RetailWire DIALOGUE

Sustainable Retail:
Transforming Your Business Mindset

Key Theme: Sustainability Drives Long-Term Success Experiences

Consumers, regulators, and profit margins are calling on brands to embrace sustainable practices. Supported by new processes, enabling technologies, unified data, and AI, a sustainable mindset can increase customer satisfaction, grow margins, and improve the environment.

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Recap: On a recent RetailWire LIVE session on LinkedIn, RetailWire, SAP®, and Crystal S.A.S. executives discussed the challenges of developing and implementing sustainable practices across the entire value chain. A comprehensive look at how Crystal incorporates sustainability into its end-to-end business operations and key projects was revealed. The industry experts also provided practical advice on how data, technologies, and AI can unlock efficiency gains and savings and how to ensure that people are on board with new processes.

"[At SAP] we drive our customers toward the direction of going into chasing zero — zero emissions, zero waste, and zero inequality. And what it means for retail businesses and how they prioritize sustainability along the end-to-end value chain."

Florian

Crystal S.A.S. is a Colombian producer, distributor, and retailer of apparel and fashion brands. Founded in 1947, the vertically integrated organization has 7,000 employees, 270 stores, three distribution centers, and six production plants. Crystal's brands Gef, Punto Blanco, Baby Fresh, Galax, and Casino, and its franchise Parfois, are present in 11 countries throughout Latin America. The company focuses on quality, innovation, and design and takes an omnichannel and sustainable approach to business operations.

crystal.com.co

1 Sustainable Practices

Consumers want ethically produced merchandise. They are pressing brands for more information about the ingredients, processes, and environmental impact of their products. At the same time, brands are looking for new processes that conform to regulations, reduce environmental impact, and improve business results.

Jorge Humberto Escobar Calle revealed details about some of the brand's operational sustainability initiatives underway:

- **Created** a nonprofit (Corporation Minutorios) to reutilize second-hand garments

- **Conducted** garment lifecycle analysis to identify the greatest greenhouse gas emissions

- **Invested** in solar panels and gained 30% in energy usage reduction

- **Reduced** and reused water consumption in the manufacturing process

- **Partnered** to develop new cotton seed with high environmental and social impact

- **Created** bricks with denim scraps, which are used in stores

- **Implemented** 3D technology to improve the sample creation process

"We are in the fashion industry, where processes have a high pollution impact and are very labor intensive. We have a responsibility to be at the forefront of the best practices in environmental and social responsibility issues, where sustainability objectives become very key in the corporate strategy. The biggest challenge we currently have is how we manage to be a profitable company by finding a balance between the needs and demands of our customers and the sustainability change that the world demands from us today."

Jorge

Regulations are a major force in driving brands to become more sustainable. Satisfying regulatory requirements, which often have stringent timelines and heavy penalties for non-compliance, is a priority for businesses worldwide.

"Regulations are one of the top market drivers when it comes to sustainability. There are more than 600 ESG [environmental, social, governance] standards that organizations need to adhere to, and they span across approximately 90 countries. This underscores the importance organizations need to place on compliance."

Florian

Sustainability has the attention of Crystal's top management, who must review multiple local and international regulations and ensure compliance. The brand relies on an integrated SAP system to provide data and required reporting for governing agencies.

2 Supporting Technology

Future-oriented businesses must transform their people, processes, and technology to become more efficient and manage sustainability.

The right technology stack is essential in helping retailers conform to guidelines, reduce environmental impact, and ethically produce the products that consumers demand. Systems hold the data needed to identify opportunities, improve practices, and measure the performance of key initiatives.

Modern architecture, strong core systems, and new technologies like AI are needed to understand, oversee, and determine the effectiveness of projects. Components that must be in place to speed transformation include:

- Cloud-based ERP
- Unified, governed master data to control supply chain, inventory, and stock
- Business processes management for quality initiatives
- Native integration into other sustainability solutions to calculate key metrics and meet regulatory requirements
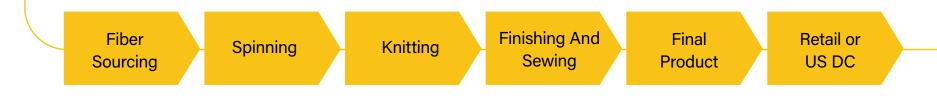- Transactional-level sustainability decisions across ERP business processes

Jorge Humberto Escobar Calle described how his team has implemented SAP S/4HANA for both retail and fashion so that they can have complete visibility of their entire value chain.

