TELOS TOPIC 09

Retail

Content development led by
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SAPIENZA UNIVERSITÀ DI ROMA
LE:NOTRE Institute
Linking Landscape Education, Research and Innovative Practice
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AKDENIZ UNIVERSITY
ULB Faculté d'Architecture La Cambre Horta
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Functional and institutional retailing

Functional: Goods that are generally not processed or worked on by the retailer (merchandise) and are procured from other market participants and sold to third parties (buying and selling goods).

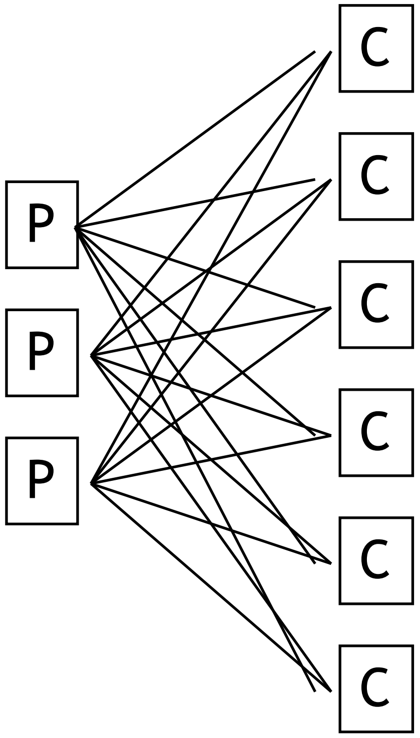
Institutional: Companies whose activities are exclusively or predominantly attributable to trade in the functional sense (reference: value creation).

functional **and** institutional retailers

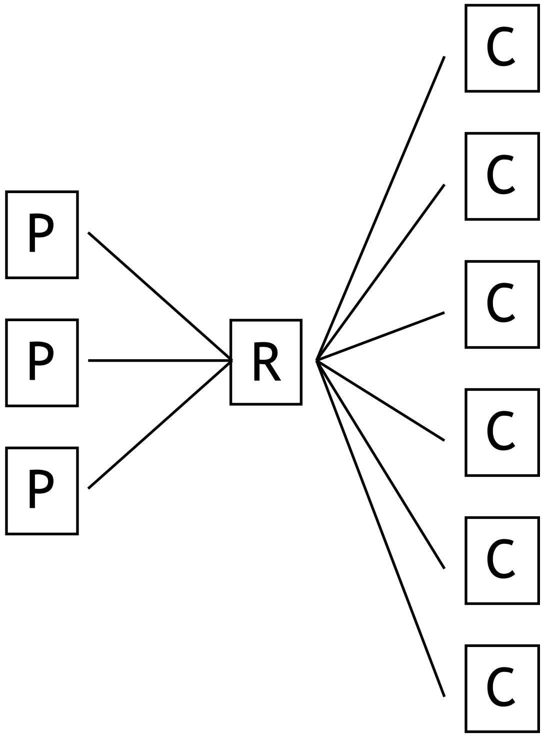
only functional retailers

transaction costs approach: Why does retailers exist?

From an economic point of view, trading companies reduce transaction costs with regard to the goods, information and money processes that take place between production and consumption.

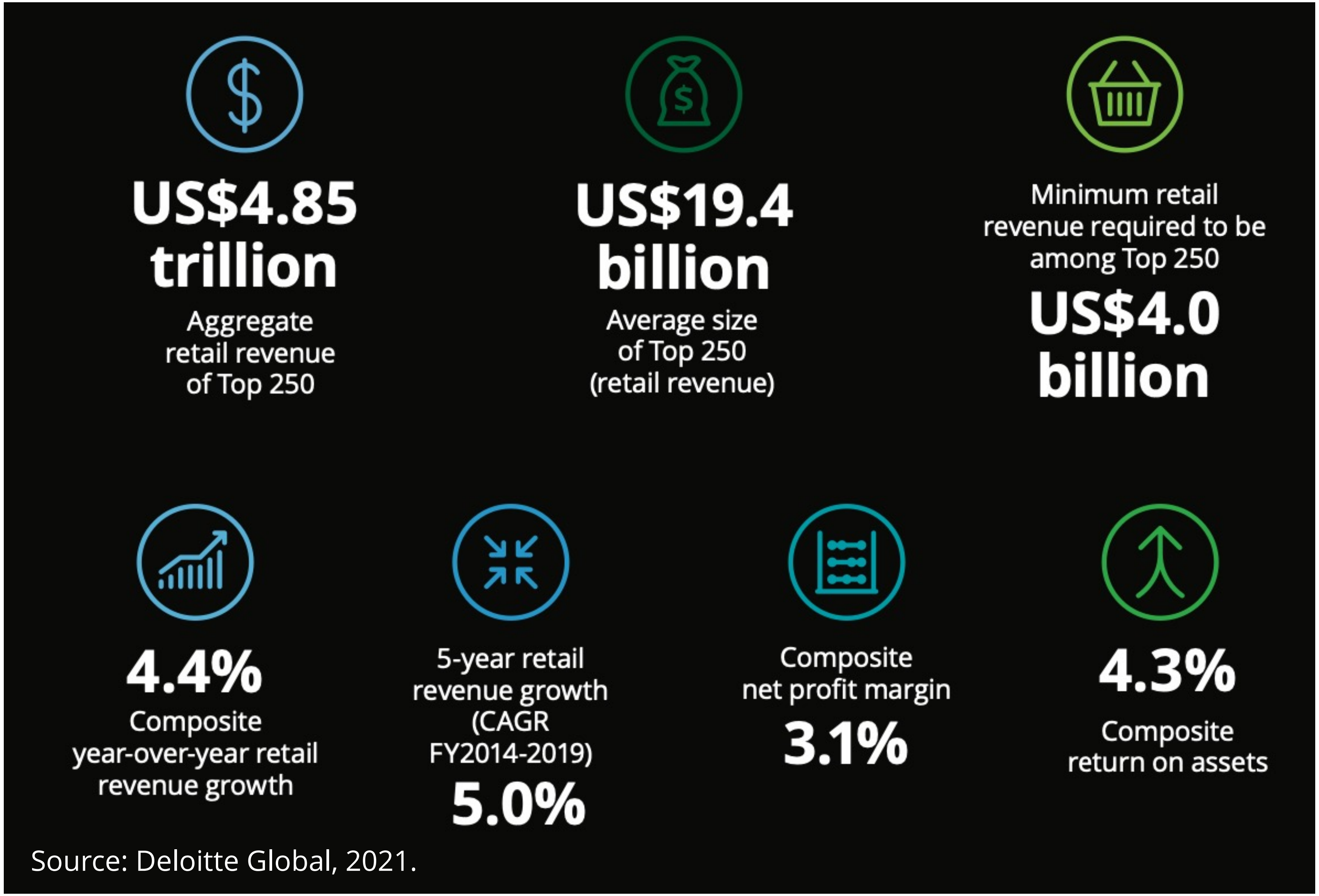


3 * 6 = 18 contacts



3 + 6 = 9 contacts

The top 250 retailers have a global market share of about 1/3



Source: Deloitte Global, 2021.

Top 10 retailers in the world

Top 10 retailers, FY2019

Top 250 rank	Change in rank	Name of company	Country of origin	FY2019 retail revenue (US$M)	FY2019 retail revenue growth	FY2019 net profit margin	FY2019 return on assets	FY2014-2019 retail revenue CAGR*	# countries of operation	% retail revenue from foreign operations
1	↔	Walmart Inc	United States	523,964	1.9%	2.9%	6.4%	1.5%	27	23.2%
2	↑ +1	Amazon.com, Inc.	United States	158,439	13.0%	4.1%	5.1%	17.7%	17	31.0%
3	↓ -1	Costco Wholesale Corporation	United States	152,703	7.9%	2.4%	8.2%	6.3%	12	26.8%
4	↔	Schwarz Group	Germany	126,124	8.6%	n/a	n/a	7.4%	33	66.0%
5	↔	The Kroger Co.	United States	121,539	1.0%	1.2%	3.3%	2.3%	1	0.0%
6	↔	Walgreens Boots Alliance, Inc.	United States	115,994	4.8%	2.9%	5.9%	8.7%	9	9.9%
7	↔	The Home Depot, Inc.	United States	110,225	1.9%	10.2%	21.9%	5.8%	3	8.1%
8	↔	Aldi Einkauf GmbH & Co. oHG and Aldi International Services GmbH & Co. oHG	Germany	106,326 e	5.6%	n/a	n/a	6.4%	19	68.9%
9	↔	CVS Health Corporation	United States	86,608	3.1%	n/a	n/a	5.0%	1	0.0%
10	↔	Tesco PLC	United Kingdom	81,347	1.4%	1.5%	1.9%	0.8%	8	18.3%

*Compound annual growth rate
e = estimate
n/a = not available

Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2021. Analysis of financial performance and operations for fiscal years ended through 30 June 2020 using company annual reports, Supermarket News, Forbes America's largest private companies and other sources.

Source: Deloitte Global, 2021.

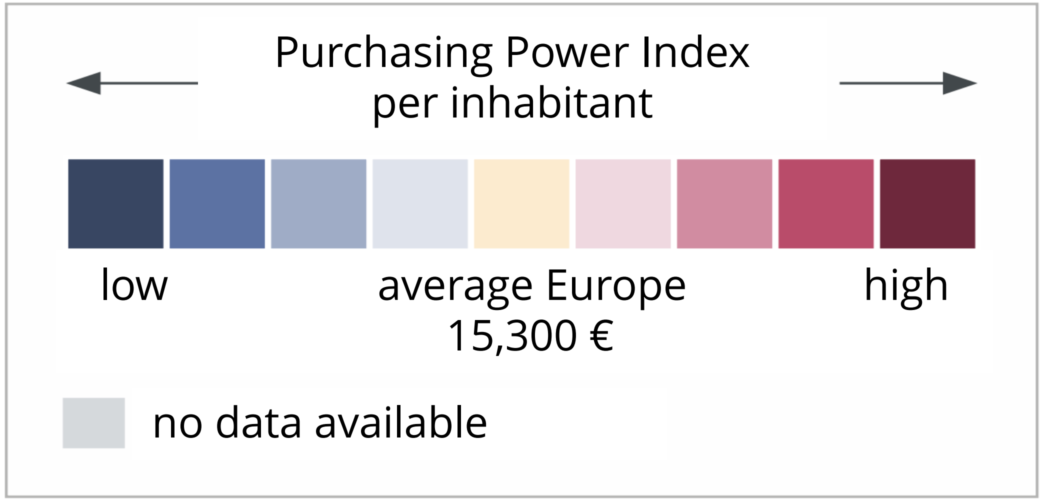
Top retailers in Europe 2020

rank 2020	Retailer	Turnover bn €	Headquarter
1	Schwarz	113	Germany
2	Aldi	76	Germany
3	Carrefour	73	France
4	Tesco	64	UK
5	Rewe	63	Germany
6	Edeka	56	Germany
7	Les Mousquetaires	41	France
8	E.Leclerc	39	France
9	Sainsbury	36	UK
10	Auchan	33	France
11	Amazon	32	USA
12	Ikea	29	Sweden
13	Coop	29	Switzerland
14	Migros	27	Switzerland
15	Ahold Delhaize	26	Netherlands
16	Asda	26	UK
17	Metro	25	Germany
18	Mercadona	24	Spain
19	Ceconomy	22	Germany
20	SystemU	21	France

