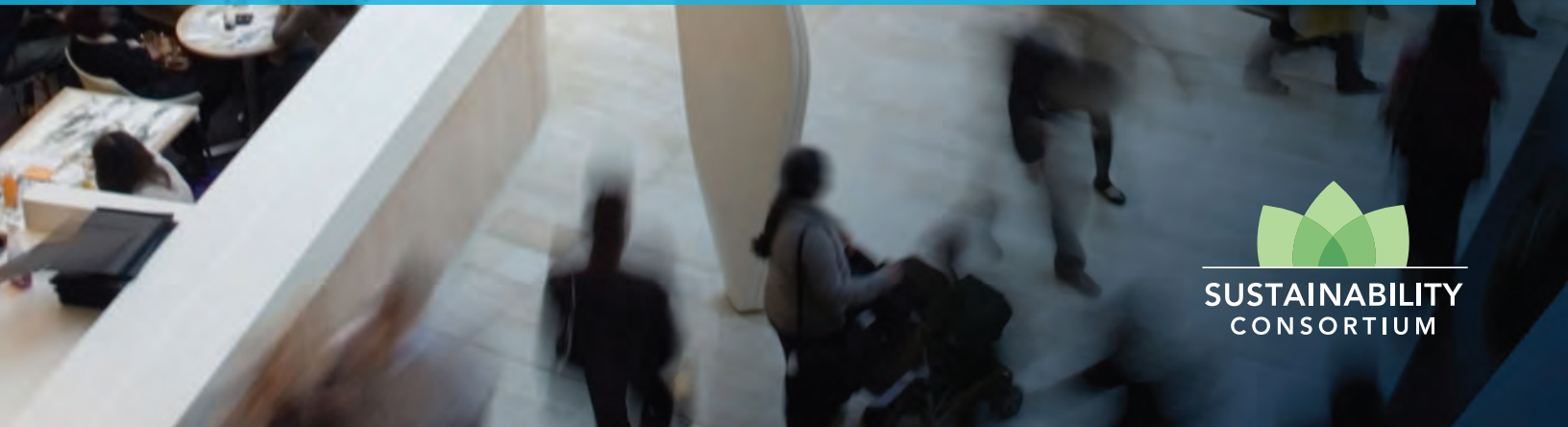




consumer science

Research Compendium 2010



SUSTAINABILITY
CONSORTIUM



SUSTAINABILITY CONSORTIUM

Produced by Arizona State University

Coordinator: *Brittini Furrow*

Authors: *Brittini Furrow, Nancy Sirianni, Cameron Childs, Chris Mackenzie*

Graphic Design: *Jon Nicol, Giada Mannino*

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The Sustainability Consortium
Global Institute of Sustainability
Arizona State University
PO Box 878009
Tempe, AZ 85287-8009
Phone: +1 (480) 965-4951
Fax: (480) 965-9102

www.sustainabilityconsortium.org

The Sustainability Consortium is jointly administered by Arizona State University and the University of Arkansas



About the Authors

BRITJNI FURROW

Consumer Insights

Brittini Furrow is a dual Master's student in the MBA program of the W.P. Carey School of Business as well as the MS program in the School of Sustainability at Arizona State University. Brittini previously received her BS in Marketing from Arizona State University. Her primary work focuses on corporate responsibility strategy, consumer behavior in retail and consumer product industries, brand strategy, and issues regarding internal integration. While completing her graduate program, Brittini launched and continues to manage the Consumer Science Working Group within The Sustainability Consortium, a group of diverse participants working to understand the relationship between consumers and sustainable consumer products in terms of communication and consumer practices.

NANCY SIRIANNI

Insights from the Experts

Nancy Sirianni received her PhD in Marketing from the W.P. Carey School of Business at Arizona State University. Her research focuses on brand strategy, consumer behavior in retail and service environments, and issues concerning product and service design. Nancy has presented her work at several leading conferences sponsored by organizations such as the American Marketing Association, the Society for Consumer Psychology, the Academy of Marketing Science, and the Association for Consumer Research, and has a forthcoming article in the Journal of Consumer Research.

CAMERON CHILDS

Communicating Sustainability

Cameron Childs is a Master's student in the School of Sustainability at Arizona State University. Cameron previously received her BA in Psychology from the University of San Diego. Her primary research interests are sustainable behavioral change, community engagement and awareness, and resource conservation. Prior to returning to school, Cameron focused on event planning, fundraising, and corporate stewardship with a nonprofit health organization.

CHRIS MACKENZIE

Supplier Codes of Conduct in Business Today

Chris Mackenzie is a doctoral student in the Department of Supply Chain Management at the W.P. Carey School of Business at Arizona State University. Chris previously received his MBA from the University of California, Irvine. His primary research interests are sustainability issues in purchasing, supply chain design, and operations. Prior to returning to school, Chris was a Senior Consultant with Deloitte & Touche focusing on control processes and IT security and an asset manager at Asurant Technologies.

Furrow, Brittini, Nancy Sirianni, Cameron Childs, and Chris Mackenzie. *Consumer Science Research Compendium*. Rep. The Sustainability Consortium, 27 Aug. 2010. Web.

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This report is a Research Compendium of the Consumer Science Working Group of The Sustainability Consortium. It is intended to consolidate current findings and to assess the current state of knowledge pertaining to the relationships between consumers and sustainable consumer products in terms of communication and consumer practices. This report is intended for multiple stakeholders, including, but not limited to, industry, government, non-governmental organizations, and consumers. The relationships between consumers and sustainable consumer products and the subsequent implications are comprehensively explored through Consumer Insights, Insights from Experts, Communication Guidelines, and Supplier Codes of Conduct.

Executive Summary

Increasingly several studies reveal great insights into consumers and the consumer goods market through the lens of corporate responsibility. To identify both risks and opportunities in building consumers into corporate responsibility efforts, critical findings were identified, synthesized, and evaluated for their implications. Overall, findings suggest that global consumers have expectations for both industry and government to get involved in sustainability, and consumers agree that the top issues as of 2010 are toxics, recycling and packaging, and water. Additionally, global consumers are asking for more awareness and understanding, not just on issues and problems but on solutions and next step tactics. Consumers are generally confused regarding product responsibility, but they trust third parties, specifically product certifications and marks. There remains a great need to balance information that is simplistic, to promote use in consumer decision making, yet in support of proper benefit perception and deception avoidance. Regardless, visibility, transparency, and consistency are three commonly desired themes. Responsible companies, responsible brands, and responsible products are important to consumers and will increasingly influence their purchasing decisions in the future. Significant portions of the world's population plans to buy more of such products in 2011. While responsible purchasing is on the rise, there are still barriers that, if overcome, could greatly increase growth of the responsible product market: price, limited selection, and labeling. While there is a great deal of convergence on high level insights, it is key to remember that variation is seen across different consumer segments. Parties should always remember their audience and learn more about them when beginning to think about these findings as having specific strategic implications.

To identify best practices in launching sustainability positioning and communications, eco-labeling programs and behavioral change campaigns in the consumer market, a Delphi panel study was conducted in which high-level, expert insights from an international group of specialists with deep knowledge in consumer-focused sustainability practices were collected. Overall, findings suggest that there is confusion and often skepticism among consumers regarding sustainability practices, labeling, and positioning, and this uncertainty can also be found throughout the supply chain from manufacturers to retailers. Experts believe that this confusion can be resolved through more clear, consistent communications with consumers and supply chain partners, including tactics like full ingredient disclosure and providing transparency in firm employment and trade practices. Additionally, it was found that sustainability messaging and eco-certifications must also be simple to understand, emotionally relevant, and clearly articulate benefits to both the planet and consumers' personal lives to be most effective. Along these lines, it was also found that messages supporting sustainability-related behavioral change initiatives should raise consumption self-awareness, while also inspiring consumers to make positive changes with specific know-how on product usage and benefits.





Increasingly, businesses, governments, non-governmental organizations, and others are crafting and delivering sustainability-related communications and messages to a variety of interested audiences. In response, several guidelines have either been adopted or used as references for the development and delivery of environmental and social responsibility communication. To understand the content scope of existing regulations and guidelines that influence sustainability communications, 66 guidelines were analyzed across product sector, geography, document type, organization type, and subject matter. Eighteen topics were identified with strong convergence appearing on two topics: Government & Third Party Certification (62% of the documents addressed this category) and Qualify Impact Terms & Performance Indicators (54.5%). Additionally, it was found that guidelines differ most from region to region. Managers and communicators should consider the content of such guides and the potential strategic implications of explicitly qualifying terminology and measures as well as the use of governments and third parties to establish credibility. Governments should consider the topics in similar guides and the need to harmonize these guiding efforts. Additionally, parties should consider whether topics with strong convergence (e.g. qualifying impacts and establishing credibility) should be priorities in harmonization strategies.



Unlike Corporate Social Responsibility efforts of the past, firms are now expected to be responsible for the actions of their broader supply network. Increasingly, a supplier code of conduct has become a key tool adopted to address these responsibility issues within the supply chain. To identify common topics of concern and to measure against popular prescriptive codes of conduct, 117 supplier codes of content were analyzed across industry, geography, and organization size. Thirteen topic areas were identified, with strong convergence on several topics: Workers Rights and Discrimination (93.1% of the samples contained this topic), Environment (84.5%), Worker's Health and Safety (82.8%), Child Labor (69.8%), Ethics (68.1%), Legal Compliance (67.2%), and Business Records and Monitoring (67.2%). Additionally, the topics showed little variation across industry, geography, and organization size. Further evidence was uncovered indicating that in many cases, the codes from multiple different companies contain text copied from a single example. The comparison against prescriptive codes indicated that firms are using an amalgamation of the prescriptive codes to develop their own. The results indicate that supplier codes of conduct have matured to address many similar topics; however there appears to be confusion on their intended purpose. Organizations and managers need to strategically consider their audience and the intent of codes to prevent them from becoming more symbolic than strategic.

Brittni Furrow

Consumer Science Working Group Coordinator
The Sustainability Consortium

Introduction

This report is a Research Compendium of the Consumer Science Working Group of The Sustainability Consortium. It is intended to consolidate current findings and to assess the current state of knowledge pertaining to the relationships between consumers and sustainable consumer products in terms of communication and consumer practices. The report aims to raise understanding and awareness of such relationships and their implications in the creation of sustainability-related impacts and sustainability strategies. Within The Sustainability Consortium, this report specifically aims to bring current consumer understanding and consumer thinking to the efforts of the Consortium while also highlighting necessary future research areas. The report specifically focuses on the consumer goods industry with emphasis on the Electronics, Food, Beverage, & Agriculture, and Home & Personal Care sectors.

ABOUT THE SUSTAINABILITY CONSORTIUM

The Sustainability Consortium, an independent organization of diverse global participants including academics, governments, NGOs, and businesses, works collaboratively to build a transparent, scientific foundation that drives innovation to improve consumer product sustainability through all stages of a product's life cycle. The Sustainability Consortium is jointly administered by Arizona State University and the University of Arkansas. It develops transparent methodologies, tools and strategies to drive a new generation of products and supply networks that address environmental, social, and economic imperatives. The Sustainability Consortium advocates for a scientifically grounded process and transparent system, not for individuals or organizations.

Learn more: <http://www.sustainabilityconsortium.org/>

ABOUT THE CONSUMER SCIENCE WORKING GROUP

The Consumer Science Working Group of The Sustainability Consortium works to better understand the relationships between consumers and sustainable consumer products in terms of communication and consumer practices. The Consumer Science Working Group was established in April of 2010 and has since focused on the development of existing and new consumer insights that serve as a foundation upon which sustainable consumer product innovations and effective consumer life cycle communications can be built. The Consumer Science Working Group drives research and strategies to build a collective platform of understanding and principles for effective communication of consumer product sustainability.

Learn more:

<http://www.sustainabilityconsortium.org/consumer-science>



STRUCTURE OF THE REPORT

This report is intended for multiple stakeholders, including, but not limited to, industry, government, non-governmental organizations, and consumers. The relationships between consumers and sustainable consumer products and subsequent implications are comprehensively explored through Consumer Insights, Insights from Experts, Communication Guidelines, and Supplier Codes of Conduct.

Chapter One presents understandings of consumers and sustainable consumer products. We conducted an international review of existing reports and literature covering the topics of Responsibility and Concern, Knowledge and Understanding, Actions, Delivering the Message, and Shopping Behavior.

Chapter Two identifies drivers of success and failure in launching sustainability positioning and communications, eco-labeling programs, and behavioral change campaigns in the consumer market. We interviewed an international panel of experts assembled from academia, NGOs, sustainability-focused marketing research organizations, product manufacturers, and retailing firms.

Chapter Three identifies common elements being addressed by guides for sustainability-related communication. We conducted a content analysis of communication guides and claim regulations to understand what issues are of concern to sustainability communicators, how those influence their communications to stakeholders, and how the content differs.

Chapter Four identifies common sustainability-related issues of concern being addressed by purchasing managers. We conducted a content analysis of supplier codes of conduct to understand what issues are of concern to managers, how they communicate those to stakeholders, and how the content differs by supply chain context.

HOW TO USE THIS REPORT

This report is designed to be comprehensive and to provide an array of knowledge to multiple interest groups. To ensure ease of navigation, this is an interactive report which allows readers to customize the viewing of this report:

Click on a section of the Table of Contents and be taken directly to the associated content.



Click on "Consumer Science" in the lower left corner to return to the Table of Contents.



Overview



SUSTAINABILITY IN THE CONSUMER PRODUCTS INDUSTRY

Multiple stakeholders in the consumer products industry are taking an interest in sustainability. The consumer products industry has a large reliance on many resource inputs which are facing shrinking reserves and more complex supply networks which weave through societies of the world. On the opposite end of the life cycle, the consumer product industry is facing excessive amounts of product and packaging waste. As the world's population nears seven billion and increasing demand is placed on the industry to supply global consumers, the industry faces many sustainability-related risks and opportunities such as resource scarcity, waste, complex global networks, pending regulations, and stakeholder inquiries. Many stakeholders in the consumer product industry have begun to think about such circumstances and several have started taking a life cycle view of value chains to assess sustainability through measurement.

THE ROLE AND IMPACT OF THE CONSUMER

The purchasing power of the world's consumers has a great deal of influence on the many fundamental aspects of the consumer product industry. Simultaneously, decisions and offerings of the industry largely affect the consumer. The dynamics of the consumer product industry work to create propositions that are both valuable to consumers and to industry businesses.

Such a relationship between businesses and consumers is no different pertaining to sustainability in the industry. Consumers have the opportunity to exercise their purchasing power to show their demand for more sustainable consumer products. Industry also has the opportunity to make sustainability-related decisions and offerings that affect the consumer. Such dynamics can be risky but can also pose potential benefit. Consumers play a large role in the sustainability value chain which in many circumstances has not yet been fully realized. A properly informed market could allow consumers to express their preferences, but a market that lacks information could result in one that is driven by inefficiencies.

The role of consumers is also apparent in the consumption-based impacts of households. For several sectors of the consumer products industry, the ways in which products are used and disposed of have drastic implications for sustainability-related impacts as well as for value chains associated with closed loop cycles.

As the challenges and opportunities related to sustainability in the consumer products industry become more apparent, it is clear that consumers will hold a significant role. Better understanding the consumer and sustainable consumer products related to communication and consumer practices is necessary to further assess the risks, opportunities, and strategies for sustainability in the consumer products industry.



consumer insights

A Synthesis of Existing Consumer Findings

INTRODUCTION

Many topics around consumers and sustainability have been of heightened interest over the past five years. Consequently, many beneficial findings have been produced and have been updated on a relatively frequent basis. With a great deal of these findings in circulation, it has, though, become difficult to grasp how all of the pieces fit together and to understand the implications of such findings. In effort to synthesize the current understanding around consumers and sustainability, a review of existing findings has been conducted. The review and synthesis has been conducted to answer the following primary questions:

1. What are the expectations of consumers and what it is that they are concerned about?
2. What knowledge and understanding do consumers have about sustainability?
3. How do consumers want to receive sustainability-related information and who do they trust?
4. How does sustainability influence the buying behaviors of consumers?

Throughout the review, an international perspective has been sought after to the degree possible. A five year scope, between 2005 and 2010, has set a boundary upon the review. However, in some regions where information is sparse, exceptions have been made to incorporate less recent findings. The review has explored findings at three levels: consumer products industry, consumer product sectors, consumer product categories. Findings relevant to the current sectors within The Sustainability Consortium have been highlighted when possible, namely the Electronics Sector, the Home & Personal Care Sector, and the Food, Beverage, & Agriculture Sector.

RESPONSIBILITY AND AREAS OF CONCERN

The Responsibility of Companies

Around the globe consumers are raising their expectations, of both business and government, on sustainability-related issues. In 2009, high majorities of consumers believed it to be important for companies to be green: Brazil (93%), China (97%), France (89%), Germany (77%), India (98%), United Kingdom (75%), United States (77%).¹ Not only have consumers built high expectations for companies to be green, they have retained such expectations in comparison to other company priorities. Over 9,000 consumers across eight countries identified environmental consciousness as

the fourth most important priority for companies to follow in 2010, only falling behind offering good value, being trustworthy, and caring about its customers [Table 1].

TABLE 1: GLOBAL COMPANY PRIORITIES (ADAPTED FROM (1))

	U.S.	U.K.	France	Germany	Australia	China	India	Brazil
Offers Good Value	76	73	66	78	74	65	75	62
Trustworthy	71	61	55	57	63	70	82	83
Cares About its Customers	63	56	54	46	57	59	82	81
Environmentally Conscious	37	37	51	44	38	54	71	72

Q: How important is it to you that a company is the following when choosing to purchase its products or services? Showing "Very Important" (%) (n=9,022)

Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2009). ImagePower Green BrandsSurvey.

While consumers build high expectations for green business, they do not think companies are doing enough. In 2009, a large majority of Americans believed manufacturers were not taking enough responsibility for effects on the environment³, and 79% of United Kingdom consumers did not think business was doing enough to help consumers make informed choices about carbon footprints.⁴

The Responsibility of Governments

While looking to business for green action, consumers are simultaneously turning to government with green expectations. When given the task of allocating the United States government's budget, United States consumers allocated the fifth highest portion of the budget to protecting the environment, behind anti-terrorism, social programs, healthcare, and education.⁵ United Kingdom consumers similarly indicated that the environment was one of the most important issues government should be dealing with, fourth to crime, health or social services, and education in both 2001 and 2007.⁶ While the environment is expected to be a high priority for governments, consumers also specifically address what they would like government to do. In 2010, global consumers indicate that the most important possible requirements that a government could put in place are disclosure and label clarity of materials, ingredients, origin, and waste management.² For consumers from varying

“ WHILE LOOKING TO BUSINESS FOR GREEN ACTION, CONSUMERS ARE ALSO TURNING TO GOVERNMENT WITH GREEN EXPECTATIONS ”

geographies around the globe, it is evident that expectations are high. Consumers seek action and responsibility from both business and government, and they currently feel that not enough is being done to take responsibility or to help consumers make informed choices.

Concerns of Consumers

Different consumer groups have different and specific sustainability-related concerns. However, there are three issues that global consumers agree upon as being the most important green activities for companies: toxics, recycling and packaging, and water management. Across eight countries in 2010, reducing toxics is the most important activity that a business can do as noted by consumers.² Segments of global consumers also agree upon the second most important activity. For those in the developed world, recycling and packaging activities are the second most important, while for those in the developing world, activity to manage water resources is the second most important².

“ TOXICS, RECYCLING AND PACKAGING, AND WATER MANAGEMENT ARE MOST IMPORTANT TO CONSUMERS ”

When looking at some specific issues, it is clear that great difference exists as to whether an issue is or is not of concern to different consumer segments. In the United Kingdom 30%-40% of consumers have given thought to animal welfare and loss of biodiversity; however, between a quarter and a third of the population have never thought of either issue.⁶ When specifically looking at fair trade, 48% of global consumers have heard of fair trade products, while over half of the 28,000 people surveyed have not.⁷ Such varying responses highlight the need to specifically segment the concern for different sustainability-related issues [Table Two].

TABLE 2: IMPORTANT GREEN ISSUES IN 2010 (ADAPTED FROM (1))

	U.S.	U.K.	Fra.	Ger.	Aus.	Chi.	Ind.	Brz.
Climate change	15	21	18	33	20	32	19	30
Air pollution	15	12	17	12	11	19	22	12
Energy use	22	21	10	19	13	13	5	2
Deforestation	5	11	10	6	13	2	26	30
Water issues	6	1	11	2	23	15	9	8
Waste management	13	17	9	4	6	5	7	6
Chemicals, toxins and heavy metals	10	6	13	6	7	9	8	5
Ocean pollution and overfishing	3	6	7	8	3	1	1	2
Biodiversity loss	1	1	4	4	1	2	2	3

Legend: Most Important (Green), 2nd Most Important (Blue)

Q. Which of the following do you feel is the most important green issue or problem today? (n=9,022)
 Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2009). ImagePower Green BrandsSurvey.

Consumer concern for sustainability is largely dependent on the personal relevance and connection to the consumer. Several studies between 2007 and 2010 continue to find that air and water pollution are the top concerns of global consumers.^{5,8} Jonathan Banks, Business Insights Director, Europe, The Nielsen Company, is not surprised by this as, “these are measurable and visible to the population.”⁸ While such issues tend to spark heightened concern from consumers, there is a sense that consumers have become relaxed on these topics as they have become mainstream and part of everyday life. More abstract and complicated issues, such as biodiversity and desertification, tend to produce lower consumer concern as consumers are removed from these topics.⁵ As an abstract sustainability term, climate change has not maintained global concern. Between 2007 and 2009, 35 out of 54 countries recorded declining consumer concern for climate change.⁸ Specifically in the United States, a 5% drop in global warming concern was recorded between November of 2008 and June of 2010⁹. As connection to and relevance of such issues has a clear relationship to a consumer’s level of concern, the degree of this connection becomes increasingly important. In the United States only 27% of consumers feel highly affected by environmental impacts, indicating that nearly three quarters of the population is disconnected from the effects of such issues.⁵

CONSUMER KNOWLEDGE OF SUSTAINABILITY Companies versus Products

When consumers think about sustainability in the consumer goods industry, they think about companies and they think about products. Across different sectors of the industry, though, consumers tend to perceive sustainability differently as they think about these companies versus their products. In the CPG Food Sector, American consumers view companies and their respective products as having nearly equal sustainability perceptions. However, in the Electronics Sector, 47%, and in the CPG Non-Food Sector, 56%, of American consumers have higher company sustainability perceptions than that of their respective products.³ Alternatively, in the Retail Sector and in the Alcoholic Beverage sector, American consumers have higher product sustainability perceptions than that of the companies. Though company compared to product perceptions vary by sector, overall consumers have very little ability to identify either companies or products in the sustainability space. As for companies, 64% of United States consumers cannot name a green brand when asked an unaided question.¹⁰ Equally, 64% of United Kingdom consumers can’t name a brand that is taking a lead on climate change.⁴

Quality

While the quality of “greener” products tends to be of concern to many consumers, for those that buy green, the quality is actually much greater than conventional products. Approximately 40% of consumers that buy green products consider the quality of these products to be greater than conventional alternatives compared to the 5% who find higher quality in conventional options: Canada, Japan, United States, and the European Union. In China, the figure is the highest as 60% of Chinese consumers that buy green products believe that such products are of higher quality than conventional alternatives.¹¹

“ **60% OF CHINESE CONSUMERS BELIEVE THAT GREEN PRODUCTS ARE HIGHER-QUALITY** ”

Energy, Carbon, Global Warming

When looking at energy, there are two common profiles of consumers: those that think it is the right thing to do, those that think it is financially smart. Across the board, Americans have positive associations with energy conservation, energy efficiency, smart energy, and clean energy as they view them all to be “important,” “necessary,” and “good.” However, the use of different energy terminology changes the way that consumers describe energy. Terminology that emphasizes conservation and efficiency is most commonly described as “valuable” and “smart” while terminology such as “clean” generates different descriptions, more commonly “forward looking” and “smart.” The implication being that some energy terminology is seen to be practical today while others require a transition over time. While consumers have positive associations to such energy terms, they do not have a good understanding of them. Less than a third of United States consumers can select the appropriate definition for energy conservation, energy efficiency, and smart energy when given multiple choice selections.¹²

The line from energy to carbon is still unclear for most consumers. Both in the United States and in the United Kingdom, consumers have difficulty understanding what types of things can create a carbon footprint [Table Three]. While in both countries consumers most recognize a business’s ability to have a carbon footprint, they least recognize an individual product, such as a chocolate bar, to generate a carbon footprint.⁴

Awareness and belief in the existence of global warming is on the decline, specifically a 10% decrease has been seen in the United States from 2008-2010.⁹ The United States consumer is very removed from global warming in 2010 as they think the greatest deal of global warming harm is posed to developing countries,

future generations, and plants and animals compared to the little harm faced by themselves, their families, and their communities [Table Four].

