leader with 100% organic cotton from suppliers since the 1990's. Today almost all manufacturers offer fabrics in hemp, wool or recycled polyester, ranging from mass market to luxury items. This is true from small to global brands and from the U.S.A. to Asia. An example is **Nike**, where the equivalent of 6.4 billion plastic bottles have been transformed into polyester yarn used within the clothing range since 2010.

Prada in Italy offer recycled nylon bags. **Boohoo**, in the U.K, offers a 'For the Future' range comprised of 95% recycled materials, alongside Vilebrequin, whose swimsuit 'Man' at €165, is 100% recycled polyester. In Asia, **Uniqlo** and **Esprit** incorporate recycled materials, as does the Thai pure player **Pomelo**. The American brand **Allbirds** (replacing petroleum-based materials with natural materials such as eucalyptus, wool and sugar cane), opened its first shoe store in Shanghai. Global brands such as the Danish **Lego** explored new sustainable alternatives to petroleum as early as 2012. In 2018 the firm offered the '1+ age' toys made in polyethylene herbal. Others highlight the new very long product life offered by their brands. "Buying a Vilebrequin swimsuit is the investment of a lifetime," said Matthieu Sauleau, Operational Director of the brand. "Our swimsuits are repairable. Customers bring these to a store

to change the ropes, buttons, the inner brief or reactivate some fast-drying properties. This breaks the production / waste cycle". In the U.K., **John Lobb** shoes can be repaired by their retailers.

PACKAGING Following the global pressure for 'zero plastic', sustainable packaging is gaining importance. "It's often simple to change and earn a high impact in terms of visibility," continues Coignard. The food sector is particularly challenged to act on disposable packaging. In May 2019, **Carrefour** and 25 manufacturers including **Danone**, **Unilever** and **Coca-Cola** launched 'Loop', a zero-waste e-commerce site with reusable packaging. To date, 'Loop' is offered for the U.S.A., France and the U.K. via Tesco. Plans include expansion into Japan and Germany for 2020. Companies like **Raja**, **Packhelp** and **Repack** offer ranges of customisable ecological packaging. For example, Raja's double closure pouch is a big hit for 'e-commerce'. This allows customers to return products in the same packaging.

Monoprix ceased production of paper catalogues in 2019 as the ecological impact was **14 times** greater than any online digital listing.

TRANSPORT As evidence of this trend, 'Carbon neutral' delivery companies are multiplying. New examples are **Pim Pam Post** and **Ecolotrans**, who manage 100% ecological fleets with optimised vehicle journeys. Rail transportations are a growing priority for **Faguo** when selling shoes. Analysis in 2016 revealed how transport represented 11% of the total CO₂ emitted. The brand delivers via the train connecting China to Europe. "Today, we send 15% of our production by train", explained the company. "For equivalent cargo, the average train cost is twice that of sea transport as our historical shipment method, but reduces pollution by 5 times." By 2020, Faguo wants to carry 50% of all products by train.

PRODUCTS' END OF LIFE Customers are also focussed on the environmental disposal and recycling of products. Can they be returned to the retailer or re-used by another business? **H&M** gained global recognition with a permanent collection of old clothing at store terminals, and full integration into the 'Conscious' collection. In China, **Zara** has followed this lead. Retailers are expanding into product rental. **Patagonia** partnered with Belgian **Tale Me** to promote the rental of children's coats. In Denmark, the very charismatic **Vigga Svensson**, (who created a circular economy model in children's fashion 4 years ago), created '**Continued**' with a goal of guiding brands towards rental business models. Her service is already available in Nordic countries with brands Repeat Ganni and By Malene Birger fashion, and is in discussion with the H&M Group. However, the lack of recycling centres makes a rental model difficult in some countries. "In France, the 'deposit and return' supply chain was destroyed in the 1980's by the arrival of disposable plastic", concludes Jules Coignard. "It is therefore necessary to recreate a new supply chain, by collecting products, moving to the washing or recycling centre, and then reintroducing each one into the manufacturing cycle". This is a significant adjustment that requires the promotion by, and integration with, the wider public services.

