

Signed, Sealed... Delivered?

Eco-labels, trust and behavior
change across the value chain

Phase One White Paper

March 2011

1 Context

Today's supply chains span the globe. In the last fifty years, the value of internationally traded goods has increased from less than a fifth to more than half of world GDP. A couple of years ago, a shipping container followed by the BBC¹ went twice round the world in a year, hitting Scotland, Shanghai, Brazil and Los Angeles along the way. While a century ago we might have known where, how and who produced the things we eat, wear and use, in so many instances today all we know is what we're told. Such geographic and mental distance between where a good is produced and where it is consumed brings plenty of benefit, but also has the potential to create significant problems.

The eco-label, trust mark or certification — just some of the names given to the independently verified, on-pack labels intended to communicate environmental and/or social performance to consumers — strives to make production more visible.

The concept of eco-labels is simple, but the reality isn't. Why trust in certain claims and not others? What actually drives performance and market uptake? How do eco-labels compare to other ways of communicating product-level sustainability performance? And are product-based labels limited in their ability to deliver positive impact when it isn't the product alone that must be sustainable, but the system in which it is produced and consumed? This white paper documents the initial findings of a research project which will tackle these questions.

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2 Trends

Thirty-three years after the world's first eco-label was launched (Germany's Blue Angel), hundreds more have appeared, focusing on a wide range of regions, issues, sectors, product categories and even businesses themselves. A number of trends indicate it's time to take a closer look at the universe of eco-labels: *

- **Businesses are under ever-growing pressure from civil society to demonstrate awareness of and influence over supply chain performance.** From college students boycotting Nike and its supplier factory labor conditions in the 1990s to Greenpeace activists dressed as orangutans rappelling down Unilever's London headquarters in 2008 to protest the use of palm oil from deforested plantations, it's firmly established that we expect global companies to know the 'where' and 'how' of their raw materials and production. And, increasingly, consumers choose purchases based on these factors: the 2010 Global Ecolabel Monitor² quoted a 2009 Mintel study showing that "the green market outperformed the US economy as a whole in 2009 and grew by over 40% from 2004 to 2009."
- **Eco-labels are proliferating.** As of the time of writing, the Ecolabel Index³ listed 377 schemes in 214 countries and 25 industry sectors, from Italy's 100% Green Electricity to New Zealand's Zque natural wool label. Meanwhile, new eco-labels continue to arrive. In the first month of 2011 alone, Vestas, the world's largest wind energy company, announced the development of a WindMade label⁴ backed by WWF and the UN Global Compact; a group of US food manufacturers signaled their intention to develop Nutrition Keys,⁵ a front-of-pack nutritional label; and the Enough Project launched a project arguing for the need for a robust certification process for conflict minerals⁶ sourced from Congo and the surrounding regions. While the sheer number of eco-labels surely has contributed to rising awareness among consumers, it is becoming harder for a product to differentiate itself through their use, particularly as consumers become overwhelmed and cynical.
- **Bold sustainability commitments by brands demand credible ways to evaluate the progress of their value chains.** From Unilever's commitment to source 100% of its agricultural raw materials sustainably by 2020 to Pepsico UK's commitment to reduce carbon and water emissions from key growers by 50% by 2015, many businesses have set 'big hairy audacious goals' related to their value chains and need credible ways to demonstrate that these have been met.
- **Some eco-labels are losing trust.** Even respected schemes have been questioned. The Marine Stewardship Council was recently accused of certifying fisheries where stocks are diminishing, while detractors have claimed that the EU Ecolabel certified paper made from Indonesian virgin rainforests.
- **Regulators are keeping a stern watch on greenwashing claims.** Both the US Federal Trade Commission (FTC) and UK's Defra are completing major reviews of their green marketing guidelines.
- **Eco-labels are moving into developing country markets.** Eco-labels have been primarily a European and North American phenomenon, but the Ecolabel Index includes dozens of labels used in Latin America, Africa and (especially) Asia, in part due to the EU-funded SWITCH-Asia network seeking to transfer leading practice in eco-labeling⁷ from Europe to Asia. With evidence that demand for sustainable products & services is growing in these regions, Asia has an opportunity to leapfrog as well as to take the best of eco-label practice from Europe and North America.

* For simplicity, we are using the term 'eco-label' to mean any independently verified label intended to communicate social and/or environmental attributes to consumers. (This is not intended to restrict the research to environmentally focused labels.) The focus of this research is explicitly on B2C rather than B2B voluntary standards such as the ISO standards, food safety standards and so forth.

