



**sustainability
trends
in
european
retail**

September 2009

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What needs to happen next?

Forum for the Future – the not-for-profit sustainable development organisation – works in partnership with more than 120 leading businesses and public sector bodies, helping them devise more sustainable strategies and deliver these in the form of new products and services.

The Forum for the Future is a registered charity and a company limited by guarantee, registered in England and Wales. Registered office: Overseas House, 19-23 Ironmonger Row, London, EC1V 3QN, UK. Registered charity no.1040519. Company no.2959712. VAT registration no. 677 7475 70.

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Many thanks to Vincent Mauvielle.

Sustainability is high on the agenda for retailers across Europe – no surprise there. The sector tends to act quickly and efficiently when faced with new and complex challenges. Retailers are recognised as leading the way on several sustainability issues, such as reducing packaging and communicating carbon to consumers.

But the sustainability strategies of individual shops and brands can differ greatly. This diversity of approach has implications for suppliers and consumers as they seek to establish partnerships to accelerate further progress.

In this report we draw out some of the key trends and differences in how retailers across Europe are addressing social and environmental issues.

In chapter one we explore in more detail how culture and national governance systems influence how businesses deal with issues under the sustainable development umbrella. We also look at another pattern that emerged in our research, where the sector divides itself into leaders and contributors, depending on how confident retailers are in their ability to influence consumers and suppliers. These divisions in turn influence how retailers approach areas such as climate change, nutrition, energy consumption, sourcing, and product development.

But, it seems, the differences do not lead to any significant variations in the actual issues retailers focus on. In chapter two we look at the key priorities for retailers today and how they approach them. Everyone is talking about, and acting on, carbon emissions. Health and nutrition are high on the agenda everywhere and supply chain ethics are also of universal concern. However, water is not yet receiving the same kind of attention. We take a closer look at future trends and gaps in chapter three.

When it comes to specific actions, packaging and recyclability have been topping the list for a long time, and great progress has been made. Now it looks like carbon reduction is taking over the top spot. At the same time, approaches to packaging are being expanded to include the bigger picture. In addition to light-weighting and recycling, retailers are now also looking closely at raw materials, pack size, and understanding different environmental and social issues in regions they source from.

In the final chapter we give our view on the current state of play and argue that the role of retail in promoting and enabling sustainable consumption has yet to be cracked. Current attention and effort focus mainly on making today's retail models as sustainable as possible. There is less activity on coming up with new retail business models. To deliver new, more sustainable business models, the end-consumer needs to be on board. Without consumers demanding sustainable options and rewarding retailers and manufacturers who can offer that sustainable option at a fair price, change will happen very slowly. To fully unleash the power of the consumer in the transition towards greater sustainability, we argue that retailers and manufacturers need to show consumers the way and do two things: improve the sustainability credentials of key products across supply chains, and make active efforts to promote more sustainable choices.

This report is the output of a research project carried out for Coca-Cola Enterprises by Forum for the Future. The research was commissioned to explore key sustainability trends and patterns in European retail. The analysis is based on 14 interviews with retailers in the UK, France, Germany, Holland and Belgium (listed below).

Our report also includes non-attributable quotes from the retailers, which we chose to keep anonymous, in order to encourage interviewees to be as open and honest as possible. Throughout this report the term 'retailer' has been used generically to refer to companies engaged in the business of selling food and household goods; including supermarkets, forecourt retailers and foodservice providers.

List of companies interviewed for the report:

Albert Heijn
Asda
Casino
Colruyt
Compass
Delhaize
Intermarché
Metro
Morrisons
Sainsbury's
Subway
Shell
Tesco
Total

We welcome the research findings by Forum for the Future in the report, and will be addressing the following:

- Additional energy and focus should be placed on customer collaboration to further optimize logistics arrangements (so that shared distribution agreements and backhauling can reduce the footprint of our products) and to reduce the energy consumption of cold drinks equipment.
- The CRS knowledge of CCE's employees should be enhanced – to ensure that CRS understanding and expertise do not just sit with our CRS specialists.
- Collaborative projects, which deliver visible action on priority issues, should be expanded – so that customer partnership is not just about the sharing of best practice.
- The considerable expertise from within the Coca-Cola System on the issue of 'embedded water' should not be underestimated – many see this as the next major priority and an issue where our customers would welcome the opportunity to collaborate.

1

underlying factors that influence retailers' approaches

“We don’t expect to integrate sustainability into procurement of branded products – any market transformation here must be consumer driven.”

In our research we found two important underlying factors that influence how a retailer approaches sustainability – the specific business environment and retailers' perception of their own marketplace power.