"With the mix of materials, recycling is impossible."



Jules Coignard
Founder of Circul'R

Q. What do you consider the primary environmental issues in fashion to be?

Jules Coignard: I feel there are three areas. First, there is an insufficient supply of sustainable materials like organic cotton or recycled polyester to meet demand. We must increase the production of sustainable materials. Secondly, we need to address how organic or recycled materials are much more expensive than traditional materials. It is therefore a significant and difficult investment for companies that stops progress. Our next challenge is that recycling works well in mono-material but becomes complicated or even impossible with a mixture of materials. At the end of a product's life, it is often very difficult to understand what was in the textile and to separate these components. Currently, there are very few automated solutions able to do this. The only example today is developed by the Dutch start-up "Fiber Sort Project" which separates polyester and cotton fibres. As long as the brands mix the materials, it is difficult to discriminate each one other than by energy revaluation (insulation).

“We need to set up leading ethical standards”

Renewable energy priorities, reduction of CO₂ at the heart of business processes, rental of equipment... Decathlon leads these initiatives.

Q. Decathlon has 100 people working on sustainable development. What is your ambition?

Rahel Damamme: Our first assessment of how we affected greenhouse gasses in 2007 showed that 75% of our carbon impact was related to our products, for both components and manufacturing. In 2008 we, therefore, started an internal build of tools to measure the environmental impact of our products. These tools are now fully integrated at the start of every process and used by designers and product engineers every day. Decathlon is also involved in the “RE 100” initiative, which brings together 200 companies committed to using 100% renewable energies. By the end of 2019, Decathlon will reach 55%, and we are aiming 100% by 2026.

Q. Why is Decathlon one of the first retailers broadcasting such initiatives to customers via environmental labelling on packaging?

R.D.: Environmental labelling is present on 48% of our products (textiles, shoes, backpacks) and we are aiming to reach 60% by the end of 2019. We print a grade from A to E, including the carbon impact of each product, manufacturing and depletion of resources. Customers can use the labels to select products with a lower environmental impact. Decathlon joined Afnor, Ademe and the European Commission in defining standards and processes that can be measured and used by everyone.

Q. How does this sustainable policy change a relationship with suppliers?

R.D.: It is a crucial part of the future business relationship. Our sustainable development teams are integrated with our suppliers to ensure both meet the required standards. We have an additional team of 30 people who complete a regular environmental and social audit of suppliers. We joined the UN’s Climate Fashion Industry Convention in 2017, alongside Nike and H&M. Our goal is to define and share relevant good practice. As we sometimes share the same suppliers, it can be efficient across our industry. An example is arrangements for shared training across other companies to ensure our joint environmental impact is measured along the entire value chain.

Q. Trocathlon’s second hand platform was created in 1986. Do you have other ‘circular’ projects?

R.D.: This is one of our priorities for 2020. In France and Germany, we offer options for 2nd hand products. In 2019, we opened in Magdeburg a pop-up store dedicated to resale of 2nd hand products coming from returns. Success was so amazing that we extended this program into our German stores. Since the summer, French shoppers can also rent Forclaz trekking equipment (backpack, tents, waterproof clothing, etc.) via a dedicated website. We want to draw learnings of what we’ve already done before duplicating at a larger scale.



Rahel Damamme

Stakeholder Engagement and Sustainability Prospective Manager at Decathlon



INTERVIEW

Buying 'guilt-free' for the planet



Damien Pellé

Sustainable
Development Director
at Galeries Lafayette
and BHV Marais

Q. What is the 'Go For Good' label and philosophy?

Damien Pellé: We created this label in 2018 to be based on three dimensions. These were environmental, with recycled materials, organic, or second-hand, plus a 'Made in France' promotion and finally a 'social' component including Fair Trade products or manufacturing by people in rehabilitation. Even though new, the brands benefit from a much higher visibility in our stores. We are very demanding with our criteria. Today, 8% of our range is similarly labelled and we aim to reach 25% by 5 years. Over 20% of the 'home range is already promoting labelled "Go for Good".

