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Story by Nicole Maestri

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## **Retailers Go Green to Cut Costs**

**For retailers, going for the green means going for the greenbacks.**

That was the point hammered home at the National Retail Federation convention in New York this week. Many retailers at the conference were touting their environmental efforts, from building stores with recycled materials to installing low-flow water faucets and investing in solar power, as benefits to the bottom line.

Meanwhile, some experts said going green would eventually become the only feasible route as energy costs skyrocket and regulators -- both federal and local -- take a hard look at businesses' environmental efforts.

The green trend began in earnest in 2005, when Wal-Mart Stores Inc, under fire for its labor and health-care practices, latched onto the issue. The company has since announced far-reaching goals, saying it eventually wants to use only renewable energy, create zero waste and sell products that sustain resources and the environment.

It opened two stores in 2005 to experiment with ways to cut waste, studying everything from recycling french fry oil to testing wind power, in hopes that successful technologies could be incorporated at other stores. While critics said the moves were designed to improve its image, Wal-Mart, with more than 4,100 US stores, has insisted they will improve operations and cut costs.

"We're going to take waste out, cost out and make our business more efficient," said Leslie Dach, executive vice president of corporate affairs and government relations. Even little changes can mean big cost savings, Dach said. For instance, an employee suggested the retailer could turn off the lights in its break-room vending machines. "We discovered that if you took out those light bulbs, we could save US\$1 million a year in our electricity bill," Dach said. "No surprise that we went ahead and we did that."

### **PERVASIVE CULTURE**

Suzanne Malec-McKenna, a commissioner with the Chicago Department of the Environment, emphasized at the conference that "green can be green." Studies have shown consumers prefer shopping in a "vegetated" area, she said, such as in stores that have trees outside. "If you're attempting to add green to your business on the outside," she said, "... you're going to drive more business to you."

For environmental efforts to succeed, retailers said, they must have measurable goals, show returns and be incorporated into all aspects of the business. Dach said Wal-Mart had made sure "every buyer, everyone in finance, everyone in operations understands that making sustainable choices is part of their overall job descriptions." Because of that, he said: "In good times and bad, when budgets are good or budgets are cut,

sustainability still remains a very important part of our business."

Even a retailer like REI, whose business revolves around selling outdoor gear and clothing, found it hard to swallow the notion that being green could save money, said Kevin Hagen, the company's head of corporate social responsibility.

But REI discovered that by building stores with skylights that bring in natural light, it saved not only on energy but also on staffing costs because employees quit less frequently. Hagen also said those stores generated more sales than the rest of the chain.

Still, not all retailers are on board.

"None of my companies have talked about it (or) seem to care," said JP Morgan analyst Brian Tunick, who covers specialty clothing retailers like American Eagle Outfitters Inc and Aeropostale Inc.

However, Brenda Mathison, Best Buy Co Inc's director of environmental affairs, said some investors were eager to back companies that take the environment into account. To cut its emissions, Best Buy is adding solar power to its stores, Mathison said. It is also recycling packaging and looking to build electronics that consume less energy.

Chicago official Malec-McKenna said that as technologies improve to help retailers build eco-friendly stores and products, "it's going to be economically inefficient not to be green." Stacy Janiak, vice chairman in Deloitte's US retail practice, said big retailers were taking the lead to try to institute changes on their own terms, before the government comes up with its own solution.

"If you're not ahead of it," she said, "it will be mandated."