

Joint Research Centre (JRC)

BEST PRACTICE APPLICATION OF LCM BY RETAILERS TO IMPROVE PRODUCT SUPPLY CHAIN SUSTAINABILITY



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<http://ipts.jrc.ec.europa.eu/>

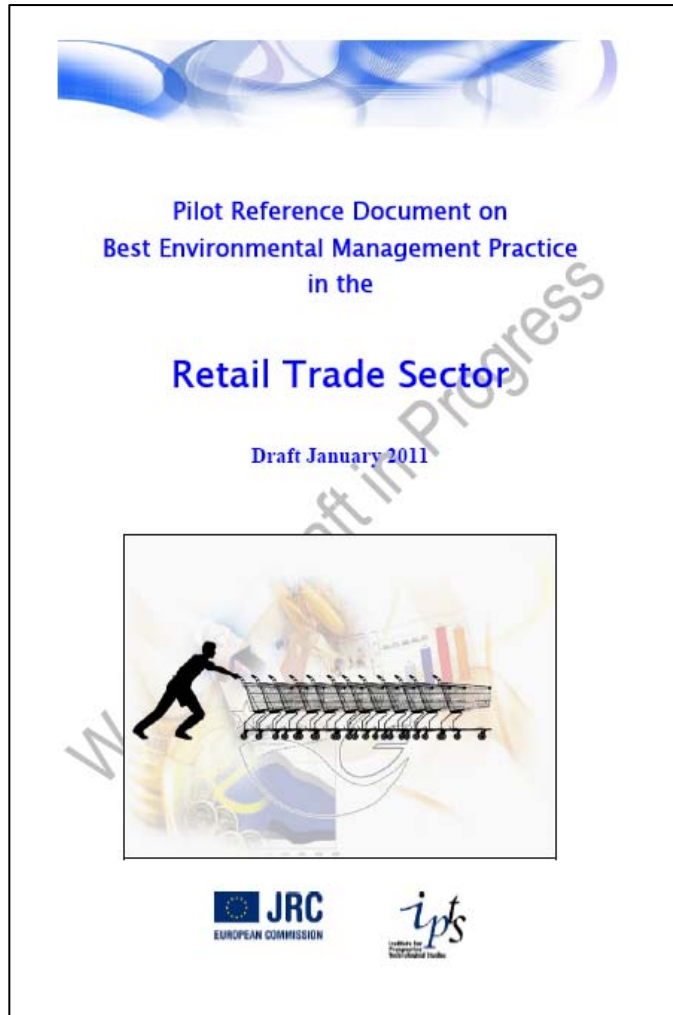
Article 46(1) of Regulation (EC) No 1221/2009 on the voluntary participation by organizations in a Community eco-management and audit scheme (EMAS)

“The Commission shall, in consultation with Member States and other stakeholders, develop sectoral reference documents that shall include:

- a) best environmental management practice
- b) environmental performance indicators for specific sectors
- c) where appropriate, benchmarks of excellence and rating systems identifying performance levels”

First sectoral document for retail sector covers: (i) energy use in stores, (ii) greening supply chains, (iii) transport and logistics, (iv) waste.

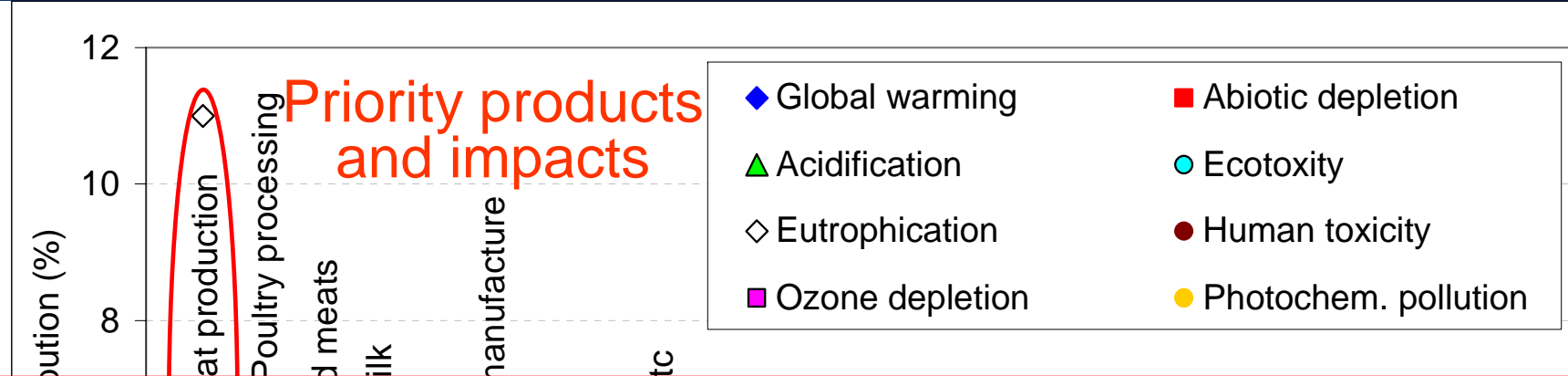
This presentation focuses on (ii) in relation to LCM



