

THE EUROPEAN UNION MARKET FOR SUSTAINABLE PRODUCTS

THE RETAIL PERSPECTIVE ON SOURCING
POLICIES AND CONSUMER DEMAND



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About the report

Retailers in France, Germany, Italy, the Netherlands and Spain find growing consumer demand for sustainably sourced products. Many work in partnership with their suppliers, both inside and outside the European Union, to introduce environmental and social standards, according to an ITC company survey in the five EU countries.

This is the first retail survey of its kind. It covers eight retail product groups: beverages, clothing, computers, food, household and office furniture, mobile phones, printed materials, and toys and games. Commissioned by the European Commission Directorate-General for Trade, the report contains data on consumer demand and retailer sourcing strategies, as well as case studies based on interviews with retailers. The report provides 12 recommendations for policymakers, retailers and suppliers to improve their understanding and share of this growing market.

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Foreword: The International Trade Centre

This report carries an important message for small businesses seeking to export to major industrial nations in the European Union: Retailers consider sustainability key, when buying from suppliers.

Consumers increasingly seek products that reflect ethical treatment of workers and are environmentally conscious, as we know from previous surveys. This new survey from ITC goes further. It is the first survey to investigate the sourcing strategies among retailers, and explore their perspective on market demand for sustainable products.

Almost all retailers interviewed by ITC expect demand to grow for sustainable products over the next five years. Three-quarters of them have sustainable sourcing commitments, which they implement through voluntary sustainability standards or corporate sustainability codes of conduct.

Where suppliers can adopt those standards or codes and join specific value chains, they can find a profitable niche and become leaders in fair and ethical production.

ITC already maintains the world's only comprehensive repository on sustainability standards (www.sustainabilitymap.org), and publishes the only global data report on sustainability standards for bananas, cocoa, coffee, cotton, forestry, palm oil, soybeans, cane sugar and tea (*The State of Sustainable Markets*).

With this new report, we take a broader approach, focusing on retailers and their product sourcing, not just the standards themselves.

We see this as part of our contribution to the United Nations Sustainable Development Goals, especially Goal 12 (Responsible Consumption and Production), Goal 9 (Industry, Innovation and Infrastructure), and Goal 8 (Decent Work and Economic Growth).

I would like to thank the European Commission Directorate-General for Trade for its support, as part of its 'Trade for All' strategy. This strategy states that 'fair and ethical trade schemes reflect EU consumer demand and contribute to developing more sustainable trade opportunities for small producers in third countries.' This lies at the heart of ITC's mandate, as the only UN agency to focus on connecting small firms in developing countries to global markets.

Aranca González
Executive Director, International Trade Centre (ITC)

Foreword: The European Commission

Recent years have seen intense debates on EU trade policy. The people of the European Union want international trade to go hand-in-hand with social, economic and environmental sustainability. And they want trade policy to have a positive impact on consumers, workers, small producers and businesses in the EU and beyond. The EU's Trade for All strategy outlined how we can use trade policy as an effective tool for addressing a range of policy goals.

Used correctly, EU trade policy can support inclusive growth and the creation of decent jobs, promote sustainable development, and ensure responsible supply chain management, including by encouraging fair and ethical trade schemes. EU Trade policy can also contribute to defending human rights and to promoting women's economic empowerment.

The EU's trade strategy outlined our commitment to raise awareness among consumers and suppliers on fair and ethical trade schemes and to make sure they have the information they need to be able to make informed choices. This report supports our commitment to gather market data on fair and ethical trade markets.

We learn from this report that retailers surveyed in the EU Member States overwhelmingly support sustainable sourcing. Their convictions and commitment to ethical and fair trade mean that many of them are leading the way by making sure that when they buy goods from outside of the EU they do so from sustainable sources.

For the first time, thanks to the International Trade Centre, we have a picture of how sustainable sourcing is playing out in the retail sector in five EU Member States and eight key sectors. The news is very good: nearly all of the more than 1800 businesses surveyed – from micro enterprises to large firms – take sustainability into consideration.

More than nine out of ten of those interviewed said they apply sustainable sourcing strategies and that they expect sustainable sourcing to increase. Many work in partnership with overseas suppliers – from the People's Republic of China to Chad, from Togo to Tunisia – to apply the standards right along the value chain directly to the factory and workshop floor.

I hope that this report will be an inspiration for further efforts to make retail goods more sustainable, to ensure a fairer distribution of the rewards of production, and better treatment of suppliers, workers, and ultimately all of us consumers.

The retailers interviewed had several ideas for improving the situation, including the adoption of standards by governments, the promotion of sustainable sourcing at industry level, more aid for implementing standards, and more transparency from suppliers. Such moves could help level the playing field in the retail business and speed up the implementation of standards.

These ideas are worth consideration and debate. Yet it is not just at EU level that action is required. National policymakers, local authorities, industries, individual companies and individual consumers have a role to play too. So far, voluntary standards have led the way, but for sustainable sourcing to be mainstreamed, governments and civil society must also show political will. We know that a growing number of consumers are already behind this endeavour, so I am optimistic that if we all work together, there can be a bright future for sustainable sourcing in the EU and beyond.

Cecilia Malmström
European Commissioner for Trade 2014-2019

Acknowledgements

This report is based on the data from the International Trade Centre (ITC) business survey on sustainable sourcing policies and demand for sustainably sourced products in five European Union (EU) countries. The survey was conducted at the request of, and with support from, the European Commission, Directorate-General for Trade (DG Trade) in 2018.

The report was prepared by Mathieu Lamolle, Regina Taimasova and Madison Wilcox. Abdellatif Benzakri contributed to the development of the database, survey questionnaires and processing of the data. Joseph Wozniak and Aimee Russillo provided valuable comments and feedback. Benedikt Roiger prepared the infographics for the report and managed the layout. We also thank Mondher Mimouni and Ursula Hermelink for sharing their experience in conducting company surveys.

ITC expresses appreciation to the representatives of retailing companies in France, Germany, Italy, the Netherlands and Spain who agreed to be interviewed and share their experience on sourcing and selling sustainable products. We thank the European Commission for its trust and support and extend our gratitude to the company that conducted the survey on behalf of ITC.

Mathieu Lamolle, Regina Taimasova, Madison Wilcox, Natalie Domeisen and Evelyn Seltier (all ITC) managed the production of the report. Peter Hulm and Natalie Domeisen edited the report. Serge Adeagbo and Franco Iacovino (ITC) provided digital printing services.

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Acronyms

EU	European Union
FIBL	Research Institute for Organic Agriculture
FSC	Forest Stewardship Council
GOTS	Global Organic Textile Standard
ICS	Initiative for Compliance and Sustainability
IFS	International Featured Standard
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
ITC	International Trade Centre
LWG	The Leather Working Group
MSC	Marine Stewardship Council
NGO	Non-governmental organization
PEFC	Programme for the Endorsement of Forest Certification



Executive summary

Sustainability: A mantra for retailers as well as consumers

Sustainable product sourcing has become a top priority for retailers in key European Union markets, according to figures collected by ITC from five EU countries: France, Germany, Italy, the Netherlands and Spain.

The emphasis on environmentally-friendly products, fair and ethical trade, and decent jobs in supplier companies has strong consumer support. But sustainable sourcing also draws equally strong support from the retailers themselves. Most expect such business to increase significantly in the next five years.

Rising sales: Looking back

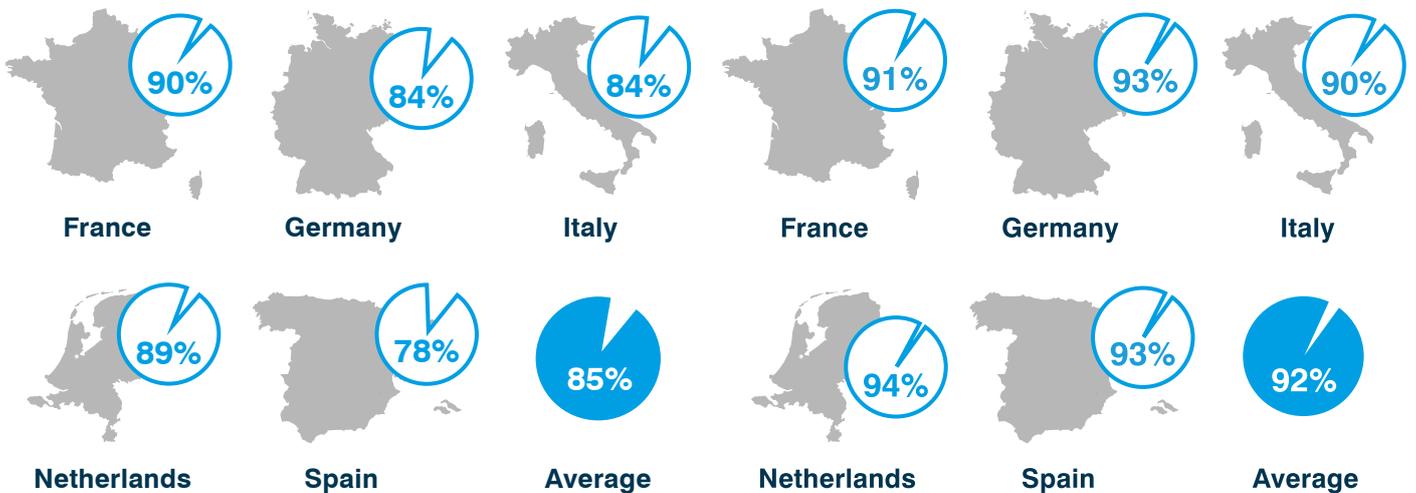
85% of retailers report increased sales of sustainable products over the past five years

Drawing on information from 550 retailers across the five surveyed markets, this demonstrates promising growth. Moreover, 65% of them report an increase of more than 10%.

Rising sales: Looking forward

92% of retailers expect sales in sustainable products to increase in the next five years

Retailers express optimism for high growth, with around three-quarters of these companies expecting the growth to exceed 10%.



While the responses varied slightly from country to country, the trend is overwhelmingly positive. Not only have retailers witnessed a growth in sustainable sales, but in each country, a higher number of retailers expect growth to continue into the next five years.

Among those retailers that collected shared sustainable sales data, the trend is even more encouraging. On average, of the 127 companies that shared sales data, each retailer earned 59% of its sales from sustainable products in 2017. These companies likely carry a much higher percentage of sustainable sales than most. However, they provide an inspiring look into what is being accomplished by many of the largest retailers in the EU. Among the five countries, retailers in Germany and the Netherlands had the highest share of sales attributed to sustainable products.

Sustainable sourcing strategies and commitments: The norm

96% of retailers interviewed have sustainable sourcing strategies

76% of retailers interviewed have committed to sourcing a proportion of their supplies sustainably



A high percentage of retailers are documenting their strategies and making public commitments to source more sustainable products. Of the 550 surveyed retailers, nearly all have created strategies that include provisions to increase the proportion of their sourcing that benefits the environment and the people along their supply chains. In many cases, this includes cutting waste, utilizing renewable inputs, and ensuring just working conditions for their producers. The almost universal attention to this point demonstrates that, across the board, retailers understand that adopting such provisions is vital to their business success. Additionally, more than three-quarters of the companies have pledged these commitments to the public.

What retailers are saying

'The proportion of sustainable products in our company's product assortment has increased immensely in the last few years. Consumer demand in this area has significantly increased.'

Food retailer, Germany

'One reason for our company to focus on sustainability is to establish a relationship of trust with our suppliers.'

Coffee retailer, France

'Our commitment is to achieve 100% of sustainable cotton sourcing by 2025.'

Furniture retailer, Italy

'The textiles and clothing supply chain is one of the greatest polluters on the planet. There is excessive consumption and a large amount of waste. This is why our company has decided to focus on sustainability as part of its core business.'

Clothing retailer, Spain

'We work only with responsible fishing communities that respect nature and don't deplete fish stocks. We offer them a market, a fair price and long-term collaboration.'

Seafood products retailer, the Netherlands

Pilot project is first to gauge EU market for sustainably sourced products

These conclusions are based on an ITC survey with retailers, carried out in 2018 for the European Commission. It is the first survey of its kind to gauge the market for sustainably sourced products in the European Union. By sustainably sourced products, we mean sourcing of products that are produced sustainably, i.e. with less harm to environment, with respect to human rights, and provision of good working and employment conditions. As a reference, the retailers surveyed used products that complied with sustainability standards, schemes or internal sustainability codes of conduct of companies. Eight product groupings were chosen, based on likelihood of sustainable sourcing requirements. In other words, the survey focused on products that more likely apply sustainable production practices.

The product groupings are: beverages, clothing, computers, food, household and office furniture, mobile phones, printed materials, toys and games.

The way forward

While no data charts the share of sustainable products among all retail goods available in these product groups in these countries, analysis of Euromonitor data suggests that, for some of these groupings, only around 10% of retail sales are sustainable in the five countries³. Our survey indicates that these numbers are likely to be higher. Nevertheless, it is clear that there is still room for improvement and that sustainable sourcing requires business and policymaker commitment.

This study, the first of its kind, shows that retailers see a continuous rise in demand for sustainable products, and are realigning their strategies to support this demand. The market also sustains more retailers who have founded their companies on the basis of sustainability.

Policymakers should therefore support retailers to accelerate the growing trend, as a way to transition to mainstream business models that are environmentally and socially conscious.

Suppliers in the EU and outside of it should also understand that there is an economically viable, growing market for these products.

The findings are specifically valuable for:

EU policymakers, to help them understand the evolution of the market for sustainable products and to design relevant policies and strategies for promoting such products and sustainability schemes.

EU retailers, to develop or review their sustainable sourcing policies that take into account the volumes and dynamics of demand for sustainable products.

Suppliers, who can use the results to better understand which sustainable processes they need to adopt to meet EU buyer requirements.

For policymakers in the European Union

- **Incentivize sustainable imports** into the EU through trade policies that lower costs or provide benefits for companies importing sustainable products.
- **Engage with exporter governments** and lobby them to address sustainability issues that cannot be tackled by businesses, but can be handled at the national level in the supplier countries.
- **Create an enabling environment** for businesses to produce sustainably and link to markets that show strong demand for sustainable products. This can include working with trade and investment support Institutions and other business support organizations, which are major partners of ITC and help companies export better.

- **Educate consumers** to better understand and act on sustainability issues. This can be done at municipal, regional and national level through consumer education campaigns. One such initiative is the EU Cities for Fair and Ethical Trade Award¹, developed by the European Commission. It highlights innovative practices by EU cities in incentivizing sustainable trade. Other examples include national programmes and awards, many of which specifically focus on fair trade.

