



# Stakeholder accountability in the UK supermarket sector

Final report of the 'Race to the Top' project

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tracking supermarket  
progress towards a fairer and  
greener food system



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# Summary

Civil society organisations have been deeply critical of the perceived dominance of supermarkets over the food system. Supermarkets are accused of driving a 'race to the bottom' by procuring food 'grown anywhere, anyhow' without regard for standards of labour, the conservation of wildlife and landscapes, the livelihoods (or even survival) of family farms, the congestion of roads, the demise of vibrant high streets, the management of waste, the welfare of farm animals, or the health and food security of low income communities. As rapid consolidation within the UK supermarket sector continues – three-quarters of the country's supermarket food shopping is now done in just four firms – the critique gets increasingly vociferous.

Each of these issues is hotly contested. Many of the UK supermarkets are considered to be among the leaders of the corporate social responsibility (CSR) movement, and they point to numerous examples of good practice. What often gets overlooked in the war of words between supermarkets and their detractors is the lack of comparable and credible benchmarks for measuring progress towards greater sustainability across the sector.

The objective of the *Race to the Top* (RTTT) project was to develop those benchmarks in partnership with a broad coalition of civil society organisations, and to work with leading supermarkets to apply them. The overall aim was to promote accountability and transparency within the UK supermarket sector, in doing so building incentives for the major UK supermarket companies to improve and communicate their social, environmental and ethical policies and performance over a five-year period. The methodology centred on a process of engagement between supermarkets and civil society organisations with interests in a variety of social, environmental and ethical issues. The main activity was a collaborative benchmarking process, supplemented by additional research, good practice case studies and ongoing dialogue. This was all carried out within a structure that combined centralised project management and brokering, devolved responsibility for input into the benchmarking development process through seven thematic groups, and strategic guidance by an independent advisory group.

The project demonstrated that it is possible to develop methodologies that allow the benchmarking of supermarkets across a range of sustainability issues. Although some issues remain contested, the project facilitated learning among participating supermarkets and civil society partners, both in terms of greater under-

standing of others' positions and constraints, and of benchmarking methodologies. Data collection for the benchmarking process included a questionnaire to supermarkets; a supplier survey; a Fairtrade survey; and a local foods store survey. Although there were difficult discussions among the partners and participating companies on how the results should be published, the scoring methodology demonstrated participating companies' interest in comparing their performance with that of their competitors.

From the start, it was clear that the project's success would depend on the participation of a critical mass of retailers, both in terms of market share and number of participants. During the summer of 2003, a few months before the first public release of results was due, the project partners were optimistically looking forward to broad industry participation. But by the deadline for data submissions, only three 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.

What made a large proportion of the UK supermarket sector eventually turn its back on this constructive and moderate approach to stakeholder accountability by civil society organisations, once it got close to presenting information in the public domain? Inevitably there is disagreement on what went wrong; some civil society partners said the approach of the project was too conciliatory, whereas some retail partners thought there was not enough consensus building. Each of the non-participating retailers had their own reasons for not taking part. Certainly, a number of interrelated factors together created a problematic environment for the project.

First, given government moves to develop key performance indicators on sustainability for the food sector, some companies seemed to fear that government might pick up a successful RTTT and use it as the basis for a new regulatory framework.

Second, civil society partners felt that the project lacked leverage with the companies, particularly given an over-reliance on company-provided data. Attempts were made to complement the data from supermarkets themselves with data from external surveys. The latter can be powerful measures of supermarket performance, especially where they demonstrate observable change rather than aspiration or company policy. However,

external surveys, such as store surveys for local food, or surveys of suppliers, are expensive, highly labour intensive, and methodologically problematic. Whenever a negotiated solution was needed to keep the project on track, the supermarkets' ultimate sanction of withholding data weighed heavily.

Third, committing to a process such as RTTT requires staff time and technical resources. 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, due to cost squeezes resulting from the drive to stay competitive against the market leaders. But there is a risk of overstating the resource issue. The problem is not necessarily one of resources *per se*, but of priority setting under conditions of resource scarcity.

Fourth, the UK supermarket sector is heterogeneous in terms of scale, ownership and customer base. 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. Businesses are understandably wary of initiatives that run the risk of measuring customers rather than companies.

Fifth, the project took place at a time of upheaval within the market, which put unprecedented pressure on many of the main players. This pressure is likely to continue – the entry of Wal-Mart into the UK was a turning point in the way the domestic food retail market operates. Price-based competition now dominates the majority of the sector, and the market is currently rewarding those companies that do this best. There is a real danger that comprehensive action on social and environmental issues will become increasingly associated with failing companies, reinforcing this trend.

