

The failure of Race to the Top begs the question as to how to encourage sustainable behaviour in a climate of competition where profit is the only real benchmark of success.

by Tom Fox and Bill Vorley

TOP TO BOTTOM

RACE TO THE TOP: tracking supermarket progress towards a fairer and greener food system (RTTT) was established in 2000 to help the major UK supermarkets enhance their social, environmental and ethical policies and performances, through a process of engagement with a variety of civil society organisations. The central activity was a collaborative benchmarking process, supplemented by additional research, good practice case studies and ongoing dialogue.



Despite initial support and all the ingredients for a successful project, it is ending prematurely following a confidential 'pilot' year (2002) in which six supermarkets took part and one 'public' year (2003), in which only three took part. An examination of the process and the reasons for its failure will hopefully provide useful lessons for the future.

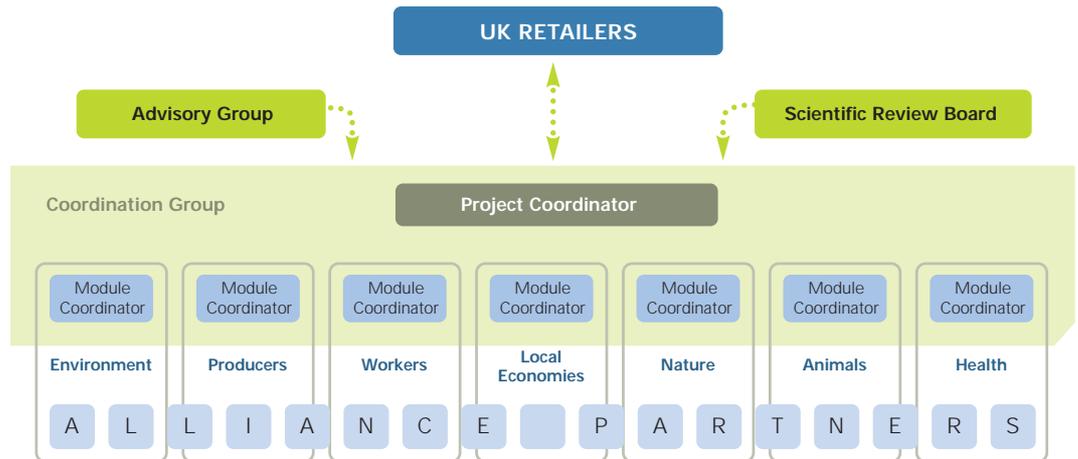
While public trust in supermarkets remains quite strong, there are increasing concerns about their growing dominance of the food system. These concerns have prompted numerous campaigns aimed at driving improvements in their social and environmental performance. There are many benchmarking tools already in use by supermarkets and their critics, although with varying degrees of credibility, transparency and rigour. Generally they are either broad industry indices such as FTSE4Good or the BITC Corporate Responsibility Index, or single-issue

campaigns such as CIWF's Compassionate Supermarket of the Year. There are some very innovative and dynamic companies in food retailing which are campaigners in their own right. But there are no tools available to take an in-depth, sectoral view of how all the major supermarket companies are performing on a variety of sustainability issues. And there is an absence of platforms available to bring civil society together in a coordinated and constructive effort to improve supermarket performance. RTTT was developed to fill these gaps.

THE PROJECT

The project was coordinated by the International Institute for Environment and Development (IIED), an independent, non-profit policy research institute. It was structured as a brokered relationship between civil society and supermarkets, with

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IIED as the intermediary and an Advisory Group providing oversight.

The benchmarking process involved defining key social, environmental and ethical issues on which supermarket companies can act; developing a framework of representative indicators to measure each company's policies and performance on these issues; collecting data from each company and from other sources in relation to these indicators; and scoring and publishing the results on an annual basis, showing each company's performance and progress over time. The intention was to publish annual results for the top ten UK multiple retailers over at least five years.

