

H-E-B's sustainable competitive advantage

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ABSTRACT

H-E-B Grocery Company has been a significant driving force in the economic development of South Texas for more than a century. The independent food retailer headquartered in San Antonio, Texas boasts of more than 350 stores in Texas and Mexico. The Nation's 25th largest retailer, with more than \$20B in 2014 revenue (Forbes, 2014) is consistently recognized for its commitment to its employees, customers, and community. As America's 15th largest private company (Forbes, 2014) and Progressive Grocer's "Retailer of the Year" (Dudlicek & Major, 2010), H-E-B has entrenched itself into the very heart of Texas and has won over a very loyal following.

H-E-B's sustainable competitive advantage lies in the determination to be socially responsible (Scilly, 2014). H-E-B is a leader in industry contribution, industry leadership, achievements with social responsibility and sustainability, community leadership, executive stewardship and corporate culture (H-E-B, 2010). The company leverages its agility as it routinely experiments with embryonic technologies, take calculated risks, and consistently delivers innovative solutions to the challenge of organization-wide, strategic social responsibility (Slott, 2013). H-E-B believes it is important to be socially responsible and their work to care for the environment not only makes them better neighbors, it also serves the community by being energy efficient and conserving natural resources. H-E-B promotes its mission to maintain sustainable strategies by bolstering local farmers and various social welfare initiatives to benefit employees, customers and the community (Slott, 2013). H-E-B's relationship with its community goes beyond the typical charitable activities enabling it to enhance and leverage its influence while maintaining its mission to make "each and every person count."

Keywords: H-E-B, Grocery, CSR, Private Company, Sustainable Competitive Advantage

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HUMBLE BEGINNINGS

H-E-B Grocery Company, LP is a privately held San Antonio, Texas based supermarket chain with more than 350 stores throughout the State of Texas and northern Mexico (H-E-B, 2010). Founded in 1905 by Florence Butt in her home in Kerrville, Texas, she named it Mrs. C. C. Butt's Staple and Fancy Grocery (H-E-B, 2010). "Her concept was excellent service, low prices, and a friendly and close shopping experience, thus defining a style of business rather than focusing on profit, focus on service and customer satisfaction" (H-E-B, 2010).

Mrs. Butt's youngest son, Howard E. Butt, took over the business in 1919 but failed in each of his four expansion attempts (H-E-B, 2010). 1927 saw some success for Howard as he transitioned the store from the traditional "credit-and-delivery" setup to "cash-and-carry" and expanded its lineup from basic groceries to include personal care products. He changed the name to Howard E. Butt Grocery and then again, shortening it to H-E-B Grocery after his initials.

In 1940, Howard introduced air-conditioned stores and began stocking frozen foods. He then consolidated a fish market, butcher shop, pharmacy, and bakery within the grocery store promoting the idea of one-stop-shopping. This business model, offering customers the convenience of having multiple needs met in one location while providing "low prices with the best value" (H-E-B, 2010), became the ongoing vision for H-E-B. It was not until Howard's youngest son, Charles took over in 1971, that H-E-B realized tremendous growth. Under Charles' leadership, the company expanded into numerous markets and introduced new concepts to the grocery business (H-E-B, 2010).

From its early days in small-town Texas, H-E-B has worked tirelessly to respond to the demands of their customers. And by all accounts, their strategy and implementation has been legendary. "As of 2014, H-E-B had total revenue surpassing \$20 billion. It is ranked No. 15 on Forbes' 2014 list of "America's Largest Private Companies" (Forbes, 2014). With 76,000 employees, H-E-B is the largest privately held company in Texas (Casas, 2010).

H-E-B's mission statement includes their vision and promise to their employees called the bold promise. That promise is "H-E-B Partners taking a stand together to build the greatest retailing company" and "Each and Every Person Counts" (H-E-B, 2010). In addition, the combination of the H-E-B slogan, commitments, and values reveals what the daily mission is every day. The H-E-B slogan, utilizing the same H-E-B acronym, is "Here Everything's Better." H-E-B has "always believed in the value of hard work and the importance of taking care of people. And we've always dreamed big. We hire great people, offer Customers the best service and sell only the freshest, safest products. Moreover, we always look for great products for today and tomorrow, and make sure to give Customers low prices with the best value" (Farfan, 2013).

