

Building demand for sustainable commodities

How brands and retailers are engaging domestic markets in Brazil, China and India

April 2015



ISEAL is a non-governmental
organisation whose mission is to
strengthen sustainability
standards systems

for the benefit of people
and the environment



Foreword

The ISEAL Alliance is the global membership association for sustainability standards. Its mission is to strengthen sustainability standards systems for the benefit of people and the environment.

ISEAL is the global leader in defining and communicating what good practice looks like for sustainability standards through guidance and credibility tools, such as the Codes of Good Practice. The four goals of ISEAL are to:

- › Demonstrate and improve the impacts of sustainability standards systems;
- › Improve the effectiveness of sustainability standards systems;
- › Increase the adoption of sustainability standards systems; and
- › Define credibility for sustainability standards systems.

ISEAL's membership is open to all multi-stakeholder sustainability standards and international accreditation bodies that demonstrate their ability to meet the ISEAL Codes of Good Practice and accompanying requirements, and that commit to learning and improving. ISEAL also has a non-member, subscriber category to engage with standards systems in development and other stakeholders with a demonstrable commitment to the ISEAL objectives. Further information about the ISEAL Alliance and its membership is available at www.iseal.org

In 2011, ISEAL identified emerging markets—specifically Brazil, India and China—as a strategic priority for the standards community. This prioritisation was based on these countries' role as the world's biggest producers and buyers

of key commodities, the significant social and environmental challenges they are currently dealing with, their growing middle class population with an interest in sustainability and finally the international leadership roles these countries are increasingly taking on.

In 2012, the Swiss Government's State Secretariat for Economic Affairs (SECO) awarded ISEAL a three-year grant to work in Brazil, India and China. The focus of this grant has been on building general awareness of sustainability standards in emerging economies and the importance of credibility. A further objective of the grant has been to assess how the domestic use of standards in emerging markets could be encouraged.

This report was commissioned as part of this assessment. It is intended to stimulate discussion within the ISEAL community around the drivers behind the domestic demand for certified products in emerging markets, and the role that brands and retailers can play in building this demand. This study comes at a particularly opportune time—over the past three years ISEAL members have invested heavily in building their presence in emerging markets and the growth in the supply of standards-compliant production is evidence of this investment. The next stage of this emerging markets journey is to develop and implement projects, programmes and initiatives aimed at households, businesses and governments to increase the number of certified products they actively demand and ultimately purchase.

In closing, the ISEAL Alliance would like to acknowledge the support of all our members, companies and NGO partners who participated in this study. We are very grateful to the staff of these organisations who generously gave their time and shared their valuable experiences and insights.

Report prepared for the ISEAL Alliance by Sean Gilbert.

Left: Nanjing Road, Shanghai, China. The area is the main shopping district of the city and one of the world's busiest shopping streets © SeanPavone | shutterstock.com

ISEAL's work to scale up the adoption of standards in emerging markets is made possible through a partnership with



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Abbreviations and acronyms

B2B	Business to business
FMCG	Fast Moving Consumer Goods
FSC	Forest Stewardship Council
IISD	International Institute for Sustainable Development
MSC	Marine Stewardship Council
NGO	Non-Governmental Organizations
OECD	Organisation for Economic Co-operation and Development
P&L	Profit and Loss
USA	United States of America
VSS	Voluntary Sustainability Standards
WRI	World Resources Institute
WWF	World Wide Fund for Nature

Introduction to the project

Over the past two decades, sustainable sourcing of agricultural commodities and the use of certification and labelling has made significant strides.

According to the International Institute for Sustainable Development (IISD), the percentage of global commodity production that has achieved certification has now risen past 33% for some commodities and shows signs of continued growth.¹

Over the past two decades, industry and other stakeholders have invested considerable resources into defining sustainable production practices and rolling these out to suppliers. However, with the success of initiatives to build a supply of sustainable products, there is now a growing imperative to match the supply with growth in demand.

Much of the past effort to build demand for certified or standards-compliant products has focused on developed markets such as Europe and the United States of America (USA). However, given global growth trends, Brazil, China and India will play a key role in determining how far demand for sustainable and certified agricultural commodities can grow. According to Organisation for Economic Co-operation and Development (OECD) forecasts, Brazil, China and India will account for a larger percentage of the projected global consumption growth than North America and the European Union (see Appendix 1). In addition, Brazil, China and India will surpass North America and the European Union in their overall share of global consumption (see Appendix 1).

These countries already embrace their role as producing countries but they will have to become drivers of sustainable consumption as well. The changing structure of the global economy and demographics suggests that the chances of being able to achieve tipping points to convert commodity chains to sustainability on the basis of demand from developed economies alone are unlikely². However, there is currently the unanswered question of how best to stimulate rapid growth of domestic demand in these countries for sustainable products to get ahead of the curve.

In 2012, with the support of the Swiss State Secretariat for Economic Affairs (SECO), the ISEAL Alliance launched a three-year project aimed at increasing the uptake of sustainability standards in Brazil, China and India. The wider standards community has recognized the importance of these markets and both ISEAL members and other partners such as Non-Governmental Organizations (NGOs) have been grappling with how to engage most effectively. Early on, the project identified global brands and retailers as having potential interest in and ability to contribute to stimulating demand in these markets. Over the past two years, many of the leading companies in the retail, food and beverage sectors have set targets for sustainable sourcing and launched major initiatives to build a supply of materials that meet the requirements of various standards. Many of the major international companies that have helped incubate standards development are also actively growing their presence in the Brazilian, Chinese and Indian markets.

At the same time as leading companies are rolling out programmes, market surveys covering the Brazilian, Chinese and Indian markets show that consumers have a growing interest in sustainability issues. Countries such as China and India are reaching points in their development where momentum is growing to address issues of pollution, social protections and income equity. Surveys of consumers in emerging markets indicate a desire for green products, high expectations of companies to deliver on a range of external values and a readiness to embrace product innovations. Yet, despite the combination of companies committed to sustainable sourcing and seemingly interested consumers, nothing has yet sparked a wave of growth in the consumption of sustainably sourced products in these markets.

This project, therefore, set out to look at the experience of international companies and their potential role in building demand in Brazil, China and India. Through interviews and workshops, the project sought to understand:

- ▶ Whether companies have been actively giving visibility to their sustainable sourcing in products aimed at Brazilian, Chinese and Indian markets;
- ▶ Examples of how companies individually or collectively have developed domestic markets for sustainably sourced/certified products.

¹ Potts, J., Lynch, M., Wilkings, A., Huppé, G., Cunningham, M. and Voora, V. (2014). *The State of Sustainability Initiatives Review 2014: Standards and the Green Economy*. International Institute for Sustainable Development (IISD), page 91

² Molenaar, J., Kessler, J., Blackmore, E., Vorley, B., Gorter, J. and Simons, L. (2013). *Building a Roadmap to Sustainability in Agro-commodity Production*. Aidenvironment, NewForesight, IIED, commissioned by the International Finance Corporation, pages 46–47. Demand for certified products is driven primarily out of the Europe and the North America at the present time. See Appendix 1 for more data on consumption trends and market shares.

Given the focus on the consumption end of chains, the project did not investigate the experiences of companies in working with suppliers in these countries to implement standards.

Through the above research, the project aimed to identify options for collaboration with brands and retailers to stimulate demand for the use of standards and certified/sustainably sourced products in Brazil, China and India.

Guiding the focus

In pursuing the discussions, it became important to make clear distinctions around certain points:

Customers versus consumers

This study did not seek to focus exclusively on consumers and included interviews with companies that sell to institutional clients. However, many of the conversations about 'domestic demand' and institutional customers eventually return to prospects for stimulating consumer demand since many companies operating in B2B relationships still find that their customers' priorities are influenced by consumer behaviour. This study uses the term 'customer' to include both institutions and individuals and makes explicit use of 'consumers' where these distinctions emerged in the course of interviews or workshops.

Demand for certified product versus demand for standards

Demand for certification and demand for standards are not always subject to the same drivers nor do they necessarily result in the same activities. Certified products and labels cannot come to market without underlying standards but companies can implement standards in their supply chains without taking the additional step of applying a label to their products or emphasizing this in their communications to customers or other partners. An example would be the Better Cotton Initiative, which includes a system of verification but has not yet taken steps to promote a consumer-facing label. The recommendations in this report focused on pathways for stimulating demand for certified products. However, where potential is limited, they also address the opportunity to promote the use of standards only.

The percentage of global commodity production that has achieved certification has now risen past 33% for some commodities and shows signs of continued growth

Drivers of domestic demand

The relative importance of domestic versus international players as buyers varies substantially by market and commodity depending on the level of industry consolidation, foreign investment in the market and other commercial factors. Companies that are dominant purchasers in one country may be minor players in another country.

Given the breadth of regions and commodities covered in this study, it was not possible to assess whether the greatest concentration of purchasing power in a given commodity or market lay with international companies or with companies focused solely on the domestic market. Consequently, the recommendations focus on how to work with international companies on the assumption that they are capable of influencing broader market demand trends across product categories and across markets. However, any further in-depth research to develop specific action plans would benefit from a deeper assessment of the market structure of individual commodities and countries to determine which industry segments have the greatest potential to stimulate demand.

Report outline

This report is written as a resource for any organizations seeking to stimulate demand for the use of sustainability standards and certified products in Brazil, China and India. The recommendations and observations are not limited to the ISEAL Alliance itself but are intended to be useful for NGOs, standards bodies, policy-makers and others working on the subject.

Part 1 | Setting the scene

Part 1 introduces the market context for the research. The convergence of corporate work on building supply chains and preferences expressed by consumers provide the basis for investigating the potential for scaling demand.

Part 2 | Current activity

Part 2 provides an overview of research findings on activities in the marketplace. The section is structured around the framework for pathways for impact (see Figure 1). The section includes case studies where available.

Part 3 | Scaling up engagement

On the whole, the research identified very limited activity aimed specifically at building domestic demand but common themes did emerge for the factors that would influence decisions to invest and the enabling conditions needed for investments. This section shares findings on the triggers and enablers needed to stimulate more activity amongst brands and retailers.

Final recommendations

The final section of the report outlines recommendations for how ISEAL and its partners could work with brands and retailers to further stimulate demand for the use of certified products and, secondarily, the use of sustainability standards.

Research methodology

The project started with a review of databases and a limited secondary literature scan regarding demand-building initiatives. A series of interviews and workshops were held between September 2014 and January 2015 in London UK, India and China. In addition to the workshops, the project conducted over 30 interviews with individuals working in companies and experts involved in the ecosystem surrounding certification and standards. The corporate participants included in the research were identified on the basis that there was:

- › A corporate commitment to sustainable sourcing, preferably a quantitative target relating to use of certified products;
- › A presence in at least one of the target markets of Brazil, China and India.

The criteria were selected on the assumption that companies with commitments in place were the most likely to already be taking steps towards building domestic demand or would be the most immediately receptive. The majority of the companies that met the above criteria were multinational corporations headquartered outside of Brazil, China, and India. For future study, it will be important to develop a deeper understanding of the leading Brazilian, Chinese, and Indian buyers of commodities that have not yet developed sourcing commitments. These companies already represent an important part of the demand-side and will likely only increase in relevance over time.

The interviews generally started with staff from headquarters and sought additional input directly from individuals in the regions where feasible. Experts were selected on the basis that their organization had an active role in the implementation of sustainable sourcing certification and/or standards development for commodities included in the scope of the study.

