



Turning Retailer Sustainability Requests into Strategic Opportunities

Brands and product manufacturers are increasingly being asked to complete sustainability surveys and questionnaires from their retail customers. The time and resources needed to answer these requests may seem daunting, but many suppliers are bringing value to their companies from the experience. Suppliers deriving the greatest benefit are following similar best practices: determining how to improve their own programs; reduce costs; and strengthen relationships with key retailers through these efforts. By developing a coordinated approach that addresses the company's greatest impacts, complements internal priorities, and engages key partners, suppliers can turn retailer requests into strategic opportunities.



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Retailer surveys are creating opportunities for suppliers to gain business value

As retailers escalate the sustainability requests they are making of their suppliers, many companies are seizing the opportunity to gain strategic value for their businesses.

With 80 percent or more of the environmental and social burdens of retail products typically found upstream in the supply chain, retailers realize they must involve their suppliers to achieve meaningful progress. They are increasingly asking their suppliers to measure, take action, and report on critical product sustainability attributes. These range from water, waste, energy, and greenhouse gas emissions to restrictions on chemicals of concern and ingredient certifications - not to mention fair labor and workplace practices. Some retailers are holding suppliers accountable for progress against their targets, with the best-performing suppliers likely to realize competitive advantages.

Savvy suppliers are recognizing the tremendous opportunity these new programs represent for their businesses. The companies that utilize these programs to their advantage are setting a course for success. Many suppliers to leading retailers are already realizing benefits that include:

- Driving progress in internal programs
- Leveraging the retail program's research and tools
- Strengthening key relationships with important retail partners

Use of supplier surveys is increasing

One of the most common ways that retailers are tracking their business impacts and monitoring supplier sustainability efforts is through surveys. These range from short and straightforward (do you have goals, do you track, do you communicate?) to more demanding questionnaires that may evaluate best practices at the raw material sourcing stage. Some surveys request hard data, as well as qualitative information. In addition to surveys, retailers may also be relying on ingredient or product sustainability standards to address important corporate commitments.

EXAMPLES OF RETAILER PROGRAMS INCLUDE:

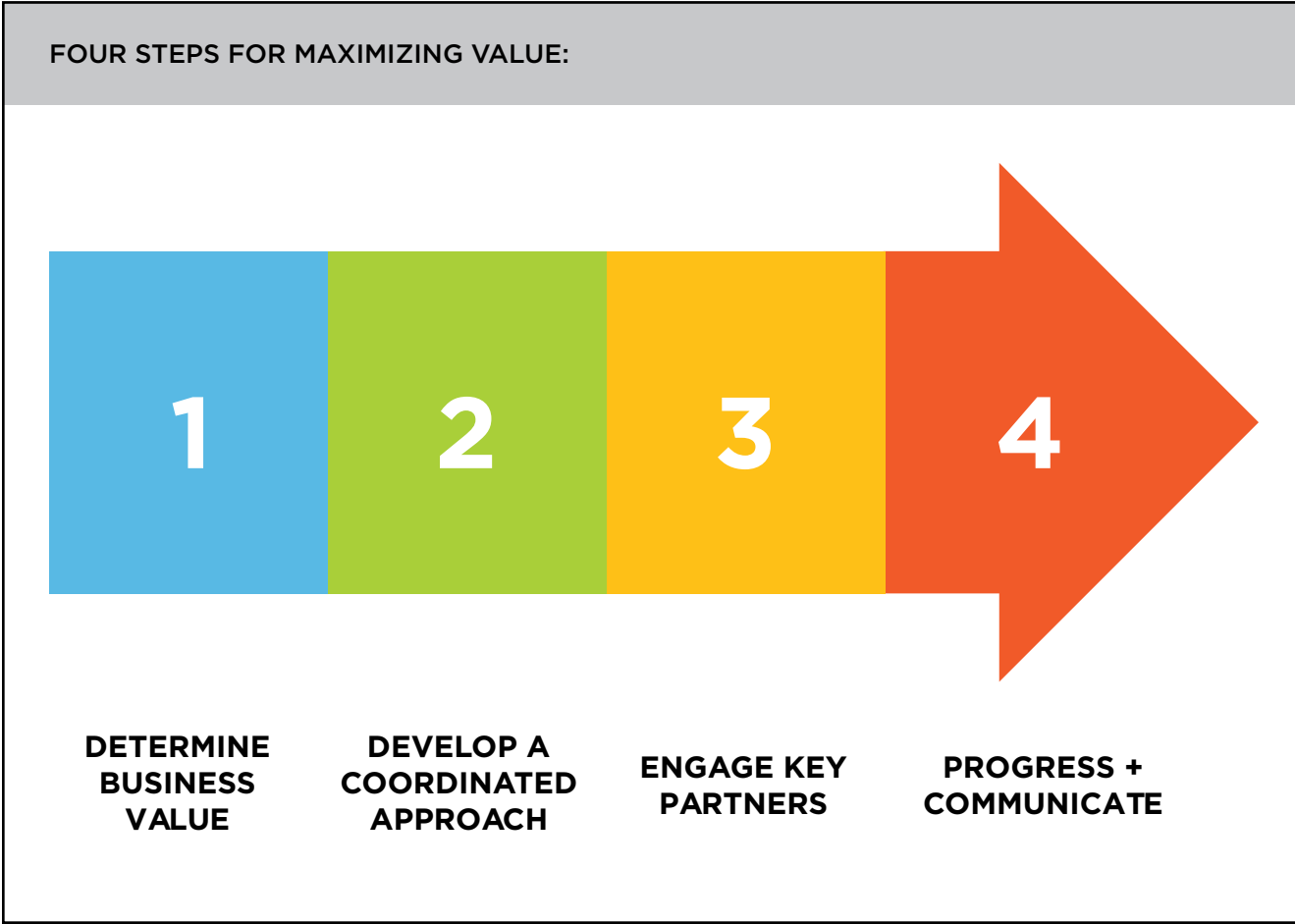
Kohl's Supplier Survey¹ Department store chain Kohl's believes that, "Simply asking our vendors questions about sustainable practices is the initial catalyst to change." In 2012, Kohl's assessed over 400 vendors with questions covering five key sustainability categories: policy and management; energy and emissions; waste and recycling; water; and supply chain. Domestic vendor scores on the annual survey increased 22 percent in 2012.

