Drivers to sustainability in the Nordic Retail trade

1. Driving forces
Driving forces are various factors that trigger and induce retailers to undertake certain activities. In this section driving forces for retailers to initiate, maintain and expand their sustainability work upstream, inhouse and downstream the supply chain are outlined based on extant literature about European retailers, as well as a survey and interviews with Nordic retailers.

Financial
Financial incentives are identified by retailers as the most important driver for increasing sales of greener products (BIO Intelligence Service 2009).

Being resource efficient increases profit margins for retailers and reduces potential costs (in the medium and long term) while benefiting the environment; for example, reducing packaging of products can mean reducing transport costs and using less fuel (SDC 2007), while improving energy efficiency leads to reduction of costs for electricity. Therefore many retailers are working on improving efficiency of their in-shop and logistics operations (ETC/SCP 2010).

Nordic retailers recognise that environmental work often leads to reduction of cost and to financial savings. In particular, the following areas are named: increasing energy efficiency and reduction of energy consumption in stores and warehouses; reducing fuel consumption in transports, recovery of thermal energy from coolers, which results in savings of cooling water; reduction of volume of waste, and possibility to sell paper and plastic to recycling companies.

Strategic
The opportunity to enter green markets triggers retailers to promote green products through labels and other means (ETC/SCP 2010). Improving products’ social and environmental profile in the long term can be seen as a strategic driver for some companies who acknowledge the growing consumer awareness on social, ethical and environmental issues. In this way, retailers secure potential markets and profits from sustainable offers.

For Nordic retailers working with environmental issues is a must due to stakeholders’ expectations and demands. For ICA, for example, strategic environmental work is a natural part of building brand value, while KF (COOP-SE) believes that green credentials will gradually rise in importance for customers when deciding on what and where to buy groceries.

Avoiding reputation risks and liability for potential social damage is another driver for retailers to work with environmental and social issues especially in supply chains, on which retailers are reliant (NCC and SDC 2006: 29; Schmidt, Möller et al. 2009). For example, unsustainable supply chains, (e.g. relying on fish supplies that are red-listed by WWF), are a clear risk factor for retailers. “Unless businesses move now to diversify into resource-light products and services, supply chains will become unreliable, reducing profitability long before they actually collapse, and others will seize the opportunity missed and fill the vacuum with innovative and creative solutions that eliminate the problem” (NCC and SDC 2006: 29). Retailers need to consider the costs of moving into green or ethical products too soon versus being too late. Both options can lead to higher costs and are associated with risks. Frontrunners among Nordic retailers report that as they have a high sustainability profile, it is necessary for them to work pro-actively with environmental issues in order to avoid risks to the reputation they have already built. KESKO (FI) mentioned reputation management as drivers for their environmental work.

Being exposed in the media for failing to act in an ethical and sustainable manner could result in problems for longer term profitability (SDC 2007), which can be seen as a driver for some retailers to work with sustainability issues – the so-called reactive strategy.

Improving corporate image is also a major driver for some retailers to take actions to improve environmental performance. For example, for COOP-DK improving corporate image is important as it helps
attract consumers to their shops. Image plays a role when consumers choose where to shop, but perhaps is less important for their choice of specific products.

**Market**

Stakeholder pressure from NGOs, consumer associations and the public trigger retailers to work with sustainability issues in order to preserve and improve corporate image and brand (ETC/SCP 2010).

**Consumers** are undoubtedly an increasingly important force that shapes the environmental and social responsibility of organisations as their awareness is growing and they are starting to vote with their Euros on the market through the purchase of ecological, organic, local and Fair Trade products. Consumers can also take part in boycotts or campaigns against specific companies or products, e.g. toys produced in China.

**Competitors** are also a driver for some companies to engage in sustainability work in supply chains. Retailers may feel that more proactive companies are reaping the benefits of green markets or that the proactive work of some of their competitors increases the expectations of customers with regard to the sustainability work of all the players on the market. KESKO (FI) mentioned competitive advantage and differentiation as drivers for their environmental work.

The work of **NGOs** can drive the uptake of actions in the retail sector and wider industry. Unsurprisingly retailers prefer active cooperation with NGOs who assist them in improving their environmental performance, and disregard negative pressure from NGOs as a driver for change (BIO Intelligence Service 2009: 52). In Sweden, environmental and human rights groups and consumer advocates together representing “civil regulation”, e.g. SwedWatch, Fair Trade Center and Rena Kläderna investigate the environmental and social performance of various companies and communities in their supply chains and bring the knowledge to the public, thereby exerting pressure and triggering action (Bjurling 2007; Mont and Leire 2008). Nordic retailers also mentioned in interviews that NGOs also play an important role as a stakeholder and dialogue partner, especially in the initial phase of building systemic environmental work.