The individuals and institutions interviewed covered a range of commodities although the majority of the interviews focused on commodities which represent a key ingredient in the final products such as tea, coffee, cotton, fish, pulp and paper. Brazil, China and India represent key destinations for commodities such as sugar and palm oil but these products are subject to substantially different drivers compared with commodities which are seen as part of the value proposition of final products.

Given the limited number of interviews and breadth of regions and commodities covered, the research aimed to provide a snapshot of the markets supported by anecdotes that illustrate potential pathways rather than an empirical assessment. Further research steps could include more in-depth empirical assessments of individual markets and commodities.

Research framework

The research process was guided by the assumption that companies could influence the market either directly or indirectly (see Figure 1). Interviews were conducted on a semi-structured basis to seek examples of either type of influence or activity or, in the absence of examples, clues as to what conditions would be needed to stimulate investment along the pathways.

Companies can directly stimulate greater demand for certified products or use of standards through their own operations and product portfolio. Companies can introduce new products that are explicitly tied to sustainability standards or relate to themes that relate to environmental and social concerns. New product launches are accompanied by marketing initiatives and engagement with customers, which can play a valuable role in raising awareness and understanding of sustainability in the marketplace. Similarly, companies can invest in their value chain to support other business partners in increasing the demand for certified or standards-compliant products in the market.

Companies can also choose to work with others to stimulate demand for certified products or use of standards in the market. These collaborations can take the form of campaigning or educational partnerships or they can be oriented more around driving collective industry action. Collaborative initiatives are necessary for introducing practices across a sector but may have more limited leverage to change consumer behaviour.

The underlying assumption of the research is that either direct or indirect actions by companies can contribute to creating ‘pull’ to move an industry along the S-curve (see Figure 2). Companies can help influence and – in some cases – even create markets through their product innovations and consumer engagement. The early stage of the S-curve can be accomplished without strong consumer demand since companies can rely on benefits from improved supply chain management. However, moving past critical mass and into mainstreaming will likely require a level of active customer interest in the sustainability attributes of brands and/or products.

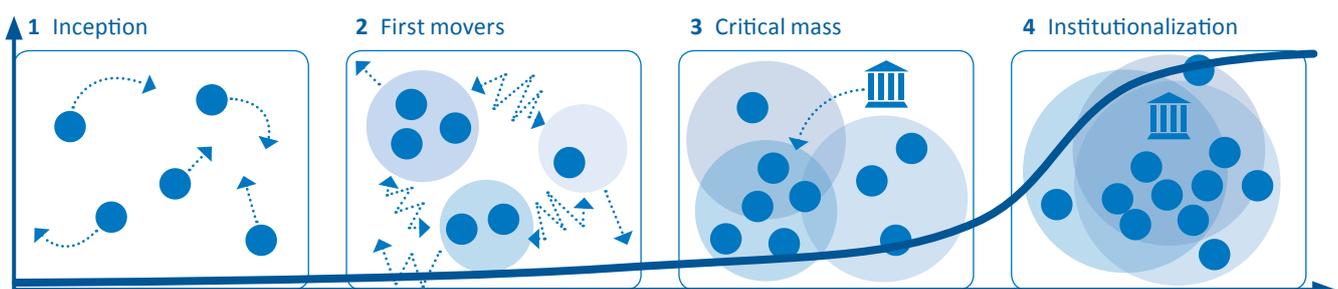
It should be noted that the ‘pull’ of consumer interest can manifest itself either in terms of specific purchasing behaviour to favour sustainable products (e.g. increasing sales of certified coffee) or through avoidance of brands that are perceived to have unsustainable products. ‘Demand’ will not always manifest itself as willingness to pay premiums and may, instead, be manifested as minimal requirements in order to maintain trust in the marketplace. In either case, the interest and demands of consumers influence decisions on product portfolio and brand position.

This research is intended to contribute to the discussion of how to build the necessary market ‘pull’ to shift commodities up the curve over time.

Figure 1 | Pathways for brands and retailers to influence demand



Figure 2 | The Sustainable Transformation Curve (S-curve) for agricultural commodity sectors³



³ Molenaar, J., et al. (2013). © New Foresight



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Brazil, China & India

will most likely emerge amongst
the leading global consumers
for commodities

Part 1 | Setting the scene

Over the past two decades, sustainable sourcing of agricultural commodities and growth in the use of certification and labelling has made significant strides.

Since the emergence of the Forest Stewardship Council (FSC) in 1993, the model of certification and voluntary standards setting has been extended to more than a dozen types of commodities with significant success. According to the IISD, the percentage of global production that has achieved certification of major commodities has now risen over 30% for some commodities and continues to show growth. The past decade has seen substantial investments in establishing sustainability standards, implementing these across chains and building capacity to deliver supply.

Table 1 | Compliant production as a percentage of global production 2008–12

Commodity	2008	2012	2012 Standards compliant sales
Coffee	9%	40%	12%
Cocoa	3%	22%	7%
Palm oil	2%	15%	8%
Tea	6%	12%	4%
Cotton	1%	3%	2%
Bananas	2%	3%	3%
Sugar	<1%	3%	<1%
Soy beans	2%	2%	1%

Source: IISD, *State of Sustainability Initiatives Review 2014*, pages 90–91, figures 4.2 and 4.3

Looking ahead, broader demographic trends pose new imperatives for the world of sustainability standards. Commodity production is forecast to grow significantly in many categories over the coming decades to match the world's demographic changes as population grows and increasing numbers of people live affluent lifestyles. In addition to motivating all current production to apply sustainability practices, there is also an imperative to ensure that the world's new production chooses the path of sustainable production.

Shifting the path of global commodity production ultimately will require stimulating sufficient demand to establish the market incentives for using certification and standards. According to IISD research published in 2014, most commodities currently face an oversupply, which they refer to as a 'consistent condition in sustainable markets over time'.⁴ While a certain degree of over-supply is natural, there is a concern amongst sustainable commodity producers to ensure that this gap neither becomes too large nor becomes a drag on the industry.

In this context, Brazil, China and India have a special relevance. Brazil and India are currently ranked amongst the top three producers of a number of commodities. Perhaps more important, if forecasts for economic growth prove accurate, these countries will also most likely emerge amongst the leading global consumers for commodities. Rapid economic development of these countries promises to bring hundreds of millions of new consumers into the global middle class.

Ernst & Young forecast that:

- ▶ the number of households in Brazil with over US\$50,000 in annual disposable income will increase by over 50% by 2020,
- ▶ by 2030 China will have around 1 billion people in the middle class,
- ▶ by 2030, India will have grown its middle class from 50 million people to 475 million people.

While estimates vary across forecasters, all anticipate major growth in the size of the middle class in these countries.⁵

The rise of increasingly affluent consumers in these countries will almost certainly be accompanied by increasingly resource-intensive lifestyles. As a foreshadowing of the future, China is already the leading consumer of commodities such as cotton, farmed fish and soy according to OECD data. Although this may currently be partially driven by processing of materials for purposes of export, growing domestic demand in China will see an increasing percentage of consumption directly by Chinese consumers. Taking meat and dairy consumption as an example, the World Resources Institute (WRI) projects that from 2006 to 2050, consumption in China will increase by 46% and consumption in India will increase 94%. As a whole, the WRI expects world consumption to increase by 23%.⁶

⁴Potts, J., et al., page 91

⁵Ernst & Young Global Limited. *Middle class growth in emerging markets: China and India: tomorrow's middle classes*. [Online]. (URL www.ey.com/GL/en/Issues/Driving-growth/Middle-class-growth-in-emerging-markets---China-and-India-tomorrow-s-middle-classes). Accessed April 2015

⁶Ranganathan, J. (2013). *The Global Food Challenge Explained in 18 Graphics*. World Resources Institute. [Online]. (URL www.wri.org/blog/2013/12/global-food-challenge-explained-18-graphics). Accessed April 2015



Sustainable local value chains: ISEAL is reaching out to the many large and influential Brazilian, Chinese and Indian brands and retailers to promote the multiple benefits of certification.

Growing consumer interest?

Numerous surveys suggest a rising awareness of and interest amongst consumers about the environmental and social impacts associated with products and consumption. The research for this study included reviewing several consumer surveys (listed in the bibliography) that identify consumer segments specifically within Brazil, China and India which express sustainability interests that may be even higher and more enthusiastic than in Europe or the USA.

In a survey by Accenture, UN Global Compact and Havas Media covering 30,000 consumers across 20 countries, consumers were asked about whether they consider sustainability in making purchases and whether or not they search for sustainability information. About one-third of the respondents in Asia and Latin America actively look for information on the sustainability performance of the companies or brands that

they buy compared to 13% of the North Americans and 17% of the Europeans. Furthermore, only 21% of North Americans and 27% of Europeans stated that they often or always consider sustainability in making purchases as compared to 33% of Asians and 39% of Latin Americans.⁷

Expectations of business ride high, according to the Accenture survey. The vast majority of survey participants felt that business is failing to take care of the planet and society, including in Brazil (82%), India (77%) and China (70%).⁸

However, survey participants also say that business has a role to play in improving their quality of life and is as accountable as government to do so. The survey notes that:

In those countries where people express most positivity about the future, and expect the greatest improvement in their quality of life, expectations on business are highest.⁹

The Re: Thinking Consumption survey undertaken by BBMG, GlobeScan and SustainAbility (2012) covering 6,224 respondents across six markets (Brazil, China, Germany, India, United Kingdom and USA) found similar patterns. A large percentage of the respondents from developing markets (82%) expressed more of a sense of ‘responsibility to purchase products that are good for the environment and society’ compared with 49% of the respondents from developed markets. Developing country respondents further stated stronger commitment than developed country respondents to avoiding products because of environmental or social damage (52% vs. 22%) or purchasing products because of environmental or social benefits (51% vs. 22%).¹⁰

⁸ Accenture, *et al.* (2014), page 6

⁹ Accenture, *et al.* (2014), page 7

¹⁰ BBMG, GlobeScan and SustainAbility. (2012). *Re: Thinking Consumption: Consumers and the Future of Sustainability*, page 22

¹¹ BBMG, *et al.* (2012), page 22

¹² BBMG, *et al.* (2012), page 32

Box 1 | Consumer surveys covering emerging economies

The project did not conduct a comprehensive literature search but examples of surveys addressing consumer attitudes in Brazil, China and India include:

- **The Consumer Study: From Marketing to Mattering, by Accenture, United Nations Global Compact, and Havas Media** A survey of 30,000 consumers across 20 countries. The survey was developed as a companion to a global CEO survey.
- **Doing Well by Doing Good, by The Nielsen Company** A survey of 30,000 consumers in 60 countries conducted via the internet in February and March 2014. The survey was intended to understand how passionate consumers are about sustainable practices when it comes to purchasing decisions; which consumers segments are most supportive; and the social issues/causes that are attracting the most concern.
- **Re: Thinking Consumption, by Globescan, BBMG, SustainAbility** An online survey of 6,224 respondents in Brazil, China, Germany, India, United Kingdom and the USA. The study was fielded in September and October 2012. The purpose of the study was to uncover consumer motivations that drive their interest in sustainable living, help companies understand the business case for and advance development of sustainable products/policies/practices and better understand how companies can engage consumers.

