



FORRESTER®

# **The Race To Decarbonization: A Spotlight On Retail And Commercial Real Estate**

Results From The November 2021 Thought Leadership  
Paper, “The Race To Decarbonization”

## Executive Summary

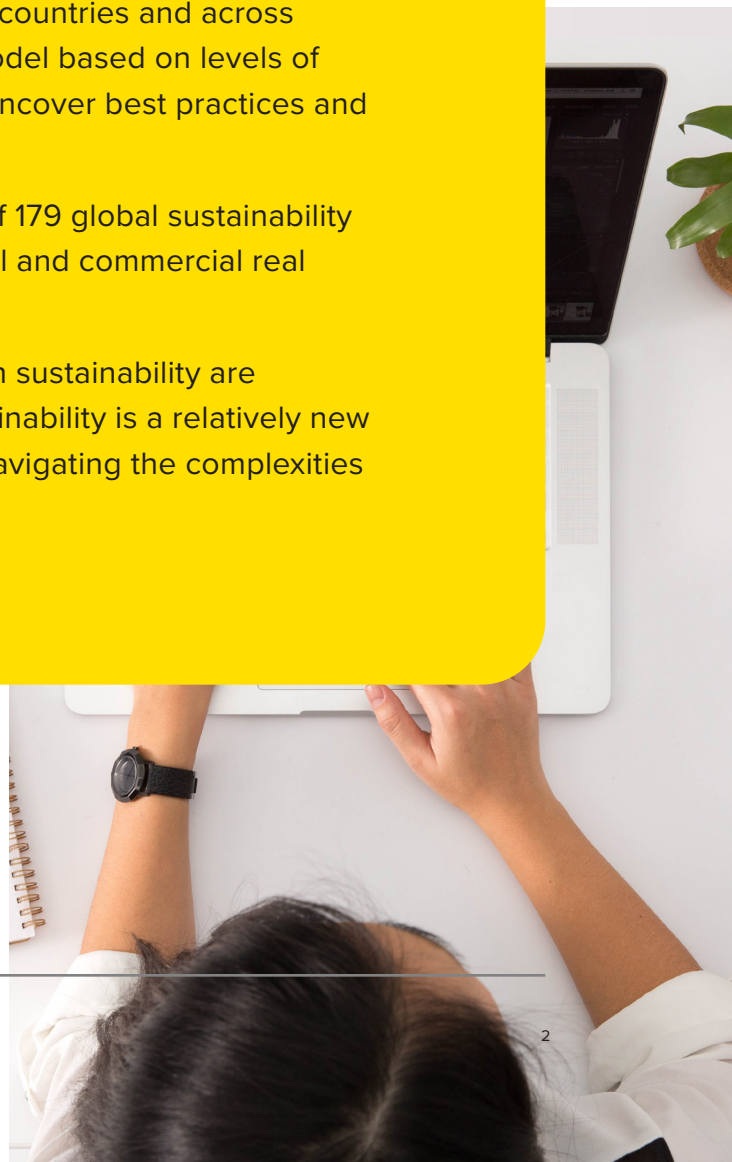
Advancing sustainability initiatives is the top priority for retail and commercial real estate respondents today. The key factor driving these initiatives is attracting customers or tenants who care about sustainable corporate values and products. Many organizations in these sectors also prioritize sustainability initiatives to address investor demands. However, there are differences in initiatives among these segments, with retail organizations more likely to prioritize reassessing the sustainable impacts of critical inventory management, packaging, fulfillment, or operational processes.

Forrester Consulting conducted a thought leadership study commissioned by and developed in collaboration with Johnson Controls to evaluate the progress that sustainability-focused commercial real estate and retail companies have made in pursuing their goals.

To explore this topic, Forrester conducted a series of interviews and fielded an online survey with 2,348 global sustainability strategy leaders in late 2021. Respondents represented companies in 25 countries and across 19 industries. Forrester then created a maturity model based on levels of people, process, and technology investments to uncover best practices and benefits that sustainability leaders realize.

For this spotlight, Forrester focused on a subset of 179 global sustainability strategy leaders at retail and mixed-use residential and commercial real estate companies.

We found that the business benefits of investing in sustainability are immense. At the same time, because scaled sustainability is a relatively new concept, most companies have room to grow in navigating the complexities of measuring and reporting on their progress.



