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THE RETAILER – JANUS CAUGHT IN A MULTISTAKEHOLDER TRAP?

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ABSTRACT

The following (position) paper reflects the experiences and views of GLOBAL 2000 / Friends of the Earth Austria, an environmental NGO that has an extensive record of projects in the field of food production and distribution.

The contribution outlines the retailer's role in the various processes of the food life cycle from the point of view of an environmental NGO, referring especially to the experiences made in various multistakeholder forums over the last 3 years. These forums are composed by the cooperation partners of a collaboration program for more sustainable food production, farmers and their related distributors and external experts (e.g. from universities and chamber of agriculture). Moreover, general insights in the Austrian retail sector and reflections about its business model are given.

INTRODUCTION – JANUS AND THE RETAILER

Janus, the ancient roman god for all beginning and end, of doors and gates, is usually depicted as a two-faced god. The analogy to the retailer is evident: retailers are important gatekeepers, they influence the production systems (the beginning), they have direct contact with the consumer (the end). Like in most western industrialised countries the Austrian retail sector is highly concentrated, augmenting the negotiating power of the few players who can provide access to the mass market (gatekeeper function). However, as most big corporations increasingly face harsh criticism by critical consumers, media, and, not least, social and environmental NGOs, most companies have engaged in sustainability strategies and practices. These agendas are usually taken care of by CSR managers or sustainability divisions (the one face) within the traditional organisational structure (the other face). This internal division often persists eventhough there is a general commitment to integrate sustainability agendas throughout all corporate processes.

DISCUSSION – THE MULTISTAKEHOLDER TRAP

In the multistakeholder context, which characterises especially the upstream life cycle of every food distribution chain, retailers find themselves trapped in a complex net of conflicting interests and trade-offs and therefore face a tightrope walk between conflicting external and internal strategies. For instance, this is the case for the following three areas: i) trade-offs in respect to diverging interests between the stakeholders (e.g. environmental NGOs vs. producers concerning the use of pesticides), ii) trade-offs concerning conflicting goals within the organisation of the retailer himself (e.g. CSR vs. purchasing department concerning price premiums for higher environmental standards), and iii) alleged demands by the consumers and the need for retailers to advocate them (e.g. aesthetical demands for vegetables vs. need to reduce food waste).

The use of pesticides can serve as a good example, where all three strings converge and where the two-faced retailer finds himself in an intricately net of diverging internal and external interests and changing coalitions. The most obvious actors here are the producers of fruit and vegetables, who are generally reluctant to restrict the use of chemical substances exceeding what is already regulated by state or community law; on the other side of the spectrum, environmental NGOs want a wideranging ban or massive reduction of ecotoxic, carcinogenic, and/or humantoxic substances. The retailer, on the one hand, has an interest in keeping prices low (thereby favouring the most cost-effective method of pest control over more expensive methods from organic agriculture) but, on the other hand, is prone to being safeguarded from attacks e.g. by civil society organisations because no measures have been taken in respect to potentially hazardous substances for the human health or the environment. Depending on the perceived risk, the retailer will choose the one over the other position, supporting the farmer on a low risk issue and rather being willing to pay a markup for more environmentally benign practices where the risk is perceived as high.

Coalitions revert completely by slightly changing the issue, for example considering uniquely pesticides used to get a certain aesthetic standard: in this case environmental NGOs argue alongside producers asking for less strict quality standards and thereby reducing the use of pesticides and costs for pesticide application, e.g. against late thrips infestation in the production of leek. The same coalition applies to food waste at farm level, where, depending on the product, a high proportion of the vegetables and fruit produced does not reach the shelf due to aesthetical requirements (only for some products alternative utilisation forms exist, e.g. juice production for apples) – see also contribution to this conference by Frieling et al (2013). In both cases, retailers tend to advocate a theoretical position of consumers (iii), claiming a reluctance to buy visually imperfect products.

In these cases, retailers use their strong position as gatekeepers and hinder significant environmental improvements – as it would be very difficult to quickly reverse a process they initiated themselves a few decades ago, without a general agreement in the retail sector to change these standards. However, this kind of industry-wide consensus is extremely difficult to achieve, as parochial thinking applies to almost all agendas and it is therefore very hard to bring all relevant players on a table and find a common strategy. Instead, the individual retailer prefers to shine alone on the stage with his own initiatives, even though the actual effect is much lower compared to what would be possible with a concerted action.

The lack of will for industry-wide action is one of the most relevant impediments for significant environmental improvements along the life cycle – especially when those improvements are connected to considerable financial investments in new infrastructure and/or perceived potential loss of customers, and the first-mover has to pave the way for his competitors, e.g. the introduction of deposit systems for wine bottles. In this case, state regulation is often the only option to remove the deadlock (e.g. the deposit system for plastic bottles in Germany).

Furthermore, as in most other consumer markets, media pressure and actions by competitors are strong drivers and / or amplifiers of sustainability issues. However, even though all big Austrian retailers have already initiated sustainability programs, these initiatives are often counteracted by the well-radicated business-as-usual-dynamics over the whole life cycle. Most evidently, this applies to pricing policy. On the one hand, the retailer follows the current economic paradigm of profit maximisation and therefore tries to keep prices low and build up a strong competitive position; on the other hand, demands for higher environmental standards are followed by requests for higher prices by producers due to increased production costs, which in turn have to be met through markups. So, every single retailer has to trade off a good competitive position in the daily price war against the strategic mid- and longterm need to build up an image of a sustainable actor on the market. Moreover, price premiums for more sustainable products not necessarily reflect the magnitude of financial resources spent in sustainable production practices, but are rather a way to exploit a higher willingness to pay for 'green' products in some consumer segments and therefore get higher margins.

A last critical and related issue, where retailers could play an important role is in respect to consumer awareness. Numerous environmental problems related to consumption could be eradicated or at least considerably alleviated if consumers had a better understanding of those issues, for example about food waste or the seasonality of fruit and vegetables, and realise why a price premium is necessary to avoid some of them. This is of course an essential issue, which at the same time is hard to tackle, especially if one considers, that the proportion of household income spent on food has decreased continuously over the last decades (Statistik Austria, 2010). Of course, retailers are not the only actors to be blamed for this development as it can be regarded as a general tendency in contemporary consumerist society. As long as marketing efforts are principally focussed on price bargains rather than product quality including environmental, social and health impacts and the willingness to pay for those products with higher quality remains fairly low or restrained to certain consumer segments, no huge steps to eradicate systematic detrimental effects can be expected. However, an issue where retailers could give an important contribution is related to knowledge about consumer behaviour. Numerous studies (Auger and Devinney, 2007) have discussed the issue of the intention-behaviour-gap in respect to ethical / sustainable consumption. However, reliable and detailed data about the actual behaviour and the response to green marketing measures is still scarce and often only anecdotal. Sharing some knowledge with the scientific community and civil society organisations dedicated to a transition to more sustainable modes of production and consumption would therefore give a significant contribution to a better understanding of how to achieve more sustainable consumption patterns in the mid- and longterm.



CONCLUSION

Janus, the retailer, is far from taking over the role of the benevolent roman gatekeeper divinity. In fact, exerting enormous pressure on prices for the sake of profit maximisation and playing the role of the front player in the name of a culture where the perceived and actual value of food has reached a historical low-point, retailers are rightly held responsible for many detrimental environmental, social and health-related global developments. Future social, media-, market- and consumer-related, environmental and political developments will determine whether the role of retailers will (be able to) evolve from being prevalently stuck in business-as-usual behaviour to a market actor that fully takes over its responsibilities in respect to pressuring global environmental issues.

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