“I regard this as the most comprehensive ‘School book’ on retail environmental management I have ever seen. I am sure that it will be very useful for many actors within the business.”

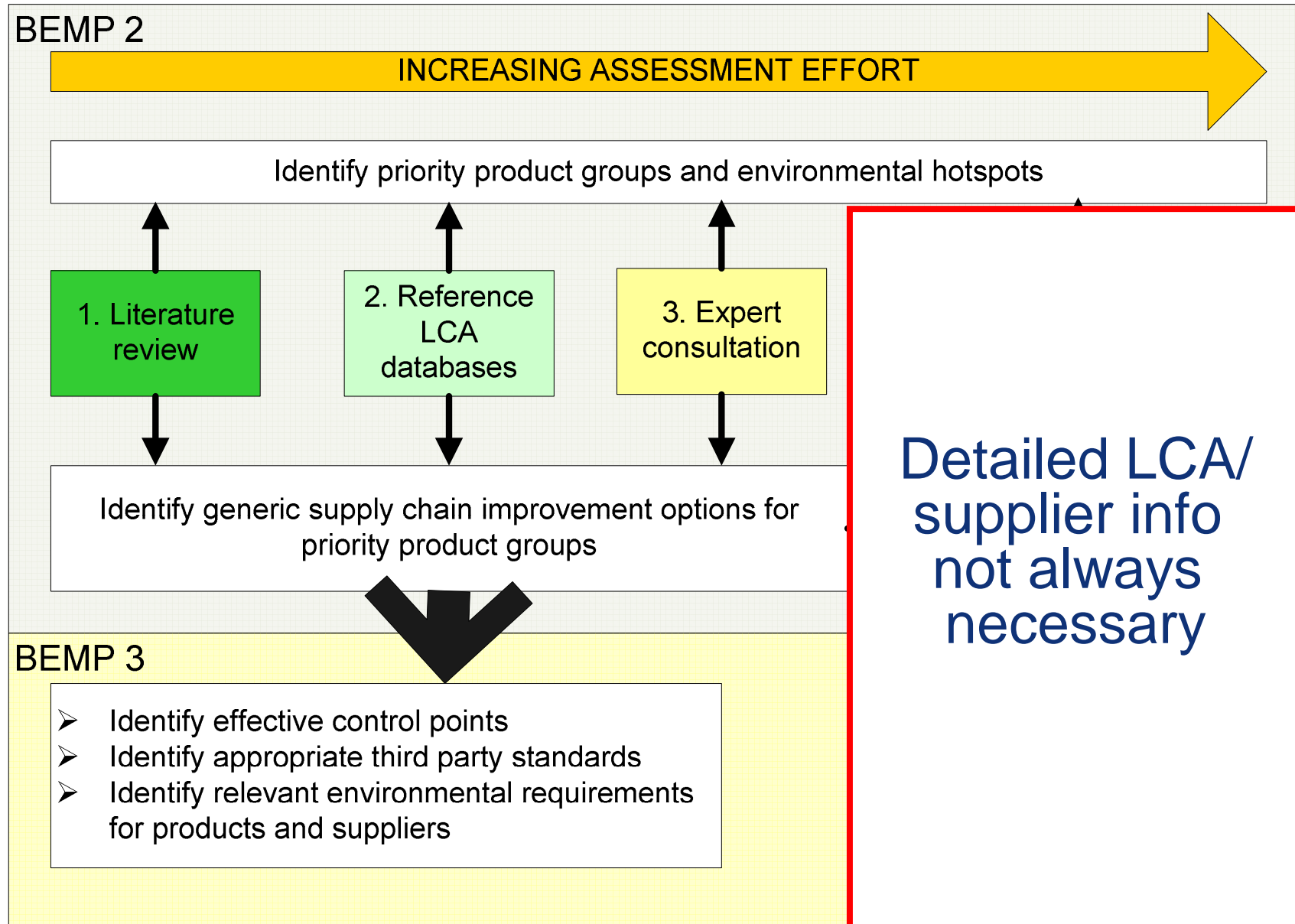
Per Baumann,
Swedish Food-Retailers
Federation