Business environment: The European landscape

Store formats, the regulatory environment and business culture vary considerably across the European retail landscape. These elements have a subtle but significant impact on a retailer's approach to developing sustainable products and stores, and are worthy of further consideration:

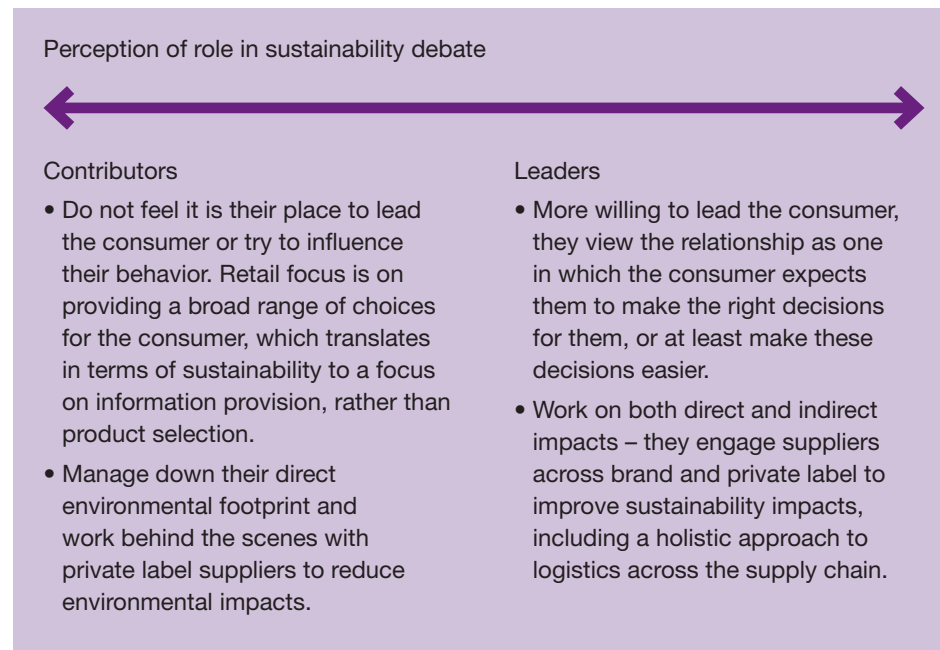
- Store format – Physical infrastructure may act to restrict the methods retailers use to develop sustainability. A large hypermarket can do a lot on sustainability at the store level. But a small urban outlet will have fewer store level opportunities, due to space restrictions and the potential difference in shopping behaviours that can result. The flip side to this is that small urban stores often have a much smaller consumer transport footprint, due to their proximity to customers, resulting in less journeys to store by car.

- Regulatory environment – where regulatory standards on waste management, packaging and energy efficiency are high, they also seem to be one of the key drivers of sustainable behaviour for business. But there is a tendency for highly regulated areas to cease being areas of competitive advantage in attracting consumers. In contrast, where regulation is perceived as a hindrance – adding complexity without raising standards or delivering a level playing field – retailers respond by moving ahead on this agenda in a competitive manner. The retailers we spoke to also felt that consumer views on their activities were affected by the level of regulation. Our findings indicate that in regions with strong regulation, consumers see this as benefitting them and they express less concern with how individual retailers perform on sustainability. In regions with softer regulation, consumers tend to be fiercer in scrutinizing and questioning retailers' credentials.
- Business culture – the cultural approach to business impacts the development of sustainability strategies. For example, German organisations traditionally have less appetite for public targets, preferring to deliver sustainability initiatives internally with external reporting focussing on achievements rather than intentions. In contrast, performance in the UK retail sector is characterised by ambitious public sustainability targets, supported by annual progress reports.

Contributors and leaders

The other key influence on strategy we identified was a retailer's perception of their marketplace power. The box below gives some characteristics of what we have classified as contributors and leaders on sustainable retail. Ambitions range from aiming for leadership positions to achieving basic standards. Speed of progress also varies, often determined by external factors, such as consumer attitude and regulation.

Figure 1: Contributor versus leader



Together, the business environment and perception of power consistently influence how retailers approach partnerships with suppliers and consumers, how they approach key sustainability challenges, and the level of ambition they set themselves. In the following sections we provide more detail on how these influences manifest themselves.

“We are moving from requiring compliance with environmental and social standards to compelling compliance. Suppliers who fail to comply will be delisted.”

2

success strategies

“Water is an emerging area – we intend to work closely with our suppliers to understand water issues, develop best practice and then share it across our supplier base.”

“We are culturally very reluctant to put requirements on to others – we prefer platforms like Efficient Consumer Response movement where we can work together with suppliers, and focus on finding a way forward.”