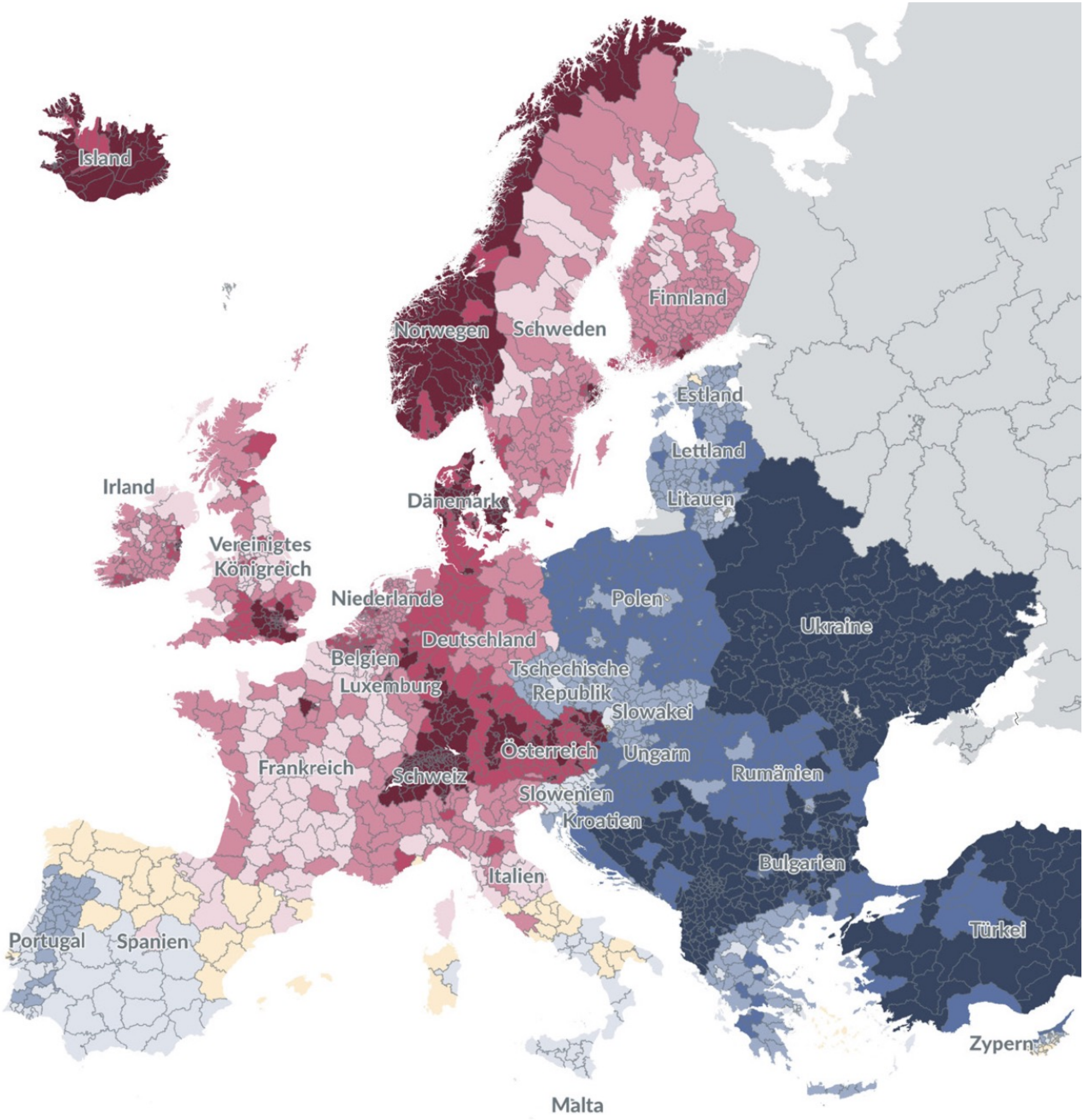
- Europe: 741 million people living in 48 states and more than 7,000 merchants.
- Even the poorest states still rank above the world average of GDP per capita.
- Retail-Turnover in Europe : 2.43 bn. € in 2020
- Even the poorest states still rank well above the world average of GDP per capita. Therefore, Europe is often named the most important retail region worldwide.
- Only about 50 companies already account for 50% of retail sales in Europe.
- With few exceptions, these are companies that have to meet the return expectations of shareholders and capital markets.

https://www.retail-index.com/HOMESEARCH/EinzelhandelinEuropaDatenbank(Deutsch).aspx; retrieved 26.05.2022

Retail-Turnover in Europe : 2.43 bn. € in 2020



GFK-Studie, Einzelhandel in Europa 2020/21, p. 4-5.



Summary „retail sector“

1. A distinction must be made between functional and institutional trade. Many companies take on trading functions. However, traders in the institutional sense are only those companies that generate the major part of their value added through the buying and selling of goods.
2. Retailers are transaction cost specialists. Their activities reduce the costs of consumers and producers in the value chain.
3. The retail sector is a highly concentrated industry - this is also referred to as a (narrow) oligopoly: only a few suppliers bundle the greater part of the market share among themselves - especially if this is considered for certain sectors such as food, textiles or even electronic products.

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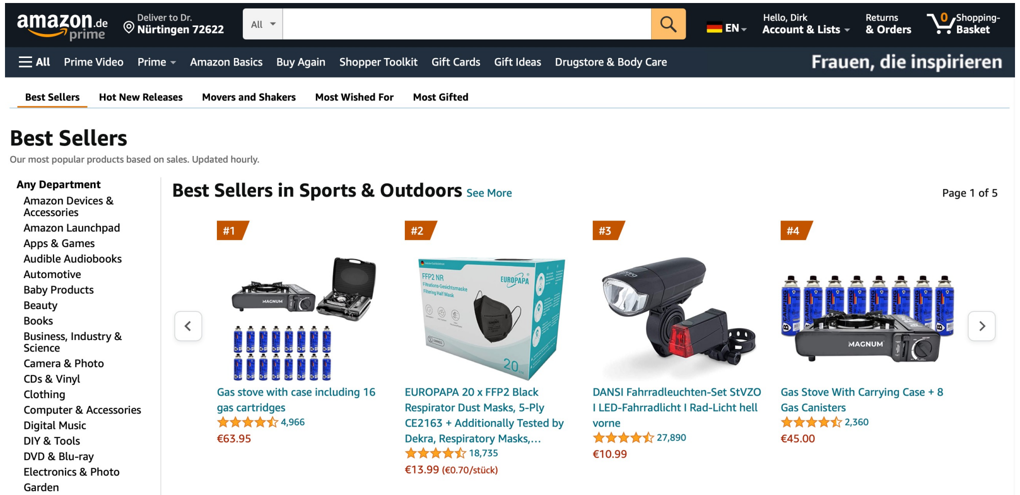
retail landscapes

Amazon landscapes



Example: retail space in Germany

- In 2021, the total retail sales area in Germany was around **125 square kilometres.**
- Retailers still need storage capacity. There are no reliable statistics on the total space in Germany. Assumption: 5% of the sales area is needed: **25 square kilometres.**
- In addition, there is one parking space (app. 11 sqm) for approx. 50 sqm of sales area. Thus, the need for another **30 square kilometres** of space arises.
- For every billion euros in e-commerce turnover, around 100,000 square metres of distribution space is needed. With approx. € 100 billion turnover in 2021, a further **10 square kilometres** is therefore be needed.
- The amount of land used for roads in Germany is about 18,000 square kilometres. Assumption: 1% of this is needed for transporting merchandise and driving customers to retail outlets: **180 square kilometres**.

For the retail trade in Germany, an area of approx. **370 square kilometres** is needed. This is equivalent to almost **50,000 football pitches** or the possible **living space for millions of people**.

Possible roles and sustainablity impact of retailers

direct and indirect influence on ...

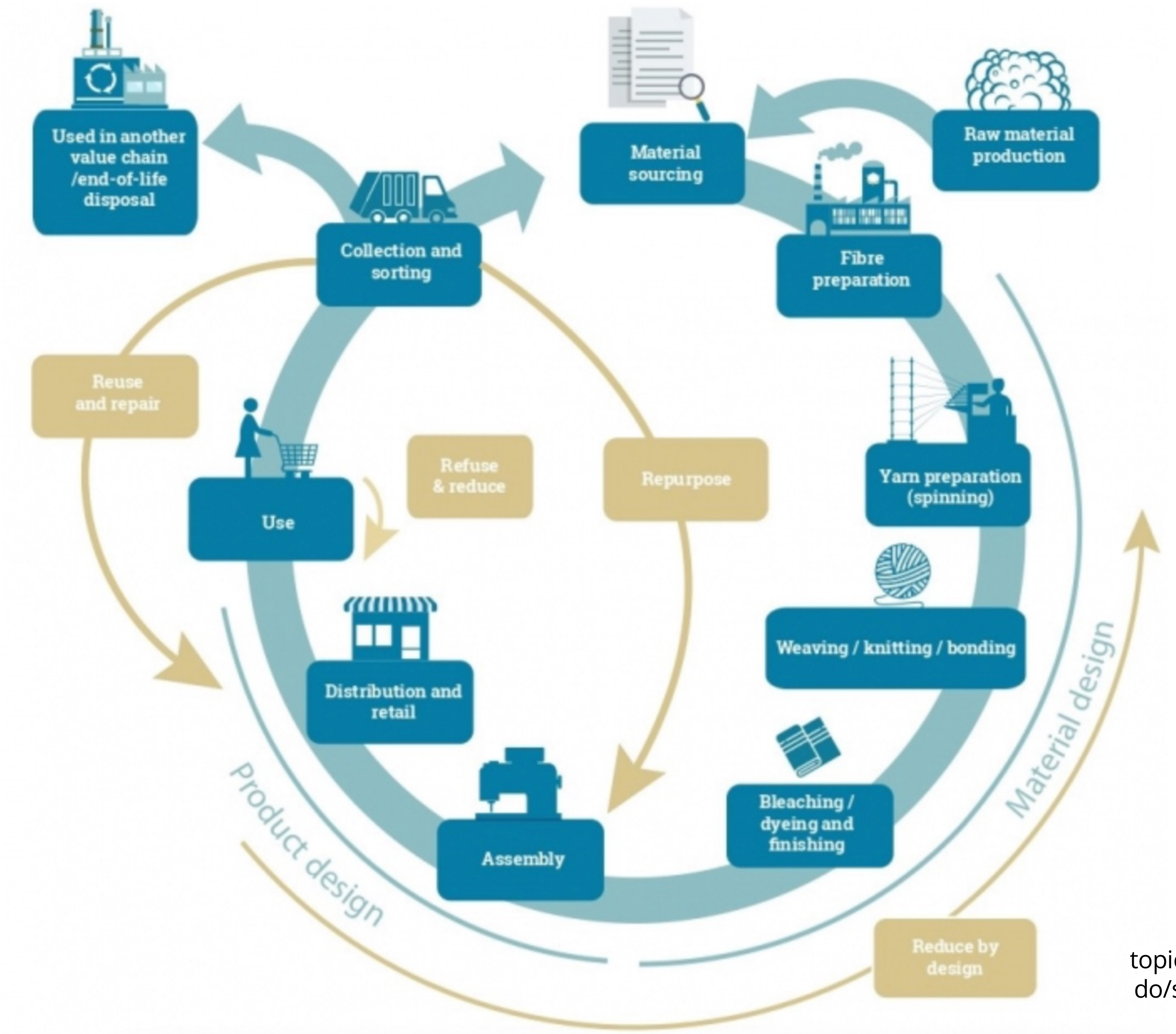
- what, how and where production takes place.
- how and where millions of people work and how they are paid.
- how / with what is transported.
- consumer traffic volume and type of mobility.
- what and how is consumed.
- where and how construction takes place (warehouses, shops).

