

FMI Sustainability Starter Kit

Executive Summary

Introduction

Sustainability – defined as “business strategies and practices that promote the long term well-being of the environment, society and the bottom line” - is a significant and growing issue and opportunity for the food industry.

The Food Marketing Institute (FMI) has identified sustainability as a priority issue for the food retail and wholesale industry and has formed a Sustainability Task Force (STF), made up of representatives from retailers and wholesalers, to help its members understand and respond to the challenge of sustainability. The first task of the STF was to develop a “Sustainability Toolkit” for the FMI membership. This toolkit has evolved into two parts: “The Sustainability Opportunity for the Supermarket Executive” and the Sustainability Starter Kit. The first looks at the “What” and “Why” of sustainability while the second seeks to help companies initiate the “How.” Specifically, the two parts are:

- “The Sustainability Opportunity for Supermarket Executives” – a customizable slide bank that will help educate company leaders on the business case for sustainability while providing an introduction on how companies can think about developing business strategies. This PowerPoint is available free of charge on the FMI website.
- The Sustainability Starter Kit - a framework to help companies review and analyze what sustainability means as a business issue for them including practical tips and advice for how to get started in developing and executing their own approach to sustainability. First, the Starter Kit builds on the experiences and learnings of companies from a range of sectors who are already using sustainability in their business strategies, then it develops a specialized approach for food retailers. The Starter Kit is designed to be used by those individuals responsible for developing and implementing the company’s approach on sustainability. The Starter Kit will be available via the FMI website in March 2008.

We want to thank the sponsors of the Sustainability Toolkit: Campbell Soup Company, Georgia-Pacific, HillPHOENIX and JohnsonDiversey. We are not only appreciative of their support but also of sharing what they are doing internally around sustainability as well as how they are helping customers address sustainability challenges and opportunities. Examples of this leadership are included throughout the Starter Kit.

FMI has found that most retailers are already engaged in various activities that relate to sustainability but few have coordinated them in a strategic way. The Starter Kit is designed to help develop a strategy and implementation plan for sustainability.

In developing the business approach to sustainability, the Starter Kit provides a framework to help companies understand where opportunities exist that have the greatest financial value. Currently, many retailers are reviewing the environmental footprint of their operations. And, while this is a good starting point, independent research has found that internal operations only account for about 10-15% of a retailer’s

environmental footprint. In fact, the bulk of impacts are generated in the supply chain. With this in mind, the Starter Kit helps companies think about their business in a more holistic way or from a value chain perspective. It promotes relationships with suppliers and other key stakeholders in the value chain. This thinking aligns with the fact that many consumers look to supermarkets as the gatekeepers of products. Many retailers acknowledge the importance of traceability and good supply chain management for food safety issues but this awareness should also apply to other sustainability issues such as how products are produced to minimize risk of inadvertently contributing to negative environmental and social practices. Retailers promoting sustainable practices throughout the supply chain will not only reduce risk by minimizing supply interruptions and price swings, but also help a retailer provide better offerings for their customers.

Developing and implementing your company's approach to sustainability requires a constantly evolving and dynamic process. It should not be thought of as a project or initiative as both of these terms suggests a beginning and end. It is important to note, there is no one-sized-fits all approach to sustainability, even within one industry sector. To be successful, every company must research and develop an approach that fits their internal culture. The Starter Kit provides general ideas and recommendations that can be tailored to fit each company. However, it is intended to provide strategic guidance from which companies can develop their own sustainability approaches, not tactical detail or directions.

Overview of the Starter Kit

The Starter Kit is broken into six sections outlined below. Each section provides examples, practical frameworks, sequential steps, and links to external tools.

Section 1. Finding the Right Place to Start

Finding the right place to start ensures that sustainability efforts are rooted in the core business and aligned core business goals. These efforts should be expected to generate financial value as opposed to being seen as a philanthropic effort or part of the cost center.

- Laying the internal groundwork
 - Identify one person to lead the effort
 - Form an interdisciplinary or core team that includes finance staff
 - Discuss terminology and define jargon
 - Seek a mandate from senior leadership team
 - Think about accountability and how sustainability efforts can fit into existing corporate governance and organizational structure
- Reviewing the current business strategy for the company and key business units
 - Identify key drivers of business value and major performance goals
- Understand your culture
 - Describe the relationship of sustainability to core company values
 - Connect with the history of the company
 - Think about what approach would connect with your employees
- Define the scope of your effort
 - Company-wide, single store, product-specific (eg. perishables?)
- Assessing the operating environment
 - Conduct high-level competitive analysis
 - Describe the expectations of consumers
 - Understand the social and environmental commitments and principles in use in your industry at both the company and industry levels

Section 2. Assessing Opportunities and Risks associated with Sustainability

A critical step in developing sustainability processes (or strategies) that are good for the company shareholders, society and the environment is conducting an assessment of the opportunities and risks presented by social and environmental trends. Some refer to this topic as “developing the business case” or “analyzing the business value at stake.” This section shows how companies assess environmental and social trends that impact their businesses.

- Assess business value of social and environmental trend
- Analyze opportunities and risks presented by these trends
- Review sustainability in your supply chain
- Identify “low hanging fruit” or areas where small changes could yield big results
- Review what other companies in the value chain are already doing on sustainability

Section 3: Strategy Development

This section provides a framework for developing and selecting options that enable companies to integrate sustainability into their business strategies.

- Identify strategies that create financial value as well as value for a broader group of stakeholders simultaneously
- Familiarize team with sustainability frameworks used in retail and other sectors
- Determine where the company wants to be positioned on sustainability
- Adopt strategies that combine sustainability goals and business objectives

Section 4. Establishing Goals and Metrics

This section offers models and steps for developing sustainability goals and establishing metrics:

- Familiarize team with various sustainability goals and metric frameworks used by other retailers
- Review practical advice of those companies that have gone down this path before
- Brainstorm specific goals and metrics based on the sustainability strategies adopted by the company
- Refine and test sets of goals and metrics
- Learn how to get the most out of metrics

Section 5. Implementation of Plans

This section offers different models that have been used to implement sustainability strategies.

- Get commitment from senior management for the specific sustainability strategies adopted by your team
- Engage staff across company and create energy around the strategy
- Capture and apply the lessons learned from other corporate initiatives and as you roll out this strategy
- Revisit corporate governance and organizational structure discussed in Section 1
- Integrate financial value from sustainability in business decision-making
- Monitor progress toward goals and publicly report results
- Identify and understand barriers to success

Section 6. Cross Cutting Tool: External Engagement

External stakeholders can provide validation of the importance of a company's sustainability strategies to society and the environment, deeper understanding of key trends, insight into which strategies are most likely to succeed, and partnerships with commercial benefits. This section provides processes, tools and insights for engaging a range of stakeholders, including non-governmental organizations (NGOs), governments, investors, employees, suppliers and customers.

- Why Engage with External Stakeholders
- Map stakeholders at all levels
- Understand objectives of stakeholder groups and individuals
- Prioritize stakeholders
- Understand the objectives of engagement
- Identify mutual value proposition for each stakeholder
- Develop process for engagement
- Examples of Corporate/External Stakeholder Partnerships

Appendix I – Food Industry Examples of Sustainability in Action

Appendix II - Glossary of Sustainability Terms

Appendix II – Sustainability Resources