

YOUR M&S



The key lessons from the **Plan A** business case

- 03 Introduction
- 06 Lesson 1: Ownership & Management
- 08 Lesson 2: Finance Team
- 10 Lesson 3: Green Lens
- 12 Lesson 4: Innovation
- 14 Lesson 5: Cross Business
- 16 Lesson 6: Value Chain
- 19 Lesson 7: Not all Money
- 21 Lesson 8: New Revenue
- 22 Conclusion



# The key lessons from the Plan A business case

“ We believe that sustainability is both a moral and commercial imperative. ”

## Introduction

**We launched Plan A in January 2007, making 100 social and environmental commitments to be delivered by March 2012. We called it Plan A because there is no Plan B when it comes to conserving the earth's finite resources. We updated Plan A in 2010, adding a further 80 commitments – and we will continue to challenge ourselves by setting more as we continue the long journey to build a sustainable business.**

At the end of this first five-year phase of Plan A it seems appropriate to reflect on what we have learnt so far in terms of building a business case for sustainability. We believe that sustainability is both a moral and commercial imperative. Unless we respond to the social, environmental and economic pressures of the future, not only will we struggle to compete, we may also struggle to survive as a business.

A rising global population together with a growing consumption-based middle class will create new cost pressures as competition for finite resources grows. This is likely to be exacerbated by a number of other factors:

- the impact of climate change, reducing the availability of raw materials as extreme weather events disrupt supply chains
- the ability to attract and motivate skilled labour into agriculture and food and clothing manufacturing will become even more challenging
- social media will increase the scrutiny and expectation of business behaviour
- the policy, regulatory and taxation framework around sustainability will tighten in an unpredictable way that makes it difficult for businesses to plan for
- new revenue streams will emerge as consumers search for options that help them become more sustainable in an easy, engaging and rewarding way

As a consequence of these interconnected opportunities and risks, business models will be disrupted by sustainability for the first time.

Our use of the word ‘disruption’ highlights just how crucial we believe the business case for sustainability will become. In the short-term, the business case will be about insulating business from short-term cost pressures; in the longer-term, a more sophisticated business case is likely to emerge, predicated on opportunity, innovation and new revenue streams.

This document explains what we've learnt about the business case for sustainability during the first five years of Plan A. We believe surfacing the business case is vital both to reassure businesses that the first steps on the sustainability journey can be rewarding, but also to help build the strategy and structures that capture an even more compelling business case in the future.

“ Unless we respond to the social, environmental and economic pressures of the future, not only will we struggle to compete, we may also struggle to survive. ”

# The Plan A journey

**Plan A was developed in late 2006 to help us shift from a largely compliance-based approach to corporate social responsibility (CSR), which focused on maintaining the business status quo, to a new mindset that embraced the broader sustainability challenge and the need to radically improve the environmental and social aspects of our retail business model.**

One of the defining factors that makes Plan A very different from our previous approach is its sheer breadth. Plan A covers all the social and environmental issues relevant to our business, and commits us to achieve performance improvements across our operations (1000+ stores, offices and warehouses globally) and the thousands of factories, farms and raw material sources in our supply chain. It even encompasses the use and disposal of the three billion individual items we sell each year to 21 million customers. It was, and remains, an ambitious programme; one that requires fundamental and far reaching changes in the behaviour of millions of people worldwide.

Although we worked at speed to develop Plan A in just three months, we found time to estimate its implementation costs. At the heart of our costing exercise was a presumption that mainstream consumers would not pay more for sustainability. On this basis we estimated that the social and environmental improvements we had in mind represented a potential £40m per annum investment cost for M&S, with no on-cost for the consumer. We were not able to calculate potential benefits at that stage.

In 2007, we briefed our top ten shareholders about our Plan A investment plans. None of them were critical (they recognised that a high profile business such as M&S had to have a position on these emerging issues) but none of them were particularly engaged by Plan A; they could not see how it would generate an immediate financial return.

In 2008, recognising the scale of Plan A, we put in place very tight project management controls to ensure we delivered some highly publicised targets and to maintain tight control over costs. With 100 work streams across our business, there was a significant risk that costs would run out of control without this discipline.

In developing a methodology and means of calculating the true costs and benefits of Plan A, we soon realised that there was a compelling business case for sustainability. It saved us money, inspired our employees, opened up new revenue streams, drove innovation in anticipation of disruption in our sector, made our supply chains more resilient and strengthened our brand.

Over the last 3 years, the business case for Plan A has become clearer and more compelling: a cost in its first year, cost-neutral in its second, and by 2011/12, delivering a net benefit of £105m. The substantive part of this benefit comes from improved resource efficiency, although we are now deriving extra benefits from initiatives that drive our existing business and from new revenue streams.

Plan A covers:

**1000+**

stores, offices and warehouses globally

**1000s**

of factories, farms and raw material sources

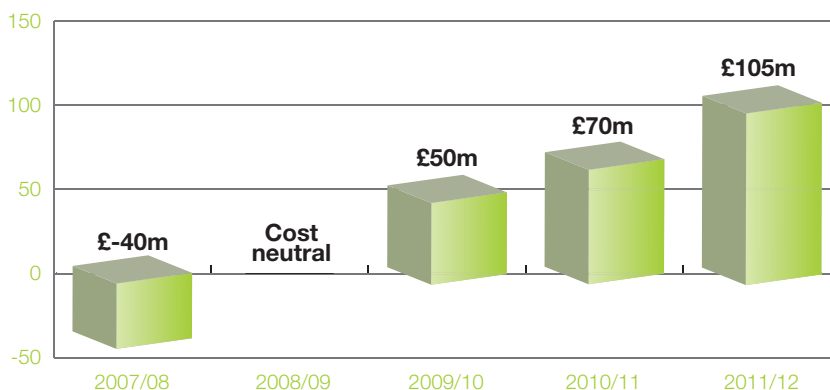
**3 billion**

individual items we sell each year to

**21 million**

customers

## Net Benefit



Based on previous economic downturns, who would have predicted that during a recession in the UK market our input costs (energy, commodities, labour and others) would be at or close to a record high, increasingly volatile – and likely to remain so in the foreseeable future?

