



2008 European Business and the Environment Awards

A Journey Towards Sustainable Retail Products



A Journey Towards Sustainable Retail Products

The Boots Group plc.

Summary

This case study examines the creation of a sustainable product development strategy at Boots and how it has been embedded into everyday business operations as “part of the way we do things”

Boots is a major product developer, manufacturer and retailer with a large and varied portfolio of products. The approaches we have taken enables the company to keep abreast of changes driven by the challenge of sustainable development and harness these to drive innovation in consumer products within a complex business.

The principles and methods used to embed sustainable development into product development described here can apply to any manufacturing or retail organization large or small.

Sustainable Products and Services

The way society has addressed environmental, social and ethical issues has evolved considerably over the last twenty years. From an early focus on the mitigation of “end of pipe” impacts, thinking has now moved on to a more holistic and sustainable approach closely linked to the concept of social responsibility. Understanding the complex systems that determine our effect on the social and natural environment is now seen as critical in meeting the challenges facing society.

For product developers, manufacturers and retailers this evolution has been mirrored by a move from management of single issues such as the environmental impact of packaging waste or product safety into the arena of whole product impact and

sustainable product development. Entire product lifespans are now considered using cradle-to-cradle thinking.

This is recognised in the UK Government Sustainable Development Strategy:

We need a major shift to deliver new products and services with lower environmental impacts across their life cycle, while at the same time boosting competitiveness. And we need to build on people's growing awareness of social and environmental concerns, and the importance of their roles as citizens and consumers.

Securing the Future, UK Government Sustainable Development Strategy 2005

However the interplay between the various factors influencing sustainable development is complex and potential solutions are only beginning to be understood. New tools and methods are required to understand this in the context of products and services and unlock its potential for innovation.

Product Sustainability – Boots Integrated Approach

The Challenge of Sustainable Product Development.

Our ambition for product sustainability is:

To be a leading developer and retailer of sustainable health and beauty products and services, protecting and enhancing trust in the Boots brand and creating opportunities for innovative product and retailing ideas.

We believe that improving product sustainability should be seen as an opportunity to innovate new products, build brand trust and minimise risk rather than act as a brake on product development. The best way to achieve this is by full integration of sustainable development into product development. This way it becomes a natural part of the process rather than an optional extra.

However adopting a sustainable development strategy for products in a major manufacturer and retailer presents several challenges;

- The approach has to be applicable across a wide range of different product types. Boots have approximately 30,000 product lines and up to 10% are changed annually
- It has to be flexible to cope with the rapid turnover of products
- It has to cope with the three routes by which products are introduced at Boots (own manufacture, third party supply of Boots brands, proprietary brand)
- It has to be embraced and understood by multi-disciplinary teams working on product development.
- It has to raise awareness of complex sustainable development issues whilst recognising that not everyone in the process is a sustainability expert.
- It has to provide guidance on where and how improvements can be made
- It must act as a stimulus for sustainable innovation.
- It must be commercially successful.

Boots solution has been to develop an integrated approach as a key element of our Corporate Social Responsibility Strategy. Our approach was grounded on existing systems yet introduced new tools and processes to raise awareness, facilitate improvements and drive innovation in an incremental way. The methods and tools developed continue to be refined as we move further along the path towards sustainability.

Embedding a Sustainable Culture

When Boots CSR strategy was launched in 2004, the first task was to embed the principle of sustainable development into all areas of the business. Our analysis revealed five potential barriers to the integration of sustainable development into business processes. Strategies were developed to overcome these barriers. These are detailed below:

POTENTIAL BARRIER	SOLUTION
Awareness of Issues – “what is sustainability”	Dedicated expert team support and advocacy. Development of tools and processes
Development of competencies – “not my job”. “It’s too difficult”	
Scepticism – “this isn’t commercial”. “It’s a passing fad”	Business Case Demonstration Projects
Perceived cost impacts – “Its’ going to cost me money”	Demonstration Projects
Organisational Culture – “Not the way the business operates”	Link to Brand Values

The strategies and solutions we introduced pertaining to product development are detailed below;

Dedicated Team Support

As part of the introduction of Boots CSR strategy a dedicated Environmental section in the Quality & CSR (Q&CSR) team was set up bringing together expertise in the areas of;

- Product sustainability
- Biodiversity
- Supply chain
- Chemicals
- Waste & Logistics
- Healthy Living

This team acts as a central point of advice and drives the adoption of our CSR strategy. Its functions include:

- Developing the business case for sustainable product development.
- Identifying opportunities for new business models and cross-functional working.
- Managing pilot or demonstration projects to drive innovation in sustainable product development.
- Acting as a centre of expertise and advice for the whole business, raising awareness and providing support at all levels.

