



Home Depot: A Big-Box Store Makes Strides in Sustainability

By Lori Tripoli

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Kelly Caffarelli
President
Home Depot Foundation

It takes a village to sustain a big-box store. Take, for example, the interesting trajectory of Home Depot. Today, the company has been named one of *Fast Company*'s "Fast 50" for its forest-friendly construction, is lauded for selling certified wood, and is the recipient of one of the King Center's Salute to Greatness Awards—for its commitment to social responsibility in the spirit of Dr. Martin Luther King Jr. This past Earth Day, Home Depot gave away one million compact fluorescent light bulbs—and, if that weren't good enough, a foundation Home Depot started has been working with Brad Pitt to build sustainable housing in New Orleans.

It wasn't always this way.

In the late 1990s, the home improvement retailer was an unwilling host to Greenpeace, the Rain Forest Action Network, and other activists busily protesting the company's use of wood from ancient forests.

Headlines blared: "Protest at Home Depot," "5 Climb Crane to Protest Products at Home Depot," and "Environment Activists Picket Home Depot." *Time* magazine announced that environmentalists planned to offer "rainforest tours" of the company's stores to show off products made from old-growth forests.

Home Depot modified its stance. After "a proxy fight with environmentalists at its 1999 annual meeting—and almost 1,000 demonstrations organized by the Rainforest Action Network—Home Depot bowed to the activists' power," the *Chicago Sun-Times* reported. (Emily Schwartz, "Activists Now Have Corporate Attention," Feb. 13, 2000, at 40.) The nation's biggest wood purchaser had decided to stop selling product from environmentally sensitive areas. Chalk one up for the treehuggers.

Fast forward almost a decade to find that Home Depot is a model corporate citizen. One can't help but wonder how this turnaround transpired.

Don't Knock Their Wood

"Home Depot is definitely a role model for the retail industry and is a driver for manufacturers to

use certified wood," says Katie Miller, communications director at the Forest Stewardship Council in Washington, D.C. Since issuing its first wood purchasing policy in 1999, Home Depot has worked with its suppliers and encouraged them to produce certified products, Miller says. The Forest Stewardship Council, of which Home Depot is a member, has a chain-of-custody certification that manufacturers and distributors can obtain, Miller explains. Wood is followed through the supply chain to ascertain that products with the FSC seal on them actually originated from an FSC source, she says.

"It's my understanding Home Depot tracks all wood products and knows where every piece of wood comes from," says George Basile, a sustainability consultant and a faculty member at Dominican University of California in San Rafael, where he teaches in the Green MBA program. Home Depot "really did push the envelope in comparison to its peers," says Basile, who did some work for the company as senior vice president and chief scientist at the Natural Step.

The Home Depot Wood Purchasing Policy

1. The Home Depot will give preference to the purchase of wood and wood products originating from certified well managed forests wherever feasible.
2. The Home Depot will eliminate the purchase of wood and wood products from endangered regions around the world.
3. The Home Depot will practice and promote the efficient and responsible use of wood and wood products.
4. The Home Depot will promote and support the development and use of alternative environmental products.
5. The Home Depot expects its vendors and their suppliers of wood and wood products to maintain compliance with laws and regulations pertaining to their operations and the products they manufacture.

Source: Home Depot, <http://corporate.homedepot.com>



At the turn of the century, the Natural Step, which helps organizations build sustainability programs, had been operating in Sweden and had started to do some work in the United States with Nike, recalls Basile. "After numerous discussions," he continues, "we ended up working with the entire senior team [at Home Depot], at the time led by Arthur Blank, who was the CEO then." Blank, one of Home Depot's co-founders, retired in 2001.

"We did a few workshops with their entire senior team to redevelop the vision of Home Depot with sustainability integrated as a specific goal," Basile says. The Natural Step's framework cuts across everything from energy and persistent compounds (think volatile organic compounds) to natural resources and to how you treat people, Basile explains.

