Ipsos MORI
Reputation Centre

Sustainability Issues In The Retail Sector

I don't think there's a one size fits all policy on this … Retailers need to find their own ways … What will follow from that is a way of developing a dialogue with their customers

NGO/Interest Group

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Introduction

Hardly a day passes without the topic of sustainability cropping up in the media. What was once thought to be a passing fad is now clearly, and possibly permanently, part of everyday consumer and business consciousness. The retail sector in particular has been firmly under the spotlight. As high standards become everyday customer expectations and the media becomes increasingly clued up, the task for retailers can only get harder.

Our investigation explored general public perceptions – and beyond. In particular, we looked into the minds of those 'experts' who are more deeply involved and knowledgeable on the topic of the sustainability agenda within the retail sector. We wanted to tap into their understanding of the many complexities surrounding this topic, and gain their longer term perspective of the issues and how retailers can respond.

This report summarises the findings of a number of pieces of thought leadership work by Ipsos MORI's Reputation Centre. It comprises research among the on-line British public and a study of 'experts' in the field of retail and sustainability. We interviewed a number of leading authorities including high street retailers and product manufacturers, trade and consumer associations, leading academics, think tanks and consultants, relevant financial analysts and journalists and NGOs and Government departments.

Several studies were conducted to inform this report, including both an Ipsos MORI online study among the British public and a series of depth interviews with a range of experts in the fields of retail and sustainability. The online Omnibus study was among 1,131 members of the British public aged 16-64, conducted 13-17 March 2007. In-depth interviews were conducted with 21 representatives from a range of organisations including retailers and manufacturers; NGOs and Interest Groups; Corporate Responsibility Experts and Socially Responsible Investment Professionals (SRIs) and Other Commentators. Further details of our approach are outlined in the appendices.

Executive Summary

Executive Summary

Consumers are becoming increasingly attuned to sustainability issues and demanding of retailers to keep pace with their changing expectations. Many are still generally wedded to the idea that sustainability is a high-cost option, in some cases even a 'luxury' that 'normal people' cannot afford. Retailers therefore have an important role to play in promoting the accessibility of sustainable products to all consumers.

Consumers want retailers to help them make more sustainable purchases, and will clearly feel warmly towards those who do. Meanwhile, retailers take very different lines on how far they should direct their customers' purchasing towards more sustainable options. Some retailers are introducing minimum sustainability standards in some product categories on behalf of their customers, to simplify purchasing decisions. Other retailers argue that they should instead provide customers with information on sustainability issues to enable them to make their own decisions on what it is acceptable to purchase. Whichever approach is adopted, there is clearly both demand and opportunity for retailers to facilitate changes in consumers' sustainable purchasing behaviour.

It is certainly a challenge for retailers to manage consumer expectations – the agenda moves on rapidly, and consumers' demands for simple, quick actions are often at odds with the complexity of many sustainability issues. Some experts think there is a risk of increasing consumer cynicism if retailers are perceived not to be delivering on their promises.

Consumers believe that the main responsibility to keep retailers in 'green' shape lies with the Government. Experts also emphasise the role of international co-operation in combating global issues such as climate change. While perhaps we cannot expect governments to move too far ahead of their constituents in regulating sustainability issues, the recent wide-ranging commitments from major retailers could prompt governments to be bolder in setting a longer-term framework within which retailers can take investment decisions.

Retailers clearly have a potentially powerful role in getting the message across to consumers. Customers are hungry for information on the sustainability of the products they buy, but the translation of complex sustainability issues into simple consumer messaging is a tough challenge, particularly in an increasingly time-poor consumer environment. The media is the most trusted source for information on retailers' social and environmental activities, trusted ahead of retailers themselves. If anything, it appears that the media is increasingly an arena for debate and a key vehicle to educate the public on topical issues. It is a powerful tool to place new issues at the top of the public agenda and a credible force to mobilise the public to action. Our data supports this by experts suggesting that consumers are increasingly looking for the reinforcement of retailers' messages from third parties to validate their claims.

Major commitments from retailers have been successful in making headlines, and some argue this is the best way to effect change within large retail organisations. Nevertheless, other experts advise caution, suggesting retailers should wait until initiatives are well bedded-in before trying to gain publicity from them. However proactive or cautious its strategy is, consistency of messaging is critical to the credibility of a retailer's communications. Contradictory signals from advertising, in-store communications or employees working on the shop floor, not to mention pronouncements from senior management, can prompt suspicions of 'greenwash'. Fundamentally, retailers' sustainability messages need to be sensitive to their consumers' mindsets.

Three big sustainability issues are at the top of the agenda, attracting particular expectations of retailers: climate change, waste and supply chain.

On climate change, consumers struggle to link their personal activities to global issues. Although the carbon footprint labelling of individual products is a step forward, the initiative is at a relatively early stage and to date lacks the critical mass and public awareness to drive significant changes in consumer behaviour. The complexity and therefore time and investment required to label individual products may mean that such initiatives offer too little, too late to make the required impact on consumer behaviour.

Waste is now right at the top of the consumer agenda, arguably because retailers have put it there, but there is a call from consumers and experts alike that retailers need to do more. Some experts claim that retailer efforts to date have been too piecemeal, whilst there is a widespread call for a reduction in the overall amount of packaging, more guidance on recycling and more education and emphasis on re-use.

Consumers are generally more concerned about the needs of UK suppliers than those of overseas suppliers and experts see the consumer debate focusing on supermarkets and their suppliers, especially farmers. The experts have a broader understanding and engagement with the issues and recognise retailers' responsibilities to both groups and their need to take a long term view in order to ensure security of supply. There are some concerns about tensions between over-efficient supply chains and unsustainable ones, and the dilemmas of social compliance. Greater consumer awareness and understanding is also seen as key to greater supply chain transparency.

The growth of the fairtrade movement has impressed these experts and is perceived to have enabled retailers to meet growing consumer expectations and demand for these products as well as allowing them to develop stable relationships with fairtrade suppliers. It has also raised the possibility for retailers to raise standards across the board, whether in specific product categories or through collaboration with other retailers.

Responsible procurement brings with it many dilemmas and challenges for retailers and these are perceived to become more pressing as environmental pressures become increasingly felt. Collaborative efforts seem to be the most effective response to many of these issues in terms of improving retailers' impacts and reassuring consumers.

Recommendations for retailers

Here are the eight key lessons emerging from the research, with some words taken directly from our experts.

1. Use carrots not sticks:

We have decided that this is more about encouragement than it is about making it tougher … we wanted to give people a reward for getting more involved
Retailer/Manufacturer

2. Be brave enough to lead consumers and embrace the power that retailers hold to drive mass change:

You have now got retailers who are taking significant action with real targets, but they need a business case to do that that doesn't require the warm glow of customer approval, because by and large the customers are still cynical … And maybe that's a healthy thing, because too rapid a sense of approval might mean that companies are seduced into taking their foot off the pedal
CR Expert/SRI

3. Educate consumers - as awareness of issues increases the challenge of communicating complex messages decreases:

And I think in terms of moving it on and bringing in, like sustaining this current level of awareness and interest, it is going to be important to move those people on to a level that's about greater understanding rather than just offering simple solutions
NGO/Interest Group

4. Embed sustainability in your day-to-day business practice – ensure a consistent, joined up delivery:

[Sustainability] may cease being … talked about as something separate to the way that you do business, but the practices that are evolving will be long-term practices … Few [mid-range retailers] are questioning the business models that are at the heart of what they do, because that is the difficult bit
CR Expert/SRI

5. Help people by providing them with the information they need to encourage ‘green’ behaviours:

We have to change our behaviour as people, and we have to change our behaviour as business people as well. So what we have got to do, where we would segregate our waste at home and think about turning lights off, [ask ourselves] do we exhibit those same behaviours when we come to work, do we think about sustainability or do we leave it at home?
Retailer/Manufacturer

6. Ensure strategy fits with the brand:

I don’t think there’s a one size fits all policy on this … People need to find their own ways … What will follow from that is a way of developing a dialogue with their customers
NGO/Interest Group

7. Engage, communicate and demonstrate:

Increasingly consumers are looking to hear similar messages from a variety of sources of information, rather than just from one source of information. I would also suggest that it is a mistake to major too much on pronouncements by CEOs and other top managers, because I think there is particular scepticism around the trustworthiness of the majority of top business leaders on this area
CR Expert/SRI

8. Work together - collaboration between retailers themselves and other key stakeholders (namely sustainability experts, government and the media) is the key to driving significant change:

…until we decide what the game is and which way we are pointing, we can’t compete, so we do need to collaborate first before we can compete
Retailer/Manufacturer


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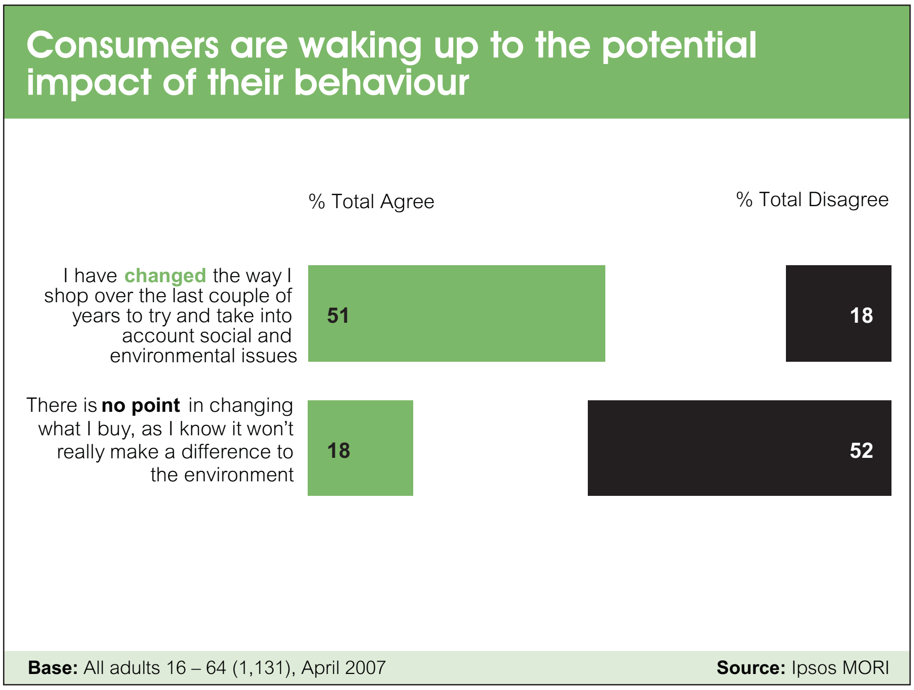
Consumer Expectations on Sustainability and Leading the Way

Consumer Expectations on Sustainability and Leading the Way

Consumers are becoming increasingly attuned to sustainability issues, and more demanding of retailers to keep pace with their changing expectations. The key challenges retailers need to overcome here are consumers' price perceptions, overwhelming choice, the risk of increasing cynicism and inertia to change.

Are consumers 'going green'?

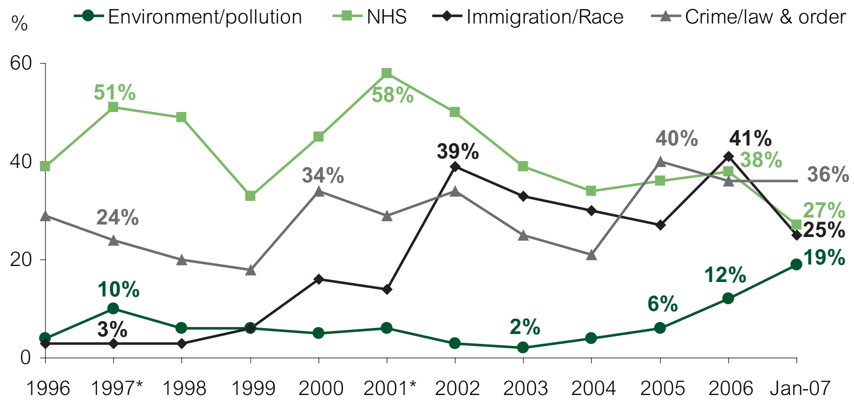
A consumer 'awakening' to sustainability issues is taking place, which is affecting people's shopping habits just as it is impacting on other aspects of their lives. Half of the on-line public say they have changed the way they shop over the last couple of years to try and take into account social and environmental issues. Only one in five believe that there is no point changing what they buy as it won't really make much difference to the environment.