<http://susproc.jrc.ec.europa.eu/activities/intro.htm>

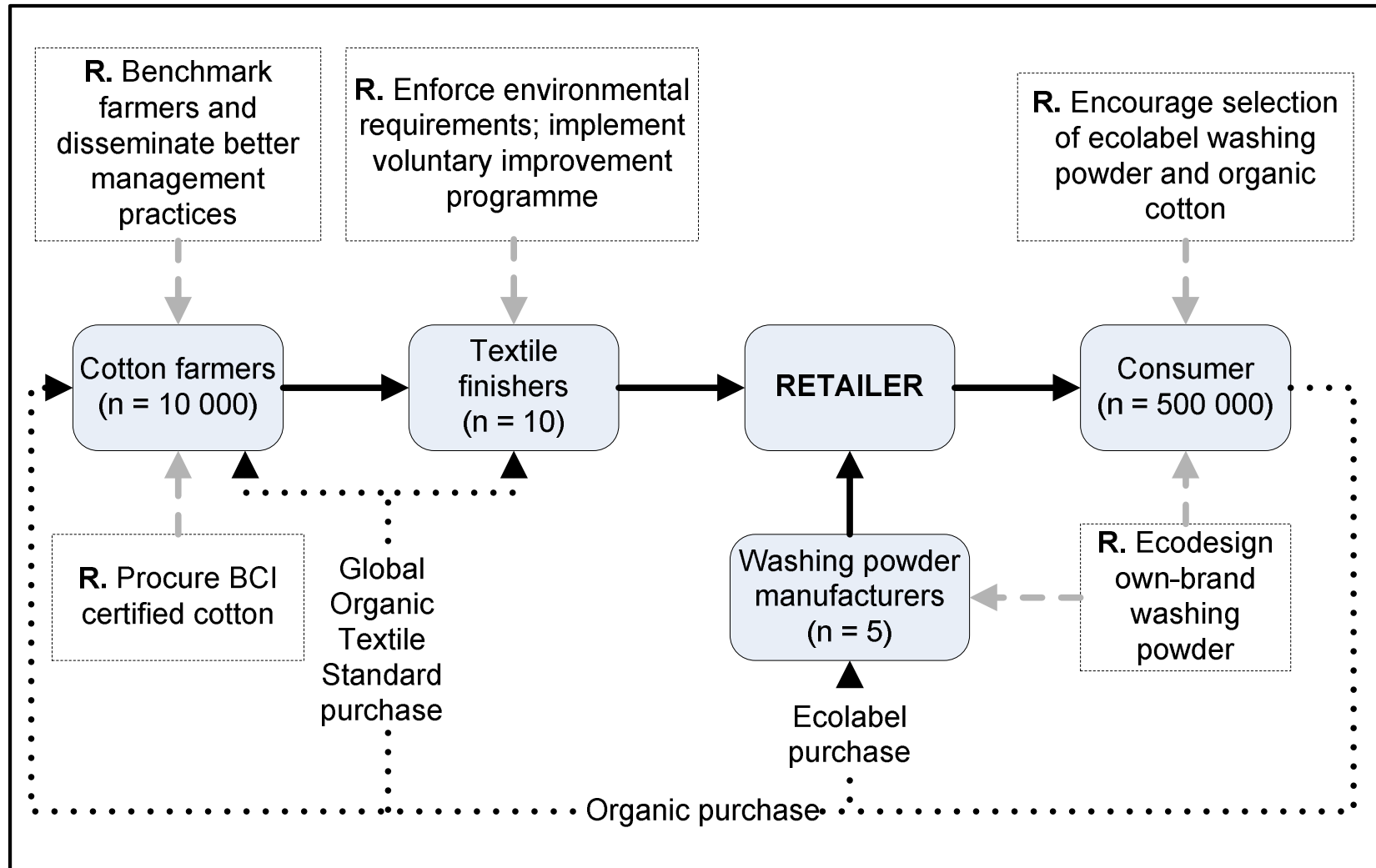


- **Information overloaded consumers cannot drive sustainability**
- **But, strategically positioned large retailers with considerable market power can!**

0 | 10s of 1000s of products, 10s of impact types, env. and social!