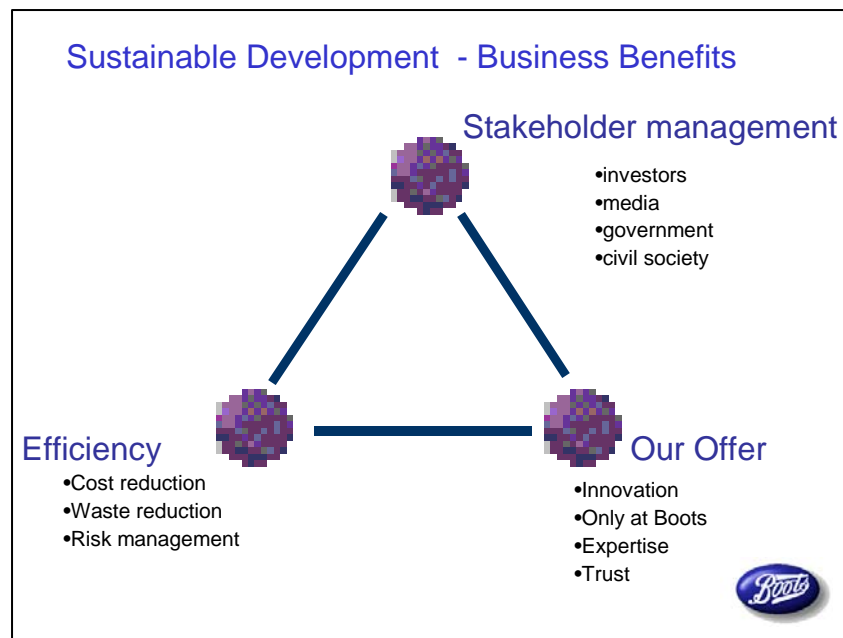
Building the Business Case and Linking to Boots Brand Values

Developing the business case for product sustainability linked to business strategy and values is vital in order to gain acceptance and embed sustainable thinking in the organisation. For Boots we have built the business case around three parameters:

Improving Efficiency

Developing our Product Offer

Stakeholder Management.



Boots as a brand has for a long time enjoyed a high level of trust by consumers. Research by organisations such as the Future Foundation has rated Boots highly in terms of trust and social responsibility. By successfully demonstrating that the environmental and social aspects of products have been addressed reinforces levels of consumer trust. Sustainable product development is therefore able to enhance Boots' key brand value.

This can be summarized as:

Developing more sustainable products can....

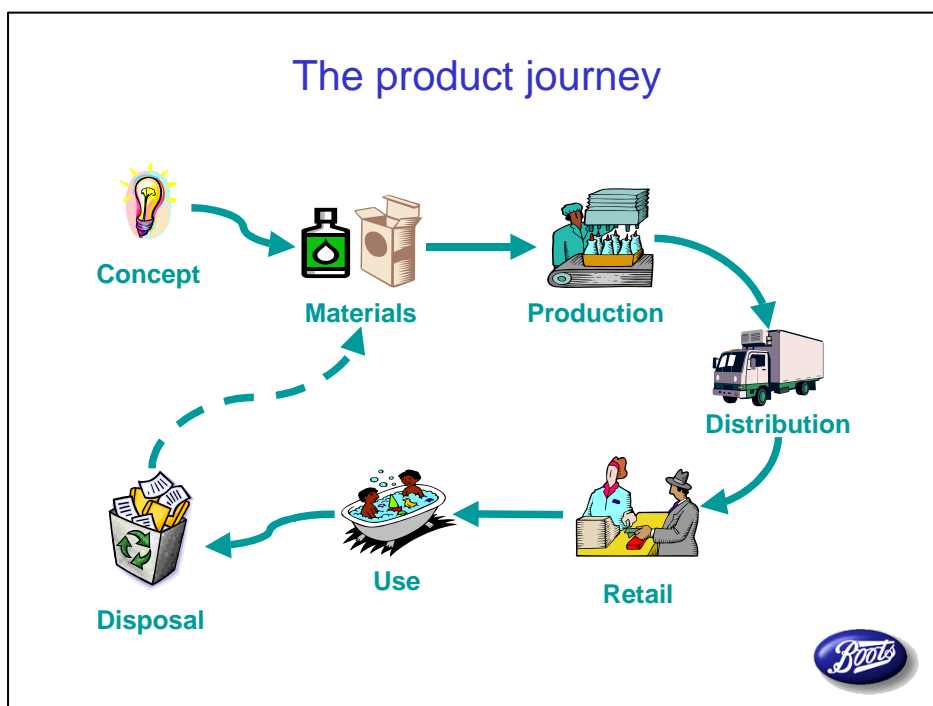
- Reduce risks**
- Increase Brand Trust**
- Stimulate innovation**
- Improve efficiency**