This is further supported by Ipsos MORI's data tracking views on the most important issues in Britain over the last ten years. Concern about the environment is at its highest point for a decade.

Concern about environment at highest point for a decade

Q What would you say is the most important issue facing Britain today?
Q What do you see as other important issues facing Britain today?
UNPROMPTED – selected answers

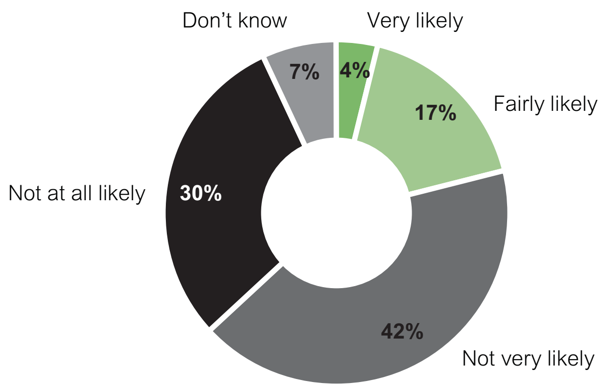


Base: c. 1,000 GB adults 18+ each year, taking the figures for May (*or June where May unavailable)
Source: Ipsos MORI

Few believe that retailers alone can resolve the issue and recognise that shoppers will also need to play a part.

Few believe that retailers alone can resolve the issue

Supermarkets will take care of environmental issues so customers won't have to worry about it



Base: All adults 16-64 (1,131), April 2007 **Source:** Ipsos MORI

Retailers recognise this trend and point to increasing awareness, interest and even excitement among the mainstream public on sustainability issues. Given retailers' close relationship with their customers, they feel well-placed to respond to the new-found consumer enthusiasm for sustainability issues.

Nevertheless, there is some disagreement among the experts we spoke to about how far sustainability concerns have become mainstream. Some feel that the issue has potentially mass appeal, cutting across conventional social and political divides through the desire to safeguard the inheritance of future generations:

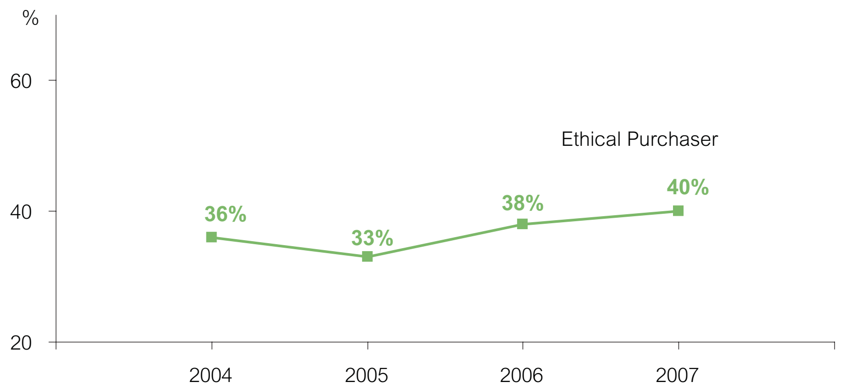
One of the things I find most exciting about this area is that everybody can have an opinion about sustainability issues, regardless of their background, their faith, their age, their upbringing, their class, whatever. It is a real leveller … Tackling environmental issues is something where it is an absolute win-win. The general consumer recognises the importance of making sure that they leave the same wealth for their children to acquire … It is a-political
Retailer/Manufacturer

There is a much heightened public awareness of sustainability issues and set of expectations … There is a minority of people for whom this is very, very important – depending on the product area, it is anywhere between 2% and 10% of the consumer base. The significant thing that is happening, however, is that it is increasingly influencing the 50% to 60% who are the followers
Retailer/Manufacturer

Ipsos MORI's most recent data from our annual 'Corporate Social Responsibility' shows that the proportion of ethical purchases has risen over the past few years.

Level of ethical purchasing gradually rising – will this trend continue?

Q Which of the following have you bought in the last 12 months?
% bought five or more types of ethical products



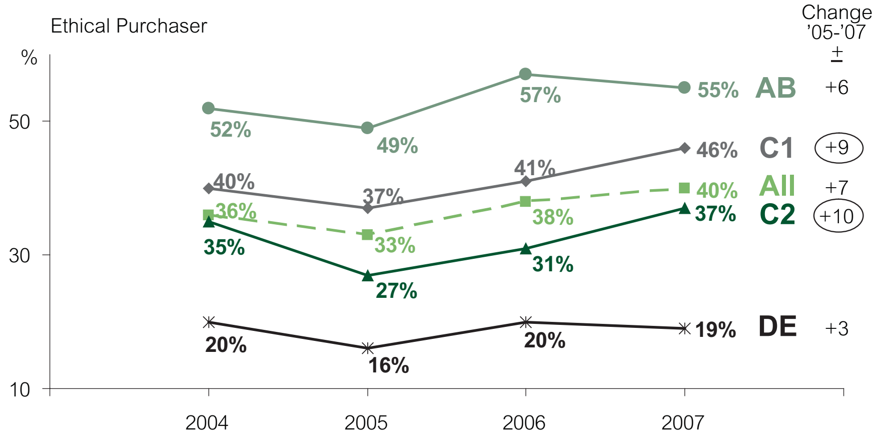
Base: c. 2,000 British adults aged 16+ each year **Source:** Ipsos MORI

(Our definition of ethical purchasers are those who have bought five or more from a list of ethical product categories in the last year).

In terms of WHO is buying into ethical products, there remains a strong relationship between behaviour and demographic class, with activity increasing with affluence.

Concern about environment at highest point for a decade

Q Which of the following have you bought in the last 12 months?
% bought five or more types of ethical products



Base: c. 2,000 British adults aged 16+ each year

There has also been a growth in the proportion of ethical purchasers across most demographic groups, but the rise has been sharpest among C1C2s and those living in the Midlands and Wales.

Regardless of the percentage that is 'engaged' and/or 'purchasers' which will obviously depend on the definition used and retail sector under consideration, other experts argue that taking a responsible approach to retail simply makes good business sense:

I think it should be just part of the way [retailers] do business … the expectation is that you are doing that, you are doing the right thing
Other Commentator

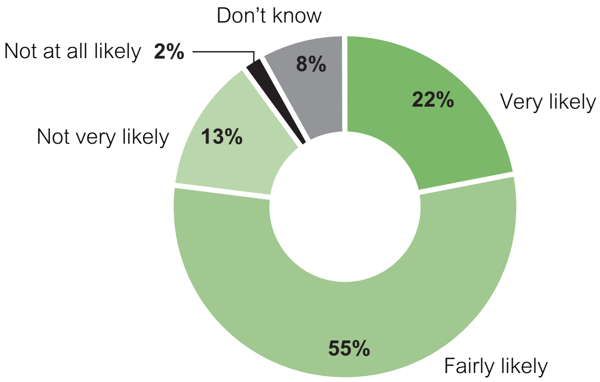
The price of sustainability

Arguably a further major barrier to sustainable behaviour is that of price. Economics and sustainability have long been seen as contradictory forces, with more sustainable lifestyles seen to come at a price. This is the overwhelming expectation from the on-line public, with three-quarters thinking that the price of food is likely to go up as retailers and food manufacturers become more responsible.

Consumers think food prices will rise

Q How likely, if at all, do you think each is to happen?

The price of food is likely to go up in the future as retailers and food manufacturers become more responsible



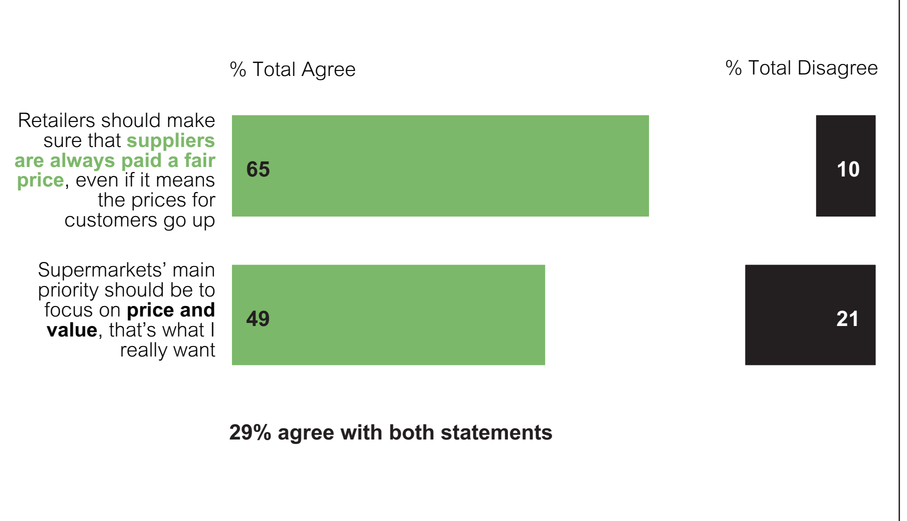
Base: All adults 16 – 64 (1,131), April 2007 **Source:** Ipsos MORI

It is perhaps not surprising then, that along with factors such as inconvenience and lack of information, we find perceived price premiums to be the major barrier to ethical purchasing. Work by a leading academic/consultancy found that attitudes and concern varied little by household income, but that prices are a real barrier for some consumers at present:

The importance of the issues, varied very little on a lot of it by household income. What did vary was the ability to pay for it. So we actually believe that if companies are able to overcome some of these price hurdles, we could see really quite significant changes in the market in terms of produce that is more healthy, environmentally friendly or socially responsible. So price is absolutely a huge barrier there for people
CR Expert/SRI

Our data from consumers reiterates the demand for accessible prices. Alongside their demands for retailers to take sustainability issues into account, half of the on-line public still say that supermarkets' main priority should be to focus on price and value. Are consumers being unrealistic wanting it both ways, or is it possible, that with time the economies of scale will kick in and that price premiums on sustainable options will be a thing of the past?

Some consumers want to have their cake and eat it



Base: All adults 16 – 64 (1,131), April 2007 **Source:** Ipsos MORI

There are already some cases where the more environmentally-friendly product actually has a cost benefit for consumers. There can be more than one motivation for supposedly 'ethical' choices:

If you choose an energy saving appliance it may be because you like the fact that it'll be cheaper to run rather than that you're particularly interested in saving the planet
NGO/Interest Group

Yet while the experts recognise some examples to the contrary, it is clear that consumers are still generally wedded to the idea that sustainability is a high-cost option, in some cases even a 'luxury' that 'normal people' cannot afford. Retailers certainly have an important role to play in driving and promoting the accessibility of sustainable products to all consumers.