The theory that prices would inflate as BRIC countries (Brazil, Russia, India and China) matched Western consumption levels is now a reality. We believe that growing BRIC demand will continue to drive input costs, and that these will also be affected by the practical impacts of climate change (extreme weather and other phenomena) that are now affecting the supply of raw materials.

There is evidence that the global economy is now using less resource per unit of production, but we don't believe that this 'de-materialisation' will keep pace with the rapid increase in unit volume consumption. Consequently, we believe relationships between buyers and suppliers will change as demand rises for access to quality raw materials.

In short, we believe that sustainability has the potential to be hugely disruptive over the next ten years. Not just because of the cost challenges outlined above, but because it will also open up new markets and associated revenue streams.

'Disruption' of this kind is essentially unpredictable. We don't know precisely how it will affect us, only that it will. It's not inconceivable that during the coming decade, the sustainability challenge and the availability of new technologies will trigger radically new ways of consuming food, clothing and other products. If M&S wants to remain relevant and successful beyond 2020, we need to adapt now in order to create value in new ways; we need to transcend the linear, volume and physical product based model we follow today.

We've learnt a lot through our efforts to understand the business case for Plan A. We believe this understanding puts us in good shape to tackle the even bigger sustainability challenges and opportunities ahead. Now we want to share what we've learnt with others.



**We've identified eight key lessons relevant to the Plan A business case. They're explained in detail later in this paper, but it's worth summarising them:**

- 1 Ownership & Management:** budgets should be owned operationally, not centrally, but need to be supported with central programme management.
- 2 Finance Team:** engage the finance team; they are the experts!
- 3 Green Lens:** looking at the business through a different 'green lens' means people spot new opportunities and challenge 'sacred cows'.
- 4 Innovation:** innovation is key and must be proactively supported; well-scoped pilot projects enable you to take controlled risks in scaling innovative solutions.
- 5 Cross Business:** the business case needs to be addressed across the entire organisation.
- 6 Value Chain:** there are potentially much bigger benefits outside your organisation in your wider value chain.
- 7 Not all benefits are about money:** not all benefits can or should be monetised.
- 8 New Revenue:** sustainability is not just about making a business more efficient; it's also about creating new revenue streams from more sustainable products and services.

“ We've learnt a lot through our efforts to understand the business case for Plan A. ”

# Lesson 1: Ownership & Management

Budgets should be owned operationally, not centrally, but need to be supported with central programme management

We initially controlled our Plan A budget centrally, requiring business units to bid for investment money to cover any additional sustainability costs so that we could avoid on-cost to our customers. This gave our central team a clear picture of what was being spent, however we soon realised that having this 'helicopter view' was not helping us to drive the ownership and cultural changes we needed to achieve across the business.

Business units didn't feel they owned their own budgets, and consequently didn't really scrutinise their costs. They were too willing to accept the premise that more sustainable raw materials and manufacturing processes would always cost us more and that a central budget would always subsidise them.

Centralised control also increased the risk of colleagues across the business seeing our 100 commitments as the only sustainability issues that needed to be managed, with no onus on them to identify additional issues and opportunities.

In practice, it proved impossible for our central team to track every social and environmental issue; we needed to engender a dynamic view of sustainability not a fixed one; a culture in which everyone is constantly looking out for new risks and new opportunities. We realised we were effectively controlling a centralised 'sustainability philanthropy' budget, not a normal business budget.

Consequently, we implemented a system in which business units held their own annual Plan A budgets at a local level. This produced much greater scrutiny of costs and a corresponding shift during year two as Plan A became cost neutral (with our investment costs matched by our savings). M&S colleagues running stores, logistics, product development or other operations knew more about 'their business' than our central team

– and when they realised that Plan A wasn't just about compliance but also opportunity, they started to search for cost savings with real enthusiasm.

As teams started to share solutions that incurred no on-cost, they all became more confident. They started to challenge the prevailing mindset that 'green comes with a price premium'.

This was probably the most important step we took in 'unlocking' the business case for Plan A. It enabled many of the other lessons outlined in this document. At the time, surrendering central control 'felt' like a risk: would empowered business units really ring-fence money for Plan A? Would there be a temptation in difficult times for Plan A funds to be re-directed to more 'commercial' activity? We took steps to mitigate these risks by putting robust controls in place.

So whilst budgets were held locally, the central team still retained a clear overview of all investments and their relevance to our progress against commitments.

These programme controls provided us with the management information to make rapid decisions about where to accelerate or change activity.

Another key factor was the introduction in 2010/11 of a Plan A target for every M&S Director as part of their annual bonus objectives – and their 'cascading' through teams. This has ensured that Plan A is not seen as a 'nice to have', but a must-do, that is every bit as important as hitting sales or margin targets. It also ensures that Plan A progress is reviewed by senior management on a regular basis over and above the normal Plan A governance structure.



**CASE STUDY:  
Closed-loop  
carrier bag**

By introducing carrier bag charging, we've significantly reduced the number of bags our customers use (reduction of 78% or 362m bags last year vs. 2006/07). However we also wanted to ensure the volume of bags used following this reduction represented the most sustainable option available.

Using plastic bags with recycled content was identified as the best option. However these bags were in limited supply and those available had only a small percentage of recycled material – we wanted 100% recycled carrier bags.

Our supply base developed a 100% recycled content option, but cost remained a challenge – until we and our supplier jointly identified the opportunity to use plastic waste coming from our own distribution centres.

Working across our business (procurement, facilities and logistics) a new system was devised and put in place to ensure this particular waste stream was segregated and could be backhauled to our supplier. We're now repurposing over 200 million protective plastic clothing shrouds to make our plastic bags.

We've now moved to 100% recycled content bags and are managing costs whilst also ensuring that this waste stream is recycled and not sent to landfill. We've seen lots of other areas where closed-loop recycling is possible and can deliver commercial benefits.

**CASE STUDY:  
Director objectives**

All M&S Directors have a Plan A target as part of their annual bonus objectives. Our Executive Directors responsible for Clothing and Food are awarded bonuses on the basis of our progress towards our target that every single M&S product has a Plan A attribute by 2020 (50% by 2015). This objective was selected specifically as its delivery is only possible if dozens of our more detailed Plan A commitments are successfully implemented.