- **Eco-labels themselves are re-assessing and re-invigorating.** ISEAL Alliance, the global alliance for environmental and social standards systems, is completing a major strategic review⁸ of how voluntary standards should evolve in order to scale their impact, while last year WWF published a review of multi-stakeholder initiatives, Certifications and roundtables: do they work?⁹ and concluded that more evidence was needed and operational improvements required.

3 What are eco-labels trying to do?

So eco-labels are everywhere, and more are on the way. But what exactly are they trying to do? We expect a great deal from these labels: social and environmental impact, credible yet simple assurance on sustainability claims, brand value and a return on investment for all concerned. Let's look a little more closely at these expectations.

The basic purpose of an eco-label is to tell the consumer a credible story about what's happening in the rest of the value chain. This story is intended to create demand for more sustainable value chains by influencing (or affirming) performance improvements upstream and purchasing decisions downstream.

This all suggests that eco-labels have three distinct functions:

- 1 **Performance.** Influence and/or affirm improvements in social and environmental performance through voluntary standards.
- 2 **Trust.** Provide credible assurance around sustainability performance to consumers, customers, NGOs and other stakeholders.
- 3 **Demand.** Drive purchasing decisions and behavior change by communicating sustainability performance to consumers at the point of purchase, and more broadly, by increasing awareness and changing the social norms and expectations associated with a product category.

Is it realistic to expect any single eco-label to achieve such varied goals? Which eco-labels are doing this best and what can we learn from their success and acceptance? And what alternatives exist?

4 Successes . . .

Certainly, many eco-labels — from Energy Star to Fairtrade — have done a great deal to raise awareness, to change what we expect of certain product categories, and to create a common language and framework around sustainability. In informal conversations held during the drafting of this white paper, interviewees credited eco-labels with:

- **Creating a common language and framework for sustainability.** As one person we talked to said, “Certifications simplify the discussion... they help people who aren’t experts know what to act on.” Eco-labels create consensus around what is important so that each organization doesn’t need to re-invent the wheel.
- **Providing opportunities for collaboration.** Partnering with an independent scheme can be a way of ‘outsourcing’ the work of supplier capacity-building or monitoring (and, frankly, transferring risk to the eco-label and its supporting standards and verification scheme). Many eco-labels are associated with collaborative forums for sharing best practice.
- **Providing a credible platform for claims.** Everyone we spoke with said that that there is no doubt that schemes backed by government standards, multi-stakeholder initiatives or NGOs have greater credibility than business claims without the same backing.
- **Raising consumer awareness and expectations.** One of us recently went to speak about ‘ethical trading’ at a London girls’ school and learned that most of the students had first become aware of supply chain issues because of the Fairtrade mark, which has very high consumer recognition in the United Kingdom. Or consider coffee: all of the big roasters and the major coffee retailers worldwide now offer some form of sustainably sourced coffee, to the point where it is no longer very much of a differentiator.
- **Improving performance.** WWF’s 2010 review of multi-stakeholder initiatives concluded that “MSIs can have positive economic, environmental and social impacts.” The US Environmental Protection Agency stated in their [annual report](#)¹⁰ that the Energy Star label contributed to saving the equivalent of 31 million vehicles’ worth of GHG emissions and \$17 billion in utility bills in 2009.

5 ... Challenges

Alongside these successes, challenges exist, and questions are being asked about eco-label efficacy:

- **What impact are eco-labels really having?** Many eco-labels have found it challenging to demonstrate positive impact. Indeed, the 2010 Global Ecolabel Monitor¹¹ found that only one-third of the eco-labels who responded to their survey regularly monitor their impacts. WWF's 2010 review¹² noted “insufficient comparable and meaningful data available” on the impacts of certifications and roundtables. Even where it is possible to demonstrate positive impact, improvements may occur primarily among players who are already reasonably strong performers, and it is extremely difficult to ensure rewards for improvement are reaped fairly across the value chain.
- **Are the standards behind labels the right ones?** Setting standards for a set of issues as complex as sustainability will never be straightforward. Too often the most important drivers of better performance are set aside in favor of indicators that are easier to measure or that are of more obvious interest to a broader range of stakeholders. While there is some justification for this, it limits ultimate progress.
- **Are eco-labels making use of the right amounts and kinds of data?** This question is at the heart of many of the challenges associated with eco-labels, because the information needed to drive, verify or communicate performance is so different. The data that a designer needs, for example, to design a lower-impact shoe is often different from what the consumer needs to make a purchasing decision. The data that a food manufacturer needs to be confident that its agricultural suppliers are reducing their carbon footprints may be different than the data the suppliers use to drive reductions.
- **How trusted can business-led standards be?** As noted above, the most trusted labels are those based on government standards, like organic, LEED and Energy Star in the United States, or those backed by NGOs. Business-led standards remain less trusted by consumers even when they are recognized as high-quality standards by stakeholders. This question will become more important as businesses increasingly develop their own standards.
- **Can ‘branding sustainability’ lead to undesirable consequences for marketers?** Many independent eco-labels are powerful brands in their own right, competing not only with each other but also with the host brand. In a fiercely competitive market, some firms find it difficult to invest in marketing eco-labels that may be used by competitors. Meanwhile, the battle for consumer mindspace is such that many businesses are reluctant to share it with a sustainability label or claim if it does not perfectly support their own brand story.
- **Can ‘branding sustainability’ lead to undesirable consequences for sustainability?** By calling out a specific product as ‘sustainable’, labels might distract consumers from a more sustainable but un-certified choice — for example, when ordering fish at a restaurant, diners might be more likely to choose MSC-certified Chilean seabass over less endangered and therefore un-certified grouper. Or, if shoppers choose a cereal that happens to consist of 41% sugar by weight¹³ because of the presence of the ‘Smart Choices’ label rather than oatmeal, has progress been made? Labels may create undue focus, resulting in potentially less desirable individual choices and leading consumers to think about single issues rather than the system.

6 Alternatives: What's Next?

Along with or instead of the 'traditional' independent eco-label, businesses have been making use of other ways of improving performance, creating trust and influencing demand for more sustainable products. A few we've identified so far:

- **In-house standards.** Such as Starbucks CAFE Practices or HP Eco Highlights.
- **Industry standards.** Such as the UL Environment manufacturing standards, the Sustainability Consortium's various working groups and the newly-launched Apparel Index.¹⁴ While these are not in themselves consumer-facing, most intend that the metrics can and will be used to underpin consumer communications.
- **New sourcing models, partnerships with NGOs and in-house expertise.** Either to complement or instead of in-house standards and labels. For example, Walmart is increasing its purchases from small and medium-sized farmers as part of its sustainable agriculture program, while Unilever is building up its in-house team of agronomists.
- **Linking sustainability performance to the place of origin instead of a label.** Some Alaskan fisheries have considered forgoing MSC certification, in part under the assumption that buyers already know that fish sourced from Alaska is sustainable,¹⁵ while Molson's new "Made from Canada" campaign positions the beer as made from pure Canadian water and hops, and by extension as environmentally friendly.
- **Tagging and mobile technologies that connect the dots across the value chain.** GoodGuide puts sustainability data in consumer's hands at the point of purchase via iPhone or text messaging, Fairtrade Foundation is testing direct SMS and video connections between producers and consumers and technology providers such as IBM are racing to market software that visualizes supply chains and enhances traceability in case of food safety outbreaks.¹⁶ Meanwhile, social networking tools from Twitter to Yelp! play a role in facilitating positive (or negative) word-of-mouth.
- **Tastemakers, celebrities and the media.** Vogue caused sales of Timberland's Earthkeeper boots for women to spike, while British celebrity chef Hugh Fearnley-Whittingstall did the same for non-endangered fish¹⁷ in UK supermarkets the week after his new programme on sustainable fishing, *The Big Fish Fight*, aired.
- **Other marketing tactics.** From green claims, to branded product lines such as Nike Considered or Philips Green, to choice-editing, such as Tesco's and Sainsbury's phase-out of incandescent bulbs — ahead of legislation requiring them to do so — in the UK.
- **The power of trusted global brands.** Think Marks & Spencer or Patagonia, and more recently Unilever, whose corporate brands and bold sustainability commitments in some sense serve as 'guarantees' of good sustainability performance for many consumers or stakeholders.

7 The Path Forward

Our initial review indicates that most existing research takes eco-labels as a given starting point, and then asks how they can be made more credible or more effective. There is, as far as we know, little research aimed at helping businesses and other labelers understand eco-labels in the context of other ways of creating trust and demand for better sustainability performance across the value chain.

Signed, Sealed... Delivered? will seek to fill that gap by framing the broader debate, distilling learnings from a range of industries and product categories, and developing a set of practical recommendations for businesses deciding how to communicate product-level sustainability performance effectively and credibly.