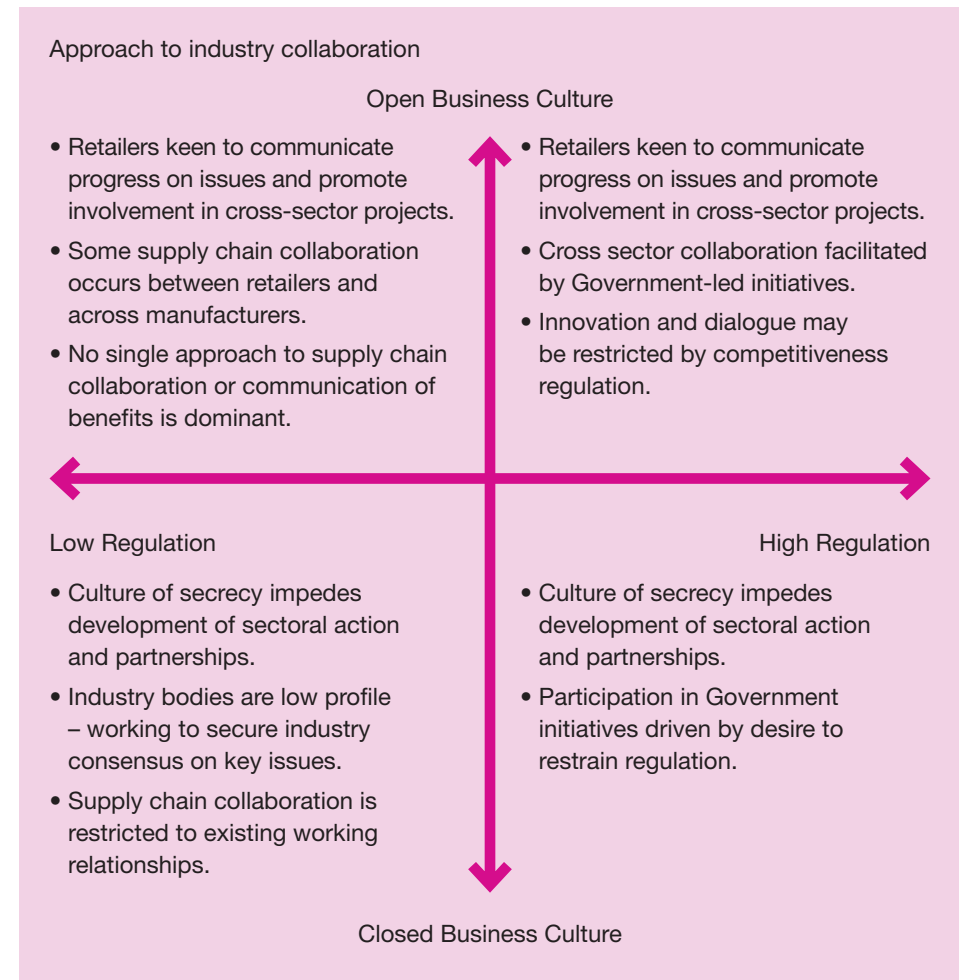
Working in partnerships

All retailers – regardless of country and level of ambition – identified partnerships up and down the supply chain as key for progress.

Across the sector, there is a high level of participation in pan-European sustainability initiatives – for example, the EuroCommerce Logistics Working Group and the Carbon Disclosure Project are both active in supply chain collaboration. The effectiveness of these collaborations and their ambitions is highly influenced by the business environment. The figure opposite shows how both the regulatory environment and openness of business culture can encourage industry collaboration.

“Legislation for the environment has eased the way for further sustainable development projects to advance... but we are worried that political agendas in Europe may hold back existing or future development.”

Figure 2: Regulation and business culture can enable industry-wide collaboration



Where retailers have engaged along individual supply chains to collaboratively deliver sustainability improvements, more immediate progress has followed, most notably for own-brand products.

Responding to the consumer

Consumer preferences often dictate what retailers focus on, and all retailers understand the need to integrate the sustainability message into the concept of value for the consumer. Some already talk openly about how packaging reduction is good for the environment and delivers tangible value for the consumer in terms of product price or performance. Others have not yet fully developed their sustainable value message to consumers. Ultimately all retailers will need to unlock what sustainable value means for their consumers – not just in terms of price, but also quality and a wide range of other characteristics. Over the past few years many in the retail sector have tended to define value as low cost. This definition needs to be shifted to include the quality and social and environmental impacts of a product.

The retailers in our study predicted that the brands and manufacturers who can find and explain this ‘win-win’ to their consumers will be rewarded – some retailers could see opportunities for increased sales from consumers motivated by both the sustainability credentials and price of products, particularly if this messaging could empower the consumer to do things differently in the home.

Few mainstream brands have managed to articulate or deliver the dual message of value and sustainability in a way that has prompted some behaviour change – the often quoted Persil ‘Small and Mighty’ and Ariel ‘Wash at 30’ campaign are notable exceptions. The majority of retailers in our survey communicate on sustainability in one way or another with consumers – some use reward cards to encourage sustainable behaviour and others focus on making it easier to be sustainable through product placement and improved recycling facilities. The approach is dependent on where on the ‘contributor – leader’ scale they see themselves. Contributors look to provide neutral information, and leaders seek to enable and encourage more sustainable consumption.

In terms of product improvements, retailers are currently focussing their efforts on own-brand products – improving their sustainability whilst maintaining a lower cost, compared to branded products.

“I’d like to see suppliers link packaging reductions to consumer value rather than engaging on the debate from a CSR perspective.”

“Traditionally, brands created and defined new markets for their products, but they are not doing this on sustainability. Why not?”

“Traditionally, brands created and defined new markets for their products, but they are not doing this on sustainability – why not?”