TABLE 3: UNDERSTANDING OF CARBON FOOTPRINT (ADAPTED FROM (4))

Having a Carbon Footprint	U.S.	U.K.
A business	66%	84%
Your Journey to Work	62%	81%
A house	59 %	81%
You	58 %	73%
A Chocolate Bar	39%	60%
Don't Know	19%	5%
None of These	3%	1%

Q: Which, if any, of the following do you think has a Carbon Footprint? (n=aprx 1,000 U.S Adults & 1,000 U.K)

Carbon Trust (2009). *Communicating Carbon Footprints*.

TABLE 4: THREAT OF GLOBAL WARMING (ADAPTED FROM (16))

Harm To	June 2010	Nov. 2008
You Personally	10%	10%
Your Family	11%	11%
People in Your Community	11%	13%
People in the U.S.	16%	21%
People in Other Modern Industrialized Countries	17%	22%
People in Developing Countries	22%	31%
Future Generations	39%	44%
Plant and Animal Species	40%	45%

Q: How much do you think global warming will harm...? Showing “A Great Deal” (n=1,024 U.S Adults)

Leiserowitz, Anthony, Maibach, Edward, Roser-Renouf, Connie and Nicholas Smith. *Center for Climate Change Communication, George Mason University (2010)*.

Recycling and Water Conservation

The consumers’ associations with recycling and water conservation are not that different from energy. Such environmental activities are most commonly associated with “economical,” “effective,” and “resourceful.”¹⁴ Again, these associations highlight that consumers are thinking in terms of what is right and what is financially smart.

The Environment and Green

Globally, most consumers believe that the environments around them are on the wrong track. In 2010, six out of eight countries' consumers agreed with this opinion. In the developed world, the French believe this by the highest majority. However, in two countries, Australia and China, consumers believe the environment in their country is on the right track. By far, the Chinese share this feeling the most as 65% agree.² While consumers recognize the direction that the environment is moving in, they view the environment and its state as far removed such as a forest, a park, or a trail.¹⁴

“**CONSUMERS AROUND THE WORLD ASSOCIATE DIFFERENT ACTIVITIES WITH “GREEN” PRODUCTS**”

Where “green” is most thought of with simplistic associations such as recycling and energy saving light bulbs, deeper understanding, such as consumption in lifestyles and sustainability, is rarely mentioned.⁵

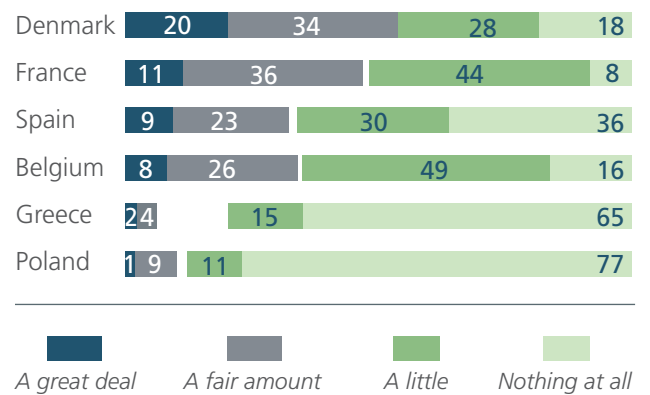
Though there appears to be recognition that the environment is on the wrong track, there is a great deal of conflicting opinion about what it means to be “green.” Across nine countries in 2008, it is clear that consumers around the world associate different activities with “green products.” While 81% of Chinese consumers recognize fewer raw material inputs as “green products” only 44% of Spanish consumers agree [Table Five].

Positivity towards “green” is not paralleled with understanding about the meaning of the word. While Chinese consumers have high favoritism towards green, they have a low ecological knowledge.¹⁵ In the United States consumers have a low understanding as well.

Fair Trade

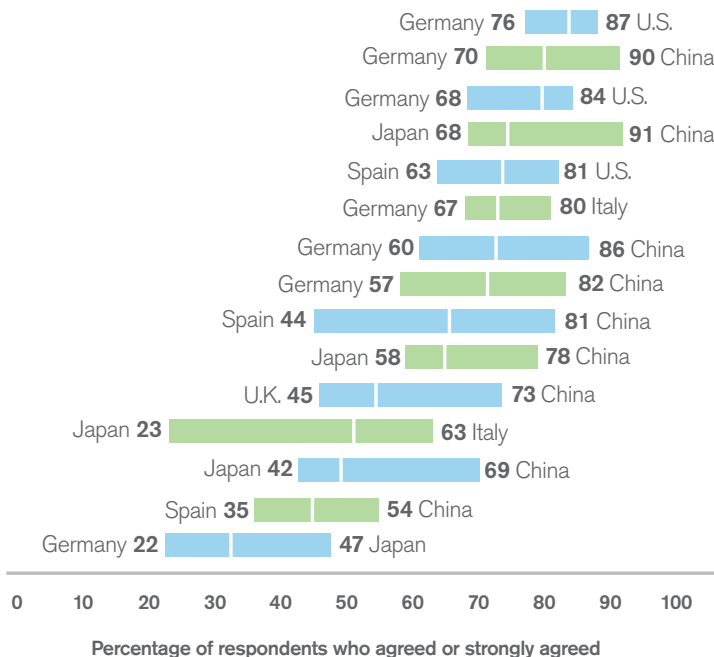
Fair trade has yet to make it mainstream. The low visibility of fair trade products in most countries and the lack of awareness among most consumers consequently prevents consumers from having an understanding of the term and its meaning [Table Six].

TABLE 6: CONSUMER AWARENESS OF FAIRLY TRADED PRODUCTS (ADAPTED FROM (18))



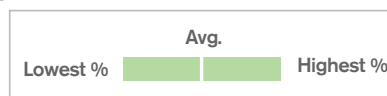
(n=over 6,000) Consumer International (2010). *Checked Out are European Supermarkets Living up to their Responsibilities for Labour Conditions in the Developing World.*

TABLE 5: UNDERSTANDING OF GREEN PRODUCTS (ADAPTED FROM (11))



Products that:

- can be recycled or reused
- generate less pollution in their production or use
- are made of recycled materials
- are produced in an eco-friendly way
- consume less energy in their production or use
- involve less packaging
- have a smaller carbon footprint
- are made of natural or organic materials
- are made of fewer materials
- are certified as green
- use innovative technology
- are not tested on animals
- are made under fair-trade conditions
- are produced locally
- are handmade



Q: What are green products (n=1,000)

The Boston Consulting Group (2009). *Capturing the Green Advantage of Consumer Companies.*

Consumers Self Reflect

Their Own Knowledge

Consumers have reflected on their own knowledge of sustainability-related topics and provided great insight into how they view their own understanding. When generally thinking about environmental issues, the majority of consumers consider themselves to have average knowledge.¹⁴ However, when looking at specific environmental terms that are commonly used, large majorities do not report having a good understanding of the meanings of such terms. With the example of carbon footprinting, 84% report not having a high understanding, and similarly 74% do not report having a high understanding of the term fair trade.⁵ As consumers reflect on their own environmental knowledge at the general level, they think of themselves as doing all right, about average. However, after probing more in-depth on specific, yet common, environmental terminology, consumers’ perceptions of their own knowledge largely diminish. In 2009, most American felt that they did not have enough information about environmental issues to make decisions [Table Seven].

TABLE 7: ENVIRONMENTAL INFORMATION (ADAPTED FROM (10))

Sectors	Sept. 2009	“Have Enough” Information about the environment to make decisions (n=2,500 U.S. Adults)
Groceries	49.6%	
Personal Care	43.0%	Earthsense LLC and GreenBiz (2010). Green Confidence Index.
Household Care	52.8%	
Electronics	39.6%	

The Impacts They Create

The large majority of Americans, 75%, recognize their personal impact on the environment to be about average, meaning their impact is viewed as being no greater or no smaller than those around them.¹⁴ When consumers think about their own impact relative to the impacts of other items and operations, such as products being purchased, those in the United States and in the United Kingdom hold a higher concern for the footprints other than their own. For example, consumers have a higher concern for the footprints of the products they purchased compared to their own footprint.¹³ Regardless of the degree to which a consumer feels he or she makes an environmental impact, consumers consistently recognize the majority of their impact on the environment to occur during disposal, not during manufacturing and not during use and consumption.¹⁴

“ CONSUMERS ASSUME THE MAJORITY OF THEIR IMPACT OCCURS DURING DISPOSAL ”

Generally speaking about overcoming environmental problems, consumers think that humans are capable of rising to the challenge.⁶ However, there is not so much confidence when looking at individual consumers’ abilities to make a difference. Only a quarter of Americans feel they can personally make a large difference for the environment.⁵ However, the belief in personal abilities is much higher in young people, ages 9-18, specifically on the topic of global warming.¹⁷ Consumers in the United Kingdom illustrate the argument that the lack of ability to make a difference is not due to a lack of awareness of the issues but rather it is due to a lack of awareness of solutions. 73% of consumers express that beyond using less, they don’t know what to do towards climate problems.⁴ Several studies have found that consumer belief in the ability of personal actions to make a difference greatly increases if those around them begin to take the same action, showing a belief that collective action of consumers will yield much greater environmental benefit than individual consumer action.^{6,16} While consumers don’t know exactly what steps to take, they do believe that if they were to make personal contributions their quality of life would either remain constant or improve as a result of such actions.¹⁶

“ INABILITY TO MAKE A DIFFERENCE IS NOT DUE TO A LACK OF AWARENESS BUT TO A LACK OF AWARENESS OF SOLUTIONS ”

TAKING ACTION
The Role of Companies

As previously discussed, consumers view the environment as a high priority for companies to address, and consumers have specific sustainability-related issues that they would like companies to manage. When asked about the importance of different measures that companies can take to make a positive environmental impact, consumers recognize the varied impacts between sectors and see it as more or less important for different measures to be taken in different sectors [Table Eight]. However, consumers present four common themes of important company measures across the three identified sectors: Recycle, Energy, Reuse & Refill, Animal Testing.



TABLE 8: COMPANY MEASURES FOR POSITIVE ENVIRONMENTAL IMPACTS (ADAPTED FROM (16))

Consumer Electronics & Technology Companies	Beauty Companies	Food, Beverage, & Healthcare Companies
Recycle (aprx 60%)	Non-Animal Tested Products (aprx 60%)	Reclaim and Recycle Products (aprx 50%)
Develop Energy Saving Devices (aprx 60%)	Reclaim and Recycle Products (aprx 50%)	Limit Packaging (aprx 50%)
Develop Recycling Programs (aprx 50%)	Packaging Made from Recycled Content (aprx 50%)	Packaging Made from Recycled Content (aprx 50%)
Recycled Materials in Manufacturing (aprx 50%)	Limit Polluting/Toxic Materials (aprx 50%)	Limit Polluting/Toxic Materials (aprx 50%)
Reusable & Refillable Packaging (aprx 40%)	Reusable and Refillable Packaging (aprx 50%)	Energy Conservation Manufacturing (aprx 40%)
Alternative Energy (aprx 40%)	Energy Conservation Manufacturing (aprx 50%)	Non-Animal Tested Products (aprx 40%)

Q: Please rate the overall importance of each of the following measures that companies can take to have a positive impact on the environment- showing top six "Very Important" (n=340)
Continuum (2009). Colorblind & Communispace Talking to Consumers about the Environment.

Workers wages are an important issue in Europe. When consumers were directly given an alternative between a supermarket paying enough to ensure good wages in the supply chain and a supermarket ensuring lower prices by paying minimum to suppliers, five out of six European countries believed ensuring good wages was the better option.¹⁸ In the United States, Health and Education are the top two issues consumers want companies to specifically address on the social front. Americans feel that the top three Health issues for companies to address are heart disease, breast cancer, and children’s diseases. They consider literacy, workforce retraining, and computer literacy as the top three educational issues that companies should address. [Table Nine & Ten]

TABLE 9: HEALTH ISSUES AMERICANS FEEL IMPORTANT FOR COMPANIES TO ADDRESS (ADAPTED FROM (19))

Issue	2007	2004
Heart Disease	75%	67%
Breast Cancer	74%	66%
Children's Diseases	74%	66%
Long-term Care	74%	65%
Obesity and Nutrition	72%	62%
HIV/AIDS	70%	63%
Prostate Cancer	67%	59%

(n= 1,066)

Cone (2007). Cone Cause Evolution & Environmental Survey.



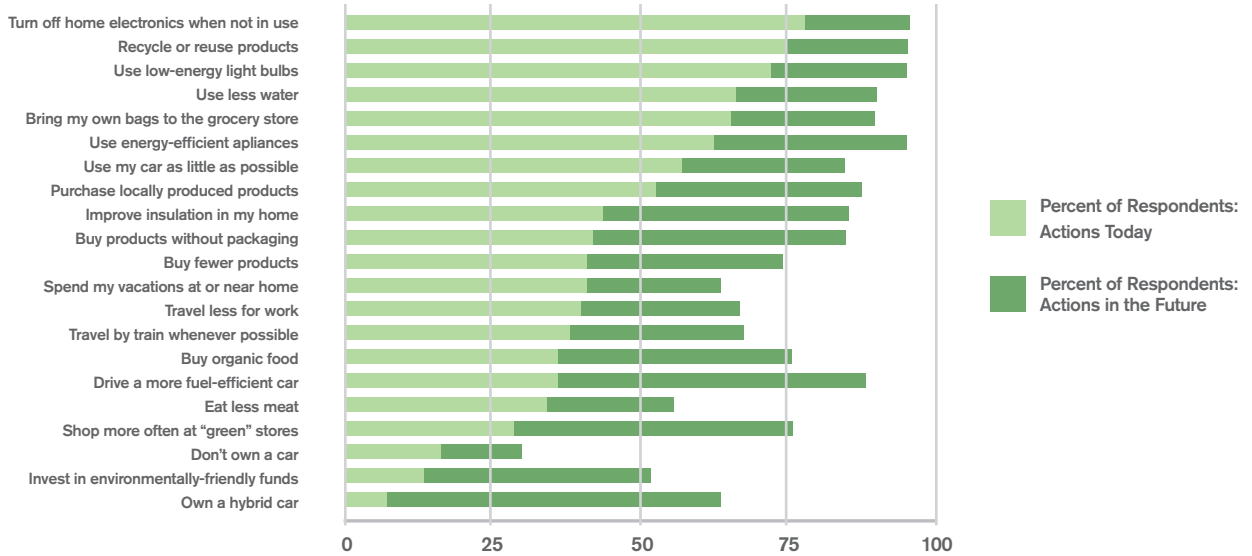
TABLE 10: EDUCATION ISSUES AMERICANS FEEL IMPORTANT FOR COMPANIES TO ADDRESS (ADAPTED FROM (19))

Issue	2007	2004
Literacy	78%	74%
Workforce Retraining	76%	80%
Computer Literacy	74%	68%
Math and Science	72%	72%
Student Scholarships	71%	73%
K-12 Education	70%	74%
Financial Literacy	68%	64%
Teacher Recruitment/Retention	66%	60%
Education (under age 5)	56%	50%
Arts Education	53%	43%

(n= 1,066)

Cone (2007). Cone Cause Evolution & Environmental Survey.

TABLE 11: GREEN CONSUMER ACTIONS (ADAPTED FROM (11))



Q: What actions will you take to be green, today and in the future? (n=8,047)
 The Boston Consulting Group (2009). *Capturing the Green Advantage of Consumer Companies*.

The Role of Consumers

Consumers are not shifting all of the necessary actions to companies and governments. Conversely, they are becoming more active themselves. However, the most common green activities occurring globally today and predicted to occur in the future are not only environmentally friendly but are also budget savvy [Table Eleven].

It is seen in both Europe and the United States that consumer pay attention to in-home water usage, in-home energy usage, waste, and communication.^{6,19} Generally speaking, consumers are making lifestyle changes that are smart for them as well as the environment. Between 2007 and 2008, 74% of United Kingdom consumers report making a lifestyle change because of concern for the environment.⁴ On average in the United States, adults report being engaged in 5.3 of the 7.7 activities that they believe to be important for the environment, and young people report being engaged in 5.7 of the 6.1 they believe to be important.¹⁷ The actions that consumers tend to take more frequently do vary depending on the phase at which the consumer is interacting with the product [Table Twelve].

TABLE 12: AMERICAN ACTIONS TO PROTECT THE ENVIRONMENT (ADAPTED FROM (14))

Action During the Shopping Phase	Buying Local
Action During the Home Phase	Conserving Water
Action During the Disposal Phase	Recycling
Action Related to Energy	Conserving
Action related to Activism	Educating Themselves

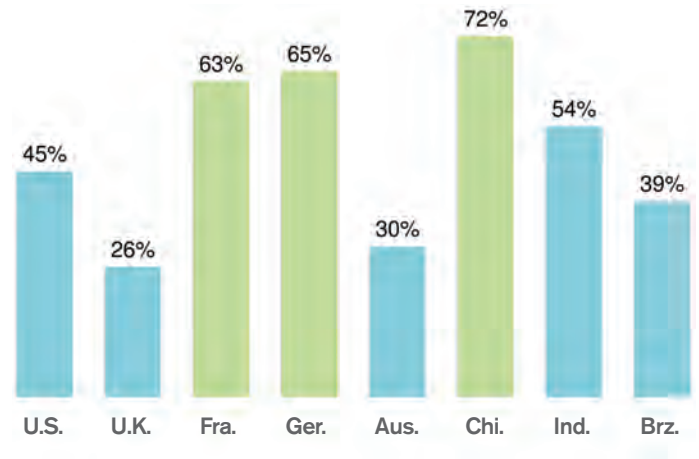
Showing Most Common
 Continuum (2009). *Colorblind & Communispace Talking to Consumers about the Environment*.

DELIVERING THE MESSAGE

Product Labeling, Certifications, and Advertisements

High percentages of the world's population look for a specific certification or mark to determine if a product is green [Table Thirteen]. Certifications are most used in France, Germany, and China.

TABLE 13: USE OF CERTIFICATIONS AND MARKS (ADAPTED FROM (1))

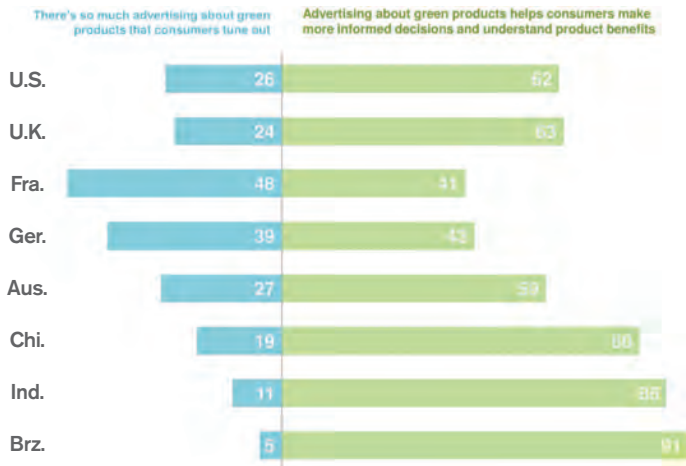


Q: How do you decide for yourself that a product is green?
 Showing "I look for a specific certification mark" (n=9,022)

Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2010). *ImagePower Green Brands Survey*.

Rather than tuning out green advertising, the world's consumers still think that green advertising helps them make informed decisions and understand benefits [Table Fourteen]. Beyond advertising, there are several channels through which consumers most frequently obtain information about the environment and environmental issues: internet, documentaries, news, product labels, environmental organizations, word of mouth, communities.^{5,22,23}

TABLE 14: RESPONSE TO GREEN PRODUCT ADVERTISING (ADAPTED FROM (1))



Q: Which of the following statements do you agree with? (n=9,022)
 Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2010). ImagePower Green Brands Survey.

Trust

Though consumers turn to such sources, large majorities are still confused by green labeling and lack of trust: China 69%, Germany 42%.² There are several gaps between where consumers get information and how much they trust those sources providing the information. Some of the largest gaps are present in regard to television and green websites. While televisions are used frequently, they are not trusted, and green websites are trusted much more than they are actually used.¹⁰ Government agencies are also trusted much more than they are actually used.¹⁰ Some sources of information have nearly equal degrees of trust and use. On the high end of the spectrum, families, friends, and colleagues are highly trusted and frequently used sources of information, but on the opposite side, corporate blogs and websites are by far not trusted and equally not used.¹⁰

“ CONSUMERS DON'T ALWAYS TRUST THEIR SOURCES OF INFORMATION, EVEN IF FREQUENTLY USED ”

In Europe, there is a clear trust seen in consumer organizations and third party verifiers regarding information on the treatment of suppliers.¹⁸ On the topic of global warming, 81% of Americans trust scientists,⁹ and 70% of the United Kingdom trusts independent scientists to prove climate claims.⁴ While preferred sources for information vary depending on the subject matter, such as supplier treatment and global warming, consumers consistently turn to a trusted third party. American consumers provide insights as they reference the sources most noted for influencing their beliefs and behaviors on such topics [Table Fifteen].

TABLE 15: AMERICAN SOURCES OF INFLUENCE (ADAPTED FROM (14))

Media	Organizations
Ads	Animal Rescue Keep
BBC World	Army
Blue Planet Program	EPA
Cancer Source Info	Free Cycle
Captain Planet	Girl Scouts
Discovery Channel	Government
Jimmy Neutron	Home Owners Association
National Geographic	IPCC Report
PBS Program	Manufactures
Public Radio	Museum
Sesame Street	National Park Mailing List
Shape Magazine	Office
Today Show	Pagan Culture
TV Shows	Print Publisher
USA Today	Recycling Programs
Wall Street Journal	School
Weather Report	Water Company
Yoga DVD	Youth Group

(n= 6,823)

Continuum (2009). Colorblind & Communispace Talking to Consumers about the Environment.