To make good on its mission to make "each and every person count," H-E-B communicates several "promises" to promote transparency and accountability. They promise that every customer will encounter "great people, best service, freshest products, and low prices with the best value" when they shop H-E-B (Dybdahl, 1999). They promise their partners (employees) that they will be respected, receive great pay and benefits, be listened to seriously, be guaranteed the freedom to communicate openly, have partner contributions acknowledged, and be further developed and trained to be great people (Dybdahl, 1999).

H-E-B's vision is about keeping promises, bold promises. "H-E-B Partners taking a stand together to build the greatest retailing company" (Dybdahl, 1999). The essence in H-E-B's statement is that they cannot and will not do it alone, every stakeholder is just as important, their

customers, their community, their partners (employees), and their shareholders (through operating promises). By including everyone as a tool and condition for success, the company is able to motivate and inspire every stakeholder involved.

H-E-B capitalizes on the diversity and dedication of their partners as demonstrated by their collective talent, skill, and commitment to excellence. In fact, it is the collective effort of its partners who afford H-E-B its significant competitive advantage in its highly contentious Texas market (Dudlicek & Major, 2010).

STRATEGIC PILLARS

H-E-B's sustainable competitive advantage is grounded on four strategic posts: 1) service, quality and value for its customers, 2) fostering an employer-of-choice culture, 3) stable long-term sales and profits, and 4) building authentic bonds with local communities (Dudlicek & Major, 2010). "As history repeatedly demonstrates, the most successful companies are fundamentally defined by their human element" (Dudlicek & Major, 2010). According to H-E-B's Chief Merchant Martin Otto, H-E-B catapults itself ahead of its competitors by maintaining a fervent passion and commitment to its "Bold Promise" of proclaiming "the role each and every partner plays in building the greatest retailing company, with a guiding purpose of improving the lives of our partners and customers" (Dudlicek & Major, 2010). Despite the fact that Wal-Mart has added some 400 stores in the last 20 years, H-E-B's overall market share has increased from just shy of 40% in 1989 to a current estimated share of more than 55% (Dudlicek & Major, 2010).

SERVICE, QUALITY, AND VALUE FOR ITS CUSTOMERS

H-E-B introduces the concept of "own brand" products, giving customers an attractive option in terms of quality, price and freshness. They opened the H-E-B Milk Plant in San Antonio and become the largest milk plant in Texas (H-E-B, 2010). At the same time, they opened the state's largest bread bakery (H-E-B, 2010). H-E-B produces many of their private label products under several brands including Hill Country Fare, H-E-B Bake Shop, H-E-B Organics, and, simply H-E-B. In this manner, they set themselves up to be the vendor and the supplier of goods strengthening their supply chain.

The development of retail space adjacent to H-E-B retail stores has been a key strategy of H-E-B for over 50 years (H-E-B, 2014). The H-E-B Shopping Center Development team constructs, leases, and manages H-E-B anchored neighborhood, community, and regional shopping centers in Texas (H-E-B, 2014). Most local small businesses jump at the chance to be next to this giant and gain sales through proximity. H-E-B promotes tenants within its walls that represent service providers in the cellular, banking, car rental, quick-serve restaurant, precious coins, bathtub refinishing, and real estate industries. This strategy allows for more draw from the community. Texas is a very large state and even in large cities, the stores are widespread. Taking this collective approach brings convenience to the shopper.

H-E-B plus!

In 2004, the company introduced H-E-B *plus!*, a larger store format with approximately 182,000 square feet (Anderson, 2012). Now, with the addition of its 10th location, H-E-B is

formally competing with retailers other than traditional grocery stores (Kastner, 2012). This new format provides customers with expanded product and service offerings including extensive music, video, and DVD selections, which rivals Best Buy; a larger baby department, which competes with Toys “R” Us; a dedicated space for grills and grilling supplies, lawn and garden equipment, which detracts from the local hardware store; and an expanded card and party product section, which competes directly with Hallmark Cards (H-E-B 2010).