...whilst reducing environmental impact and improving social welfare



Embedding the Principles

Boots strategy on product sustainability is based on the principle of “cradle to cradle” thinking across the whole product lifecycle incorporating all aspects of sustainable development. In order to illustrate this in a simple and engaging way we have developed the “Product Journey” approach. This is employed both internally and externally to increase understanding of the principles.



At each stage of the journey all impacts including elements such as biodiversity, energy, resource use, waste, and ethics are considered.

This ensures, for example in the case of chemical policy that this concept is applied to the total product including ingredients and packaging:



For products manufactured by Boots, the company has control of the entire supply chain. This provides a unique opportunity to use the product journey concept to drive product sustainability and act as an exemplar to other supply chains.

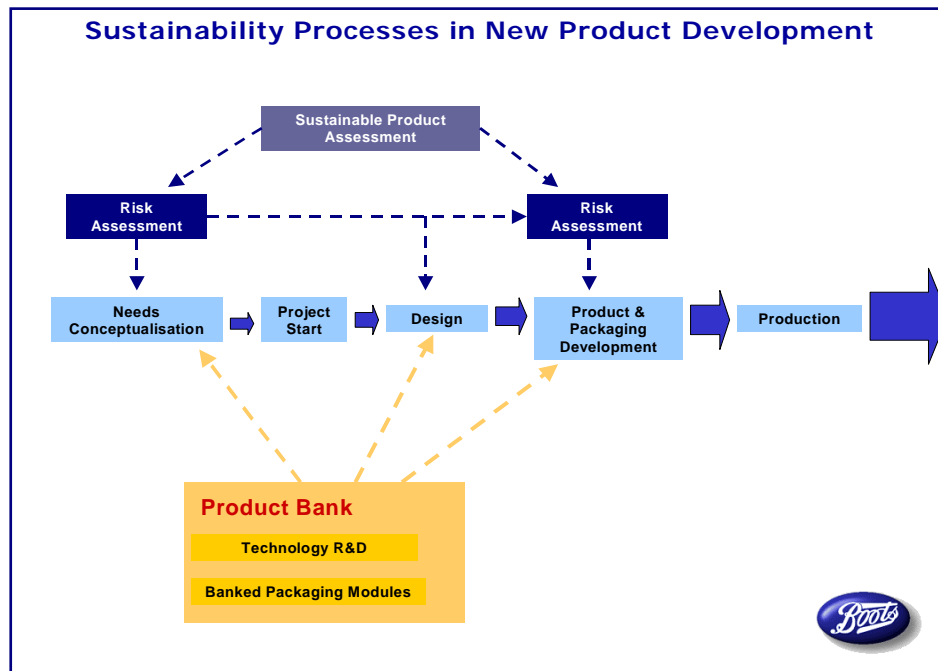
Developing Tools and Processes

The company has formal processes for all new product development and introduction.

To integrate sustainable development criteria consistently across our product range new and revised tools and processes were introduced.

Essentially this covered two main areas of activity;

- i. **Risk & Sustainability Assessment** - A review of the new product introduction process led to the creation of a set of tools to measure and manage risks. These were developed with the specific intention of integrating sustainable development criteria into the risk management process. Their application is outlined below;



A computerised Risk Assessment Model (RAM) replaced a paper based assessment form. This model is first used right at the outset of a project to create a risk profile and an action plan for managing risks identified. As the project progresses and actions are addressed the model revises the risk level accordingly. Therefore the effect of mitigation can be identified and the failure rate of projects reduced.

A key component of the RAM is product sustainability. An initial filter identifies the current state of engagement with sustainability and directs the user to internal sources of expertise. If appropriate the user is also directed to a second level detailed Sustainable Product Assessment tool

This was developed within Boots and peer reviewed by Forum for the Future to ensure the choice of criteria met the latest thinking on sustainable development.

