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## Product Safety

### Manufacturers, Retailers Seek Convergence On Data Sharing Across Supply Chains



By Pat Rizzuto

Chemical manufacturers and formulators are spending too much time answering questions arising from the desire of retailers to know more about the chemicals in consumer products, trade association officials, consultants and other advisors tell Bloomberg BNA.

"It's to no one's advantage if every retailer is asking the same group of suppliers the same question in lots of different ways. It starts driving up the cost of getting the product to the shelf," Chris Cathcart, president and chief executive officer at the Consumer Specialty Products Association (CSPA), told Bloomberg BNA.

Driving this escalating demand for information is retailers' need to compete for customers who want sustainable products and to support their sustainability claims, as well as standards adopted in Europe that impact large retailers in today's global economy. Managing this flow of information has proven a daunting task, and companies are turning much of the work over to third-party assessors—some newly formed and some more than a century old.

Adam Siegel, a vice president with the Retail Industry Leaders Association, said retailers do not want to overburden the supply chain with information requests, and they recognize duplication is occurring.

"As with all new corporate policies and practices, we are in the early phases, and so we are seeing a spectrum of how retailers are engaging on these issues," Siegel said. "We're in a natural transition and heading towards convergence. We're starting to see that now."

A meeting Target Corp. and Wal-Mart Stores Inc. will hold Sept. 4 is an example of a step towards such convergence, Siegel said. He referred to a [Beauty and Personal Care Products Sustainability Summit](#) in Chicago managed by Forum for the Future.

**"Companies are amenable to transferring information, but can we do it once?"**

**Paul DeLeo, American Cleaning Institute**

Target and Wal-Mart both declined to be interviewed for this special report or to answer e-mailed questions. Each sent statements that the summit will bring together players from across the beauty and personal care industries

with the goal of starting a conversation about a shared approach to product sustainability.

"One of the reasons we're working with Target and others on this summit is to create conversations to solve these very questions across the industry. Because of that, we don't have much more to share at this point, but would hope to do so after the summit," a Wal-Mart spokesman told BNA.

#### Practicalities, Complexities

The trend towards more and more communication and information sharing between retailers and many different types of companies that make the products sold on retail shelves began in the early 2000s. Companies that make chemical-intensive products, such as cleaning compounds, furniture polish and car wax, are known as formulators.

It's taking years to figure out how to provide the information, hold the conversations that are needed and begin to aim for a more streamlined approach, for many different reasons, trade association and standard-setting officials, consultants and other individuals told BNA.

These reasons include:

- ?confusion caused by situations such as retailers and formulators using the same terms in different ways to refer to various companies in their supply chains;
- ?retailers and formulators being competitors when retailers sell house-brand consumer products;
- ?the large number of companies that make up the supply chain, all of which may need to be queried to answer questions about the chemicals in a product formula;
- ?divergent ways retailers have wanted essentially similar questions answered;
- ?changing needs as retailers respond to markets, regulations and other dynamics; and
- ?the absence of a forum to bring all parties together, in part, because retailers and consumer-product manufacturers are competing among themselves for customers who increasingly say they want to buy sustainable products.

#### Retail Regulations

Once retailers started demanding information, formulators listened.

Since the mid-2000s companies have been using a phrase—retail regulations—to refer to retailers' corporate policies that drive other companies to take specific actions.

Retail regulations do not carry legal weight, but they carry market weight.

Wal-Mart's purchases from a formulator can account for one-quarter of the formulator's business.

For example, the Clorox Co. [10-K form](#) filed with the Securities and Exchange Commission Aug. 23, 2013, reported:

#### BNA Snapshot

Business-to-Business Communication

**Key Development:** The growing interest of retailers in information about the chemicals in products they sell is causing redundant, time-consuming efforts by hundreds of manufacturers in the supply chain that hold that information.

**What's Next:** The Green Chemistry & Commerce Council, some trade associations and standards organizations, Target and Wal-Mart are working towards a more streamlined approach to communicating chemical data.

"Net sales to the company's largest customer, Walmart Stores, Inc. and its affiliates, were 26 percent, 26 percent and 27 percent for the fiscal years ended 2013, 2012 and 2011."

Paul DeLeo, senior director of environmental safety at the American Cleaning Institute, said formulators have responded to retailers by hiring staff specifically to answer retailers' questions.

"It requires significant resources—jobs—to make sure data gets to the major retailers," he said.

### Retail Interest as Outcome of EU Activities

Richard Liroff, executive director of the Investment Environmental Health Network, a partnership of investment managers, has tracked the growing interest of retailers and other companies in chemicals and chemical policies since at least the early 2000s. He offered his observations about the origins of the trend.