The work done since the launch of Plan A to change mind sets and ways of working at M&S would inevitably have driven good progress against this commitment. However, by also making it part of the annual bonus targets, we sent out a clear message, to our colleagues and to our supply base, about how seriously we take this commitment. It ensured that key issues and difficult decisions were dealt with quickly. It drove innovation as our buyers and our suppliers found new ways of delivering more sustainable products without additional cost or complexity.

In addition, it ensured progress against this commitment was reviewed outside of the Plan A governance structure.

This sharper focus has enabled us to make progress faster than we envisaged and without significant on-cost – with 31% of M&S products sold in 2011/12 having at least one Plan A attribute. Director objectives have built upon local ownership of budgets by encouraging local ownership of delivery of Plan A. Each part of the business is now working to create its own 'route map' on implementing Plan A into its products and associated supply chains. Plan A has gone local.



“ We implemented a system in which business units held their own annual Plan A budgets at a local level. ”

# Lesson 2: Finance Team

Engage the finance team; they are the experts!

**Devolving Plan A budgets to local business areas was an important step for us, but to take this step we also had to redefine our Finance team's involvement in Plan A.**

Before 'localising' the central Plan A, budget was controlled by one member of the central Finance team. Devolution required many more team members to get involved.

How did this work in practice? The Finance Group was engaged to help create the process and rules for producing the Plan A business case. Responsibility for capturing the information on costs and benefits moved from the Plan A team to Finance Analysts across the business – each responsible for Plan A costs and benefits, alongside standard costs and benefits, in their own area.

Our Finance Analysts provided a much better understanding of finances in their specific area than a central team could ever achieve – improving our understanding of the business case and also the opportunities to drive further benefits. However, this enhanced understanding has only been achieved by putting a rigorous process and methodology in place.

This involves our analysts working with the relevant Plan A contact(s) in each business area to capture and calculate annual operating costs, capital expenditures and all associated benefits or costs avoided on a commitment by commitment basis. This is done for each business area and then collated to create a company level view encompassing all 180 commitments.

This process has helped to create a virtuous circle – with both issue owners and embedded finance teams working together to identify and achieve additional business benefits. Performance figures for every business area are reviewed in detail

every six months and signed-off by the appropriate Finance Analyst and Plan A contact, as well as the Central Finance Team.

In developing the business case for Plan A, we've also identified a number of process and methodology challenges that require new tools and ways of working:

## 1. Which costs should be included?

One of the early challenges we needed to resolve was around which costs and benefits should be included in the Plan A business case. For example, when we purchased a new eco-efficient lorry such as our tear-drop trailer (which holds 10% more product and is 10% more fuel efficient) did we capture the whole cost of the vehicle or just the additional cost relative to a conventional trailer? Given that the purpose of the business case was to show the 'additional' costs and benefits associated with sustainability, we decided that only this 'additional' cost would show in the business case.

## 2. What about business as usual initiatives?

We also needed people to understand that we were looking at all initiatives supporting Plan A, even those already in place. In nearly all instances, it is clear that the profile and drive provided by Plan A has enabled us to significantly exceed the benefits that would ordinarily have happened.

## 3. Robust baseline data required to understand cost avoidance

Calculating cost avoidance requires a clear baseline and a robust calculation. For example, we've improved our energy efficiency by 28%. We've therefore put in place calculations to work out what we would have paid today had we not implemented these energy saving initiatives. Because we launched Plan A in 2007, we're using our financial year 2006/07 as a baseline.

Running calculations in this way enables us to understand the true benefit to M&S – from capital expenditure and from the process efficiencies achieved as colleagues in stores and offices help reduce our energy usage.

In 2011/12, our work on energy efficiency saved us over £21.8m and with energy prices set to increase in future, this benefit stream will only grow. This work has delivered further financial benefits – reducing our cost exposure to the Government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Reduced energy requirements are also mitigating the risk of potential energy availability issues in future. If we hadn't agreed our baseline, we would still be arguing over why the total cost of energy to our business continues to rise (due to market factors beyond our control) despite our efforts to improve energy efficiency.

## 4. Profit from the sale of eco products

Following protracted debates about whether and when to include profits from the sustainable products and services that we sell, we concluded that in certain circumstances where we could demonstrate that the sale was directly due to Plan A (such as on M&S Energy) profits would be included. However, profit made from selling a Fairtrade T-shirt would not be included as we couldn't definitively associate its purchase with Plan A.

This is a very important point. Our aim is to take all M&S products on a Plan A journey (for example, making all our coffee and tea Fairtrade, all eggs free range and ultimately all fish from a sustainable source) rather than create a dedicated 'eco/ethical' range in a corner of the store – sales of which can be broken out separately and assigned to Plan A.

We do however have separate reporting in place to ensure that we



know what proportion of our sales comes from products with a Plan A story to tell (a Plan A attribute). There are also clear commitments in place to ensure this proportion grows year on year to reach 100% of M&S products by 2020.

### 5. Hurdle Rates

As the business case for Plan A became more clearly defined, we decided that we would not introduce lower hurdle rates on investment decisions (i.e. paybacks, internal rates of return, net present value) specifically for Plan A/sustainability initiatives. The two key reasons for this were:

- 1) Ensuring that we always worked hard to drive the best deals and innovate in ways that enabled us to deliver projects within standard M&S investment criteria – i.e. driving Plan A to become business as usual as quickly as possible.
- 2) Inevitably, there is a limit as to what funding can be made available, so it is important that we constantly evaluate and prioritise the various spending opportunities to ensure we select projects that deliver the best environmental, social and economic outcomes.

### 6. Whole Life Costing

From a property perspective, we're changing the way we think about and manage our investments, moving away from focusing solely on upfront capital cost, to consider the whole life operational costs as well.

To support this, we've implemented two new evaluation models. The Micro-model is designed specifically to evaluate individual initiatives such as the implementation of LED lighting or new types of refrigerants. The model involves the evaluation of some 35 parameters in addition to the upfront capital cost – such as energy, Carbon Reduction Commitment liability and maintenance.