Mi Tienda

The growing Hispanic community throughout South Texas is obviously one of H-E-B’s targeted segments. As of 2012, the Hispanic population accounted for 38.2% of Texas (U.S. Census Bureau, 2012). Currently at three locations (Wood, 2012), H-E-B stocks significantly higher proportions of traditional Hispanic food items than the average grocery store. In addition, all H-E-B products have bilingual labeling and more sections of each aisle are dedicated to imported goods to fill this need (DeLeon, 2013). In some locations, a complete store called Mi Tienda caters directly to this segment. The Houston Press voted the local Mi Tienda stores “The Best Mexican Market” two years in a row (Houston Press, 2012). “Mi Tienda features a tortilleria, a carniceria the size of a football field and an aguas frescas bar, not to mention every spice, fruit, vegetable, queso and edible cactus from Tegucigalpa to Nuevo Laredo, all available at rock-bottom Walmart prices (Houston Press, 2012). These stores became the natural segue when H-E-B branched out into Mexico.

H-E-B Mexico

Although H-E-B only has 10 stores currently in Mexico (Koidin, 2000), they have plans to expand their presence in Mexico to forty four stores (Hendricks & Lucio, 2012). Mexico is a logical expansion direction for H-E-B. Known as innovators, H-E-B has grown into the largest Texas-based grocery chain and has so much experience down on the border that it is a natural progression (Koidin, 2000). H-E-B in Mexico has become a great place for shopping but it also serves as a social hub for the community. The vision is to extend from Ciudad Chihuahua in north-central Mexico, to Aguascalientes in the south-central region and to Tampico on the Gulf of Mexico (Koidin, 2000).

Expansion within the Northern Mexico market will secure long term growth. H-E-B will expand its presence in Mexico further by concentrating on expansion of the five northeastern Mexico states where it operates: Nuevo Leon, Coahuila, Tamaulipas, San Luis Potosi, and Guanajuato. H-E-B currently employs 7,500 workers in Mexico (Hendricks & Lucio, 2012). The expansion will raise the number of stores in Mexico to forty-four by opening in Monclova, Saltillo, Victoria and Monterrey. The cost of doing business has been up and down due to tariffs and the fluctuating currency rates, but sales in Mexico reached \$1.2 billion in 2011 (Hendricks & Lucio, 2012).

Joe V’s Smart Shop

Joe V’s Smart Shop, H-E-B’s latest concept is geared toward budget-minded consumers. The stores have less assortment than a traditional supermarket as they focus on low prices as their differentiator. H-E-B’s new concept, which resembles a warehouse from the outside,

eliminates all non-essential features to reduce cost and keep prices as low as possible. The seven Joe V's locations are all in the Houston area and carry about 9,000 items (Joe V's, 2014). They focus on efficiency by utilizing self-serve check out machines and display merchandise by the pallet in warehouse fashion.

H-E-B introduced the Joe V's Smart Shop concept to test the market for cash-strapped customers seeking lower prices on groceries in a down economy. "At Joe V's Smart Shop, the expectation is that price matters most and every penny really does count," he says. "Prices on everyday items, including the highest-quality perishables and meats, will be significantly lower than the competition" (Wollam, 2010).

Central Market

Central Market positions itself as the place where "foodies celebrate" and focuses on the "love" of food in its branding (Central Market, 2014). Central Market provides a comprehensive international culinary experience with its gourmet meals, so it. As examples of Central Market product offerings, discerning customers may choose from more than 60 types of bread, 600 cheeses, and more than 1,000 bottles of wine (Central Market, 2014). A large percentage of the products offered at Central Market are customized for this store alone. Selected vendors and suppliers from across Texas and Mexico sell their goods only to H-E-B and usually specifically for the nine Central Market stores (Central Market, 2014). This adds to the list of proprietary products only found through H-E-B.