For retailers in the European Union

- **Integrate sustainability into business processes.** Be proactive instead of reactive in anticipating the needs of future consumers. Conduct consumer surveys to understand consumers' views and preferences for sustainable products.
- **Go beyond sourcing products** that are produced in compliance with sustainability standards or codes of conduct: Implement circular economy principles² in value chains.
- **Share information** and experience with other retailers and manufacturers in terms of sustainability issues and solutions to these issues in supplier countries. This effort can also be amplified through engaging with trade and investment support institutions.
- **Engage with non-governmental organizations** to seek their advice on tackling sustainability issues in supplier countries.
- **Educate consumers** to better understand and act on sustainability issues. Retailers have a deep knowledge of consumer behaviour and are best placed to influence it to make consumers act more sustainably.

For suppliers

- **Actively implement sustainable practices** in production processes.
- **Engage with buyers** and share data with them. Transparency in relations with suppliers is a key factor in maintaining long-term supplier-buyer relationships.
- **Listen to customers** and their preferences for fair and ethical products. Such preferences may vary in terms of product scope and market segments. As this survey reveals, the trends are very clear and should not be underestimated.

³ This figure is derived by ITC and based on data provided by Euromonitor on overall retail sales and 'Ethical Label' retail sales. This 'Ethical Label' data does not, in all cases, align with the criteria set forth in this report for sustainable products, thus it is not representative of the exact same pool. <https://www.euromonitor.com/>

¹ <https://www.trade-city-award.eu/>

² A circular economy is an industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems, and, within this, business models. <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

ON THE RISE: EUROPEAN DEMAND FOR SUSTAINABLE PRODUCTS

Retailers are increasingly 'greening' their supply chains, adopting fair and ethical trade criteria and applying sustainability standards in overwhelming numbers. This is due to a number of reasons including consumer demand, sustainability risks in supply chains, company reputational risks and new government regulations.

Consumer trends

The demand for sustainably produced products has been increasing globally in recent years. According to The Nielsen Company⁴, which carried out an online survey of 30,000 consumers in 60 countries in 2015, 68% said they were willing to pay extra for sustainable goods. The number had risen from 50% two years earlier. Nielsen concluded: 'Consumer brands that demonstrate commitment to sustainability outperform those that don't.' Sales growth by companies with a demonstrated commitment to sustainability was four times higher than that of competitors: 4%, compared to less than 1%.

The Nielsen results also indicate that consumers are becoming more aware of the sustainability aspects of products and demanding more of such standards in their products. For instance, global retail sales of Fairtrade certified products increased by over 80%, from €4.36 billion in 2010 to €7.88 billion in 2016⁵. The EU market remains a large consumer of Fairtrade products. In Germany, Fairtrade product sales more than tripled from €340 million in 2010 to €1.15 billion in 2016⁶.

When it comes to organic products, the EU is the second largest market after the United States for products produced in compliance with organic standards. Generally, these products are produced without the use of chemicals fertilizers, pesticides, or other artificial chemicals. The value in retail sales for 2017 was €34.3 billion in the EU. Germany and France are the largest EU markets for organic products, with €10 billion and €7.9 billion respectively in retail sales, accounting for just over half of the EU market⁷.

In its trade and investment strategy, the European Commission recognizes the consumer demand for sustainably certified products and the role such standards play in promoting human rights, decent working conditions, environmental stewardship and economic growth in third countries. Supporting and promoting sustainably certified products and sustainability schemes is part of the Commission's 2015 Trade for All strategy, which states that 'promoting fair and ethical trade schemes reflects EU consumer demand and contributes to developing more sustainable trade opportunities for small producers in third countries'⁸.

To promote such schemes, the market for products certified under such schemes needs first to be assessed. The ITC Trade for Sustainable Development Programme conducted this survey in 2018, the first of its kind in seeking the experiences and views of retailers, to analyse the EU market for sustainably certified products. The survey was funded by the EU Commission as part of its 'Trade for All' strategy.

ITC is well positioned to carry out such a survey, since it draws on extensive experience in sustainability and voluntary sustainability standards. Its global database on voluntary schemes, Sustainability Map (www.sustainabilitymap.org) provides information on requirements, audit procedures, labelling, and traceability procedures for more than 240 schemes.

Survey methodology and report structure

To identify the EU market demand for sustainable products, ITC developed a survey methodology under which retailers were interviewed in five EU countries: France, Germany, Italy, the Netherlands and Spain. By sustainable products, we mean products that are produced sustainably, i.e. with less harm to the environment, with respect to human rights and provision of good working and employment conditions. As a reference, the retailers surveyed used products compliant with sustainability standards, schemes or internal sustainability codes of conduct of companies.

ITC contacted a total 1,832 companies in the first stage of its survey. Only 27 (1.5%) said they do not consider sustainability in their product sourcing. Phone interviews followed with 550 retailers in the five countries, which serve as the base for the majority of the retailer perspective data in the report. Face-to-face interviews with 127 companies represented the third stage of the project. The eight product groups analysed in the report (beverages, clothing, computers, food, household and office furniture, mobile phones, printed materials, toys and games) were selected on the basis of the likelihood that sustainable sourcing practices and schemes would apply. These sectors represented the best possibility to gain usable data for the pilot project and provide an indication of the direction in which the rest of the market is heading.

This report presents the results of the retail survey, and provides valuable insights on the dynamics of demand for sustainable products and retailer strategies for sustainable sourcing. Its case studies of retailers also provide unique perspective. The report gives an overview of aggregate EU trends, country insights and recommendations. Details of the survey methodology can be found in the appendix.

⁴ "The Sustainability Imperative. New Insights on Consumer Expectations", October 2015, <https://www.nielsen.com/content/dam/nielsen-global/dk/docs/global-sustainability-report-oct-2015.pdf>

⁵ <https://annualreport16-17.fairtrade.net/en/building-fairtrade-markets/>

⁶ <https://annualreport16-17.fairtrade.net/en/building-fairtrade-markets/>

⁷ <https://statistics.fibl.org/europe.html>

⁸ <http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/>

CHAPTER 1 EU TRENDS

Sustainable sourcing is key



98.5% consider sustainability as a factor in product sourcing, according to 1832 retailers contacted in France, Germany, Italy, the Netherlands, and Spain.

Sustainable sourcing strategies: The norm



Sustainable sourcing strategies exist for 96% of the 550 retailers interviewed by phone in the five countries. Among them, 78% share their sustainable sourcing policies online. These include commitments to greener production practices and better treatment of workers along their supply chains. Many examples of such commitments can be found in the case studies of this report.

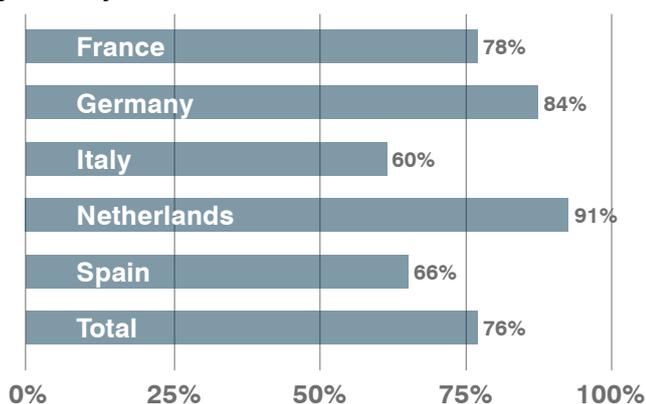
Sustainable supply commitments: Common practice



Sustainable sourcing commitments exist among 76% of 550 retailers interviewed. These are commitments to source a certain percentage, number or volume of products sustainably. Some retailers have also pledged to purchase 100% of their raw materials from sustainability certified sources by a certain date.

Most commitments to sustainable sourcing: Germany and the Netherlands

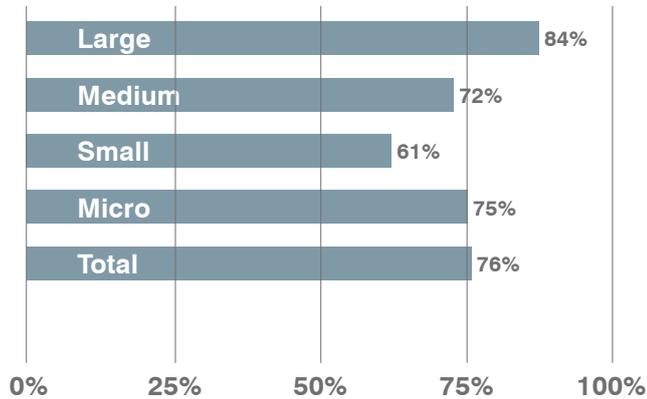
By country



Companies in Germany and the Netherlands were the most committed to creating corporate sustainable sourcing commitments, among those surveyed.

Large companies: Most likely to commit to sustainable sourcing

By size



The overall trend clearly demonstrates an important increase in sustainable sourcing commitments across retailers of all company sizes.

Large companies are most likely to make corporate sustainable sourcing commitments: 84% of large retailers across the five target countries report they are committed to sourcing products certified to sustainability standards or compliant with internal codes of conduct.

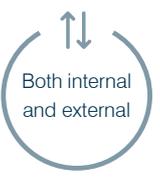
Large retailers are most monitored by consumer organizations and have a sense of being under continuous scrutiny. Their margin for mistakes is very limited, and this reflects their higher commitments, compared to smaller players.

Only 61% of small retailers have similar commitments, while 75% of micro enterprises and 72% of medium-sized firms report sustainable sourcing commitments.

Retailers use both internal and external compliance mechanisms for sustainable sourcing

Companies can either make sustainable sourcing commitment through internal policies or codes designed and enforced by external parties. While internal policies allow companies to formulate their own commitments in line with the company strategy, external codes of conduct can provide the company with increased visibility in the form of a recognized standard and increased impartiality in the judgment of the company's adherence to that standard.

Figure 1. Retailers applying the various types of sustainable sourcing policies, by country and size

	Country					Total	Size				
	France	Germany	Italy	Netherlands	Spain		Large	Medium	Small	Micro	Total
 <p>Through internal sustainability code of conduct/audit protocol/standard</p>	15.1%	11.5%	21.3%	6.3%	35.5%	17.8%	16.7%	14.3%	13.7%	29.9%	17.8%
 <p>Through external sustainability standard</p>	18.5%	2.5%	17.0%	6.3%	6.5%	10.2%	2.2%	15.5%	22.4%	12.5%	10.2%
 <p>Both internal and external</p>	66.4%	86.0%	61.7%	87.5%	58.1%	72.0%	81.1%	70.2%	63.9%	57.6%	72.0%

Note: An internal company code of conduct is set by a company to assess its producers against the criteria in the code. One example is Unilever's Sustainable Agriculture Code, which assesses suppliers against sustainable agriculture criteria. Internal company codes can be assessed by the company itself or by independent verification bodies.

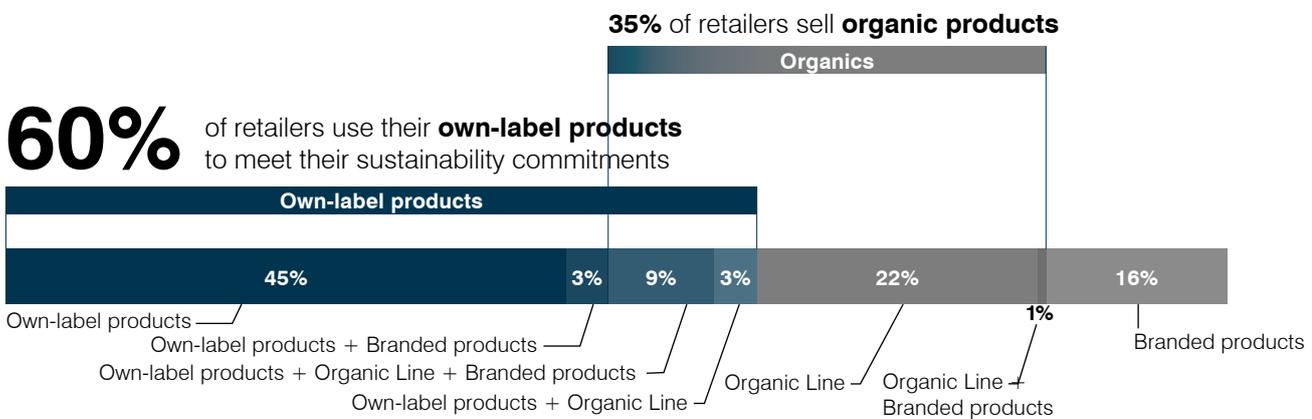
External sustainability standards are developed by independent entities and used by a company to select suppliers that are compliant with these standards. For example, Ahold-Delhaize uses the UTZ standard to select coffee suppliers. Such standards have independent third-party certification bodies to audit producers.

In most cases (81.1%), large retailers rely on both internal codes of conduct for suppliers and external standards, i.e. standards developed by external organizations such as non-governmental organizations. Only 16.7% of large retailers rely solely on internal codes of conduct or audit protocols. Among micro enterprises, 29.9% rely on internal codes of conduct; 57.6% use both internal and external standards or codes.

Large retailers often have more capacity to develop internal responsible sourcing practices and communicate their sustainable labels or lines of products. By contrast, smaller companies may rely on the prominence and reputation of external sustainability labels for consumer recognition.

Another explanation of these results could be that, as business organizations, retailers like to diversify their risks. The adoption of third-party certifications and standards may serve to lower firms' risks with regard to sustainability in global supply chains.

Figure 2. Retailers using the various types of products to meet their sustainability commitments



Note: Own-label products – products that have the name of the store where consumers buy it, rather than the name of the manufacturer that made it. Branded products – products that are identifiable as being the products of a particular manufacturer.

Sixty per cent of retailers use their own-label products to meet their sustainability commitments. In this way, retailers engage with their suppliers directly and apply sustainability requirements through their own supply chains, rather than through brand manufacturers.

Thirty-five per cent of retailers contacted sell organic products. Sales of organic products in the EU reached €34.2 billion in 2017 with the five countries surveyed accounting for more than 70% of EU organic retail sales (€24.2 billion)⁹.

Consumer surveys

Overall, 29% of retailers in the five countries conduct consumer surveys on sustainable products. Large retailers do this more – 43.6% versus only 16% of micro, small and medium-sized enterprises conduct such surveys. Large retailers may have greater financial resources to conduct and process such surveys.

In most cases, the consumer surveys focus on understanding the importance of sustainability for consumers, as well as consumers' perceptions of credibility of sustainability labels.