Q. What is the business impact of this initiative?

D.P.: It's too early to measure sales. However, luxury brands are monitoring us for a match with their sustainable initiatives, as this is tricky to measure in their own shops. For customers, Galeries Lafayette's brand reputation is enhanced, and the 'Go For Good' promotion helps us to continue to attract a younger audience of 'Millennials' who spend in the stores. For the food and beauty sectors, the older customers are more focussed on health benefits, but fashion remains a pleasure purchase! We want to develop this label throughout the Group, including BHV and La Redoute. In China we add a competitive and distinct element that stands out against our competitors.



In 2018,
Unilever
authorised digital
signatures on
53,130 documents.
This helped **eliminating**
54,000 printed pages/month.

STAFF-FACING INITIATIVES

Create a Green Team internally



At Criteo, we believe that staff facing actions are a key element to mobilize employees and create a truly sustainable caution. We decrypt the best practices.

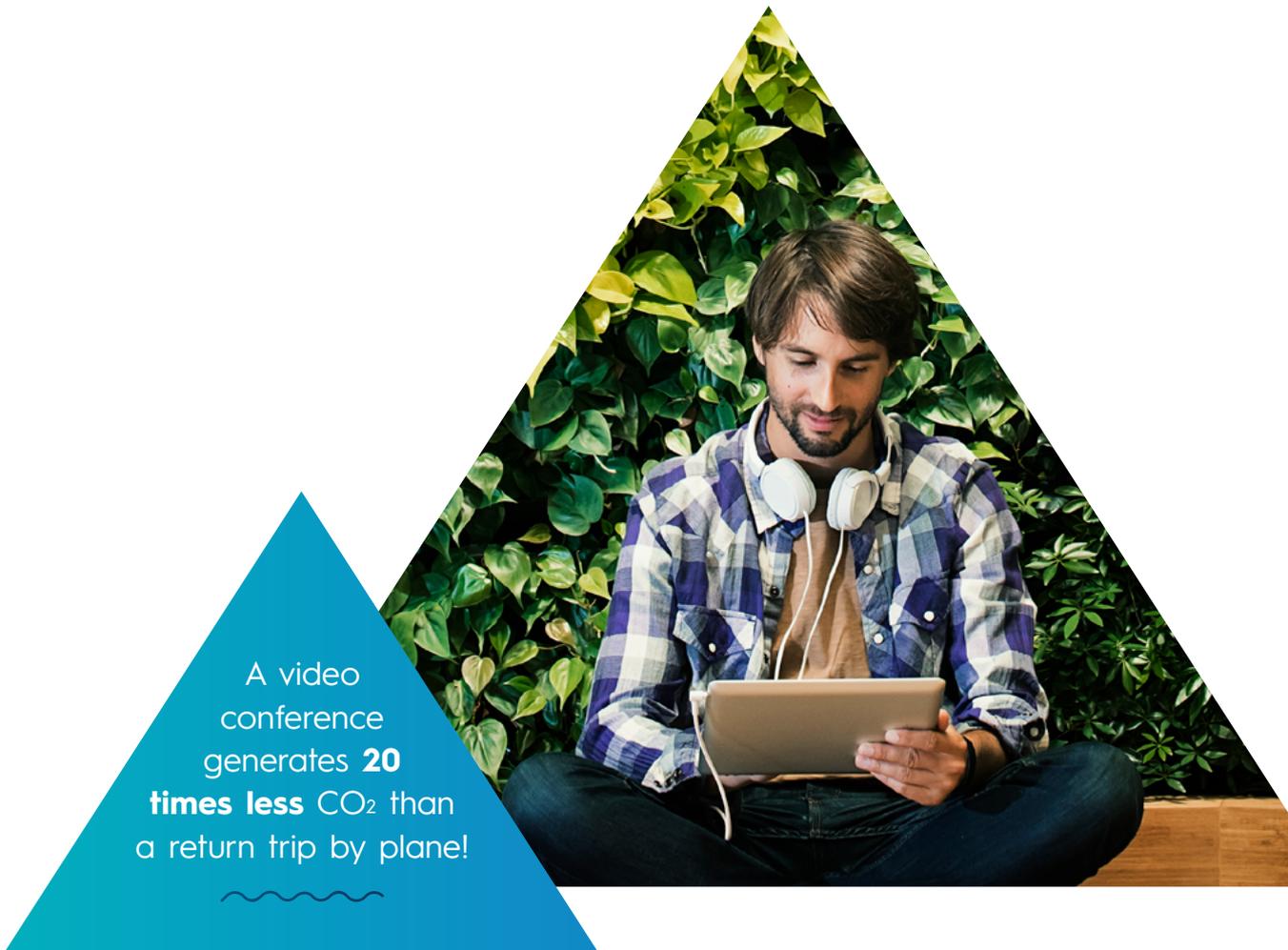
"At Le Slip Français, C.S.R. (Corporate Social Responsibility) is everywhere!" said Violette Watine, Managing Director of the French clothing brand. "This would not work without a concrete commitment from the top management." To be effective and visible, the commitment to environmental strategies of a business must be across the array of functions and reach all staff.