In the Re: Thinking Consumption survey, developing market respondents also demonstrated a greater willingness and interest in communicating about sustainability than their counterparts in developed markets. 70% of the respondents stated that they 'often encourage others to buy from companies that are socially and environmentally responsible'

compared with 34% from developed countries.¹¹ Furthermore, nearly one-third of consumers in developing markets post content on social media 'about environmental and social issues and causes' at least once a day as compared to 8% of consumers in developed markets.¹²

Although consumers are interested in sustainability, there is one warning flag within the research results: sustainable sourcing as a topic on its own seems to be relatively low on the list of priorities cited by consumers. Whether reflective of the nature of the survey design or the knowledge of the participants, many of the concerns relate to more routine daily issues such as recycling, energy conservation, pollution, corruption, etc. Relatively few of the consumers involved in the surveys state an explicit concern about the origins of products, conditions up the supply chain, or the less visible sustainability issues such as biodiversity.¹³

While the surveys offer a promising picture of the potential for sustainable consumption, it is an open question as to whether consumers' stated intentions actually correspond to their actions. In the course of the interviews carried out for this project, many companies challenged the predictive value of such surveys, including pointing to some of their own sales data in developed markets as evidence that consumers espouse strong values although they shop primarily based on price and quality. Many companies cite a consumer hierarchy based on some variation of price, quality, accessibility and brand familiarity as the primary drivers of purchasing behaviour. Further questions were raised as to whether some of the differences were reflective of factors such as differing levels of confidence in regulatory infrastructure, perceptions of companies and interpretations of sustainability.

Despite these questions, the surveys do point to a certain level of awareness and concern about the environmental and social challenges facing these countries, which can serve as a basis for engagement with a segment of consumers. Furthermore, many of the questions posed about willingness to pay on the part of consumers in emerging markets have also been raised in the past in North America and Europe as companies were considering whether to pursue certified products.

¹³The Accenture study (page 11) lists key expectations of biz as job creation 49%, economic growth 32%, pollution 23%, clean energy 22%, ending corruption 17%, poverty reduction 16%, climate change 15% and wildlife protection 15%.



The opportunity lies
in connecting sustainability
to consumers' aspirations for
a new lifestyle

Ethical consumers or aware consumers?

An important differentiation that emerges from both interviews for this project and surveys such as Re: Thinking Consumption is the difference between ethical consumers and aware consumers. Put simply, ethical consumers refers to those individuals who are dedicated and consistent in their reliance on sustainability attributes as one of their key buying criteria. These individuals represent a relatively small percentage of the consumer universe and are too small a segment to re-shape markets.¹⁴

Aware consumers represent a different mind-set. While different studies give this group of consumers different names, it essentially refers to individuals who may not make sustainability attributes their first criteria in purchasing but for whom poor performance on the sustainability front can become a deal-breaker. Aware consumers expect to receive products that don't require them to choose a trade-off. As one of the project interviewees from a Fast Moving Consumer Goods (FMCG) company said,

It is easy to say that consumers don't pay for sustainability, but you ignore consumers at your own peril. We need to remain attentive and avoid creating a contingent sustainability liability because it could result in situations where we face a sudden shift in the market for which we are not prepared.

Re: Thinking Consumption refers to these consumers as 'aspirational' and finds that China and India have the largest segments of aspirational in their study.¹⁵ These people tend to be younger, more likely to live in urban areas, enjoy shopping and consumption, and also expect companies to deliver on environmental and social performance.

While 'ethical' consumers may not be poised to grow in number, participants in the interviews and workshops did cite a trend towards more aware consumers with higher expectations for products and for companies. The opportunity that emerged from conversations was to find ways to connect sustainability to consumers' aspirations for a new lifestyle. The messages need to help consumers see 'what's in it for me' more than feeling a demand to 'do the right thing.' This may be an emotional connection such as seeing thriving communities or a practical connection such as a healthier product.

¹⁴BBMG, *et al.* (2012) identify a segment called 'advocates' and estimate that they represent 14% of the market globally. Interestingly, Brazil has substantially fewer aspirational than China or India (30% vs. 53% and 42%) but the combined total of aspirational and advocates in Brazil, China and India (~60%) is substantially higher than in USA, UK or Germany (~40–45%). See page 39.

As one participant put it,

People want to consume but they also expect the companies to deal with all the environmental issues for them behind the scenes.

Indeed, mainstream marketing is starting to respond to changing consumer mind-sets through experimenting with explicit and deliberate emphasis in their branding. The Marketing 2020 project conducted an extremely broad set of surveys and field research to determine the characteristics of superior marketing strategies and organizations. Among their findings, 54% of the respondents from firms with brands with a purpose stated that their revenue growth was higher than their competitors.

The authors conclude that ‘top brands excel at delivering all three manifestations of brand purpose—

- > **functional benefits**, or the job the customer buys the brand to do (think of the pick-me-up Starbucks coffee provides);
- > **emotional benefits**, or how it satisfies a customer’s emotional needs (drinking coffee is a social occasion); and
- > **societal benefits**, such as sustainability (when coffee is sourced through fair trade).¹⁶

The overall sense from the research is that at minimum an opportunity – and possibly even a necessity – exists to better connect with consumers. However, the question remains of how best to do so and how best to make sustainability a more conscious part of consumers’ lives and purchasing habits.

Table 2 | A snapshot of aspirational

Description		Percentage
Largest country presence	China	53%
Smallest country presence	Germany	29%
Key motivator	Style	65% care a lot about how they look.
Core value	Product efficacy	82% would buy more sustainable products if they performed comparable to and/or better than their usual brand.
Trusted sources (in addition to certification)	Consumer reviews, friends and family	32% trust consumer reviews and ratings to provide information on product sustainability, 28% trust friends, family or co-workers.
Important lever	Community of peers	53% would buy more sustainable products if this connected them to a community of peers with shared values.
Influence potential	High	58% use social media regularly, 27% have blogged and/or been vocal about an environmental issue, and 52% say others seek their recommendations.

Source: BBMG, GlobeScan and SustainAbility, *Re: Thinking Consumption: Consumers and the Future of Sustainability*, page 43

¹⁵ BBMG, *et al.* (2012), page 39

¹⁶ ‘The New Basics of Marketing’, *Harvard Business Review*, July–August 2014

2



Part 2 | Current activity

Many companies have already set up the framework for sustainable sourcing programmes but there is a significant degree of variation in their depth and focus.

Market-facing activity aimed at servicing domestic markets is considerably more limited. However, interviews and desk research did uncover examples of a range of different types of activities. This section provides an overview of the commitments that underpin company activities and a summary of the type of activities identified as already underway in the market.

This section provides an overview of the commitments that underpin company activities and a summary of the type of activities identified as already underway in the market

Commitments

In recent years, many of the major international brands and retailers have launched commitments, which have led to substantial investments in supply chains and broad-based collaboration with external stakeholders. For those seeking to build demand for sustainable products, these companies represent a large stakeholder group, potentially with shared interests.

Structure of commitments

This project conducted a desktop review of company websites/sustainability reports as well as drawing upon information sets compiled by World Wide Fund for Nature (WWF) to look at the nature of sustainability commitments within the sector. Amongst brands and retailers within the Fortune 500, sourcing targets are now common amongst companies with substantial exposure to sensitive commodities. The most specific commitments identify individual commodities and a target date by which a certain percentage of supply will be sustainably sourced. The years of 2015 or 2020 are common target dates for achieving end goals. Some companies define a staged process of first establishing traceability and subsequently shifting to 'sustainable' products, particularly those with complex and disaggregated supply chains. Table 3 provides examples of the types of commitments that top FMCG companies are making.

In addition to commitments that explicitly reference sustainable sourcing of a commodity, there are also examples of commitments with an indirect link to sustainable commodity standards. One example would be commitments in the past few years to end deforestation in supply chains such as through the Consumer Goods Forum or the New York Declaration on Forests. These commitments do not explicitly call for use of certification systems but, to the extent that deforestation is a driver due to agricultural expansion, Voluntary Sustainability Standards (VSS) may be part of the implementation plans of companies.¹⁷

¹⁷ Many commitments around areas such as deforestation do not make an explicit reference to standards positively or negatively. However, there is potential for confusion amongst industry and its customers around how these various goals fit together, particularly when framed as 'going beyond standards'.

Table 3 | Sample of FMCG companies and their sustainability commitments

Company	Company-wide commitment	Date
Nestlé	40% of the volumes of 12 key commodities to be traceable (palm oil, soya, sugar, paper, coffee, cocoa, dairy, seafood, shea, vanilla, hazelnut and meat, poultry and eggs).	2015
PepsiCo	Committed to purchasing sustainable cane sugar and palm oil by 2020.	2020
Unilever	All agricultural raw materials will be sourced sustainably.	2020
Mondelez	70% of global coffee will be sustainably sourced by 2015.	2015
	All cocoa will ultimately be sustainably sourced.	Unknown
Coca-Cola	Sustainably source 14 key agricultural ingredients: cane sugar, beet sugar, high-fructose starch-based syrup (primarily corn), tea, coffee, palm oil, soy, pulp and paper fibre, oranges, lemons, grapes, apples mangoes.	2020
Mars	Source 100% of five key raw materials using more sustainable approaches, most often certified by independent programmes.	2013–20
Danone	Six key commodities have been identified as priorities: paper and cardboard packaging, palm oil, soy for animal feed, wood energy, sugar cane and bio-sourced raw materials for packaging.	Unknown
	Danone will communicate more sourcing targets in 2015: 'Danone will publish the major principles of its approach in 2014 and then transpose these in 2015 into strategic objectives for its sustainable sourcing policy in respect of raw materials from agriculture.'	2015
Associated British Food (ABF)	ABF are part of many initiatives but do not publish explicit targets. ABF 'reviews suppliers and sourcing strategy for certain high-risk commodities'.	Not applicable
General Mills	Committed to sustainably sourcing 100% of 10 priority ingredients representing more than 50% of their annual raw material purchases (palm oil, vanilla, cocoa, sugarcane, oats, US wheat, US sugar beets, dry milled corn, dairy, fibre packaging).	2020
Kellogg's	Responsibly source corn, wheat, rice, oats, potatoes, sugar (beets and cane), cocoa, palm oil, fruits (berries, raisins/sultanas) and honey using a combination of certification and documented continuous improvement.	2020

Within many commitments to sustainable sourcing of commodities, there is not a guaranteed role for certification against external standards as the preferred approach. The detailed explanations of work programmes provided on websites or in sustainability reports often cite working towards certification against a given standard or set of standards. However, the phrasing of the overall corporate target or commitment itself often leaves open the specifics of what 'sustainable sourcing' entails. A smaller number of companies have developed their own internal standards (often taking into consideration external standards) as the basis for assessing progress towards 'sustainable' sourcing.

The choice of phrasing can reflect practical considerations. Companies want to retain flexibility to adjust their approach to select the standard most suitable to their purposes. Standards in certain commodities may still be relatively new and companies have not yet decided which is most suitable or may see them as interchangeable. The supply of materials certified against the different standards varies across regions and companies may also need flexibility in order to make use of the supply that is available.

However, omission of standards can also signify scepticism of the necessity of certification as the primary means for achieving 'sustainable' sourcing. Several companies cited internal debates over whether or not certification had sufficiently proven that they can deliver larger and more cost-effective impacts than direct investments made by the companies themselves. Many standards are perceived as process-driven and limited to improving practices within a specific site or geographic boundary. Where companies have existing relationships with suppliers or a desire to deepen integration with their upstream partners, there is a willingness to look at direct investments as evidenced by recent programmes launched by Mondelez, Mars and others in agricultural communities and productivity. This is sufficient for companies that primarily use standards as reputational risk mitigation tools to ensure that 'good' practices are in place. Companies that see their risk tied to the health of a wider landscape, however, view this as a limitation. 'We do not want to end up only sponsoring islands of good practice in the middle of a failed landscape', said one corporate interviewee.

