Mindful Commerce

Sustainability in Ecommerce: Insights Report

December 2020

Mindful Commerce

What is This Report About?

This report was co-created by MindfulCommerce and climate impact agency, Twelve.

We are in the midst of a climate and ecological emergency – with experts saying we have less than a decade to make far-reaching changes to our lifestyles to avoid the worst impacts. And this is changing the way people shop. A recent survey showed that 98% of consumers think brands have a responsibility to make positive change in the world. But meanwhile, global ecommerce sales are growing year on year and are expected to double by 2023 to nearly $6.5 billion.

Twelve conducted research in October 2020 to gather insights into the sustainability challenges and opportunities facing ecommerce. The insights uncovered have been drawn upon to help MindfulCommerce create a Framework and Directory to help improve the sustainability of ecommerce on a global scale.

This report demonstrates key findings and recommendations to inform the project.

Happy reading!

Contents
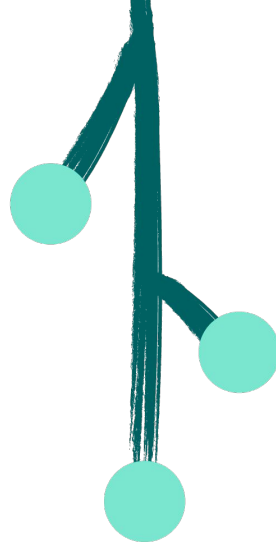
We gathered insights in three ways:

- Desk research to explore what is happening in ecommerce

- Online survey completed by 15 MindfulCommerce community members from the UK, Canada, Australia and the US

- 1:1 interviews with 10 stakeholders and experts.

In the surveys and interviews, we asked:

- What are the top environmental challenges in ecommerce, now and in the future?

- How is your business or service helping to solve these challenges?

- What are the barriers to making your ecommerce business or service more sustainable?

- Would our proposed sustainable ecommerce Framework and Directory help you to tackle those issues?
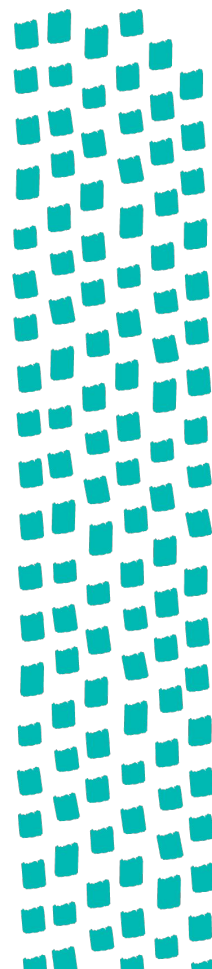
Key Insights

Based on our research
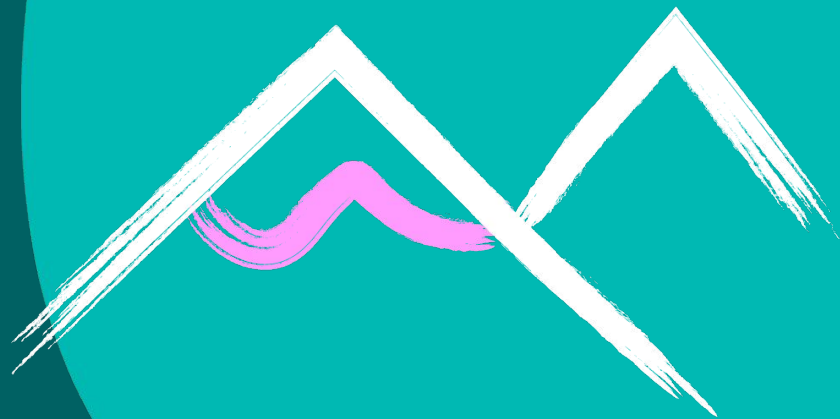
Key Finding #1

There is a general lack of understanding and awareness around the environmental impacts of ecommerce

Very few businesses are joining the dots between the far-reaching impacts of ecommerce or taking a properly strategic approach - and most people we surveyed found it hard to name leaders in the space.

Even the inherently sustainable brands we spoke to have not yet properly mapped out the full impact of their ecommerce operation.

Ecommerce is usually managed separately from the rest of the Sustainability department.

"There are so many unknowns about the impact ecommerce has on the environment. We need to share the truth."