For **Unilever's** Marketing Director, it is not enough to "create a small department in one corner. This must be mainstream in all countries, all brands and all divisions". Many retailers and manufacturers want to persuade employees and raise internal awareness before a new offering to win customers. This starts at the base camp of a functional office, where Unilever eliminated all disposable plastic. By 2018, more than 5 million plastic items like straws, cutlery and containers were removed. These items are all replaced by herbal manufactured

materials, which are then collected as waste and composted. A significant goal across a staff of 155,000 was to reduce paper product consumption by 70% per person between 2010 and 2018. In 2018, digital signatures at Unilever were authorised on more than 53,130 documents. This is equivalent to eliminating 54,000 printed pages every month.

At the **Warby Parker** eyewear brand in the United States, employees are fast reducing food waste. Since 2017, 1,680kg of waste have been recovered by a non-profit organisation, calculating a saving of the equivalent of more than 3,000 meals. The U.S. fashion brand **Reformation** has focus saving on office supplies, with all orders subject to a 'green' purchasing policy. Staff only use 100% recycled paper with pens made from recycled tires. All cleaning products are non-toxic and biodegradable.

For retail companies, a further focus is repurposing



A video conference generates **20 times less** CO₂ than a return trip by plane!

staff travel. Employee journeys and corporate vehicle fleets often appear in the “Top 3” of the most polluting factor for CO₂ emissions. At **Orange**, vehicles and business trips produced 7% of the group’s total emissions in 2018. Video conferencing has been mandated, with an intercontinental video conference generating 20 times less CO₂ than a return trip by plane! By opting for a fleet of electric and hybrid vehicles, Orange reduced CO₂ emissions by 34% between 2006 and 2018. At **Ikea** in the U.K., a campaign for sustainable travel encouraged employees to use green-friendly alternatives. The company had staked a claim a decade ago by offering 9,000 employees folding bicycles for Christmas. By raising awareness amongst its employees, Ikea-U.K. reduced the number of trips by 3% between 2017 and 2018. Video virtual meetings increased by 54% over the same period.

More and more brands and retailers are also reducing the power consumption of data centers and computer equipment. Energy-intensive rates of electricity are used for heating, cooling and lighting the I.T. infrastructure. At **Unilever**, monitoring programs close down underutilised computers and switches in a data centre, representing about 89,000 technical units. Unilever reduced data centre electricity consumption in the 2 U.K. sites by 15% in 2018, with 100% of the electricity consumed in 2019 generated by renewable technology. 80% of CO₂ emissions at Orange were generated from technical equipment, so saving energy was a fundamental issue. The company created a “Green ITN 2020” program focused on environmental issues. The business calculated a saving of 2.7 million tons of CO₂ between 2010 and 2018 following the installation of ‘smart’ meters and specific optimised efficiency of all I.T. systems and networks.

