

# Environmental Policy and Procedures Special Report

# CRONER

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THE PROFESSIONAL'S FIRST CHOICE

## ■ The rise of the ethical consumer — implications for environmental management

The season of goodwill is nearly upon us, but in purchasing gifts for our friends and family how many of us will make the connection between what we buy and its relationship to brand strategy, ethical consumerism and environmental management?

Recent research shows that British shoppers will spend more than £2 billion in 2006 on ethical foods, eg Fairtrade, free range, and local or organic produce. This represents an increase of 62% in the last 4 years. According to the Mintel Global New Products Database, about 70 ethical food products were launched in Britain last year, 45 more than in 2002. Fairtrade products have the greatest growth, and are expected to amount to a £230 million market by the end of the year, a 265% increase on 2002 levels.

Currently standing at £25.8 billion, foodstuffs are only one part of a growing market of ethical and environmental products and services that businesses and consumers are now choosing to purchase. According to the Co-operative Bank's Ethical

Consumerism Report (see [www.co-operativebank.co.uk/epi](http://www.co-operativebank.co.uk/epi)) the total market for sustainable, ethical, green, organic and responsible (SEGOR) products grew by 15% in 2004/05. Moreover, according to marketers who invented the term SEGOR, the market is believed to be becoming increasingly mainstream (see [www.enableinteractive.co.uk](http://www.enableinteractive.co.uk)).

The SEGOR market also includes the investment of money. With the investments in ethical funds standing at more than £5 billion, and the existence of the FTSE4Good Index (launched in 2001), it is now easier for consumers to choose ethical investments.

The growth in the SEGOR market seems set to continue and for environmental managers this represents an opportunity to integrate products and services into certified environmental management systems.

The figures in this article, supplied by Ipsos-Mori, are used to illustrate many of the points made in the text and should be viewed as complimentary to the comments made in the article. □



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# ■ The rise of the ethical consumer — implications for environmental management

## The rise of SEGOR consumers

Research from Ipsos-Mori shows that in 2005, 82% of those surveyed considered that a company's degree of social responsibility was an important factor when making a purchase. The majority of respondents saw the degree of social responsibility of the product as being fairly important (47%) and another 35% rated this as very important.

A range of SEGOR products and services were included in the research, eg free-range eggs, GM-free products, green energy, recycled content, bio-degradable packaging and organic products.

The research also highlighted a growing awareness and desire for ethical product labelling. For example, 65% of respondents stated that they would like to see some sort of assurance that no child labour was used in the production of clothing and food and 53% wanted to see that the producers of food products had received a fair wage. Labelling of products in regard to biodegradable packaging and recycled material content also featured highly; the lowest criteria for labelling was information concerning organic production — only 29% of respondents rated this as a feature they would like to see.

A report by the Co-operative Group in 2004, entitled *Shopping with Attitude*, also reflected this rise in social responsibility awareness (see [www.co-op.co.uk/uploads/files/shopping\\_with\\_attitude.pdf](http://www.co-op.co.uk/uploads/files/shopping_with_attitude.pdf)). The study identified six areas of consumer concern.

1. *The whole truth* — telling the truth on a product label, so consumers can make an informed decision about whether or not to buy it.
2. *Food integrity* — providing products which are formulated, manufactured and marketed in a way that consumers can trust.
3. *Animal welfare and animal testing* — improving standards of care for animals and the banning of animal testing.
4. *Globalisation and poverty reduction* — ensuring a fair deal for growers in developing countries.
5. *Environment and sustainability*: — seeking new ways of minimising the impact of industry on the environment.
6. *Local communities* — working to support and sustain local communities.

In the ten years since the Co-operative Group undertook its first major survey into food ethics, the *Shopping with Attitude* report, highlighted



major increases in public awareness and demand in the above six areas. The areas indicating the greatest growth in awareness were as follows.

- In 1994, 55% agreed that retailers should help growers in developing countries. In 2004 this had increased to 80%.
- In 1994, 62% agreed that they were willing to pay a little extra for ethical alternatives. In 2004 this had increased to 84%.
- In 1994, 62% agreed that food labels should give full information. In 2004 this had increased to 96%.
- In 1994, 59% agreed that it is important to support products not harmful to wildlife. In 2004 this had increased to 70%.
- In 1994, 55% agreed that it was very important to stop producing products from non-sustainable sources. In 2004 this had increased to 64%.
- In 1994, 52% agreed that it was very important for businesses to minimise pollution. In 2004 this had increased to 67%.