Target's Sustainable Product Standard² Target scores household cleaning, personal care, beauty and baby care products with an aim to improve their sustainability profiles. Despite the title, the program does not set minimum supplier requirements but assesses products on ingredient safety (environmental and human health attributes), ingredient transparency, packaging, animal testing, and water quality.

Four steps to ensure that retailer surveys bring value to your business

Proactive companies are approaching retailer requests strategically, leveraging key partners, and aligning retailer requests with internal priorities as they set a course to win.

Smart strategies are setting leading suppliers apart in the general marketplace, the battle for talent, and in the quest to establish and maintain preferred supplier status with their most important customers. The companies that generate the greatest business value from these retailer programs are implementing specific best practices by following these four steps below.



1 - Determine Business Value

Successful responses to retailer requests can accelerate and focus progress in internal sustainability programs, leverage retailers' research, and boost competitiveness.

Begin by clearly identifying what you hope to gain as you work to respond to key retailer programs. If you seek a closer relationship with important customers, you will want to adhere to their priorities and ensure that you communicate success. If your goal is to drive down costs through internal improvements, your focus may be on leveraging retailer tools and research. Articulating the benefits that are the most important to your organization will help bring focus to your efforts, drive internal support for your approach, and provide a way for you to measure success.

HERE ARE FOUR CRITICAL OPPORTUNITIES RETAILER SURVEYS MAY BRING:

Focus efforts to improve your sustainability strategies.

Use your retailers' guidance about hotspots in your industry to help you target your most important impacts and to leverage the most powerful tools. A sharp focus on the most productive opportunities for change will help ensure that you improve your program effectively. This may include driving resource efficiency, lower costs, worker safety and fair treatment, and a more resilient supply network.

Galvanize internal support for your own program.

Use retailer requests to engage internally and develop support for a focused and ramped up effort to address the sustainability challenges facing your own company. By engaging employees in key initiatives, and communicating successes widely throughout the company, you will be motivating your workforce and increasing your ability to retain top talent - as well as ensuring continued success for your program.

Stay competitive.

Whether your business is no-frills and run on a tight margin or enjoys a bit more flexibility, you know you have to stay with or ahead of the competition. Your retailers' requests are their way of telling you what you need to do to stay in the game. Many retailer scorecard programs also allow you to see how you perform among your competitors. Lagging scores can be an eye-opener and motivate some companies to act or to reset their priorities.