The Macro-model is designed to evaluate an entire store – it takes into account not only the Micro-model, but makes adjustments because different technologies working in conjunction can impact the results. For example, if we modify the lighting in the store, this affects how much heating or cooling is required and therefore the amount of energy we use.

This evaluation process means our teams now have to think much harder about future costs and their potential impact on our business.

### 7. Integrated Reporting

In the UK and internationally a lot of work is being done to develop 'Integrated Reporting' and we're taking part in the International Integrated Reporting Pilot Programme.

The programme aims to connect sustainability and financial agendas more closely by showing how commercial success can also benefit society and the environment. We see this 'business case' as an important first step towards managing our business in the round, providing us with information on our financial, social and environmental performance.

We've improved our energy efficiency by

**28%**

saving us nearly

**£22 million**

a year



# Lesson 3: Green Lens

Looking at the business through a different 'green lens' means people spot new opportunities and challenge 'sacred cows'

Many of our Plan A targets were very ambitious – for example, those on carbon neutrality, zero waste to landfill and obtaining key raw materials from sustainable sources. Our ambition signalled a different mindset – one about transformation and innovation rather than incremental change. Back in year one, our energy and packaging teams didn't believe that a 25% energy efficiency improvement or a 25% reduction in packaging could be achieved. Yet, both met these targets on or ahead of time. If we'd set more 'realistic' reduction targets we believe we would have limited our capacity to innovate more and add business value.

Our ambitious targets forced us to measure underlying activities more precisely than ever before and in doing so we acquired new knowledge, insights and ideas around reducing costs. For example, we initially tried to reduce business travel costs by traditional means – for example, securing better procurement deals. This approach saved us money but didn't confront the fundamental motivations for travel. Once we introduced a new Plan A requirement to reduce flights by 20%, we started to understand the reasons for travel, the key routes that could be switched from plane to train and the types of business meeting (e.g. approval of garment fit) that could be held using videoconferencing technology.

Putting clear, well publicised commitments in place whilst also de-centralising budgets delivered another benefit: better day-to-day cost control and more people actively engaged in spotting Plan A and associated cost saving opportunities.

A new attitude emerged: colleagues began to see Plan A as an opportunity to tackle costs that had proved immune to conventional cost-saving programmes. By looking through a 'green lens' people found a different motivation – an emotional

call to protect the planet by reducing waste and resource use that also saved money. Many businesses have seen this but the scale and visibility of Plan A within the business has been a very powerful motivator to reach further and faster to save resources and money.

Plan A has also helped us to challenge some 'sacred cows' – including food waste, packaging use and business travel. We would have struggled to confront such well established ways of working without the high profile of Plan A. Today our people have greater confidence to challenge long established ways of working.

We've also realised that Plan A is a powerful tool in tackling small, local costs that collectively add up to a big potential saving. In any one store or business unit these small cost savings were often previously overlooked, but now they're aligned with a powerful central motivator, (for example, a corporate aim to send zero waste to landfill), people do something to reduce them – cumulatively delivering multi-million pound benefits.

Last but not least, we shouldn't underestimate the galvanising affect that 'going public' on Plan A had. Regular public reporting and external assurance of our achievements all helped 'keep our feet to the fire'.

## CASE STUDY: Reducing waste: knowing the facts unlocked new opportunities

As part of our efforts to reduce waste (see page 14) we had to improve our management information systems.

These helped us understanding how much of our waste was being recycling and for the first time provided insights about what types and volumes of waste we produce. Armed with this information we were able to identify many opportunities to reduce waste (-31% by year 5 of Plan A), to make our recycling operations more cost efficient and to lower our initial manufacturing costs.

We've achieved particularly good results when it comes to M&S decor and publications (including leaflets and magazines) – cutting the volumes printed without impacting on customer messaging and delivering a saving of £935,000 in 2011/12.





### CASE STUDY: Printing

The true cost of printing isn't always understood – and many people are still surprised when we explain that it comprises not only the cost of the paper and the toner, but also the electricity and cost of the engineer to replace and recycle the toner. Using this cost calculation has helped us engage colleagues across the business to think differently about printing and reduce it by 25% to achieve a £550,000 saving in 2011/12.

“ If we'd set more 'realistic' reduction targets we believe we would have limited our capacity to innovate more and add business value. ”



# Lesson 4: Innovation

Innovation is key and must be proactively supported; well-scoped pilots enable you to take controlled risks scaling innovative solutions

Given the scale of the environmental and social challenges ahead, we know that we need to innovate and do things very differently right across our business.

By driving ownership of Plan A across the business we've started to integrate sustainability into all of our business units' core product development and innovation programmes.

In addition, we've developed a central Plan A Innovation Fund to support innovative initiatives that are too risky or too long term for business unit expenditure; ideas that cut across the business or reside in areas of the business that have not traditionally run innovation programmes before.

Our central innovation fund has helped us overcome these challenges. It's supported over 70 projects so far. Some of these projects have and will fail (the inevitable quid pro quo of innovation) but others are already paying back way above our initial investment.

There is also a secondary benefit. The funds are disbursed via an Innovation Fund Committee, comprising key innovators from across the business. Bringing these individuals together every month sparks conversations about sustainability innovation that cut across the business and help us to generate ideas about improving the M&S 'ecosystem' and not just its constituent parts. Only this type of collaboration will allow us to ultimately innovate to create a truly sustainable business model.

We're aware that it's very easy to spend an awful lot of money on sustainability ideas and technologies that are initially very enticing, but which – for unforeseen operational or cultural reasons – ultimately fail. These failures not only waste money but can also sap the confidence of individuals who are embarking on a personal sustainability journey,

reducing their willingness to continue pushing the agenda.

To avoid these negative consequences we've piloted sustainability solutions at a local level – trialling them in a small number of stores, factories or dye-houses to help us establish what works and what doesn't. We side-line our failures, nurture our partial successes and roll out aspects that work at scale. In many instances, initiatives judged unsuitable for wider rollout became viable as circumstances changed – and our pilot studies meant we were ready to take roll them out at pace at the appropriate time.

Running pilot studies has underpinned the careful management of Plan A costs, allowing us to take controlled risks and model what wider roll out costs are likely to be. But pilots must not be seen as an excuse for avoiding large-scale change, a token green store or factory. They are a beginning not an end in themselves.