Themes

American consumers explain in varying ways how messages have reached them and highlight those messages that have been transformative when delivering environmental information. While the messages vary greatly, consumers frequently describe transformative messages as those that have themes of children and connecting with the natural world.¹⁴ American consumers also cite themes that most build trust such as “Visibility”: allowing consumer to see the results, and “Transparency”: showing room for improvement.¹⁴

“ CONSUMERS MOST TRUST VISIBILITY AND TRANSPARENCY ”

Labeling Information

Information used to assess the greenness of products is often the easiest to obtain such as brand names, on-package slogans and logos. Consumers that choose to search for complex information exhibit results of stifled green product decision making behavior as the decision-making process becomes more complex.²⁴

Several studies find that consumers desire simplicity. They are looking for simple symbols to deliver product information as the ability and motivation to assimilate detailed product information is very low.²⁵ Information that is detailed and complex frequently leads to consumer confusion.²⁵ While consumers seek simplification, they also seek guidance. Consumers have identified reference values and benchmarks that would be beneficial guides.

It is also noted that consumers find it helpful if information is delivered in the same standardized and recognizable way across different product categories. Consumers seek a purchase decision that is easy with the same scheme being used across all product categories.²⁷ However, it is important to note that in higher priced product categories in which the decision making process is more elaborate, consumers have a higher acceptance of detailed and complex product information.²⁵

Simple and short claims made on the front of a package are found to increase the processing and believability of more complete back-of-package information compared to packages that have no claim or long claims on the front of packages. However there are two risks with this labeling strategy: 1.) There is a risk that a short claim on the front of a package will lead consumers to less carefully evaluate detailed information on the back of a package. 2.) Consumers are more likely to overestimate the benefit or perceive a false benefit from short claims on the front of a package.²⁶

“ CONSUMERS AGREE WHAT IS MOST IMPORTANT AND WANTED ON A PRODUCT CARBON LABEL ”

Europeans and Americans have specifically identified their desires for greenhouse gas related product labeling. Consumers agree as to what is most important and most wanted on a product carbon label: a number, a commitment to reduce, an explanation of how to reduce when using the product, an explanation of how the number was calculated.¹³ However, some studies highlight such a quantified carbon representation as misleading and not useful to consumers. A single number quantification of carbon could be misunderstood and misleading due to methodological constraints and the lack of guidance on identifying the least emitting products.²⁷



Visualization

In the United States, consumers find that their favorite shade of green, Forest Green, is also the shade that 57% of Americans most associate with the environment.⁵ American consumers indicate that the ways in which they think about the environment are closely

tied to natural elements such as trees, water, and flowers, but many consumers also visually connect with negative environmental imagery such as pollution and landfills [Table Sixteen].

TABLE 16: ENVIRONMENTAL VISUAL IMAGES (ADAPTED FROM (5))

Environmental Visual Image	Percent
Trees or forest	71%
Ocean, rivers or waterfalls	64%
Flowers	49%
Drinking water	49%
Soaring birds	41%
Endangered Species	39%
Polluted water	37%
Smog	36%
Litter	35%
Recycling Logo	35%
Cute Animals	32%
Solar Panels	29%
Landfills	29%
Traffic Jam	28%
Smokestacks	26%
Wind Turbine	23%
Urban Sprawl	18%
Bicycle	16%
Other	3%

Q: Picture in your mind each of the following visual images. Which one or more of these visual images would you say most closely corresponds to the ways in which you personally think about the environment? (n=over 4,000)

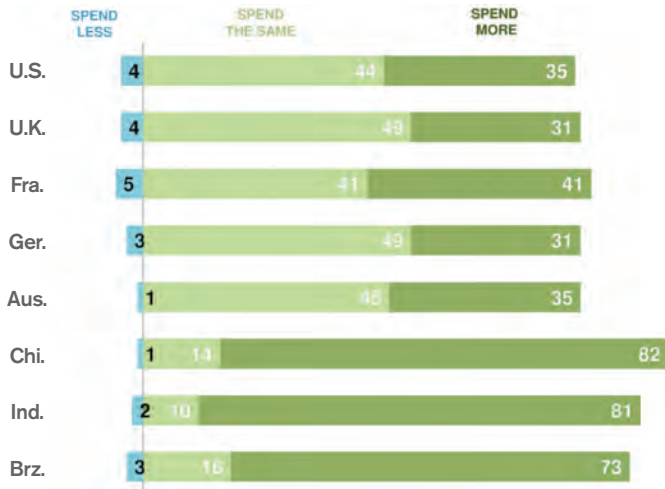
Yankelovich Monitor (2007). Going Green.

SHOPPING BEHAVIOR

Buying

68% of consumers are interested in contributing to social and environmental causes through the use of their purchasing power⁷, and there are five primary influencers of such product purchase decisions for global consumers in 2010: past experience, certifications, word of mouth, articles, and advertisements.² Significant portions of the world's consumer population, plans to spend more on green products in 2011, over 70% in China, India, and Brazil [Table Seventeen]. Green companies are important to consumers as 60% of consumers believe it to be important to buy brands from green companies.² However, it has been seen that such green purchasing varies by product category [Table Eighteen].

TABLE 17: GREEN BUYING IN 2011 (ADAPTED FROM (1))

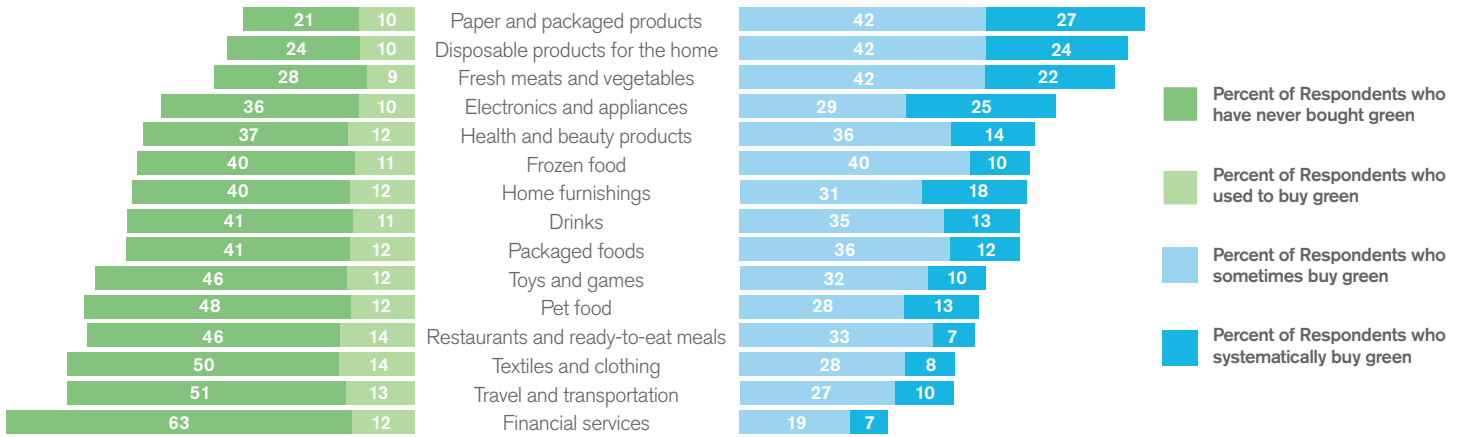


Q: In the next year, do you plan to spend, more, less, or the same amount on green products and services? (n=9,022).

Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2010). ImagePower Green Brands Survey.



TABLE 18: GREEN PURCHASES BY PRODUCT CATEGORY (ADAPTED FROM (11))



(n=9,000)

The Boston Consulting Group (2009). Capturing the Green Advantage of Consumer Companies.

Consumer purchasing is also influenced by social issues. In 2007 in the United States, 84% of women considered a company's commitment to social issues when deciding what to buy or where to shop, up 16% since 2004.¹⁹ Similarly, 75% of men considered these issues which is an increase from 58% in 2004.¹⁹ Increasingly, consumers are exhibiting brand switching, when quality and price are equal, towards those that support good causes. This behavior increased from 66% in 1993 to 87% in 2007 in the United States.¹⁹

Approximately 40% of American consumers consider business practices and a company's support of social causes when making buying decisions across nine industries, including apparel and footwear, food and beverage, consumer products, energy and utility, and retail.¹⁹ As economies have experienced downturns in recent years, the public has made adjustments as to life priorities. In the United States, these priorities include living healthier and buying environmentally-friendly products across all age generations.²⁸

Product Purchasing Considerations

While a few conventional product considerations, such as price, still outweigh considerations related to sustainability, there are some social and environmental causes that have risen above conventional considerations in the product decision making process [Table Nineteen]. In the Food and Beverage category, being *All Natural* and *Produced in an Environmentally Friendly Way* are considered to be more important than *Brand* and *Premium*. In the Cleaning Product and Personal Care Product categories, *Contains no Toxic Ingredients* and *No Animal Testing* are considered to be more important than *Brand*. Consumers have also indicated which specific company environmental measures they would respond positively towards either by paying a premium, making a referral, or sharing a positive review [Table Twenty].

TABLE 19: DECISION MAKING CONSIDERATIONS (ADAPTED FROM (6))

Food and Beverage	Cleaning Products	Personal Care Products
Price (19.1)	Price (21.9)	Price (22.4)
Taste or Flavor (16.5)	Versatility (9.9)	Contains no Toxic Ingredients (10.2)
Family Likes It (12.0)	Contains no Toxic Ingredients (9.9)	Convenience or Ease of use (9.3)
Nutritional Value (11.7)	Convenience or Ease of Use (8.9)	No Animal Testing (8.6)
Convenience or Ease of Use (7.0)	No Animal Testing (7.9)	Brand Name (7.7)
All Natural (6.4)	Natural or Biodegradable (7.5)	Efficacy (7.6)
Made or Produced in an Environmentally Friendly way (5.5)	Efficacy (7.1)	All-natural Ingredients (7.1)
Brand Name (5.2)	Made or Produced in an Environmentally Friendly Way (6.4)	Fragrance (7.0)
Organic (5.2)	Brand Name (6.3)	Made or Produced in an Environmentally Friendly Way (6.7)
Company Supports Environmental Cause (4.4)	Company Supports Environmental Cause (5.0)	Organic (5.1)
Packaging Options (4.1)	Fragrance (4.9)	Luxury or Sensory Experience (4.6)
Premium or Gourmet (2.9)	Packaging Options (4.3)	Packaging Design (3.8)

Q: How important do you believe each of the following considerations would be in your decision to purchase products? Showing the mean allocation of 100 points
 Department for Environment Food and Rural Affairs (2007). *Survey of Public Attitudes and Behaviors Toward the Environment*.

TABLE 20: COMPANY MEASURES FOR POSITIVE BUYER RESPONSE (ADAPTED FROM (14))

Consumer Electronics & Technology Companies	Beauty Companies	Food, Beverage, & Healthcare Companies
Manufacture low energy devices	Reusable and Refillable Packaging	Refillable packaging
Alternative energy in manufacturing	Non-Animal Tested Products	Packaging Made of Recycled Materials
Device Recycling Programs	Packaging Made of Recycled Materials	Alternative Energy or Conservation in Manufacturing
Auto Power-Off to Avoid Standby Power	All Natural Ingredients Only	Concentrated Products for Less Packaging
Biodegradable Parts and Materials	Alternative Energy or Conservation in Manufacturing	Non-Animal Tested Products
Energy Conservation Accessories	Organic Ingredients Only	All Natural Ingredients Only

Positive Buyer Response Includes: Paying More, Referring Friends or Family, Sharing a Positive Review

Continuum (2009). *Colorblind & Commispace Talking to Consumers about the Environment*.

Fighting the Barriers to Buy Green, Earning a Price Premium

Eight of the world’s countries agree in 2010 as to the top four challenges to buying green products. In the developed world the challenge is price while in the developing world the challenges are selection and labeling [Table Twenty-One]. Five strategies have been identified as globally common means by which to overcome such barriers at all stages of the purchase process:²⁹

1. Make consumers aware of the product alternatives in each product category
2. Increase consumer perception of product quality related to green alternatives
3. Fight consumer skepticism by working with an entity trusted by consumers
4. Decrease the consumer perception that green alternatives are priced high
5. Make it easy for consumers to find green alternative products

TABLE 21: CHALLENGES TO PURCHASING GREEN (ADAPTED FROM (1))

	U.S.	U.K.	Fra.	Ger.	Aus.	Chi.	Ind.	Brz.
They are too expensive	67	71	78	58	69	43	46	53
There is a limited selection of items from which to choose	46	54	45	34	57	68	72	67
They are difficult to find (i.e., in specialty stores rather than mainstream stores)	29	30	33	29	39	40	66	63
The green labeling or product information is confusing or not trustworthy	26	32	33	42	44	69	44	38
They are difficult to identify because they are poorly labeled	23	30	37	31	41	58	40	42
They are of low quality / do not function as well as traditional products	19	16	9	7	18	24	15	6
The idea of green products is not important to me	4	3	1	4	3	0	0	0

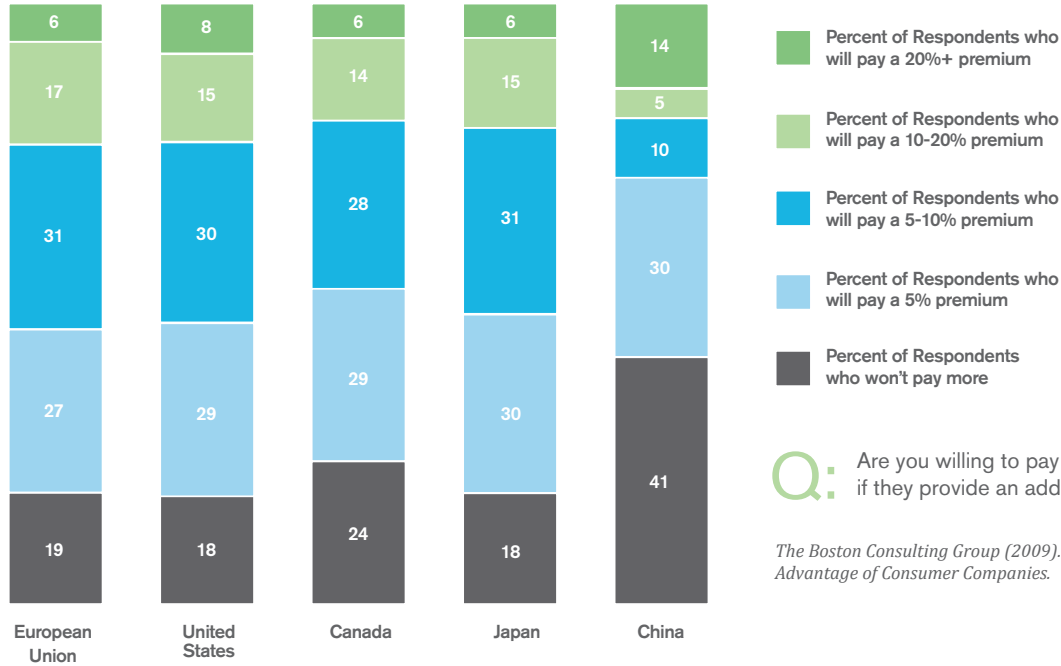
Most Important (Green), 2nd Most Important (Blue)

Q: What do you think are the biggest challenges to purchasing green products or services? (n=9,022)

Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2010). *ImagePower Green Brands Survey*.

Variation is seen among consumer groups that are or are not willing to pay a premium for green products [Table Twenty-Two]. Much of a consumer’s willingness to pay a premium is based on the product category and the perceived quality of the product [Table Twenty-Three]. In the United States, consumers identify saving money in the long run, shopping convenience, future generations, making a difference, health benefits, and pressure from others as conditions that could motivate them to pay more.¹⁹

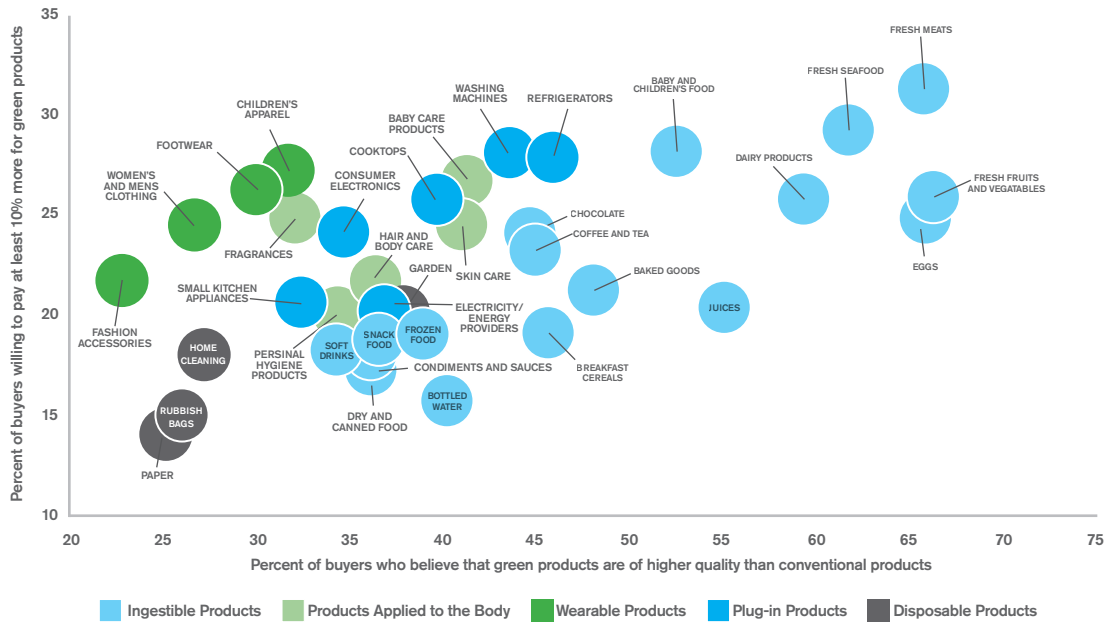
TABLE 22: WILLINGNESS TO PAY A PREMIUM (ADAPTED FROM (11))



Q: Are you willing to pay more for green products if they provide an added benefit? (n=9,000)

The Boston Consulting Group (2009). Capturing the Green Advantage of Consumer Companies.

TABLE 23: GREEN PREMIUM-PRODUCT CATEGORIES (ADAPTED FROM (11))



(n=9,000)

The Boston Consulting Group (2009). Capturing the Green Advantage of Consumer Companies.

CONCLUSIONS AND IMPLICATIONS

The content of this chapter aimed to address four primary questions which each have important conclusions and implications for multiple stakeholders:

What are the Expectations of Consumers and what it is that they are Concerned About?

Consumers increasingly expect both businesses and government to take action towards responsibility on environmental and social issues. However, different consumer segments have varying expectations and concerns highlighting the importance in understanding the audience. Global consumers agree on the top three issues as of 2010: toxics, recycling and packaging, and water. Consumers tend to focus on things that are measureable, visible, and relevant. This poses a risk as topics that fit this criteria can become commonplace as part of everyday life. However, opportunity lies in strategies that connect consumers to other sustainability-related topics, such as climate change, by making them more personally relevant and tangible to consumers.

What Knowledge and Understanding do Consumers have About Sustainability?

Consumers perceive sustainability both in terms of products and in terms of companies and these perceptions do not always align. There is a clear opportunity to integrate efforts from both ends to generate a strong and consistent perception. There is also a need to be aware of the terminology that consumers understand and the associations that they hold. *Economical, Effective, Resourceful, and Smart* are the ways that consumers now understand sustainability-related efforts. It is no longer just a “good thing”, but rather something that makes sense and matters to consumers in these terms.

Generally speaking, consumers think their understanding is about average, but on a more detailed level, they understand that their knowledge is severely lacking. There is little understanding around the impacts of full life cycles, and most consumers only recognize the impacts associated with disposal. Furthermore, consumer opinion as to what makes a product green has large variance. Beyond awareness of critical sustainability issues, consumers specifically call for awareness as to solutions and actions. There is a need for more harmonized efforts that support consistent consumer understanding focused on delivering the full story of life cycle impacts, the top issues that make products more responsible, and the actions and behaviors by which consumers can contribute.

How do Consumers want to Receive Sustainability-Related Information and who do they Trust?

High percentages of the world’s population look for a specific certification or mark to determine if a product is green and most still use green advertising to help them make informed decisions and understand benefits. Other common channels consumers turn to for green information include: internet, documentaries, news, product labels, environmental organizations, word of mouth, communities. There is still a great deal of confusion amongst consumers, but consistently, global consumers seek trust in consumer organizations and third party verifiers. Regardless of where consumers seek information there are two commonly desired themes: visibility and transparency.

Consumers most commonly turn to simple means to assess green such as brand name, on-package slogans and logos. Additionally, studies find that consumers need simplicity and that they also need guidance such as benchmarks and scales. Such studies also highlight the need for standardized and recognizable information delivery to consumers. However, a great debate still exists regarding over simplification. While consumers desire something easy to use and easy to understand, there is concern that some such systems are misleading.

There is a need to discover a communication mechanism and delivery system that promotes simplicity to allow for consumer understanding and use but that also accurately conveys the message while avoiding deception. There is much to be learned on this topic. Consistency appears to be a key element in minimizing consumer confusion along with trusted partnerships and third parties.



How Does Sustainability Influence the Buying Behaviors of Consumers?

There are five globally common primary influencers of sustainability-related purchasing in 2010: past experience, certifications, word of mouth, articles, and advertisements. Responsible companies, responsible brands, and responsible products are important to consumers and will increasingly influence their purchasing decisions in the future. Significant portions of the world's population plans to buy more of such products in 2011. In several product categories, sustainability-related considerations have risen in importance compared to conventional considerations such as brand and being premium or luxury. Specifically, *All Natural*, *No-Animal Testing*, and *No Toxic Ingredients* have climbed in importance and in large product categories are only second to price. While responsible purchasing is on the rise, there are still barriers that if overcome could greatly increase growth of the responsible product market: price, limited selection, and labeling.



Resources

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insights from the experts

Launching Sustainability Positioning, Eco-Labeling & Behavioral Change Campaigns in the Consumer Market

RESEARCH METHODOLOGY

To further our knowledge concerning the best (and worst) practices in communicating sustainability messaging, implementing eco-labeling programs and launching behavioral change campaigns in the consumer market, we conducted a Delphi panel study during July 2010 in which we collected high-level expert opinions from an international group of specialists with deep knowledge and experience in consumer-focused sustainability practices. Our panel was made up of representatives from consumer science and sustainability-related disciplines in academia, as well as members of NGOs, sustainability-focused marketing research organizations and retailing firms. Additionally, our expert informant group included members from product manufacturing companies in diverse business sectors, including: Home and Personal Care, Electronics, and Food, Beverage and Agriculture. To obtain a broad base of information from consumer markets around the world, expert opinions were collected regarding consumers in North America and the United Kingdom, as well as in the developing markets of Latin America and China.



Our goal was to converge multi-stakeholder expert opinions toward common themes, so we began our phone interviews with broad, grand tour questions¹ aimed at identifying the critical drivers of success and failure in each of our topic areas:

1. Launching sustainable positioning
2. Eco-labeling programs and
3. Behavioral change campaigns

We followed with deeper, probing questions until each of our topic areas was exhausted. Next, because we were also interested in uncovering future research questions in each of our topic areas, we closed each interview by asking panelists to provide us with pressing issues and unanswered questions that they believed to be

important based on their individual points of view and experience. Our phone conversations ranged from fifteen to ninety minutes.

