Beyond Compliance – Managing the 21st Century Challenges of Product Stewardship

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Agenda

• How is the traditional definition of “Product Stewardship” evolving?
• Why is Stewardship even more important than in the past?
• What are the consequences for companies that are operating in this “new reality?”
About Me

• 28 Years at Procter & Gamble (retired 2012)

• Key Assignments:
  – Environmental Microbiology
  – Environmental Affairs for paper products (NA, EU)
  – Corporate Sustainability
  – Global Technical Policy (chemicals management)
  – “Controversial Chemicals”
  – Regulatory “Community of Practice”
  – Crisis Management, Scenarios Analysis, and “Devil’s Advocate” Panel facilitation

• Since P&G:
  – Program Director, The Conference Board Product Stewardship & Regulatory Affairs Council; Integrating Sustainability Research Working Group
  – Consultant

• Academics – PhD in environmental science and engineering (Purdue, UNC)

• Interests – my Ohio license plate says “FLY FYSH”
How has “Product Stewardship” Evolved – Historic Focus

Protect people and the environment

Ensure regulatory compliance
How has “Product Stewardship” Evolved – Today’s Focus

- Protect people and the environment
- Ensure regulatory compliance
- Fulfill external commitments to industry and shareholders
- Meet new market and business expectations
What’s driving this evolution?

• Decreased public trust in industry and government to “do the right thing”
• Globally increasing regulatory expectations
• Emerging scientific issues
• Growing pressures on “chemicals of concern” from public interest groups, customers, and consumers:
  – Consumer choice (individuals and institutions)
  – “Customers as regulators”
• Greater expectations for “transparency” in complex global supply chains
• The “digital world” – A new reality for issue and crisis management
Growing Regulatory Expectations – Chemicals

- EU REACH
- ROHs and WEEE
- Canada’s CEPA priority substances program
- New legislation in Asia (China, Korea)
- US TSCA Reform
- State activities (e.g., California Safe Chemicals Act)
- COLLECTIVELY – increased vulnerability to restrictions on how chemicals are used in products
Internationally – UNEP Chemicals in Products (CiP) Program

• Initiated in 2009 as part of the UN’s “Strategic Approach to Internationals Chemicals Management (SAICM)

• Voluntary program to identify the roles/responsibilities of stakeholders, develop guidance on what chemical information should be transferred, and build on existing experiences and best practices

• Framework:
  – Performance levels
  – “Principles”
  – “Full Disclosure”
  – “Design Standards” (e.g., Restricted Substances)
Growing Regulatory Expectations – Extended Producer Responsibility

• Originally driven by solid waste concerns, to encourage recycling and recyclability:
  – Packaging
  – Waste electronics, large appliances
  – Automobiles
  – Batteries

• Now extending into other areas:
  – Broadening the scope of electrical device
  – Pharmaceuticals and “sharps”
  – “Design for Recovery” requirements
Emerging Scientific Issues

• Endocrine Disruptors
• Bio-monitoring
• Toxicogenomics
• Children’s Health
“Chemicals of Concern”

Substances that are deliberately used or otherwise present in products, and that are publicly associated with ongoing concerns about their safety for people or impacts on the environment.

Major categories include:

• “Regulated:” Chemicals for which there are prescribed limits or bans.
• “Likely to be Regulated:” Chemicals for which there are proposed, but not yet implemented, limits or bans.
• “Listed:” Chemicals that are specific lists for restrictions or elimination, by non-governmental organizations (NGOs or customers.
• “Controversial:” Chemicals that are not yet on specific lists, but are nonetheless subject to significant public debate
Examples

• EU Substances of Very High Concern (SVHC)
• Phthalates
• Formaldehyde
• Perfluorinated hydrocarbons (e.g., PFOS)
• Bisphenol A
• PVC
At the Heart of the Chemicals of Concern Debate—Key Paradigm Shifts

- Risk Assessment Based Decision making
  - Avoid “Hazardous” or “Toxic” Chemicals
- Protect Confidential Business Information
  - “Right to Know” - Full Disclosure of Ingredients
- All products are (should be) safe
  - Consumer/Customer Right to Choose “Safer” Products
Driving Consumer Choice

- Danish scanning App for SVHC in household products
  [http://newsletter.echa.europa.eu/home/-/newsletter/entry/1_15_danish-app-for-consumers-a-big-success;jsessionid=16D1A3A61063F726164F152BDB83CACF.live1](http://newsletter.echa.europa.eu/home/-/newsletter/entry/1_15_danish-app-for-consumers-a-big-success;jsessionid=16D1A3A61063F726164F152BDB83CACF.live1)