"We are a company with complete vertical integration from sourcing to the marketing of our products through different digital and physical sales channels. The integration of our [multiple] operations plays a key role in the success of the object that we set. This is one of the reasons that we implemented HANA for fashion and retail. You see, we have the whole supply chain."

Jorge

The brand depends on this single, central source of data to track materials and products each step of the way. This unified view of all relevant information gives the brand everything needed to identify opportunities, generate metrics, and create necessary sustainability reports.

Fiber Sourcing → Spinning → Knitting → Finishing And Sewing → Final Product → Retail or US DC

New advanced systems are embedded with traceability and sustainability capabilities and utilize data, analysis, and AI to make it easier for retailers and brands to adopt new practices.

"Cloud ERP is core to sustainability management, and no future-oriented business transformation is complete without sustainability. SAP S/4HANA has some great embedded sustainability features, like capturing carbon in the inventory management, so brands can manage emissions. It also addresses foundational data topics that allow brands to prepare for true carbon accounting."

Florian

Read the playbook on transforming retail with AI

Sustainability Showcase

Software innovations have become the go-to tools for businesses seeking to enhance efficiency and sustainability. Modern applications provide comprehensive visibility into the supply chain and enable companies to make informed decisions that reduce waste, improve environmental outcomes, and please customers.

Traceability

Traceability and transparency are important to consumers who are eager to learn more about what they buy and what they eat. Digital tracking codes on every product give consumers online access to an ingredient and component tracker with detailed information on ingredients or product components and the end-to-end production process.

Waste

Shoppers and supermarkets both want freshly prepared food in stores. Preparing the right amount of product while minimizing food waste is more important than ever in a sustainability-oriented world. Fashion retailing also shares the common issue of waste — in this case, unsold or returned items adding to the global waste problem. Consumers are always looking forward to the latest trends and designs. The fluctuating and unpredictable nature of fashion trends often results in excessive inventory, stock shortages, returns, and discarded garments.

Unified demand forecasting can much better predict the optimal amount of product to produce, based on a variety of criteria, reducing waste while increasing satisfaction, sales, and margins.

Returns

Consumers want to get products that fit well, and retailers want to reduce costly returns. For example, digital apps that consumers can use to take measurements of their feet or form can direct shoppers to products from online retailers that are more likely to fit properly. This dramatically improves satisfaction while reducing returns and their impact on the environment.

3 People and Processes

People are the most important part of implementing a sustainable strategy. In any change management initiative, it's necessary to provide education and to involve all employees early in the process.

It is important to tailor tools and access based on an individual employee's role, responsibility, and expertise. When bringing data closer to decision-makers, brands must ensure there is:

- A reliable single source of truth
- Transparency on metrics and the decision-making processes
- Rationale behind decisions
- Easy and role-specific access to data

"Most of the sustainability data is accessible only for experts involved in sustainability disclosures, for example, annual reporting or regulatory compliance. But in the end, data should empower all employees with tailored access to optimize their operations and decision-making."

Florian

Jorge Humberto Escobar Calle revealed that Crystal invests $2 million per year in employees and education and has alliances with partners, including SAP and Georgia Tech, to help their teams develop a digital mindset.

Summary

In response to consumer mandates, governmental regulations, and a need to operate more profitably, retailers and brands are stepping up and adopting practices that are more sustainable across all business functions. Modern integrated systems, data, and AI are underpinning this transformation and providing the capabilities needed for transparency, compliance, and performance measurement. Successful companies speed transformation by involving, educating, and investing in people in all areas of their organizations.

"Sustainability is team play. In essence, I see sustainability as a kind of multifaceted challenge that knows no boundaries. So it's no longer a niche, it's an expected part of every facet of the retail end-to-end value chain."

Florian

See a recording of the RetailWire LIVE discussion for more details

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