

Marketing sustainability

# Bridging the gap between branding, sustainability and consumer demands

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dutch sustainable  
trade initiative

## Foreword

President Obama recently said that there are only two kinds of car companies: those that sell hybrid cars and those that will sell hybrid cars in the near future. The same is true for sustainability in supply chains. There are companies that source and sell more sustainable products and there are those that will do so in the near future. With a world soon populated by nine billion people and over two billion new middle-class citizens, traditional sourcing and selling will simply be a no. You are either on the pathway to sustainable development or you are out of business.

The challenge of sustainability is reshaping the relationship between business and society. Industry needs to better manage natural resources and significantly lower its global ecological footprint. And companies need to engage much better with suppliers and workers in the emerging and developing economies.

The mission of the Dutch Sustainable Trade Initiative (IDH) is to upscale and accelerate the mainstreaming of sustainability in international commodity chains. IDH joins the forces of business, non-governmental organisations, labour unions and governments. We bring diverse stakeholders together in focused and result-oriented sectoral coalitions that implement ambitious improvement programmes. These programmes tackle social, ecological and economical bottlenecks in the countries of origin of raw materials, while at the same time creating value for more sustainable products in developed countries.

IDH acts as a knowledge broker, capturing and sharing best practices in sustainable business. This will help frontrunners to move even faster, while supporting others to overcome thresholds. To mark its first-year anniversary, IDH is publishing a series of six booklets on current practices in sustainability in mainstream business:

- **Sustainable Marketing: The positioning of sustainable products in mainstream markets, with cases of Lipton (tea), FSC (timber) and Nespresso (coffee).**
- Sustainable Sourcing: Advanced strategies and cutting-edge practices in sustainable procurement, with case studies of AkzoNobel (chemicals), Mars (cocoa) and IKEA (cotton).
- Sustainable Trading: Why and how traders have become key agents for sustainability in the coffee supply chain and how this is being replicated in cocoa, with case studies of Ecom (coffee) and Olam (cocoa).
- Sustainable SMEs: Best practices in sustainable sourcing among small and medium-sized enterprises, with case studies of Wijma (timber), Fair Wear Foundation (garments), and RMP Grafmonumenten (natural stone).
- Sustainable Retail: Why and how retailers incorporate sustainability into their business strategy, with case studies of Ahold, Asda/Wal-Mart, and Carrefour.
- Labour Standards beyond Auditing: Best practices in going beyond auditing to achieve genuine social impact, and the business case for doing so, with a dozen cases in the garments, electronics, and sportswear industries.

We hope you enjoy reading these booklets and that they may inspire you with actionable ideas to further embed sustainability within your own organisation.

**Joost Oorthuizen, Director IDH**  
**Andre Veneman, President IDH /**  
**Director Sustainability AkzoNobel**

## Contents

### Foreword

<b>1.0</b>	<b>Introduction: Searching for peaks</b>	<b>4</b>
1.1	The strategy gap	5
1.2	The awareness gap	6
1.3	The credibility gap	7
1.4	The availability gap	8
<b>2.0</b>	<b>Certification: Lipton tea can do that!</b>	<b>10</b>
2.1	Bridging the gaps	11
2.2	What happened?	14
<b>3.0</b>	<b>Nespresso: Searching for shared value</b>	<b>16</b>
3.1	Bridging the gaps	17
3.2	What happened?	21
<b>4.0</b>	<b>FSC: Increasing demand is the key to success</b>	<b>22</b>
4.1	Bridging the gaps	23
4.2	What happened?	24
<b>5.0</b>	<b>Essential equipment for sustainability</b>	<b>26</b>
5.1	Sustainability is a process	27
5.2	Sustainability calls for new guidelines	27
5.3	Sustainability is the management of a new sort of knowledge	27
5.4	Sustainability calls for momentum	28
5.5	Sustainability is measurable	28

	<b>Acknowledgements</b>	<b>31</b>
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## Chapter 1

Introduction: Searching for peaks

**‘Businesses can not succeed in societies that fail. (...) With liberty comes responsibility. Sustainable brands have the heritage, ability and drive to bring this alive.’**

Paul Polman, CEO Unilever

**Doing business sustainably often means introducing sustainability into production chains. But how can business create value from ‘sustainability’? What are the risks and opportunities? In this book, three leading brands share their insights and experiences on their evolutionary search for peaks.**

Lipton Tea, Nespresso and the FSC all faced similar challenges and all had gaps (in strategy, awareness and credibility) to bridge before they could move on.

### 1.1 The strategy gap

In these changing times, companies must adapt quickly to the various pressures they face. Climate change, a growing world population, intense pressure on natural resources and the ageing of the population call for a more sustainable way of doing business.

Nowadays, business strategy is commonly associated with sustainability. There is increasing evidence that aligning the interests of all stakeholders often leads to better (financial) results. Examining sustainability from the supply chain point of view is a common enough exercise. However it must be noted that business strategy and marketing strategy are not always one and the same thing. Having a marketing perspective is central to doing business and this is also true for sustainability. Sustainability marketing can create real value, when viewed from the consumers’ perspective.

#### Box 1. Share Value. Create Value.

Companies and society are inherently connected.<sup>1</sup> As soon as one or the other of these parties sponges off the other, they cut their own throat. The upside is that companies that share with their stakeholders contribute directly to their own potential for growth. Share value. Create value.

Many companies have already done much to improve the social and environmental consequences of their activities, yet these efforts have not been nearly as productive as they could have been – for two reasons. First, they pit business against society, when clearly the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to each firm’s strategy. (...)

Corporate social responsibility can be a source of opportunity, innovation and competitive advantage. (...) The mutual dependence of corporations and society implies that both business decisions and social policies must follow the principle of shared value. That is, choices must benefit both sides.