**Public purchasers** can be a strong driving force for working with sustainability in the supply chain and for increasing the share of environmental and social products (Schmidt, Møller et al. 2009: 47; Leire, Mont et al. 2009). Public procurement represents up to 14% of GDP in some European countries, thereby representing a very large and important customer. By putting demands on suppliers with regard to the kinds of products and services that public organisations would like to buy, they stimulate a shift in the market towards a more sustainable direction. However, none of the Nordic food retailers mentioned public purchasers as a driving force, since public purchasers have other procurement channels than through food retailers. Other types of retailers, e.g. Byggmakker in Norway, mentioned public procurement as a driver (Schmidt, Møller et al. 2009).

Official **retailer awards** are sometimes drivers for retailers as a way of communicating their efforts on sustainability to consumers; UNEP’s “Green Awards for creativity in sustainability” is an example (BIO Intelligence Service 2009). However none of the Nordic retailers mentioned retailer awards as a driver for environmental work.

Some of the Nordic retailers are owned by cooperative members and as a consequence their environmental work is primarily guided by the needs and enquiries of members the cooperatives. They report strong demand for greener products, e.g. organic and local produce, as well as demands to reduce environmental effects from retailer operations.

KESKO (FI) also mentioned as a driver the fact that the number of LOHAS consumers (lifestyles of health and sustainability) is growing, even though sales of environmental products and in particular, organic and Fair Trade products, are still small.

**Regulatory**

“Retailers highlight that regulation is efficient at creating a level playing field for all retailers, which can contribute to reducing adverse impacts on competitiveness, and motivating those who are less compliant. On the other hand, it does not greatly affect retailers who are already active in improving their own environmental performance” (BIO Intelligence Service 2009: 50). Regulation plays an important role in the environmental work of Nordic retailers. They need to comply with both EU and national legislation. At the EU level, retailers mentioned the following regulatory directives and instruments affecting their daily operations: RoHS, producer responsibility directives, and REACH. Regulatory measures play an important role in certain areas, such as waste and food safety standards. In other areas the development is driven mostly by market
demand, such as environmental concerns in sourcing fish, meat, and organic products, rather than regulatory measures.

Existing policies affect all three main parts of the supply chain to different degrees (ETC/SCP 2010: 43):

- **Policies** commonly impacting on **upstream** retail activities include agricultural policy, eco-efficiency initiatives around technologies and processes, and links between labelling standards and eco-friendly farming methods.
- **In-store** retail activities are subject to policy instruments similar to those affecting any other service business, such as sustainable construction criteria, energy efficiency standards for buildings, etc.
- **Current policies influencing retailer activity downstream** are mainly voluntary measures centred on the provision of information and standards through various forms of labelling, the promotion of organic and fair-trade products and waste reduction initiatives around both packaging and food waste (ETC/SCP 2010: 43).

Retailers consider **official eco-labels** to be a significant driver that enables them to expand their range of greener products, and to use the eco-label criteria as requirements to help them green their supply chains (BIO Intelligence Service 2009).

**Managerial**

Another important driver for companies is their **own organisational values**. For example, Coop has been dealing with environmental issues and leading Nordic markets for environmentally sound products for more than two decades. Organisational values and top management commitment were mentioned as important drivers and preconditions for Nordic retailers’ environmental work. For example, COOP-SE’s business mission is to create economic benefits and to facilitate sustainable consumption for its members. Concern for people and the environment is one of COOP-SE’s core values. Delivering results in relation to its business mission and values was mentioned as potentially the main driver for COOP-SE work with environmental issues. S Group (FI) also mentioned that genuine commitment by top management is crucial to implementing the company strategy, which aims to translate environmental issues - especially energy saving and waste management - into performance-based criteria.

**Employee concerns** can become a driver for retailers to engage in sustainability work, if awareness of personnel and potential employees is high - which correlates with general sustainability awareness in society. In this case they can also attract a high-quality workforce, and help maintain committed and motivated employees through their response to sustainability issues. S Group (FI) also stressed that the workforce is a major resource for implementing environmental strategy within the company. "Employees can discover opportunities to do things better, and best practices can be spread throughout the group. Employees can find cost-effective ways to reduce environmental impacts and these can be helpful for other business units if they are mobilised". KESKO (FI) identified both the existing workforce and the ability to attract potential employees as important drivers: "students and young people appreciate and want to work for a responsible company".

**References**