The retail industry's interest in the chemicals found in products they sell grew in part as secondary consequence of two European directives that took effect in 2003, Liroff and others told Bloomberg BNA.

Those directives were the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive 2002/95/EC, which restricted the use of six hazardous materials in the manufacture of various types of electronic and electrical equipment, and the Waste Electrical and Electronic Equipment (WEEE) Directive 2002/96/EC, which made the manufacturers of household appliances, computers and other equipment responsible for their safe disposal.

The directives meant electrical and electronic equipment manufacturers had to know about the chemicals in their products so they could steer clear of RoHS-restricted chemicals and properly dispose of products.

### From Electronics to Retailers

The directives focused on electronic goods, but many electronics are sold by retailers, so the chemical prohibitions in RoHS have affected retail sales.

A story that illustrates this connection, and which BNA has heard many times over the years, is included in a paper, "[RoHS War Stories](#)," available online at IPC—Association Connecting Electronics Industries.

In 2001 Sony Corp. shipped pallets of its PlayStation™ into the Netherlands for the Christmas rush. An inspection by the Dutch customs bureau concluded the product contained cadmium, in violation of RoHS.

"Sony was fined and the delay cost Sony the Christmas market," RoHS War Stories said, adding that the incident reportedly cost Sony \$100 million.

In 2002, the British group Friends of the Earth UK put retailers under the spotlight on chemicals.

Friends of the Earth UK launched a Safer Chemicals Campaign that included a retailers' pledge, Liroff wrote in a 2005 report, "[Protecting Public Health, Increasing Profits And Promoting Innovation By Benchmarking Corporate Governance of Chemicals in Products](#)."

**"Sustainability is seen as offering a competitive advantage."**

**Adam Siegel, Retail Industry Leaders Association**

Friends of the Earth secured pledges from major retailers throughout the United Kingdom to work from official lists to identify chemicals of concerns such as those that interfere with the hormone, immune or nervous system; produce a strategy to identify which house brands and national brands contain such chemicals; produce a timeline to phase out the chemicals from

house brands; pressure national brands to remove them; and report publicly on progress, Liroff said.

The advocacy group then ranked retailers, including international companies, in a May 2004 report "[Shop Till You Drop?: Survey of High Street Retailers on Risky Chemicals in Products](#)."

### Investors

U.S. nongovernmental organizations (NGOs) that launched campaigns targeting specific chemicals in products such as bisphenol A in baby bottles, as well as corporate shareholders, provided another impetus to bring the EU issue to U.S. shores.

By 2006 shareholders had introduced or tried to introduce a dozen resolutions addressing chemicals at annual meetings held by Wal-Mart, Whole Foods Market IP L.P., CVS Caremark Corp. and other companies, according to [information](#) from the Investors Environmental Health Network.

### Multiple Drivers

Siegel, from the Retail Industry Leaders Association, said investors' requests, regulations, consumer expectations, employees, campaigns by environmental health groups and recognition by companies that having more chemical-ingredient information could help reduce disposal costs and other expenses have all helped drive retailers' desire to have more information on the chemicals in the products they sell.

Obtaining chemical information from manufacturers of chemical-intensive products is just one part of retailers' efforts to address customers' desire to purchase products that reflect their ethical values, Siegel said.

Social issues associated with factory production, such as worker health and safety and whether a product is made with conflict minerals, also are extremely important to retailers and need to be addressed alongside environmental issues, he said.

Retailers have developed sustainability policies and specific goals to address these ethical issues, he said.

### Sustainability

"Sustainability is seen as offering a competitive advantage," Siegel said.

Consumer product manufacturers share that goal, said Cathcart, with the Consumer Specialty Products Association. CSPAs members include companies such as Procter & Gamble and S.C. Johnson & Son that make the brand name glass cleaners, wood polishes and dishwasher detergents commonly found under kitchen sinks all around the world.

Retailers and the 240 companies that make up CSPAs are "customer-facing" businesses that share the common goal of informed consumers and sustainability, Cathcart said.

### Duplicative Requests

DeLeo, with the American Cleaning Institute, agreed its members want to work on these issues.

"Companies are amenable to transferring information," he said, "but can we do it once?"

For the hundreds of companies that make the products on retailers' shelves and those that make fragrances, solvents, surfactants or other ingredients of chemical-intensive products, the number of requests for chemical ingredient information is daunting, said Sara Greenstein, president of UL Supply Chain & Sustainability. UL, formerly Underwriters Laboratories, is a safety consulting and certification organization founded in 1894.