The problem of choice

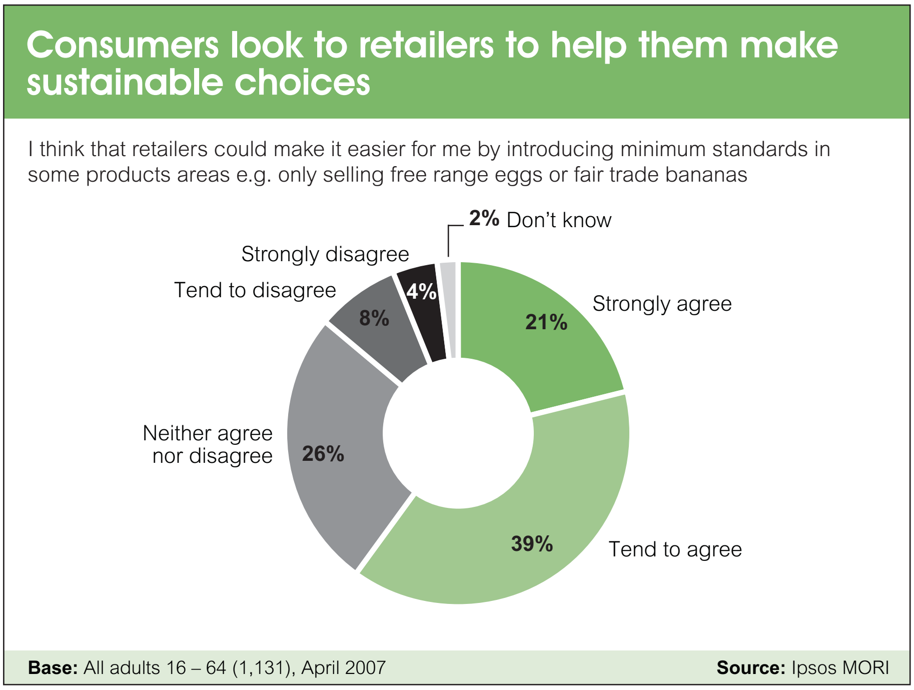
It is clear that different retailers take very different lines on how far they should direct their customers' purchasing towards more sustainable options. As one expert outlined these positions:

When M&S did their market research to find out what their customers thought about phthalates, it turned out their customers didn't know much, but they said, "We trust you, we expect you to do the right thing about it". And that's shaped M&S's approach to this. They say, "…We will proactively hunt these issues out and deal with them on behalf of our customers" … Tesco's approach is totally different. Tesco is saying, "We'll do labelling and we can put it in front of the customers and they can choose"
CR Expert/SRI

One retailer who has taken this latter approach explained that they see their role as being to promote consumer choice:

It is for us to be able to educate consumers on issues around salt and fat and alcohol and five-a-day and all that sort of stuff. But at the end of the day, we mustn't restrict the consumer in terms of choice – it must be the consumer that recognises that choice and makes the decision themselves
Retailer/Manufacturer

On balance, the on-line public supports 'choice-editing', with six in ten saying retailers could make it easier for them by introducing minimum standards in some product areas such as only selling free range eggs or fairtrade bananas (only 12% disagree).



Research conducted by the Forum for the Future recommends that choice editing could be further enabled and developed through industry-wide agreement (that all retailers should stop selling products); third party leadership or by supporting appropriate government regulation.[1]

It's all about trust

There is a clear sense that consumers want retailers to help them make more sustainable purchases, a role recognised by several retailers in the research. One opinion leader believes that consumers want retailers to make sustainable choices for them – provided the retailer is a brand that they can trust:

Consumers don't really know what to do – they don't know how to behave because they are so confused about all of this. So what they want is for somebody to do it for them – they want to buy from a brand that they believe they can trust to have done the right things … "What we will do is devolve the responsibility down to [the retailer] because we trust them"
Retailer/Manufacturer

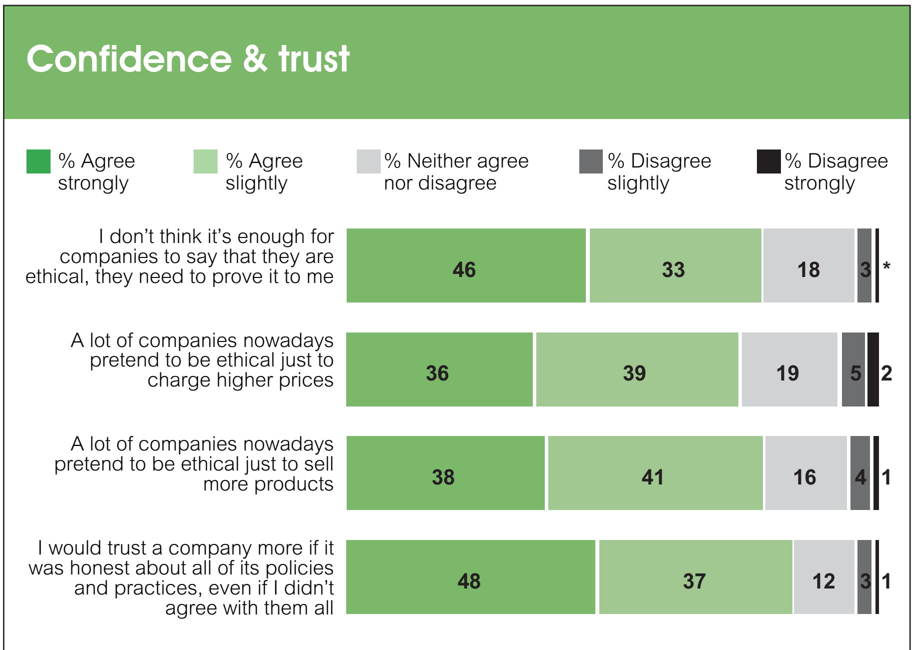
Sustainability has a growing role in inspiring trust in a retailer. This view has huge implications for the role of sustainability in a company's strategy and goals. It suggests that a holistic approach and incorporation of sustainable practice into all aspects of the business not only makes good business sense now, but will be essential for their long-term survival:.

The ability to perform in the wider society is becoming more important, it is becoming a proxy for general trust …So there is a sense that if a company sells fairtrade or has a good carbon management policy, you can probably trust them to deliver safe, reliable, good quality products
Retailer/Manufacturer

[1] The Future of Retail Report, Forum for the Future, Sept 2007

The cynical consumer

Our research has found that consumers are highly cynical about the ethics of big business. The majority even agree that companies 'pretend' to be ethical in order to charge higher prices and sell more products. And they argue they want to see evidence of ethical behaviour, not just be told about it.



Base: 969 GB adults aged 15+ , 31 Aug – 06 Sep 2007

Further, they tell us they are more likely to trust a company that is open and honest, even if they don't agree with the detail of its activities.

Some of our experts detect a cynicism borne out of previous experience of seeing companies make ill-considered attempts to address the sustainability agenda:

They've always been cynical since about the late 80s when there was a wave of green claims by businesses that had no substance, and very quickly people realised [that] … They're not distinguishing between the fluff that came ten years ago and some of the substantial action now
CR Expert/SRI

Interestingly, separate research conducted by Ipsos MORI among the world's most engaged consumer-citizens finds Britain to be among the countries with the most negative view of major corporations, second only to Germany.[2]

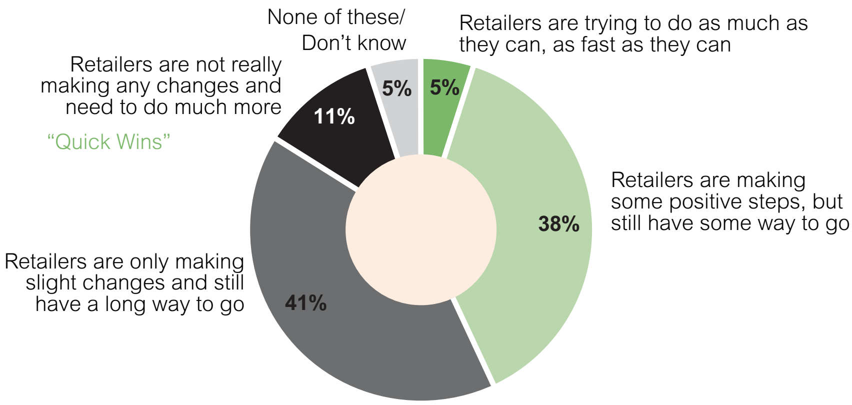
[2] The Ipsos MORI Global Advisor Survey of 1,000 citizens in each of 20 countries via the Internet, conducted in April 2007.

Cynicism and retail

The public is not convinced that retailers are truly engaged with sustainability issues – only five per cent of the public agree that retailers are trying to do as much as they can, as fast as they can, to address social and environmental issues.

Consumers acknowledge retailers still have a lot of work to do

Q Which of the following statements comes closest to your views of how retailers are addressing social and environmental issues?



Base: All adults 16 – 64 (1,131), April 2007 **Source:** Ipsos MORI

So are consumers just cynical about all retailers' sustainability initiatives? Some experts argue the contrary, pointing to some trusted brands which to a large extent retain consumer goodwill:

There are certain brands … where there remains very high levels of trust … There will be a sense that they can trust us to be doing the right thing, and as long as we are providing the proof points, then I wouldn't have thought there was a huge degree of cynicism directed to that

Retailer/Manufacturer

Some see a risk of increasing cynicism if retailers do not deliver on their promises about sustainability:

If you over-claim on these things and then people find out it's not all it's cracked up to be, they switch off very quickly. As fast as they've switched onto it, they will become quite cynical

NGO/Interest Group

It is certainly seen to be a challenge for retailers to manage consumer expectations – the agenda moves on rapidly, and consumers' demands for simple, quick actions are often at odds with the complexity and timelines of many sustainability issues:

Consumer views change very quickly. What they need to be practical about is the actual length of time and the amount of effort that is required to achieve changes in this area. We need to … agree and tackle the most important issues and [ensure] that consumers aren't whimsical and their views waver based upon what the most recent media enquiry is. Because … tackling each of these issues is very time-consuming. It requires a lot of intelligent resource and it requires long-term changes. You don't convert from being a conventional farm to an organic farm in two weeks
Retailer/Manufacturer

Taking the lead

A couple of experts suggests that some sustainability issues such as health, nutrition and safety are more pertinent to mainstream consumers because they are more likely to affect them personally. These could potentially act as triggers to sensitise consumers to a wider range of sustainability issues:

There's a hierarchy and it starts with the personal. They expect [retailers] to pay close attention to those aspects of sustainability that might affect their health or the quality of the product. A bit further down there are the sort of broader citizenship areas that might more broadly affect them
CR Expert/SRI

Nevertheless, some see the need for further encouragement and support to take consumers down this path, and reject the view that consumers will take the lead in pressurising retailers to be more sustainable:

I don't think there will be a consumer-led revolution. I think consumers will need to be persuaded and brought along to give their permission to companies and governments to take the action that needs taking, not the other way round
CR Expert/SRI

There is also a sense that consumers need carrots not sticks and that successful retailers will be those that are better at persuading consumers of the benefits of making sustainable choices:

Ultimately I think it's not going to be very successful if consumers have to feel they're giving things up, that there are things they can't do. Where it seems to have been successful is if it's presented as an opportunity to make a difference
NGO/Interest Group

It is also felt that there is a risk that consumer interest in sustainability issues will wane, particularly if people are asked to make difficult choices or are disappointed by the pace of change:

You've now got a lot of people who do want to do the right thing [but] I think this is quite fragile … These people can be very easily put off, they may have unreal expectations
NGO/Interest Group

It can drift away again as other priorities come to the fore … There remain considerable levels of denial where it suits the individuals to hold on to it
CR Expert/SRI

Some also warn of a latent denial among some consumers which could easily be triggered if sustainability choices are not made accessible and easy. This perspective is perhaps more apparent in the context of views on climate change. While most accept that there is a problem, it is clear that a number still believe that there is a raging scientific debate about the cause, as evidenced by Channel 4's Great Global Warming Swindle.

Whether or not consumer interest is sustained at this level, this all points to the need for retailers to take a lead in this arena and be very sensitive about the way that they handle communications around this emotive subject. Keeping close to customers' expectations and agendas is essential. As with climate change, getting the public to engage, encouraging and enabling them to translate their concerns into action remains overwhelmingly the biggest challenge.

Precipitating change

Our experts tell us that another aspect of this challenge is understanding the competing and conflicting mindsets of consumers in relation to sustainability issues whereby they will say one thing yet do another:

Everybody seems to want to have a traditional high street in a town or village, but the people who are saying that actually drive their cars out of town and go and shop at big supermarkets. You can't have your cake and eat it
NGO/Interest Group

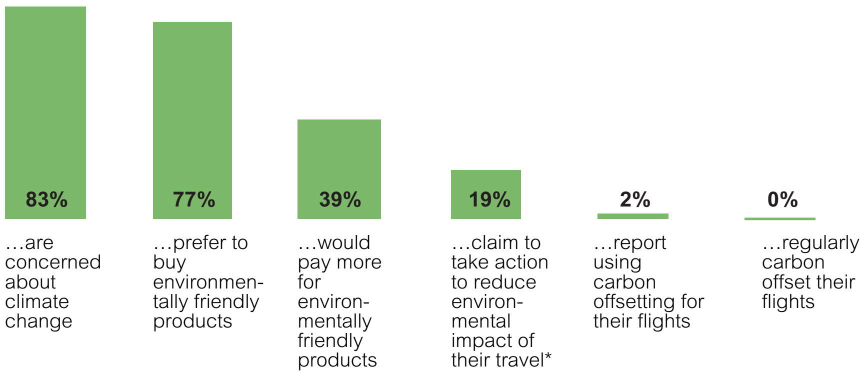
So why is this? Firstly, some consumers believe that their personal actions have no impact, although most recognise their collective responsibilities. Secondly, many are entrenched in certain modes of behaviour and find it difficult to change these, and thirdly whilst many are prepared to alter their behaviours in some areas, they will not compromise in others and they jealously guard their personal rights and freedoms.