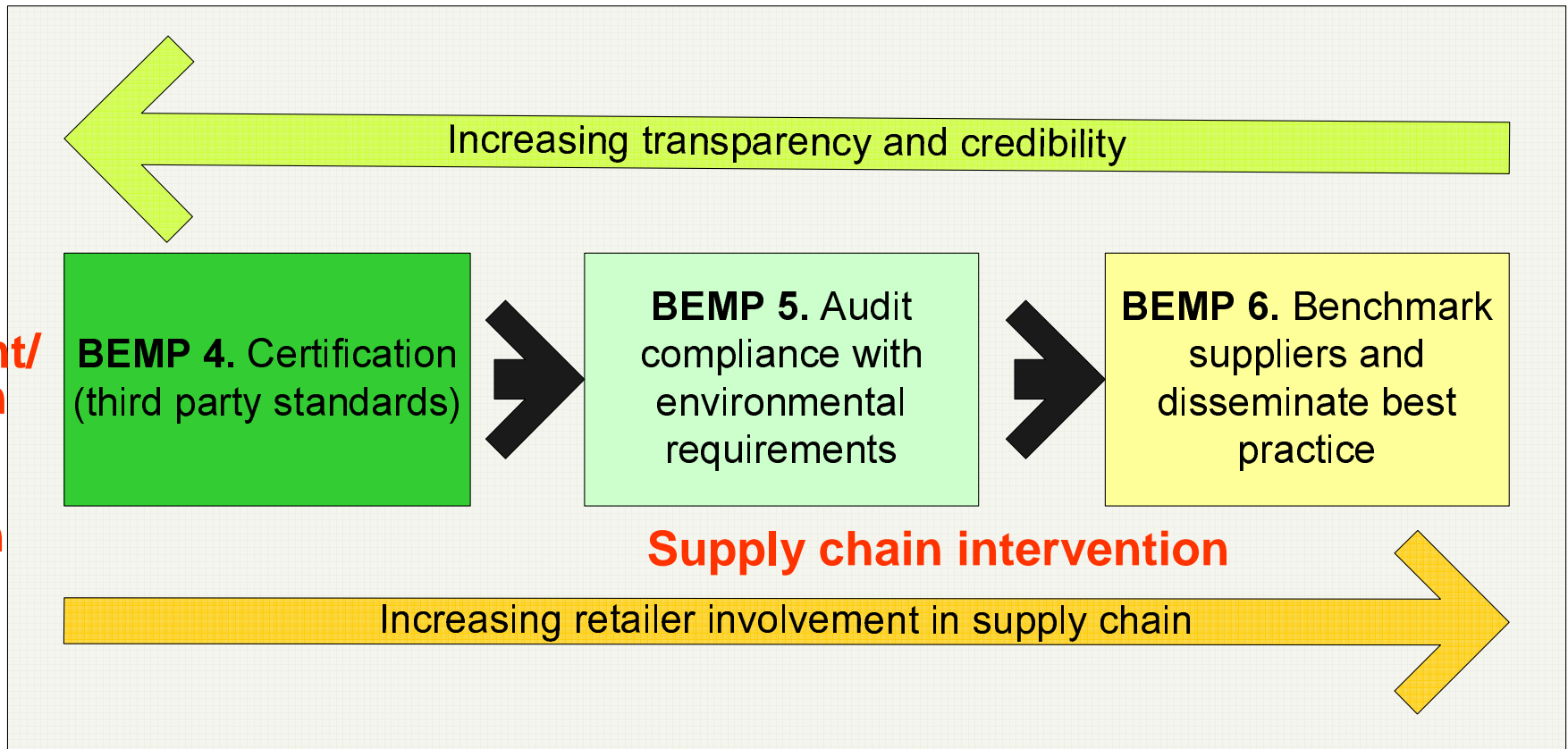


Food product groups	Non-food product groups
Coffee, tea Dairy Farmed fish Fats and oils Fruit and vegetables Grain products Poultry, eggs Red meat Seafood (wild catch) Sugar	Electronic goods Household chemicals Household furniture Textiles Wood and paper