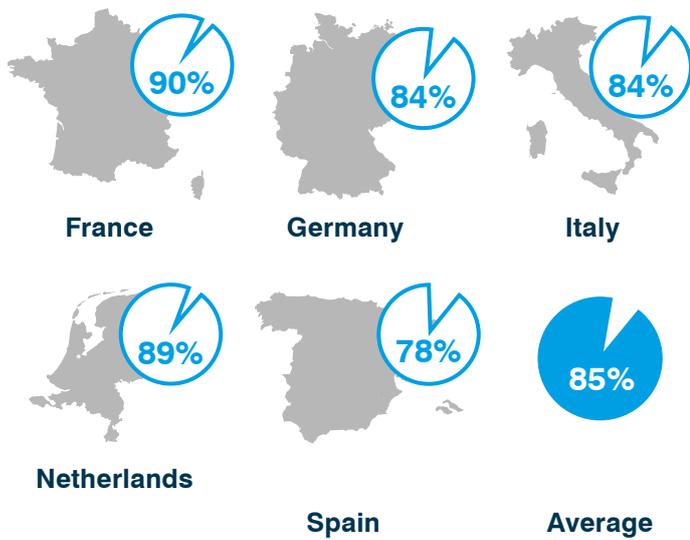
In some cases, retailers, through surveys, offer consumers tools to consume products more sustainably. For instance, as one retailer conducted a consumer survey on sustainability, it used its consumer outreach as an opportunity to offer a list of waste collection locations for further recycling their products. In this case, the company not only looked to gather information about sustainable consumption patterns, but also educate consumers on how to be more sustainable.

⁹ <https://statistics.fibl.org/europe.html>

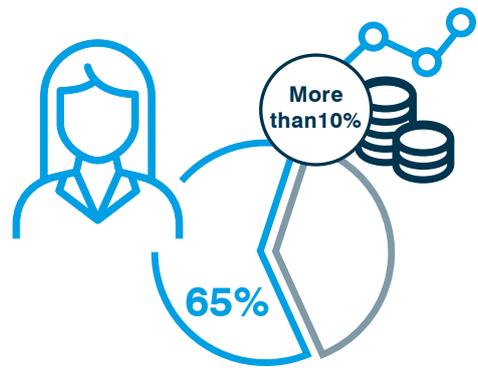
Trends in sales of sustainable products

Looking back over the past five years, retailers report a clear increase in the sales of sustainable products. Some markets appear to be transitioning faster than others, yet, the trend is similar across each country. Furthermore, most recorded a more than 10% increase in sales of sustainable products, demonstrating that growth is not just widespread but also substantial. This increase in demand as shown by the retailers aligns with the increase in the supply of products certified to sustainability standards and codes of conducts, including voluntary sustainability standards.

85% of retailers interviewed report increased sales of sustainable products over the past five years

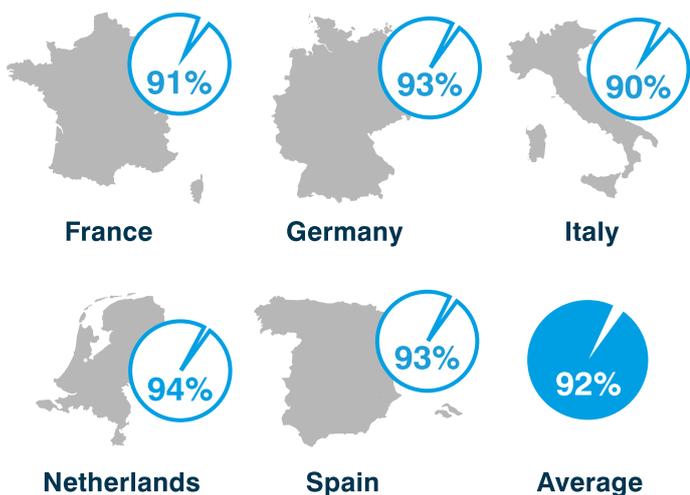


65% of retailers interviewed reported more than 10% increase in sales of sustainable products over the past five years

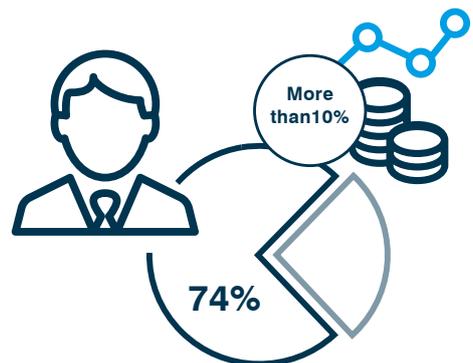


Looking forward to the next five years, a higher number of retailers expect an even greater level of growth in sustainable sales. In all countries, over 90% of the 550 surveyed retailers expect sustainable product sales to increase and nearly three-quarters expect that increase to be higher than 10%. This optimism not only provides a clear view of what retailers expect but an indication of what retailers will prioritize to compete and maximize business success.

92% of retailers interviewed expect sustainable product sales to increase in the next five years

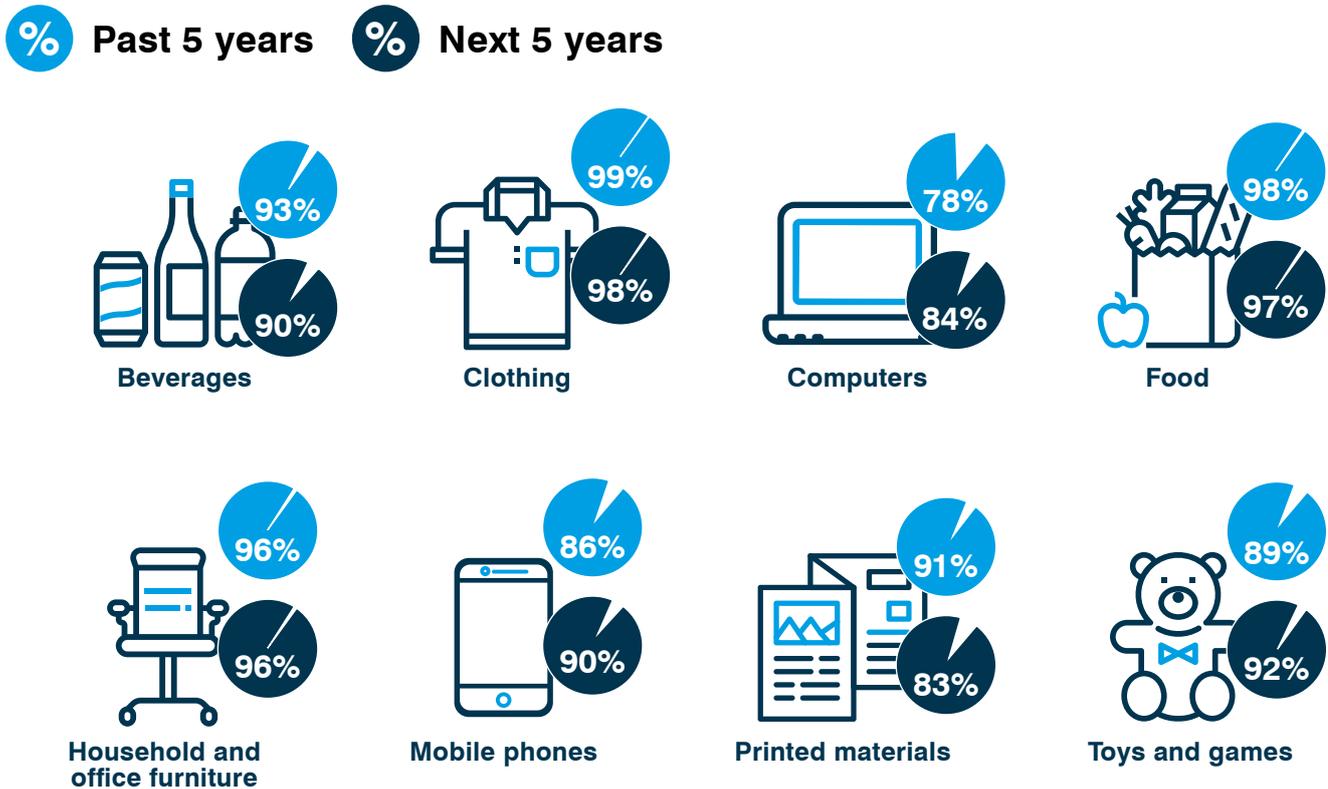


74% of retailers interviewed expect a more than 10% increase in sales of sustainable products in the next five years



Retailers experienced growth and expect growth in the future

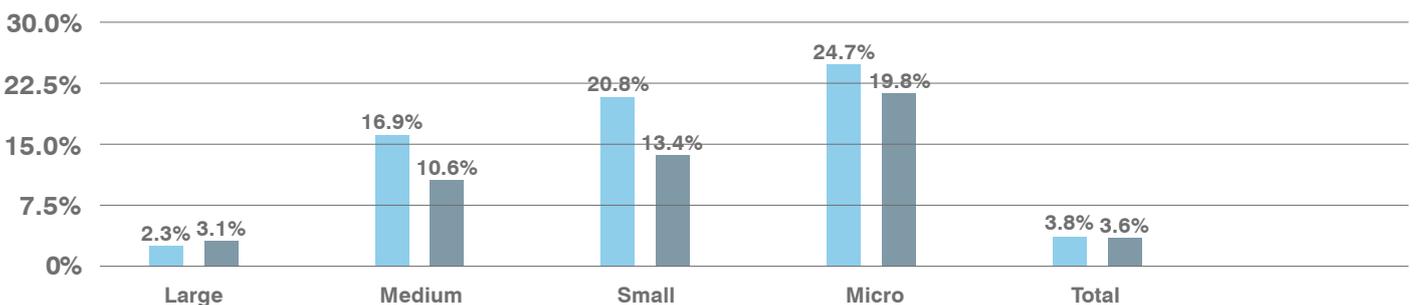
The country trends are reflected at the product level as well. Across each of the product groups, a high number of retailers have reported growth in the sales of sustainable products. In some product groups, especially those with very high percentages for the past five years such as clothing, beverages, food, and printed materials, there is a small drop in the percentage of companies expecting future growth. However, these numbers are still high and they are counterbalanced by other product groups such as mobile phones, toys and games, and computers where more retailers expect growth in the sales of sustainable products in the next five years.



A snapshot of the rise in sustainable sales

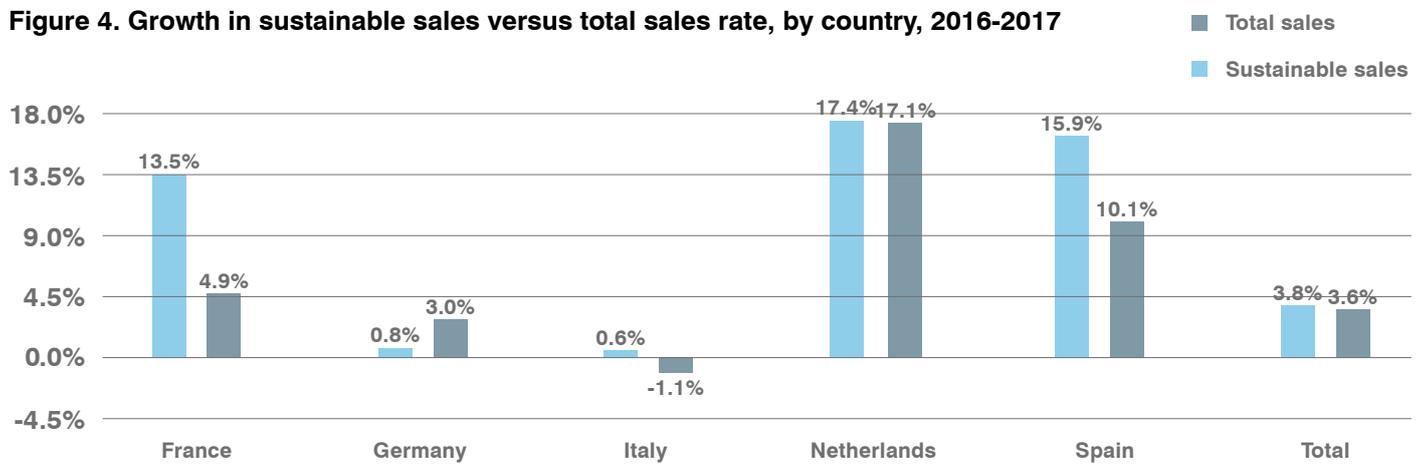
Sustainable product sales are growing faster than overall sales in most countries, for most product categories, and for most sizes of companies. This information is based on sales numbers provided by a segment of the companies that participated in the survey. Sales statistics are based on 127 companies that participated in the phone screen survey and agreed to participate in the face-to-face survey. As such, sales data from this section should be taken only as examples, reinforced by the findings from the more statistically significant trends data throughout the rest of the report.

Figure 3. Smaller businesses: Faster growth rate for sustainable product sales, 2016-2017 ■ Total sales ■ Sustainable sales



The growth rate of sustainably-sourced sales outstripped the growth rate of total sales in 2016-2017 for micro, small and medium-sized enterprises. For large companies, while sustainable sales did grow in the recorded year, they did not keep up with the growth rate of total sales. Smaller retailers, which often hold smaller volumes of products at one time, are able to more quickly respond to the changing demand for more sustainably-sourced products. Meanwhile, larger retailers may take more time to update their stock.