SUSTAINABILITY PROFILE					
Improvement Pointers		Priority Action	Desirable Action	Good Sustainability criteria or opportunity to promote the feature	
Boots test product 200ml					
Indicator	RAW MATERIALS	DEVELOPMENT & PRODUCTION	DISTRIBUTION & RETAIL	USE	END OF LIFE
	BIODIVERSITY			RELEASES TO ENVIRONMENT	PERSISTENCE
Eco-system / Chemicals	<p>* Assess biodiversity impacts along supply chain and discuss with QBCSR. Can material be resourced to reduce impact? *</p> <p>CHEMICALS</p> <p>* Does formulation deliver benefit at lower risk than competition? *</p>			* Are correct disposal instructions given *	* Is there an opportunity because formulation novel or better than competitors? *
Resource Efficiency	RECYCLED CONTENT	EFFICIENT DESIGN	TRANSIT PACKAGING	USEFUL LIFE	REDUCTION OF WASTE GENERATION
	PACKAGING IMPACTS	PROMOTIONAL MATERIALS	ENERGY USE	WASTE IMPACT - PRODUCT	
	* Can additional recycled materials be used in primary packaging or point of sale materials? *	Use the Sustainability Profile to develop strategy for improvement	* Reassess transit packaging to ensure optimal amounts used. Investigate opportunity to extend principles to other products *	* Unit size meets consumers needs. Promote long life feature *	* Reduce the number of materials used. Can part of the product or pack be made reusable. Give consumers information on recycling / reuse of product and packaging
		* Can packaging be optimised. Are there opportunities for making packaging reusable? *	* Check if use of on shell tray could reduce product damage or reduce transit packaging *	* Redesign to use less energy. Can rechargeable batteries or other power source be used? *	* Does pack size meet consumers needs. Can shelf life be extended? *
				ANCILLARY MATERIALS	
				* Are correct use and disposal instructions given which include:	

Sustainable Product Assessment – Profile matrix (partial)

The Sustainable Product Assessment tool (SPA) covers 18 different product attributes and is based on the principle of Sustainable Value, recognising that products have the potential to have a positive sustainability benefit as well as negative impacts. Completing the assessment provides the user with the results as a sustainability profile. This is in three sections, identifying opportunities as well as risks;

- A sustainability matrix classifies results by life cycle stage and impact area. In each cell the results are in the form of improvement suggestions and are coded; red = priority action, amber = desirable, green = added sustainability value, providing an opportunity for marketing the product on its sustainability credentials.
- A sustainability score that can be used for benchmarking.
- An impact graph showing where in the product life cycle the major impacts occur.

The tool has been designed so that a non-expert can generate a profile quickly. By providing advice as well as benchmarking the SPA has an educational value by raising awareness across the business. It is intended to use the sustainability scores to develop performance measures in product development.

If a greater level of detail is required conventional life cycle assessment techniques are available.

ii. Product Bank

Product Bank is a dedicated team within the New Product Development & Introduction department, and has two main roles:

- To spot and convert appropriate technology insights into products that Boots can sell.
- To improve development efficiency and effectiveness, ensuring that products meet the company's core quality standards.

Technology insights, which include trends information, innovation and new supply sources, are assessed on market need, business value and management of risk.

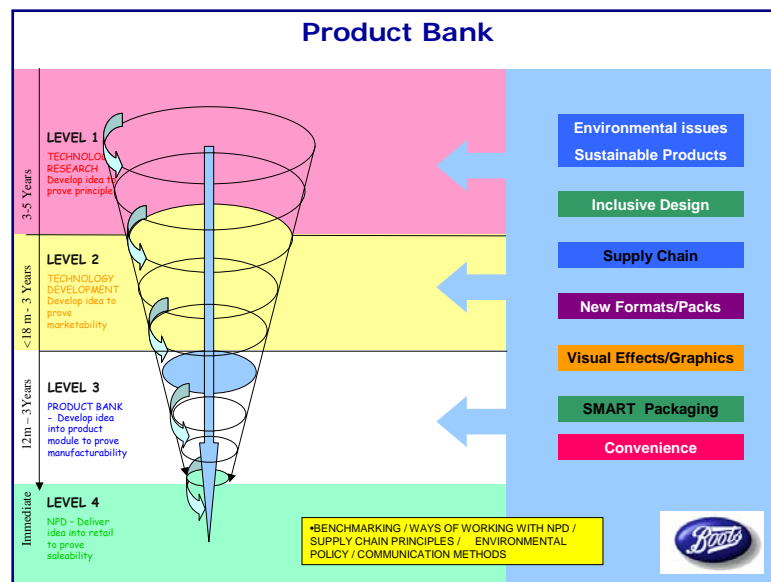
The system acts as a funnel to refine and adapt technologies and consists of four levels:

Level 1; Technology Research - covers the generation of ideas to prove the principle behind a new solution;

Level 2 – Technology Development – the marketability of the idea is addressed.

