

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) identified sustainability as a priority issue for the industry and formed a Sustainability Task Force made up of representatives from retailers and wholesalers. The task force will help FMI members understand the challenges and respond effectively. Its first step is to develop sustainability resources for members. This initial work has evolved into two parts: a presentation titled The Sustainability Opportunity for Retail and Wholesale Executives and the Sustainability Starter Kit. The first looks at the “What” and “Why” of sustainability, while the second seeks to help companies implement the “How.”

The Sustainability Opportunity for Retail and Wholesale Executives is a customizable PowerPoint presentation to help educate management about the business case for sustainability and help companies begin thinking about sustainability strategies. This presentation is available free on the FMI website.

The Sustainability Starter Kit provides a framework to help companies analyze what sustainability means as a business issue, including where they have greatest financial stakes based on the risks and opportunities. The kit features practical advice on how companies can start developing and executing their own approach to sustainability. It builds on the experiences of companies from a range of industries that have been using sustainability in their business strategies. The kit then presents a specialized approach for food retailers and wholesalers. The Starter Kit is designed to be used by those who are responsible for developing and implementing your company’s approach to sustainability. This resource will be available in January 2008.

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. Currently, many retailers are reviewing the environmental footprint of their operations. While this is a good starting point, external analyses have found that internal operations account for only about 10-15 percent of a retailer’s environmental footprint. The bulk of the issues are in the supply chain.

The Starter Kit helps companies think about their business in a more holistic way or from a supply-chain perspective. It promotes relationships with suppliers. It recognizes that many consumers view supermarkets as the gatekeepers of products. Many retailers, for example, are aware of traceability in their supply chain for food safety, but this awareness should also apply to sustainability issues such as how products are produced to minimize the risk of contributing to negative environmental and social practices. Retailers will find that sustainable practices not only minimize supply interruptions and cost swings, but will also help them provide better offerings for their customers.

Sustainability requires a constantly evolving and dynamic process. It should not be thought of as a project or initiative because these terms suggests a beginning and end. In addition, there is no one-sized-fits-all strategy, even within one industry. Every company must research and develop an individual approach that fits its own culture.

The Starter Kit provides general ideas and recommendations that can then be tailored to fit each company. It presents strategic guidance from which companies can develop their own sustainability programs. It does not provide tactical details.

Overview of the Starter Kit

The Starter Kit features six sections divided into segments that provide practical frameworks, sequential steps, examples and links to external resources.

Section 1. Finding the Right Place to Start

The right starting point ensures that sustainability efforts are rooted in the core business and will generate financial value as opposed to being seen as a philanthropic effort or a new cost center.

- Lay the internal groundwork.
 - Identify one person to lead the effort.
 - Form an interdisciplinary or core team that includes finance staff.
 - Discuss terminology.
 - Seek a mandate from the senior leadership team.
 - Think about accountability and how sustainability efforts can fit into the existing corporate governance and organizational structure.
- Review the current business strategy for the company and key business units.
 - Identify the key drivers of business value and major performance goals.
- Understand your culture.
 - Describe the relationship of sustainability to core company values.
 - Determine how it relates to your history.
 - Identify an approach that will connect with your employees.
- Define the scope of your effort.
 - Will it be companywide, single-store or product-specific such as focusing on fresh fish?
- Assess the operating environment.
 - Conduct a high-level competitive analysis.
 - Describe the expectations of consumers.
 - Understand the social and environmental commitments and principles in the industry at both the company and industry levels.

Section 2. Opportunities and Risks From Environmental and Social Trends

A critical step in developing sustainability programs that work for the company, society and environment is to conduct an assessment of the opportunities and risks presented by social and environmental trends. Some refer to this effort as “developing the business case” or “analyzing business value at stake.” This section shows how companies can assess trends that have an impact on their businesses.

- Assess which trends affect company’s business success.
- Analyze the opportunities and risks presented by these trends.
- Review sustainability in your supply chain.
- Identify the low-hanging fruit or areas where small changes can bring real benefits.
- Review what companies in the industry are already doing to promote 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.

- Familiarize your team with sustainability frameworks used by other food retailers and wholesalers, along with innovative companies in other industries.
- Determine where to position the company on sustainability.
- Adopt strategies that combine sustainability goals and business objectives.

Section 4. Goals and Metrics

This section offers models and steps for developing sustainability goals and establishing metrics to measure progress and success:

- Familiarize your team with sustainability goals and metrics used by other retailers and wholesalers.
- Review the practical advice of those companies that have gone down this path.
- 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 obtain the most out of metrics.

Section 5. Implementation Plans

This section offers different models that have been used to implement sustainability strategies. The key implementation steps are:

- Secure a commitment by senior management to the specific sustainability strategies adopted by your team.
- Engage the staff across company and create energy around the strategy.
- Apply the lessons learned from other corporate initiatives and as you roll out your strategy.
- Revisit corporate governance and organizational structure discussed in Section 1.
- Integrate financial value from sustainability in business decisions.
- Monitor progress toward goals and publicly report the results.
- Be aware of the barriers to progress and how to avoid them.

Section 6. Cross-Cutting Tool: External Engagement

This section provides processes, tools and insights for engaging a range of stakeholders, including non-governmental organizations (NGOs), governments, investors, employees, suppliers and customers. External stakeholders can help validate the importance of a company's sustainable strategies to society and the environment. They can provide a deeper understanding of key trends and insights into which strategies are most likely to succeed and partnerships with business benefits. This section includes examples of corporate and external stakeholder partnerships. The key steps are:

- Map the stakeholders at all levels.
- Understand the objectives of stakeholder groups and individuals.
- Prioritize stakeholders.
- Understand your objectives for engagement.
- Identify mutual value propositions for each stakeholder.
- Develop a process for engagement.

Appendix I — Food Industry Examples of Sustainability in Action

Appendix II — Glossary of Sustainability

Appendix III — Sustainability Resources