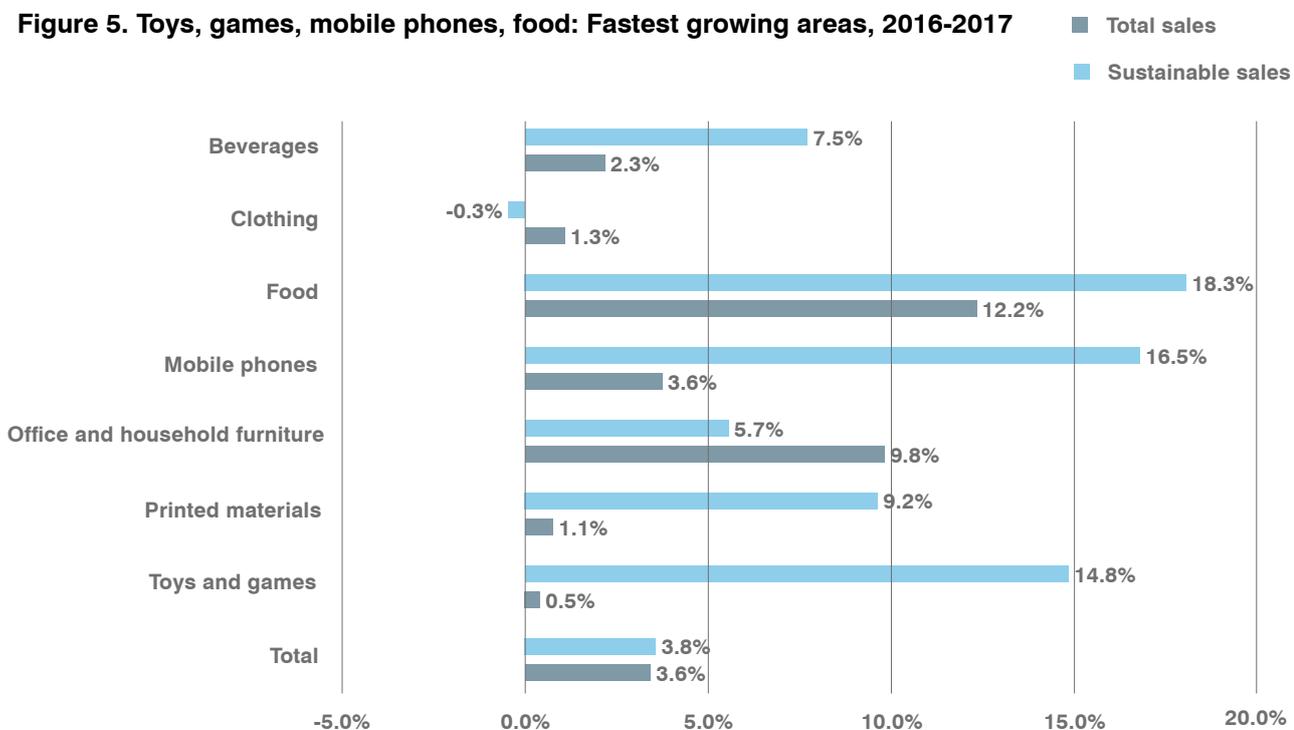
Figure 4. Growth in sustainable sales versus total sales rate, by country, 2016-2017



Sustainable product sales grew at a faster rate than total product sales in 2016-2017, in four of five surveyed countries. The survey responses varied greatly from country to country. Again, the sales numbers are based on a limited segment of company interviews and are indicative only.

The total retail sales growth rates in each country do not necessarily indicate the overall retail market for each country. As for Italy, the companies that provided sales data experienced negative growth trends overall.

Figure 5. Toys, games, mobile phones, food: Fastest growing areas, 2016-2017



In six of the eight product groupings, the growth rate in sales for sustainably sourced goods was much higher than for all sales. Exceptions were household and office furniture and clothing. Clothing was the only product grouping to be negative (-0.3%). The highest growth of sustainable product sales was in food products (18.3%). The highest gaps between sustainable sales and total sales growth are found in toys and games (14.8% versus 0.5%) and mobile phones (16.5% versus 3.6%).

Figure 6. Small businesses dominate: Sustainable sales share in total sales, average per retailer/size

Size	2015	2016	2017
Large	29%	33%	36%
Medium	50%	49%	51%
Small	54%	58%	60%
Micro	73%	72%	76%
Total	55%	56%	59%

On average each retailer earned 59% of its sales from sustainable products in 2017. As prefaced with the sales data, this number is drawn from the smaller group of companies that provided sales data and, therefore, is likely to not reflect the percentage of sustainable sales of the larger market. However, this sales data does provide an inspiring example of what many companies are doing in the EU while also allowing for comparisons between the growth and sales levels across different markets and company sizes over three years.

The trend shows a rise. The share of sustainable sales in total sales for retailers was 55%, 56% and 59% in 2015, 2016 and 2017 respectively.

In line with the growth statistics, the number is higher for small businesses than for large companies.

Figure 7. Sustainable sales share in total sales, average per retailer/country

Country	2015	2016	2017
France	46%	45%	50%
Germany	66%	67%	71%
Italy	50%	55%	56%
Netherlands	67%	67%	67%
Spain	52%	52%	58%
Total	55%	56%	59%

Retailers in Germany and the Netherlands had the highest share of sales attributed to sustainable products in all three years. In nearly all cases, positive growth was shown.

Multiple schemes to source sustainably

From 2015 to 2017, 22% of retailers interviewed used at least three sustainability standards or codes for sourcing sustainable products. This means that suppliers who supplied products to these retailers had to comply with the requirements of at least three different sustainability schemes.

Standards used more frequently for beverages are Fairtrade and Organic standards: 26% and 21% of retailers used these standards for sourcing beverages in 2015-2017 respectively.

Retailers selling clothing used Oeko-Tex (20%), Fairtrade (11%) and the Global Organic Textile Standard (GOTS) (10%) most frequently.

Organic and Fairtrade are also most frequently used standards in the food sector: 25% of retailers used Organic standards for sourcing food products, and 15% of retailers used Fairtrade.

For furniture, 20% of retailers used ISO 90001 for sourcing policies, 14% Forest Stewardship Council (FSC) standards, 12% Oeko-Tex and 11% Programme for the Endorsement of Forest Certification (PEFC).

CHAPTER 2

COUNTRY TRENDS

FRANCE

98.8% say sustainability is a factor in product sourcing

ITC contacted 400 French retailers and 98.8% of them responded that they consider sustainability as a factor in product sourcing.

99% have sustainable sourcing strategies

Of 149 retailers that consider sustainability as a factor in product sourcing and agreed to participate in interviews, 99% say they have sustainable sourcing strategies, and 81% of these retailers publish their sustainable sourcing policies online.

78% have sustainable sourcing commitments



66.4% apply both internal and external sustainability codes and standards on products they source



Through internal sustainability code of conduct/audit protocol/standard



Through external sustainability standard



Both internal and external

‘One reason for our company to focus on sustainability is to establish a relationship of trust with our suppliers. Our commitment to environmental protection is an indispensable value.

Another reason is our relationship with our clients – today they demand higher quality, as well as commitment to sustainability.’

Coffee retailer, France

‘All wood we use will be FSC-certified by 2020. By 2030, we plan to use only resource efficient and 100% traceable raw materials.’

Furniture retailer, France

‘Our company decided to invest in sustainable product sourcing because in recent years the demand has increased.

Sustainable products are a way for our company to increase its competitiveness in the market and to add value to products.’

Clothing retailer, France

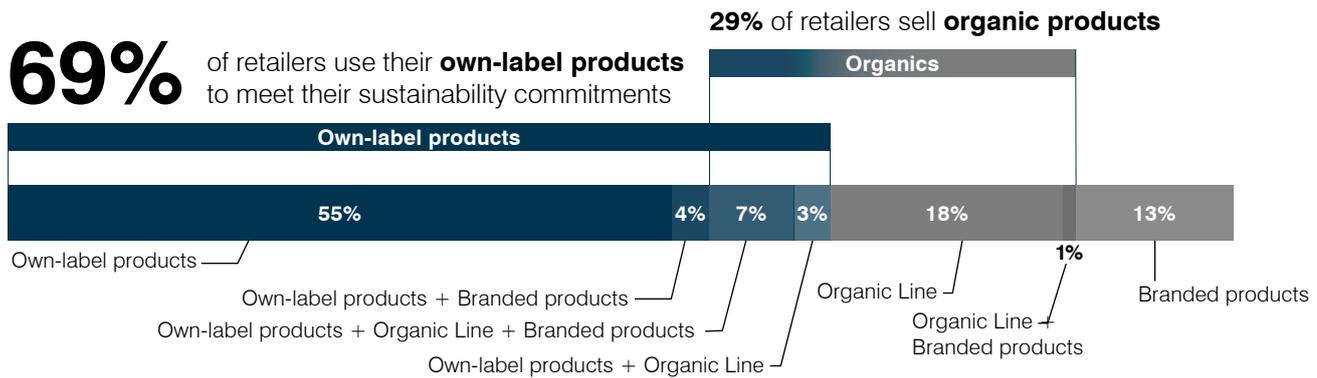
‘We chose the sustainable products market because the way of thinking in society has changed.

Consumers want more product information, especially related to health and environment.

There are conscious consumers and unconscious consumers. For us the final goal will be to educate consumers.’

Food products retailer, France

Figure 9. Retailers using the various types of products to meet their sustainability commitments



Among French retailers surveyed, 69% use their own label products to meet sustainability commitments.

Among those surveyed, 29% sell organic products. In 2017, the French retail market for organic products reached €7.9 billion¹⁰. France is second only to Germany in the EU for organic products.

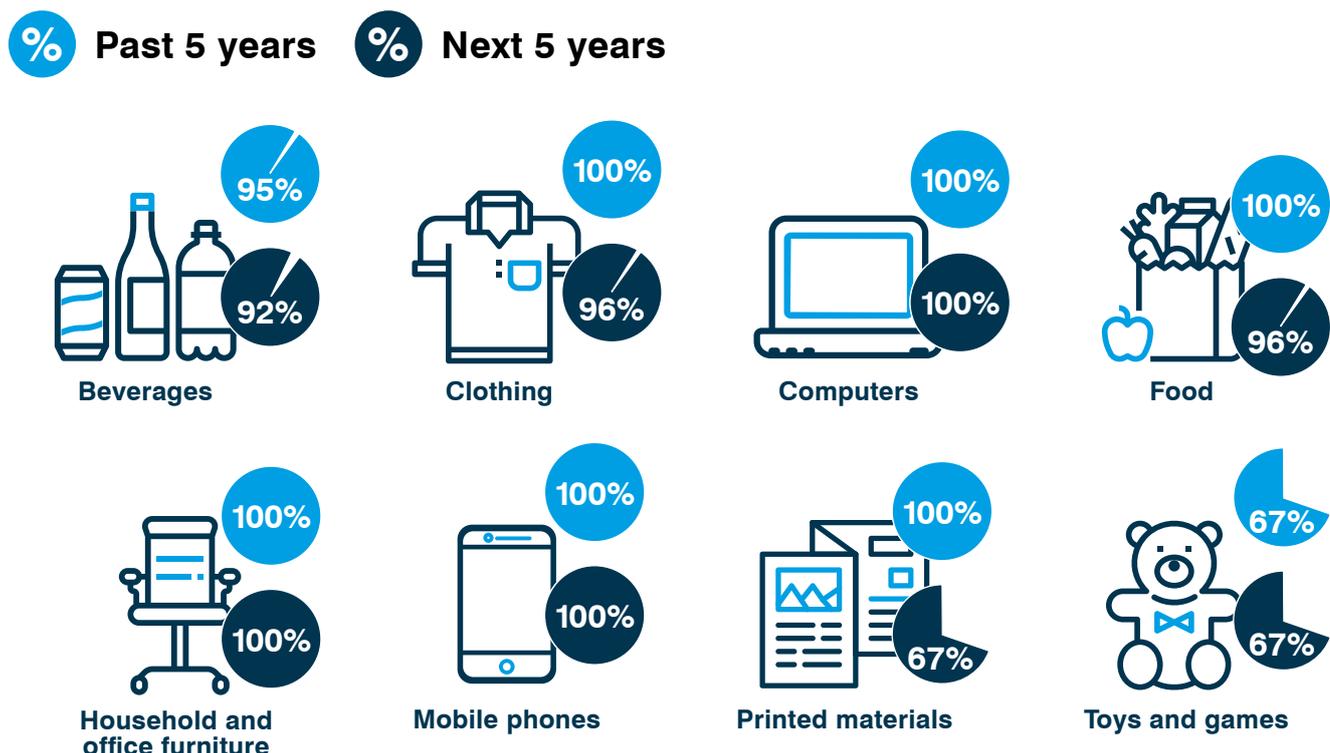
90% report an increase in recent sales of sustainable products, and 91% expect further increases in the future



Ninety per cent of French retailers surveyed report an increase in sales of sustainable products over the past five years, and 91% are expecting an increase in the next five years.

Fifty per cent of French retailers surveyed report up to 20% increases in sales of sustainable products in the last five years. Almost 75% of French retailers are expecting sales of sustainable products to increase by up to 30% in the next five years.

Retailers report increases in sales of sustainable goods in all product groups



¹⁰ <https://statistics.fibl.org/europe.html>



Irina Coupé,
Chef de projet
Approvisionnement Durable

AT A GLANCE

Maisons du Monde
 Vertou, France
<https://www.maisonsdumonde.com>

Industry

Furniture and decoration

Size

Medium-sized

How long in business?

23 years

Suppliers

Mainly from China, India, Indonesia,
 Viet Nam and France

Sustainability standards/codes applied

- FSC & PEFC
- LWG
- GOTS
- OEKO-TEX
- ICS/ amfori BSCI

Most popular sustainable products

Wooden furniture

Retailer Case Study: France

'Sustainability is non-negotiable anymore.'

Irina Coupé offers a perspective on Maisons du Monde's sustainability approach

How did you come to introduce sustainability standards into your product sourcing?

Despite the personal commitment of the founder of Maisons du Monde and the support of environmental non-governmental organizations (NGOs), sustainable development was not a part of the company's DNA from the beginning. It's only in 2010, 14 years after the company's creation, that the founder set up a state-of-the-art corporate social responsibility (CSR) policy, in line with his ambitions for Maisons du Monde. As often happens, an important catalyst for organizational change was a concern raised by a French NGO. It regarded the origin of wood used by the company.

Which sustainability standards do you apply in sourcing?

Maisons du Monde's CSR policy is based on four pillars: Purchase like partners; design like visionaries; trade like citizens; commit like enthusiasts. The heart of the CSR policy relies on ensuring sustainability at all stages in business activities: from product conceptualization to material sourcing, trading of the products and their life cycle.

Standards such as FSC, PEFC, LWG, GOTS and ICS were selected through benchmarking studies as practical and relevant tools to implement the Maisons du Monde CSR policy.

Traceability beyond the first and second tiers of the value chain remain important challenges for which solutions have yet to be found, through individual coaching of suppliers or through innovative technology and certifications.

What are the most popular products sourced according to sustainability criteria?

We see that our consumers are less concerned about a front-facing sustainability label on the product itself, as they trust our corporate brand as a robust, credible and engaged company.

Sustainability standards help us reach our goals and implement adequate policies, but across our range of products from textiles and decoration to furniture, consumers do not seem to go more for labelled products than the others, most probably as they know that we have a corporate policy that covers all our products.

What economic or regulatory reasons would be useful in your country/retail sector to source sustainably?

Since the issuance of the Law on Due Diligence, all enterprises in France have the legal obligation to care about all aspects of their supply chains, and face responsibilities. There is no choice but to implement good practices and improve transparency of supply chains, improve sustainability issues, and communicate about it.

It is quite a challenge for us at Maisons du Monde, handling more than a thousand suppliers worldwide, but it is a necessary journey. We are proud to be well engaged in this area as a core value to our enterprise.

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Companies with no ambition to implement sustainable sourcing practices will probably not exist anymore in about ten years. The market moves too quickly, the demand for ethical products has risen enormously over the recent years, and sustainability is non-negotiable anymore. Government regulations complement private initiatives and leave no room for business-only type enterprises.