"Arthur Blank was showing incredible leadership at the time. He didn't just focus on wood; he was looking at the whole shebang," Basile recalls. Everything from what to do internally to clean up your own shop to what to do externally was covered. The Natural Step developed action plans, held workshops with Home Depot's merchant groups, and educated them about what sustainability is.

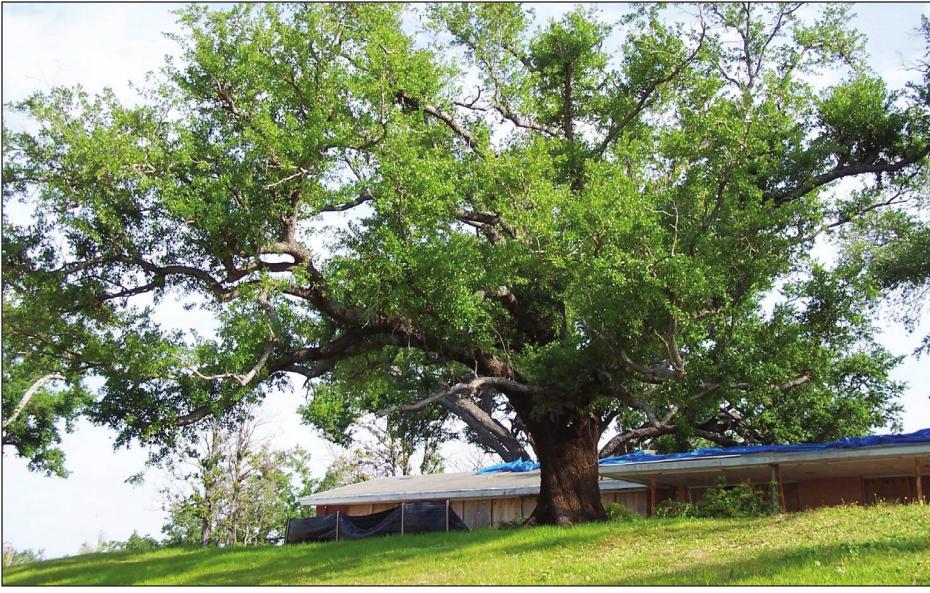
"We had a pretty rigorous approach," Basile recalls. Nevertheless, "we put together a workshop that wasn't aimed at putting them out of business, but was helping them succeed and be more sustainable," Basile says. Apparently, the program took.

Making Money on a "Light-Bulb" Moment

This year, the company, now led by Frank Blake, introduced its Eco Options label. "The whole goal of the program is to identify products in our stores that have less of an impact on the environment than competing products," explains Natedra Banks, senior environmental manager at Home Depot headquarters in Atlanta. That way, a customer inclined to do the right thing, environment-wise, can make an easy choice.

At the same time, the company isn't forcing green living on anyone. "Home Depot is known for its breadth of assortment," Banks explains. "As the largest home improvement retailer, we have to offer options. That is the reason for Eco Options. It's providing an environmentally preferred option. For those that want it, it's there."

Products in five categories—energy efficient, healthy home, water conservation, clean air, and sustainable forestry—are eligible for the Eco Options program. "Over 3,000 products currently carry the Eco Options label," Banks says.



Home Depot big oak tree

"Our goal is to identify and highlight in each of those categories the most stringent standards out there," Banks says. "Products that are Eco Options have to meet or exceed those standards," she says. In short, if a vendor claims a product makes the grass greener and the sky bluer, Home Depot gives the product a first overage, "but a third party will really evaluate the marketing claim made by the vendor," Banks explains. From there, Home Depot decides whether a product merits an Eco Options label.

"Home Depot has taken ownership of a program internally to actually merchandise environmental claims on products," explains Chet Chaffee, vice president for environmental programs at Scientific Certification Systems, Inc., in Emeryville, Calif. For a first-round application fee of \$1,500, Scientific Certification Systems, a provider of certification, auditing, and testing services, will evaluate potential candidates for the Eco Options label. Scientific Certification Systems uses life-cycle assessment to look at all stages of a product's life cycle, Chaffee says. Scientific Certification will determine whether the environmental performance of a given product is a "unique and a special offering that would put the product above and beyond what people could standardly buy in the marketplace," Chaffee explains.