For all of the categories of questions asked, there was an average increase across all areas of the study by 23%.

The Ethical Consumerism Report 2005, states that consumers have also become more confident about their influence. In 2004, 54% of people surveyed agreed with the statement "As a consumer, I can make a difference to how responsibly a company behaves", compared to 51% in 1991.

This report also highlights that of the £25.8 billion of ethical spend in 2004, £3.4 billion, or 13%, could be attributed to activity directly related to addressing the impact of climate change, indicating that the awareness of climate change is also having an influence on what people buy.

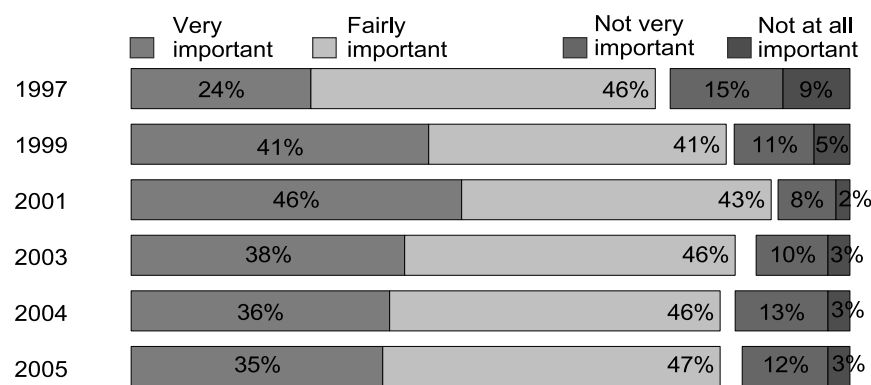
The message to manufacturers and retailers is clear: SEGOR consumers represent a large market, and awareness of environmental issues is growing.

## The Government's influence

The Government is playing a part in promoting ethical consumerism, and the Department for Environment, Food and Rural Affairs (Defra) has held a consultation on the possibility of establishing a national organisation for sustainable products (see [www.defra.gov.uk/environment/consumerprod/index.htm](http://www.defra.gov.uk/environment/consumerprod/index.htm)). In addition, the UK Government wants to develop a more integrated approach to tackling product impacts across their life cycle. This includes ways of stimulating consumer demand for more sustainable products by raising awareness, improving green claims and bettering product labelling. The supply chains of both retailers and public sectors are also a target for Defra.

At a European level, the European Commission, working under the umbrella of sustainable development, has begun to develop a series of policies to achieve sustainable consumption and production termed integrated product policies (IPP). As these policies develop, they will have a direct

Q When forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility?



Base: c. 1,000 GB adults 16+ each year

impact on products and services throughout the supply chains across Europe.

### **IPP — sustainable consumption and production**

The World summit on sustainable development in Johannesburg in 2002 saw the UK Government commit to encouraging and promoting the development of a ten-year framework of programmes to accelerate the shift towards sustainable consumption and production.

Sustainable consumption and production (SCP) is about achieving economic growth while respecting environmental limits, finding ways to minimise damage to the natural world and making use of the earth's resources in a sustainable way. It is, therefore, not a challenge restricted to just a few countries or areas of the world, but one which must engage the whole of the global community.

SCP is an important issue for the UK. It is one of the four priority areas for UK action set out in the new sustainable development strategy entitled *Securing the Future* (see [www.sustainable-development.gov.uk/publications/uk-strategy/index.htm](http://www.sustainable-development.gov.uk/publications/uk-strategy/index.htm)). The document outlines the UK's strategy for moving the SCP agenda forward, and includes measures to promote:

- better products and services to reduce the environmental impacts from the use of energy, resources, or hazardous substances
- cleaner and more efficient production processes which strengthen competitiveness
- shifts in consumption towards goods and services with lower impacts.

A range of committees, programmes and taskforces now exist to promote SCP, including:

- the Advisory Committee on Consumer Products and the Environment (ACCPE)
- Defra's Market Transformation Programme
- the International Taskforce on Sustainable Products
- Environment Direct.

### ***The Advisory Committee on Consumer Products and the Environment (ACCPE)***

The ACCPE has provided advice to the Government on policies to reduce the environmental impacts of

products and services. Its final report and suggestions were published in 2005 (see [www.defra.gov.uk/environment/consumerprod/accpe/index.htm](http://www.defra.gov.uk/environment/consumerprod/accpe/index.htm)).