‘There is no other choice than to implement good practices and improve transparency of supply chains, remediate sustainability issues, and communicate about it.’

Is it easy to find suppliers of sustainable products?

Sustainable sourcing remains a daily challenge: it is about engaging with the suppliers, communicating the business case for sustainability, and improving the traceability in what can be extremely complex supply chains.

For instance, it may take up to two years of visits and awareness-raising with potential suppliers before we see a transformation and real impact from our CSR policies.

From which countries do you source your sustainable products? How does this affect your sustainable sourcing policy?

Our modus operandi is to focus 80% on strategic sourcing, representing about one-third of our most stable suppliers. We then run risk assessments and prioritize product categories where we work with our suppliers in a very open partnership model, bringing them step-by-step into our sustainability journey with a lot of respect. We are sharing and learning experiences, setting realistic goals and moving along together. Out of our 1400+ suppliers worldwide, we work primarily with India, China, Viet Nam, Indonesia and France.

Do you have advice for suppliers to increase their business through sustainable sourcing?

The message to our suppliers is to do their best. There is basically no other choice, but please be reassured that they are not alone on this journey. It is a path that must be taken jointly. We are there to help, give advice, build strategy, and ensure sustainable enjoyable and long-term partnerships!

Interviewer: Mathieu Lamolle, Senior Advisor, Sustainability Standards and Value Chains, ITC



David Gobert
General Director

AT A GLANCE

Les Cafés Dagobert
Entreprise familiale et amicale Sainte Olive
France <https://www.cafesdagobert.com>

Industry

Food

Size

Medium-sized

How long in business?

10 years

Suppliers

From Ethiopia, Peru

Sustainability standards/codes applied

- Fair for Life
- Fairtrade International
- Organic

Retailer Case Study: France

'The traditional way of doing business is outdated.'

David Gobert highlights Les Cafés Dagobert's sustainability approach

How did you come to introduce sustainability standards into your product sourcing?

Our company is born from an extremely personal ambition to link to producers, and break the unfair global coffee market that provokes very vulnerable situations through volatility and speculation.

It has now been ten years that we are working on sustainable chains for coffee, with quite a successful approach that does not need the big speculators and traders, and builds on simple human relationships with all our suppliers and directly with cooperatives and producers.

Which sustainability standards do you apply in sourcing?

Our sustainability strategy took root in our internal corporate social responsibility (CSR) policy, backed-up with the use of sustainability standards such as Fair for Life, Fairtrade and Organic/Demeter. Indeed, this selection of standards allows us to be fair and translate our CSR ambitions into social and environmental actions at all levels of our supply chains: from the producers in the field to our employees here in France. Trust and the confidence of our business partners is at the core of our approach, building step-by-step an environment of good and fair business.

What are the most popular products sourced according to sustainability criteria?

Coffee is for most of us a daily break, a daily intimate moment, a daily bubble of oxygen, a daily occasion to pause and live the moment in the present. It is only logical to enjoy it even more with a feeling of sustainability and accomplishment of fairness to those who produce it!

What economic or regulatory reasons would be useful in your country/retail sector to source sustainably?

Regulations are in place to frame the global trade, but are not sufficient to ensure fairness and good practices: our private commitments are necessary to meet the broader objectives of sustainability.

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Building supply chains in a radically new way based on sustainability principles is not an easy task.

It requires regular field visits and working, a bit like in a relationship: listening to each other, building trust, and then maintaining it. We are proud of what we have done, at the scale of our little enterprise (we import about 200 tons of coffee per year), and we are proud that the changes that we have created can go far beyond our imports, as the producers engaged with us can attract more buyers, like-minded and with a sustainability focus. This can realistically transform the coffee trading system in the years to come.

Is it easy to find suppliers of sustainable products?

We expect to double production and imports in the next five years and enhance the volumes of existing value chains.

'Trust and the confidence of our business partners is at the core of our approach, building step by step an environment of good and fair business.'

From which countries do you source your sustainable products?

We have built value chains in Ethiopia and Peru.

Do you have advice for suppliers to increase their business through sustainable sourcing?

The traditional way of doing business is outdated. It is time to think and act with respect and engage all actors in a virtuous circle.

Interviewer: Mathieu Lamolle, Senior Advisor, Sustainability Standards and Value Chains, ITC



Antoine Morel
Corporate Responsibility Manager

AT A GLANCE

Le Slip Français
Paris, France

<https://www.leslipfrancais.fr>

Industry

Apparel

Size

Medium-sized

How long in business?

8 years

Suppliers

From India, Egypt, United States of America

Sustainability standards/codes applied

- Oeko-Tex - Lucie
- Happy at work
- Bloom at work

Most popular sustainable products

Underwear

Retailer Case Study: France

'Sustainable sourcing is de facto deep in the DNA of many French companies.'

Antoine Morel, Corporate Responsibility Manager, highlights Le Slip Français' sustainability approach

How did you come to introduce sustainability standards into your product sourcing?

Created in 2011, Le Slip Français has positioned itself as a 100% local French company – 'made in France' with the highest possible levels of wellness for our employees. The basis has always been to ensure a French conception of the products, made in France locally, ensuring a full control of the production processes and promoting the French social values together with a strong focus on good environmental practices and raw materials with the lowest impacts possible on the environment.

Which sustainability standards do you apply in sourcing?

All our products are made in France, and we are using the Oeko-Tex standard to ensure good environmental practices and avoid issues such as toxic pollution: this standard is applied to all our suppliers and manufacturers. The regulation 'RICH' on water treatment and dyeing contamination risks is also a strong pillar of our sustainability strategy regarding the environment. ISO 26000 and 'Lucie' certification as a corporate social responsibility (CSR) label is used, as well as Label France Garantie or Entreprise Patrimoine Vivant that are required from our suppliers in a way to build long-term relationships with them. The label 'Happy at Work' and 'Bloom at Work' are labels for the wellness of employees. These are extremely well received at the company level, and at the core of our DNA.

Our more recent focus is to improve the sustainability of the materials sourced from outside EU. We have identified standards such as GOTS, Fairtrade Max Havelaar as interesting options.

What are the most popular products sourced according to sustainability criteria?

Most of our underwear products. The largest types of products such as pullovers are also used over the longer term, so we ensure excellent quality. We see that consumers have ethical concerns for all categories of our products, even those with longevity such as trousers and pullovers.

What economic or regulatory reasons would be useful in your country/retail sector to source sustainably?

France is the country of social rights: we feel that the regulatory framework in our country already puts the bar very high, and sustainable sourcing is de facto deep in the DNA of many French companies. Regarding environmental issues, it is also a high priority on the government agenda, and the Paris Agreement on Climate Change has worldwide influence.

Enterprises understand more and more the role that they can play, and their responsibility to make ethical decisions, look after the welfare of their employees, and respect the planetary resources used in production processes.

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Demand for fair and ethical products can only grow as the current conventional business models can no longer sustain themselves. The business case for producing sustainably cannot be denied anymore. Having less environmental focus will diminish profits, and having more social work and labour-friendly policies can only augment business and profits. Short-term business profit makes no more sense in a globalized economy like ours.

'Short-term business profit makes no more sense in a globalized economy like ours.'

Is it easy to find suppliers of sustainable products?

As much as it sounds logical to act more sustainably, it remains a journey that requires awareness raising and step-by-step approaches. We like to see this as a revolution without the 'R': EVOLUTION!

It remains difficult sometimes to engage with the suppliers and share our views and commitments, but our experience shows not only that it works, but also that it creates an even better long-term relationship with our suppliers who join us in our shared responsibility for sustainable trade! We also like the analogy of Mount Ninja which translates into a virtuous circle towards a perfect world, starting with exploration, ascension, measuring and monitoring, then exploring, ascending, measuring, and monitoring again and again.

From which countries do you source your sustainable products? How does this affect your sustainable sourcing policy?

Our suppliers outside France are primarily from India, Egypt and the United States. Our focus in the next few years will be improving the traceability of our materials and their environmental footprint, and traceability beyond the first couple of tiers of our supply chains.

Do you have advice for suppliers to increase their business through sustainable sourcing?

Our call to existing, new and future suppliers is to adopt this Mount Ninja virtuous approach, not to be shy about changing and adapting practices, and turn the sustainability challenge in our business from 'competition' to 'co-opetition'!

GERMANY

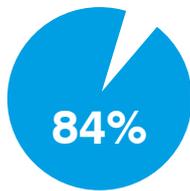
100% say sustainability is a factor in product sourcing

Out of 552 retailers contacted in Germany, all said sustainability is a factor in product sourcing.

99% have sustainable sourcing strategies

Of 164 retailers which participated in interviews, 99% say they have sustainable sourcing strategies. Seventy-nine per cent of them publish their sustainable sourcing strategies online.

84% have sustainable sourcing commitments



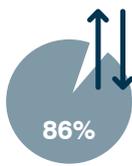
86% apply both internal and external sustainability codes and standards for sourcing



Through internal sustainability code of conduct/audit protocol/standard



Through external sustainability standard



Both internal and external

'Our sales performance has been increasing constantly, and the focus on sustainable product sales is a fundamental part of our business philosophy.'

'We developed and implemented our own retail sustainability standards. These are holistic and run through all phases of the product lifecycle.'

Sports clothing and equipment retailer, Germany

'By 2025 we want 100% of our suppliers audited for sustainability standards.'

Clothing retailer, Germany

'The goal of our company is to offer the best environmentally-friendly products in consumer electronics, household electronics and toys.'

'The demand for these products is seen in increasing sales figures over the past years.'

'After this summer's heat wave and visible climate change patterns, consumers are more aware of the reality.'

Electronics retailer, Germany

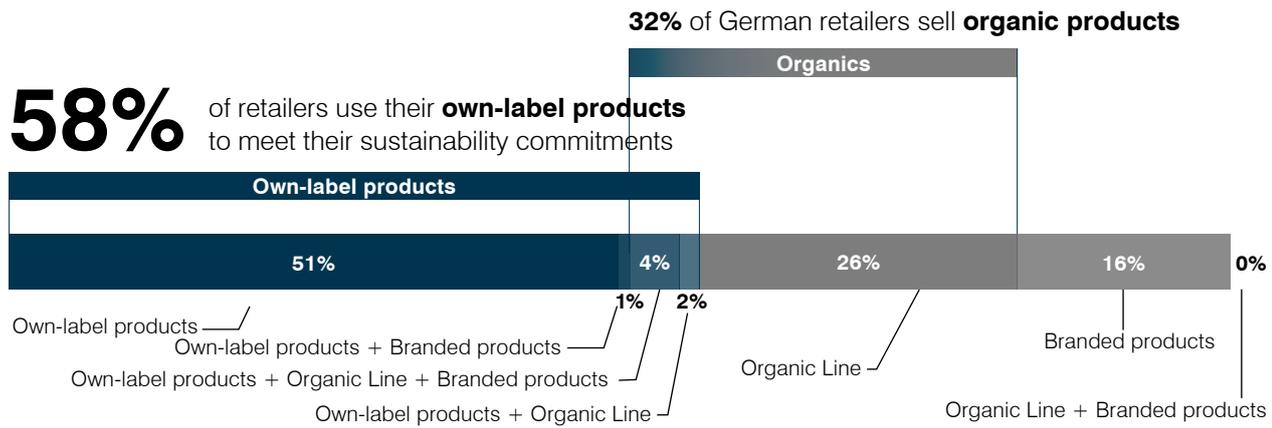
'The proportion of sustainable products in our assortment has increased immensely during the last few years.'

'Consumer demand in this area has significantly increased. Customers pay attention to agri-product growing conditions, delivery routes and quality.'

'Sustainability is a quality feature for many products, to which consumers increasingly pay attention.'

Food products retailer, Germany

Figure 10. Retailers using the various types of products to meet their sustainability commitments



Fifty-eight per cent of retailers surveyed use their own-label products to meet their sustainability commitments.

Thirty-two per cent of retailers sell organic products. The German retail market for organic products reached €10 billion in 2017 and is by far the largest EU market for organic products¹¹.

65% report an increase in recent sustainable product sales, and 76% expect further increases in the future

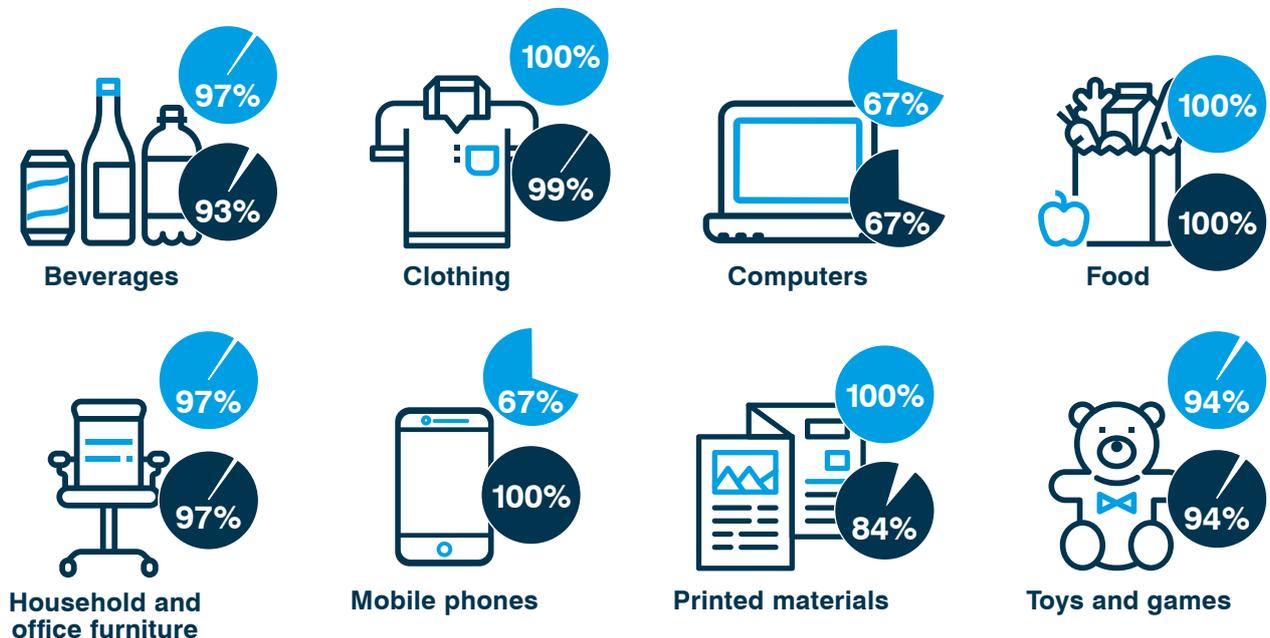


Sixty-five per cent of German retailers reported an increase in sales of sustainable products over the past five years; 76% are expecting an increase in the future.