Top fashion retailers in Europe 2020

Rank	Retailer	Turnover bn €	Stores	Headquarter
1	Inditex	12,9	4,459	Spain
2	H&M	12,5	2,43	Sweden
3	Zalando	8,0	Online	Germany
4	Primark	7,5	380	United Kingdom
5	C&A	6,0	1,382	Belg./Germ.
6	LVMH	5,5	1,3	France
7	JD Sports	4,9	1,5001	United Kingdom
8	Marks & Spencer	4,6	1,216	United Kingdom
9	PepCo	3,5	3,0211	United Kingdom
10	Next	3,4	550	United Kingdom

https://www.retail-index.com/HOMESEARCH/EinzelhandelinEuropaDatenbank(Deutsch).aspx; retrieved 26.05.2022

The whole value added chain has to be analysed.



Value added chain:

All materials and processes must be included that are passed through from the extraction of the raw materials to the production and distribution of the product to its reuse, recycling or disposal.

https://www.unep.org/explore-topics/resource-efficiency/what-we-do/sustainable-and-circular-textiles

Who is earning what?

https://ec.europa.eu/international-partnerships/stories/fashionchecker-calling-living-wage-garment-workers-and-more-transparent-supply-chain_en

EBT-Margin (Earning before Taxes/Turnover) of Zalando in 2021: 5,3%

15,172 km for a tshirt

1. The cotton may have been harvested in China, where the fluff is separated from the seeds and pressed into bales.

2. These bales are sent to textile mills in India where they go through a spinning process, they're twisted into yarn and then heat-treated, washed, bleached and dyed.

3. The cloth could then be sent to Bangladesh, where the fabric is cut and sewn into the t-shirt.

   The garment may then be sent to a processing factory for creating prints or embroideries.

4. Sent to a processing factory Sri Lanka.

5. Transported to the UK for point of sale.

https://smallbizclub.com/run-and-grow/operations/products-supply-chain-hits-countries-realize/; retrieved 25.05.2022

cotton production and processing

India and China are the largest cotton producers in the world, with over 6 million tonnes each.

There are over 7,500 textile factories in India, where many women and children in particular work many hours a day under very poor conditions. They work 12 to 16 hours per day, controlled by male shift supervisors, for a lower wage of 20 € per month.

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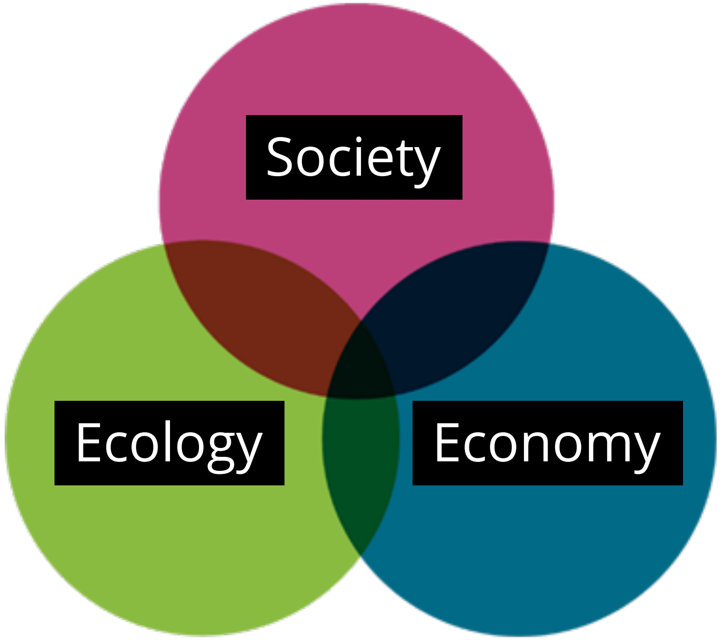
Economic system: free market economy vs. sustainable development

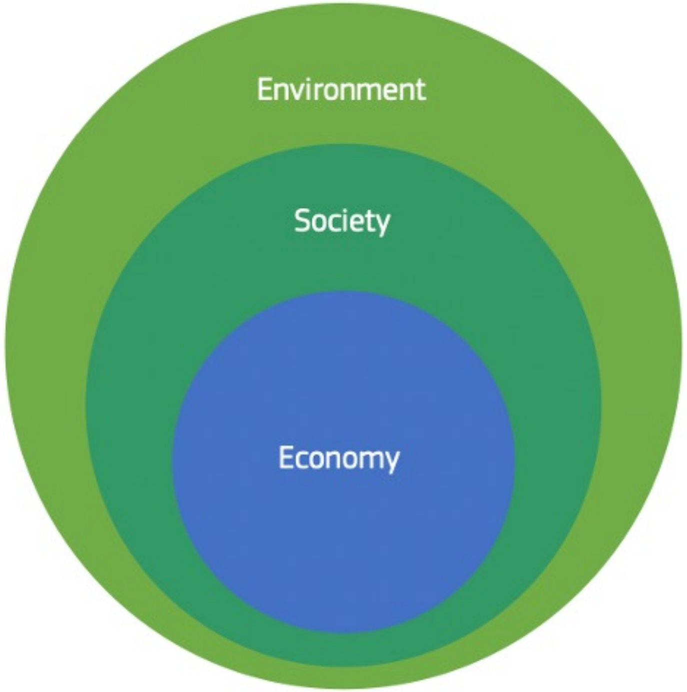
Companies: shareholder value vs. stakeholder value

Consumers: attitude behavior gap and barriers of sustainable consumption

Legislator: EU directives and laws

In which world do we live?





„My shareholders expect the highest possible return on investment. I cannot prioritise social and environmental issues."

„Natural resources are limited. Growth and profit can only take place within the natural limits of the earth."

free market economy and sustainable development?

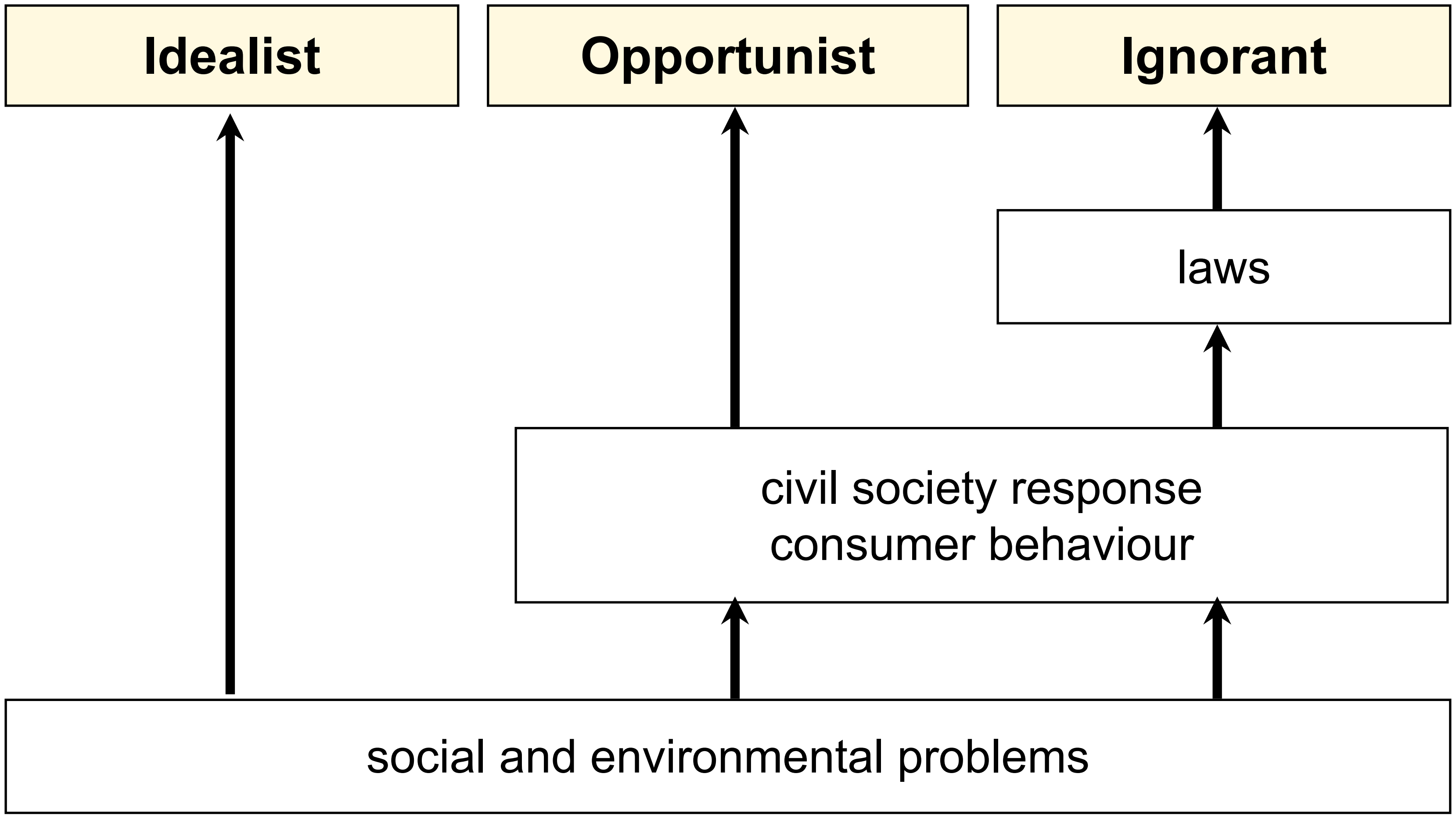
- private property
- freedom of choice
- motivation of self interest
- competition
- growth
- limited government