<sup>1</sup> Michael E. Porter & Mark R. Kramer, Harvard Business Review, December 2006. (for full text, see: [www.fsg-impact.org/ideas/item/435](http://www.fsg-impact.org/ideas/item/435))

## 1.2 The awareness gap

We live in exciting times. Call it what you like: the 'Age of Transcendence', 'The Conceptual Age', 'The Consumer Age' or the 'Age of Turbulence'. What we call it doesn't make a great deal of difference. What's important is what lies behind it: the fact that we are all connected to each other through the Internet, that knowledge can spread at lightning speed across the world, leading to new ideas and specialisations emerging on a global scale. In addition we are using up our raw materials at a fast rate, we are contaminating our environment, and we are taking too many (financial) risks and living beyond our means. In effect we are turning the world on its head through our own actions.

An aging population has also important and long-reaching consequences. For the first time in history, there are more people in Western Europe aged over forty than there are aged under forty. The over-40s are experienced consumers. They are interested in gaining more meaningful products and services, having already satisfied the majority of their material needs. They are online fuelled, they buy online and are keen to form online communities to work together to get things moving, review products publicly or to make demands.

When it comes to awareness of sustainability issues Western European consumers are in the lead. They are familiar with the trends and the consequences and are increasingly more aware of their own role and their ability to bring about change. This is particularly true for communities in which people meet each other around a specific interest or hobby. Dutch consumers remain critical when it comes to sustainable products. Motivaction and GfK both observed a decrease in people's involvement in the environment and society

### Box 2. Agents of Change

For consumers drive business and economies forward. Each transaction, each bleep at the checkout, is a message to a business to produce more of that product. Consumers are agents of change and growth. Economies where businesses are allowed to respond to consumer demand, to innovate, create and change are those that will grow and prosper.

Speech of Sir Terry Leahy, Chief Executive Tesco, 11 June 2009

during 2008. Yet three-quarters of Dutch consumers still consider the subject to be important. Porter Novelli, in its Eurostyles survey, has observed little change in the attitude of the Dutch towards sustainable products in the past number of years. They consider it to be important, but they don't act accordingly. Y&R's Brand Asset Valuator underlines these conclusions. 'Sustainability is definitely on the agenda, but it has no priority'. This may be due to a lack of availability of sustainable products.

Against this, according to business managers, sustainability is set to be the most important challenge during the next few years.<sup>2</sup> Consumers are expected to be the driving force behind that change. GfK calculates that around 5.5 million customers are receptive to sustainable products. And as many as 2.5 million can be classified as 'early majority' consumers. Put them together and you have around 57% of all consumers in the Netherlands.

<sup>2</sup> McKinsey survey, Feb 2007, 391 CEOs whose companies participate in UN Global Compact

This figure is in line with the results of a recent survey<sup>3</sup> conducted by the Boston Consulting Group among Europeans which also identifies the barriers that exist. Awareness and choice are the most powerful levers for increasing sales of green products. McKinsey, in its quarterly issue of October 2008 states that awareness, availability, negative perception, distrust and price are the most important reasons consumers have for not buying green products. It is clear that the market can be opened up through raising awareness and offering an alternative to consumers.

## 1.3 The credibility gap

Brands help consumers choose. They are a trustworthy source of information and are important in educating and engaging large groups of customers. A community of brand users is a powerful force. Brands influence our attitudes and our preferences and buying behaviour. In short, brands have the power to drive change.

However, brand preferences change over time. Some brands become less relevant especially during changing times. In 2009, Dutch consumers prefer brands with 'trusted' values such as authenticity and trustworthy over brands with more 'active' values such as energetic and innovative.

Becomes more important	Becomes less important
Distinctive	Energetic
Down-to-Earth	Different
Prestigious	Kind
Authentic	Innovative
Trustworthy	Unique
Reliable	Restrained
Straightforward	Up-to-Date

Source: BrandAsset™ Valuator, 2009 compared to 2008, total population 18+ in the Netherlands. BAV™ is the largest long-term brand survey in the world. It researches consumer attitudes to brands and what the underlying causes are.

Generally speaking, more sustainable brands are more trusted by consumers. On [greenwashingindex.com](http://greenwashingindex.com), consumers gave the best and worst examples of companies who conduct their business 'sustainably'. The greenwashing index does not rate highly those brands that are simply out to make short-term profit. Trust marks are very powerful as they encourage the consumer to trust a brand. Kraft Foods' market share in the UK increased by 8% after it placed the Rainforest Alliance frog on its Kenco (coffee) packaging. A trust mark tells consumers, in a friendly way, that the brand is honest and sincere. It is an approach that large global companies with established brand names often use.

<sup>3</sup> Full text 'Capturing the Green Advantage for Consumer Companies' is at [www.bcg.com](http://www.bcg.com)

## 1.4 The availability gap

Retailers also play an important role in making sustainable products available to consumers. Sustainability is high on their agenda and they are interested in creating shared value. But the following example of Campina shows just how challenging it can be. The launch of the *'Nieuwe Melk'* ('New Milk'), in 2007, was a great success. This milk is more sustainable, more natural and healthier. It comes from cows who graze outdoors and are fed additional natural supplements, so the milk contains a relatively high proportion of unsaturated fatty acids. Cows are also fed 'green soya' grown under organic conditions.

New milk gave Campina a unique position in the market, especially when compared to its competitors Royal Friesland Foods (who is now a partner of Campina as the result of a merger) and Danone. Furthermore, Campina's New Milk has since become a standard for milk in the Dutch market, forcing Royal Friesland Foods to come up with a similar concept. This is good news for sustainability!