Fifty-nine per cent of German retailers surveyed reported up to 30% increases in sales of sustainably sourced products in the past five years; 75% of retailers are expecting further increases in the future of up to 30%.

Retailers report increased sales of sustainably sourced goods in all product groups

% Past 5 years **% Next 5 years**



11 <https://statistics.fibl.org/europe.html>



Lavinia Muth
Corporate Responsibility Manager,

AT A GLANCE

Armedangels
Social Fashion Company GmbH
Cologne, Germany
<https://www.armedangels.de/en/>

Industry

Apparel

Size

Medium-sized

How long in business?

11 years

Suppliers

13, from Portugal to China

Sustainability standards/codes applied

- Global Organic Textile Standard (GOTS)
- Fairtrade
- Fair Wear Foundation
- ILO Core Conventions

Most popular sustainable products

T-shirts

Retailer Case Study: Germany

'Fairness is never out of fashion.'

Lavinia Muth, Corporate Responsibility Manager, explains ARMEDANGELS' sustainability approach

How did you come to introduce sustainability standards into your product sourcing?

The company was founded by two students, who are visionaries as well as entrepreneurs. From the beginning, the concept of 'Eco&Fair' was at its core. The initial idea was to give a portion of the sales revenue to charity. Then the founders realized that the textiles and garments supply chain faces several sustainability issues – low salaries, low health and safety standards in factories, etc. So they decided to include Fairtrade, Organic and labour rights certification in their sourcing policy. The main motto of the company is 'we want to make a difference.'

Which sustainability standards do you apply in sourcing?

All our suppliers have to comply with:

- The source country's mandatory regulations
- International Labour Organization (ILO) Core Conventions
- Fair Wear Foundation principles
- The Global Organic Textile Standard (GOTS)

Not many voluntary standards go beyond the legal requirements already imposed in supplier countries. All the social requirements within voluntary sustainability standards are basically ILO Core Conventions and existing legal regulations.

We do second and third-party audits of suppliers and make sure both we and suppliers set realistic production plans. We try to find out what we, as a brand, can do to make it easier for suppliers to fulfil orders (for instance, not to require overtime). We have discussions with suppliers all the time about this. Suppliers in general have to have a similar mindset to ours.

What are the most popular products sourced according to sustainability criteria?

T-shirts are the most popular products with our consumers. They contribute to sustainability efforts through buying basic clothing (such as t-shirts) rather than luxury items (for example, dresses that you wear only in summer).

What economic or regulatory reasons would be useful in your country/retail sector to source sustainably?

Germany does not yet have mandatory sustainability regulations. The Development Ministry has launched a Partnership for Sustainable Textiles (<https://www.textilbuendnis.com/en/>) which has around 140 members, including brand retailers and NGOs. However, its standards are voluntary, not mandatory.

I definitely think there should be mandatory basic regulations on sustainability at national or the EU level – and not only for buyer countries, but also for supplier nations. I believe that change will come about only if it is obligatory. We should go further than simply sustainable sourcing. We should look into making more efforts, such as the circular economy, to make these principles become part of ‘business as usual.’

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Definitely the demand for sustainable products will increase. Consumers have become more informed about sustainability issues. Big retailers are jumping into this sector, so small businesses have to think of what makes them stand out.

Is it easy to find suppliers of sustainable products?

It is getting easier, even for bigger quantities. Larger factories comply with all the sustainability standards, they think about the future, and know that sustainability requirements are increasing. However, not all suppliers are aware of sustainability requirements by buyers or have mindsets that are similar to buyers. And sustainability issues do get more complicated when you go deeper down the supply chain.

From which countries do you source your sustainable products? How does this affect your sustainable sourcing policy?

We have 13 suppliers (six in Portugal, five in Turkey, one in Tunisia, one in China). The countries do not affect our decisions on our sustainable sourcing policy. We choose the best suppliers; we visit each supplier before engaging with them. But we see that worker conditions have improved enormously in China in the last ten years, for example. Everyone there now gets a minimum salary, but overtime remains a big issue, partly because workers do not mind working extra hours, as this brings them more money.

Do you have advice for suppliers to increase their business through sustainable sourcing?

Suppliers should be open and transparent about data. But most brands do not have the data and do not know how to solve issues at their root. We encourage our suppliers to come up with their own ideas to solve problems. Suppliers have to be realistic in their capacities to deliver orders and have to know when to say no (for example, to unrealistic product orders).

Suppliers have to realize that sustainability is also good for them in the long term; it doesn't only help them get new buyers. Sustainability helps to reduce costs (energy, water consumption). If workers have safe working conditions and are paid well, there will be fewer absences from work and production will flow as it should.

‘Organic is not just a trend for us. It’s our belief and taking responsibility and protecting our environment is not an option but a must. It takes a lot of sweat and time to produce clothes as many people are involved. It is our responsibility to make sure that every single one of them works under fair conditions. No matter if they are a cotton farmer in India, a sewer in Turkey or a designer in Germany.’

ITALY

100% say sustainability is a factor in product sourcing

All 379 retailers contacted in Italy consider sustainability as a factor in product sourcing.

96% have sustainable sourcing strategies

Out of 149 retailers that consider sustainability as a factor in product sourcing and agreed to participate further in the interviews, 96% say they have sustainable sourcing strategies.

Seventy-six per cent of them publish their sustainable sourcing policies online.

60% have sustainable sourcing commitments



61.7% apply both internal and external sustainability codes and standards on products they source



Through internal sustainability code of conduct/audit protocol/standard



Through external sustainability standard



Both internal and external

‘Clothing for children should not be produced by children. Hence we committed our company policies to the fundamentals of sustainability.’

‘Sales figures are showing an increase and, therefore the road for sustainability will continue for our company in the coming years.’

Children’s clothing retailer, Italy

‘It is our company’s mission to guarantee a job that respects human rights. For a better world, trade should go together with ethics.’

Food retailer, Italy

‘Our company has always focused on ethical and sustainable products. Preventing environmental risks and respecting them in production processes is not a question of ethics, but also the opportunity for development.’

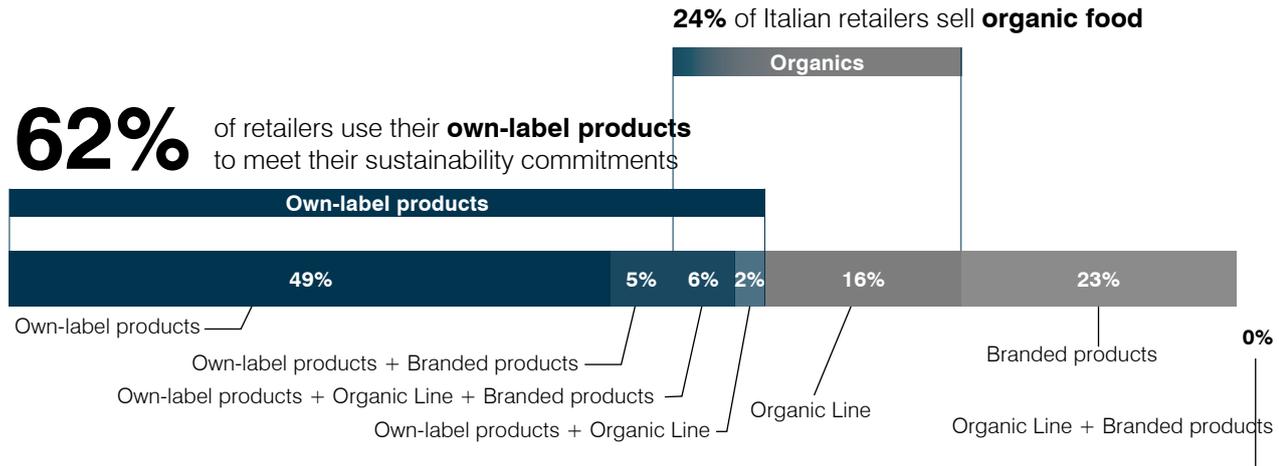
‘The number of Italians who are aware of the term sustainability is constantly increasing.’

Clothing retailer, Italy

‘Our commitment is to achieve 100% of sustainable cotton sourcing by 2025.’

Furniture retailer, Italy

Figure 11. Retailers using the various types of products to meet their sustainability commitments



Sixty-two per cent of Italian retailers use their own-label products to meet their sustainability commitments. Twenty-four per cent of Italian retailers sell organic products. In 2017 the Italian market for organic products reached €3.1 billion¹².

84% report an increase in recent sustainable product sales, and 90% expect further increases in the future

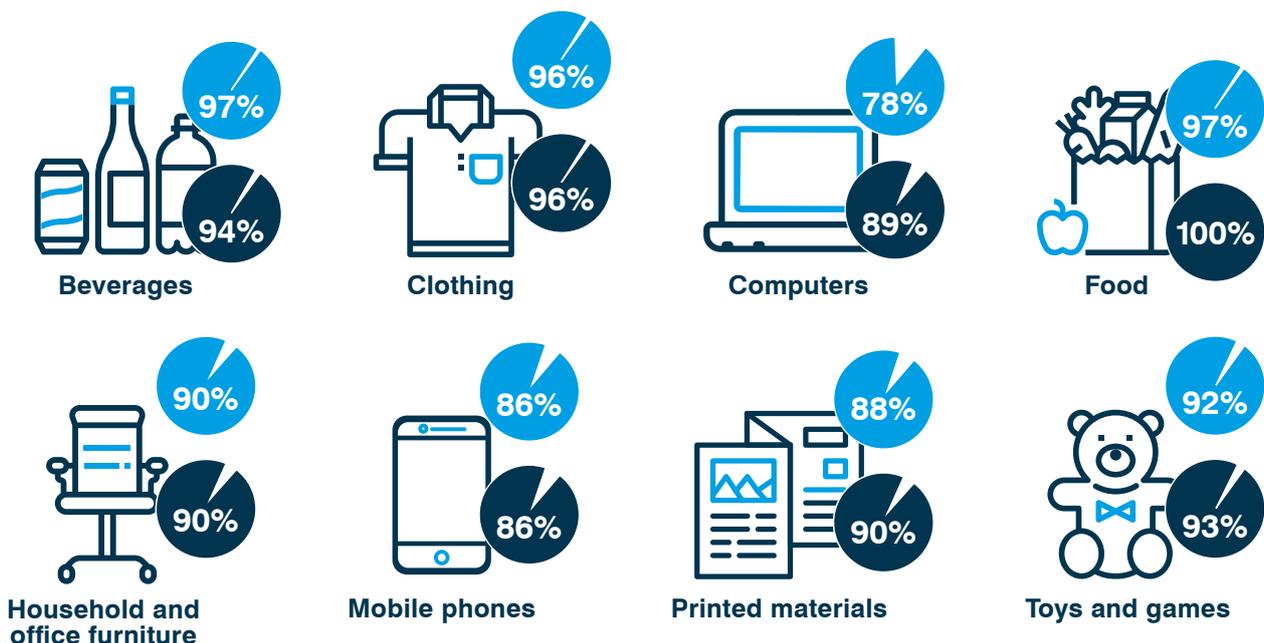


Eighty-four per cent of Italian retailers report increased sales of sustainably sourced products in the past five years; 90% expect further increases in the future.

More than half of retailers reported up to 20% increases in sales of sustainable products over the past five years.

Retailers report increases in sales of sustainable goods in all product groups

% Past 5 years % Next 5 years





Luca Zocca
Marketing and Responsibility

AT A GLANCE

Brio S.P.A
Verona
Italy <http://www.briospa.com/>

Industry

Food

Size

Small

How long in business?

30 years

Suppliers

Global

Sustainability standards/codes applied

- AIAB (Italian Association for Organic Agriculture)
- Bio Suisse
- Demeter International
- Fairtrade International
- GLOBAL G.A.P.
- GLOBAL G.A.P. GRASP
- ICEA (EU Organic Farming)
- Naturland

Retailer Case Study: Italy

'Choosing organic means creating a healthier environment for everyone.'

Luca Zocca, Director of Marketing and Responsibility, explains Brio's sustainability approach

How did you come to introduce sustainability standards into your product sourcing?

Brio was founded as an organic company, since its origins in 1989. The decision, taken years ago, to adopt organic farming principles was brought about by the desire to preserve the fertility of the soil and biodiversity as a whole. Our enthusiasm comes from our love for the land. We have shared values and a common plan to develop organic production in a way that ensures respect for people and the environment. We also include a group of organic farmers, working since 1989, to produce the finest-quality, certified organic production, due to our long-term experience. We believe in a fair distribution of profits and benefits, and in doing business transparently.

Which sustainability standards do you apply in sourcing?

We use sustainability standards to support organic farming, bring farmers together, protect biodiversity and nature, and safeguard human health. We also direct our activities towards a sustainable financial model aimed at fairly distributing the income generated along the supply chain, from farmer to end user.

In addition to mandatory national requirements, we apply:

- AIAB (Italian Association for Organic Agriculture)
- Bio Suisse
- Demeter International
- Fairtrade International
- Global G.A.P.
- Global GRASP (GLOBALG.A.P. Risk Assessment on Social Practice)
- ICEA (EU Organic Farming)
- Naturland

We also use sustainable and environmentally friendly packaging. Our organic and other sustainability certifications guarantee that we respect workers' rights, health and safety in the workplace.

What are the most popular products sourced according to sustainability criteria?

Our farming production and retail activities follow the rhythm of the seasons, thanks to the daily commitment of our member farmers. We bring together hundreds of farmers from the most well-known areas to source each product. They are skilled and experts with great integrity and honesty who strive to always bring you the best fruit and vegetables.

We offer a wide range of organic fruit and vegetables. As they are grown in harmony with nature, these products have distinctive properties that bring back the genuine taste of a natural product. We guarantee a wide range of fresh products continuously, according to their natural seasons.

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Organic demand is definitely increasing, and it is not simply a market niche. Organic is spreading worldwide. In 2018, 81% of Italian families (more than 21.5 million) purchased at least one organic product during the year, which is an increase of 1 million families since 2016. Frequent organic customers (one purchase per week) total 6.5 million, which is equivalent to 26% of families. The three main reasons for purchasing organic products are: health, food safety, environmental issues.

‘Organic demand is definitely increasing, and it is not simply a market niche. Organic is spreading worldwide.’

Thanks to our quality controls and the work of our expert inspectors, we ensure that we strictly adhere to organic farming regulations. Our computerized trace management system allows consumers to see the whole path each product has travelled, from the field to its final destination.’

Is it easy to find suppliers of sustainable products?

Thanks to our quality controls and the work of our expert inspectors, we ensure that we strictly adhere to organic farming regulations. We perform controls on all our member farms, field inspections and analyses in internationally acclaimed laboratories. Finally, our computerized traceability management system allows consumers to see the whole path each product has travelled, from the field to its final destination.