Scientific Certification Systems also identifies any significant tradeoffs a product poses. For instance, an item that's great on global warming might be doing a terrible job on ozone creation and have a horrid solid waste problem, Chaffee notes. Ultimately, Scientific Certification Systems sends an assessment of a candidate for the Eco Options to Home Depot, and then the conversation proceeds between Home Depot and the vendor. "To date, anything we've identified with significant tradeoffs I don't believe has entered the Eco Options program," Chaffee says.

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—George Basile



Home Depot Foundation's Orchard Gardens farmhouse



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—Natedra Banks



Home Depot Foundation phase 2 completed

Why would a manufacturer bother to spend a few thousand dollars to essentially put its product through a lot of quasi-regulatory rigamarole? "The end benefit for the supplier is [product] exposure," Banks says. "The key benefit is increased marketing that they don't have to pay for."

Home Depot "can merchandise their program a lot better than any single vendor can do on the shelves," Chaffee says. "With that collective leverage of their own internal marketing and merchandising, they can get a lot more out of bringing products with environmental attributes to the consumer and get more knowledge into the consumer's hands and probably sell a lot more through that channel than ever before," he explains.

Indeed, Home Depot has seen an increase in sales since initiating the Eco Options program, Banks says. "Now our goal is to expand the breadth of the products assortment and to drive home the awareness" of the program, she says. To that end, Home Depot has expanded the content on its website where visitors can tour a virtual home, participate in a personal energy audit, and assess their carbon footprint.

"While a huge part of the Eco Options program is educating our consumers, education was needed for the associates as well—so that when our consumers come in the store and have questions about the product, we can answer them," says Home Depot spokesperson Jean Niemi, who is based in Atlanta. Headquarters created tools for its associates, Banks explains. Employees can download product knowledge pieces from the company's website. They found flyers about Eco Options along with their paychecks back when the program was launched.

One district manager developed a quiz; another held after-hours scavenger hunts for Eco Options products so that associates could learn where they were, Niemi explains. Figuring that, with a pool of some 350,000 associates, surely a few earthy-crunchies were among the bunch, Home Depot ran an internal "Scream if You're Green" program for employees, who were encouraged to send in videos and other materials about their personal green choices. "We really drive engagement about the program," Banks says. Headquarters also sent out educational kits and banners to each store to increase awareness of the Eco Options program. An in-house video was provided that ran on loops throughout the week so that associates could watch it while on break.

"The response was phenomenal," Banks reports. "We've had store associates e-mailing us saying 'We're so glad you're talking about this.'

Buyers are responding well, too. When Home Depot gave away one million compact fluorescent light bulbs on Earth Day to kick off the Eco Options program, sales of the bulbs actually spiked. "Earth

Day was one of our highest days for sales of CFLs," Niemi says. "People were learning about the benefits of CFLs, getting a free bulb, and then turning around and buying more for their home."

At the same time, Home Depot isn't just encouraging its customers to engage in more clean, green living. "We are changing our [own] carbon footprint," Banks says. Home Depot currently has four LEED-certified stores (two in Massachusetts, one in Illinois, one in Michigan) and plans to add more, Banks says. Headquarters, working with the Conservation Fund's Go Zero program, is offsetting carbon emissions by planting more trees.

Give a Little or a Lot

Home Depot isn't just spending money greening up headquarters and its stores. Through its foundation, also based in Atlanta, it's pledged \$100 million to help build affordable homes and plant trees over the next decade. Home Depot is "challenging nonprofits in the housing arena to do better in terms of the houses they are building, explains Home Depot Foundation President Kelly Caffarelli. The foundation has worked with groups such as Global Green USA, the Housing Assistance Council, the Alliance for Community Trees, the U.S. Conference of Mayors, the U.S. Green Building Council, and others since its formation in 2002.

