

Retailers are not known or viewed as bastions of responsible, sustainable practices. Excluding leaders like Whole Foods and Patagonia, retailers are often blamed for the world's problems – big-box retailers get grief for employment practices, grocers take heat for inefficient stores and rampant plastic bags and restaurants are scrutinized for food waste. Because the retail industry is such a resource-intensive business with complex process chains, accountability gets lost in the shuffle and the public begrudges retailers for their seeming lack of sustainability. Retailers are reacting by leading sustainability efforts with their suppliers in the form of mandates and requirements.

As a supplier to retail, manufacturers and distributors must learn to operate within the expectations of their retail customers. However, this does not need to be a one-way street, and suppliers can and should influence their retail customers through their own expectations, behaviors, and actions. Given a lack of clear industry standards in the emerging arena of sustainability, it is not always easy for suppliers to determine the best course of action and negotiate the most optimal outcomes with their retail customers.

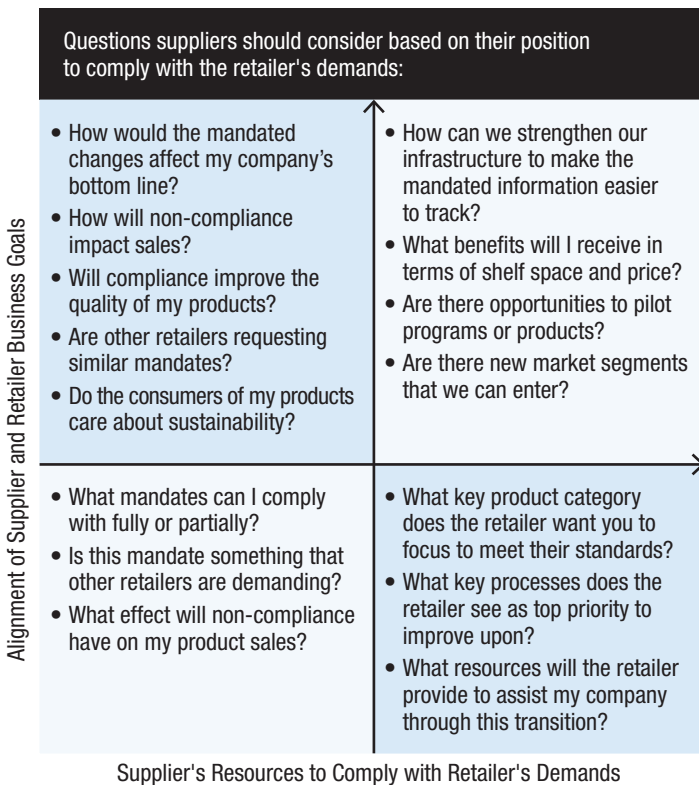
If a supplier is asked to comply with a certain set of standards by their biggest customer, what is the right course of action? Realistically, the supplier will need to adhere to the customer's demands in order to stay in business. Conversely, if a retailer that provides less business to a supplier was to approach a supplier with these kinds of standards, the supplier may be less motivated to make the necessary business changes. Consequently, the retailer may have put themselves in a position to lose the supplier.

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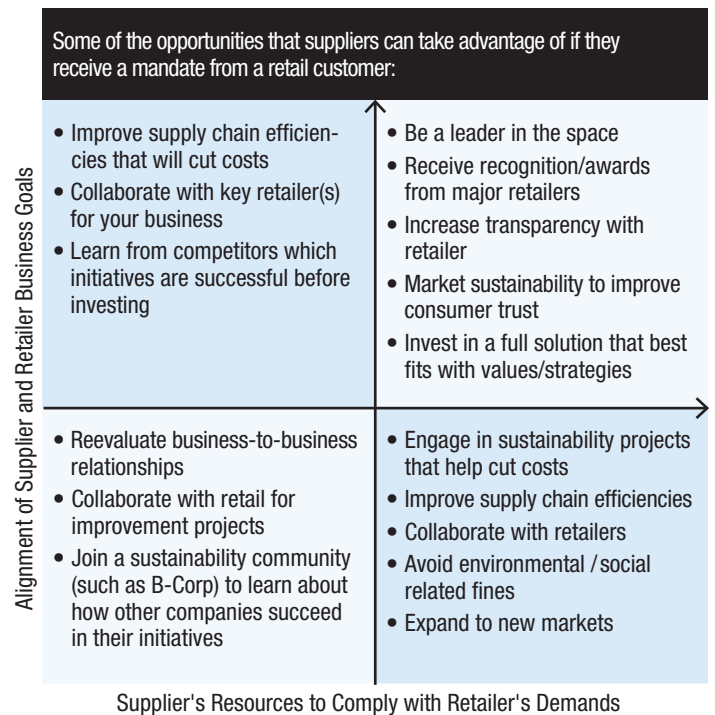
### Determining the Best Course of Action

As retail leaders announce sustainability score cards or update their compliance requirements, it is important to consider your position as a supplier and become a partner in the effort. Several questions should be discussed to ensure a smooth and multi-beneficial partnership.