## Key Findings



**Investing in sustainability is now a critical differentiator.** Respondents rank sustainability as the top business priority today, and it's the priority that has grown the most in importance over the last two years. Customer expectations are the most impactful driver leading companies to prioritize sustainability.



**Sustainable transformation leads to organizational benefits.** Decision-makers report benefits across the organization as a result of undertaking a sustainable transformation. Benefits include improved building efficiency; enhanced occupant, customer, and employee experience; and improved regulatory compliance.



**Prioritizing sustainability requires strategic commitment — and the right partners.** Sustainability has become a greater focus for the retail and commercial real estate industries. With that attention has come lofty goals for reducing carbon emissions. Yet most organizations in these industries still struggle to accurately measure and scale their efforts. A top reason for this is lacking the right external partners. Even with the right partners, organizations must overcome existing data siloes and internal misalignment to drive meaningful change.

## Investing In Sustainability Is Now A Critical Differentiator

Retail and commercial real estate decision-makers are starting to understand that making sustainability an organizational priority is not just a compliance requirement — it's a strategic differentiator. In surveying 179 retail and commercial real estate leaders, we found that:

- **Sustainability is the top business priority today.** Respondents rank implementing or maturing sustainability practices as their top organizational priority. It's the priority that has grown the most in importance over the past two years (see Figure 1).
- **Customer expectations are driving the priority on sustainability.** Attracting customers who make purchasing decisions based on sustainable corporate values (75%) and products (61%) are the top drivers behind the sustainability priority for retail and commercial real estate organizations. Comparatively, just 39% of respondents indicate addressing industry or government regulatory requirements is a driver for their organizations to implement or mature sustainability practices.

Retail and commercial real estate decision-makers are **nearly twice as likely** to indicate attracting customers who make decisions based on sustainable corporate values is driving them to prioritize sustainability compared to just addressing regulatory requirements.

**Figure 1**

**“What are your company’s top business priorities in the next 12 months?”**

(Rank from 1 to 5, with 1 being most important.)



Base: 179 global retail and real estate decision-makers at organizations that prioritize sustainability

Note: Showing top 5 responses

Source: A commissioned study conducted by Forrester Consulting, commissioned by and developed in collaboration with Johnson Controls, September 2021

# Sustainable Transformation Leads To Business Benefits

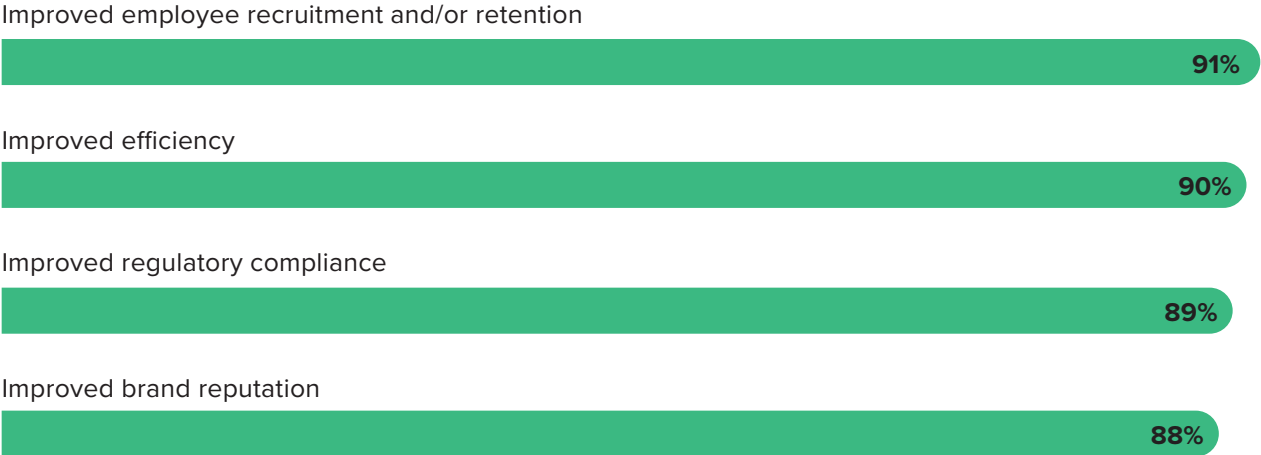
Undertaking a successful sustainable transformation drives competitive advantage and benefits for all stakeholders. While many retailers and commercial real estate companies are still in the midst of a sustainable transformation, respondents have already realized or expect to realize benefits across many areas of their business.