Get sustainability into the marketing department

Retailers with ambitions to lead on sustainability seem willing to also lead on consumer engagement. Other retailers, however, especially the smaller operations, see themselves more as contributors and look to brands to lead on consumer engagement. They feel that whilst brands are technically improving their sustainability credentials, marketing departments are not as involved as perhaps they should be, outside of the Fair-Trade/organic arena. A number of retailers stated in our interviews that sales can increase for brands that lever their strong sustainability strategy and track record of achievement for marketing purposes.

Marketing departments have not yet seized the opportunity to engage consumers on the ‘sustainable value’ argument. This is revealed in their strong preference for quick win issues – such as packaging, food miles and plastic bags – even if these don’t always represent the biggest impacts.

“Historically, our focus was on ‘best quality at best price’, but there has been a cultural change to focus on ‘best quality at best price, but in a sustainable way’.”

Product sustainability

Most retailers focus on a selection of issues when it comes to product sustainability – listed below. All had a more extensive list on wider sustainability issues for the business as a whole, but this fuller list was not always reflected at the product level. However, most retailers saw issues such as water and product use and disposal being factored into product development over time.

Figure 3: Current sustainability priorities

Environmental <ul style="list-style-type: none"> • Packaging reduction and recyclability • Understanding and reducing the carbon footprint 	Social <ul style="list-style-type: none"> • Product ingredients: excluding artificial colours, reducing salt • Minimum labour standards
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“There is a natural fall-out in favouring suppliers. An improved relationship creates a platform on which to trade and grow the business.”

“Branded suppliers need to be a pioneer in this area as they are both a large producer and a large waste creator!”

Engaging with suppliers

Consumer demand is, and will continue to be, a key driver for improving sustainability performance. Incremental innovation is delivering diminishing returns – light-weighting can only go so far. For more radical innovation the consumer needs to be on board. For this to happen we will need a combination of technological innovation and behaviour change. The role of the supply chain is crucial in both areas as this is where most innovation takes place.

Retailers across the board are keen to work in partnership with others in the supply chain, especially in areas where their direct impact is low compared to that of a supplier or consumer. Water is one of these areas, as impacts are huge in agriculture and manufacturing, whereas the direct impacts of the individual retailer are often less significant.

Overall, there are two distinct approaches to sustainability in procurement emerging in the retail sector, which again reflect whether a retailer views itself as a Contributor or Leader. For Contributors, sustainability is seen as offering manufacturers an opportunity to gain competitive advantage, without the retailer demanding it. In contrast, Leaders are moving towards setting minimum standards in key areas, with which all their suppliers will be required to comply.

Figure 4: Sustainable procurement approaches



Sustainability has a growing, if disjointed influence, on procurement strategy. To date, sustainable procurement has been tackled on an issue-by-issue basis, delivering significant progress in specific key areas, but failing to deliver improvements across all areas. Sustainably sourced fish, certified palm oil, or products from sustainably managed forestry are some of the areas where excellent progress has been made. In this tradition, packaging, recycling and logistics have all been managed as single issues with individual suppliers, rather than embedded as strategic formal standards across all procurement spend.



the top priorities for retailers across europe today

“We are addressing our carbon footprint in-store and with private label suppliers. We would expect branded suppliers to be taking the same steps for their products.”

Carbon is clearly a top priority for retailers, although we would argue that water should also be urgently dealt with. Supply chains and consumer engagement are the key channels for achieving the goals set by retailers in these areas. Innovation in the supply chain is well underway, but there is still some way to go on consumer engagement.

But that doesn't mean other issues are not addressed. In this section we go through the approaches to carbon management in some detail, but also give brief summaries of the other prioritised activities that emerged through our research.

Carbon is king

Carbon is clearly the strongest driver for environmental sustainability across the retail sector, at this time. Packaging, waste, and the wellbeing agenda are also prioritised by retailers, but carbon management and reduction come in at, or near the top, for all. This prioritisation is undoubtedly influenced by the fact that all retailers have or are expecting legislation to come their way. And most retailers are able to realise cost savings associated with a reduction in carbon intensity.

Strategies to deliver emissions reductions differ across the retail landscape and in response to regulatory requirements. Key focus areas are the reduction of in-store energy use, logistics consolidation and managing down emissions from own-brand manufacturing. As major retailers work to reduce their direct carbon emissions, there is an expectation that suppliers will be taking similar steps to get 'their own house in order'. With the increasing sophistication of carbon management, and footprinting reaching down the supply chain beyond first tier suppliers, it is likely this expectation will intensify and over time become an obligation.

Carbon footprinting

Carbon footprinting is gaining increasing prominence as a rigorous process for understanding and comparing product impacts. Although only in its infancy, manufacturers and retailers have put considerable effort into footprinting methodology, by streamlining approaches and agreeing a workable scope. Internally, retailers are using footprinting to understand pinch-points in carbon intensity, and to focus efforts, across both own-brand supply chains and property portfolios. Building common approaches to footprinting will help retailers and manufacturers reach down the supply chain to understand carbon impacts all the way to first point of delivery. Acting on this information will allow them to make sustainability decisions on behalf of the consumer – and ultimately to reduce the carbon intensity of all products on sale.