Looking across a range of industries and product categories, we will explore:

- 1 **The menu.** To set the stage for our research, we will seek to understand and map the current menu of available tools — from standards to sourcing relationships, from eco-labels to marketing tactics — with which businesses and others are influencing sustainability performance upstream in the value chain (among producers, suppliers and manufacturers) as well as trust and demand downstream (among consumers).
- 2 **Performance.** We will survey and distill current research on what is effective in influencing sustainability performance and impacts among producers and suppliers across a range of different sectors and categories. What is known about what actually drives performance improvements?
- 3 **Trust.** We will look at the drivers of trust. What leads consumers (and stakeholders) to trust in a certain claim? How much does trust depend on who's making the claim, who's verifying the claim, the level of transparency, the product category, the sustainability issue, the region or market, or something else altogether?
- 4 **Demand.** We will look at the drivers of demand — and of behavior change. What leads consumers to change their purchasing and usage behaviors in favor of more sustainable ones? From the standpoint of actions a business can take, what's the right mix of information disclosure, claims, campaigns, creating positive peer pressure, and so on?
- 5 **Case studies.** We will present a selection of case studies — including both successes and failures — to bring our findings to life.
- 6 **Practical recommendations.** Finally, we will develop a set of practical recommendations and considerations for businesses deciding how to communicate product-level sustainability performance effectively and credibly, supporting market 'push' and market 'pull' for sustainable production and consumption.

8 Scope and Phasing

At this stage we are seeking to tease out common issues and emerging solutions across a range of industries, categories and issues. The specific ones addressed will be determined as we delve into the research, with input from the project sponsors and partners.

We have structured this research as follows:

— **Phase 1**

December — February 2011

This initial paper exploring the world of eco-labels, identifying key challenges and trends; our first attempt at identifying key functions and emerging alternatives.

February — March 2011

Confirm project sponsors and research partners.

— **Phase 2**

March — September 2011

Produce report surveying the drivers of performance, trust and demand and providing practical recommendations and considerations for businesses deciding how to communicate product-level sustainability performance effectively and credibly.

— **Phase 3**

Dates to be determined

Depending on interest from project partners and sponsors, we are considering an end project convening to present and debate the research output. We are also considering follow-on research to dive deeper into specific sectors, product categories or sustainability issues.

As *Signed, Sealed... Delivered?* continues to take shape, we welcome any feedback — insights, comments, questions and concerns. We are also seeking sponsors and research partners to help shape and support our research. To share feedback, or to inquire into partnership or sponsorship, please contact Patrin Watanatada (watanatada@sustainability.com, +44 207 269 6906).

9 Acknowledgements

We would like to thank the following for speaking with us as we drafted this white paper:

Oliver Adria Researcher, UNEP/Wuppertal Institute
Coleman Bigelow Global Sustainability Marketing Director, Johnson & Johnson
Stephanie Daniels Program Manager, Sustainable Food Lab
Jim Goddard Innovation Director, Nike
Chuck Goncalves Director, Social & Environmental Responsibility, Gap Inc.
Hal Hamilton Co-Director, Sustainable Food Lab
Beth Jensen Corporate Responsibility Manager, Outdoor Industry Association
Emma Keller Research Engineer, Unilever
Karin Kreider Scaling Up Director, ISEAL Alliance
Thomas Lingard Global External Affairs Director, Unilever
Michelle Morton Biofuels Sustainability Compliance Officer, Shell
Dr. Anastasia O'Rourke Co-Founder, EcolabelIndex.com
Ian Olson Director of Responsibility, Darden Restaurants
Ben Packard VP Global Responsibility, Starbucks
Gwynne Rogers LOHAS Business Director, Natural Marketing Institute
Don Seville Co-Director, Sustainable Food Lab
Burcu Tunçer Project Manager, UNEP/Wuppertal Institute
Jan Kees Vis Global Director Sustainable Sourcing Development, Unilever

We would also like to thank our colleagues Mohammed Al-Shawaf, Jennifer Biringer, Geoff Kendall and Michael Sadowski for editorial contributions and support — and Preetum Shenoy for coming up with the title!

Hyperlinks

- 1 http://news.bbc.co.uk/1/hi/in_depth/business/2008/the_box/default.stm
- 2 <http://www.wri.org/publication/global-ecolabel-monitor>
- 3 <http://www.ecolabelindex.com>
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