RACE TO THE TOP CIVIL SOCIETY PARTNERS

- British Independent Fruit Growers' Association
- Compassion in World Farming
- Council for the Protection of Rural England (CPRE)
- Countryside Agency
- English Nature
- Fairtrade Foundation
- Farm Animal Welfare Network
- Farmers' Link
- Food Policy Team, City University
- Forum for the Future
- Marine Conservation Society
- Marine Stewardship Council
- National Federation of Women's Institutes (WI)
- New Economics Foundation
- RSPB
- Small and Family Farms Alliance
- Soil Association
- Sustain: the alliance for better food and farming
- Traidcraft Exchange
- Transport & General Workers' Union (T & G)
- Transport 2000
- Union of Shop, Distributive & Allied Workers (USDAW)
- World Society for the Protection of Animals (WSPA)
- WWF-UK

exec summary

Race to the Top (RTTT) promised much as a groundbreaking initiative for benchmarking the performance of supermarkets across the whole UK sector, to promote a greener and fairer food system. Unfortunately it was terminated in January 2004. The results show that there was not enough business incentive for supermarket companies to engage with the project. Where they did participate, there was too heavy a reliance on voluntarily disclosed information. Future initiatives will need to consider cost-effective means of collating independent data, and ways to incentivise participation. More fundamentally, competition policy needs to be redesigned, based not only on consumer welfare but on broader sustainability outcomes.

TESTING THE TOOLS

In order to ensure that the project did not rush to premature judgement with untested methods, partners and retailers agreed on a confidential pilot year in 2002 before going public in 2003. In 2002, six of the top 10 UK supermarkets — the Co-operative Group, Iceland, Marks & Spencer, Safeway, Sainsbury's and Somerfield — and 24 civil society partners had signed a memorandum of understanding with the project, committing themselves to the process of data collection and constructive dialogue. All six retailers provided a full set of data in the pilot phase, and received detailed analysis of their scores relative to the industry best and industry average. This important phase of the project represented an acknowledgement by civil society partners that they did not necessarily have all the answers, and that RTTT could comprise a form of joint learning. In the light of experience from the pilot year, most survey methods were modified for 2003.

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SUPPORT DECLINES

At the beginning of the 2003 'public' year, things were looking good for large-scale industry participation. There were signs of interest from Tesco and Waitrose, and it looked likely that the six pilot year supermarkets would remain engaged. After some very tough negotiations, civil society partners and participating supermarkets agreed that only the narrative reports on each company would be made publicly available, not the detailed scores on which the published results were based. In addition, the supermarket that scored best in each category would be named.

By the deadline for data submissions in 2003, only 3 supermarkets were on board — the Co-operative Group, Sainsbury and Somerfield. These companies are to be commended for their hard work in collecting data and for demonstrating a willingness to open themselves up to scrutiny. But without the market leaders, a sectoral benchmarking initiative is relatively meaningless, and IIED had no choice but to terminate the project in January 2004.

WHAT WENT WRONG?

So, what made a large proportion of the UK supermarket sector turn its back on this constructive approach by civil society organisations?

Lack of critical mass

Once it became clear that Tesco and Asda were not going to actively participate in the project in 2003, the attractiveness of participation for other supermarkets clearly declined. The reasons behind these two companies' decisions must therefore be examined in detail, along with other challenges faced by supermarkets in responding to RTTT.

Regulation and self-regulation

Supermarkets have advocated voluntary self-regulation rather than mandatory and enforceable rules to improve their social and environmental performance. Transparency is a key pillar of self-regulation, but even the basic idea of Key Performance Indicators on sustainability for food retail — as proposed in DEFRA's Food Industry Sustainability Strategy — have been strongly resisted by parts of the industry. There was no strong government drive to push supermarkets into engagement with the project, but some companies still seemed to fear that government might pick up a successful RTTT and turn it into a form of third-party regulation.

Compromise and leverage

In seeking to find compromises along the way, RTTT lost some leverage with the corporate sector. The commitments of civil society partners to respect constructive engagement and confidentiality diluted their ability to challenge business, and may have undermined the aim of partnerships with RTTT, which was increased transparency as a lever for change.

Over-reliance on industry data

The project relied heavily on data disclosed by the retailers themselves. But it is clear that external (third party) surveys are the most powerful measures of supermarket performance, in that they are indicators of observable changes rather than measures of aspiration or company policy. However, external surveys, such as store surveys for local food, or surveys of supermarket suppliers, are expensive, highly labour intensive, and methodologically problematic.

The lack of company resources

Committing to a process such as RTTT requires staff time and technical resources. But in order to stay competitive against Asda and discount supermarkets, rival companies feel obliged to squeeze costs in both their supply chains and offices. Companies such as Sainsbury's are cutting staff and technical capacity in order to match Asda's cost structure and profitability. It is ironic that the increasing pressure on supermarket companies to improve the quality and transparency of data that they release on environmental and social impacts comes at a time when companies have a declining ability to collect that information.