There are, however, differences across the sector in terms of engagement on product footprinting: Whilst some retailers use advanced methodologies, a small number have yet to engage beyond the performance of their property portfolio, or to use carbon analysis to inform strategic approaches.

“Carbon footprinting is a rapid area of frontier work. This is an area of growth which has integrity. It has felt disingenuous to focus on packaging.”

Carbon labelling

The labelling debate is raging fiercely across the sector, polarising opinion in support and opposition.

Retailers who strongly support labelling are already piloting labels on a small number of product lines – with progressive rollout plans that are not only leading, but defining the global agenda. Retailers see the value of carbon labelling – as both promoting consumer awareness, and putting pressure on suppliers to drive down carbon intensity. Lessons learnt from the nutritional labelling debate are being applied, and many retailers are supporting the cross-sector approach to footprinting and labelling developed by the UK's Carbon Trust, which has the PAS2050 methodology at its centre. Nutritional labelling is seen as having achieved high levels of consumer understanding and to have delivered improved nutritional standards across key product categories.

At the other end of the spectrum, retailers opposed to labelling see an internal value from carbon footprinting – in identifying pinch-points and driving down impacts, rather than consumer engagement. Carbon footprints are seen as too complex to be meaningfully conveyed by a single on-pack figure. Anecdotal evidence indicates that labels may lead to consumer confusion if not successfully presented in context – one retailer noted customer requests for the “GDA of carbon”, on the assumption that it was a nutritional value.

In Forum for the Future's view, carbon labelling every product is not a realistic, or indeed desirable goal, especially within the limited 'window of opportunity' for addressing climate change. We need to prioritise efforts to footprint key product lines in order to deliver rapid and rigorous reductions in the carbon intensity of everyday goods. We also need to engage the consumer on the issue of climate change – not by simply placing a number on pack – but through other in-store and broader communication channels.

We believe that the value of offering a low carbon alternative for an everyday product, as flagged by a number on pack, is limited when general consumer understanding around climate change is still low. We would also argue that the higher carbon alternatives shouldn't be offered to the consumer in the first instance.

Taking a chance with climate change

Perhaps the most pressing driver for retailer action on emissions is the risk to global agricultural output from the effects of climatic changes. The IPCC Fourth Assessment Report predicts more frequent extreme weather and sea level rises in parts of the world where the production of many key commodities is concentrated. If any of these regions experience serious drought, increase in frequency of typhoons and/or increased rainfall, the likely consequences will be a temporary loss of crop or the region becoming unsuitable in the long term for cultivation. Prices on the world market would then escalate and the crop might even periodically become unavailable.

To be certain of a secure and resilient future supply chain, retailers and manufacturers need to understand these vulnerabilities in their own supply chains and develop approaches to cope with them: for example, by working in partnership with the growers to reduce raw material input, reformulate products and find alternative locations of source materials.

Figure 5: Major production locations

Palm oil	85 % of global production comes from Indonesia and Malaysia
Sugar	33% of global production comes from Brazil
Corn	38% of global production comes from the US
Soy	60% of global production comes from the US and Brazil

Source: AT Kearney "Rattling Supply Chains"

Packaging: waste and recycling

For consumers, packaging is often the most visible issue associated with retailers today. In response, retailers and some manufacturers have been very active on this agenda, intervening across the product lifecycle to drive down impacts, as shown in Figure 6.

Figure 6: Key retailer actions

Manufacturing	Transportation	Consumer Use
<ul style="list-style-type: none"> • reduced weight and volume of packaging at source – e.g. glass and plastic bottle lightweighting • re-assessment of product packaging design • reducing raw material use through increased recycled content and product concentration • sustainable raw material sourcing (e.g. paper from sustainably managed forests) • translation of packaging improvements into commercial benefit through the use of packaging scorecards in procurement 	<ul style="list-style-type: none"> • use of re-usable transportation packaging for fresh produce rather than FMCG • use of 'shelf-ready' product bundling 	<ul style="list-style-type: none"> • improved recyclability of product packaging • clearer sign-posting of packaging recyclability for domestic consumers • use of bio-degradable packaging material • consumer engagement on excessive packaging with 'leave the packaging' at the counter and 'bag for life' campaigns.

No dominant packaging trends have emerged and there is parallel implementation of different packaging approaches by retailers, suppliers and manufacturers. Supplier packaging scorecards are the most significant recent development – driving responsibility down the supply chains and bringing packaging firmly into the commercial arena.

The focus of retailers to date has been on own-brand packaging, but with no clear lifecycle analysis to determine areas of initial focus. Store-level waste management has been efficiently tackled through centralised recycling centres to manage and segregate waste.

In contrast, waste generation from 'on-the-go' packaging remains a challenging issue across the European landscape. With the notable exception of Germany, little recycling infrastructure exists for packaging discarded outside of the home. This is an issue that will require increasing attention as Metro/Express store formats continue to rise.

