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### **Sustainability and Smart Marketing**

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Sustainability is one of the major undercurrents in the world today and many businesses large and small are integrating sustainability in their strategies. The food industry is a major factor in sustainability due the global impact of its agriculture, employment, and supply chain activities.

Increasingly, food manufacturers, wholesalers, and retailers are striving to measure and mitigate their impact on the planet and people. Those at the leading edge are finding that assessment is complicated and addressing sustainability issues takes creativity and capital investment. However, most companies are also realizing that doing business sustainably can lead to doing business more profitably as well.

Sustainability encompasses a broad range of complex and often interconnected issues. For example, while the carbon footprint of a supermarket company's operations is significant, the combined carbon footprint of all the manufacturers of the products the supermarket sells can be many times greater (Figure 1).

Walmart, the world's largest company and the U.S.'s largest supermarket operator, is also a major driving force in the food industry sustainability movement. The company has three bold sustainability goals: to use 100% renewable energy, to create zero waste, and to sell products that sustain people and the planet. Achieving these goals will take a remarkable effort by Walmart and its suppliers.

Figure 1: Grocery Supply Chain Carbon Footprint Elements

<b>Input</b>	-Agriculture -Livestock -Raw Mat'ls inputs (water, oil, corn, etc.)	-Packaging -Water -Energy -Agricultural inputs -Paper/card-board -Plastic -Glass -Metal	-Packaging -Fuel, oil -Alternative energy	-Packaging -Marketing collateral -Displays -Fuel, oil, energy	-Product -Packaging
<b>Value Chain</b>	<b>SOURCING</b>	<b>MANUFACTURING</b>	<b>DISTRIBUTION</b>	<b>MARKETING &amp; RETAILING</b>	<b>USAGE &amp; DISPOSAL</b>
<b>Output</b>	-Soil erosion -Eco-systems loss	-Chemicals -Waste water -Organic waste -Solid waste -Greenhouse gases -Emissions	-Green-house gases -Emissions	-Paper waste -Plastic waste -Metal waste -Organic waste -Glass waste -Emissions	-Paper waste -Plastic waste -Metal waste -Organic waste -Glass waste -Emissions

Source: adapted from GMA/Deloitte Consulting LLP 2007 Sustainability Study

Given that one of Walmart’s goals is to sell sustainable products, it has been working with its tens of thousands of suppliers to help them understand their impact on people and the planet. While Walmart’s own carbon footprint is huge, it has estimated that the carbon impact of its suppliers is more than 100 times greater than Walmart’s direct impact.

One implication is that non-complying suppliers risk losing some or all of Walmart’s business. Another, potentially more significant, implication is that the changes suppliers make in response to Walmart’s sustainability initiatives will benefit all retailers and consumers.

Walmart is not alone. Many food wholesalers and retailers have been proactive in measuring and addressing their environmental impacts. For example, Hannaford, a division of Delhaize USA, has developed one of the first LEED-certified supermarkets in the U.S., featuring, among other things, a “green roof” with living plants that control and reuse rainwater while helping to cool the store in summer and insulate the store in winter, skylights to reduce electricity usage, recycled building materials, and highly efficient heating and cooling systems.

Whole Foods has recently introduced a humane meat-rating system to inform its consumers about the level of care used in raising and marketing various meat products. Among many efforts to reduce its carbon footprint, Wegmans has designed efficient delivery routes, allowing it to take over 200 trucks off the road, and reduced total fleet emissions by almost 90 percent by investing in more efficient, cleaner trucks.

Like other leading supermarket chains, Stop & Shop has focused on sustainable seafood by partnering with the experts at the New England Aquarium to source sustainably harvested seafood. A Price Chopper supermarket in Albany, NY is one of the

first grocery stores in the U.S. to install a fuel cell to supply cleaner, greener electricity along with heat and hot water, producing just a fraction of the carbon dioxide and other pollutants emitted by power plants.

Food processors and manufacturers are also proactively pursuing sustainability. One example is Kraft Foods' investment in a waste-to-energy anaerobic digestion system at its Lowville, NY cream cheese plant, which converts whey, a by-product of cream cheese production, into methane, which is burned to produce heat and electricity. Kraft reports it has reduced energy costs and waste management costs, while increasing sales by promoting its green energy production.

Another manufacturer example is Frito-Lay, which produces its Sun Chips in a California plant completely powered by on-site solar panels, recycles almost all of the water used to make potato chips in a southern Arizona plant, and is using 100% electric-powered delivery vans in some major metro areas..

What does this all mean for you? If you are a grower, packer, shipper, processor, or other component in the food chain, then you are facing a future where sustainable operations and products will be expected from almost all wholesalers and retailers. The time is now to assess the sustainability of your operations and mitigate any adverse impacts your operations or those of your suppliers.

As stated earlier, sustainability includes a broad range of issues for which solutions can be complex and costly. However, there are also probably some issues that can be addressed relatively quickly and without significant capital investment. A general assessment of your current operations is the first step and the Walmart Sustainability Supplier Assessment might be a good resource to get you thinking about the issues and the process. You can find the assessment questions at Walmart's website: [www.walmartstores.com](http://www.walmartstores.com).

Getting started now will have you well prepared when customers' standards begin to ramp up. Smart marketing is always about anticipating shifts in the marketplace before they become realities.

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