This point is illustrated well in separate Ipsos MORI research conducted on attitudes to climate change and aviation which showed that there is a widespread concern for the environmental impact among flyers and strong support for measures to tackle the issues. However, support lessens for any government policies directly designed to restrict growth in air travel and over one third (38%) are unwilling to reduce their own air travel in the name of the environment. It seems that many are reluctant to give up their much coveted foreign holidays.[3]

Returning to retail, our data suggests that choosing more environmentally friendly products is one area that is relatively easy for consumers to demonstrate their sustainability credentials, and something they appear relatively willing to do. Because sustainability is already so top of mind in relation to retail and because their products are more tangible, retailers would appear to have a relatively easier job than some other sectors in changing consumer behaviour.

Interest in the general, aversion to the specific

Percentage of people who…



* Proportion of respondents who report taking one or more of the following steps: using more environmentally friendly transport, cutting down holiday flights or carbon offsetting flights

Base: Defra Tracking Report 2006; Green and Ethical Consumers, Mintel, 2007; British Airways

[3] Survey for Commission for Integrated Transport (CfiT) in 2006/7 looking at attitudes to aviation and climate change. This involved a representative survey of households, business and leisure flyers throughout England.

In summary

Retailers therefore need to look at ways to address each of these barriers to behavioural change:

- Demonstrate how individual choices make a difference (e.g. by using tangible examples of the annual impact of changes by a single household's behaviour)
- Take the lead and make it easy for individuals to change their behaviour (by offering choices and accessible prices)
- Incentivise behaviour changes (by offering sustainable products that are relevant, accessibly priced and meet consumer needs).

And retailers also need to be mindful of some of the key challenges in the sustainability arena:

- Consider the nature of your relationship with your customers and the extent to which you are trusted. Then, if appropriate make (or work towards making) sustainable choices on behalf of the consumer
- Be aware of the risk of consumer cynicism and think carefully about how initiatives and communications could be interpreted, both positively and negatively.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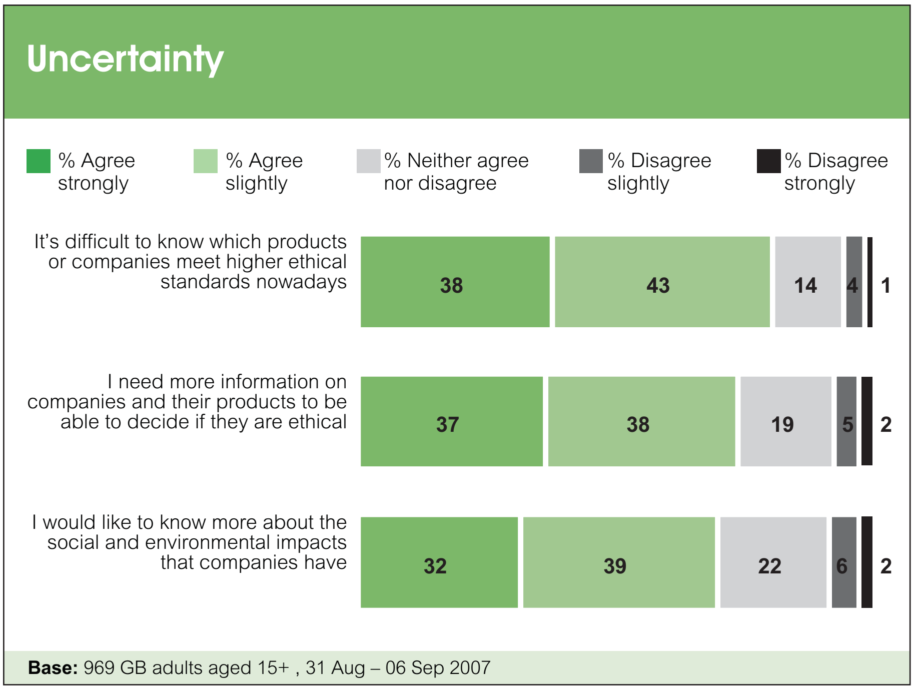
The Communications Challenge

The Communications Challenge

We have seen that several experts think that a consumer-led sustainability revolution is unlikely, and that consumers will need help and guidance to become more sustainable in their daily lives. Retailers clearly have an important role to play in getting the message across to consumers, but they need to be sensitive about how they communicate.

Consumers want more information

Customers are hungry for information on the sustainability of the products they buy. The majority feel ill informed about the ethics behind products and companies alike and tell us they'd welcome this information to help inform their purchase decisions.



In terms of WHAT they would like to know about, the majority of the public want more information on whether the product is healthy, whether packaging is recyclable, the use of pesticides and chemicals and whether the product has been made or grown locally and sustainably.

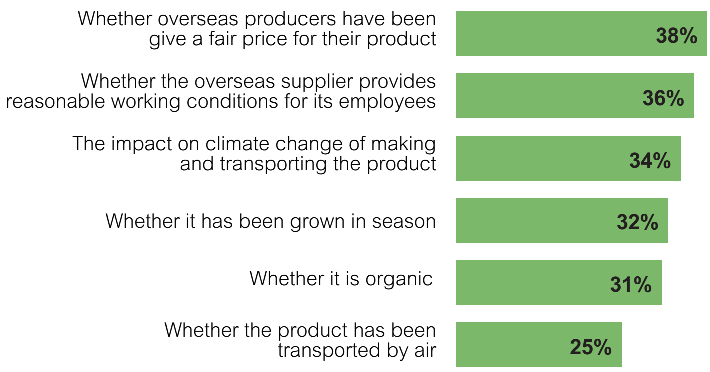
Consumers are thirsty for more information

Q Which of the following types of information would you ideally like to see when considering whether or not you want to buy products?

Base: All adults 16-64 (1,131) April 2007

Less tangible issues are of less interest

Q Which of the following types of information would you ideally like to see when considering whether or not you want to buy products?



Base: All adults 16-64 (1,131) April 2007

The issues of most pressing interest are those that affect the public most personally (e.g. health and pesticides/chemicals), are closer to home (e.g. local sourcing) or are areas that have been championed by leading supermarkets (e.g. packaging). Issues that consumers are less interested in seeing information about (and also rated less important) are the more distant and less well understood sustainability impacts such as the impact of transporting goods, seasonal produce and treatment of overseas suppliers.

Cutting through

Decisions at the point of purchase are often made in a split-second and although many customers say they want more information on the sustainability and background of products, they are often too busy to engage with retailers' communication messages. This is particularly so given the volume of information consumers are bombarded with and the complexity of some of the issues they need to negotiate to make a sustainable product choice:

I think we have to be a bit careful there when we talk about carbon labelling, we have food labelling now, so much labelling on a product and we need to sort of try and demystify that whole area to make it a little bit easier for the customer …

In terms of decoding and demystifying any message, I think that is well beyond them at the moment
Other Commentator

The translation of complex sustainability issues into simple consumer messaging is a tough challenge, particularly in an increasingly time-poor consumer environment. As one expert comments, detail is unlikely to motivate the majority of customers:

The myriad of sustainability issues and associated consumer labels is starting to become confusing for consumers and they don't necessarily need to know the details. Retailers need to be clear about what sustainability means to their customers and how this might affect their buying behaviour. Consumers do increasingly care, but I think most will just want to know what they buy hasn't damaged the environment or affected someone's basic human rights
CR Expert/SRI

Further, in the effort to distil complex issues down to simple logos, experts also point to the risk of further confusing customers through the proliferation of sustainability labelling, logos and 'trustmarks':

They are quite confusing, there are so many of them … if it does have an organic mark it doesn't necessarily mean it is fairly traded or its food miles are low or anything
Other Commentator

This again points back to the need for collaboration between not only retailers but independent organisations and also the government if we are to ever formulate a clear message for consumers.

With several retailers exploring the potential of labelling products to signify air-freighting or carbon emissions, on-pack communication could have a significant future role to play (see 'Climate Change' section).

I think consumers feel happier if they can read a label that tells them that their worst fears are not contained in this piece of food, or garment, or piece of machinery that they are buying. If there are marks on there to say it is either Fairtrade or organic or there was no child labour involved or that this newspaper was made from recycled managed forests, all of those kinds of things are quite important to consumers. The more that they are used, the better
Other Commentator

Education, education, education

The confusion around the proliferation of logos is reflected in the finding that three-quarters of the public agree that it is difficult to know which products are better for society and the environment. Experts are clear that education is essential to help consumers make better choices and think that retailers have an important role to play in this process:

Retailers are great at informing, educating and everything else. I am not sure who else can fill that gap, to be honest with you. I mean Government should be able to, but you do find that they often find themselves in very sticky positions in terms of endorsing one product over another. And maybe they are not quick enough to be able to respond
Other Commentator

Many retailers are prepared to embrace this responsibility:

What is important is that we educate and discuss important subjects which are part of sustainability. We should be educating our consumers on buying more energy efficient appliances and choosing a more environmentally preferable fuel for their vehicles. All of these individual issues are all part of the sustainability agenda
Retailer/Manufacturer

However, there is then a risk that retailers only address simple, more familiar issues, as opposed to working at improving the public's understanding. By raising awareness, communications can then become simplified in the longer term:

And I think in terms of moving it on and bringing in, like sustaining this current level of awareness and interest, it is going to be important to move those people on to a level that's about greater understanding rather than just offering simple solutions
NGO/Interest Group

Others emphasise the importance of linking each individual issue into an overarching sustainability theme so that they can see the relevance of the topic and how it fits into the bigger picture:

Where we have gone wrong in the past on these sorts of issues is dealing with them in a piecemeal way. To me, sustainability is like any other issue in that if it needs communicating it needs communicating in a joined up and holistic form
Retailer/Manufacturer

Whichever approach is adopted, experts argue that retailers need to go much further in their attempts to engage with consumers.

Media are most trusted information source

Of course, it is trust that is fundamental to getting sustainability communications right. If customers trust the organisation to do the right thing, its sustainability messages are more credible and consumers are more likely to feel confident that their purchases from that retailer are responsible without having to check the small print on labels. The company is also more likely to be given 'the benefit of the doubt' if negative media stories arise.

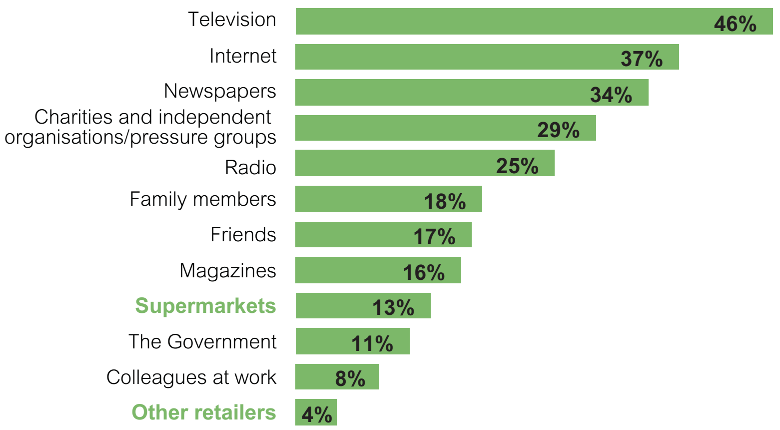
We have seen in previous sections, that relative to other industries, retailers are trusted in these issues.

Retail organisations have a degree of trust with their consumers and consumers do actually listen to and believe what they are told by certain major retailers
Retailer/Manufacturer

However, echoing other parts of this report, there remains a feeling that the retail sector as a whole needs to do more to reassure consumers about their sustainability intentions. Only 13% of consumers say they trust supermarkets as a source of information about their own social and environmental behaviour, and only 4% trust 'other retailers'. The media is the number one trusted source for this information, followed by other 'independent' parties such as charities and pressure groups. Informal sources such as friends and family are also trusted ahead of retailers themselves.

Television is a commonly trusted information source

Q Which of the following sources (if any) do you trust to give you information on retailers' social and environmental behaviours?