FOSTERING AN EMPLOYER-OF-CHOICE CULTURE

As part of the mission statement, H-E-B promises the partners that they will respect diversity, provide great pay and benefits, listen seriously to what is said, guarantee the freedom to communicate openly, acknowledge partner contributions, and develop and train great people. H-E-B hires local talent and trains them to be part of the team. This nurturing of talent in the community allows H-E-B to build from within. According to Boyan, "Our people are our most important asset, and we're always looking to add to our roster, because H-E-B is a great place to work. We have a very powerful employment package, and we work very hard to make sure it's as competitive as possible" on all counts" (Dudlicek & Major, 2010). The retention rate of its employees is considered very high in the industry. Also, H-E-B provides 401k, health insurance at reduced group rates and discounts. Ensuring that the employees make a reasonable wage, H-E-B adds to the economic growth of the community. Employees shop where they work; reinvesting their payroll dollars (H-E-B, 2010).

STABLE LONG-TERM SALES AND PROFITS

H-E-B's stable past comes from measured growth steps. Taking the initiative to reinvent grocery shopping in Texas, H-E-B secures sales growth for its owners. Each new enterprise seeks to fill a niche and capitalize upon it. As part of the mission statement, H-E-B promises to operate with integrity and trust, deliver on commitments, turn ideas into action quickly, maximize each store's potential, produce double-digit sales growth with a profit and always look for what is missing and what is next. H-E-B focuses on marketing its name brand products, with

a higher gross profit margin, over the national brands. Strong brand awareness saves the consumer hundreds of dollars and also builds loyalty for repeat future purchases.

When the average consumer became concerned about the quality of food products, the wave of organically grown merchandise became the new growing edge in food sales. H-E-B introduced a new brand of USDA certified organic products in response to popular demand. From farm fresh produce to organically raised meat, breakfast foods to salty snacks, hundreds of new H-E-B Organics™ choices are available now, with hundreds more scheduled to hit the shelves throughout the year (H-E-B, 2014).

One of the fastest growing facets of businesses today is technology and the contemporary consumer shops online (Clifford, 2013). H-E-B responded with an online shopping module on their website. Customers select what items they wish to purchase and which store they prefer to pick up their groceries from and when. Staying in pace with current trends is essential and H-E-B is continuously searching for ways to increase revenue and deliver service to its community (H-E-B, 2014).

BUILDING AUTHENTIC BONDS WITH LOCAL COMMUNITIES

H-E-B shows it is socially responsible by engaging in many different types of community outreach projects. In 2010, *Progressive Grocer Magazine* names H-E-B Retailer of the Year. “This award is given on the criteria of industry contribution, industry leadership, achievements with social responsibility and sustainability, community leadership, executive stewardship and corporate culture” (H-E-B, 2010). H-E-B has a long history of charitable generosity, dedicating five percent of pre-tax earnings to causes in the local communities it operates in (H-E-B, 2010).

Since 2000, H-E-B has given more than a half a million dollars to Texas schools and their teachers and administrators as part of their Excellence in Education Awards program (H-E-B, 2010). H-E-B launched Read 3, an early childhood literacy initiative. H-E-B accepts donations of new or gently used books for distribution to local non-profit agencies (H-E-B, 2014).

In 2013, H-E-B announced a more than \$400,000 donation to the American Red Cross as a result of an in-store campaign for customers to support the community of West, TX in the days after a deadly explosion at a fertilizer plant (Wilkerson, 2013). In addition to launching the statewide check stand donation campaign, H-E-B donated \$50,000 to the American Red Cross in response to the devastation. The campaign offered customers an opportunity to join H-E-B’s aid by adding a donation in increments of \$1, \$3, or \$5 to their total grocery bill (Wilkerson, 2013). H-E-B demonstrates that helping the community in times of need is the cornerstone of their philosophy. For more than 100 years, H-E-B responds to crises by providing supplies and monetary support (Wilkerson, 2013).

H-E-B has an opportunity to utilize its connections within its communities to empower other like-minded agencies to enroll in this type of social responsibility. It is a timely mission that has an immediate impact on the communities that it serves by doing more than providing a service; H-E-B reaches out into the community to make a difference.