Regardless of the definitions used for sustainable sourcing, it is also important to recognize that the commitments are almost universally focused on supply and do not speak to demand-side actions. Commitments typically remain silent on engaging with consumers about standards or on branding portfolios of products as compliant. Considerations on whether to seek explicitly to generate brand equity from sustainable sourcing investments depend on many variables around the company's strategy for market positioning, brand management and customer characteristics that are independent of supply chain management considerations. Indeed, several of the companies interviewed indicated that their commitments to and investments in sustainable sourcing could be internally justified on the basis of the benefits of improved supply chain management and did not need consumer demand for certified product to sustain the business case at present. This corresponds with the findings in the report *Building a Roadmap to Sustainability in Agro-commodity Production* that identified the main drivers for companies as a range of factors primarily related to brand and operational considerations.¹⁸

One interviewee described his company in the following way:

We are moving towards where we expect our customers will be at some point in the future but they aren't there now. However, our programme brings valuable benefits in getting to know our chain better, which justifies the investment. Furthermore, when our customers show the interest, we will be ready, and companies that have not started building their chains now will need to spend several years catching up.

While companies have an interest in seeing growth in demand for certified or standards-compliant products, it is not a foregone conclusion that they will choose to invest proactively in building market demand on the basis of commitments.

¹⁸ Molenaar, J., *et al* (2013), page 41



Textile traders, Delhi, India. The textile industry is the second largest employment generating sector in India.

Implementation of commitments

The focus on sourcing is also reflected in the implementation structure of commitments, which has a prominent role for procurement functions and more limited involvement from brand and marketing teams. Sourcing commitments are established on a global level, often under the guidance of a central sustainability team or strategy team. These global functions may also identify potential stakeholder partners in capacity building, certification or other functions to support implementation across the company.

The rollout of sourcing requirements, however, is typically led by a procurement function which needs to engage suppliers, communicate requirements and provide support in implementation. These requirements must sit alongside the primary objective for many procurement functions of securing reliable, timely supply of materials at the right cost and quality. Companies vary distribution of labour for sustainable sourcing between group level functions and regional functions in line with the overall sourcing strategy. Companies that have devolved decisions about selection of suppliers down to regional centres will likely also allocate sustainable sourcing implementation to these centres.

Decisions about branding, market position and product introduction, however, are almost universally made by a different group of people. The specific matrix structure of companies will vary although decisions about how to go-to-market most frequently are owned by regional P&L (Profit and Loss) holders rather than group level leaders. These will typically involve marketing functions and business leaders responsible for P&L at the market level (e.g. China), category level (e.g. snacks) or brand level. For these stakeholders, sustainability simply presents another set of potential attributes that could be used to support the brand or product. However, these attributes must prove to deliver a greater impact in the customer relationship than alternative attributes that could be highlighted.

This split between responsibilities has implications for the nature of collaboration that is possible. Initiatives around capacity building in commodity chains have been feasible to initiate at a global level and companies can identify common interests. Companies in a given industry often share supply regions if not actual suppliers and therefore can find shared benefits by investing jointly in strengthening capacity upstream.

By contrast, consumer engagement enters a more complex domain for collaboration. By definition, engagement is market-specific and can only be initiated through engagement within the market. Furthermore, companies need

differentiation of products and brands and therefore have difficulty creating shared messages with competitors or joint engagements with customers. As discussed later in the paper, there are situations in which collaborative efforts to build customer acceptance can take root but there are more drivers for industry to move apart than to come together.

One industry representative noted that:

Our work on supply chain improvement has become very collaborative across the sector, which has been its strength. Our challenge will be to find some way or space to retain that spirit when we start to work on the demand end.

In the marketplace

Not surprisingly, just as variation exists amongst the nature of commitments, there was also a diversity of responses in approaching domestic markets in Brazil, China and India. As shown in Figure 1, this includes strategies that directly stimulate demand as well as approaches with indirect impact. An overview of findings in both areas is presented in the following pages.

Using brand and retailers' portfolios to develop markets

The most direct way for brands and retailers to develop markets lies through their own decisions about product portfolios and consumer engagement. In the course of building their own product offerings and business, companies invest in educating consumers and shaping perceptions of products or categories. While overall activity was limited, the interviews and research identified several examples of how companies integrate VSS into their product portfolios that target domestic markets.

Promoting product certification/standards compliance

Brands and retailers can encourage demand for standards-compliant products through the introduction of product and the subsequent promotion and outreach efforts. Product launch typically includes advertising support and in-store promotions which can have substantial impact on sensitizing consumers to sustainability issues. A number of experts around the standards community perceived retail aisles as a critical place to initiate consumer education in Brazil, China and India. Interviews identified a small number of certified products launched in the markets, including both successes and failures.

Interviews did not identify any product offerings that had the catalytic effect of transforming a market; most simply became part of the wider landscape of offerings available to consumers. Some examples were cited (although not confirmed) of companies bringing product to market that included standards-compliant or certified materials without explicitly communicating this to the consumer. In such cases, corporate level communications might include information about the sourcing programme but this was not a focus of communications at the product or even at the brand level

Interviews with experts in certification and standards organizations indicated that many companies see the potential of certification mainly in serving premium niches rather than opportunities convert an entire category. This was often predicated on a view that consumers as a whole were highly price conscious and unwilling to pay extra for sustainable products. As such, products may be positioned to serve a single consumer demographic rather than positioned to absorb a larger and larger portion of the market. Despite the scepticism about willingness to pay, the interviews did uncover examples of products – such as organic beef in Brazil – that are purchased at a considerable premium to the 'non-sustainable' option. However, it remains to be seen how far these offerings will spread beyond their immediate consumer base. There is certainly research to suggest that poor consumers in developing countries are willing to pay premiums for products, and it may not be safe to transfer to emerging economies assumptions guided by experience in western countries about the level of disposable income required for people to 'buy ethically'.¹⁹

¹⁹ See Guarin, A. and Knorringer, P. (2014). *New Middle Class Consumers in Rising Powers: Responsible Consumption and Private Standards*, Oxford Development Studies 42(2), pages 158–160

Consumer campaigns

Examples were also identified of companies that used standards-compliant raw materials but focus their communication around broad themes rather than on the standards or labels themselves.

For such companies, standards serve as an internal tool for ensuring that the company can deliver on its claims and perhaps provide a level of credibility for the company. However, they are not used as the primary tool to help customers understand the product and its value proposition.

The impact of such products on the marketplace was not clear from interviews. It stands to reason that such campaign approaches have the potential to influence consumer perspectives on a product category. However, they are not likely to drive explicit demand from consumers for increased use of standards.

Box 2 | Pantanal Beef – Building a product on a sustainability theme

In late 2014, ABPO, Korin and WWF-Brasil announced a new collaboration to bring to market a new beef product from beef grown in the Pantanal region in conformance with sustainability principles. The project represents an example of a collaboration to increase the demand for a product where sustainability standards play a critical role yet are not the primary focus of communication with the consumer.

In 2003, the Association of Organic Cattle Ranching began collaboration with the WWF-Brasil to support organic beef production in the Pantanal as a way to support the economic needs of the region while also preserving a crucial biome. There are now 140,000 hectares certified for organic beef production and the product has grown substantially in scale.

Starting from 2014, Korin has agreed to enter into collaboration to seek to scale the demand for Pantanal beef. The company perceived that livestock production systems are facing growing challenges due to environmental impacts and development of drug-resistant strains of bacteria and parasites. The company saw the collaboration as a way to pilot an alternative production systems based on more agro-ecological principles. Having started at a modest level of 50 head per month, Korin seeks to reach purchases of 300 head per month by early 2016.

The beef production is held to a set of standards and has a certification regime associated although the primary marketing of the beef is around its origins from the Pantanal and its positive environmental and social contributions to the region. The package carries wording

emphasizing that the production system follows particular requirements intended to achieve an environmental and social balance amongst the whole process. The company has actively sought to associate its brand with safe food and differentiating its production is an element in its overall strategy.

The two biggest challenges are communicating the product to consumers and the pricing, which remains at a premium. Korin has begun to use QR codes to include the story behind the origins of the product as well as more traditional forms of consumer outreach. WWF-Brasil and Korin have organized dinners to promote the meat and field trips to the region. Other companies are now showing interest with Pão de Açúcar (CBD Group) signing new contracts with the association in 2014.

In the view of WWF-Brasil, there are still growth opportunities in the near-term amongst more affluent consumers even with the premium pricing. Those consumers purchasing the meat have been attracted by quality and the perceived link with health. In addition, the traceability of the product and its origins have added to the appeal. Korin believes that the collaboration is creating a new product that will continue to grow in its appeal since it addresses a growing concern of consumers. The most immediate barrier to growing demand is spreading awareness of the product and its story.

Growing the market to embrace the mainstream will require finding ways to either reduce cost or convince the average consumer of the value of the differences in relation to alternatives on the market.

Box 3 | Native: Translating the outcomes of certification into themes

Native Alimentos Organicos Limited, is the leading Brazilian producer of organic sugar and ethanol. Native, currently has 21 thousand hectares under of sugarcane. Native sugar is sold in over 20, 000 outlets in Brazil and exported to the main international organic markets in North America, Europe and Asia. Aside from sugar, Native also produces breakfast foods, roasted and ground coffee, cocoa mix, chocolate, cookies and juices.

In an effort to build a stronger brand with its Brazilian consumer base, in late 2013 Native launched an advertising campaign built around the concept 'generating biodiversity'. The company enjoys organic certification from the Instituto Biodinâmico (Brazil), ECOCERT (France), JAS (Japan) and Doalnara (Korea). It also has the Ecosocial certification from Instituto Biodinâmico and the Rainforest Alliance and is a member of the Union for Ethical Biotrade. Field level research conducted over a 10 year period confirmed the positive impact that company was having on biodiversity in the areas of organic sugar cane cultivation.

Native launched a marketing campaign highlighting its organic credentials and emphasizing the impact this had on generating biodiversity. Biodiversity conservation is an issue that resonates with Brazilian consumers. A recent consumer survey found that 84% of Brazilian feel that it is essential to personally contribute to biodiversity conservation. This is much higher than the global average of 44%. Using images of iconic endangered Brazilian animals on its packaging, the company engaged consumers via print media, on-line channels and in store-promotions around how it was working to preserve the country's biodiversity heritage.

Native has been able to link its products to public interest in biodiversity to help position and strengthen its brand. Company CEO Leontino Baldo noted that the campaign has also contributed to Native having greater recognition and bargaining power with the retail sector compared with the situation three years ago.



Investing in value chains

Many brands are already active in upstream supply development and some also play a role in building capacity downstream (see Box 4 for the Brazilian pulp and paper sector case study). It could be argued that such investments are responding to demand rather than creating new demand. However, if the investments speed up the volume of product coming to market, then they contribute to market growth and/or stimulating industry peers to invest in building complete chains.

In sectors or markets where brands or retailers have significant purchasing power, the introduction of procurement requirements related to the use of certification and/or standards has led to rapid and substantial uptake of standards by producers. There are numerous examples of major retailers in developed markets driving significant changes in supply chains but such examples were not found in the markets of Brazil, China and India.