ECOMMERCE EXPERT

"Ecommerce as a sector is quite far behind"

"There is an ecommerce workstream and there is a sustainability one (in business) and the two aren't necessarily connected"

ECOMMERCE EXPERT

"Education is key. Getting the right information on sustainability in front of people in a timely way"

Key Finding #2

Few businesses are addressing the elephant in the room – the issue of overconsumption

The issue of mass consumerism is one of the biggest threats facing our planet today. Humanity is using natural resources too fast – to make new products that people often buy on a whim and throw away. We need 1.6 planets to sustain today's demand and we're running headlong towards environmental collapse.

Yet, businesses are actively encouraging this behaviour. They're willing and in some cases manipulating us to buy things we don't need – making it all too easy for us with targeted ads, countless sales and undervalued products. But how many people actually know about the impact of their purchases? Perhaps if they did, they would stop and think "do I really need this?"

"We get people to buy things they don't need. Ecommerce return rates are over 25% as people are in the habit of buying and returning products"

DIGITAL SUSTAINABILITY EXPERT

"Some big brands always have a sale on. It encourages that consumerism behavior which is "want want want, need need need right now"

MERCHANT

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Key Finding #3

Consumers care about plastic – but they're still unaware of many of the other impacts of ecommerce

The plastic problem is in the spotlight right now. But what about the airmiles often associated with next-day delivery and the digital footprint of the internet? And what about unsustainable use of materials – and ethical sourcing? The impact of ecommerce is far-reaching. Businesses and consumers alike need to wake up to the full range of challenges we face.

"It's great that people are carbon offsetting their delivery – but they're still selling something made by god knows who from god knows where."

"Terms like 'the cloud' make the internet seem like it's not a physical thing that doesn't have a material impact. It is always on – for every second of the day. A huge amount of energy is used to run digital services and objects."

DIGITAL SUSTAINABILITY EXPERT

"If you're in Australia and order a dress or jumper and it comes to you wrapped in plastic, and if you're environmentally leaning, your first thought is probably, oh this is wrapped in plastic, not oh this has been flown to me from the UK. Which is actually pretty mental when you think about it."

MERCHANT

Key Finding #4

Merchants could do more to educate consumers – and nudge them towards sustainable solutions

Ecommerce offers opportunities that are not possible in brick-and-mortar retail. Whether it's operating a second-hand resale platform, listing detailed sourcing information for consumer scrutiny or offering carbon offsetting at checkout – only a few brands are truly harnessing this potential. Merchants have a huge opportunity to step into a leadership role - and inform, empower and inspire citizens to shop more consciously. There are almost infinite opportunities for agencies, experts and tech developers to invent products and services to support them.

"Every business has a role to play. Some will lead, others will follow."

"Ecommerce can play a great role in educating consumers."

ECOMMERCE EXPERT

"Ecomm has more power to effect change – acting vitally as a communication tool to share real stories, impact data, measurable progress and to raise understanding within the industry and to the consumer, in order to cut through green washing, which in my opinion is the biggest barrier to moving towards a meaningful sustainable future."
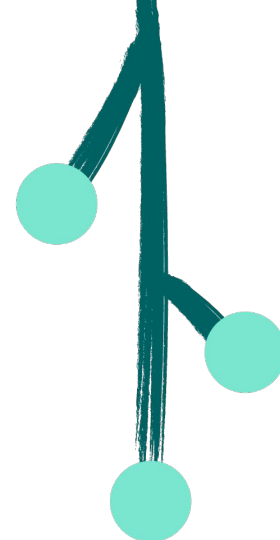
MERCHANT

"Educating consumers and the next generation is key – and looking at the bigger picture of mass consumerism."

WEB DESIGN EXPERT

"Education is the key to more people waking up. It needs to be the business driving the change."

MERCHANT

Key Finding #4 Continued

"Supply chain transparency is going to be more important from an ecomm point of view. Because everything is done virtually, I think people will naturally want to see more information on the screen about what they're buying. I think the transparency angle is going to become important… it's human nature. If I can't touch and feel something, I want to read about it to trust it."

MERCHANT

When asked about the big environmental and social challenges facing ecommerce, this respondent pointed out that transparency matters.

"If we could prove that customers would pay more for slower deliveries and carbon offset deliveries, then that would drive (more sustainable behaviour). We need to educate consumers and bring them along on the sustainability journey to prove it's better for business."