### ***Market Transformation Programme (MTP)***

The MTP supports the development and implementation of UK Government policy on sustainable products and aims to reduce the environmental impact of products across the product life cycle by:

- collecting information, eg stock, sales, usage and resource consumption data
- building evidence which is used to model how products will evolve in the marketplace and to estimate future environmental impacts
- working with industry and other stakeholders to ensure that an understanding is reached to mitigate environmental impacts, agree action plans and implement any necessary measures.

More information on the MTP can be found at [www.mtprog.com](http://www.mtprog.com).

### ***International Task Force on Sustainable Products***

The task force is a UK-based initiative, set up to ensure that global products are developed that are consistent with the UK's policy for SCP. The process calls for a ten-year framework of programmes in support of regional and national initiatives to accelerate the shift towards sustainable consumption and production (see [www.mtprog.com/marrakech.aspx](http://www.mtprog.com/marrakech.aspx)).

### ***Environment Direct***

Environment Direct will be Defra's new environmental information service for consumers. It will provide simple information and advice about the impacts of goods and services. Defra expects to launch the project in late 2006, (see [www.defra.gov.uk/environment/consumerprod/index.htm](http://www.defra.gov.uk/environment/consumerprod/index.htm)).

### **Environmental legislation**

In addition to the above programmes, the Government is also focusing on legislation and other initiatives.



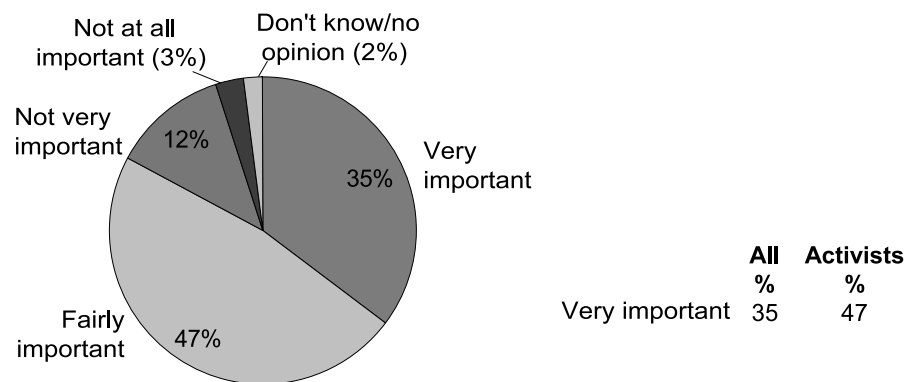
### Energy-using products

Directive 2005/32/EC on the eco-design of energy-using products aims to promote sustainable development by providing a framework for the setting of eco-design requirements for energy-using products before they are placed on the market. Defra has launched a consultation exercise in connection with the UK Statutory Instrument which will implement this directive in the UK in August 2007.

### WEEE Directive

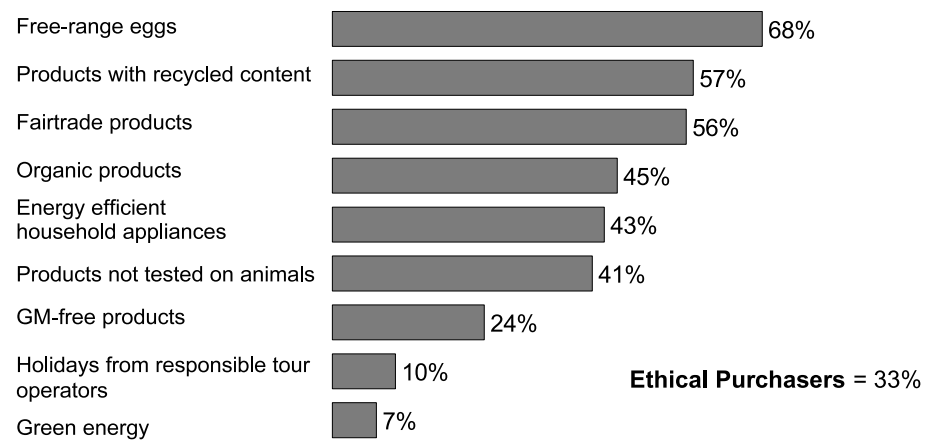
Directive 2002/96/EC and 2003/108/EC on waste electrical and electronic equipment (WEEE) requires producers of electrical and electronic equipment to finance end-of-life collection arrangements for their products. The directive also requires producers to meet the cost of appropriate treatment, and to meet specific targets for recycling and recovery. The directive covers products already placed on the market.