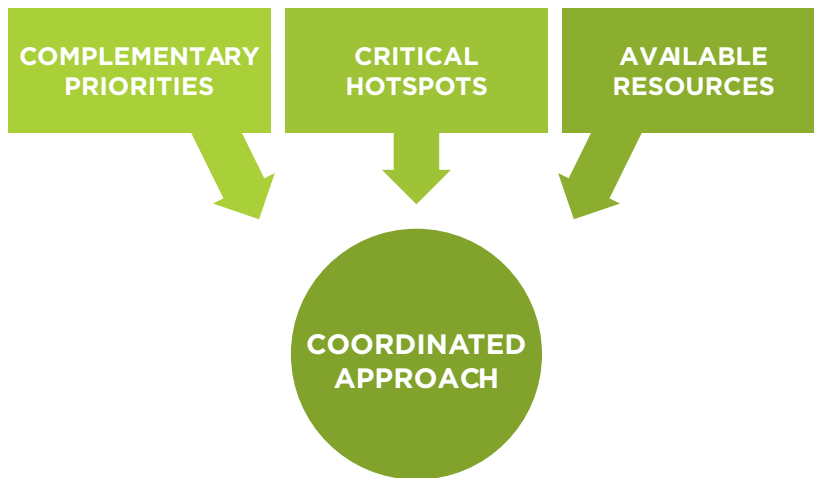
Improve relations with your retailers.

Retailers value suppliers that help them meet their sustainability program goals and objectives. Communicate with your buyers so they are aware of the additional sustainability initiatives you have underway that may not be captured by their questions. Explore collaborative opportunities with your retailers on their priorities. There may be new product launches or supply chain projects that you can work on together.

2 - Develop a Coordinated Approach

Develop an approach that addresses your key impacts and focuses on the areas where retailer research and priorities align with your goals and capabilities.

To ensure that you are leveraging retailer-driven initiatives to improve your own sustainability program, make sure that you align your efforts with internal priorities, your company's critical environmental and social hotspots, and the resources you have available.



IDENTIFY COMPLEMENTARY PRIORITIES

Each customer survey or set of standards may address a dozen or so issues. And you may receive questionnaires from several of your retail partners. Before you dive in, make sure you understand your retailer's priorities. Don't assume a 20-question survey means they have 20 priorities. Find out where they are most interested in making gains. Determine if any of these areas complement your company's internal goals and touch the areas where your program already has momentum. That nexus is a good place to start.

IS THE PROGRAM VOLUNTARY?

Make sure you understand your retailer's expectations. Don't ignore a voluntary request only to discover that your buyer is making decisions based on the results. Determine whether supplier "guidelines" are really mandatory standards. Engage your buyers in a conversation about their priorities and how they will be using program results.

DETERMINE YOUR CRITICAL HOTSPOTS

To ensure that your efforts will improve product and supply chain sustainability and provide business value through reduced risks and costs, start with a good understanding of your greatest impacts. By identifying the environmental and social hotspots in your value chain, you can ensure that you address them. Take advantage of the fact that retailers' surveys and scorecards often focus on the most important industry-specific hotspots. Use the survey to help point to the key areas where you should focus and benchmark your performance.



Retailers don't initiate supplier surveys or standards lightly. By the time they roll out a program, they have conducted their own research and vetted their approach with diverse stakeholders. Capitalizing on your retailers' research and the tools and training they provide may help move your program forward a few notches.

Walmart's Sustainability Index relies on key performance indicators developed by The Sustainability Consortium, a multi-stakeholder group that leverages the expertise of experts across the globe. A Walmart Index survey invitation is your ticket to tap into this extensive network of sector-specific knowledge.

UNDERSTAND YOUR UPSTREAM IMPACTS

Most corporate sustainability programs start with a focus on areas under company control – at owned facilities or in product design. These companies may be surprised that retailers are expecting them to address impacts far upstream or downstream – where many of the critical impacts are.

Toy companies that source their materials from a sprawling global supply network are being asked to ensure that chemicals of concern are not present in their products, forcing them to improve communication with their suppliers across the globe. Food and apparel companies several steps removed from the farm are expected to understand producer practices and to work toward improvements. Electronics companies may need to know more about the end-of-life fate of their products and engage in greater stewardship.

SET A COURSE THAT WILL ALLOW YOU TO WIN

A coordinated approach can only be successful if there are resources to support the effort. This includes leadership buy-in, staff support, and budget. To make the most effective use of these resources, leading companies adopt two simultaneous paths:

Short-Term wins. Figure out what you can do now. How can you improve your survey score in the first year? You may be asked questions about tracking and establishing goals for water, energy, greenhouse gas emissions, and waste in manufacturing. These are areas where you could make improvements and increase your score within a year.