MERCHANT

Many online businesses actively encourage unsustainable consumption such as next-day delivery, to remain competitive. But what if brands informed their consumers about the environmental impact of next day delivery vs a slower option – and nudged them to pick the more sustainable one?

Key Finding #4 Continued

Example of a sustainable nudge

Ecommerce provides a great opportunity to create products that are highly concentrated – so that you're shipping less water and air.

Take the example of a highly concentrated cleaning product. Being a smaller bottle, in store it wouldn't have so much shelf appeal and consumers may think it looks expensive compared to the undiluted versions from other brands.

But ecommerce can play a great role in educating consumers at the point of purchase that it's a concentrated item that's better value for money and better to ship because it's not shipping excess packaging and water.

Brands have found that people are more likely to buy these concentrated products online where they're not confused by the comparative size of bottles on shelf.

Key Finding #5

Ecommerce is fuelling unsustainable consumer expectations around speed and convenience

Ecommerce has a lot to answer for when it comes to plundering our planet. Flying items around for next day deliveries and offering free international returns has become the norm. When it comes to clothing, people often buy several sizes with a plan to return most of them. When are we going to say enough is enough? And how do we get the whole industry to change?

1.5 billion trees would need to be planted to deal with annual ecommerce returns in the US alone.

GERRY McGOVERN
WORLD WIDE WASTE

"How do you meet people's expectations for fast delivery and deliver products in a sustainable way? If sustainable products are a lot more expensive and take longer to ship, then people will buy less sustainable products from big companies that aren't as sustainable but offer fast delivery."

APP DEVELOPER

"The focus on incredibly quick fulfilment presents challenges – especially emissions from air freight – which is mostly the case when people select next day delivery in the United States."
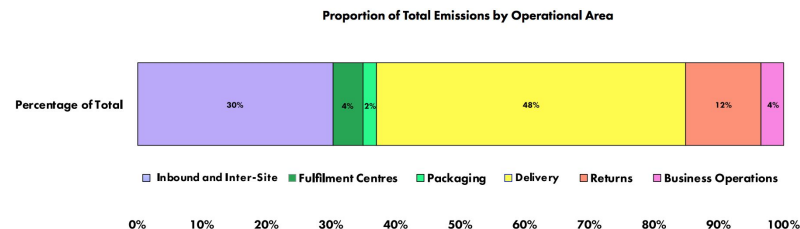
APP DEVELOPER

"For our business and in the fashion world, the speed to market element is very important and part of the business model."

MERCHANT

Key Finding #5 – Desk Research Insight

Demand for next day delivery means ASOS relies heavily on air freight

- Deliveries and returns totaled 60% of ASOS' operational CO2 footprint – mainly due to flying products to meet consumer demand

- Cutting back on airmiles could significantly reduce their overall CO2 emissions

- Smaller businesses can apply these findings to make an educated estimate of their own impact. Do they know how their products are being shipped? Can they cut airmiles?

Proportion of Total Emissions by Operational Area

Percentage of Total

| | 30% | 4% | 2% | 48% | 12% | 4% |

■ Inbound and Inter-Site ■ Fulfilment Centres ■ Packaging ■ Delivery ■ Returns ■ Business Operations

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

asos

The bulk of our emissions are associated with delivering orders to customers. As a global business we're trying to ensure we can deliver to all customers as conveniently and efficiently as possible and in 2018/19 we made great strides in reducing the environmental impacts of our deliveries as well. Total emissions from customer deliveries were 129,765 tonnes (CO2e) in 2018/19, which was 18% lower than the previous year despite a 17% increase in parcels delivered. On a per order basis, emissions were reduced by 30% between 2017/18 and 2018/19.

A large proportion of this reduction was made possible by the opening of our fulfilment centre in Atlanta in 2018/19, allowing us to start serving US customers via road transport and shorter-distance air deliveries instead of fulfilling all orders from the UK via long-distance air freighting. In the year of its opening, the number of US orders fulfilled from the UK reduced by 48%, with the majority of orders delivered via Atlanta. This resulted in a 59% reduction in associated carbon emissions per order for US customers. As the fulfilment centre in Atlanta continues to mature in operation we will see this shift increase further in the 2019/20 year with emissions expected to continue to fall.