From which countries do you source your sustainable products?

For most of our organic products, we source from local Italian farmers. We also support international Fairtrade projects, for example with sourcing Dolcetto pineapple from Togo and Giusta Bananas from Ecuador and the Dominican Republic.

Do you have advice for suppliers to increase their business through sustainable sourcing?

I would implore them to find the right partner, not only for exporting and sales but also to develop the local economy and agriculture, as we do in Togo with local farmer cooperatives.

Interviewer: Madison Wilcox, Associate Sustainability Officer, ITC

THE NETHERLANDS

100% say sustainability is a factor in product sourcing

All the 129 retailers contacted in the Netherlands said sustainability is a factor in product sourcing.

96% have sustainable sourcing strategies

Out of 35 retailers that consider sustainability as a factor in product sourcing and agreed to participate further in the interviews, 96% say they have sustainable sourcing strategies. Eighty-four per cent of retailers in the Netherlands openly share their sustainable sourcing policies online.

91% have sustainable sourcing commitments



87.5% apply both internal and external sustainability codes and standards when sourcing



Through internal sustainability code of conduct/audit protocol/standard



Through external sustainability standard



Both internal and external

'In the last fiscal year 2017, our company doubled its sales figures. This is thanks to increasing awareness of clients about sustainability.'

'To combine quality with a sustainable lifestyle and emphasize the environmental impact of products, our company has conducted independent environmental research, carried out by the University of Amsterdam.'

Printed materials retailer, the Netherlands

'Due to overfishing and irresponsible fishing, the oceans are emptier, ecosystems are affected and responsible fishing communities cannot compete.'

'To change this, our company was founded. We work only with responsible fishing communities that respect nature and don't deplete fish stocks. We offer a market, a fair price and long-term collaboration.'

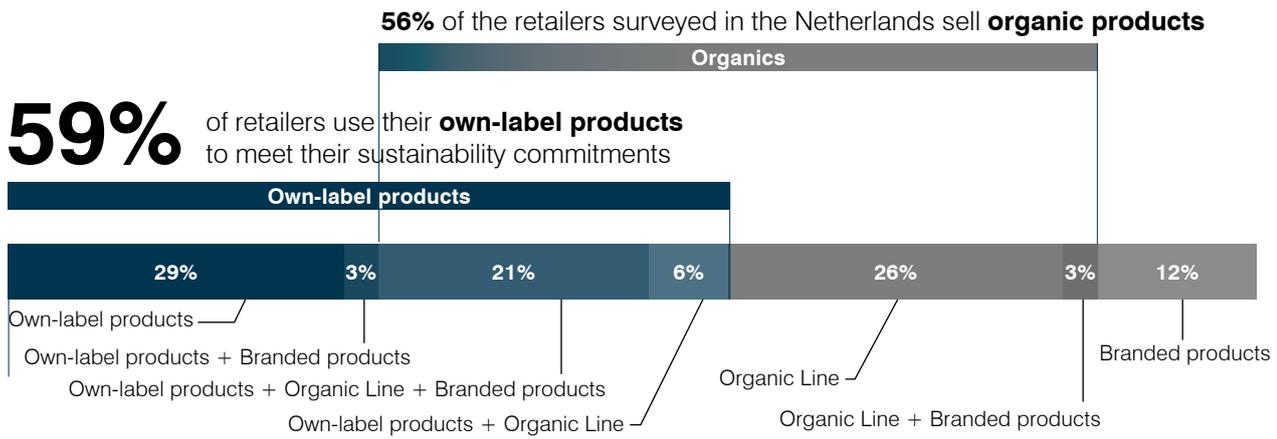
Seafood products retailer, the Netherlands

'Our sustainability goals for 2018 were to source 100% sustainable coffee and tea. We achieved this goal.'

'In the future we aim to source 100% sustainable palm oil and 100% certified wood and paper.'

Food and beverages retailer, the Netherlands

Figure 12. Retailers using the various types of products to meet their sustainability commitments.



Fifty-nine per cent of retailers use their own-label products to meet their sustainability commitments. Fifty-six per cent of the Netherlands retailers surveyed sell organic products. The sales of organic products reached €1.2 billion in 2017¹³.

89% report a recent increase in sustainable product sales, and 94% expect further increases in the future

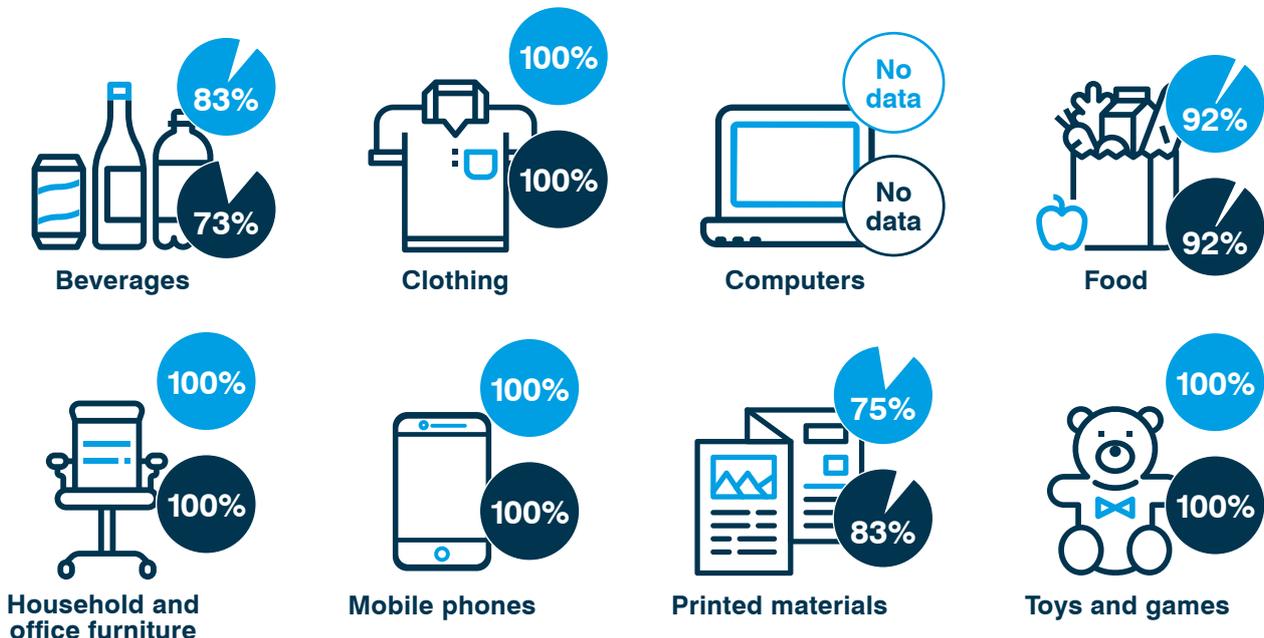


Eighty-nine per cent of the Dutch retailers report increased sales in sustainable products over the past five years.

Twenty per cent report increases of sales of up to 10%. Ninety-four per cent of retailers expect further increases in the future.

Retailers report increases in sales of sustainable products in all product groups

% Past 5 years **% Next 5 years**



¹³ <https://statistics.fibl.org/europe.html>



Evert-Jan Poppe

Production Director for Sustainability

AT A GLANCE

Company Fits BV

Apeldoorn, The Netherlands

<http://www.companyfits.nl/?lang=en>

Industry

Corporate wear and workwear

Size

Small

How long in business?

15 years

Suppliers

Turkey, China, Bangladesh

Sustainability standards/codes applied

- amfori BSCI

- Own Declaration of Compliance for suppliers

Retailer Case Study: the Netherlands

'We have been designing and producing corporate wear for nearly 15 years. Our products are transported to 60 different countries all over the world.'

Evert-Jan Poppe, Production Director for Sustainability, explains why Company Fits chose the sustainable approach to production

How did you come to introduce sustainability standards into your product sourcing?

We followed the trend of businesses switching to sustainable sourcing practices. We signed the Dutch Textile Agreement (https://www.imvoconvenanten.nl/garments-textile?sc_lang=en) and every year we do an assessment of our sustainable sourcing practices within the framework of this agreement.

This year, for instance, we start piloting replacing polyester yarn with recycled polyester. We are a small company and are followers in sustainability efforts rather than leaders, but we take realistic steps.

The Dutch Textile Agreement is helpful, and we see that more companies are signing it. The Agreement is a forum for companies to share their experience in third countries. We in Company Fits cannot solve issues by ourselves, we need guidance. The Dutch Textile Agreement gives us a possibility to solve issues in a collective effort and by sharing information between companies.

We also have NGOs participating in the Agreement. They have already worked in developing countries such as Bangladesh, and they can give my company an indication of risks and can advise on sustainability efforts that my company needs to take to mitigate these risks.

We also join various programmes in the Agreement. Currently we are in the Programme on a Living Wage. The Dutch Government has also signed the Agreement. Its main aim is to find out what issues there are in developing countries where Dutch companies source products from, and then to lobby through the governments in developing countries to correct these issues. We are positive about the future of the Dutch Textile Agreement. It would be great if such an agreement was established at the EU level. Germany already has a similar agreement.

Which sustainability standards do you apply in sourcing?

Company Fits cooperates with production facilities affiliated with amfori BSCI. We have also developed our own Declaration of Compliance. We ask all our suppliers to sign it. We do due diligence assessments of our suppliers prior to engaging with them. We also use the list of restricted chemicals based on Oeko-Tex standard.

What are the most popular products sourced according to sustainability criteria?

We first check which products can be made sustainably. Turkey, for instance, is very advanced in sustainable products.

What economic or regulatory reasons would be useful in your country/retail sector to source sustainably?

In public tenders, sustainable sourcing is important. If companies source sustainable products (e.g. organic t-shirts), they get additional points when participating in public tenders.

It is already a good sign that sustainable sourcing is included in public tenders. But governments need to do more to support sustainable companies. For instance, it would be great if companies enjoyed reduced tariffs on importing sustainable products from third countries, and I believe that there are means at the customs to check whether products are sustainable or not.

Currently, sustainable and non-sustainable products face the same tariffs. If we want to make a change, sustainability requirements have to be mandatory, or at least there needs to be support and incentives for companies that source sustainably.

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Nowadays, sustainability is becoming more popular, and not only in the textiles sector. Sustainable business practices and sourcing are becoming business as usual. We are expecting the sales for sustainable products to increase up to 20% in the next five years.

Is it easy to find suppliers of sustainable products?

It depends on how far you want to go; there are difficulties in the countries where we source our products. Corruption, for instance, is critical. Factories in developing countries can fake sustainability labels and certificates. A lot depends on suppliers. Often they do not want to improve their production practices or make them sustainable.

From which countries do you source your sustainable products? How does this affect your sustainable sourcing policy?

We source from Turkey, China and Bangladesh. Currently, sustainable production practices are not as critical to us as quality and price when deciding on suppliers.

Do you have advice for suppliers to increase their business through sustainable sourcing?

Suppliers need to see that things need to change. Currently, suppliers comply with sustainability standards because buyers ask for it.

But if suppliers see that compliance with social criteria has a positive impact on workers and productivity and this reduces costs, then things can improve. Suppliers have to realize that compliance with sustainability criteria are not just additional audit costs but are also a way to reduce production costs and bring benefits.

'Sustainable entrepreneurship is important to Company Fits. We care about our planet, its people and the environment: that's why we use sustainable energy and eco-friendly materials. We recycle products and we strive to achieve the most favourable working conditions for employees at the production facilities of our partners in Europe and the Far East. As a result of those same convictions, we have also formulated our own Corporate Social Responsibility Declaration.'

SPAIN

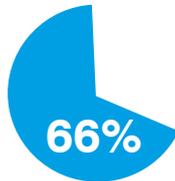
99% say sustainability is a factor in product sourcing

Ninety-nine per cent of 372 Spanish retailers contacted say sustainability is a factor in product sourcing.

95% have sustainable sourcing strategies

Out of 103 retailers that consider sustainability as a factor in product sourcing and agreed to participate further in the interviews, 95% say they have sustainable sourcing strategies. Sixty-eight per cent of them publish their sustainable sourcing policies online.

66% have sustainable sourcing commitments



58.1% apply both internal and external sustainability codes and standards on products they source



Through internal sustainability code of conduct/audit protocol/standard



Through external sustainability standard



Both internal and external

'Our company has worked with sustainability issues since its inception.'

'A high-quality product does not only rely on aesthetic or organoleptic (sensory) features, but also on the way it is produced.'

'A product harvested or produced using child labour cannot be called a high-quality product.'

Chocolate products retailer, Spain

'Our commitment is to get 100% of our products GLOBALG.A.P.-certified.'

Food retailer, Spain

'The textiles and garments supply chain is one of the most polluting on the planet.'

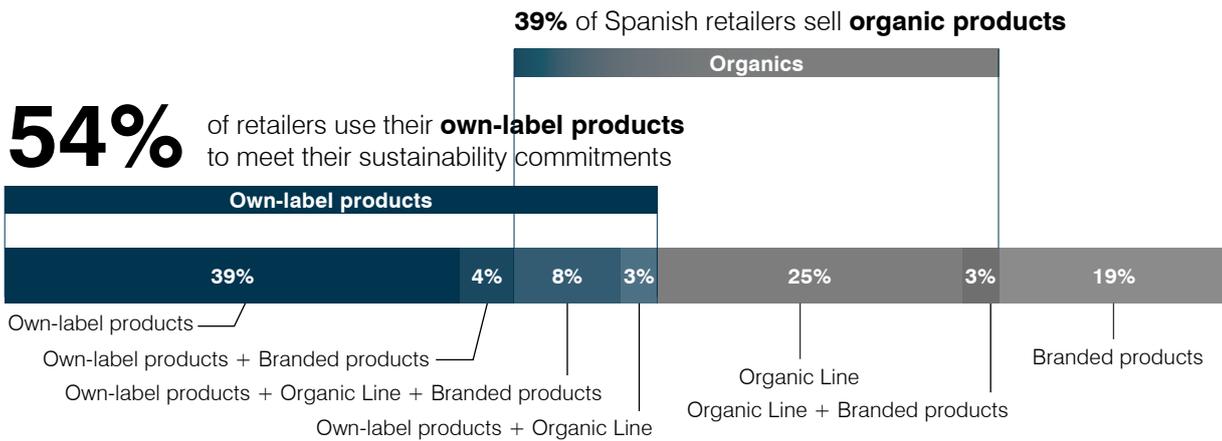
'There is excessive consumption and a large amount of waste. This is why our company has decided to focus on sustainability as part of its core business.'