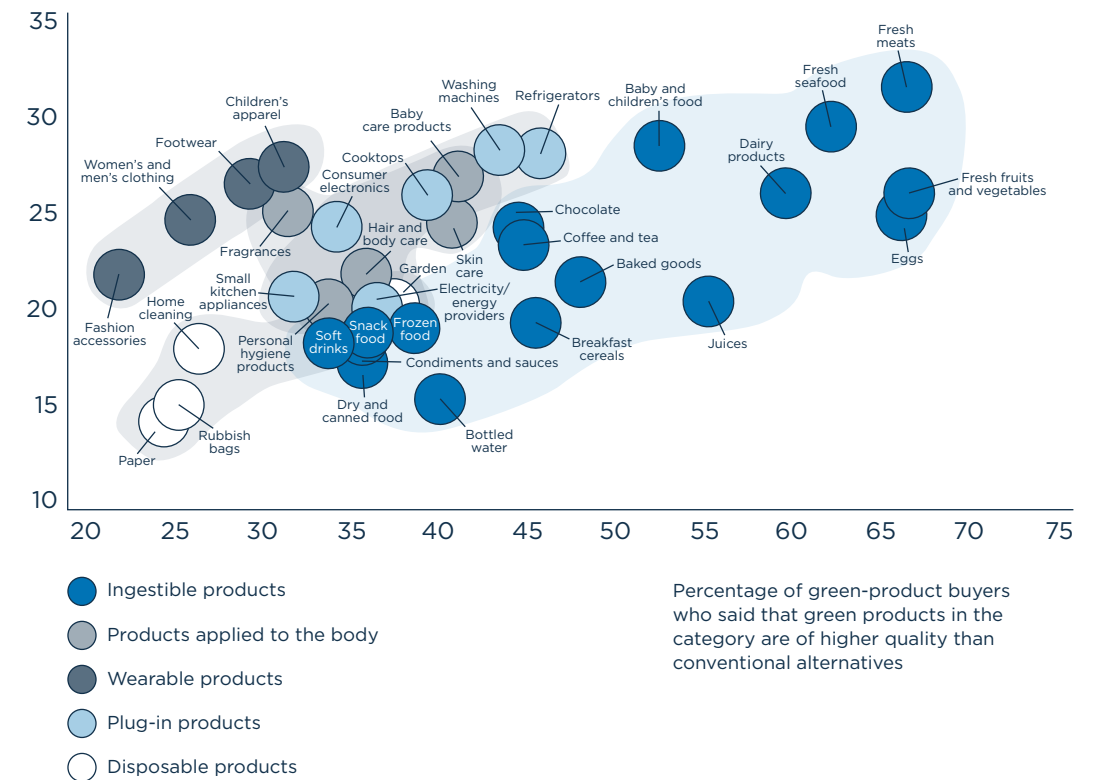
In the spring of 2009, Albert Heijn introduced a trust mark, *'Puur&Eerlijk'* (Pure&Honest) to encourage consumers to choose products which have been produced, grown and purchased in a pure, honest way. It used its own label on products that already have a trust mark: Biologisch, Eko, Fair Trade, MSC or Scharrel. Campina is managing to stay ahead thanks to a continuous stream of marketing and product innovations.

Trade marketing still works the same way it always has. Securing a position on the shelf still requires good mutual relations, sharing insights on consumer behaviour and development of promotions that get people talking, generate traffic or have a positive impact at the checkout.

Pick your battles wisely! Consumers' willingness to pay a green premium depends on the product category and the perceived benefits.

## Consumers' Willingness to Pay a Green Premium Depends on a Product's Category and Perceived Benefits

Percentage of green-product buyers willing to pay at least 10 percent more for green products in the category



Source: BCG Global Green Consumer Survey October 2008. Capturing the Green Advantage for Consumer Companies©2009, The Boston Consulting Group

## Chapter 2

Certification: Lipton tea can do that!

**‘It became increasingly clear that changes in society meant that we needed to explain how we make tea.’**

Michiel Leijnse, Unilever

**Unilever is a world player (market leader) in tea. Through its brands – mostly Lipton and PG Tips – the company sells 12% of all black tea, worldwide. Although Lipton is still recording single digit growth annually, the market challenges are huge.**

Lipton noticed that tea is rapidly becoming a commodity. There is downward pressure on prices and upward pressure on commitments to labour standards and environmental stewardship. Increases in the costs of supply chain improvement and capacity-building programmes led to the question of how these commitments could be made more visible to consumers. So, Lipton explored all options and in May 2007, the company signed an agreement with the Rainforest Alliance. Stating that in 2010 all Lipton Yellow Label teas bags sold in Western Europe will contain tea from Rainforest Alliance Certified™ farms. And by 2015, Lipton wants all its tea bags globally to be sourced from Rainforest Alliance Certified farms.

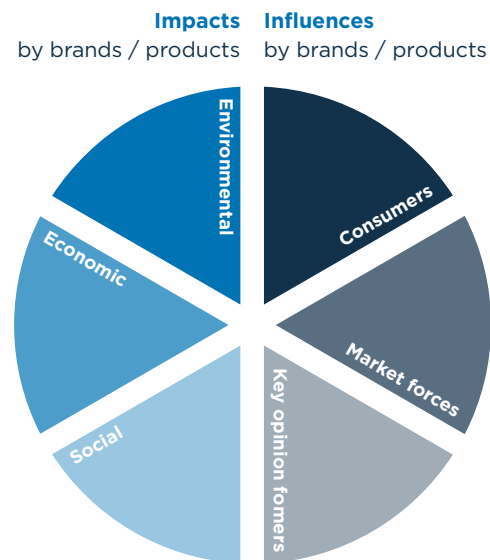
### 2.1 Bridging the gaps

‘At Lipton, we have a long-term vision. We’ve been dealing with tea for one hundred and twenty years now, and our plantations in Kenya were founded eighty-five years ago. The question as to how we can continue to supply high quality tea has always been fundamental for us. Over the past fifteen years, we’ve been busy on our plantations in Kenya, improving the conditions in which the tea is farmed. It became increasingly clear that changes in society meant that we needed to explain how we make tea. Our experience in Kenya could yield some appealing stories, but that would relate to just 10% of the tea we sell worldwide. The remaining 90% we buy in from other suppliers. The story from Kenya is therefore too small to be presented to the public’, says Michiel Leijnse, global marketing manager of Lipton.