We also continue to work with European delivery partners to reduce carbon emissions and increase the number of deliveries made in low or zero-emission vehicles. This not only helps to reduce our impact on the climate but also contributes to improving air quality in urban areas where many of our customers are based.

Key Finding #6

We need to work together to tackle ecommerce's big challenges

One thing is for sure, no one can solve the problems we face by working alone. For example, right now, Wix and Squarespace do not use renewable energy. Therefore, any company hosting their website on those platforms will be using non-renewable energy. It would take years to encourage everyone to switch to a different hosting provider. It might be easier and more effective to club together as a community and demand that these providers switch to renewables.

When we start to think about the potential of collaborative projects like this, we start to see the potential power of members of the MindfulCommerce community working together.

"When it comes to managing speed and convenience, I can see a future where more and more players are working together to deliver things from more localised distribution centres. This may lead to a decreased product offering or a change in consumer attitude with regard to how quickly they can get things."

"We could work with brands to ship directly to the customer. For example, a lot of what Amazon sell, they don't touch."

"A barrier to making our ecommerce operation more sustainable is regulation to help level the playing field."

"Perhaps we need better collaboration between delivery partners and retailers. Seeing a lot more in the logistics sector that sustainability is a commercial driver so talking to logistics providers – for example to say, if you are delivering a parcel for us – can you pick something up too?"

"We need to get the right partners in a room who are willing to tackle these issues for the right reasons."

Key Finding #7

Lots of tech solutions already exist – but people don't know about them

There is a huge and growing number of Ecommerce apps and other tech solutions out there – and some merchants are already using them. But there needs to be a much better and quicker exchange of information so that they can scale quickly.
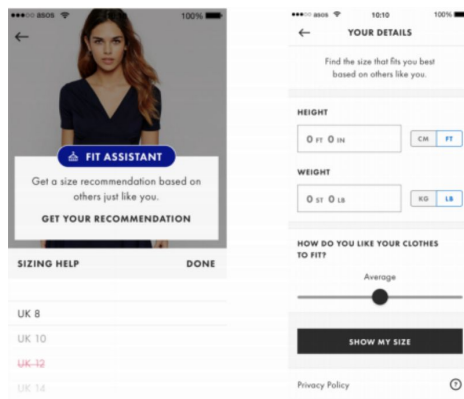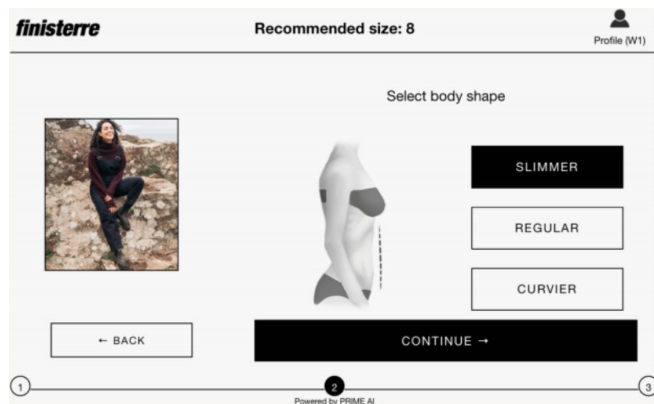
ASOS and Finisterre offer customers a size chart to help them choose the right size first time – reducing returns and cutting carbon emissions. But there are hundreds more tech tools available that can help businesses reduce the negative impacts from their ecommerce operation. They're out there but they're not being used by many key players.

Here are some examples of apps that help make ecommerce more sustainable

OKENDO

OKENDO is a customer reviews app. It enables customers to share how the products are for them and how they fit in real life, helping new customers buy the right product first time. This helps build trust and gives online stores a sense of community. Feedback also informs the product team who can edit the information on a product accordingly to reduce returns. For example, if a product comes up large for most people, they'll say so in the product description.
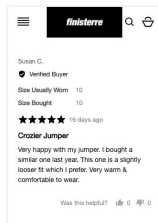
RECURATE

Recurate integrates a resale marketplace on any Shopify-powered store, so that customers can easily sell unwanted used clothing from a particular brand on that brand's own website. This boosts sales whilst reducing waste and consumption. It also makes branded clothing more affordable for the masses.
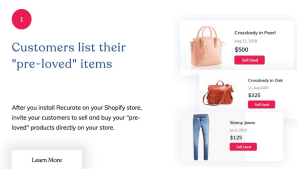
ShoppingGives

