

## The role of retailers in the transition towards Sustainable Consumption and Production

Modern lifestyles and consumption patterns have radically changed over the past decades, resulting in unprecedented pressure on the environment. A shift to more sustainable consumption and production patterns was therefore adopted as the cornerstone of sustainable development during the UN World Summit for Sustainable Development in Johannesburg in 2002.

### **The position of retailers in the product chain and their potential role in encouraging SCP**

Retailers – where most of us buy our food and consumer products – have an important role to play in promoting sustainable consumption and production. Retailers occupy a unique position in the life cycle chain of products as a "gatekeeper" between producers and consumers and can therefore potentially play a major role in advancing the sustainability of consumption and production.

First, retailers offer a huge variety of products – the product range typically includes several thousand unique products – and are thus in direct contact with a large network of suppliers, including manufacturers and distributors. This gives retailers the opportunity to edit choices through selecting and deselecting products as well as to work together with their producer and supplier companies to stimulate sustainable manufacturing and as well as development of more sustainable products.

Secondly, being in direct contact with consumers, retailers exert influence on what kind of products consumers buy, and how they use and dispose of them. Retailers thus have the potential to influence consumers' purchasing habits (and to some extent, consumption habits in general) in a sustainable direction by encouraging and enabling sustainable consumption, for example by making eco-labelled products available and visible (also known as "choice influencing").

Thirdly, as with other major actors in the product chain, retailers can reduce the direct environmental impacts from their own operations by focusing on in-house environmental management of their facilities as well as transportation and logistics. The size of the retail sector means that the potential environmental improvements from retailers' own operations are not insignificant. (ETC/SCP, forthcoming)

Lastly the retail sector is becoming more concentrated, with fewer and larger retailers, and in most countries national/international chains are growing. In some Nordic countries (Finland and Sweden), the top five retailers made up more than 70% of the grocery market in 2005 (AAI & RPI, 2007). This concentration of the retail sector makes it a potentially effective entry point for policy intervention compared to reaching out to thousands of producers and millions of consumers.

The position of retailers in the product chain is illustrated in the figure below:



Product chain

Source: Developed from ETC/SCP, forthcoming



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## Classification of retail initiatives aimed at promoting SCP

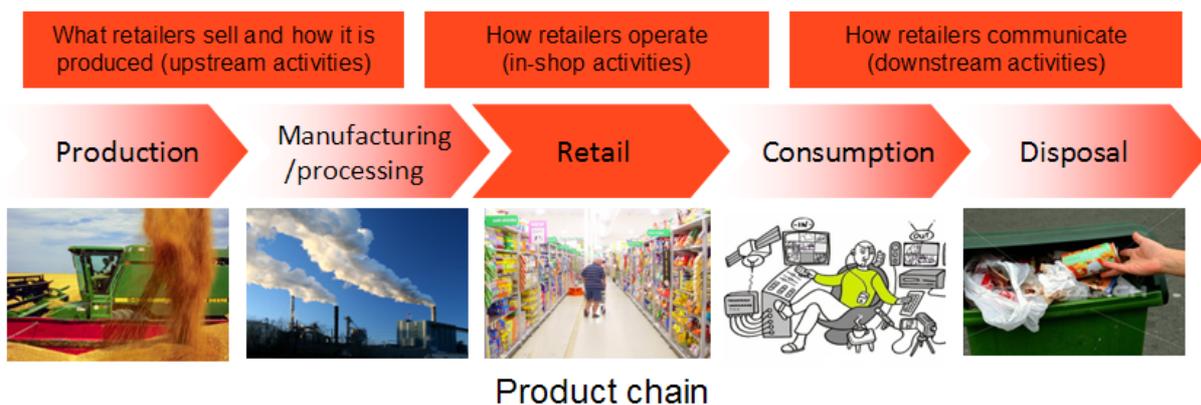
As briefly described above, the unique position of retailers in the product chain provides them with the opportunity and responsibility to endeavour to reduce the impacts of consumption and production, not only via focusing on their own facilities, but also by focusing upstream and downstream.