Despite stark housing projects of old, "affordable housing doesn't have to be bleak," Caffarelli maintains. At the same time, "'green' doesn't have to be space-age, funky things out in the middle of the desert," she says. Creating housing that's both aesthetically pleasing and sustainable? "The initial response from everybody was, 'You can't do it, it's too expensive,'" Caffarelli admits. In the last five years, though, the foundation has issued some \$30 million in grants toward building and preserving 40,000 affordable homes and planting more than one million trees. "Seeking out and finding exemplary examples of people who were getting it right and proving you can do it is more impactful than talking all day long," she says.

"We try to take a comprehensive view about what housing is," Caffarelli says. "It's not just the four walls or where the lot line ends, but it's the whole neighborhood, the whole community, and all the resources that family has," she explains. "Everything we do has sustainability built into it," Caffarelli says. Affordable housing, "while fabulous that it's helped the environment, helps families with modest incomes just month to month make their utility bills manageable," Caffarelli notes. A house, after all, is not just about a mortgage payment. Maintenance costs and durability are also part of the equation.

"You haven't helped a family much if you got them in the door of a home but haven't thought about how



they're going to live in it. We want to make sure we're setting people up for success," Caffarelli says. "We see stable housing as the lynchpin for healthy communities and for successful lives," she says.

Home Depot also makes sure that the housing it's supporting provides good indoor air quality. In the substandard housing of old, air quality was a huge issue. "Dusky, dirty, old places don't provide good air, which contributes to asthma and other respiratory issues in children and senior citizens," Caffarelli says.

"Our \$100 million commitment was a reaffirmation that these are certainly long-term complicated issues that we are fully committed to working with nonprofits and government to the extent appropriate," Caffarelli says. "We are not in the business of checkbook philanthropy," she maintains. She and a dozen staff members are hands-on.

"We're like everybody else; we like to count things," says Caffarelli, a former senior corporate counsel at Home Depot. Her background in securities, finance, tax, and deal-making lent itself to running a nonprofit. At the same time, Home Depot wisely opted to dedicate its philanthropic efforts to an area closely aligned with its business.

"We stuck with what we knew," Caffarelli observes. "Building is what we do. We consider trees part of a home," she says. Home Depot was able to leverage its expertise and create a foundation pretty quickly because of its knowledge base, she says. Her number-crunching experience didn't hurt.

"We count the number of housing units and the number of trees we plant, and we have goals," she says. But bean-counting isn't the end all of the effort.

"I am very clear with my staff that we don't want to have the metrics drive our work," Caffarelli says. For instance, the foundation recently provided a grant in Florida that helped a nonprofit hire an architect to green up all of the group's housing plans. "Directly, that didn't result in one house being built," Caffarelli admits. No bean to count. "But the long-term impact of that grant is much greater than supporting one specific housing project," she says. "We talk about bricks and mortar, but the real story is about people."

Citing a Chinese proverb, Caffarelli says, "You have to have hope to plant a tree. The shade is going to be for the next generation." To her, that's what sustainability is all about.



Home Depot Foundation's affordable homes

Home Depot At a Glance

- Year first Home Depot store opened: 1979
- Number of Home Depot stores in the United States: 2,222 as of Nov. 28, 2007. (There are 161 in Canada, 66 in Mexico, and 12 in China.) The company also operates EXPO Design Center stores.
- Average size of a Home Depot store: 105,000 square feet
- 2006 sales: \$90.8 billion
- 2006 earnings: \$5.8 billion
- Number of products in a store: 35,000 to 45,000

For More Information

The Home Depot, Inc.
www.homedepot.com

The Eco Options Program at Home Depot
www.homedepot.com/ecooptions

The Home Depot Foundation
www.homedepotfoundation.org

The Conservation Fund's Go Zero Program
www.gocarbonzero.org

Dominican University of California's Green MBA Program
www.greenmba.com

Forest Stewardship Council
www.fscus.org

The Natural Step
www.naturalstep.org/com/TNS_for_business

Scientific Certification Systems
www.scscertified.com

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