Right: People shopping in Curitiba, Brazil. Curitiba is the eighth most populous city of Brazil with 1.76 million inhabitants © Tupunganto | shutterstock.com



Box 4 | Stimulating demand in the Brazilian pulp and paper sector

In the early 2000s, public attention became increasingly focused on issues of forest management and conservation. NGOs launched campaigns aimed at both motivating changes within the forestry industry around forest management practices and at encouraging major buyers of paper products to commit to purchasing products whose sourcing could be traced back to sustainably managed forests.

In 2003, Suzano Pulp and Paper, one of the largest companies in the sector, committed to investing in obtaining FSC certification for all of its plantations. The resulting supply of certified timber left the company with the question of whether and how to introduce FSC into its product offerings.

Recognizing a growing potential amongst both public and private paper procurement to seek certified sources, Suzano decided to invest in establishing a complete FSC value chain. The company supported 50 printing houses (their strategic partners) in securing FSC chain-of-custody certification.

Over the past ten years, FSC paper has grown to account for 90% of the Brazilian market and the number of printing houses offering FSC paper has grown far beyond the original 50. The early investments in developing supply and maturing the value chain has benefitted Suzano in terms of its market position and customer relationships, also ensuring that the company remained positioned to meet market expectations.

Collaborative efforts

In interviews across markets and categories, brands and retailers were perceived as having varying abilities to drive change across a sector. Companies that might be dominant in one market or category could also be minor players in another. Nonetheless, brands and retailers do provide an important bridge to consumer and therefore remain important participants even when not in the lead role.

Industry sector collaboration

The development of national roundtables or industry standards represents one path for stimulating the use of standards across a sector. Examples of such national level initiatives include Trustea in India, the RSTP Beef Roundtable in Brazil and Indonesia Sustainable Palm Oil Association. These can have a wide reach within an industry sector. The Trustea programme in time seeks to sustainably transform around 500 million kg (20% of all black tea in the world) or 51% of all tea produced in India. The programme will affect around 500,000 workers (50% of all tea workers in

India) and 40,000 smallholders (26% of all smallholders) who are growing tea on around 300,000 hectares of land.²⁰

It is important to note that while national standards can clearly expand upstream use of standards that does not guarantee that they contribute directly to stimulating consumer demand. Trustea and the Brazilian Beef Roundtable have not yet planned specific consumer-facing initiatives and it remains to be seen whether or not they will go beyond business customers to seek a high level of consumer awareness for their standards. Furthermore, there are trade-offs to creating a growing portfolio of national standards. See Box 6 for further discussion.

Whether or not brands and retailers play a catalytic role in the formation of such collaborations depends on the industry structure. In commodities where the product is typically sold unbranded, generally unprocessed and through highly fragmented retail channels, such as beef, brands and retailers may be less significant as drivers.

Box 5 | Trustea: building the sustainable tea market in India

The Trustea initiative was launched as a collaborative initiative in 2012 with a goal to sustainably transform around 500 million kg (20% of all black tea in the world) or 51% of all tea produced in India.

The 5-year programme runs from 2012–16 and aims to target 600+ factories, 500,000 tea plantation workers and 40,000 smallholders. The programme includes a Technical Advisory Committee comprised of a large number of regional tea producer associations to incorporate a range of industry inputs.

The program is chaired by the Tea Board of India. The programme is funded by Hindustan Unilever Limited, TATA Global Beverages and IDH – The Sustainable Trade Initiative. Solidaridad and ETP are the implementing partners for the programme. Rainforest Alliance is involved as technical advisor.

The programme was launched out of concern for the range of environmental and social challenges facing the industry including yield levels, smallholder livelihoods, working conditions, water pollution and soil erosion amongst other issues. It was also expected to help implementation of existing legislation in India.

International standards that address these areas exist but there were concerns over the ability to scale and implement these in the Indian environment. Therefore, the partners decided to develop an Indian sustainable tea code ‘based on Indian realities without compromising globally accepted principles’. A supporting programme including a certification regime, farmer training/capacity building and pilot schemes to test the standard has been planned for the period of 2012–16.

The scheme has begun to establish linkages with other standards and it has also been formally recognized by Unilever in its sourcing rules.

²⁰www.trustea.org/index.php

In consolidated sectors such as tea, brands and retailers can drive as evidenced by the role of Unilever and Tata in launching TruTea.

Collaboration on awareness building

A common refrain across interviews was that consumers did indeed demonstrate interest in environmental and social issues but much more awareness building was required and that this surpassed the resources of any one organization. A natural strategy in such situations is to partner with other stakeholders such as civil society groups on public awareness raising campaigns. There are many examples around the

world of NGOs organizing coalitions of companies to support sustainable consumption awareness-raising and WWF has undertaken such promotions in the target markets. However, campaigns such as a week of promotion on sustainable consumption or lifestyles ultimately struggle to scale their engagement in markets as large as Brazil, China and India. Standards bodies such as the Marine Stewardship Council (MSC) and FSC are addressing this through a strategy of providing materials to their key business partners to use in their promotions as a way to focus corporate marketing resources around common themes.

Box 6 | Building a standards architecture

National standards are emerging and demonstrating advantages as a platform for securing widespread engagement of local industry and for ensuring that criteria and requirements are tailored to local legislation and other conditions. Several interviewees stated that local industry wanted to have a direct role in the standards that would affect their industry while some governments viewed sustainable commodity standards through the lens of sovereignty.

At the same time, proliferation of standards raises risks in three areas. First, multiple standards can create complex and sometimes contradictory compliance requirements for producers, leading to added costs and drag on efficiency. Interviewees cited examples of having to comply with multiple standards and separate auditing processes, which resulted in increased staffing requirements and operational complexities strictly for the purpose of compliance. Second, standards can undermine each other in terms of requirements resulting in a baseline of practices that is not capable of generating the needed sustainability impacts and outcomes. Third, customers can struggle to understand the difference and value-add of different standards and therefore devalue the sustainability efforts of the whole sector.

Various possibilities were offered for avoiding the risks and enabling stakeholders to use national industry collaborations as a productive tool to stimulate the spread of standards and demand for resulting product.

These included:

- › **Aligning the content of different standards such that they offered a step-wise, graduated approach to improving practices** The example of the coffee sector was cited where the 4C standard provides for a minimum across the industry and companies can then pursue higher standards that build on the foundational practices established in the 4C standard;
- › **Improved inter-standard recognition and coordination** Standards bodies need to indicate more clearly, both for themselves and users, where they have the same expectation albeit presented differently;
- › **Improved auditing coordination** Producers should be able to demonstrate compliance with multiple standards through the course of a single audit;
- › **Differentiate between standards that are consumer-facing and those intended for B2B communication only** Standards can serve as a risk management tool and/or as a tool for differentiating a product and its value proposition to consumers.

Not all standards are genuinely equal as differences in content, assurance regimes and governance can result in substantially different sustainability outcomes. The overall vision for an architecture of standards goes beyond the scope of this research but clearly needs to be developed further as part of determining how best to stimulate demand for the use of standards and for standards-compliant products.

Box 7 | China's Sustainable Consumption Week

According to OECD statistics, China is one of the largest consumers of seafood. However, sustainable seafood has yet to gain a significant toehold in the market. In June 2014, WWF convened a range of partners to implement Sustainable Seafood Week across Beijing, Shanghai, Guangzhou, Hangzhou, Dalian and Shenzhen. The promotion was organized with the intention of:

- › moving China's food industry towards sustainable seafood sourcing;
- › educating consumers and promoting responsible seafood choices.

The partners chose to focus promotion around in-store activities to introduce MSC to consumers at the point of purchase. Participating retailers were requested to allocate dedicated promotional space for MSC and volunteers were organized to deliver educational materials to shoppers. In total, 4 retailers and 1 hotel participated, involving a total of 21 retail outlets.

The partners used many standard techniques in the stores to draw consumers including food tasting, offering visitors MSC magnets, in-store communications such as posters and cooking menus and other means to make the products visible. Alongside typical promotional techniques, the organizers also tried to adapt their outreach to make it possible for consumers to quickly and easily understand

and identify certified product. Trained volunteers were posted in stores to give a '1 minute' explanation on MSC and sustainable seafood. In addition, several stores also grouped sustainable product into a single location to make it easier for consumers to identify certified product. The intention was to enable consumers to incorporate MSC into their purchasing routine without requiring significant amounts of additional time and effort.

- › Judging the impact of interventions such as Sustainable Seafood Week is difficult. As a simple metric, consumers were motivated to purchase 5,208 packages of certified fish. In total, more than one million consumers passed through the stores promoting MSC, although the partners were not able to make exact measures about the number that engaged with the MSC promotions.
- › The longer-term challenge for collaboration models of this sort lies in how to efficiently scale the outreach in proportion to the size of population. In addition, the organizers need to determine whether the decision to purchase MSC during the promotion week becomes a continued purchasing habit of the consumers. However, the participating organizations have seen enough success from 2014 to continue Sustainable Seafood Week into the future and look for effective strategies to extend its reach further.

Observations about current activity

Overall activity to promote consumer demand for the use of standards or certified product is quite limited as a whole within Brazil, China and India. Of the examples found, none had proven to be catalytic in changing a product category or catalysing a critical mass of industry activity with the possible exception of pulp and paper in Brazil.

The research identified examples of both successes and failures in introducing standards-compliant products into the Brazilian, Chinese and Indian markets. One common message was around the importance of providing adequate marketing and promotion support to products at their launch. Such support is important for any product, becoming particularly important if customers or consumers are being asked to understand a wholly new attribute.

Interviewees not surprisingly cited advantages to introducing products into B2B markets where volume could more quickly be built up amongst large, institutional buyers to establish a foundation. Procurement requirements clearly contribute to the upstream use of standards but may not have a direct impact on stimulating demand for certified/standard product amongst consumers.

In markets where sustainability becomes a sensitive public issue, brands and retailers often have an early incentive to pursue sustainability sourcing as part of reputation management and supply chain risk management. Their ability to catalyse industry-wide collaboration depends strongly on the structure of the sector and the level of consolidation. The assessment needs to be made market-by-market as to their relative ability to initiate such processes.

3

“We want to make sure that anything we say about our product is authentic & legitimate.

Therefore, we need to know that the standards system is reliable”

Retail interviewee



Part 3 | Scaling up engagement

While relatively few examples of initiatives to build domestic demand for standards-compliant product were identified, a series of consistent messages did emerge regarding the conditions necessary to stimulate more activity by brands and retailers.

These messages could broadly be divided into the category of pre-requisites to engagement and enablers of action. In considering the messages, it is important to consider two wider decisions that influence the strategy to which brands and retailers can be partnered.

The first lies in whether to frame the objectives in terms of driving the demand for certified product or the demand for the use of standards. The ultimate intent behind either objective is to improve environmental and social conditions surrounding commodity production but different metrics lead towards different pathways. A choice to drive demand for certified product requires more focus on building demand amongst end consumers and assisting brands in leveraging their sourcing to enhance the brands. A focus on the use of standards might include engaging consumers. However, it could potentially be achieved simply by lowering the barriers to rollout of standards and demonstrating the contribution of standards to operational improvements and risk management.

The choice between these objectives may vary depending on where a commodity sits on the S-curve of adoption. In the early stages, there are greater opportunities for differentiation and a specific demographic may provide sufficient incentive. As the use of the standards increases, the differentiating value diminishes and standards increasingly become a tool for license to operate.