Clothing retailer, Spain

'Consumer demand was the principal reason for our company to seek Marine Stewardship Council certification. Awareness on sustainability issues is getting greater every day.'

Seafood retailer, Spain

Figure 13. Retailers using the various types of products to meet their sustainability commitments



Fifty-four per cent of retailers use their own-label products to meet their sustainability commitments. Thirty-nine per cent of retailers sell organic products. The organic market in Spain reached €1.9 billion in 2017¹⁴.

78% report an increase in recent sustainably sourced product sales, and 93% expect further increases in the future

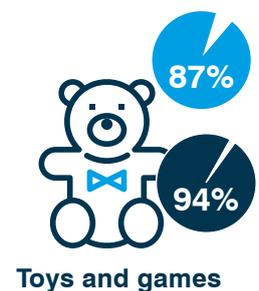
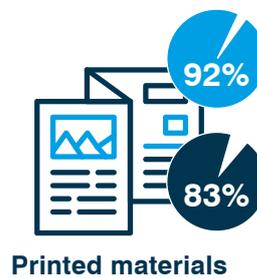
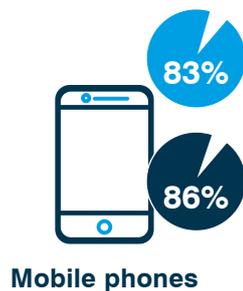
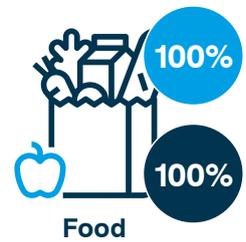
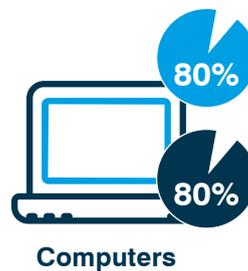


Seventy-eight per cent of Spanish retailers interviewed reported an increase in sales of sustainable products over the past five years.

Half of Spanish retailers have reported increases in sales of sustainable products by up to 30% over the past five years. Ninety-three per cent are expecting an increase in the future.

Retailers report increases in sales of sustainable goods in all product groups.

% Past 5 years **% Next 5 years**



¹⁴ <https://statistics.fibl.org/europe.html>



Samuel F. Ricardo Ruiz
Chief Sustainability Officer

AT A GLANCE

Madrid, Spain

<https://www.supracafe.com/en/>

Industry

Beverages - Coffee

Size

Small

How long in business?

30 years

Suppliers

Global

Sustainability standards/codes applied

- Committee of Ecological Agriculture
Comunidad de Madrid
- Es-Eco-023-MA
- Fairtrade International
- ISO 9001, ISO 14001

Retailer Case Study: Spain

'Unsustainable production is no longer an option.'

Samuel Ricardo Ruiz, Chief Sustainability Officer, explains Supracafé's sustainability approach

How did you come to introduce sustainability standards into your product sourcing?

Supracafé has been in the coffee market for more than 30 years. The company is at the forefront of developing sustainable coffee through innovative practices meant to maintain the environment around coffee production as well as the quality of life of those producing the product. This includes implementing coffee roasters with the lowest emissions, introducing 100% compostable takeaway cups, and working with suppliers in developing countries to ensure climate-resilient agriculture.

In the last eight years, the company has focused on developing producer and supplier relationships in Colombia to create a transparent and sustainable supply chain model replicable in other areas. This includes establishing the first Technological Park for coffee in Colombia. They conduct research and development projects with the producer community and involve actors from different parts of the coffee value chain to improve the coffee origin and the producers' quality of life.

Which sustainability standards do you apply in sourcing?

In addition to mandatory national requirements, we apply:

- Committee of Ecological Agriculture – Comunidad de Madrid
- Es-Eco-023-MA (EU organic)
- Fairtrade International
- ISO 9001, ISO 14001

The company is also looking to apply Rainforest Alliance and UTZ standards to its production.

Beyond standards, Supracafé works with international organizations, NGOs, and research institutions to develop new technologies to lower waste and improve soil quality through coffee production.

What are the most popular products sourced according to sustainability criteria?

The company focuses on producing coffee, and sourcing materials for making coffee such as compostable cups. Its sole product is sustainable and has seen growth in its sales with ecological and Fair Trade Coffee produced also by women coffee growers.

What economic or regulatory reasons would be useful in your country/retail sector to source sustainably?

As a small company, it can be difficult to implement the highest quality sustainability practices with limited resources.

Supracafé has been able to work with support from the Spanish Agency for International Development Cooperation, international initiatives, and research institutions to develop sustainable supply chain projects in developing countries. Through this cooperation, the company has been working to improve coffee production and cultivation processes in Colombia before finding the means to replicate the process elsewhere.

'In a world where many small farmers are rewarded for higher quantity at the expense of sustainability, we need to create a partnership and build an ecosystem with these producers where they have the resources to implement more sustainable practices.'

Why do you expect demand and supply for sustainable goods to increase over the next few years?

Demand for sustainable products is increasing due to greater consumer awareness. They understand that unsustainable production is no longer an option. They are also more aware of the importance of sustainable packaging, which we are looking to implement as well.

Is it easy to find suppliers of sustainable products?

It is difficult to locate suppliers who do sustainable sourcing and trade. Some implement small measures but only focus on one area of sustainability, which may not fulfil our needs. For instance, they may source products sustainably but they transport in non-sustainable containers.

From which countries do you source your sustainable products? How does this affect your sustainable sourcing policy?

Supracafé sources globally but is focusing its leading sustainable production and supply chain transparency practices in Colombia and then replicating in other areas. In a world where many small farmers are rewarded for higher quantity at the expense of sustainability, we need to create a partnership and build an ecosystem with these producers where they have the resources to implement more sustainable practices.

Interviewer: Madison Wilcox, Associate Sustainability Officer, ITC

CHAPTER 3: RECOMMENDATIONS

As a result of the surveys and interviews, it is possible to sketch out a series of steps that policymakers, governmental and business organizations, support bodies such as trade investment and support institutions, retailers and suppliers can take – in both producer and consumer nations – to bring sustainability into the trade equation in a more effective way.

As a first step, ITC's Trade for Sustainable Development Programme has developed 12 recommendations based on the most common and relevant suggestions made by retailers.

For policymakers

- Provide incentives to sustainable businesses, for instance, through lowering costs or providing benefits for companies importing sustainable products. Several countries have already included requirements on sustainably sourced production in public procurement tenders.
- Engage with the governments of supplier countries and lobby to address sustainability issues that cannot be tackled by businesses, but can be tackled at the national level in these countries.
- Create an enabling environment for businesses to produce sustainably and link up with international market demand for sustainable products. This can include working with trade and investment support institutions and other business support organizations, which are major partners of ITC. The institutions can inform suppliers on the state of demand for sustainable products in potential export markets.
- Engage with NGOs to seek their advice on tackling sustainability issues in supplier countries. Many NGOs work on social and environmental issues in these countries and can provide valuable solutions on how best to engage with suppliers and address sustainability issues in value chains.
- Educate consumers to better understand and act on sustainability issues. This can be done at municipal, regional and national level through consumer education campaigns. One example is the EU Cities for Fair and Ethical Trade Award, developed by the European Commission to highlight innovative practices by EU cities in incentivizing sustainable trade.

For retailers

- Integrate sustainability into business processes. Be proactive instead of reactive to the needs of future consumers. When necessary, conduct consumer surveys to understand their views and preferences on sustainably sourced products.
- Go beyond just sourcing products that are produced in compliance with sustainability standards or codes of conduct by implementing circular economy principles¹⁵ in supply chains.
- Share information and experience with other retailers and manufacturers on sustainability issues and solutions in supplier countries. This effort can also be amplified through engaging with trade investment and support institutions.
- Engage with NGOs.
- Retailers have a deep knowledge of consumer behaviour and can influence consumers to act sustainably. One way to do it is through 'nudging for good'¹⁶, a concept from behavioural science which aims to guide people's behaviour in a positive way without restricting choice. Small adjustments in information related to sustainability of a product can make a difference to the way consumers use, consume or dispose of products.

For suppliers

- Actively implement sustainable practices in production processes. Compliance with sustainability standards or codes of conduct is not only a cost. When implemented correctly, this can result in sustainable profits, resources' consumption optimization (e.g. in energy, water consumption), higher worker productivity, and hence reduced costs of production.
- Engage with buyers and share information with them about your adherence to sustainability standards. Transparency in relations with suppliers has been regarded as one of the key factors in retailers' relations with their suppliers. Data will help buyers to better combine purchase orders with sustainable practices and to help suppliers tackle social and environmental risks in production.
- Listen to customers and their preferences for fair and ethical products: such preferences may vary in terms of product scope and market segments. As this survey reveals, the trends seem clear and should not be underestimated.

¹⁵ A circular economy is an industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems, and, within this, business models. <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

¹⁶ <http://www.nudgingforgood.com/>

Appendix: Survey Methodology

The survey methodology was developed by the International Trade Centre's Trade for Sustainable Development Programme. It is the same across all countries and enables ITC to create cross-country statistics and comparisons.

The survey was carried out by the surveying company P&L Consulting on behalf of ITC. Initial company interviews were conducted together with the T4SD Programme staff. The survey methodology and questionnaires were tested with a sample of companies in each country and amended based on the feedback from the P&L interviewers and T4SD Programme staff. ITC staff conducted the company case study interviews.

Scope and coverage

The EU Market survey was a pilot. It aimed to assess the market size and trends for sustainably produced products.

The term sustainably produced products (often used interchangeably with the term sustainable products), is defined by ITC as those products that are produced with less harm to the environment than other practices, along with respect for human rights, and good working and employment conditions. As a reference, the retailers surveyed used products compliant with sustainability standards, schemes or internal sustainability codes of conduct of companies.

Product groups were selected for their likelihood of applying sustainable production practices in the sourcing of products, i.e. products that are more frequently subject to sustainable production practices.

The study covers private retail companies of all sizes from five European Union countries: France, Germany, Italy, the Netherlands and Spain. Companies were active in one or more product groups out of eight product groupings (including 16 sub-groups¹⁷) and in one or more of the countries.

The survey does not include services. The definition of the 16 product sub-groups is based on the Global Standard 1 (GS1) Global Product Classification (GPC), with slight deviations to better reflect the share of demand on products and number of companies within each product group. GPC is a system that gives buyers and sellers a common language for grouping products in the same way everywhere in the world¹⁸; it is frequently used by retailers to register incoming products and has served as a convenient product classification system to conduct the survey.

The sample of companies in each country was defined on the total retail sales market and population for that economy to reflect the size of consumption and demand for the retail products.

The sample was also stratified to ensure adequate data collection from large companies (defined as those with at least 250 employees) and Micro (less than 10 employees), Small (between 10 and 49 employees), and Medium-sized (between 50 and 250 employees) enterprises.

A total of 1,832 companies were contacted at the telephone interview stage and asked if they considered sustainability as a factor in public sourcing. This contact pool was developed from both ITC and P&L Consulting business registries. From this original pool, 550 firms participated in the Phone Screen Interview, leaving a margin of error of approximate 4.18% for the Phone Screen results. For the face-to-face interviews, 127 companies then agreed to participate¹⁹. As such, the findings of the face-to-face interviews cannot be generalized to the general population, but do provide an interesting snapshot of sustainability trends among the surveyed companies.

Interviews and database

The EU Market survey consisted of three steps. After first contacts to select retailers for follow-up, telephone interviews were conducted with the companies as a second stage. In the third stage, face-to-face interviews were conducted with the subset of companies that reported sales of sustainable products during the telephone interviews, recorded data on the sales of sustainable products and agreed to share data.

Major caveats should be noted: first, not all companies as yet differentiate their sales data for sustainable and non-sustainable products; second, not all companies are willing to share such data due to corporate data confidentiality concerns.

At the phone interview stage, the company representatives (procurement/purchasing managers, sales managers, logistics managers, managing directors, communications staff) were asked whether their companies include sustainability as a factor for product sourcing and whether companies have their sustainable sourcing policies and commitments. In addition, basic company characteristics were captured, such as company size, the countries where companies have commercial presence, products that companies retail or wholesale and company market share. Phone interviews captured companies' estimates of sales of sustainable products in the past, as well as companies' projections and expectations on sustainable product sales in the future.

Companies that have sustainable sourcing policies and that were willing to share the data on sustainable product sales

¹⁷ For example, Coffee as a sub-group within Beverages as a product group.

¹⁸ <https://www.gs1.org/standards/gpc>

¹⁹ For the purposes of data analysis, company branches across different countries were each counted as separate companies.

were invited to face-to-face interviews. The face-to-face interviews focused on collecting quantitative data on the sales of sustainable products. The interviews were conducted face-to-face due to the sensitivity and confidentiality of data. The interviewers were trained by ITC on the concept of sustainably produced products and sustainable sourcing, as well as on survey methodology and questionnaires. ITC staff were present in the pilot telephone and face-to-face interviews to ensure interviewers understood the methodology, questionnaires and main concepts, and that they conducted interviews in a proper and efficient way.

The ITC team developed an online data collection tool enabling interviewers to enter the data in a single database and allowed the ITC team to access the collected data at any point in time. The initial company list was prepared by the ITC team on the basis of the Euromonitor business register and was later complemented with company lists and contacts provided by ITC T4SD partners. For instance, the Initiative for Compliance and Sustainability (ICS)²⁰ provided list and contacts of their member companies, which includes largest French retailers such as Galeries Lafayette, Carrefour, Auchan etc. The data collection tool compiled the collected data into a unique database which contains several sets of information, namely, basic company information, sustainable sourcing practices, trends on sales of sustainable products (past and future) and data on sales of sustainable products over time. All the information sets are interlinked by unique company IDs (generated by ITC) which enabled combining, analysing and comparing data from the telephone and face-to-face interviews.

Telephone interviews

1832 companies were contacted at the telephone interview stage, with 550 companies willing to proceed with a telephone interview. The main reasons for companies' non-participation in telephone interviews were absence of commitments to source sustainable products, lack of time, corporate data confidentiality policies. The participation rate was higher for large (232) and small (128) companies compared to micro (89) and medium-size (99) companies.

Face-to-face interviews

From the telephone survey contact pool, 127 companies participated in the in-depth face-to-face interviews (ITC initially planned to interview 200 companies). This constitutes around 18.5% participation compared with the telephone interviews. The face-to-face interviews focused on collecting company sales data on sustainable products divided into 16 product sub-groups, which were aligned into the 8 product categories used in the phone interviews. The main reasons for companies' non-participation in the face-to-face interviews were corporate data confidentiality policies, and absence of differentiated data on sustainable and non-sustainable products sales.

20 <https://ics-asso.org/>

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