Following our expert interviews, we analyzed each transcript to identify and synthesize the common themes that came to light in each of our topic areas. Some panelists were contacted for second interviews to provide additional insights and clarify the concepts that emerged from our data.

SUSTAINABILITY POSITIONING

What Isn't Working: Consumers are Confused by the Terms "Green" & "Sustainability"

Consumer Confusion

The first topic discussed with our expert panel concerned the critical drivers of success and failure in sustainability positioning, or communicating green messaging to consumers. A common theme that emerged on the failure side of this subject deals with consumer confusion about the terms "green" and "sustainability." According to a number of our expert panelists, there is no single overarching term that consumers can resonate with because the meanings for these "catch-all" terms can mean different things in different product categories and at different stages of the product lifecycle. For example, when considering a desktop computer, consumers resonate with energy efficiency and consider "green" to encompass the end of product life disposable aspect of the product, but with a home and personal care item such as laundry detergent, factors such as health and safety and dosage/usage are more meaningful when consumers think "green." On one hand, it might be helpful to use a general word such as "green" or "sustainable" in communications with consumers because they can convey so many things to so many different audiences, but on the other, because the market (and marketers) have been so vague in their definitions, consumers have become confused.

“**THERE IS CONSUMER CONFUSION ABOUT THE TERMS "GREEN" AND "SUSTAINABILITY"**”

A 2009 report from consumer culture research firm The Hartman Group notes this failure in sustainable-oriented positioning stating, "Not only is the word 'sustainability'

seldom used in consumer circles, many individuals are unsure of what it means."² In addition, they report that just over half (54%) of consumers surveyed claim any familiarity with the term "sustainability" and that most of these individuals can not define the term appropriately upon deeper questioning.³ In sum, the term "sustainability" has limited traction in positioning efforts because it has not yet become a household word – it has no clear meaning. This is problematic because consumer adoption of green purchasing

behavior is tempered with uncertainty.³ Further, according to our expert panel, consumer confusion can breed skepticism when it comes to believing green advertising and other messages provided by firms. A Burst Media study on consumer perceptions of green advertising supports this idea, illustrating that on average, most consumers are not likely to believe claims made in green-related advertising. Further, they find that one in six consumers believes that firms do a poor job of providing information on the environmentally friendly claims made in their advertisements.⁴

Distrust & Skepticism

Additionally, our experts suggested that some consumers do not trust what they perceive to be firms' self-serving motives, and this causes them to be skeptical of sustainable messaging and communications. This type of distrust motivates some individuals to educate themselves on companies' values and practices so they may catch firms engaging in self-serving actions. If firms are caught red-handed, that is, if they are found to be acting in a manner that is not consistent with their espoused sustainable images, more cynical consumers will punish these companies via product boycotting and negative word-of-mouth behaviors that can prove to be powerfully damaging to firms' reputations. This trend has been detected in both developed and emerging consumer markets, where individuals are becoming more informed through information delivered to their cellular and smart phones by traditional and social media, particularly in the areas of product safety and corporate social responsibility.

In conclusion, consumers are searching for messages that they can readily understand and trust in the green marketing space, but many have been confused and misled by unclear communications. Others have become doubtful and skeptical, as they have been let down by firms who have not lived up to their espoused values. Given this evidence, our panel suggests that firms need to be more transparent, consistent, and personally relevant in their sustainable positioning efforts in order to achieve believability and resonance in their messages to the consumer market.

What Works: Transparency, Consistency, & Personal Relevance

Transparency

The themes that emerged next during our expert interviews relate to

the drivers of success in sustainability positioning, or best practices in communicating green messaging to consumers. Specifically, these include ways that firms can increase trust, reduce consumer confusion, and increase personal relevance in their sustainability-related communications. First, our experts discussed ways that firms can build trust with consumers, which include reaching out to current and potential customers beyond their corporate websites via advertising, news and media reports, and social media sites like Twitter and Facebook. Transparency is critical in these communications, and this translates to full ingredient disclosure, as well as being open and honest about treatment of employees and fair trade practices. One expert stated, "It's about being a good company doing good things and not having secrets. That's been, by far, the biggest driver in changing consumer attitudes rather than making environmental appeals, we've known this for years."

“ CONSUMERS DO NOT TRUST WHAT THEY PERCEIVE TO BE FIRMS' SELF-SERVING MOTIVES ”

Another way that firms can demonstrate transparency to consumers is by partnering with reputable third party agencies that provide objective product testing, and by sharing these test results openly in direct communications with consumers. According to one of our panelists, "If you aren't afraid to stand by your product, you won't be afraid to partner with (a reputable third party organization). You should have nothing to hide from your consumers...sharing lab results should be your standard protocol, not something you keep a secret or bury in reports that no customer will ever read." Another way that firms can increase their transparency is to allow customers to call their employees directly to inquire about safe product usage and sustainability practices. The key to benefiting from this one-to-one open form of communication lies in clearly articulating hotline numbers on product packaging and company websites and ensuring that a live person answers each customer call.

“ FIRMS SHOULD REACH OUT TO CURRENT AND POTENTIAL CUSTOMERS BEYOND THEIR CORPORATE WEBSITES ”

Consumers understand what it means to be responsible and to do the right thing, such as using safe and natural ingredients in products and paying employees fairly. Openly sharing these business practices in everyday dialogs with consumers conveys firms' authenticity and this resonates with consumers while offering a huge opportunity for a more open form of marketing communications. When consumers recognize that firms are operating in good faith as a standard operating procedure, they are more open to trust what companies have to say about sustainability.

Consistency

Another theme that emerged from our expert interviews relates to clarity and consistency in green consumer communications best practices. Beyond demonstrating precisely what they mean when using terms such as “green” and “sustainable” in their advertising messages, firms have an opportunity to clearly represent who they are to consumers in every part of their operations from their sustainable manufacturing and service processes to their fair employment and trade practices through to their partnerships with other sustainable brands, third party associations, and vendors. This best practice is highlighted in an Interbrand report on sustainability and its impact on brand value in which they state, “The challenge is to embed a real sustainable behavior in everything a company does....to make green a part of the DNA of the enterprise.”⁵

“ **COMPANIES SHOULD COMMUNICATE GREEN POSITIONING BY REACHING OUT TO THEIR OWN EMPLOYEES FIRST** ”

One way that our experts suggest that firms can be more consistent is to communicate their green positioning from the inside of the organization outward - by reaching out to their own employees first. In this inside-out form of sustainability messaging, firms encourage and even incentivize their employees to live more sustainable lifestyles both at home and at work (i.e., by promoting responsible energy and water use, implementing recycling programs and organizing employee commuting initiatives). This not only benefits the environment and corporate reputations, it can even help firms attract new talent⁶ and retain the workers they already on staff, as employees report an increased sense of loyalty when they are proud of their companies’ values.⁷ Firms can share their efforts at workforce sustainability through their websites and Facebook pages, and this conveys authenticity to consumers. Another way that our expert panel believes that companies can demonstrate consistency in their sustainable consumer messaging is to make investments in environmental causes in their communities that align with their core businesses. For example, a beverage manufacturer can invest in water-related causes such as water reduction efforts or safety initiatives, as well as in programs that tie directly to their product packaging, such as in reducing the glass or plastic that goes into their bottles, and promoting recycling among their customers. These efforts will not only provide business benefits, they also show consumers that a firm is mindful of their impact on the environment and willing to take action to make a difference.

“ **CONSUMERS RESONATE WITH THINGS THEY CAN DO IN THEIR EVERYDAY LIVES** ”

Our expert panel also suggested that firms can demonstrate consistency in their consumer-facing green messaging by partnering with other trusted sustainable brands that share their core values and environmental focus. For example, companies that make investments in recycling cans and bottles can partner together with other like-minded firms at public sporting events and festivals to increase the reach of their consumer recycling messaging efforts. One of our panelists described a program for “catching consumers doing good” at these types of joint events, in which customers are rewarded on the spot for taking the time and energy to recycle their used products with free products and product-related trinkets (i.e., key chains, koozies, etc.) by brand “street team” members. Efforts like these have been well-received by consumers and have proven successful in encouraging environmentally responsible consumer behavior.



Personal Relevance

The third theme that emerged from our discussions of best practices in sustainable positioning was personal relevance, or finding ways to make messaging personally and emotionally meaningful to consumers. Specifically, our panelists suggest that consumers resonate most with messaging that takes into account how they can do something locally in their everyday lives to benefit the environment - not just what companies are doing in faraway places that benefit the environment. Messaging needs to be tied to a story that consumers understand and feel good about to be most effective, as statistics can seem boring, too intellectual, scary, and confusing to consumers. Stories, on the other hand, can be used to reach consumers on a local, human, and personal scale.⁸ For example, if a coffee company uses an authentic voice to tell consumers where their coffee beans

come from and how they came to the local coffee house, this type of message has a local impact and creates an emotional response in consumers. According to our expert panelists, story messaging is about connecting back to a place, a people, a tradition, or a process that is meaningful to consumers. Most companies have a story in somewhere in their history that consumers can emotionally bond with. The key is to reveal it in a manner that allows consumers to feel an attachment and make the connection between sustainability, local impact, and the meaning it has to them personally.

What Works: Empowerment and Engagement

Empowerment

The final theme that emerged from our discussions surrounding critical drivers of success in sustainability positioning relates to consumer empowerment and engagement. According to our expert panelists, consumers used to say “I alone can’t make a difference,” but now they are saying “every little thing I do makes a difference” and this impacts their everyday purchasing behavior. While many consumers may not completely understand what “environmental impact” means, they identify with the personal benefits of being a better parent and making safer, healthier choices by using more natural, sustainable products. This is especially important to note in developing markets, where higher order environmental concerns are not as prevalent in the national consciousness, but personal benefits resonate. Given this evidence, our panel suggests that sustainable positioning messages include personal – not just global – benefits to most effectively empower consumers to make better choices for themselves, their families, and the planet.

Engagement

Another way that green positioning efforts can empower consumers is to create opportunities for them to engage with each other and the focal firm. Today’s consumers are looking to social media to learn about sustainability and to share their experiences and opinions, so one panelist suggests using social networking sites such as Facebook to include customers in sustainable investments by allowing them to vote on where to spend company funds. Firms can also engage their customers by providing interactive content on the Web, and not just static, downloadable reports that can easily be ignored. One panelist describes engaging customers in sustainable communications through the use of humor and not talking down to them like a condescending parent. What is most interesting to consumers is how they can make an impact, and firms that understand how to empower and engage consumers to do so can be among most effective communicators.

“**CONSUMERS ARE USING SOCIAL MEDIA TO LEARN ABOUT SUSTAINABILITY SHARE THEIR EXPERIENCES**”

Future Research Questions & Issues

Looking forward, our expert panelists raised the following questions and issues for future research consideration:

1. What does “green” and “sustainable” mean to consumers by product category? (Note: academic definitions are continuing to become more precise⁹, but consumer definitions are still largely undefined).
2. What happens when product packaging conflicts with sustainable messaging? For example, if plastic bottles are mostly recyclable but not biodegradable, how do consumers feel about this contradiction? How does it change their purchasing behavior?
3. What can manufacturers do to better integrate green and non-green products on the retail shelf or on the aisle? What do consumers think about integrated versus non-integrated shelf and aisle practices? How does it impact their purchasing decisions?
4. How should firms handle green counterfeiting by non-green product firms? How should consumers know who to trust in a marketplace like China, where green counterfeiters are so prevalent? Are standardized global eco-labels and certifications the answer? If so, what happens when these become copied by non-green counterfeiters?
5. What happens when a reputable, green firm buys a smaller company that has less than eco-friendly practices? How does this impact consumer perceptions about the parent firm?¹⁰
6. Regarding story messaging, what does “local” mean to consumers? How can firms convey this most powerfully to the consumer market?
7. Regarding story messaging, what stories would engage consumers to want to pay more for green over non-green products?
8. How can firms better reach the mass market through sustainable positioning efforts? Is a shift into hedonic over personal benefits-related messaging the answer?

ECO-LABELING

What Isn't Working: Consumers and Suppliers are Confused by Most Eco-Labels and Certifications

Consumer Confusion

The second topic discussed with our expert panel concerned the critical drivers of success and failure in eco-labeling and certification programs. Once again, a common theme that emerged on the failure side of this subject centers on consumer confusion. According to a number of our expert panelists, the average consumer is not familiar with most environmental and sustainability-oriented labels and certifications (besides the EPA's ENERGY STAR, which was consistently referenced as a well-known label among our experts), and this lack of familiarity contributes to their confusion. Overall, the symbols used in labels and certifications have proven difficult for consumers to understand, which makes it difficult for them to comprehend the environmental impact of the product and then calculate the personal benefits to themselves as potential product users. According to one panelist, if the labels convey no real meaning, consumers do not gain any information and they become an invisible part of the brand or the product packaging. In a sense, they become white noise, which is worse than having no label at all. Additionally, consumers are having trouble understanding the emotional symbolism portrayed by some labels (such as the label with the symbol of a rabbit, which conveys that the product was not tested on animals), and this has also reduced their effectiveness. One panelist questioned, "Can consumers really process that higher order emotionally laden message involved in this symbol at the point of purchase?" For example, when consumers buy eggs, is it important to them to consider the quality of chickens' lives, such as in free range ranching practices? Can consumers appropriately answer this thought-provoking, politically charged question in the aisle at their local grocery store? According to our experts, this issue is especially evident with consumers in emerging markets such as Latin America because these customers are typically focused on lower order needs and desires, such as providing safe food for their families (regardless of animal-friendly, sustainable farming practices).

Further, our panelists find that the volume of certifications and labels in the marketplace has added to consumer confusion. One expert noted that the hundreds of available labels have left consumers perplexed, wondering what and who to believe when it comes to environmental impact. With private companies inventing their own eco-standards, certifications, and labels, this muddies the waters even further and decreases consumer believability in labeling programs. In sum, consumers are seeking an objective third party voice to demonstrate that a product

really is what it claims to be. They are seeking a standardized labeling system that clearly communicates the environmental impact and personal benefits of products in the green marketplace.

Confusion in the Supply Chain

A standardized labeling system would also benefit other members of the supply chain. Specifically, our experts cite that confusion surrounding eco-labeling goes beyond the consumer side in that it is a confusing subject for suppliers and manufacturing companies as well. As manufacturers begin to require that materials meet one environmental standard, suppliers are adhering to another, and the multiple stakeholders are not seeing eye to eye. When new eco-labels and certifications are introduced, this does not always make the picture clearer as each conveys a different standard and meaning.

“**CONSUMERS SEEK AN OBJECTIVE THIRD PARTY TO DEMONSTRATE THAT A PRODUCT IS WHAT IT CLAIMS TO BE**”

What Works: Clearly Articulating Benefits to the Planet and the Consumer

Two-Tiered Benefits Communication

The themes that emerged next during our expert interviews relate to the drivers of success in eco-labeling and certification programs in the consumer market. Specifically, these include ways that confusion and skepticism in eco-labeling practices can be reduced and personal relevance in label symbolism can be more effectively conveyed to consumers. According to our expert panel, the key to achieve these goals is to increase consumer familiarity of specific labels, and to more clearly communicate both the environmental impact (i.e, energy efficiency, natural ingredients, etc.) and personal benefits to individual customers (i.e, cost savings, health and wellness, etc). Communicating just one message is not enough to truly affect consumer attitudes and behavior; eco-labels must reach individuals on both levels in order to be most effective. When asked

“**EXPERTS REPEATEDLY MENTIONED ENERGY STAR, AND CITED THAT ITS EFFECTIVENESS IS LINKED TO ITS INSTANT RECOGNITION WITH CONSUMERS**”

what eco-labels were working, our experts repeatedly mentioned ENERGY STAR, and cited that its effectiveness is linked to its instant recognition with

consumers, as well as its clearly articulated message of energy usage (environmental benefit) as well as the translation to consumer cost savings (personal benefit). One expert summed this up by



stating, “With ENERGY STAR, consumers don’t even have to do the math, they can clearly see that by buying an ENERGY STAR-rated appliance, they are reducing their harm to the earth while saving money in the process. They understand what’s in it for the earth and for them - it’s a win-win. You can’t lose with that value proposition.” Another said, “ENERGY STAR doesn’t tell consumers what to believe or preach to them, the mark gives consumers information so they can make their own decisions, and I believe this is why they have accepted it.”

Affiliation with a Trusted Party

Our experts also suggested that ENERGY STAR’s recognized affiliation with the Environmental Protection Agency (EPA) was another reason for its credibility and success with consumers. One expert stated, “With labels, what really counts is that trusted third party organization that manages the label and makes sure that its credibility doesn’t get destroyed.” Another panelist added, “With the EPA, consumers know they are getting cutting edge information on energy usage. They trust that the EPA knows all of the science behind the messaging so they don’t have to. Who wants to be a scientist here? Consumers just want to buy an appliance and ENERGY STAR lets them do that with a clear conscience.” Relying on trusted third party standards was a common theme that arose on this topic, as was simplicity in label symbolism.

Simplicity

According to our panel, environmental concerns are complex and often difficult for consumers to comprehend, so labels also must be straightforward and consistent to overcome these communication obstacles. Eco-labels must be easy for individuals to digest and understand, so firms should consider reducing overly scientific, complicated information and replacing it instead with comparison scales or simple ranking systems that use numbers or a continuum (like ENERGY STAR). One panel member summed this up by

stating, “Nobody wants to spend a lot of time in the aisle trying to understand what the label means – if they get confused or put off in any way, the product goes back on the shelf and consumers move on to the next thing.” Another way that labels can become simpler, while still conveying information to consumers, is to make use of both sides of the product packaging. Too much data can confuse people, but too little data can mislead them, so health and nutritional labeling experts in academia recommend that firms combine short environmental information on the front of the package with full claims on the back of the package. This allows consumers to more fully process and believe the claims, leading to greater label effectiveness.¹¹

“ **ECO-LABELS MUST BE EASY FOR INDIVIDUALS TO DIGEST AND UNDERSTAND** ”

Emotional Relevance

The final best practice uncovered in our eco-labeling interviews dealt with reaching consumers on an emotional level during their purchase decisions. According to one expert, “In general, consumers don’t pay a lot of attention to labels, there are so many out there – there have only been two or three that have gained consumer traction. What works is to tug at their heartstrings in a truly authentic manner like the dolphin safe and USDA organic labels do.” Specifically, these labels convey rich emotional meaning, while giving consumers reassurance and peace of mind that they are taking home a product that will not cause undue harm to themselves, their families, or the planet. While emotional relevance may be difficult to convey in a small symbol, a number of our experts suggest that it is the next frontier in effective labeling strategies because it resonates so deeply with consumers and has great potential to impact their purchasing behavior.

“ **WHAT REALLY COUNTS IS THE TRUSTED THIRD PARTY ORGANIZATION THAT MANAGES THE LABEL** ”

Future Research Questions & Issues

Looking forward, our expert panelists raised the following questions and issues for future research consideration:

1. Under what conditions can eco-labels command price premiums? (Note: for information on this research in the wine industry, see Delmas and Grant 2008).¹² Given that consumers associate eco-labeled products with high prices, it could be interesting to measure if lower prices could actually drive consumer behavior in this area.
2. How can labels and certifications drive home emotional messages home more effectively to consumers? Does emotional relevance mean the same thing to consumers across product categories?
3. Who should deliver labeling messages to consumers - Retailers? Manufacturers? Government?
4. How do eco-labels specifically affect consumer buying decisions? It is difficult to parse this out among other variables, such as package size and product effectiveness.
5. What happens when every product on the shelf has an eco-label? Which labels will consumers be drawn to, and how does this impact their purchasing decisions?
6. What happens when labels mean two different things? How is the consumer supposed to trust them?
7. What are the geographic limits of eco-labeling – national of global boundaries? Do we need more national and international eco-labels? How do consumers perceive local versus global labeling efforts?
8. If a company has a bad reputation – should they get to use a standardized label? Who decides? What impact will this have on the good companies that already use this label? Will it detract from their brand value with consumers?
9. How can multiple labels be integrated more seamlessly with one another so that they won't compete or drown one another out? How do we integrate local and global eco-labels on the same product?
10. Can eco-labels better incorporate product lifecycle information? If so, how can they do this in a way that communicates effectively with consumers?
11. Currently in the United States, some eco-labels are being adopted by different state legislations - how is this affecting business and consumers?
12. Global trade presents an opportunity for increasing knowledge in developing countries on eco-labeling - especially with producers who might need training on these issues.

BEHAVIORAL CHANGE CAMPAIGNS

What Isn't Working: Authoritative Mass Advertising

Dogmatic Advertising Alone

The final topic discussed with our expert panel concerned the critical drivers of success and failure in launching behavior change campaigns with consumers. A theme that emerged on the failure side of this subject involves the use of prescriptive mass advertising tactics as the sole instrument to inspire change towards more sustainable consumer lifestyles and purchasing. In both developed and emerging markets, consumers become more consistently green in their behaviors because they want to, not because an authority forces them to or worse, because someone scares them into it. Further, our panelist suggest that broad, mass communication advertising intended to create behavioral change typically falls flat unless it is coupled with more direct messaging that demonstrates how consumers can actually implement changes in their day-to-day living (i.e., saving energy by buying eco-friendly light bulbs, unplugging toasters and other appliances when not in use, etc). Our experts agree that the voice in behavioral change communications needs to provide actionable information without talking down to consumers or attempting to scare them into submission. Instead, messaging supporting behavioral change initiatives should inspire consumers to make positive changes while arming them with specific know-how on product usage and benefits in order to be most effective.

“ **ADVERTISING INTENDING TO CHANGE BEHAVIOR FALLS FLAT UNLESS IT IS COUPLED WITH DIRECT MESSAGING** ”

What Works: Providing Practical Knowledge to Change Self-Awareness and Attitudes

Self-Awareness

The themes that emerged next during our expert interviews relate to the drivers of success in implementing consumer behavioral change campaigns. Specifically, these include ways that consumers can be made to be more self-aware in their choices and communications that can shape consumer attitudes. According to our expert panel, both of these elements are essential in inspiring consumers to make changes towards more sustainable lifestyles. Beginning with self-awareness, providing direct communication that helps consumers connect the dots to understand how what goes on in the environment (i.e., the recent BP oil spill) is connected to their daily

“ **BEGINNING WITH SELF-AWARENESS, PROVIDE DIRECT COMMUNICATION THAT HELPS CONSUMERS CONNECT** ”

behaviors (i.e., daily commuting in one's own car which creates a dependence on fossil fuels) is an important way to help consumers understand how they play a role as a global citizen. Raising the level of people's consciousness helps them fit environmental concerns into their lives and activities – including purchasing decisions. According to one expert, “When consumers can see themselves as part of a larger community that begins with themselves and their families, the idea of making changes takes hold. Once people see how they can make a difference and then they learn how they can actually do it, they are more willing to band together to take steps to make a difference.” Looking ahead, our experts suggest that if behavioral change campaigns can help consumers understand how to view their consumption patterns over a longer-term horizon, this could also help make them more self-aware.