The second decision lies in assumptions about the desirability of or the necessity for labels and companies to seek to accrue the brand value of their initiatives. Certification leading to on-pack labels represents a very practical pathway for ensuring integrity in the use of standards; however, this approach also faces its challenges and critics. In looking at the markets of Brazil, China and India, the question needs to be raised as to whether there is another model of assurance that can sit alongside certification which can support the uptake of standards without impinging on the integrity of the system. This is particularly relevant for those companies which use standards and seek to secure recognition at the level of the corporate brand rather than using labels to highlight an individual product.

Pre-requisites

While pre-requisites on their own do not guarantee increased interest from brands and retailers in building demand it is impossible to progress any initiatives without these in place. Not surprisingly, the first message is the necessity of establishing the supply and infrastructure to service demand.

Pricing

The markets of Brazil, China and India are highly price sensitive and interviewees consistently expressed the view that it would not be possible to bring sustainably sourced products to the market at a price premium. Particularly in the context of Brazil and India, interviewees took the view that rising incomes translate first into a desire to consume more and higher quality product while consumers did not yet have enough disposable income to prioritize sustainability attributes. In many cases, interviews cited pricing as a key reason for failure in some certified product launches – ‘consumers see that the price is higher but they don’t see or understand the value.’

Cost is typically associated with audits and changing production practices. Companies also underlined the cost of developing and maintaining marketing campaigns. Where sustainability folds into existing marketing campaigns, there may be limited additional cost. However, marketing expenses become a factor in decision-making in circumstances where companies must introduce a completely new sustainability attribute or label as a key part of the product’s value proposition.

There are some exceptions to the rule on price. One interviewee argued that affluent consumers in China – typically in larger cities – have demonstrated a willingness to pay premiums for food products that are perceived as ‘safe’ and where the origins are known. Similarly, organic food has managed to establish itself in certain segments in Brazil at a premium. Interviewees stated that price premiums on organic Pantanal beef in Brazil can be in excess of 20% higher than ‘normal’ beef. However, the sales volumes only represent a small fraction of the overall market.

Sufficient volume of supply and diversity of supply base

Introducing sustainability attributes to a product involves an investment and commitment on the part of a company and very few are willing to undertake this step without having confidence that there is sufficient volume to sustain their offering. When companies restrict their communication and targets to a generic corporate level, the stability of supply may become less of an issue since it is not an integral part of the Unique Selling Proposition (USP) behind a specific product that the customer is purchasing. For certain markets and certain categories reviewed in the course of this study, there is still insufficient domestic supply of product, which renders discussions of demand-building academic. Domestic supply may be important for purposes of corporate sourcing strategy and some countries such as India have set domestic sourcing requirements in certain sectors. Some companies also cited situations of being unable to source certified commodities because their purchasing volumes were too low.

The requirements around supply also impact on the types of companies that are in a position to be first movers. Using the example of tea in India, market leaders might require 10 times or more the volume of tea supply per annum compared with regional tea companies to be able to launch a sustainable tea product. As such, even though mid-sized brands do not have specific commitments around sustainable sourcing, they may actually prove to be earlier adopters and partners in market-building in some markets and commodities than global companies with extensive sourcing programmes. Where market leaders are the first movers, they will typically need to consider starting with a staggered approach of shifting the portfolio over time.

In addition to the volumes of supply required, the diversity of suppliers is important. Companies typically seek to avoid over-dependence on a narrow supply base, so it is essential that volume is spread across a sufficient number of producers and regions to mitigate business risk. During the course of the interviews, there were examples of companies that, despite sourcing a portion of their supply as certified, chose not to publicize this in order to maintain flexibility to change suppliers in the future.

Reliable infrastructure and predictable business environment

Beyond supply alone, companies need to have trust in the standards infrastructure underpinning that supply to tell the story. As one interviewee explained:

We want to make sure that anything we say about our product is authentic and legitimate. Therefore, we need to know that the standards system is reliable.

Trust is typically tied to the perception of the consistency and rigor that underlie the sustainability claims of the system and the ability to ensure that practices are, indeed, in place at the point of production and chain of custody.

Alongside the supply chain, brands and retailers need the ability and resources to communicate about the standard itself. In the case of some standards systems, such as the Better Cotton Initiative (BCI), users are temporarily requested not to promote Better Cotton on-pack or in-store until the system is more mature to avoid confusion. In such cases, brands and retailers may still choose to communicate about sustainability as a broader theme despite it not being practical to develop targeted consumer campaigns or branding around the use of standards themselves. Equally important, companies need access to collateral – preferably stories – to help them explain the standards themselves and those that underpin the origins of the products. Several companies cited the value of standards in helping them better understand the origins of their materials and that these were the most effective ways to communicate to consumers.

Interviewees also cited the importance of a supportive political environment. Where companies face questions regarding the rights to use labels or uncertainty over whether government policy supports the use of voluntary standards, it becomes both riskier and more difficult to engage in market development activities. Beyond simply removing uncertainties, government has multiple avenues to provide support to the use of standards that could prove catalytic. In the case of Trustea, the Tea Board of India took a direct involvement, which has helped motivate industry participation. The Global Canopy Program has commissioned research to model how adjustments to tariff structures could be used to stimulate demand for RSPO palm oil.²⁵ In some economies, the role of government can be quite critical in starting new trends either through direct measures such as those above or through using state-owned enterprises as early movers.

²⁵ See GIST and GCP, 2014. *Creating Demand for Sustainable Palm Oil through Tariff Policies in India & Indonesia*, Global Canopy Programme: Oxford, UK.



Beyond simply removing uncertainties, government has multiple avenues to provide support to the use of standards that could prove catalytic

Interest from the external environment

Finally, companies must perceive a minimum degree of public interest in the topics and ideally a degree of consumer sensitivity to the topics. The one consistent element across both categories and products that showed progress in the target markets was the presence of civil society or media interest (and at times confrontational scrutiny) around the product category. This provided a motivation for industry and/or individual companies to participate in developing standards as a way to establish common practices within the sector and change the perception of the industry. These drivers were present in tea, beef, paper and palm oil. In the case of Brazil, China, and India, domestic civil society groups have varying skills, resources, and flexibility to engage on corporate issues and serve as catalysts for action.

Government policies are important in multiple ways. Clearly, government as a customer can have significant influence in certain industry sectors. Public procurement as an end-market clearly did contribute to making a business case in the paper industry in Brazil and has also been an effective incentive in promoting energy efficiency in electronics in markets such as India.

Other forms of government endorsement and policies intended to support the scaling-up of farmers can have significant impact on the willingness of business to invest. Government regulation aimed at increasing supply transparency and/or eliminating legal violations and abuses can also stimulate the use of standards as a due diligence tool.



Wangfujing Street, Beijing, China Home to around 280 famous brands, such as Shengxifu hat store, Tongshenghe shoe shop, the Wuyutai tea house, Cartier, Hermes, Gap, Apple, H&M and the night food markets

Enablers to greater action

While the existence of suitable supply and infrastructure are pre-requisites to activating brand and retailer investments in sustainable products, they are not sufficient on their own. Moving from establishing sustainable sourcing 'behind the scenes' towards actively making the use of standards part of consumer engagement depends on companies seeing how such an investment will contribute to their market position. To date, this pathway has not been readily apparent or convincing for the majority of companies focused on Brazil, China and India. However, a set of common messages did emerge through the interviews and workshops as to some of the ingredients needed to shift this perception.

Making sustainability concrete

Standards need to make their messages more localized, concrete and understandable in a way that can complement other messaging. The term 'sustainable' is a very abstract concept and was seen by many interviewees to have little or no value as a basis for communicating with consumers. Sustainability standards seek to bring a wide range of outcomes. Standards owners will need identify which one(s) will be of most interest in a given country and simplify messages to highlight these outcomes. One interviewee argued:

You can probably get better traction in the Indian market by talking about helping specifically on climate change or groundwater problems than you can by talking about your product as sustainable.

In the case of Woolworths in South Africa, FairTrade proved a relatively easy concept to communicate because it aligned with a wider and familiar national social dialogue about income equity.

Localized messaging will need to be selected with the intention of complementing other attributes of products or brands. Most consumer product companies see the consumer buying hierarchy as dominated by a few specific factors such as price, quality, brand trust and accessibility. Environmental or social attributes such as energy efficiency or worker safety are unlikely to rise to the same level of importance as these basic parameters. However, they can be presented as additional attributes of value and, in some cases, may even reinforce core attributes (e.g. fewer pesticides means safer food AND it is also better for the soil). Companies are understandably hesitant to displace core messages that relate to what they perceive as the key drivers in consumer purchasing hierarchy but they do welcome complementary messages (e.g. great tasting coffee **and** it is also forest-friendly). Although brands and retailers may contribute to some of this analysis, the main burden likely falls upon the owners of standards to find the right positioning in different markets for their standard.

In considering the markets, it may be important to focus on the aspirational hierarchy of consumers rather than trying to rise to become the trigger of a specific purchasing decision. The increasingly affluent consumer segment in the Brazilian, Chinese and Indian markets see their consumption as part of their lifestyle. Premium brands and products do exist in these markets and are not restricted in their appeal to only the extremely wealthy.

Box 8 | FSC's approach to global branding

FSC is a global, not-for-profit organization established in 1994 dedicated to the promotion of responsible forest management worldwide. Over the last 20 years, FSC has seen substantial growth in the number of certificates issued in both forest management and chain of custody as well as the number of products bearing the FSC label.

Market research by FSC shows that consumer awareness of environmental issues has grown rapidly in recent years. The organization believes that there is an emerging opportunity to spur sustainable forestry by helping consumers to better understand the link from forest to product and thereby highlight the vital role that consumers play in driving sustainability through their everyday purchasing decisions.

Working with a global Network Advisory Committee, FSC spent approximately 18 months on a process to better understand how consumers can be inspired to get behind the FSC story. This included intensive consumer research and the development and deployment of a series of strategic and creative marketing assets and tools. FSC International commissioned an online survey of over 9,000 consumers across 11 markets to understand consumer segmentation, barriers to being green, perceptions of environmental issues and how these influence consumer behaviour. This process included testing different concepts and messages to identify the most compelling aspects of the FSC story and how to relate these in a manner that resonates with mainstream consumers.

As a result of this research, FSC was able to establish its global brand positioning together with the key consumer messages that could be used across all markets. However, FSC also recognized the need to adapt its messaging to local contexts, and went further to identify the environmental issues most relevant to consumers in the different countries it researched. This aspect of

FSC's work is of added value to businesses in their CSR communications as proximity determines what is most relevant and pressing for people.

All of the marketing assets FSC developed as part of this initiative are housed in an online platform and include:

- › FSC's brand strategy and guidelines,
- › a messaging grid, comprising global and local key messages,
- › a social media strategy,
- › a campaign activation plan,
- › metrics to measure the success of a campaign, and
- › a set of ready-to-use creative materials (print, online and point-of-sale ads).

These multiple brand touch points allow FSC's stakeholders to customize their messaging should they wish to do so. They are also tailored for each of the major FSC product categories, including paper and tissue, print and publishing, packaging, construction and home improvement, and furniture. FSC stakeholders can use these downloadable assets as they are in their generic form, or adapt them to their marketing and communications needs by incorporating their own brand and messaging.