Base: All adults 16-64 (1,131) April 2007 **Source:** Ipsos MORI

Experts add that consumers are increasingly looking for the reinforcement of retailers' messages from third parties to validate their claims:

They need to look at getting media coverage for what they are doing because I think increasingly consumers are looking to hear similar messages from a variety of sources of information, rather than just from one source. I would also suggest that it is a mistake to major too much on pronouncements by CEOs and other top managers, because I think there is particular scepticism around the trustworthiness of the majority of top business leaders on this area
CR Expert/SRI

This emphasises the importance of strong PR and media relations for any retailer trying to communicate on sustainability issues.

The need for an independent measuring stick

While substantial and ambitious sustainability commitments have been announced by several major retailers during 2007, other organisations with a proven track record in this area have remained modestly quiet about their plans.

Major commitments from retailers have been successful in making headlines, and some argue this is the best way to effect change within large retail organisations. Others advise caution, suggesting retailers should wait until initiatives are well bedded-in before trying to gain publicity from them.

Increased scrutiny following high-profile announcements can elicit claims of 'greenwash' from some sectors of the media if the retailer's actions are not seen to keep pace with its claims. It is also acknowledged as difficult for retailers to be open about the challenges they face in the area of sustainability, since this can be interpreted as failure to meet their responsibilities:

It's almost impossible for a retailer to say anything about what they're not doing, or haven't been able to do yet, or where they're focusing improvement. Without that it's very hard to move on to the next level – it tends to be very superficial
NGO/Interest Group

In addition, some experts suggest that the lack of an independent standard to establish retailers' performance on sustainability issues exacerbates the communication problems, leaving companies free to make unvalidated claims and enabling critics to make unsubstantiated objections. Others argue that sustainability is such a wide topic that it would be impossible to create a single framework against which retailer's sustainability performance can be measured and communicated to stakeholders.

The importance of a joined up approach

Several supermarkets were allegedly disappointed by the original NCC 'Greening Supermarkets' report in 2006, since only one top performer scored a B (on a scale of A-E, with A being the optimum score). Scores have thankfully improved in the 2007 report. This study is based on customer facing contact points including the in-store experience, enquiries to call centres and website surveys. It highlights the internal communication challenge for retailers with thousands of employees, often coupled with high staff turnover.

The ideal is for sustainability messages to be supported at the very top of the retail organisation and clearly and consistently cascaded down to the grass roots employees, building credibility as its sustainability policies and values resonate in everything the retailer does:

Sustainability is like any other issue in that if it needs communicating it needs communicating in a joined up and holistic form … if you start missing bits out, it suddenly starts falling down. I think we in the past have perhaps only tended to do the product labelling bit and I suspect, I can think of other retailers that have only done the big picture stuff and have never got round to doing anything on products. So for me you need to tick all the boxes, it needs to be a holistic approach
Retailer/Manufacturer

One retailer points out the added benefits to leveraging the power of employees as a communication channel:

I think the most important issue for sustainability is actually our ability to communicate, to engage our colleagues within the businesses. The retailing industry is one of the largest employers in the country and I think if we can harness our own colleagues to understand what sustainability is about in a very simple and engaging way, we can actually contribute, helping customers understand what sustainability is about. And hopefully that will at least contribute to a behavioural change in the way people live
Retailer/Manufacturer

Keeping in step with customers

Fundamentally, retailers' sustainability messages need to be sensitive to their consumers' mindsets – they either need to be in tune with customers' current concerns or to introduce ideas in a way that they will find palatable. Iceland is cited by several experts as an example of the dangers of a retailer's sustainability initiatives being out of step with their consumers. Iceland's attempt to go totally organic in 2001 backfired because the initiative did not fit with the priorities of its consumer base. B&Q however, is particularly praised for its consistent work over the last 15-20 years in educating and leading the consumer on its forestry stewardship commitments through point of sale communications.

Top communication tips

The experts suggest several core pieces of advice for retailers when communicating on sustainability issues:

- Be open, honest and transparent. Be clear about your motivations and ensure they will stand up to scrutiny
- Be consistent, coherent and holistic – eliminate contradictory signals
- Be impactful, inspiring and bold
- Make it simple and easy for consumers, understand their level of knowledge and avoid jargon
- Get the tone right, don't patronise
- Get the channel (or mix of channels) and the timing right. Utilise the expertise held across the business on what will appeal to customers
- Be in step with your consumers' concerns or take them with you.

In summary

To summarise the key points of this section:

- Work at educating your customers, in order to raise their level of understanding and in the longer term allow you to simplify your messages
- In your efforts to simplify, be mindful of confusing your customers with a proliferation of logos and trademarks
- Collaborate at every opportunity
- Place initiatives in the context of the bigger picture
- Harness the power of your employees
- Don't underestimate the power of PR, with consumers increasingly seeking third party endorsement of messages.

The Big Issues:
1. Climate Change

The Big Issues: 1. Climate Change

On climate change we find ourselves in a different world to that of only a few years ago. Barely a day goes by without a media headline about the possible impacts. In the high street and the media consumers are confronted with more sustainable choices – HSBC is positioning itself as a green bank, Sky will give air time to the competition-winning short film promoting a climate change message. Arnold Schwarzenegger has traded movie stardom with instigating the US's flagship low carbon policy, while Al Gore, when not directing Oscar-winning documentaries on climate change, is organising global rock concerts for the cause.

The Biggest Issue

Perhaps not surprisingly given this backdrop, climate change is identified almost universally by our experts as the most important issue facing not only retailers, but also global societies more widely. One business organisation termed it the 'shared citizenship interest around climate change':

[Retailers] will recognise that the ability of the human species to maintain a thriving economy in the face of collapsing ecosystems is extremely limited. It's the big systemic thing that we just don't know how many knock-on effects there will be throughout the chain
CR Expert/SRI

Recent political and world events are seen to have contributed to the high profile of climate change as an issue, as well as recent weather events which have all built a momentum of media attention:

Things like the Stern Report and Al Gore's film – the general consciousness and the acceptance of the fact that climate change is now a reality, not a possibility. I think people have moved very quickly from questioning its validity, to actually saying, 'OK, it is there, so what do we do about it now?'
Retailer/Manufacturer

We see things which we feel we can put down to climate change, whether they are or they aren't, so for example erosion of coasts, floods, storms, snow at strange times of year, record heat waves
Retailer/Manufacturer

Some also think climate change is becoming a more personal, more immediate issue for people:

Many of those who assumed it was their grandchildren's problem are starting to realise that actually they're seeing the consequences in their own lives today
CR Expert/SRI

Climate change is also becoming part of the expectations people have towards companies:

Lots of big corporations are [measuring carbon footprints] of their own volition because they see that if they don't do it, they will die. It is quite an important part of the make up that they present to the public. It is also the case that quite a lot of them do genuinely see that if you don't have a plan then you don't have a business
Other Commentator

However, consumers do not necessarily recognise the importance of climate change in the same way as the experts. Considerable minority of the public remain sceptical regarding the existence of man-made climate change.[4] Even when they do recognise the issue (and many think it is an important one), people tend to distance themselves from climate change, both in terms of its perceived impacts and also the perceived causes and solutions.

So there is the sense that the public do not see the urgency of addressing climate change, and they do not fully recognise the link between the issue and their own behaviour:

Consumers are probably a little bit confused, and they are not too sure what they can really do … Overall, people are struggling to get their heads round what it actually means for them and what impact it will have on them
Other Commentator

I don't think it is quite as mainstream as you might expect given that people are getting more concerned about climate change. They have got a vague notion that they would like to do something about it, but I am not sure how much people would pay to put things right. I am not sure how bought-in the majority of the population are
Retailer/Manufacturer

Consumers also find it difficult to relate the issue of climate change to retailers and their own purchasing choices:

There is huge public concern over climate change as an issue, but there is still some way to go in terms of a recognition that choices at the supermarket impact on these sorts of issues. There is still quite a gap in consumers making the linkages between climate change as an issue and their personal food consumption
CR Expert/SRI

In our research among the on-line British public, packaging and sourcing issues came higher on retailer priority list than climate change (in contrast to the opinion of our experts). Contributory factors such as air freight and out-of-season produce were also towards the bottom of the priority list, suggesting that people do not necessarily recognise the connections with addressing climate change.

4 Ipsos MORI Telephone Survey for the BBC, January 2008: 42% of 1,070 UK customers believe climate change "is a natural phenomenon that happens from time to time"; 47% believe it is "the result of recent human and animal activity"

Footprints, labels and offsets

The measurement of retailers' carbon footprints and those of their products is seen as an important step in enabling retailers to understand and mitigate their impacts on climate change.

The biggest omission I would see [on climate change] is just in data collection, knowing what the greenhouse emissions currently are and setting clear targets to reduce those
CR Expert/SRI

The development of a standard model or method of measuring carbon footprints is agreed to require collaboration within the retail sector and with other parties and the Carbon Trust has obviously been taking initial steps to develop this. Some suggest that competition between retailers should be focused on which retailer can deliver the lowest carbon options once the common standard is agreed. Certainly it is recognised that defining the carbon footprint of individual products in order to develop a carbon labelling system is a huge task.

Looking at a methodology for carbon labelling, I mean that is going to be a very complicated and a very difficult thing to do. But there is the commitment there – I know that the majority of the leading retailers are looking at carbon labelling
Other Commentator

A key point of discussion is where the carbon footprint measurement starts and ends – several experts point out the importance of a lifecycle/whole supply chain approach.

Now climate change impacts on almost every aspect of the business in terms of stores, how people get to your stores, where the products have come from, how they're packaged and the whole lifecycle of the product use. So I think this is an absolutely immense challenge for retailers
NGO/Interest Group

For example, with washing powder or shampoo, for a lot of those products the impact on the environment is greater in end use than it is in production. So if your carbon footprint only goes up to point of sale, how are you capturing the impact it has post sale?
Retailer/Manufacturer

Several experts raise concerns about how carbon footprint information can be communicated in a way consumers can understand and act on in their purchases. Another expert emphasises the importance of 'getting it right first time' to avoid consumer cynicism:

It gives information to the consumer – I'm not entirely sure they'll know what to do with it. Innocent's mango and passion fruit smoothie, 250ml bottle, has a carbon footprint of 295 grams. I've no idea what that means and I don't expect anyone else to either. Is that good? Is that bad?
CR Expert/SRI

It will be very confusing for a consumer, in terms of how do you compare a quantity of carbon on one product to the other. We have such a lot of labels anyhow and you are trying to balance all this up against the healthy eating agenda, you know all this stuff and I just think it is getting a little bit confusing
Other Commentator

But even if the carbon label is an imperfect system, consumers do want more information and they need help to relate the climate change issue to their daily lives. Here there are parallels with the air freight labelling announced by some retailers – although it does not reflect all the complexities of the climate change debate, proponents argue that it at least starts the consumer information process:

It is an educational label, because people have got the notion currently that all food produced overseas comes in Jumbo Jets. Now in reality only about 1% of the UK's imports comes in planes, most of it comes by ship. And what we are hoping is people see the scope of that
Retailer/Manufacturer

Similarly, some argue that carbon labelling will increase the visibility of the climate change issue and prepare people for future public policy measures such as individual carbon allowances which may be required:

It puts in front of the customer's eyes another reminder of the importance of the issue and how seriously people are taking it … The carbon labelling is probably not going to drive vast amounts of product switching. But it may make the public more ready in future for public policy changes that will be needed
CR Expert/SRI

One expert also suggests that carbon labelling will drive environmental improvements down to retailers' suppliers, since 'the potential power they have over their own supply chains is enormous'.

