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Loblaw Sustainable Seafood Initiative

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Loblaw Companies Limited (Loblaw) is a Canadian chain of food supermarkets, the largest retailer of grocery and household products in the country. It is a subsidiary of George Weston Limited, a \$31 billion dollar conglomerate of retail, manufacturing, and distribution companies. W. Galen Weston leads the Weston organization, while his son Galen W. Weston leads the Loblaw organization as the Executive Chairman. The Weston family is iconic among Canadian establishments, well respected for both business acumen and philanthropy.

The Loblaw organization is a powerful retail force in Canada—influencing the attitudes and buying patterns of over 13 million consumers who pass through its doors each week. Loblaw markets its own products under the “President’s Choice” label which is the largest brand name in Canada. It has driven grocery innovation in Canada, including the mainstreaming of organics in 2000 (currently accounting for over 50% of organic sales), the growth of healthy choice products in 2005-2010, and the introduction and growth of both green and ethnic foods over the past 10 years. Loblaw employs over 138,000 employees and is one of the largest private sector employers in Canada.

The Loblaw chain has endured periods of both success and difficulty. In 2004 increasing complexity and competition in the marketplace contributed to volume and earnings declines. In response to record low performance in 2006, W. Galen Weston turned over the reigns of the Loblaw organization to his 33-year-old son. Market analysts were skeptical about the probability of a turnaround. For example, Perry Caicco, an analyst at CIBC World Markets reported that the impact of the succession changes were not “instantly positive.” Galen rose to the challenge and quickly identified a plan to Simplify, Innovate, and Grow the business within five years. Key activities included talent recruitment, cross organization human resources and organization development support programs, a focus on product development, right sizing of retail footage, and investment in store operations, supply chain, and information technology.

The pace of change was swift. Loblaw posted positive results at the three-year point of the turnaround program, on plan to achieve its objective to “become the best again.” Results published in the 2009 annual report indicate the company weathered the recession well with growth in both net income and net earnings to \$1,508 million and \$650 million, respectively. In Galen’s words “We are three years into our turnaround and although the end is in sight, there is still much to do.”

Development of the Sustainable Seafood Policy

As part of the renewal program, Loblaw implemented a Corporate Social Responsibility (CSR) program in 2008, the most comprehensive of its kind within the grocery sector. The program was centered on five pillars: Respect the environment, Give back to the communities in which we operate, Source with integrity, Reflect our nation’s diversity, and Be a great place to work. As Galen and his executive team were educating themselves about sustainability issues, market dynamics brought the issue of sustainable sourcing of seafood quite literally to their front door.

In 2008 Greenpeace began publically targeting Loblaw regarding their lack of policies on sustainable seafood. Greenpeace demonstrated in front of the stores by handing out consumer information from their investigative report, “Out of Stock,” that overviewed the state of the global fishing industry, the declining health of global fish

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stocks, and the seafood purchasing practices of Canada's eight largest food retailers. At the time, Loblaw did not have a sustainability policy related to seafood, but Galen was already informed and sympathetic to the seafood issue when Greenpeace began requesting discussions. His wife was no longer purchasing seafood citing stock depletion as a concern. As Greenpeace agitated for dialogue with Loblaw, an internal grassroots program was already underway.

In 2008 Loblaw introduced 10 Marine Stewardship Council (MSC) products (i.e., fish species that were certified by the Council as being sourced using sustainable practices from trusted fisheries) as a first step. From this modest beginning Loblaw seeded a relationship that would become critical to its yet-to-be developed policy. A relatively new organization, MSC was founded by World Wildlife Fund (WWF) together with Unilever to build globally accepted standards for sustainable seafood certification. The MSC mission is "To use our ecolabel and fishery certification program to contribute to the health of the world's oceans by recognizing and rewarding sustainable fishing practices, influencing the choices people make when buying seafood, and working with our partners to transform the seafood market to a sustainable basis." Consumer response to the initial MSC product offering was encouraging. Greenpeace activity and shifting market dynamics had pointed to an emerging need and opportunity. The stage had been set for Loblaw to take a leadership stance in sustainable seafood sourcing.

Driven by the CSR pillar of sourcing with integrity and personal passion to support healthy ecosystems, Galen challenged his executive team rethink Loblaw's role in the seafood business. "The world's oceans are facing an unprecedented crisis. Loblaw is determined to think differently about how it sources seafood and to work in collaboration with the fishing industry and environmentalists to seek sustainable alternatives for customers." Galen appointed Paul Uys, who postponed retirement, to chart the course for a Loblaw Sustainable Seafood Policy in the position of Vice President Sustainable Seafood. Paul's experience included work in successfully building the Loblaw Organics business and developing the Blue Menu Healthy Choices line. He brought deep experience and a passion for environmental topics to the position.