Attitude Shifting

The next theme that emerged during our expert interviews sheds light on the importance of shaping consumer attitudes regarding sustainable living as a gateway to behavioral change. According to one panelist who is an expert in consumer behavior, consumers first need knowledge about what it specifically means to live greenly or via sustainable behaviors before they can make changes in their everyday living. Gaining knowledge shapes their thoughts, which then impacts their attitudes. Next, in order to motivate consumers into making actionable changes, their affective processing systems, or feelings and emotions, must be engaged to align with their attitudes. For example, this could translate into helping consumers understand company manufacturing practices and why they can trust certain products, labeling programs, and other sustainably

oriented initiatives. Finally, once knowledge, attitudes, and consumer emotions are aligned around making positive, sustainable choices, consumers are more likely to engage in behaviors that are supported by their internal motivation systems. Finally, if consumer attitudes are strong, there is a greater propensity for this to be reflected in a continuous, changed behavior as opposed to inspiring consumers to buy one more sustainable product or make one small-scale life change.

“ **REMINDING CONSUMERS OF SOCIAL NORMS POSITIVELY IMPACTS THEIR SUSTAINABLE BEHAVIORS** ”

Behavior Change Theories

Finally, a number of our experts suggested that companies working in the green space could benefit from aligning their principles with those of theorists and academics, as there is much to be learned from behavioral change research in the social sciences and business schools. For example, firms that are considering launching consumer behavioral change initiatives could apply the work of theorists McKenzie-Mohr and Smith, who provide a set of tools grounded in social science, to support long-term changes in sustainable living practices.¹³ Tools described in their program include: ways to foster commitment for making changes, prompts that provide noticeable reminders of behavioral intentions, visible norms, and incentives that provide lasting rewards when paired with intended behavior. Drawing on one of these principles, the work of consumer psychologists Goldstein, Cialdini and Griskevicius¹⁴ demonstrates that reminding consumers of social norms positively impacts their sustainable behaviors. In their study of hotel guests' participation in environmental conservation programs, these researchers found that appeals to reuse hotel towels were most effective when they described behaviors that occurred in the customers' exact hotel room (i.e., “the majority of guests in this room reuse their towels”), as opposed to anywhere in the hotel (“i.e., “the majority of guests reuse their towels”). In sum, our experts agree that there is much to be learned from theoretical studies, and encourage the

collaboration between business and academia in developing more effective behavioral change programs.

“ **TO MOTIVATE CONSUMERS TO MAKE CHANGES, THEIR FEELINGS AND EMOTIONS MUST ALIGN WITH THEIR ATTITUDES** ”



Future Research Questions & Issues

Looking forward, our expert panelists raised the following questions and issues for future research consideration:

1. How can we apply what we know about changing behavior broadly to environmental domains? What else do we have to learn? There is a tension between what we can generalize given what we know about human cognition and behavior, and the particularities in changing behavior in very specific contexts such as water and energy conservation, recycling, etc.
2. To develop more effective communication campaigns, more research is needed that addresses the antecedents of environmentally significant consumer purchasing and lifestyle behavior.
3. It could be useful to study to what degree green advertising really influences green behavior in a country with low or medium levels of ecological concerns.
4. How can companies change their product designs to more effectively inspire consumer behavior change? For example, detergent companies can change their bottles to dispense proper dosage of cleaning fluids and this should by default, help consumers use safe amounts in their cleaning activities. How can other companies benefit from these types of changes to their products?
5. We need to talk about a net reduction in consumption. Specifically, why do we humans consume more than we need? If we understand what drives that question, we will learn what drives sustainable consumption? What type of new business models for retailers (consumer packaged goods in particular) would one have to develop to be a viable business in a reduced consumption business environment? Is the shift from selling goods to selling services the answer?

CONCLUSION AND IMPLICATIONS

Overall, the findings from our Delphi panel suggest that there is confusion and often skepticism among consumers regarding firms' sustainability practices, labeling and positioning, and behavioral change campaigns, and this uncertainty can also be found throughout the supply chain from suppliers to retailers. Our experts believe that this complex issue can be addressed through more clear, consistent communications with consumers and supply chain partners, including tactics like full ingredient disclosure and providing transparency in firm employment and trade practices. For maximum effectiveness, sustainability messaging and eco-certifications must also be simple to understand, emotionally relevant, and articulate benefits to the planet and consumers' personal lives. Along these lines, we also found that messaging supporting behavioral change initiatives should inspire consumers to make positive changes while arming them with specific know-how on product usage and benefits in order to be most effective. Specifically, our experts believe that instead of scaring consumers into submission, these types of consumer programs should help consumers become more self-aware in their consumption practices, which should help to shape their thoughts and attitudes on sustainability. Once consumer attitudes are shifted, long-term positive behavioral changes should naturally follow.

These findings have important implications for consumers, who generally want to make positive changes in their consumption behavior as it relates to sustainability, but have been let down by firms and messages they could not trust. Next, these results carry implications for the firms providing sustainability-related communications, products, and services, because they must take action to improve their messaging and overall transparency in their business practices. Finally, our findings have implications for government agencies, which may begin to require greater firm disclosure and transparency in the future through standards, eco-labeling and certification programs, and could also play an important role in implementing sustainability-related behavior change campaigns in the consumer population.

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A woman with short brown hair, wearing a green off-the-shoulder top and dark jeans, is standing in a library. She is holding two books, one in each hand. The background shows wooden bookshelves filled with books. A blue semi-transparent banner is overlaid on the bottom half of the image, containing the title and subtitle.

communicating sustainability

A Content Analysis of Existing Guidelines

INTRODUCTION

Communication has seen an influx of sustainability and corporate responsibility messaging. In response, organizations have begun to develop guidelines for communicating their sustainable initiatives and avoiding greenwash. However, many organizations are still calling for the development of clear, uniform standards for making environmental claims. To introduce the topic, a definition of “green claim” will be provided, benefits of green claims for multiple groups will be discussed, and a few challenges to making claims will be identified.

Green claims are broadly defined by the UK’s Department for Environment, Food and Rural Affairs (DEFRA) as “any self-declared statements, symbols or graphics that:

1. Refer to an environmental aspect of a product, a component or product packaging;
2. Are made on products, on product packaging, in product literature or advertisements.”⁵

Environmental claims address a wide range of topics: general sustainability, water efficiency, climate change, animal and human welfare, and many more. These claims appear on products ranging from household detergents and food packaging to major appliances, vehicles and technology.³ Environmental claims may take the form of logos, seals of approval, third party labeling schemes, or a statement made on a package or in a commercial.

More frequently, customers are evaluating claims when making purchases, which is why it is vital for claim-makers to provide accurate, truthful communications.³ Conveying honest, substantiated information about a product’s environmental attributes is beneficial to both businesses and consumers.

As demand for sustainable products increases, companies are working to differentiate their products from their competition. However, guidance for marketing these green claims is vital for businesses to establish credibility and avoid misleading information that can damage customer trust.

One of the greatest challenges to communicating green claims is the general confusion surrounding the topic. There is a lack of commonly understood terminology, creating a communication barrier between stakeholders. Concurrently, there is an aggressive movement towards production of responsible products in the corporate world and a jumble of different practices for developing and managing green claims.⁴ Poorly presented claims may be interpreted as misleading, creating doubt and lost trust in their validity.

The term “greenwash” is used when environmental communications are not appropriately verified. Various documents recommend ways to avoid greenwash, but it is officially defined by the Concise Oxford Dictionary as “Disinformation disseminated by an organization so as to present an environmentally responsible public image.”⁹ A recent study, as reported by OgilvyEarth, states that 98% of all green claims made in 2009 committed at least one of the “Seven Sins of Greenwashing”¹⁰ and noted that 64% of Americans “no longer trust sustainability-related marketing claims.”⁹



A recent DEFRA report shows that there is a need for greater coordination with other codes and organizations, such as ISO 14000, existing government regulations, and industry guidelines, to develop an overarching green communication standard. Existing guidelines are criticized for not being sector specific enough to offer the practical direction organizations are seeking.⁴ Some question whether these standards should be industry sponsored guidelines or government regulations.²

To further our understanding of the content scope of existing regulations and guidelines that influence sustainability communications, a content analysis of existing communication and claim guides was conducted.

Data analysis was conducted to answer three questions:

1. What topics were commonly addressed in existing regulations and guidelines?
2. What topics were not commonly addressed?
3. Do the topics addressed in existing sustainable communication regulations and guidelines systematically differ across subject matter, geography, document type, product sector and organization type?

METHODS

Sources

After determining the scope of the project, data was gathered using an online literature review. 90 documents were selected using Google Scholar, web search engines (Google and Yahoo), ASU Libraries, company websites and industry/technical documents. Terms such as “green claim regulations,” “sustainable communication” and “environmental marketing” were used in searches. The documents were narrowed down to the 66 that gave the best representation of the topics, organization types, industries and products. However, the topics selected were not equally distributed among the samples due to lack of publicly available documents for specific subjects, products sectors and regions [Charts One, Two and Three]. The majority of documents analyzed were sustainability guidelines.

The documents for this study were selected for their end intent: guidelines for communicating sustainability. From there, papers in list/guideline format that were produced by credible, professional sources and represented a company, industry or university were sought out. Papers that were too brief (for example, a paragraph or page-long statement in a sustainability or CSR report) were avoided. Blogs and opinion papers were also avoided.

There were few documents relating to one specific subject due to the lack of available information. One document addressed “Climate Change and Water Linkages” and was classified under both subject matters.

Product Sector: Just 27% of all documents analyzed represented a specific product sector. There were 13 sectors: Beverages, Electricity, Glass, Greeting Cards, Grocery, Marketing, Meat, Packaging, Paper, Personal Products, Plastic, Retail, Soap/Detergent, and Solar. Of these 13 sectors, 55% were in “Comments to FTC” format. This was taken into consideration during the data analysis as Comments to FTC represent a product sector’s recommendations for government regulation and may not comprehensively address their entire perspective on green claim regulations.

CHART 1: ORGANIZATION TYPES

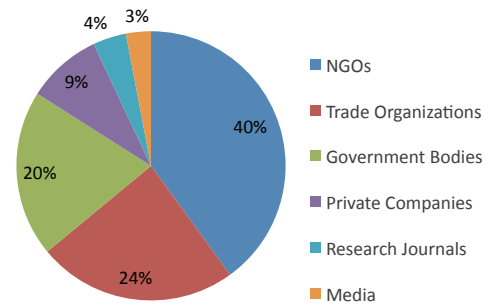
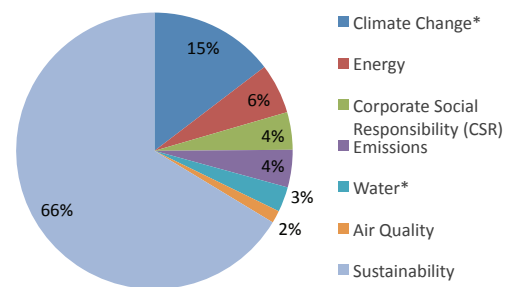


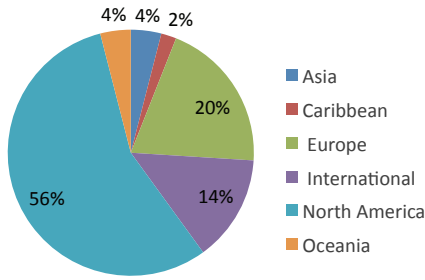
CHART 2: SUBJECT MATTER



*One document addressed both Climate Change and Water.



CHART 3: REGION



Text Analysis

Text of these existing guidelines was analyzed to identify the common and different elements of communication that are currently monitored. To develop a list of primary topics addressed in each paper, each document was reviewed for content attributes; the headings, subheadings, and major points of each relevant section were extracted into the corresponding three columns. These pieces of content were entered verbatim into the document to ensure continuity of meaning. The content analysis was done using a blind categorization technique with two people. A constant unit of analysis was selected to serve as a tool for consolidating the three columns of headings into one consistent list. The unit of analysis used was: “actionable guidelines or recommendations that begin with a verb.” For example:

“Do not make claims about absence of harmful substances if the product in question contains equally harmful elements.”

“Ensure claim does not overstate or exaggerate a benefit or environmental attribute.”

“Be honest in all communications.”

The three columns of verbatim content (headings, subheadings, and major points) were then summarized into single statements to create a one-column list. For example, the items “Seals of Approval,” “Verification,” “Third Party Certification,” and “Government Regulations” were grouped into one category: *Government and Third Party Certification*. Two researchers used a blind categorization method to sort the data into 18 categories [Chart Six] and agree on definitions.

CHART 6: EIGHTEEN DEFINITIONS FOR SUSTAINABILITY COMMUNICATION DOCUMENT CATEGORIES

Category Label	Description
Communication Channels	Pathways, messengers/influencers, materials and mediums of delivering messages. Using websites as qualifying statements falls into this category.
Comparative Claims	Any claim addressing guidelines for making comparisons.
Define Target Audience	Includes target decision makers, target market, target groups.
Internal Integration & Strategy	(a) Addresses high-level, all-encompassing external or internal strategy. (b) Addresses activities within the organization that encourage alignment of company sustainability initiatives and policy. (c) Use for statements containing multiple levels of information that apply to broad range of planning steps. (d) Applies to preliminary research not specific to a certain group or network, as well as identification of challenges. (e) Key words: Business case, values, organizational policy, company, in-house.
Education	Any statement that includes reference to education.
Enforcement	Statements relating to enforcement of guidelines or rules. Note: Statements relating only to the “legality” of a claim are classified under “Certification”.
Extraneous Recommendations	Statements that don’t fit within one of these categories, are too specific to an industry or are completely unclear. (Uncategorized)
Feedback	Incoming communication, two-way communication or responding to criticism/questions.
Full Disclosure	Applies to transparency and availability of information at all levels of reporting (good, bad and uncertain).
Government & Third Party Certification	Any description of assurance, verification or endorsement by an outside party. Includes references to submission of materials, logos/labels/seals of approval and coordination with other existing standards, public policy or laws (government).
Logistics	Set goals, objectives, activities, budget and timeline.
Message	(a) Statements pertaining to the attributes of the message: language, jargon, clarity, simple, plain, etc. If a statement includes multiple levels of guidelines that all relate to a message, classify it as “Message” not “Develop Strategy”. (b) Natural images (symbols or pictures) that convey a “friendly” product, not intended to represent certification of any sort. (c) Guidelines that address how to avoid misleading the reader, especially claims framed negatively using “do not” or “avoid”. (d) Message framing.
Procedure for Review, Monitor & Evaluate	Statements addressing the review process for monitoring, updating and reviewing strategy at the final stage of implementing plan. Includes pilot studies.
Qualify Impacts & Measures	(a) Statements specifying sustainability impacts from a general term or “impact category” (Ex: climate change, air quality, sustainability, and biodegradable). Also use to address a topic that the guideline says to avoid or clarify. (b) Identifies specific measures of performance, both quantitative and qualitative. Includes references to the Life Cycle Assessments or its specific parts. Note: Take care to not confuse statements about PI with statements about impact topics; both will start with general terms and identify specifics, however PI will address specific indicators for quantitative/qualitative measurement. (c) Provides industry definitions (d) Applies to statements that simply request claim have “quantifying statement” or “identify why it’s environmentally friendly”.
Qualify Object & Scope	(a) Identifies the matter that the impact is being measured from: package, product, brand, industry, company. (b) Addresses boundaries such as geographical region, stage of life cycle, time frame in which claim/plan is made.
Relevance	Relates to the application of knowledge/interests to messages in a personal, practical, relevant way. Statements that encourage action/sense of urgency; encourage conveying consumer cost benefits; and encourage providing incentives for unspecified group fit into this category.
Stakeholders	Build support and incorporate the interests and knowledge of other stakeholders, people, groups and networks in the initial planning stages of project. Applies to statements defining the opinions, risks, interests of any groups interested in the company’s performance. Be careful to not place statements calling for stakeholder “engagement” or “action” in this category, which goes under “relevance”.
Substantiate	Establishing basis, reasons, and justifications for claims at the most basic level. Applies to back-up documentation. Evidence must exist, though specific standards/guidelines for verification will fall into the “Certification” category.



Findings

The eighteen categories were analyzed across the 66 documents sampled. There was a strong convergence on three main topics: *Government & Third Party Certification* (62% of the documents addressed this category), *Message* (54.5%), and *Qualify Impact Terms & Performance Indicators* (54.5%) [Chart Five].

Government organizations put the most emphasis (69%) on *Government & Third Party Certification* while focusing on *Qualify Impact Terms & Performance Indicators* only 38% of the time.

It was interesting to compare the convergence of Government organizations on these topics with that of private companies. Both organization types similarly approached *Government & Third Party Certification* (69%, 67%) and *Message* (62%, 67%). However, private companies address the need to *Qualify Impact Terms and Performance Indicators* far more often than the Government organizations. Government organizations focus more on the certification process rather than the impact terms and performance indicators that may be used in environmental claims.

“GOVERNMENT AGENCIES RECOMMEND ORGANIZATIONS DEVELOP IN-HOUSE STRATEGIES, ALIGNING VALUES WITH ENVIRONMENTAL COMMUNICATION”

The lowest total convergences were on the following four categories: *Education* (13.6%), *Enforcement* (13.6%), *Feedback* (13.6%), and *Full Disclosure* (15.2%) [Chart Four].

CHART 4: TOTAL CONVERGENCE

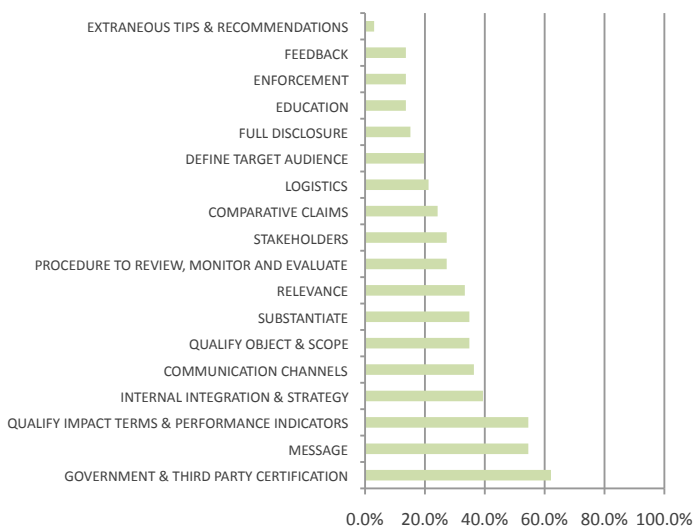
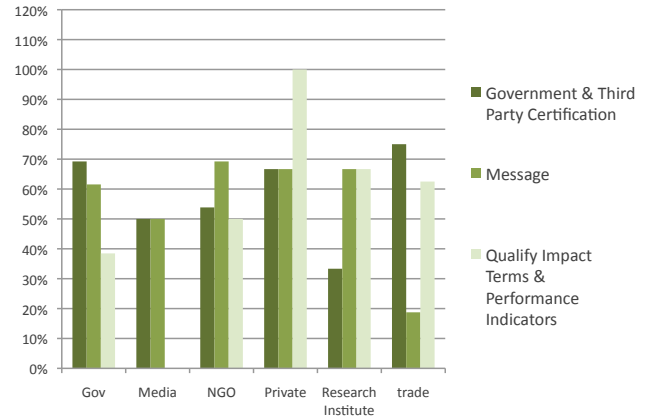


CHART 5: TOP THREE CATEGORIES BY ORGANIZATION TYPE



Document Type

Four document types were used in this analysis: guidelines, regulatory documents, research journals and Comments to FTC. Regulatory documents are communication guides/recommendations published by government bodies. Guidelines are communication guides/recommendations published by all other organization types. All document types addressed the majority of the topics (not pictured), but Comments to FTC focused on *Government & Third Party Certification* (70%) and *Qualify Impact Terms & Performance Indicators* (80%). The organizations responding to the FTC want explicitly defined terms and performance measures to use in their environmental claims, as well as a clear method for establishing credibility of these claims by a third party organization or the government.

Government & Third Party Certification was the main focus of guidelines, Comments to FTC and regulatory documents. Research Journals did not address the categories most frequently included in other documents types, they instead focused on *Relevance*. Comments to FTC and research journals focused more heavily on *Qualify Impact Terms & Performance Indicators* than the other three document types, who instead addressed *Message* more equally. Due to the nature of Comments to FTC, it is less likely to approach the subjective category *Message*, since that topic could not be directly subjected to government regulation.

Regulatory documents had the highest inclusion rate for *Internal Integration & Strategy* (82%). It appears that government agencies are recommending that organizations develop in-house strategies and align internal values with environmental communication more than guidelines published by trade, private, or research agencies.

When comparing regulatory guidelines by region, it was found that they greatly vary. North America and Europe share the greatest similarities, especially in their focus on *Government & Third Party Certification*. Each region also frequently addressed *Message*, *Substantiate* and *Internal Integration* (50 %+).

The striking difference when comparing regulatory documents by region is how few categories Asian governments address. They address half the categories, leaving out one of the major topics prominently discussed in all other regions, *Message*, instead concentrating on *Relevance* (100%) Also, Oceania (New Zealand and Australia) focuses on *Stakeholders* and *Internal Integration*, categories that highlight people and internal strategy. In the future, region-specific standards should be a priority due to these distinct geographical disparities.

Overall, guidelines, regulatory documents, and research journals addressed similar categories while Comments to FTC mainly looked at *Government & Third Party Certification* and *Qualify Impact Terms & Performance Indicators*, reflecting the purpose behind the FTC Green Guides: to create legal requirements for making environmental marketing claims.⁶ Unfortunately, documents approaching environmental communication in Latin America were not discovered. That is an area that needs future research.

“ REGION-SPECIFIC STANDARDS SHOULD BE A PRIORITY DUE TO DISTINCT GEOGRAPHICAL DISPARITIES ”

Subject Matter

There were seven subjects addressed in this project, though the most common subject was “Sustainability,” which was the emphasis of 68% of the samples. It was very difficult to ascertain subject-specific papers focusing on environmental claims and communication regulations.

The non-sustainability subjects with 50% or higher convergence on specific categories were few, though *Message* and *Relevance* were the most frequently highlighted areas [Table One]. From this, it may be inferred that guidelines for communicating specific subjects are most heavily focused on marketing and messaging to their specific audience, as opposed to quantifying terms and establishing credibility by an external organization which is more frequently seen. It was also interesting to note that CSR addressed *Government & Third Party Certification* the least (not pictured).

TABLE 1: SUBJECT MATTER CONTENT

Climate Change	Communication Channels (67%) Message (56%) Relevance (56%)
CSR	Logistics Message Relevance (all 67%)
Energy	Communication Channels (100%) Define Target Audience Internal Integration & Strategy Message Stakeholders (all 67%)

“ GUIDELINES FOR COMMUNICATING SPECIFIC SUBJECTS FOCUS ON MARKETING AND MESSAGING TO THEIR SPECIFIC AUDIENCE ”

Sustainability documents converge on few categories in more than 50% of the samples, but consistently emphasized two categories: *Government & Third Party Certification* (71%) and *Qualify Impact Terms & Performance Indicators* (64%). Similar to total convergence of all documents, sustainability samples did not discuss *Education*, *Enforcement*, *Feedback* or *Full Disclosure* frequently (all 16% convergence or less). When comparing the subjects discussed by product sectors, it was found that most product sectors are not yet subject specific, mainly focusing on general sustainability [Table Two]. Energy documents addressed the Electricity and Solar sectors and CSR addressed the Marketing sector. Other than that, the remaining 12 product sectors included in this study were discussed by documents addressing from sustainability.