The top reported benefits include improved efficiency (90%), improved brand reputation (88%), improved regulatory compliance (90%), and improved employee recruitment and retention (90%) (see Figure 2).

Approximately 9 out of 10 retail and commercial real estate decision-makers report **improved efficiency** (90%) and **brand reputation** (88%) as a result of sustainable transformation initiatives.

**Figure 2**

**“Which of the following benefits have you already realized, or do you expect to realize, from pursuing your sustainability goals?”**



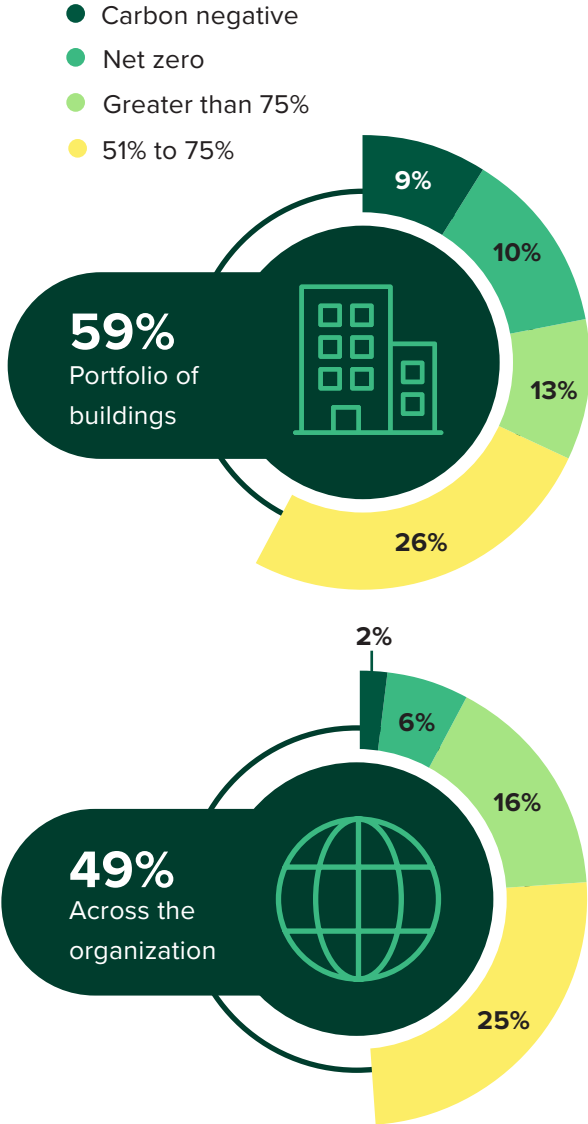
Base: 179 global retail and real estate decision-makers at organizations that prioritize sustainability  
Note: Showing “This is a benefit we expect to realize” and “This is a benefit we have already realized” responses; showing top 4 responses.  
Source: A commissioned study conducted by Forrester Consulting on behalf of Johnson Controls, September 2021

# Prioritizing Sustainability Requires Strategic Commitment

While sustainability initiatives are growing in importance for retail and commercial real estate companies, so too is the importance of being able to execute upon sustainability goals. Decision-makers report facing many challenges that threaten to derail their efforts.

- **Retail and commercial real estate companies are setting lofty sustainability goals.** Over half of respondents (59%) indicate they plan to reduce energy consumption across their portfolio of buildings by at least 50%, while 49% of respondents have set the same goal across the entire organization. What’s more, the average reported target date for meeting these sustainability goals is 2024 (see Figure 3).
- **Most struggle with measurement.** Only one-third (33%) of decision-makers indicate they are using environmental, social, and governance (ESG) reporting software today. Common pain points from respondents include struggling with internal agreement on how and what to track (46%), a lack of in-house expertise (45%), and siloed data (39%).
- **Complexity makes scaling difficult — especially without the right partners.** Retail and commercial real estate respondents report scaling sustainability initiatives (35%) and lacking the right external partners (35%) as the top obstacles that hinder their ability to achieve sustainability goals.