## CASE STUDY: Packaging improvements

The move to vacuum packing fresh meat cuts led to a 75% reduction in packaging and delivered fresher, better quality products for our customers. It also boosted sales, cut store waste and reduced customer complaints.

Not all packaging reduction initiatives deliver multiple benefits, but almost every time we've reduced packaging we've saved on cost – in food as well as clothing. By tracking what our costs would have been without packaging reductions, we know that in 2011/12 packaging reductions delivered savings of £16.3m.



“ Our central innovation fund has supported over 70 projects so far. Some of these projects have and will fail (the inevitable quid pro quo of innovation) but others are already paying back way above our initial investment. ”

**CASE STUDY:**  
Eco factories

There are lots of technologies that can save emissions in stores and factories and in the desire to demonstrate progress against environmental targets there can be a temptation to simply 'do lots of different things'. Our commercial teams remind us that we also need to make best use of another scarce resource – cash!

Our 3 model eco-clothing factories initiated a long list of different projects with different paybacks to explore how they could reduce energy, water and waste. We used this to draw a line at 18 months payback. We then assessed the energy saving potential of those projects above the line and established that a typical clothing factory could save up to 10% energy at an acceptable payback. That gave us commercial confidence to commit to our top 100 clothing factories saving 10% energy by 2015 by focusing on lighting, insulation and heating controls. This helped us to engage our supply base as we were able to demonstrate that we weren't asking them to do things that didn't make good commercial sense.

**CASE STUDY:**  
Closed loop wool & cashmere

With raw material prices on the increase, our clothing technical team spotted an opportunity to use waste wool and cashmere garments (either garments donated to Oxfam but not fit for resale, or faulty garments within our supply chain) to reprocess in to new fibres.

Following a successful bid to the Plan A Innovation Fund, the team put in place a trial to test the business case and processes involved in delivering a new garment made from these waste garments.

The trial helped us to learn many lessons on closed loop processes and is informing our strategy going forward.

The output of the trial was the successful launch of a limited edition coat. Further details can be found at: <http://social.marksandspencer.com/fashion-2/what-makes-this-coat-so-extraordinary/>

**CASE STUDY:**  
Sustainable learning store

Our sustainable learning stores, including Ecclesall Road in Sheffield, have a host of environmental features such as 100% LED lighting, 100% sustainable timber and reclaimed bricks. We generally find that around 60-70% of the initiatives we trial in our Learning stores are successful and consequently get rolled out as standard store specifications.

Further information on Ecclesall Road and other M&S sustainable learning stores can be found at: <http://www.marksandspencer.com/construction>.



# Lesson 5: Cross Business

The business case needs to be addressed across the entire organisation

Sustainability demands a joined up solution across our entire business. Plan A forced us to leave our silos and work together – thinking and running the business in the round. This in turn has brought wider cultural benefits to the business.

We know that some parts of the business will probably save more in the near term from Plan A activity whilst others will have to invest for a longer period. Without the unifying nature of Plan A, there's a danger that we would focus only on quick wins and lose out on benefits that take longer to achieve.

We've found out that many costs and benefits are cross-business; achieving them requires many different teams to work together in ways they've never done before. In many cases, this has required teams or units to take on additional cost or give up financial benefits in order to deliver a better outcome overall for the business.

Our willingness to do this has improved over time, and there's no doubt that it has improved team working across the business and helped us to identify further opportunities and financial savings. The formation of a governance structure centred on our How we do Business (HWDB) Committee, which comprises senior managers from right across the business, has enabled us to resolve these cross company issues.

Our five-year time horizon for Plan A has given us the space to resolve complex cross business issues. Plan A has also created a unifying reference point against which different business needs could be assessed and prioritised.

## CASE STUDY: Achieving zero waste to landfill

In February 2012, we achieved our zero waste to landfill commitment – ensuring that all of our operational and construction waste (from every one of our stores, offices and warehouses) is recycled.

This is one of our most complex Plan A commitments, touching on every single part of our business and all of our colleagues. We spent over 18 months developing the strategy to ensure it was feasible, robust, and commercially viable, whilst also ensuring that we didn't increase carbon emissions by adding significant transportation to achieve zero waste to landfill.

Waste had previously been managed directly by different parts of the business; so the processes in place for our clothing warehouses were different to those for our stores and different again for our offices. We realised that this was inefficient and would prevent us delivering our target, so we agreed that responsibility for waste should be centralised.

However, some areas of our business, such as logistics, already derived revenue from recycling and this was factored into their operating plans – something they didn't want to lose. Other parts of the business needed additional investment to enable 100% landfill diversion to be put in place. Working with Finance and senior managers from across the business, over three years we restructured our operating plans and moved funding between areas to enable us to put in place a new recycling solution.

We've also had to work more collaboratively to resolve waste

recycling issues. For example, some packaging materials and substrates could not be recycled and had to be sent to landfill. The team worked with our supply base to change the materials being used, helping us meet our goal of sending zero waste to landfill which in turn had benefits for our customers, making it easier for them to recycle our packaging at home.

The revenue we derive from recycling, coupled with the avoidance of landfill cost and a reduction in staff time associated specifically with processing food waste, delivered an annual benefit of £6.3m in 2011/12.

### Recycling Point

Please recycle your waste here

GLASS



PACKAGING



FOOD



**CASE STUDY:**  
Efficiency every day, not just for Christmas

In support of our commitment to improve transport fuel efficiency by 20%, our Logistics team is always looking for ways to make our operation more efficient.

For many years, M&S transported clothes from our distribution centres to stores on wheeled clothing rails which allowed us to unload rapidly. At peak times of the year (for example Christmas) time and equipment constraints forced us to 'loose load' products on to fixed bars within each vehicle, resulting in additional workload in stores as lorries took longer to unload.

The Logistics team realised that although loose loading created additional work in stores, it significantly increased the volume of garments that could be transported on a single vehicle. They concluded that loose loading could help us reduce our fuel usage and the number of vehicle journeys made to deliver clothes.