### Box 3. Environmental and Social Issues in Tea Production

The tea bush only thrives in a narrow range of high-altitude tropical areas, in countries such as Argentina, China, Kenya, India, Indonesia, Malawi, Sri Lanka and Tanzania. In these areas, tea cultivation competes with native bio diverse tropical forests, which are often destroyed to provide fuelwood for drying the tea and to make way for the establishment of tea plantations. Farming practices on the plantations often degrades the land through runoff and soil loss during tea planting, as well as excessive use of fertilisers and pesticides that result in reduced soil fertility. Social issues in the tea industry primarily relate to the living and working conditions of tea labourers, many of whom reside with their families on large plantations. Child labour is endemic in many tea fields, particularly when casual seasonal labourers bring their children to work. Wages can differ sharply between adults and children, men and women, and permanent and seasonal labourers. Health and safety hazards exist, from insanitary conditions and fire risk in housing provided, to lack of protective measures during agrochemical use. Workers’ ability to organise and address these concerns varies a great deal across countries and locales.

But producing a positive image was exactly what Unilever wanted to do. The company's sustainable agriculture programme had been running successfully for more than a decade. This included housing, training and green energy activities as well as the establishment of a dedicated medical infrastructure, costing about 1 million euros per year. However, as the company rarely spoke publicly about these activities, their costs were not offset by any marketing benefits. Within Unilever, questions on how these costs related to income were being asked. As this marketer of global brands, it became clear that the solution lay in focusing on the income side. Unilever's brands have a clear focus in the marketplace, a clear promise and a broad anchoring of sustainability in the organisation. The central question was: how could Lipton capitalise on the lessons from Kenya and anticipate trends in the market?



Unilever, who is constantly evaluating consumer preferences, developed a conceptual model called Brand Imprint<sup>4</sup>. By 2006, Brand Imprint was ready to use. In this model, the brand is the basis for examining the impact the brand has on social, economic and environmental aspects, and its importance for consumers, customers, NGOs and governments. Lipton was the first to use this model.

The central question under discussion in the first meeting was the credibility of the brand. The decision to work with the Rainforest Alliance Certified programme was not an obvious one. Lipton explored three possible routes:

- continuing its improvement programme in Kenya
- establishing a new sustainability programme
- working together with a third party

The company discussed the role that third parties could play in improving the brand's credibility with its advisory board, which consisted of a group of experts (from WWF members to academics), with which the company principally discussed social issues. The idea was also discussed with NGOs and other external stakeholders. The experience of Michiel Leijnse, who had previously worked at Ben & Jerry's, the ice-cream company, was crucial. Ben & Jerry's is a brand that has been advocating sustainability for the past 30 years. Its reputation has been built on social foundations and the production process was established in a sustainable, responsible way. The experience and success of Ben & Jerry's production methods highlighted the need for support of Lipton from third parties when dealing with environmental issues.

<sup>4</sup> Unilever's brand imprint model. See also: <http://www.unilever.com/sustainability/business/brands-in-society/>

Lipton's decision to use the Rainforest Alliance certification programme is instructive, since it highlighted how the different certification regimes actually compete with each other for engagement with brands. First there was a clear sense that the Rainforest Alliance Certified standards matched well with Unilever's sustainability standards. The Rainforest Alliance Certified standards are set by the Sustainable Agriculture Network (SAN), a coalition of NGOs striving to improve commodity production in the tropics. The Rainforest Alliance, an international conservation organisation, is a SAN member. Second, their consumer trust mark, 'the frog seal', could be used to communicate the initiative. And finally, the set of standards from the Rainforest Alliance were being maintained on large estates (which account for about half of Unilever's production) as well as small farms.

In May 2007, Lipton publicly signed an agreement to work together with the Rainforest Alliance. Companies may use the Rainforest Alliance Certified seal, along with a qualifying statement, if at least 30% of the product originates from a Rainforest Alliance Certified (RAC) farm. In fact, Lipton set a target of 50% of product from RAC farms for certification and set a target for parts of its portfolio to be fully certified by 2010. It aims to have all tea sold in Western Europe under Lipton Yellow Label or PG Tips brand fully Rainforest Alliance Certified by 2010.

When you promise consumers something, you must deliver on it! Lipton wanted to boost brand preference and inform consumers about sustainability issues in those countries where consumer interest in sustainability was high.

According to Michiel Leijnse:

'Because the decision to link with the brand had already been taken, in market research we principally explored how the message could best be told. That appeared to show up some interesting differences. In Europe, for example, consumers are mainly receptive to a holistic approach. They want to understand how Lipton makes the difference on all three aspects of sustainability: social, economic and environmental. European consumers know that that's important, but they want you to tell them how you're doing it. In Japan, on the other hand, consumers principally want to have the environmental aspects explained to them.'

'We coupled the insights to our brand promise: *Lipton tea can do that*. This was based on the insight that drinking Lipton helps people to lead a better life. Meaning, for the consumer, better in terms of being healthier and fitter. But the brand promise also has another side: making our production more sustainable also leads to a better life for farmers and a better environment. In the campaign, we were able to translate that message simply and believably through the Lipton brand.'

In August 2006 Lipton made a crucial decision. Consumers would no longer be asked to pay more for certified tea, despite the fact that the company had to pay a higher price to farmers to obtain it. Lipton already knew that most consumers preferred 'better behaving brands', but that a much smaller percentage were prepared to pay more for them. The price therefore remained unchanged as Lipton set out to convert all of its tea products that were already on the shelves to certified tea. For retailers, there was thus no obstacle to stocking the certified tea. In addition, relationships with retailers were strengthened as brands that could make a contribution to the sustainability issue were welcomed. The promotion of Lipton with the Rainforest Alliance seal in North America in 2009 began with a major promotion at Wal-Mart.