One approach some retailers have adopted to address their impacts on climate change is carbon offsetting. Some experts raise concerns about carbon offsetting, arguing that retailers must reduce their carbon emissions before resorting to offsets:

To me, businesses that say they are carbon neutral, what they are really doing is off-setting. They haven't changed any of their behaviours … We would rather spend some money changing all of our light fittings so that we use less carbon, introducing a fleet of dual fuel vehicles ... Off-setting is OK up to a point, but what we should really be doing is working really hard at trying to reduce our carbon footprint
Retailer/Manufacturer

If you say "we're going to be carbon neutral, and use offsetting only as a last resort," that's something I would agree with
CR Expert/SRI

There are also some concerns about the quality / efficacy of offsets, particularly those using tree-planting to compensate for carbon emissions:

Carbon offsetting with forestation – there has been some research out just recently questioning how viable that is for carbon offsetting, planting trees outside the tropical zones
CR Expert/SRI

Some experts also argue that carbon offsetting can inhibit real behaviour change, arguing that ultimately we will have to address the problem of achieving an actual reduction in world emissions:

You are going on holiday, saying "I will off-set my costs of the air fares." And it makes you feel better, rather than saying "What should I really be doing?"
Retailer/Manufacturer

Offsetting has a limit: we can offset, but at some stage we have to reduce as a global society. And then it is not so much about if the product has been brought by plane or by boat, but maybe we have to look at if it will be sourced overseas at all
NGO/Interest Group

Some tough choices

The issue of climate change, above all the other sustainability themes we have examined, presents some tough choices for retailers. Firstly, when examining the climate impact of different products, the results are sometimes counter-intuitive for consumers. Carbon emissions from the production/growth can outweigh transport emissions, so products with high food miles can have a lower carbon footprint than produce grown in intensive conditions closer to home:

The problem with the food miles issue is that it is a simplification … The environmental impact from an energy consumption point of view of growing tomatoes without heating in Spain and transporting them on trains for the UK, is less carbon intense than growing them in Britain using artificial heating
CR Expert/SRI

There can also be tensions between choosing a low carbon product and supporting local produce or international development:

If you choose the lowest carbon food you might come to the conclusion it is best to produce in hot countries and move by sea, and therefore you don't have a UK farming industry. You might reach the conclusion that while air freighting in products from Africa is a good thing from a developmental point of view, it would be better to just eat UK seasonal stuff or even stuff of poorer quality from Southern Europe
Retailer/Manufacturer

There are often real trade-offs between issues. You might be, for example, interested in promoting local farming because of the lower transport costs and less carbon footprint. That is very hard to reconcile with the initiatives being run to support fairtrade for developing world farmers
CR Expert/SRI

Since determining the lowest carbon option can be complex, and can set up conflicts with other issues on the sustainability agenda, perhaps consumer confusion is understandable. This presents retailers with the option of simplifying consumers' purchase decisions by limiting the high carbon choices available. For example, some experts raise the prospect of retailers not stocking high-impact products such as patio heaters and non-seasonal produce:

B&Q have started selling windmills, but then they've also started selling outside patio heaters, and you seriously have to start asking the question about how you deal with a perceived short-term customer demand that clearly isn't sustainable long term
CR Expert/SRI

Some experts go further in proposing a role for retailers in pushing back on the prevailing consumer mindset, expecting everything to be available all year round and being able to consume without worrying about environmental consequences:

Thirty years ago, there was a cycle for vegetables. We now live in a society where we have strawberries the whole year round, rather than just in May and June. Those strawberries come from Spain, how do they get there? Consumers have to start to be re-educated … Up to a point stores should really be selling vegetables that are currently in season grown in the UK. If we want to be truly sustainable and achieve these carbon reduction targets, then we have to change our behaviour
Retailer/Manufacturer

One retailer feels pricing that takes account of the environmental impacts of a product is key here:

If we are not careful our individual carbon footprint will continue to rise and unless the actual cost of products contain the actual cost of carbon then we are not going to be able to seriously change consumer habits
Retailer/Manufacturer

Further, some NGOs suggest that the need to reduce carbon emissions may pose a more fundamental challenge to the traditional retailer business model:

We could actually change as societies move away from growth as the indicator. Currently … people have to buy more in this never ending story. We could allow for more local economies … What we currently have from agricultural production in other countries could be done by people in their own gardens … We could come back to more local companies, smaller retailers. If energy prices are going up, then transporting goods around the world doesn't make sense any more
NGO/Interest Group

Another challenge raised by some retailers is the need for long-term public policy on climate change so retailers can incorporate the issue into their planning/investment strategies. Reactions to progress on the Climate Bill during 2007 have of course been mixed, with environmentalists calling for tougher long term targets and annual targets in the interim:

It is absolutely in our financial interest to use less energy … [but] we need to [make] capital investment to reduce climate change emissions which doesn't have an immediate pay-back … That is when we need long term public policy to give us confidence that our investments will have value
Retailer/Manufacturer

While retailers are faced with pressure to roll out energy efficiency measures across their stores, one expert points out that ageing retail infrastructures incur high conversion costs:

We know that the stores that we built four years ago are 20% less efficient in terms of energy consumption than the stores we are building today. But we have a portfolio of thousands of stores, what are we going to do with them? We can't knock them all down and rebuild them
Retailer/Manufacturer

Finally, two retailers worry that the likely scale of climate change impacts means that retailers are not yet doing enough to address the problem:

No-one knows when all of this major climate change is going to affect us. Individually business will be doing their bit and we will be setting ourselves challenging targets. But whether all of those targets, if you added them up and looked at the sector as a whole, whether we are contributing what we need to this, I don't know
Retailer/Manufacturer

If we turned everything off tomorrow, would that have an effect? And personally, based on all the papers I have read, I am doubtful about that
Retailer/Manufacturer

This suggests that retailers should also be adopting adaptation strategies to ensure their businesses are prepared for the impacts of climate change, particularly in its potential to affect supply chains:

Climate change could well have a major impact on global food production … The next 10 to 20 years could see major changes on this
CR Expert/SRI

In summary….

Clearly, expectations that retailers address sustainability issues aren't going away, particularly as consumers are still struggling to link their behaviours and activities to global climate change. Development of a framework to estimate the carbon footprint of individual products and a common communication mechanic through carbon labelling is obviously a step forward. Although this work in itself drives change and awareness, it is arguably relatively meaningless to consumers until there is a critical mass of products incorporating the mark, and this could take some time, time that we arguably haven't got.

Some of our experts argue that the only solution is radical changes in both business models and our mindset as a nation. We have seen that retailers can drive change by championing particular initiatives, but they don't operate in a vacuum and are inevitably driven by market forces. Radical behavioural change cannot be achieved without radical public policy, underpinned by international co-operation. Other forces may also come into play, such as energy prices and oil scarcity (also see the upcoming dilemmas section), and it is likely, that change may be forced on us sooner than expected by the changing environment itself. Retailers cannot afford not to be ready and not to invest for the future:

This is something that retailers should start to expect – not everything is a win-win situation, and not everything is about just providing the right information to customers. Actually some tougher choices will have to be made in the near future
NGO/Interest Group

The Big Issues:
2. Waste

The Big Issues: 2. Waste

Debate about the amount of waste generated by retailers and their products has been rumbling on for years. It has come in and out of fashion as concern about waste disposal and landfill has waxed and waned. Meanwhile the retailers and manufacturers have battled on looking for technological solutions that are both practical and meet customer expectations at the right price.

Rubbish finally gains traction

Our research confirms that packaging and waste is now firmly on the agenda for both consumers and stakeholders alike. Our experts identify it as one of the top sustainable issues (only climate change is mentioned more often), as retailers now embrace the business benefits of packaging- and waste-related initiatives:

The packaging issues were the first environmental issue visited in the retail industry going back 15 years ago. It has continued ever since, it has various peaks of interest. I sense there is a real determination to crack this now
Retailer/Manufacturer

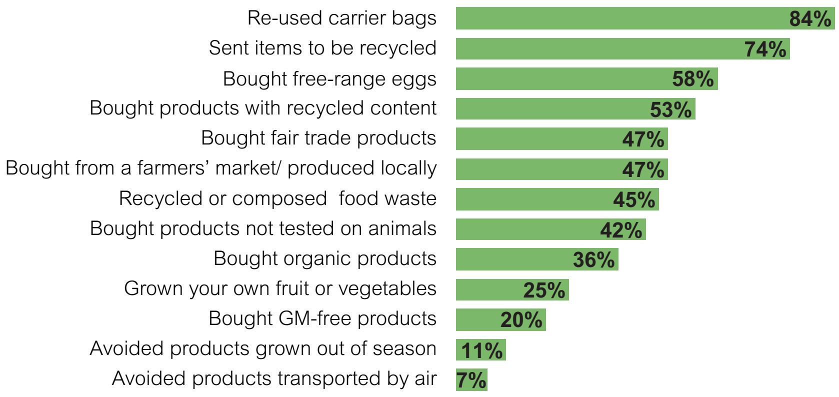
Reducing waste, reducing packaging, you are actually saving costs in the long term. So it makes good economic sense from an industry perspective … Our customers say to us, 'This is really important –packaging, recycling, waste is important to us' and we have responded to our customers' priorities in that area
Retailer/Manufacturer

Other stakeholders also prioritise waste issues. MPs cite reducing packaging in the top three things that supermarkets could do to be more responsible, while for food journalists, the reduction of packaging and plastic bags ranks in the top three issues that they believe consumers would like food retailers to focus on.

The majority of consumers are themselves taking action on recycling and re-use, which reinforces their expectations for retailers to do the same. Over eight in ten consumers tell us they have re-used carrier bags in the last year, the most widespread activity that we measured. Three-quarters have sent items to be recycled; around half have bought products containing recycled material; and just under half have recycled or composted waste food material in the last year.

Recycling and reuse are most widespread activities

Q Can you tell me which of the things from the following list, if any, you have done in the last 12 months?

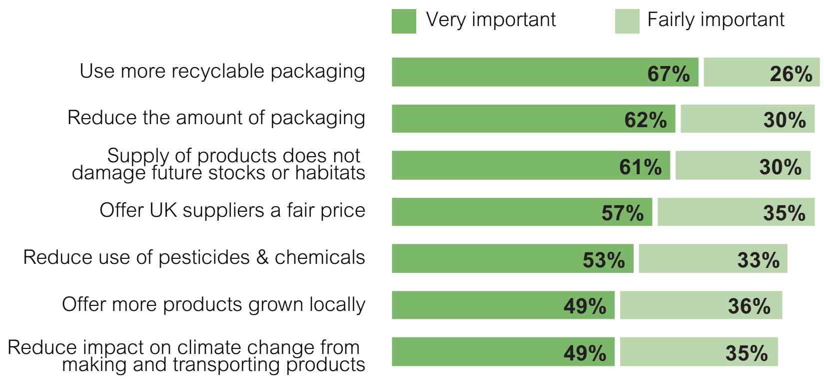


Base: All adults 16-64 (1,131) April 2007 **Source:** Ipsos MORI

With consumers trying to take action on their own waste (often with strong encouragement from local authorities), they want retailers to do their bit to help them, particularly in the area of packaging. Packaging is the most important and tangible sustainability issue for retailers in the eyes of consumers, both the amount of recyclable packaging used and reducing the amount of packaging overall – ahead of issues such as climate change, sustainable sourcing and fairtrade.

Packaging rates highly on consumers' agendas 1

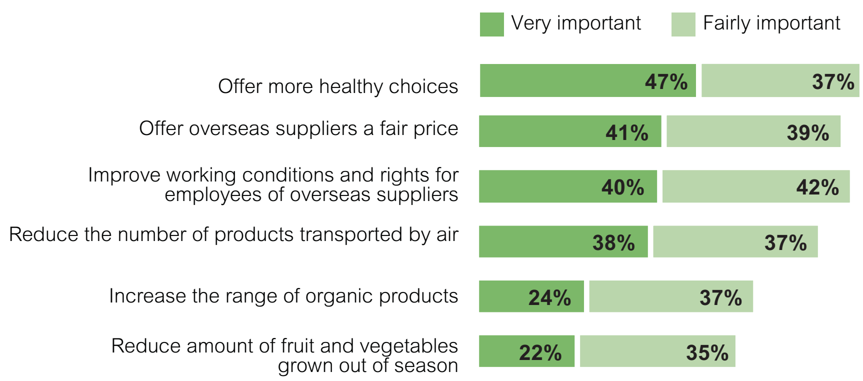
Q How important do you think it is that retailers do more to address each of the following issues?



Base: All adults 16 – 64 (1,131), April 2007 **Source:** Ipsos MORI

Packaging rates highly on consumers' agendas 2

Q How important do you think it is that retailers do more to address each of the following issues?