Level 3 – The Product Bank Itself – covers the manufacturability of the idea

Level 4 – New Product Development – the idea is developed into the retail product



Sustainability issues are addressed at each stage of the four stage Product Bank process, with Boots recognising the need for solutions to meet society's needs, aligned to the company's CSR Strategy.

The development of the Product Bank itself, a knowledge management system, is of particular significance acting as a gateway for sustainable innovation and helping to replicate innovations in other product areas.

The investment in Product Bank is predicated on the belief that sustainability can act as a key driver for innovation within the business – helping to influence the creativity of new products, as well as the way the products are packaged and distributed.

Demonstration Projects

A number of demonstration projects have been instigated to demonstrate that sustainable development works commercially as well as being strategically successful. These have been developed on the premise that they should deliver a cost benefit as well as social and environmental benefits. The example case study (Appendix 3) demonstrates how these projects were able to deliver both these criteria. The projects instigated by the Environmental team within the Q&CSR group were seen as vital to embedding the concept of sustainability into the business. The projects have also stimulated cross-departmental liaison creating potential new business opportunities.

Innovation

As part of our strategy for sustainable product development we recognize that innovation is best achieved through partnership, working with experts in a broad range of fields. We have therefore set up links with Universities such as Loughborough, Sheffield Hallam and Cranfield as well as Forum For the Future, and Government organisations such as WRAP.

Our partnership with Loughborough University illustrates the symbiotic approach that benefits both Boots and academic institutions. The collaboration started with a project whereby Boots provided existing product briefs and samples to second year Design & Technology degree students who then redesigned the products using eco-design principles. This project, now in its fourth year, has benefits for both parties; for the students in understanding the commercial application of sustainable design through working on “live” products, whilst Boots gains a source of fresh thinking and product innovation. The partnership has now grown to include sustainable design research projects including a DEFRA funded project on Refillable Packaging Systems.

The results of these projects feed directly into our product development strategies

External Networks

A wider network of stakeholders with an interest in product sustainability has also been developed. This includes governmental organisations, NGOs and interest groups such as WWF, Forum for the Future, and INCPEN, academia, trade associations and suppliers. Because of our leading edge position on product sustainability we are increasingly being consulted on building wider sustainable development networks. This included for example, participation in the development of The Sigma Guidelines on Integrating Sustainable Development in Organisations and latterly BS8900 Guidance for Managing Sustainable Development.

Results and Progress

The processes described above have been in place for nearly one year and already benefits in the area of product development are being realised. These include:

- Improved risk management in the business
- New and improved products to market.
- Greater awareness across the business of sustainable development issues and an understanding of how Boots can make improvements.

- Sustainable development is now included in brand and product development plans.
- New product development underway with sustainable development as a key driver.
- Sustainable development is being used as a stimulus for innovation

Other wider benefits from Boots approach to sustainable development include.

- **Organisational Learning.** Sustainable development requires the adoption of a holistic approach requiring a level of systems thinking. This is having wider benefits within the business enabling different product categories and functions to work together identifying synergies and new product and marketing models. One example is the employment of sustainable packaging design techniques in the area of store display units. This resulted in improved recyclability, diverting waste from landfill, and a saving of around £56,000 pa in waste disposal costs.
- **Improved consumer awareness of environmental aspects through product and packaging labelling to facilitate behavioural change.** As part of the project to include recycled materials in packaging consumer labelling was considered. After testing various options a simple on pack message was adopted. This is intended to promote expertise and confidence in this area and reinforce brand trust. On-shelf promotional material has also been developed. Boots are also sponsoring a PhD at Sheffield Hallam University that will investigate the communication of sustainability through product use.
- **Raising supplier awareness.** Some of the demonstration projects carried out within Boots are being rolled out to third party suppliers of branded products. For example, as a result of our work on the use of recycled PET in packaging discussions are being held with a number of product suppliers.