Paul took an active listening stance at the outset of the project and solicited a broad range of stakeholder input. He soon crossed paths with WWF-Canada who would become a critical partner and trusted resource for the project. Not only was WWF-Canada the founder of the MSC program, they also had significant global experience working in corporate partnerships towards ocean conservation. For example, WWF-Canada already was in the process of setting up "aquaculture dialogues" to develop much needed standards for farmed seafood as MSC addressed standards only for wild seafood sourcing.

As described by Hadley Archer, Vice President of Strategic Partnerships at WWF-Canada, the core goals of both organizations were aligned around ocean conservation—with a commitment to have impact on the water. Hadley describes the relationship as symbiotic. While Loblaw relies on the WWF-Canada team for science, expertise, experience, and credibility, WWF-Canada benefits from the market size and power of Loblaw, which has helped to drive change within government, the supply chain, and consumers. "This is different and unique... they see us as part of the team and a partner, not just an NGO they have to satisfy. They really want our input into how to drive change. This started as something important for our oceans agenda and then moved forward... we are doing whatever we can to support Loblaw because it's so important for them to succeed."

Paul sifted through input from many stakeholders to focus in on a direction for Loblaw. He identified a commitment to the long-term goal of 100% sustainable sourcing as important. Loblaw made a decision to "stay in the game" on selected endangered fish species and actively support fisheries in their work to become certified. With this decision Loblaw's philosophy diverged from one part of Greenpeace's strategy of "removing the worst" by delisting any species on their "redlist" of harmfully fished or farmed species. The Loblaw policy aligned more closely with MSC and WWF who advocated working with fisheries to improve their practices. In concert with many experts Loblaw finalized a policy that would guide its practice. The details that follow are drawn from a May 2009 press release.

“Today.....**Loblaw makes a commitment to source all seafood sold in its retail locations from sustainable sources by the end of 2013.** The commitment covers all canned, frozen, fresh, wild and farmed seafood products.....the Loblaw Sustainable Seafood Policy outlines Loblaw’s plan to establish a sustainable seafood procurement practice that focuses on responsible sourcing in every category the Company markets. The policy calls for some very tough decisions.....including the phasing-out of unsustainable supply where it cannot be demonstrably improved.”

The Loblaw Sustainable Seafood initiative was announced with ambitious goals and far-reaching implications for more than 2500 products, 250 vendors, and over 50% of its business units. In addition to fresh, frozen, and canned seafood products, the commitment necessitated sustainably sourcing all products that contained seafood. This impacted items throughout the store, from health and beauty products to pet food.

Loblaw Policy Commitments:

1. We understand the key issues that we can control.
2. All wild-caught seafood sold by Loblaw will be certified to MSC or other independent equivalent standards.
3. For farmed seafood, Loblaw supports the development of credible aquaculture certification by encouraging our vendors and stakeholders to participate in the World Wildlife Fund’s (WWF) “Aquaculture Dialogues.”
4. Suppliers will be required, once standards are completed, to become certified to those or similar standards.
5. Loblaw will communicate major actions at the time of implementation, and report once a year on our progress.

Reactions to the policy announcement were largely positive. Mark MacPherson, Senior Commercial Manager, Americas, Marine Stewardship Council describes it as “one of the top retailer commitments I’ve ever seen.”

Greenpeace did not support key elements of the policy. Greenpeace worried that the MSC scheme did not work quickly enough to address the redlist species currently on sale. To be certified by MSC, a fishery need only be in the process of building sustainable source practices but not yet in full compliance. Loblaw chose to work with suppliers to find more sustainable harvesting methods to increase endangered fish stocks and keep improving fishing practices. Despite their philosophical differences the two groups have continued to participate in dialogue. Over time, Loblaw’s sincerity, commitment, and bias for action built credibility at Greenpeace. Since the dialogues have commenced Loblaw has not been publically targeted by Greenpeace. “The biggest thing is that Loblaw is definitely using its power and voice. When I hear they are meeting with government departments and advocating for what we are pushing for, then that is going to have a positive impact on the water,” said Sarah King, Oceans Campaigner with Greenpeace.

