

## Retailer Policy Booklet for the Dutch Sustainable Trade Initiative.

### **“The drive for sustainable food production, supply and consumption. Retailers and their policies for sustainability.”**

#### **Case study 1 – Distribution and Logistics - ASDA**

In July 1999, things changed for the ASDA team in Leeds, Yorkshire. The company had been bought by Wal-Mart. Ten years later, Wal-Mart International, with combined sales of 66 billion euros (25% of Group sales) is the world's fifth biggest retailer. This includes the contribution of ASDA with banner sales of 23.8 billion, of which 70% was grocery. Their financial performance during the recession is strong with 8.4% 'like for like' sales in the first quarter of 2009, due to a combination of strong cost management supporting their existing price position.

The analyst Planet Retail, maintains guides on retailers around the world. Their 2009 analysis of ASDA's position on sustainability will have brought smiles to faces in Bentonville, Arkansas (Wal-Mart's head office) as well as in Leeds. *'ASDA has been a credible and innovative pioneer of commercially prudent sustainability, while other retailers have engaged in expensive tokenism and showboating.'*

In August 2009, Andy Bond their CEO, talking in London about consumer spending in the recession, said:

*“Retailers will have to respond by adapting their business models if they are to survive. Retailers with authentic low cost operating models, who embrace sustainability and who are transparent about how they pass savings onward to their customers will be the winners. Those who continue with high/low pricing will become increasingly distrusted.”*

Cost control by retailers can be split into three areas: stores, office and distribution. ASDA's distribution and logistics teams have made a key contribution to their healthy financial and sustainability performance in a difficult time. In 2005, they set a challenging target to reduce their carbon emissions by 40% over five years. That plan will be completed at the end of 2009 and the target will be achieved. Simon Pearson is their Head of Central Operations:

*“Sustainable transport has been very cost effective for us. Because we spend rather than make money, we're always under pressure to look for savings. We estimate that for every kilometre we don't drive we will save a pound (€1.10). For example, our double-decker trailer initiative will save 7.5m miles (12m kms) this year. This means £12m (€15.8m) can be invested in price for our customers. The environmental win is good as well. A separate example is from our investment in automatic gearboxes that has saved 354,000 litres of fuel a year. We estimate that every litre of fuel that we don't use saves 2.6 kg of carbon, so that's a reduction of nearly a thousand tons of carbon. We have other changes to improve our fuel efficiency, such as aerodynamic trailers and driver training. Most of our wins have been about good transport management with no significant capital investment.”*

There is a strong story of European industry collaboration. The ECR (Efficient Consumer Response) initiative works to break down barriers between trading partners and internal business functions.

ASDA is part of the ECR Europe Sustainable Transport Group, co-chaired by Simon Pearson and Patrice Minzolini of Cadburys.

Simon says:

*“There are 30 companies in that group and I’ve got to know them well. There’s a good mix of retailers, manufacturers and service providers. For anybody who is interested, there are some great case studies on the ECR website<sup>1</sup>. Having a strategy that worked and was in line with the industry has been very useful. Now in the ECR UK group we’re looking at vehicle technology. This new network has been a very significant step forward for the industry over the last three years.*

*At ASDA we need a new plan for the next five years. I expect we will be setting a target of about another 20% reduction in emissions. The work agenda will not actually be very different. We will work on software (our Paragon system has helped a lot) and our vehicles. We’ll be reducing road miles with smarter planning and better use of trains and ships.*

***I’m certain we will have a lot more work to do on improving vehicle fill. That has contributed about half of our savings so far and there’s room for further improvement.”***

#### **ASDA policies for distribution and logistics in summary**

- ✓ Improve vehicle fill through further ‘double-deck’ integration
- ✓ Reduce empty running through backhaul & fronthaul initiatives
- ✓ Improve the physical alignment between the stores and the stock
- ✓ Improve fuel efficiency with both technology and driving skills

#### **ASDA - Top 3 Policy tips**

1. *Sustainable transport is part of the day job – it’s not a project*
2. *Keep it simple and concentrate on things that can actually be changed*
3. *Build a network within the industry – share your ideas and your knowledge*

<sup>1</sup> ([http://www.ecrnet.org/05-projects/05-projects-sustainable-roadmap\\_a.html](http://www.ecrnet.org/05-projects/05-projects-sustainable-roadmap_a.html))