TABLE 2: PRODUCT CATEGORY SUBJECT MATTER

Sustainability	Energy	CSR
Beverages	Electricity	Marketing
Electricity	Solar	
Glass		
Greeting Cards		
Grocery		
Marketing		
Meat		
Packaging		
Paper		
Personal Products		
Plastic		
Retail		
Soap and Detergent		

When comparing subject matters across regions, it was found that these subject-specific documents are starting to appear in a small number of regions, but we still need more subject-specific documents written for different parts of the world. Sustainability and climate change are covered most often by the six regions included (Europe, North America, Asia, Caribbean, Oceania and International). Water and air quality were each addressed only in Europe. The two most subject-specific regions are Europe and North America. Europe addressed every subject except CSR while North America addressed every topic except air quality and water. While each region included two or more specific subjects, Oceania only addressed one topic: sustainability. They focused on the broad/all-encompassing perspective without delving deeply into one topic in particular.

“ SUSTAINABILITY AND CLIMATE CHANGE ARE COVERED MOST OFTEN. WATER AND AIR QUALITY WERE EACH ADDRESSED ONLY IN EUROPE ”

When comparing subject matters in regard to organization type, it was found that NGOs cover the widest range of specific subject matter, but sustainability is addressed by the widest range of organizations. Similarly, when comparing subject matters in regard to document type, it was found that climate change and sustainability are addressed at least once by all document types. However, none of the document types address all the subjects.

Overall, the subject matter addressed by environmental communication documents is mainly general sustainability. These documents address multiple topics under the broad umbrella of sustainability, but do not have a definition of sustainability to follow. There need to be more subject-specific communication guidelines and there needs to be a recommended content outline available for organizations that want to address sustainability in general. Perhaps once impact terms and performance indicators are officially qualified, organizations will be able to create subject-specific guidelines.

Organization Types

Analyzing the organization type that produced the environmental communication only produces consistency in one category. Government & Third Party Certification is emphasized by Trade, Government, Media, Private, and NGOs. The remaining categories present drastically different convergence rates, with Message being the next most common [Table Three]. Research Institutes are the only organization type that did not converge on Government & Third Party Certification in more than 50% of the documents.

TABLE 3: TOP CATEGORIES ADDRESSED BY EACH ORGANIZATION TYPE

Research Institutes	Communication Channels, Message, Full Disclosure, Qualify Impact Terms & Performance Indicators (all 67%).
Trade Organizations	Government & Third Party Certification (75%), Procedure for Review, Monitor and Evaluate (63%).
Government	Government & Third Party Certification (50%), Internal Integration (56%).
Media	Logistics, Relevance (both 100%).
NGO	Government & Third Party Certification (50%), Message (69%).
Private Companies	Government & Third Party Certification (67%), Message (66%), Qualify Impact Terms & Performance Indicators (100%).

Of all organization types, NGOs and government organizations have the most similar convergence rates for all categories (not pictured). The greatest difference between the two is that NGOs converge slightly more often than governments on the topics they similarly emphasize. By not addressing Qualify Impact Terms & Performance Indicators as commonly, government organizations display a focus on the verification process rather than defining the standards that must be met for an organization to make an environmental claim. One interesting finding that stood out is the fact that government bodies do not address Enforcement once. As the organization

“ GOVERNMENT FOCUSES ON VERIFICATION BUT NOT ENFORCEMENT ”

type most looked to for guidance and regulation, it is surprising to note that there is no mention of legal enforcement from a national perspective. For now, governments are acting as leaders and guides, rather than enforcers.



Another striking finding is that private companies have 100% inclusion of *Qualify Impact Terms & Performance Indicators* and did not address *Internal Integration & Strategy*. It appears that private companies are more concerned with having the ability to credibly market their green products and services, than make it an integral part of their company culture, values, and long term plan.

Industry standards for sustainability marketing are at a starting point. Private companies are calling for qualifications and certification guidelines at the same time that the government is focusing on third party certification and not talking about enforcement. As we move forward, all claim-making organizations need specifically qualified terms and a standard for third party verification. Only then should we move towards enforcement and updating.

Region

The 66 documents were analyzed by the region they were produced for. Six were represented: Asia, Caribbean, Europe, North America, Oceania and International. There was not one category that all regions addressed less than 20%. This may demonstrate a comprehensive, global approach to environmental claim guidance, or it may further reveal the need for clear definitions and guidelines to reduce vagueness and risk of greenwash.

The top three categories that multiple regions included were: *Government & Third Party Certification*, *Qualify Impact Terms & Performance Indicators*, and *Message*. The only region that did not discuss any of these topics above 50% convergence was Asia; instead emphasizing *Relevance* at 100%.

CONCLUSION

Government & Third Party Certification and *Qualify Impact*

Terms & Performance Indicators were the two most commonly addressed categories in the 66 documents analyzed. High inclusion of *Qualify Impact Terms & Performance Indicators* shows that organizations are calling for specifically qualified terms; as well as methods for establishing credibility of these claims by a third party organization or the government. Clear, measurable impact terms will ensure confidence in marketers that their environmental communication is appropriate and meets existing standards. This applies to overarching terms such as “sustainable” and “green,” as well as more specific phrases such as “refillable” and “made from recycled content.” Some industries and companies are creating their own qualifiers, but the emphasis on *Government & Third Party Certification* found in this study illustrates the desire for independent certification and consensus.

For example, two impact terms that are frequently used in green claims are “compostable” and “biodegradable.” But what do these terms really mean? Many organizations want to have input. The Biodegradable Products Institute recommends that “compostable”



be defined as “the material can be put back into the ground to make soil, mulch, or fertilizer that can be used in a garden or around your home. They are expected to break down in 3 months to a year.”⁷ The Attorney’s General says “FTC should discourage use of terms like ‘degradable, biodegradable, compostable, recyclable’ if facilities are not available locally.”² The American Chemistry Council says “Degradable/biodegradable/photodegradable claims should be qualified to avoid consumer deception about (1) the product or package’s ability to degrade in the environment where it is customarily disposed, (2) the specific rate and extent of degradation and include examples.”¹² The National Association of Attorney’s General also recommends that “Compostable claims should

be substantiated with reliable scientific evidence and clarify that composting does not take place in landfills.”⁸ Organizations of all types are calling for clearly

defined terms to establish standards for their use in environmental claims. These will also instill confidence in consumers and business partners that they are making informed choices and are not being duped by clever marketing.

In addition to this, organizations are asking “how?” Once impact terms are qualified, how can claim-making entities ensure they meet the standards? Not only should standards be available for using environmental terminology, but there should be a recommended method in place for meeting those standards.

“ORGANIZATIONS ARE CALLING FOR SPECIFIC TERMS AND METHODS FOR ESTABLISHING CREDIBILITY OF CLAIMS”

Logically following from this is the question of regulation and enforcement. How do we ensure these standards are followed? *Government & Third Party Certification* was defined by the researchers as “any description of assurance, verification or endorsement by an outside party.” This category includes references to submission of materials, logos/labels/seals of approval, and coordination with other existing standards, public policy, or laws (government).” It is important to note that this category is not strictly government regulation. It refers to all forms of independent third party verifiers as well. The bottom line of this category is that green claims must be verified by someone independent of the organization making the claim.

Region was the only lens of analysis that showed clearly defined differences in content of regulatory documents. Region-specific standards should be the first priority due to this geographical disconnect.



When comparing subject matters across regions, it was found that these subject-specific documents are starting to appear in a small number of regions, but we still need more subject-specific documents written for different parts of the world.

IMPLICATIONS

Of the 18 categories determined in this study, *Government & Third Party Certification* and *Qualify Impact Terms & Performance Indicators* were the two most frequently emphasized. Organizations of all types from all parts of the world are calling for explicitly defined terms and performance measures to use in their environmental claims; as well as a clear method for establishing credibility of these claims by a third party organization or the government.

“ GREEN CLAIMS MUST BE VERIFIED INDEPENDENTLY OF THE ORGANIZATION MAKING THE CLAIM ”

Green claim guidelines and priorities differ most from region to region. Identifying geographical values and priorities should be the first step when creating a sustainability communication strategy or action plan. Region-specific standards should be the first priority due to this geographical disconnect. From there, Regulatory agencies should provide baseline standards for qualifying impact terms in green claims and publish recommendations for meeting those standards. Industries and product sectors may then create more specific guidelines if necessary.

Businesses and industries were shown to be focused on *Qualify Impact Terms & Performance Indicators* and *Government & Third Party Certification*. In addition to these, companies are encouraged to incorporate a well thought-out, detailed sustainability communication strategy into their current policies and operating procedures. It is recommended that companies align sustainability with existing values. Committing to sustainability for the long term will allow companies to fully integrate green procedures internally and avoid being pigeon-holed as dishonest opportunists by consumers.⁹

Government bodies will ultimately be asked to serve as a leader and/or enforcer of sustainability communication standards. Today, feedback in the United States calls for the government to act as a guide, providing leadership to industries and companies for making green claims. As the organization type most looked to for guidance and regulation, it is surprising to note that there is no mention of legal enforcement in national regulatory documents. For now, governments are acting as leaders and guides, rather than as the enforcers that we will eventually require.

Organizations seek explicitly defined terms and performance measures to use in their environmental claims; as well as a clear method for establishing credibility of these claims by a third party organization or the government. However, governments currently focus on the verification process rather than defining standards, terms and performance measures.

Stakeholders at all levels agree that green claims must be verified by someone independent of the organization making the claim. However, considering the growing hodgepodge of third party certifiers and eco-labels, we must ensure that our independent verifiers are also following the rules.

At this stage in standardization, **consumers** should continue to seek accurate, substantiated information when making purchasing decisions for eco-products. Claim regulations and verification methods are forthcoming and not yet common practice. As industries and governments move in that direction, improved specifications will be fueled by the increasing demand for sustainable products that provide a reliable environmental benefit.

All in all, there is a pressing, global need to determine “who is in charge.” Who will lead us and watch over us as we unite to standardize our guidelines for environmental communication? This is an area for more research and discussion among governments, NGOs, and industry leaders.

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supplier codes of conduct in business today

A Content Analysis

INTRODUCTION

Sustainability and Corporate Social Responsibility (CSR) have become part of many firms' triple-bottom line¹ approach to managing organizational outcomes. Motivations include pressure from non-governmental organizations (NGOs), current and future regulations, demand from retailers and consumers, and perceived competitive advantages. These forces have driven firms to reduce resource use and waste, improve the treatment of workers, engage with local communities, and provide consumers with safe products. In turn, firms have adopted a variety of mechanisms and media to communicate CSR-related strategy and outcomes to stakeholders.

“ A SUPPLIER CODE OF CONDUCT COMMUNICATES THE NORMS AND PRINCIPLES OF BEHAVIOR THAT ARE EXPECTED OF SUPPLIERS ”

Unlike CSR efforts of the past, however, where firms were only concerned with their own behavior, firms are also now expected to be responsible for the actions of their broader supply network. As stated by Roberts, “In an era where outsourcing is the norm, all major companies are going to have to find ways to ensure they understand and are able to influence the sustainability of their networks.” Both consumers and governments are increasingly holding product manufacturers responsible for human rights and environmental incidents within their supply chain. This can be challenging, however, as suppliers have different values, norms, and even legal contexts in which they operate.

As an example, consider the human rights abuses discovered in the early 1990's at overseas factories of suppliers to Nike. Nike managers contended that these were not the company's employees and thus Nike had no responsibility towards them. Consumers, however, tend to attribute responsibility to the firms they are familiar with versus those they are not, and thus guilt was attributed to Nike. Similar incidents with other apparel firms hastened the need for a managerial process to better manage suppliers' performance on sustainability. In 1996 the Apparel Industry Partnership was formed to prevent human rights abuses in the supply chain. One year later they presented an action plan to President Clinton that included a “workplace code of conduct.” In the same year, legislation was introduced in the United States Congress that would have held retailers and manufacturers responsible for human rights abuses in their supply chain.

Increasingly, a *supplier code of conduct* has become a key tool adopted to address these social issues within the supply chain. A supplier code of conduct communicates to suppliers, buyers, and relevant stakeholders the norms and principles of behavior that

are expected of suppliers in order to do business with the buying firm. The content of supplier codes has evolved over time. For example, fraud perpetrated by Enron and MCI brought attention to ethical issues, while recent concern for global warming has led to environmental criteria being added to some supplier codes.

While supplier codes of conduct have been broadly adopted across all industries, there is little research concerning their content.

Such knowledge is important because firms and individual buyers are using these criteria to select and develop suppliers, and suppliers are using these criteria to develop and execute conforming organizational processes and systems. If an area of concern

or topic is common in codes of conduct, it is likely that there is widespread adoption of processes and systems that address it; conversely, if a topic is uncommon, it is likely left unaddressed by many suppliers.

To further our knowledge concerning the content of supplier codes of conduct, we conducted a study to address the following research questions:

1. What topics are commonly addressed in a supplier code of conduct?
2. Do the topics addressed in codes of conduct systematically differ across industry, geography, and firm size?
3. How closely are firms following the recommendations of popular prescriptive codes?

We first collected a large sample of codes of conduct and analyzed them to understand the topics that are addressed in the codes. Second, we analyzed whether the content varied across industry, geography, or organization sizes via analysis of variance. Third, we compared the “average” code of conduct to various “prescriptive” codes of conduct that have been developed. The paper begins with an introduction to the history and purpose of supplier codes of conduct, briefly describes the sample selection and the method of analysis, and concludes with discussion and summary.

PURPOSE OF A SUPPLIER CODE OF CONDUCT

A supplier code of conduct has several purposes. Some argue that most supplier codes of conduct are nothing more than high-level policy statements used to communicate a firm's values to its suppliers. However, communicating these values to suppliers is an important part of managing sustainability in the buyer-supplier relationship. Additionally, codes of conduct establish a baseline of

expectations from which one can develop more detailed guidelines that can be monitored and audited. A secondary purpose is to demonstrate to external stakeholders that the organization has made a commitment to addressing labor, environmental, and ethical issues within their supply chains. Therefore, supplier codes of conduct are not only provided to suppliers, but also highlighted in corporate sustainability or CSR reports and provided on a firm's website. Finally, supplier codes of conduct act as a guide for what purchasing professionals (buyers) should examine during supplier selection and evaluation. To a buyer, the criteria are considered, along with other criteria, to be the minimum standards necessary to compete for the contract.

Perhaps due to the multiple audiences and purposes for supplier codes of conduct, there continues to be confusion about what is appropriate to include in such a code. There are a number of prescriptive examples of supplier codes of conduct developed by the United Nations (UN), the International Labor Organization (ILO), various industry groups, and various Non-Governmental Organizations (NGOs). Unfortunately, despite considerable overlap,

“ **COMMUNICATING VALUES TO SUPPLIERS IS AN IMPORTANT PART OF MANAGING SUSTAINABILITY IN THE BUYER-SUPPLIER RELATIONSHIP** ”

a single standard has not emerged. In fact, depending on the industry group or organization that developed a prescriptive code, standardization may not even be appropriate. As an example, an earlier examination of supplier codes of conduct by the Organization for Economic Co-operation and Development (OECD) indicated substantial variance between codes of conduct. However, the OECD report did not examine whether these variances existed systematically across industries or geographies. This research paper attempts to address this gap.

Before analyzing the content of codes of conduct, we shall briefly describe their structure using an example, the Electronics Industry Citizenship Coalition (EICC) code of conduct. The EICC Code was developed amongst electronics industry participants. It is used voluntarily to provide suppliers, who engage with multiple electronics customers, guidance to develop systems that support common norms and values. The EICC Code is broken into five sections: Labor, Health and Safety, Environment, Management Systems, and Business Ethics. Within each section is a group of standards denoted by a bold type bullet heading; see [Table One] for an excerpt of the Environment section.

TABLE 1 EICC CODE OF CONDUCT EXCERPT¹⁵

“C. Environmental

Participants recognize that environmental responsibility is integral to producing world class products. In manufacturing operations, adverse effects on the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public. Recognized management systems such as ISO 14001, the Eco Management and Audit Systems (EMAS) were used as references in preparing the Code and may be a useful source of additional information.

The environmental standards are:

1. Environmental Permits and Reporting

All required environmental permits (e.g. discharge monitoring), approvals and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

2. Pollution Prevention and Resource Reduction

Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

3. Hazardous Substances

Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

4. Wastewater and Solid Waste

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be characterized, monitored, controlled and treated as required prior to discharge or disposal.

5. Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.

6. Product Content Restrictions

Participants are to adhere to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances, including labeling for recycling and disposal. “

Electronic Industry Code of Conduct v3.0, pg. 6, accessed at www.EICC.info

The section begins with a values statement describing the EICC's overall posture towards minimizing impacts on the environment. The values statement is followed by the specific standards applied to the suppliers in the industry. Note that the five standards emphasized in the EICC code excerpt are specific and relevant to the Electronics industry; however the language is vague enough to allow firms outside the EICC to adopt similar language. Additionally, it is important to note that segregating the specific elements and standards, from a descriptive point of view, is revealing of the concerns within the industry. It's commonly known that hazardous chemicals, pollution, and water and air emissions cause some of the more harmful impacts of electronics manufacturing. As such, the EICC code has taken specific steps to reduce these issues in their code. As a counter example, the supplier code of conduct for HAECO (Hong Kong Aircraft Engineering Company Limited) provides a blanket values statement for the environment rather than specific standards [Table Two].

TABLE 2 EXCERPT FROM HAECO SUPPLIER CODE OF CONDUCT

"Environment

We have a responsibility to look after the natural environment both for today and in the future. All stages in the Supplier's supply chain shall comply with, and preferably exceed applicable national and legal requirements. HAECO will have a strong preference for Suppliers who publicly report upon and measure their environmental impact and seek to improve the impact of their operations upon the environment. We will have a strong preference to select suppliers whose goods or services can make a significant difference to reducing HAECO's environmental impact."

HAECO Supplier Corporate, Social and Environmental Responsibility Code of Conduct, pg. 1, accessed from http://www.haeco.com/about_haeco/HAECO%20Supplier%20Code%20of%20Conduct.pdf

ANALYSIS

Sample Description

Our analysis of supplier codes of conduct began with an extensive online search for publicly available supplier codes. Search terms included *supplier code of conduct*, *supplier code of practice*, *vendor code of conduct*, and *vendor/supplier code of business ethics*. A point of differentiation was made between firms that had posted general business codes of conduct and firms that had specific codes for their suppliers; we only sampled the latter. Standard business codes of conduct have a very different audience and thus, the language and attributes were determined to be materially different from supplier codes of conduct, despite that many firms stated they expected suppliers to conform to their business code of conduct.

A total of 117 codes were gathered and covered multiple geographies, industries, and firm sizes. Industry classification was done using NAICS codes; because we had smaller representation in some categories, we clustered into larger industry groups based on whether the industry was product or service based, and whether it was consumer facing or deeper in the supply chain [Table Three]. The geography of the samples, as defined by the location of corporate headquarters, was also categorized into three groups [Table Four]. Note that the codes we discovered were more heavily weighted towards United States firms. United States firms may be more apt to demonstrate transparency due to Sarbanes-Oxley, or perhaps increased media attention faced by United States Firms firms has pushed them to make their codes publically available. Finally, the samples were categorized by firm size. Firm size was measured as the number of employees; number of employees was then split into three groups encompassing small, medium, and large firms or less than 15,000, 15,000-35,000, and greater than 35,000 employees respectively [see Table five].

TABLE 3: NAICS GROUPING

Group	Included NAICS Codes	Percentage of Samples
Consumer Goods Retail, Wholesale, and Manufacturing	31-33, 42, 44-45, 48-49	54%
Resource Extraction and Refining	11, 21, 22, 23	21%
Services and Administration	51-56, 61-62, 71-72, 81, 92	25%

TABLE 4: GEOGRAPHIC GROUPING

Group	Percentage of Samples
North America	57.8%
Europe	27.6%
Asia	14.6%

TABLE 5: EMPLOYEE SIZE GROUPING

Group	Number of Employees	Percentage of Samples
Small	0-15,000	35.9%
Medium	15,000 – 35,000	27.2%
Large	35,000 and greater	36.9%

Identifying the Content of Supplier Codes of Conduct

A primary motivation of the study was to develop a description of the topics, or areas of concern, being addressed in supplier codes of conduct. There are multiple agencies, consortiums, and industry groups that have developed normative descriptions of what items should be of concern to supply chain managers and their firms. These items should manifest themselves in the supplier code of conduct. However, firms in different industries and geographies may have different issues of concern. As an example, firms in the food and agriculture business may need to address animal welfare in their supplier codes where as a firm in the electronics industry can omit this concern with little worry of it becoming an issue in the future.

In addition to industry specific items, the end user intent of the code may necessitate the inclusion of different items. Organizations may consider the code as a method of communicating the environmental and social values of the parent company to the supplier. Organizations may also consider a supplier code of conduct as a specific document detailing guidelines for behavior. Such a code can then be considered more of a standard; a document that firms can audit against. As an example, Apple describes their Compliance Audits as “grading the facility’s level of compliance with every detail of the Code.” In contrast, Pepsico considers their supplier code of conduct as a means to articulate to their partners and suppliers the internal priorities of honoring and respecting the people and environments in which they operate. In this manner, the language in the supplier code can be less specific, focused on communicating values rather than detailed standards.

To develop a list of primary topics addressed in each supplier code of conduct, each code was reviewed and the titles of each section or subsection of the code was extracted into a list. While the titles are not a complete description of the code content, they do represent a purposeful, semantic choice by the firm as to how to organize and thus emphasize particular topics. For example, the researchers contend that a firm that highlights “Child Labor” as a specific heading or element of the code feels that it requires more emphasis than a firm who includes child labor in a paragraph beneath a heading of “Compliance with International Labor Organizations (ILO) standards.” Working with the titles instead of the whole text also enables us to analyze the data in a more reliable manner. A total of 1,548 individual headers, or items, were extracted.

Next, methods of qualitative content analysis were applied. First, items were sorted to enable the removal of duplicates, reducing the total number of unique items to 467. Second, two researchers

independently examined the first 100 randomly selected items and developed a code, or category, that aggregated the items into logical groups. The two researchers then compared results and agreed to a set of common coding categories. For example, the items “Anti-Corruption,” “Bribery, Kickbacks, and Fraud,” “Business Ethics,” and “Corruption, Extortion, or Embezzlement” were assigned a specific code grouping them as similar items; the items then were eventually assigned to the category named *Ethics*. These two researchers then went through the initial items and sorted them according to the defined categories, computed reliability, and discussed discrepancies. The full text of a given code was examined when there was ambiguity about what the item meant. This was repeated for additional samples, until a set of common categories was finalized, and each code of conduct was coded as to whether it contained that category, or not. Table Six depicts the final 13 categories—or put another way, the topics or areas of concern most typical amongst supplier codes of conduct.