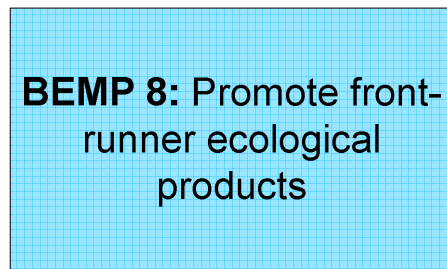


Retailer control points (R) for hotspots within the value chain of cotton textiles (n = indicative number of actors at key stages)

Green procurement/ intervention to drive supplier certification



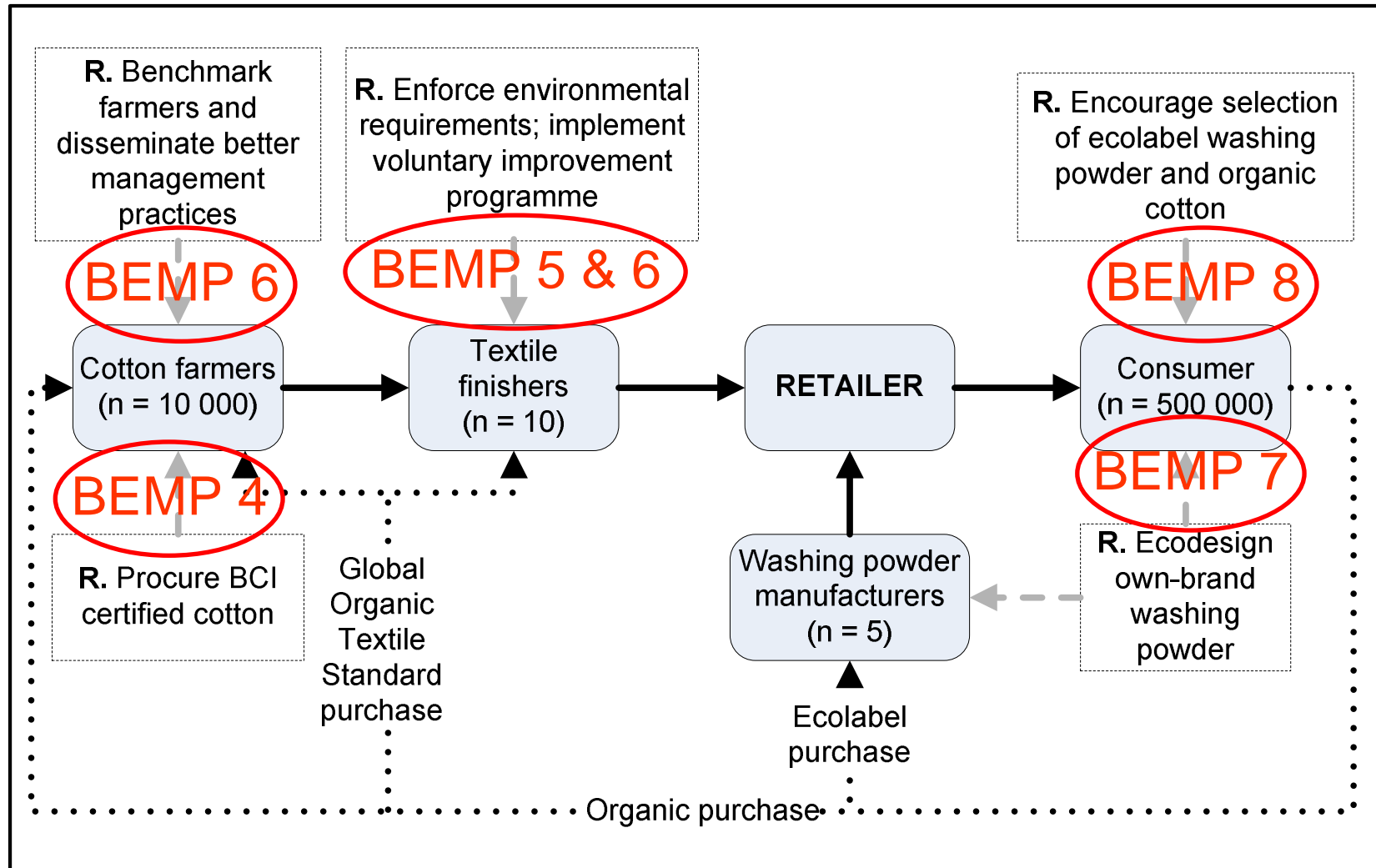
Supply chain intervention



Marketing



Research & development



Retailer control points (R) for hotspots within the value chain of cotton textiles (n = indicative number of actors at key stages)