FSC formally launched its toolkit in May 2015. In terms of deployment, FSC Network Partners will work with their local license holders offering support, when needed, in terms of bespoke campaigns. One of the key findings from the consumer research element of the project was the fact that certification schemes, such as FSC, enjoy the highest level of consumer trust in sharp contrast to business corporate social responsibility (CSR) communications. Thus, the added value of the online marketing toolkit platform is that it not only provides research-based tools to help tell the FSC story effectively to mainstream consumers, but these tools also carry the credibility of the FSC label.

Box 9 | Woolworths, South Africa

Woolworths is a South African food and clothing retail chain that seeks to drive sustainability in its operations, supply chain and product offering. In particular, the company has found ways to introduce sustainably sourced materials that align with its overall brand proposition.

Since opening its doors in 1931, caring for communities and the environment has always been part of the Woolworths ethos. In 2007, the company formalized its efforts and set out on their Good Business Journey – a comprehensive plan to embed sustainability across the business. As part of this programme and focus on promoting sustainable farming and ethical sourcing, Woolworths has led the way and, in many cases, been the first retailer to move forward with marketing certain product categories such as MSC-certified fish, Fairtrade coffee and UTZ-certified cocoa in South Africa.

The move towards certification has, in many cases, been a natural transition. For example, Woolworths always knew where the coffee beans used in its cafés came from but when it started engaging with Fairtrade, it realised that a large portion of the beans were already Fairtrade certified. This made it easier to move towards using 100% Fairtrade certified coffee beans in all Woolworths cafés. Woolworths has found that when it comes to products or commodities where it does not have a direct relationship with the producers, standards and certification has provided the traceability and assurance that it can't always provide to customers itself.

As a first mover, Woolworths has had to invest in educating its customers by integrating sustainability messaging across all its marketing and communications. This, in turn, has contributed to an increased awareness around certification in South Africa.

In 2012, Woolworths ran a campaign in partnership with MSC to educate consumers on what the MSC ecolabel on selected seafood products means. The campaign included in-store information, social media posts, TV ads and promotions on certain MSC-certified products. Customer research before and after the campaign showed an increase in recognition and awareness around the MSC ecolabel.

In the case of coffee, the company chose a different path for raising awareness by first using 100% Fairtrade coffee beans in its in-store cafés and later adding a range of Fairtrade certified coffees to the shelves. In addition to permanent messaging in the cafés and stores, Woolworths has collaborated with Fairtrade on various campaigns in support of Fairtrade Week and Fairtrade Coffee Week.

The commercial success of the individual products has varied. However, the various initiatives have made for a strong fit with the company's overall value proposition to its customers and the definition of its brand. Woolworths aims to continually position itself as a retailer with 'the difference' and its sustainable sourcing initiatives are recognized internally as contributing to the difference.



Woolworths department store, Cape Town, South Africa © Inna Felker | shutterstock.com



Engaging business managers in the markets

A clearer case needs to be made to the business owners in the target markets about the benefits of engaging customers or consumers on the use of standards in sourcing. Current surveys demonstrating consumer interest are not sufficiently compelling due to scepticism about whether consumers' purchasing behaviour follows their stated values. Companies interviewed in the course of this research agreed that interest does exist amongst consumers according to their own experience and in-house market research. However, it remains unclear to many of these companies how these interests play into their decisions and how the company should best engage with them.

A stronger case, therefore, needs to be documented on the basis of changed strategies on messaging and arguments on how these standards can fit into a company's brand architecture. As an example, a message of less chemical use or traceability back to the farm has more of a natural complementarity to a message of 'fresh and wholesome' than does a generic message of 'sustainable.' Furthermore, standards systems will need to be flexible to pitch a case that can serve companies that differ as to whether they wish to reinforce their relationship with the consumer at the level of corporate brand, product brand or the individual purchase item.

Standards that are perceived as only usable in the form of on-pack labels will encounter the same debates as in

other parts of the world as to how best to use limited space. In some circumstances, certification can be seen as bringing an international attribute to a product, which may implicitly be perceived to suggest higher quality. However, in Brazil, China and India, they will face additional challenges from marketing organizations due to limited consumer awareness of the labels and, in some cases, regulatory issues around the use of labels. Rules on the use of labels and their underlying certification present some limitations for international standards seeking to operate in the market.

It is also necessary to show that sustainability attributes represent a better investment than an alternative approach to branding. One marketing professional noted that:

The various sustainability initiatives in our company are an important part of our brand and culture. However, my product category is relatively new to this market. I still need to communicate much more basic information to my consumers about the quality of ingredients that we use and how that differs from competitors, which is already complicated enough. We are still not at a point where talking about complex sustainability issues can be a primary topic of engagement.

Top: Native is a major Brazilian organic food brand that is sold in over 60 countries. Its product range includes a number of packaged sugar products as well as roasted and ground coffee, breakfast foods, chocolate, cookies and juices. Image courtesy of Native.

Box 10 | Rainforest certified tea in India

Typhoo tea has introduced the Rainforest Alliance (RFA) certification logo to a suite of products in the Indian tea market, including popular mass market blends as well as new 'gold' products. The company had already been sourcing tea from the estates of Apeejay Tea that carry varying certification, including Ethical Tea Partnership, FairTrade, HACCP and Rainforest Alliance. However, these have historically not taken a substantial role in branding and communication of the product to the consumer.

Typhoo's decision to promote certified tea products was driven by internal perceptions over its corporate brand and responsibilities rather than by explicit consumer demand. The company has long seen that purchase considerations in India are heavily influenced by performance, taste, price and quality and, in certain circumstances, brand pedigree. However, there is not yet clear data proving that sustainability priorities or conservation values influence or motivate purchasing decisions of consumers in the Indian market. However, given that Typhoo had access to a reliable supply of certified product from a trusted supplier, the company leadership took the view that it had a responsibility to help create a market for sustainable products in India.

While there is lack of clarity about the exact role of sustainability in purchasing decisions, Typhoo does believe that certified products are aligned with evolving consumer attitudes. Typhoo has noted a trend of consumers participating in social causes and willingness to explore products that are least harmful to the environment, especially in the consumable category. Similar to some

of the studies cited earlier in this report, Typhoo sees potential amongst those consumers who are self-dependent, make their own choices, are receptive towards conservation issues and consider wellness as a vital quotient while purchasing a consumable.

Consumer education will remain a critical step for the product and Typhoo is planning to undertake a consumer engagement campaign in 2015, including a digital campaign and road show. The product packaging will carry prominent labelling on the front of pack and the inside will contain wallet cards with simply written literature on what the label actually means for farms from which Typhoo sources the product being delivered to the customer. The company will complement these with point of purchase communication and other efforts to help communicate the meaning of the certification and link it to consumer interests.

Typhoo believes that scaling the market for sustainable products will require wider collaboration across the industry and its partners and surpasses the ability of an individual company. Sustainability needs to be framed as a lifestyle choice for Indian consumers and consumers need support in understanding the contribution of different products to such a lifestyle. Non-industry partners such as government, certification/standards bodies and civil society can contribute to raising consumer awareness. In addition, there is likely scope for collaboration amongst competitors but it will require time to find the right platforms and means to do this.

Source: Communications with Apeejay Surrendra Group

Cost-efficient channels for raising awareness

Clearly, a number of brands and retailers that have invested in sustainable sourcing have a commercial interest in having these efforts recognized. However, given the size and diversity of the markets, they need cost-efficient channels or platforms to build broad consumer education and awareness. Collaborations on sustainable consumption with NGOs represent one example of such platforms and have been used in the markets. However, these are not embraced by all companies.

Industry platforms represent another potential route for awareness-raising. While individual product promotion or branding remains highly competitive, there are examples of major competitors coming together around category campaigns to product category and common messages. For example, the tea industry in India launched a campaign around the theme of 'drink tea'; the Cotton Council has led a campaign around 'making cotton the fabric of our lives'; the dairy industry has promoted milk as 'fitness you can drink'. Such category-level campaigns have not focused exclusively on sustainability. Nonetheless, targeted messaging around standards could offer specific themes which could fit within broader category messages and images of a category.

Cross-sector collaboration to link sustainability with innovation and better lifestyles is also possible although remaining largely unproven in Brazil, China and India. One example is the website www.collectively.org, which is sponsored by companies from sectors ranging from software to apparel. The site does not promote any specific company or product; rather it tries to create a base of awareness about issues and cultivate interest. Companies can then individually seek to engage more sensitized consumers around their own specific agendas, products and activities. Similar efforts could potentially be launched in Brazil, China or India, particularly given the high level of internet usage and connectivity.

To sum up, deeper engagement of brands and retailers requires a combination of efforts to deal with supply issues and gaining the support of local business managers by inspiring with opportunities and lowering barriers to entry. These general needs provide a framework for considering potential actions by the standards community.





Millenials
are much more likely than
Baby Boomers
to respond on green issues

Final recommendations

Stimulating greater demand for sustainably sourced agro-commodities is a necessary step in the process of scaling but demand-side strategies need to be undertaken with a medium- to long-term view and this research did not find any examples of short-cuts through active brand or retailer engagement.

The closest examples were the emergence of FSC in the pulp and paper industry in Brazil. In addition, Trustea will serve as a model if it achieves its 2016 targets for certification.

However, strategies for engaging brands and retailers should be paired with a hypothesis of how demand will or can evolve to move a commodity along the S-curve. In some markets, it may be that small, mid-size brands will be the pioneers that larger competitors are forced to follow and in others the reverse. However, there must be an understanding of competitive dynamics in an industry and how this can be used to initiate trends that will move across a sector. Similarly, strategies must consider which segments of customers will move earlier rather than later. For example, Nielsen's survey results show that millennials are much more likely than baby boomers to respond on green issues.²² One might reasonably conjecture that a similar split might be found between those living in Tier 1 cities in China and those living in deep rural pockets. The recommendations below do not articulate specifically on these issues as they will vary market by market and commodity by commodity; nevertheless, they must be considered in translating any general recommendations into specific work plans.

The recommendations emerging from this work can be summarized as a need to continue to build out and enhance the infrastructure for standards; changing the approach to engagement with companies; and leveraging collaboration to provide an environment more conducive to the use of certified materials in the market.

Remove structural barriers

The standards community needs to remove bottlenecks to scaling up the presence of certified product or the use of standards as a first priority in demand-building strategies. These primarily relate to ensuring that a sufficient supply is available at an acceptable price point. Much research has already been done on how to speed uptake of standards at the production level, so these recommendations do not aim to address that specific barrier.

› **Improve coordination amongst VSS to streamline audit processes**

ISEAL Alliance and its members and partners need to quickly advance their work to streamline audit processes to remove overlaps and inefficiencies. This has already been identified as an important issue for the standards community and a practical concern in markets which are highly cost/price sensitive. Any efficiencies that can reduce costs can translate into improved chances of offering certified products at price points that can appeal to the mainstream market.

› **Encourage innovation in claims assurance mechanisms**

The debate around the relative merits of on-pack labelling has followed standards as they have moved from developed markets to Brazil, China and India. Therefore, it is not a given that companies will pursue certification-driven strategies and they may be satisfied with claims at the corporate level or brand level rather than in connection with individual products. Innovation in assurance mechanisms that enable companies to highlight their use of standards without the procedural and operational burdens of certification will open the way for greater adoption.