BUILDING A COMPETITIVE ADVANTAGE

Albertsons Food and Drug Store is a long time competitor with H-E-B. When Joe Albertson opened his first grocery store in Boise, Idaho, in 1939, he called it “Idaho’s largest and finest food store.” Joe’s innovative offerings included the first magazine racks in the country,

offering his customers hot, buttered popcorn, roasted nuts, and double-dipped home-made ice cream cones, plus, one of the first scratch bakeries. Albertsons LLC acquired stores in Northern California, Colorado, Utah, Nebraska, South Dakota, Arizona, New Mexico, Texas, Louisiana, Arkansas, Oklahoma and Florida (Albertsons, 2014). Being the lowest price competitor was a daily business plan for both Albertsons and H-E-B. All differences between companies in cost or price derive from the hundreds of activities required to create, product, sell and deliver their products or services (Porter, 1996). Cost is generated by performing activities, and advantages arise from doing it more efficiently than competitors (Porter, 1996). Grocery carts full of groceries purchased from both Albertsons and H-E-B on the same day showed the actual grocery register receipt for all of the customers to view. Signs on the end-caps boldly proclaimed that this price is cents lower than Albertson's and the date of the actual price comparison. Both stores engaged in these price wars. The aim was to show shoppers that on head-to-head items, it was better to shop at one store versus the other. The marketing ploy was to use H-E-B brand names instead of name brand labels when filling the carts and making the displays. And it worked. But, price wars are a cutthroat aggressive tactic that can be mutually destructive. Competing on price alone would not provide the viable, long-term competitive advantage that H-E-B sought.

Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1996). H-E-B's strategy was to focus was on local and statewide (Texas) products. Instead of trying to bring all brands to their customers, they focused on providing Texas-grown Texas-produced products to the shelves. The trade-off was that the stores may not have a name brand product found in other states. The gain was that one could only find this Texas product in an H-E-B store. The exclusivity of Texas products helped confirm H-E-B's commitment to the community and it created a unique competitive advantage. National chains could not keep up with this approach. They would have to make a trade-off in order to compete head-to-head with this strategy. Most are not willing to do so. This strategy to promote Texas consists of 1) contracting with local farmers and producers to promote Texas brands, 2) supporting local community; promoting community projects and products, 3) shifting the H-E-B brand image to include Texas pride, 4) providing unique Texas brands on the shelf, 5) encouraging Texas made products in the stores/marketing, and 6) hiring locally.

H-E-B needed a stronger connection between its brand identity and its growing reputation for support of Texas on all levels. Procurement specialists searched for producers both in Texas and Mexico to put under contract and bring home grown uniquely authentic flavors to the shelves. Many products are from local farmers and merchants. From the strawberries of Poteet to the wines of the Panhandle, the olive oils, nuts, flowers, salsas, meats and seafood from all around the state; H-E-B brought them in and made them part of the plan. This strategy worked in close keeping with the pricing strategy. No other rival had these products and therefore it hindered a pricing war on these varieties.

Piggly Wiggly was the first true self-service grocery store. It was founded on September 6, 1916, in Memphis, Tennessee, by Clarence Saunders. Piggly Wiggly was the first to provide checkout stands, price mark every item in the store, and provide shopping carts for customers (Piggly Wiggly, 2011). H-E-B did not begin to emulate this format until the 1950's. It was more concerned with establishing a solid foothold in the valley and promoting its own brand products. But, when Fleming filed for bankruptcy in 2003, H-E-B took a strategic step in the plan and moved into the vacated spaces in a ready attempt to capture the local market that was accustomed to shopping this location. The idea of expansion through acquisitions started a subtle

but sure process that H-E-B's financial capital was able to accomplish in a low key, under the radar approach.

H-E-B focused on the segment of Texas. By providing specifically for Texans, H-E-B carved out a niche and eventually drove Albertsons out. Just like the Piggly Wiggly store strategy, H-E-B moved in and acquired the ailing Albertsons storefronts. It appeared as though H-E-B was buying up the competition, but the reality is that it used its competitive advantage of selecting a segment of the market and then attacking it from all sides. The removal of rival grocery stores from the Texas area was not a magic bullet but a steady application of a strategic business plan.