Though there are different approaches to compliance, when a retailer works successfully with an upstream partner to change a process, two benefits can be achieved. One, suppliers can learn ways to cut costs and optimize processes through sustainable practices and even search for more areas of improvement within their business. And two, suppliers can realize the ROI of new process improvements and leverage their added efficiencies in order to gain more collaborative partnerships and paralyze the competition. This will create a root system of sustainable behaviors that will infiltrate the industry.

However, there are certainly hesitations for suppliers to react to large companies that use their weight and power to mandate certain standards throughout the supply chain. No company or industry wants to become the victim of the supply chain “playground bully” who demands unobtainable goals. Form relationships with your supply chain partners that allow you to communicate any concerns about incoming mandates, find out best practices from the larger supply chain network, or request the time or resources necessary for compliance. Open dialog helps to keep in check those companies who could be using their weight to push suppliers in a direction that could compromise their success or lead to setbacks in sales or contracts. Goals that have effects across the supply chain need to fall into a win-win scenario for the buyer, the supplier, the industry and community as a whole.



Retailer mandates are nothing new and cover virtually all product categories and facets of sustainability. Incorporating new requirements based on core values and operating strategies is key to the supplier portion of a win-win in retailer mandate situation. Below is a timeline of some key mandates of what the industry has seen passed up from the supply chain from major retailers over the past 15 years.

MAY 1999	Whole Foods is one of the first to collaborate with Marine Stewardship Council
JUN 2003	Wal-Mart announces RFID requirement for top 100 suppliers
FEB 2006	Wal-Mart pledged to source all seafood from fisheries that meet Marine Stewardship Council standards
JUL 2009	Wal-Mart announces sustainable product index
OCT 2010	Wal-Mart asks suppliers about water, energy, fertilizers, and pesticides per food unit
FEB 2011	Whole Foods introduces 5-step animal welfare standards
OCT 2012	Target announces elimination of sow gestation crates by 2022
MAR 2013	Wal-Mart adopts "zero tolerance policy" for global sourcing standards violations (replacing "three strikes" method)
APR 2013	Kroger to source 100% of palm oil from suppliers with Roundtable on Sustainable Palm Oil certification
MAY 2013	Wal-Mart becomes first to refuse non-PTI compliant produce
SEP 2013	Whole Foods will launch sustainability rating system on fresh produce and flowers by 2014
OCT 2013	Target will work with UL GoodGuide to shape its 2 year old Sustainable Product Standard

### Navigating the Mandates

It can be intimidating to consider new sustainability initiatives given all the steps necessary to accurately and efficiently collect, monitor, and report on key sustainability metrics. However, there are myriad support tools available to navigate the various challenges faced by those seeking to push sustainability through their supply chains. Some examples include:

- FoodLogiQ's Traceability services and Grower Relationship Management (GRM) tool allows companies to track sustainability information from the farms and fields all the way to the retailer.
- Assessments are a great way to track a product's entire life cycle and illustrate any gaps, as well as put the product in a good position to work toward sustainability certifications.
- Sustainability certifications, such as Food Alliance and the USDA Organic Certifications, can be a huge boost to consumer loyalty and help products gain a competitive edge.

Increased effort of sustainability through implementation of such tools and collaboration between the businesses will ease the transition to meet new retailer standards of performance. A key tenet to maintaining this relationship between both parties is transparency. Without the trust put in place by a transparent relationship, suppliers lack the relationship to negotiate or communicate their needs to the retailer. But when trust is achieved, retailer mandates are not mandates at all, but common goals shared and actively pursued. Then the push toward sustainability is not intimidating or oppressive, but a source of momentum.

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**Case Study:**

*Working with some of the largest food and food service companies in the industry, this world-leader in food manufacturing needed to meet new customer traceability and labeling requirements that included a Serial Shipping Container Code (SSCC), a GS1 standard case label and the transfer of key supply chain data. Their objective was to design and implement a solution that supported current and future customer requirements while limiting the impact to current operations.*

*Clarkston partnered with this food manufacturer to help them combine customer requirements and implement a solution that met all customer requirements and worked best with their own operations. The design of the solution aligned with the widely accepted GS1 standards and established a solid platform on which other requirements can be built. Additionally, the solution leveraged the food manufacturer's current technology investments and minimally impacted operations, while grouping similar customer requirements to avoid conflicting or redundant work. This food manufacturer is now positioned to engage in meaningful dialog with customers in the future as more requirements are mandated.*

For over 20 years, Clarkston has helped Consumer Products companies collaborate with their retail partners. With sustainability mandates now added to the collaboration mix, Clarkston is helping manufacturers respond strategically to these requests through aligning these mandates to the manufacturers' business and implementing scalable solutions that prepare the business for future mandates. To discuss more about how your Consumer Products company can align and respond to sustainability mandates, contact us at [info@clarkstonconsulting.com](mailto:info@clarkstonconsulting.com).

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**About Clarkston Consulting**

*Clarkston Consulting is a different kind of management and technology consulting firm. We deliver a unique experience for market leaders within the Consumer Products and Life Sciences industries. Considering professionalism, expertise, and value as prerequisites, we take service a step further through our unyielding commitment to the success of people as individuals, both our clients and our employees. By combining integrity, adaptability, and a whatever-it-takes attitude, we have achieved an extremely high rate of referral and repeat business and a 10-year average client satisfaction rating of 97%.*