As a case study, RTTT provides insights into:

- the modalities of civil society-led sectoral benchmarking;
- the challenges of managing a multi-stakeholder engagement process involving large, high-profile companies and NGOs, particularly given a legacy of mistrust between some of them;
- research methodologies that attempt to measure and compare the social, environmental and ethical policies and performance of companies; and
- mechanisms for creating incentives for companies to improve their social and environmental performance.

But the initiative also highlights a number of fundamental issues that have deep implications for future sustainability benchmarking initiatives and for policy makers, as follows.

The supermarket sector prides itself on being consumer-oriented in the extreme. But this has reached a point at

which it is in danger of crowding out the interests of some other stakeholder groups. RTTT explored whether sufficient incentives could be established, by creating a framework for greater accountability and transparency, to encourage supermarkets to tackle a range of social and environmental issues, not only those that are perceived to add to consumer value. But some supermarkets appear unable or unwilling to engage with this broader notion of stakeholder accountability, and are attempting to change the parameters of debates about what it means to be a responsible retailer, by conflating the notions of 'customer' and 'citizen'. Influencing change on those issues that are not automatically in line with supermarkets' perceptions of consumer desires thus becomes increasingly challenging.

RTTT explored what it is reasonable to expect of supermarket companies not only as actors in their own right, but also as gatekeepers of the entire food system. The hypothesis was that influencing supermarkets would in turn influence the actions of many other actors. Many of the RTTT indicators measured what retailers were asking or demanding of others, e.g. their suppliers, rather than what they were doing themselves. However, the RTTT experience shows this gatekeeper role to be a double-edged sword. Not only does it offer potential shortcuts and access to positive change, it creates a mechanism for companies to pass responsibility on to other, often less powerful, actors. The allocation of responsibility between retailers, suppliers and consumers is inherently problematic, but this must not be used as an excuse for inaction. The key challenge is to ensure that the gatekeeper role that supermarkets play within the food system is used to drive positive change, rather than to pass the buck.

Ultimately, RTTT was about governance of the food system. Given the lack of commitment of the largest supermarkets, attitudes among some of the civil society partners have now hardened. They have seen the demise of RTTT as a signal that only command-and-control regulation can tame the supermarket sector, marking an end to a period of openness to work through voluntary, collaborative initiatives. But the drive to a more competitive regulatory environment in the UK, as in many other countries, has handed regulatory responsibility for important areas of the food system to supermarkets themselves. Having supermarkets in the driving seat can only be successful for those areas that create consumer value – and even then, only in certain segments of the market. Those aspects of sustainability that do not resonate with most consumers fall into a governance gap that is simply not addressed by the current mode of self-regulation. The conclusion is clear: in such a relentlessly consumer-oriented industry, self-regulation and voluntary initiatives are only likely to be appropriate for issues that are in line with the consumer interest. Creating incentives for supermarkets to drive positive change on other aspects of sustainability implies a more robust role for the state.



#### Race to the Top Alliance Partners

British Independent Fruit Growers' Association  
 Department of Health Management and Food Policy,  
 City University  
 Compassion in World Farming  
 Council for the Protection of Rural England  
 Countryside Agency  
 English Nature  
 Fairtrade Foundation  
 Farm Animal Welfare Network  
 Farmers' Link  
 Forum for the Future  
 Marine Conservation Society  
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 Traidcraft Exchange  
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 Transport and General Workers' (Rural, Agricultural  
 and Allied Workers) Union  
 USDAW (Shop, Distributive and Allied Workers) Union  
 World Society for the Protection of Animals (WSPA)  
 WWF-UK

**For further information on the  
 Race to the Top project,  
 visit [www.racetothetop.org](http://www.racetothetop.org)  
 or email [racetothetop@iied.org](mailto:racetothetop@iied.org)**

**T**his is an important report at a significant moment in the corporate responsibility agenda. It charts the course of the Race to the Top project, an innovative collaboration to track supermarket progress towards sustainability. The report outlines the features of the UK supermarket sector that made the project so timely – and so challenging: market concentration, the supremacy of shareholder value delivered through customer satisfaction, and the pace of business strategy outstripping the capacity or will of public policy makers to play catch-up. This report is a primer for the strategic and tactical choices that now need to be made. There are lessons for coalition-building, for collaboration between businesses and NGOs, and for the future of sectoral regulation.

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