It is useful from the retailer's perspective to divide the possible environmental initiatives into three broad categories: 1) What retailers choose to sell and how it is produced (activities upstream in the product chain), 2) How retailers sell (in-store activities) and 3) How retailers communicate with consumers (downstream activities in the product chain).

**Upstream activities** can reduce the indirect environmental impacts of retailers by selecting green products and greening the product chain before the product reaches the stores – or in other words addressing what retailers choose to offer the consumer and how it is produced. The overall aim of this group of activities is thus to reduce overall environmental impacts from the manufacturing of the products that the retailer offers. This can include requiring or assisting suppliers to reduce the environmental impacts of their activities and products; sourcing products with lower environmental impacts, both for sale and for retailers' own use; or editing out products with high environmental impacts from their range.

**In-shop activities** can reduce direct environmental impacts from retailer's own operations, by focusing on in-house environmental management of their facilities, e.g. energy and water consumption and waste generation, as well as environmental impacts from transportation and logistics.

**Downstream activities** can reduce the indirect impact of retailing associated with the purchasing, use and disposal of products by consumers. The overall aim of such activities is to make it easy and attractive for consumers to make sustainable choices. Assisting consumers to make more environmentally sound choices can for instance be done by 'greening' the product range, by strategic product placement of green products, by supporting the concept of buying less but higher quality and by developing advertising, communication strategies and pricing mechanisms to increase the uptake of and demand for green products.



Source: Developed from ETC/SCP, forthcoming

Upstream, in-shop and downstream activities are at times closely linked. Thus, it is often useful for the retailers to work across the three categories, involving different departments and disciplines in the retailer chains – purchasers, marketing staff, sustainability departments, etc. This is also the case for wider retail initiatives, such as development of sustainability strategies and reports as well as stakeholder engagement. In this case, coordination across the product chain and between different departments in the retailer chains is required.

## Recent developments in the Nordic region and in EU

The important role of retailers in facilitating a shift towards sustainable consumption and production patterns was recognised in the EU *Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan* launched by the European Commission in July 2008 (EC, 2008). One of the key initiatives of the action plan was to establish a European Retail Forum aimed at exchanging best practices on sustainability in the European retail sector and identifying opportunities and barriers that may further or hinder the achievement of sustainable consumption and production.

Retailers in the Nordic countries and the rest of Europe and the world have in recent years launched a number of exciting environmental initiatives related to the operation of shops, suppliers and consumers – and environmental issues continue to rise higher on retailers' agenda. Environmental initiatives cover a variety of issues from reductions in packaging to environmental labelling schemes. There is still considerable potential for scaling up existing initiatives by sharing best practices and developing new innovative approaches within the Nordic retail sector. However, it should be noted that until now, retail initiatives have primarily been targeted at changing consumption patterns rather than consumption levels. Investigating future business models also addressing levels of consumption provides an interesting avenue for further work.

Scaling up existing initiatives by sharing best practices and development of new innovative approaches within the Nordic retail sector can be accelerated through closer cooperation between retailers and authorities. An important element of this close cooperation would be to foster new policy developments – such as regulation, economic instruments, labelling and voluntary agreements – and thereby create incentives for retailers to continuously improve their direct and indirect environmental performance upstream, in-shop and downstream in the product chain.

### Focus on the environmental side of sustainability

Sustainable Development is often described as comprising three main pillars: the economic, the environmental and the social. As the concept of SCP inherits the conceptual ideas of SD, it builds on the same three pillars. This project will place its main focus on the environmental side of sustainability, which entails that social issues of sustainability, such as human rights, child labour and corruption, will not be dealt with in detail, when analysing the role of retailers in moving towards SCP. Elements of social sustainability, which also have environmental implications, such as the fair trade label, are included in the present analysis. Furthermore, it is important not to consider environmental aspects in isolation when analysing SCP and consumer motives to behave sustainably, but instead acknowledge the relations with other aspects, such as health or animal welfare.



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