

SPOTLIGHT

TOWARDS SUSTAINABLE SUPPLY SYSTEMS IN CHINA WITH TETRA PAK



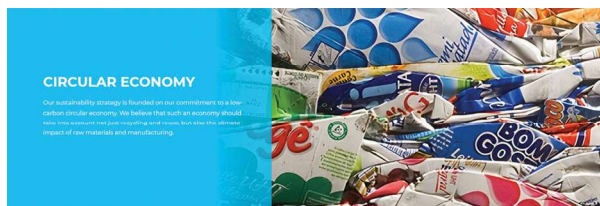
The Swedish Tetra Pak (TP) is the world's leading food processing and packaging company. Since its entry into China in 1972, TP has been an influential player in the emerging Chinese dairy industry. The company has leveraged its packaging technology to shape the industry's supply and demand system. Sustainability is an integral part of TP's strategy including ambitious goals like becoming 'Planet Positive' [2], and constructing a circular economy [3]. They work with stakeholders, including government ministries,

universities, NGOs, and garbage collectors, along both TP's upstream and downstream supply. We will have a closer look at some of TP's supply management practice from sourcing raw materials, to production, to use, to end-of useful lifetime.

Plant-based responsible raw materials are central to responsible sourcing practices at TP [4]. One key component of milk cartons is wood-based paper. Therefore, TP's management actively promotes sustainable forest management efforts. TP is working closely with the WWF, the China Green Foundation (CGF) and the forestry authority. To engage with the customers they supply, TP's key account management teams support new customers' plant, development,

improving processes, technology, quality development, and administration. In addition, they recruit professional consulting companies to provide specific services for the customer, covering 50 per cent of the consultancy fee. In return, TP

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requires a guaranteed purchasing volume. TP also offers equipment financing. SME customers may pay only 20 per cent upfront, and once they have purchased a certain amount of packaging annually, TP excuses the remainder of the debt.

Post-consumer recycling of a product as durable as Tetra Pak's multi-layers of paper, plastic, and aluminium is challenging [5]. However, TP's management has set a 40 per cent recycling target which they claim 'raised the importance of recycling – both within and outside Tetra Pak. It helped us align partners along our value chain, and significantly improve recycling awareness and infrastructure along the way'. TP adopted a proactive approach, and has remained one step ahead of Chinese law, referring to its used packaging as 'misplaced resources' [6]. TP works with recycling companies, schools, NGOs, waste collectors and local governments to help establish a sustainable collection and recycling system. TP has supported the China Packaging Association, which drafted the first circular economy law, and supports others to build a sustainable supply and demand system [4].



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TP's supply management sought out paper mills and material companies which were willing to produce renewed materials and promote the development and application of those materials to increase recycling capacity. They discovered that by separating the raw materials in cartons, the value of recycled materials increased by nearly a third. Then they established a recycling network by offering a higher price for used packages (compared to waste paper). In addition, TP provides technical support to both individual and large-scale waste collectors. These efforts are crucial for co-constructing a future sustainable supply and demand system.



PROFESSIONAL SUPPLY MANAGEMENT

Production processes are often dispersed around the globe. Suppliers, focal companies and customers are linked by information, material and capital flows. In line with the value of the product comes the environmental and social burden incurred during different stages of production.

Stefan Seuring and Martin Müller [7]

This chapter discusses how to manage the system of companies, stakeholders, and management practices connected through supply and demand. This is critical because, as managers, we must approach sustainability challenges