Through discussions with our Retail team in stores they also realised that delivering larger volumes in fewer deliveries could in fact help stores to plan more effectively and maintain better stock levels on the sales floor.

Working together to deliver business and environmental efficiencies, our Logistics and Retail teams successfully implemented this business wide change, which along with other fleet management improvements, allowed us to reduce our clothing vehicle fleet by over 25% and delivered a 30% fuel efficiency improvement.

Using the detailed information we track to calculate fuel efficiency, we're able to work out what our fuel costs would have been had we not driven improvements. In 2011/12, fuel efficiency delivered savings to M&S of £2.1m. As the price of oil continues to rise, this saving will increase further.



“ We know that some parts of the business will probably save more in the near term from Plan A activity whilst others will have to invest for a longer period. ”

We have reduced our clothing vehicle fleet by over

**25%**

and delivered a fuel efficiency improvement of

**30%**

# Lesson 6: Value Chain

There are potentially much bigger benefits outside your organisation in your wider value chain

We know Plan A activities in our supply chain are delivering financial benefits to our suppliers, primarily through resource efficiencies and increased productivity – we inevitably benefit from this, although in many cases it is often hard to quantify. Consequently, we haven't assigned monetary savings from Plan A activity in our supply chain to our Plan A business case.

As our suppliers implement Plan A it helps them to contain price inflation despite increases in raw material, energy and labour costs and to improve product quality, for example, with food life extensions, which in turn reduces waste.

This is a complex area and further work and analysis is currently underway to ensure we can capture and report on future performance and progress in a robust way. Despite the difficulty of 'monetising' Plan A benefits in the supply chain we are seeing benefits emerge for us and our suppliers:

1. We're seeing the same attitude shift in our relationships with suppliers as we've seen internally (lesson 3). Plan A allows suppliers to safely challenge 'sacred cows' arising from

M&S' procedures and standards. They're also spotting new sustainability opportunities themselves.

2. Our ambitious commitments force us to look end-to-end along our product supply chains rather than just its individual bits – in the process we're uncovering opportunities for improvement around raw material specifications, the network of suppliers that make up a supply chain, factory and product quality standards and the impact of our buying processes.

3. We're identifying win/win opportunities: improvements to product availability and quality that make good business sense for M&S, our supply base and our customers - as packaging improvements have demonstrated.

All this has been made possible as we have scaled up support to suppliers.

Our Plan A Supplier Exchange programme concentrates our efforts and provides a format for suppliers to learn from one another and accelerate progress. We've been working with suppliers to raise awareness and

build capacity in supply chains through our Plan A Supplier Exchange Programme. We believe this has been vital in convincing suppliers that we're serious about Plan A. It's also proven more efficient to create one central hub for all suppliers on all aspects of Plan A rather than interact with them in an ad hoc fashion.

We know that our supply chain will increasingly be the focal point for our sustainability journey. It's where much of our social and environmental footprint is created, but it's also the rich source of knowledge that will help us deliver innovative ways of working, improved products and ultimately make M&S a truly 'closed-loop' sustainable business. That's why we want to nurture, rather than impose, ownership and understanding of sustainability in our supply chain.

A 'demand-direct' approach would have helped us make some initial social and environmental improvements and probably also delivered commercial benefits in our supply chain. However it's clear that true commercial breakthrough only comes when our supply chain owns sustainability and is as excited by the potential future business case as we are.





**CASE STUDY:  
Better cotton**

Better Cotton Initiative (BCI) is about helping producers adopt better management practices in growing cotton. Using less water, less pesticides and fewer fertilisers is clearly good for the environment as well as a way to improve the efficiency of the farming system. We've learnt that farmers who follow the BCI model are more efficient and can reduce their input costs. The latest results from our project with WWF in India show the BCI farmers are over 30% more profitable than comparable non-BCI farmers. For M&S, BCI means farmers are more likely to grow cotton rather than other crops; and because they're disconnected from major increases in input costs and shortages, we'll have cotton sources for the future.

This ensures our market for buying cotton is more stable, and greater stability means fewer price fluctuations for our supply chains. What's more, BCI has empowered cotton farmers to trade independently, removing local middlemen who take a cut of the business and add costs within the supply chain. Empowerment 'connects' the farmers more intimately to their final customer and reduces costs along the whole supply chain.

**CASE STUDY:  
Complex supply chains**

As with most retailers, we have complex supply chains, with thousands of suppliers and raw materials. Every time we create new fabric blends, new colour shades or new recipes, there is a cost attached. In most cases, this is something our customers value and hence the right thing for us to do, however, Plan A has made it possible for us to challenge some of the complexities.

For example, when we wanted to introduce a new sustainability certification for a particular raw material which covered multiple product categories, we initially had to map out the number of suppliers and the range of product specifications we had. This sparked a debate about whether we really needed the sheer number of product variations and associated products. In many cases, where we identified consolidation opportunities, we've achieved not only the sustainability standard we wanted, but also reduced costs in the supply chain.



“ We know that our supply chain will increasingly be the focus of our sustainability journey. ”

In 2011/12 packaging reductions delivered savings of

**£16.3m**



### CASE STUDY:

#### Plan A Supplier Exchange: Building closer relationships and ways of working with suppliers

Soon after launching Plan A, we implemented a programme to help us engage with our supply base on sustainability issues. We ran face to face events and created a website to share lessons learnt with our suppliers globally, this allowed us to work together to resolve challenges.

We mentioned the need to change attitudes and challenge 'sacred cows' earlier. Supplier Exchange has provided a safe forum for our suppliers to highlight ways in which we could change the way we operate to reduce social and environmental impacts while saving money.

For example, one of our flower suppliers had been asked to significantly reduce their water

usage. At a supplier exchange session they presented data highlighting their efforts over two years to reduce water use in farms and transport operations. However, because of a recent change in M&S Head office instructions to stores calling for more water buckets in store, their water savings had been negated. In the past this issue would never have been raised – now, armed with data showing the impact on our targets, we were able to challenge the flower category to see if the requested increase was really necessary.