The diversity of the sector

UK supermarkets are very heterogeneous, in terms of scale, ownership and customer base. Ownership ranges from PLCs such as Sainsbury's, subsidiaries of transnational corporations (Asda), co-operatives (Co-operative Group), or employee-owned structures (Waitrose). PLCs are judged on profits, market share and relatively short-term shareholder value; wider corporate citizenship is often not rewarded in the marketplace. Customer bases range from the affluent (Waitrose, M&S) to shoppers on a tight budget (e.g. Somerfield's Kwik Save, and Iceland). Store sizes range from very large (e.g. Asda) to smaller high street formats (e.g. Somerfield, Co-op), with some of the smaller stores being used mainly for 'top-up shopping' rather than weekly shopping trips.

All of these factors affect the ability of companies to be successful in certain aspects of 'sustainable' business, such as the marketing of organic or high animal-welfare produce.

Investors cannot ultimately afford for ethics to be pursued at the expense of shareholder returns.



Some companies stressed the risks of RTTT indicators comparing 'apples and oranges'. Clearly each company's performance needs to be evaluated in the business context within which it operates, which is why the RTTT results were published in the 'company profile' format. But working with both the 'leaders' and the 'laggards' within a sector at the same time is extremely challenging.

Benchmarking tools for emerging issues

Some of the RTTT tools, particularly for the 'emerging' issues addressed by the Local Economies and Health modules, remain at a relatively experimental stage. Supporting research is still required to demonstrate the connections between business activity measured by some of the indicators and positive outcomes for sustainable development. By seeking to develop a comprehensive benchmarking framework across many themes, progress on the issues where there was already greater consensus were held back, which caused some frustration.

LESSONS FOR THE FUTURE

The RTTT experience highlights three key challenges that sector-wide, multi-stakeholder benchmarking initiatives need to overcome:

Access to data

The RTTT indicators relied too much on voluntary disclosure by the companies. By retaining the sanction of non-disclosure, companies were able to maintain a strong negotiating position that weakened the project as a whole. Alternative methodologies that allow meaningful benchmarking through independent, cost-effective data collections need to be developed further.

Incentives to participate

There was simply not enough of a business case for some companies to engage with RTTT – the costs and risks outweighed the potential benefits. RTTT was predicated on the assumption that it would be possible to influence the rules of the game, by encouraging competition based on

ethical issues into a sector that runs on the fuel of low prices. But it wasn't enough – as one of the project's advisory group members noted, *"the consumer and the citizen are generally not the same person, and supermarket companies listen to the former first and the latter a long way second."* New ways to create business incentives for transparency are therefore needed, to overcome the current defensive attitudes of some companies on sustainability issues.

Market dominance

The market share and influence within industry lobbies of some supermarket companies means that they are able to make or break a sectoral initiative. Competition policy is based primarily on protecting the interests of the consumer, but it may need to be redesigned in line with broader sustainable development outcomes – including protecting the livelihoods of producers from raw market power of supermarkets – if the potential of the market to deliver progress towards sustainable consumption is to be realised.

GOVERNMENT BACKING

Governments should be aware that being 'pro-business' is not a licence to leave important industry sectors such as food retailing to self-regulate their way to sustainability. There is much that the state can do to encourage business engagement with constructive civil society initiatives such as RTTT.

RTTT should have been a groundbreaking initiative, in which comparable data could be gathered together in one place to allow sectoral comparisons over time against a range of indicators along the whole interface between supermarkets and sustainability.

It seemed to have all the ingredients for success: dialogue, partnership, a constructive and sectoral approach, and transparency. It should have worked, and the fact that it didn't will embolden those who consider that campaigns and mandatory measures are the only way of ensuring the implementation of sustainability strategies. ■

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LINKS

www. racetothetop.org

A full report describing the process and the lessons learned will shortly be available.

TOM FOX, CORPORATE RESPONSIBILITY FOR ENVIRONMENT AND DEVELOPMENT PROGRAMME, IIED.
BILL VORLEY, SUSTAINABLE AGRICULTURE AND RURAL LIVELIHOODS PROGRAMME, IIED.