## 2.2 What happened?

Lipton has delivered proof of concept. For Lipton, sustainability has proven itself to be a major creator of value. During 2008 a campaign was run in a number of countries. In places where brand activation linked well with the brand, sales and market share went up during the campaign period. In countries with a mature tea market, the shifts were substantial.

Subsequent research in Italy on the origin of the consumer growth revealed that certified tea was attracting a younger consumer. That of course is good for the sustainability of the brand!

### Lipton Yellow Label

Country	Turnover (%)	Tonnes (%)	Value share (pts)	Volume share (pts)
France	- 1.0	0	- 0.8	+ 0.8
Italy	+ 10.5	+ 8.8	+ 2.13	+ 2.06
Norway	+ 10.2	+ 5.2	+ 0.88	+ 2.7
Sweden	+ 12.3	+ 13.5	+ 3.09	+ 3.84
Switzerland	+ 1.5	+ 0.6	- 2.7	- 4.6

(Source: Nielsen MAT DATA January 2009)

### PG Tips

	Turn over	Tonnes (%)	Value share (pts)	Volume share (%)
UK	+ 5.6%	+ 5.6%	+ 1.8pts	27.0

(Source:IRI Scanning Total Coverage to W/E 1st Nov 2008)

Lipton is convinced that the tree frog, which is on the Rainforest Alliance Certified seal, has enormous appeal to consumers in most countries, except in France. Based on consumer research, Lipton tea sold in France did not use the frog on its packaging during the campaign. French Lipton buyers are conservative and there was a risk that changing the look of the tea packs would drive away loyal customers. Still the results were behind those of other countries.

The position of Lipton in France remained largely unchanged and consumer growth has been less in France than in other countries. Overall at the critical moment of choice, the Rainforest Alliance Certified seal has been shown to make the difference between buying and not buying.

Lipton also gained in the out-of-home market. McDonald's opted for Lipton tea in twelve countries, to the detriment of the incumbent supplier. In addition IKEA and KLM/Air France now serve Lipton tea with the Rainforest Alliance Certified seal. Consumers are becoming increasingly more aware of the sustainable alternative and the visibility of the brand is increasing on a global scale.

What's also interesting is that the perception of Lipton as a quality tea has increased. Although product features were not mentioned during the campaign, Lipton tea is perceived to be a better quality product.

In the next few years, Lipton has a lot to live up to. By 2015, Lipton aims to source all of the tea for its tea bags, worldwide, from Rainforest Alliance Certified plantations. Currently it sources just 12% of its tea from RAC plantations, so the challenge is enormous. All roll-out decisions revolve around the consumer and the promise made to them. Lipton's priority will be in the countries where Lipton tea with RAC seal has already been introduced (America, Australia, Japan and Western Europe). Indeed, the chances of success will be greatest in these countries as consumer interest in sustainability is relatively high when compared with Eastern Europe and the Middle East.

## Chapter 3

Nespresso: Search for shared value

**‘Moving towards sustainable quality will require new ways of working, with new partnerships and the ability to reinvent paradigms.’**

Mark Leenders, Nespresso

**In the past eight years, Nespresso has grown by an average of 30% annually. An impressive and, at the same time, alarming result. Alarming if the offering of high quality coffee is to keep up with the strongly growing demand.**

In a volatile world market, only 1% complies with the specific taste and aroma profiles and high quality standards that Nespresso requires. And demand for sustainability – under pressure from consumers, NGOs and governments – is growing fast.

Nespresso realises that the challenge inherent in the move towards sustainable quality will require new ways of working, including new partnerships and the ability to reinvent current paradigms. So, in 2003 Nespresso worked with the Rainforest Alliance to improve performance in terms of quality and sustainability, the Nespresso AAA Sustainable Quality™ Coffee Programme. Its aim was to help coffee farmers improve

their economic, social and environmental. Nespresso adds an important criterion to this sustainability programme: the quality of the coffee, a driver behind the growth of Nespresso. The programme was introduced in 2004. In 2005 the first AAA Grand Cru appeared: Volluto. But that was only the start of creating sustainable value.

### 3.1 Bridging the gaps

The basis of Nespresso’s vision and mission is to create shared value<sup>5</sup>. Nespresso makes sustainability goals concrete and holds multi-stakeholder meetings on a regular basis involving academics, managers, social organisations, coffee farmers and politicians.

#### Highest Quality



Commitment to highest quality runs deep and is the focal point for everything we do at Nespresso

#### Sustainability



Sourcing of highest quality green coffee while contributing to long-term social and economic development and preserving the environment

These forums offer an opportunity for everyone to exchange views and to reflect on ways of creating value for all those involved. This new terrain calls for new approaches which could perhaps also mean departing from conventional paths.

Nespresso connects shared value with value creation in 4 process-driven steps:

- in order to share value, you must create value, driven by quality, continuous innovation and specific business models
  - creating value starts by creating delighted customers
  - supply chains are sources of value, not of costs
  - sharing value creates value, either operationally or in terms of reputation
- Creating shared value is a matter of great importance to Nespresso. Recognition of this among top management at Nespresso led to fast work. In 2003, Nespresso began work on making its value chain more sustainable.

The company started its exploration of sustainability in the so-called creation phase. This first phase was characterised by an open approach involving multi-stakeholder meetings. Linking key actors who spoke the language of all parties involved with academics, technical experts, NGOs and business partners helped to build relationships. Nespresso quickly realised that better relationships led to better synergy and knowledge transfer within the group. They also became aware of the need for transparency and honesty if trust is to be created. The promise to pay a fair price for the changes and the commitment of top management definitely contributed to a constructive start.

In phase two, the emphasis was placed on organisational and operational aspects. Field visits, training events and stakeholder meetings were conducted. The greatest challenge was to quickly spread the collected knowledge and insights from phase 1 among staff of all parties involved. Although Nespresso considered the breadth of the field from the beginning, actively and fully involving all stakeholders, the number of those involved remained limited.