Q When forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility?



Base: 1,005 GB adults 16+ July-September 2005

Q Which of the following have you bought in the last 12 months?



Base: 2,025 GB adults 16+ July-September 2005

### Energy Star

This voluntary scheme aims to promote energy efficient office equipment, eg personal computers, monitors, fax machines, scanners, photocopiers and printers.

### Mandatory energy labelling

Energy labels provide information about the energy consumption and performance of domestic fridges and freezers, washing machines, electric tumble dryers, combined washer-dryers, dishwashers, lamps, air conditioners and electric ovens.

### The European eco-label and consumer choice

The eco-flower label (see page 7) is used in Europe and is endorsed by the European Commission and all EU member states.

The label is only awarded to goods and services which meet strict criteria to minimise the impacts of the products on the environment. For example, eco-labelled growing media does not contain peat, and eco-labelled tissue paper only uses recycled fibres or virgin fibres from sustainably managed forests.

For a product to be assigned the eco-label, it must be independently certified. The label applies to all the environmental impacts of a product, over its whole life through to disposal. The eco-flower label covers all product groups from electrical goods to paints, cleaning products to mattresses.

### Life cycle analysis

The International Organization for Standardization has published standards on life cycle analysis (LCA).

LCA is the systematic assessment of the environmental impacts of a product or service during all stages of its manufacture and use. The main benefit of LCA is that it allows companies to determine where the key environmental impacts of a product or service lie, and hence provide a means for controlling those impacts.

### Case studies

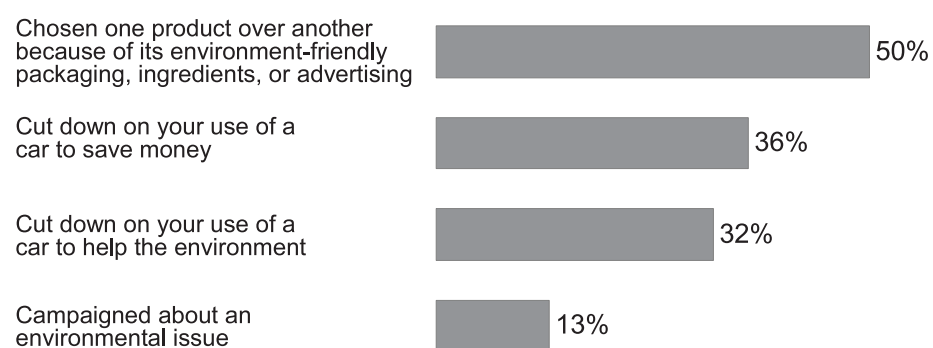
#### Redeem

Redeem plc recovers, reuses and recycles mobile phones and used printer cartridges. Redeem's innovative consumer facing recycling programmes, eg Recycling Appeal and Recycloop, allow the company to access a wide range of high quality products whilst raising funds for charities, schools, youth groups and other good causes. An ethical business, Redeem is also a big business: turnover has progressed from £500,000 in 1999, to over £4.5 million in 2006, with substantial growth in the last two financial periods.

The printer cartridges and mobile phones recovered through collection programmes are sold on for refilling and refurbishment and returned to the consumer stream.

Redeem's core business has significant positive environmental impacts, as it has diverted over 2 million kilograms of unnecessary waste from landfill. As a way of demonstrating internal environmental commitments, the company is certified to ISO 14001 and registered through the European Eco-Management and Audit Scheme (EMAS). Redeem's environmental systems operate around five key objectives.

Q Which, if any, of the following have you done in the last year or two?



Base: 1,002 GB adults 16+ August 2006 (telephone interviews)