Balancing packaging reductions with the need to remain 'fit-for-purpose' and minimise food waste is an acknowledged challenge, which retailers are beginning to address through in-store product trials. Communicating this distinction to consumers has proved difficult – they see packaging as increased household waste, but have no visibility of food waste discarded in-store.

“We don't have the floor space to offer recycling facilities for our customers, so we're looking for other solutions to encourage recycling. We'd like to use existing networks to centralise logistics around recycling.”

“Will consumers seek healthier alternatives for discretionary products or perhaps exit the market altogether?”

Health and wellbeing

Leading retailers and manufacturers have worked hard on product reformulation in response to the obesity agenda – substantially reducing salt, fats, and artificial colourings across own-brand ranges – but they still have a lot further to go. There is little evidence yet of an appetite to extend this to choice editing of branded products on similar grounds. Retailer activity on health and wellbeing is consistently dominated by two approaches:

- Information provision – in the UK, retailers have led strongly in providing on-pack nutritional information and advice and there are increasing levels of adoption in France and Germany. French and German retailers extend this approach to include direct and personal diet advice through provision of in-store dieticians.
- Philanthropic donations focus on causes that promote active, healthy lifestyles, particularly for children.

The future will show how well food retailers in particular manage to align the environmental sustainability and the health & wellbeing agendas to each other. In most cases there is a substantial overlap between a sustainable and a healthy diet – an area that some retailers have already started exploring.

Refrigeration

As retailers develop a detailed understanding of their own carbon footprint, refrigeration becomes a clear focus area – some retailers attribute 25% of in-store energy use to refrigeration equipment. Leakage of refrigerant gas from large format refrigeration units is also proving to be an important issue for retailers – with retailers attributing 18-30% of their carbon footprint to refrigerant gas leakage from this type of commercial refrigeration equipment. This is due largely to the physical size of the commercial refrigeration units favoured by retailers and the way in which units of this kind are constructed, which tends to produce a high rate of leakage.

This is in contrast to the many smaller refrigeration units (e.g. counter tops, single and double door coolers) currently also used in the marketplace. Equipment of this type uses a ‘closed’ or hermetically sealed system, which results in no leakage under normal conditions and allows refrigerants to be easily and safely captured at end of life.

Retailers are addressing refrigeration from three main perspectives:

- Energy efficiency – Looking for highly efficient equipment for new stores and at replacement, retrofitting technologies, and closed or sealed door solutions.
- Refrigeration gas – Most retailers are working to reduce emissions from refrigerants (i.e. replace HFCs – identified as a significant area of emissions). A small minority are still working through HCFC replacement but no dominant approach seems to have emerged. There is a focus on driving down leaks alongside trialling alternatives – either in system conversion or replacement (R404, natural refrigerants, ammonia, CO₂ etc.) The key issue preventing retailer progress in this area is the lack of commercial availability of HFC-free alternatives and the current cost per unit renders any significant replacement programme uneconomical.
- Innovation – Retailers looking to combine efficiency and alternatives to HFCs are trialling alternative whole store approaches (e.g. central cooling systems, doors on fridges, free cooling, closed CHP systems, extension of chilled rooms to the domestic sector etc.)

¹ Hydrofluorocarbons

² Hydrochlorofluorocarbons

4

looking ahead: what retailers see coming

“If we don’t do it now we won’t be in the market in 5 to 10 years... sustainability will become the heart of the business.”

Whilst significant advances have been made on sustainability over the last decade, this is still an evolving agenda. The retailers in our study recognise that future issues will be more complex and touch every stage in the value chain.

Collaboration will be crucial to the delivery of a truly sustainable retail industry. Retailers and manufacturers will need to unlock vertical collaboration within supply chains. Governments will need to facilitate the development of industry consensus within the context of competition regulation. And civil society will need to engage with all of these parties to develop a shared understanding of how sustainability impacts should be measured, incorporated and communicated.

Procurement and supply chain management

Procurement and supply chain management are becoming increasingly central to achieving sustainability ambitions. Carbon is seen as the most important issue in food retail and water is rising up the agenda for many. Both have their big impacts outside of a retailer's direct control, either down the supply chain or during the consumer use phase.

Retailers expect own-brand and large branded suppliers to drive down their direct impacts and leverage the power of brands to influence end-consumers. Many commentators, both inside and outside of retail, expect a closer relationship between the retailers and the supply chain – to enable greater transparency and control throughout the value chain. Issues that are already being targeted for collaborative efforts include carbon and embedded water. There is also evidence that areas such as logistics will become more of a collaborative effort in the future.

“Our approach will drive up consumer expectations – other brands are probably benefitting from a halo effect as consumers expect that the branded products we sell reach the same standards.”

Choice editing

Choice editing – the removal of unsustainable options from the shelf – is a hotly debated area, with most retailers today distancing themselves from the concept as it applies to sustainability. But visit any retail outlet and you will notice the beginnings of a trend. Some retailers have opted for only offering the fair trade version of certain categories, some run targeted promotions on energy efficient products, and others offer preferential placement for more sustainable products. Together, these actions add up to a focused effort to change consumer demand patterns to be more sustainable.