principles of free market economy

- more common goods
- more sensible consumption
- motivation of public welfare
- more co-operation
- sufficiency
- more (worldwide) agreements

needs of sustainable economy

Motives for sustainable behaviour in companies



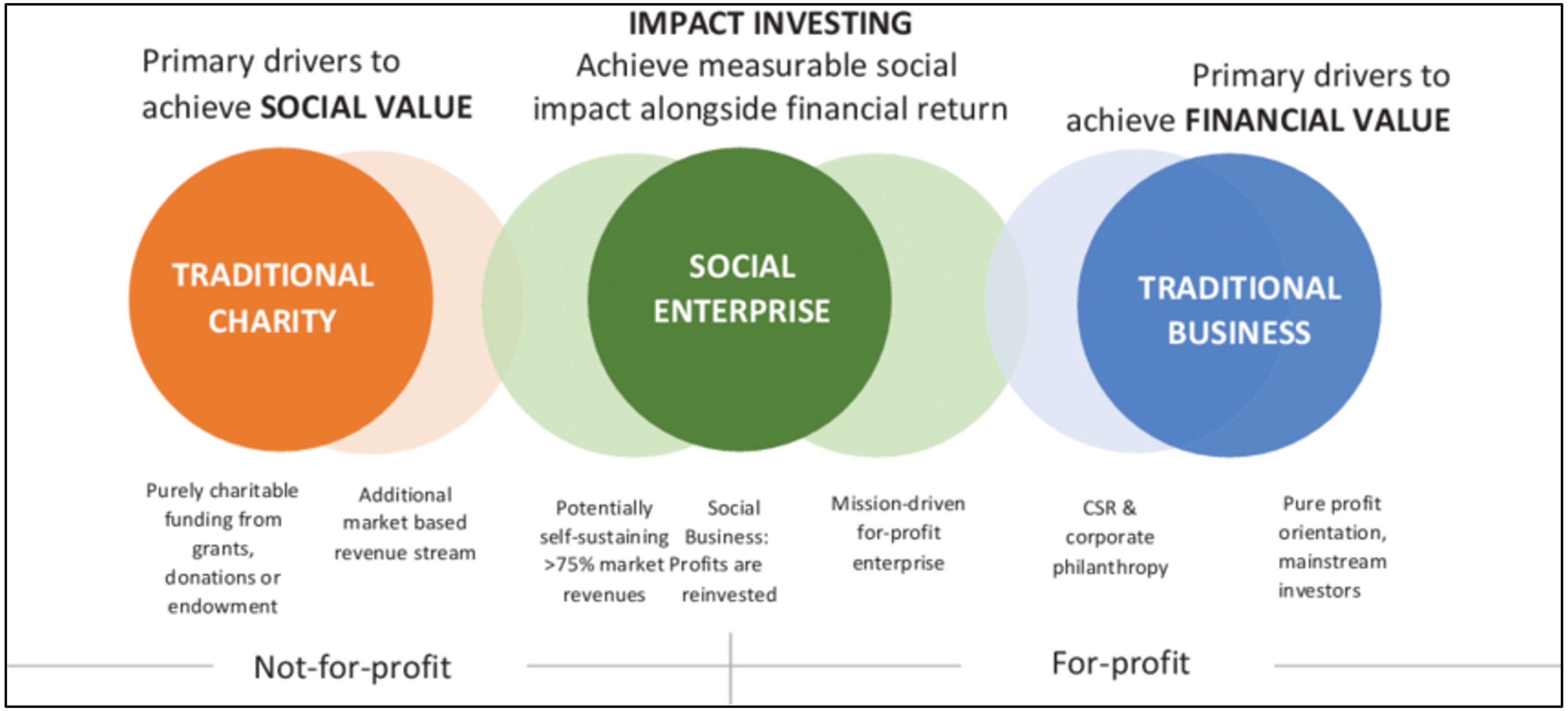
Shareholder Value vs. Stakeholder Value

Shareholder Value
The shareholders interests are seen as the centre of all strategic actions of companies. Shareholder value corresponds to the value of the company, e.g. measured by the share price. Other relevant figures: profit, return on equity, dividend

Stakeholder Value
Companies should also bear social and ecological responsibility and include all relevant stakeholders in strategic corporate planning (e.g. consumers, civil society actors, suppliers, state). The goal is to secure the long-term existence of the company.

The dominating retailers are „For-Profit“-companies

- A social enterprise is a cause-driven business whose primary reason for being is to improve social objectives and serve the common good.”
- This does not mean that social enterprises cannot be highly profitable, it simply means that when they are, they reinvest into their social mission and don´t pay it out to shareholders.



Adapted from J. Kingston Venturesome, CAF Venturesome, and European Venture Philanthropy Association (2015).

consumer: attitude - behaviour gap

Sustainability awareness

Knowledge about and insight into she consequences of of individual purchasing and behaviour as well as the willingness to change behaviour.

?

Consumer behaviour

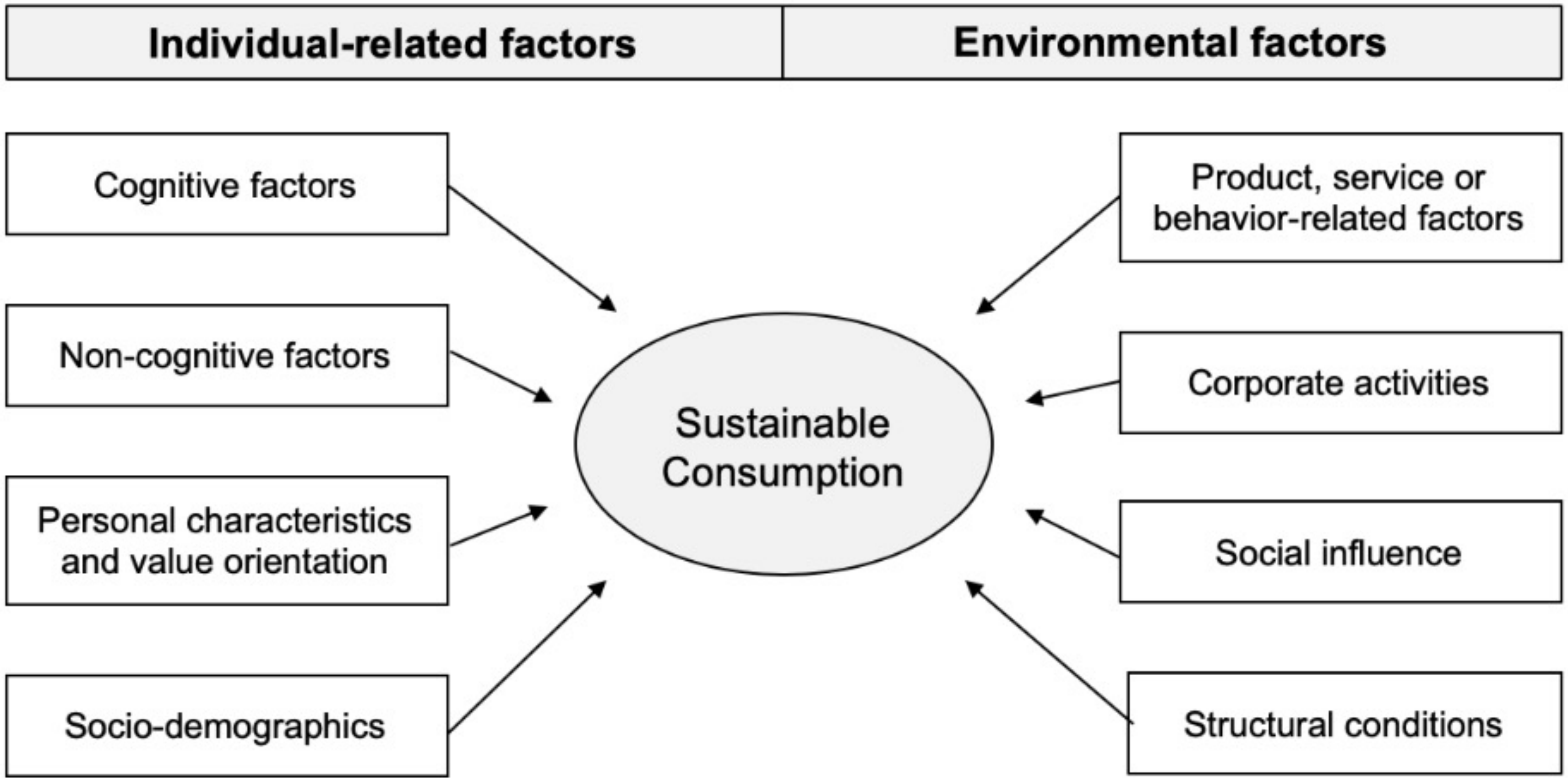
Targeted preference for those behaviours which, according to at least one criterion, are superior to similar behaviours.

attitude - behavioural gap

A high correlation between awareness of social and ecological problems and and correspondingly adapted decisions and behaviour is not to be expected due to other influencing variables.