Criteo is encouraging rather than imposing

Committed to sustainable stakes, Criteo presents its 360° strategy, which involves its employees and also its retail clients.

Q. What is Criteo's n°1 sustainable priority?

Andrea Sarmiento: Like all tech companies, data centers are our main focus: they account for almost 90% of our total electricity consumption. In 2019, we used 100% renewable energy (solar, hydro and wind solar, wind, biomass, wave and tidal) in all our U.S. and European data centers. For 2020, we will look for an environmental-friendly solution for our Asian units. Optimization of hardware management is another dimension we are exploring and we are just at the beginning. This is a fascinating topic where a lot can be done.

Q. What are Criteo's other sustainability goals?

A.S.: Travels are our second focus. Here, it is key to have the right functional infrastructure, like making video conferences easy and efficient. Our booking platform gathers flight and train options in the same tool which makes it comfortable for us to take the train if the distance allows it. Our policy is to avoid travel when it is not absolutely necessary. And if we really have to travel, we optimize them via a full agenda. We don't fly in for 2 or 3 meetings. Our offices are also an important focus. We work with our suppliers, mostly catering, to stop using plastic, we extended garbage split and we ensure we have an energy saving plan for electricity consumption.

Q. How do you involve Criteo's staff into this strategy?

A.S.: Our workforce, aged 32 on average, is very engaged in environmental topics. Many of our current projects are bottom up initiatives. At Criteo, we don't want to tell people what to do, we definitely prefer to encourage and incentivise them do things. We want to empower our employees to think and act green at work, which implies giving them the right tools. Since 2018, we offer every employee 2 days per year for paid volunteer work. Recently, we set up a collaborative platform called "The Green Guide", where they share their own recommendations about vegan or organic restaurants near the offices, where to find 2nd hand goods, etc. We also offer online courses on how to become a "green champion" and encourage them create their own sustainable events, like the Zero Waste workshop in Paris.

Q. How can Criteo help its clients reach their sustainable goals?

A.S.: We have a large research team and conduct many consumer surveys to deeply understand the industry. This year we published a travel report (13,000 consumers polled). It shows that in Germany, 22% of all travelers who cancelled a trip in the past 6 months, mainly young people, did so in order to reduce their CO₂ emissions. We also maintain industry and key word data to create specific statistics for our clients, for instance analyze trends of the demand of bikes or organic products. Many of our clients have sustainability goals to reach. We do hope to start the conversation on how we can support them to achieve these goals.



Andrea Sarmiento
Manager, Criteo Cares
Global Program

TOWARDS A RETAIL THAT IS CONNECTED TO THE WORLD

After digital transformation, a new challenge is emerging for retailers: to become "Sustainably Responsible". Within this interesting question, new emerging brands are, once again, streaking ahead from retailers remaining in the old world. This array of new actors such as Allbirds, Slip Français, Warby Parker or Casper have at least two strings to their bow. On the one hand, they were born within the digital age (called D.N.V.B. or digitally native vertical brands) and built natively-anchored omnichannel business models. However, on the other hand, many are absolutely committed to environmental and social sustainability.

It is true that the Institute of Connected Commerce has not witnessed major and widespread investments from retailers to match this sustainable question. However, this transformation has now become as critical as it is delicate. For a retailer, rolling out a "greener" strategy means restructuring an entire value chain and a whole business model, extending from suppliers to internal staff. It also means communicating differently with customers, whilst integrating environmental concerns that remain quite distinct across different regions.

At the I.C.C., we believe that "Connected" also means "Connected to the World", i.e. in harmony with our environment. Without cynicism, without fake words or naivety.



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