Working together with the Rainforest Alliance helps to reach a wider base. However, the Rainforest Alliance Certified trust mark – the frog – does not appear on the packaging and is also not used in communications. In the opinion of Mark Leenders, Business Development Director at Nespresso Club:

‘The partnership with the Rainforest Alliance is broader than our collaboration with them. There are more stakeholders actively participating in this programme to ensure highest quality and sustainability in our coffee supply chain. Therefore we have chosen to create our own logo emphasising our sustainable initiatives. Moreover, as part of our business model – we are able to communicate directly with our Club members. This allows us to communicate our aim to drive sustainability throughout our value chain with the strong support of our partners in a unique and direct way.’

#### Box 4. Certification Schemes in the Coffee Market

A broad range of certification schemes and joint programmes have emerged to aid in providing guidelines for implementation and coding the communication with consumer. Each company can determine their own (for example Starbucks’ C.A.F.E. and Nespresso’s AAA). These are called first party certification schemes and they can be crafted according to a company’s specific needs, incorporating other areas that may be particularly relevant for the corporation.

Second party programmes such as the Sustainable Agriculture Initiative (SAI) is a voluntary set of guidelines established by a group of major food industry players. The goal of the SAI is: ‘the definition and implementation of commodity-specific guidelines for sustainable agriculture which are harmonized along the food chain.’

Third party schemes are generally proposed by NGOs. They are the most prevalent in agriculture today and include Fair Trade, Utz Kapeh and the Rainforest Alliance Certified™. Fourth party certification schemes have also been established to create a multi-stakeholder voluntary scheme. The Common Code for the Coffee Community (4C) initiative was launched in January 2003 and promoted by the German Development Cooperation Agency (gtz). It involves producers, buyers, co-operation agencies, NGOs and Trade Unions. The code stresses ‘minimum’ standards that are shared across many of the other certification programmes such as minimum salaries, abandoning child labour, allowing trade union membership, which will probably soon become ‘minimum requirements’ to trade.

Source: Gabriela Alvarez, Consultant Latitude Switzerland

Quality is an aspect that is difficult to describe to consumers, even more so when it is coupled with sustainability.

- When consumers talk about quality, they mean the total product experience, including sensory experience and their appreciation of the ethical production values.
- For other consumers quality is primarily about consistency.
- When describing ‘good’ products, consumers automatically mean the product has been grown in harmony with the environment.
- Whilst consumers are aware of ethical products, they do not always feel compelled to buy them, and sometimes they opt for other brands anyway.
- There is some appreciation of the low living standards of coffee farmers and many consumers believe that their conditions should be improved.
- Most consumers believe that the profit from coffee production should be shared more equitably with coffee producers.
- Consumers appreciate Fair Trade products as they provide them with an easier conscience. There was no clear understanding on the position of Nespresso in this regard. Some consumers believed that Nespresso was part of Fair Trade or hoped that Nespresso was treating farmers well, especially as the coffee was positioned in the premium segment.

In short: it is not an environment for a single-minded message, but a terrain on which to try out different angles of attack.

In fact Nespresso sees it as its responsibility to ensure that 80% of its coffee is farmed sustainably by 2013. In June 2009, Nespresso launched Ecolaboration™ a platform for sustainable innovation and committed itself to three major targets:

- Nespresso will source 80% of its coffee through its unique AAA Sustainable Quality™ Programme and the Rainforest Alliance Certified™ farms
- Nespresso will put systems in place to triple its capacity to recycle used capsules to 75%
- Nespresso will reduce the overall Carbon Footprint required to produce every cup of Nespresso by 20%

Given that Club members play a major role in the recycling of capsules, the introduction of the Ecolaboration™ initiative has made the participation of Club members crucial. Nespresso actively encourages Club members to get involved by giving out information, makes their participation easier and emphasises the difference that club members can make. This is done via the magazine and mailshots, but primarily at the sales points: the website ([www.nespresso.com/Ecolaboration™](http://www.nespresso.com/Ecolaboration™)) and boutiques.

A recycling programme has been in place in Switzerland since 1992. Recycling corners are present in all Nespresso shops in this country – with each boutique carrying information materials, videos and, of course, a recycling bin. In Switzerland 60% of capsules was returned in 2008 and that number is still growing.

Recycling regulations in Europe vary from country to country. In Germany, Nespresso is required to recycle via the simple yet successful *Gruener Punkt* scheme. Consumers dispose of their capsules into a yellow bin at home. Following collection, the coffee and capsules are sorted and sustainably processed separately from each other.

But Nespresso is also keen to do things in its own way, which fit its brand and business model. Nespresso has piloted the set up of dedicated systems where the Green Dot system can't be used. In France, e.g., four routes are currently being used for recycling:

- 'kangaroo' distribution points, where club members can collect their orders and hand in their used capsules
- Nespresso boutique network
- waste management facility, the local waste collection points
- motorcycle couriers for the Paris region, who deliver orders within a few hours and now also take back the used capsules with them

At the end of 2009, a recycling system will be introduced in the Benelux countries.

### 3.2 What happened?

Nespresso's growth in recent years was dependent on many factors. Amongst them is the unique combination of the world's highest quality Grand Cru coffees, smart and stylish coffee machines and second-to-none customer service, to create the Nespresso Ultimate Coffee Experience. Product quality is only one of the key drivers in this promise.

After a period of eight years in which it grew at an average rate of 30% annually, Nespresso is set to grow further. Through a process of innovation, Nespresso is set to consolidate its market position while still remaining relevant to new and existing Club members and address their different needs. New market potential will differ from the fifty countries in which Nespresso is currently active and expansion will come with new challenges.

