

Rei sustainability case

[Education](#), [Sustainability](#)



To: Council of Executive Vice Presidents Date: 1th of November, 2012 From: Anders F? dder Subject: Evaluation of REI's sustainabilitygoalsI am writing in response to your inquiry regarding the plausibility of maintaining the continuous growth of the company as well as satisfying its sustainability goals. The following sections will address the three issues, mentioned by top management, by first describing them, then interpreting them and lastly they will be evaluated.

Conclusion and recommendations will be based on this. REI focus greatly on the impact that their business has on theenvironment. They continuously work on finding new and innovative solution that will help reduce these negative effects. Their corporate mission emphasises this commitment: " At REI, we inspire, educate and outfit for a lifetime of outdoor adventure and stewardship" REI's stewardship priorities: * Encourage the active conservation of nature Inspire the responsible use and enjoyment of the outdoors * Enhance the natural world and our communities through responsible business practices * Foster opportunities to increase participation in human-powered outdoor recreation * Maintain REI as an employer of choice, where employees are highly engaged in the vision of the company and are representative of our communities The CEO, Kevin Hagen, also stated that these financial and environmental goals and aspiration must be met without sacrificing either. Hagen advocated shifting to a framework of " no tradeoffs" thus making a paradigm shift; Innovation over compromise.

Issue 1 First issue is whether the company's stated sustainability goals and aspirations are consistent with its corporate mission and its stated

stewardship objectives that are listed above. REI sustainability goals focus on three areas; energy consumption, greenhouse gas emission (carbon footprint) and reduction of waste to landfills. The company plans to add water, toxics, land use and social impact to this list in near future. Each of these areas has an aspiration for 2020, a goal for 2015 and a budget for the current year. Energy consumption

REI has taken different initiatives to increase their energy efficiency by switching to new renewable power sources wherever possible. Their mission is to keep their energy consumption at a fixed level despite opening new stores. One of the ways they do this is by investing in self-generation options such as solar technology. Their ways of managing their energy use and increasing efficiency include:

- * Solar technology in many of our stores
- * Lighting:
 - * Elimination of all incandescent bulbs from our retail stores
 - * Installation of highly energy-efficient bulbs and fixtures
 - * Greater reliance on skylights and natural lighting
- Heating & cooling (HVAC):
 - * Aggressive retrofitting and replacement of outdated HVAC equipment with sophisticated new models
 - * Centralized monitoring
 - * Energy-saving techniques such as on-demand ventilation and airflow
 - * Measurement of our stores' energy efficiency against similar buildings nationwide with the ENERGY STAR benchmarking tool

Greenhouse gas emission (GHG) The aspiration for 2020 concerning GHG was to be climate neutral. Their goal for 2015 was to cut GHG by 50 percent compared to 2010 emissions. The budget for each year was a specific target in tons of CO₂ that was defined by the 2015 goal.

REI looked at many aspects of their business in order to reach this goal. These were not limited by their own specific action within REI. They look

beyond themselves and try to change the way their employees and suppliers act to. The list include: employee commuting and travel, travel by customers participating in REI Adventures programs from their homes to the site of program, transportation of products from vendors to the company and shipments to customers. However, they have not included customer transportation to and from the stores.

REI provides meaningful incentives for their employees to reduce the environmental impacts of commuting and corporate travel. These include: * A 50 percent transit subsidy * Showers and secure bike storage at every REI facility * Telecommuting options at our headquarters location * Web conferencing and other technology tools In 2011, REI partnered with The Nature Conservancy to implement an afforestation project on the Bayou Bartholomew property in Louisiana, which will restore forest continuity with the adjacent Chemin-a-Haut State Park.

Funding provided voluntarily by REI Adventures will financethe future retirement of carbon offsets from this project. Through this effort, REI supported The Nature Conservancy's restoration of this forest ecosystem, as well as the design of a carbon project. This carbon project has been validated and registered through a credible third-party certification system (the Verified Carbon Standard). The effort will contribute to long-term systemic change, benefitting the atmosphere andthe forestecosystem, and has been designed to produce verifiable carbon offsets in the future.

Though REI would seek new and innovative solutions to all aspects within the company, there is at least one were they could only offset rather than reduce. REI's largest source of GHG emissions was REI Adventures which <https://assignbuster.com/rei-sustainability-case/>

generated 31 percent of its total, namely flying members to adventure destinations. This exception was dealt with by purchasing carbon offsets as a part of the travel package, paid by REI. Reduction of waste to landfills REI aspiration for 2020 was to have no waste to landfills and cut waste to landfills by half between 2010 and 2015.