ShoppingGives' Change Commerce is an app that enables customers to donate to a cause of their choice via the brand they're shopping with for no extra fee. This creates a unique relationship between the customer and the brand, builds loyalty and creates positive social impacts.
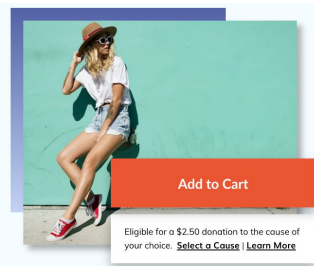
Key Finding #8

There is no 'one size fits all' approach – all businesses are different

We saw a big appetite for a best practice Framework from businesses at all levels – from large multinationals to small micro businesses. We have designed our Framework to be as impactful and useful as possible. We have steered away from it being too prescriptive and more thought-provoking and actionable. Depending on their size, business model and industry, businesses will need to tackle different challenges in different ways. Our Framework will get businesses to think differently and signpost them to the people and solutions that can help them on their journey.

"We're coming from the perspective of a mass retailer. And if we're looking at best practice, there's a 'Finisterre best practice' and then there's mass consumerism. 'Finisterre best practice' is hard to apply at mass scale. We have a different target market. I'd like to request the net of best practice is widened to incorporate small and large brands."

"We'd like help with how to persuade our clients to be more sustainable but also how we as an agency can be more sustainable."

Key Finding #9

There's a lot of enthusiasm to make a positive difference - but people don't know where to start

We asked all interviewees what they considered to be the top environmental challenges facing ecommerce. Even experts found it difficult to prioritise the most important issues, and many said they had never thought about it before. This was echoed by survey respondents, many of whom represent small businesses that lack budget, resources, sustainability skills and know how. So across the board, there is a need to define what best practice looks like.

72% of survey respondents said they believe their business has a role to play in solving sustainability issues

"Figuring out which parts of ecommerce are worse for the environment would be helpful. The environmental piece is not black and white – there are a lot of grey areas. It's unclear which bits need tidying up and cleaning up."

"I believe it's everyone's responsibility to take action and help our planet, no matter how big or small that action is."

"I'm still trying to wrap my head around what our role is in solving this. I think for our audits, one thing we can do is advise merchants as to ways to help customers make the right purchase the first time. For example, adding proper sizing for clothing brands with reviews that include real life examples and feedback."

"We lack knowledge! I think we want to play a role, but are unsure of how to do that."

Key Finding #9 Continued

The top things that survey respondents want the Framework and <u>Directory</u> to help them do are:

- Helping us help our ecommerce clients become more sustainable

- Understanding where people and companies working in ecommerce can have the biggest impact

- Understanding specifically which elements of ecommerce, web and tech have the greatest impact on the environment

- Understanding what a very small business can do

Key Finding #10

There is a clear appetite for our Framework and Directory – which we believe would be the first of its kind

Here's what interviewees said about the Framework:

"What the industry is lacking is a good framework for combating emissions, or a framework to outline what the most sustainable options are to reduce emissions."

MERCHANT

10/10
Stakeholders strongly agreed that there is need for our proposed Framework and Directory – saying they would definitely use it.

10/10
Stakeholders do not know of a similar Framework or Directory

"I'm not aware of anything similar to the Directory or Framework. I really do think it's a fantastic idea. I'd be really willing to surface this idea with the regional and global ecomm teams I work with to see if we can bring the ecomm and sustainability workstreams together. In that sense, the Framework would be helpful to me. Consumers want to shop more sustainably. So, I imagine ecomm retailers and brands will also want to surface the fact they have used the Framework."

ECOMMERCE EXPERT

"Doing research into partners and sustainability networks can take so much time. The Framework can help with this – a simple guide to help people find actionable things to do to be sustainable, relating to things they really care about."

"What excites me is the level of impact that it could actually have. It could be a platform for real genuine change."

DIGITAL EXPERT

Key Finding #10 Continued

When asked what excites them the most about our Framework and Directory, survey respondents said:

|		
"Collaboration and understanding the impact that little old me makes in the world – in how I operate my business and what I can do to make a difference."	"To connect with professionals and services that can help my business become more sustainable."	"For a small business with no resource available to focus on this, a Framework would be the ideal way to kick start a focus on this area."
"That we can help make an impact and be part of a bigger mission in the ecommerce landscape."	"I think it's great to have tools and a virtual place for brands and partners who are all working in the same direction: saving the world!"	"Initiative. That something is being done to highlight this within our industry and drive the issues forward."