Nespresso recognises that there is a relationship between Ecolaboration™ and brand preference:

'There are customers who, because of the capsule system, have decided not to use Nespresso. With our Ecolaboration™ initiative, we have received feedback that barriers have been removed and we have been able to welcome them as new Club members', says Mark Leenders. 'In this sense sustainability acts as the foundation under the three pillars on which the Nespresso brand is constructed: perfectly portioned highest quality Grand Cru coffees, smart and easy-to-use machines and personalized and exclusive services which we know that appeals to the more than six million active Club Members.'

## Chapter 4

FSC: Stimulating demand is key to success

**‘Through good organisation of purchasing and production, the changeover to FSC paper can be made budget-neutral, or almost budget-neutral.’**

Stefan Hijstee, Maxeda

**FSC is an abbreviation for Forest Stewardship Council. The FSC is an international organisation founded in 1983, which promotes responsible forest management. The FSC has defined a worldwide standard for good forest management and has developed a trust mark for it.**

Companies that comply with these standards within the chain from tree farming to consumer products can use the trust mark. The FSC is convinced that creating demand is the key to success.

For consumers, the FSC trust mark principally becomes visible in timber and paper products. Timber-based products have the most impact on responsible timber farming: window frames, fences and (garden) furniture. Within paper, office paper is an autonomous growth market. FSC Nederland has principally grown through its covenant policy: helping to set up and fulfil concrete agreements with companies.

### 4.1 Bridging the gaps

‘That FSC paper simply doesn’t go through the copier’, complains the copying machine salesman and as a result the director of the housing association decides to have the entire piece of equipment replaced .... Or ‘I can’t fit any frames with that springy wood.’...‘That paper isn’t available anywhere and the costs are soaring...’

These are all common fallacies and misunderstandings which regularly lead to companies failing to use certified timber or paper. All of these misconceptions are due to a lack of familiarity and ignorance. In the past, increasing awareness of the FSC brand has been important.

‘The use of our trust mark on participants’ products has worked very well. With 69% of awareness being prompted and 21% being spontaneous, we’re now a big player in the leading brands league. We rank among the top five trust brands, alongside Kema, BOVAG, ISO and Nederlandse Vereniging van Huisvrouwen.’  
Arjan Alkema, Head of Policy and Communications Unit at FSC.

From the outset, the FSC realised that increasing demand would be the key to its success. This is the basis for its two-pronged strategy of making the sustainable approach of participating companies directly visible to consumers, while also increasing opportunities on the supply chain side. It does this by increasing brand awareness, and through the exchange of knowledge within networks and agreements with companies.

The formal agreements are recorded in a covenant. This gives the FSC a detailed insight into the projects for which a company wants to use certified wood or paper. For these projects, the FSC contributes its know-how and involves its network in the collaboration. The FSC adds value directly by positioning itself as a broker between demand and supply. This is a position which it can currently maintain, thanks in part to the worldwide network.

Under the leadership of Martien Kromwijk, of *Woonbron* housing association in Rotterdam, the insight came that destruction in one place doesn't have to lead to destruction elsewhere. This emerged in connection with the necessary demolition of houses from the 1950s and 1960s. Activities that, in the past, have not been performed with sustainability in mind now can, and must be. *Woonbron* Rotterdam succeeded in encouraging fifty other housing associations to link up with the FSC, and in the next few years, they will be responsible for 30-40% of all new construction in the Netherlands.

In the most recent showcase of the FSC, the power of the covenant was evident. Maxeda is a major user of paper in the Netherlands. As the parent company of, among others, de Bijenkorf, V&D, Hünkemoller, M&S Mode, Praxis and Formido, it distributes 40,000 tonnes of paper in the form of 800 million leaflets - roughly 2% of all paper used in the Netherlands. Maxeda aimed high in 2008: 100% of that commercial material was to be printed on certified paper. In 2009, the figure is 90%. The remaining 10% is at the factory, which is not yet certified. But it's only a matter of time.

There is a common perception that certified products are expensive. And that, according to Stefan Hijstee, in charge of paper purchasing for Maxeda, constitutes a significant obstacle to many companies considering switching over to FSC paper:

'Through good organisation of purchasing and production, the changeover to FSC paper can be made budget-neutral, or almost budget-neutral. Any increase in cost should be compensated for by a reduction in consumption, through the more efficient planning of production. We now work with printers who have a lower consumption of paper. In this way, we fulfil two objectives - lower use of paper and a cost-neutral switchover to FSC paper.'

#### 4.2 What happened?

Over the past ten years, FSC has grown strongly:

- market share of FSC timber increased from 4% in 1999 to 18% in 2008
- number of FSC chain of custody certificates rose from around 100 at the end of 2001 to 600 in 2008, equivalent to almost 6.5% of the total number of FSC chain of custody certificates worldwide
- prompted awareness of the FSC brand has increased from 12% in 2001 to 69% in 2008
- number of participants in FSC Nederland rose from 20 in 1999 to 190 in 2008
- number of covenants rose to 85

If this growth is to be maintained, the FSC will soon be faced with two tough challenges; continue building its own brand and recruitment of new participants. In dealing with these, the FSC will have to use its budget wisely: 40% of its financing comes from participating companies, while the remaining 60% comes from subsidies. With around 190 participants, who contribute between 500 euros and 1,250 euros each per year, there's little money left over for mass market consumer campaigns. But as all participating companies use the FSC logo in their publications, a broad audience can be reached. The key is to make the trust mark well known. So consumers know what the brand stands for and why it's important. If consumers know more, they are likely to ask for it more often. The FSC is convinced of this.

Says Arjan Alkema:

'We therefore want to spread our covenant more widely. Communication about the FSC is currently limited to one paragraph, but we want to work towards clearer agreements including the active dissemination of the FSC message - by agreeing what quantity of communication about FSC is to go out via participants' websites, inserts, customer magazines or packaging material. We then offer content. We develop a campaign visual and pay-off and offer texts: long copy and boilerplate. In that way we can consistently build an identifiable brand, via a rich network and a variety of media.'