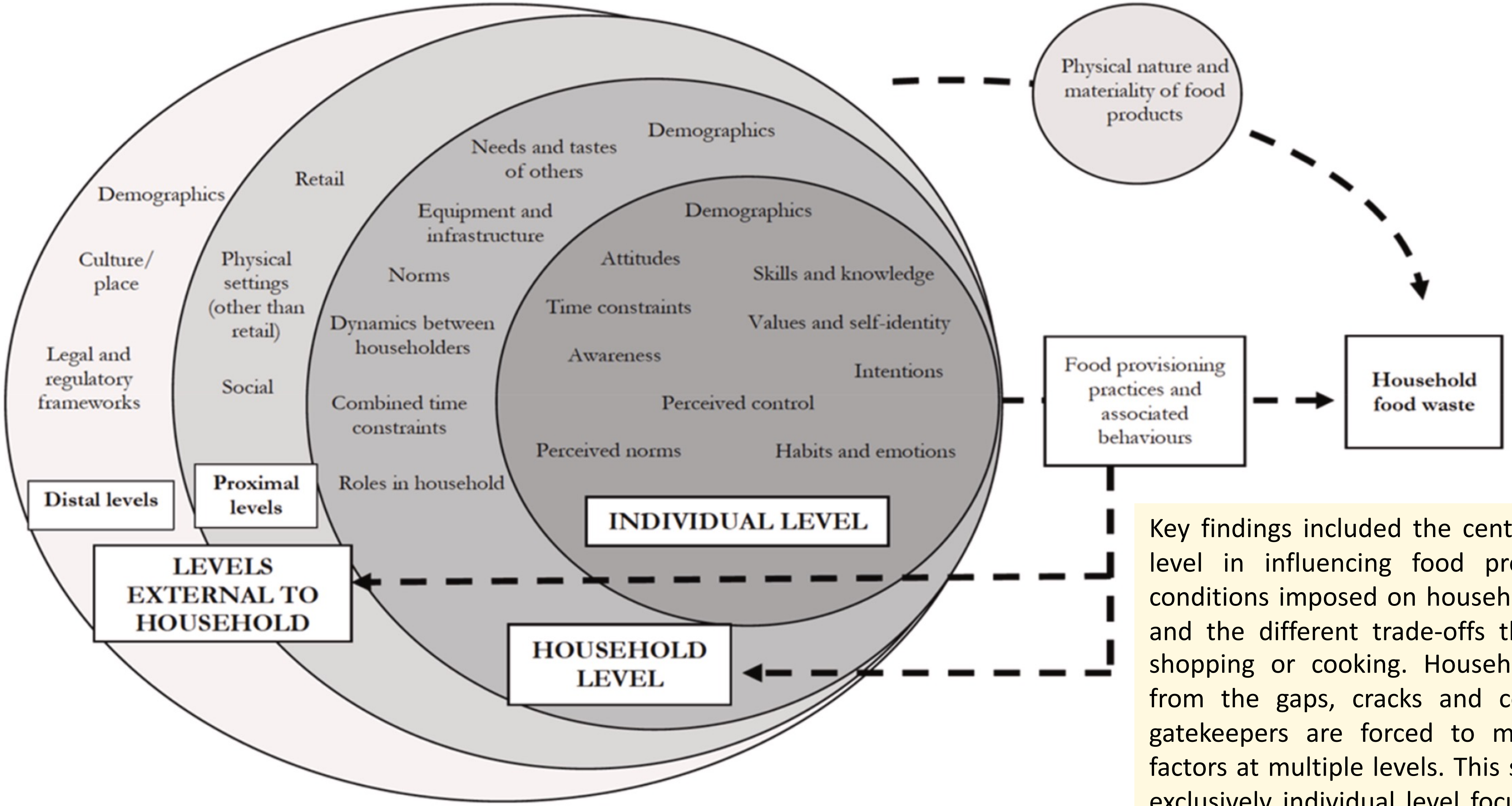
exemplary: Martinez, 2018 & Wintschnig, 2021.

Factors influencing sustainable consumption



Wintschnig, 2021, p. 340.

Multi-Level framework of consumer behaviour (example: household food waste)



Key findings included the central role of the household level in influencing food provisioning practices, the conditions imposed on households by the food industry, and the different trade-offs that are negotiated when shopping or cooking. Household food waste emerges from the gaps, cracks and compromises that dietary gatekeepers are forced to make between interacting factors at multiple levels. This study supports a move an exclusively individual level focus in food waste research to include greater consideration of the entire household, as well as the external conditions imposed upon them.

Boulet, M..; Annet Hoek, Rob Raven (2021): The gaze of the gatekeeper, Resources, Conservation and Recycling, Volume 171, 2021, https://doi.org/10.1016/j.resconrec.2021.105625.

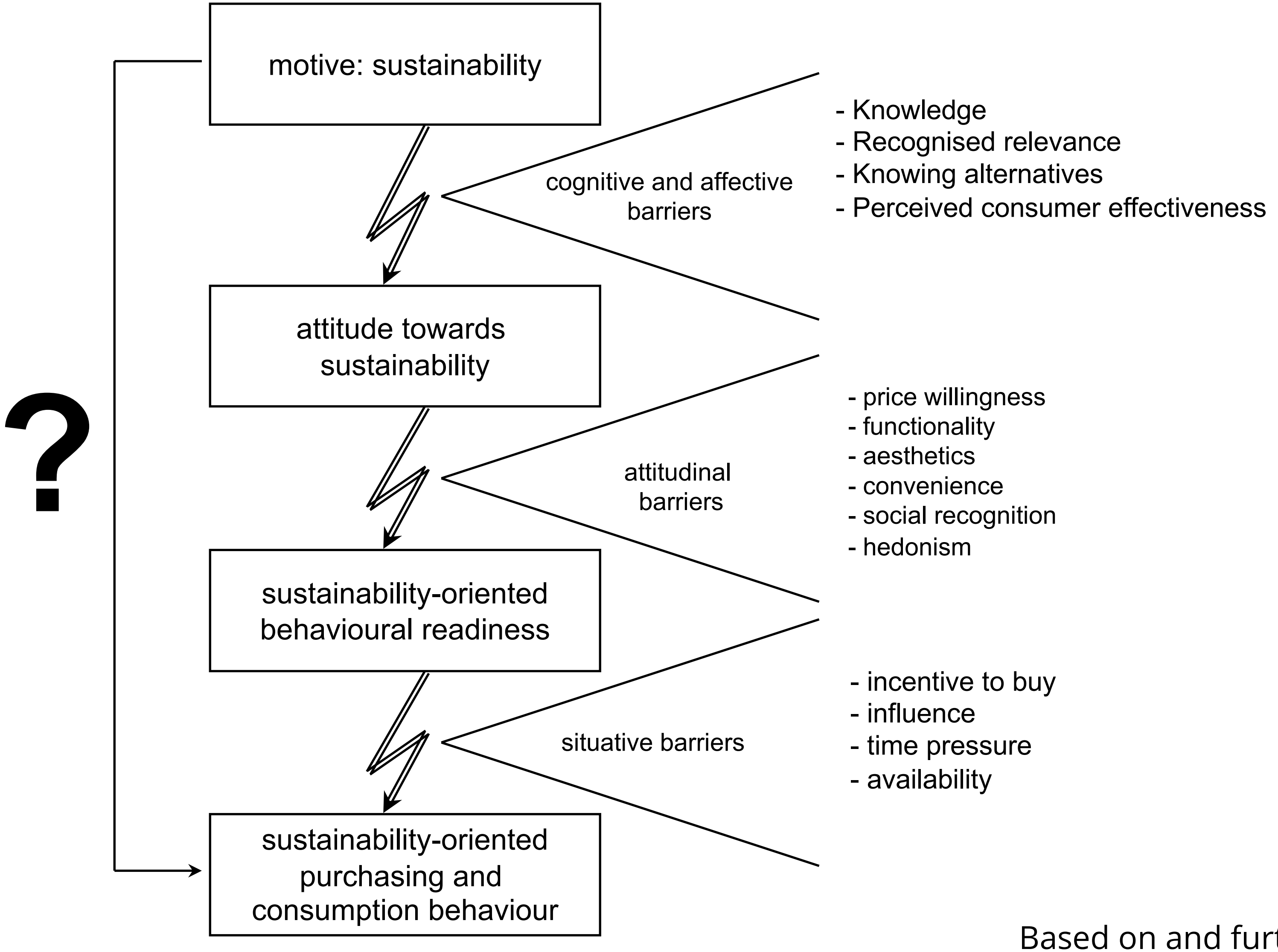
barriers of sustainable consumption - a stage model