**Figure 3**  
**Long-Term Goals For Reducing Carbon Emissions/ Energy Consumption**

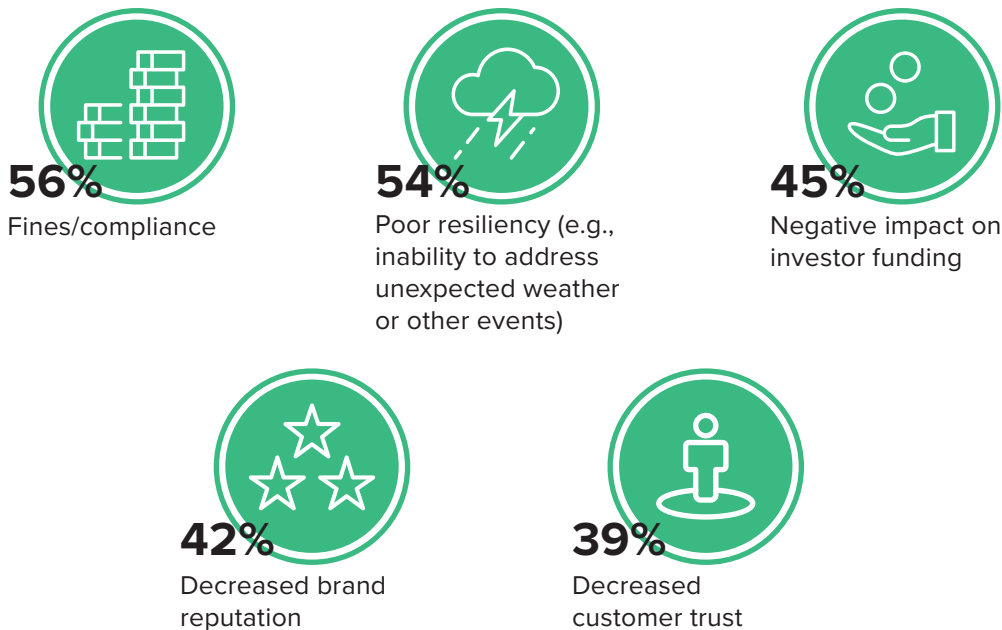


Base: 179 global retail and real estate decision-makers at organizations that prioritize sustainability  
Source: A commissioned study conducted by Forrester Consulting, commissioned by and developed in collaboration with Johnson Controls, September 2021

- **Failing to deliver on goals threatens to derail sustainability efforts.**  
 Respondents report that the top risks associated with failing to improve sustainability are fines for noncompliance (56%), poor resiliency (54%), and negative impacts on investor funding (45%) (see Figure 4).

**Figure 4**

**“Which of the following are risks associated with failing to improve sustainability at your company?”**



Base: 179 global retail and real estate decision-makers at organizations that prioritize sustainability

Note: Showing top 5 responses

Source: A commissioned study conducted by Forrester Consulting, commissioned by and developed in collaboration with Johnson Controls, September 2021

## Over half

of retail and commercial real estate decision-makers have committed to cutting their carbon emissions by at least half by 2024, yet many still struggle to measure their efforts: Just 33% of their organizations are using ESG reporting software today.



## Key Recommendations

Forrester's in-depth survey of commercial real estate and retail decision-makers who participate in sustainability decisions at their organizations yielded several important recommendations:

### **Address the wide range of mounting pressures from many stakeholders.**

Stakeholders spanning many roles (e.g., cross-functional company leaders, customers, employees, investors, occupants) are driving sustainability initiatives across commercial real estate and retail organizations. Addressing mounting pressures from these stakeholders requires focused leadership. Some proactive organizations, often those that are large and global, have identified chief sustainability officers or ESG officers to guide their sustainability strategies. Other operational leaders in commercial real estate and retail organizations assess environmental sustainability requirements as they determine site locations. We see customers determining where they shop or do business based on sustainability initiatives. Additionally, some employees are deciding which organizations or retailers to work for based on sustainability considerations.

### **Assess your sustainability priorities across critical resources, operations, and processes.**

A comprehensive sustainability assessment requires organizations to consider a wide array of individual initiatives. For example, managing efficient use of energy, lighting, and water in commercial real estate environments or in specific retail sites. Other important sustainability activities may focus on key operational processes including using environmentally conscious building materials, recycling packaging and waste materials, and managing sustainability across the retail supply chain and the comprehensive product lifecycle. Consider the key role of software solutions to capture diverse data sources and report on the local, regional, and global impacts of your sustainability activities.

A person with long hair, wearing a blue long-sleeved shirt, is sitting at a wooden desk in a bright, modern office or cafe. They are working on a laptop. On the desk, there is a white mug with a floral pattern. The desk is positioned next to a large window that offers a view of a lake, a road with a car, and mountains in the distance. The sky is overcast. The text of the document is overlaid on a white rectangular background in the center of the image.