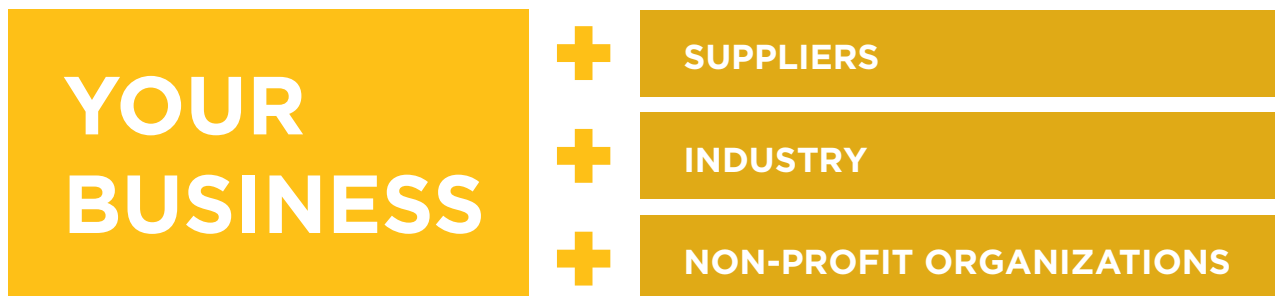
Longer-Term wins. The deepest impacts may be the most difficult to tackle. Chart a course that addresses your most significant impacts, even if your target dates are several years out. Identify the tools, training, resources, and internal policy changes you will need. Determine what external partners to engage. Develop explicit goals and align your company around them.

To anchor any plan, make sure you set clear goals for your company and establish explicit accountability for achieving them. You can even use your retailer scorecard scores as leverage. Make it part of your staffs' performance objectives to improve your company's results on the scorecard questions about packaging-to-product ratio, for example.

3 - Engage Key Partners

The most significant hotspots may be upstream and out of your direct control. Engage your own suppliers, leverage the expertise within non-profit organizations, and consider collaborating on industry initiatives.

As you develop new initiatives, identifying helpful potential partners may be necessary to address issues in the raw material sourcing or consumer use and end-of-life phases that you do not control. Your suppliers are certainly vital partners, but there are many non-profit organizations and industry initiatives that may also prove to be valuable, as well.



SUPPLY CHAIN ENGAGEMENT

To address critical environmental and social impacts, many retailer survey questions address impacts that are far upstream. Companies may struggle to answer questions about on-farm pesticide use, impacts from resource extraction, or worker safety at parts' manufacturers without help from their suppliers.

Engaging your suppliers and your suppliers' suppliers takes time and requires new procedures. Select a path that balances your available resources with the need to address the issues. In addition, be sure to prioritize - don't try to go all the way upstream with every supplier immediately. Focus on those most closely related to your key hotspots.

ENGAGING YOUR SUPPLIERS

Just as your retailers are surveying you and your peers, you may need to work with your suppliers to make the program improvements you have identified and that your retailer expects.

Start the conversation. Bring up your sustainability commitments and data needs during buyer-supplier conversations and at other opportunities.

Get their input. Solicit their feedback and establish mutual expectations and objectives. Talk about needed resources and be clear about where you can and can't help.

Use engagement tools. Take a page from your customers' playbooks and conduct your own supplier survey. You could use some of the same questions your customer used to survey you, or you may find that a simpler set of questions that closely follows your corporate commitments would serve your interests best.

INDUSTRY-WIDE COLLABORATION

It may be best to address some issues that are very broad in scope - such as deforestation or fair labor - with an industry-wide, collaborative effort. Retailers recognize this and may give you credit for participating in sector-specific coalitions. These could include organizations such as the Sustainable Apparel Coalition or Sustainable Agriculture Initiative that are working to address sector-wide challenges.

Industry Specific Collaborations:

- The dairy industry has created a broad set of tools to reduce emissions from agriculture, cows, manure management and other hot spots in their value chain³.
- The apparel industry collaborated to create the Sustainable Apparel Coalition's Higg Index⁴, a system for measuring and reducing the environmental and social impacts of apparel and footwear products.

ENGAGING NON-PROFIT ORGANIZATIONS AND OTHERS

You might also think about partnering on solutions with a non-profit organization with relevant expertise. NGOs may bring credible experience and a broader perspective on key issues, which can be useful as you craft your program.