Key Finding #10 Continued

Here's a few more things they said:

- "Going into 2021 – it's about finding the right people who want to partner to create impact."

- "The directory will be great to give a face to the conversation that's going on."

- "Having this real group of businesses and people that are trying to push for change. Having a framework, a directory a big list of people who are working on that would massively help."

- "The initiative can be very positive and create connections and movement towards more conscious and ethical business practices."

Top environmental challenges facing ecommerce

An overview
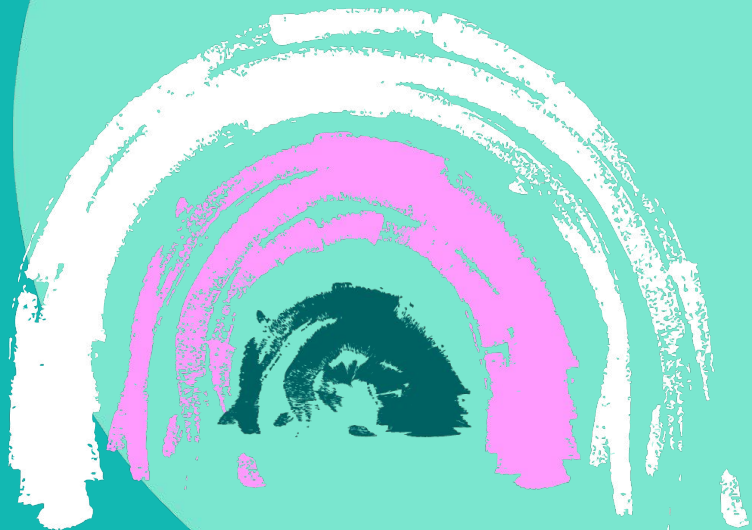
Plastics & packaging, ethical & sustainable sourcing and taking climate action are the top environmental challenges facing ecommerce

23 people voted for plastics and packaging

18 people voted for ethical & sustainable sourcing

16 people voted for taking climate action

14 people voted for supply chain transparency which is closely linked to ethical and sustainable sourcing.

Here's who we spoke to:

15	6	10
Web & ecommerce experts	Technology & app developers	Merchants (large & small sized businesses)

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Plastics and packaging

For consumers, this is a major concern and it is particularly relevant to ecommerce

- As ecommerce sales grow exponentially, so does the amount of packaging that is being made and thrown away as soon as it reaches the consumer.

- Whilst it is an important issue that needs to be tackled head on, there are other critical issues to consider as well. Talking to people about packaging is a good way to engage them in these issues. We can think of it as a gateway challenge.

"Tackling plastics and packaging is huge because it's the one subject that mass customers actually care about, know about or talk about. That's something that we need to latch on to. Plastics and packaging is your gateway challenge… you need to win that battle first before you have the right to talk about anything else in their eyes. If you're not nailing it then it's going to be very hard to get through to customers."

MERCHANT

A SOLUTION:

RETURNITY

Returnity is a reusable packaging company working to eliminate single-use packaging. They create reusable, customisable bags and boxes for shipping goods to consumers. Customers can easily return the bag – helping to minimise waste and feel good.

Plastics and packaging is in the spotlight. People have woken up to this issue. Not only has it been a hot topic in the media, people are constantly confronted with unnecessary quantities of packaging. It touches the lives of almost everyone on a daily basis – when buying food, shopping online or when you see it polluting streets and neighborhoods.

It's an industry-wide dilemma and no retailer is exempt. Businesses must work together to tackle this issue.

Ethical and sustainable sourcing

"Climate action is having a great time in the sun but if you look at what they're producing – it's coming from god knows where and being made by god knows who."

- Consumers want to know how and where things are made and who by so they can feel good about their purchases.

- From using recyclable materials to supporting the livelihoods of suppliers, there's huge opportunity for businesses to create positive impact and protect the environment.

WHAT IS ETHICAL AND SUSTAINABLE SOURCING?

'An exercise which takes into account environmental, social and ethical factors when selecting suppliers. It requires a higher degree of engagement between all parties in a supply chain.'