overarching values

attitude towards specific behaviours

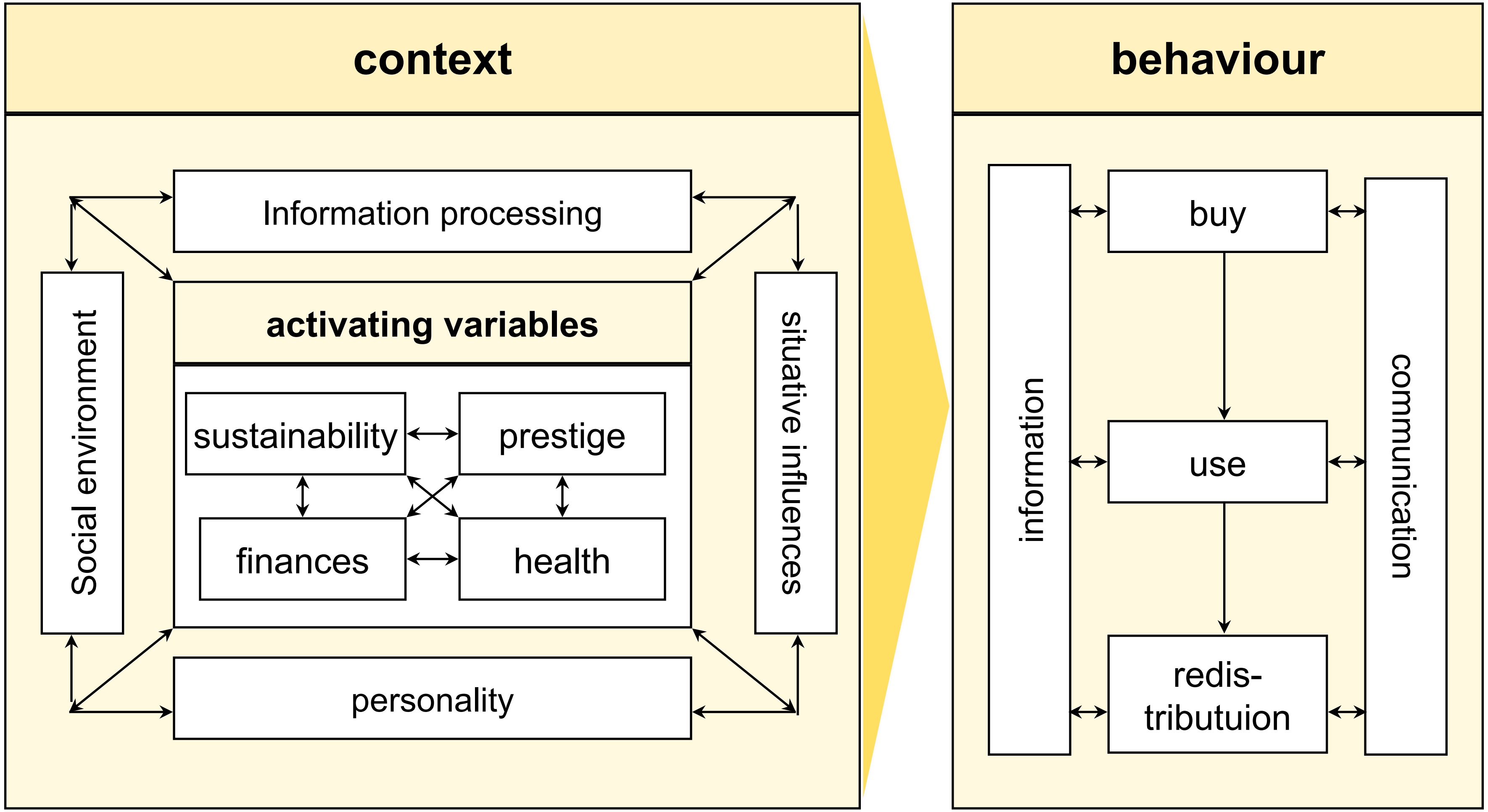
situational assessment

action



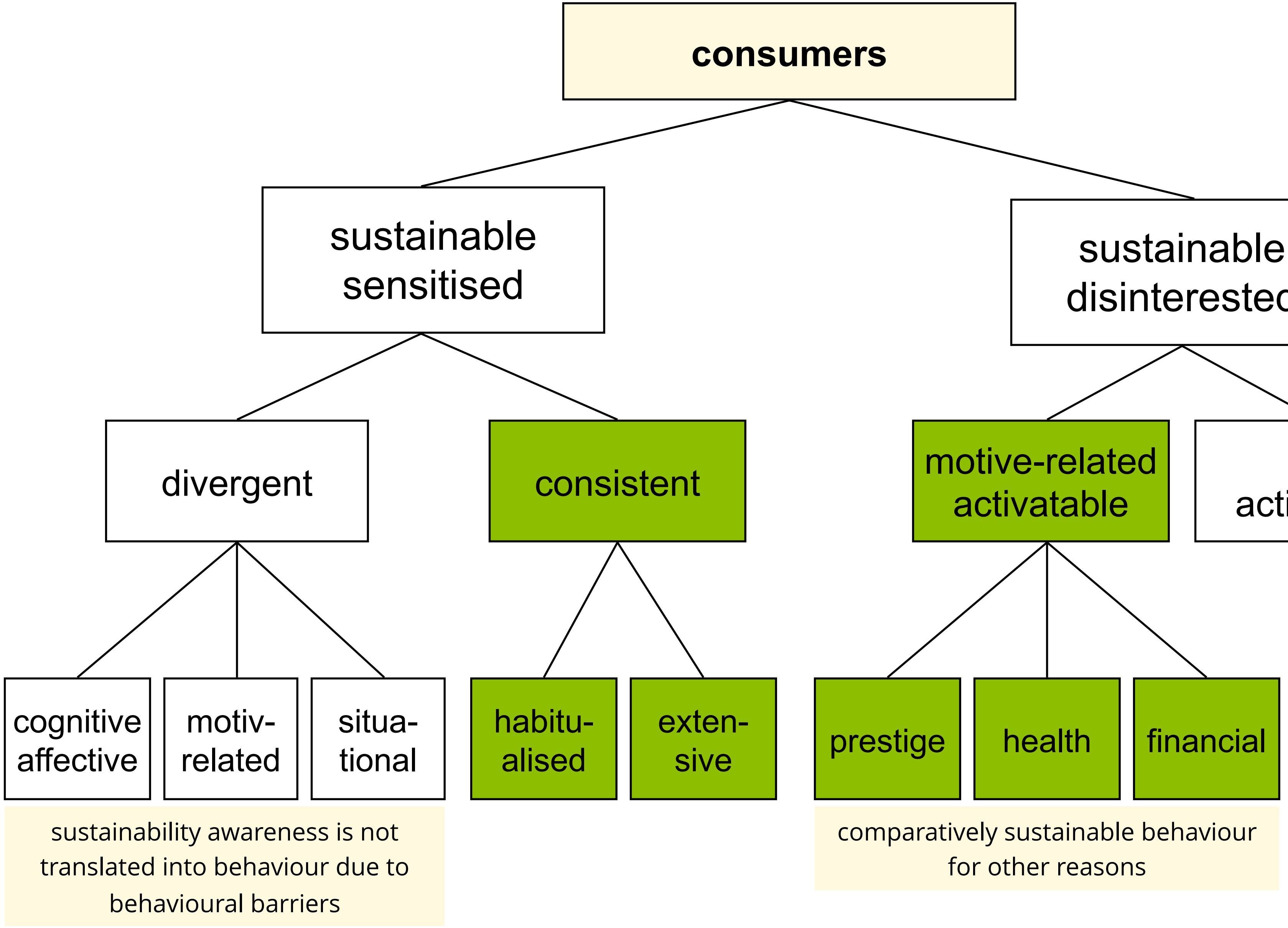
Based on and further developed: Funck, 1996

Model for sustainable consumption behaviour



Based on and further developed: Funck, 1996

sustainability segmentation



comparitively sustainble consumer behaviour

Companies can develop specific strategies for each of the segments. Particularly important: Eliminate behavioural barriers in the “divergent" segment.

EU regulation on sustainbale retailing and value chains (1/2)

Richtlinien / Gesetze der EU	Directive on corporate sustainability due diligence	Corporate Sustainability Reporting	Taxonomie Regulation	law against forced labour
content	to foster sustainable and responsible corporate behaviour throughout global value chains	to make corporate sustainability reporting more common, consistent, and standardized like financial accounting and reporting.	criteria for determining whether an economic activity qualifies as environmentally sustainable, thereby enabling the degree of environmental sustainability of an investment to be determined	general ban on all goods associated with human rights violations
scope	Companies with more than 500 employees and more than € 150 million in turnover; stricter rules for high-risk sectors (e.g. textiles).	according to figures of companies like employees (> 250) or revenue (> €40M). Relevant for an estimated 50,000+ companies who do business in Europe	large public-interest companies with more than 500 employees (app. 11,700)	all products, namely those made in the EU for domestic consumption and exports, and imported goods, without targeting specific companies or industries
status	Adoption expected in 2023, implementation by 2026; German supply chain law enters into force in 2023	from 2024 for all companies of public interest, from 2025 for large companies; from 2026 for listed SMEs	In force since 12 July 2020 According to Article 27, this regulation shall apply 2022 to climate change mitigation and adaptation (2022) and to the other environmental objective (from 2023)	… entry into force 2025 at the earliest

EU regulation on sustainbale retailing and value chains (2/2)

Richtlinien / Gesetze der EU	Revision of the EU Waste Framework Directive from 2008	Directive against Unfair Commercial Practices	Draft directive to empower consumers for ecological change	Energy performance of buildings directive
content	to improve the overall environmental impact of waste management according to the waste hierarchy and by applying the polluter pays principle (Circular economy)	A commercial practice is considered 'unfair' if it meets two conditions: (1) It is misleading: giving false information or leaving out important information or aggressive: putting pressure on you to buy and (2) It is likely to distort your buying decision	aims to contribute to a circular, clean and green EU economy by enabling consumers to take informed purchasing decisions and therefore contribute to more sustainable consumption	To boost energy performance of buildings, (1) to achieve a highly energy efficient and decarbonised building stock by 2050, (2) to create a stable environment for investment decisions and (3) to enable consumers and businesses to make more informed choices to save energy and money
scope	No specific restrictions; areas regulated in other directives and regulations are excluded (e.g. waste water, radiactive waste).	It applies to all commercial practices that happen before (through advertising or marketing), during and after a business-to-consumer transaction has taken place.	according to Directive against Unfair Commercial Practices	Each Member State shall establish a long-term renovation strategy to support the renovation of the national stock of residential and non-residential buildings, both public and private, into a highly energy efficient and decarbonised building stock by 2050, facilitating the cost-effective transformation of existing buildings into nearly zero-energy buildings.
status	to be revised and further developed in some sub-areas in 2023	In force since 2005	Proposal; further implementation still open	In force since 2018

EU regulation for green buildings – main measures

- the gradual introduction of minimum energy performance standards to trigger renovation of the worst performing buildings
- a new standard for new buildings and a more ambitious vision for buildings to be zero-emission
- enhanced long-term renovation strategies, to be renamed national Building Renovation Plans
- increased reliability, quality and digitalisation of Energy Performance Certificates; with energy performance classes to be based on common criteria
- a definition of deep renovation and the introduction of building renovation passports
- modernisation of buildings and their systems, and better energy system integration (for heating, cooling, ventilation, charging of electric vehicles, renewable energy)

https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

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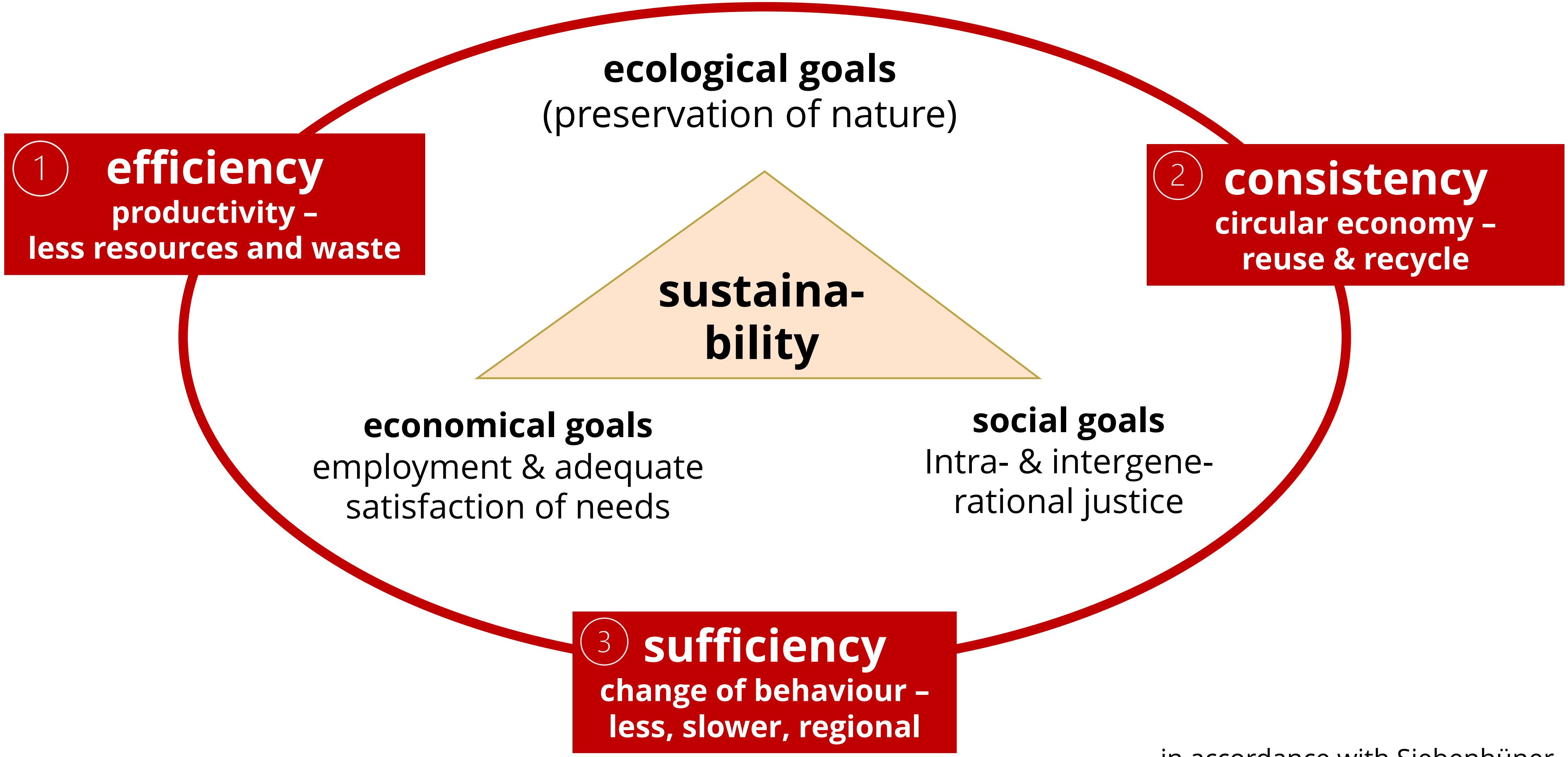
Sustainability goals and strategies



in accordance with Siebenhüner, B. (2001): homo sustines, Marburg, S. 78.