- **Building Knowledge by working with stakeholders.** Boots recognises that progressing along the path towards sustainable development can only be achieved by collaboration with a wide range of stakeholders and interest groups. We work with a number of interest groups on sustainable development projects. One example is through the Forum for the Future Business programme where we have developed links with other product manufacturers to share knowledge on product sustainability.
- **Developing future Skills.** Boots partnership with educational establishments such as Loughborough University and through the Design Council is helping raise awareness of sustainability in future product developers and designers.
- **Increased Routes to Investment.** Increasingly investors are embracing sustainable development and social responsibility criteria when making investment decisions. Presenting the Boots approach to product sustainability has produced a positive response from our investors. Boots has seen greater inward investment from green funds as its CSR rating has improved.

The Future

It is important to recognize that sustainable development is a journey of continual improvement. The processes and tools we have developed are under continual review and refinement. Some of our priorities for the immediate future include:

- Developing product sustainability benchmarking
- Extending and adapting the risk assessment model for use in other business functions.
- Building sustainable development criteria into brand and departmental key performance indicators.
- Developing strategies for consumer information on sustainable development issues.
- Understanding the climate change impacts of products.

In short Boots views sustainable development as a Holy Grail – given the scale of the challenge, the complexity of our business and the pace of change. But we know that it is a key differential for Boots, that we are leading the way on many of the issues, and it is no less than what is expected of us by our customers and wider society.

APPENDIX 1

Background to Boots

Boots is a leading UK retailer, selling health and beauty products through its chain of Boots the Chemists stores. Around half the Boots brand products are developed and manufactured by the company. In this case the company is in control of the entire supply chain

From its foundation in 1849 Boots has always believed in and practiced what is today known as Corporate Social Responsibility. The company is proud of this heritage and its “strong sense of social responsibility”. Today it is reflected in values and behaviours and made explicit in the company statement of business purpose.” We seek to respond to the legitimate concerns of our stakeholders - whether they be in the marketplace, the workplace, the communities in which we operate or the environment that affects us all.”

APPENDIX 2

Development of Boots Corporate Social Responsibility Strategy

The launch in 2004 of a new CSR strategy has enabled Boots to develop a framework to integrate sustainable development holistically into all areas of operations covering the sectors of:

Workplace

Marketplace

Community

Environment

Within these sectors are a total of 21 focus areas. For each one a review was undertaken to benchmark against similar organisations, analyse strengths, weaknesses and identify opportunities for improvements. From this our ambition and annual targets have been developed.

Progress is reviewed quarterly and reported to the Corporate Social Responsibility Action Group chaired by the Group Operations Director. In addition the Board Social Responsibilities Committee chaired by a non-executive Board Director reviews consistency against operational planning on a quarterly basis.

Targets and progress made in meeting them is reported annually and made publicly available.

This strategy ensures that sustainable development is integrated effectively across the organisation and underlines Boots commitment to social responsibility as a business value.

APPENDIX 3 – Demonstration Projects

Boots Ingredients Range - Now in Recycled Packaging



At Boots we are constantly working to develop great health and beauty products. We are committed to ensuring that our customers can be confident that our products are produced in a responsible way, ensuring that safety, the environment, and society are not compromised.

As part of our commitment to reducing environmental impact the bottles used in our Ingredients range of toiletries now include 30% recycled material. This makes Boots one of the first retailers in the UK to use recycled material in toiletries packaging.

Ingredients is a brand which harnesses natural extracts to deliver product benefits and great fragrances. Customers can choose between shampoos and conditioners formulated with Henna and Horsechestnut, Lemon and Chamomile, Coconut and Almond.

The way this change has been introduced is unique. As part of a project funded by WRAP (the Waste & Resources Action Programme) Boots are working in partnership with London Remade and Closed Loop London to develop a scheme whereby plastics are collected from the waste stream, reprocessed and included in new bottles in Boots manufacturing facility. As part of this development the reprocessed material has undergone rigorous testing at Boots to ensure that there is no detrimental effect on product quality. Indeed the recycled bottles are indistinguishable in appearance from the previous packaging. Another benefit is reduced raw material costs.

Utilising recycled materials reduces the amount of waste that traditionally would have been sent to landfill, and saves precious resources for future generations. We are now investigating other opportunities for incorporating recycled plastics in our product packaging.