Implementation of the Sustainable Seafood Policy

Following publication of the policy, an implementation team was created. Paul led the project from within the procurement division with the support of a small staff. Melanie Agopian, Senior Director Planning for the Meat and Seafood business unit, worked together with the Strategic Planning Office of Loblaw to develop the targets, timelines, and tasks required to achieve the long term goal of 100% sustainable sourcing by 2013. Due to the broad scope of the project, Melanie found herself working across the many affected business units and beyond the typical boundaries of her role. She set up a project team of 10-15 individuals to drive the initiative into the Loblaw organization. The team met bimonthly and membership evolved through the stages of the project—members would join and leave, as their contribution was needed. Core team members included the planners and

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buyers for the affected business units, store operations leads, internal and external communications leads, WWF and MSC staff, and scientific expert Dr. Jeff Hutchings for guidance when required.

While core team members meet every two weeks, other stakeholders including Greenpeace, government agencies, and other environmental NGOs, are invited into dialogue on a quarterly basis. Paul's investment in stakeholder engagement has been recognized as important to the momentum of the initiative. This has built an important core skill for Loblaw as it experienced firsthand the importance of working cross-organizationally to achieve its sustainability goal. Prior to the sustainability seafood initiative, Loblaw's had not dealt extensively with the NGO community and had not yet developed a stakeholder engagement capability. The seafood initiative has helped to develop a more conscious philosophy and methodology that will be extended to other issues.

A key task for the project team was to educate and introduce the sustainable sourcing criteria into the buying function at Loblaw. Primo Lopa, Senior Director of Procurement notes that his team adopted the sustainability initiative with relative ease in part because of the sincere commitment from the top ranks of the organization. The buyers also recognized that consumer needs were shifting and that the long-term viability of fish stocks was critical to Loblaw. Primo's team was required to educate vendors regarding the sustainable sourcing commitment while continuing to ensure the highest quality fish would be available to Loblaw at the best prices throughout the year. Being out of stock on items and increasing costs are the two things buyers instinctively avoid. The initiative would require creative thinking and a leap of faith as the sustainable sourcing criteria was adopted.

Cost, price, and margin are the cornerstones of effective grocery merchandising. One of the greatest challenges for the team was to add the sustainability criteria to the buying mix while minimizing cost impacts. With confidence that senior management supported the project, the team problem solved on how to neutralize cost increases at each stage of the project. To date the cost of sourcing sustainably has not been significantly increased. Primo and his team have leveraged strong vendor relationships and their buying power to hold the cost of doing business in seafood to between neutral and slightly higher than before. Factors such as seasonality and greater stock availability due to more sustainable sourcing have helped hold the line on costs.



Primo's team began communicating the commitment to vendors in 2009. Many fisheries were already in dialogue with MSC and underway with their certification. Those that were not began the process. There were however some species where sustainable sources were not available. These included Chilean sea bass, orange roughy, sharks, skates, and rays. Loblaw made the difficult decision to delist the unsustainable species. But rather than fill the display with available fish, the display held empty trays carrying point of sale material describing the lack of sustainable stock (see picture). Seafood counter staff were educated about how to discuss the sustainable sourcing initiative and guide consumers towards alternate sources. Highlighting an out of stock item and turning it into a consumer engagement opportunity is an example of the creativity that the team used to work through the challenges of the implementation. Consumer response was positive to the empty tray initiative, and social media was used to further educate and build awareness.

The project team lists excellent communication practices as a key success factor in helping gain momentum. Early in the project Loblaw used a series of town halls, small group meetings, and education sessions to build employee awareness and engagement around the initiative. Employee response was positive and grew stronger as public awareness of the initiative grew.

External communication was initiated through a public relations campaign supported by media, conferences, speaking engagements, and social media. Consumer awareness and education was built through advertising, in store materials, and online education via Facebook and Twitter. As with most sustainability initiatives, the team has found the issues complex and confusing, making it difficult to own a clear consumer position. While early consumer indicators have been positive, consumer communication continues to be a key challenge for Loblaw. The empty tray initiative was an example of how Loblaw used a potential negative situation (out of stock species) to educate and build awareness.

While most public comments were positive, others took the opportunity to point out Loblaw policies or behaviors they did not agree with. For example, environmentalist David Suzuki posted this supportive and critical comment in January 2011 on his blog: “The company has taken significant steps for seafood sustainability, but branding and promoting IMTA salmon, labeled WiseSource (<http://www.oceansfortomorrow.ca/en/wise-source-salmon/>) , muddies the waters.” Paul and the team continue to work towards the objective of clearly communicating the program and ultimately strengthening consumer loyalty.