In order to achieve this, they strive to make their packaging shipping operations as efficient as possible. They work with vendors, shipping companies and industry colleagues to pioneer new approaches to this complex situation. One example of this is how they reinvented the way bicycles were packaged and shipped. The bikes, shipped in cardboard boxes from china, was packaged in parts and assembled at one location in the US from where they were sent to the stores. The extensive packing, taped and stapled together, held the parts and assembled bikes securely but was difficult to assemble and disassemble.

REI revised this process in way that allowed them to reuse the carton over and over again. Essentially, the same cartons that was used from the manufacturer in China, was used throughout the supply chain and returned to China, to once again be use. Thereby recycling all the materials rather than sending it to landfills. This decreased the cardboard consumption by more than 60 percent. Additionally they saved more than \$1 million in annual labour hours due to reduced time required to pack and unpack bikes. Recap REI saw a rise in its net carbon impact during 2010.

But the increase was smaller than overall company growth during the year, as measured by sales. Overall, the company used 2. 4% less energy in its facilities, despite adding four new stores and relocating two retail locations

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to larger spaces. Other sustainability efforts include purchasing 58.4% Forest Stewardship Council (FSC)-certified paper fiber, and recycling 74% of total operational waste, including more than 95% at REI's two distribution centers. Community efforts included 109,785 volunteer hours committed through 541 REI-hosted conservation projects to plant trees, restore trails, and clean parks and streams.

The company also funded \$3.7 million in grants provided to 330 nonprofit partners with a focus on conservation and outdoor recreation. However, REI is transferring renewable energy certificates generated by their solar panels. Since they do not claim credit for reducing carbon when doing so, this is creating a problem in terms of reaching carbon zero. A challenge they must overcome if they intend to reach their aspirations. REI could further reduce their GHG by reevaluating the use of New Zealand as a destination. Many locations on North American (e.g.

Alaska, Canada, and the Rocky Mountains) continent have similar location to offer, and seeing that New Zealand is half way around the world, this could be an effective substitution. Exhibit three displays the progress of reaching the 2015 goals. It shows the actual status of all three areas in e.g. the first quarter of 2011, the plan for 2011, the trajectory for 2015 and the goal for 2015. Though the trajectories for 2015 for all three are above the goal, one can see from the actual status for 2011, that they are all fairly close if not under the plan for the same year.

So despite the gloom trajectory for 2015 REI is indeed on the right path.

Issue 2 The second issue was identifying the potential risks with REI adopting the "No Trade-offs" approach articulated by the corporate

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socialresponsibilitygroup, seen from a managerial performance measurement perspective. The “ No trade-offs” approach presents several risks. It can prove be expensive, not only in the solutions required to fulfil but also the hours it take to reach them. As the CEO aspires innovation over comprise, the employees will always have to look for new ways of performing tasks.

This takes time and time is money. This is also a very black and white approach leaving none or very little wiggle room. The employees need to stay within the parameters and in some cases they might be looking for solutions that are simply not there. Again, this is time consuming and will undoubtedly make REI miss out on additional earnings lost by looking in other fixed directions. REI has set the bar high and this might also have a negative effect on the people working to find the solutions. If the goals seem too impossible, it might demotivate rather than inspire thus lowering the morale among the workforce.

However, by setting a more reasonable goal for 2015 this is somewhat counteracted. Recap So there are several risks by the “ No trade-off” approach, but REI seems to get around them. The company is still growing and still finding ways to lower their influence on the environment. The Workplace section also notes that REI has been included on Fortune magazine’s “ 100 Best Companies to Work for” list for 14 consecutive years. The company has a 79% employee retention rate. Issue 3 The third issue was to evaluate the validity of the company’s approach to measuring its carbon emission.

The goals for environmental sustainability were set by the office of CEO. They were included in the company's non-financial KPIs (Key Performance Indicators). The CSR group is tasked to carry them out, however they also make the recommendation to the office of the CEO on which the goals are based. This could create internal problematic situation as it is the same people who make the recommendations for the goals as well as carrying them, though some tasks are overseen by other departments than CSR.

However, REI take a comprehensive view of their environmental impact using a framework that reflects the work of the Outdoor Industry Association's Eco Working Group. They have established key performance metrics for e. g. the three before mentioned areas, and in 2011, they implemented measurement and reporting tools that enables them to forecast, budget and review their progress in these areas. These metrics tie directly into strategic and financial planning for key REI divisions, and results are assessed quarterly by company leadership.

REI also became a member of bluesign technologies in 2008. The program requires tight manufacturing controls in mills and factories in order to be certified. This approach will provide greater supply chain transparency in support of REI's goal of reducing the environmental impact of its products. The transparency will also allow them to make a more precise assessment of their impact, as they will have greater access to their suppliers' information regarding manufacturing. Recap Based on this I deem the validity of the company's approach to measuring its carbon emission as high.