“In the future, environmental and social factors will influence customers' choices of supplier for all products. We must then “put our best foot forward” today!”

Climate change adaptation

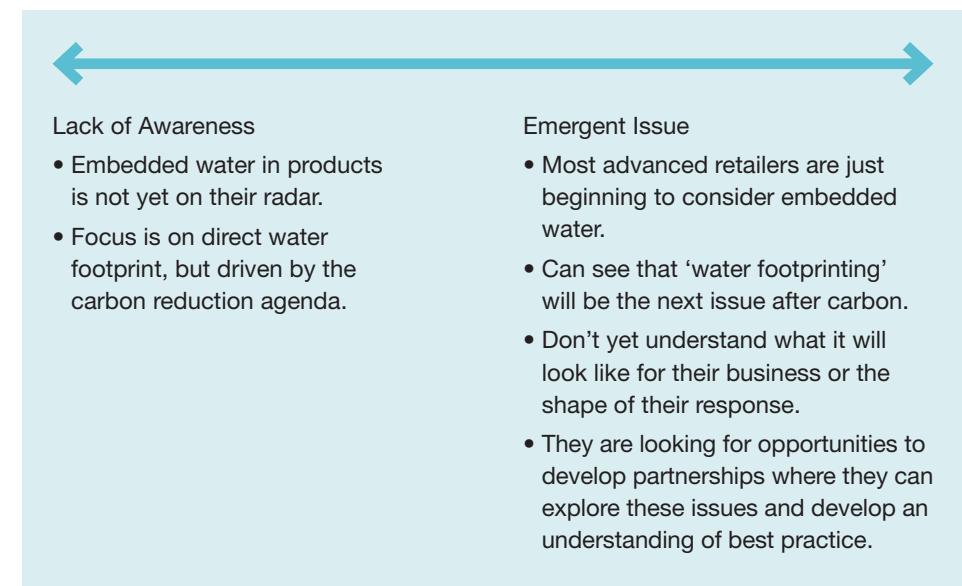
In the retail sector, climate change adaptation is still the poor relation to climate change mitigation. Mitigation is crucial, but evidence also shows that even if we get to zero-carbon emissions tomorrow, climate change will still happen. Food retail, and agriculture in particular, is hugely vulnerable to climatic changes and adaptation is therefore necessarily rising on the corporate agenda. Everyone in the value chain will need to provide evidence that they will be able to deliver their piece of the global food jigsaw in the future. Recommendations from the Tyndall Centre in the UK state that organisations' mitigation strategies should aim for a maximum of two degrees temperature increase but their adaptation strategies should focus on a four degrees increase.

Water risk management

Water risk management is an area we have chosen to focus on in more detail, as we believe this is an urgent area for food retailers and manufacturers to start to address. Through our research we established that this is an area that is still lagging behind carbon and some of the issues mentioned previously.

Most retailers are still focusing on direct rather than indirect water usage. All are addressing water efficiency on-site/in-store to some extent, but only the most progressive are beginning to target embedded water in their products.

Figure 7: Water as a retail issue

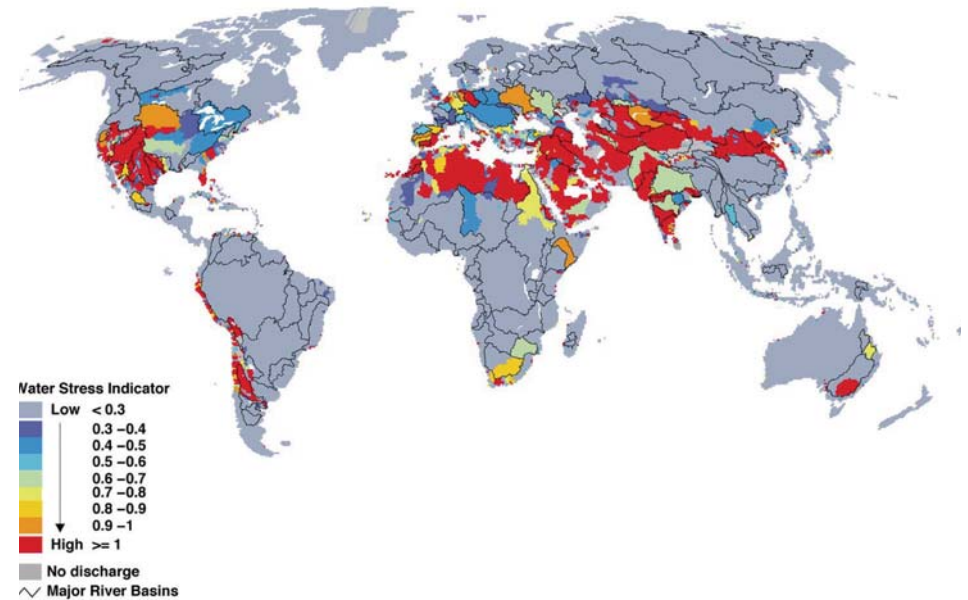


It is likely that the water agenda will shift rapidly as it becomes the first real area of climate change impact. There is the potential for severe near-term disruption in the supply chain, either from excessive rainfall or water scarcity. Despite the major risks for the supply chain there is little evidence of a systematic approach being taken on embedded water and risk mitigation. Instead, water is still seen through the lens of climate change, with a focus on reducing carbon emissions related use, rather than a strategic understanding of water usage to inform risk avoidance. Positive action on this agenda will require cross-sector collaboration, with common approaches helping to move the entire sector forward.