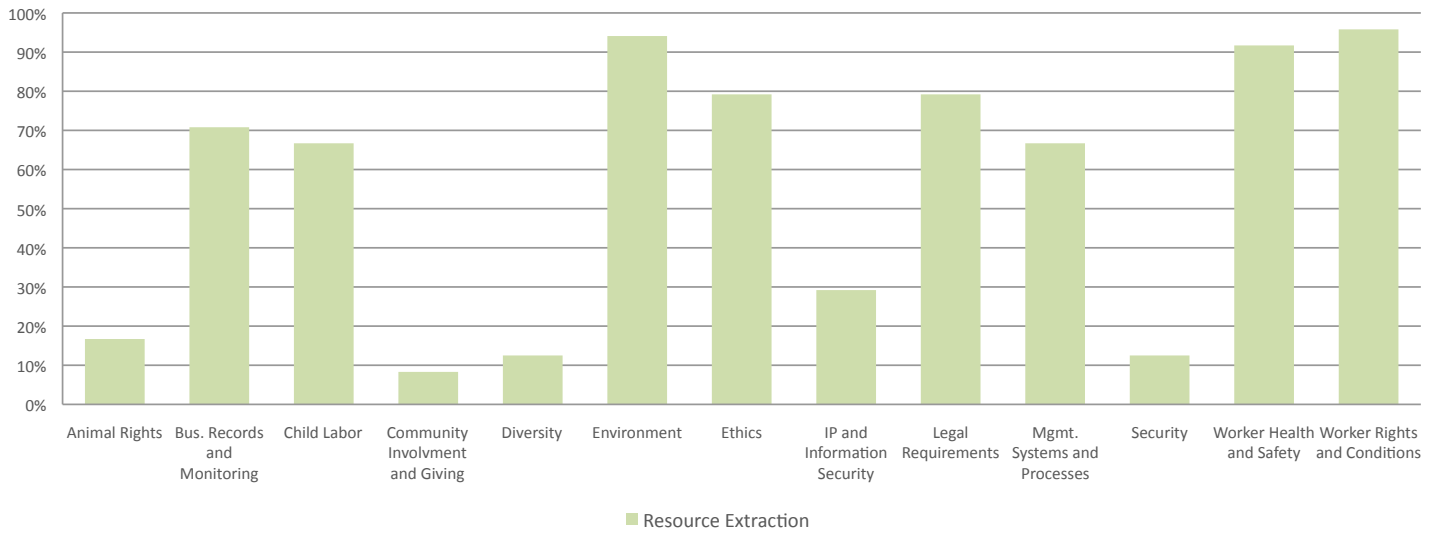
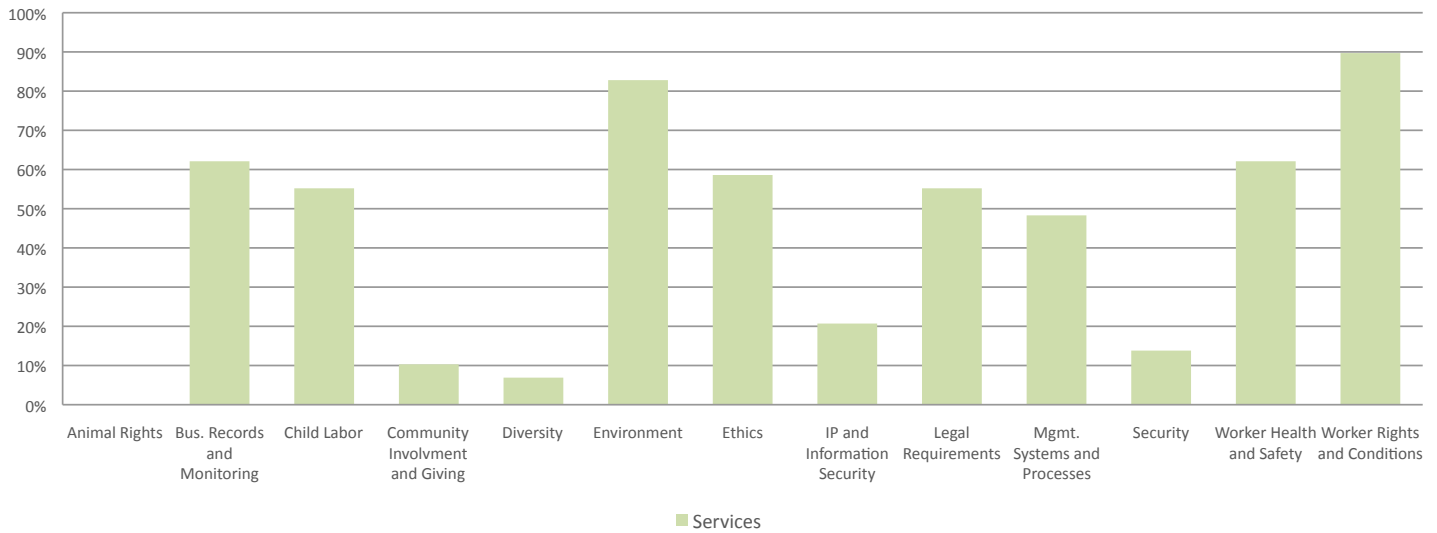
TABLE 6: THIRTEEN ISSUES IN SUPPLIER CODES OF CONDUCT

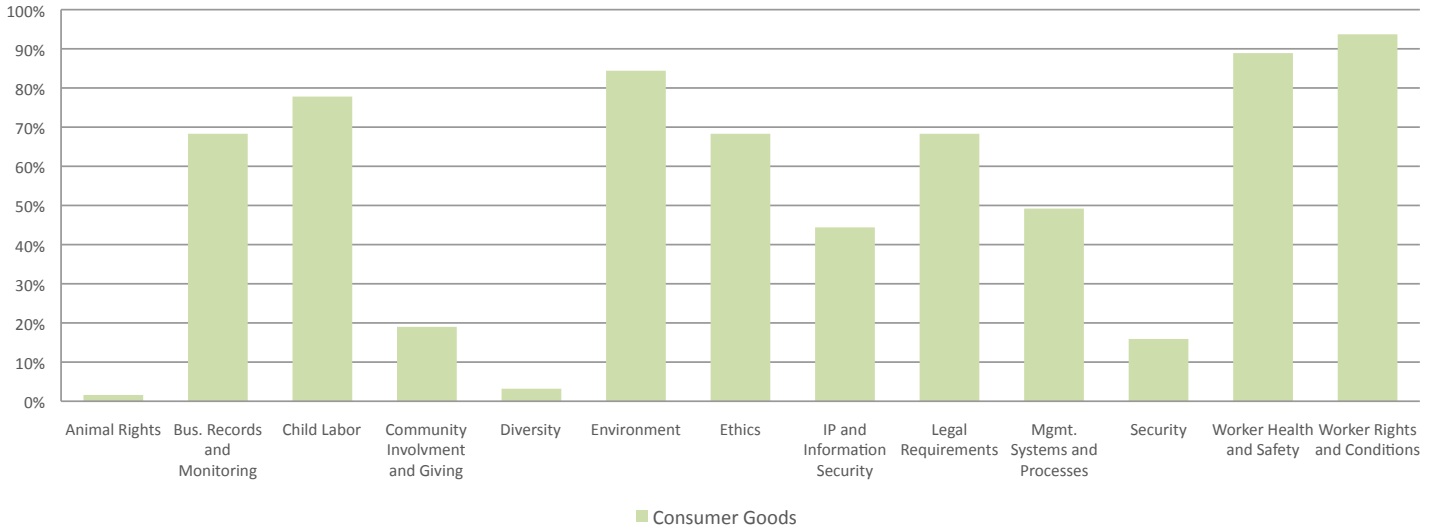
Category Label	Description
Animal Rights and Welfare	Includes any content that is specific to the humane treatment of animals within the supply chain.
Business Records and Monitoring	Content includes requirements for document retention, auditing, inspections, and communications. Also includes non-compliance reporting.
Child Labor	Content is specific to anything dealing with child labor.
Community Involvement and Philanthropy	Community involvement includes content describing commitment to engage the local communities where suppliers operate and charitable donations.
Diversity	Content includes a commitment to having diverse suppliers and workforce.
Environment	Content includes requirements regarding air emissions standards, product content restrictions, waste water treatment and solid waste reduction, and energy conservation goals.
Ethics	Ethics content includes bribery and corruption, fair business dealings, improper gifts, and conflicts of interest.
Intellectual Property and Information Security	Content addresses the use and protection of proprietary information, brand name and logo usage, and safeguarding of personally identifiable information.
Legal Requirements	Content includes meeting legal and regulatory compliance requirements, import and export laws, and anti-trust laws.
Management Systems and Processes	Content includes issues dealing with management processes such as requiring risk management, business continuity or continuous improvement processes. Also may address corrective action processes and Sarbanes-Oxley controls.
Security	Security addresses issues of compliance with Customer-Trade Partnership Against Terrorism, Physical Security, and Alcohol, Drug, and Firearm policies.
Worker Health and Safety	Content is similar to typical environmental health and safety requirements. Includes issues such as industrial hygiene, occupational safety, machine safeguarding and dormitory conditions.
Workers Rights and Discrimination	Content includes issues related to worker harassment, forced labor, wages and benefits, working hours, and the freedom of association.

The thirteen categories were present in varying amounts across the 117 samples, however there appears to be strong convergence on several topics: *Workers Rights and Discrimination* (93.1% of the samples contained this topic), *Environment* (84.5%), *Worker’s Health and Safety* (82.8%), *Child Labor* (69.8%), *Ethics* (68.1%), *Legal Compliance* (67.2%), and *Business Records and Monitoring* (67.2%). The remaining six items reflect different management processes, such as processes to protect information and brand image in the category *Intellectual Property and Information Security*. The inclusion of these topics in particular codes of conduct may reflect context-specific concerns.

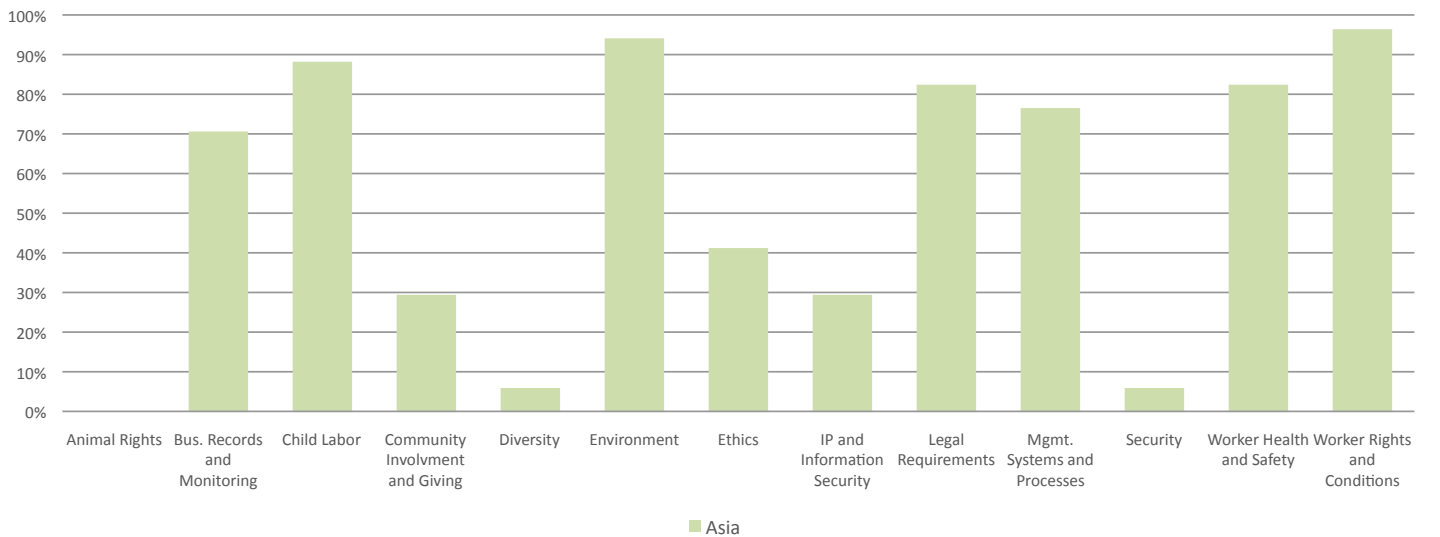
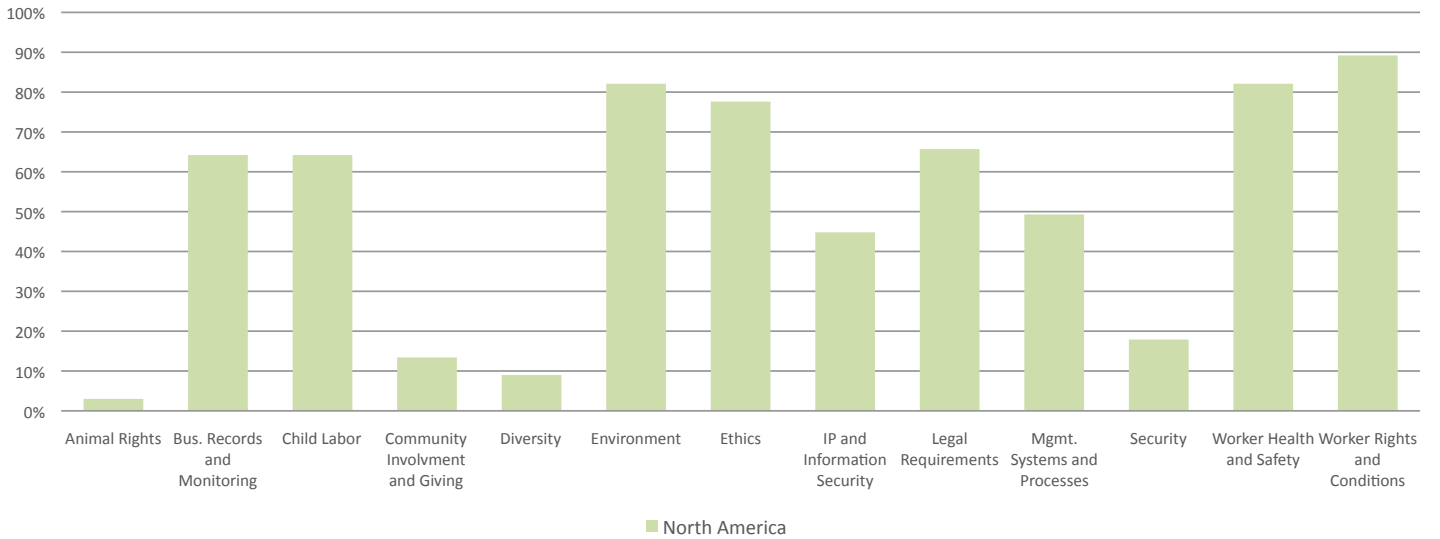


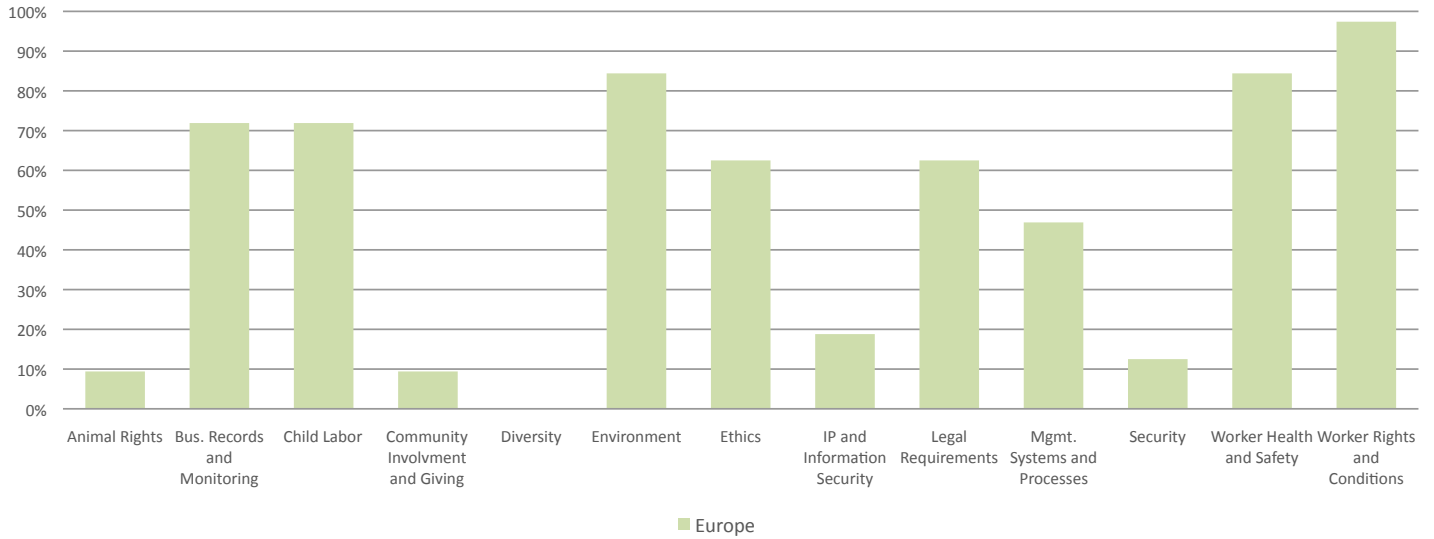
CHART 1.1 – 1.3: SAMPLE RESULTS BY INDUSTRY



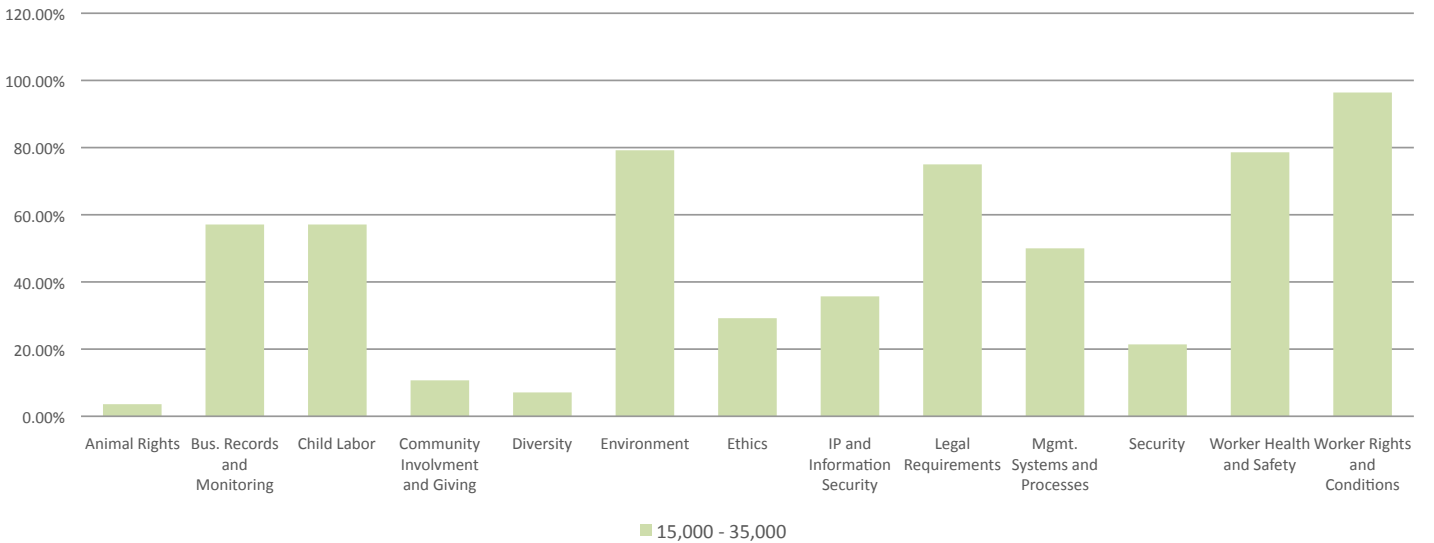
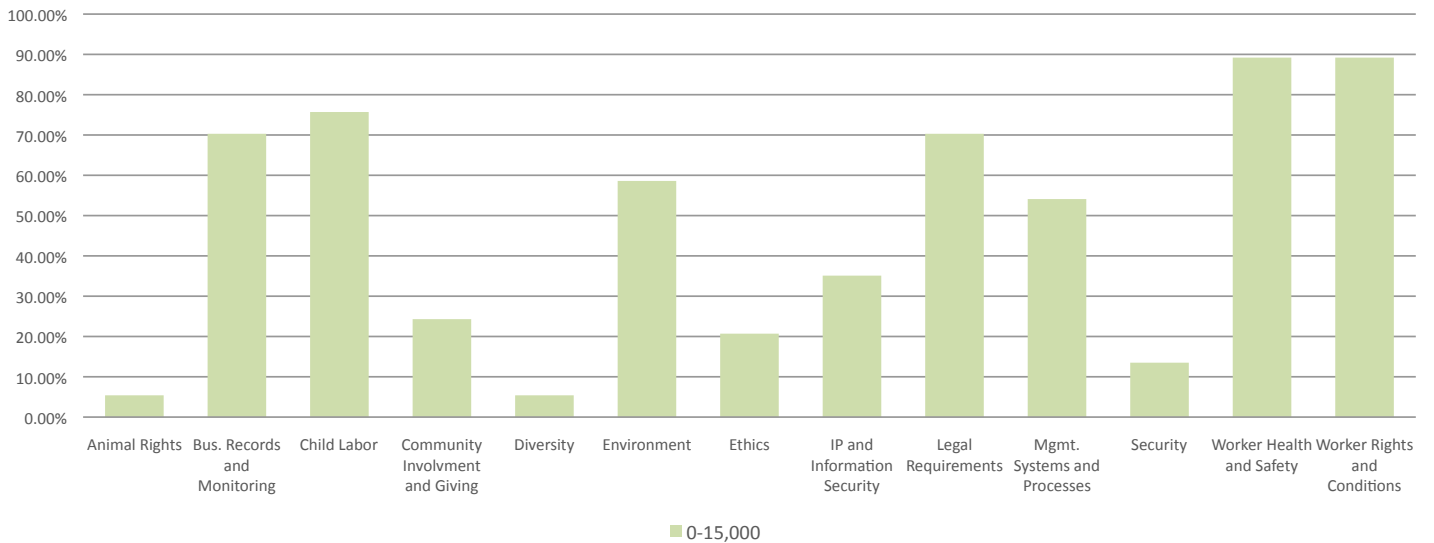


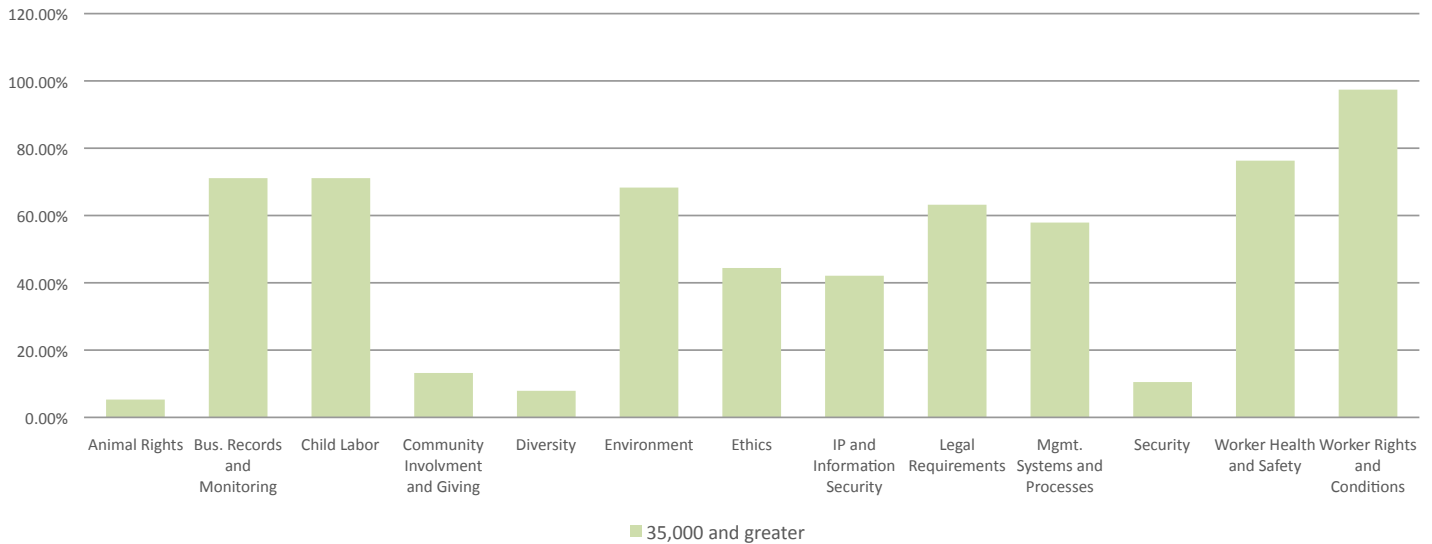
CHARTS 2.1-2.3: SAMPLE RESULTS BY GEOGRAPHY





CHARTS 3.1-3.3: SAMPLE RESULTS BY SIZE



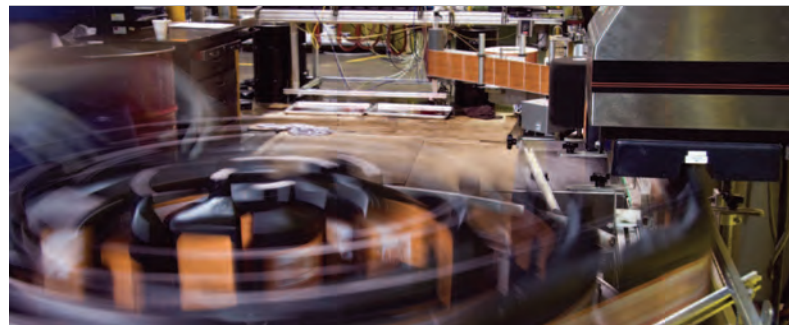


The predominant social categories (*Worker's Rights and Discrimination*, *Worker's Health and Safety*, and *Child Labor*) were expected to have high frequency since they cover the human rights issues that originally prompted firms to develop supplier codes of conduct. Within these three categories, a further review of the text of the sample codes indicates that they encompass all the primary prescriptive issues set forth by organizations such as the ILO and the OECD. Those firms that did not specifically emphasize these categories may perhaps have a supplier base that is more localized or does not do business in areas with high risk for human rights abuses.