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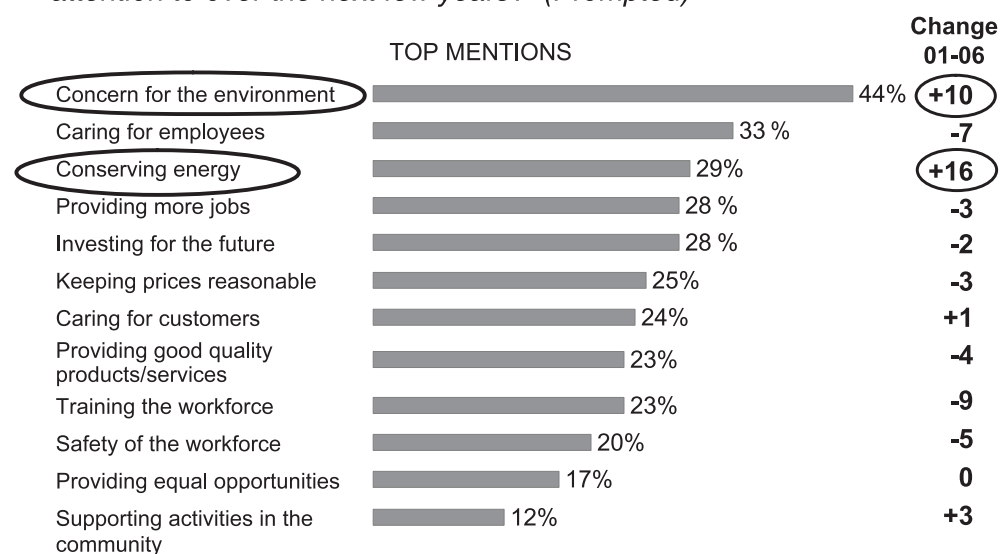
1. Increase positive environmental impacts.
2. Reduce the amount of waste going to landfill.
3. Reduce any contribution to global climate change.
4. Reduce environmental impacts of resources used.
5. Minimise potential for pollution incidents.

To retain its environmental accreditations, the company has internal recycling programmes, improves its energy efficiency where possible, has a sustainable transport policy and closely evaluates suppliers. The growing emphasis on corporate social responsibility means that having internationally recognised environmental accreditations can also

offer a competitive advantage, as both consumers and partners look for more in the companies they work with.

In addition to positive environmental impacts, Redeem's charity, Recycling Appeals, allow the public an opportunity to raise funds for deserving causes. Consumers can donate their phones and cartridges to charities, which Redeem then buy from the charity. To date, over £2 million has been raised in this way. As a service that offers both green and social benefits, the collection programmes have benefited from the rise in awareness of sustainability, social responsibility and ethical consumerism.

**Q Which three or four do you think companies should pay particular attention to over the next few years? (Prompted)**



Base: All British Public (975), June 2006



The eco-flower label

## Innocent drinks

Innocent Ltd has a 63% share of the smoothie market in the UK, selling over 1 million drinks each week in 7000 outlets. Launched 7 years ago, it is still the only range of 100% pure fruit smoothies that uses fresh, rather than concentrated juices. The team has grown from 3 to 145 people who work in the UK, France, Ireland, the Netherlands and Denmark. Last year, Innocent turned over £38 million and this year it is aiming for £70 million.

As a business, Innocent wants to make it easy for people to do themselves some good, and to leave the planet a little better than how they found it. This is reflected throughout the business, from Innocent's use of green electricity at Fruit Towers, the London-based head office, to sourcing fruit from places that look after the people that work on the farms and the environment. For example, all Innocent bananas come from Rainforest Alliance accredited farms, and every year the company donates 10% of its profits to the Innocent Foundation, which funds non-governmental organisations in the countries where it sources its fruits.

Product packaging also has a part to play, and the company was the first to launch 25% post-consumer recycled PET packaging, and its packaging has recently increased to a recycled content of 50%.

Innocent will be launching its first 100% compostable bottle by the end of this year. Made from corn starch, it is the first smoothie bottle of its kind and is made in a completely carbon neutral process. The bottles will be made from polylactic acid (PLA), an annually renewable resource produced from corn, which is more sustainable than

any other plastic. It has been calculated that an Innocent bottle uses 20% to 50% fewer fossil resources than a standard plastic bottle which uses conventional plastic resins. This process is the only commercially viable one that uses annually renewable resources such as corn, has a good life cycle profile and can compete with traditional materials.

Progressing to 100% compostable packaging is a huge step forward, and one which the company hopes will encourage other manufacturers to look at the impact of their packaging on the environment.

## Summary

The emergence of corporate social responsibility and the environment as a mainstream issue for business has translated across to product sourcing and stewardship. Unsurprisingly, the growth in the SEGOR market looks set to continue, and those companies that can position both their products and brands to exploit these market opportunities in a sustainable manner will be on course for success. The growing number of international standards for environmental management and life cycle analysis all act as drivers for companies to integrate responsibility into their products and services. It would appear that in the UK, customers are already on course to embrace sustainable consumption and production. □

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