To gain a competitive advantage against existing rivals, one must know the layout of the situation and the strengths of one's competition (Porter, 1996). This is especially true in a market where many differently placed grocery companies are vying for market share. "As rivals imitate one another's improvements in quality, cycle times, or supplier partnerships, strategies converge and competition becomes a series of races down identical paths that no one can win" (Porter, 1996). Ultimately, all differences between companies' costs are derived from the activities required to create, produce, sell, and deliver their products or services; the cost advantage arises from performing particular activities more efficiently than competitors (Porter, 1996). Using a series of different overlying strategies, H-E-B would gain a competitive advantage in the grocery marketplace by focusing on their market, sources, and customers (Porter, 1996). H-E-B has also leveraged its strategy on corporate social responsibility into a sustainable competitive advantage.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a growing focus locally and globally. It is made up of part philanthropy and part volunteerism. CSR addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm (Harvard, 2008). CSR speaks to who the company is, what it believes in and how it is doing business; it's a core element of reputation and can be used to help establish trust and goodwill amongst stakeholders. People's willingness to trust, to admire, and feel good about a company is based on their perceptions of the corporate social responsibility of the company. It is a way for companies to improve support from stakeholders like consumers, regulators, financial community, and employees (Smith, 2013).

H-E-B is in a unique position. Its familial tie to its Lone Star State communities catapults its sustainable strategic initiatives while providing a distinct competitive advantage. With no stockholders to placate to, H-E-B pursues a sustainable business model of steady, long-term investing in its partners, its customers, and its communities. As a result of and as a compliment to this model, H-E-B leverages its nimbleness to experiment with developing innovations and take calculated risks (Slott, 2013).

H-E-B has received numerous awards and recognitions for their environmental initiatives. In 2007, H-E-B received recognition from the Texas Commission on Environmental Quality for having the state's most outstanding waste reduction and pollution prevention projects. The accomplishments include SAWS' 2010 Inaugural Refreshing Ideas Award, which recognized the H-E-B Snack Plant for implementing a water treatment facility to help improve its wastewater quality and The San Antonio Business Journal's "Going Green" Leadership

Award-Private Sector for taking responsibility for improving their community environment, conserving natural resources and being energy efficient (H-E-B, 2014).

H-E-B supports green initiatives through a variety of community partnerships in the hope of providing a better today and a brighter tomorrow. Their Community Investment portfolio includes contributions to support environmental programs for organizations such as: Keep Texas Beautiful, Earth Share of Texas, The Nature Conservancy, Hill Country Conservancy, Cibolo Nature Center, Texas Audubon Centers, The National Wildlife Federation, Ocean Trust-Texas, and many more (H-E-B, 2014). In 2011, H-E-B received Produce Business Magazine's Retail Sustainability Award, which recognized H-E-B for exceptional leadership in development of sustainable strategies (H-E-B, 2014).

In last few years, H-E-B has ramped up recycling, minimizing waste and the impact on the environment. Composting has been a focus as well as recycling of store bags. H-E-B was an early adopter of Returnable Plastic Containers (RPCs) resulting in decreased use of corrugated boxes which resulting in less trash, less labor to compact cardboard, and less burden on the cooling system. It also reduced product loss. Last year H-E-B recycled over 300 million pounds of resources (Slott, 2013). The opportunity for H-E-B would be to redesign pallet structure in Produce to eliminate the composite materials used for shipping.

H-E-B seeks to offer the freshest, highest quality fruits and vegetables as part of their sustainability strategy that bolsters local farmers, connects with and gives back to the local community. H-E-B recognizes that it wants to have great relationships with growers and farmers. H-E-B helps by contracting small growers to plant needed produce for the store. The grower can focus on farming without the worry of marketing his crop. H-E-B often features local community farmers in television advertisements to effectively communicate to end consumers the importance of its supply chain and the benefits derived (Slott, 2013).

Alternative sources for lighting and fueling are a new concentration for H-E-B. Lighting retrofits in the produce section reduced wattage by forty-one percent, reducing the heat expended, and reducing electricity usage by four to six percent. H-E-B is the first among its competitors to utilize fuel cells in its fleet of forklifts. The cell generates hydrogen reformed out of natural gas. The next step is to power the refrigerated diesel trucks with hydrogen cells (Slott, 2013). Future goals would be to use alternative lighting throughout the store and to incorporate the fuel cells in all of the equipment and machinery at the store and warehouse levels.