1. **Niche** standards representing **front-runner** performance and associated with a significant **price premium**: ecolabels and organic (customer driven, BEMP 8)
2. Third party **widely applicable standards** appropriate for **green procurement** (universal certification), but level of environmental protection varies: e.g. MSC (BEMP 4)
3. **Retailer defined** standards or **supplier improvement** programmes, **widely applicable** but level of environmental protection varies: e.g. Ikea Forestry Standard (BEMP 5) and Sainsbury's Dairy Development Group (BEMP 6)

Core (compulsory) environmental criteria used to indicate three levels of environmental protection...

Basic	Improved	Exemplary
<ul style="list-style-type: none"> •compliance with local regulations •record keeping for important env aspects •implementation of a general management plan (e.g. GlobalGAP AF2.2.2 and AF5.1.1 requirements: GlobalGAP, 2009) •in some cases, exclusion of most damaging practices or products (e.g. Greenpeace red-list fish) •in some cases, benchmarks for a minority of important environmental aspects 	<ul style="list-style-type: none"> •specific management practices associated with significant environmental improvement (e.g. UTZ, 2010) •compliance with quantitative environmental performance benchmarks (e.g. BSI, 2010) •demonstrated continuous improvement within a specified framework (e.g. BCI, 2010; UTZ, 2010) 	<p>specific requirements that address important environmental aspects sufficiently robustly and completely that certified products may be defined as environmentally sustainable (e.g. FSC, 2002).</p>

Basic	Improved	Exemplary
GG: Global Good Agricultural Practice	BCI: Better Cotton Initiative	FSC: Forest Stewardship Council
GRLF: Greenpeace red-list fish (deselection)	BCRSP: Basel Criteria on Responsible Soy Production	MSC: Marine Stewardship Council
OT: Oeko-Tex 1000 NPC:	BSI: Better Sugarcane Initiative	
National/regional production certification (e.g. Red Tractor)	4C: Common Code for the Coffee Community Association	
	FLO: Fairtrade Labelling Organisation	

Same process applied to retailer-defined standards and supplier improvement programmes.

Assessment based on criteria, but **verification process is critical**.

This is an **indicative list only**.

There is a need for retailers to coordinate development and use of common rigorous standards

Early stages of supply chain improvement. Based on front-runner retailer performance and targets, considering:

- i. Priority product groups
- ii. Percentage sales value within each group
- iii. According to hierarchy of improvement mechanisms
- iv. According to classification of standards and requirements

e.g....

Seafood (wild catch) BM current performance:

100% retailer defined improved standard (BEMP 5) – Seafood standards (ICA, Migros, M&S, Waitrose);

62% certified exemplary standard – MSC (M&S)