As another example, our food suppliers pay a lot of money to obtain water and to discharge effluent. We know that in many

regions of the UK, water is in scarce supply and Plan A encourages improved water efficiency. Our suppliers' site engineers knew there were opportunities to recycle grey water on site and use it for non-critical uses such as vehicle washing and raw material cleaning. However, because their quality managers were concerned about breaching M&S strict food hygiene standards this was never sanctioned at supplier site. A number of suppliers raised this issue and consequently we clarified our policy by issuing a formal statement from the M&S technical team, giving suppliers the confidence to adopt these techniques and save money and water on site without compromising product quality.

# Lesson 7: Not all Money

Not all benefits can or should be monetised

Although we have focused great effort on establishing and articulating a financial business case for Plan A we recognise that not every benefit to the business can be monetised, as the diagram below highlights:



### Staff Motivation

Business in the future will need leaders, not just managers: people who can deal with the many different expectations on our business, interact with stakeholders, deal with ambiguity, inspire others to change and innovate to create a more sustainable approach to business.

Businesses who provide leadership on sustainability today will attract the best, most talented leaders – leaders who will create value for society and the environment but also exceptional commercial value for their employers.

In interviews, candidates often mention Plan A as a reason why they want to work for Marks & Spencer and we know they're not just saying it to get the job! The Plan A team are regularly contacted by new starters to find out more about how they can get involved. Our employee survey also confirms that Plan A contributes significantly to job satisfaction.

### Staff Wellbeing

One of the things that kick-started growth of the M&S business model in the 1930s was its commitment to the welfare of its employees – the provision of hot meals, chiropody services and other benefits. These benefits were socially and commercially beneficial because they helped M&S build a healthier, happier workforce that gave great service to our customers. Today we believe it's just as relevant to support our employees' wellbeing. There may be different issues to tackle, but the approach still delivers benefits for both employees and employer.

We have a suite of initiatives to support the wellbeing of our people in place – including healthy food options and an occupational health team. In 2011, together with several partners, we launched a dedicated website to help employees with specific issues ranging from stress to fitness. This proved so successful that staff asked if family members could also use the service. The end result has been a fall in absenteeism levels – with M&S now reporting one of the lowest rates in retail.

### Brand Enhancement

Trust is an increasingly important component of business success. In a totally connected world where everyone has the ability to 'see into' our value chain; where there is little confidence in regulatory systems to demonstrate businesses are behaving ethically and where anyone can drive a global, viral campaign via social media, the ability to demonstrate to your customers and stakeholders that you be trusted will be a powerful business differentiator.

We regularly get positive press and media coverage of our progress. Many studies have identified Plan A as a key positive driver for the M&S brand and a number of awards have reinforced this fact:

- 2012 Interbrand Best Retail Brand – M&S placed 2nd in the UK (Plan A highlighted as a driver)
- Goodbrand 2011 Social Equity Index – M&S placed 3rd and top for the UK
- WPP Top Green Brands Index 2011– M&S placed fourth
- Kelkoo UK Best Brand Survey 2011 – M&S placed third and top for Trust and Environment
- Havas Media Meaningful Brands – M&S top UK retailer

We cannot yet put an economic value on the value of Plan A to our brand but we are looking at new ideas to enable us to do this in the longer term.

### Supply Chain Resilience

We depend on the consistent availability of high quality, good value raw materials that can be efficiently manufactured into finished products. Deforestation, overfishing, drought, flood and soil loss are all growing environmental threats to the availability of raw materials.

Rising energy costs threaten the whole supply chain. In some regions, governments are already limiting the use of gas and water for industrial purposes at periods of peak demand. Migration, wellbeing, skills, diversity and worker perception of an industry are some of the social challenges. Economic pressures and new opportunities are causing farmers to question what crop to grow based on the price they receive – in some cases moving away from wheat for milling or cotton if they can receive higher prices for other crops. Attracting skilled workers to careers in agriculture and manufacturing is a challenge for industries in all geographical regions.

Plan A is helping us anticipate these challenges and cost effectively mitigate their impact. Compared to many retailers we already go to considerable lengths to trace and manage our supply chain. Nevertheless, we know we need to extend our understanding in order to secure the best raw materials and manufacturing sites.

### Planning Permission

Acquiring planning permission for new stores is becoming more challenging – but thankfully, Plan A has shown M&S is a business that cares about the communities in which we trade and is willing to work to mitigate our environmental impact and enhance the social outcomes we deliver.

### Partnership

A number of important partnerships have helped us deliver the business case for Plan A. These include our work with Oxfam on clothes recycling, Forum for the Future and Jonathon Porritt on strategy, WWF on sustainable sourcing and partnerships with local authorities to improve kerbside recycling. These would not have been possible without Plan A.

The plan has given us the credibility and momentum to seek out the best partners on our journey to sustainable retail.

While it may be possible to attribute an estimated financial value to many of these other benefits, we've taken the decision not to do so as there are many different methodologies and little current consensus on which is best. We could spend a lot of time and end up trapped in very complex methodological debates by trying to monetise their benefits. Confusion, uncertainty and criticism would in turn jeopardise the hard won confidence we've built in our Finance and commercial teams that sustainability can become 'business as usual'.

We recognise that research and stakeholder dialogue is required to think through these less tangible benefits, but we're ready to introduce them into the formalised reporting system we use.



# Lesson 8: New Revenue

Sustainability is not just about making a business more efficient; it's also about creating new revenue streams from more sustainable products and services

Looking into the future we believe the pressure to build the business case for sustainability will only grow.

We expect the next ten years to see continued high input costs with significant volatility.

Legislation is already adding an extra financial burden - for example, the climate change levy on energy bills and the CRC Energy Efficiency Scheme. We expect this burden to increase in the future.

In addition, greater legislation on raw materials (such as wood) is already planned and will require companies to have greater control and visibility of their supply chains.

We also believe there will be growing pressure from governments, stakeholders and some investors to account for our social and environmental costs.

These issues may present new risks, but we believe they will create opportunities to drive our existing business, and to find new business models.

“ Looking into the future we believe the pressure to build the business case for sustainability will only grow. ”

On each of our one day spectaculars, an extra

**400,000**

garments were donated to Oxfam, and our shops had

**thousands**

of extra customers.