### **Assess opportunities to leverage partners to assist with your sustainability roadmap.**

Each retail or commercial real estate organization must assess its sustainability initiative roadmap and identify a path forward. Sustainable initiatives often start with optimizing building operations and facility management. Other opportunities are specific to retail processes and include managing sustainable supply chain processes, enabling sustainable maintenance processes, implementing comprehensive product lifecycle efficiencies, and recycling waste materials. It is also important to assess requirements for partners to assist with implementing sustainability solutions and software to capture the impact of key initiatives and meet regulatory sustainability goals.

### **Measure benefits and impacts of commercial real estate and retail sustainability activities.**

Identify metrics, data requirements, and methods to secure and capture data and assess the operational impacts of sustainability initiatives. Elements to measure include costs for heating, cooling, and lighting, as well as changes in water consumption and greenhouse gas emissions. Sustainability stakeholders in commercial real estate and retail organizations are more likely than those in other industries to identify a lack of the right external partners as an issue holding their organization back from achieving identified sustainability goals. It is important to seek certified and trusted partners with demonstrated expertise identifying sustainability metrics and measuring impacts of key sustainability programs in these sectors.

## Appendix A: Methodology

This study was commissioned by Johnson Controls and conducted by Forrester Consulting. Johnson Controls collaborated on the survey questions and design, but Forrester retained final editorial control. For this study, Forrester conducted an online survey with 179 global sustainability strategy leaders to evaluate the progress that sustainability-minded companies have made in achieving their goals. Survey respondents included directors, vice presidents, and C-level executives in IT, operations, sustainability, governance, risk, compliance, facility management, and commercial real estate roles from the retail and commercial real estate industries. The study began in August 2021 and was completed in September 2021.

To read the full results of this study, including best practices from sustainably engaged organizations, please refer to the Thought Leadership Paper commissioned by Johnson Controls titled, “The Race To Decarbonization.”

### Project Team:

Mandy Polacek,  
Market Impact Consultant

Ben Anderson,  
Associate Market Impact  
Consultant

### Contributing Research:

Forrester’s Infrastructure &  
Operations research group

## Appendix B: Demographics

### NUMBER OF EMPLOYEES

500 to 999	15%
1,000 to 4,999	45%
5,000 or more	39%

### RESPONDENT LEVEL

Director	75%
Vice president	18%
C-level executive	7%

### RESPONDENT CORPORATE SUSTAINABILITY RESPONSIBILITY

I am the final decision-maker in this area.	57%
I influence decisions in this area as a primary part of my job.	43%

Note: Percentages may not total 100 because of rounding.

### INDUSTRY

Retail	77%
Mixed-use residential/commercial	23%

### RESPONDENT DEPARTMENT

IT	28%
Operations	26%
Sustainability	12%
Facility management	15%
Governance, risk, and compliance	9%
Commercial real estate	9%

### LEVEL OF SUSTAINABILITY IMPORTANCE

Very important	55%
Important	29%
Somewhat important	16%

<b>GEOGRAPHY</b>	
Australia	<b>6%</b>
Brazil	<b>1%</b>
Canada	<b>3%</b>
China	<b>7%</b>
France	<b>1%</b>
Germany	<b>3%</b>
Hong Kong	<b>2%</b>
India	<b>5%</b>
Ireland	<b>1%</b>
Italy	<b>2%</b>
Japan	<b>7%</b>
Malaysia	<b>2%</b>

<b>GEOGRAPHY CONTINUED</b>	
Mexico	<b>2%</b>
The Netherlands	<b>1%</b>
New Zealand	<b>5%</b>
Qatar	<b>3%</b>
Singapore	<b>3%</b>
South Korea	<b>5%</b>
Spain	<b>2%</b>
Switzerland	<b>3%</b>
Thailand	<b>4%</b>
United Arab Nations (UAE)	<b>3%</b>
United Kingdom	<b>20%</b>
United States	<b>9%</b>

## Appendix C: Supplemental Material

### RELATED FORRESTER RESEARCH

“Guide Your Sustainability Program With The Forrester Sustainability Maturity Model,” Forrester Research, Inc., October 27, 2021.

“Embrace The Green Business Opportunity,” Forrester Research, Inc., March 30, 2021.

### ABOUT FORRESTER CONSULTING

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