- GoodGuide Product Reviews (now owned by UL)

- Environmental Working Group Consumer Guides
  [http://www.ewg.org/consumer-guides](http://www.ewg.org/consumer-guides)

- EU NGO ChemSec “SINList”
  [http://www.chemsec.org/what-we-do/sin-list](http://www.chemsec.org/what-we-do/sin-list)

- EPA’s new “Safer Choice” DfE program
  [http://www2.epa.gov/saferchoice/learn-about-safer-choice-label](http://www2.epa.gov/saferchoice/learn-about-safer-choice-label)

- Sustainable Purchasing Leadership Council guidance for institutional buyers
  [https://www.sustainablepurchasing.org/](https://www.sustainablepurchasing.org/)
Corporate Initiatives

• SC Johnson – “Greenlist™”
• Clorox – “Ingredients Inside”
• Wal*Mart and Target toxic chemicals disclosure and reduction programs
• Grocery Manufacturers of America (GMA) led “Consumer Information Transparency Initiative”
• Internal “watch list” programs
Growing Expectations and Complexity in Global Supply Chains

- Increasing demands and new requirements
- Growing complexity in a global economy
- Diversity of IT systems, forms, and requests
- Balancing “transparency” vs. confidential business information (CBI)
What are the Consequences for Business?

- Regulatory compliance cost; staffing and expertise
- Growing demands for information:
  - Information management costs and complexity
  - Protecting your intellectual property
- Managing constant change (internal and external)
- Limits to innovation
  - Chemicals
  - Design
  - Speed to market
- Vulnerability of brand and corporate reputation
“Historic Media” (circa 2000)
- Finite audience
- Temporary
- Not very portable
- Largely one-way, or 1:1 discussions
- Published in a place

The Digital World
- Global audience
- Permanent
- Easy to share, and potentially manipulate
- Interactive/Social, with 1:Many discussions
- Real time feedback
- Viewable any time, anywhere
Why Should this Matter to Product Stewards – A Cautionary Tale (Pampers DryMax, 2010)

• Since 1987, the absorbent core of disposable diapers has contained purified paper “fluff” and a highly absorbent gel (AGM). This “core” keeps skin dry and helps prevent diaper rash.

• DryMax was a redesigned core that nearly eliminated fluff. It used the same AGM, but new design enabled it to work better.

• The new diaper was more absorbent, slimmer, better fitting, and used 10% less materials.

• DryMax had more than 1 million changes in home tests during development, and was no different than the version it replaced with respect to the incidence of diaper rash.
What Happened?

• Product launched in March, 2010. Well-received by moms and retailers (initial sales up vs regular Pampers Cruisers/Swaddlers).

• BUT a small group of parents rebelled:
  – **One mom** made it a personal cause, creating the Facebook page “Pampers bring back the OLD CRUISERS/SWADDLERS” (11,000 members).
  – Accused P&G of deceptive packaging and changes to “save money.”
  – Alleged that their babies experienced more diaper rash, and what they called “chemical burns.”
  – Created a social media driven campaign to seek out local TV and newspaper interviews, and published pictures of their “burned” babies.
  – Pressured retailers.
  – Filed complaints with the US Consumer Product Safety Commission (CPSC) and Health Canada.
What Happened (Cont…)

- From April to August, CSPC received over 4700 complaints, 85% of them after the Facebook site launched.
- Numerous national and local media stories.
- Over following 6-9 months, P&G’s diaper business in US and Canada declined substantially.
- Company responded to media reports, enlisting the help of leading pediatricians and dermatologists; met with CPSC and Health Canada to share available data.
- In September, CPSC ruled that they could not identify "any specific cause linking Dry Max diapers to diaper rash." Similar ruling followed from Health Canada.
- Issue diminished and the business ultimately recovered, but had lost millions in estimated sales.
Lessons Learned

• People care a lot about the products they use:
  – Many don’t like change.
  – Your next “big innovation” might not be their idea of a good thing.
  – Babies matter
  – A LOT!

• Never underestimate the power of a highly motivated critic in a social media world.

• You have to have a strong reputation and strong facts to be successful.

• You also need to ongoing relationships with advocates who can help.
Closing

• We live in a “VUCA World”
  – Volatile
  – Uncertain
  – Complex
  – Ambiguous

• The scope of Product Stewardship has expanded beyond its core safety and compliance obligations

• Success requires being externally connected, flexible, and responsive to the new realities for:
  – Transparency
  – Consumer choice
  – A social media world
  – Trust and reputation
THANK YOU!

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