› **Continue government outreach to secure recognition of standards**

Government restrictions on the use of standards will make any discussion on demand academic while endorsements can increase the confidence of business, thereby unlocking further investments. Furthermore, governments are potentially powerful partners in building outreach and enabling supply to move to scale more rapidly. Government procurement requirements are also a potentially powerful lever in markets where the public sector accounts for a significant share of the end-use market.

²²The Nielsen Company. (2014). *Doing Well by Doing Good*. New York, The Nielsen Company, pages 6–7

Making the case with companies

Certified products need first movers and pioneers to begin unlocking consumer opportunities in Brazil, China and India. The case needs to be made locally in each market with brand managers and marketing professionals motivated to begin committing time and resources to support product innovations.

› Build interest within the marketing and branding professionals as a key stakeholder group

Many dialogues regarding sustainability are still driven primarily through sustainability, corporate affairs or procurement teams but the real stakeholders for discussions related to demand-building are marketing and brand management teams. Engagement clearly needs to include continued efforts to develop contacts and dialogues directly with brand owners and marketing teams within companies to engage them with ideas and substantive market research. However, engagement also needs to embrace the industry more widely with initiatives to stimulate creativity and demonstrate the complementary role that sustainability attributes can play in supporting overall brand goals. These engagements could include collaborations with professional associations representing branding/marketing, business schools or other partners that have marketing and branding professionals as constituents. Sustainability themes and messaging need to be presented more regularly, more frequently and with relevant supporting market research and case studies to socialize the idea within the industry.

› Focus engagement locally

Efforts to engage companies in building demand should focus on the business managers with P&L responsibility specifically for those markets. Standards organizations should seek to increase their local presence and others looking for partners in promoting standards must have an active presence in-country. This presence will need to be sufficiently robust to provide business partners with confidence that certification and standards bodies can provide sufficient support to corporate initiatives and that there is an active effort to build recognition of standards amongst buyers and consumers. Others need to seek to increase the flow of resources to in-country engagement, campaigns and other efforts. Given the relatively small size of many standards organizations, it may force hard decisions on priorities. Standards bodies could explore whether there are any possible synergies where they have common needs.



Walmart supermarket in Hangzhou, China © Zhao Jian Kang | shutterstock.com

› Market by market and commodity by commodity

Industry structure plays a critical role in defining how market transformation can unfold and varies substantially by location and product. Further research is needed to understand the specific market structure around individual commodities in order to identify the best leverage points in a given market.

› Evaluate opportunities with Brazilian, Chinese, and Indian companies

MNCs may have emerged as the early leaders in committing to sustainable sourcing, but they may not prove to be the companies that lead on introducing products to domestic consumers. Mid-sized, local companies with a strong corporate culture or general commitment around corporate social responsibility may turn out to be the first movers in some categories and may have fewer obstacles to developing products.

Provide tools and enabling platforms

Partners must seek to pool resources more effectively, whether this is behind market research, consumer engagement or other demand-building activities. The research has found examples of both grand coalitions spanning a sector and collaborations linking together three or four partners to create a new product opportunity. Both models have potential for replication and scaling and contribute different pieces to scaling of demand.

› Simplify and localize the messaging

Consumers need simpler sustainability messages that relate to national or sub-national concerns derived on the basis of specific market research within Brazil, China and India. Such research could potentially be done on a collaborative basis to the extent that it focuses on consumer interests in and understanding of environmental and social issues. Collaboratively funded research could then be refined and applied to individual commodities and standards. These messages must then be socialized and promoted locally through channels suited to the country (e.g. celebrity endorsements, etc.).

› Catalyse collaborative platforms at the category or cross-category level integrating sustainability

Consumer awareness is a shared interest and requires a shared investment. Equally important, it is an area of potential pre-competitive collaboration in what would otherwise be a highly sensitive area. Awareness-raising efforts can be launched at the commodity level and include sustainability themes within a wider campaign. Industry associations could be potential partners in such efforts but need to be convinced of the merits of highlighting such features. ISEAL Alliance members could potentially draw upon their resources and respective relationships to launch cross-category initiatives and platforms. The typical day of a consumer touches on all of the major commodity categories in one form or another, which provides a basis for developing shared awareness-raising.

› Position sustainability as about innovation and the future

Growth and rising quality of life are both realities and aspirations in the target economies and sustainability standards need to position themselves as being part of innovation for the future. Calls for action based on morality or preventing future disasters work with a specific demographic but positive messages and linkages to the aspirational lifestyles of consumers in Brazil, China and India are likely to have more potential.

› Create a pathway for national standards to link to global systems

National standards are highly likely to emerge for certain commodities in China and India and may evolve in other countries. At minimum, existing international VSS need to find productive ways to coexist with national standards. Ideally, however, national and international standards should become complementary to establish a 'floor' for minimum practice across a sector upon which further 'best practices' can be overlaid. ISEAL Alliance has a specific role to play in helping to evolve a vision for such systems and supporting dialogue amongst the various stakeholders. There is an argument for a strategy of actively promoting the development of national standards if the trade-offs involved with increasing the number of standards can be resolved.

› Media engagement

Public interest is the pre-cursor to consumer interest and demand-building strategies require helping people understand sustainability problems, the impacts on their lives and potential solutions. The media has played a consistent role in helping to bring attention to environmental and social issues and is doing so in all of the target markets. However, more work needs to be done to help the media better communicate how purchasing decisions are tied to the issues which people care about and how, in turn, these are tied to standards related to supply chains. Water pollution may be a visible issue in China or India but shoppers in a supermarket may not understand how the agriculture behind their selection of produce, meat, or fabrics/apparel relates to that issue.

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Appendix 1 | Emerging market data

Emerging market consumption, 2013–23

Worldwide Absolute consumption (thousand tonnes)

	2013	2023 forecast	10-year expected growth
Sugar	175,943	210,930	20%
Cotton	23,786	30,837	30%
Oilseed	419,507	506,926	21%
Wheat	694,846	773,569	11%
Rice	490,787	554,051	13%
Fish	161,801	185,986	15%
Poultry	107,310	134,341	25%
Beef & veal	66,627	75,208	13%

Brazil Absolute consumption (thousand tonnes)

	2013	2013 market share	2023 forecast	10-year expected growth
Sugar	13,575	8%	16,373	21%
Cotton	925	4%	1,282	39%
Oilseed	42,251	10%	55,382	31%
Wheat	11,108	2%	11,512	4%
Rice	8,451	2%	9,798	16%
Fish	2,322	1%	3,338	44%
Poultry	9,235	9%	10,647	15%
Beef & veal	7,264	11%	8,150	12%

India Absolute consumption (thousand tonnes)

	2013	2013 market share	2023 forecast	10-year expected growth
Sugar	26,350	15%	32,443	23%
Cotton	5,015	21%	7,201	44%
Oilseed	24,088	6%	31,077	29%
Wheat	86,700	12%	103,335	19%
Rice	98,840	20%	115,009	16%
Fish	8,121	5%	9,789	21%
Poultry	2,642	2%	4,227	60%
Beef & veal	1,376	2%	1,474	7%

China Absolute consumption (thousand tonnes)

	2013	2013 market share	2023 forecast	10-year expected growth
Sugar	16,300	9%	21,128	30%
Cotton	8,041	34%	9,742	21%
Oilseed	111,217	27%	136,380	23%
Wheat	121,380	17%	123,015	1%
Rice	136,311	28%	143,114	5%
Fish	55,105	34%	66,249	20%
Poultry	17,787	17%	22,595	27%
Beef & veal	6,734	10%	8,501	26%

Volume of new consumption, 2013–23

Brazil, India and China New consumption (thousand tonnes)

	New consumption 2013–23	Global increase 2013–23	Current market share	Projected market share
Sugar	13,719	39%	32%	33%
Cotton	4,245	60%	59%	59%
Oilseed	45,282	52%	42%	44%
Wheat	18,675	24%	32%	31%
Rice	24,319	38%	50%	48%
Fish	13,826	57%	41%	43%
Poultry	7,805	29%	28%	28%
Beef & veal	2,750	32%	23%	24%

N America and EU 28 New consumption (thousand tonnes)

	New consumption 2013–23	Global increase 2013–23	Current market share	Projected market share
Sugar	-94	0%	18%	15%
Cotton	95	1%	4%	4%
Oilseed	12,607	14%	26%	24%
Wheat	6,022	8%	24%	23%
Rice	1,204	2%	1%	1%
Fish	1,669	7%	13%	12%
Poultry	4,544	17%	28%	25%
Beef & veal	124	1%	31%	27%

Emerging market production, 2013–23

Worldwide Absolute production (thousand tonnes)

	2013	2023 forecast	10-year expected growth
Sugar	180,878	215,705	19%
Cotton	25,612	30,975	21%
Oilseed	430,465	507,126	18%
Wheat	714,710	778,096	9%
Rice	494,867	557,584	13%
Fish	162,784	186,095	14%
Poultry	107,448	134,511	25%
Beef & veal	67,241	75,623	12%

Brazil Absolute production (thousand tonnes)

	2013	2013 market share	2023 forecast	10-year expected growth
Sugar	41,100	23	48,752	19%
Cotton	1,590	6%	2,344	47%
Oilseed	81,862	19%	92,554	13%
Wheat	5,845	1%	6,268	7%
Rice	7,970	2%	9,881	24%
Fish	1,649	1%	2,088	27%
Poultry	13,037	12%	15,445	18%
Beef & veal	8,992	13%	10,305	15%

India Absolute production (thousand tonnes)

	2013	2013 market share	2023 forecast	10-year expected growth
Sugar	26,500	15%	30,860	16%
Cotton	6,368	25%	9,234	45%
Oilseed	24,588	6%	31,936	30%
Wheat	93,510	13%	108,584	16%
Rice	106,190	21%	124,240	17%
Fish	9,149	6%	10,639	16%
Poultry	2,648	2%	4,231	60%
Beef & veal	2,897	4%	3,568	23%

China Absolute production (thousand tonnes)

	2013	2013 market share	2023 forecast	10-year expected growth
Sugar	13,900	8%	18,025	30%
Cotton	6,700	26%	6,371	-5%
Oilseed	45,350	11%	55,805	23%
Wheat	121,050	17%	120,924	0%
Rice	140,118	28%	143,771	3%
Fish	59,629	37%	72,113	21%
Poultry	17,406	16%	22,385	29%
Beef & veal	6,511	10%	7,774	19%

Volume of new production, 2013–23

Brazil, India and China New production (thousand tonnes)

	New production 2013–23	Global increase 2013–23
Sugar	13,719	39%
Cotton	4,245	60%
Oilseed	45,282	52%
Wheat	18,675	24%
Rice	24,319	38%
Fish	13,826	57%
Poultry	7,805	29%
Beef & veal	2,750	32%

N America and EU 28 New production (thousand tonnes)

	New production 2013–23	Global increase 2013–23
Sugar	-94	0%
Cotton	95	1%
Oilseed	12,607	14%
Wheat	6,022	8%
Rice	1,204	2%
Fish	1,669	7%
Poultry	4,544	17%
Beef & veal	124	1%

About the author

*This report was prepared for the ISEAL Alliance by **Sean Gilbert**, an independent consultant with expertise in emerging markets. Sean has worked for nearly 20 years on embedding sustainability into business in a range of leadership roles that have bridged private and non-profit sectors.*

He developed the Sustainability Reporting Guidelines for the Global Reporting Initiative (GRI) and led GRI's entry into China. Then, as Director of Climate and Sustainability Services, Gilbert developed the client portfolio and offerings for KPMG's sustainability advisory services in China.





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