Base: All adults 16 – 64 (1,131), April 2007 **Source:** Ipsos MORI

But who has led on this issue? It appears to be rather chicken and egg, on the one hand retailers tell us that they have responded to consumer demands, but arguably packaging and waste is a fantastic example of how retailers can put in place specific initiatives and mobilise the masses. There is no doubt that particular campaigns by some of the major supermarkets around carrier bags (be that re-use, recycled plastic or 'bags for life') has resulted in the mass public getting heavily on-board with these activities. This has been accelerated by media interest (for example the Channel 4 reality TV show ‘Dumped’ set on a landfill site) and action by local authorities to encourage consumers to take more responsibility for their waste, fuelled by the threat of being penalised.

Just lip service?

Most of our experts are in agreement that retailers are reducing waste from their back-end operations, citing for example re-useable crates within supply chains. Meanwhile some of the main high street retailers and supermarkets (such as M&S’s Plan A) have committed to reduce packaging or to stop sending waste to landfill as part of their medium term plans.

But are retailers doing enough to address the enormous amount of waste generated from their activities and products? Most of the experts we interviewed think that retailers could and should do more to address the amount of waste that consumers take home with them from their stores:

I think they could do a lot more. I think they are making steps in recycling, with facilities at their major outlets, etc. But there is still a long way to go in terms of the amount of packaging that is used for much produce
CR Expert/SRI

Some were particularly sceptical about retailers’ efforts to date, arguing that they have been piecemeal and inconsistent only acting in self-interest in response to the threat of government regulation and penalisation, for example landfill tax. Some even feel that retailers are trying to avoid taking responsibility for waste issues:

I would say they are quite slow to deal with that issue because they don’t think it’s their problem, it’s the consumers’ issue
CR Expert/SRI

Tough challenges

Retailers maintain that there are tough choices to be made in the area of packaging. For example, they suggest that reducing packaging on fruit and vegetables could result in poorer quality goods on the shelves and more food waste due to damage in transit. There are other challenges in areas such as plastic packaging. For example, the ‘non-plastic/lightweight recycling conundrum’, that the lightest weight plastic and therefore most energy efficient in terms of transport tends not to be recyclable. The other option is using a heavier material, that may be recyclable, but costs more and uses more energy to transport:

If we minimise packaging, that often creates more product waste. If we go to lightweight packaging that is often plastic packaging which isn’t recyclable and we know that exasperates our consumers
Retailer/Manufacturer

It seems that progress in this area will perhaps not be as simple to achieve as some stakeholders assume. But the difficulty of the challenge does not, of course, mean that retailers can relax their efforts. A number of retailers and manufacturers have already started to achieve reductions in packaging, or improvements in terms of the use of compostable, recyclable or recycled materials. Sainsbury's has been forging ahead on introducing compostable packaging within its organic range and ready meals, but this sadly still only makes up a miniscule number of the total lines that it stocks. The 2005 Courtauld Commitment undertaken by 13 leading grocers to help WRAP (Waste and Resources Action Programme) achieve its objectives to reduce food and packaging waste suggests efforts will continue to address issues of food waste, compostable packaging and providing consistent on-pack recycling information to consumers.

The other major challenge is that climate change and carbon labelling will be likely to increase scrutiny of the lifecycle impacts of products. One expert suggests this could also challenge our culture of disposable products and excessive consumption:

The data is there in terms of where the real environmental impact is on the whole product supply chain and lifecycle. This perhaps affects clothing in future more than food because the dominant clothing model over the last few years has been towards disposable clothing, the Primark model. I think that's going to be enormously challenging for a lot of retailers, particularly the mass market ones
NGO/Interest Group

What next?

Opinion leaders tell us that they feel retailers and supermarkets have an important role to play in educating the public on waste issues, for example in championing reducing and reusing in addition to recycling.

Although there is a high level of interest and commitment, arguably there is a general lack of knowledge among the public about the fundamentals of waste issues, the percentage of recycled materials within the products they buy, and what can and can't be recycled. Over six in ten consumers that we spoke to say they want more information on recyclable packaging, and half would like information on reducing packaging (see the chart near the start of the 'Communications Challenge' chapter).

Further, one of our experts raised the issue that there are still fundamental problems around our capability and the economics of recycling. Until the government makes serious investment in recycling, the buck stops with retailers:

There are basically two components for making it successful. One is the collection of the stuff and the second bit is the actual recycling and reusing it. Now Britain has improved in terms of the collecting of the stuff … there are real questions about the economic viability of actually reusing it and so on. And I think until the economics change in that area I think there will probably be growing pressure on retailers to get better at it
CR Expert/SRI

In summary

Rubbish has finally gained traction on the public and retailers' agendas. Regardless of who is in the driving seat, retailers have a huge and influential role to play in mobilising the public on waste issues. This area needs co-ordination and leadership, ideally from the industry itself, working closely with local authorities and other experts. The role of the media should not be underestimated in raising the profile of these issues, but it is arguably retailers who are best placed to help people see how they can change their own behaviour, and to help people feel more positive about complying with increasingly stringent local authority measures.

The stakes are high and there are big wins to be made for getting this emotive priority right. But it is a double edged sword, with there also being a risk that retailers could damage their reputations if they are not seen to be doing enough, fast enough and the tough challenges that retailers face in this area means that it requires significant attention and investment.

The Big Issues:
3. Supply Chain

The Big Issues: 3. Supply Chain

Supply chain scandals revolving around issues such as working conditions and child labour have dogged the retail sector in recent years, and supermarkets' relations with their suppliers have been put under the spotlight in the Competition Commission's recent enquiry. At the same time, the fairtrade movement has burgeoned in certain product categories and many supermarkets have adopted programmes to expand locally-sourced product ranges. So how are retailers seen to be responding to supply chain issues?

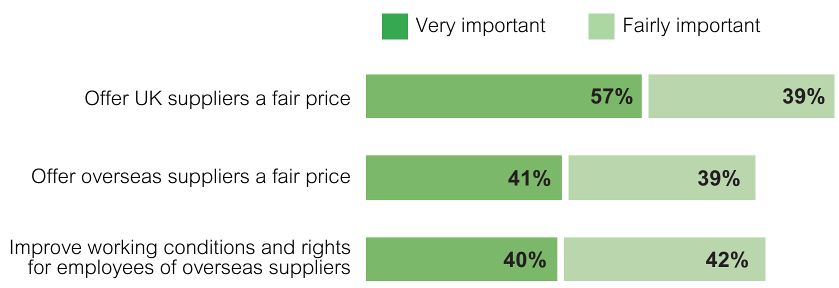
Concern varies enormously by proximity

Consumers seem more concerned with the needs of UK suppliers than those of overseas suppliers. Almost all say that retailers should offer UK suppliers a fair price (around three in five think this is very important). In comparison, paying a fair price and improving working conditions for overseas suppliers is a lower priority. This goes hand in hand with findings detailed within 'The Communications Challenge' section, that not surprisingly, consumers are most interested in those issues that affect them personally and are closer to home. Among the experts, there is a sense that consumers think and behave differently on these issues – they want products to be made in Britain but they also want 'cheap and cheerful' goods which involves overseas production. There is a sense that retailers are avoiding addressing the complexities involved:

Consumers can't have their cake and eat it and retailers are not having a public debate about these issues. There's probably a need for educating consumers so that they can make realistic choices ... I sense that retailers are looking for a sort of quick win in trying to find something that enables them to make a positive statement and not look too bad but not really grappling with the big issues
NGO/Interest Group

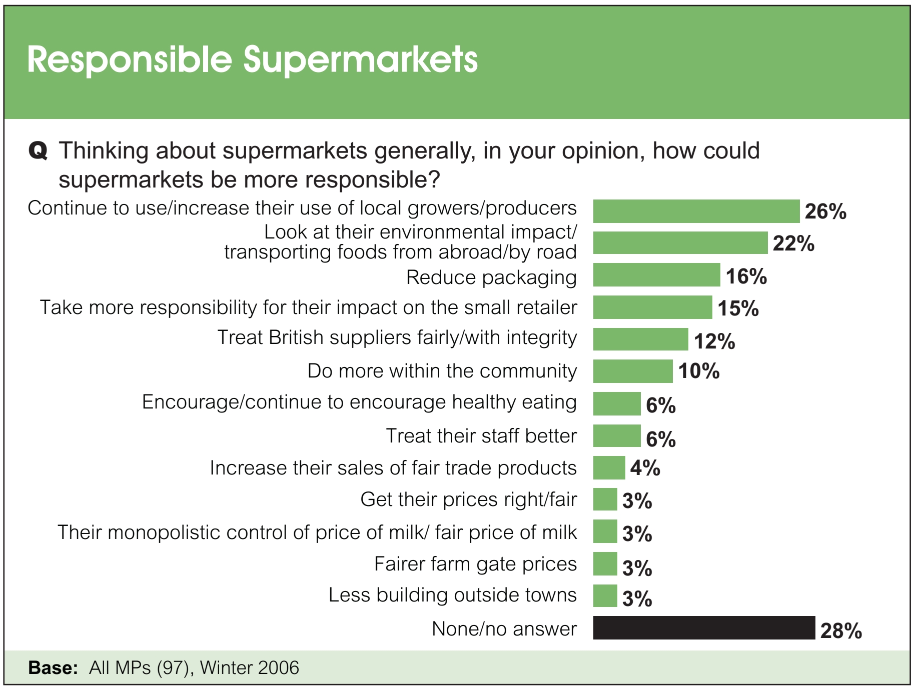
Consumers Prioritise UK Suppliers

Q How important do you think it is that retailers do more to address each of the following issues?



Base: All adults 16 – 64 (1,131), April 2007 **Source:** Ipsos MORI

Like consumers, MPs are particularly focused on the treatment of British suppliers – again perhaps this is not surprising given their role in representing the views of their constituents (including businesses) and their local focus. A quarter of MPs spontaneously call on supermarkets to support local growers and producers, the most common suggestion of how supermarkets could be more responsible. There is also concern that British suppliers should be treated fairly and with integrity, with fairtrade and monopolising milk supply highlighted as specific supply chain issues of concern.



By comparison, the experts we interviewed are engaged with supplier issues in both the UK and abroad, and raise several complexities related to these issues. While the specific issues might be different in Britain and developing countries, it is recognised that retailers have a responsibility to both groups – partly because they need to take a long-term view and need to ensure security of supply for their products.

Experts raise concerns about the future viability of the agricultural sector in Britain, especially if consumers continue to demand low prices. They suggest that this could lead to retailers expanding imports from developing countries in order to be able to compete on margins. This could also have wider implications particularly in relation to food security:

I think one of the things that we are seeing is that there is a growing concern about what is actually happening to the farm base, for example, in the UK. So there is increasing talk, for example, in the field of milk production that farmers are actually losing money on every pint that is produced. And so we might be in a situation in a few years' time where Britain is actually importing milk and so on. And I think there are real question about, whether that makes sense from an overall social interest point of view

Obviously it has got the transportation costs, but I think one of the other issues that is likely to go up is this whole issue of food security, which hasn't really raised its head at the moment
CR Expert/SRI

Efficiency and sustainability – a delicate balance

Demanding more exacting terms from suppliers – irrespective of origin – in the interests of supply chain ‘efficiency’ is perceived to be a major issue for retailers. For many retailers, such efficiency is what has made them successful, so addressing this issue could be potentially painful if retailers want to be both successful and sustainable:

Retailers do not want their supply chains to be brutally efficient to the degree where their suppliers go out of business, but it’s not easy to tell at first glance the difference between a very efficient supply chain (with suppliers who will make as much noise as they can to try and negotiate better terms) and a supply chain that is unsustainably, brutally efficient – to the point where actually suppliers will go out of business and ultimately affect the security of supply
CR Expert/SRI

This is linked to the issue of social compliance, whereby irrespective of where products are made, there is an expectation that retailers should consistently offer high quality jobs with good working conditions and reasonable wages. For some experts, it is felt that this issue will only be truly resolved if retailers work together to adopt minimum standards that guarantee certain incomes rather than operating independently:

It’s not an easy equation but it might settle out through the adoption of a minimum standards measure that guarantees a certain income. But I don’t see the forces arraigned behind that yet to really achieve it … I think it would have to be a global controversy about the current practice that was very clear that it was unsustainable, because it’s in response to that pressure then that people come together and agree solutions
CR Expert/SRI

Some experts see a ‘tipping point’ approaching among consumers on supply chain transparency. There is greater consumer awareness and increased media coverage of issues such as poor working conditions in Britain, child labour overseas and migrant workers employed by gang masters, brought to a head by the tragic deaths of the Chinese cockle pickers in Morecambe Bay.