WHY IS THIS A TOP CHALLENGE FACING ECOMMERCE?

Unlike brick-and-mortar retail, ecommerce offers brands the opportunity to list detailed information and educate consumers about how and where products are made.

CASE STUDY: GREEN STORY SHOPIFY APP

Green Story helps consumers understand what a merchant is doing to be more sustainable. It analyses supply chain data and creates easy graphics to bring customers along the journey.

GreenStory

Taking climate action

Why is this important?

Climate breakdown is happening now. We have less than ten years to make unprecedented changes, to ensure a safe future for generations to come. Businesses need to step out of 'business as usual' or risk future shocks to their supply chain and the way they do business.

Why is it a top challenge facing ecommerce specifically?

There are so many opportunities and tech solutions available for merchants. Reducing and offsetting carbon emissions, switching to green hosting, and low carbon supply chains must all become commonplace if ecommerce is to become sustainable.

Case study: Climate Friendly Cart Shopify app

This Shopify app by CarbonClick allows customers to make a cash contribution at checkout that goes towards certified carbon offsetting projects. Simply add a green button to checkout and engage 5-25% of your customers. It doesn't replace the need to reduce carbon in
the first place, but it's a start.

Other issues
to consider

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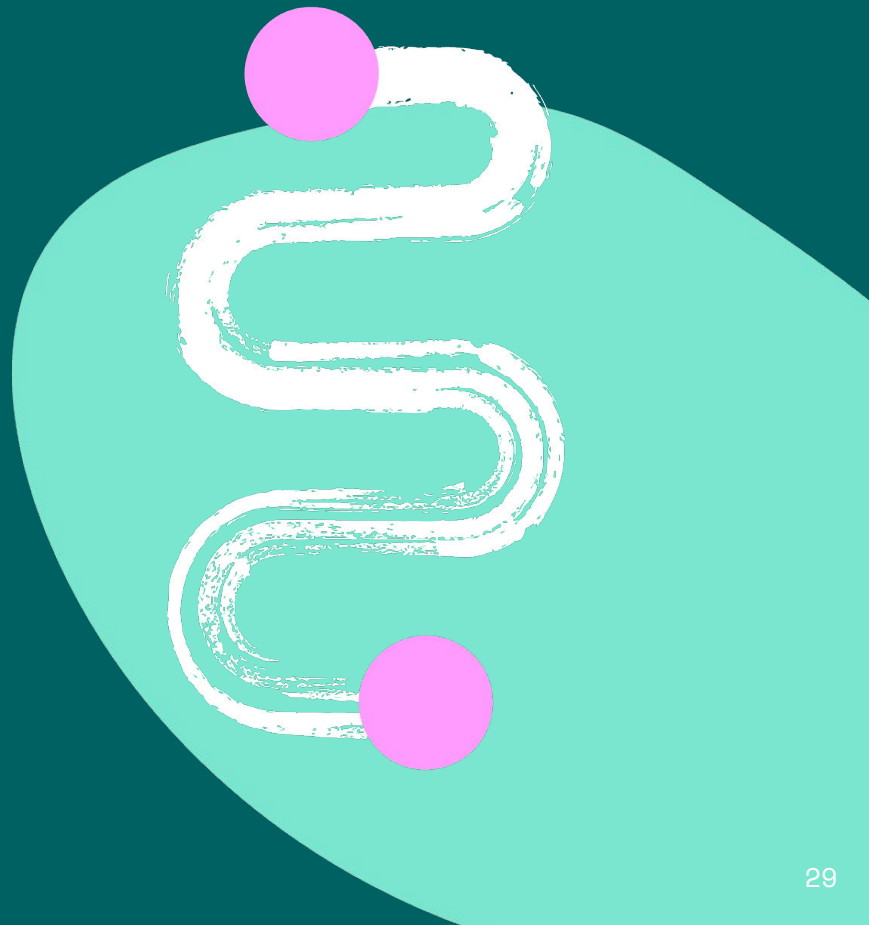
#1
The web has a heavy carbon footprint

Lots of people might assume that shopping online is more sustainable because it takes cars off the road and cuts emissions associated with running a brickand-mortar stores. But websites run on electricity. What's more, they're data hungry and that data is often stored forever and never used.

|		
"I was looking at a website the other day that had a load of 8g CO2 per visit. 7g were from images"	"90% of data is wasted and not used"	"The way people collect data is so inefficient – they collect absolutely everything and then look for the bits they need"

#2
The social dilemma

Often when shopping online, we hand over data about ourselves – giving all sorts of companies detailed insight into our shopping habits and preferences. This data is used to market and sell products to us – products we usually don't need. This presents a serious issue around privacy – one that may grow more prominent in years to come.