The project management team reports annually on its progress versus targets. An investment in specific tracking systems has been required to provide the team with visibility to the over 2500 products they are committed to sourcing sustainably by 2013. While much of the vendor, product, and traceability information was previously available, it had not been organized in a way that was easily accessible to the team. This is another example of the investment required by Loblaw to drive sustainable sourcing through the organization.

Results

Although clearly a work still in progress, the Loblaw Sustainable Seafood Initiative is generating important results and impacts. The following list summarizes the outcomes to date:

1. **Loblaw has been recognized as a leader in seafood sustainability by the government, consumers, and NGOs.** “This initiative is one of the most ambitious and comprehensive steps we have seen from a grocery retailer in Canada, and indeed the world,” said Gerald Butts, President and CEO, WWF-Canada.
2. **Increased awareness and commitment to the issue of sustainable seafood in Canada.** Over the past year, sustainable fishing has moved onto the political agenda at the provincial and federal levels of government. All of the largest grocery retailers now have a sustainable seafood policy in place and there is a widely held belief that it was Loblaw’s commitment that accelerated the commitment of other grocery chains in Canada.
3. **MSC certification of 13 Canadian (102 Global) fisheries has been completed, and another 8 Canadian (142 Global) are under assessment.** Loblaw’s commitment to working with suppliers has dramatically increased the pace with which MSC certification has been adopted.
4. **Loblaw has adopted sustainable criteria and held the cost of doing business in the seafood category.** In addition, new skills around cross-organizational initiatives, collaboration and sustainability are being embedded in the organization.

The organization has spent time reflecting on their learning from the seafood initiative. For example, they believe their experience highlights the importance of leadership and passion about a cause. From the outset, the Loblaw leaders and leaders in their partner organizations were zealously committed to the issue of sustainable seafood and the role that Loblaw could play in impacting ocean conservation. Emerging experiences indicate that sustainability issues provide a unique opportunity for leaders to link business goals to the greater good—and harness the energy, creativity, and commitment previously not available to them.

The organization also believes that the value of clear and ambitious goals is highlighted in the experiences reported by those working on this project. Loblaw was able to swiftly implement change across its complex busi-

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ness in part because the goals were clear and colleagues were prepared to take a “leap of faith” to achieve them. Unlike many change initiatives, a sustainability initiative may be easier to implement because the goals of the initiative are in substantial alignment with the values of those involved. These goals also helped Loblaw to align with the critical stakeholders needed to implement the plan.

All stakeholders consistently highlighted the “active listening” approach that Paul and his team used as they educated themselves and developed the policy and program. Seeking a wide range of input and then honing the policy has been reported as a key success factor. The team continues to receive positive feedback about the importance of staying connected with all players on the landscape, beyond the formal partnerships.

Intelligent project management and excellent communication practices also contributed to the project’s rapid progress. Through its turnaround program, Loblaw developed the necessary talent and competence required to execute against such an ambitious plan.

Synchronicity may have also played a role. Galen was open to the seafood issue at the time Greenpeace began actively targeting Loblaw—thus a productive conversation could ensue. WWF-Canada had decades of experience with sustainable seafood, had developed the MSC program with Unilever, and commenced the Aquaculture Dialogues. Potential solutions to this complex sourcing problem were emerging. The CSR program was already in place, and the pillar of “sourcing with integrity” had been identified as a high priority. The success of the initiative is part smart business and part serendipity.

Future Challenges

The cost of leadership in a fast following world is a challenging issue. In particular with issues regarding sustainability, there is significant investment in education, process, and systems required as new understanding and approaches emerge. Other retailers have found it easier to outline policy and identify sustainable sources based on Loblaw’s approach.

Greenwashing and consumer confusion also make it difficult to compete effectively on sustainability related programs. The content is complex, the science can be conflicting, competitors are ready to confuse, and consumer understanding or loyalties are not clear. As the sustainability issues and approaches reveal themselves, progress may be limited as Loblaw seeks to build its consumer story.

Traceability is an issue. As Loblaw invests in MSC or other certification schemes it becomes increasingly dependent on third parties to ensure compliance. As the range and number of suppliers involved increases so does the cost, complexity and responsibility to back up the claims of sustainable sourcing. How will Loblaw find a reasonable method to monitor the monitors?

For More Information:

<http://www.oceansfortomorrow.ca>

<http://www.loblaw.ca/seafood>

<http://wwf.ca/conservation/oceans/>

<http://www.msc.org>

<http://www.greenpeace.org/canada/en/campaigns/Seafood/Learn-about/>