Formulators feel as if they are spending more time answering questions about their products than innovating, Greenstein said.

The challenge is that consumer product manufacturers do not want to have to answer the same question from 30 or more different retailers, each of whom wants that information provided in different ways, said Monica Becker, principal, Monica Becker & Associates Sustainability Consultants.

"They want one place where the data can be submitted and then pulled," said Becker, a primary author of Meeting Customers' Needs for Chemical Data, a guidance document the Green Chemistry & Commerce Council issued to help manage these business-to-business communications.

Cathcart used the analogy of a bank, or central repository, where companies throughout the supply chain could deposit information and designated users could withdraw it.

Critical to that model, Becker and Cathcart said, is the protection of confidential business information.

For chemical-intensive products, retailers' requests for chemical ingredient information and the need to protect CBI combine to create a critical stumbling block, Cathcart said.

Retailers not only sell household products; they make them under their own labels.

That means that a retailer's request to a detergent manufacturer to provide information about the chemicals in that detergent can seem like a request to give a "secret recipe" to a competitor.

### Independent Third Parties

The model that is emerging for this transaction of information is that the consumer product manufacturer provides the requested information to a third party that guarantees to safeguard confidentiality, said DeLeo and Beth Law, assistant general counsel for CSPA.

Under the third-party model, they said, retailers would not get formula-specific information.

Retailers will find out if a line of products—detergents, for example—contain chemicals with characteristics that do not meet whatever criteria the retailer has provided the third party, said UL's Greenstein.

The Wercs Ltd., a division of UL, protects confidential business information through means such as background checks on potential employees, limits on staff access to data and routine security reviews to prevent breaches of its secure networks, said Tom Carter, vice president for sales and strategic initiatives at The Wercs.

Other examples of third-party organizations include NSF International, which was founded in 1944 as an independent standards-setting organization that also certifies compliance with labeling and other voluntary codes, and ToxServices LLC, which was founded in 2003 and also certifies compliance with various voluntary codes.

However, not all retailers use third parties, and different retailers use different third parties, Law said.

### Time, Trust Needed

Further complicating the picture is the number of companies that may need to be involved to answer a retailer's request for information about the chemicals in products it sells.

A retailer may seek chemical ingredient information from a final brand manufacturer, such as S.C. Johnson or Colgate-Palmolive Co., but the brand manufacturer may not have all the information needed to satisfy the request, said Becker, coauthor of Meeting Customers' Needs for Chemical Data.

The brand name manufacturer may use intermediate formulators to supply "ingredient packages" of solvents, surfactants, chelating agents and fragrances, she wrote.

Those intermediate formulators often do not to reveal the identity of the chemicals in those packages lest their customers (the brand name manufacturer) shop around and find ways to get the same chemicals more cheaply, Becker told BNA.

"We have to get information from every tier of the supply chain, sometimes going three levels deep or more to get the formulation," Teresa McGrath, senior managing toxicologist for NSF International told BNA.

It takes a lot of time to establish sufficient trust to obtain that information, she said.

Getting the full formulation, however, is important to companies such as Home Depot and Wal-Mart that want to stand behind their claims that they are removing chemicals of concern from the products on their shelves, McGrath said.

### Compliance and Beyond

One reason retailers seek different types of chemical information at different times is that they need the data for different purposes, said Becker and Carter.

Carter said there are two basic reasons for seeking chemical data: to be in compliance with regulations and to undertake a beyond-compliance initiative as part of their own sustainability efforts.

***"They want one place where the data can be submitted and then pulled."***  
***Monica Becker, sustainability consultant***

For years, retailers sought basic information about the chemicals in the products they sell so they could tell employees how to clean up spills and whether they might need gloves, Becker said.

Then, more recently, retailers began to need information to help them handle wastes from returned or damaged goods they

received. Carter said.

Some local jurisdictions, states and the Environmental Protection Agency have stepped up their enforcement of

hazardous waste regulations at retail facilities, prompting further requests for chemical ingredient based information for regulatory compliance, he said.

For example, in May 2013 Wal-Mart agreed to pay \$82 million to settle allegations that it dumped corrosive and hazardous liquid wastes in nine California counties ([37 CRR 648, 6/3/13](#)).

Earlier this year, Lowe's Companies Inc. agreed to pay \$18.1 million to settle charges it violated California's hazardous waste regulations.

### Assessing Alternative Chemicals

Retailers and formulators that make the products sold also are striving to demonstrate that they go beyond compliance, Carter said. There are dozens of voluntary beyond-compliance certification programs that involve an assessment of a chemical mixture's environmental impacts and health effects, he said.