New participants come from a range of industries. Gamma, Maxeda and Rabobank are major names that appeared in the list of participating firms from the very beginning. But there are also a number of leading brands which are not on the list: Albert Heijn, for example, Kruidvat and IKEA. IKEA has its own code of conduct, but that has been drawn up by the company itself. Is setting up of your own trust mark a real alternative? Will consumers trust it? Credibility is one of the biggest barriers to people being prepared to pay more for sustainable products.

Newspapers, too, are on the wish list of FSC Nederland. As Alkema says:

'We tried to reach agreement with two parties. It would be terrific to have one of the newspapers in the Netherlands printed on FSC paper in 2010. But there are two obstacles which will be difficult to overcome: availability and price. In Europe, paper produced specifically for newspapers is only sold by a limited number of suppliers. One cannot therefore really speak of a market effect here and the dependency for newspapers is too great.'

## Chapter 5

Essential equipment for sustainability

**‘However, it’s not a one-for-all model. Sustainability is about collaborating, learning, creating, implementing, assessing and constantly evolving.’**

Gabriela Alvarez, Latitude Switzerland

**The search for peaks has only just started! Lipton’s experience is spectacular and worth being followed by others. After six years, Nespresso deepened and broadened its programme and added new areas. FSC’s belief in market development offers perspectives at the forefront of the value chain for many brands.**

Remember that their journey has only just started. And covered the most obvious peaks. So there are some additional lessons worth considering when addressing sustainability as a real marketing topic.

### 5.1 Sustainability is a process

In times like these, sustainability should have a role in all business processes and in marketing strategies. The more natural the association between the positioning and the brand promise, the greater the chance that sustainability can be successfully linked to the brand, and ensure that the brand remains relevant to consumers.

Processes require a different way of working to projects and provide a good way of making wise strategic choices. They require an organisation to be manoeuvrable and flexible and adapt to changes in the economy, the whims of consumers, or the faster introduction of laws and regulations.

### 5.2 Sustainability calls for new guidelines

Working together with different, often new, partners takes time. All parties have to go through a learning curve, develop a shared language and be able to trust each other. The speed and flexibility of an organisation will determine whether or not it can successfully bridge the gaps. Google, for example, does not work with strategic plans, instead it uses principles. The ‘ten things they found to be true’ are to be clear, give orientation to, and empower employees in making decisions.

Google has also listed software and design principles which, at a lower level, give assistance for as-yet unknown issues. This makes Google super-responsive to what is happening in the world and to what stakeholders want from it. When talking of sustainability, this could also be an excellent way of enabling companies to respond quickly and flexibly to changes in the environment.

### 5.3 Sustainability is the management of a new sort of knowledge

Knowledge is often only available to a small number of people and can damage a company’s image if used incorrectly. It calls for precision in execution.

‘It’s important to be very clear about what it is that we’re doing. And to be careful not to overpromise or make incorrect claims. For example, we can’t say Lipton is doing fair trade, that it is ‘green’ or saving the world. We knew that we could expect all kinds of reactions, positive and negative. People also look at Unilever as a whole and ask for consistency within the company. We’re very conscious of that. We’re not afraid of this increased scrutiny, but it helps to be prepared. It’s part of creating greater transparency which we believe will in the end benefit us too’, says Michiel Leijnse of Unilever.

#### 5.4 Sustainability calls for momentum

Sometimes there will be a concrete motive for adopting a policy of sustainability, for example where companies are forced by their environment to adapt. For Nespresso, the second coffee crisis, in 2003, sent a clear signal that something needed to be done. Lipton, on the other hand, identified its motive in the life cycle of the product: tea appeared to be becoming a commodity and the added value of the world's biggest tea brand was under pressure. The Tony Chocolonely brand was created as a reaction to the lethargy of the major multinationals. And it provoked a response at Verkade.

Marketers who have an accurate view of the world in which their brands exist pick up the signs early on. Even marketers who have their antennae a little less tuned into society can still identify consumer trends. But it's also possible to move too soon, something Nike found out in 2005 with the introduction of its new line, 'Nike Considered', an environmentally friendly shoe that succeeded in winning design prizes, but did not win over the hearts of consumers.<sup>6</sup>

##### **Box 5. Tony Chocolonely. Working Towards 100% 'Slave-Free' Chocolate.**

In 2002 Teun van de Keuken discovered the abuses in the cocoa industry. People often had to work under terrible conditions being paid little or nothing to do so. Teun brought attention to the subject between 2002 and 2005 in his consumer programme *Keuringsdienst van Waarde*. As none of the major brands was working towards a genuine solution, Teun used an unorthodox weapon: he produced a new chocolate bar. This strong and likeable new brand did indeed lead to changes: Verkade now uses Fair Trade chocolate. And it does not stop there. Tony Chocolonely is currently researching an alternative chain model that might become another inspiring pilot for the sector.

#### 5.5 Sustainability is measurable

And that is important for justifying the investment required. The Good Brand Social Equity Index measures how consumers evaluate a brand's contribution to wider society based on ethical, social and environmental attributes. It is designed to help brand stewards to:

- understand which ethical, social and environmental criteria consumers are most likely to use in making their brand choices
- understand how their brand is currently perceived by consumers in their category and with competing brands
- develop a strategy based on these insights to develop their brand's appeal to these consumers
- track and monitor the impact of actions taken by them and their competitors over time

In summary, it can generate deep and highly actionable consumer insights into the brand's social value and its relevance to consumers, rather than just incorporating ethical reputation or simple rankings on sustainability. The methodology has been tested, developed and refined over several years in several markets and literally for hundreds of brands across dozens of categories.

Lessons from 2008 and 2009 show that high social equity brands are frequently associated with higher preference scores. And in the end, isn't that what marketers are always keen to influence?

Spread the word that marketing of sustainable products is well worth exploring!

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