sustainability strategies in the retail sector

level of sustainability

high

sustainable consum

low

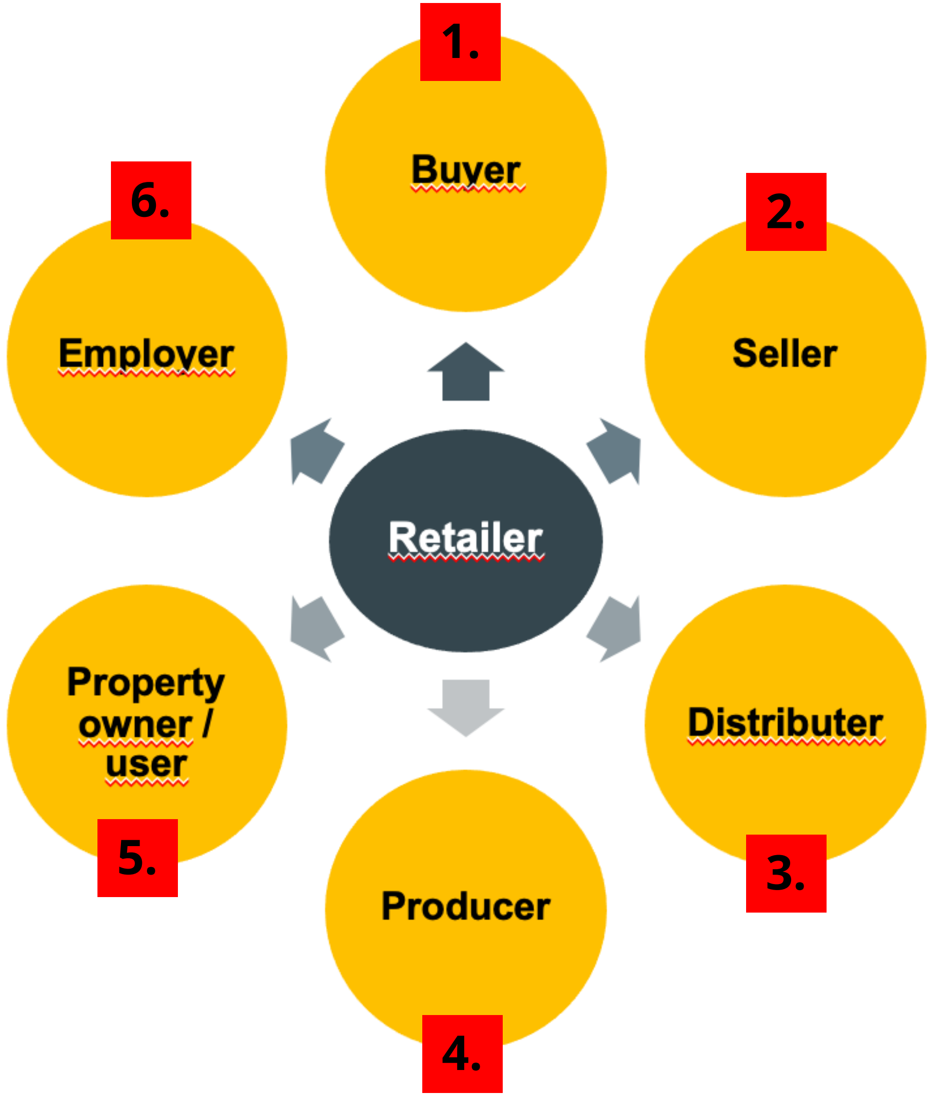
low | high

management-competence

we need sustainability innovators (mission driven, social entrepreneurs)

but especially greening goliaths (profit-driven companies, influenced by sustainable oriented stakeholder)

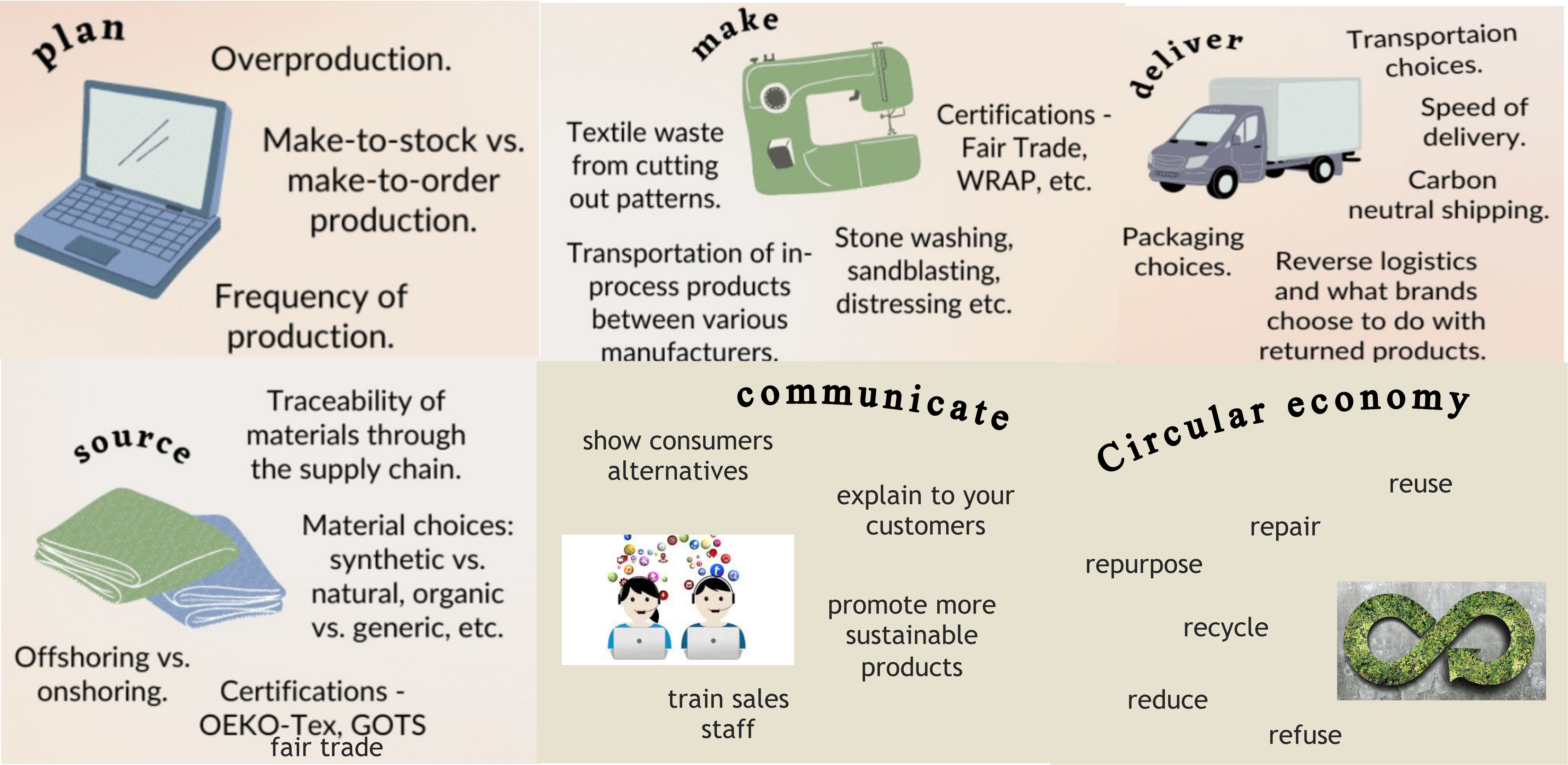
retailer as sustainability actors, gate keeper and influencer



Retailers can …

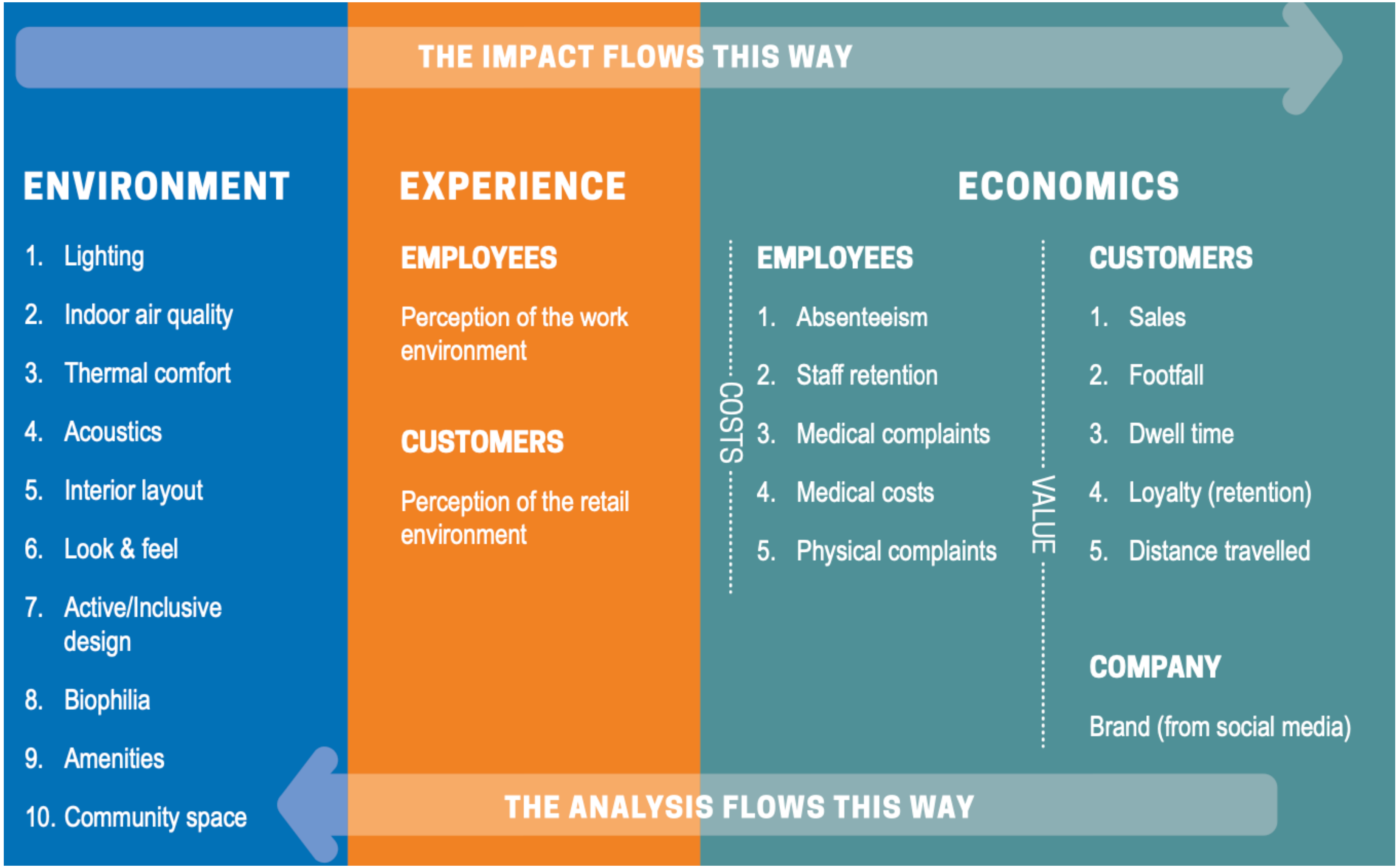
1. put pressure on their provider (bying power) and promote local production
2. inform / educate consumers and offer sustainable alternatives
3. contribute to a sustainable logistic-system
4. reduce waste & contribute to a circular economy.
5. reduce of energy consumption; construct green buildings.
6. inform / educate employees and create a social, equal and participatory world of work.