The Organization for Economic Cooperation and Development noted in a 2013 [report](#) that there are many governmental, industry and NGO-established alternatives assessment approaches that vary in the amount of information they request and the detail required for that information. An alternatives assessment is an analysis of a product to determine whether safer substances can be used to make it or to evaluate the characteristics of potential substitute chemicals.

Most of these assessment programs screen chemicals to see if they have certain hazardous characteristics, said David Constable, director of the American Chemical Society's Green Chemistry Institute. The institute has a formulators' roundtable through which members work to make cleaning and personal care products that are safer for consumers to use. Members include Johnson & Johnson Services Inc. and Church & Dwight Co., better known as the "Arm & Hammer" company.

***"We have to get information from every tier of the supply chain, sometimes going three levels deep or more to get the formulation."***

***Teresa McGrath, NSF International***

Alternative assessments focus on certain compounds that may or may not be on safer chemical lists such as those developed through the Environmental Protection Agency's Design for the Environment program, Constable said.

Some retailers also will want to focus on life cycle impacts, energy use, packaging and other issues that affect the environment, he said.

The slight variation in questions retailers ask reflect what each consider important to its business or customers, he said.

The plethora of assumptions built into the various computer models that assess chemicals or generate alternatives assessments contributes to formulators' confusion, said Steven Bennett, senior director for scientific affairs and sustainability at CSPA.

### Same Data, Different Conclusions

Some formulators provide the same chemical property information and other data to multiple parties conducting assessments, and the computer models and software spin out different conclusions about the sustainability of a particular formula, he said.

Companies can provide information for assessments, but how that information is interpreted can and does vary, said Constable.

Retailers are adopting different chemical assessment approaches based on what they feel is important, he said.

"This is a values-based decision. There is no one overarching assessment system that has broad acceptance," Constable said.

"There is also an inherent complexity in answering the question of what is 'safe' or 'safer' that is daunting," he said.

### Seeking Solutions

Multiple organizations are attempting to streamline the chemical-data collection and retrieval system and to standardize the way in which products are assessed.

The Green Chemistry & Commerce Council (GC3), managed by the Lowell Center for Sustainable Production at the University of Massachusetts and BizNGO, another organization that brings together businesses and environmental organizations, frequently were cited as organizations working to smooth supply chain communications among companies that make household products and other chemical-intensive goods.

The 2014 GC3 Innovators Roundtable, which met in May in Minnesota, had a greater retailer presence than any previous meeting, McGrath said.

A subgroup of the roundtable members is working on a chemical data standardization project, according to information GC3 Director Joel Tickner provided Bloomberg BNA. Instead of reinventing the wheel, the project aims to build upon efforts some industry sectors have made and standards that some organizations already have developed, he said.

An example of a chemical data standardization effort is the Greener Chemicals and Processes Information Standard developed by NSF International, ACS's Green Chemistry Institute and the American National Standards Institute ([NSF/GCI/ANSI 355](#)), he said.

A family of standards developed by IPC—Association Connecting Electronics Industries, called [IPC-175x](#), offers another example, he said. This family of standards establishes a uniform reporting format for data exchange between supply chain participants, according to IPC.

UL and NSF International said they are refining data-collection and chemical assessment tools to address the particular needs of various supply chains.

For example the Health Product Declarations (HPD) that NSF developed for the building products industry could be adapted for other sectors, said Amber Dzikowicz, business unit managers for NSF.

UL's Prospector®, which UL said searches information and technical documents from thousands of global suppliers, also can be an important tool, said Carter from UL's The Wercks.

None of those interviewed by Bloomberg BNA saw a clear path to simplifying the information exchanges taking place among retailers, formulators and the many companies that make and sell chemicals.

But each saw seeds of solutions growing. The marketplace is beginning to shake out some solutions, as some third-party organizations gain traction, DeLeo said.

Software systems to better manage chemical data also are emerging, said Becker.

The dynamically changing relationship between retailers and consumer-product manufacturers is an exciting space to work in and a high priority for the Consumer Specialty Products Association to operate in, Cathcart said.

"It's a business issue. We're reaching out to retailers to understand their needs and establish ourselves as a trusted partner in a common goal," he said.

DeLeo said the American Cleaning Institute will attend the Sept. 4 Personal Care Products Sustainability Summit.

Large retailers, such as Wal-Mart, have so much power in the marketplace, its meetings are a forum by which solutions to information exchange program will be found, he said.

*By Pat Rizzuto*

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