

# Science for Environment Policy

## Larger retailers need to be more proactive in greening their supply chain

**An analysis of European** retailers revealed a range of initiatives being undertaken to improve the environmental performance of product supply chains. However, it appears that very large grocery retailers are less proactive than specialist and cooperative retailers, owing to their complex supply chains and tendency to consider consumers responsible for environmental improvements.

Retailers have significant potential to influence suppliers and consumers in order to drive environmental improvement across product life cycles. Retailer initiatives to achieve this include green procurement, choice editing (only selling environmentally-friendly goods), product labelling, use of more environmentally-friendly materials in their 'own brand' products, stipulating environmental criteria for suppliers, and promoting eco-labelled products. However, the number and complexity of retail supply chains, and geographical distance between suppliers, makes improving supply chain sustainability a logistical challenge for retailers. Progress requires long-term commitment.

The researchers collated information from 25 major European retailers on their initiatives to improve the environmental performance of their supply chains. They focused on larger retailers with private label product ranges and those presumed to be front-runners in environmental management. Data were collected between February 2010 and February 2011 from a range of sources, including sustainability reports, retail and scientific experts, and direct communication with retailers. The results suggest that retailers need to report the environmental performance of their supply chains more clearly and quantitatively. Quantitative data on the sales of environmentally-improved products remain difficult to obtain and some major retailers, such as two German supermarket chains assessed, do not publish sustainability reports.

Third party standards, such as the Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) standards, are increasingly used by retailers to demonstrate environmentally improved performance by products and suppliers. Front-runner retailers use these standards as a basis for green procurement, rather than to inform consumer choice, and have targets for 100% certification within priority product groups. Organic certification is the most widespread environment-related product standard, and underpins consumer labels such as those of the Soil Association in the UK and KRAV in Sweden.

Strategies to improve product supply chains are evolving more quickly for some key products and commodities that have been identified as particularly unsustainable from certain sources, such as timber, wild fish, palm oil and soy. Retailers leading the way in improving their supply chains' environmental performance have established their own requirements from suppliers. Examples include wood sourcing requirements from a Swedish furniture retailer, and chemical restrictions from a Swedish clothing retailer.

Front-runner retailers were found to invest in research supporting the development of environmental assessment methods, supplier standards and product innovation to reduce environmental impact. Product carbon foot-printing for labelling purposes was not classified as best practice owing to lack of methodological standardisation and consumer response.

Higher percentages of certified products were sold by the smaller retailers considered, particularly the co-operatives. Some of these retailers collaborate with one another to reduce the costs of green procurement. Some specialist retailers also have a high percentage of certified goods, reflecting environmentally pro-active use of their market power. Larger grocery retailers face the greatest logistical challenge, working with many large, complex supply chains. Consequently, they tend to delegate responsibility for supply chain sustainability to consumers.

However, consumer choice is not a major driver of environmental improvement across products, and that more retailers need to acknowledge their critical role in improving the environmental performance of supply chains the researchers conclude.



27 September 2012  
Issue 299

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**Source:** Styles, D., Schoenberger, H. & Galvez-Martos, J-L. (2012) Environmental improvement of product supply chains: A review of European retailers' performance. *Resources, Conservation and Recycling*. 65: 57-78. Doi: 10.1016/j.resconrec.2012.05.002.

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**Theme(s):** Sustainable business, Sustainable consumption and production

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To cite this article/service: "[Science for Environment Policy](#)": European Commission DG Environment News Alert Service, edited by SCU, The University of the West of England, Bristol.