## CASE STUDY: Clothes recycling

We've developed a partnership with Oxfam to encourage clothing recycling. Working together, we developed a compelling business case: our customers donate their clothing in Oxfam stores, Oxfam sells the clothing raising money for its vital development work and customers get a money-off voucher as reward for doing the right thing.

Between 2008-2010 this model delivered benefit for M&S and Oxfam – but it also provided us with the data we needed to explore a much bigger system change – the opportunity for customers to return clothing directly to our stores.

This had major operational and budget implications for us compared to Oxfam collecting the donations in their stores. We've now run three one-day clothing return spectaculars. They've delivered a clear business case for

both Oxfam (400,000 garments extra donated on each of the days) and M&S (thousands of extra customers in our shops on clothing return days).

Staging these one day events required us to align our marketing, retail and logistics teams, budget for their additional work and ensure there was an overall net benefit. We couldn't have done this without the initial learning that the first phase of the partnership with Oxfam provided.

Building on the success of the Clothes Exchange and the One Day Wardrobe Clearouts, in 2012, we launched shwopping – moving beyond one off days and, integrating clothing exchange into the way that we do business; aspiring to change consumer behaviour so that shwopping becomes second nature.

## CASE STUDY: M&S Energy

In 2008, we launched M&S Energy, providing customers with competitively priced gas and electricity, whilst also incentivising them to reduce usage. Customer interest in M&S Energy has been extremely strong, and we've subsequently extended the service to offer home insulation and solar power.

We believe that the market to help consumers produce renewable energy and save energy in their homes will continue to grow and therefore presents a significant commercial opportunity for M&S.

# Conclusion

Five years ago, we took a calculated gamble on the future. We 'imagined' a world in which M&S customers would continue to demand all the things they took for granted – great products, value for money and service – but in a way that balanced the needs of the planet, people and communities.

We made 100 bold social and environmental commitments in 2007 with a clear understanding that we, and not our customers, would pay for more sustainable retailing. This left us with a potential £40m annual liability if Plan A delivered no benefits. We believed Plan A would produce benefits, but at launch we decided to play it safe and assume a worst case scenario of an on-cost.

We've been amazed how quickly this potential liability has flipped to a £105m net benefit in 2011-12 and a total net benefit of £185m over the five years of Plan A – with more to come in future years. At the heart of this rapid shift has been a cultural shift in how we do business.

Before the launch of Plan A we were genuinely committed to Corporate Social Responsibility (CSR) – an approach which involved a few good people managing risk on behalf of the business. Today tens of thousands of M&S employees are engaged in delivering Plan A. They understand that social and environmental progress can often lead to good commercial outcomes too. They are no longer passive or focused on the literal boundaries of the Plan A commitments. Increasingly, Plan A is their starting point not their end point.

Although we have introduced new finance tools, new ways of piloting Plan A in stores and factories, and a new Innovation Fund, the Plan A business case has really been unlocked by a focus on 'hearts and minds'.

We are very clear that the business case for sustainability that we've developed to date is very much 'version 1.0' – a beginning not an end. But even so, we're excited about the potential to grow the business case in future. The importance of revenues relative to efficiency will grow. Looking at our value chain in its entirety, rather than at our own operations in isolation, will matter more and more. Pushing innovation further and faster will open up more exciting opportunities.

Five years ago, Plan A felt a little odd in a busy 'here and now' retail business like M&S. Today it's rapidly becoming business as usual. This shift in acceptance is based to a significant extent on our ability to demonstrate to business people that there is definitely a business case for sustainability.





---

### About the authors:

#### Adam Elman

Adam is Head of Delivery for Plan A. He is responsible for driving and reporting on the delivery of Plan A, ensuring that appropriate management controls are in place, and works closely with colleagues across the business to resolve issues and realise opportunities. In addition, Adam supports with the internal communication and engagement of Plan A and also manages the Plan A Innovation Fund. Working closely with the Finance Team, he has been responsible for the development of the Plan A business case process and methodology.

More recently, Adam has also taken over the management of M&S Energy which offers customers competitively priced gas and electricity as well as solar and loft insulation services.

Prior to joining Marks & Spencer in 2004, he held a number of senior programme/change management roles across a variety of industries.

E-mail: [adam.elman@marksandspencer.com](mailto:adam.elman@marksandspencer.com)  
Twitter: @adamelman

#### Mike Barry

Mike Barry is Head of Sustainable Business. He was part of the small team that developed Plan A. He helps provide the vision and the energy to affect change and ensure a leading but efficient approach to sustainability across the company.

His working life is broadly divided into three parts. Listening to and prioritising stakeholder expectations of Marks & Spencer; integrating them into corporate strategy working with shops, business units and suppliers to deliver more sustainable products and wider business activity; and helping communicate M&S's sustainability achievements internally and externally.

In May 2011, Mike was named the Guardian's inaugural Sustainability Business Innovator of the Year. He sits on the board of the World Environment Centre and BITC's Mayday Network. Prior to joining Marks & Spencer in 2000, he worked as an environment manager in the engineering sector and as an environmental consultant. He is a chemistry graduate from Sheffield University.

E-mail: [mike.barry@marksandspencer.com](mailto:mike.barry@marksandspencer.com)  
Twitter: @planamikebarry

---

### Other significant contributors:

**Carmel McQuaid** is a Sustainability Manager within the Plan A Team at Marks and Spencer. She works with all parts of the business to embed Plan A into product supply chains as well as working on a number of innovation projects.

E-mail: [carmel.mcquaid@marksandspencer.com](mailto:carmel.mcquaid@marksandspencer.com)

**Suzanne Foley** is Head of Finance for Plan A and responsible for the coordination of the Plan A business case as well a member of for the Plan A Innovation Fund Board. As well as responsibility for Plan A, Suzanne is Head of Finance – Group Planning and Analysis.

E-mail: [suzanne.foley@marksandspencer.com](mailto:suzanne.foley@marksandspencer.com)

**Sarah Gataora** was previously the Finance Planning and Analysis Manager for Plan A and was responsible for compilation of the detailed financials for the Business Case. Liaising with the various Finance Analysts across the business Sarah helped to produce the total view of the financial impact of Plan A.

E-mail: [sarah.gataora@marksandspencer.com](mailto:sarah.gataora@marksandspencer.com)