The dilemmas facing retailers in this field are increasingly scrutinised and consumers are becoming more aware of the impacts of unsustainable practices. As seen in the section on ‘Consumer Expectations’ (p17), our research shows that the British public claim they are in favour of paying suppliers a fair price even when the equation with the cost of food is taken into account. We also see that many still want supermarkets to focus on price and value. Retailers need to find the right balance between these two issues, probably on a category by category basis. One way to address this dichotomy is again to collaborate on introducing minimum standards.

Fairtrade – just a logo?

The fairtrade movement has grown enormously in recent years, not just in terms of growth of product lines bearing the Fairtrade logo or similar certification, but also in terms of consumer awareness. The speed of change is perceived by experts as evidence of the real potential for change in the sustainability arena. Many are impressed to see retailers' ambitions in this area growing, citing for example Sainsbury's move to stock entirely Fairtrade-certified bananas and Marks & Spencer's transfer of all its tea and coffee to fairtrade. Whereas apparently it used to be a struggle to get supermarkets to stock any products which had fairtrade certification, now several retailers are considering offering fairtrade as standard across certain product lines:

We used to think that there would be a ceiling to fairtrade, whereas in fact I think there is the possibility of reaching a tipping point where, if you push hard enough on these things, and you get to a certain level of penetration that retailers will then say "It could be the norm, it could be the standard"
NGO/Interest Group

There are differing views on the decisive factors in the growth of the fairtrade movement. While some experts point to lobbying from the fairtrade movement, others think it is customer pressure that has ultimately prompted retailers to act. Some retailers feel it is actually retailers themselves who have taken the lead to educate mainstream consumers on the need to ensure fair prices to farmers in developing countries.

But regardless of the driving force behind the fairtrade movement, there are a number of things that the experts agree on:

- There is growing consumer awareness and appetite for a broader range of fairtrade products
- Introducing fairtrade lines has allowed retailers to meet the rising expectations of consumers. Whether it is in line with what consumers expect or ahead of their expectations, fairtrade gives retailers a point of differentiation
- It makes good business sense for retailers to look after their suppliers and to make sure that farmers and suppliers do not go out of business and are able to continue supplying the products that their customers want.

The Future for Fairtrade?

Some experts also feel that retailers need to do more in this area, for example growing the numbers of own-brand fairtrade product lines:

The supermarkets could do a lot more in terms of own-brand fairtrade products and help support those who have tighter incomes and budgets. The ethical/green shopper is a growing segment but sustainable good should not just be for that niche segment. Retailers should take on this responsibility right across the board whether it's with their value lines or premium ones
CR Expert/SRI

But there is still some debate, however, as to whether fairtrade will ever become truly mainstream, particularly outside a few select product categories.

Some feel that fairtrade will remain a niche market and that it would be unrealistic to expect retailers to introduce minimum standards, especially as fairtrade products tend to be premium priced.

Given that most retailers want to offer consumers the choice of different options and price points in each category, they argue that restricting the market to fairtrade goods could deprive consumers of real choice. Despite a disposition towards paying a fair price to farmers, the reality is that price remains a large factor in the decision-making process for consumers and cannot therefore be ignored.

But there is an opportunity somewhere in the middle ground our experts tell us. Arguably the fairtrade debate has been marred by an over-simplification of the issues. They see too much focus on the presence of a logo in niche areas, rather than the emphasis being on fair treatment of suppliers in general, driving up overall standards and ensuring that all suppliers are paid a fair price:

Retailer supply chains have globalised massively so ensuring that that kind of trade and their supply chains are fair and equitable is incredibly important. The trouble is at the moment, it has almost been reduced to whether you have a Fairtrade logo or not rather than the issues more broadly. What needs to happen now is what does it mean to the trade exactly. And things like the Ethical Trading Initiative, I am not sure how much that has been taken up or how many of the retailers have signed up to it, because it is much broader than just retail. Something like that which would hopefully improve standards across the board is needed, rather than just the retail industry
CR Expert/SRI

There may be an opportunity for retailers to raise standards across the board by making improvements which go some way to meeting the requirements of full certification but not actually following such stringent guidelines as certification, which would at least enable smaller overseas suppliers access to the market. Retailers with strong reputations are in a good position to take on this challenge.

Sustainable sourcing

The supply chain issues facing retailers do not just revolve around their treatment of suppliers, but also involve the wider impacts of their product sourcing on indigenous communities and habitats.

Responsible procurement brings with it many dilemmas, and a good example of this is the debate around the sourcing of palm oil (widely used in food stuffs and increasingly for bio fuels). A number of experts believe that the best solution in areas of controversy is for NGOs to work with retailers to raise awareness of the complex issues associated with cultivation. In this case, NGOs such as WWF and Friends of the Earth have campaigned to raise awareness about the impact of deforestation in the Amazon and Malaysian rainforests which is occurring in order to meet the growing demand for palm oil. It is felt that this campaign has created greater awareness of the issues and encouraged greater accountability and transparency among retailers. Nearly all supermarkets in Britain have signed up to the Round Table on Sustainable Palm Oil and more recently, Asda and the Body Shop have committed to only using palm oil from newly available sustainable sources in Colombia.

The impacts of supplying other products from fish to wood are also presenting challenges for retailers. As we examine in the next section, some experts expect increasing attention to be focused on this area as environmental pressures in particular become increasingly felt.

Collaborative efforts seem to be the most effective type of response to supply chain issues, and existing models ranging from the Ethical Trading Initiative to the Forestry Stewardship Council and the Marine Stewardship Council are improving retailers' impacts and reassuring consumers. Certainly supply chain issues threaten to become increasingly urgent as globalisation, population growth and climate change combine to complicate the supply of the products we have all become used to.

A joined up approach

Retailers need to ensure that they take a holistic approach to sustainability and close any credibility gaps. When making sustainable claims, they need to also ensure that they are consistent across their operations, including their suppliers' activities:

If retailers genuinely feel there is an opportunity to cash in on a green pound then they need to make sure they close any credibility gaps that are there. So you can't sell organic eco-clothing brands and then not address supply chain labour standards or environmental issues on the rest of your product ranges … You can't be saying you are doing great things about climate change and then not asking your suppliers to do anything about it
CR Expert/SRI

In summary

- While opinion leaders are aware of the complexities of fair treatment of suppliers irrespective of origin, consumers are more focused on the plight of UK suppliers. This has implications in terms of education, information provision and the tailoring of communications to different audiences
- Ensuring security of supply is considered to be a goal which can be compatible with social compliance and something that retailers should be working together to achieve (i.e. minimum standards agreements)
- Greater consumer awareness suggests an increasing willingness to contribute to the cost of supply chain transparency
- The fairtrade movement has demonstrated how much can be achieved in raising awareness and mobilising consumers and retailers alike. Competition and innovation is helping this sector to thrive and develop (irrespective of some reservations about the limited potential of this market to certain product categories) often exceeding opinion leader expectations
- Collaboration has helped retailers to address the complexities and challenges of sustainable sourcing
- Increasing pressure on the supply of products means that consumers will become more engaged with these issues in their product choice so that retailers will increasingly be required to make difficult choices and place their heads above the parapet.

The Future: Upcoming Dilemmas for Retailers

The Future: Upcoming Dilemmas for Retailers

How will the sustainability agenda change for the retail sector in the future? Which issues currently bubbling just under the consumer radar might come to the fore? Which are the areas of tension that retailers might prefer to ignore? Our research suggests that these will be the most important sustainability issues for retailers going forward – will the leading retailers of the future be judged on their response to issues such as these?

Climate change

The expert consensus is that climate change will continue to dominate the sustainability concerns for retailers (and for all of us). The potential implications for retailers are:

- Pressure to reduce carbon intensity of products, potentially encouraged by widespread carbon labelling (and perhaps even personal carbon rationing?)
- Growth in popularity of local, seasonal food – perhaps also increases in grow-your-own produce
- Increased focus on transport emissions of customers driving to the stores, which could further encourage on-line retailing and home delivery (also potentially the use of more climate-friendly vehicles in retail logistics)
- Reduction of international sourcing (especially air freight) where there is a more sustainable alternative (exacerbated by other factors such as higher oil prices)
- More scrutiny of water use where products are sourced from developing countries, and pressure to respect the water rights of indigenous people
- Perhaps the impacts of climate change will even mean stressed global supply chains and threatened food security (exacerbated by other factors, e.g. world population growth, increase of non-food crops for bio-fuels).

Other environmental factors – the potential implications for retailers are:

- Availability of fish further affected by depletion of fish stocks
- Pressure for more transparency on pesticide levels in food, further growth in organics and concern on animal welfare issues – potential scrutiny of price premiums charged and where this money goes
- Perhaps a waste crisis will even prompt a re-assessment of our excessive consumption/ throw-away consumer culture, for example reversing recent trends of ultra-cheap ‘disposable’ clothing towards more durable, re-used and recycled alternatives.

Social factors

The potential implications for retailers are:

- Pressure to ensure the benefits of international trade are felt by the poor in developing countries – potential scrutiny of fairtrade price premiums charged and where this money goes
- Continuing scrutiny of working conditions and human rights standards through the supply chain, focusing on developing countries (perhaps also with implications for retail workers in our increasingly 24-hour society?)
- As local shopping grows, there may even be pressure to reverse the out-of-town retail trend and regenerate high streets (perhaps exacerbated by a resurgence of community feeling among an ageing population increasingly in single-occupancy households?).

Macro-factors

Wider changes within the retail sector will also influence the sustainability debate.
The potential implications for retailers are:

- Increased competition with new market entrants from developing economies such as China, perhaps less receptive to sustainability issues
- Increasing tensions and more visible debates between the drive to keep prices low and the need to address sustainability issues
- Perhaps retailers will even be pushed to challenge the prevailing consumer expectation of ever-cheaper, more convenient goods and services if the climate, consumer health, animal welfare and human rights down the supply chain are all to be protected.

Certainly it seems likely that there will be no let up in the pressure on retailers to address the sustainability agenda – quite the opposite according to this commentator:

The fact that there'll probably be more focus on the whole product supply chain and lifecycle means that retailers will be under pressure on virtually everything – where their stores are, how they operate, how people get to them, as well as the products that are actually in them and where they're sourced from
NGO/Interest Group

Appendices

Methodology

This report includes information from several sources, including both an Ipsos MORI online study among the British public and a series of depth interviews conducted with a range of experts in the fields of retail and sustainability.

The online Omnibus study was among 1,131 members of the British public aged 16-64, conducted 13-17 March 2007.

In addition, a total of 21 in-depth interviews were conducted with representatives from a range of relevant organisations including:

- Retailers
- Manufacturers
- NGOs
- Consumer / Trade organisations
- Academics and Consultants
- Think Tanks
- Retail financial analysts
- CR journalists
- Government departments

In order to protect respondent anonymity, we have grouped respondents' comments into the following broad groups:

- Retailers & Manufacturers
- NGOs and Interest Groups
- Corporate Responsibility Experts (including business member organisations, think tanks, consultants and other commentators) & SRIs (socially responsible investment professionals)
- Other Commentators (trade associations, analysts and journalists)

Below we list the names of respondents who were happy to have their participation in this research made known. We would like to thank them as well as the other stakeholders who took part in the research, for their time and willingness to speak frankly and openly to us:

Nigel Smith
British Retail Consortium

Lucy Yates
National Consumer Council

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Forum for the Future

Philippa Foster Back
Institute of Business Ethics

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Richard Ellis
Alliance Boots

Mallen Baker
BITC

The late Richard Ratner
Seymour Pierce

Murray Armstrong
Guardian

Peter Mason
Ethical Performance

Nick Monger-Godfrey
John Lewis

Debra Stones
Tesco

Ian Bretman
Fairtrade Foundation

Michael Narberhaus
WWF

Rowland Hill
Marks & Spencer

Peter Kendall
National Farmers' Union

...until we decide what the game is and which way we are pointing, we can’t compete, so we do need to collaborate first before we can compete

Retailer/Manufacturer

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