



# Towards more sustainable supply chains

Thanks to their huge buying power and market dominance, retail chains and supermarkets have the capacity to drive sustainability initiatives: not just in their own stores, but also throughout their supply chains, writes Rachel Sullivan.

While retail giants are not popularly associated with sustainable development, UK-based Marks & Spencer and Tesco, and US giant Walmart, have made progress in meeting ambitious environmental and social goals throughout their supply chains.<sup>1</sup>

Walmart recently announced that as part of moves to cut 20 million metric tons of greenhouse gas from its supply chain by the end of 2015, it is demanding stricter quality and environmental standards from its Chinese suppliers, and is looking at factories' air emissions and management disposal of hazardous waste.

Tesco is aiming to reduce the carbon impact of the products in its supply chain by 30 per cent by 2020. It is devoting 100 million euros to greening its supply chain by 'spreading green systems and technology pioneered by Tesco businesses in developed countries to its operations in developing

countries,' according to its website.

The supermarket chain has also mandated that green design principles be used in the construction of its new stores. Tesco used sustainably sourced timber instead of steel, energy-efficient heating, cooling and refrigeration systems, and some natural daylight in its recently opened Cheetham Hill store. This reduced the store's carbon footprint by 70 per cent compared with a similar store built in 2006.

Tesco, which currently controls more than 30 per cent of the UK's grocery market, also stocks a large range of organic products. There are growing concerns, however, that the company's success is partly based on trading practices that squeeze the margins of suppliers, farmers and workers, and have a negative impact on local shops and the environment because farmers are unable – or unwilling – to make changes to their farming practices.<sup>2</sup>

'Supermarkets and retail chains have enormous power,' says Professor John Cole, from the Australian Centre for Sustainable Business and Development at the University of Southern Queensland.

'They can be a force for good – and the opposite. In the Australian retail sector, it is new entrants to the market like ALDI – which is used to meeting European standards and community expectation – that are driving innovation, from putting doors on fridges to reduce energy waste, to being the first Australian organisation to introduce carbon reduction labelling,' he says.

ALDI's Group Buying Director, Mr Benjamin Ward, says the retailer is 'strongly committed to ensuring environmental sustainability is central to our business operations.'

'We pioneered the concept of green stores. Our stores include a range of features such as treated roofs to deflect heat and keep stores cooler, insulated precast concrete exterior walls which require much less

<sup>1</sup> Retail: a sustainability benchmark: [www.greenbiz.com/business/research/report/2010/04/23/retail-sustainability-benchmark?src=int](http://www.greenbiz.com/business/research/report/2010/04/23/retail-sustainability-benchmark?src=int)  
<sup>2</sup> [www.tescopoly.org](http://www.tescopoly.org)



**Concern is increasing about the high demand for palm oil – used widely in foods and cosmetics found on supermarket shelves – often sourced from plantations that have displaced native forest in South-East Asia.** Achmad Rabin Taim

energy to make compared to bricks, and cladding made from 70 per cent softwood content sourced from renewable forests.

‘We’re also committed to ecological efficiency in store landscaping, using drought-resistant native plants and, where possible, rainwater tanks to capture runoff and provide irrigation for landscaped areas,’ says Mr Ward.

Ward says ALDI is also working closely with suppliers to implement other initiatives.

‘As a member of the National Packaging Covenant, we’ve achieved major efficiencies in our supply chain that result in a dramatic reduction in waste. Ninety-six per cent of all secondary packaging waste generated at all stores is recycled.’

**‘And while there is still a demand for caged eggs, for example, we have made free-range options much more visible as a way of encouraging people to purchase a free-range alternative.’**

Both Coles and Woolworths say they are responding to the demands of consumers, but change takes time.

‘Everyone is looking for sound-bite solutions to complex problems,’ says Ms Armineh Mardirossian, Woolworths’ Group Manager, Corporate Responsibility.

Ms Mardirossian points out that, as a relatively small player in the global retail arena – compared with Walmart, for example – Woolworths has only limited capacity to influence its supply chain. Instead, it prefers to focus on making changes to its own brands and hoping competitors will follow suit.



**The cost of supermarket specials is often borne by suppliers; price competition can squeeze out small players and reduce real choice for consumers.** istockphoto

In 2007, Woolworths launched a sustainability strategy program – ‘Doing the Right Thing’ – through which the retailer committed to a number of time-bound and measurable targets.

These included a carbon reduction target of 40 per cent; zero food waste by 2015; water savings of 200 million litres annually from 2010; sustainable store construction with at least 25 per cent less carbon emissions; 25 per cent carbon reduction per carton delivered in its logistics; and a 30 per cent carbon reduction in its company fleet.

In addition, Ms Mardirossian says the company is strongly focused on sustainable and ethical sourcing; it is taking steps to ensure that appropriate working conditions and no child labour are used

to manufacture its products in emerging economies.

She says Woolworths has teamed up with the NSW Government and local councils to introduce ‘Love Hate Food Waste’, a food waste-reduction program based on a successful UK education campaign. Woolworths’ Fresh Food Rescue program also aims to provide two million meals to needy Australians by donating food it can no longer sell.

At Coles Supermarkets, waste management and animal welfare are at the top of the organisation’s sustainability agenda, which also includes energy-

efficiency initiatives that are bringing significant cost savings to parent company Wesfarmers, according to Ms Majella Allen, Coles’ Community and Sustainability Manager.

‘We wanted to address [product] end-of-life issues with reusable green bags, so we have formed a partnership with Replas Manufacturing to recycle these bags,’ she says.

‘Coles also recycles chicken fat and doughnut fat as animal feed, low-grade industrial lubricants and biofuels, while organic food waste is recycled as compost, animal feed or converted to fertiliser or gas by Earthpower.

‘We are also working with major suppliers to reduce packaging. A new bottling process for our Coles’ private label bottled water reduces the amount of plastic, fuel and water used in its supply.

‘Our focus is on ethical sourcing, from detailing palm oil content on Coles products, to stocking a range of Fairtrade certified teas and coffees, to our recently announced Coles free-range pork,’ she adds.

‘[Pork production] was an area of the industry calling out for reform, and through our work with the RSPCA, we have also made a commitment to stock only sow-stall-free pork by 2014, and offered free-range turkeys for Christmas last year.

‘And while there is still a demand for caged eggs, for example, we have made free-range options much more visible as a way of encouraging people to purchase a free-range alternative.’

Ms Allen says that where possible, supermarkets also try to source local produce. ‘Customers are keen to support the local economy and it makes sense to bring the products directly into the store, saving time and transport expenses.’

As Professor Cole explains, the retail trade is ‘all about logistics’. This means, for example, that if a store has 17 brands of a certain product instead of three, specials or cost subsidies that allow stores to outcompete one another are ultimately borne at the source of product supply – say a Chinese sweatshop worker or a small farmer – through tightened profit margins. And, although it appears to give consumers choice, brand diversity also increases associated logistical activities, driving up costs.

‘There is no end to the improvements that can be made in the consumption chain,’ he concludes.