supply chains and sustainability: textile industry



[Based on and extended: https://www.acteevism.com/2019/04/12/what-is-a-supply-chain-and-what-does-it-have-to-do-with-sustainable-ethical-fashion/](https://www.acteevism.com/2019/04/12/what-is-a-supply-chain-and-what-does-it-have-to-do-with-sustainable-ethical-fashion/); retrieved 14.09.2022

impact of green retail buildings on people and profit



World greeen building council (ed., 2016): health, wellbeing & productivity in retail: the impact of green buildings on people and profit, p. 15.

Innovative retailers – IKEA in Vienna

IKEA in Vienna: city center concept

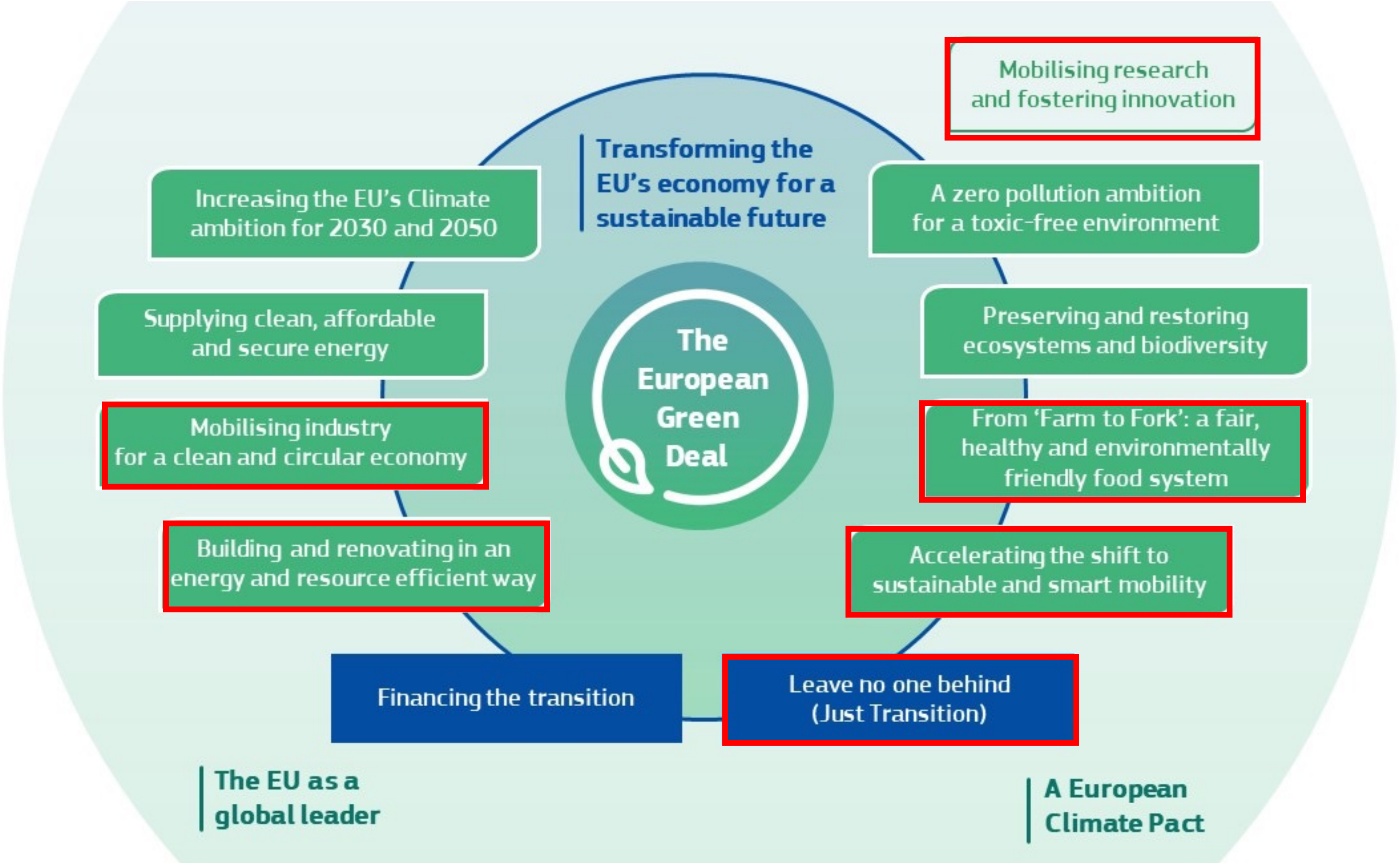
- 22,000 sqm, 5 floors, 3,000 items
- green building, roof terrace, photovoltaics, biodiversity
- no parking spaces ("mobility without a car")
- App-based shopping possible
- pick-up on the outskirts or delivery

decentralized logistics concept

sustainability * showrooming * nice place to be

A 15-minutes neighbourhood needs local providers!

The European Green Deal – possible retailers input



UN SDG – possible retailers input

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS

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Questions

- What relevance do consumption decisions and retail have in your project?
- Outline the relevant value chain.
- Based on this, illustrate the relevant impact (transport, real estate, goods flows, landscape consumption, ...).
- Which actors would have to change which behaviour in order to achieve the goals of the project? Consider the dimensions "efficiency", "consistency" and "sufficiency".
- What are the barriers to the desired behavioural change?
- What incentives can help to overcome the barriers?
- What impact could you achieve in your project? Show this with reference to the UN SDGs and the EU Green Deal.

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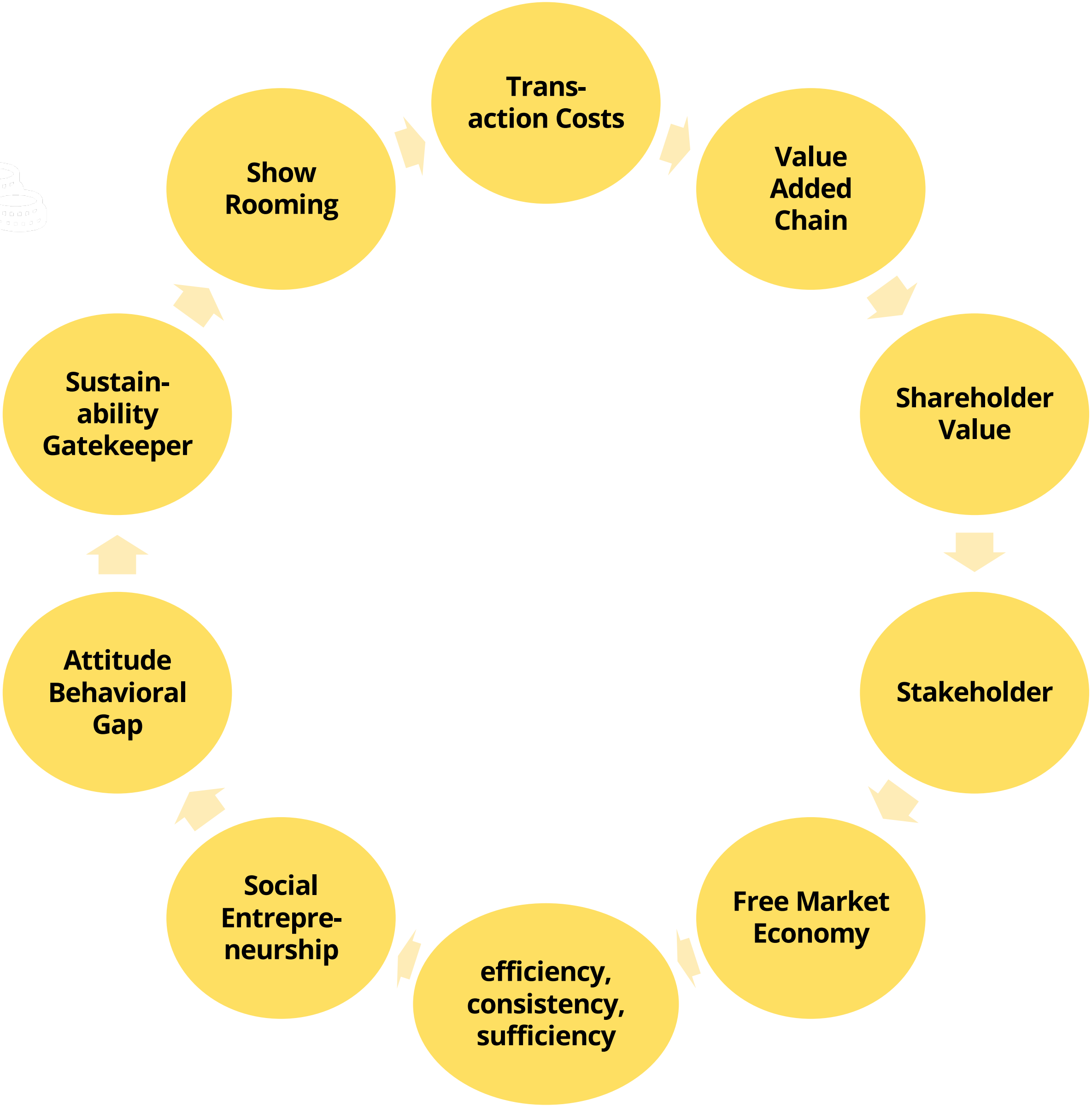
Key Concepts (overview)



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