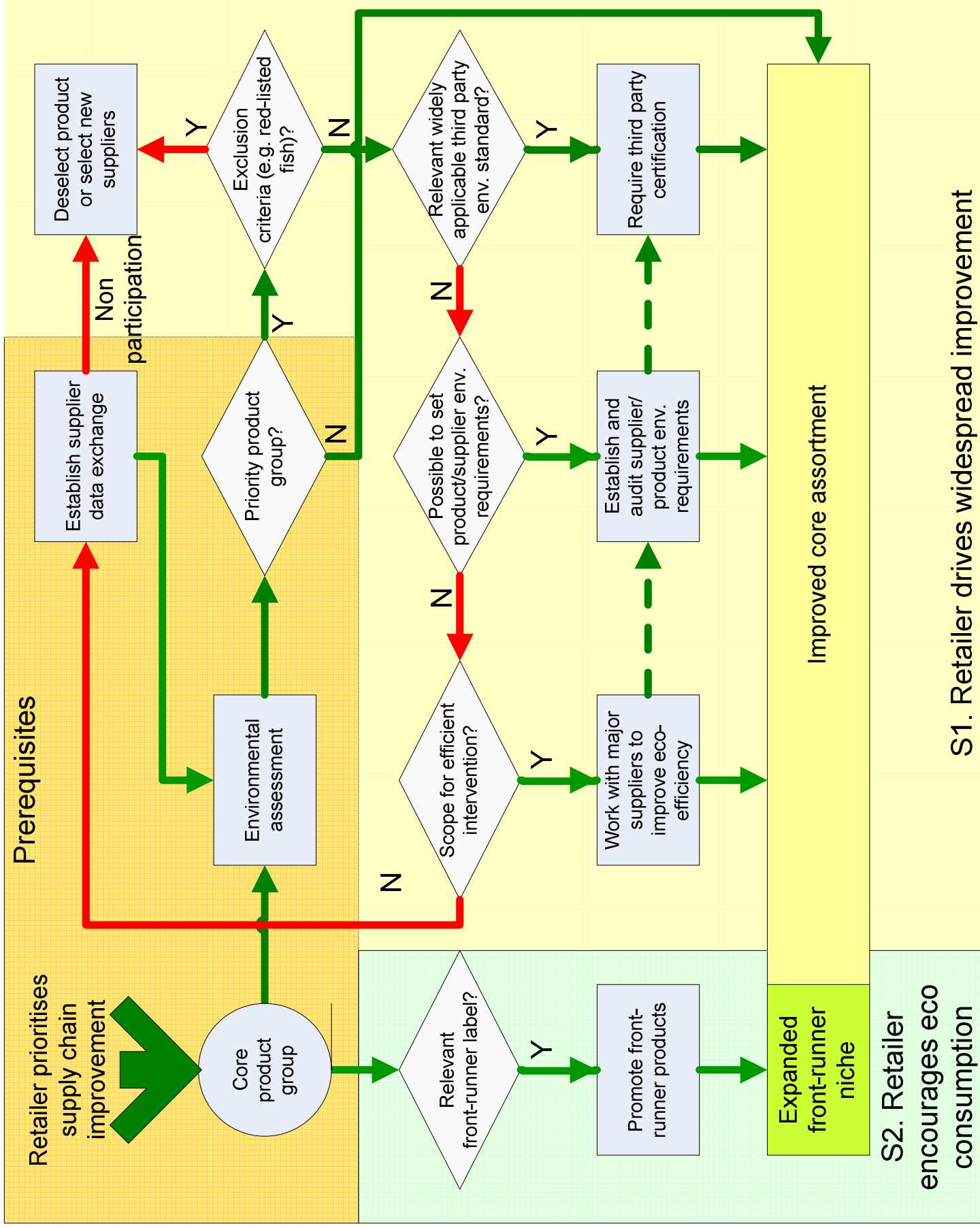
Seafood (wild catch) BM target performance:

100% certified exemplary standard by 2012 (BEMP 4) – MSC (M&S)

Front-runner retailers:

1. Identify **priority product groups** (PPG) for improvement
2. **Exclude** the most environmentally damaging products
3. Use appropriate third party **certification** to guide green procurement and supplier improvement for PPG
4. Define **requirements** for suppliers of PPG
5. **Disseminate best practice** across suppliers of PPG
6. **Develop better products** and contribute to **development of third party standards** for PPG
7. **Facilitate environmentally-aware consumerism** by promoting certified front-runner eco products

Front-runner retailers acknowledge that that they have a “**gate-keeper**” **duty** for what they sell



Retailers **strategically placed** to **coordinate** improvement across myriad supply chain pressures, and have **market power** to **drive** improvement

Lifecycle approach critical to effectiveness - **LCM** and use of existing LCA tools and data required (detailed analysis such as C foot-printing often not necessary to identify major improvement options).

Green procurement (or encouraging suppliers to become certified) based on **global third party standards** is a **transparent and efficient** approach

Retailer performance assessed based on estimated **environmental rigour** of applied standards. Coordinated development of common rigorous standards required.

Other approaches also important. E.g. **dissemination of best practice** is an effective improvement option where 1000s of small suppliers are involved (e.g. cotton and milk suppliers)

Encouraging front-runner “eco” product selection by consumers provides a **useful but ultimately weaker** “pull” effect.



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