Taking a chance with water

Try placing a map of your key agricultural supplies over this WRI map of current water stressed areas – consider the level of risk to your business, should local communities start rationing water and perhaps even deny commercial organisations access to water.


Figure 8: Water stress map



Source: The World Resources Institute



viewpoint from forum for the future

A thick white line graphic starts from the left edge of the page, extends diagonally upwards to the right, then turns sharply downwards to the right, ending near the bottom center of the page.

“Sustainability has to be positioned at the heart of a business. It’s about long term success and survival, not random goodwill projects.”

What needs to happen next?

Food retail has a vital role to play in delivering more sustainable development. The size and reach of retailers mean that they can drive far-reaching change up and down their supply chains. Used in the right way, their initiatives can support local economic development, whilst helping their supplier operations around the world to become more environmentally viable, socially just, and financially secure.

In addition, retailers can help hundreds of millions of consumers to make straightforward, affordable and more sustainable choices. Retailers helping their customers live more sustainably could have a fundamental role in helping society meet the challenges it currently faces.

But for retail to fulfil its potential as a driver for sustainable development, the sector needs to get serious about sustainable consumption. Unless consumers are actively demanding sustainable choices and rewarding companies accordingly, progress will be very slow. Retailers therefore need to create a pull and manufacturers need to give key products sustainability make-overs.

Sustainability has to be positioned at the heart of a business. It's about long-term success and survival, not random goodwill projects. Our research shows us that companies are moving in the right direction, but responses are still fragmented, with isolated issues often only being dealt with strategically as they become business-critical or at a point just before this happens.

Carbon is clearly moving fast to the centre of strategy, but organisations need to ensure they deal with all of the critical sustainability issues. To do this, every retailer needs to understand the future risks and vulnerabilities of its key supply chains and take action to manage these risks. This 'futures-thinking' will place water on a par with climate change as a strategic priority.

At Coca-Cola Enterprises our efforts to provide the highest levels of customer service are consistently recognised by many of our customers. We take great pride in this, but recognise there is always room for improvement.

Our decision to work with Forum for the Future was driven by our desire to increase our understanding of where our customers are heading in terms of corporate responsibility and sustainability (CRS). We wanted to know which issues our customers are prioritizing (both now and in the future) and importantly, what our customers expect from leading suppliers like Coca-Cola Enterprises.

Coca-Cola Enterprises is the world's largest bottler of Coca-Cola beverages, serving a population of over 400 million people in North America and Europe. In Europe, we operate across Great Britain, France, Belgium, Luxembourg and the Netherlands, employing over 10,500 people and operating 46 manufacturing sites, distribution and sales centres.

Fundamentally, we are a local business, employing local people, serving local customers – producing all of our products within the markets in which we operate.

Corporate responsibility and sustainability is at the heart of our business. We have identified five priorities, where we have the greatest impact and we are undertaking considerable work to measure, monitor and reduce our carbon and water footprint.

Yet we know that our environmental and social impacts span our entire supply chain – including the supply of product ingredients, the distribution and chilling of our products, as well the disposal of our packaging.

Forum for the Future's research confirms that climate change, carbon reduction, waste and packaging are clear priorities for our biggest European customers. Importantly, it demonstrates that this is driving fundamental change in the way our customers do business, raising expectations of major suppliers as a consequence.

We welcome the research findings by Forum for the Future in the report, and will be addressing the following:

- Additional energy and focus should be placed on customer collaboration to further optimize logistics arrangements (so that shared distribution agreements and backhauling can reduce the footprint of our products) and to reduce the energy consumption of cold drinks equipment. The CRS knowledge of CCE's employees should be enhanced – to ensure that CRS understanding and expertise do not just sit with our CRS specialists. Collaborative projects, which deliver visible action on priority issues, should be expanded – so that customer partnership is not just about the sharing of best practice.
- The considerable expertise from within the Coca-Cola System on the issue of 'embedded water' should not be underestimated – many see this as the next major priority and an issue where our customers would welcome the opportunity to collaborate.
- The results of Forum for the Future's research have already begun to have an important impact within our business. We are working to incorporate corporate responsibility and sustainability issues into our customer plans – and will focus on logistics efficiencies, packaging and recycling.
- We are developing an internal CRS e-learning programme for our customer facing employees and we have begun an innovative hybrid truck trial in Belgium. We are also working to further improve the efficiency of our cold drinks equipment, ensuring that all of our new and refurbished coolers can be fitted with energy saving devices.

For more information about Coca-Cola Enterprises and our work on corporate responsibility and sustainability see www.cokecce.com