"All these rich data sources on the way that humans behave online are really helpful to show adverts and get people to buy your products but there's a danger we're breaching over into the dystopian side, where we're using trigger points to manipulate people at their weakest and when they're most likely to buy something."

Our Framework

Based on these key insights, here's
what the [Framework](#) aims to do...
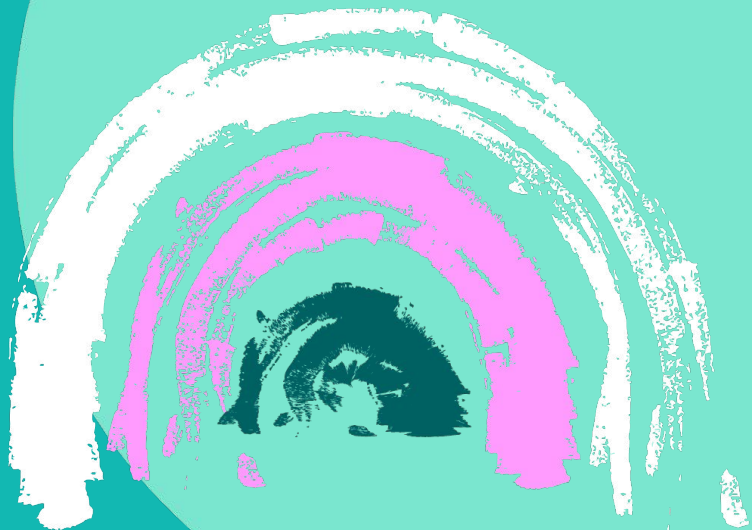
#1

Show users how to think beyond their own operations – and use their business as a force for good

It's not just about reducing negative impacts – it's also about increasing positive impacts.

Small businesses may think they don't have the ability to make a difference. We need to encourage a mindset that goes beyond an organisation's own operations to advocate for change.

Although our research showed that there is huge appetite for businesses to create change, few know how.

#2

Provide different routes
for different organisations

We have created different routes for organisations depending on their size, level of ambition and where they sit in the ecommerce ecosystem.

There was interest in the Framework at all levels so we have found a way to cater for all.

#3

Encourage organisations to reflect on their business model

Many businesses fall short when setting sustainability goals and targets because they are focused on short-term gains. Thinking long-term is critical to ongoing commercial success and to the protection of our planet.

The Framework can nudge businesses to think about whether their business is circular, what their purpose is and how they're helping to solve social or environmental issues.

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#4

Be written in plain English

We can't assume that everyone who uses the Framework will understand sustainability. In fact, we must assume they are new to the subject. To make sure it's accessible for all, we avoid jargon and instead, provide simple explanations and case studies to provide context and inspiration.

#5

Work in tandem with the Directory

We need to clearly and seamlessly link the challenges posed in the Framework with the people, organisations and solutions listed in the Directory.

The sections in the Directory should mirror the pillars in the Framework so it's easy for people to find the right partners to help them with their challenges.

#6

Focus on asking the right questions rather than attempting to provide all the answers

Here are some examples of questions we ask a merchant that has identified fulfilment and delivery as its material impact:

- Have you thought about incentivising customers to choose slower delivery?

- Have you communicated this challenge to your customers?

So, we're not saying every businesses should do everything we suggest – we're simply nudging them to think about it and go on their own journey to find their own solution.

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#7

Launch before perfect!

This Framework is the first of its kind. Therefore, the first model will not be perfect. The version that is available now, is a kind of beta testing phase where we ask users for feedback on what they like and how to improve.

The Framework is living and breathing, we will be constantly updating and improving it and we are very open to feedback and ideas.

**And there we have it. The future of ecommerce.
It is bright. If we do it right.**

Check out our Sustainability Framework here.

Join the MindfulCommerce Community and lead the way to a more sustainable ecommerce world.

info@mindfulcommerce.io

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