Some speculative inference can be made about the overall intent of supplier codes of conduct based on the existing categories developed. As mentioned in the introduction, firms have been reactive in developing their code of conduct into a tool to improve the sustainability performance of the supply chain. The primary categories and their emphasis rates indicate that the codes are primarily considered a tool to ensure minimum compliance with international regulations and standards. Each of the seven categories included in a majority of codes addresses an issue that has both regulatory implications and a high degree of reputational risk. When viewing the elements that occur less frequently, such as *Diversity* or *Community Engagement* and *Philanthropy*, these issues are less hot button issues with consumers and media, and have little regulatory implications.

The category *Management Systems and Processes* may provide insight into whether a code portrays a value statement or policy requirement. This category includes elements that address the specifics of implementing the supplier code, taking corrective action, and managing whistleblower complaints among other

processes. Emphasizing such details may demonstrate that these codes are intended more as a policy or set of guidelines rather than a tool to communicate values. The fact that roughly half of the sample (52.6%) included this category as a point of emphasis indicates that there is not a clear consensus about the intended role of supplier codes of conduct.



Similarities Across Industries, Countries, and Firm Sizes

There have recently been increased efforts to standardize supplier codes of conduct with a goal of reducing the administrative burden of implementing and auditing against the codes of conduct. The Electronics Industry Citizenship Coalition, formed in 2004, is one example. The firms within the coalition jointly developed a standardized Supplier Code of Conduct and provide tools for audit compliance and reporting based on the code. Similarly, the Global Social Compliance Program was formed in an effort to synchronize supplier codes of conduct within the consumer goods industry. The motivation for the formation of both of the above-mentioned groups is to come closer to a single standardized set of principles that suppliers can adhere to. The rationale behind the effort is that a single set of standards increases understanding and compliance within the supply chain and thus reduces costs and facilitates the communication of best practices. While there is expected to be

some similarity between supplier codes of conduct within an industry or particular geography because of this, there is still an expectation that supplier codes of conduct would somewhat differ across industries and geographies due to cultural, legal, and regulatory differences between industries and geographies. We used statistical methods to determine whether the presence or absence of certain categories varied across industry, region, or company size.

Our analysis uncovered a remarkable level of similarity across industry, geography, and firm size. *Child Labor, Worker's Health and Safety* and *Worker's Rights and Discrimination* were the primary topics addressed within the codes of conduct as described above. The analysis of the data showed that, with respect to these primary social and human rights attributes, there was no statistical difference across geography or firm size. *Child Labor* and *Worker's Rights and Discrimination* also failed to show difference across industry groups. *Worker's Health and Safety*, however, was significantly different between industry groups, with *Resource Extraction* (91.7%) and *Consumer Goods, Retail, Wholesale, and Manufacturing* (88.9%) firms certain to include, while only 62.1% of Service firms included the item. This may be due to the fact that services have more local supply chains; thus if a Service firm in the United States is developing a code of conduct, they may assume that *Worker's Health and Safety* is already assured by existing local laws.

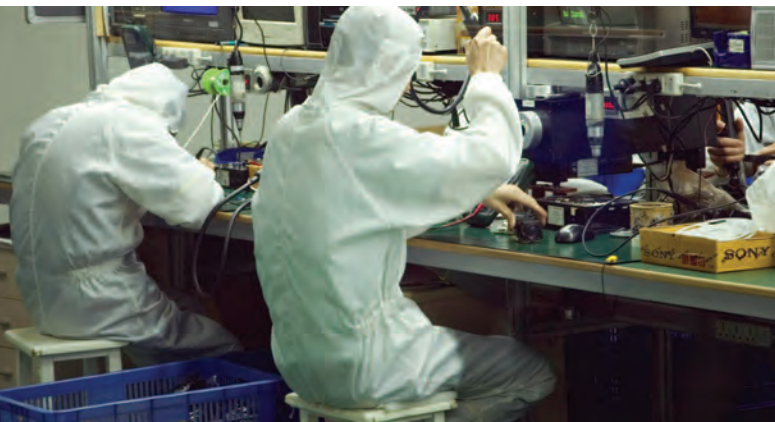
“ **THERE IS A REMARKABLE LEVEL OF SIMILARITY ACROSS INDUSTRY, GEOGRAPHY, AND FIRM SIZE** ”

of conduct on their own industry rather than their supply chain. As an example, a service firm does not necessarily purchase only other services, but most likely also purchases products made in the other two industry groups. Therefore, this may indicate firms are focusing too much on the industry they operate in rather than the makeup of their supply chain.

While there was more variation in the inclusion of criteria related to managerial processes and systems, there was still a large amount of similarity. The inclusion rates of the categories *Animal Rights, Business Records and Monitoring, Community Involvement and Philanthropy, Diversity, Environment, Legal and Regulatory Compliance, Management Processes, and Security* showed no statistical differences between industry, geographic regions, or size. *Ethics* did show significant correlations in both country group and size. North America (77.6%) and European firms (62.5%) were more likely to address *Ethics* than Asian firms (41.2%), and large (78.9%) and medium sized (82.1%) firms were more likely to include *Ethics* than small firms (54.1%). The *Intellectual Property and Information Security* category had the only other significant correlation with country group; North American firms (44.8%) were much more likely to include than Asian (29.4%) and European (18.8%) firms.

Firms, because of the participation in industry groups, are expected to have some similarity in the items they choose to address in their codes of conduct. However, the inter-industry and inter-geography similarity is somewhat unexpected. The similarity does indicate that firms are performing well in addressing social sustainability in their supply chains, with a caveat: the social issues firms have chosen to address in their codes of conduct are narrowly focused on human rights. In general, firms have been criticized for failing to address the social aspects of sustainability. In contrast to the criticism in recent years, the majority of firms appear to be addressing labor standards and workers' rights through their codes of conduct. Further, the inter-group similarities indicate there appears to be agreement across industries, geographies, and firm sizes on the particular importance of workers' rights. However, the low percentages of inclusion of other social elements, namely diversity and community involvement, indicate that firms have yet to move beyond the regulatory driven social elements, validating some of the criticisms.

Another reason may be that resource extraction and Consumer Goods, Retail, Wholesale, and Manufacturing firms may have a greater need to ensure the health and safety of workers. Firms in these industry groups are more likely to have workers using heavy machinery, handling hazardous chemicals, or having substantial numbers of workers living and working in a dormitory type campus. In contrast, firms in the Services industry, where the job duties are



In some cases, similarity goes beyond just addressing the same issues. Firms often mimic leaders in their field, and may even adapt a published code of conduct to use as their own. The analysis indicated there is evidence of duplication of the verbiage used in the supplier code of conduct by firms in different industries. Members of groups like the Electronics Industry Citizenship Coalition (EICC) have adopted a single code of conduct to standardize the regulations and requirements common suppliers must adhere to. However, the emergence of duplication across different industries suggests firms are searching for examples from other companies to aid in the development of their own codes.

“ ORGANIZATIONS FROM DISPARATE INDUSTRIES AND GEOGRAPHIES HAVE HIGHLY SIMILAR CONTENT ”

In order to examine how similar the text of different codes was, we used computerized text analysis methods to analyze the content of the whole code (not just the headers). Our analysis yielded multiple cases where organizations from disparate industries and geographies had highly similar content [Table Seven]. In one example, the University of Pennsylvania, Plantronics, and Herman Miller all clustered together. While in this case each is a North American based entity, they are in very different industries and presumably have very different suppliers. The University of Pennsylvania is an academic institution, Plantronics is a mobile headset manufacturer and Herman Miller is a manufacturer of high-end furniture. The relative risks and issues worker’s face in each of these supply chains is different and may necessitate specific requirements for each.

A closer review of the three supplier codes of conduct described above showed that the text of the codes was nearly identical, indicating they were perhaps adapted from a single example. The within-cluster resonance (a measure of discursive similarity) was 0.638 indicating an extremely high degree of uniformity. Such a high degree of similarity is almost impossible without direct copying of content between one source and another. Potential reasons may be membership in similar functional groups, attendance at similar conferences, or even coincidentally identifying and adopting a single example code from an online search. As a reference, the EICC member firms, which have all agreed to adopt the EICC supplier code of conduct, had a degree of similarity of 0.618.

There is some anecdotal evidence from the clustering analysis that this type of mimicry is directly related to membership in industry groups or buyer-supplier relationships rather than by pure coincidence. Three firms, Cathay Pacific, Hong Kong Dragon Airlines, and HAECO clustered together with a degree of similarity

of 0.651. It is easy to trace a potential connection between these firms. Hong Kong Dragon Airlines is a regional subsidiary of Cathay Pacific Group, and HAECO provides maintenance and engineering services to Hong Kong Int. Airport and is a direct supplier to Cathay Pacific as well. However, as mentioned above, there are clearly several cases where the potential connection is not so clear.

TABLE 7: SUPPLIER CODES OF CONDUCT GROUPED BY DISCURSIVE SIMILARITY

Firm Name	Potential Connection or Relationship
IBM Pitney Bowes	No identified relationship
Herman Miller University of Pennsylvania Plantronics	No identified relationship
Clas Ohlson RTX Telecom Navicura	No identified relationship
Cathay Pacific HAECO Hong Kong Dragon Airlines	Hong Kong Dragon Airlines is a regional subsidiary of the Cathay Pacific Airline Group. HAECO provides aeronautical engineering and maintenance services to Cathay Pacific.
Acqua Di Parma LVMH	Acqua Di Parma is a LVMH company.
Siemens OSRAM	OSRAM is part of the Siemens Family of Companies
Agilent Technologies Avago	Avago Technologies is a spinoff from Agilent Technologies
Briggs-Stratton John Deere VaporMatic SpartanChassis	VaporMatic is a tractor part and accessory firm purchased by John Deere. Briggs-Stratton supplies engines for John Deere Tractors. Spartan Chassis and John Deere both manufacture Motor home Chassis.
Apple Cisco HP Sony Sun Microsystems Intel Spansion Lexmark Viking Tech AUO	EICC Member Firms

The similarity may also be driven by a lack of understanding of potential risks within a firms own supply chain. Due to the fast growth of supply chains, both in size and geography, supply chain managers are faced with the difficult task of trying to predict a complex set of possible deviations from company values. This ambiguity about a firms’ supply chain, without proper support from management to commit resources to identifying the risks, may lead to shortcuts in developing a code of conduct by adopting a readily available code. If this were the case, then codes would tend to not be individualistic and instead show substantial duplication between firms, industries, and geographies as seen in the analysis above. This might indicate that codes are more a symbolic gesture than a tactical tool.

Comparison to Prescriptive Lists

Our third research question asks how closely aligned the firms' actual codes are with existing, prescriptive supplier codes of conduct. There are a few issues to note about this analysis. The absence of a prescriptive element from a supplier code of conduct does not mean the company does not wish to address this issue. Firms may decide the inclusion of a particular element is not necessary since it is not specific to their supply chain, or feel that it is adequately addressed elsewhere (such as in contracts or supplier development practices). The purpose of the analysis is to understand whether firms differ from prescriptive lists, and if so, on what topics. Some academics have argued that as specific items become more prevalent, they begin to be institutionalized. It's at this point that it is no longer necessary to include such items in a code of conduct, as they are more simply a requirement of being included in the supply chain. Systematic omission of a particular prescriptive element could indicate either the emergence of a new issue that has yet to be addressed or the maturation of an issue that makes it no longer necessary to specifically address.

The initial analysis compared the main elements from each of the prescriptive lists identified. Many of the prescriptive lists reference major international statutes such as the ILO and the UN Declaration of Human rights. The analysis aimed to compare the prescriptive lists from five major reference groups: Fair Labor Associations Workplace Code of Conduct (FLA), The Global Social Compliance Program's Reference Codes for Social and Environment (GSCP), Social Accountability Standard 8000 (SA8000), The Electronics Industry Citizenship Coalition Code of Conduct (EICC), and the Organization for Economic Cooperation and Development's Guidelines for Multinational Enterprises (OECD).

The prescriptive codes overlapped heavily on seven human rights areas: *Child Labor*, *Health and Safety*, *Forced and Prison Labor*, *Freedom of Association*, *Discrimination*, *Harassment, Abuse*, and *Discipline, Wages and Benefits*, and *Working Hours and Overtime*. The amount of duplication in each of the prescriptive codes supports the categorization of issues from the sample selection as the individual issues addressed above fit into the three primary issues listed in the samples: *Child Labor*, *Worker's Health and Safety*, and *Worker's Rights and Discrimination*. Furthering the analysis, the five prescriptive codes were compared against the thirteen major topic areas developed during the earlier analysis of supplier codes. The EICC code of conduct appeared to cover the largest amount of different areas at nine.

Two insights are worth noting. First, none of the five prescriptive codes addressed the primary topics of *Animal Rights*, *Diversity*, or *Security*. Despite the similarity between codes of conduct mentioned earlier, this indicates that firms are going beyond the recommendations of prescriptive lists and including topics that

“ FIRMS ARE GOING BEYOND PRESCRIPTIVE LISTS TO INCLUDE TOPICS SPECIFIC TO THEIR INDUSTRY ”

may be specific to their industry. The second insight to note is that despite some variation amongst the different prescriptive codes of

conduct, a majority of firms had little variance between their own codes of conduct. The prescriptive codes chosen address a handful of issues only and in most cases were not developed to serve as a comprehensive example of a code of conduct. Therefore, it appears that organizations are using an amalgamation of all the prescriptive codes in order to develop their own, thus providing a possible reason for the similarity.

TABLE 8: ANALYSIS OF PRESCRIPTIVE CODES OF CONDUCTS AGAINST 13 REALIZED CATEGORIES

Primary Elements	FLA	SA8000	EICC	GSCP	OECD	Percentage of Sample Total
Animal Rights						4.3%
Business Records and Monitoring						67.2%
Child Labor						69.8%
Community Involvement and Philanthropy						14.7%
Diversity						6.0%
Environment				(Draft Only)		84.5%
Ethics						68.1%
Intellectual Property and Information Security						35.3%
Legal Requirements						67.2%
Management Systems and Processes						52.6%
Security						7.8%
Worker Health and Safety						82.8%
Worker Rights and Conditions						93.1%

DISCUSSION

The results of the study indicate a promising trend. Despite earlier studies that have looked qualitatively at the content of supplier codes and suggested there is a great deal of variance, this study shows that there is actually a high amount of statistical similarity between the core issues addressed by supplier codes. The convergence of issues addressed in supplier codes of conduct indicates that firms have come to agreement on some of the primary sustainability issues prevalent in the supply chain today. The benefits of this issue convergence should be a reduction in opportunistic behavior by firms and improvement in the adoption of the specified behavior by suppliers. Without such agreement on issues, firms may have incentive to quit doing business with a particular buyer rather than make the investments needed to be compliant with a particular code of conduct, essentially allowing them to pick and choose to comply with the standards that minimize their financial cost.

A closer look at the language used still may indicate areas for improvement. For instance, in Eaton Corporation's supplier code, the language used to address environmental performance is focused only on compliance to applicable laws: "Suppliers' plants must comply with all applicable environmental laws and regulations."¹⁹ As noted in the EICC case earlier, the EICC code is much more specific about its requirements and the types of environmental practices suppliers must adhere to. This type of variance may allow suppliers to perform a simple cost-benefit analysis to weigh the cost of adopting more stringent standards against the forecasted profit from a sale. Thus, the coalitions approach to code development and implementation, such as EICC, can be beneficial both by reducing the chance of opportunism by suppliers and also by allowing industry groups to enforce more stringent standards.

Our analysis indicated that current supplier codes of conduct reflect a compliance and regulatory perspective, which is hardly an aggressive stance from a sustainability perspective. Bell Canada, for example, addresses the environmental performance of their suppliers by asking them to "comply with all applicable statutes, regulations, guidelines, codes of practices, orders from and agreements entered into with government authorities relating to the protection and conservation of the environment, including the use, handling, storage, transportation and disposal of regulated hazardous substances." This type of code is clearly aimed towards ensuring compliance to environmental regulations and minimizing the risks of reputational damage to the focal firm from any environmental incidents, but does not address larger imperatives regarding climate change or environmental quality.

“ MANAGERS MUST TAKE EXTRA CARE TO EXPLAIN THE BENEFITS OF ADHERING TO THE CODE ”

Because the results indicate a top down, compliance oriented code, managers must take extra care to explain the benefits of adhering to the code. A World Bank study indicated that a primary barrier to successful implementation of the codes is that suppliers are unclear of the business benefits of implementation. Additional research has even likened the difficulties in implementing supplier codes of conduct to many of the quality issues in the 1980's, including making the business case. As many codes ask firm managers to adhere to standards above and beyond the local legal requirements, it is important to have local leader buy-in to the principles, and explaining the business case goes a long way towards doing so.

The compliance-focused code of conduct could be considered the first step towards collaborative sustainability with suppliers. Initial steps in working with suppliers will focus on compliance and meeting minimum standards, much the way firms have addressed internal efforts. Once these objectives are achieved, one would expect firms to update their supplier code of conduct to reflect more non-compliance related topics such as community involvement and engagement or moving from pollution control to pollution prevention. Further, because there is not a clear consensus on the use and purpose of supplier codes of conduct, the codes should continue to evolve along with the buying firm's sustainability initiatives. The codes can thus evolve to a declaration of the joint efforts of the buying firm and supplying firm to move the supply chain in a more sustainable direction.



From a business case, providing a supplier code of conduct may build trust with customers and thus be economically viable for the buying firms, but from a normative standpoint there still remains a question about how effective the use of supplier codes of conduct are. The low inclusion rates of many procedural and process

related issues, such as *Security and Management Systems* and *Processes* indicates that firms are using the supplier code of conduct to support their overall CSR reporting efforts and the primary focus is to inform external stakeholders of their commitment to reducing the occurrence of social or environmental issues. As a tool to effect change in the supply chain, it may be limited. Evidence has shown that simply creating a code does not affect changes in behavior and further management activities are needed. Buyers may need to use supplier development, contracting, and influencing laws and regulations to bolster the performance of the supply chain.



Recent developments at Foxconn, a manufacturer of electronic components for Apple, HP and Dell and a member of EICC, exemplifies some of the struggle buyers face in using a code of conduct to affect change. Media reports about a rash of suicides at the Hon Hai plant owned by Foxconn has brought bad publicity to the buying firms using Foxconn as a primary supplier, particularly Apple. From the consumer point of view, these further types of issues may actually increase the distrust of a firm since the supplier code looks like empty promises and may be categorized as further “greenwashing” by firms. Despite that Foxconn appears to be meeting the requirements set forth in the EICC code, additional involvement from the firms to improve the situation is required. This underscores that developing a supplier code of conduct is only one part of the supply chain management process.

The final point of discussion is that the absence of enforcement language in the codes of conduct may undermine the effectiveness of efforts to improve the supply chain. If organizations are using supplier codes of conduct as a compliance document, then there should be explicit penalties for non-compliance. In contracts, firms regularly include penalties for late delivery or poor quality. Very few of the codes of conduct that we sampled mentioned non-compliance penalties. This may again underscore the confusion about the use

of the supplier code of conduct. As a values document, this type of language is not expected. However, adding this type of language could improve compliance and also aid procurement professionals in their use of the supplier code of conduct for vendor selection and supplier management processes.

CONCLUSION AND MANAGEMENT IMPLICATIONS

Overall this study suggests that there is a key question that should be addressed when implementing a supplier code of conduct: Who is the audience? There appears to be a lack of consensus about whether the supplier code of conduct is a detailed set of standards to be monitored and audited against, a communication tool used to help a firm’s suppliers understand the buying firm’s values with regards to responsibility to people and the environment, or simply a tool used to reduce reputational risk in the eyes of consumers as part of the overall CSR efforts. The similarity between codes of conduct shows firms have done little to tailor their codes to specific industries or geographies or their suppliers, yet the compliance focused language and topics indicates that supplier codes generally are not being used as values statements. As such, a supplier code of conduct has the risk of becoming a hollow document that firms develop as part of the norms of doing business in a more socially conscious business environment. This would parallel the early web pages created during the rise of the Internet, when firms built initial websites because everyone else was doing it and gave little thought as to what to communicate and who the audience was.

“ WHO IS THE AUDIENCE? ”

This study aimed to develop an analytical description of supplier codes of conduct. The results indicated that there is a large amount of similarity amongst supplier codes of conduct, and that the topics addressed tend to be focused on compliance related issues. However, supplier codes may potentially satisfy the needs of several different stakeholders. Management should consider the code’s audience and develop a code of conduct that imparts a specific message to each stakeholder. Organizations may decide to move the more compliance related aspects into supplier contracts and keep the supplier code of conduct as a tool to communicate the organizations values to consumers and suppliers. Further, it is clear that as organizations begin gaining a deeper understanding of their sustainability strategies, managers must decide how the supplier code of conduct evolves as well.

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