Issue-Specific Partnerships:

- The Forest Trust⁵ is a global organization that is helping companies such as Nestle to ensure that their forest-based products are procured responsibly.
- The World Wildlife Fund⁶ (WWF) has partnered with Coca-Cola Company, SABMiller, H&M, Marks & Spencer and others on conserving water resources in priority river basins.

4 - Progress and Communicate

Pilot new initiatives and monitor program results to ensure continuous improvement. Above all, communicate success!

Before you dive all the way in, develop pilot projects or small tests of new approaches to ensure that new initiatives will achieve their intended goals. This is especially true for large-scale efforts or significant changes for the organization.

- If you are trying to reduce energy use at your manufacturing plants and compressed air presents an opportunity, hone your compressed air efficiency toolkit at one site, learn from your experience, and then expand across the company.
- If working in the supply chain - on supplier energy and water use, for example - pick a few suppliers to test out your protocols and survey questions. Once you learn what works best, you'll be ready to expand.

Be sure that you identify critical information at the beginning of the effort so that you can evaluate program effectiveness. Use the insights you gain to modify your approach, promote continuous improvement, and celebrate success!

As your company progresses towards your goals, make sure your retailers are aware of your successful initiatives. Communicate wins internally, as well, to ensure continued support for your program.

TO ADVANCE YOUR PROGRAM

RUN PILOTS	Test new approaches before expanding programs across your business. If working in the supply chain, pick a few suppliers to test your protocols. Once you learn what works best, you'll be ready to expand.
MONITOR PROGRAM	Maintain good data to monitor program effectiveness and justify future initiatives.
COMMUNICATE PROGRESS	Explain the hotspots associated with your business and the reasons for your goals to employees, retailers and partners. Share successes to improve relationships with retailers and ensure continued internal support for your program.

CASE STUDY: Oakhurst Dairy



New England's Oakhurst Dairy has a long heritage of responsibility. Key achievements have included: renewable energy at its facilities; hybrid and bio-diesel delivery trucks, and significant progress in reducing waste, energy and water use. The company completed a supplier survey through Walmart's Sustainability Index program in the fall of 2012 that helped push their program even further.

While the company has a strong partnership with its farmers and has supported them with income and capacity building, Index scorecard results helped them realize they were missing an opportunity to connect with their famers on environmental issues.

To address this, Oakhurst initiated critical new farm-level programs:

A detailed sustainability survey of their 70 independent farms, including the environmental issues addressed in the Index

A new farmer training and engagement program focused on the environmental best management practices covered in the Index

One year later, Oakhurst saw its survey score increase by 25 points and credits its retailer's program for serving as a critical tool to enhance their existing sustainability commitments.

Conclusion

Retailer sustainability programs are growing and with that growth comes greater engagement with suppliers like you. Make the most of the opportunity presented by retailer sustainability demands to drive progress in your own internal programs, to leverage retailers' research and tools, and to strengthen key relationships with important retail partners.

Determine what you want to gain by participating in these programs and then ensure your success by following the best practices of leading companies. As outlined in this paper, these companies are: determining business value; developing a coordinated approach; engaging key partners; and progressing and communicating. Seize the opportunity that retailer programs present and you may find that you're improving your products, saving money, staying ahead of the competition, and enjoying favored status with key customers.

Grab this opportunity and make the most of it!

Endnotes

¹Kohls, <http://www.kohlsgreen.com/index.asp>

²Target, <https://corporate.target.com/discover/article/introducing-the-Target-Sustainable-Product-Standar>

³DMI, <http://www.dairy.org/for-industry/sustainability>

⁴Sustainable Apparel Coalition, <http://www.apparelcoalition.org/higgindex/>

⁵The Forest Trust, <http://www.tft-forests.org/news/item/?n=10303>

⁶World Wildlife Fund, <http://worldwildlife.org/projects/managing-water-scarcity>

About Pure Strategies

For 15 years, Pure Strategies has been helping clients attain financial and strategic benefits from improving the sustainability of their organizations, products, and supply chains. We help companies set meaningful sustainability goals, develop effective strategies, and implement proactive changes. We're in this business to make a difference, and have had the privilege of helping forward-looking companies make deep improvements in their organizations, approaches, innovation pipelines, and partner relationships. Pure Strategies has led companies through strategic planning exercises and then helped them tackle on-the-ground implementation. We have extensive experience in helping both leading retailers and retail suppliers gain the business benefits of increased sustainability and engagement. Our clients include Walmart, The North Face, Annie's Homegrown, RB, Rockline Industries, Radio Flyer, Seventh Generation, Oakhurst Dairy, Stonyfield Farm, and others.