H-E-B's sustainable competitive advantage lies in their determination to be socially responsible. The idea behind corporate social responsibility is that companies have multiple responsibilities to maintain. A company's first responsibility is its economic responsibility. Before a company thinks about being a good corporate citizen, it first needs to make sure that it can be profitable. The second responsibility is to ensure that all the applicable laws are obeyed such as labor law, environmental law and criminal law. The third responsibility concerns ethics. Ethical responsibilities are responsibilities that a company puts on itself because its owners believe it's the right thing to. Ethical responsibilities could include being environmentally friendly or paying fair wages (Scilly, 2014). H-E-B continually addresses these responsibilities and provides transparency in its labeling and sources (O'Donnell, 2011).

The fourth and most impactful responsibility is philanthropy. Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right. It involves making an effort to benefit society by donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes (Scilly, 2014). As one of the State's most generous philanthropic givers, H-E-B

provides direct and specific opportunities for its partners to join with their employer in giving (Ellerbee, 2011). Each year, H-E-B dedicates five percent of its pre-tax earnings to charitable organizations and nonprofit causes in the local communities it operates in. H-E-B is “committed to providing meaningful support to non-profit organizations across the State. Our partners roll up their sleeves and get involved in their communities” (Ellerbee, 2011). It is not just the outpouring of funds that call attention to H-E-B, but all the different possible means to nurture and grow their communities that set them apart from the rest.

H-E-B’s “Community Investment Program” delivers charitable assistance to a diverse variety of important community organizations throughout Texas and into Mexico. H-E-B began Mexico’s very first food bank in Ciudad Acuna, Coahuila, Mexico and currently supports eleven Caritas Banco Alimentos (food banks) throughout Mexico and fifteen Texas food banks. In 2010 alone, H-E-B’s direct donations to food banks in 2010 exceeded 26 million pounds worth \$38.4 million (Ellerbee, 2011).

The H-E-B Tournament of Champions golf tournament, which benefits youth and education initiatives has, raised over \$47 million in the last 25 years (Ellerbee, 2011). H-E-B has one of the largest United Way employee-giving campaigns, raising nearly \$5 million in 2010 alone (Ellerbee, 2011).

THE CHALLENGE

H-E-B has proven itself in many of the areas that typically fall under the CSR label. Moving forward, their focus is to address the global concerns of minimizing waste of energy consumption, water usage, and materials disposal. The challenge for H-E-B’s future lies in two distinct areas. One is to design more eco-friendly packaging and product design and the other is land use and development.

H-E-B should consider alternative packaging for many of their private-label and perishable goods that they control. For example, fresh meats and seafood are packaged with Styrofoam trays and floral arrangements are wrapped with plastic throw-away sheets. Utilizing a biodegradable product or otherwise more earth-friendly wrapping is achievable and advisable. In fact, there are many opportunities to utilize recyclable and organic materials for most of the private label products and the displays around the store.

H-E-B’s key strategy of land use and development can be the beginning of a new phase in reducing energy costs, water consumption, and their overall carbon footprint. This begins with the selection of building sites. A plethora of environmental variables, such as urban integration, recycling infrastructure, alternative transportation, and brownfield sites, should be considered, and the overall environmental impact should be given significant weight (Siegel et al., 2012). H-E-B has already focused on many of the aspects within existing stores that needed retrofitting in order to make them more efficient. The next step is to apply these changes to new building sites that give consideration to sustainability criteria in the design and construction phase (Siegel et al., 2012). As the anchor store in their shopping centers, H-E-B can give their tenants a markedly improved position of economic and energy conservation.

On every front, H-E-B finds ways to educate, assist, and provide for their customers, employees, and suppliers. Their goodwill extends in all directions and through all relationships. From supporting the local sports teams, to raising funds for tragedy victims, to food-drives and home makeovers, H-E-B is embedded deep in the communities it serves. H-E-B cares about what is important to the people they serve. They have built an assembly of dedicated customers, loyal

employees, and trusted suppliers. H-E-B has made helping one's neighbor a prime objective and, in turn, it has put their name on everyone's hearts.



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